



**Central Asia
Regional Economic
Cooperation**

Brief: Trade Facilitation

TRADE FACILITATION

I. STRATEGY AND PRIORITIES

A. Goals and Objectives

CAREC's trade facilitation program has three **goals**:

- Significantly reduce transaction costs and time by improving administrative efficiency and simplifying, standardizing, and harmonizing trade procedures.
- Encourage the free movement of people and goods.
- Increase the transparency of laws, regulations, procedures, and forms, and share information on these and other trade issues.

The program has seven **objectives**:

- Strengthen customs cooperation.
- Expand the work program to tackle broader issues of trade facilitation.
- Focus on trade facilitation for the CAREC corridors.¹
- Adopt a results-based approach to monitor time and cost savings.
- Support logistics assessments and planning that focuses on priority corridors.
- Support bilateral initiatives among CAREC countries and share experience through the Customs Cooperation Committee (CCC).
- Promote closer partnership between CAREC's participating multilateral institutions and key international agencies to support customs reform, trade facilitation, and logistics development.

B. Program Components

The program comprises two **components to reduce trade costs**:

- **Customs cooperation through reform and modernization.** Customs cooperation is the core of trade facilitation. The medium-term objective is to promote concerted customs reforms and modernization, with the CCC serving as a regional forum to discuss issues of common interest. CAREC countries are simplifying and harmonizing customs procedures by adopting customs codes in line with the Revised Kyoto Convention and introducing risk management practices, joint customs control, and customs automation. Customs administrations are changing: once oriented toward control, they are now beginning to facilitate compliance.

¹ Corridor 1 (Europe–East Asia), Corridor 2 (Mediterranean–East Asia), Corridor 3 (Russian Federation–Middle East and South Asia), Corridor 4 (Russian Federation–East Asia), Corridor 5 (East Asia–Middle East and South Asia), and Corridor 6 (Europe–Middle East and South Asia).

- **Integrated trade facilitation.** Trade facilitation involves more than border measures. Improved border-crossing processing and measures can result in large economic benefits. Trade impediments fall most heavily on exports other than the main primary product exports (e.g., oil and gas, cotton, and minerals) and on small and medium-sized enterprises and traders. Effective trade facilitation involves numerous agencies and public–private partnerships within a country. It depends on efficient trade logistics services, which in turn depend on reliable, well-maintained infrastructure. Services focus on priority trade corridors, establishment of single-window facilities, support for joint transport and trade facilitation committees, and capacity building.

Relevant agencies' representatives in each country must work in concert to identify the steps to facilitate trade, and to establish priorities and timelines to implement them, thereby creating a holistic strategy. Similarly, private sector operators, principally trade logistics service providers, must interact regularly with policy makers to design and implement trade facilitation measures. To support this effort, national joint transport and trade facilitation committees or similar organizations are being established in CAREC countries. The committees will oversee performance measurement and monitoring. They will include representatives of all government agencies in charge of transport, trade, and border-crossing activities (e.g., ministries of transport, trade, and economy; customs departments; and agencies in charge of quarantines, sanitary and phytosanitary standards, product standards, security, and immigration); and freight forwarders associations and logistics service providers. Private sector participation in these interagency bodies is key to success.

II. KEY ACHIEVEMENTS

A. Customs Cooperation

CAREC customs administrations have progressed significantly in the five priority areas of the CCC.² All CAREC countries have adopted new and/or amended customs codes as per the Revised Kyoto Convention, and made great strides toward simplifying and harmonizing customs procedures. Most countries are also investing in automated customs information systems. These initiatives stimulated and accelerated the legal and regulatory reforms needed to allow electronic processing of customs clearance procedures.³ All countries, at varying paces, are moving toward establishing national single windows and upgrading their risk management systems.

Joint customs control (JCC). JCC pilots using bilingual harmonized cargo manifests have been conducted at selected border-crossing points at the People's Republic of China (PRC)–Kazakhstan border since 2007 and at the PRC–Mongolia border since 2009, with highly positive results. At the pilot sites, customs clearance time has been reduced by about 35% on average, and data accuracy improved. The pilots' coverage is, therefore, being expanded. A new JCC pilot site was recently launched at the Gashuun Sukhait (Mongolia)–Ganqimaodao (PRC) border-crossing point pairs. JCC contributes directly to the two building blocks of the Customs in

² (i) Simplification and harmonization of customs procedures and documentation, (ii) information and communication technology for customs modernization and data exchange, (iii) risk management and post-entry audit, (iv) joint customs control, and (v) regional transit development.

³ Reforms include amending customs codes to comply with international standards, standardizing and streamlining documents, and adopting laws to support e-commerce.

the 21st Century Agenda of the World Customs Organization (WCO): globally networked customs and better coordinated border management.

Time release studies (TRS). The initiative is a targeted approach to review customs' and other border control agencies' clearance procedures, and to identify problems and solutions to make customs clearance more efficient. In partnership with WCO, a CAREC TRS planning workshop was conducted in Tashkent, Uzbekistan, to train customs officials to conduct TRS and perform complementary analysis. The TRS results will complement the time–cost–distance data gathered under a CAREC initiative, Corridor Performance Measurement and Monitoring (CPMM). Mongolia has started to implement TRS. WCO will conduct more in-country training to help Afghanistan, Pakistan, and Uzbekistan customs launch their own TRS program.

Capacity building. Specialized training for customs officials on risk management, automation of customs procedures, customs intelligence, among others, is provided in close coordination with development partners such as WCO and Shanghai Customs College. ADB and the General Administration of Customs of the PRC have cosponsored customs modernization training courses for Mongolia and CAREC customs officials in the last 5 years. Expertise in the specialized field of customs control for pipeline-transported energy products is shared through study tours and dialogues. Urumqi Customs visited their counterparts in Kazakhstan, Turkmenistan, and Uzbekistan to discuss and share information on and experiences in trade policies, customs control legislation, and regulations and laws related to pipeline transport of crude oil and natural gas and its products.

B. Integrated Trade Facilitation

To complement the CCC process, interagency cooperation and partnership with the private sector have been strengthened. The CAREC Federation of Carrier and Forwarder Associations (CFCFA) was established in 2009.

CAREC Federation of Carrier and Forwarder Associations. CFCFA, established with 14 member associations from the 8 original CAREC member countries, now has 18 members. Associations from Pakistan and Turkmenistan are expected to join soon. The federation has a constitution and a set of officers elected in 2010. CFCFA sponsored a series of events in Chongqing, PRC, in February 2011, including a business networking forum, which brought together over 200 people and provided an opportunity for PRC transport operators and freight forwarders to meet and network with their CAREC counterparts. The **CFCFA website (www.cfcfa.net)** provides information on CFCFA activities and includes an interactive page for corridor performance measurement and monitoring results. Three working groups were created at the CFCFA annual meeting held in Issyk-Kul, Kyrgyz Republic, in August 2011, and priority projects were identified for implementation in 2011–2012.

Corridor Performance Measurement and Monitoring initiative. CPMM gathers primary data on the cost and time spent by road carriers and freight forwarders to transport goods along the six priority corridors. CPMM's methodology allows decision makers to locate bottlenecks and identify obstacles to the smooth flow of trade. Border-crossing points are major bottlenecks and can be cleared, on average, within 8.5 hours at a cost of US\$175.80 (compared with 2 hours at European Union corridors). For Q3 2011, the two slowest border-crossing points were Khorgos (PRC, 38.6 hours) and Dustlik (Uzbekistan, 38.8 hours), mainly because of inadequate infrastructure, lack of proper loading and unloading equipment, and complex customs clearance procedures.

Regional Improvement of Border Services project. Truck drivers operating along CAREC corridors reported that customs clearance, border security, transport inspection, and phytosanitary and health and/or quarantine inspections were the most frequent causes of delay. A regional investment project is being prepared to solve the problem. The project will have two distinct but closely linked components: border-crossing point infrastructure improvements and the development of regionally linked single-window facilities.

Capacity building for integrated trade facilitation. A major objective of trade facilitation is to raise the level of professionalism, efficiency, and quality of CAREC road carriers, freight forwarders, and logistics companies through mutual cooperation efforts. Trade logistics management trainings have been held in Tashkent, Uzbekistan, and Urumqi, PRC.

III. FUTURE DIRECTIONS

Priority areas for trade facilitation include the following:

- Finish preparing the Regional Improvement of Border Services project and support its implementation in partnership with other agencies.
- Strengthen CCC and support its activities in the five priority areas.
- Continue customs modernization training in collaboration with the WCO-designated regional training institutions to improve member countries' capacity to implement the 10 building blocks of the Customs in the 21st Century (C-21) agenda.
- Conduct more trade logistics management training, particularly in Kazakhstan and Mongolia in 2012.
- Conduct a midterm review of the CAREC Transport and Trade Facilitation Strategy (TTFS) and Implementation Action Plan. (A midterm review of the TTFS will be conducted during 2013–2014 to refine the Action Plan.)
- Continue monitoring corridor performance and the trade facilitation indicators through CPMM and TRS.
- Strengthen ties with the private sector and support priority projects of the CFCFA (standardize documentation, hold the Financial Services and Logistics Forum and Business Development Forum II, and seek ways to ensure CFCFA sustainability).
- Explore opportunities for cooperation between CCC and CFCFA, including joint capacity-building activities.
- Explore new cooperation areas such as harmonizing sanitary and phytosanitary inspection measures and facilitating the movement of people (particularly business people and truck drivers), as well as areas critical for achieving the transformation of CAREC transport corridors into logistic and economic corridors as noted in CAREC 2020.