



Reference Document  
For Session 1 of the Senior Officials' Meeting  
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# **Trade Facilitation Sector Progress Report and Work Plan (October 2016–June 2017)**

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## I. Sector Progress

### A. Introduction

1. The trade facilitation program implements its strategy through two major coordinating bodies - the Customs Cooperation Committee (CCC) and the CAREC Federation of Carrier and Forwarder Associations (CFCFA), and temporary working groups in new areas of work such as sanitary and phyto-sanitary (SPS) measures technical working groups. The CCC is comprised of heads of customs authorities of 11 CAREC member countries, and serves as a forum to address common customs issues, to introduce innovations and share knowledge on international best practices; and deepen cooperation efforts amongst the members and with other trade and border management authorities. CFCFA is a private sector nonprofit organization. Its major objectives are to facilitate transport, trade and logistics development in the region, and to advance the interests of road carrier, freight forwarder, and logistics service provider associations that are its active members. There are currently 22 member associations and membership<sup>1</sup> is expected to expand as the CFCFA work plan for 2017 includes enlistment of new members and recruitment of new enterprises into their national associations to broaden participation of the private sector in CAREC including associations from Georgia.

2. CAREC's trade facilitation program can be organized into two components: customs cooperation under the auspices of the CCC and integrated trade facilitation initiatives dealing with issues and institutions beyond customs.

3. On customs cooperation, CCC promotes reform, modernization and cooperation among member customs in the following priority areas: (i) simplification and harmonization of customs procedures, which is the core requirement of the Revised Kyoto Convention (RKC), (ii) information and communication technology (ICT) development and data exchange, (iii) risk management and post-entry audit, which includes the periodic conduct of time release studies (TRSs) and the adoption of Authorized Economic Operators (AEO) programs, (iv) joint customs control (JCC), and (v) regional transit development. Integrated trade facilitation complements the CCC process bringing trade related agencies and private sector into the broader effort of trade facilitation. The current focus is on: (i) border crossing point (BCP) improvements and single window development and, (ii) private sector participation, (iii) corridor performance measurement and monitoring (CPMM), (iv) sanitary and phytosanitary (SPS) measures, and (v) coordinated border management (CBM).

4. With the recent joining of Georgia into CAREC in September 2017, an orientation workshop was conducted in February 2017 in Tbilisi. The workshop introduced salient features of the CAREC Trade Facilitation Program to government officials and other stakeholders, and identified technical cooperation possibilities with Georgia. Although new to the CAREC program, Georgia's customs has been implementing a series of reform and modernization measures, which leads other CAREC member countries and can be a source of best practices. Both Georgian government and private sector stakeholders view regional integration cooperation programs, such as the CAREC, as key in leveraging their comparative advantage for continued economic prosperity and sustainable development.

5. On 22 February 2017, the World Trade Organization (WTO) Trade Facilitation Agreement (TFA) came into force which requires all WTO members to comply with the TFA. The TFA provides for expediting the import, export and transit procedures including the movement, release

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<sup>1</sup> The list of CFCFA members is in Attachment 1.

and clearance of goods with a view to reducing related costs. It improves cooperation between customs and other authorities, and enhances technical assistance and capacity building. As such, the TFA fully supports the CAREC trade facilitation program. A meeting to discuss the status of TFA implementation in CAREC countries, including the establishment of National Committees on Trade Facilitation (NCTFs), was held on 30 May to 2 June 2017 in Seoul Korea in coordination with the Korea Customs Service.

## **B. Operational and Organizational Effectiveness**

### **1. Customs Cooperation**

6. 2016–2017 have been busy years and CCC pursued a number of concrete initiatives in the above stated five priority areas, funded by the three Japan Fund for Poverty Reduction (JFPR) regional technical assistance (RETAs) and the newly approved RETA 9162 Implementation of Trade Facilitation Initiatives in CAREC. The three JFPR funded RETAs, that advocate customs reform efforts and initiatives supporting the five priority areas, have been extended until September 2017.<sup>2</sup> The remaining funds are being used to conduct more workshops and trainings;<sup>3</sup> to publish a report on the Facilitation of Regional Transit Trade in CAREC; and to pilot-test the CAREC Customs Information Common Exchange (ICE) and the CAREC Advanced Transit System (CATS).

7. **Revised Kyoto Convention (RKC) Accession.** In collaboration with the World Customs Organization (WCO), two national workshops on the Revised Kyoto Convention were held in March 2017 in Ashgabat and in April 2017 in Bishkek.<sup>4</sup> The workshops emphasized that a significant benefit of acceding to the RKC is the announcement that the country has put in place international customs standards. RKC accession also helps governments achieve an appropriate balance between international trade facilitation and regulatory control, which is particularly important in the present climate of global unrest, where the need to maintain high levels of border security remains essential. In addition, the workshops improved the understanding of participants of the provisions included in the Convention, and built their capacity to use the available self-assessment tools to assess the compliance of the national legislation with the provisions of the RKC.<sup>5</sup> In Turkmenistan, participants assessed compliance of the national legislation with provisions of the RKC and found that the national legislation was largely compliant with the RKC provisions. For the Kyrgyz Republic, recent amendments to their customs code—with their joining the Eurasian Economic Union—necessitated their second workshop on RKC gap analysis to determine how the new customs code compare with the RKC provisions; participants formed working groups that will work towards facilitating accession to the RKC.

8. **CAREC Advanced Transit System (CATS).** The overall objectives of the CATS are to (i) enhance the security of the supply chain across the CAREC region, (ii) help trade flow more smoothly and efficiently across the borders, and (iii) reduce the overall cost of trade. It aims to streamline and harmonize transit documentation, replace manual processes with a single

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<sup>2</sup> RETA 8584: Coordinated Border Management for Results in CAREC; RETA 8585: Aligning Customs Trade Facilitation Measures with Best Practices in CAREC; and RETA 8586: Facilitation of Regional Transit Trade in CAREC.

<sup>3</sup> Such as use of Time Release Study, introduction of the Coordinated Border Management principles, and accession to the Revised Kyoto Convention.

<sup>4</sup> Turkmenistan: National Workshop on RKC Awareness and Self-Assessment Tools; and Kyrgyz Republic: National Workshop on RKC GAP Analysis for Customs Modernization.

<sup>5</sup> RKC, which the WCO developed, is the main trade facilitation and customs convention, and entered into force in February 2006.

electronic messaging system, and provide a modern, risk-based affordable guarantee mechanism. It will also provide compatibility with existing transit systems including the European Union's New Computerized Transit System

9. The final workshop of the RETA on Facilitation of Regional Transit Trade in CAREC last December 2016 in Baku served as a validation workshop to endorse the proposed regional transit guarantee mechanism, the CATS, and discuss implementation arrangements. It was agreed to pilot test it along CAREC sub-corridor 2a involving Azerbaijan, Kazakhstan and Georgia. An aide memoire was signed by the three countries indicating their willingness and readiness to participate in the pilot. However, since Georgia was not covered in the early country studies under the RETA, Georgia customs officials requested that a more detailed discussion with government agencies be held to confirm their participation. The RETA consultants were fielded in February 2017 to meet and consult with Georgia's customs and trade-related agencies to discuss details of the proposed regional transit scheme and mechanics to pilot-test the CATS. The Final Report on the Facilitation of Regional Transit Trade in CAREC was submitted in March 2017 which will be published before the end of the year. The 15<sup>th</sup> CCC meeting in Singapore in September 2016 endorsed the pilot implementation of CATS

10. There are three fundamental pillars to the CATS, the first being the development of a single regional electronic transit document which will contain all the information that is necessary for completing the formalities for the transit of goods. The second pillar is the authorized economic operators (AEOs) in the countries undertaking transit movements where no financial guarantees are required. Transit movements are instead guaranteed by the AEO and agreed standards and safeguards for the revenue are set by the Customs authorities. The third pillar is the single/comprehensive guarantees which would be calculated based on the highest rate of duty applicable to the goods in the country of departure. A comprehensive guarantee would cover a specific number of transit operations up to one year. To use this facility, the trader would be required to fulfil certain common criteria set by Customs. The level of guarantee will be set as a percentage of the duties and taxes at risk. This pillar will replace the existing flat rate charge on transit movements with a risk-based insurance mechanism to cover the transit movement of goods thus making the transactions more cost effective.

11. **Information Common Exchange (ICE).** At the 15th Annual CCC meeting in Singapore in September 2016, the participants agreed to also pilot the ICE. To optimize resources, the scheme will be pilot-tested also in Azerbaijan, Georgia, and Kazakhstan as an integral part of the CATS. Missions were fielded in these countries in March 2017 to meet with customs authorities and discuss: (i) current customs IT system details and its use of pre-arrival notifications and transit declarations; (ii) existing and planned bilateral and multilateral agreement with other customs authorities regarding electronic information exchange; (iii) implementation of the CATS from IT system perspective; (iv) implementation of ICE for customs-to-customs exchange of cargo pre-arrival and transit information; and (v) proposed implementation model for the integration of ICE with the current customs IT systems. Overall, the three countries' technical capabilities put them in excellent position to implement the ICE. In addition, Azerbaijan and Georgia have already established a data exchange system, and Azerbaijan has a bilateral agreement with both Georgia and Kazakhstan for customs-to-customs exchange of information which will facilitate the conduct of the ICE pilot. However, Kazakhstan customs will launch a new system, Astana-1, based on to ASYCUDA<sup>6</sup> World modules in July 2017 to replace the five existing customs automated systems.

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<sup>6</sup> Automated SYstem for CUstoms Data, a computerized customs management system, developed by United Nations Conference on Trade and Development (UNCTAD), current offers three versions: ASYCUDA World; ASYCUDA++; ASYCUDA v2. ASYCUDA World.

There is a concern with how the proposed CATS will co-exist with Astana-1. This may require the authorization of Kazakhstan State Revenue Committee top management before firm commitment to participate in the pilot can be obtained.

## 2. Integrated Trade Facilitation

12. **Implementation of the TFA.** With the coming into force of the TFA, it will be crucial to provide technical assistance to CAREC countries to support its implementation. To determine the appropriate technical assistance, an assessment of the readiness of CAREC countries (both WTO members and non-members) to implement the TFA will be undertaken. National TFA assessment consultants to undertake the necessary research and analysis of documents and country activities to prepare the country assessment report have been hired. Based on these assessments, a regional knowledge support technical assistance will be prepared.

13. Seven CAREC countries have ratified the TFA - Afghanistan, People's Republic of China, Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, and Pakistan. These countries also notified the WTO on their Category A designations of the TFA provisions; Georgia has also provided Category B and C designations. Among these seven countries, China, Kazakhstan, Mongolia, and Pakistan have also acceded to the Revised Kyoto Convention (RKC), which entered into force in 2006. RKC is an instrument that provides implementation tools for the high principles set by WTO, thus compliance with it puts a country ahead in implementing the TFA.

14. Upon entry into force of the TFA, countries are mandated to establish national committees on trade facilitation (NCTFs) or similar mechanisms. It is reported that Azerbaijan, Kyrgyz Republic, Mongolia and Pakistan have NCTFs, while People's Republic of China has a WTO Negotiations on TF Support Group, Afghanistan has a PRO Committee and Kazakhstan has Transport Facilitation Committee. The proposed assistance will support the strengthening of the existing NCTFs and similar mechanism and assist countries where no NCTFs have been established.

15. **Implementation of the CAREC Common Agenda for Modernization of SPS Measures for Trade Facilitation.** CAREC members, in adopting the Common Agenda, recognize that a regional approach is critical for effective SPS control. The Regional Upgrade of SPS Measures for Trade (RUST) was designed for CAREC member countries to work together to promote concerted SPS reforms of policies, investments in laboratory capacities, and border SPS management. Mongolia is taking the lead in implementing this under its MUST loan, through which it will improve laboratories and BCP inspection and quarantine facilities in three aimags (or provinces), establish an integrated SPS inspection management system, and align SPS control and inspection with international standards.

16. A regional technical assistance project on Transforming SPS Measures for Trade Facilitation is being proposed to start in July 2017 that will further help implement the Common Agenda. The TA will help each CAREC country adopt SPS measures that are aligned with international standards for plant and animal health and food safety, and the principles described in the WTO SPS Agreement.<sup>7</sup> All together, these country SPS measures will constitute the CAREC regional SPS measures. TA milestones will include the development of national action plans, establishment of a national and regional SPS coordination mechanisms, and building capacity to implement SPS measures to facilitate trade. The TA will complement the implementation of the MUST in Mongolia and other ADB assisted projects in the area.

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<sup>7</sup> These principles are: necessity, science and risk basis, non-discrimination, equivalence, and regionalization.

17. **Regional Improvement of Border Services (RIBS).** To address the main bottlenecks at the border, such as inadequate facilities and cumbersome procedures, RIBS projects designed to coordinate infrastructure improvements and border crossing clearance procedures in select border crossing points, are being implemented in four countries:

- Kyrgyz Republic: Karamyk BCP on CAREC corridors 3b and 5;
- Mongolia: Altanbulag, Bichigt and Zamyn Uud BCPs;
- Pakistan: Torkham, Chaman, and Wagha BCPs;
- Tajikistan: Guliston BCP on Osh-Batken-Isfara-Khujand highway.

18. Guliston Border Crossing Point (BCP) in Tajikistan was completed in 2016, while the construction of BCP Karamyk in Kyrgyz Republic commenced in Q2 2017. The National Single Window (NSW) in Kyrgyzstan has been modernized and the NSW in Tajikistan is operating in pilot mode. Further work for single window development will focus on required legal and institutional reforms to facilitate cross-border trade, integration of information systems of all government agencies involved in trade regulation into the NSW systems, cross-border integration of NSW systems, and capacity development of national trade regulation agencies and single window state enterprises. In Pakistan, three BCPs – Torkham, Chaman and Wagha, are expected to be improved under the RIBS Project. Procurement of civil works, detailed design of facilities and land acquisition are currently ongoing. In Mongolia, the offer of a grant from the People's Republic of China (PRC) to rehabilitate and improve Mongolia BCPs bordering with PRC will necessitate a change in scope in the implementation of the project. Proposed changes include (i) rehabilitation of BCP facilities only at Altanbulag (Zamyn Uud and Bichigt renovation will be covered by the PRC grant); provision of new equipment to strengthen customs processing capacity at Altanbulag, Zamyn Uud and Bichigt BCPs; (iii) construction of 1.6 m. road from Alatanbulag BCP to main road; and (iv) construction of single stop service center for all border agencies at Sukhbatar BCP for rail at Selenge *aimag* (province)

19. **Training and capacity building.** In collaboration with the WCO and in partnership with CAREC Institute, the second workshop on Coordinated Border Management (CBM) in CAREC was held last November 2016 in Bishkek<sup>8</sup> participated by border and trade officials from customs, sanitary and phytosanitary, transport, and border control point of the People's Republic of China, Kazakhstan, the Kyrgyz Republic, and Tajikistan. The workshop introduced international agreements and guidelines (e.g. related WCO standards, guidelines, and compendiums), shared experiences through case studies (Germany, Singapore, and the United States), and reviewed the progress in selected CAREC member countries (single window developments in the Kyrgyz Republic and Tajikistan) and Malaysia. Breakout sessions were organized for participants from the respective countries to discuss and present their cases. Participants indicated that the workshop was informative and relevant, and hoped for ADB's continued support.

20. The TFA encourages establishment and publication of average release times. CAREC has trained and provided technical advisory support to CAREC customs authorities to properly conduct of TRS and analyze results. In coordination with CAREC Institute, a workshop was held in April 2017 in Almaty, where international consultants provided additional and more specialized training on the conduct of TRS for Kazakhstan, Kyrgyz Republic, Tajikistan, Uzbekistan, and Georgia customs and facilitated the preparation of national TRS action plans. The consultants also met with customs higher management to discuss the complementary use of TRS and CPMM

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<sup>8</sup> CBM refers to the coordinated approach by border control agencies, both domestic and international, in improving the efficiency of managing the flow of goods and people across borders while maintaining a balance with compliance requirements.

data, the need to support the TRS working groups and the need to conduct TRS on a periodic basis.

21. **Collaboration with the private sector.** CFCFA remains an active partner in the implementation of the CAREC trade facilitation program. A major aim of the Federation is to introduce and adopt best practice and standards among its members. Proposed standards on liability insurance, information technology, logistics equipment, document preparation, container consolidation services, and contract and trading conditions are now being reviewed by a International Federation of Freight Forwarders (FIATA) expert to check if the proposals conform to international standards. A meeting to review and consider adoption of these standards by all members is scheduled in June 2017. CFCFA will also hold a knowledge sharing and training workshop for all members during that period.

22. At the joint CCC-CFCFA meeting in Singapore in September 2016, the CCC encouraged CFCFA members to actively participate in CATS and ICE pilot implementation. CFCFA members have the first-hand experience with increased cost and lengthy delays due to inconsistent, repetitive and unclear procedures forms and uncoordinated efforts from concerned trade-control agencies. CFCFA participation in the CATS pilot implementation will be very useful as they can provide detailed risk data on traders, carriers and forwarders and partner with customs in standardizing single transit document and trade control procedures. Further, CFCFA can assist customs set up an adequate grievance channel for private sector operators to bring their cases to customs authorities, and join forces with customs in capacity building activities and conducting research in common areas of interest.

23. CFCFA members also continue to provide primary data for the Corridor Performance Measurement and Monitoring (CPMM) exercise. The CPMM analyzes the time and cost of cargo movement along CAREC corridors and identifies the bottlenecks so that measures can be taken to address them. A current limitation of the CPMM is the limited coverage of data on cross-border movement of goods at the Caucasus and the Trans-Caspian regions. With Georgia becoming an official member of CAREC, it is now possible to collect and analyze transport data connecting goods from the East China Sea to the Black Sea. The Georgian International Road Carriers Association (GIRCA) has expressed their interest in participating in CPMM (and in joining CFCFA). GIRCA can collect data on Corridors 2 and 6 as soon as these corridors are extended into Georgia covering land border crossing points at Azerbaijan and Turkey, as well as including important seaports at the Black Sea

### C. Sector Outcomes and Outputs

24. **Trade facilitation indicators.** Trade Facilitation Indicators (TFIs) provide a benchmark to assess progress of the CAREC trade facilitation program. Road and rail performance markers for the region for the period 2014–2016 are shown below:

**Table 1: Trade Facilitation Indicators for Development Effectiveness Review (2014–2016)**

| <b>Road Indicators</b>                                      | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>YoY</b> |
|---|-------------|-------------|-------------|------------|
| TFI1 Time taken to clear a border crossing (hours)          | 9.9         | 9.3         | 11.3        | 21%        |
| TFI2 Costs incurred at a border crossing point (\$)         | 177         | 149         | 160         | 7%         |
| TFI3 Costs incurred to travel corridor section (\$)         | 1,359       | 1,341       | 1,174       | -12%       |
| TFI4 Speed to travel 500 km on CAREC corridor section (kph) | 22.9        | 23.2        | 22.3        | -4%        |

| <b>Rail Indicators*</b>                                     | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>YoY</b> |
|---|-------------|-------------|-------------|------------|
| TFI1 Time taken to clear a border crossing (hours)          | 32.6        | 27.4        | 25.9        | -6%        |
| TFI2 Costs incurred at a border crossing point (\$)         | 148         | 208         | 215         | 3%         |
| TFI3 Costs incurred to travel corridor section (\$)         | 1,364       | 1,250       | 966         | -23%       |
| TFI4 Speed to travel 500 km on CAREC corridor section (kph) | 11.4        | 14.0        | 14.3        | 2%         |

\$ = US dollar; kph = kilometers per hour; TFI1 = trade facilitation indicator #1; YoY = year-on-year.

\*Rail sample is comprised of records from Corridors 1, 4, and 6\*\* only.

\*\*No rail data for corridor 6 collected in 2014 and 2015.

**25. TFI1: Time taken to clear a border crossing (hours).** Road border crossing continue to be shorter than that of rail. However, this gap narrowed in 2016 due to the 21% increase in road border crossing (from 9.3 hours to 11.3 hours) and improved rail border crossing time (dropped by 6% to 25.9 hours). Long delays at BCPs along Corridors 5 and 6 contributed to the deterioration of the indicator and affected the overall average for the region, particularly at the BCPs between Pakistan-Afghanistan-Turkmenistan along Corridor 6 ever since CPMM samples from these BCPs have been included since August 2016. Delays at border crossing for shipments from Pakistan to Afghanistan were lengthy due to long waiting time at Chaman, PAK (22 hours), and Spin Buldak, AFG (14 hours). At the border to Tajikistan, waiting time at Shirkhan Bandar reached 60 hours due to the heightened perceived risk related to shipments from Afghanistan. Customs formalities were found to be time-consuming at Chaman (35 hours), Spin Buldak (27 hours), Peshawar (27 hours) and Torkham (24 hours). Rail border crossing remained lengthy attributed mainly to long waiting time due to shortage of wagons (24.8 hours), and restriction on entry (19.1 hours). Transloading at gauge change points averaged 21 hours for inbound shipments at Erenhot. New data on rail transit crossing Towraghondi-Serkhet Abad (AFG-TKM) shows long waiting time delays due to inefficient train operation at the Towraghondi train terminal.

**26. TFI2: Costs incurred at a border crossing point (\$).** In 2016, average costs incurred at BCPs slightly grew by 7% (\$160) for road border crossing and by 3% (\$215) for rail. Highest cost items were customs clearance and loading/unloading fees. Payments for escort/convoy were particularly high for outbound shipments at Nizhni Pianj (TAJ) and inbound shipments at Dautota (UZB) contributing to the sharp increase of average border crossing cost of corridors 5 and 6. New data of shipments from Urumqi, PRC to Khovd, MON along corridor 4a reveal relatively high border crossing costs at Takeshiken (\$222) and Yarant (\$224) attributed mainly to high loading/unloading fees. In rail border crossing, higher loading/unloading fees of non-containerized cargoes (which was observed to be more prevalent in Central Asia) at BCPs along corridor 1 contributed to higher overall average. Other cost factors were transloading at gauge change point, customs inspection, and commercial inspection.

**27. TFI3: Costs incurred to travel corridor section.** TFI3 estimates continue to improve exhibiting a substantial decline, in nominal terms, of 12% for road transport and 23% for rail. Lower transportation cost, mostly due to declining fuel prices, prompted a price competition between transport operators in contiguous countries resulting in lower TFI3 estimates. Transport cost of shipments across Tajikistan (from Tursunzade to Nizhni Panj) and of transit shipments from PRC-Tajikistan-Afghanistan reveal substantial reduction, affecting TFI3 estimates of corridors 3 and 6. On the other hand, improvements in rail transport cost are attributed to lower railway tariffs and border crossing fees along Corridors 1 and 4.

28. **TFI4: Average Traveling Speed (kph).** In 2016, average Speed Without Delay (SWOD) estimates remained steady at 41.7 kph for road and 38.6 kph for rail. Meanwhile, Speed with Delay (SWD considers border crossing delays and intermediate stops) estimates registered a slight reduction of 4% (22.3 kph) in speed of trucks; trains exhibited a modest increase in speed by 2% (14.3 kph). inefficient road border crossing resulted in slower SWD indicators. This is notable for trucks driving along Corridor 5, registering an average SWD of 11.6 kph despite an SWOD of 38.4 (slowest compared to that of other corridors). Border crossing delays at Afghanistan-Pakistan borders stated above severely affected the transport speed of goods. On the other hand, improvements observed in rail border crossing reflected the same improvements in rail SWD estimates.

## II. Work Program 2017–2018

29. As the WTO TFA has been ratified by two-thirds of WTO member countries on 22 February 2017, a major milestone for the global trading system, CAREC trade facilitation team is preparing a review of CAREC member countries' (including non-WTO member) commitments to and implementation status of the WTO's TFA. Such review will serve as a precursor to developing a CAREC trade facilitation strategic framework that will be consistent with the forthcoming CAREC 2030. The TF sector will also support countries in implementing the TFA in their respective jurisdictions.

30. On CATS, the three pilot countries, namely Georgia, Azerbaijan, and Kazakhstan (*still yet confirmed*) will sign a protocol for testing the operation of the comprehensive regional transit guarantee scheme to facilitate the movement of goods throughout the CAREC region. The key features that will be evaluated during the pilot phase are:

- The use of a regional electronic transit document based on an agreed single transit document and workflow;
- Varying the customs guarantee levels considering the risk posed by the individual transit operator; and
- Provision of a facility to guarantee several transit movements over a period using a comprehensive transit guarantee facility

31. On ICE, three or four selected CAREC customs authorities (e.g., Azerbaijan, Georgia, Kazakhstan, and Uzbekistan) will sign a protocol to implement a proof-of-concept (POC) for information exchange of customs documents (potentially working together with the CATS to exchange the single transit document among participating customs) developed using existing best practices. The deliverables of the pilot would be a set of technical documents on how the information exchange was achieved; a proof-of-concept system that can demonstrate the exchange; and other artifacts that can be used to guide other countries to implement future exchange of customs information. Building on the successful POC, CAREC trade facilitation program will prepare the information exchange guide and the system demonstration leading into a regional agreement on customs data exchange.

32. Preparation of the regional technical assistance on Modernizing SPS Measures to Facilitate Trade is being pursued. Funding from the Regional Cooperation and Integration Fund has been obtained and additional funding from the People's Republic of China Regional Cooperation and Poverty Reduction Fund is being sought. Upon approval, the TA will assist each country create an SPS Working Group, which will (i) develop national strategies to ensure that

SPS measures<sup>9</sup> fulfill their main objective of protecting human, plant, and animal life and health without becoming barriers to trade, (ii) oversee the implementation of such strategies. These SPS National Working Groups will also define risk-based (i) national pest lists and import requirements, (ii) categories of animal diseases important to trade, of goods subject to veterinary control, and notifiable diseases, (iii) assessment criteria and categories for food products. They will also develop and implement a border SPS management strategy (based on the Coordinated Border Management approach and the harmonized SPS measures) and forge an institutional arrangement that defines each border agency's role and mechanisms for cooperation as well as the flow of information.

### **III. Key Issues for Guidance by the SOM**

33. Pilot implementation of the CATS and ICE pilots involves different agencies across several sectors such as customs and other border regulatory agencies and the private sector – carriers and forwarders, insurance and guarantee companies, and banks. The agreements between pilot countries on the adoption of single transit document, mutual recognition of AEOs and guarantors, actual level of comprehensive guarantees, and the use of an information common exchange will be critical to implement the pilots. SOM's support on the basic concepts and principles underpinning these proposed innovative regional initiatives will provide the push for the pilot countries to facilitate implementation of the pilots.

34. Since the WTO TFA is now effective, CAREC countries who are WTO members are required to: (i) have an NTFC in place; (ii) notify WTO of Category A designations; (iii) implement Category A designations; (iv) notify WTO of Category B & C designations and indicative dates for implementation. These requirements upon entry will necessitate support from donors and the support of SOM to encourage countries to prioritize implementation of TFA provisions will be essential.

35. Trade facilitation areas will be further broadened and deepened to help CAREC member countries respond more effectively to the challenges of opening their economies and promoting trade and private sector led growth. These would include (i) implementation of WTO TFA in close cooperation with trade policy making agencies and all related stakeholders, including the private sector; (ii) expanding the current set of customs and integrated trade facilitation agenda; (iii) exploring potential work in the movement of people; and (iv) addressing trade facilitation issues in a cross-sectoral setting, anchored on economic corridor development (e.g., special economic zones (SEZs) and cross border economic zones (CBEZs), participation in regional and global value chains, e-commerce, cross-border finance, and access to trade by small and medium-sized enterprises (SMEs), etc.). A new strategic framework for trade facilitation, consistent with the new forthcoming CAREC Strategy 2030, will need to be formulated. SOM's support on future directions and plans will be needed.

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<sup>9</sup> This includes all laws, decrees, regulations, requirements, and procedures related to (a) end product criteria, (b) processes and production procedures, (c) testing, (d) inspection, (e) certification and approval procedures, (f) quarantine treatments, (g) statistical methods, (h) sampling procedures, (i) methods for risk assessment, and (j) packaging and labeling.

**List of CFCFA Members (as of 11 May 2017)****A. Afghanistan**

1. Association of Afghanistan Freight Forwarder Companies (AAFFCO)

**B. Azerbaijan**

2. Azerbaijan International Road Carriers Association (ABADA)

**C. People's Republic of China**

3. China International Freight Forwarders Association (CIFA)
4. Inner Mongolia Autonomous Region Logistics Association (IMARLA)
5. Chongqing International Freight Agency Association (CQIFA)
6. Xinjiang Uygur Logistics Association (XULA)

**D. Kazakhstan**

7. Kazakhstan Freight Forwarders Association (KFFA)
8. Kazakhstan Association of Carriers and Wagon (Container) Operators (KACWO)
9. Union of International Road Carriers of the Republic of Kazakhstan (KAZATO)
10. Transport Union of Kazakhstan "KAZLOGISTICS"

**E. Kyrgyz Republic**

11. Kyrgyz Freight Operators Association (FOA)
12. Kyrgyz Republic Freight Forwarders Association (KRFFA)
13. Association of the International Road Transport Operators of the Kyrgyz Republic (AIRTO-KR)

**F. Mongolia**

14. Mongolian National Chamber of Commerce and Industry (MNCCI)
15. National Road Transport Association of Mongolia (NARTAM)

**G. Pakistan**

16. Pakistan International Freight Forwarders Association (PIFFA)

**H. Tajikistan**

17. Association of International Automobile Carriers of the Republic of Tajikistan (ABBAT)
18. Association of International Automotive Transport of Tajikistan (AIATT)

**I. Uzbekistan**

19. Business Logistics Development Association, LLC (ADBL)
20. Association of International Road Carriers of Uzbekistan (AIRCUZ)
21. Uzbek International Forwarders Association (UIFA)

**J. Turkmenistan**

22. Turkmen Association of International Road Carriers (THADA)

**K. Georgia (applicant)**

23. Georgia International Road Carriers Association (GIRCA)