

CAREC 4th Ministerial Conference: Ministers Agree to Expand Cooperation and Deepen Economic Ties

Ministers of the Central Asia Regional Economic Cooperation (CAREC) Program agreed that the way forward for Central Asia is through “development through cooperation.” They agreed to work together to expand development options in an increasingly competitive and integrated world and to address shared opportunities and problems that transcend national boundaries.

This was expressed at the Fourth Ministerial Conference on CAREC, held in Bishkek on 5–6 November to review progress of CAREC activities and set medium- to long-term priorities for economic cooperation.

In keynote speeches, Kyrgyz Republic Prime Minister Felix Kulov addressed the ur-

gency of greater regional cooperation and presented a vision to 2015, and Asian Development Bank (ADB) President Haruhiko Kuroda emphasized the importance of regional cooperation in realizing the economic potential of Central Asia. World Bank Vice President Shigeo Katsu stated a collective view on behalf of the multilateral institutions (MIs) on progress under CAREC and the need for close partnership by all stakeholders.

High-level delegations attended the conference, representing Afghanistan, Azerbaijan, People’s Republic of China (PRC), Kazakhstan, Kyrgyz Republic, Mongolia, Russian Federation, Tajikistan, and Uzbekistan. Also included at the Conference were senior-level representatives of CAREC’s supporting MIs: ADB, European Bank for Reconstruction and Development (EBRD), International Monetary Fund, Islamic Development Bank, United Nations Development Programme (UNDP), and World Bank. Observers from neighboring countries as well as multilateral, bilateral, and civil society organizations also took part in the meeting.

Key messages and achievements

In a joint ministerial statement (JMS), ministers called for the acceleration of economic integration and deepening of the CAREC agenda. They reaffirmed their commitment to regional economic cooperation and emphasized that all initiatives must be properly resourced and must maintain a practical, results- and consensus-based approach to

regional economic cooperation. Ministers also called for sweeping measures to overcome barriers to trade and development.

Ministers agreed that regional cooperation in transport, trade, and energy should continue to be the priority sectors for regional cooperation. They underscored the importance of realizing synergies among initiatives beyond individual sectors and projects. At the same time, ministers also expressed interest in other areas suitable for regional cooperation, including the environment and tourism.

Ministers appreciated the UNDP’s *Human Development Report for Central Asia*, prepared with inputs from ADB and WB, and recognized the very real costs, especially for the poor, of not cooperating in the face of shared problems and opportunities. Ministers agreed that sustaining rapid economic growth in Central Asia will depend on intensified regional cooperation initiatives, including policy, regulatory, and institutional reforms.

Ministers lauded the support of ADB and EBRD for the Regional Business Roundtable for Central and South Asia, held in conjunction with the Ministerial Conference. Ministers emphasized the key role of the private sector as a partner in infrastructure investment, noting its role as an engine of growth for the region. They also cited the importance of an inclusive approach toward cooperation, involving key stakeholders,

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Upcoming CAREC Events, 1st Quarter 2006

- Forum on E-Governance and Trade Facilitation, 24–27 January, Singapore
- 5th Transport Sector Coordinating Committee Meeting, 15–16 March, Urumqi, PRC
- Workshop on Xinjiang’s Trade Logistics Strategy, 9 April, Urumqi, PRC
- Seminar on Trade Facilitation and Customs Modernization, 17–21 April, Tokyo, Japan
- Senior Officials’ Meeting on CAREC, 10–11 April, Urumqi, PRC

4th Ministerial Conference

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such as the government, private sector, and civil society.

The JMS highlighted the significant progress made in each of CAREC's priority areas:

Transport. Ministers endorsed the adoption of a transport sector roadmap (2005–2010) to develop an integrated and efficient multi-modal transport system for the region, and noted several major infrastructure investments over the past year. The roadmap has five strategic priorities: (i) harmonizing and simplifying cross-border transport procedures, (ii) harmonizing transport regulations, (iii) developing and improving transport corridors, (iv) restructuring and modernizing railways, and (v) improving sector funding and management.

Trade Facilitation. Ministers noted bilateral transit and cooperation agreements signed in 2005 between Kyrgyz Republic and Tajikistan, Azerbaijan and PRC, and Uzbekistan and PRC; and pilot testing by Kazakhstan and Kyrgyz Republic of joint customs control at the Kordai-Akzhol border crossing. They endorsed a specific work plan for 2006, including continued promotion of bilateral cooperation initiatives, training and regional knowledge forums, and partnership with the private sector and other stakeholders.

Energy. Ministers noted the completion of the first phase of the North-South Transmission Line Project in Kazakhstan, and progress in discussions for funding the second phase; completion of the Tajikistan-financed 220-kilovolt Batken

(Kyrgyz Republic)-Kanibodom (Tajikistan) transmission line; preparations for rehabilitation of the Uzbekistan-Dushanbe gas pipeline; and diagnostic review of regulatory approaches and challenges prepared by the CAREC Members Electricity Regulators Forum (CMERF). Ministers signed a memorandum of understanding for the formal establishment of CMERF.

Ministers welcomed the commitments and plans of financial institutions for support to CAREC in 2005–2006, including a combined \$1.2 billion for transport, energy, and trade projects.

Ministers commended progress over the past year, particularly the membership of Afghanistan in CAREC, thereby opening the door to more rapid access for Central Asia to markets in South Asia and to Arabian Sea ports. Russia is also considering becoming a member of CAREC, which could serve to improve links to Europe.

Trade Policy. Ministers noted the senior officials' recommendations aimed at reducing the barriers to transit trade in Central Asia. These include (i) ensuring full compliance with the provisions of the Transport Internationaux Routiers (TIR) Convention by customs services and other agencies, with the PRC taking steps to accelerate TIR accession; (ii) reducing charges for customs convoys and the list of goods subject to such convoys; (iii) lowering all other charges and fees on entry and transit of foreign road carriers; (iv) decreasing the cost of entry visas for drivers of foreign road carriers and simplifying the issuance of visas to them at international pass points; (v) harmonizing transport, customs, and border documentation to simplify procedures of control and

minimize time at the border; and (vi) preventing and eradicating unofficial payments from road carriers in transit.

Ministers called on senior officials to monitor these recommendations and report on the status of their implementation at the Fifth Ministerial Conference. Ministers also supported reducing the cost of non-reciprocal road transport permits to levels that cover related costs without discouraging transit trade. They recommended further analytical work on removing barriers to cross-border trade, especially concerning the legal framework and tax and infrastructure issues, and new work on trade taxes and quantitative restrictions on trade.

Accelerating regional cooperation momentum

Ministers agreed that a strategic framework for regional cooperation is essential for charting the course ahead and for ensuring that the CAREC Program embraces all stakeholders and that all initiatives are pursued in a building-block, results-oriented manner. Ministers agreed to accelerate the momentum of regional cooperation by (i) formulating a comprehensive strategic framework for the CAREC Program, including the main investments and policy and regulatory initiatives; (ii) prioritizing and sequencing these investments and bold initiatives, together with performance indicators and expected outcomes; (iii) mainstreaming the strategic framework into country-based development plans and public investment programs and the action plans of CAREC's development partners, thereby determining the gaps in meeting the investments and initiatives identified in steps (i) and (ii); (iv) realigning plans as needed and mobilizing technical and financial resources to ensure that priorities are addressed according to the strategic framework; and (v) sustaining and expanding capacity building to strengthen the ability of all CAREC countries to meet expectations under the strategic framework.

Ministers also agreed that processing and implementing regional initiatives should be accelerated, especially with regard to priority investment projects. The above steps and initiatives, to be completed by the Fifth Ministerial Conference, provide a practical work program for all stakeholders.

The Fifth Ministerial Conference will be convened in Urumqi, Xinjiang-Uyghur Autonomous Region, PRC, in 2006. ■



4th Ministerial Conference Photo Gallery



FOURTH MINISTERIAL CONFERENCE

(From top, clockwise)

- (1) KGZ Prime Minister F. Kulov (front row, middle) and ADB President H. Kuroda (front row, fifth from left) join heads of delegations during the Fourth Ministerial Conference (MC) on Central Asia Regional Economic Cooperation in Bishkek in November 2005;
- (2) SOM Co-chairs—E. Toromyrzaev, National Focal Point for the Kyrgyz Republic (left); and X. Yao, ADB Deputy Director General for East and Central Asia Department (right) exchanging views;
- (3) PRC Vice Minister L. Yong responds to proposals that the PRC Government host the Fifth MC in Urumqi, Xinjiang, PRC;
- (4) ADB President H. Kuroda (front row, third from left) delivers the keynote speech with then ADB Vice President J. Eichenberger (right); and
- (5) WB Vice President S. Katsu (left) gives the Joint MIs Statement; (inset) participating heads of the CAREC-alliance multilateral institutions



CAREC's Team Holds First Retreat

The Central Asia Regional Economic Cooperation (CAREC) team in the Asian Development Bank (ADB) held a retreat in Bishkek, Kyrgyz Republic on 7 November. This is the first retreat of ADB's team for the CAREC Program, following the Regional Business Roundtable (RBR) Preparatory Meeting held on 3–4 November and the 4th Ministerial Conference (MC) on 5–6 November.

At the opening of the retreat, Xianbin Yao, Deputy Director General, East and Central Asia Department, said the 4th MC was very successful, resulting in a lot of work to be undertaken by ADB as the CAREC Program Secretariat.

The CAREC team members who attended these two important events took the retreat as an opportunity to (i) reflect on how to build a stronger team for the CAREC Program Secretariat, and (ii) discuss major issues in implementing priority work programs in line with the 4th MC.

Participants of the retreat discussed the following: (i) conduct of outreach and networking activities; (ii) defining the roles and functions of the Regional Cooperation Specialists/Coordinators (RCC) and Senior Advisors to the National Focal Points; (iii)

assessment of research network in Central Asia; (iv) training topics and capacity building activities; (v) completion of the Comprehensive Action Plan in 2006, requiring inputs and assistance from the RCCs; (vi) ADB's support to the RBR; (vii) dissemination of knowledge and information on CAREC activities; (viii) participation of RCCs in a country strategy and program mission; (ix) collection of information on pipelines and implementation of lending and non-lending programs by multilateral institutions in CAREC's four priority areas; (x) compilation of information on strategy, institutional evolution, and work programs of key partner institutions (e.g., Shanghai Cooperation Organization, merged Central Asian Cooperation Organization and Eurasian Economic Community); (xi) staff positions and possible training for RCCs; and (xii) conduct of CAREC team retreat at least once a year.

The CAREC team expressed confidence and optimism for the future of regional cooperation in Central Asia, and reiterated its commitment to step up efforts to achieve CAREC's program objectives. Regional cooperation has strengthened since the first MC on CAREC in 2002. ■

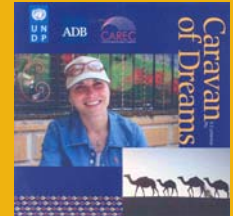


CAREC SECRETARIAT celebrating the success of the Ministerial Conference with then ADB Vice President J. Eichenberger (front row, fifth from right), WB Vice President S. Katsu (second from left), and National Focal Point for the Kyrgyz Republic E. Toromyrzaev (extreme left)

What's New

CARAVAN OF DREAMS*

This documentary, produced by ADB and the United Nations Development Programme (UNDP), focuses on the benefits of improving regional transport links, harmonizing border procedures, and optimizing water and energy resources.



CENTRAL ASIA HUMAN DEVELOPMENT REPORT

This report was prepared by a team of experts under the guidance of the UNDP Regional Bureau for Europe and the Commonwealth of Independent States, in collaboration with ADB, World Bank, and with financial assistance from the UN Human Security Trust Fund and the UN Foundation.



CENTRAL ASIA IN 2015*

This CAREC Policy Brief is based on the findings of a larger study entitled *Central Asia: Mapping Future Prospects*. Manila: Asian Development Bank.



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TIR Transit System: Facilitating Cross-Border Movements

The Transport Internationaux Routiers Agreement (TIR) transit system is the only international customs transit system in force, facilitating cross-border movements by providing a single procedure from the point of departure to the point of destination. Fifty-five countries, including six Central Asia Regional Economic Cooperation (CAREC) participating countries, are using the TIR system. Its success rests on public-private partnership to ensure (i) controlled access to the system for the international and national issuing and guaranteeing organizations and the customs and national transport operators qualifying for the TIR procedures, and (ii) effectiveness of the guarantee system to protect revenue collection in the event of non-compliance with customs procedures.

As part of the CAREC's Trade Facilitation Program supporting the transit initiative, a forum on TIR Customs Transit was held on 19–21 October in Shanghai, People's Republic of China (PRC). Cosponsored by the General Administration of China Customs and the Asian Development Bank, the forum brought together 22 customs officials and 7 representatives of national transport associations from Azerbaijan, PRC, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan. The forum was supported by CrimsonLogic, International Road Transport Union (IRU), United Nations Economic Commission for Europe (UNECE), United Nations Economic and Social Commission for Asia and Pacific, and World Customs Organization (WCO).

Applicability of the TIR transit system

The TIR transit system is often misconstrued and seen as only applicable to long-distance road transport involving more than two countries in transit trade. During the forum, however, it was clarified that the TIR system has been increasingly used for short-distance and bilateral transit trade to circumvent complicated national transit systems and to address the lack of logistical support in some countries. The TIR system has also

been increasingly used in multi-modal transport arrangements as long as one leg of the journey is carried out by road transport. Further, it was noted that the TIR Convention is open to all United Nations member countries, although it is administered by the UNECE.

Relationship with national and regional transit systems

In countries and regions where the TIR co-exists with national, bilateral, and regional transit systems, transport operators are free to choose a transit system with the understanding that operators are not forced to switch from one system to another once transit transport has started from the customs office or departure. The application of the TIR procedures is not an obligation but the choice of the transport operators. When a customs office of departure accepts a TIR carnet, that transport should be performed under the TIR system until its destination.

Regional customs cooperation and national customs control

The forum stressed that customs cooperation is the most important element of the system as it depends on mutual trust and confidence in the customs control measures, particularly those implemented by customs offices of departures. To strengthen the system, customs should strive to further enhance cooperation by exchanging information regarding transit trade, including the use of information and communication technology (ICT). In this context, a general consensus exists that a fully computerized TIR procedure would be beneficial. However, in particular circumstances such as transport of high-value goods when the taxes and duties of the goods exceed the \$50,000 guarantee limit, customs may impose additional control measures, such as customs escorts, fixed itineraries, and time limits. In particular, the use of customs escorts should be based on a risk assessment in each individual case. In general, these national measures should comply with the TIR Convention and be communicated to all parties concerned.

International guarantee system in support of transit under the TIR

The guarantee system ensures that customs duties and taxes at risk are covered up to a fixed amount by a national guaranteeing association during a TIR transit movement. The monetary limits to the guarantee are determined for each country separately. The maximum recommended amount to be claimed from each national association is at present limited to \$50,000 for each TIR carnet. All national guaranteeing associations are part of a guarantee chain administered by the IRU and backed-up by international financial institutions. While the IRU-administered guarantee system was recognized as the only effective and successful transit system in the world, it could further be enhanced (particularly for the CAREC participating countries) by (i) providing greater flexibility in the guarantee amount; and (ii) minimizing TIR-related costs at the national level such as the cost of vehicle and transport charges, which will make transit under the TIR system more affordable.

TIR and technical specification of vehicle

The forum clarified that the TIR Convention is a customs convention, and does not deal with transport issues concerning transport rights such as weight standards for vehicles, and cross-country differences in environmental regulation such as pollution standards. With respect to transport vehicles, the TIR Convention only stipulates technical specifications for the load compartment/container, not the vehicle itself. The competent national authorities in the country of registration of the operator must approve the technical standards of the load compartment/container for TIR transport. Thus, the common complaint that the TIR system cannot be implemented because “the vehicle required for TIR transport is too expensive” reflects a misunderstanding of the requirements stipulated in the TIR Convention.

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TIR CUSTOMS TRANSIT: (From top left, clockwise) (1) J. Liang, Principal Trade Economist, Governance, Finance and Trade Division, ADB; S. Yibiao, Head and Director General of the Shanghai Customs; and W. Donghong, Deputy Director General, PRC Customs' International Cooperation Department lead the Forum on TIR Customs Transit System in Shanghai in October 2005; (2) Shanghai Customs officer discusses the H986 System; (3) Heads of national transport associations meet at the forum; and (4) Participants listen to the discussion in Shanghai

TIR Transit System

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TIR and technology

The forum welcomed the use of ICT for the day-to-day management of transit under the TIR System, particularly developing (i) the “eTIR” procedures, in which advance information on each TIR transport will be exchanged electronically between competent authorities through an international database; and (ii) the existing SafeTIR System, which provides data on the issuance and termination/cancellation of TIR carnets. Other possible options to automate TIR procedures in the future were also presented.

PRC’s TIR accession

The PRC’s customs and transport sector have taken measures toward accession to the TIR Convention by preparing feasibility studies, conducting study tours to UNECE and IRU, and organizing TIR seminars. On the PRC’s accession to TIR Convention, the

following key issues were identified: (i) establishment of transport and transit rights with other countries; (ii) agreement between the PRC’s customs and transportation associations; (iii) coordination with other relevant government agencies; and (iv) integration of the TIR system with the PRC’s national transit system. UNECE and IRU offered further assistance to the PRC’s customs and transport associations on the accession procedure and the implementation of the Convention.

TIR and WCO

The implementation of the TIR transit system fully complies with the WCO’s 2005 framework of standards to secure and facilitate global trade. This framework aims to strengthen cooperation between customs administrations to improve their capability to detect high-risk consignments and strengthen customs and business cooperation, which are essential for secured and efficient transit under the TIR System. ■

CAREC NEWS

The quarterly newsletter of CAREC is a joint effort of multilateral institutions (MIs)—ADB, EBRD, IMF, IsDB, UNDP, and WB—aimed at enhancing communications among MIs and CAREC participating countries. *News from CAREC* disseminates information on CAREC activities and provides a forum on development issues in the CARs. Articles in the newsletter, however, do not necessarily reflect the official views of the MIs and participating governments. We welcome readers’ comments and suggestions.

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