

**Statement of the Eleventh Meeting of the Customs Cooperation Committee
under the Central Asia Regional Economic Cooperation Program
23-25 October 2012
Chengdu, People's Republic of China**

A. Introduction

1. The Central Asia Regional Economic Cooperation (CAREC) Customs Cooperation Committee (CCC) held its Eleventh Annual Meeting (the Meeting) in Chengdu, People's Republic of China (PRC) on 23-24 October 2012 to (i) review the progress made in priority areas, explore ways to replicate and strengthen positive experiences and consider new areas for customs cooperation; (ii) discuss how to strengthen linkages with other border control agencies and institute cooperation mechanisms for more effective consultations with the private sector; and (iii) agree on the proposed list of trade facilitation investment and technical assistance projects as an input to the Transport and Trade Facilitation Strategy mid-term review.

2. The General Administration of China Customs (GACC) of the People's Republic of China (PRC) hosted this year's meeting. Senior Customs officials representing Afghanistan, Azerbaijan, the PRC, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan attended the meeting.

3. The participants expressed their appreciation to (i) GACC and the Chengdu Customs for the excellent preparations for the meeting including organizing the field visit to the Qingbaijiang Railway Terminal; and (ii) ADB for its sustained support to the CCC.

4. Mr. Sun Yibiao, Vice Minister of the GACC, in his opening statement, emphasized the great responsibility of customs in promoting trade facilitation, safe trade and efficient flow of goods. He also cited the long standing friendship between China Customs and the CAREC countries and the need to join hands in further promoting customs cooperation so that customs may render its due contribution towards the development of the region. Mr. Hamid Sharif, ADB Country Director for PRC, emphasized that regional cooperation is an essential mechanism for achieving the twin goals of CAREC: accelerating economic growth and reducing poverty in the region. He further noted that building better and more roads and bridges do not automatically translate into improved competitiveness or more trade. Trade facilitation and effective and efficient customs management are crucial to the economic development of the member countries and of the CAREC region as a whole.

5. Mr. Takashi Matsumoto, of the World Customs Organization (WCO) gave an overview of the rapidly changing trade and economic environment that impact on customs and the critical role that customs play in the international supply chain and in national and regional economic growth. He also presented and explained the latest activities of WCO in promoting fair and efficient revenue collection, trade security and trade facilitation, compliance and enforcement, and human resource and organizational development areas.

6. An update on the CAREC 2020 Strategy was given by Ms. Rose McKenzie of ADB. The new strategy is more focused, action oriented and results driven. She presented the CAREC Development Effectiveness Review Framework and the 2011 results which were generally positive. Of particular interest to the CCC members were the mixed results for the trade facilitation sector and the need for the trade facilitation stakeholders to identify the key nonphysical barriers to cross border trade. Mr. Jeff Procak of ADB called the attention of the

customs authorities on the need for administrative and procedural reforms to reduce clearance time and costs at borders.

7. As agreed at the 10th CCC meeting held in Baku, Azerbaijan in 2011, a new format for CCC meetings features roundtable discussions were adopted for the meeting. Three roundtable discussions were organized: (i) Aligning CCC Priority Areas with International Best Practices in Trade Facilitation, (ii) Monitoring and Evaluation and (iii) Projects for Trade Facilitation.

B. Aligning CCC Priority Areas with International Best Practices in Trade Facilitation

8. **Simplification and Harmonization of Customs Procedure:** Afghanistan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan have not yet acceded to the Revised Kyoto Convention (RKC). CCC members at the 9th CCC meeting in Tokyo set a target that by 2015 all countries will have acceded to the RKC. Governments are making good efforts to achieve this target. Those who have acceded are in various stages of complying with all provisions of RKC and all agreed that this is a continuing effort. Tajikistan informed the group that they have submitted documentation for accession to RKC. WCO informed participants about the WCO self assessment tool to help identify gaps to fulfill requirements for accession and improve compliance for countries that have acceded. The tool is available in the WCO website and is free for all members.

9. GACC announced that, from 1 October 2012, enterprise classification standards have been decreased based on the risk analysis regime, to facilitate trade. Afghanistan proposed the creation of a regional task force for customs reform to identify gaps, design projects, identify/mobilize funds, and prepare an action plan.

10. **ICT for Customs Modernization and Data Exchange/Single Window.** All CCC members have developed customs information management systems. GACC is using the e-Port system for information sharing as well as an internal single window information system. GACC is now working towards paperless customs clearance. On the proposal by Uzbekistan to establish a single information space for CAREC customs to enable sharing of information, there is lack of common standards and issues such as content, national legal impediments, and commitment/support of governments require further discussion.

11. GACC shared its concerns on the involvement of the private sector in Single Window operations as profit is not the overriding motivation for providing such service and thinks that Government should operate Single Window facilities. MON on the other hand reported that the Mongolia National Chamber of Commerce and Industry is a good partner in Single Window development.

12. **Joint Customs Control.** JCC pilots between PRC and Mongolia have been successful. The pilots involve the use of unified/harmonized bilingual manifest (both Chinese and Mongolian languages) and the mutual recognition of inspection results. Challenges include need for joint training to introduce the concept of JCC to customs officials, and address language barrier. Next steps will focus on electronic submission of the unified manifest and to roll out pilot to other BCPs; a third phase will be joint inspection. CAREC countries expressed interest in implementing JCC along their borders. Afghanistan and Pakistan wish to know more about the JCC pilot program implemented by PRC and Mongolia, subject to facilitation by ADB. Delegates from Kazakhstan and Kyrgyz Republic reported that they are also working on implementation of a JCC pilot. Both parties intend to

continue with JCC implementation at Kordai and Akjol BCPs. Tajikistan and the Kyrgyz Republic will develop and introduce a JCC pilot at Karamyk under RIBS.

13. **Risk management and Post Entry Audit.** GACC has put in place a comprehensive risk management system that provides analysis, operations support and an effective early warning system. Azerbaijan has adopted a new Customs Code that strengthens its risk management system but requires assistance in implementing risk management and requested GACC to share its experience. Azerbaijan noted that the WCO risk management compendium should be used as a technical guide but it must be adapted further to respond to the needs of CAREC countries. The various risk management systems adapted by the CAREC countries needs to be strengthened to eventually be able to introduce Authorized Economic Operator programs.

14. **Regional Transit.** Countries recognize the importance of regional transit. There are on-going bilateral arrangements such as the Cross Border Transport Agreement between Tajikistan and the Kyrgyz Republic that have been ratified by the respective parties. ADB will implement a TA to look at the merits of developing a regional transit regime. Pakistan proposed that ADB support a regional study to identify problems and propose solutions. WCO also released a study on transit issued in September 2012. China Customs reported that, following a deliberated study on the TIR Convention, it is prepared to initiate the accession process. AFG is also preparing to accede to the TIR Convention.

C. Monitoring and Evaluation

15. CCC Members have started to pay attention to CPMM and acknowledged increasing value provided by several years of CPMM data collection and analysis. To corroborate and refine CPMM findings, CAREC countries have recognized the value of conducting time release studies. WCO has worked with CAREC countries to customize the software used to conduct TRS.

16. Mongolia, Uzbekistan, Kazakhstan, and PRC have all conducted TRS in varying degrees. Further efforts are needed to expand the conduct of TRS in all countries to cover all BCPs in all corridors to complement CPMM results and allow identification of bottlenecks. To capture the full scope of customs clearance from arrival at the border to final release of goods including at inland depots, TRS can be expanded to measure the time taken for the entire process.

17. There is need to develop institutions and strengthen capacity to sustain the periodic conduct of TRS to assess progress and enable neighbors to compare results with one another. Afghanistan suggested third-party conduct of TRS. WCO explained that there are some examples of third-party TRS, but the WCO recommends that Customs should conduct (or be involved in the conduct of) TRS considering the future actions, reforms, and modernization of the procedures based on the results of the TRS. To develop this capacity for the sustained conduct of TRS, Afghanistan said it has established a unit to lead the conduct of TRS.

D. Projects for Trade Facilitation

18. In connection with the CAREC Transport and Trade Facilitation strategy midterm review, the CCC considered a preliminary list of medium term priority projects. The list includes proposed regional investment projects and technical assistance. Mongolia, Tajikistan and Kyrgyz Republic officials updated the CCC on the proposed regional improvement for border services project (RIBS). RIBS is designed for straightforward

replication to cover the investment needs of other CAREC countries and modernize selected border points not included in the first RIBS project. Officials from other countries expressed interest in NSW development and shared their plans and/or progress on NSW development in their countries.

19. The CCC stated that capacity building is very important to improve BCP management. A regional approach to training is desirable to benefit from expertise of customs authorities of neighboring countries. China Customs stated that they would continue the cooperation with ADB on capacity building for the members in the region. The CCC Secretariat informed that CAREC Institute will take leadership and financial support on capacity building activities but the CCC can provide intellectual leadership in terms of topics and specialized training needed. Consultations with CAREC Institute will continue.

20. Considering CAREC corridor efficiency, the CCC noted the need to develop logistics hubs and centers and improve the quality and professionalism of logistics services providers. To this end, an assessment of logistics requirements – focusing on enhancing production and distribution processes – will be undertaken. To achieve best results, efforts to improve logistics services should be linked to the improvement of transport and customs.

E. Future Work Program

22. To make further progress on achieving the objectives set forth in the five Customs cooperation priority areas to promote trade facilitation, two TA project proposals were discussed and agreed:

- (i) Aligning customs trade facilitation measures with best practice: the TA will (i) support accession to, and improved compliance with, the Revised Kyoto Convention; (ii) strengthen risk management systems, facilitating the introduction of authorized economic operator (AEO) programs; and (iii) help to develop a framework clarifying the scope and frequency of data exchange and information sharing between and among CAREC country Customs service. WCO tools and compendia will be relied upon to ensure replication of best practices.
- (ii) Coordinated border management for results: the TA will focus on building institutions and capacity to support the periodic conduct of TRS, build upon JCC pilot projects and replicate them in other BCPs/countries/corridors, and reduce immigration obstacles for business people engaging in and supporting cross-border trade. Good experience learnt from the JCC of PRC and MON may merit replication. TRS training is important to support the actual conduct of TRS and develop TRS units within CAREC Customs administrations. WCO may assist in adapting the TRS methodology to cover the procedures of other border management agencies at CAREC BCPs. The International Organization for Migration and the EU-funded Border Management in Central Asia program being implemented by the UNDP will contribute resources to improve coordination with other border management agencies.

23. ADB will implement a TA to look at the merits of developing a regional transit regime. Work will begin on a second RIBS project to cover the investment needs of other CAREC countries and modernize selected border points not included in the first RIBS project.

24. Terms of reference for (i) a regional task force for customs reform and (ii) a regional single window facility development coordinator will be drafted and circulated for approval, and funding sought/secured for their implementation.