

**Statement of the Twelfth Meeting of the Customs Cooperation Committee
Under the Central Asia Regional Economic Cooperation Program
18 September 2013
Astana, Kazakhstan**

A. Introduction

1. The Central Asia Regional Economic Cooperation (CAREC) Customs Cooperation Committee (CCC) held its Twelfth Annual Meeting (the Meeting) in Astana, Kazakhstan on 18 September 2013. The purposes of the meeting were to (i) review progress made on the identified priority areas, and explore ways to strengthen and replicate successful initiatives; (ii) agree on proposed technical assistance projects to further advance the CCC trade facilitation agenda; and (iii) contribute to the midterm review of the CAREC Transport and Trade Facilitation Strategy (TTFS).

2. The Customs Control Committee of Kazakhstan hosted this year's meeting. Senior customs officials representing Afghanistan¹, Azerbaijan, the People's Republic of China, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan attended the meeting. The private sector was represented by the CAREC Federation of Carrier and Forwarders Association.

3. Mr. Mazhit Yessenbayev, Chairman of the Customs Control Committee of Kazakhstan, in his opening statement indicated the importance of decreasing the barriers to cross-border trade. This is the reason why the Kazakhstan Customs Control Committee continuously supports and actively participates in CCC and other international events related to trade facilitation. He hopes that this meeting will provide the participants with various perspectives to shared problems and be able to develop viable solutions. He further cited that as customs administrations, the primary aim is to improve efforts to further enhance trade and create an enabling environment for traders and market participants.

4. Mr. Ying Qian, Director of Public Management, Financial Sector and Regional Cooperation Division, East Asia Department of ADB, signified the importance of a more focused and coordinated approach from all CCC members to align customs related measures and procedures with international best practices

5. Mr. Takashi Matsumoto of the World Customs Organization (WCO) gave an overview of the WCO's Strategic Plan for 2013-2016, which was adopted by the WCO Council in June 2013. In order to implement the Strategic Plan, the WCO developed four (4) packages which include WCO standards, tools and instruments.² Among them, he underlined the importance of the Economic Competitiveness Package (ECP) for implementing trade facilitation initiatives under CAREC CCC framework. He also highlighted the role of customs in facilitating and securing global trade through the cooperation with stakeholders involved in the international supply chain.

B. Roundtable Discussion 1: Aligning Customs Trade Facilitation Measures with Best Practices

¹ Delegates from Afghanistan were unable to participate due to an urgent, unexpected meeting. However, they will be given the opportunity to review and comment on the draft Statement.

² The four packages of the WCO are (i) Economic Competitiveness Package, (ii) Revenue Package, (iii) Compliance and Enforcement Package, (iv) Organizational Development Package.

6. A presentation on the first of three proposed regional technical assistance (RETA) was given by Ms. Cristina Lozano of ADB. The overall objective of the RETA is to promote a harmonized approach to customs reforms by applying international best practices. The RETA will support 3 of the 5 CCC priority areas, specifically:

1. Simplification and Harmonization of Customs Procedures

7. The Revised Kyoto Convention (RKC) contains best practice in customs administration. The 5 remaining CAREC countries³ in the process of accession to the RKC need technical assistance to complete its accession action plans. The WCO's self-assessment tool will help guide these countries through a series of logical steps to prepare for accession. Capacity building workshops and trainings will be delivered to raise awareness and understanding of what is required to comply with, and accede to, the RKC. Training will also be conducted on the use of the WCO self-assessment tool. Special follow up support will be provided to the five countries pending accession to guide them in finalizing their accession action plan. Support will also be provided to undertake a situation analysis by comparing provisions of the RKC with the existing national legislation. This will identify the provisions with which countries already comply and those with which is needed to become compliant. A gap analysis will follow to identify the legislative and procedural amendments that need to be done. Finally, an accession action plan for each country will be put in place.

2. Strengthen Risk Management Systems

8. In line with the provisions stipulated in the RKC, support will be provided to countries in developing a risk management program to help identify high-risk cargoes and expedite clearance of legitimate shipments. Using the WCO Customs Risk Management Compendium as the common methodology to identify and treat potential risk, a review and assessment of the risk management practices will be developed in select countries. The assessment will also evaluate the readiness of select countries to embrace and introduce an AEO program. Workshops and consultations between customs and traders will be organized to exchange views about the introduction of AEO programs. A set of recommendations and practical tools that can be used to facilitate implementation of risk management will be drafted. Workshops on the WCO Risk Management Compendium will be organized to raise awareness and understanding of the methodology.

3. Use of ICT – Electronic Information Exchange

9. Application of ICT is another important requirement under the RKC. To achieve a globally networked customs, there must be closer real-time collaboration and efficient flow of information between customs administrations. The ICT systems used by CAREC customs administrations will be reviewed. An assessment of the feasibility of developing an information exchange mechanism for CAREC customs will be undertaken and on this basis, develop a framework for the design of an electronic information exchange platform. The framework will be pilot tested in two countries with the view to expanding it to other countries in the region.

10. A roundtable discussion took place where members agreed on the proposed components of the technical assistance. In addition, members exchanged information on their experiences and progress made on the priority areas covered by the proposed TA, as follows:

³ These countries are Afghanistan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.

- Efforts are underway by several members to accede to the RKC. For instance, Tajikistan introduced in 2005 a revised Customs Code aligned with some of the key provisions of the RKC, and a single administrative document was introduced. In 2012, more amendments were added in connection with Tajikistan's accession to the WTO. The Kyrgyz Republic has almost completed RKC's accession requirements which are being reviewed by Parliament. Support through the proposed TA to help complete the accession requirements is well received.
- In terms of risk management, percentages of physical inspections have been significantly reduced in many countries. Mongolia reported on the progress on the introduction of the AEO program, and consultations between customs and traders have taken place in this regard. In Uzbekistan, risk management implementation will be enhanced once the revised Customs Code is approved by the Parliament.
- As per the ICT, improvements in automation and introduction of single window are taking place. Kazakhstan reported on the improvements of their ICT systems that will allow a fully paperless processing in the near future. Azerbaijan, Kyrgyz Republic, and Tajikistan shared their experience in single window development.

C. Roundtable Discussion 2: Coordinated Border Management for Results

11. Mr. Yuebin Zhang of ADB presented the scope, approach and methodology of the proposed TA on supporting coordinated border management. He indicated that growth in international trade and travel created new challenges on border management. Major causes of delays on cross-border transport and trade in the CAREC region include poor border crossing point infrastructure and the often repetitive clearance procedures of customs and other agencies at the border. The TA has the following three (3) components:

1. Benchmarking and Monitoring through TRS.

12. The CPMM for the past 4 years has identified the specific BCPs where the most considerable delays are encountered by road carriers and freight forwarders. To corroborate and refine CPMM findings, TRS will be conducted at the selected problem BCPs to identify specific causes of delays, and also recommend measures for customs authorities and other border control agencies concerned to address the constraints. Training and technical advice will be provided to equip customs officials to properly conduct TRS and analyze results. Workshops and consultation dialogues will be undertaken by border control agencies within a country and between BCP pairs to share TRS results and identify regional cooperative measures to resolve common issues. Guidelines on how to conduct TRS within the CAREC setting will be developed to help institutionalize the conduct of TRS.

2. Reviewing Experience and Expanding JCC Pilots.

13. JCC involves cooperation between neighboring countries to expedite the movement of goods across borders. JCC Phase 1 pilots on the use of unified road cargo manifests have been successful and CAREC countries expressed strong interest in implementing JCC along their borders. The proposed project will support the conduct of case studies at these pilots to identify the success factors and remaining constraints. Training and experience sharing will be conducted to support implementation of JCC in other BCP pairs along CAREC corridors. Guidelines for JCC will be developed based on pilot experience, and will incorporate a framework to expand scope of JCC to cover CBM principles. The project will also support the efforts of the CAREC customs authorities in moving JCC pilots to Phase 2 and Phase 3.

3. Integrating Customs and Other Border Procedures

14. Border management is becoming more complex because of the multiplicity of state agencies involved. The WCO has championed CBM as one of the 10 building blocks of Customs in the 21st Century. The project will help CAREC governments to explore more effective solutions to border management. Recommendations will be made to coordinate and improve linkages between procedures and systems of border agencies, and where possible, to harmonize and simplify these procedures and systems.

15. Countries expressed support to the design of the TA project. Some delegates provided specific comments, as follows:

- Uzbekistan briefed the delegates on its initial experience of conducting TRS at key BCPs, which has helped to reduce clearance and release time from 1.5 hours to 45 minutes. Uzbekistan TRS showed that the main constraints relate to the SPS handling, and poor infrastructure conditions.
- Tajikistan suggested that customs should take the lead and serve as focal points in border management including in conducting TRS. Tajikistan also emphasized the importance of capacity building in TRS for all agencies involved.
- Kazakhstan highlighted the need to reduce the number of documents for import and export, and to minimize the number of agencies operating at BCPs by transferring certain control functions (e.g. sanitary and phytosanitary) to customs. Kazakhstan also suggested that TRS be started within a country first, and expanded later to cover BCP pairs by collaborating with neighboring countries.
- The WCO representative emphasized the importance of TRS as a strong tool in identifying constraints and recommend corrective measures. He also encouraged that TRS be conducted not only within a country but also in country pairs.

D. Roundtable Discussion 3: Regional Transit Trade

16. Ms Cristina Lozano from ADB gave an overview of the main transit related issues in the region as well as the scope and components of the proposed regional policy advisory technical assistance. Regional transit trade is one of the CCC priority areas. The efficiency of the corridors supply chain depends on the design and successful implementation of a customs transit regime. A well-functioning transit system must adhere to the core transit principles. The legal framework for transit in the region is based on bilateral/regional agreements; national transit regimes; and the Transports Internationaux Routiers (TIR).

17. Transit movements in the region are inhibited by lack of regional cooperation, especially (i) lack of harmonization of customs procedures; (ii) lack of mutual recognition of customs inspection results, customs seals and stamps; and (iii) inadequate regional guarantee systems. Other key issues include the lack of customs transit components in transport/transit agreements, weaknesses in information systems and guarantee management, and the quality of transport services.

18. The proposed TA is aimed at (i) identify options for establishing an effective and affordable corridor-based transit regime, and (ii) examine the feasibility of implementing a pilot customs transit regime. Key components and activities of the proposed assistance are the following:

1. Component 1: Establish a guarantee mechanism

19. The project will support consultations between customs authorities, potential guarantee organizations (banks and insurance companies), transporters, and members of the CAREC Federation of Carrier and Forwarder Associations (CFCFA). Specifically, discussions with current guarantors under national transit systems will be conducted to consider how their national guarantees could potentially be extended across borders.

2. Component 2: Legal and Regulatory Framework

20. Assistance will be provided in the assessment of compatibility between the respective national transit legislation to minimize legislation requirements. The results of the assessment will be used to prepare a set of draft requirements for a regional transit system taking into consideration national and international dimensions.

3. Component 3: Information and Communications Technology (ICT) Support Systems

21. An assessment will be done on current use of ICT in transit operations in CAREC countries, and identify opportunities for ICT enhancement that will support development of a regional transit.

22. During the roundtable discussion, questions were raised on whether or not the TIR system can be applied in full in CAREC countries. It was indicated that the TIR in CAREC countries is mostly used on long-distance, for high-value international shipments to Europe, Turkey, or Iran that are carried by operators outside the region (Western and Eastern Europe). It is rarely used for shorter distance movements within CAREC as national transporters consider that it is not a cost-effective system for short distance regional movements.

23. It was also stated that the TIR system coexist in many countries with national and bilateral regional transit systems. It was agreed that an efficient guarantee system, which is adhered to by customs and proves not too cumbersome and costly for traders and transport operators, is needed.

24. Members supported the aspect of the TA that will explore regional transit regime for the region, taking into consideration the specific needs, local conditions, and operating environment of the CAREC member countries. The following were also noted by the delegates:

- Technical assistance is needed from the ADB and WCO to support transit facilitation in CAREC.
- In addition to the customs transit regime, there are other elements critical to a well-functioning transit system like harmonization of vehicle dimension standards.
- Coordination is needed between transport agencies and customs to facilitate transit trade.
- The WCO updated the delegates on the progress of a study relating to the collection of best practices in transit from its member countries. In addition, a research paper on customs transit was published in April 2013.

E. Regional Trade Facilitation in Asia

25. Mr. Shinji Seto of the Japan Customs provided an update on efforts and progress to enhance regional trade facilitation in Asia. He cited that customs modernization is key to achieving the goal of seamless trade flows between Japan and its Asian neighbors. Japan's approach is to tailor-fit capacity building initiatives based on the specific needs and situation of each country. Japan Customs, ADB, JICA, and WCO is working closely together to identify priority areas and potential projects through policy consultations to strengthen and deepen trade facilitation with other Asian customs. Japan provides financial support to trade facilitation through technical assistance projects funded by the ADB Japan Fund for Poverty Reduction (JFPR). Currently, ADB is considering 14 projects to be implemented with necessary support from WCO through JFPR, i.e., 6 projects in South East Asia, 3 projects in Central Asia, 4 projects in South Asia and 1 project in the Pacific. He also pointed out the importance of the ECP of WCO for trade facilitation and underlined Japan Customs' full support for the ECP.

26. Mr. Seto also briefed the participants on various Japan Customs initiatives being implemented to simplify customs procedures and expedite the movement of goods at the border. These include the national single window, Authorized Economic Operator (AEO) program, and mutual recognition of AEO. Based on the TRS conducted by Japan Customs in 2009, the time between customs declaration and issuance of an import permit of an AEO accredited sea cargo was only 0.1 hour, compared to 2.6 hours experienced by a general sea cargo of a non-AEO member.

F. Mid-Term Review of the TTFS – Relevant Issues

27. Mr. Ying Qian provided the participants with key highlights of the results of the Midterm Review of the Transport and Trade Facilitation Strategy. This included a stock-taking of the implementation progress of the Strategy and Implementation Action Plan, as well as lessons learned; and the salient points of the refined TTFS and Implementation Action Plan 2020. Operational priorities under the Refined TTFS 2020 relevant to trade facilitation are (i) customs reforms and modernization, (ii) coordinated border management, (iii) development of national single window, and (iv) beyond-customs trade facilitation.

28. During the roundtable discussion, member delegates expressed their comments and proposed recommendations on specific areas relating to trade facilitation. Specifically:

- **Customs reforms and modernization.** Some member countries have made good progress towards RKC accession, particularly in streamlining the customs legal framework. However, the process is pending at the Parliament level for review and approval. This highlights the need to strengthen the political commitment at the Parliament and senior levels of the government.
- **Coordinated border management.** Support from other multilateral and bilateral agencies are also important, such as UNDP's Border Management in Central Asia program.
- **Logistics development** is an integral component for the successful implementation of an efficient regional transit system. Transport authorities and customs authorities need to closely work together to ensure the smooth flow of goods and information in the region.
- **CAREC National Joint Transport and Trade Facilitation Committee (NJC)** should have a clearer mandate and should be requested to submit progress reports on a regular basis.
- **Joint Customs Control (JCC)** is considered by the member countries as an important measure to address serious delays in cross-border movement of

goods. Proper implementation of harmonizing cargo manifests can avoid mis-declarations and repetitive procedures.

- **Beyond-Customs trade facilitation** necessitates effective and efficient institutional coordination. An appropriate institutional set up to involve various stakeholders should be a long term goal, and work is in progress toward this end.

G. Future Work Program

29. The proposed RETAs reflect the objectives of the identified priority areas, and members of the CCC have given their full support. The ADB and the CCC members will work towards prompt implementation of the RETAs.

30. Moreover, the member countries have also indicated their support to the implementation of the refined TTFS – particularly in strengthening capacity building, modernization of border crossing points, and satisfying all the identified output milestones. The midterm review process of the TTFS revealed that collaboration between customs and transport agencies need to be strengthened. ADB and the CCC will explore possible initiatives and partnerships with transport-related agencies both from a national and subregional level. It is the hope that this can be developed into a strong trade facilitation package and incorporated into the Refined TTFS. WCO has certainly provided the framework to effectively engage with various stakeholders within a subregional platform.

31. As requested by some of the delegates, potential capacity building projects with the WCO, the Japan Customs and ADB will also be explored especially in completing the requirements for the accession to RKC, introduction to the AEO program, risk management techniques, and coordinated border management. Individual experiences of each country in the accession process will also be uploaded in the CAREC website for information sharing.