

**Statement of the Thirteenth Meeting of the Customs Cooperation Committee
Under the Central Asia Regional Economic Cooperation Program
22-23 September 2014
Issyk-kul, Kyrgyz Republic**

A. Introduction

1. The Central Asia Regional Economic Cooperation (CAREC) Customs Cooperation Committee (CCC) held its 13th Annual Meeting (the Meeting) in Issyk-kul, Kyrgyz Republic on 22-23 September 2014. The purposes of the meeting were to (i) review progress made on the 5 CCC priority areas and the implementation of the regional technical assistance (RETA) projects funded by the Japan Fund for Poverty Reduction; and (ii) confirm commitments to undertake activities that support the priority areas and objectives of the RETAs.

2. The State Customs Committee of Kyrgyz Republic hosted this year's meeting. Heads and senior Customs officials representing Afghanistan, Azerbaijan, the People's Republic of China, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan attended the meeting.

3. Mr. Adamkul Junusov, Chairman of the State Customs Committee, welcomed the delegations from the CAREC customs authorities to the 13th CCC meeting and also thanked the ADB for its continued support to the CCC. He assured the participants of KGZ customs' full support to international cooperation. He informed the participants that as of January 2014 KGZ's uniform automated information system is now operational in all customs stations and 100% of customs declarations are processed electronically.

4. Mr. Ying Qian, Director of Public Management, Financial Sector and Regional Cooperation Division, East Asia Department of ADB, said trade facilitation used to be considered as the softside of transport infrastructure investment but trade facilitation work is now a significant contributor to second generation of regional cooperation and integration initiatives by promoting productivity led growth through the supply chain development in the region.

5. Mr. Pashuptati Nath Pandey of the World Customs Organization (WCO) secretariat conveyed the message from the Secretary General (SG). The SG encouraged the CAREC customs authorities to take the necessary measures to make transit and border procedures more simple, efficient and cost effective. He emphasized the willingness and availability of the WCO to provide the necessary technical expertise and advice in helping them adopt international best practices. He enumerated the numerous WCO tools and instruments that can help the customs agencies improve their capacities to undertake such measures.

6. Mr Guoliang Wu provided an update on the implementation of CAREC 2020. He reiterated that CAREC 2020 is all about focus, action, and results to achieve the two strategic objectives, expanded trade and improved competitiveness. He emphasized that key projects in the four priority sectors require that they be implemented nationally but planned regionally. He also presented the achievements of 2013 and the priority actions for moving forward. Of particular interest to the CCC participants was the report that border clearing time improved but costs incurred at BCPs and to travel corridor section remain a challenge.

7. An overview of the trade facilitation program for 2013-14 was presented by Ms. Cristina Lozano. She briefly discussed the refined Transport and Trade Facilitation Strategy 2020 and the roles and responsibilities of the transport and trade facilitation programs. She gave an update on the 2013-2014 activities of the CAREC customs authorities and the various integrated trade facilitation activities. She also informed the participants of the trade facilitation cooperation initiatives with international development partners

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

8. The overall objective of the RETA on aligning customs measure with international best practices is to promote a harmonized approach to customs reforms by applying international standards. The RETA's 3 components are: Revised Kyoto Convention (RKC) accession and compliance; risk management improvements; and design of information exchange mechanism. The RETA supports 3 of the 5 CCC priority areas. Five countries have acceded to the RKC and 3 countries have taken steps towards accession. Most countries apply risk management measures but they need to be updated. Assessment of existing systems are planned for UZB, KAZ and TAJ. AZE, KAZ and MON intend to introduce the authorized economic operator programs as part of their risk management measures. A framework for a regional customs information exchange mechanism will be developed. An electronic data exchange project between AFG and PAK can serve as basis for developing such framework. Benefits on RKC were highlighted in a presentation by WCO.

9. During the roundtable discussion, chaired by Mr. Mukai Kadrykulov, Deputy Chairman of KGZ customs, representatives from KGZ, AFG, TAJ, PRC, UZB and PAK gave updates on RKC accession and risk management and customs information systems upgrades in their countries. Almost all countries have amended their customs codes to align them with RKC principles and have automated their customs procedures including risk management systems. TAJ informed participants that their RKC accession process is in its final stages; the issue has been considered by the Parliament and the procedure of notification to the Depositary is underway. Therefore accession is expected by 2015. AFG is in early stages of accession and will welcome assistance in the conduct of situation and gap analyses. AFG also expressed a need for more guidance on actual steps to take towards accession after the gap analysis has been done. UZB has revised its customs code in line with RKC principles to ensure that accession will be easier. UZB welcomes ADB's support in conducting a gap analysis workshop. KGZ has conducted situation/gap analyses and final deliberations will be done by an interagency committee who will prepare recommendations to the government. PRC gave an update on latest revisions to their customs code and informed participants that an RKC Accession Workshop to share accession experiences will be conducted at Shanghai Customs College. PAK acceded to RKC in 2006 and gave an update on what needs to be done to improve compliance and fully implement the provisions of the General and Specific annexes.

10. On risk management, KGZ reported that their risk management systems needs to be updated and a systems assessment mission supported by Swiss customs was done in August. KAZ has put in place a selective control and risk management tool and has developed operational and risk profiles.

11. On the CAREC customs information exchange mechanism, AFG clarified that since AFG uses ASYCUDA World and PAK uses Web Based One Customs System, a separate software is used for the electronic data interface project based on a computer-to-computer

secured email; they hope to replicate this project with TAJ. PAK will fully cooperate in the development of a framework for customs information exchange mechanism based on its ongoing data interface project with AFG; will welcome a risk management assessment mission and the conduct of TRS in BCPs along borders with AFG and PRC.

C. Roundtable Discussion 2: Coordinated Border Management for Results

12 The RETA on Coordinated Border Management for Results has three major components: time release study (TRS), joint customs control (JCC) and coordinated border management (CBM). Updates were given on status of implementation. A National TRS Planning Workshop has been conducted in MON where a TRS action plan was developed; similar workshop are scheduled for KAZ and KGZ in November. PAK and TAJ are also interested in the conduct of such workshops and schedules need to be discussed. Regarding JCC, a case study will be developed on the JCC pilot along the PRC-MON borders to identify success factors and provide recommendations on expanding the JCC pilots to other BCP pairs in other countries. Results are expected to be presented at a regional workshop in 2015. To move the JCC forward towards a CBM approach, a partnership with the International Organization on Migration is being pursued. IOM will help develop an initial standard operation procedures roadmap and conduct joint technical trainings for customs and immigration on CBM

13 Mr. Javad Gasimov, Chief Customs Control Head Department of AZE customs chaired the discussions. MON, KAZ and AFG have conducted TRS in various forms but they are now ready to use the WCO methodology and will welcome assistance from ADB with technical support from WCO. UZB has conducted TRS at both BCPs and in-land external economic activity checkpoints based on the WCO methodology. Following the TRS findings, measures are being taken to reduce the release time. PRC reported unsmooth clearance at some BCPs between PRC-KAZ in spite of extended working hours agreed on by both countries. Support from ADB is requested in investigating the causes of delay. The PRC-KAZ established "green channel" for agricultural products and initial results are positive.

14 On the PRC- MON JCC pilot, the harmonized cargo manifest is now being used in 4 BCPs and the use of electronic cargo manifest has been launched. Both PRC and MON expressed full support for the conduct of the JCC pilot case study.

15 On CBM, AFG reported on the cooperation between customs and the border police in implementing a pilot on border management in Hairatan BCP which will soon be rolled out other BCPs. KAZ reported that SPS border clearance functions will be transferred to customs by end of 2014. Single window facilities provide the infrastructure for CBM and can help to move towards CBM. UZB SW for export was put in operation in 2012 and the e-declaration was introduced in January 2014. At present, the KOICA¹-supported project is under implementation to improve the e-declaration system. TAJ SW is being tested from Aug-Sept 2014; phased roll out to regions to start in Oct. KGZ customs unified automated information system is now linked with State Enterprise SW scheme.

¹ KOICA – Korea International Cooperation Agency

D. Roundtable Discussion 3: Regional Transit Trade

16 A consulting firm has been engaged to implement the RETA on the improvement of regional transit trade. The consultant presented an overall view of the methodology and approach that will be taken. Four main task groups will be created: to identify priority corridors; to develop a pilot regional guarantee scheme along a corridor; to prepare a set of draft requirements for a regional transit regime; and to recommend an ICT system to support a regional transit regime. It was highlighted that a common agreement on the principles of a regional system needs to be reached. The CCC welcomed the initiative.

17. Most CAREC countries are contracting parties to the TIR² which is a widely accepted system. KGZ informed participants that IRU recently digitalized the TIR procedures, trained the contracting parties and have installed the software in their information systems. AFG and PAK agreed the TIR is a good system but welcomed the conduct of the study to look at alternatives on how to resolve transit problems common to most members. Mr. Ying Qian also informed the group that at the recent CFCFA meeting held in Urumqi, PRC, association members requested him to convey to the CCC their concerns about the TIR – not all CAREC countries are contracting parties and the high cost of registration, security deposit and insurance premium. CFCFA looks forward to a regional transit mechanism that will best suit the needs of all stakeholders in CAREC. The RETA activities will include consultations with all stakeholders to ensure all concerns are taken into consideration. Mr. Pandey of WCO concurred that regional transit is critical to expanding trade and emphasized the need to arrive at a common understanding of the concepts and principles, the need to have a regional guarantee system and comprehensive insurance backup that will be recognized across borders and legal framework to support the regional arrangements

E. Roundtable Discussion 4: Regional Integrated Border Services (RIBS) and other matters

18. The objectives of RIBS are to coordinate investments to improve key BCPs and support the development of national single windows (NSWs). The RIBS project for Kyrgyz Republic was approved on 1 April 2013 and the financing agreement (ADF grant \$4.2 M and ADF Loan \$4.2 M) was signed on 22 May 2013. The RIBS project for Tajikistan was approved on 1 April 2013 and the grant agreement (ADF grant \$9.2 M) signed on 24 April 2013. There is an ADF allocation for a RIBS project in Mongolia but loan processing is uncertain as the government has decided to suspend negotiations indefinitely.

19. A RIBS Phase 2 can be planned given the new CAREC corridor alignments in Pakistan and Turkmenistan, changing trade patterns, increased trade volumes, and evolving country priorities. Problematic road and rail BCPs that posted a range of 6 to 60 hours of delays were identified under the Corridor Performance Measurement and Monitoring exercise.

20. KGZ noted that with the assistance from ADB, the Karamyk BCP can be upgraded to international standards and can be re-classified as an international BCP. TAJ informed the participants that the international consultant for the RIBS in TAJ has started work. AFG welcomed initiative to expand the RIBS to other countries and other pairs of BCPs. Regarding identified bottleneck BSPs at AFG/PAK borders, in addition to infrastructure, equipments, procedures, etc, security concerns are likely reasons for repeated inspections. Trust among border control agencies across countries are also important for sharing and

² TIR – Transport Internationaux Routiers (international road transit)

mutual recognition to inspection results. PAK believes that the improvement of the information exchange mechanism between the countries can eliminate most of the trust issues that hinder the smooth flow of goods at these borders.

F. Presentations by Japan Customs and World Customs Organization

21. Mr. Tadatsugu Matsudaira of Japan Customs presented the experience of Japan Customs in acceding to the Revised Kyoto Convention, as well as experiences of ASEAN countries. He identified potential difficulties encountered during each step and how they were addressed. Lessons learned from these shared experiences such as the mutual assistance between countries which share a similar language and profound stakeholder engagement at an early stage can be very useful to the CAREC countries who are preparing for accession. The Philippines model of stakeholder consultation can be a good example. He suggested that the TRS on the land BCPs will be enhanced if the data is captured from both sides of the border including data on queueing/ waiting.

22. Mr. Pashupati Nath Pandey of the WCO Secretariat gave a presentation on the WCO principles on Coordinated Border Management (CBM). He pointed out the need to adopt a CBM approach among border control agencies to cope with clearing the rapidly increasing volume of goods and people using their limited resources. The WCO principles on CBM focus on: shared information; shared resources; shared work and shared responsibilities. He also emphasized the importance of political will to successfully implement CBM as a whole government approach towards trade facilitation and compliance. In actual practice, the adoption of CBM approach can benefit from experiences of others but will need to be tailored to the particular situation in each country.

G. Planned Work Program of the Trade Facilitation Program for 2014-2015

23. CCC members agreed to continue working to address the 5 priority areas including the implementation of the ADB supported RETAs:

- AFG and UZB will undertake RKC situation/gap analyses.
- KGZ and TAJ will continue to finalize their accession processes which are in advanced stage.
- For transparency and providing better information to business people, KGZ suggested to put up an information portal for customs law and regulations of CAREC customs authorities.
- UZB and KAZ will conduct risk management assessment of existing systems to formulate improvement plans.
- AZE and MON will conduct AEO workshops to introduce trusted traders program as part of their risk management operations.
- Options to set up a customs information exchange mechanism will be explored building on the experience of AFG-PAK.
- TRS National Planning workshops will be conducted in KAZ, KGZ, PAK and TAJ. PRC is considering conduct of TRS type of studies in some of their BCPs.
- PRC and MON will fully support the conduct of a case study on their JCC pilots to identify success factors and provide recommendations to CCC members on JCC expansion. PRC and KAZ will take effort to strengthen their JCC cooperation.
- Steps toward CBM will be taken including cooperation with immigration authorities.
- CCC members will support the conduct of stakeholder consultations to seek recommendations to remove customs related impediments to transit through the CAREC corridors.

24. On the basis of CPMM analysis, initiatives to expand the RIBS to other countries and other pairs of BCPs will be explored.

25. Mongolia will be the CAREC host country for 2015 and Mongolia Customs General Administration is eager to welcome the CCC members to the 14th CCC Meeting in Ulaanbaatar next year.