

**Statement of the Fifteenth Meeting of the Customs Cooperation Committee
Under the Central Asia Regional Economic Cooperation Program
21 September 2016
Singapore**

A. Introduction

1. The Central Asia Regional Economic Cooperation (CAREC) Customs Cooperation Committee (CCC) held its 15th Annual Meeting (the Meeting) in Singapore on 21 September 2016. The objectives of the meeting were to (i) update CCC members on progress made on the 5 priority areas of CCC; (ii) receive feedback from CCC members on ongoing investment projects and technical assistance for trade facilitation; (iii) develop plans and activities for trade facilitation initiatives in CAREC; and (iv) review and endorse proposed pilot mechanisms on customs information exchange and regional transit guarantee.

2. The Pakistan Federal Board of Revenue is the host customs for this year's meeting. Heads and senior customs officials representing Azerbaijan, People's Republic of China, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan attended the meeting.

3. Mr. Nisar Muhammad Khan, Chairman, Pakistan Federal Board of Revenue thanked the members of the CCC and also ADB for their continued support in strengthening customs cooperation in the region. CAREC has assisted member countries in improving connectivity and thus spur national economic growth. He encouraged the CCC members to continue to work together to provide the needed cohesiveness and reap the benefits of regional cooperation.

4. Mr. Samson Bilangna of the World Customs Organization (WCO) secretariat gave a thematic presentation on "Digital Customs". He discussed the 6 broad themes of WCO and on-going developments in the work of WCO on standards development, supporting cooperation and coordination among customs agencies and in building capacities of members. He briefed the participants on the various efforts to promote digitalization of customs processes and the vast benefits that WCO members have enjoyed as they progressively modernized their customs information system. He also presented WCO's work plan for the next two years for a sustainable and scalable approach on digital customs. WCO noted that the CCC members have exerted considerable effort to align their laws, regulations and procedures with WCO's standards and has consistently worked with WCO experts in building up their capacities and skills.

5. Mr. Ying Qian, Director of Public Management, Financial Sector and Regional Cooperation Division, East Asia Department of ADB provided an overview of the trade facilitation program for 2015-16 and the outcome of the CAREC Senior Officials' Meeting held in Islamabad in July 2016. CAREC customs authorities continued efforts to reform their regulatory environments to comply with best practices, modernize and automate customs processes, and improve risk management systems. Tajikistan has recently acceded to the RKC and Uzbekistan approved a new Customs Code that is compliant with the RKC. Azerbaijan, Mongolia, Pakistan, and Uzbekistan have introduced electronic/online declaration of goods. Pakistan plans to phase out all manual based systems by June 2017.

6. Mr. Lauro Vives, consultant on developing a CAREC custom information exchange framework presented a summary on the readiness and maturity of existing information

systems of 6 CAREC countries (Azerbaijan, Kazakhstan, Kyrgyz Republic, Mongolia, and Uzbekistan) to exchange information. The consultant proposed 2 models to be piloted – a simple information exchange (MON, KGZ and TAJ) and a complex information exchange (AZE, KAZ, UZB). The pilot is expected to run for 3 years and is expected to later progress towards developing a regional single window. Pakistan pointed out that the ultimate objective is to achieve electronic data interchange on real time basis. However differences in systems platform set-ups and some internal problems hinder progress towards this objective. It was also pointed out that the Eurasian Economic Union (EEU), in which some CAREC countries are also members, is moving towards the development of regional single window which might be in the opposite direction of the CAREC initiative. The pilot design of the information exchange will consider these factors and will also ensure that consultations with all stakeholders, including the EEU, will be made.

7. Ms. Cristina Lozano, Regional Cooperation Specialist also provided updates on on-going technical assistance. Both projects on aligning customs trade facilitation measures with best practices and coordinated border management for results have met majority of objectives set in the project documents. Her presentation focused on plans for the remaining life of the projects to ensure all deliverables are met.

8. Updates on implementation of the Regional Improvement of Border Services (RIBS) projects were provided by representatives from Tajikistan, Kyrgyz Republic, Mongolia, and Pakistan. The contract to construct improvements at Karamyk BCP in Kyrgyz Republic is expected to be signed at end of September 2016 and the masterplan for national single window (NSW) including development of the NSW model has been approved; work is on-gong to draft NSW software specifications. In Tajikistan, contracts to procure border control equipment and office equipment and furniture for BCP Guliston have been signed in April and July 2016; the technical working groups, with the assistance of the consulting firm, have started work on institutional and technical support for the national single window scheme. Implementation of RIBS in Mongolia has started with the establishment of the project steering committee and recruitment of core project staff. MON also reported that they have started testing of electronic unified manifest for the joint customs control pilot with PRC. Pakistan gave an overview of their Integrated Transport Trade Management Systems in which the Pakistan RIBS project is a part of. The RIBS project will fund the development and improvement of 4 BCPs that are gateways to AFG and on to other CAREC countries (one BCP is with India). RIBS will fund the construction of modern border crossing facilities including end-to-end automation of customs procedures in these BCPs. All safeguards issues have been addressed (land acquisition, displacement of indigenous groups, etc); loan agreement with ADB to be signed in October 2016; Project Management Unit is expected to be functional by December 2016.

9. Under the RETA on Facilitation of Regional Transit Trade in CAREC, the consulting firm, PADECO, has completed 3 of the 4 studies to be undertaken to develop a CAREC regional transit guarantee mechanism; the 4th study on information systems to support the RTGM is underway. The RTGM is designed to support a comprehensive (i.e., multiple-journey) and affordable risk-based customs transit regime. The proposed guarantee mechanism will help customs apply risk management principles on transit movement and to move from full control (100% inspection and guarantee for high-risk operators) to the implementation of an Authorized Economic Operator program (i.e., no inspection and no guarantee for trusted operators). The proposed guarantee mechanism was presented and discussed at a workshop in Almaty, Kazakhstan in July 2016; the customs officials and private sector representatives including CFCFA Ltd and private insurance and electronic commerce companies, freight operators, and the International Chamber of Commerce endorsed the proposal to pilot test the scheme. Two options to pilot the RTGM were presented: Option A-involving the PRC, Kazakhstan, and the Kyrgyz Republic along CAREC Corridor 1 sub-

corridors 1b and 1c from 2018–2020; and Option B – involving Azerbaijan and Kazakhstan along Corridor 2 sub corridor 2a.

10. During the plenary session, CAREC member countries were given the opportunity to provide feedback on the proposed pilot on the customs information exchange, the regional transit guarantee mechanism, the need for more investment and technical assistance projects for trade facilitation, and enhancing cooperation with the private sector. Specifically:

- Pakistan reiterated the need for a CAREC customs electronic data interchange mechanism on a real-time basis; customs modernization interventions such as simplifying and harmonizing procedures, aligning laws and regulations with best practices, bilateral agreements on transit trade are meant to facilitate trade; Pakistan also suggested a planning session for all CAREC customs to discuss uniformity of transport documents.
- Azerbaijan noted the importance of upgrading existing risk management systems and would welcome assistance of Australia and PRC by sharing their rich experience in this area among CAREC member states as it will foster good international customs cooperation.
- Kazakhstan, due to its geographical location, has lot of interest on improving regional transit. Kazakhstan customs is working on an agreement for mutual recognition of AEOs with PRC. They also have an information exchange agreement with Turkey.
- Kyrgyz Republic indicated their support to pilot the proposed customs information exchange.
- Turkmenistan supported initiatives to facilitate transit trade; by 2017 customs procedures will be fully automated which can support information exchange and accelerate transit transport.
- Uzbekistan has consistently supported and advocated for the development of a single customs information space for CAREC and thus support the piloting of a customs information exchange.
- Mongolia supports the piloting of transit guarantee mechanism on Corridors 1b and 1c and hope that the pilot can be expanded to cover Corridor 4 in the future.
- People's Republic of China has been following the establishment of regional transit system closely. Recently, PRC acceded to TIR and is focusing on fulfilling its commitment to the convention. PRC is looking forward to working closely with ADB to further study the regional transit regulations and operational model.
- Tajikistan noted the need for a single document to improve risk management and indicated support for the pilots.

11. At the end of the Meeting, the CCC members agreed to endorse to the Senior Officials' Meeting to be held in Islamabad in October 2016 the following:

- **Piloting of a customs information exchange mechanism.** Customs administrations need real-time collaboration in facilitating trade and exerting controls. The electronic exchange of information among and between CAREC customs authorities will help a secure and timely flow of goods and people along CAREC corridors. An assessment of the readiness and maturity of existing country-level customs information systems concluded that a simple information exchange pilot can be conducted between Kyrgyz Republic, Tajikistan and Mongolia customs and a complex pilot can be conducted between Azerbaijan, Kazakhstan, and Uzbekistan.¹ Both pilots will explore the use of pre-arrival and/or cargo manifest and/or transport documents.

¹ Simple information exchange will involve one-way information exchange in real time where applicable and not involve any integration into the agency's customs information and risk management systems. Complex

- **Piloting of a CAREC regional transit system, including a guarantee mechanism (RTGM).** The pilot will introduce a regional transit regime utilizing a single electronic transit document and a new RTGM. The RTGM would allow:
 - (i) Insurance companies and Banks to provide guarantees.
 - (ii) Appropriate guarantee mechanism allowing reduction in quantum of financial security, based on compliance level of a trader determined by the risk management system of the member countries,
 - (iii) Introduction of 'comprehensive guarantees' to cover multiple transit movements over a specified period of time.

The objective of this initiative is to act as a catalyst for speeding up the movement of goods across the region and enhancing supply chain security. It will help improve business-government cooperation and the adoption of harmonized trade and customs procedures across the region.
- **More investment and technical assistance projects for trade facilitation.** Four CAREC countries (Kyrgyz Republic, Mongolia, Pakistan and Tajikistan) are implementing Regional Improvement of Border Services (RIBS) projects and Mongolia will start implementing the Regional Upgrade of Sanitary and Phytosanitary Measures for Trade (RUST) next year. Based on the latest CPMM report, more BCP pairs in other CAREC countries need improvement including development of national single window facilities and the facilitation of their regional interoperability. These investment needs can be supported by ADB through new projects using the RIBS and RUST modality. Support from SOM is needed to encourage countries to participate in RIBS and RUST.
- **Establishment and strengthening of national trade facilitation committees.** Trade facilitation involves coordination of multiple countries and agencies, including customs, and across various sectors for optimal results. The establishment and strengthening of NTFCs is promoted as good international practice. In addition, establishment of NTFCs and a regional trade facilitation committee (RTFC) is mandated in the CAREC Transport and Trade Facilitation Strategy (2009 and 2020). The midterm review of CAREC 2020 Strategy noted that customs cooperation alone may be insufficient to address the complex challenges of integrated trade facilitation. The CCC supports the establishment of NTFCs and requests SOM endorsement for their establishment.
- **Enhanced cooperation between public and private sector for more effective trade facilitation.** The engagement of the private sector—which has been highlighted in previous years—is evident in the trade facilitation sector through the involvement of the CAREC Federation of Carriers and Forwarders Associations (CFCFA). Support for joint capacity building activities (trainings, workshops and regular policy dialogues) to strengthen cooperation between CFCFA and CCC is needed. The CCC encourages CFCFA to participate in pilot projects.

12. Tajikistan will be the CAREC host country for 2017 and Tajikistan Customs Service is eager to welcome the CCC members to the 16th CCC Meeting in Dushanbe next year.

information exchange system will involve multiple information exchange in real-time using the latest distributed database technology and will involve integration of information exchange into agency's customs information and risk management systems.