

Facilitation of Regional Transit Trade in CAREC

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TRADE FACILITATION WORKSHOP

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Presentation Focus

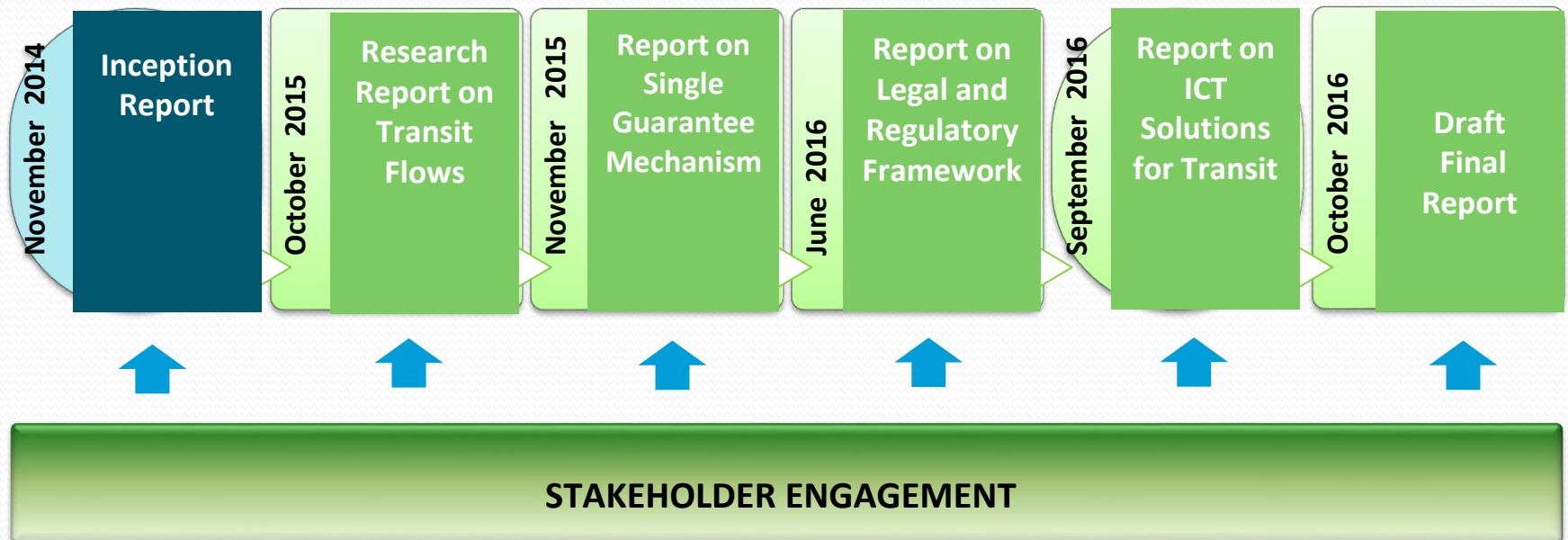
- Facilitation of Regional Transit Trade in CAREC
- Single Transit Guarantee Mechanism (CGM)
- Pilot Corridor: Sub-Corridor 2a
 - Kazakhstan
 - Azerbaijan
 - Georgia

A. Facilitation of Regional Transit Trade in CAREC

Specific Objectives of TA Project

- To identify the **major CAREC corridors** and their transit operation characteristics;
- To identify **major impediments** within current transit systems;
- To make recommendations for a Regional Transit Guarantee Mechanism –**the CAREC GUARANTEE MECHANISM (CGM)**
- To identify the **legislative and regulatory requirements** for the **CGM**;
- To recommend an **ICT system** to support the **CGM**; and
- To identify a **PILOT CORRIDOR** to test the recommended transit regime involving 2 or more countries.

Summary of Deliverables and Program



Enhanced security of the supply chain across the CAREC region:

“Provide a means for operational convergence in accordance with modern Customs working practices:”

- Single Electronic Transit Document
- Exchange of Data – advanced data for risk analysis purposes
- Common Criteria for Trusted Trader (AEO) development

Smoother and more efficient trade flow across the borders

Adoption of a systematic electronic processing of a Single Transit Document aimed to reduce costs, increase speed, improve risk management and reduce corruption.

Main objectives

- Allow Customs-to-Customs information exchange as well as management by Customs of data on guarantees; and
- Permit advanced Customs risk assessment of the transit movement to enhance the security of the supply chain

Reduced overall cost of trade

Main Components:

- **A regional electronic transit system** using a common single document as the transit declaration
- **A single guarantee system** to cover transit goods from the beginning to end of a journey
- Allowing for a **range of guarantee ‘simplifications’** based upon a trader’s compliance history and status e.g. AEO, Comprehensive guarantees

B. Single Transit Guarantee Mechanism

CGM Mechanism

The two pillars of the CGM mechanism are:

**AEO –
NO GUARANTEE**

**SINGLE / COMPREHENSIVE
GRADED GUARANTEES**

Pillar 1 - AEO

Pillar 1 starts from the concept that ‘trusted traders’ should not be required to deposit guarantees for their transit movements.

This pillar can be established using the legislative framework of the **AEO (Trusted Trader)**

Pillar 1 – Self-Guarantee

- Transit movements are in essence guaranteed by the AEO
- Agreed standards to safeguard the revenue will be set by Customs

Pillar 1 - Benefits

- ***Development of a Customs-to-Business Partnership Environment***
 - ***Reduced Border Crossing / Transit Times***
 - ***Waiver of Customs Transit Guarantees***
- Facilitate movements across borders for AEO Trusted Traders
- Provide for faster transit and clearance of goods by Customs.
- Reduce Customs control physical examination rates for cargoes in transit.
- Generate savings in time and costs for transporting goods around the region.

Pillar 1: Benefits (cont)

- Establish uniformity and predictability of transit operations
- Reduce reporting requirements by use of simplified procedures
- Contribute to overall enhancement of the security of the supply chain

Pillar 2 - Single/Comprehensive Guarantees

The aim of Pillar 2 is to provide the maximum flexibility for smaller and medium-sized transit operators seeking to guarantee their transit movement of goods between CAREC countries.

Pillar 2 – Single Guarantees

A Single Guarantee would be calculated on the basis of the highest rate of duty applicable to the goods in the country of departure. In addition, for certain goods involving greater risk of fraud specific minimum rates may apply.

Pillar 2 – Single Guarantee

- 100% of duties and taxes secured

Pillar 2 - Comprehensive Guarantees

A comprehensive risk-based guarantee would cover a certain number of transit operations up to one year.

To use a comprehensive guarantee the trader will be required to fulfil certain common criteria set by Customs. The criteria that have to be fulfilled will depend upon the type of goods being transported.

Actual level of comprehensive guarantee will be fixed by Customs at 100, 75, 50 or 25 per cent of the highest rate of duty applicable to the goods in the country of departure.

Pillar 2 - Comprehensive Guarantees

Comprehensive risk-based guarantees are provided for in the WTO Trade Facilitation Agreement and already in widespread use in other regional transit systems. For example the European Union NCTS system provides for these type of guarantees.

The TIR system does not provide for comprehensive risk-based guarantees.

Pillar 2 – Comprehensive Guarantees

- Customs will approve traders/carriers to use comprehensive guarantees based on an agreed set of criteria.
- The level of a guarantee will be set as a percentage of the duties and taxes at risk.
- Insurance companies undertake their own ‘due diligence’ when issuing any insurance product – such checks will help to minimise the risk of default.

CGM Guarantee Table

	TIR	AEO	Individual Movement Guarantees			Comprehensive Guarantee
			Guarantor	Voucher	Cash Deposit	
Coverage	Single Transit Movement	Number of Transit Movements	Single Transit Movement	Single Transit Movement	Single Transit Movement	Number of transit Movements
Goods	No restriction	No restriction	No restriction	No restriction	No restriction	Possible Restrictions
Amount Required as Guarantee	100% of all Customs Fees and Duties	0%	100% of all Customs Fees and Duties	100% of all Customs Fees and Duties	100% of all Customs Fees and Duties	Depending on Risk – 100% 50% 25% of all Customs Fees and Duties
Period of Validity	Transit Movement	Whilst AEO	Transit Movement		Transit Movement	1 Year
Proof of Guarantee	Individual CARNET	AEO Certificate	Guarantee Certificate	Individual Voucher	Cash Deposit	Comprehensive Guarantee Certificate

Pillar 2 - Benefits

The pillar will replace the existing flat rate charge on transit movements with a risk-based insurance mechanism to cover the transit movements of goods.

It will allow Customs to reduce the required level of guarantee based upon the compliance history of the trader involved.

Pillar 2 - Benefits

- The main rationale for Pillar 2 that it will:
 - (i) Best support the Customs in the 21st Century, including rewarding compliant operators with reduced guarantee requirements.
 - (ii) Provide maximum flexibility to meet the needs of all types of transport operators (small, medium and large).
 - (iii) Reduce the cost of transit movements to the minimum possible.

Securing Payment for any none completed transit procedures

- AEOs
- Comprehensive Guarantees

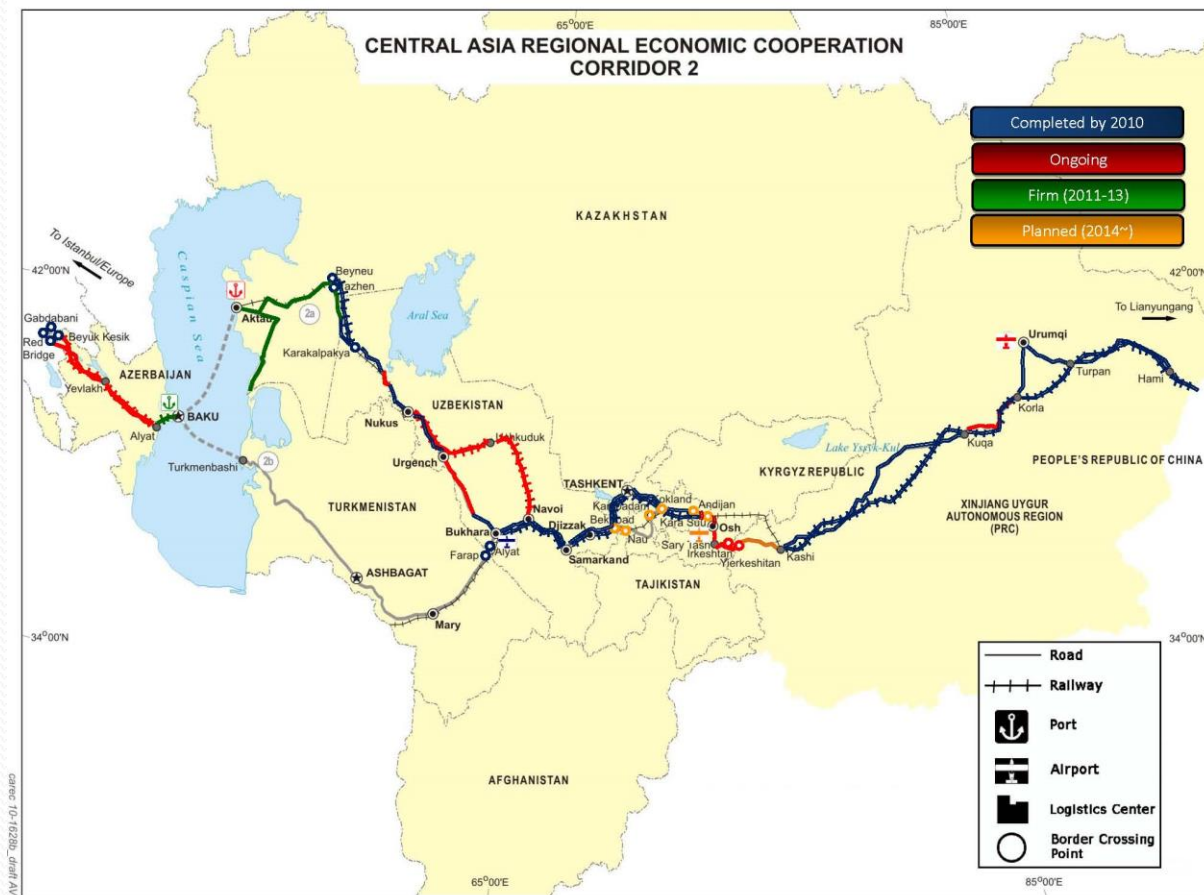
Summary

A regional system would help Central Asian countries participate in the global value chains that are the most dynamic segment of the 21st century global economy by:

- Providing an opportunity to eliminate duplication;
- Streamlining and harmonising transit documentation;
- Establishing a modern risk based affordable guarantee mechanism which would reward compliant operators e.g., AEOs.
- Reducing Customs processing time at the border;
- Provide compatibility with existing transit systems e.g. EU NCTS.

C. Pilot Corridor: 2a
Kazakhstan/Azerbaijan/Georgia

Corridor 2



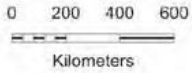


AZE	KAZ	KAZ	TKM	KAZ	TKM	KAZ	UZB	TKM	KAZ	UZB	UZB	UZB	UZB	KAZ	UZB	UZB	KAZ	KGZ	KAZ	KAZ	KGZ
IP101	IP10	IP107	IP105	IP3	IP103	IP105	IP3	IP101	IP13	IP16	IP33	IP18	IP104	IP7	IP30	IP19	IP6	IP7	IP102	IP103	IP105

AZE	AZE	AZE	AZE	AZE	TKM	UZB	TKM
IP5	IP1	IP2	IP4	IP3	IP104	IP105	IP102

AFG	UZB	UZB	AFG	AFG	AFG	TAJ	TAJ	TAJ	TAJ	TAJ
IP101	IP102	IP103	IP12	IP103	IP11.1	IP101	IP10	IP4	IP8	IP9

- National Capital
- Provincial Capital
- City/Town
- Proposed CAREC Logistics Centres
- CAREC Corridor 2
- Corridor Extension
- Railway
- IP Investment Project



Boundaries are not necessarily authoritative.

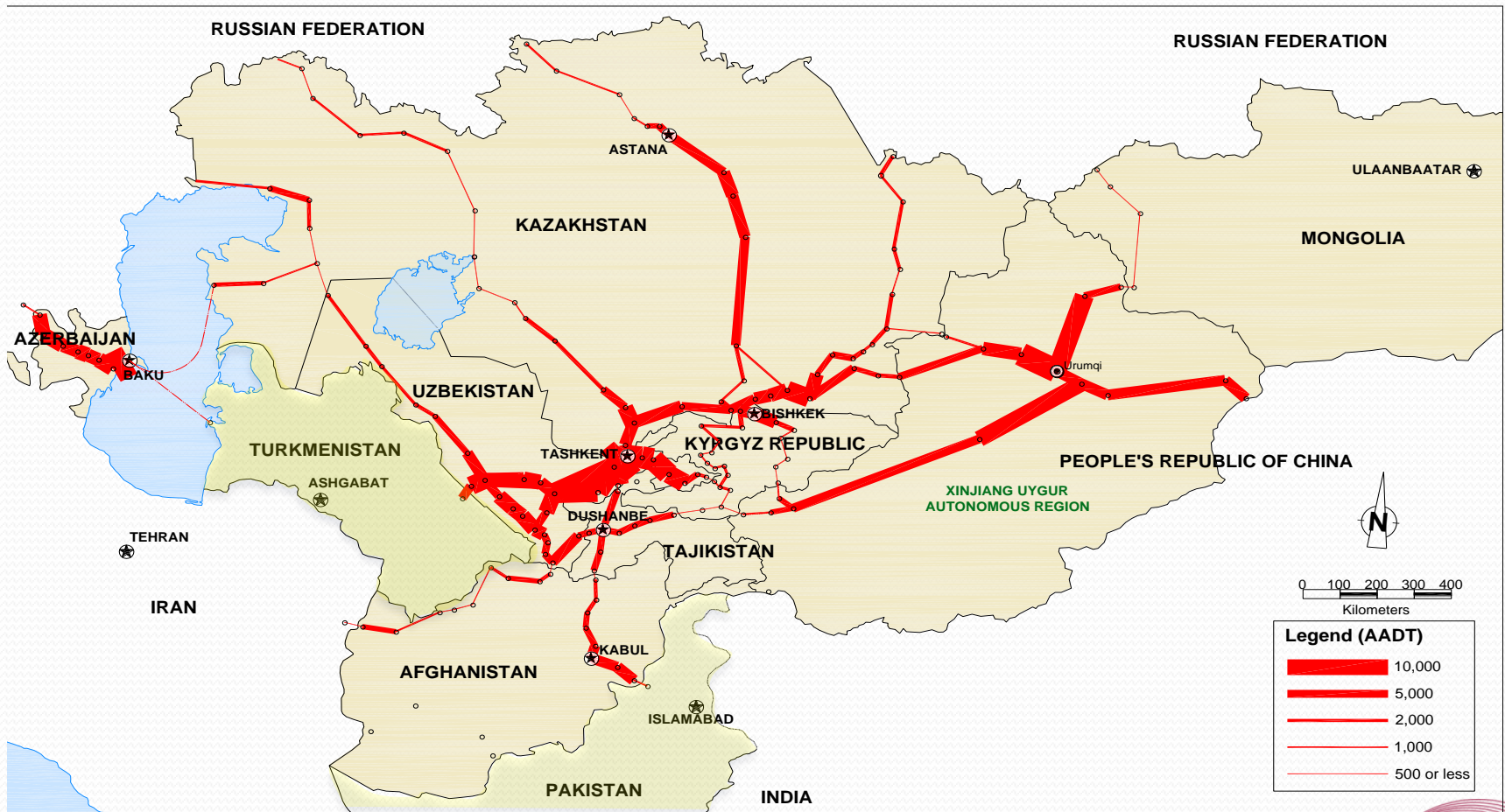
This map was produced by the cartography unit of the Asian Development Bank. The boundaries, colors, denominations, and any other information shown on this map do not imply, on the part of the Asian Development Bank, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries, colors, denominations, or information.

- AFG IP 11: 1. Shirkhan Bandar-Kunduz-Khoham-Nababad-Andkhoy Railway Construction
- AFG IP 12: Aqina-Andkhoy Railway Construction (Turkmenistan-Afghanistan)
- AFG IP 101: TKM Border-Herat Railway Construction
- AFG IP 103: Mazar-e-Sharif-Kunduz Road Rehabilitation
- AZE IP 1: East-West Highway (M2 improvement & 4-Laning; Yevlakh-Ganja, Gazakh-Border)
- AZE IP 2: Railway Trade and Transport Facilitation
- AZE IP 3: Acquisition of High Capacity Ferries and Ro/Ros by Caspian Sea Shipping
- AZE IP 4: Baku International Sea Trade Port Construction at Alyat
- AZE IP 5: Haygatut-Yevlakh and Ganja-Gazakh Roads
- AZE IP 101: LC Baku Port at Alyat
- KAZ IP 3: Aktau-Beyneu Road Rehabilitation (MFF Corridor 2 [Magystrau Oblast] Program)
- KAZ IP 6: Dostyk-Atlogay Railway Section Electrification
- KAZ IP 7: Aktogay-Moinly Railway Section Electrification
- KAZ IP 10: Aktau Port expansion
- KAZ IP 13: Zhekhazgan-Saksaulskaya Railway Line Construction
- KAZ IP 102: BCP improvement for Road Vehicles at Dostyk
- KAZ IP 103: BCP improvement for Trains at Dostyk
- KAZ IP 105: BCP improvement for Road Vehicles at Tazhen
- KAZ IP 107: LC Aktau Port
- KGZ IP 7: Osh International Airport Reconstruction
- KGZ IP 105: LC Osh
- TAJ IP 4: Kurgonteppa-Dusti-Panji Poyon Road Rehabilitation
- TAJ IP 8: Reconstruction of Sections of Dushanba-Kurgonteppa-Dangara-Kulyab Road
- TAJ IP 9: Vahdat-Yevlan Railway Construction (New)
- TAJ IP 10: Construction of Railway Line Kolkhozabad-Dusti-Panji Poyon-Alghan Border
- TAJ IP 101: LC Panji Poyon
- TKM IP 101: Construction of Dashoguz-Shasenen-Gazojak Railway
- TKM IP 102: Construction of Atamyral-Ymamnazar-Aqina Railway
- TKM IP 103: LC Turkmenbashi
- TKM IP 104: Reconstruction of Ashgabat-Turkmenbashi Highway
- TKM IP 105: CAREC Maritime Transport Corridor Development
- UZB IP 3: Acquisition of New Cargo and Passenger Locomotives
- UZB IP 16: First MFF: CAREC Corridor 2 Road Investment Program (Phase 2)
- UZB IP 18: Electrification Marokand-Samarkand-Naroi-Bukhara Railway Section
- UZB IP 19: Reconstruction of Landing Strip at Andjan Airport
- UZB IP 30: Second MFF: Second CAREC Corridor 2 Road Investment: Program (Phase 3)
- UZB IP 33: Construction of Centralized Filling Station in Navoi Airport
- UZB IP 102: BCP improvement for Road Vehicles at Alai
- UZB IP 104: LC Angren (Extension)
- UZB IP 105: Third MFF: Third CAREC Corridor 2 Road Investment Program

Rationale

- Traffic density shows large trade flows along Corridor 2 with a high AADT moving towards Georgia and Europe.
- Azerbaijan has a very well developed IT system for transit, which is operational within the region
- The new port of Alyat is nearing completion.
- Aktau port in Kazakhstan also undergoing extensive modernisation
- This is a TRACECA corridor.

Road traffic density (AADT) for road transport along the CAREC Corridors



Importance of Georgia

- Georgia new CAREC Member since October 2016
- Maritime links with Europe and access to EU and NCTS (New Computerised Transit System)
- New port of Anaklia being developed on Black Sea with capacity of 100 million tons at cost of USD2 billion.
- Rail link direct with Shanghai recently opened and linking Baku, Tbilisi and Kars in Turkey
- Strong trade links with EU and with CAREC members (Deep and Comprehensive Free Trade Agreement)







**THANK YOU VERY MUCH FOR YOUR
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