

## **Appendix 1**

### **REGIONAL CUSTOMS COOPERATION MEETING**

#### **COMMON ACTION PLAN**

**(As Endorsed by the Customs Cooperation Committee)**

**Urumqi, PRC**

**20-21 August 2002**

**Regional Customs Cooperation Committee Meeting  
Common Action Plan**

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Introduction .....	2
I. Harmonization and Simplification of Customs Documentation .....	2
II. Development of Border Posts and Facilities .....	4
III. Development of Simplified Transit Systems.....	7
IV. Data Consolidation/ Information Sharing and Information and Communication Technology Development for Customs Operations .....	9
V. Development of Risk Management and Post-Entry Audit.....	12
VI. Development of a Regional Intelligence System.....	14
VII. Capacity Building for Regional Customs Organizations .....	16

## **INTRODUCTION**

1. The Central Asia Ministerial Meeting in March 2002 in Manila endorsed customs modernization and cooperation as priority areas for trade facilitation under the Central Asian regional economic cooperation initiatives supported by the Asian Development Bank. Prior to this, the Central Asia Customs Cooperation meeting held in January 2002 supported the idea of establishing a Customs Coordination Committee (CCC) as the mechanism for facilitating the cooperation. The CCC is expected to provide strategic policy directions and develop proposals to undertake detailed work on issues facing customs.

2. Possible key initiatives to be addressed through the cooperation mechanism have already been indicated as likely to be important for early attention. These include: a regional seminar on the Revised Kyoto Convention, joint processing, regional training, transit system, and donor support meeting. Some countries, in recognition of the variation in their priorities and requirements, have also submitted proposals. The following Common Action Plan is a consolidation of the initial proposals and later submissions and covers the period October 2002 to December 2004.

### **I. HARMONIZATION AND SIMPLIFICATION OF CUSTOMS DOCUMENTATION**

#### **A. Background/Linkage to Country/Regional Strategy**

3. The existing customs cooperation arrangements in the East and Central Asia region have taken several forms. Kazakhstan, the Kyrgyz Republic and Tajikistan are members of the Eurasian Customs Union (ECU), along with Belarus and the Russian Federation. The Commonwealth of Independent States Customs Union (CIS-CU) covers the five members of the ECU, besides the Republic of Uzbekistan and all other CIS countries. The People's Republic of China (PRC) and the Kyrgyz Republic are the only two countries to have acceded to the World Trade Organization (WTO), while all are members of the World Customs Organization (WCO), and plan to accede to the Revised Kyoto Convention. However, the procedures for customs declarations, border crossing and transit in the region are not harmonized and have yet to conform to international standards and practices. This results in cumbersome procedures that are time-consuming, raise costs, and consequently hamper an efficient flow of goods across the region. It has been recognized that procedures should be harmonized and simplified to facilitate trade.

#### **B. Goal and Purpose**

4. The goal is to facilitate trade through harmonized and simplified procedures for customs processing at the borders.

#### **C. Components, Outputs, Specific Deliverables**

5. The initiative will first conduct a survey that examines the core competence of the region's customs organizations based on WCO's format questionnaires revised for the region and review key customs procedures (transit, end-use, import, export, economic zone, post-entry, etc). Based on the survey, the initiative will define areas needing improvement and simplification in order to bring them in line with international best practice and standards throughout the region, and develop a time-bound action plan for implementation. There will be close collaboration with the EU TRACECA project that has an ongoing activity on harmonization of border crossing procedures throughout the thirteen countries covered by the TRACECA

initiative. Azerbaijan, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan are covered by the TRACECA project.

6. At the operational level, the initiative will:

- (i) evaluate national initiatives for improving customs policies, legal and institutional frameworks to match international standards, including WTO, WCO and International Chamber of Commerce guidelines;
- (ii) assess existing regional harmonization and standardization initiatives and identify areas of synergy and best value added to promote transparency and reliability of procedures;
- (iii) formulate recommendations for revised practices and procedures in relation to: (a) harmonization of commodity description and coding system; (b) WTO Customs Valuation Agreement; (c) WTO Rules of Origin Agreement; (d) adoption of standard and simplified procedures and practices under the revised Kyoto Convention; and (e) single-window and one-stop solutions to expedite customs transactions;
- (iv) harmonize practices to encourage the development of efficient customs service infrastructure relating to: (a) enforcement of restrictions and prohibitions; (b) enforcement of international trade rules; and (c) increased customs integrity, particularly transparency;
- (v) formulate recommendations on streamlining organizational structure of customs organizations, in line with the structure adopted in comparable advanced economies in terms of staffing and human resource policies; headquarters-to-border-post linkages; reporting arrangements, etc;

7. On the legal and regulatory front, the initiative will involve work on:

- (i) evaluation of progress on measures to strengthen the Customs Code and related legislation in the selected countries;
- (ii) review of all legal and regulatory aspects with regard to harmonization and standardization of customs procedures and protocols across the region;
- (iii) assessment of the existing Codes/Guidelines on Customs Integrity, and formulation of revisions to the Codes to achieve compliance with international declarations (e.g. Arusha Declaration on Customs Integrity); and
- (iv) support for training and institution building in all legal and regulatory aspects.

#### **D. Expected Results and Deliverables**

8. This initiative will produce (i) improved documentation of existing procedures, (ii) simplified procedures for all aspects of customs administration, and (iii) proposed harmonization of requirements across the region.

#### **E. Timetable for Design and Implementation**

9. The inception of initiative is January 2003 and expected duration is one year.

## II. DEVELOPMENT OF BORDER POSTS AND FACILITIES

### A Background/ Linkage to Country/Regional Strategy

10. As landlocked countries, CARs share common borders. As a result, much of the traffic that passes is usually in transit to the next country and undergoes customs processing more than once. To maintain control, the customs posts generally conduct a full inspection of trade documentation at the border, and then require inland clearances that involves repetition of the process and physical examination. For transit traffic, similar inspection is undertaken and a convoy is deployed to accompany the goods up to exit point. Manual inspection results in delays especially if the documents are not available, and is compounded by the need to be inspected by all customs posts, which have different procedures.

11. A 1998 ADB Cross-Border Issues study estimated that such trade barriers between Kazakhstan and Kyrgyz Republic raise transport costs by \$40 million annually for transshipments, due mainly to clearance delays and unauthorized payments. Among the recommendations, the study advocated simplification of procedures and documentation requirements, establishment of automated clearance systems, use of risk assessment, implementation of the *Transports Internationaux Routiers* (TIR) Convention, reduction of convoy charges, and development of a cross border agreement.

12. Joint border processing would consist of the recognition of each other's documents at the minimum, or common documents and use of computer technology to track the flow of shipments and their verification. The "single window" wherein traders can lodge information with a single body to fulfill all import- or export-related documentary requirements is a highly applicable concept. Similar procedures would mean harmonized, consistent, and predictable requirements. Standardized documents would be easier for traders to understand and for authorities to recognize. Simultaneous processing would reduce waiting time, and act as a crucial starting point for regional cooperation. The desire to exercise documentation control over transit movements in order to secure revenue can be met if countries that share borders will agree to share information. CARs will progressively have to view customs not as control points but rather as clearance points, and rely on computerization, channeling, post-entry verification and risk management as the forms of control, in keeping with best practice elsewhere.

13. Furthermore, these moves will be in compliance with the Revised Kyoto Convention, since joint border processing or regional clearance will serve as a vehicle for harmonization of customs procedures and documentation and encourage simplification and transparency, which are among the goals of customs modernization. The use of a common approach by countries sharing borders implies the acceptance of transit goods previously cleared so that processing is not repeated, resulting in reduced number of transactions overall, speed, and trade facilitation.

14. The EU TACIS Trade Facilitation project, TRACECA (Transport Corridors in Europe and Central Asia), conducted a comprehensive study of 72 road or rail border crossings. It has already collated current international trade documentation, proposed simplified systems based on the EU Single Administrative Document, improved cooperation between customs and freight forwarders, investigated the introduction of electronic data interchange (EDI), and analyzed the principle surface control points and problems.

15. Due to inconsistent border crossing procedures and long delays at crossings and inland clearance terminals that threaten to eliminate the time gains of improved road infrastructure, TRACECA also focuses on: (i) improvement of border crossing facilities in the heavily trafficked

section of the route. This involves the design of modern integrated systems and interfaces with other centers, and provision of IT and telecommunications equipment and training. The project is coordinating with ADB in the design of the customs facilities on the Almaty-Bishkek road; (ii) harmonization of border crossing procedures, with emphasis on the implementation of new procedures. This is ongoing and the technical outputs will be of direct use, since they will include a border procedures database, border documentation, and harmonized controls and implementation plan.

16. Another particularly relevant TRACECA activity is the "Introduction of Joint Processing at Selected Border Crossings in Kazakhstan" which focuses on the Xinjiang and Kyrgyz borders and will be completed in Dec 2002. The goal is to prepare a joint agreement such as for Kazakh/Xinjiang border posts about implementation of enhanced processing systems. It will specify appropriate joint processing options, assess the benefits of such systems, and determine the required resources and capital works that would be necessary to modify the border posts.

## **B. Goal and Purpose**

17. To encourage trade and investments through regional cooperation, procedures and documents for goods traffic will be harmonized and simplified. Using a pilot project approach, joint border processing will be conducted in selected crossings in order to operationalize this harmonization, and enable customs to fulfill its role in regional cooperation.

## **C. Components, Outputs, and Specific Deliverables**

18. The initiative will have two main components: (i) development of joint border procedures and (ii) pilot test of joint border processing.

19. At the operational level, the initiative will include:

- (i) the selection of border crossings that process local and international traffic for the pilot project;
- (ii) analysis of procedures at those border crossings, also making use of previous studies;
- (iii) simplification and harmonization of procedures and documentation, including an integrated approach to improve security and facilitate trade through away-from-the-border processing for truck and rail cargo (and crews), inland pre-and post-clearance, convoy systems, international zones and pre-processing centers at the border;
- (iv) learning tour to countries with similar experience on joint border processing;
- (v) implementation of a pilot joint border processing project possibly on the Kazakhstan-PRC and Kazakhstan-Kyrgyz Republic or other national borders;
- (vi) examination of the technical, financial, and economic feasibility of joint border processing in other posts;
- (vii) formulation of criteria and operational plan, under existing legislation and regulations, for the creation of joint border facilities;
- (viii) review of the legal framework, drafting amendments and new legislative acts needed to introduce joint customs processing facilities;
- (ix) coordination support to the countries to reach agreements among customs authorities in the region to facilitate joint processing of customs transactions, including sharing of data on all aspects.

20. Both key and support documents to be examined will be from the following areas: import/export, transit, commercial, and transport. A study will also be made of the feasibility of advance submission of documentation and role of the border posts.

21. Output and deliverables are: (i) agreements among customs that opt for the pilot project, (ii) simplified procedures and documents, (iii) feasibility study of joint border processing, (iv) pilot project implemented, and (v) plan describing the replication of the project in other border crossings.

#### **D. Expected Results and Deliverables**

22. Expected results are reduction of transactions and time spent at the border crossings, increased volume of traffic and improved collections, and better control over illegal traffic. This would also foster mutual understanding and trust among customs administrations.

#### **E. Timetable for Design and Implementation**

23. Expected start of implementation is June 2003 and expected duration of implementation is two years:

- (i) selection of border crossings for the pilot project
- (i) simplification and harmonization of procedures and documentation developed under component I
- (ii) examination of the technical, financial, and economic feasibility of joint border processing from third quarter 2003
- (iii) implementation of pilot project from January to December 2004

### **III. DEVELOPMENT OF SIMPLIFIED TRANSIT SYSTEMS**

#### **A Background/Linkage to Country/Regional Strategy**

24. To simplify systems, reduce delays, and facilitate trade in this landlocked region, a regional transit system must be introduced. This would enable goods to move more freely by making customs clearance formalities easier. Smooth transit traffic is important for economic efficiency.

25. The European Union customs transit system recognizes that where goods are allowed to transit into national territory without duty, there is a risk of being diverted into the local economy with consequent revenue loss. It thus requires that the charges payable are secured by means of a guarantee or undertaking. A guarantee can be furnished by means of a cash deposit, a guarantor approved by customs, or by using a set of guarantee vouchers.

26. There are three transit systems in use: Common (22 countries from Europe), Community (15 EU members), and TIR (64 contracting parties). Phased reform of the first two has been undertaken since 1999 to improve transit legislation and implementation and computerize systems, with the New Computerized Transit System (NCTS). This has the advantage of reduced waiting time and costs, flexibility and clarity of trade transactions. For customs, there is improved communication and coordination, reduced transactions, speedy processing, harmonization of operating criteria, and direct management (which offers better security, monitoring, and reliable data). However it requires computer infrastructure, organization, procedures to integrate it into existing setup, and trained personnel.

27. The TIR carnet system is accepted as an efficient transit traffic processing system especially for carriers in multi-country transits. A TIR transit operation can already be established with Kazakhstan, Kyrgyz Republic, and Uzbekistan; while Tajikistan is a contracting party. The Community Transit system can be introduced by any country independently of the others. Adoption of international transport agreements could also be beneficial.

28. The TIR system is also being improved to ensure security and efficient functioning. Conditions for associations that issue carnets and act as guarantors were set, as well as those for persons wishing access. Functions of international organizations involved in TIR, best practices for termination and discharge, responsibilities of holders of TIR carnets were defined.

29. CARs could learn much from the European experience as well as system improvements, considering their similar landlocked situation, but the difference in constraints will have to be examined thoroughly for the adaptation to be effective.

30. The results of other efforts must also be considered, e.g. an UNCTAD assisted Transit Transport Framework Agreement was adopted in 1998, in cooperation with the Economic Cooperation Organization. The TRACECA Harmonization of Border Crossing Procedures project will produce a pre-feasibility report on the development of common transit procedures. In addition, there is a TRACECA project activity "Common Legal Basis for Transit Transport" and the national project "Support to the Development of A Transit Corridors Policy in the Republic of Kazakhstan".



## **B. Goal and Purpose**

31. To facilitate trade by reducing delays and costs for transit traffic through a regional transit system based on international best practices.
32. Specifically, the work will involve:
- (i) assessment of how simplified transit systems might be introduced to facilitate transport movements of through-transit traffic while retaining appropriate controls;
  - (ii) advisory support to enhance the use of the transit under bond system (TIR Carnet), under which trucks are sealed by customs upon departure and can cross several borders without further checks until they reach their final destinations; formulation of recommendations to improve acceptability of the TIR carnet at border crossings and removal arbitrary transit fees on key transit routes;
  - (iii) assessment of the state of infrastructure (both transport as well as customs) at key border crossing facilities in the selected countries;
  - (iv) modalities for improvement of communication and exchange of information between border-control agencies;
  - (v) formulation of recommendations to improve border-crossing facilities; and
  - (vi) evaluation of the potential in the selected countries for upgrading their transport systems to multi-modal means to facilitate transportation of goods and expedite border crossing.

## **C. Components, Outputs, Specific Deliverables**

33. This initiative will consist of: (i) study of the New Computerized Transit System or NCTS, mechanism, procedures and documentation; (ii) study of present system in CARs and applicability of NCTS, implementation requirements and costs/benefits, (iii) learning tour of EU, (iv) design of the system for CARs, (v) implementation plan; (vi) seminar about the system, (vii) implementation. This will be coordinated with donors.

## **D. Expected Results and Deliverables**

34. This is expected to generate a systematic understanding of both the present system and the EU model, the feasibility of adaptation, and a design and implementation plan.

## **E. Timetable for Design and Implementation**

35. Expected start of implementation is January 2003, and expected duration of implementation is one year.

#### **IV. DATA CONSOLIDATION/INFORMATION SHARING AND INFORMATION AND COMMUNICATION TECHNOLOGY DEVELOPMENT FOR CUSTOMS OPERATIONS**

##### **A Background/ Linkage to Country/Regional Strategy**

36. The challenge for customs in this increasingly interdependent world is to provide the infrastructure and skills to manage large volumes of transactions that are an inevitable result of increased trade. At the same time, a better-managed border process means easier access that opens up more market opportunities. Customs must take advantage of IT tools for processing information to strengthen its institutional capability. Aside from speed and accuracy, computerized systems reduce manual intervention/discretion and uncertainty, permit monitoring and allow for greater accountability and transparency.

37. Technical constraints facing customs organizations in the region are lack of customs equipment and facilities and insufficient adoption of ICT. These constraints inhibit effective control and service transparency. The overall level of computerization is low with existing limited systems being principally designed and focused on the provision of statistical information, such as trade statistics and revenue collection. A number of countries do not have automatic customs clearance systems with an import and export processing capability including declaration, inspection, and examination and transit modules. Thus, the computerization so far has not had a direct impact in improving the performance or capability of customs organizations to speed-up clearance or led to a reduction in the direct customs-trade interface.

38. For countries that share borders and the resulting transit traffic, the potential benefits of a common database in terms of savings in information costs and time are obvious. Shared information for instance would allow tracking of movements of goods for possible violations and make it more difficult for smugglers. Efforts that have already been exerted through data exchange agreements within the Eurasian Customs Union, and CIS customs agreements on documentation, etc. must be utilized.

39. Aside from statistical information, copies of the laws and regulations of each state should be available in the database. This would enable personnel to study and understand each other's legal and regulatory framework in customs as well as in other areas. Accession to the Kyoto Convention should provide similar legal bases for customs regulations.

40. Data sharing will be a starting point for building mutual trust and cooperation, which are the building blocks for regional integration. It will be crucial to develop terms of the agreement that recognizes the constraints and set goals that are achievable within a realistic time frame. Data sharing would be complemented by an exchange of experience and possibly, joint research on topics of mutual interest, e.g. classification of goods.

41. The economies of scale to be provided by a common database is another obvious advantage, especially if procedures are streamlined and documentary requirements are similar. This eliminates duplication of documentation and processing and is to be expected when the common transit system and joint border processing are implemented. Risk management systems will also benefit from information that is generated regionally.

42. A corollary activity is to establish websites for publicizing information about regulations for the general public.

## **B. Goal and Purpose**

43. This aims to initiate coordinated ICT development region's customs organization in order to make information systematic and readily available across borders for faster processing, better enforcement of laws and regulations, and increased regional cooperation and integration.

## **C. Components, Outputs and Specific Deliverables**

44. This initiative will consist of two parts:

### **1. ICT Development**

- (i) conduct needs-assessment for ICT development, including assessment of information and communication technology, hardware and software needs and identify the best options from a cost-benefit perspective;
- (ii) prioritize investment activities based on needs and develop an implementation strategy for modernization of ICT that facilitates customs operation, collection of statistics, and information exchange;
- (iii) develop a comprehensive and flexible technology plan for customs clearance system and management information system, and migration plans to replace, re-use, or relocate existing assets;
- (iv) develop a model procedural manual for customs staff to use in daily operations involving ICT;
- (v) assess the impact of customs modernization on main stakeholders closely involved in the customs and trade sectors, in particular: (a) the importers and exporters who can benefit from customs modernization in their international trade transactions; and (b) the service providers (customs agents; freight forwarders, operators and clearers; banking institutions, insurance companies, etc.);
- (vi) assess the current use of information technology in customs and develop recommendations for revised practices and procedures in relation to: (a) harmonization of commodity description and coding system; (b) WTO Customs Valuation agreement; (c) WTO Rules of Origin Agreement; (d) adoption of standard and simplified procedures and practices under the revised Kyoto Convention; (e) single-window and one-stop solutions to expedite customs transactions; and (f) electronic-commerce protocols and applications;
- (vii) develop common performance standards and effective use of technical resources; and
- (viii) advisory support and coordination with the other experts in all legal and regulatory aspects in relation to customs modernization.

### **2. Information Sharing**

- (i) survey of database and level of computerization, using the results of other projects, including assessment of inter-operability of systems and reliability of data, and full computerization of databases where needed, providing for interoperability;
- (ii) design of a data exchange system out of the existing national systems (or search for packaged software), taking national security needs into account, and using a common urgent problem such as smuggling as take off point:
  - a. development of a phased plan for its establishment,

- b. forging of agreement to link databases that will allow exchange of information, possibly limited at first and providing for expanded scope later,
  - c. pilot test implementation of design,
  - d. refinements,
  - e. revisions of design.
- (iii) formulate a comprehensive set of common indicators for which data collection must be streamlined and regularized across the countries;
  - (iv) formulate measures to improve the quality and flow of trade and customs information; and develop common performance standards and effective use of technical resources;
  - (v) develop protocols for compiling and utilizing advanced electronic commercial manifest data, working in partnership with the industry;
  - (vi) coordinate activities on data and intelligence gathering;
  - (vii) establish data transfer protocols to support data-sharing; develop procedures for intelligence gathering, and share such information with the regional customs authorities, and establish a database with risk profiles to be used by post-release audit teams and anti-smuggling units.

#### **D. Expected Results and Deliverables**

45. The unified database and data exchange will allow countries to modernize database management, implement procedural reforms, reduce information costs, realize the scale benefits of sharing, and cooperate more productively hence leading to substantive regional integration.

46. Deliverables are a computerized database, design for a common database and data exchange, implementation plan, draft memorandum of agreement, and revised design.

#### **E. Timetable for Design and Implementation**

47. Expected start of implementation is January 2003 and expected duration of implementation is two years.

## **V. DEVELOPMENT OF RISK MANAGEMENT AND POST-ENTRY AUDIT**

### **A. Background/Linkage to Country/Regional Strategy**

48. Modernization of customs administration using international best practice entails simple border procedures combined with post-entry verification, which in turn requires technically capable personnel and use of IT. The transactions that go through the border however do not all have to be subjected to verification, considering their volume and resource constraints. That is, high-risk transactions can be selected for examination through a risk management system in order to ensure efficient use of scarce resources, providing facilitation while maintaining control.

49. Risk management is a systematic method of identifying, analyzing, evaluating, treating, and monitoring the risks involved in the customs process, and in combating smuggling. Risks are usually assessed through risk profiling and targeting. The profile information developed serves as a basis for selection criteria/filter, and the import and export documents are compared with these. The selected transactions are then subjected to audit/verification, examination, or compliance improvement. Adopting IT to risk management helps to deploy limited resources in high-risk areas. This enables customs to reach maximum administrative efficiency and effectiveness.

### **B. Goal and Purpose**

50. To develop and implement a risk analysis system, the program encourages the adoption of modern post-entry verification system while will help facilitate trade while maintaining control.

51. The work will involve

- (i) assessment of current practices adopted for risk management by the national customs administrations;
- (ii) formulation of benchmarks that are appropriate for each country, derived from international codes and sound practices (e.g. WCO, WTO and International Chamber of Commerce guidelines, agreements and protocols; Revised Kyoto Convention);
- (iii) formulation of recommendations to expedite and streamline the examination of documents and merchandise at the time of entry;
- (iv) consensus and institution capacity building to adopt risk-based post-transit and post-entry compliance audits;
- (v) development of computerized models to analyze the "risk profiles" of shipments by comparing their details with a set of indicators and categorizing them as either high, medium or low risk transactions; and
- (vi) establishment of standardized procedures on post entry audit according to risk profile of the shipments (e.g. for low risk transactions, reconciliation with banks on the customs duties paid; for medium risks, document verification procedures; and for high-risk cases, procedures for physical examination of the merchandise).

### **C. Components, Outputs and Specific Deliverables**

52. This initiative consists of three phases:

- (i) First, a working group should be set up to survey existing practices and skills, assess training needs, and identify IT tools for the system;
- (ii) Second, the working groups should:
  - a. catalogue existing sources of data and information,
  - b. make flow chart of existing processes,
  - c. consult with customs, trading community, transport industry,
  - d. make risk profiles (identify risk areas, assess level of risk, likelihood and consequence, suggest countermeasures, recommend means of ensuring effectiveness and review process)
  - e. develop selection/targeting criteria based on profiling results
  - f. test the risk management system by comparing documents received with criteria and refine
  - g. document the risk management system and operating procedures
- (iii) Third, the risk management system should be implemented, and compliance measured.

#### **D. Expected Results and Deliverables**

53. These will include:

- (i) Risk management operating procedures documented and tested
- (ii) Selectivity criteria developed
- (iii) Risk profiling conducted (risk areas and levels)
- (iv) Data sources catalogued, flow charts drawn
- (v) Countermeasures or treatment recommended
- (vi) Personnel trained
- (vii) IT tools set up
- (viii) Monitoring and review process described

#### **E. Timetable for Design and Implementation**

54. Expected start of implementation is June 2003, and expected duration of implementation is two years.

## **VI. DEVELOPMENT OF A REGIONAL INTELLIGENCE SYSTEM**

### **A. Background/Linkage to Country/Regional Strategy**

55. Illegal traffic in narcotics, firearms, nuclear and hazardous products, endangered species, stolen arts and cultural artifacts, and fake products is recognized to be a big problem in the region. Drug-related crimes have risen significantly, and it is possible that this illicit trade is contributing to the trade deficit. This is largely because Central Asia and the Caucasus are a principal trade route from the major links including Afghanistan, into Russia and the other parts of Europe. Anti-drug crackdowns are conducted, yet the problem remains, and is aggravated by corruption.

56. To address this problem, it is proposed to establish a regional intelligence network to track transshipment transactions. This will require a system of processing relevant information and relaying it across borders in a quick and secure manner. This is where the benefits of IT can be maximized. Suspected transactions can be tagged even after they have entered a particular border and the information transmitted ahead to forewarn the next border of its arrival. This will be complemented by the use of tracking and tracing systems.

57. Being a common problem, the cooperative solution will provide the opportunity for the countries to build a system for data exchange that will be useful in later efforts, such as a transit system. It will also become necessary to harmonize procedures. Furthermore, it will require the development of a risk management system for identifying high-risk transactions. A regional intelligence system will therefore provide groundwork for the other requisites of an operationally efficient customs administration, while aiding customs enforcement in the most basic area of protection of national security, public health and safety.

### **B. Goal and Purpose**

58. To develop and implement a regional intelligence system that will aid customs enforcement against illicit trade in prohibited goods.

### **C. Components, Outputs, Specific Deliverables**

59. This initiative consists of the following components: (i) analysis of the nature and extent of illicit trade, including types of goods, production and trade volumes, sources and destinations, channels, modes of transport and methods; (ii) stock taking of existing regional programs for intelligence gathering and sharing; (iii) evaluate perform of existing regional intelligence system, including capacities, effectiveness, equipment, intelligence sources, and adaptability; (iv) proposal for strengthening regional intelligence system including funding, schedule, and human resource requirements, (v) training of customs officers in tracking and tracing, and (vi) identify possibilities for coordination with express delivery carriers.

### **D. Expected Results and Deliverables**

60. It is expected that a regional intelligence system will raise the effectiveness of customs enforcement in detecting and deterring illicit trade.

**E. Timetable for Design and Implementation**

61. Expected start of implementation is June 2003 and expected duration of implementation is one year.



## VII. CAPACITY BUILDING FOR REGIONAL CUSTOMS ORGANIZATIONS

### A. Background/ Linkage to Country/Regional Strategy

62. As newly independent transition states, developing institutions that are necessary for a market-based economy remains a challenge for most countries in the region. In the trade area, they have had to establish their own customs organizations. To realize the potentials for increased trade within the region and benefit from the world trading environment, however, a paradigm shift from one of tight border controls to that of trade facilitation is required. Customs administrations have to be modernized, through an improvement of systems, procedures and the statistical base, rationalization of structure and functions, as well as the training of personnel. That is, primary legislation must be modernized, procedures streamlined and made transparent, IT systems established, and organizational problems addressed.

63. The key to customs modernization is technical skills and administrative capacity, for which training is needed. Approaching this on a regional basis would help ensure a similar minimum level of understanding of policies and procedures, and harmonize interpretation and know-how. Policies and procedures will be based on the trade-facilitation paradigm.

### B. Goal and Purpose

64. To train customs personnel region-wide on technical and administrative aspects of customs administration in order to (a) implement international procedures and processes, (b) internalize the trade-facilitation and compliance framework and enhance skills, (c) improve operational performance, and (d) increase mutual understanding and improve regional cooperation.

### C. Components, Outputs and Specific Deliverables

65. This will consist of an assessment of training needs and development of a training program based on the assessment. The latter will include subjects/topics, duration, mode and spacing, method or approach to be used, and how retention will be assured.

### D. Possible Topics

- (i) **Revised Kyoto Convention** – This convention is an international instrument adopted by the World Customs Organization to standardize customs policies and procedures worldwide. It contains the basic principles for a modern customs administration: harmonization, automation, transparency, simplification, efficiency, standardization, and security. Contraction parties are obligated to bring the Standards and Recommended Practices that they have accepted into force nationally. National legislation must include at least the basic rules from the General Annex, with detailed regulations for their implementation. It must also include the conditions under which the customs procedure will be accomplished. Customs administrations are obliged to ensure that their regulations are transparent, predictable, consistent and reliable.
- (ii) **Customs legislation and implementing regulations** – Proper functioning of a market-based economy requires laws that are consistent with this philosophy. In addition, modern customs administrations emphasize “Informed Compliance and Client Focus”, and comply with international commitments and follow best

practices. Laws must be clear and concise and their implementing details can be specified in the accompanying regulations.

- (iii) **Harmonization and streamlining of customs procedures** – Simple and harmonized procedures would be easier to implement, serve clients better, and facilitate trade. Standardized procedures would allow the exchange of information and be aligned with international best practices.
- (iv) **Implications of WTO membership** – Requirements of WTO obligations especially the Customs Valuation Agreement and best practices abroad that complement these requirements, e.g. post-entry audit and risk management, harmonized tariff nomenclature, and computerization, must be understood. A particularly important implication is the valuation method, which is no longer attached to a “normal price” concept, but rather the transaction value.
- (v) **Post-release audit** (see below)– Given the increasing volume of transactions, tedious physical inspection process, and fixed amount of customs resources, there is a need to shift from pre-clearance control to post-release review. This includes a review of import declarations for value, tariff classification, origin, and exemptions. This requires a risk management system in order to make effective use of resources, since post-release review that is focused on high-risk transactions has high payoffs.
- (vi) **Risk management, risk assessment, selectivity** (see below) – Together with pre-arrival processing and post-entry audit control, fast-track clearance for accredited traders, unification of export and import documentation or one stop clearance, and customs integrity, risk management is one of the hallmarks of modern customs administration. Risk analysis involves identifying the risk and evaluating it, with the objectives of maximizing administrative effectiveness.
- (vii) **Developing a database, use of IT** (e.g. advanced information, cargo clearance, transit procedures, intelligence/risk database, revenue estimates, bank transfers), electronic data exchange – Given the large amounts of information to be processed, IT must be used for better performance, e.g. higher efficiency, productivity, and better internal and region-wide control. A shift from paper-based system to electronic generation and submission of harmonized trade documents would mean quick and accurate transactions, and a reduction in opportunities for malpractice.
- (viii) **Implementation of customs union conditions**, terms of bilateral agreements, regional rules (harmonized forms/certificates and other support documents such as road consignment notes, contracts, and import licenses; requirements in origin/destination and transit; transport charges) – Given the many agreements that have been formed in the region, there is a need to determine how to realize their potential benefits, especially in relation to the initiatives outlined in the Action Plans.
- (ix) **Institutionalizing cooperation mechanisms** with transport/carrier organizations, forwarders, and traders – There would be mutual benefit to these mechanisms, and the goodwill that results will be useful when modernization efforts are to be undertaken.

- (x) Control of illegal goods (see below)– Skills in identifying illegal goods, establishing intelligence units, a database and network are required for better enforcement.
- (xi) **Trade facilitation and public-private sector partnership.** Advisory support to strengthen public-private partnerships to facilitate trade relations within and outside the ECA region. Forums and consultation events for external trade and international transport sector participants through the national and regional chambers of commerce for promoting trade linkages; and formulation and execution of training programs aimed at capacity building in trade, transport and logistics development.

### **E. Specific Requests**

**Kazakhstan:** (needs an analytical system/technical base for decision making)

- (i) Customs enforcement: technology of the control process (how to maintain control with simplified systems) and techniques (technical and outright smuggling and origin fraud); identification of consignment and detection of unauthorized interference; check of authenticity of documents.
- (ii) Border control of Intellectual Property Rights
- (iii) Identification of goods and compensation products
- (iv) Cooperation with business community, brokers, transporters, organizations
- (v) *Import price verification system<sup>1</sup>*

**Kyrgyz Republic:**

- (i) *WTO customs rules*
- (ii) *Terms of bilateral/multilateral agreements*
- (iii) *Management of customs centralized functions; MIS*
- (iv) *Post-entry verification*

**Tajikistan:**

- (i) *Customs union conditions*
- (ii) *Enforcement techniques*
- (iii) *Automating customs control*
- (iv) *Accreditation*
- (v) *Post-entry audit*
- (vi) *IT interface with other customs administrations*

**Uzbekistan:**

- (i) Training specialists for training academy
- (ii) Drug control (including training of inspector/dog trainer)
- (iii) Processing methodology and goods classification
- (iv) *WTO valuation and the Harmonized System*

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<sup>1</sup> Italics indicate implicit needs culled from various documents.

**Xinjiang, PRC**

- (i) Revised Kyoto Convention
- (ii) Harmonized Commodity Description and Coding System
- (iii) Customs Computerized Management
- (iv) Customs Valuation
- (v) Post-Clearance Audit

**F. Expected Results and Deliverables**

66. A significant increase in technical knowledge and administrative skills that will contribute to more efficient customs administration. Simultaneous training on a regular basis will also lead to scale effects. A better understanding of best practice abroad would enhance mutual understanding and encourage cooperation.

**G. Timetable for Design and Implementation**

67. The training program will be implemented between October 2002 and December 2004.