

## **Development of Simplified Transit System**

For today Kyrgyz Republic is a participant of many agreements, concerning issues of simplification of transit transportation of goods.

However existing bilateral and multilateral agreements on transit do not contain a real mechanism of their practical application because of absence of guarantees of application of sanctions in regard to unfair participants of foreign trade activities (traders) in cases of false transit in the territory of the transit state.

1. During the First CCC Meeting (Urumchi, PRC, August, 2002) the agreement concerning the Common Action Plan (CAP) was reached, which has defined 7 directions of the activity. Among the raised initiatives on trade facilitation CCC considers that the most important one is a development of transit system as the majority of CCC member-countries have no a direct access to the sea, and economies of this countries have no significant value. Without effective transit systems facilitating trade inside of the region and promoting movement of goods, as in so out of the region, some of member-countries is under risk to stay further in isolation and not to have an opportunity to have an advantages from increasing globalization of a world economy.

2. More extensively the issue of simplification of transit transportation is considered on the Workshop, held in Issyk-Kul (4-8, August 2003), and during which the overall working document «Strategy and action plan on development of the transit system» was prepared by the Secretariat and a two-aspect approach for decision of the given issue has been proposed:

- perfection of already existing transit system: System of International Road Transportation (TIR), as the basic transit system, working in the region.
- development and accepting in the framework of the CCC an agreement on regional transit system.

This two transit systems might complete each other, creating a favorable conditions for development of trade in the region and of an interregional trade.

It is noted that being a target for a future perspective, the development of the regional transit depends on a presence of concurrence in the actions of CCC member-countries in concern the plan of creation of a legal and physical infrastructure, which provides with a possibilities for creation of the regional transit system. So, regional efforts, aimed on a search of alternative transit system, should be based on the efforts of separate countries on reformation and modernization of customs service.

3. Second CCC Meeting held in October 9-10, 2003 in Tashkent, Uzbekistan, has analyzed the results of work of Transit Working Group during the Meeting in Issyk-Kul, Kyrgyz Republic, held in August 3-8, 2003 and has approved the necessity of development of the simplified regional transit system as a key component of the Common Action Plan.

During the meeting it was recognized, that the development of the regional transit system can be started on the base of separate bilateral agreements which will serve as a ground and could be used for creation of the regional agreement on transit in the perspective. Countries accordingly spoke for the development of such bilateral agreements on transit and completely supported offers on expansion of this bilateral agreements on other countries

4. For acceleration of development of transit issues by the Department of Customs Service of the Kyrgyz Republic during 20<sup>th</sup> Meeting of the Council of Head of Customs Services on July 4, 2003 in Issyk Kul the signing of bilateral protocols of intentions between customs services of Tajikistan and Kazakhstan about decision of given issues at the first stage on a bilateral base has been initiated

5. Taking into consideration that the Kyrgyz Republic is an initiator of the transit issue, in February 2004 in Bishkek the Regional Meeting on Development of Simplified Transit Systems was held by support of the Asian Development Bank. The aim of the meeting was in discussion of the issue – in what way such a system may be developed with a focus on a key elements, that are necessary for such regional system. Also on the Agenda there were the issues as following:

- system of guarantee of a supply;
- procedures for transit ;
- institutional framework.

Given Meeting endowed in a discussions of issues, directed on creation of the simplified transit system in the region, in particular, on preparation of the draft bilateral agreement on transit between Kyrgyzstan and Kazakhstan

6. The first noticeable result of the work in the framework of the CCC became the following – on 26, March, 2004 in Bishkek the Agreement between the Government of the Kyrgyz Republic and the Government of the Republic of Kazakhstan on transit transportation of goods by road transport through the territory of the Republic of Kazakhstan was signed, which came into force on 11, May 2005.

On the base of the Agreement lays a mechanism of applying of the financial guarantee for ensuring transit movement, i.e. transit movement of goods by road transport through the territory of the Republic of Kazakhstan is implementing on the base of consignment details, document on ensuring of payment of customs duties and taxes in the Kyrgyz Republic and document of good's delivery control

At the same time it was agreed that for the customs service of the transit state – Kazakhstan – the inner national mechanism of damage compensation, measures of administrative influence on non-fair participants of external economic activity, the mechanism of accounting and control of used guarantees and other inner national details of regulation are not of a principal importance under the condition of observance of the major principle – actual compensation of the damage provided caused by non-sanctioned release of goods in the national economy of the transit country.

Apart this, on the first stage it was important to assign legally the scheme of recognition of the guarantees of the one state in another state for further its development to the regional chain of guarantees through the mediation of customs bodies.

7. The main limitations of the Agreement are as following:

- The Agreement has an evasive nature, that expressed in its «one-sided» direction (i.e. use of the document ensuring the payment of customs duties and taxes, given only to the address of Customs Service of Kazakhstan).
- The developed national Order of issuing and applying of the Guarantee Commitment by customs bodies of the Kyrgyz Republic is enough bulky mechanism.

Though, the developed Agreement has evasive nature, that expressed in its «one-sided» direction, the approbation of such scheme became possible for the preparation of a bilateral agreement with the Republic of Tajikistan, that is developed on the analogy of the abovementioned Agreement.

8. On 22, July, 2005, Agreement between Government of the Kyrgyz Republic and Government of the Republic of Tajikistan on transit transportation of goods by road transport is signed and sent for ratification.

9. Difference between the Agreement between Government of the Kyrgyz Republic and Government of the Republic of Tajikistan on transit transportation of goods by road transport and the Agreement with Kazakhstan are as following:

- The Agreement is applied on transit transportation of goods by road transport through territories of the Kyrgyz Republic and Republic of Tajikistan, i.e. the Agreement will equally work on the territories of both Parties, that will have a positive influence on trade development on border area;
- In the Agreement it is determined that in case of non-delivery of transit goods in accordance with the Agreement, the amounts to be paid under the Guarantee Commitment to the transit country, shell be paid in terms of money in convertible currency by customs body issued the Guarantee Commitment.

10. Necessary to note that the state-members of the Eurasian Economic Community (Byelorussia, Russia, Kazakhstan, Kyrgyzstan, Tajikistan), within the framework of the EurAsEC customs services a work on development of the Agreement on ensuring the payment of customs duties by depositing to the customs body's account customs payments due or by using bank guarantees when moving goods under customs control between customs bodies of the EurAsEC.

Mechanism of the Agreement is based on provision by customs bodies of the Parties of a real financial guarantees, which would may cover a possible damages of a transit country in case of unauthorized relinquishment of a transit goods.

The work over this Agreement is conducting starting from 2002, however for nowadays the Parties did not developed still a final text of the agreement, that will satisfy the requirements of all interested state bodies of the Parties, such as National Bank, Ministry of Economic Development etc.

11. Necessary to note that recently signed bilateral Agreements between the Government of the Kyrgyz Republic and the Government of the Mongolia, and between the Committee for Revenue under the Ministry of Finance of the Kyrgyz Republic and the State Customs Committee of Azerbaijan Republic about cooperation and mutual assistance in customs matters could facilitate for creation of the simplified transit system in the region.

Kyrgyz Customs Service suggest to develop a regional Agreement that will provide:

- simplicity of transit inner regional transportation of goods;

- presence of financial guarantee to the transit state, on the territory of which a non-sanctioned by customs bodies release of goods was allowed;
- accordance of financial guarantee with a real cost of goods and estimated on their base customs payments and duties;
- availability of the regional transit system for a wide range of users;
- mutual acceptance of documents of financial guarantee and customs document, on which a transit transportation is conducted.