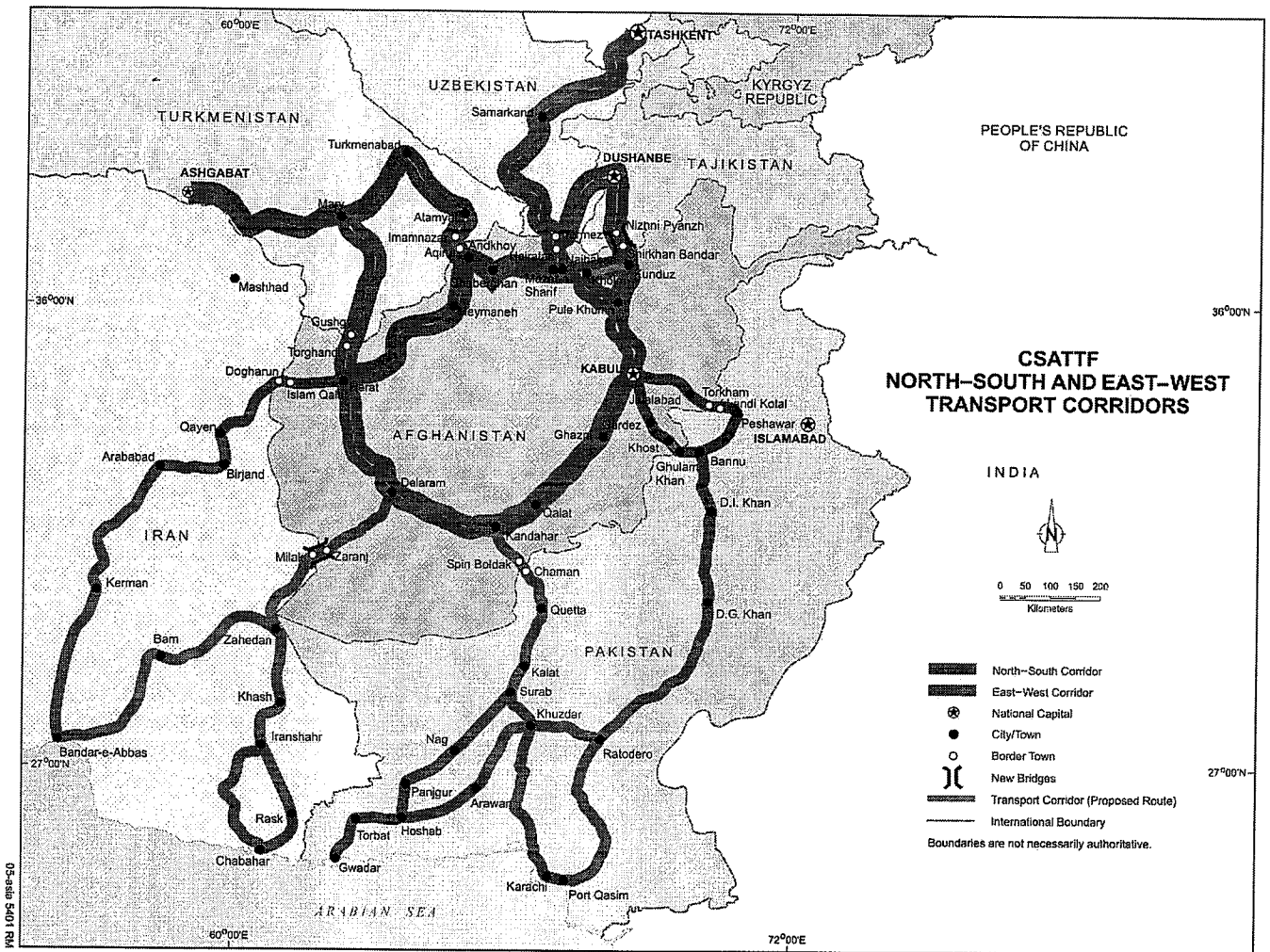


Central and South Asia Transport and Trade Forum (CSATTF)

Afghanistan, Iran, Pakistan, Tajikistan, Turkmenistan and Uzbekistan

“Opening Transport Corridors between Central and South Asia -- Roads to Prosperity”



Regional Business Roundtable
3-4 November 2005
Bishkek, Kyrgyz Republic

I. Background

1. The opening of Afghanistan's borders, the country's rehabilitation and reconstruction, provides new opportunities to the region. Afghanistan has the opportunity to become, once again, a land bridge connecting Central and South Asia. Establishing efficient transport links within the region and beyond are the keys to achieving sustainable economic growth and to improving living standards. Greater connectivity and regional cooperation will improve peace and stability in the region and have positive impacts on investment, trade, income, and employment. The landlocked (or double landlocked) Central Asian Republics (CARs) can take advantage of rehabilitated transit corridors to access the Arabian Sea and the Persian Gulf. Iran and Pakistan, as transit countries, can benefit from the proliferation of transport services and greater use of their ports. The newly emerging transit opportunities can also contribute to Afghanistan's reconstruction efforts.

2. To facilitate this vision the Asian Development Bank (ADB) organized a Ministerial Conference on Transport and Trade in 2003 to promote regional cooperation between Afghanistan, Iran, Pakistan, Tajikistan, Turkmenistan and Uzbekistan. The Ministers endorsed the establishment of the "Central and South Asia Transport and Trade Forum" (CSATTF) to accelerate regional economic growth and development through improved transit corridors and active collaboration in the promotion of trade, transport, customs, and other related areas.

3. The major transport corridors of CSATTF are: (i) the North-South Corridor (connecting Tajikistan, Turkmenistan, and Uzbekistan through Afghanistan to the ports of Karachi, Gwadar, and Port Qasim in Pakistan) totaling about 2,800 kilometers (km); and (ii) the East-West Corridor (connecting the same countries, through Afghanistan to the ports of Bandar-e-Abbas and Chabahar in Iran) totaling about 2,900 km.

The North-South Corridor comprises:

- Tajikistan-Afghanistan-Pakistan section (about 2,200 km),
- Uzbekistan-Afghanistan-Pakistan section (about 2,900 km), and
- Turkmenistan-Afghanistan-Pakistan section (about 3,200 km).

The East-West Corridor comprises:

- Tajikistan-Afghanistan-Iran section (about 2,800 km),
- Uzbekistan-Afghanistan-Iran section (about 3,200 km), and
- Turkmenistan-Afghanistan-Iran section (about 2,600 km).

4. Given the strategic position of Afghanistan as a land bridge, transit trade facilitation in the region will benefit all the concerned countries with the shortening of not only the physical trade routes but also of the economic distance to key markets.¹ Opening up new markets across the region will enable the region to become part of the global logistics systems, attract foreign and local investment, and to benefit from increased world trade. In this regard, both landlocked and neighboring transit countries can benefit from actions taken to facilitate transit trade and improve transit transport efficiency.

¹ According to an ADB study analyzing the economic impact of the transport corridors, conducted in 2003 (first version) and 2004 (upgraded version), gains would accrue to the countries in terms of savings in travel time, savings in travel cost by approximately \$2 billion, increase in employment by approximately 2 million people, increase in GDP by approximately \$6 billion, increase in trade – total exports, total imports and regional trade by 160% more, increase in government revenue by approximately \$900 million, and private sector growth.

II. Corridor Development Plan (CDP)

5. The potential benefits would accrue to the participating countries only if they pursue a synchronized strategy towards integrated regional trade expansion and growth by removing the many existing constraints, in terms of transit, transport and trade issues. CSATTF has been identified the major challenges to transport and trade facilitation: (i) poor or inadequate infrastructure facilities, (ii) limited coordination of infrastructure investments, (iii) restrictive trade policies, (iv) limited regulatory frameworks, (v) different customs laws and procedures, (vi) underdeveloped logistics services, and (vii) security concerns especially with regard to drugs and human trafficking currently prevailing the subregion.
6. CSATTF addresses these challenges through the "Corridor Development Plan" which focuses on five major areas: (i) infrastructure improvement (road and border infrastructure), (ii) customs cooperation, (iii) development of corridor transit arrangements, (iv) anti-trafficking; and (v) capacity building, consultations and knowledge sharing. The CDP's aim is to remove physical, institutional, and policy constraints in the region through (i) investing in transport and trade infrastructure to create alternative, recognized, competitive routes for trade, (ii) strengthening trade-related institutions and improve the efficiency of customs and make them transport and trade friendly, and (iii) harmonizing transport, transit and trade policies, standards, regulatory frameworks and ensure they conform to international regulations.
7. **Road Infrastructure.** In Afghanistan, with the assistance of both bilateral and multilateral financing institutions, the ring road connecting Kabul to major regional capitals, and international road links to border crossing points are being improved. In Tajikistan, an ADB-financed project to improve about half of the 190-km road section to connect Dushanbe to Nizhni Piyanzh at the border with Afghanistan is under way. In Pakistan, the ADB-financed Balochistan Road Development Sector Project and Northwest Frontier Province Project will rehabilitate and widen some sections of road corridors connecting Karachi through Chamman, Ghulam Khan and Torkham to Afghanistan. In Iran, the road from Bandar-e-Abbas to Dogharun has been improved to a two-lane asphalt-pavement standard. The link from the newly developed Chabahar port to the Milak-Zaranj border is being improved to a similar standard. A bypass route to the Chabahar-Iranshahr link is currently under construction. In Turkmenistan, the government is improving roads connecting the capital to provinces including the road link from Atamurat to Imamnazar on the Afghanistan border. In Uzbekistan, primary roads have been improved to a two-lane or wider paved standard.
8. During the past three years, significant improvements have been made in road infrastructure. In 2002, 60% of the road corridors needed repair and rehabilitation, among which, 40% or about 1,200 km have been improved thanks to strong commitment of the CSATTF member countries and the assistance of development partners. 80% of the entire CSATTF transport corridors will be in good condition soon, with only 20% remaining for rehabilitation and upgrading. The thrust for further improvement would therefore come from the rapid growth of traffic volume, the demand for a bypassing route, additional passing lanes, and emergency escape ramps. CSATTF will maintain a database to monitor the improvement of the corridors by developing partners and the countries and ADB will pursue close coordination with other development partners in order to secure appropriate investments for rehabilitation and upgrading of the corridors.
9. **Border Facilities.** Given the gradually improving road infrastructure, transport and trade along the CSATTF corridors are presently constrained at the transport nodes where transshipment often takes place and where infrastructure facilities, mostly cross border facilities,

need further development or improvement. Under CSATTF, the following eight major border crossings have been identified along the two corridors, among which :

- Hairatan-Ayritom/Termez (Afghanistan-Uzbekistan border)
- Shir Khan Bandar-Nizhni Pyanzh (Afghanistan-Tajikistan border)
- Torkham-Torkham/Landi Kotal (Afghanistan-Pakistan border)
- Waish/Spin Boldak-Chaman (Afghanistan-Pakistan border)
- Zaranj-Milak (Afghanistan-Iran border)
- Islam Qala-Dogharun (Afghanistan-Iran border)
- Torghundi-Gushgy (Afghanistan-Turkmenistan border)
- Aqina-Imamnazar (Afghanistan-Turkmenistan border)

10. Among the sixteen border points, ADB is currently assisting Pakistan in developing and upgrading border facilities adjacent to Afghanistan at Chaman, Ghlam Khan, and Torkham. The World Bank has been assisting Afghanistan in reconstructing the Hairatan border and, in cooperation with the European Union (EU), the Torkham border. The border facilities at Islam Qala, Shir Khan Bandar, Torghundi, and Zaranj in Afghanistan have also been upgraded with assistance from the governments of Iran, Germany, and the United States.

11. Given the involvement of various development partners in border developments and different stage of developments of the borders, CSATTF found it critical to have a coordinated development program for border development. Responding to this need, ADB is conducting a study to assess the existing border facilities and border procedures as well as their development plans, if exist, and issues. Current traffics at each border crossings are being surveyed and the future traffics along the CSATTF corridors are being projected. Based on such an assessment, a strategy and action plan will be developed covering all the CSATTF border points and related facilities with respect to additional physical and procedural improvements.

12. **Customs Cooperation.** Toward the development of customs service for traders and the business community along the corridors, customs administrations in the CSATTF countries, although being in different levels of reform and modernization, are currently focusing on revising their customs codes to be compliant with the Kyoto Convention and the WTO and introducing automation systems including ASYCUDA system in Iran and Afghanistan. A customs cooperation plan has been developed ensuring full compatibility with the CAREC's customs program as well as the guidelines of the World Customs Organization, focusing on (i) effective customs transit system including the Transports Internationaux Routiers (TIR) system; (ii) customs procedures harmonization; (iii) border customs cooperation; (iv) IT-based customs data sharing; and (v) modern customs techniques. The implementation is expected to start in 2006.

13. **Corridor Transit Arrangements.** In addition to physical and customs improvement of the transport corridors, improving the transit and transport systems is crucial to the goals of CSATTF. CSATTF has adopted two approaches: (i) accession to the international convention and (ii) development of efficient corridor transit system. Out of nine conventions identified under CSATTF,² five member countries have completed accession to the Convention of Road Traffic and Convention of Road Signs and Signals and Customs while the remaining conventions have

² These are (i) Convention of Road Traffic, (ii) Convention on Road Signs and Signals, (iii) International Convention on the Harmonization of Frontier Control of Goods, (iv) Convention of the Contract for the International Carrying of Goods by Road, (v) Conventions Pertaining to Perishable Goods, (vi) Customs Convention on The International Transport of Goods under Convention of the TIR Carnets, (vii) Customs Convention on the Temporary Importation of Commercial Road Vehicles, (viii) Customs Convention on Containers, and (ix) Revised Kyoto Customs Convention.

different levels of accession. To support efficient corridor transit system, in cooperation with other development partners, ADB is conducting a study to assess the legal aspects of the regional transit arrangements, particularly those between Afghanistan and its neighbors. The discussion will be made among the CSATTF countries focusing on (i) development of general principles, such as common functional components required to all bilateral/trilateral transit agreements in the region, to serve as a basis for the various bilateral/trilateral agreements of the region to be consistent and complementary with each other, (ii) revised or newly drafted agreements (bilateral/trilateral) including assistance of negotiation process, (iii) amendments of the selected border laws, rules and regulations of each country in accordance with the revised/drafted agreements and international conventions; and (vi) establishment of a monitoring and coordinating authority in each country to assure effective implementation of transit agreements.

14. **Anti-trafficking.** Drug and human trafficking are major challenges for the subregion. In 2004, an ADB consultant prepared a background study on Cross-border Law Enforcement For Drug Trafficking, Human Trafficking and Money Laundering in Afghanistan and neighboring countries. The study asserted that transport corridors, while promising to provide trade linkages across the region, will inevitably also improve criminal access to important markets, and made ten recommendations.³ Aware of this possibility, CSATTF member countries have agreed to improve their legislation and give priority in addressing the issue of accession and ratification of the United Nations Convention against Transnational Organized Crime and its first two protocols on human trafficking and smuggling of migrants. CSATTF is also encouraging member countries to cooperate more closely at the borders to prevent such trafficking.

15. **Capacity Building, Consultations and Knowledge Sharing.** The CSATTF countries have responded to ADB regarding their training needs. Based on this, appropriate training programs in transport, customs and transit will be developed and provided in coordination with the other donors' initiatives. CSATTF also encourages active consultations among the CSATTF member countries. This includes consultation meetings not only among high level government officials (ministerial level) but also among technocrats and professionals, including development partners. Meetings serve as forums for sharing knowledge related to trade and transport facilitation. So far, two ministerial conferences and two technical meetings have been held.⁴

CSATTF MEETINGS TO DATE

First Ministerial Conference on Transport and Trade in Central and South Asia, 31 July - 1 August 2003

Participating countries adopted a Protocol that:

³ It includes to (i) establish regional Heads of Narcotic and Human Trafficking Law Enforcement Agencies forums; (ii) develop multilateral MOUs on regional drug control, including provision for joint narcotic intelligence assessments; (iii) establish a network of cross-posted narcotic liaison officers in each regional country; (iv) establish a network of joint agency border liaison posts at key border crossings (tasked with drug and human trafficking responsibilities); (v) improve national programs including through the early ratification of existing international agreements and implementation of programs to the standards demanded by the same; (vi) establish national human trafficking enforcement units responsible, inter alia, for a national database of human trafficking cases; (vii) develop multilateral MOUs on regional cooperation in human trafficking enforcement, including provision for joint criminal intelligence assessment of human trafficking; (viii) adopt and implement the Financial Action Task Force's 40 Recommendations; (ix) establish national Financial intelligence Units (FIU) and a regional Heads of FIU's Forum; and (x) develop multilateral MOU on money laundering, including provision for joint regional money laundering typologies exercise.

⁴ Iran (non-member of ADB) was invited as observer. Turkmenistan did not attend the Conference but attended the First Working Group Meeting on Transport and Trade and the Trade and Customs Working Group.

- endorsed the North-South and East-West road corridors via Afghanistan;
- cited major impediments for facilitating trade in the sub-region, particularly in customs harmonization and trade facilitation, cross-border infrastructure development, cross-border law enforcement for prevention of drug trafficking;
- agreed on the need for technical assistance to address the impediments, and
- agreed to establish the CSATTF as instrument of regional cooperation;
- agreed to hold the second Ministerial Conference at ADB Headquarters to approve the articles of establishment of the CSATTF and discuss the identified issues.

Working Group Meeting on Transport and Trade in Dubai, 4-5 March 2004

The meeting

- reviewed background studies on the issues that affect trade and transport facilitation (customs harmonization, border transport infrastructure, law enforcement on drug and human trafficking)
- recommended adopting as model the Common Action Plan (CAP) of the ADB-assisted Central Asia Regional Cooperation (CAREC) program, and carrying out studies to facilitate the CAP implementation in the CSATTF countries;
- recommended to re-cost the upgrading of cross-border infrastructure at all cross border points;
- recommended that members ratify the UN Convention against Transnational Organized Crime and the first two Protocols (Human Trafficking and Smuggling of Migrants).

Trade and Customs Working Group (TCWG) Meeting in Bangkok, 27-28 October 2004

The meeting

- discussed the main issues for customs cooperation and transit facilitation of the region
- endorsed the Corridor Development Plan (Customs) as the CSATTF customs work program with the following five components:
 - Development of Corridor Transit Systems
 - Simplification and Harmonization of Customs Procedures and Documentation,
 - Development of Border Posts and Facilities,
 - Data and Information Sharing and ICT Development, and
 - Application of Modern Customs Techniques.

Second Ministerial Conference, Manila, 3-4 March 2005

- reviewed the progress of transport and trade cooperation of the sub-region since the first Ministerial Conference;
- approved the Articles of the CSATTF;
- approved the Terms of Reference of the TCWG;
- endorsed the Corridor Development Plan (Customs) submitted by TCWG;
- discussed the regional transit arrangement;
- reviewed the status of cross-border infrastructure development;
- reviewed recommendations on the prevention of human and drug trafficking and money laundering; and
- recommended future directions for transport and trade cooperation in the region. In addition to the CSATTF countries, representatives from Kazakhstan, Kyrgyz Republic, People's Republic of China and India were present as observers.

III. ADB assistance to CSATTF

16. To date, ADB investments and Technical Assistance (TA) grants in promoting regional cooperation and connectivity in the subregion are:

- Assistance to Afghanistan and Pakistan in constructing and improving roads and cross-border facilities totaling US\$716 million since 2003;
- Assistance to Tajikistan in a customs modernization project totaling US\$10 million approved in 2004;
- Regional Technical Assistance (RETA): Subregional Economic Cooperation in South and Central Asia (SECSCA) for US\$600,000, approved December 2003; and
- Technical assistances (TAs) to Afghanistan for US\$550,000 and to Pakistan for US\$600,000 to support cross border trade and transport facilitation approved in 2004.

ADB presently consider providing the following technical assistances:

- RETA: Phase II of SECSCA for US\$950,000 scheduled for consideration in 2005;
- TAs to Afghanistan for a total of US\$1,400,000 scheduled for consideration in 2005 and 2006; and
- TA to Pakistan for US\$350,000 scheduled for consideration in 2006.

17. **ADB as a Secretariat.** ADB serves as the Secretariat in designing and implementing appropriate policies, institutional reforms, and projects and integrating efficient use of land, labor, capital, management, and technology under the auspices of the CSATTF. ADB works closely with the participating countries and other development partners to ensure that the corridor development vision for the subregion receives appropriate investments and that policy and institutional changes allow all stakeholders to benefit from the initiative. ADB also has been an honest broker in providing assistance for regional cooperation initiatives including: the Association of South East Asian Nations (ASEAN), the South Asia Association for Regional Cooperation (SAARC), the Greater Mekong Subregion (GMS) covering Cambodia, People's Republic of China, Lao PDR, Myanmar, Thailand and Vietnam; Brunei Darussalam Indonesia Malaysia Philippines-East Asia Growth Area (BIMP-EAGA); Central Asia Regional Economic Cooperation (CAREC) covering Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan and Tajikistan; and South Asia Subregional Economic Cooperation (SASEC) covering Bangladesh, India, Nepal and Bhutan; and the Turkmenistan-Afghanistan-Pakistan Natural Gas Pipeline Project (TAP).

IV. CSATTF Partners

18. CSATTF actively pursues partnership with development institutions involved in the above mentioned five areas to achieve the maximum benefits for member countries. The CSATTF partners include: World Bank, European Commission (EC), United Nations Conference on Trade and Development (UNCTAD), United Nations Development Programme (UNDP), United Nations Office on Drugs and Crime (UNODC), Economic Cooperation Organization (ECO), and bilateral partners such as the Governments of US, Japan and Germany. CSATTF encourages close coordination with other initiatives such as Central Asia Regional Economic Cooperation (CAREC) and ECO. CSATTF also promotes partnership with the private sector.

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CSATTF Articles and TCWG TORs

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