

**REGIONAL MEETING ON DEVELOPMENT OF SIMPLIFIED TRANSIT SYSTEMS**  
**21-23 February 2004 Bishkek, Kyrgyz Republic**

**REPORT TO CUSTOMS COOPERATION COMMITTEE**

**A. Introduction**

1. The 2<sup>nd</sup> Ministerial Conference (MC) of Central Asia Regional Economic Cooperation was held 11-12<sup>th</sup> November 2003 in Tashkent Uzbekistan. Ministers expressed strong commitment to working together to pursue shared vision of a region with free movement of goods. Ministers reaffirmed trade facilitation as a priority area of cooperation. Based on shared recognition of the need to further promote trade, ministers supported the proposal to develop simplified transit systems. The Ministers endorsed the proposal to consider drafting of an agreement on a regional transit system among the member countries by the Customs Cooperation Committee (CCC) in the near future.

2. The regional customs cooperation program under the CCC promotes simplification and harmonization of customs procedures, and addresses issues of regional concerns such as transit systems, data-sharing, risk management and intelligence gathering among customs administrations. The 2<sup>nd</sup> CCC Meeting held 9-10<sup>th</sup> October 2003 in Tashkent Uzbekistan reviewed the results of the Work Group on Transit from the meeting at Issyk-Kul, Kyrgyz Republic 3-8 August 2003 and endorsed the need to develop a simplified regional transit system as a key component in the Common Action Plan.

3. The purpose of the meeting was to discuss how such a system could be developed by focussing on key elements necessary for such a regionally-based system. The meeting program is given in the attachment. This information paper aims to further disseminate the outcome of the discussions on the meeting topics: (i) a chain guarantee system; (ii) procedures for transit; and (iii) an Institutional Framework.

**B. Summary of Discussions**

4. This meeting under the auspices of the CCC contributed to the discussions on development of a proposed regional transit system, in particular the signing of a bilateral transit agreement between Kazakhstan and Kyrgyzstan in the near future.

5. Delegates all reconfirmed the need for a regional transit system, especially in view of the necessity to promote trade in the region for economic growth. The TIR system was an effective approach to long distance traffic, though improvement in its application is important. However, this system should be complemented by a regional system that adopts a cheaper simpler approach for shorter distance movements.

6. Delegates recognized that any effective regional transit systems should contain at least six main elements of any transit system:

- (i) Presence of a Manifest or Transport Consignment Note;
- (ii) A Customs Declaration for transit purposes;
- (iii) A method of safeguarding of revenue, such as a guarantee;
- (iv) Assuring security of cargo on the vehicle;
- (v) A system of cancelling of guarantees on completion of the journey; and

- (vi) A methodology to write-off the records to indicate completion of the transit.

It was appreciated that in transit there needs to be a balance between control and trade facilitation.

7. It was recognized that the establishment of a regional system of guarantees approved by Customs involves the interest of the banks, insurance companies, customs brokers, commercial chambers and transport organizations and that it is necessary to consult them to identify their participation, consistent with national legislation and international conventions. Delegates agreed that the forms of guarantee were most likely to be bank or insurance company guarantee or possibly, in certain cases, a cash deposit or appropriate collateral.

8. There was general recognition of the need for development of national user organisations such as transport associations, customs brokers associations and trader representation as such organisations had an important role in the implementation and application on any regional system. It was also recognised that further development of the insurance industry and its regulation may be needed such that insurance companies could offer guarantees that would be acceptable to Customs for transit purposes.

9. It was agreed that the need for an institutional structure, such as a Secretariat or Executive Body, either independent or part of the Customs organisation, should only be addressed when the nature of such a regional transit system has been defined. Only at that stage could the roles and responsibilities be identified and the best methodology to address these needs.

### **C. Recommendations**

10. The Delegates recognized that the development of a regional transit system can commence on the basis of individual bilateral agreements, such as the draft developed between Kazakhstan and the Kyrgyz Republic, that they can act as important step towards the creation of a regional transit agreement at a later stage. Countries are consequently encouraged to develop such bilateral transit agreements and proposals to extend such bilateral agreements to other countries are fully supported.

11. As these bilateral agreements are implemented, it is important that their application be analyzed and reviewed and the results circulated to other CCC member countries in order to establish a regional transit system.