

**Customs Cooperation Committee
Working Group Meeting
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by

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Ms. Sophia Aisagaliyeva, Deputy Chairperson, the Customs Control Agency of the Republic of Kazakhstan and Mr. Kang Qiang and Mr. Sadirkhon Nasirov, the members of the working group Chairs and the distinguished delegates, let me welcome all of you to the first working Group meeting of the Customs Cooperation Committee (CCC). At the outset, I would like to express our deep appreciation and thanks to the Customs Control Agency of the Republic of Kazakhstan who have served as a host for the first regional training program held in February 2003 and now for this working group session – both these initiatives are an integral part of the Regional Customs Cooperation and Trade Facilitation Project.

As you are aware, CCC represented by the heads of Customs Agencies of the People's Republic of China, Central Asian economies, and Mongolia, provides an apex institutional framework for a coordinated approach to regional customs reforms and their implementation. As endorsed by CCC, in Urumqi in August 2002, the regional customs organizations have adopted a seven-point action plan for this regional initiative. This action plan calls for

- (i) simplification and harmonization of customs procedures and documentation,
- (ii) development of border posts and facilities,
- (iii) development of simplified transit systems,
- (iv) data and information sharing and ICT development for customs operations,
- (v) development of risk management and post-entry audit,
- (vi) development of a regional intelligence system, and
- (vii) capacity building for regional customs organizations.

To operationalize this plan, the CCC set up working groups on (i) Simplification and Harmonization of Customs Procedures, chaired by the PRC customs authority; and (ii) working group on Customs Control, Risk, Management, and Information and Communication Technology Development, chaired by the Uzbekistan customs authority. A Task force chaired by Kazakhstan Customs Authority was also set up for Joint Border Processing.

The objective of this working group session is to

- Deliberate on the key components of the Common Action Plan to share the country plans and experiences on the topics under consideration;
- Develop more detailed time-bound step workplan with concrete outputs and deliverables to operationalize the Common Acton Plan;
- Develop special institutional mechanism or subgroups to execute and oversee the implementation of components of action plan;

- Prepare a report of findings and assessment as well as major deliverables to be submitted to CCC whose meeting is anticipated to be held in fall this year; and
- CCC will review the working group report and endorse its recommendations for consideration of the Ministerial Meeting tentatively scheduled in the fourth quarter of 2003.

The working group, as outlined above, has a comprehensive and ambitious agenda. In the next few days, the working group should strive to focus on identifying and agreeing on the deliverables. To facilitate discussions further let me now outline what we need to focus on in our discussion for each of the components of the Common Action Plan.

First, on **harmonization and simplification of customs documentation and procedures**, a review of customs legal and regulatory framework at national level suggests that countries are undoubtedly moving towards the WTO standards and the Revised Kyoto Convention. However, there are differences in approach and timing of adoption of these standards. Discussion in this area should as such focus on:

- (i) Stock taking of each country's plans to conform to these international standards with the objective of developing a comparative view of where each of the individual countries' customs laws and procedures stand vis-à-vis the Revised Kyoto Convention,
- (ii) Gaps and inconsistency in the legal and regulatory frameworks, and
- (iii) Develop approaches and identify changes that may be required at national level to attain better regional harmonization, while searching for means to increase customs integrity, particularly transparency; and
- (iv) identifying areas of synergy and best value added through regional efforts.

Second, the **development of a simplified transit system** is needed for all countries though it is most critical for the landlocked Central Asian economies. Background work undertaken thus far has identified a number of constraints in this area. Among others, notable issues are the (i) lack of mutual recognition of customs control procedures including customs seals and stamps, (ii) lack of involvement of stakeholders in the transit development system i.e. transport operators and private sector, and (iii) lack of bank guarantee arrangements for transit goods. To improve transit in the region ADB and the TRACECA have launched special programs under their respective transport corridor projects. It is also encouraging to note that a TIR transit operation has been established with Kazakhstan, Kyrgyz Republic, and Uzbekistan; while Tajikistan is a contracting party, and Turkmenistan has submitted an application.

This meeting provides an opportunity to:

- (i) take stock of what has been achieved in order to share the experiences and lessons-learned from the practices of various transit arrangements,
- (ii) identify joint effort to overcome key constraints to the establishment of a simplified transit system in the region,
- (iii) blue print for establishment of a regional transit system, and
- (iv) exploration of working arrangement(s) with key stakeholders particularly the transport and railway ministries, the banking and the private sector.

Based on this work, the working group should examine the role of customs in a broad regional context and come up with a proposal to initiate dialogues with these stakeholders to move towards an integrated approach to address the transit issues.

Third, on **the development of border posts and facilities**, the working group meeting gives an opportunity to:

- (i) examine the legislative requirements for introducing joint border procedures,
- (ii) assess joint border processing approaches and modalities,
- (iii) make recommendations on the most suitable approaches for joint border processing
- (iv) develop procedures, performance criteria and a coordination mechanism among the participating countries in the pilot testing should all be components of a joint work program; and
- (v) agree on the border sites where joint border processing can be pilot tested.

Fourth, on **ICT for data sharing and customs modernization**, there is a broad recognition among member economies that adequate IT infrastructure not only facilitates trade through automation, but also fundamentally changes the concept of customs services through introducing various IT-enabled modern customs techniques such as risk management. To leverage modern information technology, customs administration has to become both an enforcer of customs laws and a facilitator for informed compliance with the laws by the private enterprises and traders. Only through such a change in the nature of customs services and strong partnership between the customs administration and the private sector can customs rely on the IT-enabled risk management with great confidence.

Member economies are currently embarking on modernization efforts through needs assessment and developing an efficient and cost-effective customs modernization plan. Careful selection of an IT architecture is the most crucial step for (i) automated declaration, (ii) introduction of modern customs techniques such as risk management, (iii) sharing of information by supporting “electronic data interchange” (or a harmonized national data transfer system as recommended by the TRACECA), and (iv) establishment of a regional intelligence system for combating drug-trafficking and terrorism.

The meeting provides an opportunity to facilitate individual countries’ customs modernization initiatives through

- (i) a comparative study on and sharing country experiences with different IT options available in the market,
- (ii) identification of the best option, not only from a cost-benefit point of view but also from a regional perspective i.e., in terms of its support for joint border processing, data sharing, and regional intelligence system, and
- (iii) developing an agreement on what information can be exchanged on a regular basis and how joint effort could be made to meet the technical and legal requirements; recent agreement between the Kazakhstan-PRC on customs data exchange could potentially serve as a framework for regional approach for information exchanges and data sharing.

Fifth, on the **development of a regional intelligence system**, the meeting provides an opportunity to consider a number of initiatives:

- (i) an assessment of national intelligence system which could serve as building blocs for a proposed regional intelligence system;

- (ii) an assessment of the existing regional intelligence systems (including those under the administration of the WCO), including capacities, effectiveness, equipment, intelligence sources, and adaptability;
- (iii) agreement among the member countries that country-specific customs modernization efforts take into account the application of risk management, data sharing, and establishment a regional intelligence system; and
- (iv) agreement on a coordination mechanism.

In conclusion, we hope the working group sessions can be steered to focus on identifying concrete and time bound plan which will include substantive and concrete deliverables as discussed above. To facilitate the discussion, besides our in-house team, we have engaged four technical experts with rich international and regional experience to serve as resource persons. They will help facilitate discussions and provide best practices in each of the areas of the Common Action Plan and will work closely with you to set in motion a concrete deliverable plan. I wish you all success in the deliberations over the next few days.

Thank you for your attention.