

TRACECA Project  
Trade Facilitation,  
Customs Procedures  
& Freight Forwarding Project  
**Inception Report**  
April 1996

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# Scott Wilson Kirkpatrick

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Your Reference:

Our Reference:

BE/DSC

3 April 1996

For the attention of Mr D Stroobants

Dear Sir

TRADE FACILITATION, CUSTOMS PROCEDURES, AND  
FREIGHT FORWARDING  
TRACECA PROJECT TNREG 9308

We have pleasure in forwarding five bound copies, one loose leaf copy, and one diskette of our Inception Report, English Version. The Russian translation will be issued after the Easter holidays.

Since the report was drafted a UK coordination meeting was held at these offices on 3rd April 1996 with the Project Coordinator, Team Leader, and key experts. The following schedule of visits was provisionally agreed subject to final travel arrangements.

- 1) The Team Leader will be commencing a second more intensive tour of the Caucasus starting in Armenia on 12th April, moving to Georgia on 19th April, and Azerbaijan on the 29th April. He will spend approximately one week in each country on detailed data collection and border post inspections assisted by the Regional Coordinator who is already resident in Georgia.
- 2) The Computer Systems Expert will tour the Caucasus between 6th May and 25th May whilst the Customs Facilities and Transport and Trade Documents experts will tour the Caucasus between 20th May and 15th June. The Team Leader will provide a specific focus for these visits in the light of the detailed data collection and border post inspection described in 1) above.
- 3) A UK Familiarisation Mission is planned for the week commencing 24th June followed by the first Regional Conference in the week commencing 1st July. Further details of our proposed itinerary will be issued in a supplementary report.

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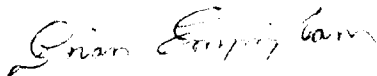
Scott Wilson Kirkpatrick

European Commission, Brussels  
BE/DSC 3 April 1996

- 2 -

- 4) Data collection and border post inspections in Central Asia will be carried out by the Team Leader and Regional Coordinator through May to mid June with the three key experts visiting Central Asia 15th July to 9th August following a similar format to the Caucasus. We will keep you advised of detailed travel arrangements as the project evolves.

Yours faithfully  
for SCOTT WILSON KIRKPATRICK & CO LTD



B Empringham  
Project Coordinator

c.c. TACIS Units:

Armenia	)	
Georgia	)	delivered by hand
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**FORM 1.2 REPORT COVER PAGE**

Project Title:	Trade Facilitation, Customs Procedures and Freight Forwarding Project		
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Date of Report: 04 April 1996  
 Reporting Period: March 1996  
 Author of Report: A Bayley/B Empringham

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EC Delegation	_____	_____	_____
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TACIS Bureau (task manager)	_____	_____	_____
	[name]	[name]	[name]

NOTE: Each report is to have this cover page in order to facilitate project administration.

## CONTENTS

- 1 PROJECT SYNOPSIS
- 2 ANALYSIS OF PROJECT
  - INTRODUCTION
  - STUDY ISSUES
- 3 PROJECT PLANNING
  - PROJECT COORDINATION
  - PROJECT OBJECTIVES
  - PROJECT APPROACH
  - PROJECT OUTPUTS
  - PROJECT PROGRESS
  - PROJECT PLAN OF OPERATION

APPENDIX A - TABLES

APPENDIX B - NATIONAL TRADE TASK FORCES

APPENDIX C - TRADE PROFILES

APPENDIX D - PRELIMINARY APPRAISAL MISSION VISIT

APPENDIX E - BORDER POST INSPECTION LOCATIONS

## 1. PROJECT SYNOPSIS

### Simplified Logical Framework

**Wider Objectives:** To promote a transport corridor between Europe and the Caucasus/Central Asia through greater regional harmonisation and integration with international transport & trade practices.

**Specific Project Objectives:** To improve operational efficiency through the introduction of customs and trade documentation in accordance with UN and international standards and make recommendations on the requirements for modern data processing systems and the upgrading of customs facilities. Institutional arrangements will also be examined with a view to creating transport & trade associations and encouraging cooperation between customs authorities, freight forwarders and transport operators.

**Outputs:** The following outputs are targetted with the assistance of the NTTFs:

- a Customs Documentation Package containing proposals for a harmonised customs documentation system based on UN alignment.
- an International Trade Documents Package based on international conventions and world trade practices.
- a Computer Systems Plan for the introduction of modern data processing technology in the customs environment including a feasibility study of the long term introduction of EDI systems
- a Customs Border Post Report with the results of detail surveys and recommendations for upgrading existing facilities
- an Implementation Report giving cost benefit analysis and implementation schedules for the introduction of transport & trade documents, computer systems, and border post improvements
- an Institutional Framework Plan for the development of Customs Consultative Council's, Customs Agents Associations, and Trade & Forwarder Associations including draft articles of association
- a Business Plan for a pilot multi-modal regional freight forwarding operation
- a Banking & Insurance Overview Report
- a Training Programme including workshops/seminars and visits to European facilities

**Target Group:** At the general level target groups will include both relevant ministries/customs authorities, and the state owned or privatised transport and forwarding industry. More specifically local expertise will be promoted through direct training and transfer of technology to counterpart staff in the NTTF's.

**Inputs:** Technical assistance will include 17 man months of long term experts and 323 man days of short term experts in different specialities. Training materials will also be provided and access arranged to European facilities for the purposes of the familiarisation mission. The involvement of a west European Freight Forwarder in the pilot study will be sought as an essential pre-requisite of seeking further funding for implementation of the pilot.

## 2. ANALYSIS OF PROJECT

### INTRODUCTION

The Trade Facilitation, Customs Procedures and Freight Forwarding project (TNREG 9308) has the principle objective of facilitating trade throughout the TRACECA region. Following the Preliminary Appraisal Mission (PAM), the Consultant fully subscribes to the general objective of the project and the potential benefits that could be achieved by the development of regional solutions.

The PAM noted that there is limited co-ordination between the member states, with development tending to take place on a national, rather than a regional basis. The development of Economic Union or "Free Trade Agreements" only includes certain of the TRACECA countries, and even then delays are still occurring at their mutual borders.

There was a strong desire in the region for harmonisation of trade documentations and customs procedures as many of the constraints to international movements to and from countries outside the TRACECA region actually occur within the region. There was general recognition that the movement of goods between and across member states should be comparable with that experienced within the EU member states and that this was the eventual goal.

The PAM identified that there were significant variations between TRACECA States in terms of use of international trade documentation, customs procedures and the development levels of the freight forwarding industry. The Consultant recognises that the national differences in the economic, social and cultural environments have an impact on the state of development and constraints to trade facilitation. It may therefore be necessary to evaluate each country separately with different recommendations. This may result in the need for different development paths to reach a common regional goal.

The nature of the freight forwarding industry also highlights the differences between States on a national basis. Some countries have a developed industry whereas in others a forwarder is, in reality, only a road transporter. The lack of regional freight forwarders and the unimodal and limited coverage of the through-transport chain by even the most advanced national organisations indicates that there is significant potential to develop the industry to the benefit of the TRACECA States.

The initial objectives of the 1993 Conference, which led to creation of the TRACECA programme, was to stimulate interest in the development of transport corridors, including the Central Asia -Trans Caucasus - Europe Transport Corridor. The PAM identified that current trade route orientation was predominantly through Russia and Iran, rather than across the region. Indications were that the trade facilitation aspects were a factor in the underutilisation of this proposed corridor.

This project should enable a coordinated approach to the solution of many of these constraints which can be only achieved on the basis of regional, rather than national, solutions. It will assist in the development of an institutional framework to enable the development process to continue between states on a regional basis and between transport users, suppliers and national state institutions involved in international transport.

## **STUDY ISSUES**

### **Harmonised Documentation**

The TRACECA States confirmed their need to have a harmonised documentation system. This is required to ensure that:

- exporters, importers, forwarders and international transporters have the correct documentation to facilitate trade between them;
- forwarders and international transporters have the correct documentation to allow goods to transit the states;
- Customs have the correct documentation available to enable them to process and clear goods for export, import or transit in an efficient manner;
- all parties have the documents in a format that is recognisable to each other; and
- standardised procedures can be implemented.

The use of non-standard documentation within one country, inevitably results in complications in another and a disruption in the through transport logistics.

A major proportion of the present trade in the TRACECA states is with countries outside the region. It is therefore recognised that by introducing an internal harmonised system, that it should also be relevant to external regional trade. This indicates a need to use internationally accepted documentation systems aligned to the UN system.

The creation of the CIS has resulted in each State having to adopt its appropriate national Customs Code. Whilst these are mainly based on the former Soviet Union Codes, they contain differences which have given rise to the introduction of non-standard specific documents.

This situation may be exacerbated by the implementation of the Free Trade Agreements which may impose specific customs requirements on the members. Many of the States indicated their concern over the increased and changing demands for goods for or transiting the Russian Federation. There is therefore a potential risk of increasing the document demands and use of more non-standard forms.

As experienced in freight facilitation studies in other countries, the major problem is often not the use of non-standard documentation in itself but the resultant differences in procedures. Delays are rarely caused by the actual document, unless it contains errors, but the processing of that document and the corresponding checks. It is not possible to implement standard border or clearance procedures, as seen in Europe, without them being based on the use of a standard documentation package.



Discussions with authorities in the TRACECA States highlighted the ease of movement experienced when their road vehicles entered within the EU area, as opposed to problems whilst within their own region or the CIS. There is, therefore, a general desire to see EU type documentation and procedures within the region to achieve a corresponding improvement in international transport performance.

### **Russian Documentation**

The current documentation packages and Customs Law has largely been developed from the previous USSR formats. Russia remains the largest trading partner for most of the TRACECA States. The main transport corridors between North West Europe and the region also transit through Russia. It is therefore necessary to ensure that a new documentation system is compatible with the demand to transit Russian territory.

The use of a documentation package in Russian is logical because it is the common language of the region and their major trading partner. However, it should also be recognised that the long term use of Russian could become an emotive issue in some States.

### **Customs and Forwarder Coordination**

The Customs are, in most countries, an institute created by statute to:

- monitor the international trade to and from a state;
- collect excise revenue on goods liable to the payment of such duties; and
- ensure that prohibited goods do not enter or leave the country.

In these three roles as monitor, revenue collector and enforcement agency, it is necessary to undertake a dialogue with other customs organisations (colleagues) and those involved in international trader (users).

There was no evidence at this stage to indicate that a forum exists in the region where either customs organisations meet on a regional basis or have regular contact counterpart organisations in other states or with national users of their services. A more liberalised international transport environment is developing and Free Trade Areas are being extended. This will require regional, rather than national strategies, to be developed. It will become increasingly necessary to establish appropriate institutional frameworks to represent the various interests to enable a joint approach to the development of these trade facilitation strategies.

## **Customs Computerisation**

The level of computerisation within the customs organisation is relatively low in the context of documentation processing in connection with clearances. However, it was noted that there were significant variations in region in their approach to both computerisation and EDI.

Certain countries are already in the process of installing systems such as AYSCUDA or are at feasibility study stage, whereas others have not yet considered the issue in any depth.

It is recognised that the cost factor has been a major deterrent. This combined with problems on power and telecommunications and a lack of trained staff has tended to limit development. There is general recognition within the region of the need for the phased introduction of computerised systems, if only in a national context. The development of network linking with the borders is seen as desirable, but a longer term objective.

## **Customs Control Points**

The Terms of Reference indicated the "congestion at some border crossings". The visits undertaken during the Inception Phase confirm that border congestion is an issue. For example, for movement between Central Asia and Europe up to 40% of total transit time can be waiting at the borders to enter and exit the region.

Initial investigations suggest that the major problem at the border is queuing to reach the front to have the document processed, rather than the actual process itself. The inspection and processing of the documentation normally takes only 2-3 hours. Whilst this is considered excessive, it is minimal compared to waiting for that process to be commenced.

Whilst the reasons for the delays include the use of non-standard documentation and constant changes in legislation and its interpretation, the nature of the facilities and their physical and human resources are also significant factors. It was noted that some countries are already up-grading their border posts whilst other recognise the need to do so, but lack the necessary financial resources.

The creation of extended "free trade areas" under regional agreements are expected to change the roles of many of these border points from a processing facility to a control facility. This will involve changes in both physical and human requirements which need to be evaluated.

## **Computerised Trade Statistics**

There was general recognition throughout the region of the need for improved trade statistics, based on the use of computers. Some Trade Ministries acknowledged that existing data was often not meeting the level of accuracy desired and that data from different ministries did not always correlate. The development of a computer-based customs clearing system, with appropriate MIS packages, could enhance the accuracy of much of the trade data.

## **Freight Forwarding**

There are significant variations in the development of freight forwarding throughout the region. This varies from the situation where the term "Forwarder" is used to describe a road haulage contractor to certain Central Asian States where the industry is more developed and even Forwarder Associations exist.

Many of the national freight forwarding companies have developed from the state transport organisation. However, it was noted that in almost all cases they were single modal and their penetration of the "total logistics chain" was limited.

It is clear that the programme needs to include training on the concept of freight forwarding in the context of development in international logistics. This will be important in the creation of regional, rather than national, organisations.

Where forwarding was more developed it was noted that there was reliance on state traffic as a core business. There will be a need to develop new approaches in the increasing liberated economic and transport environment. The presence of European Forwarders was more apparent in the countries which had an established forwarding industry than those which had not.

The PAM confirmed the need and the potential to establish multi-modal forwarding organisations capable of competing with their European counterparts in a "free" market environment on the basis of cost and service levels. Current indications suggest that a "level playing field" does not yet exist in the region for forwarders.

## **TRACECA Corridor**

The concept of the Trans Caucasus Central Asia Corridor linking China and Europe was accepted as important in all of the TRACECA countries.

The current trade route orientation is along the north through Russia and Belarus or south through Iran and Turkey. The other natural trade route through Pakistan is closed due to the continuing conflict in Afghanistan.

Both of the existing corridors contain strategic risks:

- Russia could impose charges or restrictions which could increase the cost or reduce the efficiency of the corridor. There are already concerns at constant changes in legislation and charges along this corridor which could increase costs or reduce performance by either surface mode; and

- Iran could close off the southern route or raise charges. The high cost of transit fees makes this route already expensive and appears to favour Iranian hauliers on this corridor.

There is a good strategic case for development of an alternative east-west regional corridor to offset these risks.

The reasons why this more direct corridor has not achieved its potential have been indicated as follows:

- instability in the Caucasus region, in Georgia, between Armenia and Azerbaijan and in nearby Chechnya;
- the high cost of seafreight on the Caspian Sea crossing; and
- the lack of adequate vessel capacity to service both road and rail demand when required, resulting in the necessity to warehouse goods at the ports (breaks in the logistics chain) with consequent high storage charges.

The result is that the most attractive route in terms of distance fails to meet the cost service parameters required. Nevertheless certain Central Asian countries do currently route their agricultural exports along the TRACECA corridor rather than the traditional method of using the Russian, Latvian or Iranian ports. There are firm indications that further shipments in 1996 could be similarly routed, especially with the major increases in rail prices on the northern corridors.

Recent developments outlined at the special TRACECA meeting in Brussels on 25 March 1996 should give considerable impetus to the further development of the TRACECA route. These include the imminent construction of an oil pipeline through Azerbaijan and Georgia to the Black Sea outlets which will give rise to significant movements of materials and equipment along the TRACECA route during construction; the planned construction of a trans-Caspian oil pipeline; and emerging transit agreements between Georgia, Azerbaijan, Uzbekistan and Turkmenistan which will also generate additional freight movement along the TRACECA route. Such developments will throw a special emphasis on the need to develop rail services and improve the capacity of the Caspian sea link. However it is not clear to us whether any specific TRACECA project addresses the problems of the sea link at this time.

It is clear that there is significant potential and a genuine desire in the member states to open this transport corridor if current difficulties could be resolved. The development of an efficient transport link would not only reduce costs but attract vital western investment to the region. This project seeks to find solutions to the problems along the corridor in order to enhance movement and priorities may now need to be adjusted to reflect the oil pipeline developments and emerging transit agreements outlined above.

## **Border and Transit Payments**

Road User or Transit charges exist in the TRACECA region. However, there is no uniformity in terms of either the level of the charge or who is charged.

Some States charge up to \$300 per transit, others \$100 and others give free transit. Some countries also have agreement not to charge national carriers of neighbouring countries, thus placing third party carriers at a disadvantage. This project is not concerned with the evaluation or justification of user charges or transit fees but their general impact on trade facilitation will be considered.

The same conditions apply to rail sector charges which are perceived by some States as effecting trade facilitation. In general, the goods moving by rail tend to be lower value traffic moving in bulk and are therefore particularly sensitive to increased costs.

The imposition of charges/fines by both official and unofficial organisations in particular areas of the region has been acknowledged both at Ministry and road transport/forwarding industry level. Whilst action will need to be taken to resolve this issue to make the TRACECA corridor more attractive, it is recognised that this is a politically sensitive issue and the Project will not make specific recommendation on this aspect.

### 3. PROJECT PLANNING

#### PROJECT COORDINATION

The Trade Facilitation, Customs Procedures and Freight Forwarding is one of the 15 current TRACECA project. It was emphasised in the Contactor Briefing Session in Brussels 21/02/96 that coordination with other projects was essential.

One of the most relevant projects is the Transport Legal and Regulatory Framework project. A significant interface is required as they are considering the legislative aspects, whereas the Trade Facilitation Project is concerned with the technical and operational aspects of international transport and trade. The Legal Project is also being undertaken by Scott Wilson Kirkpatrick. The projects will use joint offices and some of the International and National Trade Task Force personnel are involved with both projects. A liaison committee has been established to ensure a coordinated approach.

Contact has been established with the Human Resources Transport Management Training Project, through their joint training missions with the Legal Project. Meetings were also held with the Improvement of Road Transport services, Central Asia team.

Coordination with the other TRACECA projects will be via the ITTF Coordination UNIT at Basingstoke, UK.

#### PROJECT OBJECTIVES

The principle objective of the Trade Facilitation, Customs Procedures and Freight Forwarding project is to facilitate trade throughout the TRACECA region by:

- harmonising customs procedures and trade documentation; and
- encouraging private operators or freight forwarders to assist merchants with documentation and negotiate with carriers and insurers for best service, price and multi-modal efficiency.

The activities in the above fields should be directed towards achieving the following specific objectives:

- to design, develop and provide harmonised documentation based on UN alignment, schedule;
- to design, develop and provide international documentation in Russian;
- to promote co-operation between customs authorities, and freight forwarders throughout the region;
- to develop the customs services with specific recommendations on modern control, telecommunications and data processing equipment, including conceptual design and training proposals;

- to study selected customs control points in the region and identify common and specific problems;
- to examine the potential for introduction of EDI in the trade and customs environment;
- to develop recommendations on computerised systems for the collection of statistics; and
- to assist in the creation of Trade and Freight Forwarder Associations in the region and encourage links between national associations.

The Consultant recognises the impact the project will have on the trade facilitation, customs procedure and development of freight forwarding as will the parallel Legal and Regulatory Framework project (TELREG 9306). The extent to which the recommendations can be implemented will depend on the active support of the state institutions and the stage of development in each country. Uniform implementation is the eventual goal in order to achieve the TRACECA objective of an active transport corridor with minimal constraints to trade.

#### **PROJECT APPROACH**

The Project Approach remains the same as that set out in our Project Proposal in response to the original Terms of Reference. This was to establish international and national project teams and undertake the required tasks to meet the above objectives by production of the project outputs.

The Project Approach was based on the completion of a series of project activities:

- 1) to appoint an NTTF team in each state consisting of a Chairman, a Freight Forwarding/Trade specialist and a Customs specialist to assist the ITTF team;
- 2) to collect existing customs and other trade documentation in each state covering import, export or transit by surface mode;
- 3) to compare these national customs and trade documents with UN and EU aligned documents to develop a harmonised system;
- 4) to develop an international trade documentation package in Russian for possible use in the TRACECA region;
- 5) to develop proposals for the establishment of Customs Consultative Councils and Customs Agent Association to provide an institutional framework where customs issues can be discussed;
- 6) to inspect the utilisation of computers within the Customs organisations, particularly focusing on automated clearance and statistical systems, and to compare these with international systems and to develop national plans for introduction of same;
- 7) to make an audit of selected customs border control points with a view to recommending improvements to enable them to provide an enhanced performance;

- 8) to examine and evaluate the potential of introducing EDI in each country in connection with trade facilitation and customs work;
- 9) to inspect existing methods of compiling trade statistics and recommend new computer packages to provide more accurate and comprehensive data;
- 10) to evaluate the current freight forwarding activity and its state of development in each country and to identify its future needs;
- 11) to undertake a cost benefit analysis and prepare implementation schedules related to the introduction of harmonised documentation, developments at border posts and the installation of computer-based customs and statistical systems;
- 12) to develop a "Business Plan" for the establishment of a western-type regional freight forwarding organisation with multi-modal capability and enhanced coverage of the international logistics chain;
- 13) to train NTTF staff by visit programmes, on-the-job practical training and attendance at workshops and seminars;
- 14) to prepare draft Articles of Association for Trade and Forwarder Associations where such organisations do not exist and promote same; and
- 15) to collect and evaluate banking and insurance documentation used in trade facilitation and examine the potential for harmonisation.

The undertaking of these project activities will result in the production of a number of project outputs and deliverables.

#### **PROJECT OUTPUTS**

The planned outputs of the Trade Facilitation, Customs Procedures and Freight Forwarding Project are as follows:

- 1) A Documentation Package - this will contain proposals and forms for a harmonised trade documentation system with an outline implementation schedule and costings;
- 2) An International Trade Documents Package, aligned with the recommendations in the Documentation Package, translated into Russian;
- 3) An Institutional Framework Plan for the development of Customs Consultative Councils and Customs Agents Associations, with draft TOR and Articles of Association;
- 4) Computerisation Plans for the installation of computers in the Customs and Trade Statistical environments with recommendations on software and hardware, implementation costs and schedules;



- 5) A Customs Border Post Report detailing current facilities and resources and recommendations for development with associated costings and implementation schedule;
- 6) An EDI Feasibility Report identifying the potential use on EDI in the trade facilitation and customs environment in each country;
- 7) A Business Plan for a "pilot" regional Freight Forwarding Company in a format suitable for presentation to a funding organisation;
- 8) A Training Programme to leave a trained resource capable of implementing the results of the technical assistance. This will include an overseas familiarisation mission, seminars and workshops; and
- 9) An Institutional Framework Plan for the development of Trade and Forwarder Association, with draft TOR and Articles of Association.

These project outputs will be contained within or are additional to the following reports:

- Project Inception Report
- Project Status Reports
- Draft Final Report
- Final Report

#### **PROJECT PROGRESS**

The Project commenced in March 1996 with the Mobilisation/Inception Phase consisting of a Preliminary Appraisal Mission.

During the Inception Phase of the project, the two key tasks were:

- to establish the International Trade Task Force (ITTF) Regional Sub Unit and the National Trade Task Forces (NTTFs); and
- undertake a Preliminary Appraisal Mission within the TRACECA region to confirm project needs, methodology and programme for the Inception Report.

The one month mobilisation/inception period allocated for this particular project constrained the total achievement of these tasks. The major problem was the requirement to obtain the necessary permissions, visas, flights and meetings in eight countries, all within the four week period following contract signature. It was therefore necessary to develop a strategy to combat these difficulties.

The ITTF was mobilised with the Team Leader and the Regional Coordinator undertaking the Preliminary Appraisal Mission and interviewing and appointing the NTTFs. The ITTF office Coordination Unit was established in the Consultant's head office in Basingstoke, England.

The ITTF Regional Sub Unit based at Tbilisi is currently being established by the Regional Coordinator, with a site and staff having been allocated.

The Team Leader and Regional Coordinator divided to make visits to all the TRACECA States, except Tadjikistan, within the limited timeframe available. Tadjikistan was covered by the Regional Coordinator of our parallel Legal project. The National Trade Task Forces were established in each country.

The recommended concept of common membership with the Legal and Regulatory Framework was not possible in all countries because of:

- recommended nominations by NTF Chairman of a deputy with specific responsibility for the NTTF work; and
- recommendations by TACIS CUs.

It was also recognised that the Chairman of the NTTF should have some experience or knowledge of freight facilitation, whereas the priority within the parallel Legal project was for some legal experience. Action has been implemented to ensure that the NTTF Chairman liaises with the NTF Chairman on a regular basis, in cases where they are not one and the same.

Each NTTF contains forwarding/trade and customs specialists. The forwarding/trade specialist has been allocated by the Ministry of Transport or the national forwarding organisation or the Ministry of Trade. The Customs specialist had to be allocated from the Customs Department to enable access to unpublished data and to facilitate visits to customs facilities.

Details of the National Trade Task Force for each country are shown in Appendix B

The content of the NTTF may be varied later in the programme as appropriate so that it can fulfil its longer term implementation functions.

During the Preliminary Appraisal Mission, information was collected on:

- current trade;
- trade routes;
- border posts;
- trade facilitation problems;
- forwarding industry; and
- institutional framework.

The availability of information was constrained by the length of the visit (1-2 days) and by availability of officials. The priority task was the appointment of NTTFs so that the production of trade and industry data was only a secondary task to initially familiarise us with the situation in the region.

The information on trade profiles obtained during the PAM is shown in Appendix C and list of persons met in Appendix D.

## **PLAN OF OPERATION**

The Plan of Operation/Work Programme contained within our original proposal has been re-examined in the light of experience gained during the Preliminary Appraisal Mission.

### **Work Programme Strategy**

The Inception Phase highlighted the transport problems of attempting to transit rapidly around the TRACECA region. The air links are limited, often overbooked and unreliable, although there are exceptions.

It is therefore necessary to consider adoption of an alternative programme strategy to compensate and minimise the logistical difficulties. The Project is essentially practical in nature, with the operational problems requiring attention at both the remote borders and the capital cities. It is intended that during the course of the project all the TRACECA routes are travelled by road or rail. This gives the ITTF and NTTF teams the opportunity to experience the international transport problems first hand and discuss problems with those most actively involved, the transporters and customs. It is considered that this practical dimension is a key element in developing recommendations with the greatest chance of implementation.

Whilst there are problems in moving around in both the Caucasus and Central Asian regions, the greatest logistical problems are incurred in moving from one region to another. To a certain extent, this reflects some of the logistical problems of the TRACECA corridor itself. These travel difficulties have persuaded us to adopt a policy of splitting the project into two regions - Caucasus and Central Asia - for study purposes and then integrating them.

We consider that the logistics of attempting to mobilise and have specialists in all eight countries within the same time frame is too ambitious and contains risks which could affect the results.

We therefore propose to mobilise the Caucasus region first and then move into Central Asia. This strategy limits the need to move constantly between the areas which has proved difficult. This will not in any way affect the results or overall timing and cost of the Project but represents a logical rescheduling based on practicalities.

We believe that this Strategy will be more successful in that the mobilisation of all eight NTTF teams at the same time would have been difficult to achieve and manage effectively. There are also problems in that some of the key NTTF staff in Central Asia are involved in TRACECA training programmes in April and therefore the delay until May is a sensible option.

The need for integration of outputs to develop the TRACECA region as a single unit is fully recognised. The strategy of undertaking the work programme based on two regions will not qualify the goal of a single integrated TRACECA regional transport corridor.

### **Extended Appraisal Mission**

The short duration of the PAM, due to the one month Inception limit, resulted in a restricted visit programme and access to key

data and personnel. Priority was given to the establishment of the National Trade Task Forces.

It is considered that more data is required to ensure the correct allocation of resources to the resolution of specific problems. The PAM identified the significant variation in trade facilitation and customs problems, usage of computerisation and stage of development of the freight forwarding industry in the different countries. It is clear therefore that a uniform approach to differing situations is not appropriate.

We therefore consider that the Appraisal Mission should be extended to undertake more work in region prior to the mobilisation of the short term ITTF specialists. This will enable the ITTF to target specific issues in each country to ensure the best use of resources to the benefit of the recipient.

In consideration of this strategy, it is proposed that the Team Leader and the Regional Coordinator mobilise the NTTFs in the Caucasus region in April and undertake a more comprehensive Appraisal Mission during that month. One of the team will then move into Central Asia and mobilise the NTTFs, leaving the other in the Caucasus to direct the short term ITTF specialists during their visit. This timing coincides with the availability of key members of the NTTFs in Central Asia caused by attendance at TRACECA training programmes.

During the course of the Appraisal Mission, we intend to undertake the audit of border points (detailed in Appendix E). Whilst this had been scheduled later it is clear that it has some impacts some of the earlier issues, such as documentation procedures and computerisation. The early implementation of joint ITTF/NTTF field trips are considered beneficial in generating a team approach to the project.

### **Forwarding Appraisal**

In the light of the PAM, we consider that the evaluation of the forwarding industry should be extended. It is clear that there are differing operational environments for nationalised, privatised and foreign operators in some of the countries.

A market research programme will be conducted, including key EU carriers with regular services to the TRACECA area as well as the national forwarders. This will enable the study to have a wider range of input that restricting interviews solely to national embryonic freight forwarding organisations.

### **Regional Office**

The location of the Regional coordinating centre at Tbilisi presents particular concerns regarding travel and facilities.

The normal requirement for a regional base is access to good logistics in order to be able to travel freely around the study area. Unfortunately the air services from Tbilisi are more limited than in many of the other TRACECA capitals.

TACIS have arranged access to the World Food Programme flights, thus offsetting some of the problems in relation to movement around the Caucasus area. The connections with Central Asia are complex and unreliable. This again supports the two regional work

programme to minimise the need to constantly travel between the two regions via Tbilisi

The other main concern is the provision of adequate and reliable power and telecommunication links for a coordinated project of this type. The project funding does not allow for the purchase of facilities to combat these difficulties (generators, satellite link etc) which are available to organisations with a long term presence in Tbilisi. We are currently investigating, jointly with our Legal and Regulatory Framework project, methods of minimising these problems and will report further on these issues in due course.

We are confident that these issues can be resolved but reserve the right to adopt a twin regional office strategy, Tbilisi for the Caucasus and our office in Almaty for Central Asia, should this become necessary.

### **Training**

The training element of the project consists of:

- on-the-job training
- familiarisation visit
- seminars and workshops.

The on-the-job training will commence on mobilisation of the NTTF. This will consist of an initial project introduction with explanation of the objectives and work plan for implementation. A visit programme to central and border facilities will be organised with both ITTF and NTTF staff. The benefit of this joint approach is that such visits tend to create a team approach resulting in ownership and commitment. By working together, a skill transfer can be achieved, not only between the ITTF and NTTF staff but also between the NTTF personnel which represent different, and sometimes conflicting, organisations.

The familiarisation programme to the UK is designed to enable participants to experience western systems and techniques being used at representative trade and customs facilities, which have some relevance to their own environment. Additional visits involving study of more advanced aspects are intended to stimulate and represent possible future goals. The familiarisation visit is currently programmed for late June/early July.

The seminars/workshops will be presented by both the long term and short term ITTF personnel as part of their visit or be included in one of the two regional conferences. Interpreters will be available at both the seminars and during the familiarisation visit.

The importance of training in technical assistance programmes is fully recognised and every attempt will be made to maximise local involvement.

### **Changes in Plan of Operations**

The Consultants wish to emphasise that the proposed changes outlined above do not represent a change in either Project Objectives, Project Approach, Project Inputs, Project Outputs or Project Activities. These are a minor rescheduling based on our

experience of the TRACECA region. They do not involve any deviation from the original Terms of Reference for the project.

The details of the proposed Plan of Operation are shown in Appendix A.

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**APPENDIX A**  
**TABLES**

**FORM 1.4: OVERALL PLAN OF OPERATIONS**

Project Title: Trade Facilitation, Customs, Procedures & Freight Forwarding		Project No: TN REG 9308				Country: TRACECA Region				Page: 1							
Planning Period: March		Prepared on: 1/4/96				EC Consultant: Scott Wilson Kirkpatrick											
Project Objectives: To facilitate trade throughout the TRACECA region by harmonising customs procedures, documents, and data processing systems and encouraging freight forwarders.																	
No	Main Activities	TIME FRAME												INPUTS			
		1996				1997				1998				PERSONNEL	EQUIPMENT AND MATERIAL	OTHER	
		1	2	3	4	1	2	3	4	1	2	3	4				EC Consultant
1	Appoint NTTFs	*	*											2.0	0.5	Computers etc	
2	Collect Customs Documentation		**											4.0	24.0		
3	Compare Documentation with UN Documents		**											2.0	8.0		
4	Develop Trade Package		*	***										5.0	16.0		
5	Develop Customs Councils		***	***										2.0	8.0		
6	Computerisation Study		**	***										2.0	8.0		
7	Audit Border Posts		***											2.0	16.0		
8	Evaluation of ED1		**	***										1.0	4.0		
<b>TOTAL</b>														20.0	84.5		





**FORM 1.5: OVERALL OUTPUT PERFORMANCE PLAN**

<b>Project Title:</b> Trade Facilitation, Customs, Procedures & Freight Forwarding	<b>Project No:</b> TN REG 9308	<b>Country:</b> TRACECA Region	<b>Page:</b> 2
<b>Planning Period:</b> March	<b>Prepared on:</b> 1/4/96	<b>EC Consultant:</b> Scott Wilson Kirkpatrick	
<b>Project Objectives:</b> To facilitate trade throughout the TRACECA region by harmonising customs procedures, trade documents, and data processing systems and encouraging freight forwarders			
<b>Outputs to be described and target dates indicated</b>	<b>Agreed Objective Verifiable Indicators</b>		
7. Institutional Framework Plan (September 96 and December 96)	7. Draft TOR and Articles of Association	7. Acceptance of needs and political willingness to participate.	
8. Business Plan Forwarding Companies (December 1996)	8. Agreed business plan.	8. Potential conflict of interest with national transport organisation.	
9. Banking & Insurance Overview Report (November 1996)	9. Impacts on transport and trade documents.	9. Access to relevant organisations.	
10. Training programme (Progressive)	10. Seminars, workshops, visit.	10. Availability of personnel given other TRACECA training commitments.	

**FORM 1.5: OVERALL OUTPUT PERFORMANCE PLAN**

Project Title: Trade Facilities, Customs, Procedures & Freight Forwarding	Project No: TN REG 9308	Country: TRACECA Region	Page: 1
Planning Period: March	Prepared on: 1/4/96	EC Consultant: Scott Wilson Kirkpatrick	
Project Objectives: To facilitate trade throughout the TRACECA region by harmonising customs procedures, trade documents, and data processing systems and encouraging freight forwarders.			
Outputs to be described and target dates indicated	Agreed Objective Verifiable Indicators	Constraints and Assumptions C/A	
1. Appraisal Visit and Establishment of NTTF (April 1996)	1. NTTF in place.	1. Willingness of nominated NTTF team to provide data within timescales.	
2. Customs Documentation Package (July 1996)	2. Collection of all trade and customs documentation.	2. Assumption that all documents are available and no changes with time of project.	
3. International Trade Documents Package (September 1996)	3. Standardised documents in Russian.	3. Based on UN aligned documents only.	
4. Computer Systems Plan including EDI Feasibility (September 1996)	4. Implementation plan for installing customs computers.	4. - Acceptance of a standardised system and demand for such systems. - Suitability of power and telecoms to support EDI.	
5. Customs Border Post Report (July 1996)	5. Agreed survey report and recommendations for upgrading border posts.	5. Access to border posts possible and data can be obtained.	
6. Implementation Report (time scale to match items 2 through 5)	6. Cost benefit analysis and implementation schedules.	6. Financial constraints to development and or lack of political willingness to participate.	

**FORM 1.6: PLAN OF OPERATIONS FOR THE NEXT PERIOD (Work Programme)**

Project Title: Trade Facilitation, Customs, Procedures & Freight Forwarding		Project No: TN REG 9308		Country: TRACECA Region		Page: 1				
Planning Period: March		Prepared on: 1/4/96		EC Consultant: Scott Wilson Kirkpatrick						
Project Objectives: To facilitate trade throughout the TRACECA region by harmonising customs procedures, trade documents, and data processing systems and encouraging freight forwarders										
No	Main Activities	TIME FRAME						INPUTS		
		1996						PERSONNEL	EQUIPMENT AND MATERIAL	OTHER
		1 Mar	2 April	3 May	4 June	5 July	6 August	EC Consultant	Counterpart	
1	Appoint NTTFs	**						2.0	0.5	
2	Collect Customs Documentation		**	**	**			4.0	24.0	
3	Compare Documents with UN Documents			**	**			2.0	8.0	
4	Develop Trade Package				**	**	**	4.0	8.0	
5	Develop Customs Councils		**	**	**	**	**	2.0	4.0	
6	Computerisation Study			**	**	**	**	2.0	4.0	
7	Audit Border Posts		**	**	**			2.0	16.0	
8	Evaluation of EDI			**	**	**	**	1.0	1.0	
								19.0	65.5	

**FORM I.6: PLAN OF OPERATIONS FOR THE NEXT PERIOD (WORK PROGRAMME)**

Project Title: Trade Facilitation, Customs, Procedures & Freight Forwarding	Project No: TN REG 9308	Country: TRACECA Region	Page: 2
Planning Period: March	Prepared on: 1/4/96	EC Consultant: Scott Wilson Kirkpatrick	
Project Objectives: To facilitate trade throughout the TRACECA region by harmonising customs procedures, trade documents, and data processing systems and encouraging freight forwarders			

No	Main Activities	TIME FRAME												INPUTS			
		1996												PERSONNEL	EQUIPMENT AND MATERIAL	OTHER	
		1 Mar	2 April	3 May	4 June	5 July	6 August	EC Consultant	Counterpart								
9	Appraise Statistical Systems			**	**	**	**	**	**	**	**	**	2.0	4.0			
10	Evaluate Forwarding Industry										**	**	1.0	8.0			
11	Undertake Cost Benefit Analysis							**	**	**	**	**	1.0	3.0			
12	Develop Business Plan												0.0	0.0			
13	Train NTTF Staff		**	**	**	**	**	**	**	**	**	**	1.0	12.0			
14	Develop Trade and Forwarder Associations							**	**	**	**	**	1.0	2.0			
15	Evaluate Bank and Insurance Documentation		**	**	**	**	**	**	**	**	**	**	0.5	3.0			
												(19.0)	(65.5)				
												25.5	97.5				

**WORK PROGRAMME BAR CHART**

Activities	1996												1997		
	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar		
Establish NTTFs	█														
Collect Customs Documentation		█	█	█											
Compare Customs Documentation With UN			█	█	█										
Develop Trade Package				█	█	█	█	█							
Develop Customs Councils		█	█	█	█	█	█	█							
Computerisation Study			█	█	█	█	█	█							
Audit Border Posts		█	█	█	█										
Evaluation Of EDI			█	█	█	█	█	█							
Appraise Statistical Systems			█	█	█	█	█	█							
Evaluate Forwarding Industry						█	█	█	█	█					
Undertake Cost Benefit Analysis					█	█	█	█	█	█	█				
Develop Business Plan							█	█	█	█	█				
Train NTTF Staff		█	█	█	█	█	█	█	█	█	█				
Develop Trade & Forwarder Associations					█	█	█	█	█	█	█				
Evaluate Banking & Insurance Documentation		█	█							█	█				
Outputs	1996												1997		
	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar		
NTTFs		>													
Customs Documentation Package						>									
International Trade Documents Package									>						
Computer Systems Plan & EDI Feasibility									>						
Customs Border Post Report									>						
Implementation Report						>			>						
Institutional Framework Plan									>						
Business Plan For Forwarding Companies												>			
Banking & Insurance Overview Report												>			
Training Programme		>	>	>	>	>	>	>	>	>	>				
Reports	1996												1997		
	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar		
Inception		>													
Quarterly						>				>					
Draft Final												>			
Final													>		

Note: Familiarisation Mission / first Regional Conference is envisaged in late June / July. Full details of the proposed itinerary will be the subject of a supplementary report to be submitted at the end of April. The second Regional Conference is tentatively envisaged in November and will be advised nearer the time.

APPENDIX B

NATIONAL TRADE TASK FORCES

## **NATIONAL TRADE TASK FORCES**

A National Trade Task Forces (NTTF) consists of a Chairman, assisted by two local short term consultants, one in freight forward/trade facilitation and another in customs procedures for each TRACECA State.

The four main tasks of the National Trade Task Forces are:

- to undertake the collection of data on behalf of the ITTF;
- to assist in the evaluation of data and development of recommendations;
- to facilitate and accompany ITTF specialists on national visits;
- to utilise the skills gained in the training programme to the benefit of the project objectives: and
- to assist in promoting the development of national and regional councils and associations.

The Chairman of the NTTF will assist in the achievement of the project objectives with the assistance of the local consultants. The NTTFs may need to coop a range of additional part-time members at a later stage who would participate as recipients of aid rather than paid experts.

The following Chairmen were appointed by the recipients. The short term consultants were selected by the Consultant in agreement with the Chairman and the recipients.

### **Armenia, Yerevan**

Chairman: Mr K Chshmaritian  
Head of Foreign Trade Department  
Ministry of Trade, Services and Tourism

Forwarding/Trade: M G Kocharyan  
Chief of Foreign Trade Policy  
Ministry of Trade, Services and Tourism

Customs: Mr P Dadaian  
First deputy Chairman  
Department of Customs



**Azerbaijan, Baku**

Chairman: Mr I Sadekhov \*  
Head of Department Transport &  
Communications - Ministry of Economics

Forwarding/Trade: Mr Sadekhov  
Director Azeri Forwarding Co  
Director Azerbaijan Railways

Customs: Mr Mamedov  
Head of Goods Department  
Customs Committee

**Georgia, Tbilisi**

Chairman: Mr G Dolbaya \*  
Deputy Chairman  
Transport Coordination Council

Forwarding/Trade: Mr P Kurtanidze  
Head of Tariffs and Freight Forwarding  
Tbilisi Polytechnical Institute

Customs: Mr D Nicoleishvili  
Chief Inspector  
Tbilisi Customs Department

**Kazakhstan, Almaty**

Chairman: Mr K Karibanov \*  
Head of Law Department  
Ministry of Transport and Communications

Forwarding/Trade: Mr E Kaplan  
Deputy Director  
Research Institute of Road Transport

Customs: Mr C Youri  
Manager Goods Delivery and Control  
Customs Committee

**Kyrgyzstan, Bishkek**

Chairman: Mr A Zakirov \*  
Deputy Minister  
Ministry of Transport

Forwarding/Trade: Mr V Ilyin  
Head of External Economic Relations  
Ministry of Industry, Trade and Commerce

Customs: Mrs N Vorontsova  
Head of Law and International Relations  
State Customs House

**Tadjikistan, Dushanbe**  
(subject confirmation)

Chairman: Mr A Umarov  
Deputy Chairman  
Ministry of Trade & Customs

Forwarding/Trade: Mr B Rozlontorv  
Managing Director  
Continentrans

Customs: Mr T Orefov  
Head of International Department  
Customs Authority

**Turkmenistan, Ashkhabad**

Chairman: Mr M Yazberdiev \*  
Head of Transport Department  
Cabinet of Ministers

Forwarding/Trade: To be proposed

Customs: To be proposed

**Uzbekistan, Tashkent**

Chairman: Mr E Juraev  
Deputy Head of International Transport Dept  
Ministry of External Economic Relations

Forwarding/Trade: Mr U Azizov  
Head of Container Carriage Department  
Ubektransit

Customs: To be proposed

\* also Chairman of National Task Force appointed for parallel  
Legal and Regulatory Framework Project (TNREG 9306)

Full backing of the relevant Ministries is important. Therefore the Chairman must keep all parties well informed. Active involvement of the Ministries of Trade, Transport and Finance (Customs), or the equivalent institutions dealing with these responsibilities, is considered vital through either active participation in the NTTFs or on a liaison basis. The Chairman has a key role acting as the liaison officer for the ITTF. The tasks described will require both the Chairman and the short term experts to be sufficiently free from other duties that they can respond to project needs.

APPENDIX C

TRADE PROFILES

## Trade Profiles

During the Mobilisation/Inception visit to the TRACECA region discussions were held with various Ministries and individuals to obtain initial impressions on trade facilitation, customs and forwarding issues. The meetings were not based on a formal agenda due to the limited access to personnel within the Ministries at this stage and their different interests. As a result, the format and extent of information varies between countries.

It should be noted that the information is based on the opinions of the individual persons interviewed. These may not therefore represent official Government views and the facts have not been validated at this stage of the project.

The objective was to obtain an outline profile of trade, transport corridors, border problems and freight forwarding. These will be validated, where necessary, during the course of the project.

Due to holidays and the resultant restricted access to personnel it was not possible to provide profiles for Turkmenistan and Azerbaijan.

### Armenia

Armenian trade expanded rapidly in 1995 to \$900m from only \$590m in 1994. The approximate balance is \$300m exports and \$600m imports. The CIS countries represent approximately 50% of total trade. The major trading partners are as follows:

- 1) Russia
- 2) Turkmenistan
- 3) Iran
- 4) USA
- 5) Georgia
- 6) Belgium
- 7) Germany
- 8) France
- 9) UAE
- 10) Others

The modal split for international trade is estimated as follows:

	Rail	Road	Air
Exports	21%	73%	6%
Imports	26%	14%	2%

(remainder of imports is gas/oil pipeline via Georgia)

The eastern and western borders with Azerbaijan and Turkey respectively are closed and therefore all trade moves on a north/south axis. The main volumes of traffic transit the northern border with Georgia, accounting for all rail and 60% of

road traffic. The main traffic southbound is to/from Turkmenistan, Iran and UAE. There are only limited volumes of through traffic. Most Iranian trucks with freight for Georgia or Russia come only as far as Armenia and then off-load, with the onward movement being undertaken by Armenian trucks.

The strategic rail link between Baku and Turkey runs through southern Armenia via Meghri. This is closed because of the disputes with both neighbours. In the longer term, the opening of this transport corridor is considered to be important. It is noted that there are two different gauges, thus incurring some interfacing problems.

The trade facilitation problems at the borders are considered to be relatively small with no significant delays. The customs procedures were indicated as being mainly based on international practice. Control procedures are believed to be more complex at the Georgian border due to the regulations in Georgia and the documentation requirements for traffic transiting through to Russia. The constantly changing documentation demands were cited as a problem. Conversely the Iranian border has limited regulatory control because of the lack of agreed international systems, resulting in a more flexible approach.

Armenia has signed agreements on free trade with Russia, Ukraine, Turkmenistan and Georgia, which envisage exemption from customs tariffs and taxes. Agreements on trade-economic collaboration are signed on an annual basis. There is no export tax and import taxes are low (0-10%) on most products

Armenian is not a Member of the TIR Convention. Certain formalities over payment problems still need to be resolved. Only two main border crossings were indicated as scheduled to accept TIR movements - Bagratashen in the north and Meghri in the south. However, these represent the main border crossing points.

The Georgian ports of Poti and Batumi are important to Armenia for both imports and exports, as the alternative is the more expensive routing to Bandar Abbas. However, as the economic situation improves, it is expected that Armenia will be looking more towards Europe and the US for export markets and for import of higher quality goods than those currently routed via Iran. The northern route is therefore expected to obtain an even greater percentage of national trade.

The transit routes to Georgia are via Bagratashen to Tbilisi and onward to the ports or Russia or use the smaller crossing at Bavra direct towards the ports. The third northern crossing at Gogavan is the mountain road alternative to Bagratashen.

In previous years there has been significant problems with banditry in Georgia which has effected trade with Armenia. Action by the Georgian authorities appears to have reduced the risks appreciably. The major point of contention appears to be the imposition of a \$150 transit fee. Most of the traffic is carried in Armenian vehicles thus incurring the extra costs. Armenia makes no corresponding fee on Georgian trucks.

The Customs are based on a regional system. The majority of the customs work is undertaken at the cities where the import and export entry data procedures take place. The border facilities are therefore, in essence, check points rather than processing stations.

Current problems were experienced with importers and exporters not knowing the requirements due to the lack of a standard documentation system in the area. This results in delays on exports when they proceed beyond the border and on imports arriving with the wrong documentation. Their policy is to move towards the use of "euro-standard" systems. Russia was cited as a problem due to the increasing demands for documentation and constant changes.

The Ministry of Trade is responsible for two free-trade markets at Bagratashen and Meghri. These are a mechanism to support local traders and is based on a freeport-type system. There are restrictions over the type and quantity of goods that can be traded in these markets.

The Department of Customs is installing the ASYCUDA computer system under a UNDP/UNCTAD initiative. A feasibility study has been completed and trials are expected in April 96. However it is only being installed in the main regional centre - Ararat - and has no network linkages. It will therefore mainly be a recording centre for data and statistics. Insufficient capital is available to extend connections to the borders.

The institutional system regarding trade matters was indicated as follows:

Ministry of Trade, Services and Tourism relates to:

- \* Ministry of Finance on Customs policy
- \* Department of Customs on implementation of that policy
- \* Ministry of Economy on Customs and trade policy
- \* Ministry of Industry, Agriculture and Food on export development

The Department of Customs is controlled by the Ministry of Finance.

The Ministry of Trade, Services and Tourism also acts as a market regulator on importation of strategic products such as petrol, sugar, corn products etc. It intervenes by importing quantities directly thus reducing market prices.

## **Georgia**

There has been a significant decline in international traffic in Georgia as reflected by the port statistics. These show that the ports of Batumi and Poti handled a total of about 11.5 million tonnes of cargo in 1988, but that this declined to 6 million by 1993.

There have been problems in the collection of statistics, which is now being addressed by the Trade Statistics section of the

Ministry of Trade and Foreign Economics. It is therefore difficult to obtain current reliable data.

Batumi handled 7 m tonnes in 1988 of which 5.25 m was petroleum and oil products. Of the balance, 1.55 m tonnes was grain and alumina with small amounts of dry cargo. The profile was liquid cargoes outbound, dry cargoes inbound. Poti handled 4.4 m tonnes in 1989 all dry cargo. 70% was grain, ores, bauxite and coal with balanced inbound and outbound movements. However, it is appreciated that there has been a major reduction and therefore the balances may have changed.

The downturn in trade is also demonstrated by the reduction in traffic on the main road from the border with Azerbaijan, through Tbilisi to the west, known as the "Magisterial" highway. Historical traffic levels of 10,000 vehicles per day were down to 250-500 vpd by 1993. This confirms that there is surplus capacity on the road network capable of handling increased usage arising from development of the TRACECA corridor.

Transit traffic is expected from Central Asia (using the TRACECA route), Iran and other countries in Near and Middle East. Plans are being developed to make a "freeport" at Poti as part of the "Silk Route" proposals.

The northern corridor up the Black Sea is closed through Abkazia but the southern route to Turkey remains an important route. Confirmation was obtained of the practice of transshipping cargoes between Iran and Georgia/Russia in Armenia and that border delays between Armenia and Georgia are minimal.

Transit traffic to Russia is often delayed due to the more detailed paperwork requested and changes in requirements. Georgia makes a charge on Armenia trucks of \$150 per transit. It was noted that there are few large trucks in Georgia suitable for long distance international work.

The proposed development of the oil industry in the Caspian area is seen as a potential opportunity for revitalising much of the transport infrastructure with Georgia as the key transit country.

### **Kazakhstan**

Kazakhstan is part of a common customs area with Russia, Belarus and Kyrgyzstan which has been politically adopted but the implementation of which is still being worked out. This will give exemption from customs tariff and taxes.

In 1995 a new Customs Code was adopted which was based on a combination of Russian and international standards. However, this does not appear to have been fully implemented with work still needing to be undertaken to provide the necessary regulatory documentation. The intention would be that the border post with Russia would become control points, rather than processing points.

There are 22 border crossings but in practice there are three key transport corridors:

a) northern corridor - Almaty then north to Karaganda into Russia and on to northern Europe;

b) northern corridor - Chimkent and across in a NE direction to Samara (part of 14), Moscow and into northern Europe.

c) The southern corridor - Almaty to Chimkent into Turkmenistan (Routes 14,11,10) and crossing in Iran through Mashhad and on to Tehran and Istanbul and southern Europe.

These corridors are the priorities and it is hoped that the project would improve the performance on these routings, although they only include small sections of the route. The rail connection Mashhad-Tedzhen in Turkmenistan which is being built should give a vital through rail route, as opposed to current road connection vis Ashkabad.

The principle advantage of the development of Aktau was considered to be shipping services to Iran (rather than route 8 to Baku).

Indications were given that there were no significant delays at the border crossings. Visual checks at the Kyrghyzstan border confirmed this situation, but there were more significant delays at the Uzbekistan border. Independent enquiries also indicate 2-4 day delay at the main check points into Russia, especially in the summer.

It was noted that new border facilities with Kyrghyzstan were under construction. A significant proportion of the large international transport trucks between Taskent and Almaty were Iranian, with a few Turkish units.

There are significant numbers of forwarders in Almaty, including some of the major European companies. Many foreign companies appear to use Almaty as their Central Asia hub. The cost of obtaining a customs broker licence is \$6-7,000 and customs approval of a warehouse \$15,000.

### **Kyrghyzstan**

Kyrghyzstan currently has 50 trading partners. However, approximately 65% of trade is with the CIS countries, principally Kazakhstan, Russia and Uzbekistan. Kyrghyzstan is a member of the Free Trade Area covering Russia, Belarus and Kazakhstan.

There are no natural energy sources so oil is imported from Kazakhstan and Russia and natural gas from Uzbekistan, though they export hydro electric power.

The main imports apart from energy are timber, metal products, chemicals and non-ferrous metals. These are mainly imported from Russia and Kazakhstan. Total imports in 1995 were \$479m.

The main exports are antimony and rare metals (to Europe), tobacco and wool (to Russia), cotton and leather (to China and Turkey), machinery and electrical goods (to the CIS, mainly



Russia) clothing (to CIS) and sugar (to Kazakhstan and Uzbekistan). Total exports in 1995 were \$385m.

There are three main transport corridors to/from Kyrgyzstan:

- 1) northern Kyrgyzstan through Kazakhstan (Karaganda) into Russia (part route 14);
- 2) southern Kyrgyzstan through Uzbekistan (Tashkent), Kazakhstan (Chimkent, Aktyubinsk) into Russia (route 14); and
- 3) north and south through Kazakhstan (north only), Uzbekistan (Tashkent), Turkmenistan (Ashkabad) into Iran to either Bandar Abbas or Turkey (routes 10,11).

Routes 1 and 2 are the main corridors, given the trade profile.

Trade with China is growing using its direct border crossings of Pass Torougart for southern traffic and Pass Bedel for northern traffic. These high mountain passes (3753m and 4284m) have limitations. An alternate routing is by road or rail through Kazakhstan crossing at Druzba. Indications were given that significant delays occur at the Chinese borders.

The TRACECA corridor was not used because of historical instability in the Caucasus, the high cost of the Caspian sea crossing and problems of capacity of vessels. This had resulted in the need to tranship giving rise to high storage charges in either Krasnovodsk or Baku or both. Only goods directly for Azerbaijan are now sent on this route.

There were significant numbers of Iranian trucks on the routes into Bishkek. This traffic was indicated as mainly goods for Iranian traders who have set up in Kyrgyzstan.

The main trade facilitation problem was the periodic arbitrary closure of the Uzbekistan border. The majority of the exports emanate from the fertile area around Osh and have to use the direct Uzbek border. The closure is caused by payment disputes for the natural gas supplied but not paid for by Kyrgyzstan.

The main international transport mode is rail. The rail network in the south is owned by Uzbekistan, whilst the rail network in the north is owned by Kazakhstan. There are cost problems relating to sectors charges with high transit costs in Kazakhstan.

Kyrgyzstan is not a member of the TIR Convention. However, it has an arrangement with Russia for allocation of carnets. They have approached the IRU and they are expected to become members by late 1996, subject to negotiation and legislation.

The collection of irregular payments on road vehicles transiting Turkmenistan, Kazakhstan and Uzbekistan by both legal and illegal organisation was cited as a problem.

Although in a free trade agreement with Kazakhstan, there are problems on goods re-exported through Kazakhstan, such as goods

going to China via Druzba (route 14). This has resulted in disputes delaying goods and incurring extra charges/duties.

There are normally only minor border delays on the immediate borders regarding documentation. The border at Merki (Route 15) had no significant queues in either direction. Indications were given that there were major documentation problems at the Iranian and Belarus borders for Kyrghyz movements.

There is no national Trade Association, although in the past there had been a Wholesale Association. Under restructuring the trade associations exist only on a regional basis representing particular interest or products in that area.

The institutional system regarding trade matters was as follows:

Ministry of Industry, Trade and Commerce relates to:

- \* Ministry of Finance regarding Customs, on documentation and legislation.

It has no direct contact with the Ministry of Transport.

The External Economic Relations department was set up as an agency by the Ministry of the Economy, Ministry of Industry, Trade and Commerce and the State Committee for Investment. However, this was later altered such that it is now directly responsible to the Ministry of Industry, Trade and Commerce.

### **Tadjikistan**

Tadjikistan trade has suffered due to the adverse security situation. This has resulted both in an overall reduction in traffic and the need to use alternate trade routes.

The main exports are cotton, aluminium, agricultural products, cans, gold and mineral ores. The main imports are food, clothes, sugar, oil and fuels. Rail is the primary carrier of international goods, mainly the aluminium exports and the flour and fuel imports. The overall modal split is estimated at 75% rail, 24% road and 1% air.

The traditional trade routes are to the south and west using Karachi or Bandar Abbas but these are adversely affected by the conflicts, both within the country and in Afghanistan to the south. It is understood that currently the direct borders with Uzbekistan are closed. Road traffic is therefore routed northwards into Kyrghyzstan via Osh.

The national road transport fleet is limited and there are no vehicles engaged in international movements. The main carriers are Turkish, Iranian, Uzbek, Kyrgh and Kazak operators with some Chinese and German vehicles. Tadjikistan is not a member of the IRU but has applied for CMR.

Duties on imports are considered low. Only 10 export items are taxable and import tax varies between 2% and 10%. There are five

border crossings with 5 personnel stationed at each. Traffic volumes are understood to be low without significant delays.

A freight exchange has recently been opened in Dushanbe. Exports will in future be traded through this exchange with 100% of the cotton by October 1996. The exchange is equipped with computers for trading and recording purposes.

## **Uzbekistan**

The majority of imports and exports are carried by rail. This is because most are low value raw materials, rather than luxury goods. The two main rail routes are as follows:

- a) Tashkent to Chimkent and Aktyubinsk in Kazakhstan and on to either Ilyichovsk or Tallinn (part of route 14); and
- b) Bukara to Mertyy Kultuk via Turkmenistan and joining the other rail link at Aktyubinsk (part route 14).

The main road route tends to be southwards through Turkmenistan to Iran, then on to either Bandar Abbas or Mersin in Syria (routes 10/11).

The Government directed 30,000 tonnes of cotton to Poti along the proposed TRACECA corridor by rail via Baku (routes 1,3,5,7,9,10 and 11). Transit times were indicated at 15/18 days. This has only now become possible because of improvements in the security situation in Georgia. This is now considered to be the cheapest routing, given the shorter distance than using Russian or Ukrainian ports.

The major import traffics are as follows:

Grain - from USA and Canada via Russia or Baltic Ports  
Rice - from Vietnam via Odessa  
Sugar - from Turkey via Odessa and Novorossiysk or from Malaysia also via Odessa  
Tea - from Indonesia via Odessa

In May, when the Mashhad-Tedzhen rail link is expected to be open it is envisaged that tea and rice imports will be diverted from Odessa to Bandar Abbas.

The major export traffics are as follows:

Cotton - by rail to either Riga or Tallinn  
Tractors - by rail to China via Druzhba or to Pakistan via Iran

The natural export outlet would be to use Karachi 1990 kms as opposed to the alternatives, Poti 2997 kms and Ilyichovsk 4100 kms. However, this is not possible in the near future with the war in Afghanistan

The major trade problems have been the cost of transport, given Uzbekistan's landlocked status. Rail charges for example for 1 tonne of cotton exports routed via Ilyichovsk have risen from \$55 in 1992 to \$104 in 1995/6 and for 1 tonne of grain imports routed

via Tallinn from \$120 to \$285. These rises have been due to rail sector charge increases every 4 months.

The southern road route to Bandar Abbas or through to Turkey is also considered to be expensive. A major reason for this is the \$5000 transit deposit. This may partly explain the high penetration by Iranian hauliers on this route suggested by the visual checks.

The Customs has 3,000 staff providing 14 customs services based on 8 regional points. They are a member of the Policy Commission of the World Customs organisation. Russia is the only other CIS member. They have already installed some computers in the central administration but lack the necessary funds for installing a network.

There is some evidence of a form of association of forwarders in which the NTF Chairman is involved and an international carriers association affiliated to the IRU. There is an IRU workshop in Tashkent late March.

Uzbekistan is expected to join the TIR system in late March, following ratification last year. Ratification of the CMR convention was also indicated soon. The major national trucking companies, such as Uzintrans, use Russian traction for their trailers, thus using Russian TIR accreditation. This leasing arrangement is seen as expensive.

There appeared to be a number of disputes with Kazakhstan:

- \* \$260 transit tax for Uzbek trucks as opposed to their \$150 tax on Kazak trucks
- \* Restrictions on Uzbek trucks carrying Kazak exports

However there is an agreement between Russia, Kyrgyzstan, Kazakhstan, Ukraine, Belarus and Uzbekistan that licensed vehicles will not pay transit fees. Therefore, in practice, the transit tax discourages foreign operators rather than CIS carriers.

Within the limited timescale it was only possible to examine one border. There were 50 trucks awaiting entry into Uzbekistan at Gisht Kopir but more significant delays of 3-5 days were indicated as occurring in the summer. The main southern border point at Alat has less delays due to lower volumes of traffic. Actual customs processing times were indicated as 2-3 hours with the major problem being the queuing to submit the entry documents.

Similar timescales also occur at the northern Kazakhstan border with Russia with similar waiting times. For an average transit between Tashkent and Europe of 12-15 days, approximately 40-50% of the transit may be waiting time at these two borders.

Another significant problem is the demand to pay fines to legal or unofficial bodies either at the border or along the highway. On the northern routes, these occur mainly in Uzbekistan, Kazakhstan and Russia with targeting on non-national vehicles.

Average payment of \$300-500 per transit were indicated. This equates to around 4% of total carriage charges. Similar payment problems are also incurred on the southern route in Uzbekistan and Turkmenistan.

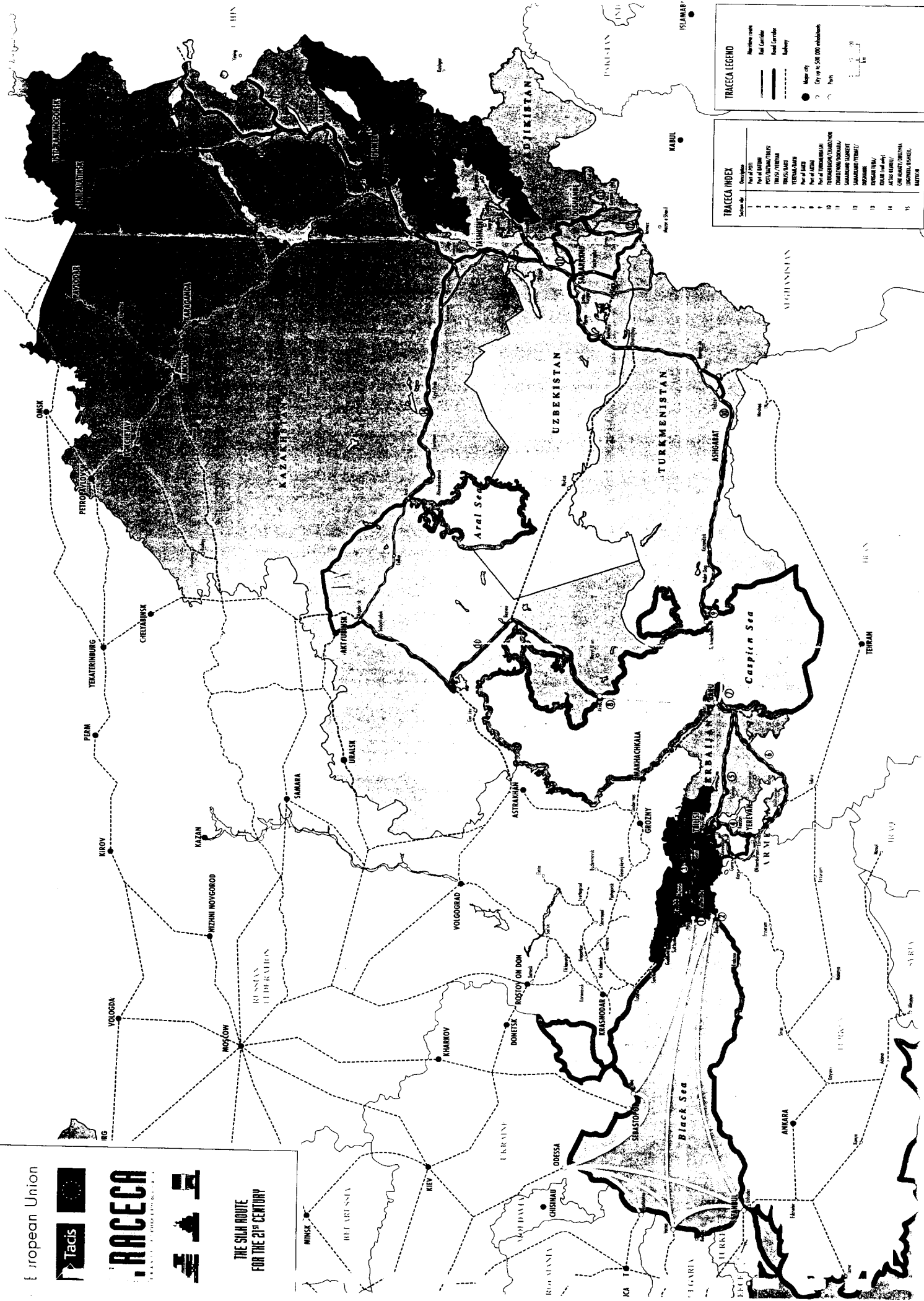
European Union



**TRACECA**  
TRANS-CASPIAN COOPERATION



THE SILK ROUTE  
FOR THE 21<sup>ST</sup> CENTURY



**TRACECA LEGEND**

- Major route
- Minor route
- Road Corridor
- Rail Corridor
- Boundary
- Major city
- City up to 500,000 inhabitants
- Port

**TRACECA INDEX**

Route No.	Start Point	End Point
1	Moscow	Almaty
2	Moscow	Tashkent
3	Moscow	Ashgabat
4	Moscow	Baku
5	Moscow	Istanbul
6	Moscow	Yerevan
7	Moscow	Jerusalem
8	Moscow	Baghdad
9	Moscow	Delhi
10	Moscow	London
11	Moscow	Paris
12	Moscow	Brussels
13	Moscow	Frankfurt
14	Moscow	Amsterdam
15	Moscow	London

APPENDIX D

PRELIMINARY APPRAISAL MISSION

## Meetings Record

Scott Wilson Kirkpatrick wish to thank the following individuals and organisations for their assistance during their visits to the TRACECA region.

### **Armenia - Yerevan**

Tacis Coordinating Unit:

1. Mr M Salimaki - Project Manager
2. Mr D Avakian - Assistant to Director

Ministry of Transport:

1. Mr A S Shahnazarian - First Vice Minister (NTF Chairman)

Ministry of Trade, Services and Tourism:

1. Mr K Chshmaritian - Head of Foreign Trade Department
2. Mrs Mikelian - Chief of Foreign Relations and Trade
3. Mr G Kocharyan - Chief of Foreign Trade Policy and Organisation
4. Mr Gevorkian - Foreign Trade Policy Specialist

Department of Customs:

1. Mr P Dadaian - First Deputy Chairman
2. Mr Manvelian - Statistics Department
3. Mr Mirzoyan - Finance and Methodology Department

Zvartnots Airport:

1. Mr K Mkhitarian - Adviser to General Director

British Embassy:

1. Mr D Millar - Ambassador

### **Azerbaijan**

Tacis Coordinating Unit

1. Mr J Kasimov - Coordinator Tacis Programme
2. Mr M Kiazimpov - Assistant to the Director
3. Mr D Charpentier - Project Manager
4. Mr K Kuliyeu - Assistant

Ministry of Economy

1. Mr I Sadykhov - Head of Department of Transport

Azerbaijan Railways

2. Mr Sadekhov - Director



Customs Committee

3. Mr Mamedov - Head of Goods Department

**Georgia**

Tacis Coordination Unit

1. Mr J Ackobyia - Executive Director

Transport Coordination Council

1. Mr V Lomadze - First Deputy Chairman
2. Mr T Tatishvili - Head of Foreign Economic Department
3. Mr R Giorgadze - Head of Economic Service (Forwarding)

Socio- Economic Information Committee

1. Mr J Gogodze - First Deputy Chairman

**Kazakhstan - Almaty**

Tacis Coordinating Unit

1. Mr P Mahy - Project Manager

Tacis Monitoring & Evaluation Programme

1. Mr M Raeymaeckers - Team Leader
2. Mr D Pettiaux - Asst Team Leader

Ministry of Transport and Communications

1. Mr K Karibjanov - Head of Law Department (NTF Chairman)

Institute of Road Transport

1. Mr M Bekmagambetov - Director
2. Mr E Kaplan - Deputy Director

Customs Committee

1. Mr S Alibekov - Head of Legal Department

**Kyrgyzstan - Bishkek**

Tacis Coordinating Unit

1. Mr A Holst - Project Manager
2. Mrs L Zatsepina - Programme Officer

Ministry of Industry, Trade and Commerce

1. Mrs L Ivanova - Head of External Economic Relations (Trade)

2. Mr V Ilyin - Head of External Economic Relations (Transport)

Ministry of Transport

1. Mr A Zakirov - Deputy Minister (NTF Chairman)

Kyrgyzintrans, Ministry of Transport

1. Mr J Sharapov - General Director

State Customs

1. Mr A Lemeshenko - Head of State Customs
2. Mrs N Vorontsova - Head of International Relations

**Tadjikistan**

Tacis Co-ordinating Unit

1. Mr D Hepburn - Team Leader
2. Mr P McGregor - Team Leader

Ministry of Transport

1. Mr F Mukhitinov - Minister
2. Mr I Negamatov - Deputy Minister
3. Mr N Dustov - Deputy Minister
4. Mr A Tiharov - Head of International Transport Dept

Ministry of Trade & Contracts

1. Mr A Umarov - Deputy Chairman

Tadjikistan Railways

1. Mr M Nuraliev - Deputy Chief

Tadjikistan Customs

1. Mr K Haranov - First Deputy Minister
2. Mr H Kasimov - Head of Department Organisation
1. Mr T Orefov - Head of International Department

Continentrans

1. Mr F Bahiovar - Managing Director

**Turkmenistan**

Tacis Coordinating Committee

1. Mr M Berdyev - Coordinator Tacis Programme
2. Mr J Sprey - Team Leader
3. Mr J Serdar - Team Leader

Cabinet of Ministers

1. Mr M Yazberdiev - Head of Department of Transport

**Uzbekistan - Tashkent**

Tacis Coordinating Unit

1. Mr A Kamalov - Traceca Liaison Officer

Ministry of External Economic Relations  
International Transportation Department

1. Mr E Juraev - Deputy Head

Central Customs Administration

1. Mr A Issakhodjaev - Head of International Relations
2. Mr B Ibragimov - Deputy Head of Customs Department
3. Mr S Turakulov - Snr Inspector of International Relations

Uzintrans

1. Mr B Kasimov - General Director
2. Mrs M Ayzoshevich - Head of External Economic Affairs Dept
3. Mrs L Simakova - Engineer of Carriage Department

**APPENDIX E**

**BORDER POST INSPECTION LOCATIONS**

### BORDER POST INSPECTION LOCATIONS

The following are a list of the Border Crossing Posts on the selected routes under the TRACECA project which will be subject to a facility audit.

Country No	Exit Country	Entry Country	Name of Crossing	TRACECA Route No
<b>Armenia</b>				
1	Armenia	Georgia	Bagratashen (road)	4
2	Armenia	Georgia	Ayrum (rail)	4
3	Armenia	Georgia	Bavra	3
4	Armenia	Azerbaijan	Kayan	3
5	Armenia	Azerbaijan	Nyvadi	3
<b>Azerbaijan</b>				
6	Azerbaijan	Kazakhstan Uzbekistan	Baku	7
7	Azerbaijan	Georgia	Gardabari	5
8	Azerbaijan	Armenia	Near Minjivan	3
9	Azerbaijan	Armenia	Near Ghazakh	3
<b>Georgia</b>				
10	Georgia	-	Poti	1
11	Georgia	-	Batumi	2
12	Georgia	Armenia	Near Lake Madatapa	3
13	Georgia	Armenia	Dmanisi	4
14	Georgia	Azerbaijan	Gardabari	5
<b>Kazakhstan</b>				
15	Kazakhstan	Azerbaijan	Aktau	8
16	Kazakhstan	China	Druzhba	14
17	Kazakhstan	Kyrgyzstan	Merke	15
18	Kazakhstan	Uzbekistan	Gisht Kopir	11

Country No	Exit Country	Entry Country	Name of Crossing	TRACECA Route No
<b>Kyrghyzstan</b>				
19	Kyrghyzstan	Kazakhstan	Kaiyndy	15
20	Kyrghyzstan	Uzbekistan	Kara Soo	11ext
<b>Tazdjikistan</b>				
21	Tadjikistan	Uzbekistan	Farhad	11
22	Tadjikistan	Uzbekistan	Suriasiyay	12
23	Tadjikistan	Uzbekistan	Kaka	13
<b>Turkmenistan</b>				
24	Turkmenistan	Azerbaijan	Krasnovodsk/ Turkmenbashi	9
25	Turkmenistan	Uzbekistan	Alat	11
<b>Uzbekistan</b>				
26	Uzbekistan	Turkmenistan	Alat	11
27	Uzbekistan	Tadjikistan	Farhad	11
28	Uzbekistan	Tadjikistan	Suriasiyay	12
29	Uzbekistan	Tadjikistan	Kaka	13
30	Uzbekistan	Kazakhstan	Gisht Kopir	11
30	Uzbekistan	Kyrghyzstan	Kara Soo	11ext

Notes:

- 1) The accuracy on the list above cannot be guaranteed because Customs personel were not available during the PAM to confirm exact locations and names.
- 2) Some borders have the same name each side whereas others have local names.
- 3) Certain of the above borders are known to be closed due to disputes

Scott Wilson Kirkpatrick

