

TRACECA Project:

Trade Facilitation (TNREG 9308)

**Trade Documents &
Customs Procedures
Report - Volume 1**

October 1996

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Date: 23 October 1996

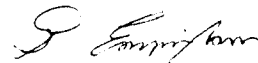
Dear Sir,

Trade Facilitation, Customs Procedures, and Freight Forwarding

We have pleasure in submitting 5 copies of our report on Trade Documentation and Customs Procedures. Copies are also being sent to the EC Co-ordinating Units and Monitor. The Russian language versions will be issued to the CU's as soon as possible,

The report has been reviewed by the Eurocustoms representative in Central Asia and is currently being reviewed by our Legal Framework project team. We anticipate that one of the main objectives of the Second Regional Conference will be to discuss comments from the recipients and try and reach a common position on the final proposals.

Yours sincerely,



B Empringham

Project Co-ordinator



Trade Documents & Customs Procedures Report

Volume 1 - Main Report

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Executive Summary

Executive Summary of Conclusions and Recommendations**Main Conclusions**

- 1 Current documentation systems used in each country in the TRACECA region are similar but not identical.
- 2 The requirement for documents to be produced to undertake clearance or transit varies between countries.
- 3 The main trade and Customs documentation, such as the Cargo Declaration, is aligned to UN or international formats.
- 4 Much of the commercial and transit documentation is specific and not to international format.
- 5 The use of non-standard documentation is a factor in delays occurring at the borders and points of clearance. This results in additional transport costs to regional importers and exporters.
- 6 TIR is being used in transits to all the countries, although only two countries have implemented the Convention. This practice means that the guarantees and the responsibilities assigned by the Convention are not valid. The CMR document is sometimes being used as a substitute without any legal status.
- 7 Most transits and transfer movements are not supported by guarantees. This results in loss of revenue to the Customs as goods filter into free circulation without payment of the appropriate duties.
- 8 Certain transport documentation, such as CMR and CIM consignment notes are in widespread use without countries being members of the relevant Conventions. This compromises the status of such documents and the legal rights of users.
- 9 Russian is currently the common trade documentation language used in the region.
- 10 The TRACECA countries are at different stages of development and therefore have different development needs.
- 11 The limited exposure of Customs, transporters and traders to international trade practices, documentation and procedures results in limitations on knowledge and promotion of change towards more modern systems.
- 12 There is a need to adopt a co-ordinated approach to development of harmonisation of trade documentation and Customs procedures to ensure that TRACECA has an integrated trade facilitation system.

- 13 The support documentation packages containing commercial and transport documentation are large and reflect previous control requirements.
- 14 Customs Authorities frequently request the production of support documentation in areas beyond their scope of responsibility and expertise.
- 15 Many borders require inspection of the total document package required for a full clearance, even for transit traffic.
- 16 The role of the border post is being reduced in favour of centralised clearance system using regional offices.
- 17 The role of the internal Customs control points along the roads and at City boundaries relates more to traditional control procedures than the exiting market environment.
- 18 The processing of documents only commences on arrival of the cargo, thus increasing costs due to delays in release of trucks and rail wagons.
- 19 Most countries have a 100% examination of imports and exports. Such systems are labour intensive and there is limited evidence to indicate that this procedure generates proportionate additional revenues or significantly reduces the risk of import or export of prohibition goods relative to the cost of the activity.
- 20 The use of accompanied convoys has both positive and negative aspects to trade facilitation.
- 21 There is a lack of licensed Customs Brokers, thus creating additional work for Customs and delays in clearances.
- 22 Customs are devoting considerable resources to the production of statistics for external organisations.
- 23 Customs procedures in the TRACECA region differ and need to be harmonised.
- 24 Banking and Insurance services require development but are not a major constraint to trade facilitation. A potential problem area is the provision of guarantees in connection with the TIR and Community Transit systems.

Main Recommendations

- 1 The Cargo Declaration should remain the key Customs document in its current format. The data elements should be aligned and the extension to the Harmonised System Code limited to 2 additional digits.
- 2 The Certificate of Origin should be standardised or preferably phased out.

- 3 All countries should sign and implement the 1975 TIR Convention. This requires the establishment of affiliated road transport associations able to provide the appropriate guarantees to enable them to issue carnets.
- 4 A second type of transit system is required which is cheaper and simpler to operate, especially for traffic movements which only cross one or two borders. The adoption of a Community Transit system would expedite transits and minimise loss of duties through incomplete journeys. A five part Cargo Declaration, plus a Transit Advice Note, can be used as the control document with minimal modification. An internal working group within each Customs organisation led by a senior Customs officer should be formed to develop and implement the system. Some external technical assistance will also be required to explain existing international CT systems.
- 5 The use of UN aligned commercial documentation should be encouraged wherever possible, particularly by the relevant Trade Associations.
- 6 All countries should sign the CMR Convention and, in addition, actively consider signing the COTIF Convention. This would formalise the widespread usage in the region of relevant documentation. Other major international transport conventions should be adopted.
- 7 All key international trade documentation should be in Russian and English where possible to give a wider application.
- 8 National implementation plans should be developed which recognise the different stages of development in the various countries towards reaching a common goal.
- 9 A programme of additional Technical Assistance, particularly in relation to training, needs to be developed for 1997/8 during the implementation phase.
- 10 The recommendations be discussed and agreed at the second Regional Conference and passed to the appropriate Government organisations.
- 11 The requirement for regional and national Customs Consultative Councils and Freight Forwarder Associations is confirmed and will be the subject of separate on-going studies within this project.
- 12 A TRACECA Customs Co-ordinating Committee should be established to co-ordinate and promote standardisation of Customs documentation and harmonisation of procedures as identified in this report. This should include a senior Customs official from each administration.
- 13 An internal review should be undertaken by each Customs administration of their documentation requirements with the objective of simplification and a reduction in the number of documents required to affect a customs clearance for transit.

- 14 A similar internal review should also be undertaken with the objective of reducing the requirement to submit technical certificates and documents at borders and in connection with a clearance.
- 15 Border documentation requirements be limited to production of TIR or SAD, when a Community Transit system is in place.
- 16 The trend towards a regional clearance system should continue, thus reducing the role of the border post to a check point.
- 17 A review should be undertaken as to the role of the internal Customs control points along the roads and at City boundaries with the objective of reducing or eliminating this activity.
- 18 Customs should examine the potential to introduce a pre-entry clearance scheme to clear goods before they arrive, subject to examination.
- 19 Customs introduce a "routing" system with clearance without examination on certain traffics based on the principles of random risk assessment. This may require strengthening of penalties in some countries to support the system.
- 20 The incidence of convoys should be reduced to only essential traffics and treat CIS and non-CIS vehicles identically.
- 21 Customs promote the establishment and enhancement of Customs brokering services and issue licenses to appropriate individuals/organisations.
- 22 A review is undertaken of the demand and format of Customs statistics and to which organisations they are supplied.
- 23 The TRACECA Customs Co-ordination Committee also include the harmonisation of procedures within their remit.
- 24 When a Community Transit system is agreed, further contacts should be established with the banks and insurance companies to determine their ability to provide appropriate transit and transfer guarantees.

1.0

Introduction

1. Introduction

Trade and Customs documents are required for a range of official (governmental) and commercial purposes. The official need arises essentially for three reasons:

- To collect and account for revenue (import and export duties, excise duties, value added tax, agricultural levies etc.)
- To collect and collate trade statistics in order to measure the balance of trade and for use as a primary economic indicator
- To control certain specific goods (prohibited and licensed goods etc.)

The trade need for documentation arises from the requirement to evidence contracts of sale, transport and insurance. They are also required to control transport operations (including to meet the need for proof of delivery to be obtained) and to implement payment procedures. Historically, countries have designed and implemented their own forms and documents without reference to practices in other trading areas and possibly without reference to trading practices in different parts of the same territories. There was also limited consultation between government departments and traders as to the impact that particular documents and the procedures underlying them would have on business in terms of ensuring ease of compliance with the requirements and the minimisation of costs.

The project Terms of Reference (TOR) call for the design of a standardised trade documentation package for the region “aligned” with the United Nations system and which is suitable for eventual production by computer and Electronic Data Interchange (EDI) processes.

Experience has shown that when documentary requirements are reduced to the minimum, consistent with the need for control and statistical collection, the quality (accuracy) of document completion improves substantially. There are further improvements in quality if documents are designed to a standard, easily recognised, layout. The advantages which flow from document standardisation have long been recognised by many bodies throughout the world involved in international trade and transport.

The structure of this report is designed to indicate the main types of international documentation and their use, what documents and procedures are currently being used in the region and how international systems could be introduced.

Section 2 provides an outline description of all of the main international trade and customs documentation. The documents are contained in Volume 2.

Section 3 identifies the current documentation systems being used within the TRACECA region for both official and trade purposes and indicates current customs procedures associated with their use. The documentation is shown in Appendix 1.

Section 4 indicates the current international trends towards standardisation and harmonisation both at United Nations level and within the European Union.

Section 5 evaluates the potential for change within the region to conform with international documentation standards as called for in the TOR. The recommended key documentation package is contained in Volume 3 of this report.

Section 6 defines some of the current problems associated with Customs procedures and provides recommendations on solutions to reduce clearance delays and transports costs .

Section 7 proposes an implementation schedule or Action Plan for the introduction of a regional documentation system and new Customs procedures including outline costs and a summary of the nature of benefits which will accrue.

Section 8 describes the current situation on banking and insurance in respect of trade facilitation and indicates where change is required.

The Consultant acknowledges the assistance of the members of the National Trade Task force, Customs Authorities, freight forwarders, transporters and traders in all of the TRACECA countries. Their assistance was a key factor in the identification of the current system and evaluation of the options for change in the context of the particular environment of each country.

The consultant has maintained close contact with a number of other TACIS and TRACECA studies to ensure a uniform approach. Particular liaison has been maintained with the TRACECA Legal and Regulatory Framework Project as their active support and involvement will be essential to act as a catalyst for change to implement the recommendations when they are agreed.

The Consultants proposals are based on our international experience and present knowledge of the TRACECA region. In particular our proposed documentation packages are based on common international and European practice. However these proposals are subject to change in the light of further discussions and coordination meetings with the NTTF's, primarily during the second Regional Conference.

2.0

Standard Types of International Trade Documentation

2. Description of standard types of International Trade Documents.

This Section sets out details and examples of a set of standardised international documentation which is aligned to the UN Layout Key and which would be suitable for use in the TRACECA countries. In many cases, only a minimal change may be required in existing documents in order to comply with the proposed standardised documents.

This section describes the main international documents used in trade facilitation processes. Documents used in international trade and transportation can be divided into the following categories:

- Documents required for official purposes
- Documents used for commercial (trading) purposes
- Documents used for transportation purposes
- Documents used for banking and insurance purposes

Each of these categories is dealt with in turn setting out details of the individual documents within each category, the use to which the documents are put and far as it is appropriate, information on the underlying procedures.

These are all UN aligned documents, unless stated otherwise, though the emphasis is on the European Union (EU) systems as they represent an advanced model. The proposed development of the TRACECA corridor highlights the importance of Europe/CIS trade. There are therefore clear benefits in aligning to EU standards since the EU is potentially a major trading partner. EU documents will be automatically aligned with the UN standard. The documentation will therefore be accepted on an international basis, rather than restricted to CIS/European trade.

Copies of all the documents described in this section are shown in Volume 2 of this report.

2.1 Official Documents

These are the key trade facilitation documents required by the official or governmental organisations in connection with the import, export or transit of goods within a country. They have been divided into primary or key documents and secondary or support documents.

2.1.1 Primary

a) Single Administrative Document (SAD)

There is a basic requirement for a documentation set covering declarations for import, export and transit. In 1988 the European Union introduced a single document set to cover all three of these activities known (in the English language) as the Single Administrative Document or SAD. It should be noted that this document is very similar to the Cargo Declaration being used throughout the TRACECA region.

The SAD, in its EU configuration is an eight part document with each part having a specific functions as follows:

- Copy 1 When used as part of an export declaration, this copy is only required for controlled goods. When used as part of a transit declaration, this copy is retained by Customs at the Office of Departure as evidence that the transit movement has commenced
- Copy 2 The export declaration - used for statistical purposes
- Copy 3 The exporter's (or his agent's) copy of the declaration
- Copy 4 Used under the transit procedure and retained by the Customs Office of Destination. Indicates the Customs status of the goods (free circulation declaration)
- Copy 5 Used under the transit procedure and returned by the Customs Office of Destination to Customs in the country of departure to indicate that the goods have arrived and that the transit movement has been completed.
- Copy 6 The import declaration
- Copy 7 Used in the country of destination as a copy of the import declaration or transit declaration for statistical purposes
- Copy 8 The importer's (or his agent's) copy of the import declaration - may also be used for VAT purposes

b) Transit Advice Note (TAN)

The Transit Advice Note is used with the SAD in connection with transit cargo. It is lodged at the point of exit and point of entry to each country on the route. Its main function is to act as a control document to ensure that goods entering a country in transit leave intact or so that action can be taken to identify in which country the goods were lost. Note that this document is now no longer required for movement through EU borders. A copy of the Transit Advice Note is shown in Volume 2 as Document 3.

c) TIR Carnet

The TIR system is based on the Customs Convention on the International Transport of Goods under cover of TIR Carnets (TIR Convention) 1975. This is a Convention of the United Nations Economic Commission for Europe (UN ECE) and is administered by the International Road Transport Union (IRU) based in Geneva, Switzerland. Of the Traceca countries, Georgia, Kazakhstan and Uzbekistan are contracting parties to the Convention. Azerbaijan and Armenia indicated that they have signed but have not yet implemented the Convention.

When a country decides to accede to the Convention, it must send an official notification to the UN and then it automatically becomes a contracting party after six months. Having acceded, the contracting party must arrange a national guarantee scheme, normally by concluding a Deed of Guarantee between the Customs authorities and a guaranteeing association. This association must be acceptable to IRU in order to obtain TIR carnets. This includes being acceptable to IRU's insurers and having undergone an audit by the IRU Audit Commission.

The system is based on the concept of road vehicles travelling under Customs seal from the Customs office of departure to the Customs office of destination. The seal number is recorded in the TIR carnet. The carnet consists of a book of removable vouchers with each voucher containing details of the consignment. There are four sizes of TIR carnet in use with the choice depending upon the number of countries of transit involved. The sizes are 4 volet (pages), 6 volet, 14 volet and 20 volet. The carnets allow for use over two countries (countries of departure and destination only), three countries (country of departure, one transit country and country of destination), seven countries (country of departure, five transit countries and country of destination) and ten countries (country of departure, eight countries of transit and country of destination) respectively. The pages of the carnet are alternately white and green - white for the entry voucher and green for the exit voucher.

The country of departure removes one voucher from the carnet at the place at which the goods are placed under Customs control and a second voucher at the place of departure from the country. Each transit country removes one voucher from the carnet at the point of entry and one voucher at the point of exit. The country of destination removes a voucher at the point of entry and a final voucher at the Customs location at which the carnet is discharged.¹ Thus each country on the route, including the countries of departure and destination, has two vouchers which can be collated at a central point to ensure that the goods have left the territory or have been properly cleared. When the pages are removed, a counterfoil remains which is stamped and completed by the Customs authority. This allows the company and ultimately the IRU to check that the goods passed through the expected Customs points and that the document has been properly discharged.

The holder of the carnet must provide a bank guarantee or surety to cover any duties should the movement of the goods not result in the proper discharge of the carnet. The holder of the carnet is primarily liable for any unpaid duties and taxes.

The holder must return used carnets to the issuing association no later than one week after the return of the vehicle to base. Unused TIR carnets must be returned immediately after expiry of the validity period. The TIR carnet has a validity period of 45 days for the three larger sizes and 20 days for the 4 volet document.

The goods have to be carried on a vehicle or in a container which has been certified as being suitable for use under TIR. The basis of the certification test is that the vehicle should be capable of being sealed by Customs in such a way that, after sealing, goods cannot be introduced to it, removed from it or interfered with without either breaking the seal or leaving obvious signs of tampering. The vehicle approval certificate must be carried with the carnet.

IRU authorises (subject to contract and the meeting of detailed requirements) member associations in contracting countries to issue TIR carnets. In the event of irregularities, the associations guarantee payment of duties and taxes to the authorities concerned in relation to all carnets used on the territory of the country in which the association is based. The

¹ For the purposes of TIR, the countries of the European Union are regarded as being a single territory.

association is, in turn, indemnified by the IRUs pool of insurers. For most products, the limit of the guarantee is \$50,000 per carnet although special carnets with higher guarantees exist for certain products. At the time of writing and due to fraud within the system, tobacco and spirits are excluded from movement under TIR.

TIR carnets for the movement of sensitive goods - e.g.: meat of any kind including livestock, milk, butter and sugar - can be purchased from the issuing associations once a higher guarantee has been provided by the user. At the present time, the European Union, Poland, Czech Republic, Hungary and Slovakia will not accept such sensitive goods under cover of TIR due to past fraud involving the misappropriation of these types of goods.

An increase in the incidence of the fraudulent use of TIR carnets in recent times has led to the IRU imposing strict conditions on the issuing associations which must be met before the associations are permitted to issue the documents to their members.

Regrettably, the TIR carnet is not of A4 size and is not aligned to the UN Layout Key. As a result it does not lend itself to reproduction in automated systems. Reduced size illustrations of the carnet front cover and one of the voucher sheets are contained in Volume 2 as Document 4.

d) Certificate of Origin

This document is used to certify that goods meet the specified conditions for origin to be ascribed to a particular country or group of countries. It is often presented in support of claims for preferential rates of duties. An aligned Certificate of Origin is shown in Volume 2 as Document 5.

2.1.2 Secondary

These are official documents required for the carriage of specific types of products - usually agricultural goods.

a) Common Veterinary Entry Document

This document is used for the declaration of animal products. It facilitates control of relevant cargoes by both veterinary and Customs authorities by providing evidence of veterinary tests and controls conducted in the country of origin. An aligned Common Veterinary Entry Document is shown in Volume 2 as Document 6.

b) Animal Route Plan

This document provides route details for the movement of live animals including planned stopping or transfer points. It ensures that the vehicle has followed a pre-agreed route with designated resting places and that records are maintained of other incidences where animals have been rested. Such information is essential to veterinary authorities to minimise distress to the animals and the risk of cross infection into local animals. An aligned Animal Route Plan is shown in Volume 2 as Document 7.

c) Phytosanitary Certificate

This document is used to certify that plants and plant products comply with phytosanitary regulations in the importing country. It is stamped by the appropriate authorities in the country of origin on the basis of information that they maintain on regulations in the country of import. It is mainly used as a method of pest control. An aligned Phytosanitary Certificate is shown in Volume 2 as Document 8.

2.2 Commercial Documents

The documents which are described in the following section are generally produced for commercial purposes and may also be required by Customs in order to support declarations. For example, the primary function of an invoice is to obtain payment from the recipient but it has a secondary function in that it is likely to be required to accompany an import entry in order for Customs to verify value and the tariff classification applied by the declarant. However, it is probably not appropriate for authorities to seek to dictate the form such documents should take (although they might wish to specify minimum data requirements) but encouragement should be given to standardisation since there are advantages to all parties. These documents are again divided into primary or key documents and secondary or support documents.

2.2.1 Primary Documents*a) Commercial Invoice*

This document is produced by the seller requesting or confirming payment by the buyer. It is usually required to accompany import declarations in order to verify valuation for the calculation of charges, terms of delivery (normally using Incoterms) and tariff classification to ensure that the correct duty rate is applied and that any restrictions or prohibitions are enforced. In some locations, the invoice may also be required with export declarations for the purpose of verifying tariff classification. The number of copies of the invoice is a matter of commercial need, although it is often the case that the invoice set will also contain a despatch and a packing note and possibly also a set of Export Cargo Shipping Instructions. An aligned Commercial Invoice and its continuation sheet are shown in Volume 2 as Documents 9 and 10.

b) Credit Note

This document is normally used by the seller to credit the buyer in respect of accidental overcharge, the delivery of damaged goods or in respect of short delivered goods. It may also be used to show commissions payable to a sales agent. There may be Customs implications which require the submission of a supplementary declaration. An aligned Credit Note and its continuation sheet are shown in Volume 2 as Documents 11 and 12.

2.2.2 Secondary Documents

The remaining documents described in this section on commercial documents do not normally have any official trade facilitation function. They may when viewed together with other documents form an important part of an audit (or control) trail for Customs when seeking to establish the truth and history of specific transactions or entitlement to claim relief of duty or other charges.

a) Pro Forma Invoice

This document is issued by the prospective seller to the prospective buyer. It may constitute a request for payment prior to the despatch of the goods or it may be asking the buyer to confirm that the goods listed in the document meet the buyer's requirements. It is issued prior to the production of the commercial invoice and does not have the legal status attached to the commercial invoice.

In many countries, the goods remain the property of the seller under the pro-forma invoice until the time at which they are paid for by the buyer or a commercial invoice is issued. The ownership or entitlement to the goods passes to the buyer on issuing of the commercial invoice. In the event of non-payment, any legal services relate to a debt recovery activity rather than a dispute over ownership of the goods. An aligned Pro Forma invoice and its continuation sheet are shown in Volume 2 as Documents 13 and 14.

b) Purchase Order

This document is issued by the buyer to the seller to confirm that he ordered the goods contained in the order. Many manufacturers or sellers will not produce or issue goods until they have confirmation in writing from the buyer in the form of a purchase order. An aligned Purchase Order and its continuation sheet are shown in Volume 2 as Documents 15 and 16.

c) Acknowledgement of Order

This document is issued by the seller to the buyer. It is a confirmation by the manufacturer or seller that he has received an order from the buyer for certain goods and is often issued to confirm receipt of a purchase order. An aligned Acknowledgement of Order and its continuation sheet are shown in Volume 2 as Documents 17 and 18.

d) Works Order

This is issued by the seller or manufacturer to the production facility specifying numbers and specifications of the goods to be produced. This enables the buyer to cross-check that he is going to receive the goods he originally ordered. The works order is sometimes used in connection with Letters of Credit to release stage payments. This usually only occurs when a major purchase is being made which involves part payments during the manufacture of the product. An aligned Works Order and its continuation sheet are shown in Volume 2 as Documents 19 and 20.

e) Collection/Delivery Order

This document is issued by the buyer or seller (depending on the terms of delivery). It may also be used for the internal movement of goods within a company. The collection document is normally a written instruction to a transporter or forwarder to enable him to collect goods from the seller or his agent. The delivery document is an instruction to deliver the goods to the buyer from a designated pick-up point. An aligned Collection/Delivery Order is shown in Volume 2 as Document 21.

f) Despatch Advice

This document is issued by the sender to the buyer. It contains important information in relation to the despatch of the goods and indicates the distribution of consignment documentation to the parties involved. Essentially this document confirms that the goods have been sent, what was dispatched and when it left. It is often used in connection with payments for the goods and the date can be significant in connection with changes in duties between certain dates. An aligned Despatch Advice is shown in Volume 2 as Document 22.

g) Packing List

This document is issued by the sender to the transporter and the buyer. It clearly indicates the number of packages and the contents of each of the packages. It also shows the Shipping Marks and therefore provides identification of individual packages. This document may be required under the terms of a Letter of Credit (see below) or may be required by Customs and/or health and safety regulations because of its package identification function. An aligned Packing List and its continuation sheet are shown in Volume 2 as Documents 23 and 24.

2.3 Transport Documents

These are standard international documents which are either issued or carried by the transporter in order to effect an international movement. Many of these documents are required for production to the Customs authorities to effect an import or export clearance. They may also be required for transit movements through a country by the Customs or Police as they detail the nature of the goods carried.

a) Air Waybill

This is the main transport document for air freight consignments and represents a contract of carriage between the owner of the goods and the carrier. It is produced in three originals, one of which will have to be submitted by the receiver before the carrier will release the goods to the consignee/receiver. Many customs authorities require either an original or copy to effect clearance of the cargo. The layout of the document is prescribed by the International Air Transport Authority (IATA) and is normally prepared by the carrier, rather than the exporter.

It should be noted that certain traffics may move by road under an air waybill. For example, airlines use surface collection and delivery services but offer point-to-point or through air waybills. A carrier with services from Almaty to Frankfurt may collect goods from Tashkent and truck them to Almaty, but issue a Tashkent/Frankfurt air waybill. In this case, an air waybill is used for a surface movement and would be presented at the land border.

An aligned Air Waybill is shown in Volume 2 as Document 30.

b) House Air Waybill

This document is normally issued by an air freight agent or air forwarder to the shipper. This document represents a contract of carriage between the forwarder and the shipper and is supported by the master air waybill of the carrier.

The main situation where this arises is where shipments are consolidated and presented to the airline in order to obtain lower rates for a larger shipment. The airline issues a master air waybill covering the total shipment. The forwarder will issue house waybills to each of the individual shippers relative to each of their own consignments. It is therefore in effect a "sub air waybill" in the name of the forwarder with an identical layout to the airline waybill. An aligned House Air Waybill is shown in Volume 2 as Document 31.

c) IATA Shipper Declaration for Dangerous Goods

The purpose of this document is to ensure the safe handling of dangerous goods which are being consigned by air. This is an IATA format and the document must be completed by the exporter, not an agent or freight forwarder, and handed to the air transport operator. The document is similar to the air waybill and is produced with three originals. This document would be required for production to the Police on surface international movements. An aligned IATA Shipper Declaration is shown in Volume 2 as Document 32.

d) CIM Rail Consignment Note

The Convention concerning International Carriage by Rail (COTIF) incorporates the Uniform Rules concerning the Contract for the International Carriage of Goods by Rail (CIM). CIM sets out the responsibilities and the liability of the railway operator for loss of and damage to goods. The Convention sets out the requirements for the consignment note (generally referred to as the CIM note) and specifies the data elements which the CIM note must contain, although it does not specify the actual layout of the document. Customs Authorities normally require production of a rail consignment note for movements of all import, export and transit movements by rail for support or control purposes. An aligned CIM Consignment Note is shown in Volume 2 as Document 33.

e) CMR Road Consignment Note

CMR is a UN ECE Convention governing the contract between the sender of goods by road and the road carrier. The full title of the Convention is Convention on the Contract for the

International Carriage of Goods by Road (CMR). This Convention imposes substantial liabilities on road hauliers which cannot be avoided or reduced by private contract. The Convention applies to most haulage operations when either the country of despatch or the country designated for delivery of the goods is a contracting party to the Convention. Of the TRACECA countries only Kazakhstan and Uzbekistan are contracting countries.

The Convention provides that the contract for the international carriage of goods by road should be evidenced by the making out of a consignment note and sets out the data which must be included in the note. It does not, however, specify the form which the note should take. The document must be produced in three originals with one being retained by the sender, one travelling with the goods and one being retained by the carrier. The Convention appears to assume that the document will be prepared by the sender, but it is generally produced by the road carrier or a freight forwarder. Customs normally expect to inspect the CMR form if one has been issued. An aligned CMR Consignment Note is shown in Volume 2 as Document 34.

f) Certificate of Shipment

This document is normally completed by freight forwarders or transport operators to confirm that goods have been shipped and contains information relating to the shipment. It may also have a function in respect of payment of duties such as Value Added Tax and can be a requirement of the Letters of Credit. This form is not generally required by Customs, except as support documentation relating to dispensation of duties. An aligned Certificate of Shipment is shown in Volume 2 as Document 35.

g) Bill of Lading

This is the marine equivalent of the air waybill and is used for consignments despatched by sea. This is a key carriage document as it represents a receipt for the goods shipped (or received for shipment), evidence of the sea freight contract and (unless marked non-negotiable) it is a document giving title to the goods. There is a move away from negotiable Bills of Lading in some trades towards the use of non-negotiable sea waybill (see below). For conventional cargo, a Port-to-Port Bill of Lading is used. A Combined Transport Bill of Lading is normally used where the document is required to cover the inland leg(s) of an ocean freight consignment, such as on a through shipment. Customs usually require production of original or copy Bill of Lading to effect release.

The Bill of Lading is also an important document in many banking and payment systems. For example, it is usual for the document to be required under the terms of Letters of Credit. An aligned Bill of Lading is shown in Volume 2 as Document 36.

h) House Bill of Lading

The House Bill of Lading is normally issued by a forwarder to the shipper. It represents a contract of carriage between the forwarder and the shipper and is supported by the master Bill of Lading.

The main situation where this arises is where shipments are consolidated and presented to the Carrier as a single shipment. This is a common forwarding document used by many international forwarders when a sea shipment is involved. An aligned House Bill of Lading is shown in Volume 2 as Document 37.

i) Non-negotiable Sea Waybill

This sea transport document is normally completed by the carrier similar to the standard Bill of Lading. The main difference is that this is not a document of title. The use of this document involves a simpler procedure in situations where it is unlikely that the goods will be sold whilst in transit. An aligned Sea Waybill is shown in Volume 2 as Document 38.

j) Negotiable FIATA Combined Transport Bill of Lading

This document is the combined transport equivalent of the Bill of Lading. It is specifically used when more than one mode of transport is used between the port of loading and the place of delivery. It is most commonly used in connection with container movements which are on-forwarded to the place of delivery by rail. Customs often require this document as a substitute to the Bill of Lading or rail consignment note. The aligned FIATA Combined Transport Bill of Lading is shown in Volume 2 as Document 39.

k) Dangerous Goods Note

This document is used to accompany hazardous or dangerous goods carried by a transporter. It contains information allowing for the clear identification of the substance, the nature of the hazard which it presents and the emergency action required to be taken in the event of an accident. It will incorporate a dangerous goods declaration and may include a container/vehicle packing certificate. This document is usually required to be produced to both Customs and Police during international transits. A Dangerous Goods Note is shown in Volume 2 as Document 40.

l) Export Cargo Shipping Instructions

This document is prepared by the exporter in order to provide the freight forwarder with all the information needed to effect a shipment. In completing this form the exporter provides much of the data to enable the forwarder to produce both official and transport documentation. An aligned Export Cargo Shipping Instruction Note is shown in Volume 2 as Document 41.

m) FIATA Forwarders Certificate of Receipt

This document is produced by forwarders and given to shippers as a receipt for goods. In effect, this signifies that the forwarders obligations and responsibilities apply from this point in time until fulfilment of his contract in relation to movement of these goods. An aligned FIATA Certificate of Receipt is shown in Volume 2 as Document 42.

n) Standard Shipping Note

This document is used to accompany non-hazardous goods in transit to a carrier (usually a sea carrier), a port or a freight forwarder. It is therefore normally used only domestically, prior to the international movement. However, it may be used to accompany consignments taken from one country to another to reach the port of shipment. The document contains information about the shipment and is produced as a six part set. An aligned Standard Shipping Note is shown in Volume 2 as Document 43.

2.4 Banking and Insurance Documentation

The following documents main functions relate to the method and process of payments between the seller and the purchaser and the insurance of the goods whilst being sent from one to the other. They are sometimes required by the Customs Authority as supporting documents for clearance purposes. Only those documents which are formatted to UN standards in relation to trade facilitation are included. Standardised bank documents such as Letters of Credits have been excluded.

a) Bank Collection Form

This document is used to instruct the buyer's bank on how to process a documentary collection. It is normally sent by him direct to his overseas bank with all of the supporting documents. It contains information of what action his bank should take and who to contact in the event of problems. An aligned Bank Collection Form is shown in Volume 2 as Document 25.

b) Bill of Exchange

A Bill of Exchange essentially an instruction by the purchaser to a third party to pay the seller an agreed figure at a specific time. A typical Bill of Exchange is shown in Volume 2 as Document 26.

c) Bank Collection Form, incorporating Bill of Exchange

This document form serves the same purpose as the bank collection form detailed above but additionally provides the detail required for the bank to produce a printed Bill of Exchange. An aligned Bank Collection Form/Bill of Exchange is shown in Volume 2 as Document 27.

d) Letter of Credit Presentation Form

This document is a master form when submitting the documents required by a Letter of Credit to a bank in order to obtain payment for an export shipment. It is used to substitute a covering letter and, because it is formatted, reminds the submitter which documents need to be enclosed. An aligned Letter of Credit Presentation Form is shown in Volume 2 as Document 28.

e) Certificate of Insurance

This document provides evidence that an export shipment has been insured and the goods are covered during the transit. It is normally issued by the insurance company accepting the cover. An aligned Certificate of Insurance is shown in Volume 2 as Document 29.

All of the above documents are in common use and help to facilitate international trade. Many are also used in connection with trade procedures and by freight forwarders. The next chapter indicates current systems being used within the TRACECA region. Some of these documents described above are already in use or variants have been developed, often based on the old Soviet or new Russian systems.

3.0

Current TRACECA Documentation & Customs Procedures

3. Current Documentation and Customs Procedures in individual Traceca countries

This section indicates the current documentation in use within each of the Traceca countries. This, therefore, represents the “base” from which a strategy to standardise and harmonise documentation needs to be developed to achieve the project objectives.

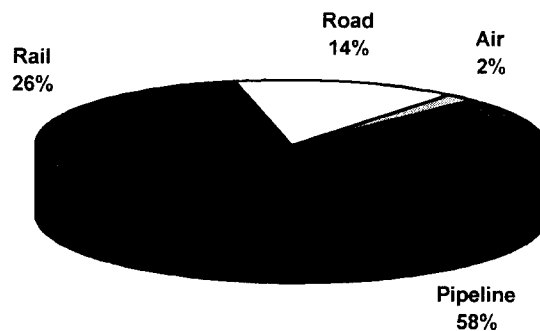
Each country is assessed in alphabetical order (English alphabet) giving details of current trade, conventions signed and documentation used in import, export and transit transactions and an outline of Customs procedures.

3.1 Armenia

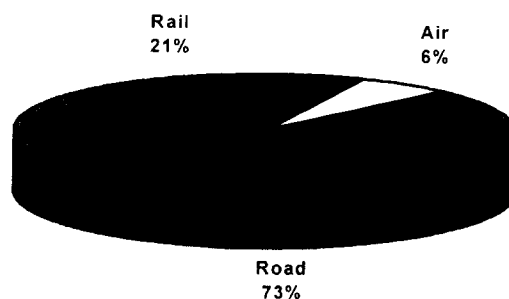
3.1.1 General

The total value of goods imported to Armenia is approximately \$600 million (1.8 million tonnes) and the total value of exports is approximately \$283 million (0.288 million tonnes).

The modal split for import traffic is shown in the following chart:



The modal split for export traffic is shown in the following chart:



Armenia indicated that it had signed, but not yet implemented, the CMR (road) Convention. Despite this, consignment notes stating that goods are carried subject to that convention are used on a regular basis. Since any international movement by road is governed by CMR where either the country of loading or the country designated for delivery is a contracting party, it may be that some transport contracts are subject to CMR, thus imposing liabilities on carriers of which they may be unaware and for which they may be uninsured. In respect of the use of CIM in Armenia, this rail consignment note is being used by parties who are not signatories to the COTIF Convention, thus creating ambiguity as to which legal regime is applicable. Chemin de Fer Armenen is a member of the International Union of Railways (UIC) but Armenia is not a signatory to the COTIF Convention. Armenia has signed the TIR convention but is not yet affiliated to the IRU and no trade/transport association has yet been established who would be able to issue TIR carnets to Armenian road carriers.

Armenia is a member of the World Customs Organisation. It is not a member of the CIS Customs Union. It is entitled to Generalised System of Preference (GSP) relief. The current Armenian Customs Code has been in force since 1993 and is amended by decrees.

The State Customs is divided into 4 regions - Yerevan, Vanatzor, Gumri and Sissian - reporting to the central Customs in Yerevan.

3.1.2 Official Documentation and Customs Procedures

a) Import and Export Documentation

For the purposes of export and import declarations, a Cargo Declaration form set is used which is modelled on the Single Administrative Document (SAD) with similar data requirements as would be found for the same declarations in the EU countries. An example of the Armenian Cargo Declaration form is contained in Appendix 1, Document 1.

The document is used as a four part set for exports and as a three part set for imports. The declaration form is completed at the Yerevan regional Customs office by Customs staff using the recently implemented ASYCUDA entry processing system. This system is to be introduced by the end of 1996 to the other three regional centres and, subject to the availability of finance, will eventually be linked by a wide area network. It is not proposed to make Customs clearance facilities available at border crossing points because of cost and communication difficulties. It is intended that in the medium term Direct Trader Input (DTI) will be introduced which will allow authorised traders direct access to the ASYCUDA system. Legislation is, however, required for the introduction of a system for the accreditation of declarants - Customs Brokers.

Both export and import declaration forms are used for the collection of fees, duties and statistics. Currently, Value Added Tax (VAT) is collected separately by the taxation administration. 90 days after clearance is allowed for the payment of VAT. The cargo declarations are also used for control of restricted goods. The goods classification is entered on the form and is based on a nine digit code comprising the six digits of the Harmonised System and a three digit extension.

For each export or import a pack of documentation is assembled. Some of the documents making up a Customs declaration are reproduced in Appendix 1, Document 2.

Typically (but depending on the type of goods concerned) an export pack will be made up of the following documents

- Cargo Declaration
- CMR Note (for road) or CIM Note (for rail) or other transport consignment document
- Commercial Invoice
- Certificate of Conformity
- Contract of Sale

An import documentation pack is similar in content and includes the following documents:

- Cargo Declaration
- Certificate of Conformity
- CMR Note (for road) or CIM Note (for rail) or other transport consignment document
- Commercial Invoice
- Packing List
- Bill of Lading (where sea transport is involved)
- Quality Certificate
- Laboratory Report (where applicable)

Some additional documentation is required on certain products as support documentation.

The Customs tender assistance by offering a document preparation service, as there are no Customs brokers. Whilst the Customs complete the declaration, the legal onus is still on the importer who is the signatory to the entry. Following inspection of the documents all goods are physically checked by an examination on the lorry or an inspection following unloading from the vehicle. These inspections take place either in an approved examination area or at the importers premises. The examining officer accompanies the importer to the examination area and on completion of the examination, the declaration is registered and the appropriate revenue is collected, either in cash or by bank transfer. The goods are then released to the importer. The export procedure is similar in reverse with examination on loading into the truck or wagon.

Current volumes of entries in 1995 were 9,757 import entries and 5,376 import entries.

On both imports and exports, a Customs service charge of 0.3% of the CIF (Armenian frontier) value of the goods is levied. The standard rate of import duty is 10% and the standard rate of VAT (levied on the duty and charges inclusive value) is 20%. Excise duty of between 25% and 50% is levied on certain goods.

b) Transit Documentation

Two systems are in use in respect of documentation to control transit. One system covers goods which are in transit from the first place of entry into the country to a regional Customs centre for clearance, or vice versa. Such movements are commonly referred to as transfer traffic. In this case a national transfer document is issued by Customs consisting of three copies. One copy is sent to the destination or exit point, a second is retained by Customs at the start point and the third travels with the goods. This document is not modelled on the SAD and is not aligned with the UN Layout Key.

Where transit takes place through Armenia, the transit is documented using a three part Cargo Declaration. A \$20 transit fee is charged.

The standard road border procedure is to request production of the Cargo Declaration, CMR/TIR and a purchase invoice. These documents are inspected, the vehicle seals checked, the registration made and the transfer document filled in. The goods are then cleared to travel to the inland clearance point. The export procedure is similar having come from the regional office to the border. The documents are inspected, the vehicle checked, the registration made and the copies of the transfer document stamped and collected to be retained and one copy sent to the Customs point of dispatch. The demand for documents to be inspected varies significantly with some borders demanding sight of all import or export documentation and certificates.

The rail procedures are similar using the Cargo Declaration, CIM and invoice as the base documents.

In neither the transit or transfer system is a cash deposit, guarantee or other form of security required. Customs indicated, however, that they had no particular problems with undischarged transit movements. Nonetheless, Customs are proposing that, at least for sensitive transit movements, vehicles should be accompanied by a security guard.

Armenia has recently signed the TIR Convention but has not yet implemented the system. No association affiliated to the IRU has been established to issue carnets to Armenian carriers.

3.1.3 Trade Documentation

In general, international trade documentation follows the practices and document models used in western European countries. CMR notes follow the international aligned formats.

Traders use, but may not in all cases fully understand, Incoterms (a set of international trading terms developed by the International Chamber of Commerce - the existing version being published in 1990). A lack of knowledge of international trading and transportation practices within commercial enterprises was identified.

3.2 Azerbaijan

3.2.1 General

Information on the modal split of trade in Azerbaijan was not available. Road and rail are the key modes with limited activity in the marine sector on the Caspian Sea.

Azerbaijan is a signatory to the TIR Convention but has not implemented the system. It is currently not a contracting party to the CMR (road) Convention although consignment notes stating that goods are carried subject to that convention are used. Since any international movement by road is governed by CMR where either the country of loading or the country designated for delivery is a contracting party, it may be that some transport contracts are subject to CMR thus imposing liabilities on carriers of which they may be unaware and for which they may be uninsured. It should be noted that almost all movements to/from Iran are conducted using CMR notes.

In respect of the use of CIM notes in Azerbaijan, this rail consignment note is being used by parties who are not signatories to the COTIF Convention thus creating ambiguity as to which legal regime is applicable. Chemin de Fer Azerbaijan is a member of the International Union of Railways (UIC) but Azerbaijan is not yet a signatory to COTIF.

The State Customs has a complement of 1,200 officers based in 14 regions.

3.2.2 Official Documentation and Customs Procedures

a) Import and Export Documentation

For the purposes of export and import declarations, a Cargo Declaration form set is used which is modelled on the Single Administrative Document (SAD) with similar data requirements as would be found for the same declarations in the EU countries. The document has a pre-printed serial number. An example of the new Azerbaijan Cargo Declaration SAD form which has recently replaced an earlier, similarly modelled, version and its continuation sheet are shown in Appendix 1, Documents 3 and 4.

The document is used as a five part set (for both imports and exports) and is either completed on behalf of traders by the Customs service or by commercial agents. In both cases a standard charge is levied. Completion is by typewriter or by PC, although the software has no function other than form completion. Declarant companies are licensed by Customs. Indications were made that such licences can be difficult to obtain.

Both export and import declaration forms are used for the collection of fees, duties, taxes and statistics. They are also used for control of restricted goods. Goods classification is based on a nine digit code comprising the six digits of the Harmonised System and a three digit extension.

For each export or import, a pack of documentation is assembled. A typical pack for an export consignment is reproduced in Appendix 1, Documents 5 and a typical pack for an import consignment is reproduced in Appendix 1, 6.

Typically (but depending on the type of goods concerned) an export pack will be made up of the following documents:

- Evidence that payment for the goods has been received
- Cargo Declaration
- Licence in respect of restricted goods
- Certificate of Origin
- Contract, stamped by both seller and buyer
- Copy of the exporters Registration Certificate

An import documentation pack is similar in content and includes the following documents:

- Contract
- Cargo Declaration
- CMR Note (for road) or CIM Note (for rail) or other transport consignment document
- Commercial Invoice
- Quality Certificate
- Licence, in respect of restricted goods
- Certificate of Origin

Of the five copies comprising the declaration, one is for the trader, one is for the Customs statistics department, one is for Customs HQ, one is for the Customs finance department and one is for the declarant.

The import procedure is that declaration and accompanying documents are presented to the relevant Customs office. The documents are checked by the freight department to ensure all documents are present then sent to the statistical department which registers the declaration and issues a sequential number. The tariff department calculates the duty and receives payment. The statistical department then enter the data on the computer and the freight department inspects the goods. This examination is undertaken at the importer's premises and a Customs officer accompanies the vehicle to that location. A 100% examination routine is in operation.

At each stage in the process, stamps are applied to confirm that a particular activity has taken place. When the goods are released, one copy of the declaration is passed back to the importer, one copy to the headquarters, one copy to the finance department in the regional centre and one to statistics department.

The export procedure is similar in reverse.

Current volumes of entries are estimated at 64,000 import entries, 9,000 export entries and 2,100 transit entries.

On both imports and exports, a Customs service charge of 0.15% of the CIF (Azerbaijan frontier) value of the goods is levied. The standard rate of import duty is 10% and the standard rate of VAT (levied on duty and charges inclusive value) is 20%. Excise duty is levied on certain goods.

b) Transit Documentation

Two systems are in use in respect of documentation to control transit. The first system covers transfer traffic when the goods are in transit from the first place of entry into the country to a place of inland clearance and vice versa. The same system is used where the transit is across the territory of Azerbaijan for onward transport to a third country. The second system is used when a modal change is incurred.

Where the transit is undertaken on the same mode of transport as that on which the goods arrived in Azerbaijan (for example a road vehicle on which the goods will remain for the duration of the transit arriving at a land boundary) an internal transit document is raised in three copies by Customs. This document is not modelled on the SAD and is not aligned with the UN Layout Key using an A4 landscape-oriented form. The document is stamped by Customs at the point of entry and a copy is posted to the point of clearance or exit. One copy travels with the goods to the office of transit departure (if the goods are continuing to a third country) or to the office of destination (if the goods are being cleared in Azerbaijan). Customs at this office also stamp the form. The third copy is sent to Customs headquarters. There was limited evidence of reconciliation taking place of the documents held at the two ends of the transit journey.

Where transit takes place on a different mode of transport to that on which the goods arrived in Azerbaijan (for example, goods arriving by sea and then transit being undertaken by road), a transit procedure similar to that outlined above is used. In this case, however, the document used is a special four part Cargo Declaration - national transit document - completed by the Document Completion Service. Customs advised that where a transit movement used the Cargo Declaration, the national transit document indicated above was also required. Customs raise a charge of \$10 fee for each transit declaration.

The standard road border procedure is to request production of the Cargo Declaration, CMR/TIR and a purchase invoice. These documents are inspected, the vehicle seals checked, the registration made and the transfer document filled in. The goods are then cleared to travel to the inland clearance point. The export procedure is similar having come from the regional office to the border. The documents are inspected, the vehicle checked, the registration made and the copies of the transfer document stamped and collected to be retained and one copy sent to the Customs point of dispatch. The demand for documents to be inspected varies significantly with some borders demanding sight of all import or export documentation and certificates.

The rail procedures are similar using the Cargo Declaration, CIM and invoice as the base documents.

Azerbaijan is a signatory to but has not implemented the 1975 TIR Convention. Despite this, however, Azerbaijan permits transit under cover of a TIR carnet, particularly of Turkish vehicles. In some cases where transit under TIR takes place, a national transit document may also be required. However, this is not consistent and may depend on the level of knowledge of the Customs officer dealing with the consignment.

None of the transit systems used require a cash deposit, guarantee or other form of security required, other than the guarantee provided by the TIR system when a carnet is used. Data on the proportion of transit movements that had not been satisfactorily completed was not known. For this reason Customs are proposing that all transit movements be accompanied by a member of the Customs service.

A transit agreement was signed between Georgia, Turkmenistan, Uzbekistan and Azerbaijan on 13 May 1996. The agreement provides for the free movement of transit traffic on the territories of the signatory countries and provides that the parties will, by agreement, establish the Customs procedures and practices that are to apply to transit traffic. A copy of an unofficial translation of the agreement is shown in Appendix 1, Document 13.

A similar agreement between the same countries was also signed on the same date in relation to co-operation in the field of rail transport. The agreement guarantees that rail traffic through and between the signatory countries will be expedited.

In respect of TIR, there was some evidence to suggest that it was able to obtain discharge of TIR carnets in Azerbaijan (as a country of destination) despite the fact that the Customs have not implemented the system. There is a carriers association based in Baku (Association of International Road Carriers of Azerbaijan - ABADA) that is a member of IRU and which hopes to be in a position to issue TIR carnets to its members by the end of 1996.

Declarations are required in respect of the amount of fuel imported in the tanks of road freight vehicles.

3.2.3 Trade Documentation

In general, international trade documentation follows the practices and document models used in western European countries. CMR notes follow international aligned formats.

Whilst Azerbaijan is not a contracting party to the COTIF Convention (which incorporates the CIM rules), its railway operator nonetheless uses an aligned CIM rail consignment note in eight pages. The fronts of pages 1,3,5 and 7 are the same and are reproduced at Appendix 1, Document 7. The reverse of pages 1,3 and 5 are the same and are also reproduced in Document 7 as is the reverse of page 7.

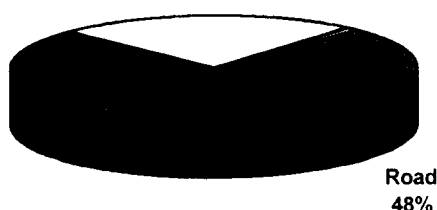
Traders use, but some may not fully understand, Incoterms (a set of international trading terms developed by the International Chamber of Commerce - the existing version was published in 1990). There was a lack of knowledge of international trading and transportation practices within commercial enterprises.

3.3 Georgia

3.3.1 General

The total international traffic, both import and export, amounts to 14.2 million tonnes in 1995. It should be noted, however, that a significant proportion of cross border traffic is believed to be unrecorded.

The modal split of recorded traffic is shown in the following chart:



Georgia is a signatory to the TIR Convention. It is not a contracting party to the CMR (road) convention although consignment notes stating that goods are carried subject to that convention are used regularly. Since any international movement by road is governed by CMR where either the country of loading or the country designated for delivery is a contracting party, it may be that some transport contracts are subject to CMR thus imposing liabilities on carriers that they may be unaware and for which they may be uninsured. In respect of the use of CIM in Georgia, this rail consignment note is being used by parties who are not signatories to the COTIF Convention thus creating ambiguity as to which legal regime is applicable. Georgian railways is not a member of the International Union of Railways (UIC) or a signatory to COTIF.

Georgia State Customs are not members of the World Customs Organisation or the CIS Customs Union, although their delegates attend the CIS Customs Council meetings. Georgia is entitled to Generalised System of Preference (GSP) relief.

Legislation is currently based on the Soviet Code which is frequently amended by Presidential Decree. It is anticipated that a new Customs Code comprising of 52 chapters and 456 articles, drafted by Customs based on Soviet and German codes will be passed through Parliament by autumn 1996. This includes new provisions for Free Zones and bonded warehousing. Indications are that some elements of the new code have been held up in parliament.

The State Customs has 1353 officers and is organised into 10 regions, each reporting to Customs headquarters in Tbilisi. This is expected to be rationalised into 5 regions.

3.3.2 Official Documentation and Customs Procedures

a) Import and Export Documentation

For the purposes of export and import declarations, a Cargo Declaration form set is used which is modelled on the Single Administrative Document (SAD) and contains similar data requirements as would be found for the same declarations in the EU countries. An example of the Georgian Cargo Declaration is shown in Appendix 1, Document 8.

The document is used as a four part set (for both imports and exports) and is either completed on behalf of traders by the Customs service or by commercial agents. In both cases a charge of 10 lari (approximately \$8) is levied. Completion is normally by typewriter, although at least one of the commercial agencies has developed software for the production of the form on personal computers (PCs). This software has no function other than form completion.

Both export and import declaration forms are used for the collection of fees, duties, taxes and statistics. They are also used for control of restricted goods. Goods classification is based on a nine digit code comprising the six digits of the Harmonised System and a three digit extension.

For each export or import a pack of documentation is assembled. A typical pack for an export consignment is shown in Appendix 1, Document 10 and a typical pack for an import consignment is shown in Appendix 1, Document 11.

Typically (but depending on the type of goods concerned) an export pack will be made up of the following documents:

- A cover sheet providing summary information on the consignment and a list of the attached documents
- Cargo Declaration
- CMR Note (for road) or CIM Note (for rail) or other transport consignment document
- Commercial Invoice
- Export Sales Contract Registration Form
- Certificate of Origin
- Technical information and test reports in relation to specific goods
- Health or other appropriate technical certificates confirming compliance with appropriate standards
- Sales Contract
- A copy of the exporters Registration Certificate

An import documentation pack is similar in content and includes the following documents:

- A cover sheet providing summary information on the consignment and a list of the attached documents
- Cargo declaration
- CMR Note (for road) or CIM Note (for rail) or other transport consignment document

- Commercial Invoice
- Quality Certificate
- Certificate of Insurance

Declarations for imports and exports are presented at the regional office. These are made by the declarant companies, who are trained and licensed by Customs. The standard procedure is that after the declaration is checked and signed by the trader, it moves forward to the statistical department where the data is entered on a PC and a registration number is issued. Following payment of the appropriate revenue to the accounts department, the declaration goes to the import/export department. Examination of the goods is arranged and carried out by this department, after which the goods are released. In Tbilisi these export examinations take place at the trader's premises and import examinations at a terminal near the airport. The declaration is returned to the statistics department where it is stored until dispatched to the Customs Department for filing. The examinations may be either an inspection at the doors of the container, truck or rail wagon or an inspection requiring unloading of the goods.

The number of entries lodged in 1195 were 14,000 imports, 9,000 exports and 2,000 transits.

On both imports and exports a Customs service charge of 0.2% of the CIF (Georgian frontier) value of the goods is levied. The standard rate of import duty is 12% and the standard rate of VAT (levied on the duty and charges inclusive value) is 20%. Excise duty at up to 100% is levied on certain goods. A copy of the charges rate table is produced in Appendix 1, Document 9.

Insurance on import consignments is compulsory and, until recently had to be obtained from the insurance company Aldagi. Traders may now, however, obtain the required cover from an insurer of their choice.

b) Transit Documentation

Transit is said to represent 90% of all international movements in Georgia. Two systems are in use in respect of documentation to control transit. Both systems apply when the goods are in transit from the first place of entry into the country to a place of inland clearance and also where the transit is across the territory of Georgia for onward transport to a third country.

Where the transit is undertaken on the same mode of transport as that on which the goods arrived in Georgia (for example a road vehicle on which the goods will remain for the duration of the transit arriving at a land boundary) an internal transit document is raised in three copies by Customs. This document is not modelled on the SAD and is only partially aligned with the UN Layout Key. An example of the document is shown in Appendix 1, Document 12. The document is stamped by Customs at the point of entry in the bottom left hand corner and a copy retained. The retained copy is passed to Customs headquarters. The remaining two copies travel with the goods to the office of departure (if the goods are continuing to a third country) or to the office of destination (if the goods are being cleared in

Georgia). Customs at this office stamp the form in the bottom right hand corner. A copy is sent to Customs headquarters where the two copies held are reconciled.

Where transit takes place on a different mode of transport to that on which the goods arrived in Georgia (for example, goods arriving by sea and then transit being undertaken by road), a transit procedure similar to that outlined above is used. In this case, however, the document used is a four part Cargo Declaration completed by a document completion service. The necessity to use two different systems was not clarified.

A \$100 fee is charged for each transit. (A charge for the use of Georgian roads is also levied) In neither transit system is a cash deposit, guarantee or other form of security required. Customs indicated that of 17,000 transit movements, some 900 had not been satisfactorily completed.

The standard road border procedure is to request production of the Registration document, Cargo Declaration, CMR/TIR, a purchase invoice, contract, transport invoice and certificates if appropriate. The documents are inspected, the vehicle seals checked, the registration made and the transit document filled in. The goods are then cleared to travel to the inland clearance point or transit the country. The export procedure is similar having come from the regional office to the border or another Georgian border. The documents are inspected, the vehicle checked, the registration made and the copies of the transfer document stamped. The demand for documents to be inspected varies significantly with some borders demanding less than those indicated above.

The rail procedures are similar using the Cargo Declaration, CIM and invoice as the base documents.

Control of transit movements is carried out at the Customs Department. A computer system has been installed on which transit data from the transit document is entered. Indications were that this system had led to a reduction in the number of undischarged transits. Despite this, there is a proposal to supersede the current transit system with a convoy system. The convoy will be accompanied by Customs officials. Traffic entering from Turkey in the south west of the country is already subject to a convoy system. This increases costs with a proposal to raise the service charge from 0.2% to 0.3%.

A transit agreement was signed between Georgia, Turkmenistan, Uzbekistan and Azerbaijan on 13 May 1996. The agreement provides for the free movement of transit traffic on the territories of the signatory countries and provides that the parties will, by agreement, establish the Customs procedures and practices that are to apply to transit traffic. A copy of an unofficial translation of the agreement is provided in Appendix 1, Document 13.

A similar agreement between the same countries was also signed on the same date in relation to co-operation in the field of rail transport. The agreement guarantees that rail traffic through and between the signatory countries will be expedited.

Georgia is a signatory to the 1975 TIR Convention and has designated Customs offices operating as offices of departure, transit and destination.

3.3.3 Trade documentation

In general, international trade documentation follows the practices and document models used in western European countries. Examples of a shipping line manifest for an individual consignment and a Combined Transport Bill of Lading are shown in Appendix 1, Documents 14 and 15. CMR notes follow international aligned formats.

Traders use, but some may not fully understand, Incoterms (a set of international trading terms developed by the International Chamber of Commerce - the extant version being published in 1990). There was a lack of knowledge of international trading and transportation practices within commercial enterprises.

3.4 Kazakhstan

3.4.1 General

The total value of international trade was stated to be around \$11 billion made up of \$6 billion exports and \$5 imports. Many imported goods are purchased on a consignment basis. No data was available on the import/export modal split.

Kazakhstan is a party to the CMR (road) Convention and the 1975 TIR Convention. In respect of the use of CIM in Kazakhstan, this rail consignment note is being used by parties who are not signatories to the COTIF Convention thus creating ambiguity as to which legal regime is applicable. Kazakhstan is not a signatory to COTIF.

Kazakhstan is a member of the CIS Customs Union (the other members being Kyrgyzstan, Belarus and the Russian Federation). The first phase of the Union is the adoption of a common external Customs tariff which Kazakhstan introduced at the beginning of the year. There are indications that this agreement is considered to have been violated and has been subject to disputes on implementation.

State Customs is effectively a Ministry in its own right with the Chairman sitting in the Cabinet of Ministers. The service works to a new 1995 Customs Code, which is similar to the Russian Code. There are 4,000 officers based in 28 regions. There is a separate service for the Chinese border region.

Kazakhstan is not a member of either the World Customs Organisation or World Trade Organisation.

3.4.2 Official Documentation and Customs Procedures

a) Import and Export documentation

For the purposes of export and import declarations, a Cargo Declaration form set modelled on the Single Administrative Document (SAD) is used with similar data requirements as would be found for the same declarations in the EU countries. A copy of the Kazakhstan

declaration form is provided in Appendix 1, Document 16 with its continuation sheet in Appendix 1, Document 17.

The Cargo Declaration document is used for both import and export and is based on the SAD model. Four copies of the form are used for import declarations and five copies for export declarations. The declaration form is completed by declarants. At present, anyone can make a declaration but there are proposals to introduce declarant licensing.

Both export and import declaration forms are used for the collection of fees, duties and statistics. The declarations are also used for control of restricted goods. Goods classification is based on a nine digit code comprising the six digits of the Harmonised System and a three digit extension. All importers are required to be registered with Customs.

The four copies of the declaration used for import entries are used as follows:

- Copy 1 for Customs at the originating location - central filing office
- Copy 2 for Customs statistics
- Copy 3 the Copy for declarant - also used as “out of charge” note
- Copy 4 for the Customs freight office - used by the examination officer - may also subsequently be used for currency control and Customs cost purposes

The five copies of the declaration used for export entries are used as follows:

- Copy 1 for Customs at the originating office location - central filing office
- Copy 2 for Customs statistics
- Copy 3 a Copy for declarant - also used as “out of charge” note
- Copy 4 to be sent to the exit border, stamped and returned to the originating point as evidence of export
- Copy 5 Additional copy retained by Customs

For each export or import a pack of documentation is assembled. Typically (but depending on the type of goods concerned) an export pack will be made up of the following documents:

- Cover sheet listing all attached documents
- Cargo Declaration
- CMR or CIM or other transport consignment note
- Sales Contract
- Certificate of Quality
- Phytosanitary Certificate
- Certificate of Conformity with standards
- Authority to export
- Confirmation of bank account

A typical import documentation pack will include the following documents:

- Cover sheet listing all attached documents
- Cargo Declaration
- Bank documents confirming payment
- Authority for an individual to receive the goods
- TIR carnet
- CMR consignment note
- Certificate of Origin
- Customs Valuation Document
- Inspection report - PSI (Clean Report of Findings)
- Certificate of Standard
- Power of Attorney empowering declarant company to act on importers behalf
- Sales Invoice
- Sales Contract

Copies of these documents for a typical export and import are shown in Appendix 1, Documents 18 and 19.

There are proposals to introduce a declarant licensing scheme. This will involve Customs in training and issuing a three year licenses to companies. There are currently 8 declarant companies in Almaty. The anticipated cost of a licence will be 3,000 ECU per declarant company with employees needing individual certificates of competence.

The documentation inspection process was indicated as taking on average two hours per entry. Examinations are selective and usually take place at the importers premises.

The estimated number of entries processed in 1995 was indicated as approximately 300,000.

On both imports and exports a Customs service charge of 0.2% of the CIF (Kazak frontier) value of the goods is levied. Import duty is levied, although export duties, other than on wheat, were abolished in July 1996. Excise duties are charged on specific goods. VAT is levied and collected by Customs at a standard rate of 20%.

Kazakhstan has signed a contract with Societe Generale de Surveillance (SGS) which came into effect on 1st January 1996. This requires goods imported from countries other than CIS countries to have undergone pre-shipment inspection (PSI) in the country from which they have been despatched. Consignments with a CIF or CFR (Incoterms) value not exceeding \$3,000 and certain specific categories of goods are excluded from the PSI requirement. Approximately 30% of all consignments imported to Kazakhstan are subject to PSI. The PSI covers the following matters:

- Quality and quantity
- Export market price (for exchange control purposes)
- Value for Customs purposes (based on export market price)
- Customs classification
- Import eligibility (prohibitions and labelling)

PSI is undertaken by SGS and is paid for by the Kazakhstan Government. Following a satisfactory inspection, the exporter in the consigning country is issued with a Clean Report of Findings (CRF) which must be presented to Customs as part of the import documentation pack. Some inspection of goods is also carried out by SGS after arrival of the goods in Kazakhstan.

b) Transit Documentation

TIR is accepted for transit by road - Kazakhstan is a contracting party to the 1975 TIR Convention and there is a TIR issuing association established - the Union of International Road Carriers of the Republic of Kazakhstan (Kazato). The majority of transporters from western Europe and Turkey use TIR.

A national (non-aligned A4) form is used as an “authorisation for the international carriage of passengers and goods by motor vehicles” and is required for all non-Kazakhstan registered vehicles. The document is issued by the Ministry of Transport and Communications. A copy of the document is shown in Appendix 1, Document 20. A special form is required for vehicles crossing into Kazakhstan from China.

When TIR is not used, a transit declaration on three copies of the Cargo Declaration is required. This applies both to through transit and to internal transfer movements where goods are entering the country and moving to an inland place of clearance. No declaration is required in respect of export traffic moving from the place of clearance to the external border (but see below). The first copy of the transit declaration is retained at the originating office, the second travels with the goods and the third is sent by post to a Customs HQ office which tracks and controls transit movements.

When goods enter Kazakhstan for clearance inland and are not travelling under cover of a TIR carnet, such as Iranian trucks travelling on CMR, the vehicle needs to have available a letter issued by Customs in Almaty authorising the inward transit movement. This letter is obtained by presenting the sales contract, evidence of bank account, company registration document of the importer and transport documents to Almaty Customs. Even when the letter is produced, Customs may require either that the vehicle travels in an accompanied convoy or that a cash deposit is made in respect of the charges due on the goods. Traders indicated that this procedure can cause serious disruption to traffic movement and that compliance could be expensive and logistically difficult. Indications from Customs are that this is a temporary measure and that they were currently considering a computer based control system which might allow them to remove the requirement.

The standard road border procedure is to request production of the following import documentation for an inland transfer, unless travelling under TIR:

- Cargo Declaration
- CMR.
- Letter of Guarantee covering official charges at risk

- Permit allowing transit (or payment of a transit fee)
If goods valued over \$20,000 or subject to excise duty then one of the following is required:
 - submission of bank guarantee
 - cash deposit to cover official charges
 - Customs escort - excisable goods
 - goods to be carried by Customs approved transporter.

The requirements for through transit traffic tends to be simpler with often only the TIR/CMR and the Cargo Declaration. In both situations, these documents are inspected, the vehicle seals checked, the registration made and the transfer document filled in. The Cargo Declaration and the CMR/TIR are both stamped. The goods are then cleared to travel to the inland clearance point or transit border. The export procedure is similar having come from the regional office to the border or another border. The documents are inspected, the vehicle checked, the registration made and the copies of the transfer document stamped and collected to be retained and one copy sent to the Customs point of dispatch. The demand for documents to be inspected varies significantly with some borders, especially the Chinese borders, demanding sight of all import or export documentation and certificates.

The rail procedures are similar using the Cargo Declaration and CIM note as the base documents to issue the transit document.

3.4.3 Trade documentation

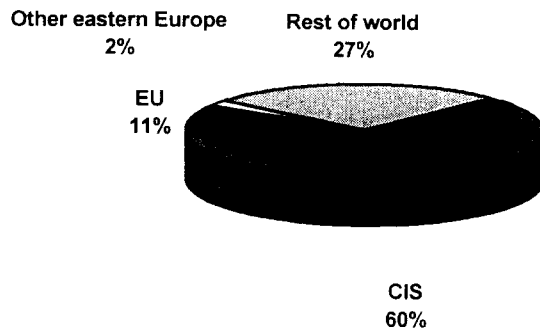
In general, international trade documentation follows the practices and document models used in western European countries. The CMR notes that are in use follow international aligned formats.

3.5 Kyrgyzstan

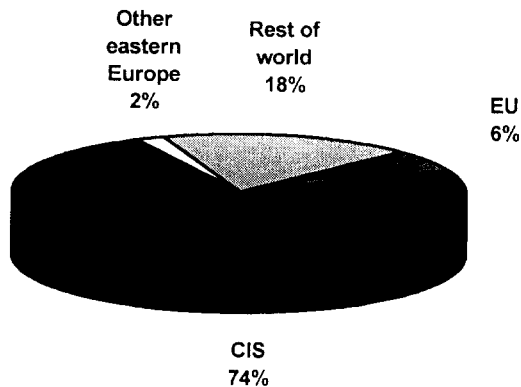
3.5.1 General

The total value of exports in 1995 was \$347 million and the value of imports was \$392 million.

The destination countries for export traffic are shown in the following chart



The source countries for import traffic are shown in the following chart.



No details of modal split were available but it was indicated that over 90% of international traffic is carried by rail.

Kyrgyzstan is not a party to the CMR (road) convention, although CMR consignment notes are widely used. Interviews suggested that the liabilities and responsibilities imposed by the CMR Convention are not fully understood. In respect of the use of CIM in Kyrgyzstan, this rail consignment note is being used by parties who are not signatories to the COTIF Convention, thus creating ambiguity as to which legal regime is applicable. Kyrgyzstan is not a signatory to COTIF. There is a national road carriers association (Kyrgyzintrans)

which is part of the Ministry of Transport. This organisation has, however, not yet joined IRU and is not in a position to issue TIR carnets to Kyrgyzstan carriers.

Kyrgyzstan is a member of the CIS Customs Union, the other members being Kazakhstan, Belarus and the Russian Federation. It was reported that Kyrgyzstan had not yet ratified the agreement.

The Customs is a Ministry in its own right and the Chairman is a member of the Cabinet of Ministers. There are approximately 1,000 offices based in 15 regions covering 30 crossings.

3.5.2 Official Documentation and Customs Procedures

a) Import and Export Documentation

For the purposes of export and import declarations, a Cargo Declaration form set modelled on the Single Administrative Document (SAD) is used with similar data requirements as would be found for the same declarations in the EU countries. A copy of the Kyrgyz declaration document is shown in Appendix 1, Document 21.

Both export and import declaration forms are used for the collection of fees, duties and statistics. The declarations are also used for control of restricted goods. Goods classification is based on a nine digit code comprising the six digits of the Harmonised System and a three digit national based on the EU's two digit Taric extension and a final digit for national statistical purposes (currently 0 in all cases).

The declaration document for both import and export is a four part set. The declaration form is completed by approved declarants. The copies are used as follows:

- Copy 1 for Customs at the clearance location
- Copy 2 for Customs statistics
- Copy 3 a copy for declarant
- Copy 4 If export - for Customs regional office.
If import - for Customs statistics for registration purposes

For each export or import a pack of documentation is assembled. Typically (but depending on the type of goods concerned) an export pack will be made up of the following documents:

- Cargo declaration
- TIR, CMR, CIM or other transport consignment document
- Sales Contract
- Company Registration Certificate
- Company Charter
- Certificate from bank confirming the existence of bank account
- Special licenses or permits (where required)
- Certificate of Origin

- Certificate of Quality - GOS Standard
- Veterinary or Phytosanitary Certificate (for appropriate goods)
- Authority of the company for the individual to register imports or exports

Copies of these documents for a typical export transaction are shown in Appendix 1, Document 22. The import pack requires similar documents

Customs declarations are currently processed manually, although a contract has been signed for the installation of the French Sofix system. No date is yet available for its likely introduction as finance is not currently available.

Importers and exporters are required to be registered with Customs, only within their own region before lodging entries. The following documents are required:

- Certificate of Incorporation
- Certificate confirming registration with the State Tax body
- Articles of Association
- Details of Bank Account

Declarants are trained by Customs - in addition, importers and exporters have the right to make declarations in respect of their own goods. It is possible to deposit declarations and associated documents to Customs prior to the arrival of goods - pre entry - but they will only be processed on arrival of the goods.

The total number of entries in 1995 was indicated as approx. 60,000.

On both imports and exports a Customs service charge of 0.15% of the CIF (Kyrghyz frontier) value of the goods is levied. Import duty at a standard rate of 10% is levied on imports. Excise duties are levied on specific goods. Value Added Tax is at a standard rate of 20%.

Transit Documentation

Transit through Kyrghyzstan requires the use of a four part Cargo declaration. The copies are used in the following way:

- Copy 1 Retained by Customs at point of entry
- Copy 2 Customs HQ for statistical purposes
- Copy 3 Travels with goods - used for control at the point of exit
- Copy 4 Retained by the Declarant

A copy of a completed transit document together with its continuation sheet is shown in Appendix 1, Document 23.

Internal transit or transfer is documented on a national transit form, a copy of which is reproduced in Appendix 1, Document 24. This document is not aligned to the UN Layout Key. The document is completed in three copies with one copy being retained at the point

of entry, one travelling with the goods and one being sent by post to the point of clearance or exit. Following arrival of the goods, this copy is stamped and returned to the originating Customs post.

Transit movements are currently escorted by Customs officers. Customs intend to introduce a revised system under which transit data would be input to Customs computers at the point of entry. All transits (including internal transits) would be documented on a four part Cargo Declaration form. One copy would be stamped at the point of entry and would then travel with the driver to the point of exit or destination where it would be stamped and returned to the originating point. The second copy would be sent to Customs HQ. The third copy would be posted to the point of exit or destination and the fourth copy would remain at the originating point.

It is intended to take a cash deposit at the point of entry which would be refunded once the goods had left the territory.

Transit under TIR carnet is also accepted although accession to the TIR Convention has not yet taken place.

All transit journeys have to follow specific routes determined by Customs.

3.5.3 Trade documentation

In general, international trade documentation follows the practices and document models used in western European countries.

3.6 Tadjikistan

3.6.1 General

Although detailed figures could not be obtained, much of the commercial international traffic is with CIS countries with humanitarian aid being a major import and agricultural goods being the main export. No modal split was available but the majority of imports and exports move by rail.

Tadjikistan is not a party to the CMR (road) convention although CMR consignment notes are widely used. It is evident that the liabilities and responsibilities imposed by the CMR Convention are not understood. In respect of the use of CIM in Tadjikistan, this rail consignment note is being used by parties who are not signatories to the COTIF Convention, thus creating ambiguity as to which legal regime is applicable. Tadjikistan is not a party to the COTIF Convention and is not a contracting party to the TIR Convention, although TIR carnets are accepted for transit through the country.

Tadjikistan has observer status at the World Customs Organisation and expect to become a full member in 1997. Similarly they anticipate membership of the World Trade Organisation in 1997, though they have adopted the HS Classification system.

In July 1996, Tadjikistan signed a bilateral road transport agreement with Uzbekistan covering the free movement of freight vehicles. This agreement does not impose a quota or require permits to be obtained.

The Tadjik Customs is a Government Ministry with the Chairman reporting direct to the Cabinet of Ministers. Customs are based in Dushambe with a complement of 1,400 officers in 5 regions controlling 44 crossing points, of which 20 accept declarations. The Customs have drafted their own Customs Code based on the Russian Code. There have been 40 amendments already in 1996.

3.6.2 Official Documentation and Customs Procedures

a) Import and Export Documentation

For the purposes of export and import declarations, a Cargo Declaration form set modelled on the Single Administrative Document (SAD) is used with similar data requirements as would be found for the same declarations in the EU countries. A copy of the Tadjik declaration document and its continuation sheet is shown in Appendix 1, Document 25.

The declaration document for both import and export is a four part set based on the SAD model. The declaration form is completed by approved declarants or by importers and exporters in respect of their own goods. Both export and import declaration forms are used for the collection of fees, duties and statistics. The declarations are also used for control of restricted goods. Goods classification is based on a nine digit code comprising the six digits of the Harmonised System and a three digit extension.

Four copies of the declaration are produced for both export and import entries. The copies are used as follows:

- Copy 1 for Customs at the office of registration (where the goods are first presented to Customs)
- Copy 2 for Customs statistics
- Copy 3 copy for declarant
- Copy 4 copy for Customs at place of clearance or leaving country

For each export or import a pack of documentation is assembled. Typically (but depending on the type of goods concerned) an export pack will be made up of the following documents:

- Cargo Declaration
- TIR, CMR, CIM or other transport consignment documents
- Sales Contract
- Certificate of Origin
- Certificate of Conformity with standards
- Veterinary or Phytosanitary Certificate (if applicable)
- Confirmation of 100% pre-payment (when required by national law)
- Permission to export from Ministry of Economy and Foreign Economic Relations

In addition, in order to export a number of specific products, such as cotton and aluminium when additional specialised documents are required. Extra documents are also required where exports are in support of specific programmes of industrial co-operation. These specific requirements are complex and can need up to 13 documents.

Typically (but depending on the type of goods concerned) an import document pack will be made up of the following documents:

- Cargo Declaration
- Certificate of Origin
- Certificate of Conformity (quality)

In addition, specialised documents are required in respect of a significant number of specified goods.

Copies of these documents for a typical export and import are shown in Appendix 1, Documents 26 and 27 respectively.

Declarants are trained by Customs. Importers and exporters have the right to make declarations in respect of their own goods so both private and state owned declarant organisations exist. It is possible to deposit declarations and associated documents and to make payments to Customs prior to the arrival of goods. Payment is normally by cash, cheque or bank transfer.

The number of entries per annum was indicated at approximately 20,000.

On both imports and exports a Customs service charge of 0.15% of the CIF (Tadjik frontier) value of the goods is levied. Import duty is levied on six categories of goods only. There is a special tax of 3% charged on imports of goods from non-CIS countries. Excise duties are levied on specific goods and is in the range 9% to 90%. VAT is levied at a standard rate of 20% and collected by the Customs authorities.

b) Transit Documentation

Two main transit systems are in use in Tadjikistan. The first is a national transit system used for moving export goods from the place of clearance to the external border and import goods from the border to the place of inland clearance - transfer movements. The second system is used for transit through the country of goods not originating from or destined for Tadjikistan.

The internal national transit system uses an A5 non-aligned landscape oriented form, a copy of which is shown in Appendix 1, Document 28. Two copies of this form are completed. One remains at the Customs point at which it was made out and the other travels with the goods to the border (exports) or the clearance point (imports). The origin Customs point informs the destination point of the transit by radio or phone. When the goods arrive at that point, information is given back to the originating point. Where no notification of arrival is

received, an investigation is commenced. Despite this control mechanism, however, Customs reported difficulties with undischarged transit movements. Customs indicated that they are considering strengthening this system. Changes are, however, likely to be restricted to more strict enforcement of accurate form completion and the possible introduction of a new form.

Where transit through Tadjikistan takes place, the TIR carnet is accepted, although accession to the TIR Convention has not yet taken place and there is no national road carriers association. For through transit, and whether or not a TIR carnet is used, a declaration is required on a Cargo Declaration form although the amount of data required is significantly less than that required for standard import and export declarations. One copy of the declaration is retained at the point of entry with two copies travelling with the goods to the point of exit. One copy is provided for the carrier.

The standard procedure is to inspect the documents - passport, licence, Cargo Declaration, Certificate of Origin, Certificate of Conformity and the CMR/TIR. The documents are registered and a transit document completed. The vehicle is checked to ensure that the seal is not broken.

3.6.3 Trade Documentation

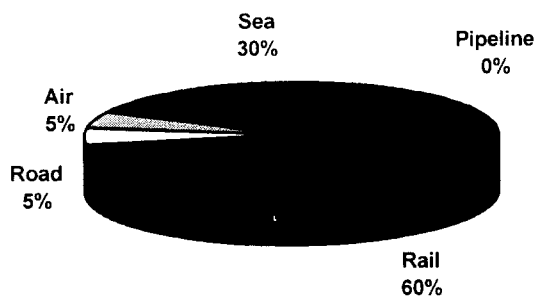
In general, international trade documentation follows the practices and document models used in Western Europe.

3.7 Turkmenistan

3.7.1 General

The total value of goods imported to Turkmenistan is approximately \$1.36 billion and the total value of exports is approximately \$1.88 billion.

The modal split for import traffic is shown in the following chart:



The modal split for export traffic (other than that exported by pipeline) is similar. However, a significant percentage of exports are made by pipeline - oil and gas.

Turkmenistan is not a party to the CMR (road) convention, although consignment notes stating that goods are carried subject to that convention are used. Since any international movement by road is governed by CMR where either the country of loading or the country designated for delivery is a contracting party, it may be that some transport contracts are subject to CMR thus imposing liabilities on carriers of which they may be unaware and for which they may be uninsured. Almost all of the traffic with Iran is conducted using CMR. In respect of the use of CIM in Turkmenistan, this rail consignment note is being used by parties who are not signatories to the COTIF Convention thus creating ambiguity as to which legal regime is applicable. Turkmenistan is not a signatory to COTIF.

Turkmenistan has recently signed the TIR Convention but has not yet implemented the system. A trade association for international road carriers has been established and is operated from within the Ministry of Transport. This organisation is currently seeking to meet the criteria set by IRU for the issue of TIR carnets.

Turkmenistan is not a member of the World Trade Organisation but has observer status at the World Customs Organisation and they have adopted Methods 1-6 for valuation purposes.

Turkmenistan Customs have 1,500 officers based on 8 regions covering 50 border posts. Only 7 of these can accept non-CIS transit traffic. The existing Customs Code was introduced in 1993 and is based on the Russian Code.

3.7.2 Official Documentation and Customs Procedures

a) Import and Export Documentation

For the purposes of export and import declarations, a Cargo Declaration form set modelled on the Single Administrative Document (SAD) is used with similar data requirements as would be found for the same declarations in the EU countries. An example of the Turkmen Cargo Declaration form is provided in Appendix Document 29.

The declaration document for import is a four part set and exports a 7 part set. The declaration form is completed by approved declarants of which there are 12 in the Ashgabat region, most of which are operated either by government departments or the Chamber of Commerce.

Both export and import declaration forms are used for the collection of fees, duties and statistics. The declarations are also used for control of restricted goods. Goods classification is based on a nine digit code comprising the six digits of the Harmonised System and a three digit national and CIS extension.

Four copies of the declaration are produced for import entries. The copies are used as follows:

- Copy 1 for Central Customs in Ashgabat
- Copy 2 for Customs statistics

- Copy 3 copy for importer/exporter
- Copy 4 copy for the local Customs office

Where export consignments are paid for in hard currency, three additional copies of the declaration are required for banking and exchange control purposes.

For each export or import a pack of documentation is assembled. A typical export pack is reproduced in Appendix 1, Document 31 and an import pack is reproduced in Appendix 1, Document 32.

Typically (but depending on the type of goods concerned) an export pack will be made up of the following documents:

- Cargo Declaration
- TIR, CMR, CIM or other transport consignment note
- Confirmation (in respect of large transactions) from the Central Bank of Turkmenistan that funds have been received
- Veterinary/Phytosanitary Certificates
- Certificate of Conformity
- Certificate of Origin
- Certificate of Quality
- Sales Contract

An import documentation pack is similar in content and might typically include the following documents:

- Cargo Declaration
- Specification of the goods
- Storage documents (where applicable)
- Quality Certificate
- Copy of Declaration used in exporting country

In respect of both imports and exports before such transactions can take place, the consignee/consignor is required to lodge with the Commodity Exchange a copy of the buying/selling contract. The exchange will only register contracts if they are "deemed to be in the national interest"

Declarations are prepared for traders by Declarant Companies who are registered and trained by the Customs. The license to trade as a declarant company is only issued after examination and costs \$90.

A typical import procedure is that the goods arrive at a Customs approved terminal from the border. The importer advises Customs of the arrival of the goods and intended place of discharge, as the terminals have no facilities for inspection of cargo. The Customs supervise the discharge and seal the premises. The declarant lodges the documentation at the terminal. It is inspected and registered in the presence of the importer or his

representative. The goods are physically examined by Customs and the Declaration is stamped, with one copy becoming an out-of-charge note.

A typical export procedure is that the export documents are presented at the regional Customs Office. The vehicle is loaded under Customs supervision and sealed. Following payment of the service charge, the details are entered into the station statistical computer and the documents stamped. A transit document in duplicate is made out by Customs and the goods dispatched

The procedures for rail traffic is similar.

The annual number of declaration was indicated as approximately 45,000.

On both imports and exports a Customs service charge of 0.2% of the CIF (Turkmen frontier) value of the goods is levied. No import duty is levied in Turkmenistan and the standard rate of VAT is 20% which is levied only on certain goods and services. For example, at import VAT is charged on the 0.2% Customs administration fee but not on the value of the goods. Excise duty of between 10% and 80% is levied on certain goods. A list of duty rates is shown in Appendix 1, Document 30 to this report. It should be noted that 98% of export transactions and 83% of import transactions are undertaken by state owned enterprises.

b) Transit Documentation

Two systems are in use in respect of documentation to control transit. One system covers all transit movements other than those which start and end outside the CIS countries. For the internal transit system, a national transit document is raised in two copies. One copy is retained at the office from which the transit starts and the second copy is given to the owner of the goods or the driver of the vehicle. Information concerning the transit is sent by modem link to the Customs office at the end of the transit. This document is not modelled on the SAD and is not aligned with the UN Layout Key. It is in landscape A5 format. A copy of both sides of the document is shown in Appendix 1, Document 33.

The second system where transit through Turkmenistan is in respect of a movement beginning and ending outside of the CIS countries. It is documented using a Cargo declaration. The procedure adopted is essentially the same as that applying to the internal transit system except that the transit declaration must be accompanied by a document issued by the Consular Department of the Turkmen Ministry of Foreign Affairs in the country from which the goods are consigned giving permission for the transit movement. An example of such a transit declaration and the associated Ministry permission is shown in Appendix 1, Document 34.

To enter goods for transit procedures Customs charge US\$10 per Declaration and \$5 per Continuation Sheet in addition to the 0.2% service charge. For transits from non-CIS to non-CIS countries advance permission is required from the Embassy of Consular representative of Turkmenistan in the country of dispatch. This permit costs US\$10.

A transit agreement was signed between Georgia, Turkmenistan, Uzbekistan and Azerbaijan on 13 May 1996. The agreement provides for the free movement of transit traffic on the territories of the signatory countries and provides that the parties will, by agreement, establish the Customs procedures and practices that are to apply to transit traffic. A copy of an unofficial translation of the agreement is shown in Appendix 1, Document 13.

A similar agreement between the same countries was also signed on the same date in relation to co-operation in the field of rail transport. The agreement guarantees that rail traffic through and between the signatory countries will be expedited.

In neither transit system is a cash deposit, guarantee or other form of security required. Customs indicated, however, that they had no particular problems with undischarged transit movements.

3.7.3 Trade documentation

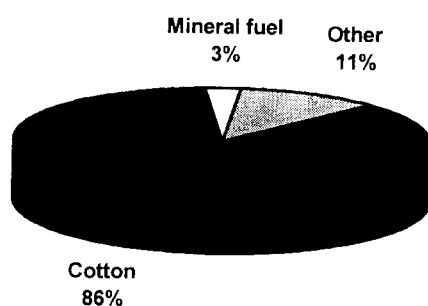
In general, international trade documentation follows the practices and document models used in western European countries. It should be noted that 98% of exports and 83% of imports are undertaken by state owned organisations which tend to have their own documentary practices.

3.8 Uzbekistan

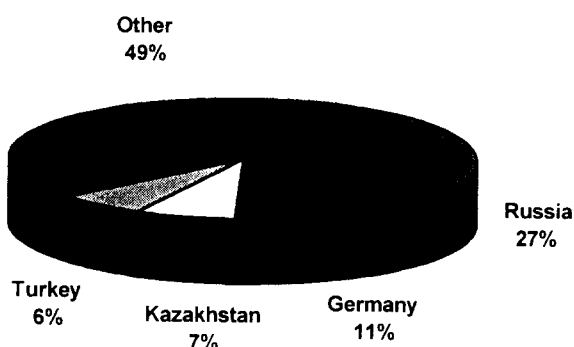
3.8.1 General

Trade figures were not available which indicated the value of imports and exports from Uzbekistan or the modal split. It was indicated that approx. 90% of cargo is carried by rail.

The split of commodity types for export traffic is shown in the following chart:



The source countries for import traffic are shown in the following chart.



Uzbekistan is a party to the CMR (road) convention, although there appeared to be a general lack of understanding of the liabilities imposed on the parties to international road haulage contracts by the Convention. In respect of the use of CIM in Uzbekistan, this rail consignment note is being used by some parties who are not signatories to the COTIF Convention thus creating ambiguity as to which legal regime is applicable. Uzbekistan is not a party to COTIF.

Uzbekistan has signed the TIR Convention and there is a national association affiliated to the IRU - Association of International Road Carriers of Uzbekistan (AIRCUZ). This association had not yet been registered in Uzbekistan and was not issuing TIR carnets. Carnets were continuing to be purchased from ASMAP in Moscow.

Uzbekistan is a member of the World Customs Organisation and has been a committee member since 1995.

The Uzbek Customs service has 3,000 officer based on 14 regions. There are over 1,500 road crossings of which 200 are approved and have Customs checkpoints. Cargo declarations can only be presented at 82 of these. There is a policy to rationalise by streaming all freight traffic through 8 major crossings, each of which will have multi "agency" facilities.

3.8.2 Official Documentation and Customs Procedures

a) Import and Export Documentation

For the purposes of export and import declarations, a Cargo Declaration form set modelled on the Single Administrative Document (SAD) is used with similar data requirements as would be found for the same declarations in the EU countries.

It is necessary for every export and import contract entered into by bodies corporate to be authorised by the Government in order to control foreign exchange. The processes which had to be undertaken in order to undertake an import transaction were indicated as follows:

- Obtain a recommendation from a specified organisation on the correctness of the price charged and the contract terms (this requirement has not yet been implemented)

-
- Prepare a “passport of the deal” in three copies plus one copy of the contract plus a Goods Receipt Customs Card
 - Submit contract to national bank for registration
 - After registration, submit “passport of the deal” to the relevant Customs office for registration
 - Collect goods after arrival and clearance through Customs
 - Present contract with “passport of the deal”, Customs Declaration and the “Goods Receipt Customs Card” to the bank to effect payment
 - Obtain final signature from the bank registration office on the “passport of the deal” certifying that the contract has been executed
 - Pay the money

The declaration document for both import and export is a six part set. The declaration form is completed by approved declarants. Both export and import declaration forms are used for the collection of fees, duties and statistics and for control of restricted goods. Goods classification is based on a nine digit code comprising the six digits of the Harmonised System and a three digit national and CIS extension.

Six copies of the declaration are produced for both export and import entries. The copies are used as follows:

- Copy 1 for Customs at the clearance location
- Copy 2 for Customs headquarters (statistics)
- Copy 3 for Copy for Customs regional office
- Copy 4 copy for importer/exporter
- Copy 5 copy for importer/exporter or declarant
- Copy 6 copy for declarant

For each export or import a pack of documentation is assembled. Typically (but depending on the type of goods concerned) an export pack will be made up of the following documents:

- Cargo Declaration
- Commercial Contract
- The decision of the Ministry of Foreign Economic Relations permitting the transaction to take place
- Specification of the Goods

Copies of these documents for a typical transaction (other than the Cargo Declaration) are shown in Appendix 1, Document 37.

A typical import documentation pack is likely to include the following documents:

- Cargo Declaration
- Sales Contract
- The “passport to the deal” (see above)

- Certificate of Registration of the importer with the Ministry of Foreign Economic Relations
- List of goods being imported
- Company Registration Certificate
- TIR, CMR, CIM or other transport consignment note
- Bill of Lading (when sea transport is involved)
- Sales Invoice
- Quality Certificate
- Confirmation of arrival of the goods

Copies of these documents for a typical transaction (other than the Cargo Declaration) are shown in Appendix 1, Document 38.

A typical import process for rail traffic commences with the railways giving advance notice of arrival. The wagons arrive at the rail terminal and the documents are checked by Customs. At this stage, the Customs decide into which regime the goods require to be subjected and this determines whether or not the goods are required to be subjected to state standards and Customs laboratory checking. The importer is informed that the documents are ready and a declarant company is then appointed to complete the Cargo Declaration. This document, plus supporting documents, are presented to Customs and revenues paid. Payment is usually by bank transfer. Following a check by the Inspector, the data from the declaration is entered into a computer which checks and calculates the duty and captures statistical data. The declaration is returned to the Inspector who confirms the revenue offered by the importer is equal to that offered by the exporter. Examination of the goods takes place either at the rail terminal or the importer's premises. The Inspector releases the goods by endorsing the Cargo Declaration.

The system for road imports broadly follows the same routine. Exports procedural systems are also similar.

Current levels of declarations are estimated at approximately 180-200,000 per annum.

On both imports and exports a Customs service charge of 0.15% of the CIF (Uzbek frontier) value of the goods is levied. Ad valorem duties are levied on a wide range of both imports and exports (although it is intended to remove the duty on exports at some future date). Copies of the import and export duty tariffs are shown in Appendix 1, Documents 35 and 36 respectively. Excise duties are levied on specific goods. It is proposed to introduce excise stamps for alcohol and tobacco products from 1 October 1996.

b) Transit Documentation

For transit by road, drivers are required to complete a "route list" form. A copy of the document is shown in Appendix 1, Document 39. On the rear of this form Customs indicate the route to be followed by marking a set route on the map. Drivers are not permitted to deviate from this route and are allowed three days in which to complete the transit.

A national transit document is also completed - in three copies. The first copy is carried by the driver, the second is sent by post to the point at which the transit will end and the third is kept at the transit start point. Once the transit has been completed the second copy is returned from the end point to the originating Customs post. Details of the transit movement is entered into a computer at the Customs post from which the transit movement commences. Data is transferred by modem to Customs headquarters in Tashkent every ten days. The document is not modelled on the SAD and is not aligned with the UN Layout Key. It is in landscape A5 format. A copy of the document is shown in Appendix 1, Document 40.

Where transit is by rail, a pack of documents is produced. Typically the pack will comprise of the following documents:

- The CIM Rail Consignment Note
- Transit approval by the Ministry of Communications
- Sales Invoice
- Phytosanitary Certificate (when appropriate)
- Quality Certificate

Examples of these documents are shown in Appendix 1, Document 41.

The transit procedures are similar to those in other TRACECA countries. The driver parks in or as close as possible to the customs zone. He presents a full set of import documents, although some smaller borders only require the TIR or CMR note and a Cargo Declaration. The documents are registered and the route list written out by Customs. The Declaration is stamped and the driver brings the truck to the crossing point where a visual inspection of both the documents and the seal is undertaken.

A new system is being developed for the control and tracking of rail transit movements from the border to destination. This involves supplying all railway Customs posts with PCs. As the goods pass through a Customs transit point, that location assumes responsibility for control. When the goods reach the next control point they then take over the control. When the goods reach the intended destination, the border of entry is notified that the movement has been completed.

A transit agreement was signed between Georgia, Turkmenistan, Uzbekistan and Azerbaijan on 13 May 1996. The agreement provides for the free movement of transit traffic on the territories of the signatory countries and provides that the parties will, by agreement, establish the Customs procedures and practices that are to apply to transit traffic. A copy of an unofficial translation of the agreement is at Appendix 1, Document 13.

A similar agreement between the same countries was also signed on the same date in relation to co-operation in the field of rail transport. The agreement guarantees that rail traffic through and between the signatory countries will be expedited.

In the national transit system no cash deposit, guarantee or other form of security is required. Transit under TIR carnet is also accepted, mainly used by Uzbek, European and Turkish carriers.

3.8.3 Trade documentation

In general, international trade documentation follows the practices and document models used in western European countries.

4.0

International Developments in Standardisation of Documentation

4. International Developments in Standardisation of Documentation

4.1 General

The major benefits arising from standardisation of international trade documentation are well established:

- The ability to recognise documents and the data they contain, even though they may originate in different countries and be in a foreign language, leading to improved times for Customs clearance and reduced border delays
- The possibility of harmonising procedures through the use of standardised documentation
- The reduced likelihood of error in documents leading to improvement in the collection of statistics and official charges
- The possibility of document production through simple overlay systems and through photocopy and computer systems
- The eventual possibility of reducing documentary requirements through standardised documents leading to the exchange of agreed standard electronic messages between trading partners and between traders and government agencies.
- The possibility of transmitting documents by electronic means through such techniques as Electronic Data Interchange (EDI)

It is generally accepted that national administrations and trading organisations have achieved substantial financial savings as a result of documentary and procedural standardisation, though these are usually difficult to quantify. This is because the savings are usually spread over a number of activities. However, the main savings are normally in logistics costs, mainly transport and storage charges. This is possible due to improved transit times through the reduction in delays arising when using diverse documentation systems that are not understood by both the sender and the receiver. These were the pressures which led to demands for international standardisation of documents.

There is a clear need to maximise international trading opportunities in the TRACECA countries both within the Caucasus and Central Asian regions and with the rest of the world - particularly the industrialised countries of Europe. Such trading is likely to provide the countries with the opportunity to benefit from free market economy advantages and to normalise economic activity (by reducing unrecorded trading). The minimisation of transportation costs is a key element in trade development. International trading also needs to be made attractive to entrepreneurs whilst at the same time ensuring the operation of appropriate controls and the correct collection of taxes and statistics. There is no doubt that the introduction of a standard international documentation system, based on the United Nations Layout Key, as proposed in the Terms of Reference, would be invaluable in achieving these aims.

4.2 United Nations

The fundamental work in developing a system of standardised international trade and official documents was undertaken by the United Nations Economic Commission for Europe (UNECE). The Working Party of Facilitation of International Trade Procedures (WP4) has been primarily responsible for work in this area with the major document, the Layout Key for Trade Documents being published in 1973.

The layout key provides a basic model around which trade and official documents can be designed, with specific areas of the layout being reserved for certain information. For example, names and addresses of the parties involved in the transaction always appear in the top left hand quadrant of the form with transport information appearing below. The standardised layout gives all forms the same overall appearance and makes the location and identification of data straightforward. All important international trade and Customs documents are now aligned to the layout key.

In addition to the layout key, UNECE working jointly with the International Organisation on Standardisation (ISO) has published the "Trade Data Elements Directory". This provides a list of standard data elements for use within documents the use of which facilitates the exchange of data between Governments and between traders and governmental departments. Using standard data elements also facilitates the eventual move to transferring data by electronic means - computer application to computer application - through Electronic Data Interchange (EDI). Standard electronic messages for international trade have been developed and are continuing to be developed using the UN EDIFACT standard.

WP4 has produced a significant number of other trade facilitation recommendations which have an impact on international documentation, including the following:

- Layout key for trade documents (1973)
- Locations of codes in documents used in international trade (1973)
- ISO country codes (1974)
- National trade facilitation organs (1974)
- Abbreviations of Incoterms (1990)
- Aligned invoice layout key (1975 and 1983)
- Numerical representation of dates, times and periods of time (1975 and 1988)
- Unique Identification Code methodology - UNIC (1978)
- Alphabetic code for the representation of currencies (1978)
- Documentary aspects of the international transport of dangerous goods (1978)
- Measures to facilitate maritime transport documents procedures (1979)
- Facilitation of identified legal problems in import clearance procedures (1979)
- Authentication of trade documents by means other than signature (1979)
- Simpler shipping marks (1979 and 1987)
- Codes for ports and other locations (LOCODE) (1980)
- Abbreviations for terms of payment (PAYTERMS) (1980 and 1982)
- Facilitation measures related to international trade procedures (1981 and 1982)
- Code for modes of transport (1981)
- Code for units of measurement used in international trade (1985)

- Codes for types of cargo, packages and packaging materials (1986)
- Layout key for standard consignment instructions (1989)
- Freight cost code - harmonisation of the description of freight costs and other charges (1990)

Whilst the United Nations is the main organisation promoting standardisation and harmonisation of international documentation on a global basis, it is the EU which has acted at the forefront of implementing change and developing enhanced systems.

4.3 European Union

The benefits of standardisation and harmonisation of trade documentation was recognised within the EU at an early stage. The development of the single European market and Community enlargement required new systems to be implemented which were acceptable to all the member states and which facilitated trade between them and the external market.

The key development in standardisation of international documentation in the EU was the introduction on 1 January 1988 of a new Customs declaration document, known as the Single Administrative Document (SAD). This document replaced all existing import and export declaration forms used in the member states. Prior to that date, each country used its own, generally non-aligned, forms and also used different documents for different types of cargo (e.g. one form for excise goods, another for warehousing declarations etc.). In a single move, hundreds of diverse forms were replaced with one.

The TRACECA countries have modelled their current Cargo Declaration on the European SAD form. An important difference is that the SAD was designed to be the control document for the existing Community Transit (CT) system. The CT system recognises that where goods are allowed to transit national territory without import duty, excise duty, VAT or other charges having been paid, there is a risk that the goods will be diverted into the local economy with consequent loss of revenue. The system therefore requires that the charges payable are secured by means of a guarantee or (in certain circumstances) an undertaking. Where guarantees are required, they are provided to the Principal (the person signing the transit declaration) by a guarantor approved by Customs. Approved guarantors are usually banks but may also be insurance companies or trade associations. The guarantor nominates an office in each country for which the guarantee is valid for the service of claims or other documents in relation to movements performed under the guarantee.

The transit is documented on five copies of a SAD form. The first copy is retained by the office at which the transit is commenced, one copy is retained by the principal and the remaining three copies travel with the consignment to the Customs office of destination. Two copies are retained at this office (one being for statistical purposes) and one copy is returned by the office of destination to a nominated central Customs office in the country from which then transit commenced. This allows the originating country to “write off” the transit movement. A time limit is set for the completion of the transit movement.

In the event of cargo loss, it is important for Customs to be able to ascertain the country in which the loss took place. To facilitate this, a simple Transit Advice Note (TAN) may be

required to be lodged at the points of exit from and entry to each country on route. The note records only the vehicle registration number, the CT registration number and the names of the countries of departure and destination and the name of the transit point at which the note is being lodged. New procedures now mean that this transit advice note is no longer required for movements across EU borders.

Where no records exist indicating that goods have arrived at the designated office of destination within the prescribed time limit, the Principal is called upon to provide evidence that the transit movement has been satisfactorily discharged by Customs. Where no such evidence is forthcoming a claim for payment of the relevant charges is made against the Principal. Where payment is not received from the Principal within a prescribed time limit, a claim for payment is made on the guarantor. Fines and penalties are not collected using this system but offenders may be refused future access to the CT system and/or legal action is taken.

It can be seen from Section 3 that the systems being used in the TRACECA are similar to the EU system but lack the appropriate guarantees that are present in the more developed Community Transit system.

There would be benefits in implementing a harmonised system with the EU in that it is a major trading partner and is in the forefront of developments on international trade documentation. Conformity with EU systems would automatically ensure compliance with UN alignments and recommendations.

5.0

Change to Conform
with International
Documentation

5. Proposals for change to conform with International Standards

5.1 General

This section is concerned with the development of a TRACECA regional and national strategy to introduce a standardised international documentation system, thus giving the harmonisation sought by the TRACECA countries.

In general terms, much of the current documentation used is similar to that used in Europe, though procedures are often different. This would suggest that proposals to move towards a EU/UN aligned documentation system should not involve radical change resulting in major legislative or procedural action which could make implementation difficult or time consuming.

The development of these proposals is undertaken in four sections:

- Import and Export Documentation
- Transit Documentation
- Commercial Documentation
- Transport Documentation

One aspect of standardisation is the language to be used in the introduction of a harmonised documentation system. The options are discussed in a specific section for consideration by the TRACECA countries.

It is recognised that there is a need to consider the needs of each of the eight countries reflecting their current situation, future plans and operating environments. The final section considers the proposals in the context of each TRACECA country.

The layout of a total international documentation pack is shown in Volume 2 in English. The key official and transport documents proposed for the TRACECA region are shown in Volume 3 with layouts in English and information on box entry titles and main clauses provided in Russian. Those documents which relate to specific Conventions are retained in the Convention language. The key documents have been selected on the basis of UN alignment and are those which would allow real advantages to be realised from standardisation immediately. They can also easily be migrated to electronic forms of transmission in due course using EDIFACT and other international messaging standards.

5.2 Import and Export Documentation

There is a need to standardise the documentation required for import and export clearance of goods throughout the TRACECA region. If a common system can be developed, importers and exporters will have a clear understanding of what documentation and data is required not only for their own purposes but also for those of their trading partner. This should minimise the occurrence of delays incurred due to shortage of documents and data presently taking place in the region and assist in facilitating trade between TRACECA states.

If the standardised documentation conforms to an international standard then similar benefits can arise in external trade. This should prevent clients of the exporters in the TRACECA countries having clearance difficulties in their own country because of the supply of non-standard documentation. It should also assist in ensuring that importers in TRACECA receive recognisable documentation from their overseas client to enable them to clear their goods efficiently. The principle of standardisation is that forms are immediately recognisable, even if they are often in a foreign language. This enables authorities to identify data required and ensure more accurate and detailed form completion.

A major reason for standardisation of documents is to enable standardisation of procedures. It is considered impossible to implement the key changes towards harmonisation of Customs procedures in the region without standardised documentation as a base.

There are currently two important official documents used for import and exports:

- The Cargo Declaration
- The Certificate of Origin

5.2.1 Cargo Declaration (SAD)

All eight countries currently use a Cargo Declaration for import and export declarations. This document is similar, and in some cases identical to, the EU Single Administrative Document (SAD). There is therefore significant harmonisation of the key import/export document. The Cargo Declaration and its Continuation Sheet contains identical information to the SAD.

It is proposed that the TRACECA countries continue to use the four-part Cargo Declaration as at present for import and export purposes. The set should be used as follows:

- Copy 1 Customs copy for Office of Registration/Clearance
- Copy 2 Customs copy for Statistical purposes
- Copy 3 Copy for Declarant
- Copy 4 Copy for Customs or trade in accordance with national need

At present, all countries use a four-part set except Armenia (3 parts for import), Azerbaijan (5 parts), Kazakhstan (5 parts for export), Uzbekistan (6 parts) and Turkmenistan (7 parts for export). The necessity for duplicate copies to be held by either the Declarant or regional Customs could be eliminated, thus reducing the cost of form production and document checking. A five part set will be required for transit purposes (see transit documentation section).

It may be necessary to slightly adjust the spacing on the Cargo Declaration document to ensure that it can be used for computerised production of documents. Such changes, similar to those made in Armenia on the introduction of ASYCUDA, are relatively minor and could be phased in during reprints of the documents.

The data elements on the documents appear to be identical because the Cargo Declaration in each country is based on the SAD form. The elements should theoretically therefore comply with the UN Trade Data Elements Directory (UNTDDED). It is proposed that a senior Customs officer in each country should undertake a review of the data elements and, where differences are found, to introduce programmed change to data elements as per those set out in the UNTDED directory. Where no changes are necessary the review might be expected to take one man week in each country. Where changes are required, new instructions will need to be circulated to Customs officers and the trade. It may also be necessary to make appropriate changes in computer systems producing or recording the elements. On the basis of current information such action to ensure conformity should not involve significant cost or time and is considered to be more a checking procedure.

All countries use the six digit Harmonised System Code for classification of goods, with a three digit extension. In many cases the extension of the code always or often consists of zeros. Where this is not the case, the make-up of the code extension varies from one country to another. Where there is no clear economic case for a high level of statistical detail, there should be no reason for it to be supplied. If countries require further detail then it is proposed that this should be standardised using the seventh and eighth digits of the EU Taric Code and the ninth digit be eliminated.

A copy of the recommended SAD and its Continuation Sheet is shown in Volume 3, Documents 1 and 2. This is in the appropriate format for use in support of a Community Transit system (see later section).

5.2.2 Certificate of Origin

Currently a number of different Certificates of Origin are being used. This would be expected given that the main use relates to imports and different countries have differing formats. The most common Certificate of Origin is the Russian CT-1 form. This consists of a 12 box data entry format with two signature boxes (sample Appendix Document 6).

It is proposed that the TRACECA region should gradually move towards the simplified EU format shown in Volume 2 Document 5. The current form contains data which is not essential to the basic function of the document, which is purely to certify the origin of the product specified. There is benefit in using the simplified format to minimise the risk of incorrect or incomplete filling in of the forms resulting in delayed clearance.

It is accepted that the introduction of a standardised Certificate of Origin is based primarily on simplification. However, use of the EU document would assist TRACECA exporters where they are required to provide a Certificate of Origin for their overseas clients in that a format that would be more easily recognised to non-Russian speaking Customs Authorities.

It is proposed that in the longer term that the requirement for the Certificate of Origin is eliminated. The country of origin is declared in box 34 of the Cargo Declaration. This document has a legal status and therefore could be used by Customs to prosecute in the event of mis-declaration. The use of an appropriate Customs Procedure Code in Box 37 could also constitute a legal declaration that specific origin rule requirements have been met.

A copy of the proposed Certificate of Origin is shown in Volume 3, Document 5.

5.2.3 Other official Documentation

The following official documents are used in the course of the import or export of specific types of goods. These are currently in different formats in various countries. It is proposed to standardise on the EU system where possible. It should be noted that these documents are usually checked at the border and standardisation would assist in control when completed in foreign languages.

a) Veterinary Certificate

Due to lack of a common system in the region it is proposed that the Common Veterinary Entry Document (CVED) is adopted and phased in to replace existing documents which consist mainly of text. The recommended document is shown in Volume 3, Document 6.

b) Phytosanitary Certificate

Due to lack of a common system in the region, it is proposed that the EU Phytosanitary Certificate 12013 is adopted and phased in to replace documents which currently consist mainly of text. The recommended document is shown in Volume 3, Document 7.

5.3 Transit Documentation

The TRACECA corridor passes through eight countries, all but one of which are landlocked with no direct access to the open sea. The development of modern transit systems is important both to the success of TRACECA as a corridor and to the individual countries as most goods have to transit another TRACECA country, irrespective of the transport corridor utilised.

The facilitation of transit throughout the region and the exercise of proper documentation control over transit movements is therefore a key requirement in all eight countries. There is evidence that significant numbers of consignments do not arrive at their designated destination and that, as a consequence, much revenue is lost. Whilst this may be exaggerated by the difficulties in linking up the copies of the Cargo Declaration, there are potential gains to be made by implementing a modern transit regime.

Introduction of new regimes would involve changes in Customs procedures. In the overall context of the project, the simplification of the procedures for transit traffic is a key objective. This cannot be achieved unless a harmonised documentation system can be adopted on which harmonised procedures can be based.

The two key documents for transit and transfer purposes are:

- TIR Carnet
- Cargo Declaration (SAD)

5.3.1 TIR Carnet

The TIR carnet is an official Customs document arising from the Customs Convention on the International Transport of Goods under cover of TIR Carnets (TIR Convention 1975). The CMR and CIM Notes are essentially transport consignment notes specifying the contractual responsibilities between the various parties involved in the transport and based on the respective transport Conventions. They are therefore not official Customs documents nor should they have the equivalent status to the TIR Carnet. It is noted that at many of the smaller road borders the CMR Note is used as a substitute for the TIR carnet or Cargo Declaration despite its lack of Customs status.

There is general acceptance that the TIR carnet system is the most efficient system of processing and documenting transit traffics. The main reason for this is that it automatically involves the guaranteeing of both transit and transfer movements for Customs purposes and requires simplified border control procedures. The main advantages to road transporters are realised when goods are transiting several borders in a single journey by saving time at each border post. It is therefore especially useful for transit corridors such as TRACECA which involves many countries in a single trip.

It is proposed that all the TRACECA countries accede to the 1975 TIR Convention. Currently only Kazakhstan and Georgia have fully implemented TIR. Uzbekistan has not fully implemented TIR and is obtaining carnets from ASMAP in Moscow. Georgia, Armenia and Turkmenistan have signed the Convention but not implemented the system. It is recognised that the guarantee requirements represent a problem for some countries. It will also be necessary to establish trade associations for international road transporters which can become affiliated to the International Road Transport Union (IRU) and work to meet the criteria for becoming TIR issuing associations. Ideally these associations should be outside the framework of Government and be self financing. It is recognised that in the short term to expedite the establishment of associations, they may need to be formed from within Ministries and/or receive Government support.

At the same time as these associations are being established, those Governments which have not already done so should prepare the legislative ground for signing the 1975 TIR Convention and deposit instruments of signing with the United Nations. A country automatically becomes a contracting party to the Convention six months after depositing its official notification with the UN.

The IRU has indicated that it would welcome into membership any national road carriers association from the region and have already visited Kyrgyzstan. They would provide as much practical assistance as possible to seek to ensure that the organisations could meet the strict criteria for the issue of TIR carnets. Nonetheless, the difficulty of establishing TIR issuing associations should not be under-estimated.

A Copy of the front pages of a TIR carnet are shown in Volume 3, Document 4.

5.3.2 Community Transit - SAD/TAN

Although the TIR system is accepted as the preferred transit system, it is recognised that this will take some time and that external countries may not be members of the IRU or accede to the TIR Convention. It is noted that Iran as a major trading partner is not a member of TIR and uses CMR for transit. There are also large numbers of national carriers engaged in transport between two TRACECA countries thus crossing only one border. The TIR system is not ideal for this situation. It is therefore necessary to develop an alternative system which can give comparative benefits to those of TIR but be less costly to carriers not engaged on long distance multi-country transits.

It is proposed that a Community Transit (CT) system is introduced similar to that currently used in the EU and which is described in Section 4.3. The advantage of such a system is that it can be introduced by any one country independently of the others, although the greatest gains will be obtained by a system which is common to all states. It is recognised that the major problem is the need to establish guarantors acceptable to the Customs authorities. Site interviews with bankers and traders indicate that such guarantees should be procurable but further discussion will be required following acceptance of the principle of introducing the system.

In the context of documentation, the advantage of introducing the CT system is that existing documentation can be used, thus avoiding the necessity to introduce yet more documentation. Customs officers and traders would be familiar with the forms and therefore minimal training would be required.

In order to use the Cargo Declaration as the support document for a Community Transit system it is necessary to use a five part document set. This is because of the need for an additional copy at the office of destination to effect the control. As indicated in Section 4.3 three copies of the document are forwarded with the consignment - two being retained in the office of destination and one returned to a designated office in the country of origin. It is noted that some countries are currently only forwarding two copies. The extra copy is recommended to enhance the control aspects by retention of both an operational and statistical copy at the destination office.

When a SAD document is being used for transit purposes provision needs to be made for recording details of the guarantee, transshipment and incidences on route. On the standard EU SAD these latter items are on the reverse of parts 4 and 5 of the eight part set. When a SAD is used for transit purposes in the EU, parts 1,3,4,5 and 7 are used.

It is recommended that the Cargo Declaration in a five part set is used for transits in the TRACECA region. A copy of the set is shown in Volume 3, Documents 1 and 2.

It is recognised that for transit cargo there is an additional need to retain documentation at transit borders in connection with loss of cargo and potential claims. It is therefore proposed that a standardised Transit Advice Note (TAN) is used. Similar types of notes are already used in each country but use substantially different formats. It should be noted that this document is less complex than existing transit notes and requires minimal control data. Standardisation would mean that drivers can complete documents in advance, rather than Customs often having to complete them, thus speeding up the transit process. The simplification would avoid the current duplication of data having to be copied from the Cargo Declaration, TIR or CMR. Essentially the Transit Advice Note is tracking the vehicle, rather than the contents. There should be no requirement for the cargo data as the vehicle is already carrying cargo documents (SAD/TIR/CMR) in addition to the TAN. A copy of the recommended TAN is shown in Volume 3, Document 3.

In order to introduce and develop a community transit system, it will be necessary to establish a working group in each country with a senior Customs official as the Chairman. The role of the group would be to study the EU system and develop proposals for a local model, based on the EU principles. This will require interface with Government departments and law officers, freight forwarders, Customs brokers, international road and rail transporters, insurance companies and banks. Technical assistance from the EU may also be of benefit.

5.4 Commercial Documentation

Section 3 identified that commercial enterprise awareness levels of commercial documentation is lower in some countries than others. The implementation of standardised commercial documentation is significantly more difficult than for official documentation, which is mandatory. Such documents are generally only used in support of official documents and their primary function is not related to the clearance or transit of cargo. For example, the primary function of an invoice is to obtain payment from the recipient and the submission with clearance documentation to confirm valuation is only a secondary function.

An additional problem is that in most countries there is either a trade imbalance or an imbalance in customs entries. The majority of declarations are therefore import rather than export. This means that most of the supporting commercial documents have been sent from another country, usually outside the TRACECA region. This makes standardisation impossible to enforce.

There are benefits in using standardised commercial documents when engaging in international trade and it is proposed that encouragement be given to export organisations in all the TRACECA countries to use UN aligned commercial trade documentation wherever possible. This should assist their overseas clients in clearance of the cargo at the point of destination.

The recommended UN aligned trade documents are shown in Volume 2. These have not been included in Volume 3 at this stage because of the complexities in introducing such documentation into the commercial environment. The establishment of relevant Trade Associations will assist in promotion of the use of these standardised commercial documents through the establishment of trading practices and procedures, as well as education to the members. The forwarding organisations also have a role in persuading their clients to use UN aligned commercial documentation. Translation of the box entries and key clauses can be provided at a later stage if required. Their introduction will assist in trade facilitation but will not generate immediate savings that would be anticipated from the introduction of the key documents contained in Volume 3.

5.5 Transport Documentation

There is widespread use of standardised transport documentation in the TRACECA region as indicated in Section 3. However, there is a significant lack of understanding of the rules governing the use of the documents and the relevant Conventions. An example of this is the use of both CMR and CIM in countries which are not signatories to the respective Conventions. The CMR Note is also being used at some borders as a transit document as if they were a TIR or a SAD document.

It is important that as trade develops the users of transport have the appropriate protection for the movement of their cargo by the different carriers which is contained within these Conventions. As the haulage companies based in the TRACECA countries expand into the international transport market, it is also important that they are clear on their responsibilities and liabilities as carriers.

It is recommended that all the TRACECA countries become signatories to all the main applicable international transport agreements. These are as follows:

- International Convention on the Simplification and Harmonisation of Customs Procedures 1973 (The Kyoto Convention)
- Customs Convention on the International Transport of Goods under cover of TIR Carnets (1975)
- International Convention on Harmonisation of Frontier Controls on Goods 1982
- International Convention on the Harmonised Commodity Description and Coding System 1982
- UN Convention on Carriage of Goods by Sea 1978 (Hamburg Rules)
- COTIF Convention 1980
- Convention on the Contract for the International Carriage of Goods by Road 1956 (CMR)

It is also recommended that the following internationally recognised models and practices be adopted:

- UNCTAD/ICC Rules for Multimodal Transport Documents 1975
- Standard Conditions governing the FIATA Combined Transport Bill of Lading 1992
- CMI Uniform Rules for Sea Waybills 1990

- CMI Rules for Electronic Bills of Lading 1990
- Incoterms 1990 (International Chamber of Commerce)
- UNCITRAL Model Law on International Credit Transfers 1992
- Uniform Customs and Practice for Documentary Credits 1993 (UCP500 - ICC)

Some countries are already signatories to a number of these agreements. The TRACECA Legal and Regulatory Framework project has already conducted a number of seminars in the region explaining these Conventions and rules. It is expected that attendees should be able to disseminate the information in order to spread understanding to other organisations. The development of Freight Forwarding Associations being undertaken as part of the Trade Facilitation Project will also facilitate a wider understanding of these international transport agreements.

The two key documents are the CIM and CMR Consignment Notes. These are shown in Volume 3 as documents 8 and 9 in the respective Convention language with completed copies in Russian.

5.6 Documentation Language

Current documentation used in the TRACECA region is mainly in Russian. This is because of the origin of much of the documentation when the countries were first establishing their Customs services. It is also the common language in use throughout the region.

There is increasing pressure in many of the countries to expand the use of national languages. The education system is being used to encourage both the use and knowledge of these languages, especially among the younger generation. This is being reflected in the increased incidence of national language appearing in some of the trade documentation.

Russian is an international language which still has widespread usage throughout the CIS. In both the commercial environment and Customs organisations, Russian is mainly used and many people do not understand or cannot speak the national language. Given that the majority of persons coming into contact with trade documentation have left the education system, in the short term Russian is the only language which they can use. It is noted that all Cargo Declarations are in Russian.

Although Russian is categorised as one of the international languages, its use outside the CIS is very limited. Because it is based on the use of the Cyrillic script, it cannot be read in many countries engaged in international trade. It is therefore not generally accepted as an international language in commerce, trade and transport. The objective of this project is to introduce a harmonised documentation system with the widest possible application. Consideration should therefore be given to the use of documents for use outside as well as inside the TRACECA area.

The main international transport and trade language is English, though both French and German are used to a lesser degree. The majority of international trade facilitation documents are in English. However, many are specifically designed to allow for the use of

a second language in the format and therefore there is an option to base the documentation on a dual language system wherever possible.

It is proposed that all the main trade documents available for production in dual language format also use the English language. This will allow the documents to be used in the international trading environment. It is appreciated that standardisation of English only would present problems in the short term in the TRACECA countries in that English is currently not widely spoken or understood. The education system in most of the countries is addressing this issue with increased emphasis on the teaching of English. It is therefore necessary to use a second language on the documents for comprehension within the region.

The languages in Central Asia are similar having Turkish origins but the languages in the Caucasus differ from each other. It is clear, therefore, that a common national language is not possible. Russian represents the only common language for the region which is understood and used in commerce and trade. It would therefore be logical, and is recommended, that Russian be used as the other language on all international trade documentation.

It is appreciated that there may be pressure from certain TRACECA countries to introduce national languages on trade documentation. It is not possible to use UN aligned documentation with three languages. As indicated, the objective of harmonisation of documents is to give the widest possible international application. The use of a national language on an international document would therefore be contrary to that objective. However, it is recognised that there is a political dimension and that some commercial documentation may be in national language.

5.7 National Strategies

The above section contains overall proposals to introduce a standardised documentation system throughout the region. It is necessary to provide more specific proposals for each TRACECA country relative to its current stage of development.

a) Armenia

Armenia has already commenced standardisation based on UN aligned documentation in connection with the introduction of the ASYCUDA computer system. This has entailed some adjusting of the layout of the Cargo Declaration but it still conforms with UN documentation. The Certificate of Origin is not normally required.

It is recommended that Armenia implement the TIR Convention which it has already signed. It will be necessary to establish an organisation which becomes affiliated to the IRU with a view to meeting the criteria for issuing of carnets to Armenian road transporters.

It is further recommended that Armenia actively considers the development of a Community Transit (CT) system to provide the appropriate guarantees on transfer and transit movements. The existing Cargo Declaration can be adapted as a control document for a CT

system by the addition of clauses on the rear of the document. A small working committee should be formed to propose the introduction of the CT system.

Armenia should implement the CMR Convention and consider ratifying the COTIF Convention at the earliest date to formalise the current use of these documents in their international transport. The lack of a Freight Forwarding Association affiliated to FIATA precludes the use of some transport documentation. The formation of such an Association is being addressed later in this project. It is noted that there are very limited numbers of forwarders and that the market has not yet developed. This issue will also be addressed.

a) Azerbaijan

Azerbaijan already uses a standardised Cargo Declaration in Russian. A Certificate of Origin is normally required. It is recommended that this requirement is reviewed in the interest of simplification of procedures and as to whether Section 34 of the Cargo Declaration are sufficient.

Azerbaijan is permitting the use of TIR on its territory despite not having yet implemented the 1975 TIR Convention. Indications are that the Convention has been signed and that it could therefore be introduced subject to the guarantee requirements. It is recommended that these requirements are met as soon as possible.

The Association of International Road Carriers of Azerbaijan (ABADA) is a member of the IRU in Geneva, although it is not currently authorised to issue TIR carnets. ABADA claim 20 member companies of which only one is international active with a 150 vehicle fleet. Many Azeri operated trucks do not meet western standards for construction and use and therefore potential problems on TIR vehicle approval exist. ABADA is based in the Ministry of Transport with three staff - President, Legal Officer and an Accountant. It is poorly equipped having only a telephone - no fax, copier or computer equipment. This Association could be developed to provide products and services to its members, including TIR carnets, CMR notes and other documents as well as provide training. The officers would require additional western training. ABADA is currently 90% funded by the State and 10% by the members, although this is intended to increase to 100%. It is proposed that ABADA should be developed, possibly through assistance rendered by the parallel TRACECA Road Transport Services project being undertaken in the Caucasus. This would include enabling it to meet the criteria for issuing of TIR carnets.

It is further recommended that Azerbaijan actively considers the development of a Community Transit (CT) system to provide the appropriate guarantees on transfer and transit movements. The existing Cargo Declaration can be adapted as a control document for a CT system by the addition of clauses on the rear of the document. A small working committee should be formed to examine how the CT system could be introduced.

Azerbaijan should implement the CMR Convention and consider ratifying the COTIF Convention at the earliest date to formalise the current use of these documents in their international transport. The lack of a Freight Forwarding Association affiliated to FIATA

precludes the use of some transport documentation. The formation of such an Association is being addressed later in this project.

b) Georgia

Georgia is currently using an aligned Cargo Declaration in Russian. Some slight modifications may be necessary in the introduction of the Asycuda computer system. A Certificate of Origin is normally required. It is recommended that this requirement is reviewed in the interests of simplification of procedures and as to whether boxes 34 and 37 of the Cargo Declaration are sufficient.

Georgia is a signatory to the TIR Convention and has implemented the system. The Georgian International Road Carriers Association (GIRCA) was established in 1992 and has 83 member companies. It is a member of the IRU and is authorised to issue carnets. It commenced issuing these in November 1995 and is currently providing members with 100 carnets per month.

It is recommended that Georgia also actively considers the development of a Community Transit (CT) system to provide the appropriate guarantees on transfer and transit movements. The existing Cargo Declaration can be adapted as a control document for a CT system by the addition of clauses on the rear of the document. A small working committee should be formed to examine how the CT system could be introduced.

Georgia should implement the CMR Convention and consider ratifying the COTIF Convention at the earliest date to formalise the current use of these documents in their international transport. The lack of a Freight Forwarding Association affiliated to FIATA precludes the use of some transport documentation. The formation of such an Association is being addressed later in this project and discussions with relevant organisations have commenced.

d) Kazakhstan

Kazakhstan is currently using a UN aligned Cargo Declaration in Russian. It may be necessary to make minor adjustment when a computerised system is introduced, depending on the system selected. A Certificate of Origin is normally required. It is recommended that this requirement is reviewed in the interests of simplification of procedures and as to whether boxes 34 and 37 of the Cargo Declaration are sufficient.

Kazakhstan is a signatory to the 1975 TIR Convention and has implemented the system. The Union of International Road Carriers of the Republic of Kazakhstan (Kazato) is a member of the IRU and is authorised to issue carnets. It has 25 members and is currently issuing approximately 100 carnets per month. Membership is constrained by the difficulties which companies have in providing the deposit which IRU requires to be taken in order to help secure TIR liabilities.

It is recommended that Kazakhstan actively considers the development of a Community Transit (CT) system to provide the appropriate guarantees on transfer and transit movements. The existing Cargo Declaration can be adapted as a control document for a CT system by the addition of clauses on the rear of the document. A small working committee should be formed to examine how the CT system could be introduced.

Kazakhstan is a member of the CMR Convention and documentation is issued by Kazato. It is not, however, a member of COTIF despite the widespread use of CIM notes. It is recommended that early membership is considered to formalise existing practices. The lack of a Freight Forwarding Association affiliated to FIATA precludes the use of some transport documentation. The formation of such an Association is being addressed later in this project and action with the Ministry of Transport has commenced.

e) Kyrgyzstan

Kyrgyzstan is currently using an aligned Cargo Declaration in Russian. Some slight modifications may be necessary in the introduction of the Sofix computer system. A Certificate of Origin is normally required. It is recommended that this requirement is reviewed in the interests of simplification of procedures and as to whether boxes 34 and 37 of the Cargo Declaration is sufficient.

Kyrgyzstan is permitting the use of TIR on its territory but is not a signatory to the 1975 Convention. It is recommended that this Convention is adopted. The national Road Carriers Association (Kyrgyzintrans) has not yet joined the IRU but the IRU made a recent visit. It is recommended that Kyrgyzstan join the IRU and provide the necessary deposit to enable them to issue TIR carnets when the Convention is adopted.

It is recommended that Kyrgyzstan also actively considers the development of a Community Transit (CT) system to provide the appropriate guarantees on transfer and transit movements. The existing Cargo Declaration can be adapted as a control document for a CT system by the addition of clauses on the rear of the document. A small working committee should be formed to examine how the CT system could be introduced.

Kyrgyzstan should implement the CMR Convention and consider ratifying the COTIF Convention at the earliest date to formalise the current use of these documents in their international transport. The lack of a Freight Forwarding Association affiliated to FIATA precludes the use of some transport documentation. The formation of such an Association is being addressed later in this project.

f) Tadjikistan

Tadjikistan is currently also using an aligned Cargo Declaration in Russian. Some slight modifications may be necessary in the introduction of a computer system. A Certificate of Origin is normally required. It is recommended that this requirement is reviewed in the interests of simplification of procedures and as to whether boxes 34 and 37 of the Cargo Declaration is sufficient.

Tadjikistan is permitting the use of TIR on its territory although it is not a signatory to the Convention. Given the current difficulties in Tadjikistan, it is accepted that this is a minor problem and the incidence is relatively low. It is recommended that the Government consider becoming a signatory to the TIR Convention at an early opportunity. It will also be necessary to develop an association of road transporters to obtain membership of the IRU and authorisation to issue TIR carnets.

It is recommended that Tadjikistan also actively considers the development of a Community Transit (CT) system to provide the appropriate guarantees on transfer and transit movements. The existing Cargo Declaration can be adapted as a control document for a CT system by the addition of clauses on the rear of the document. A small working committee should be formed to examine how the CT system could be introduced.

It is recognised that current difficulties and the consequent lack of transit traffic may suggest that these are matters of low priority. However, it is considered that in the longer term international trade will develop faster and that an early adoption of transit systems will ensure that they are in place when the trade increases.

Tadjikistan should implement the CMR Convention and consider ratifying the COTIF Convention at the earliest date to formalise the current use of these documents in their international transport. The lack of a Freight Forwarding Association affiliated to FIATA precludes the use of some transport documentation. The formation of such an Association is being addressed later in this project.

g) Turkmenistan

Turkmenistan is currently using an aligned Cargo Declaration in Russian. Some slight modifications may be necessary with the introduction of a computer system. A Certificate of Origin is normally required. It is recommended that this requirement is reviewed in the interests of simplification of procedures and as to whether boxes 34 and 37 of the Cargo Declaration is sufficient.

Turkmenistan has recently signed the TIR Convention but has not yet implemented the system. A trade association for international road carriers has been established and is operated from within the Ministry of Transport. This organisation is a member of the IRU and is currently seeking to meet the criteria for the issue of TIR carnets. It has 14 members, most of which are state organisations. It is recommended that early approval of the issuing criteria is met.

It is recommended that Tadjikistan also actively considers the development of a Community Transit (CT) system to provide the appropriate guarantees on transfer and transit movements. The existing Cargo Declaration can be adapted as a control document for a CT system by the addition of clauses on the rear of the document. A small working committee should be formed to examine how the CT system could be introduced. The geographical position of Turkmenistan in the centre of the TRACECA corridor gives special importance to the adoption of a modern transit system.

Turkmenistan should implement the CMR Convention and consider ratifying the COTIF Convention at the earliest possible date to formalise the existing use of such documents. It was noted that the road transport association is already selling CMR notes. The lack of a Freight Forwarding Association affiliated to FIATA precludes the use of some transport documentation. The formation of such an Association is being addressed later in this project. Some initial action on the formation of an association has commenced.

h) Uzbekistan

Uzbekistan is currently using a UN aligned Cargo Declaration in Russian. It may be necessary to make minor adjustment when a computerised system is introduced, depending on the system selected. A Certificate of Origin is not normally required.

Uzbekistan has signed the 1975 TIR Convention and has established a national road transport association (AIRCUS) which is affiliated to the IRU. However, it has not been registered in Uzbekistan and has not met the criteria to enable it to issue TIR carnets. These are still being obtained through ASMAP in Moscow. It is recommended that the association is registered and becomes the issuing organisation as soon as possible.

It is recommended that Uzbekistan actively considers the development of a Community Transit (CT) system to provide the appropriate guarantees on transfer and transit movements. The existing Cargo Declaration can be adapted as a control document for a CT system by the addition of clauses on the rear of the document. A small working committee should be formed to examine how the CT system could be introduced. The geographical position of Uzbekistan gives added importance to the adoption of a modern transit system.

Uzbekistan is a member of the CMR Convention and documentation is issued by Kazato. It is not, however, a member of COTIF despite the widespread use of CIM notes. It is recommended that early membership is considered to formalise existing practices. The lack of a Freight Forwarding Association affiliated to FIATA precludes the use of some transport documentation. The formation of such an Association is being addressed later in this project.

5.8 Regional Customs Co-ordinating Committee

The concept behind the development of the TRACECA corridor is that the various countries can work together to provide an integrated service to transporters and traders in the region. Section 5.7 discussed the programmes for each of the countries relative to their particular circumstances and state of development.

There is a requirement to establish a central co-ordination organisation which monitors the progress being undertaken in the TRACECA countries and advises on progress achieved. It should also be used as a forum to exchange ideas and experience and promote action to resolve common constraints. During the visits to the region, it was noted that Customs and trade associations, where present, tended to act in isolation and had limited contact with their other counterparts in the region. This is particularly relevant to contact between the Caucasus and Central Asian administrations which are currently perceived as two different areas with different interests.

It is recommended that a TRACECA Customs Co-ordinating Committee is established. The membership should consist of a senior Customs official from each country. Meetings should be on a periodic basis, possibly quarterly, at venues to be agreed. There should not be a need for a permanent secretariat but the role needs to be undertaken by the Customs Administration in one of the countries. This Customs official shall be involved in the working groups examining the document and Customs procedural aspects recommended in this report.

6.0

Development of Customs Procedures

6. Proposals for Development of Customs Procedures

6.1 General

This section is concerned with the development of a TRACECA regional and national strategy to introduce harmonised Customs procedures. A key element in this process is the adoption of the standardised documentation systems described in Section 5. It will be difficult to introduce changes and modifications to existing systems without a uniform approach as to which documents are required and at which point they should be presented. There is therefore a need to address the joint issues of document simplification and the procedures which take place in respect of processing those documents. This is the reason for a combined report covering both issues.

6.2 Delays and Payments

A major problem world-wide in the Customs environment is corruption and illegal payments. This can be expressed in the following equation:

Low Pay + Complex Documentation = Delays and Corruption

In an environment where Customs officers receive low salary levels, there is an increased temptation to supplement their income by earning additional income from importers, exporters or transporters (the clients). This risk increases with the amount of direct interface the officer has with the client and his level of authority in the clearance/transit process.

If the documentation system is complex, there is increased scope for demanding additional illegal payments because certain support documents are missing or have clerical errors. Many of these payments relate to the necessity to stamp or authorise certain documents with an unofficial charge per sheet, so more documentation generates additional income

The delays arise because of the low motivation or experience of the personnel due to low pay and the need to process complex documentation systems. A common situation is that documents are only processed one at a time leading to queues. This leads to further delays and thus enhances the opportunity to extract further payments for by-passing the system or expediting the clearance.

As indicated this is a common problem world-wide, even including in the EU. However, the higher levels of pay, reduced interface with the client and major simplification in documentation in the EU have all combined to minimise delays and the incidence of corruption. In the TRACECA Region there are problems because low pay levels exist in most countries and the current documentation system in all the countries is relatively complex compared to that in Europe, thus giving rise to an environment where the risk of unauthorised payments will be high. This situation is not unique to the TRACECA Region and is significantly better than in some parts of the world.

The various development proposals address this problem by attempting to break up the equation or reducing the impact of the factors leading to its existence. There is limited scope to make changes in the pay system in most countries, given the difficult economic situation. What can be altered is the performance and motivation aspects through providing a more streamlined and worthwhile working environment. Many Customs organisations are concerned at both the internal and external perceptions of the work in that it has yet to reach the status that the Customs service has achieved in western Europe. This is not surprising given that in each of the countries the service is relatively new. The reduction of the interface with the customer through computerisation, random risk examination procedures and the development of professional customs brokers should all assist officers in their work. The simplification of the documentation should also make processing faster and the work easier to perform. These factors should lead to the reduction in delays and consequent corruption and raise the standing of the Customs service.

6.3 Document Simplification and Presentation

Section 5 has identified the need to standardise documentation, particularly the key documents. This section addresses issues relating to the size of the document package and the point at which it should be presented and when.

In the EU, there have been three main trends in this area:

- reduction in the size of the support documentation package
- moving the point of clearance towards the location of the importer or exporter
- submission of documentation in advance of the movement.

6.3.1 Package Reduction

The TRACECA countries are all gradually changing from a centrally controlled state planned environment to a more commercial liberalised environment. Different countries in the region have adopted differing approaches and speed of change but there is general acceptance of the need to adopt a more progressive trading attitude. The current documentation requirements often relate more to the traditional central “control” perception than a clear need to inspect documents to perform a specific function.

The reduced documentation requirements in Europe have come about by the various Customs organisation reassessing the functional demand for the various documents in their support packages. These are principally the commercial, banking and transport documents. Almost all these documents have a primary function and are produced for that purpose, with the Customs clearance function as secondary. It was therefore not a question of whether the documentation should be produced but whether it needed to be presented to Customs in connection with a clearance. The pressure to reduce the documentation demand becomes even greater with the introduction of computerised Customs systems with the consequent reduction in the Customs/Client interface. Substantial progress has been achieved in Europe and could be made in the TRACECA Region.

It is recommended that the Customs Authorities conduct an internal review of their supplementary documentation requirements with the specific objective of simplification of the document package by the elimination of certain documents to be presented. The Cargo Declaration SAD contains details of the shipment sufficient in most cases to undertake the primary Customs functions of collection of duty and prohibition of illegal goods. Specific recommendations on a document package have not been made because of the differing requirements in each country and current legislation/regulations. It is considered that only the individual Customs Authority are in a position to assess their own national requirements. Every reduction in documentation should speed up the clearance process with consequent savings to importers, exporters and transporters and, as importantly, improve Customs performance by reduced time on checking superfluous documents. A major clearance problem in the region is delays arising from the absence of and/or errors in the support documents, rather than the key Customs documents. The review should critically address the following questions:

- What is the function of this document?
- What does it tell me that is not on another document?
- Why do I need the information?
- Is it essential relative to the primary functions of the Customs Authority?
- Is it still needed in the changed environment?
- Do I need to see it with the clearance documentation or can I ask for it in response to a specific enquiry (since the document will probably still be produced for its primary function)?
- Is there a legislative or regulatory requirement to produce this document and could that be changed?

This recommended exercise is essentially a documentation audit and revalidation.

It was noted that Customs, particularly at the borders, request the presentation of documentation covering aspects where they had either no or limited expertise to evaluate them. Examples of these are the various certificates and commercial contracts. These specialist certificates may be required at some point before the goods come into free circulation in the market, but in many cases that is the responsibility of other organisations such as veterinary, agricultural or trading standards officers who have the appropriate training to assess the validity and significance of such certificates. It is recommended that Customs carry out an internal review with a view to reducing their requirements for certificate inspection, partly because by such checks it implies a responsibility for validation in areas where they are not qualified. This is particularly relevant at the borders where there is duplication, as most borders already have other organisations checking these same forms.

6.3.2 Point of Clearance

There has been a clear trend in the EU and the major industrialised countries to move the customs clearance point from the point of entry/exit to the point of demand where the importers and exporters are located. This involves a reduced role at the border where the border post functions as a control point rather than a clearance facility. There is a

consequent increase in the role of the inland Customs offices. The changes in international logistical system caused by the introduction of door-to-door transportation by container, trailer or rail wagon have made an adjustment in points of clearance essential.

Considerable progress has been achieved in the TRACECA Region with all countries recognising this trend and adopting transfer or transit procedures to enable goods to be cleared at inland clearance points. However, in many cases the role of the border control point has not been correspondingly reduced. The main reason for this is the continued demand to present a full documentation package, particularly at the larger busier borders. It may be necessary to consider more clearly defining the role of the border control point.

There are two key problems in relation to Customs procedures at the borders. The first is that on average it takes 20 minutes to process the documents and complete the transfer/transit slip. At many borders this may be adequate in that current traffic volumes are relatively low. However, if the trade increases as expected this processing time will have to be reduced in order to avoid appreciable border delays. This is already becoming a problem at some of the busiest borders and resulting in increased transport costs to users. Because of financial constraints, it will be difficult to increase the manning and extend border facilities and therefore it is essential to evaluate whether the workload can be reduced. The checking of support documentation, which is all re-inspected by Customs at the inland clearance points, is an area where there may be scope for rationalisation. It was noted that smaller borders often only required the Cargo Declaration and the CMR or TIR with consequent savings in processing times.

The second problem is the practice of demanding the production of complete documentation for transit traffic. For example, the value of requiring sight of contracts between third countries, often written in a foreign language, is questionable. As indicated in Section 5, there is a need to introduce simpler transit documentation. It was noted that some countries require full presentation of document even on TIR movements. This tends to nullify the principles and benefits of the TIR system. It is therefore recommended that the document presentation requirements on transit movements (passing through the country) are minimised to either a TIR carnet or a SAD (when the CT system is in place). This would significantly speed up border transits.

The locational aspects support the requirement to reduce the role of the border post in favour of an enhanced role at the regional centres. Most of the borders in the TRACECA Region are distant from the centres of population. This leads to problems in attracting Customs officers and the necessity to have long shifts. Limitation of the work at borders is needed to enable the limited manning to cope with the projected increase in demand. The remote location also means there is a lack of clearing agents to resolve documentation problems as they arise and major problems in access to the importer/exporter responsible for the shipment.

The regional Customs are normally based in centres of population where there is the greatest demand for clearances. It is therefore easier to recruit and train staff and provide a better working environment at these centres. There are increased possibilities for the provision of

supporting customs brokerage services and contact with importers/ exporters or their representatives to resolve any errors or problems.

It is therefore recommended that the role of the border posts continues to be reduced to that of a control or check point and the major Customs activities centralised toward the regional offices where more resources are available.

The introduction of the TIR and CT systems with their guarantee would be expected to significantly reduce the role of the road stations or inland check/control points. The presence of these stations may relate more to a traditional state control environment rather than the current more liberalised market. There is no firm evidence to indicate that this additional layer of control has a significant effect on the generation of additional duty payments and exclusion of restricted or prohibited goods that cannot be met by the joint border/regional clearance system. A reduction would free up resources for the other two facilities and reduce transit delays through certain countries. It should be noted that the EU has no equivalent system in operation. It is recommended that an internal review is undertaken by Customs with the objective of reducing or eliminating this layer of control.

6.3.3 Advance Documentation

The system of Pre Entry is well established in Europe. The principle behind the system is that an importer provides Customs with the necessary information to undertake limited clearance in advance of the arrival of the cargo. When the goods arrive, they are either cleared to allow the cargo into "free circulation" or subject to examination prior to full clearance. A similar system is applicable to exporters. This pre-entry process speeds up the actual clearance of vehicles, containers and rail wagon because they can unload on arrival. This provides appreciable savings in transport costs by early release of vehicles and wagons and benefits to Customs in pre-payment of charges and costs.

It is noted that only Kyrgyzstan currently operates a system where documentation can be presented in advance of the arrival of the cargo. However, this is not a full pre-entry system because the documents are not actually processed until after the cargo has arrived.

It is recommended that Customs in each country examines the possibilities of introducing a pre-entry clearance scheme to allow importers and exporters to submit their clearance documentation in advance of the movement to expedite the final clearance. The introduction of computerised clearance systems relies on use of a pre-entry to avoid potential clearance delays occurring whilst the data is entered into the system.

6.4 Examination Procedures

The current procedure in the TRACECA countries is that almost all import and export goods are physically examined by a Customs Officer. This examination takes place either at a designated terminal or at the importer or exporters premises or occasionally at the border. Such practices are labour intensive taking officers away from offices for long periods of time without a corresponding increase in revenue or identification of illegal imports/exports.

The examinations procedures in the EU recognise that with the growing volumes of trade Customs have insufficient manpower to physically inspect all cargoes. The solution was to adopt "routing" of goods based on assessment of the need to inspect. There are generally three "routes"

- Route 1 where Customs inspect the documentation and charge the appropriate duties and charges and release without physical examination of the goods
- Route 2 where Customs inspect the documentation and require additional information or an outline examination of the cargo prior to release
- Route 3 where Customs inspect the documentation and require a detailed inspection of the cargo prior to release

The basis of establishing the guidelines on which goods are allocated to which route is the responsibility of each Customs organisation. A key principle is "random risk assessment". This is a system whereby a given percentage of cargo entries will be allocated to Routes 2 and 3 with selection being made on a random basis. This means that importers or exporters will never know whether their goods will be examined or inspected so have to ensure that their entries are correct. Thus the system still retains a control function. Entries containing suspect goods or from suspect importers/exporters or those who previous entries have been found to be incorrect are normally sent to Route 3.

It can be seen that this system is less labour intensive and enables experienced Customs officers to have additional time to focus specifically on suspect goods and traders. The introduction of computerised clearance systems will provide a significant increase in data on which to make the Route selection, such as source countries, quota levels, disproportionate ratio between freight charges and value of the goods etc., thus building up an intelligence database.

If a more selective system of examination were to be introduced leading to "clearance without examination", Customs need an assurance programme to be developed in order to ensure that goods released have been properly entered to the correct Customs regime and paid the appropriate duties and taxes. This will require giving Customs the powers of entry to inspect books, records and goods so as to undertake post entry audits at traders and declarant companies premises. There should be a "Mutual Assistance Agreement" to undertake verifications on behalf of other Customs services.

The current system of penalties may need to be adjusted. There is concern that in some countries that the difference between legitimate payment of duties and extra charges can be less or equivalent to the legal penalties for not entering the goods correctly. The current penalties are in some case not sufficiently punitive to act as a real deterrent. The use of a routing system may require an increase in penalties to support the system's control function.

It is recommended that the Governments and their Customs Authorities consider the introduction of a "routing" system with clearance without examination for certain shipments

based on the principles of random risk assessment and that an appropriate penalty system is developed to support its introduction.

6.5 Pre-Shipment Inspections

The system of Pre-Shipment Inspections (PSI) is well established and in use world-wide, mainly in Africa and parts of Asia. The principles of the service are that goods are checked and validated in the country of dispatch. This process is designed to prevent fraudulent shipments and declarations and expedite clearances in the destination country.

In practice, however, there have been a number of difficulties in implementation of the system:

- the inspection organisation does not have a world-wide presence in every city/port and therefore extra costs are incurred sending goods to a point of inspection or paying for an inspector to visit.
- the valuation guidelines are sometimes not accepted by the Customs in the destination countries. The inspection organisation does not have detailed prices on every commodity or specification from every destination. The valuation process frequently results in disputes and delayed clearance.
- in order to avoid inspections of small shipments a minimum limit is imposed below which a PSI is not required (\$3,000 in Kazakhstan). This usually results in a significant increase in small shipments as shippers/importers break down shipments into smaller parcels to avoid the necessity of the PSI. This results in extra transport costs and demands on Customs because of the increase in declarations.

Currently only Kazakhstan has introduced a PSI scheme for imports, and shortly to be extended to exports. It is important that the objectives and necessity for having a PSI are fully understood and that its introduction is based on a cost benefit analysis to ensure that the extra direct and indirect costs are fully covered by the extra revenue generated from having the scheme. PSI can and does create trade facilitation problems, in many situations because of these practical difficulties. However, it is also recognised that some countries have valid reasons for its introduction. These comments should not imply criticism of individual PSI operators but reflects a "trade" perception of the scheme.

6.6 Convoys

A convoy system is in operation in a number of the TRACECA countries and others are proposing to introduce the system. The principle is that by those trucks coming into free accompanying vehicles in transit there is less risk of cargo within those trucks being directed into the domestic market without payment of duty. There is also a security dimension, particularly in relation to pilferable goods such as cigarettes, alcohol and electrical goods. In practice, the presence of customs officials also expedites the passing through the traffic police and customs check points.

The use of the convoy system does have some negative effect on trade facilitation. Firstly, it delays transport movement because of the time necessary to form the convoy thus leading

to addition truck standing costs. Secondly, trucks arrive at control posts in batches, thus affecting the workload at the post. This results in further delays whilst the whole convoy is cleared. Thirdly, the use of convoys through difficult terrain and on busy roads leads to conflict with other types of traffic resulting in significant road safety concerns.

There is a perception by traders that in some cases the convoy system is being used as a method of generating additional revenue, particularly in hard currency because its focus is often directed towards non-CIS carriers.

It is recommended that the use of convoy system is minimised because of the negative aspects indicated above. It is accepted that security measures will be required for certain high value pilferable cargoes and that Customs should continue to accompany these traffics where appropriate. It is considered that the extent of mandatory convoying could be reduced and that non-CIS carriers should be considered on the same terms as CIS carriers in this respect.

6.7 Custom Brokers and Freight Forwarders

The relationship between the Customs and the Customs Brokers and Freight Forwarders in Europe is based on mutual trust and respect for each others roles.

The primary function of the Customs broker is to facilitate the clearance or entry of goods to the Customs based on his specific experience in presentation of the documentation and in the clearance/entry procedures. He is acting as the importer's or exporters representative for the interface with Customs.

This function has advantages to all parties. The benefits to Customs are that the documents are completed and presented in a professional manner and, therefore, be less subject to errors and omissions. Customs also have to deal with less organisations congesting their offices and they have an interface with the importer or exporter through an intermediary who understand the Customs needs. The benefits to the importer or exporter are that they have access to expertise in an area where they are inexperienced; they do not have to physically present themselves at clearance offices; and the entries theoretically should contain less omissions and errors which often result in delays and extra costs. The Customs broker can earn fees based on his professional knowledge of the Customs systems and ability to provide a better service to the importer or exporter than they could achieve directly.

As the traffic volumes increase and Customs services are developed, the role of the Customs broker will become more important. More traffic means more entries to process and, in the absence of brokers, more importers and exporters visiting Customs offices and more documentation problems. The use of brokers significantly reduces the numbers of organisations visiting Customs by enabling bulk presentation of documents for processing and lower error rates. As computers are introduced, brokers can be provided with terminals to enable them to enter much of the data instead of this having to be undertaken by Customs officers. This enables officers to focus on their duty collection and prohibition of illegal goods roles rather than becoming data input clerks.

In the EU, most freight forwarders provide a customs brokerage service. This enables them to clear goods which they are moving for their clients. A key part of this activity is the ability to make payment of duty and charges directly to Customs on behalf of the importer (or occasionally exporter). This is normally undertaken by setting up a "deferment account" in favour of Customs with prescribed settlement periods. For example, a broker may establish an account in the initial sum of US\$50,000 which will allow him to clear goods until the total of the duty and charges payable to Customs exceeds US\$50,000. Customs debit his account each time an entry is made. At the end of the settlement period, the broker has to provide additional funds in order to return the account level to the US\$50,000. The advantage of this system is that Customs can direct debit for duties and charges, thus obtaining earlier payment, and they do not have to check the credit rating of each importer or exporter.

In the TRACECA Region, the Customs brokerage services are either absent or are not fully developed. One of the key issues noted on the project visit to UK in June 1995 was the relationship between the forwarders/brokers and the Customs based on trust. This type of relationship has yet to be established in the region. It is recognised that this will initially be difficult to achieve in that Customs are perceived as a State Authority and the forwarders/brokers as commercial entrepreneurs. However, there does appear a general recognition by many of the Customs Authorities as to the benefits of having brokerage services. The establishment of Customs Consultative Councils will assist in developing the relationship.

It is recommended that Customs promote the establishment and enhancement of Customs brokerage services. An appropriate licensing system is required based on qualifications and financial stability of the applicant/organisation and possible issuing of certificates of competence following examination.

6.8 Statistics

Whilst the primary functions of Customs is the collection of revenue and enforcement of prohibitions and restrictions, it has a number of important secondary functions, one of which is the collection of statistics.

In the TRACECA countries, this activity has become more important because of the requirement to provide statistics to other Government departments covering import and export freight and payment thereof for foreign exchange purposes. Customs are seen as the primary source of all trade data. These requirements, given each of the Customs departments current limited methods of data capture, means that they are having to expend considerable time on what would be classified as "agency" work for these other departments. This by necessity involves additional layers of checking, multiple keying in of documents and bureaucracy with additional time being incurred at the cost of the "trade" and reduced focus on primary functions.

It was also noted that substantial quantities of data were collected and disseminated without identifying why the recipient needed the information and in what format it should be produced. In many cases, summaries would be sufficient but total data was being sent.

There are also concerns over whether some of the data is being fully utilised for Customs Management Information Systems (MIS). For example linking entries processed per station to manpower planning. These issues are addressed in more detail in the parallel computer report .

It is recommended that Customs review their statistical services and extent to which they are providing data to external organisations with the objective of having smaller statistical sections focused on the needs of Customs and establishing limits on the provision and format of data to other Governmental departments.

6.9 Institutional Aspects

The Customs is a State organisation and in some cases a Ministry in its own right. There is evidence that Customs are not always fully involved in the legislative and regulatory aspects of their work. This particularly relates to changes in regulations, such as restrictions on import or exports of goods or production of extra documentation or exchange controls, imposed by another Ministry without prior consultation but which the Customs are expected to implement. It is essential that a liaison mechanism, such as an Government Interdepartmental Committee, is in place which advises Customs in advance of such changes and enables an exchange of views as to procedural implementation. In this way changes can be implemented more smoothly and efficiently. It is also clear that the role and activities of the Customs service is not always fully understood by other Government departments and that proposed changes by other departments may therefore be made without fully recognising the implications to Customs.

The Customs procedures in the TRACECA Region are generally similar, though not identical. It is important that there is harmonisation of procedures to make TRACECA into an integrated transport corridor. There is limited value in adopting the standardised documentation system unless it is backed by conformity of procedures relating to those documents. For example, the development of a Community Transit system has significant implications on procedures and a regional, rather than a country by country approach is required.

It is recommended that the TRACECA Customs Co-ordinating Committee also examines the Customs Procedural aspects with the objective of introducing a more modern and efficient Customs service which meets the needs of both the respective Governments and the traders.

7.0

Implementation Plan

7. Implementation Plan

This section provides an Implementation Plan for the recommendations contained in Sections 5 and 6 and gives indication of the costs likely to be incurred and the nature of the benefits which will arise from adoption of the recommendations.

The Pre-implementation Stage will consist of a detailed appraisal by the National Trade Task Force in each country. It is anticipated that they will then consult with their colleagues and debate the issues raised in the report. A period of approximately one month will be allowed after distribution of the Russian version of this report to each country. The Consultant will circulate the recommendations to the relevant TRACECA projects affected by the proposals and a full copy to the Legal and Regulatory Framework Project Team.

The Second Regional Conference will discuss and debate the recommendations contained within the report and agree or adjust those proposals to approve a co-ordinated regional approach. These recommendations for implementation will be signed by the NTTTF Chairman of each country. It should be noted that these remain proposals at this stage and the signature represents only an agreement to proceed with the proposals, not a commitment to introduce them on behalf of their Government.

The resulting signed document will be circulated back to the TRACECA countries and the Legal and Regulatory Framework Team, who will assist in certain aspects of the Implementation Plan.

The Implementation Plan is shown in Figure 1 and consists of 17 activities outlined as follows with an overall summary of recommendations and costs in Table 1 at the end of this section:

1) Review Cargo Declaration/SAD and Data Elements

A senior Customs officer in each country should review the existing Cargo Declaration to confirm that the data elements conform to the United Nations Trade Data Elements Directory (UNDED). There should be minimal costs attached to this review with the benefits being a matter of conformity only.

2) Align Cargo Declaration and Data Element

This is the process of implementing the results of Activity 1. Initial inspection would suggest that most of the data elements conform and that therefore this will be a minor activity with minimal cost. It should be noted that a time allowance has been made in Figure 1 for circulation of the proposed changes and phased introduction to ensure cost minimisation.

3) Review documents to accompany declarations

There is a need to simplify the clearance and transit procedures, as recommended within the Customs Procedures, Section 6. A review should be undertaken by an

internal working group within each Customs administration with the objective of a reduction in the support documentation requirements needed to effect an import or export clearance. The question of when and where the documents are submitted should also be examined.

The working group should include a Senior Customs Officer and have access to trade interests in the development of a simplified package and procedure. It is considered that this review would benefit from the assistance of a qualified official from EuroCustoms to explain how the equivalent process was undertaken in EU. The cost of such technical assistance in all the countries is estimated at ECU 35,000.

The benefits deriving from simplification of Customs Procedures will depend on the extent to which simplification can be achieved. However it is recognised that substantial savings could be available in three main areas:

- Transport costs due to reductions in delays in clearances and faster border crossings
- Trade financing costs due to lower transit times between the point of purchase and point of sale and thus reducing cash flow trade funding requirements
- Documentation costs in the reduction of printing and copying

These should be more than sufficient to justify the costs of the review procedure including any technical assistance.

4) Accede to TIR Convention

Only Kyrgyzstan and Tadjikistan are not signatories to the Convention, although only Georgia and Kazakhstan have implemented the system in full. Both the TRACECA Road Transport Services and Legal and Regulatory Framework projects are providing seminars and conferences to explain the benefits of adopting the system and the implications of signature and implementation. The IRU has also provided a presentation in Kyrgyzstan.

There should theoretically be sufficient savings arising from lower transport costs due to faster transits to fund implementation of TIR throughout the region.

5) Establish Carnet Issuing Associations

It is necessary to establish road transport associations which are affiliated to the IRU. Only Armenia and Tadjikistan have still to form such organisations. The respective TRACECA Road Transport Services projects should be able to assist in the development of such associations and therefore no additional funding has been allowed for.

6) Assist existing associations to meet IRU criteria

In Azerbaijan, Kyrgyzstan, Turkmenistan and Uzbekistan associations have already been formed but additional action is necessary for them to meet the IRU criteria to allow them to issue TIR carnets. The major difficulty is the provision of the required guarantees. Again the Road Transport Services projects are already addressing this problem and therefore separate funding has not been included.

7) Accede to COTIF Convention

None of the TRACECA countries is a signatory to the COTIF Convention, despite the widespread usage of the CIM consignment note. The Legal and Regulatory Framework project has provided seminars on the Convention. It has been assumed that the process of acceding will be undertaken by government departments with technical assistance as required from other TRACECA projects

8) Introduce Transit System based on EU Community Transit

This key recommendation will require the establishment of an internal working group within each Customs organisation, chaired by a senior Customs official. It is recognised that the introduction of such a system is complex and will probably involve changes in legislation. It is estimated that it could require up to three man years per country, plus associated printing and internal training costs.

Technical assistance would be beneficial in explaining to officials in each country how the system works and how it can be introduced. There is also a requirement for training in its use and introduction. In costing it has been assumed that this will involve a visit to Europe and an expert visiting each of the countries as well as additional printing costs. An estimate of ECU 100,000 has been allowed.

The benefits arising from the establishment of a Community Transit System are in the collection of duties which are currently "lost" by goods coming into free circulation without payment. The benefits to individual countries will vary according to the current level of completions and the extent to which it can be improved with the CT system. An initial appraisal would suggest that there is sufficient loss of revenue from current systems to fund any costs associated with introducing a more modern control system. Additional printing costs associated with the need to provide a new 5 part Cargo Declaration set and Transit Advice Note are considered to be minimal, providing the system is gradually phased in.

9) Provision of Training for Customs and Trade on International Documentation

There is a need to provide specific training in the use of international documentation. This is already being addressed by this project and several of the other TRACECA projects in their programmes. However, it is considered that additional training in these aspects may be required beyond February 1997 when this project is scheduled for completion. This is in part because of changing circumstances relating to the implementation of this programme and legal changes.

An allowance for on-going technical assistance training of ECU 200,000 has been included, split between training in documentation and their use, and in modernisation of Customs procedures. This will involve trainers from Europe visiting the region and selected officials visiting Europe.

It is noted that TACIS is providing some training through Euro Customs and will have two resident Customs officers in the CIS, one of whom will be based in Tashkent. It is expected that they will be involved in some of the implementation work arising from this report. The appointed officer was the Customs Procedures Specialist on this project, so is familiar with the recommendations and Implementation Plan.

10) Accede to CMR Convention

Only Kazakhstan and Uzbekistan are currently signatories to the CMR Convention.

The Legal and Regulatory Framework and Road Transport Services projects are providing seminars, training and assistance relating to CMR. No additional cost would be required for implementation.

11) Formation of Freight Forwarders Associations

There are no Freight Forwarder Associations in the TRACECA Region. This is being addressed by this project with the aim of establishing these or the basis for forming such association by February 1997. Some initial work has been undertaken and seminars provided, both at the regional conference and in country. All current technical assistance costs are therefore covered within the existing project budget.

Requests for assistance in providing equipment to enable such organisations to be established have been received. This is outside the scope of this project and additional funding would be required. This is estimated at ECU 5,000 per organisation or ECU 40,000 in total.

The benefits of establishing a Freight Forwarder Association is that a forum is created representing the interests of the industry and membership of FIATA can be sought. It is less clear to specify the cost savings to the industry or the country from the creation of an Association. The objective is that these are self-funding but it is

recognised that there are problems in forming such a unit with a relatively small membership (and therefore limited subscriptions).

This subject and the associated costs will be addressed in more detail as a separate part of the project.

12) Evaluation of introducing a Pre-Entry Clearance System

The evaluation of the pre-entry clearance system should be undertaken by a senior Customs officer with practical experience in clearance processes. This could be undertaken in combination with task 13. This may require a visit to Europe to inspect existing systems and an expert from Europe visiting each country. This could be undertaken within Task 8, therefore no additional cost would be incurred.

13) Evaluation of Rationalised Examination Procedures

This evaluation needs to also be undertaken by a senior Customs officer with experience of clearance procedures and the legal/regulatory requirements. This would require a specific visit to Europe to discuss procedures and inspect the practical benefits of the system. It is expected that some technical assistance would be required and the possibility of a Customs expert visiting each country to explain the system. An estimate of ECU 100,000 has been allowed.

The benefits of introducing new examination systems would be substantial in terms of improvement in Customs performance and staff utilisation. There should also be substantial savings in transport costs because a significant proportion of trucks and rail wagons could be dispatched direct to the receiver, thus saving standing time awaiting clearance. These savings to both the Customs and the importers and exporters would be sufficient to justify this review.

14) Review of Pre-shipment Inspection System

The recommendation to review pre-shipment inspection system only applies to certain countries and should be undertaken as part of the operational review of the system in respect of contractual obligations. There should therefore be no additional costs.

15) Promotion of Customs Brokering Services

The recommendation to promote the Customs Brokering industry should be undertaken by the Customs and should not involve any additional costs. The Customs Brokers would be expected to fund their own promotion when the system of licensing and regulation is finalised.

16) Review of Statistics

This should be undertaken as an internal audit within the Customs statistical departments. The benefits would be in reduced production of surplus data and possible income from supplying the data to external sources on an agency basis. No external costs should be incurred.

17) Establishment of Regional Customs Co-ordinating Committee

It is recommended that an institution be established with the responsibility for monitoring the progress towards standardisation and harmonisation of documentation and procedures and develop co-ordination of Customs activities on a regional basis as discussed in Section 5.8. This will require the establishment of an office in one of the Customs administrations and a small secretariat at an annual cost of approximately 50,000 ECU annum including rental, salaries and running expenses.

It is expected that the costs, such as travel etc., incurred due to individual membership of the Committee would be covered by their own national Customs administrators.

The Implementation Plan has been spread over a two year period to allow for the appropriate changes in legislation that would be required to fully implement all the proposals. This plan will be reviewed at the Second Regional Conference.

The requirement for Technical Assistance has been estimated at ECU 565,000 over the two-year Plan. The majority of the costs relate to training both in region and in Europe.

The benefits of introducing a harmonised documentation system and modern Customs procedures is difficult to quantify because savings can be obtained in a number of areas. It is, however, clear that these would be potentially greater than the costs associated with implementing the changes and justify a restricted Technical Assistance budget.

Figure 1 - Implementation Plan for Harmonisation of Documents & Procedures

Activity	Countries	Month																								
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	
1. Review Cargo Declaration / SAD Data Elements	All																									
2. Align Cargo Declaration / SAD & Data Elements	As necessary																									
3. Review Documents to Accompany Declarations	All																									
4. Accede to TIR Convention	Arm, Az, Kyr, Tad, Tur																									
5. Establish Carnet Issuing Associations	Arm, Tad																									
6. Assist Existing Associations to Meet IRU Criteria	Az, Kyr, Tur, Uz																									
7. Consider / Accede to COTIF Convention	All																									
8. Introduce Community Transit System	All																									
9. Implement Training for Customs & Trade on Documentation	All																									
10. Accede to CMR Convention	Arm, Az, Ge, Kyr, Tad, Tur																									
11. Assist With Formation of Freight Forwarders Associations	All																									
12. Evaluate Introduction of Pre-entry Clearance System	All																									
13. Evaluate Rationalized Examination Procedures	All																									
14. Review Pre-shipment Inspection System	Kaz																									
15. Promote Customs Brokering Services	All																									
16. Review Statistics	All																									
17. Establish Regional Customs Coordinating Committee	All																									

TABLE 1 - Summary of Recommendations & Costs

Activity No.	Activity Description	Nature of Benefit	Funding	Outline Cost
1	Review Cargo Declaration / SAD & Data Elements	- Conformity only	- Government / Customs	N/A
2	Align Cargo Declaration & Data Elements	- Conformity only	- Government / Customs	N/A
3	Review Documents to Accompany Declarations	- Savings in transport costs due to improved clearance times / reduced border delays - Savings in trade financing costs due to reduced transit time between points of purchase and sale - Savings in documentation costs due to reduced requirements for printing, processing, & copying	- Government / Customs - External Funding Agency	N/A 25,000
4	Accede to TIR Convention	- Savings in transport costs as a result of faster transits	- Government - Existing TRACECA Commitment	N/A No Extra
5	Establish Carnet Issuing Associations	- Ability to issue Carnets nationally	- Government - Existing TRACECA Commitment	N/A No Extra
6	Assist Existing Associations to Meet IRU Criteria	- Ability to use TIR system allowing faster transits	- Government / Transport Association - Existing TRACECA Commitment	N/A No Extra
7	Accede to COTIF Convention	- Ability to use CIM legally with increased protection from transport users	- Government - Existing TRACECA Commitment	N/A No Extra
8	Introduce Transit System based on EU Community Transit System	- Increased revenues through more guaranteed collection of duties - Reduction in delays at borders	- Government / Customs - External Funding Agency	N/A 100,000
9	Provision of Training for Customs and Trade on International Documentation	- Improved trade facilitation by increased awareness and use of international documentation	- External Funding Agency	200,000
10	Accede to CMR Convention	- Ability to use and accept CMR legally with increased protection for transport users	- Existing TRACECA Commitment	No Extra
11	Formation of Freight Forwarders Associations	- Creation of forum representing interests of industry and paving way to membership of FIATA - Resultant cost savings due to increased operational efficiency through industry at large	- Existing TRACECA Commitment - External Funding Agency	No Extra 40,000
12	Evaluation of Producing a Pre-entry Clearance System	- Reduction in trade funding requirements and more rapid customs clearances	- External Funding Agency	Included Task 8
13	Evaluation of Rationalised Examination Procedures	- Savings in costs in improved Customs performance and staff utilisation - Savings in transport costs due to reduced clearance times	- Government / Customs - External Funding Agency	N/A 100,000
14	Review of Pre-shipment Inspection System	- Lower payments by Governments to external organisations - Reduction in valuation disputes	- Government	N/A
15	Promotion of Customs Brokering Services	- Reduction in Customs clearance delays	- Industry	N/A
16	Review of Statistics	- Reduction in collection of surplus data - Possible generation of income from supplying data to external sources on agency basis	- Government	Minor
17	Establishment of Customs Regional Co-ordination Committee	- Improvements in harmonisation of documentation and Customs procedures	- Government / Customs - External Funding Agency	N/A 100,000
TOTAL COST				565,000

8.0

Banking & Insurance

8. Banking and Insurance

8.1 Introduction

The Terms of Reference required an outline study of the banking and insurance aspects to “highlight any crucial deficiencies in the present system in so far as they impact on operational aspects of the systems recommended”. This was undertaken during the course of the visits to the region.

It should be stressed that a detailed appraisal of the banking and insurance industries in each country has not been undertaken. There are already major initiatives involving technical assistance to promote and modernise these industries, including some being funded by TACIS.

The following is a brief appraisal of the position in each country in relation to trade facilitation only:

8.2 Country Appraisals

a) Armenia

In general, all the usual international payment instruments are available including the use of Letters of Credit and Bills of Exchange. Many small and medium sized businesses are, however, reported to work on a cash basis with some foreign sellers requiring full payment for goods in advance of despatch. Some difficulties are occasionally experienced with the transfer of funds due to shortcomings in the telecommunications systems. Armenian banks do not currently operate the SWIFT electronic funds transfer system, although a consortium of eight banks has been formed with a view to introducing SWIFT by the end of 1996.

For goods arriving from the Black Sea, many traders purchase CIF [Georgian Port]. The movement from Georgia to the Armenian destination appears to be uninsured. Some traders are overcoming this by insisting on buying on delivered terms (probably DDU - Incoterms 1990).

There appears to be no availability of suitable transport insurance services in Armenia. The Chamber of Commerce expressed the view that there was a business opportunity for a west European insurance company to establish itself in the country.

b) Azerbaijan

There appeared to be no restrictions on the provision and range of banking services available in Azerbaijan. All accepted international payment methods are available including the use of Letters of Credit, Bills of Exchange and electronic funds transfer.

Similarly there are appeared to be no constraints on the availability of insurance services with companies able to obtain cover from underwriters on leading insurance markets.

c) Georgia

Payments are not normally made by Letter of Credit or by Bills of Exchange. Payment for imports is normally required by foreign sellers prior to the despatch of consignments which causes obvious problems for importers. Other payment arrangements exist between some trading partners, however, including payment after sale of the goods to the importer's customers. Sophisticated payment methods are constrained by restricted communications and possibly also by a lack of knowledge of available alternative methodologies, although modern payment methods for international are available through some specialist banks.

All import cargo is required to be insured through to destination. Until recently this insurance had to be obtained through a single private company. Traders are now free to obtain insurance from other sources. They usually deal of CIF terms for imports and FOB for exports which leaves the inland transportation insurance responsibility with the Georgian importer or exporter. Appropriate insurance is available.

d) Kazakhstan

The banking system is subject to substantial technical assistance programmes. Some problems were identified in the execution of banking documents relating to trade facilitation. The concept of trading under Letters of Credit appeared not to be well understood. There were also indications of difficulties being experienced in the transferring of funds and the provision of bank guarantees.

Insurance facilities in respect of international trade and transport were indicated as being adequate with western companies present as well as nationals.

e) Kyrgyzstan

Banking facilities were stated to be adequate, although most exporters require payment prior to the despatch of goods and trading on Letter of Credit terms is not generally understood. Imports are often obtained on a consignment basis with payment not being made until after sale of the goods to the final customer. It should be noted that approximately 70% of international trade is carried out under barter arrangements.

It was stated that it was difficult to obtain insurance in relation to the international movement of goods.

f) Tadjikistan

Banking facilities were stated to be adequate although most exporters require payment prior to dispatch of the goods and trading on Letter of Credit terms is not generally understood. Most international trade is undertaken by state owned organisations with privatisation generally being at an early development stage. Some international trade is carried out under barter arrangements.

Indications were given that insurance was difficult to obtain. It is not clear whether this relates to the current problems in Tadjikistan and consequent lack of brokers or on market restrictions.

g) Turkmenistan

In general, all usual international payment instruments are available including the use of Letters of Credit and Bills of Exchange, although there are strict exchange control procedures in operation and difficulties are sometimes experienced in arranging for international money transfer. 90% of international trade is undertaken using barter arrangements.

There is a state owned insurance company which is able to arrange cover for internationally traded and transported goods. A private joint stock company Turan-Ingosstrakh is offering transit insurance at the border post, though this only covers the Turkmen transit.

h) Uzbekistan

The only three types of payment permitted in respect of the purchase of import goods are

- Payment on delivery
- 15% advance payment by the importer's bank
- Payment by letter of credit

Letter of credit facilities were stated to be available.

There is a state owned insurance company (Intrans) which is able to arrange cover for internationally traded and transported goods.

8.3 Conclusions

It can be seen that, in general, banking services are adequate for current levels of trade and trade development. However, it is essential that greater use and knowledge of the international banking systems is made, in the context of trade facilitation. It is clear that much of the existing trade does not use the standard Bill of Exchange and Letter of Credit systems. These will be essential as trade volumes increase. It is noted that there is significant technical assistance being provided to the banking industry and western banks are gradually increasing their presence. It is hoped therefore that the banking industry will be able to offer an increasingly reliable range of funding services to enable trade to expand.

A particular area of concern is the provision of guarantees for TIR and the introduction of a Community Transit system. Such guarantees are not readily available, although this is as much to do with lack of knowledge and experience rather than an unwillingness to provide appropriate cover. It will be necessary to discuss this issue with banking authorities in the respective countries as part of the implementation process. Based on preliminary discussions, it is considered that this problem can be resolved and that the banking system should be able to provide cover (as they are already doing in support of TIR).

In general, insurance services are available, although not always widely used. There is no evidence to indicate that trade is being constrained by lack of such services. It is considered, however, that there will be an increasing demand for transit insurance cover which the insurance market will need to meet.

There is already a significant level of technical assistance in the financial sector in the TACIS countries and it is probable that market forces and increased participation by western financial institutions will also help to support progressive growth in transport and trade. We do not therefore propose specific additional technical assistance needs at this time but suggest the situation be kept under review with a view to intervening only if required.

