

**HARMONISATION OF BORDER CROSSING PROCEDURES PROJECT  
(HBCPP)**

**BORDERS HARMONISATION SECOND EVALUATION WORKSHOP (BHSEW)  
JULY - AUGUST 2003**

**DRAFT DOCUMENTS:**

- HBCP Project Regional Overview Parts I & II
- TRACECA Customs IT
- TRACECA Trade Facilitation
- TRACECA Trade Benefits – Methodology & Data
- Issik Kul – Discussion Papers & Presentations
  - TRACECA Overview (Paper)
  - Cross Border Agreement (Paper)
  - Transit Challenge - Central Asia (Paper)
    - TRACECA Overview (Pres.)
    - Cross Borders Agreement (Pres.)
    - Difference Between Borders (Pres.)
    - Transit (Pres.)

***INTERNAL DRAFT ISSUE – NOT FOR EXTERNAL CIRCULATION***

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**HARMONISATION OF BORDER CROSSING PROCEDURES PROJECT (HBCP)**  
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**July – August 2003**

**TRACECA - Project Regional Overview Part I Background**

## **TRACECA Corridor - Between the need for Trade Facilitation and Concerns for Security.**

*'How to steer between Scylla and Charybdis?'*

### **Background.**

The heightened awareness and implementation of Security at borders, throughout the region and indeed throughout the world, has created a paradox between the need to support Trade Facilitation, with open borders and the need to search and monitor transit transportation in the name of Security.

The comparison with different departments within the European Union (EU) as well as with other parts of the world may help to better understand the wide ranging effects of both Trade Facilitation and Security concerns. In the end it is hoped that all concerned will accept that there is not necessarily a contradiction between the two - provided that they are able to make use of both modern technology and multilateral agreements.

The objective of this document is to produce selected examples which reveal the combination of both Trade Facilitation and Security concerns and at the same time show how these elements contribute to recent activities of relevance to the HBCP Project.

## Trade facilitation

### *Requirements clarified by EU DG Trade (Sept. 2001)<sup>1</sup>*

- Import and export procedures can snarl up trade. The EU is convinced that everyone would benefit from a push to simplify trade procedures and by cutting out unnecessary bureaucracy via modern methods. This needs to be done through World Trade Organisation (WTO) commitments that could integrate and build on best practices established by other organisations. Traders both big and small would enjoy reduced costs and fewer delays, which means more competitive terms of trade. Governments would enjoy better controls, higher revenue intakes and more efficient management, as well as a more stable climate for inward investment. The gains would be particularly beneficial for small and medium-sized companies and traders in developing countries. The costs of compliance with trade procedures are proportionately higher for them, since they are fixed overheads. Simplified procedures can help to ensure that the benefits of tariff-cutting are not undermined by bureaucratic delays.
- Import and export procedures can be significant non-tariff barriers to trade, and United Nations Conference on Trade and Development (UNCTAD) studies have suggested that these barriers can add up to 10% to overall product costs. Industry and business have called for action to simplify, harmonise and automate procedures; reduce border and transport red tape and documentation; and improve pre-shipment inspection, Customs procedures and licensing rules.
- Problems can include unnecessary and excessive data and documentation requirements, multiple submissions of data to different agencies, and lack of harmonisation of import and export data, both as regards content and format.
- At Customs and border crossings, problems include lack of transparency, lack of rapid legal redress, excessive clearance times at customs, absence of co-ordination between Customs and other inspection agencies, lack of modern Customs techniques based on Risk Assessment, unavailability of pre-arrival processing and company audit, and insufficient use of information technology by customs.
- Various organisations and regional groups have made piecemeal efforts to reduce and rationalise trade procedures, with only partial success. The WTO has a natural role to play in co-ordinating those efforts and in developing a set of commitments on trade facilitation.
- The EU proposes reducing import and export procedures to an absolute minimum, provided that legitimate controls are applied. It also supports wider adoption of harmonised international standards in the trade transaction process. For instance, datasets could be reduced and harmonised, and there could be single-window and one-time only submission of information to importing and exporting administrations. Paper-based procedures could be replaced by automation and the introduction of 'under customs' techniques and Electronic Data Interchange (EDI) based systems.
- Improvements to existing, relevant WTO Agreements (e.g. Import licensing, Pre-Shipment Inspection) should also be considered, as should measures to improve and modernise WTO rules on goods in transit. Specific WTO

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<sup>1</sup> Text selected from DG Trade, Sept. 01

commitments on trade facilitation should be underpinned by key WTO principles of transparency, non-discrimination and proportionality. Special efforts should be made to design rules in a way that will benefit small and medium-sized enterprises.

- Address concerns of developing countries on capacity-building and technical assistance.
- The benefits of simpler trade procedures are clear. But some developing countries will need time and resources to introduce them. The EU has proposed that any future WTO agreement on trade facilitation should include measures to build capacity in developing countries. It should allow a reasonable time period for implementing improvements. Such capacity-building should be carried out in parallel with negotiations, so that developing countries can participate actively, and be better placed to implement results.
- WTO members should agree to implement a programme of coordinated capacity building, in cooperation with other multilateral agencies, to address developing countries' capacity shortcomings. The programme should be an integral part of the process of negotiating and implementing any agreed rules.

### **Integration of Trade Facilitation and Security Concerns**

It is consensus among the International Funding Institutes (IFIs) to participate in the further development of certain countries by looking for an integration of both Trade Facilitation and requirements of developing state Security. The most recent example of the EU engagement following their line, is the 'new partnership' with South East Asia. In early July 2003 the European Commission (EC) announced its strategy of Support and Control.<sup>2</sup>

The Commission holds out the offer of bilateral agreements with countries in the region to deepen cooperation on a modern agenda including

- human rights
- good governance
- justice and home affairs issues
- fight against terrorism.
- The EC is also proposing a regional trade action plan, the Trans-Regional EU-ASEAN Trade Initiative (TREATI), which seeks closer co-operation between both regions on a wide range of trade, investments and regulatory issues. TREATI will thus enable the establishment of a closer economic relationship between two important trading regions, and thereby permit serious consideration to be given to a potential Free Trade Agreement following the successful outcome of the current WTO round of trade talks. The EC suggests how the existing institutional framework could be made more productive, by defining more clearly which issues should be tackled by the Asia Europe meeting, ASEAN and the Asia Regional Forum.
- EU Commissioner, Chris Patten said: "Asia should always be close to the top of Europe's agenda. We are not only major trading partners, but partners in the fight against terrorism, organised crime, and the drugs trade. EU Trade Commissioner Pascal Lamy added: "With today's move we open a new chapter in EU-ASEAN trade relations. TREATI will help the building of trust between both

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<sup>2</sup> Text selected from DG Trade, 09 July 03

regions: we are ready to match the level of ambition they put in their own process of regional integration”.

- Six strategic priorities are identified for our relations with South East Asia, and a number of actions by which they could be improved:
  - a) Supporting regional stability and the fight against terrorism: A strong ASEAN is probably the best guarantee for peace and stability in the region.
  - b) Human Rights, democratic principles and good governance should be promoted in all aspects of EC policy dialogue and development co-operation, through building constructive partnerships with ASEAN and national governments based on dialogue, encouragement and effective support.
  - c) Mainstreaming Justice and Home Affairs issues: In striving to create in the EU an area of freedom, justice and security, it is essential to incorporate their dimension in our external relations. Issues of migration, trafficking in human beings, money laundering, piracy, organised crime and drugs need to be incorporated systematically into our regional and bilateral dialogues with South East Asia.
  - d) Injecting a new dynamism into regional trade and investment relations: The EU and ASEAN have a strong interest in reinforcing their economic ties. The Commission proposes a trade action plan, the Trans-Regional EU-ASEAN Trade Initiative (TREATI), to expand trade and investment flows and establish an effective framework for dialogue and regulatory co-operation on trade facilitation, market access and investment issues between the two regions.
  - e) Continuing to support the development of less prosperous countries: Poverty reduction will remain an important development priority for the EU and we will continue to provide assistance towards strengthening the social infrastructure of the poorest countries in the region, particularly in the fields of health and education. Other priority areas for co-operation include in particular good governance, human rights, environment and forestry, trade-related technical assistance and counter-terrorism.
  - f) Intensifying dialogue and co-operation in specific policy areas will be an important way of re-invigorating EU relations with South East Asia. Such sectoral areas include economic and trade issues, justice and home affairs matters, science and technology, higher education and culture, transport, energy, the environment, and information society.
- In seeking to enhance its relations with South East Asia in these ways, the EU will offer new bilateral agreements to countries in the region, while seeking to maximise the utility of the existing institutional frameworks, both bilateral and multilateral. It will also look to make the best use of available resources, such as the newly completed network of Commission delegations in South East Asia.

### **Joint Security Activities at UK Borders**

In a statement the UK Customs declared their need to invest further into border security<sup>3</sup>. HM Customs & Excise is assessing the findings of a three-month trial at Dover, Portsmouth and Felixstowe ports on scanners for radioactive material that

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<sup>3</sup> Joint IT & intelligence May 03

could be used by terrorists to produce "dirty bombs." On completion of the assessment, the UK plans to invest £50M (\$80.4M) in a national network of fixed and mobile scanners covering around 1,000 sea and air points of entry. The number and location of fixed scanners is not being released "for operational and security reasons", a Customs spokesman said. The £50M was allocated in the last budget specifically for new technology to combat terrorist and smuggling activities. UK Customs is working in association with the UK Home Office in the initiative, designed to enhance UK's defences against radioactive material entering the country. About 500 extra Customs staff will be appointed as part of their programme.

### **The US Freight Net**

It is interesting to know that the U.S. Department of Transport (USDOT) has decided to follow a process which reveals certain similarities to TRACECA activities: U.S. Transportation Secretary announced the release of the Freight Analysis Framework, a database and analytical tool that will help improve planning, operations and decision-making to better manage freight movement across the country.

The Freight Analysis Framework shows the importance of freight movements to the nation's economy by providing government and the private sector with a valuable tool for analysing the relationship between moving freight and congestion relief.

USDOT estimates that the nation's transportation system by 2020 will handle cargo valued at almost \$30 trillion, compared with \$9 trillion today.

Volumes, in tons, will increase by nearly 70 percent over current levels of 15 billion tons. The department also says that international freight volumes are growing faster than domestic volumes and will almost double by 2020. These huge increases in freight movement are and will continue to result in increased congestion and greater inefficiencies throughout the nation's transportation system.

To respond to their challenge, USDOT created the Freight Analysis Framework (FAF), a collaborative effort by the Department of Federal Highway Administration, the Federal Railroad Administration, the Federal Maritime Administration, the Bureau of Transportation Statistics, and the Secretary's Office of Intermodalism. The FAF examines four key transportation modes: highway, railroad, water, and air.

By using this analytical administrative tool, state and local government and the private sector can determine which transportation corridors are or will become heavily congested in the future and better plan solutions to help alleviate these bottlenecks in the intermodal transportation network<sup>4</sup>.

### **Container Security Information (CSI)**

TRACECA ports face increasing numbers of containers shipped, larger ports currently face US requirements to comply with the Container Security Information (CSI) network. By the request of the US, some container hubs around the world have already joined the CSI. It requires that all ships bound for the US to pass on information about cargo loaded on their vessels 24 hours before they leave a foreign port.

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<sup>4</sup> Text selected from USDOT publication, Oct.02



Proposed regulations extending that rule to all outbound cargo leaving the US were published in the Federal Register on July 23, 2003. On ocean movements, the current 24-hour rule on cargo information would be extended to outbound movements as it currently exists for inbound. The regulations will also cover truck and rail cargo moving through the US. They will be subject to a 30-day comment period and implemented within about 90 days of the July 23 publication date. Against this background it is noteworthy that some Black Sea TRACECA ports have already established maritime transport information system functioning across the Black Sea. This system was established in order to transmit data of cargo to be shipped from the port of loading to the port of discharge.

The wording of the underneath short joint statement of both US and EC officials confirm the unanimous view of security concerns in transportation:

**Joint Statement of the U.S. Customs and Border Protection Departments and the European Commission, 25<sup>th</sup> June 2003**

After their meetings on the 25<sup>th</sup> of June 2003 in Brussels, between representatives of the U.S. Customs and Border Protection Departments and of the European Commission, assisted by representatives of member states, U.S Customs and Border Protection Commissioner Robert C. Bonner and Director-General for Taxation and Customs Union, Robert Verrue released the following statement:

"We welcome the positive work currently being undertaken by U.S Customs and Border Protection Departments and the European Commission, supported by Member States' Customs Authorities, with respect to the Container Security Initiative and other customs-related aspects of security of international trade.

There is an important opportunity to maximise supply chain security on both sides of the Atlantic and to facilitate legitimate trade. The United States and the European Union will continue to expand and intensify Customs cooperation and to take practical measures to improve the security of ocean-going and other modes of international trade."

*Issued in Washington and Brussels*

**U.S. extends its 24-hour rule<sup>5</sup>**

The National Industrial Transportation League (NITL) also reports that U.S. Customs and Border Protection Departments will extend its current 24-hour rule on cargo information to all cargo leaving the US by sea.

**Customs Modernization Programme of the EU**

Based on the experience gained within the Customs Union established by the EU there is a wide ranging initiative to modernise Customs further and build joint E-Customs in the member states and beyond. The EU has concluded that it is necessary to propose a new programme 'Customs 2007' and certain parts of the statement are copied below:

***Summary of the Programme***

The Commission's Interim report on the Customs2002 Programme has concluded that first results are positive and encouraging. The programme is now much more geared to operational and practical improvements than was the case under the previous programme. The report also shows the need to ensure that more is done to

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<sup>5</sup> Source. Lloyd's Register - Fairplay web links, 10 June 03

set tighter measurable objectives with indicators to show the practical impact of the specific activities.

The report specifically welcomes the new working structure for the programme. In addition to the creation of the Customs 2002 Committee, as much was done to create a close and practical working relationship between the participants in the activities. They began with the identification of five key areas. Progress is closely monitored by Management groups, which oversee and plan the work in each area and also ensure the coherence of the programme by reporting back to the Committee.

Actions are implemented using any of the programme instruments but activities are mostly run by operational project groups, comprising Member States and Commission experts, reporting to a Management Group. Their working structure was introduced in the first 6 months of 2000 and took some time before it was fully effective. It has, however, proved to be a very efficient and useful way of administering the programme and achieving results. Benchmarking has also shown its value as a practical tool.

At the same time, the Customs Policy Group, consisting of the Director-Generals of Customs of all Member States, continued its work on developing Customs policy and strategy, thereby making the essential link between policy objectives, Customs 2002 activities and their implementation by national administrations.

### ***Achievements***

The following examples are provided to illustrate the results that have emerged in individual working areas but for full details on the results of the programme to date please refer to the Customs 2002 "Actions and Achievements" document on the DG TAXUD website.

#### **Risk Management**

Indicated as a problem area by the European Court of Auditors and a priority area by the European Parliament, proper risk management is a major instrument for fighting fraud. First practical results include the creation of a mechanism and standard forms to enable Member States to exchange information on high-risk areas.

The completion of an inventory of Community Customs controls will enable problem control areas to be identified and addressed via the programme; it will also alert EU applicant countries to areas needing special attention. A catalogue of indicators for economic operators has been produced and is being tested in practice. If successful this could bring significant benefits in reduced compliance costs via more standardised assessment across the community.

### ***Information technology***

There is the major area of programme investment which covers the maintenance and further development of existing IT systems as well as the development of new IT systems to meet changing requirements. All systems increase standardisation and in many cases improve controls as well as reducing compliance costs. The major actions carried out to date appear in various reports, particularly on the implementation of the New Computerised Transit system (NCTS), which remains a priority. The new computer platform, the Common Communications Network/Customs System Interface (CCN/CSI), on which, NCTS and other applications are based, will improve control standards and provide the basis for e-

customs in an enlarged community. The system also permits the rapid transmission of control and crisis information to Customs posts at the community's external frontiers.

The Data Dissemination System (DDS) enables business to gain on-line access to Community Customs tools, such as the community's integrated tariff (TARIC). Interest is demonstrated by the 2.5 million consultations per month to two of the key information areas supplied by DDS (TARIC and Tariff Quotas). This figure has been reached after only six months of the system operating and is still increasing significantly.

Improvements to TARIC, comprised of more than 4000 Community measures, enable updated Tariff information to be sent out each day in eleven languages. Ongoing work is preparing the links to applicant countries' systems and assisting these countries in their preparation for accession.

#### Measurement of Results

The European Parliament has stressed the importance of this work. Work on the Customs activities performed by Member States is underway and the results achieved enable Member States to compare their performance to the Community standard and act to improve Customs operations where necessary.

The need for greater transparency in Customs actions increases as the Community expands. Combined with the drafting of standards for controls, their work will provide increased guarantees of the maintenance of standards in an enlarged Community.

#### Changing Customs Work

Work under the programme needs to adapt to external changes. The "counterfeiting" action shows the importance of Customs cooperating to counter increasing threats to community business and employment. The programme (via the use of exchanges, support to specialised teams etc.) has undoubtedly contributed towards helping Member States efforts to tackle the growing counterfeiting problem. Results show Customs in the Community seizing 68 million counterfeit articles in 2000 (compared to 25 million 1999), estimated to equate to more than 1,5 billion Euro of legitimate products.

#### Standardisation

In addition to the many computerisation actions that are improving standardisation, work on guidelines and recommendations has led to improvements which will be continued as more actions are completed. Sectors involved include co-operation between Customs laboratories, product safety, cultural goods, chemical precursors, establishing memoranda of understanding and encouraging the use of X-ray scanners.

#### External Activities

Numerous external activities have taken place notably aimed at preparing for EU enlargement. Actions have focused on the improvement of the operational capacity of Customs administrations in the EU applicant countries.

External activities also aimed at improving links with close trading partners to enable better control, to prevent fraud and to foster trade by facilitating exchanges.

The IT inter-connectivity study deserves particular mention as a crucial step in examining applicant countries' preparations and state of readiness to link up to community systems.

The exchange of officials and general cooperation between customs, greater targeting and linking exchanges to high priority areas (e.g. improving controls) and specific projects (e.g. anti-counterfeiting) have led to better results in this area.

One example concerns the RALFH project on co-operation between the five ports responsible for 70% of EU maritime traffic where exchanges involve officials using container scanners as well as officials applying specific controls.

Actions in the context of preparing, accompanying and implementing legislative reforms where seminars have been held to prepare the reform of economic procedures and a permanent contact platform with operators (contact group) to work in the framework of the transit reform, for which national management plans are coordinated. A network of transit coordinators has been put in place and a train-the-trainers seminar has been organised.

## **Proposal for a new Programme 'Customs 2007'**

### ***Introduction***

- The promising results reached so far by the Customs2002 programme indicate that there would be a strong Community interest to continue, and even to enlarge, this programme. Improvements, already appearing in key areas such as computerisation, transit reform, risk analysis and controls, will provide a better foundation for combating fraud and set clearer standards for the focus of the applicant countries' pre-accession activities.
- The programme should seek to accelerate the move towards e-customs and rationalise and improve Customs operations through greater cooperation and the use of modern systems.
- In addition the newly implemented working structure provides a firm basis for building a new programme and to ensure positive and practical results that are fully consistent with the Customs strategy approved by the Council on 31 May 2001<sup>6</sup>.
- The new proposal is designed to build on the previous achievements and to contain the following improvements over the Customs 2002 programme:
  - Greater emphasis on the preparation for enlargement and combating fraud
  - Introduction of new computerisation initiatives to standardise the specifications and the correct treatment of data exchanges between economic operators and Member States
- Better structure of objectives and working tools

### ***Objectives of a new programme***

The central objective remains to ensure that Community law is applied by Customs in such a way as to maintain the proper functioning of the single market in an enlarged Community. This requires equivalent treatment across the Community, due attention to protecting the Community and citizens' interests and efforts to support a competitive business environment.

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<sup>6</sup> Cf. OJ C 171 of 15.6.200, p. 1

Emphasis should be placed on the following elements:

1. Ensuring the continued use of previously developed system based on the CCN/CSI and the main computerisation applications such as TARIC, NCTS, TQS...
2. Enlargement will soon become a reality. It is essential to continue standardisation of the present working methods and to provide practical support to the applicant countries. Standards for controls and guidelines to assist in the application of Community law should feature heavily in the new programme.
  - Computerisation improvements will continue to be necessary to maintain the quality of controls in an enlarged community. Work on the access of applicant countries to community systems would also be increased.
  - Practical support and training on all aspects of the implementation of Community provisions by Customs (in particular those of the Community Customs code) will be a main feature of the programme.
3. Anti-fraud actions must be improved
  - Better use of risk management to focus controls on high-risk areas and the implementation of the ongoing pilot projects on risk information exchange is an important element of the programme.
  - Increasing operational co-operation under projects of co-operation between the national Customs administrations such as RALFH will also feature strongly.
4. The reduction of compliance costs would contribute towards the creation of a competitive business environment.
  - As Customs duties steadily decrease in importance, costs for Customs procedures become more important and we must avoid that they become disproportionate.
    - The costs of compliance in a community of 15 Customs administrations with differing computer systems can be significantly higher than in major trading partners of the Community. Although this issue also requires legislative changes, a lot can already be done and achieved on the operational side through standardising data input requirements, particularly for Customs declarations.
    - The ultimate goal must be to move to paperless Customs ('e-customs') where the maximum amount of data is transferred electronically.
5. Training actions will respond to the needs arising from the various programme activities.

To ensure the objectives are duly monitored, all actions (with the exception of individual exchanges) shall be the subject of a specific proposal made on a standard form and outlining any measurable indicators. Major requests for funding shall also be accompanied by a detailed implementation plan showing the commitments of the respective parties.

### ***Programme tools***

The programme tools used shall include the full range of tools used under Customs 2002 (including information exchange and communication systems, management and project groups, benchmarking, seminars, workshops etc).

Information from all actions shall be fed back to the relevant management instruments to ensure full use is made of any experience gained to the broader benefit of the Community.

### **New Customs Transit System (NCTS)**

NCTS launched in 1995 by EU initiative has taken the role of an increasingly important system functioning cross border. Initially, the NCTS project was restricted to transit procedures. However, given the possibilities offered by the system in terms of the exchange of information between Customs administrations and given recent developments in terms of export control requirements, the CSI provides for the need to monitor the movement of excise goods, and the Commission's plan to develop the 'Electronic-Customs' project. The NCTS has become the backbone for all these projects. As a matter of fact, the philosophy of the NCTS, coupled with the structure developed for it and the way of exchanging information among administrations, will serve as a basis for all these projects. NCTS is paving the way for the different European Customs administrations including the Accession States to work in a new way. Thus it also becomes a vital tool for the TRACECA countries<sup>7</sup>.

**Note: Bulgaria, Romania and Turkey are participating to the NCTS workshops as observers and are preparing to implement the NCTS in a later stage. This strategy certainly will influence the other TRACECA countries, and it is therefore anticipated that, subsequently, NCTS shall be followed by the Eastern TRACECA countries.**

### **The E- Single Administrative Document (E-SAD)**

The use of the Single Administrative Document (SAD) was common practice in the EU member states. It is certainly reflected in the development of documentation in the Candidate countries and also for current initiatives for single documentation in the TRACECA countries. TRACECA has for some time been working with SMGS, CMR in practice and the TRACECA Visa concept. It may be useful to note that the SAD made an easy conversion from a mere paper format to an electronic version. The CEC stated: "Since its introduction on 1 January 1988 Customs legislation has undergone fundamental changes, in particular as a result of the introduction of the single market on 1 January 1993 and the Community Customs Code on 1 January 1994. Technological progress, and in particular the increasingly widespread use of computer-based clearance methods, has also made it necessary to amend the provisions governing the use of the SAD. The SAD is now primarily used between EU and non-EU countries as the majority of internal EU documentation is either obsolete or in obsolescence.

It is also necessary to bring together all these provisions and to republish the form, which has been amended since it was first introduced. In order to guarantee the Community's economic operators and Customs administrations the most harmonised and simplified documentation possible, it also seems necessary to conduct, in due consultation with the representatives of the business circles concerned, a regular review of the requirements connected with the use of the form in the light of

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<sup>7</sup> Cf. full text contribution of the CEC in the Annex

developments in business practices and the activities of international forums in their area.”<sup>8</sup>

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<sup>8</sup> SAD Committee proposal - TAXUD/1241/2002 R1, Sept. 02

**HARMONISATION OF BORDER CROSSING PROCEDURES PROJECT (HBCP)**

**BORDERS HARMONISATION SECOND EVALUATION WORKSHOP (BHSEW)**

**July – August 2003**

**TRACECA - Project Regional Overview Part II Project Approach**



## The HBCP Project Approach

The selection of recent developments, in Part I of this document, has certainly been reflected in the HBCP project proposals and methodology and thus the HBCP Project approach comprises state of the art solutions linking the TRACECA countries closely together through significant improved efficiency at the borders. The Project recipients and beneficiaries participated actively, through the TRACECA National Secretaries and the National TFWGs, in the definition of principles at Border Crossing Points (BCP's) and moreover they have identified implications which need to be resolved in order to implement these principles. As a result both **trade facilitation and security needs were amalgamated by forming an overall network to be operated jointly by all parties concerned**. It is foreseen that Authorised Users will have access to read and enter data of the information network functioning throughout the Transport Corridor. To highlight this integrated process an animated example has been prepared by the project which shows how the future procedures at a road border may work<sup>9</sup>.

### The E-Check Fiche

In particular it is the electronic Check Fiche which serves as an overall information source linked to all parties concerned<sup>10</sup>. The Check Fiche is seen as a document which contains the relevant data of all individual processes at one particular BCP. Thus it permits ex post analysis in case of questions and research. The use of some form of Check Fiche is quite common practice in most of the countries visited. The current HBCP Project designed 'example' version of E-Check Fiche provides for links to databases so as to retrieve RAS data and – at the same time insert up-dated information. It further contains the summary of payments to be done with regards to the "fiscal" elements. At this stage it should be noted that payments should solely be collected by Customs on behalf of all relevant government entities. The operational procedure is outlined below:

- Goods declared for export/transit. All relevant data transferred to TRACECA Database. Truck loaded, sealed, starts journey to the border.
- Truck enters Customs Zone, identified by camera – e.g. registration plate identification,
- Registration plate searched for in the TRACECA Database
- E-Check Fiche opens automatically triggered by identification of registration plate,
- Date and time entered automatically at opening the E-Check Fiche.
- Border Police and Customs simultaneously check documents as shown in the HBCP Project animation and enter the relevant data into the E-Check Fiche (e-documents).
- Upon completion of clearing process, data are entered into E-Check Fiche by both Customs and Border Police in their respective fields. Note: Customs should be authorised to check documents on behalf of other services as e.g. Agriculture, Road Administration, etc.. Only in case of particular need should a truck be referred to agriculture facilities who should be located away from the immediate border controls.

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<sup>9</sup> Cf. HBCP Procedures at Road Borders, computer animation, May 2003

<sup>10</sup> Cf. HBCP E-Check Fiche, 1<sup>st</sup> Draft, July 03

- E-Check Fiche linked to other sheets e.g.: Follow-up, Invoice/Receipt (these sheets are not yet designed by the HBCP Project).
- Follow-up sheet contains results of the Check as i.e.: routing to next authority and time-window granted. There could be a variety of choices, i.e.:
- GO TO "Service Building" for questions/irregularities observed,
- GO TO investigation area for detailed search, (security or contraband)
- GO TO Agriculture facilities for clearance,
- GO TO next BCP, follow the route given, etc.
- Invoice contains all payments due and paid for by any method of payment accepted. Invoice/Receipt shall be printed and given to driver.
- Upon truck leaving the clearing E-Check Fiche is closed automatically or manually by Customs officer, date, time inserted automatically. Automatic closing could be triggered by electronic induction (built into the tarmac which reacts to pressure or optic signal) and transferred to the TRACECA Database for retrieval by the authorised persons.

It should be understood that this version is not final. On the contrary:

**It is strongly recommended to discuss the operation of the E-Check Fiche in more detail with all parties concerned and subsequently decide on the final TRACECA version.**

The IT network will form the backbone of both trade facilitation and security requirements. On the one hand traders will have the opportunity to declare their goods at the place of origin on a set of documentation valid and accepted all the TRACECA Corridor parties through until the final place of destination. Additionally, the other relevant authorities involved, in adjacent countries, will be able to access joint databases for background information.

In the end the process results simultaneously in accelerated speed at the BCP and in improved security.

#### Links to E-Government

A closely-knit IT network, in TRACECA, is already in existence and is spreading further at a rapid pace. E-Government may be understood as a wide number of public administrations which are linked to each other. This network has been initiated within the EU member states and is currently spreading rapidly among the Candidate countries. Furthermore the ideas of E-Government are under discussion in other countries as well. In essence the advantages are seen as twofold:

- Service
- Control

By operating on agreed standards, data may be generated, handled and transmitted across borders among all parties concerned which are legitimated and authorised to enter the particular E-Government net. This procedure certainly reduces downtimes and raises efficiency concerning all public activities. Moreover it is well noted that such a network also provides a perfect tool for effecting control among public bodies, notably Customs and Immigration/Border Police. It goes without saying that the world wide efforts of fighting fraud, smuggling, money laundering and terrorism, etc. are benefiting from such networks functioning across borders.

In the EU the Interchange of Data among Administrations (IDA) is very active and supportive in spreading E-Government news around the world<sup>11</sup>.

The project approach for TRACECA countries has been pro active to link up with IDA objectives; thus it is logical to advocate for a expanding IT net linking all TRACECA countries on standards to be agreed upon.

### **Current Project Phase - Results as a basis for further decisions and actions**

The HBCP Project has followed closely the requirements of Trade Facilitation and Security aspects and it has produced solutions and proposals for the countries which substantially enhances the present situation. Following the HBCP Project proposals the TFWG's, of most of the Black Sea and Caucasus countries, have prepared their decisions for improvement under the Chairmanship of the TRACECA National Secretaries as follows:

- Decisions on future border crossing procedures at road, rail and maritime borders are listed country by country cf. Table 1.
- Identification of implications that must be met in order to implement the decisions, cf. HBCP Project Table 2.

The previous mentioned HBCP Project computer animated version of the future road border procedures, after Table 1 and Table 2 requirements are being implemented, has served as a vital tool to convince all parties in the EC, UNECE and in the Black Sea and Caucasus countries of the suitability of the recommended procedures. It is hoped this tool shall further serve to convince other parties who have not yet taken decision.

In this context the proposed Electronic Check Fiche design may serve as a standard document at all TRACECA BCPs. The present version is for internal discussion and subject to decisions to be taken by the TFWG's members in all the TRACECA countries.

### **Project Sustainability Risks**

- Although results of the TFWG's, under the National Secretaries, have been found to be very successful there is however a risk, at this stage, of non-follow-up thereby jeopardising the sustainability.
- The present understanding, from the Project Task Manager, is that no immediate additional input can be given to the project and thus the expertise and experience gathered for this project may be unavailable in the near future. This would certainly create the risk of project concept repetition and consequent higher cost.
- By finalising the project work the Contractor points to the urgent need not to loose momentum of the TFWG's and continue in order to finalise the challenging and promising results so far achieved. It is now up to the National Secretaries themselves, hopefully strongly supported by their individual governments, who are expected to drive the TFWG's into the future. This certainly requires dedicated budgets to support the TFWG's and availability of these budgets are not known as yet.
- In particular the exchange of achievements and requirements of neighbouring countries appears of great importance. The exchange of experience of countries who have gained proportionally more experience already, in the context of IT

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<sup>11</sup> Cf. IDA at: <http://www.europa.eu.int/ISPO/ida/egovo>

supported integrated border management, should working with their neighbours. However, it is noted that limited initiatives has been observed, so far, to do so.

- Projects which invest into BCP's certainly need to be fully informed on the findings and decisions of the TFWGs. This is of particular importance for designers. The new procedures developed and agreed need to be reflected in the infrastructure, organisational and equipment needs. It has been observed that even some projects within TRACECA region are not fully aware of the HBCP Project work results and thus investments and resources may not be disbursed to the best of its potential. Against this background TRACECA should formally inform other programmes within the EC and other IFIs on the future requirements at the BCP's.
- In earlier contacts with the UNECE it was noted that TRACECA does not maintain close enough collaboration with the UNECE. It should be noted that UNECE is continuously working on the amendments of important documents, e.g. Conventions which regulate transit and border crossing procedures. It is therefore a risk to run certain TRACECA projects and decide on investments without effective feed back from the UN ECE.

***Some relevant Meetings and Activities are listed below:***

Transport Division, Border Crossing Facilitation.

Forthcoming meetings (selection):

- 1-2 September 2003  
Informal ad hoc Expert Group on Conceptual and Technical Aspects of Computerization of the TIR procedure (Budapest), 3<sup>rd</sup> session.
- 22 September 2003, p.m.  
Ad hoc expert group meeting on the new draft Annex 8 to the "Harmonization Convention".
- 23 September 2003, a.m.  
Ad hoc expert group meeting on the draft UNECE Convention on International Customs Transit Procedures for the Carriage of Goods by Rail in SMGS region.
- 23 p.m., 24 and 26 September 2003  
One-hundred-and-fifth session on the UNECE Working party on Customs Questions affecting Transport (WP.30)
- 25 and 26 September 2003  
Thirty-fifth session of the TIR Administrative Committee (AC.2)

***Other News***

27 June 2003

Amendments to the TIR Convention

**HARMONISATION OF BORDER CROSSING PROCEDURES PROJECT (HBCP)**  
**BORDERS HARMONISATION SECOND EVALUATION WORKSHOP (BHSEW)**  
**JULY – AUGUST 2003**

**TRACECA - An Overview of Regional Customs Information Systems**

**CUSTOMS INFORMATION SYSTEMS IN TRACECA COUNTRIES**

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## INTRODUCTION

Very few of the participants in the TRACECA programme have an integrated customs information system (ICIS) and not too many look likely to implement one in the near future, despite universal embracing of the principles of customs modernisation and the acknowledgement that its achievement is not possible without ICIS. It is true, however, that all TRACECA countries are implementing some elements of such a system, to a greater or lesser degree.

## SYSTEMS AND SUPPLIERS

There have been automated Declaration Processing Systems for many years, starting with the advent of ASYCUDA and Sofix. Although Declaration Processing was the hub of such systems, later offerings have been oriented towards trade facilitation processes that tend to relegate Declaration Processing to a more subordinate role, though nevertheless recognising its key importance.

No single product is currently considered to be a front runner and all have their disadvantages – and whether systems have a price tag, or are offered as “free”, they all carry a cost, both monetarily and in the inordinate commitment of resources. Certainly, the situation with regard to systems and suppliers does not afford much opportunity of making a straightforward comparison between equivalent customs applications packages.

Figure 1 shows the status of systems and suppliers.

SYSTEM	SUPPLIER	COMMENT
ASYCUDA	UNCTAD	Still the most installed system
AsycudaWorld	UNCTAD	New, Internet-based system
TATIS	Tatis S.A.	Complete system from knowledge management viewpoint
TIMS	Crown Agents	Emphasis on risk management & trade facilitation
UAIS (Russia)	Russian Customs	Basic, but a real player in the region
UAIS (Kazakhstan)	Kazak Customs	More advanced, but project only at this stage
Sofix	Douanexport	Limited penetration
National Systems	Various	Unlikely to be supported well
Bespoke Systems		High risk, but successes established

Figure 1: Suppliers and Status

### UAIS (Russian System)

The system is reportedly offered free of charge, and is reputed to work well, though Russia does not have a homogeneous system and this package is only installed in certain Oblasts (regions). Nevertheless, the historical ties with Russia and the position of that country as a major trading partner make this a serious consideration for areas influenced by the former Soviet Union.

The system is designed on a decentralized principle in both hardware and software domains. This was necessitated by the geographical remoteness of regions, resulting in local computing networks interactive between themselves through networks of Rostelekom (Russian Telecom) data communications in on-line or off-line mode – in effect a heterogeneous information system with a unified format of primary data, gathered in central database servers, i.e. centralized databases, based on decentralized sources of information and admissions (entrances) into the system.

The UAIS (Unified Automated Information System) is client-server/web-server architecture with

Information storage and archive devices (Compaq, Sun Microsystems);

PCs and peripheral equipment (Dell, Compaq, Hewlett-Packard);

Network equipment and routers (Nortel, Bay Networks, Cisco);

Operational systems Solaris, WinNT (Sun Microsystems, Microsoft);

Database management systems (Oracle, MS SQL).

### **UAIS (Kazakhstan System)**

The project Kazakhstan Unified Automated Information System of the Customs Committee of the Republic Of Kazakhstan places great emphasis – and goes into considerable detail - on the communications infrastructure and the security aspects, both of which are crucially important, but UAIS was scheduled for development in two phases.

*The first phase* should contain the following functional modules:

Foreign trade statistics;

Regional foreign trade statistics;

Transit;

Directories of legal acts appertaining to customs;

Customs registration in trade and non-trade turnover;

Customs-Banking currency control: export and import;

Control of accuracy and completeness in customs charges;

Control of licensing and quotas, especially on export of strategic goods;

Customs control of processing outside and within Kazakhstan customs territory;

Temporary import/export control;

Information support of tariff regulations.

*The second phase* is to include:

Information support against smuggling and other violations;

Control of warehouses, including temporary storage;

Control of Free Economic Zones;

Control of confiscated goods;

Information support for safety within the Customs Service:



Customs registrations in non-trade turnover;

Customs registrations of cargoes at Airports, border Posts, internal Posts, Rail Terminals, Ports, Carriers, Temporary Warehouses, Power Posts and Excise Offices;

Customs registrations of objects concerned with Intellectual Property Rights.

The system appears to be a reasonable, if incomplete, approach to applicable Customs operations and as a bespoke development it is a most ambitious undertaking. It is to be noted that the inauguration of the system was approved by a Decree of Government in March 1997 and although that is six years ago, the creation, testing and implementation of integrated software of the complexity implied by the two phases and the technical stipulations described almost certainly means that the process will be taking a much longer time than was anticipated. Indeed, there are rumours that serious problems have persisted.

The ambition for it to be a common customs system in the region might be promoted by Kazakhstan's membership of the Eurasian Economic Community, but this would also be true of the Russian system.

## **ASYCUDA**

The system, as ASYCUDA, ASYCUDA++ and, more recently, AsycudaWorld, is offered by UNCTAD, the United Nations Conference on Trade And Development, free of charge (except for support and monitoring, which are by no means cheap, though UNCTAD quote an average of \$2 million for an ASYCUDA implementation against their estimate for bespoke developments of over \$20 million. It has been installed throughout the world, with varying levels of success, in 84 customs authorities, with Moldova due to come on stream later this year. UNCTAD claim that all implementations are viable, though 30% of the 84 are limited in their operation and another 30% are not operating as well as they might. Certainly the best installations – such as those in the Philippines and Romania – are highly rated. ASYCUDA is more than just a simple Declaration Processing System, having the following modules:

*MODCBR* is the Customs Post module and deals mainly with the input, validation, storage, registration and assessment of Customs declarations.

*MODBRK* is a modified version of *MODCBR* designed for a declarant or customs broker and gives them a direct electronic connection (limited to only those functions relevant to their dealings) to ASYCUDA++.

*MODACC* covers all accounting and payment functions.

*MODSEL* facilitates control of the selection and flow of declarations through the system and contains controls to block assessment of selected declarations, plus a range of querying and reporting functions.

*MODCAR* is for the preparation and transmission of cargo reporting details, such as carrier or transport manifests, in electronic format, which can be used with other ASYCUDA++ modules for cargo controls, including clearances and cargo accounting.

*MODSDI* provides external trade statistical data.

*MODTRS* is specifically for Transit operations.

*MODCHQCF* accommodates currency changes.

*Head Office and Configuration Modules* for set up of the ASYCUDA++ system to meet national requirements (e.g. forms of declaration, national tariff, tax rates) and for maintaining database reference data used by the system, such as rates of exchange, and codes including importer, declarant, bank, warehouse, etc.

ASYCUDA++ will not be undergoing major functional amendments in the foreseeable future though technical modifications will continue. UNCTAD have instead invested their expectations in AsycudaWorld, a web-based, e-customs platform, not only using the Internet to integrate customs operations, but also using advanced techniques to communicate without permanent connection over difficult terrain, encompassing "from palm top to mainframe" – and therefore deliberately targeted at developing countries with poor telecommunications infrastructure. It is compatible with and can be added to ASYCUDA++. The first installation is due imminently, though UNCTAD are not disclosing the identity of the country concerned at the moment.

### **SOFIX**

Sofix, owned by Douanexport, has a similar 1980s vintage to ASYCUDA. It is the UNIX version of the French Sofi system, but despite gaining some early installations in Africa, the system is not widely installed, though the Turkish BILGE system, installed in May 2000, is based upon it.

### **TATIS**

Still a relatively new offering from a Swiss company, Tatis, who promote the system as constituting "a complete knowledge management solution covering all customs regimes" by providing "integrated tools and methodologies that capture, validate, analyse and deliver customs data to the critical user".

The key elements of the system are:

*Declaration Processing*, covering all customs regimes within import, temporary admission, and export and able to function independently or integrated with duty suspense and compliance management solutions;

*Compliance Management*, including risk management, import verification services, customs reform and trade facilitation, post-release audits, transit or bonded warehouse quality control, industry and company assessments and human resource development;

*Enforcement Technology*, supplying delivery and feed-back mechanisms to distribute the output generated by compliance, automation tools through instructions, reporting and tracking solutions, post-entry audit and mobile task force solutions, workflow management and integration with declaration processing systems;

*Suspense Regime Management*, covering Transit, Bonded Warehousing and Bonded Manufacture.

On the technology front, Tatis emphasise their SmartDocument™, which uses a secure 2-D bar-coded document to carry confidential risk and enforcement data to border points, compatibility with other customs systems, such as ASYCUDA, and communications via the Internet.

In order to meet across-the-board requirements, Tatis have formed strategic alliances with:

- PricewaterhouseCoopers, for tax and legal expertise.

- SGS, known primarily in the customs domain for Pre-Shipment Inspection services, but keen to dispel the limited image that that invokes and to push their expertise in revenue protection and trade facilitation.
- Hewlett-Packard, for computer systems supply, implementation and support.
- Oracle, the leading database environment supplier.

This is a formidable teaming, ostensibly able to meet the vast majority of requirements of prospective clients, but nevertheless the lack of installed base still persists, though this might be turned to advantage during initial negotiations.

## **TIMS**

TIMS stands for Trade Information Management System and is offered by Crown Agents, a UK company arising from a Customs background and with worldwide experience in that sector. Rather than describe the application as a Customs Automation System or even as a Declaration Processing System, Crown Agents refer to TIMS<sup>®</sup> as “a powerful investigative tool which undertakes risk analysis, price comparison and manages intelligence data” and they are also emphasise that though it is standalone it can readily be interfaced with others systems, such as UNCTAD's ASYCUDA.

This last point fits in with their strongly expressed philosophy of fitting in and complementing customs operations, working with customs authorities to augment overall development. They point to Bulgaria where the assistance is specific and complements the bespoke system developed by Bulgarian Customs and to Mozambique, where “they didn't put in a single computer for a year, following careful assessments of the actual needs”.

Crown Agents almost seem to devalue the system in describing it as undertaking risk analysis, price comparison and managing intelligence data, with a design that will assist in the reduction of fraud and the collection of the correct revenue. They go on to say that TIMS<sup>®</sup> can be adapted to meet individual requirements, used to improve frontier control and risk targeting as well as being a valuable tool for post importation audits, warehousing and transit management. All of which, although it is an impressive list, is stated in a rather low-key fashion. Its benefits are listed as:

Efficient Utilisation of Resources;

Revenue Protection;

Trade Facilitation;

Timely and reliable trade statistics;

Faster processing of declarations and therefore clearance.

On the technology front, Crown Agents are excited about I-Seal<sup>™</sup>, their intelligent electronic seal for transit, which not only provides security and carries the data associated with it, but will record any attempts to interfere with it en route. Crown Agents provide web enablement, but, in contrast to UNCTAD and Tatis, do not believe that it will necessarily be the future route for customs communications.

Regarding presence in the general region, Crown Agents are in process of delivering a radical programme of customs reform to Bulgarian Customs, are working with Russian Customs in Moscow and are assisting Development Agencies in Afghanistan.

## **Adaptations of National Customs Systems**

The most notable system in this respect is Cusmod, the customs modernisation system in the very highly rated New Zealand Customs; although its suitability for Central Asian Republics and the CIS might be questionable in that it focuses on sea and air traffic as befits an island environment. Its claim to excellence is based on its advanced intelligence and trade facilitation features. Andersen Consulting, now Accenture, helped in its development and were rumoured to be marketing it, but it does not appear in their promotional material as anything other than a case study, which is a pity.

The absence of Cusmod from Accenture's portfolio would explain its absence from the marketplace, since New Zealand Customs itself would scarcely be likely to offer it as product. In fact, it is said that many a Western customs authority would *like* its bespoke system to form the basis of a commercial application, but few, if any, are prepared or able to meet the requirements needed to market, implement and support such an undertaking.

Examples could include TDS from Swedish Customs, Model 90 from Swiss Customs and the German Atlas system. Benefits would depend on the magnanimity of the donor country, the state of completeness of the system and the modernity of both platform and approach. Taking a system in development, one step behind, as proposed for Poland's installation of Atlas, is not recommended (the example could be examined in relation to the Kazakhstan system).

## **Bespoke Developments**

Notwithstanding that the Kazakhstan system could become a cooperative bespoke development, this method otherwise carries exceeding high risk and potentially escalating and uncontrolled costs, but with proper management and the backing of Traceca countries, it could become an option.

Nevertheless, most Western Customs authorities have implemented bespoke systems and, in the region, Bulgarian Customs is proud of its in-house development.

## **IT Suppliers**

Major IT players, such as Hewlett-Packard, Microsoft, Oracle, Siemens-Fujitsu, Dell and IBM do not seem as yet to have adopted a proactive presence in nor a strategic approach to the customs marketplace, but usually seem to respond in association with systems developers, on a bid-by-bid basis. None offer customs application packages of their own, despite the numerous projects that have been implemented with their products. Not even IBM, for example, who won the multi-billion dollar project to automate the US Customs, have used that bespoke development to springboard a marketable package. Hewlett-Packard have an association with Tatis, are working on the Lithuanian Customs ASYCUDA++ implementation and have promoted a strong interest in e-government, but they too have not opted for application development.

Neither company, nor similar organisations, can perhaps be blamed if their marketing presence in the customs sector is not well defined, since there is no Western market for a unified system that would underpin a global marketing venture. Table 2 shows some of the different systems in operation in the West and none are based on a packaged approach.

COUNTRY	SYSTEM	DESCRIPTION
Austria	tba	
Belgium	Sadbel	Système Automatisé de Dédouanement pour la Belgique et le Luxembourg
Canada	CCS	Customs Commercial System
Denmark	tba	
Finland	tba	
France	Sofi	Système d'Ordinateurs pour le traitement du Fret International
Germany	Atlas	Automatisiertes Tarif und Lokales Zollabwicklungssystem
Greece	tba	
Ireland	AEP	Automated Entry Processing
Italy	Aida	Automazione Integrata Dogane e Accise
Luxembourg	Sadbel	Système Automatisé de Dédouanement pour la Belgique et le Luxembourg
Netherlands	tba	
Norway	tba	
Portugal	tba	
Spain	Adabas	
Sweden	TDS	Customs Data System
Switzerland	Modèle 90	
United Kingdom	Chief	Customs Handling of Import and Export Freight
United States	ACE	Automated Commercial Environment – superseding ACS (Automated Commercial System)

Table 2: Automated Customs Systems in Western Customs Authorities

## CONCLUSIONS

In Table 2 the automated customs systems installed by Western customs authorities are all bespoke and differ from each other in significant technical areas. Arguably, therefore, it would be inappropriate to expect that all TRACECA countries adopt the same system of customs automation.

The most crucial aspect to those different Western systems are that they are compatible with each other and can readily transfer data, via international conventions, such as Kyoto, common standards, such as the SAD, and trans-national facilities, such as NCTS.

Compatibility is implicit, of course, with common systems - and development, operations and communications are a great deal simpler and more cost-effective. Nevertheless, it is more important by a magnitude that effort be directed at ensuring that the customs systems of TRACECA countries are able to communicate with each other and with the

outside world rather than endeavouring to promote systems that are identical or similar, especially in the light of already established systems and prevailing preferences.

**HARMONISATION OF BORDER CROSSING PROCEDURES PROJECT (HBCP)  
BORDERS HARMONISATION SECOND EVALUATION WORKSHOP (BHSEW)**

**July – August 2003**

**TRACECA - The Importance of Trade Facilitation**

## TRACECA - The Importance of Trade Facilitation

*"...so it is upon the sea-coast, and along the banks of navigable rivers, that industry of every kind naturally begins to sub-divide and improve itself, and it is frequently not till a long time after that those improvements extend themselves to the inland part of the country".*

Adam Smith - The Wealth of Nations

### Background

Although these words of Adam Smith are more than 200 years old, they have not lost any of their meaning. Maybe even more so, than in the late 18th century of Adam Smith, trade tends to concentrate along coastlines and, to a lesser degree, rivers. Recent research demonstrates clearly that in trade affairs landlocked states are in a disadvantageous position in comparison with coastal states. The main reasons for this are the low costs of maritime transport and the high costs of inland transport<sup>1</sup>. A number of TRACECA-countries are landlocked and are therefore in a disadvantageous position in comparison with coastal TRACECA-countries. Nevertheless, also these coastal TRACECA-countries face problems with high shipping costs that have a negative impact on the competitive position in global trade of these countries. The main reason for these high shipping costs can be found in the figures 1 and 2 below, which clearly show that all kind of port fees and customs duties in the port (in this example case, Poti) sharply increase the costs of shipping<sup>2</sup>.

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<sup>1</sup> Jeffrey Sachs, "Shipping Costs, Manufactured Exports, and Economic Growth", January 1, 1998

<sup>2</sup> World Bank, "Transport and Trade Facilitation Issues in the CIS 7, Kazakhstan and Turkmenistan", paper was prepared for the Lucerne Conference of the CIS-7 Initiative, 20th-22nd January 2003.



Figure 1: Cost in US\$ and time in days for one TEU shipped from Yerevan (Armenia) or Baku (Azerbaijan) to a major port in Northern Europe in 2002.

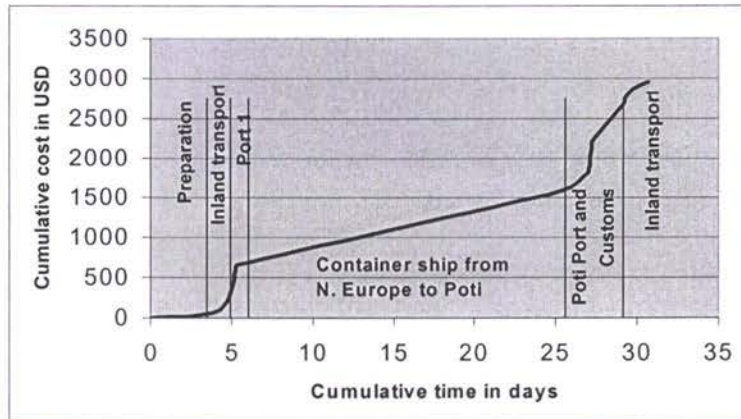
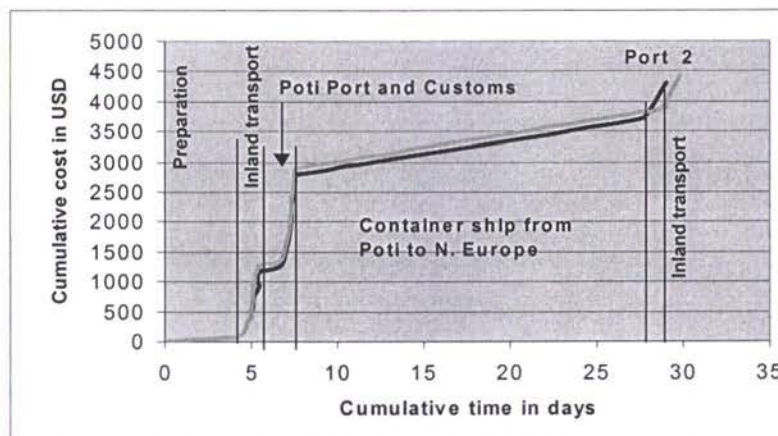


Figure 2: Cost in USD and time in days for one TEU shipped from a major port in Northern Europe to Tbilisi, Georgia in 2002.



Especially these costs that – many times unnecessary – increase shipping costs (mostly at borders) are the focus of **"Trade Facilitation"**. The World Trade Organisation (WTO) defines trade facilitation as the simplification and harmonisation of international trade procedures. Procedures in this context refer to: "the activities (practices and formalities) involved in collecting, presenting, communicating and processing the data required for movement of goods in international trade". Trade facilitation primarily involves simplifying (and eliminating where possible) formalities and procedures, in particular related to import, export and transit of goods harmonising applicable laws and regulations improving and standardising physical infrastructure and facilities, including transport, and customs facilities; and standardising and integrating information definitions and requirements and the use of

information and communications technologies so as to exchange this information efficiently.

In practical terms, trade facilitation focuses on creating efficiency and reducing costs across the entire trade transaction process, a process that involves a series of activities including:

1. agreement of sale between the buyer and the seller;
2. processing of the agreed commercial documentation;
3. compliance with health, safety and other regulations and standards;
4. fulfilment of the required Customs and any other documents and procedures at the time of border crossing;
5. the efficient movement of the goods from the seller's to the buyer's premises;
6. compliance of goods with the buyer's requirements;
7. payment for the goods; and
8. disposal of goods and end products.

This document firstly likes to show that trade facilitation is necessary to stay in line with global logistical practices. Secondly it will show that high shipping costs in many TRACECA-countries hamper trade, while low shipping costs in – for instance – the European Union (EU) has boosted trade, while these low shipping costs in the EU are a consequence of trade facilitation. Finally it will look at the international organisations and regional co-operations that stimulate the implementation of trade facilitation measures.

### **Trends in global logistics**

One of the driving forces of modern logistics is Supply Chain Management (SCM), which has a strong influence on the way international trade and transport is performed. SCM starts from the assumption that logistical processes are organised and integrated at the level of supply chains rather than at firm-level. In this context, supply chains can be defined as .the sequential flow of logistical, conversion, and service activities from vendors to final consumers necessary to produce a product or service efficiently and effectively. SCM involves co-ordination of activities of participants in the supply chain in order to serve customers optimally, involving prompt and reliable delivery at minimal costs. In contrast to the past when logistical and production processes of individual firms were optimised, SCM means that the supply chain as a whole is optimised. As a result, total value added through the supply chain is enlarged including profits of each stakeholder.

In the logistics literature, the rise of SCM has notably been explained by three factors:

1. competition has increased in many markets, due to liberalisation and deregulation (e.g. the European Single Market). As a result market power has shifted from producers to final consumers, the consequences of which will be discussed below;
2. technological progress in information and communication, production, and transport have allowed further internationalisation of firms and the use of new logistical systems and concepts (e.g. enterprise resource planning systems (ERP), simulation-based planning systems, and internet-based shared inventory information systems);
3. replication of Toyota's successful control of its supply chain has contributed to the increased popularity of SCM.

Increased competition in many markets has led to a gradual shift in market power from producers to retailers and final consumers. Many producers as a result have been forced to broaden their product assortment and adapt products more to the needs of individual customers (product differentiation or .mass-customisation.) In addition demands regarding order lead times and delivery reliability have increased. Many firms have faced decreasing product life cycles (see e.g. Table 3.4) and a demand that has become increasingly difficult to predict. Traditional production techniques of mass production of a few product types, aimed at the realisation of economies of scale, have therefore become inadequate. Apart from marketing considerations, this is caused by the fact that large inventories, which are typically related to mass production, increasingly run the risk of obsolescence and simply have become too expensive.

Firms have generally responded to the new market conditions in three related ways:

1. firms have tried to reduce competition by distinguishing their products from those of their competitors. One way is to compete on customer service, e.g. improving speed and reliability of deliveries (.time-based competition).
2. firms have tended to focus on core competencies, i.e. those capabilities that are difficult to imitate and that are expected to offer firms a long-term competitive position. The result is an increase in outsourcing and hence an increase in the number of organisations that are involved in the production and distribution network.
3. firms have tried to increase flexibility of production. Rather than predicting demand, firms wait for customer orders and respond fast and efficient. Customers however are often willing to buy products of competitors if their first choice is not instantly available.

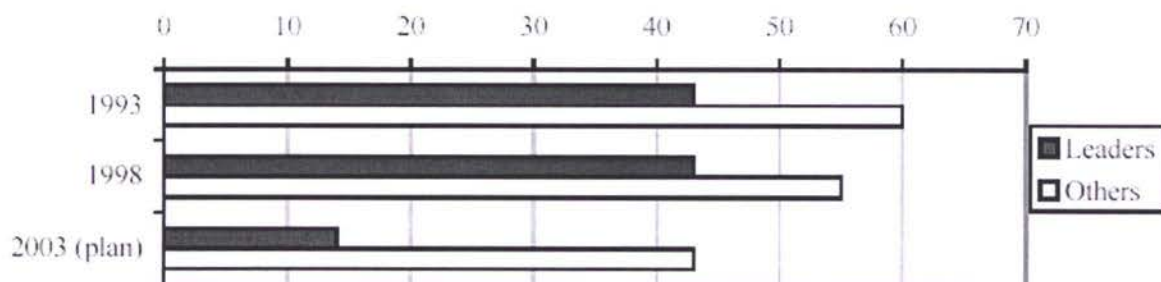
Fast response is therefore crucial in order to avoid lost sales. **Overall, time has become a critical factor in contemporary logistics**, which is illustrated by Table 1.

*Table 1: Average order lead times of European manufacturers, wholesalers, and retailers*

	<b>1987</b>	<b>1993</b>	<b>1998</b>	<b>2003 (plan)</b>
<i>Number of days</i>	27	18	12	9

As a result of the above strategies, firms have realised that co-operation with other participants within the supply chain is a prerequisite for responsive action and survival. Rather than between individual firms, competition has begun to take place between supply chains. This has called for an integration of business processes between firms. One implication is that relationships between supply chain participants have to be close, collaborative, reciprocal, and trusting rather than competitive. This clearly requires a switch in thinking since traditionally actors assumed that the profit of one goes at the expense of the other. Co-operation may take many forms, including information exchange about sales forecasts or production planning, and openness in operations and finance.

*Figure 3: Finished goods inventory (in days)*



Note: leaders are the 10 percent companies in an industry that are considered to have a leading position regarding SCM.

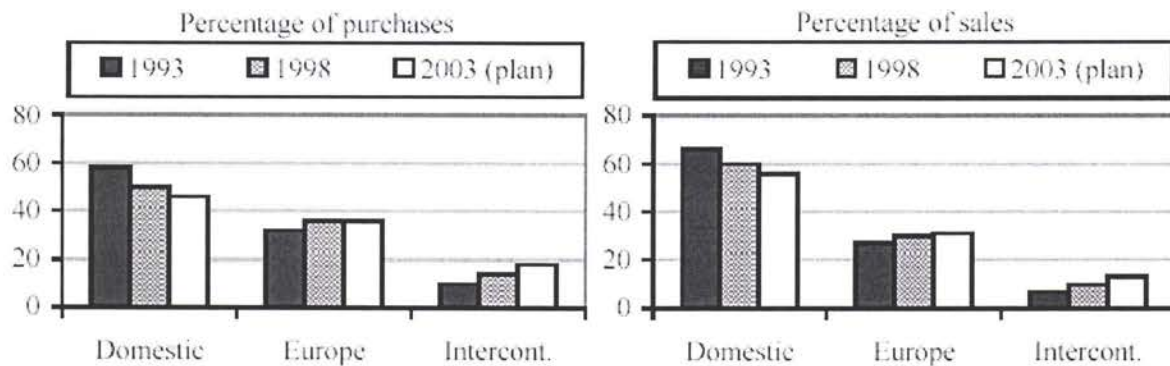
Source: Runhaar, "Freight transport: at any price? Effects of transport costs on book and newspaper supply chains in the Netherlands", 2003

With respect to supplier networks three trends are observed:

1. increasing outsourcing has led to more suppliers.
2. in order to create lean and demand-driven logistical processes, manufacturers often have chosen to co-operate with a few suppliers and hence have reduced their supplier base.

- there is a trend toward increased sourcing outside Western Europe (see Figure 4), **which is enabled by a reduction in trade barriers and a fall in transport costs.**

Figure 4: Domestic, regional, and intercontinental purchases and sales



Source: Runhaar, "Freight transport: at any price? Effects of transport costs on book and newspaper supply chains in the Netherlands", 2003

There are two trends regarding locations of production facilities. One, many firms have relocated production activities to low-cost countries, which however is not specifically related to SCM. Two, customisation activities (e.g. final assembly) are located close to markets. This allows firms to respond quickly to changing demand, which requires short lead times. Supply, production, and distribution networks are often still concentrated within the main global trading blocks, partly in order to circumvent trade barriers (Western Europe, Japan, and North America). Another reason is that order lead times are often not competitive when production and customers are located on different continents.

The dominant trend regarding distribution centres is centralisation in order to minimise inventories. Decentralised distribution centres are often still employed, but for the purpose of shipment consolidation rather than inventory keeping. This is reflected by the emergence of new logistical concepts such as cross-docking and merge-in-transit. *Cross-docking* means that shipments from various suppliers are scheduled in such a way that they arrive at the same time at a distribution centre. There, they are sorted and directly shipped for further transport, thus avoiding inventories. Cross-docking requires that suppliers, producers, and carriers narrowly co-ordinate their transport or production schedules since the absence of inventories leaves no buffers in the case of distortions in deliveries. *Merge-in-transit* resembles cross-docking; the main difference is that it is applied to product components rather

than finished products. Both cross-docking and merge-in-transit aim to minimise the total cost of carriers, handling, warehousing, and inventory. Compared to traditional distribution however total transport costs may increase.

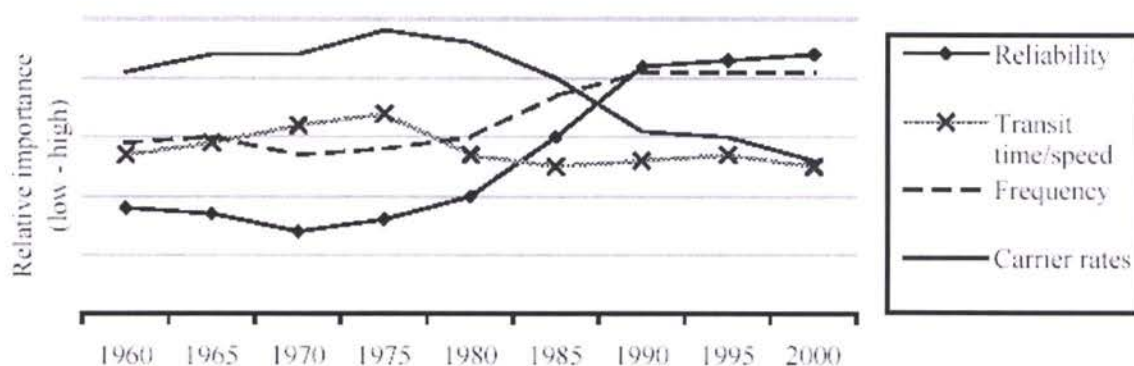
### Implications of supply chain management for freight transport

Due to the trends in production and distribution described and explained above, firms have become increasingly reliant on freight transport. The main reasons are:

1. transport-intensity of production and distribution in general has increased due to for instance longer transport distances and a higher frequency of orders and supplies
2. the increased time pressure due to for instance postponement of value-adding activities and competition on customer service has led to a structural demand for faster, more frequent, and more reliable supply of goods

The latter is reflected in decisions on modal choice where speed, reliability, and flexibility have become more important. This is also illustrated by Figure 5, which shows that carrier rates (i.e. direct transport costs) have become even less important than speed, reliability, and flexibility. Partly however this is due to falling transport unit costs. Finally the increased time pressure has led to more direct deliveries and the use of express deliveries and airfreight services instead of slower, but more consolidated transport services. As a result the market share of modes that are slow but often cheap and less polluting such as rail transport and inland navigation has decreased.

Figure 5: Relative importance of several transport characteristics in modal choice and carrier choice in EU



Source: Runhaar, "Freight transport: at any price? Effects of transport costs on book and newspaper supply chains in the Netherlands", 2003

Shipping costs are likely to differ across countries for several reasons. First, and most obviously, countries that are located further from major markets are likely to face higher shipping costs than proximate countries. Second, overland transport costs tend to be considerably higher than sea freight costs. Thus, for a given distance from main markets, countries with a higher proportion of transit by land will tend to have higher overall shipping costs. Third, there are extra costs to intermodal transport (e.g. in which freight must be shipped both by land and sea), because of the extra costs of transferring between transport modes. Fourth, shipping costs differ because of differences in the quality of ports administration and/or ports infrastructure.

Countries with better functioning ports authorities, less red tape for traders to work through, and more transparent and less corrupt customs clearance are likely to have lower overall shipping costs. Variations in basic port and handling fees can differ widely across countries. Similarly, countries with adequate port capacity, stronger ports infrastructure, and more sophisticated packaging and loading technologies are likely to have lower shipping costs.

Landlocked countries tend to face enormous cost disadvantages. They must pay the high costs of overland transport from the neighbouring ports (see figures 1 and 2). These costs are increased by the bureaucratic and often political costs of crossing at least one additional international border. Infrastructure linking the inland economy with the port may be very poor, since there is a need for co-ordinating infrastructure investments in roads, customs houses, and so forth, between the landlocked country and the port country. The roads linking the landlocked country with the port may be poorly policed and maintained. Often the coastal economy has no interest in supporting economic development in the landlocked country (and may even have an interest in hindering development), for geo-strategic reasons. All of these risks probably add to insurance costs, as well as to basic shipment costs. The only alternative for landlocked countries is to ship by air, which is prohibitively expensive for most goods other than those with the very highest value per unit weight.

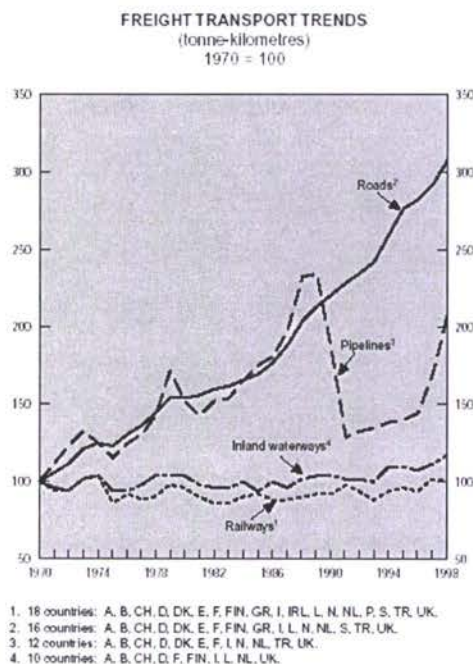
The most important consequence of high shipping costs for developing countries are the detrimental impact on firms' competitiveness in international markets. For small countries that exert little impact on world prices, the higher the shipping costs, the more that firms will have to pay for imported intermediate goods, and the less they will receive for their exports. More specifically, if a country faces a perfectly elastic supply of imports or a perfectly elastic demand for its exports (approximately the case for most developing-country manufactured exports), changes in shipping costs will be translated one-for-one into changes in domestic prices. In competitive global markets, higher transport costs would have to be offset either by lower wages or by reduced costs somewhere else in the production process to allow firms to compete.

In most labour-intensive manufactured export activities, where profit margins are thin, and imported inputs constitute a high proportion of total output value, small differences in shipping costs can spell the difference between profitability and loss in exports.

### Transport Costs in EU

Freight transport has grown considerably within the EU during the past three decades<sup>3</sup>. Since 1970 freight transport has increased by 122%. The growth has been especially high during the last decade with an average annual growth rate of almost 3%. Thus by 1999 the total amount of freight transport in the 15 Member States of the European Union had reached 2970 billion tonne-kilometres. For each EU citizen, the amount of goods transported each year amounts to 7979 tonne-kilometres. In the 1990s freight transport grew considerably faster in comparison to passenger transport, and also compared to economic growth. While GDP has increased with less than 40% since 1985, passenger transport has risen with slightly more than 40% while freight transport has gone up with almost 60% over the same period. This development implies that there has been a significant decoupling of economic growth and freight transport growth since the mid-1980s<sup>4</sup>.

Figure 6: Freight transport trends 1970-1998



Source: ECMT Trends in the Transport Sector 1970-1998, 2000

<sup>3</sup> This chapter is largely based upon diverse papers submitted for the ECMT conference “Managing the Fundamental Drivers of Transport Demand”, Brussels 16 December 2002.

<sup>4</sup> T&E, European Federation for Transport and Environment: “Safe and Sustainable Freight Transport – Our common challenge”, 2002.



The growth in freight transport in the European Union has shown a very unbalanced breakdown among the different transport modes. The increase has concentrated on road transport, which has had the largest annual growth of 3.9%, while inland waterways have remained stagnant and the railways have seen a decrease in tonne-kilometres.

The increase in road transport was particularly high in the 1990s (+41%), mainly due to the removal of border controls and liberalisation of the EU road transport market. From 1970 to 1999, road freight transport has more than tripled from 400 billion to 1300 billion tonne-kilometres per year. During the same period, rail lost 46 billion tonne-kilometres or 16%, falling from 283 to 237 billion tonne-kilometres per year. The unequal development between transport modes has influenced the modal split. From 1970 to 1999, rail's share of freight fell from 21% to 8%, while road's share increased from 31% to 44%. Short sea shipping also increased its share from 35% to 40%. In addition, the average distances claimed by each mode increased in the past in line with transported distances. The average distance for one transported tonne nowadays is 100 kilometres by road, more than 300 kilometres by rail, and 800 kilometres by short sea shipping.

*Table Trends in market share of different modes in Western Europe (1970-1998)*

TRENDS IN THE MARKET SHARE  
OF DIFFERENT MODES (AS A PERCENTAGE)  
IN WESTERN EUROPEAN COUNTRIES

Freight transport in t-km

	1970	1975	1980	1985	1990	1995	1997	1998
Rail	31.1	25.0	23.0	21.1	17.1	14.7	15.0	14.3
Road	55.6	63.4	66.3	69.5	74.5	77.9	77.9	78.5
Inland waterways	13.3	11.6	10.7	9.4	8.4	7.4	7.1	7.2
Total	100	100	100	100	100	100	100	100

Source: ECMT Trends in the Transport Sector 1970-1998, 2000

According to a rough estimate, the reduction in the costs of freight transport caused half of the growth in freight transport (tonne kilometres) over the last decades. The realised reduction in transport costs is an important driving force behind the growth in freight transport. The reduction of costs in freight transport stimulated logistical changes, resulting in lower total production costs while transport volume increased<sup>5</sup>.

<sup>5</sup> Arie Bleijenberg, "The Driving Forces behind Transport Growth and their Implications for Policy", 2002

This is a crucial observation when considering all the driving factors behind transport growth from the respective sector policies.

Box 1: Driving forces of growth in transport volume

TERM (Transport and Environment Reporting Mechanism in EU) identifies the following driving forces behind growth in transport volume:

- Growing GDP
- Disposable income
- Technological development
- **Internationalisation with reduced barriers to international trade**
- **Decreasing costs of transport**
- Changing patterns of production and consumption
- Changes in the delivery patterns of public services
- Social factors

Source: NEA Report Decoupling transport from economic growth, 2003

No explicit reference is made in the above box to the increasing value of the goods shipped. This should however be added. With an increasing value of the unit/container, the price of transport – already reduced through cost reduction – becomes even less relevant within the context of the full product chain.

*Box 2 Example of irrelevance of transport costs in business economic decisions in the EU*

**Transport of Shrimps**

Before 1995 shrimps caught in the North Sea by Dutch and Belgium fishermen were peeled in many cases by their wives in the kitchen. This traditional and suspected unsanitary practice ended with the adoption of council directive 93/43 of 14 June 1993 on the hygiene of foodstuffs. This directive includes the system of HACCP (Hazard Analysis and Critical Control Points). The shrimp industry was then confronted with a choice between automated peeling in Holland and Belgium, or to continue manual peeling outside the EU. Because of cost and quality differences, they chose in majority for the last option, and therefore shrimps nowadays travel up to 5000 km in 7 days to be manually peeled in factories in Morocco and return to Holland and Belgium. Other countries involved in the manually peeling process are Belarus, Poland and Bulgaria.

Source: NEA Report Decoupling transport from economic growth, 2003

## **Trade facilitation as a solution**

A country not located close to major markets encounters high transport costs and the role of institutions becomes relatively more important. It is here that modern trade facilitation techniques can make a difference, by offsetting the disadvantage of high shipping costs, and by enhancing the development of institutions through the use of electronic means for business exchanges and automation. The example of road transport and fallen transport costs in the EU show that this is possible, even in a relatively short time.

Another reason why trade facilitation is important for a country is that investment decisions are often based on the ability of a country to ensure a reliable, low cost flow of raw materials and components into and out of a manufacturing facility. Efficient customs procedures have become a national competitive advantage, especially in terms of attracting foreign direct investment<sup>6</sup>

The business benefits of trade facilitation are equivalent to the savings in transaction costs plus the significantly increased business opportunities resulting from the introduction of trade facilitation measures. These include reductions in the following:

1. Compliance costs (producing and transmitting required documents)
2. Service charges (banking, insurance, cargo handling, transport, etc)
3. Time-costs (processing time, procedural time)
4. Business opportunities cost (lost business or business not considered)
5. The "hassle" factor associated with dealing with a complex and time-consuming trade process
6. Personal opportunity cost (time lost in waiting at customs, taking documents from one agency to another, etc), which is particularly severe for Small and Medium Enterprises (SMEs)
7. Costs related to unpredictability and corruption

Trade facilitation can help reduce the burdens of bureaucracy for companies, broaden market access, increase the participation of small and medium enterprises in international trade, reduce corruption and help all countries obtain benefits from global trade development. The benefits from trade facilitation can be particularly important for developing economies, where the removal of trade inefficiencies may be many times more beneficial to industries than the reduction or removal of tariff barriers. In addition, trade facilitation can be especially important for small and medium sized companies for whom the costs of compliance with procedures are proportionately higher. Trade facilitation is also an increasingly important factor in

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<sup>6</sup> UN/ECE "Trade Facilitation, The Challenges for Growth and Development, Chapter 4.1", 2003

attracting foreign investment, especially supply chain related investment, where the existence of an efficient trading process is essential.

Trade facilitation takes place at the national, regional and international levels. At the national level it focuses on simplifying and harmonising the trade-related structures and procedures within a country. However, this in itself is not sufficient. As goods cross international frontiers, they move from one legal and administrative jurisdiction to another. It is therefore essential to harmonise trade facilitation norms and standards internationally and herein lies the important role of the United Nations and other international standards and rule-setting organisations.

A leading role in trade facilitation is played by the United Nations Economic Commission for Europe (UNECE, although its name speaks exclusively for Europe, its geographical scope is in reality much wider). UNECE sees the following as key strategic issues for implementing and developing trade facilitation over the coming years<sup>7</sup>:

1. Political will - developing the political will to implement new and existing trade facilitation measures
2. Promotion of trade facilitation concepts to build awareness at senior levels of government and business
3. Implementation and development of existing and new trade facilitation instruments
4. Technical assistance - to support the implementation
5. Co-ordination of trade facilitation efforts among various agencies
6. ICT - development and implementation of ICT technologies and standards to support trade facilitation
7. Research - into trade facilitation policy issues, performance measurement and benefits
8. Security - promoting the link between trade facilitation and security.

UNECE has developed 55 international agreements open to accession by all countries. Of these 55, 14 are dedicated to border crossing facilitation (e.g. TIR Convention)

The World Trade Organisation (WTO) was in the past more active in reducing tariffs, but has placed the topic of trade facilitation since a few years high on its agenda. The 1996 WTO Singapore ministerial conference recognised the benefit of addressing "trade facilitation" within the WTO, and the 2001 Doha ministerial conference agreed

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<sup>7</sup> Butterly: "Trade Facilitation in a Global Trade Environment", background paper for the International Forum for Trade Facilitation, 29-30 May 2002

that this topic should be considered for a WTO rules-based agreement with particular reference to the modernisation of Articles V, VIII and X of the GATT<sup>8</sup> 1994.

WTO identified the major issues as being:

1. simplification and greater transparency in official documentation;
2. increased transparency and predictability;
3. streamlining of official controls and procedures;
4. the facilitation of trade procedures through increased use of information technology;
5. harmonisation and simplification of regulations relating to the transport and transit of goods.

Although these issues are partially covered in existing trade facilitation instruments and recommendations, many are not binding, some instruments are competing, others have few subscribers, and not all meet modern business needs and practices. The WTO ministerial conference in Cancún in September 2003 offers the opportunity to make a key change in the effective border management of international trade. Not only is there huge scope for improving the efficiency of the current international trade process but there is also a compelling need to improve customs efficiency to deal with disciplines covering emerging and potentially costly new areas of control, such as security issues and agricultural goods. For example, modern customs administrations are an operational necessity to ensure that security and trade facilitation objectives are integrated in ways that maintain both objectives.

Next to the UNECE and WTO the following (not limited) international and regional organisations are active in trade facilitation:

1. United Nations Conference on Trade and Development (UNCTAD)
2. World Customs Organisation (WCO)
3. World Bank
4. International Monetary Fund (IMF)
5. International Maritime Organisation (IMO)
6. International Civil Aviation Organisation (ICAO)
7. Organisation for Economic Co-operations and Development (OECD)
8. United Nations Commission on International Trade Law
9. International Chamber of Commerce (ICC)
10. Asia-Pacific Economic Co-operation (APEC)
11. Association of Southeast Asian Nations (ASEAN)
12. North Atlantic Free Trade Agreement (NAFTA)
13. Common Market of the South (MERCOSUR)

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<sup>8</sup> GATT= General Agreement on Trade and Tariffs

## **Concluding Remarks**

The example of the EU shows that implementation of trade facilitation measures lead among other things to lower shipping costs. These low shipping costs are a necessary condition for competitive participation in global logistic concepts.

In many TRACECA-countries however, shipping costs are very high due to official and unofficial costs. The consequence of this is that in the end many countries can only export raw materials and import cheap products. Production for export is very difficult because the cost prices will not be competitive in a global market.

TRACECA-countries in general should continue with integrating trade facilitating measures in order to keep up with global logistical and trade practices. This can be done by countries individually, for instance by accession to international agreements like the Revised Kyoto Convention. **Additionally however, a regional approach is necessary to create sustainable results, like is demonstrated clearly by the EU.** A country on its own can not achieve this, nor a government without involvement of the private business sector.

**HARMONISATION OF BORDER CROSSING PROCEDURES PROJECT (HBCP)**

**BORDERS HARMONISATION SECOND EVALUATION WORKSHOP (BHSEW)**

**July – August 2003**

**TRACECA - Benefits of Harmonised Border Crossing Procedures**

**A Proposed Methodology for estimating benefits, investigation of available data and recommendations for further activities.**

## **INTRODUCTION**

The objectives of the project "Harmonisation of Border Crossing Procedures" (HBCP) are to create a platform for harmonised border crossing procedures within the region, to work towards regional integration with international transport and trade practices and to promote the movement of traffic along the TRACECA corridor and to lay the foundations for convergence with EU practices.

In this document the methodology for estimating the effects of harmonisation of border crossing procedures on transport, trade and economy is elaborated. The effects of harmonisation on transport flows will be a reduction of transport times and costs. The larger this reduction the more positive this effect will be; in general a reduction of transport costs and times will lead to a more efficient use of productive capacity and to a lowering of prices of goods. As a secondary effect it can be supportive to trade and economic growth. Following this methodology an investigation of data required for performing this exercise is made focussing on availability and usefulness of the available data. Finally a description is given of a list of activities that have to be carried out in order to be able to estimate the benefits of the harmonisation of border crossing procedures.

This document is produced on the basis of discussions with the project team and the TRACECA IGC staff and the results of the two Borders Harmonisation Workshops in Baku that involved the Project Transport Policy Expert in September 2002 and the Project Transport Forecasting Expert in July 2003.

The report is structured in the following way.

In the second chapter a background is given of the problems arising from imperfect working customs. The customs procedures can be seen as part of the process of transportation, delays and costs at the border add to the total transport cost and time from origin to destination.

The third chapter describes the methodology for the estimation of the benefits of harmonisation of border crossing procedures.

In the fourth chapter the required data is investigated on availability and usefulness.

Finally in chapter five, recommendations are provided for further activities in order to be able to carry out the proposed methodology.



## **BACKGROUND**

### **Trade and transport in Central Asia<sup>1</sup>**

Transportation costs, as part of the value of commodities are rather high in Central Asia. As a result, any disruption of cross-border operations in Central Asia has an immediate impact on the economic development of the countries, and the possibility to decrease the urgent problem of poverty.

High consumer prices affect the buying power of an already financially weak society. Besides, the investment climate with disproportionate high transportation costs does not attract the necessary foreign direct investments to promote economic and social development in Central Asia.

In order to establish a competitive position on world markets the development of a regional transportation system should be a priority for the Central Asian states. They need to focus on upgrading transport networks and cross border operations to increase regional and international trade and adapt a transport network that traditionally was oriented toward Russia.

Rail and pipeline connections to the south were non-existent, as all transport links led north to Russia. This situation was only aggravated due to the fact that transport networks in Iran, Pakistan and Turkey have also been oriented towards ports on the Indian Ocean and the Mediterranean Sea, rather than towards Central Asia.

The physical constraints stand in the way of a rapid expansion of intra-regional trade and the development of new outlets for Central Asia to world markets. Non-physical barriers at the borders may be addressed immediately, resulting in less delays and costs at border points. However, also in this field result may only come within years.

### **Trade barriers of neighbouring countries**

Each country in Central Asia strives to enter the global markets independently, pushing its neighbour's aside. One-sided and comparable economies producing similar products are one of the main causes of protective behaviour at all levels. It results in customs and transport charges, imports quotas and subsidies for certain commodities.

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<sup>1</sup> This section is based on the "Central Asia trade & transport facilitation study" carried out by NEA in 2002.

## **Long and costly customs procedures and other inspections**

Overall customs procedures are complicated, vague and often changing. Besides customs rules are being interpreted in many different ways. Additional technical provisions often lead to cumbersome inspections related with the differences of permissible characteristics of vehicles (total weight, axle load and dimensions). Strict visa regimes also impede international transport. Together with an industry that often has insufficient knowledge of the customs rules and procedures, customs handling and clearance of the goods takes too much time. Besides, the industry suffers a lot of charges from the customs and other inspecting authorities that are not directly related with any service. A major constraint is the delay in repayment of guarantees and deposits for goods in transit.

Due to unpredictable transit times companies have to increase their stocks to levels that exceed the size required for the production process.

## **Poor transport infrastructure and transport performance**

In Central Asia the condition of both the rail and road network is poor. Due to the low traffic volumes capacity constraints in the network are rare. There is a shortage in handling and storage facilities in ports. Also international shippers are in need of high standard terminal and, also bonded, warehousing facilities. This shortage leads to delays.

Due to the mentioned lack of competition in both the transport and forwarding sector services are often below standard.

Small and medium sized enterprises in road transport have difficulties to expand their business because of the lack of international experience and professionalism, their poor financial situation, and the fact that they suffer the most of protective policies from neighbouring countries and corruption.

Forwarders lack international experience and the sector has not yet grown mature. This leads to forwarding companies that do not take their responsibility and step out as soon as cargoes are lost or damaged. This is also possible due to a poor legal framework for forwarding. International standards are not yet incorporated and the sector is hardly organised.

## **Costs of impediments in trade and transport**

Because of a lack of transparency in prices and tariffs the costs of the above mentioned impediments are difficult to assess. Numerous interviews with the trade and transport industry in Central Asia have revealed an estimation of the related costs.

In Central Asia it is generally estimated that the costs of all kinds of delays related with the above mentioned impediments and the charges that are raised for services that are not rendered, as a percentage of the total transport costs, vary between:

- 10 – 15% for road
- 5 – 10% for rail transport.

Depending on the world market prices of the commodities, transportation costs in relation with Central Asia may amount up to 50% of the value of the goods. Especially for low value commodities, such as agriculture products, the transport to international markets becomes virtually impossible. Even, as a result, on different relations the continental transit tariffs are too high to compete with the inter-continental cargoes.

The total costs of impediments depend on the geographic position of the country, its economic power and the location in the transport chain, in which, especially in relation to Russia, Kyrgyzstan and Tajikistan often have unfavourable positions. Origin of the cargo and the flag under which the goods are transported influence the delays and charges incurred. It also depends on the value of the goods and the mode of transport, where more expensive goods and road transport is charged more than goods in bulk, transported by rail. Containerised goods perform better, both in terms of speed and additional charges.

Large international enterprises seem to be more able to manage with most of the customs problems as they often have interrelated interests. As a result, small and medium sized enterprises with little international experience suffer the most.

### **The reform process**

The Free Trade Agreement between all CIS countries is in fact a patchwork of reciprocal bilateral agreements on tariffs and trading quotas. Because of the lack of multilateral consensus trade terms are confusing and complicated, not always leading to uniform implementation at ground level.

The Eurasian Economic Community, formerly the Customs Union, involve Russia, Kazakhstan, Belarus, Kyrgyzstan and Tajikistan. Among the participating countries there is free trade, but external tariffs differ substantially. The plan to establish a common external tariff by 2005 has not yet been agreed upon, especially as the intended increase of tariffs is considered to be disadvantageous for the small and liberal countries in the region. Besides it would make the ongoing diversification of export destinations more difficult.

Within the Community it has been agreed to join the Kyoto convention at the same time, which is expected to be in December 2002.

In the Central Asian Co-operation Organisation Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan apply a regional approach in economic and security issues, such as the creation of free trade zones and the improvement of transport infrastructure. So far the organisation has not set any specific goals and it lacks the means for implementation. Within the GUUAM agreement Azerbaijan, Georgia, Moldova, Ukraine and Uzbekistan intend to promote regional security and political and economic co-operation among the members. The establishment of a Eurasian, Trans-Caucasus Transportation Corridor (TRACECA) is funded by the EC, and links Central Asia and Europe through the Caucasus. The programme, which was launched in May 1993, includes Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. The programme aims at establishing a route that would provide good quality infrastructure, but also facilitate trade through simplified customs procedures.

The ADB is very active on customs co-operation in Central Asia. At a meeting in the beginning of 2002 representatives of Kazakhstan, Kyrgyzstan, China, Tajikistan and Uzbekistan confirmed the need for improved customs co-operation and supported the establishment of a mechanism for facilitation. This could be a Customs Co-ordinating Committee at the decision-making level and working groups at the implementation level. Among the possible key initiatives identified were a Regional Seminar on the Revised Kyoto Convention, joint processing procedures at selected border crossings, regional training to develop common approaches, understand customs operations and introduce new skills and technologies and develop simplified transit systems to facilitate transit traffic.

Although countries did commit themselves to facilitate trade and transport in various bodies at different high levels, little result was reached at ground level. The main reasons for this are the lack of real political will to open up markets and the,

sometimes related, poor efforts to implement and enforce agreements at ground level.

## METHODOLOGY FOR ESTIMATION OF BENEFITS

### Methodology

In this section the relation between transport policy, trade & transport facilitation and the harmonisation of border crossing procedures is explained. As explained before harmonised border procedures lead to a more efficient (and shorter) processing time at border crossings, which results in reducing transport time from origin to destination. Thus it can be stated that harmonisation procedures are part of trade & transport facilitation. Also the transport policy in general is part of the trade and transport facilitation.

Trade facilitation, following from border crossing harmonisation procedures, will result in:

- increased trade (a lower fraction of transport costs leads to a higher demand)
- increased competitiveness (first efficiency of transport is increased, secondly, due to lower transport costs the "marketing area" becomes bigger)
- increased profits (increased revenues for the government)

Other elements that play a role in trade facilitation are:

- Development of advanced forwarding services
- Development of banking/financial facilities
- Developments in the transport sector (road, rail, maritime and intermodal transport) and transport policy

In this task notably the last item is of importance (the first two items are covered in other tasks of this project). The development of good infrastructure and an efficient working transport sector is an important precondition for developing trade. As some of the countries in TRACECA are highly dependent on international trade, an efficient transport sector and good infrastructure are necessary.

The central idea is that the effects of harmonisation of customs will have two effects:

- a) a time gain for the transport sector (due to lower processing time at a border)
- b) an increase in trade because goods become cheaper due to lower transport costs

In order to quantify these effects assumptions have to be made, which will be explained below.

## **Time gains**

By multiplying the time gains from introducing harmonisation (present processing time minus new processing time) and multiply this with the total annual number of vehicles crossing the border, the yearly hours of saving is obtained. This yearly value is to be multiplied with the 'Value of Time' (VoT), which gives a monetary value of the time savings for each border crossing. This indicates the value of the first best use of the vehicle by being more efficiently used (and not waiting for borders). By doing this for all border crossings within TRACECA the total monetary value (by border and total) representing the benefits of the harmonisation of border crossing procedures results.

## **Increase in trade**

To estimate the increase in trade because of lower transportation costs (resulting in lower prices for the commodities and thus leading to an increased demand) is much more difficult than estimating the time gains. First of all the transport time savings (due to harmonisation) relative to the total transport time is relevant. In the second chapter of this report it was stated that, as a percentage of the total transport costs, the costs for imperfect working customs, can vary between 10 – 15% for road and 5 – 10% for rail transport. From the World Bank report Central Asia trade & transport facilitation study some indications can be obtained on total transport times and costs on the most important corridors. Then the relation between transport time savings and the increase in trade and GDP has to be analysed in order to determine these increases.

## **Workplan**

In this section the details of the approach will be given. The following steps need to be undertaken (steps 1 to 5 relates to "time gains" as explained in the previous section, steps 6 to 8 deal with "Increased trade"):

1. Obtain information about the border crossing traffic per year for freight (rail, road, maritime)
2. Obtain information about the current average time needed for freight vehicles to cross the border (at both sides).
3. Make an expert judgement (with other experts in the project) what the minimum time could be under harmonised procedures, and compute the time saving per border crossing.
4. Make an estimate for border crossings for which no information is available.

5. Compute the total time savings (of all freight vehicles) at each border crossing and use the VoT to indicate a monetary value. The outcome of this part gives the yearly benefits of introducing harmonised procedures.
6. To continue with the increase in trade, the total time on corridors should be related to the time savings due to harmonisation. An elasticity will be used to estimate the generation effect (from previous studies: a time saving of 1% will lead to an increase of 0.05% increase in trade).
7. On the basis of this the increase in trade and traffic can be determined.
8. The increase in GDP in the TRACECA countries will be computed on basis of the increase in trade. The increased GDP will be used as a measure of the benefits due to trade generation effects.

It is to be investigated in how far rail customs procedures are part of the scheduling of the transport services at borders, probably in most cases in fastening procedures will not increase lead times. For maritime and ferry services a similar situation could occur. Data availability

In this chapter available data is investigated and an overview is given of required data which is not available.

### **Data availability – time gains**

In an ideal situation the following information should be available in order to calculate the time gains resulting from the harmonisation of border crossing procedures:

- Number of transport units (freight) by mode (road, rail and maritime) crossing borders; for all borders and by direction
- Current average border crossing time for freight by mode (waiting time and processing time); for all borders and by direction
- Possible reduction of average border crossing time due to harmonisation of procedures
- Value of time by mode

A number of sources are available, these sources will be investigated in order to determine whether they contain the required information.

#### *Border crossing time and traffic: TNREG9803-Traffic and Feasibility Studies*

In the "Traffic and Feasibility Studies" a lot of data has been and is being collected for all TRACECA countries for the years 1998 up to 2002. In every country a "local coordinator" is in charge of launching the campaign, receiving and checking the



information. After the checking the information is sent to TRACECA-IGC. The following data is being collected:

*Table 4-1: Data collected in the Traffic and Feasibility Studies*

<b>NETWORK PHYSICAL CHARACTERISTICS</b>	
Table 2.1	Physical Data for Rail Link
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For this task, especially the tables 2.6 "border crossing time" and 7.3 "border crossing traffic" are of interest, these tables have been investigated in more detail. Since the data for the year 1999 contains the most recent and complete information, this information has been analyzed. The findings of the further investigation of the collected data for the year 1999 is summarized in the table below.

*Table 4-2: Border crossing time and traffic from Traffic and Feasibility Studies*

Country	Border crossing time road and rail (2.6)	Border crossing traffic road (7.3)	Border crossing traffic rail (7.3)
Armenia	Empty	Only total (all borders)	Only total (all borders)
Azerbaijan	Empty	Filled	Filled
Georgia	Empty	Partly filled	Partly filled
Kazakhstan	Empty	No file	Filled
Kyrgyzstan	Empty	No file	No file
Moldova	Road filled, rail empty	Filled, directions together	Filled, directions together
Mongolia	No file	Filled	No file
Tajikistan	Empty	No file	Filled
Turkmenistan	Empty	Partly filled, only incoming	Filled
Ukraine	Road partly, rail empty	Contents unclear	Contents unclear
Uzbekistan	Empty	No file	No file
Bulgaria	No file	No file	No file
Romania	No file	No file	No file
Turkey	No file	No file	No file

Templates of the tables that have to be filled in have been sent out to the local coordinators in the Member States, in some cases the tables have not been received back (no file), in some cases the tables have been received, but nothing has been filled in (empty) and in other cases the tables have been filled. From this table it becomes clear that, although it has been asked to provide border crossing time information, very limited information has been delivered. For the border crossing traffic more information is available, but still there are a lot of data gaps. Concerning the border crossing time it is remarked that it would be better to collect this information from the users (truck drivers, operators, ...) instead of from the official authorities in order to get more reliable information.

Border crossing time: Border audit (HBCP)

In the present "Harmonisation of Border Crossing Procedures" a survey has been performed covering a sample of about 70 border crossings in 13 TRACECA countries. Amongst others information about the processing time at the border is included. The borders surveyed are given below.

*Table 4-3: Border crossings in the HBCP survey*

<b>Name border crossing</b>	<b>Country</b>	<b>Inferfacing country</b>
Ayrum	Armenia	Georgia
Bagratashen	Armenia	Georgia
Astara	Azerbaijan	Iran
Boyuk Kasik	Azerbaijan	Georgia
Siniq Korpu (Broken Bridge)	Azerbaijan	Georgia
Bourgas	Bulgaria	Black Sea
Kapitan Andreevo	Bulgaria	Turkey
Svilengrad	Bulgaria	Turkey/Gre
Varna East	Bulgaria	Black Sea
Varna East	Bulgaria	not applic
Varna Ferry	Bulgaria	Black Sea
Varna Ferry	Bulgaria	not applic
Batumi	Georgia	Black Sea
Gardabani	Georgia	Azerbaijan
Krasni Most (Red Bridge)	Georgia	Azerbaijan
Poti	Georgia	Black Sea
Sadakhlo	Georgia	Armenia
Sarpi-Batumi	Georgia	Turkey
Kuchurgan	Ikraine	Moldova
Aktau Port	Kazakhstan	Azerbaijan
Korday	Kazakhstan	Kyrgyzstan
Lugovoy	Kazakhstan	Kyrgyzstan
Merke	Kazakhstan	Kyrgyzstan
Saragash	Kazakhstan	Uzbekistan
Shengeldy	Kazakhstan	Uzbekistan
Zhibek Zholy	Kazakhstan	Uzbekistan
Akhzol	Kyrgyzstan	Kazakhstan
Alamedin	Kyrgyzstan	Kazakhstan
Dostuk	Kyrgyzstan	Uzbekistan
Karaso	Kyrgyzstan	Uzbekistan
Torugart	Kyrgyzstan	China
Leushen	Moldova	Romania
Palanca	Moldova	Ukraine
Ungheni	Moldova	Romania
Albita	Romania	Moldova

<b>Name border crossing</b>	<b>Country</b>	<b>Inferfacing country</b>
Constantsa Ferry	Romania	Black Sea
Constantsa Ferry	Romania	not applic
Giurgiu	Romania	Bulgaria
Iasi-Cristesti	Romania	Moldova
Sculeni	Romania	Moldova
Siret	Romania	Ukraine
Dushanbe	Tajikistan	Uzbekistan
Fatahabad	Tajikistan	Uzbekistan
Kanibadan	Tajikistan	Uzbekistan
Karamec	Tajikistan	Kyrgyzstan
Nizhny Pranj	Tajikistan	Afghanista
Patar	Tajikistan	Uzbekistan
Post No 1	Tajikistan	Uzbekistan
Regar (Turzum Zade)	Tajikistan	Uzbekistan
Kapikule	Turkey	Bulgaria
Samsun	Turkey	Black Sea
Sarp	Turkey	Georgia
Farap	Turkmenistan	Uzbekistan
Sarakhs – not seen	Turkmenistan	Iran
Turkmenbashi	Turkmenistan	Caspian Se
Ilyichevsk	Ukraine	Black Sea
Ilyichevsk	Ukraine	not applic
Jagodin	Ukraine	Poland
Khutor Mikhaylovsky, Konotop, Zernovo	Ukraine	Russia
Kuchurgan	Ukraine	Moldova
Gisht Kuprik	Uzbekistan	Kazakhstan
Keles	Uzbekistan	Kazakhstan
Oybek	Uzbekistan	Tajikistan
Shumilova	Uzbekistan	Kazakhstan

The information collected about the processing time at the borders is based on a single observation. A consequence of this approach is that the annual average processing time at the border crossing posts can be quite different from this single observation due to trends over different (time) periods. Furthermore, only a sample of (important) border crossing posts is included. It is noticed that it was not the main purpose of this survey to collect the border crossing time. It can be concluded that the information gives an indication about the processing time at the borders, but it cannot be used as the average value of the processing time.

*Border crossing time and traffic: Trade and transport facilitation in the South Caucasus, Policy note on Armenia, Azerbaijan, Georgia - World Bank*

In this World Bank study data has been collected for a number of border crossings in each of the three countries, for Azerbaijan it concerns Astara, Red bridge and Baku. Information about the number of trucks passing the border and the average processing time per truck for a period of three successive days has been collected.

Although the applied approach provides a better estimate of the processing time compared to an approach where only information is collected for a single observation, the results can still be quite different from the actual average processing time due to different trends per period (for instance different patterns by month). Furthermore, the survey covers only a sample of the border posts for a limited number of countries.

*Reduction of average border crossing time due to harmonisation of procedures: Appendix 04, Border harmonisation procedures - HBCP*

In this appendix extensive and detailed information is presented on identified procedures at the road, rail and maritime border crossings and it contains recommendations on activities of the relevant services, documents to be used and time estimates for the processes. Especially the last item is relevant for this task, norms for the processing time that should be reached after implementation of the recommendations are given by mode and by type of transport (passenger and freight).

This information can be used to calculate the possible time savings of harmonised border procedures (actual average current processing time at the border minus processing time according to proposed norms).

*Value of time*

Specific value of time information for the TRACECA region has not been found. In the report "Feasibility Study for the Turkmenabat Bridge (Chardzew – former name), Turkmenistan" which is part of the Traffic and Feasibility Studies a cost-benefit analysis and project benefits are described. Unfortunately, no information about the value of time is included in this report, maybe VoT information could be found in the background information of this report.

For Western Europe several studies are available providing information about the value of time. However, this information can not be applied for the TRACECA countries since the value of time in these countries will be different compared to

Western Europe. It is recommended to carry out a literature analysis in order to find suitable value of time information. If this information can not be found, the value of time for the specific TRACECA countries have to be calculated.

### **Data availability – increase in trade**

In an ideal situation the following information should be available in order to calculate the increase in trade resulting from border crossing procedures:

- Total transport time (including border times) by main corridors and by mode
- Elasticity of increase in trade resulting from transport time savings by mode
- Information about the structure of the economy by country

Since the required data for calculating the time savings is not available, it is not possible to calculate other items - such as the increase in trade - that need the time savings as an input. In the next chapter recommendations will be given concerning data collection and how to calculate the increase in trade resulting from the harmonisation of border crossing procedures.

### **Recommendations for further work**

From the previous chapter it becomes very clear that the required data for the estimation of the benefits of the harmonisation of border crossing procedures is not or only partly available. As a consequence the proposed methodology cannot be applied for the moment. However, the application of the methodology would provide interesting and useable results:

- It would provide information about the effects of the harmonisation of border crossing procedures on time savings, accompanying monetary value, increase in trade flows and finally economic growth. Such an overview of the effects of the harmonisation of border crossing procedures could be used in order to convince different bodies of the benefits and of the need to implement the recommended procedures.
- The information could also be used for monitoring the situation. By estimating the current border crossing time and by estimating it again after some time the changes over time become visible. Without applying the proposed methodology it is difficult to know the changes over time. In general it is interesting to know these changes over time, but especially after implementation of the recommended border crossing procedures it is interesting to monitor the changes. Although it will probably take some time before the recommendations will be implemented, the information about the

current situation is also important because this serves as a reference to compare the future (changed) situation with.

Although the methodology can not be applied for the moment due to missing or incomplete data, it is clear that the method would provide very interesting results. Therefore, recommendations for further work necessary in order to be able to apply the method are given in this chapter. For some of the activities different options are possible. In these cases the different options are described, the selection of the best or most feasible option has to be made in a next step.

### **Border crossing traffic**

Information about the border crossing traffic is partly available, see the information collected in the "Traffic and Feasibility Studies" project. In an ideal situation the data should be complete; for all countries and for all modes. For this project all countries have been asked to collect the border crossing traffic, but for some reason some countries have delivered nothing or only part of the requested data. An analysis of the reasons why these countries have not provided the requested data might provide insight in these reasons, this can be useful input for determining how to improve the response of the different countries.

One option to collect complete information about border crossing traffic is to analyse the reasons why countries did not deliver the requested data and modify the approach based on these results. However, it will take quite some time before new results of a modified approach become available.

Another option to get complete information about border crossing traffic is to take all available information as it is and apply estimation procedures to fill the data gaps. An assignment procedure could be used to assign the trade flows onto the infrastructure networks taking the traffic counts on the links as restrictions. All information for such an approach is available from the "Traffic and Feasibility Studies", besides such an approach has already been applied for the year 1998 (see report "Traffic Forecasting Model").

In case data has been received from the member states, this information is used; in case no data has been received the results from the assignment procedure are used as an estimate. This way a complete overview of the border crossing traffic can be reached.

## **Border crossing time**

In the "Traffic and Feasibility Studies" project the Member States have been asked to provide information about the annual average border crossing time for freight vehicles and freight trains. It appears that very limited information has been provided. First of all it would be very interesting to know the reasons why this data has not been delivered. Secondly, if information about border crossing time is needed it would be better to ask the users (truck drivers, operators, ...) instead of the authorities in order to get a more reliable result.

Other sources are the survey performed in the HBCP Project containing single observations of border crossing times for a sample of border crossings covering all 13 countries and the World Bank study containing average border crossing times based on a three day period for the main border crossings in Armenia, Azerbaijan and Georgia.

Since complete information about average border crossing time covering all 13 countries is missing it has to be investigated how this information could be collected. In an ideal situation the average border crossing time would be based on multiple observations covering the whole year. In Europe this kind of information is collected by the IRU, daily and average statistics are compiled every day from information supplied by IRU national associates (see [www.iru.org](http://www.iru.org)). However, it is not expected that such an approach will be feasible for the TRACECA region. An option is to collect border crossing time following the method applied by the World Bank. The collection of average border crossing time based on a three day period is much better than a single observation. A disadvantage is that trends over the year are not covered by this approach. This disadvantage could be alleviated by repeating the approach a number of times in a year. If the approach would be repeated for instance every quarter, the results will cover trends over the year at least to some extent.

The approach should be set up in such a way that it can be repeated every year or every couple of years. By collecting information for different years it is possible to monitor the situation and analyse the changes and effects of different measures.

## **Possible reduction of average border crossing time**

The norms for the border crossing time after implementation of recommendations regarding border crossing procedures are available from the HBCP project. Once information about the current average border crossing time is available the possible reduction of the border crossing time can be calculated. The norms are equal for all countries and all border crossing posts in each country. More realistic time norms for



the specific border crossing posts in the different countries have to be determined together with border/customs experts.

### **Value of time**

A literature study has to be carried out to search for value of time information appropriate for the TRACECA countries. In case no information can be found, the value of time has to be calculated for the different countries and the different transport modes.

### **Estimation of time savings and accompanying monetary value**

When the four above mentioned data items are collected the estimation of the time savings and accompanying monetary value can be calculated according to the proposed methodology.

### **Total transport time by main corridors**

For the main corridors information about the total transport time has to be collected. The total transport time consists of loading time, transport time, border crossing time and unloading time. This information will be used to calculate the relative decrease of the total transport time due to the implementation of border harmonisation procedures.

In case no information can be found, the earlier mentioned assignment procedure could be used to estimate the total transport times.

### **Elasticity of increase in trade resulting from transport time savings by mode**

Information about the elasticity of increase in trade resulting from total transport time savings has to be collected. In other words: what will be the growth in trade when the total transport time decreases by 1%. A literature study has to be carried out in order to find relevant information on this subject.

### **Structure of the economy by country**

To relate the increase in trade to the increase in GDP, information about total trade by country, total GDP by country and the share of trade in total GDP by country has to be collected. A literature study has to be carried out to collect all this information. Furthermore, information about the relation between growth in trade and growth in GDP has to be searched for.

### **Estimation of increase in trade and GDP**

When the three above-mentioned data items are collected the estimation of the increase in trade and the increase in GDP due to the harmonisation of border crossing procedures can be calculated according to the proposed methodology.

## **TRACECA Overview**

### **The Central Asia Harmonisation of Border Crossing Procedures in the perspective of TRACECA**

**Seminar on Trade Facilitation and Customs Modernisation  
4 – 8 August 2003, Issik Kul, Kyrgyz Republic**

**Bernard TOUBOUL**

**Asia Regional Team Leader HBCP Project**

## **TRACECA OVERVIEW AND HARMONISATION OF BORDER CROSSING PROCEDURES ACHIEVEMENTS**

### **History**

The TRACECA Programme was launched at a conference in Brussels in May 1993 which brought together trade and transport ministers from the original eight TRACECA countries (five Central Asian republics and three Caucasian republics), where it was agreed to implement a programme of European Union (EU) funded technical assistance (TA) to develop a transport corridor on a west - east axis from Europe, across the Black Sea, through the Caucasus and the Caspian Sea to Central Asia.

The leaders of the partner states consider that the TRACECA route is of strategic importance, by assuring them of an alternative transport link to Europe. TRACECA stimulates competition between and with their previously exclusive route to the north, and newer alternative routes to the south. Furthermore, it is seen as complementary to their renewed commercial exchanges with the Far East, evoking the possibility of the ancient Silk Route becoming once again a major trade corridor.

The TRACECA programme has resulted in closer co-operation and dialogue among government authorities, which has led to agreements to keep transit fees at competitive levels, and efforts to simplify border crossing formalities. There have also been agreements to ship large volumes of cargo along the TRACECA corridor, recognising that this route is the shortest and potentially the fastest and cheapest route from Central Asia to deep-water ports linked with world markets.

The influence of TRACECA in the region is tangible, by way of frequent organised regional conferences and seminars, close interaction with the IFI programmes, the activities of TRACECA consultancy and direct investment projects, and growing use of the corridor by commercial shippers, particularly in the Caucasus.

### **Objectives**

**The EU offers this programme as an additional route that would complement other routes. The project corresponds to the global EU strategy towards these countries and retains the following objectives:**

To support the political and economic independence of the republics by enhancing their capacity to access European and World markets through alternative transport routes

To encourage further regional co-operation among the partner states

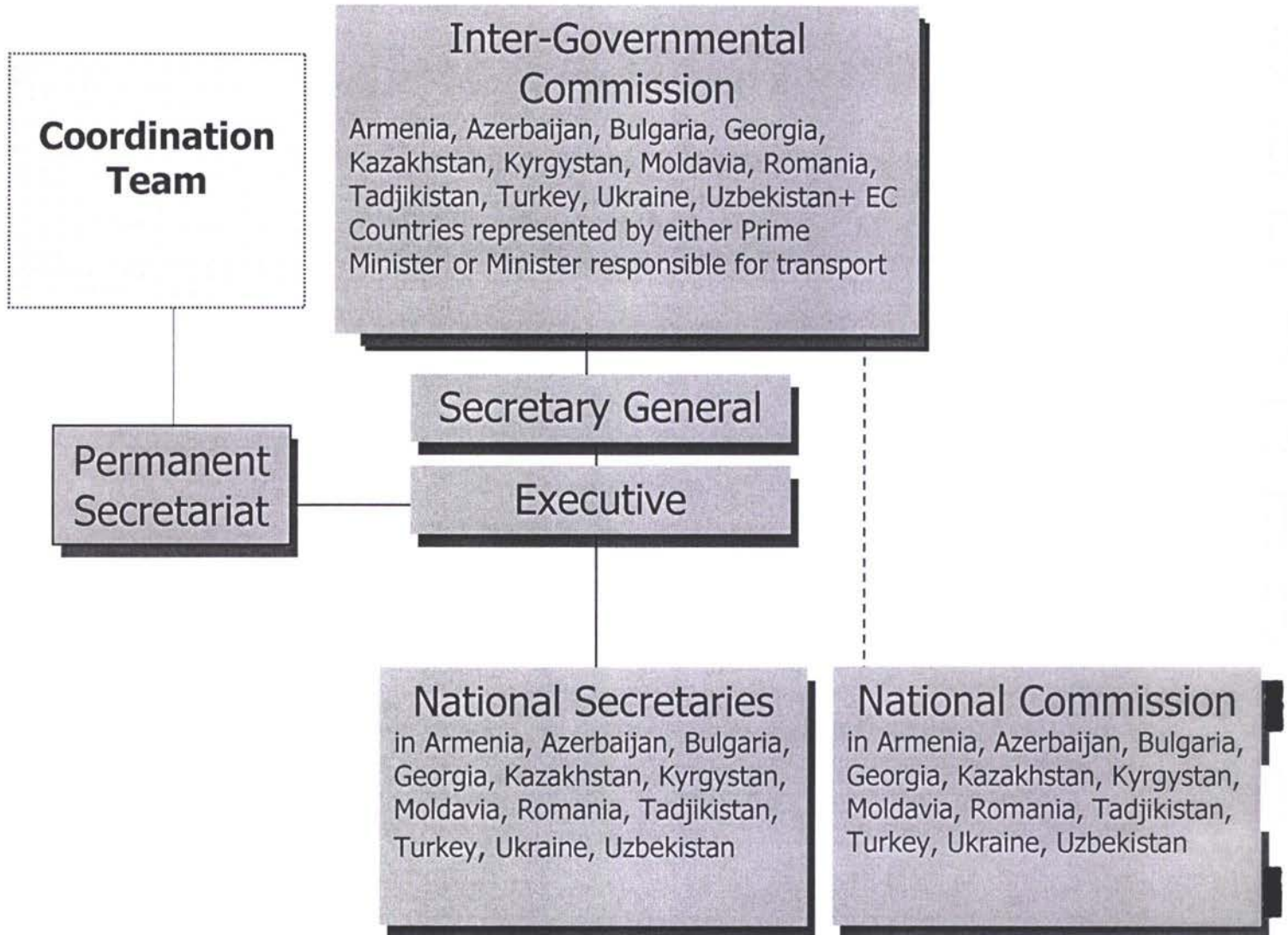
To increasingly use TRACECA as a catalyst to attract the support of International Financial Institutions (IFIs) and private investors

To link the TRACECA route with the Trans - European Networks (TENs)

### **Milestones**

- 1993 Azerbaijan, Armenia, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan
- 1996 Ukraine has become a full member of TRACECA
- 1998 Moldova has become a full member of TRACECA
- 2000 Bulgaria, Romania, and Turkey have become full members of TRACECA
- 2001 Start of the cooperation between UN ESCAP and TRACECA
- 2002 Afghanistan, China, Iran, and Greece interested in joining TRACECA

## Organisation structure



## **General outputs**

The technical assistance provided through TRACECA has helped to attract large investments from the IFIs, that include the European Bank for Reconstruction and Development (EBRD) who have made a number of commitments for capital projects on ports, railways and roads along the TRACECA route totalling over 700 MEURO, the World Bank (WB) who have made commitments for new capital projects on roads in Armenia and Georgia totalling over USD 40 million, and the Asian Development Bank (ADB) who have committed substantial funds to road and railway improvements. In addition, EU private investors are engaging in joint ventures with Caucasian and Central Asian transport companies. The EU is supporting the programme with other EC projects to further enhance regional co-operation and economic sustainability in the region such as the Southern Ring Air Routes project and the Oil and Gas Pipeline project (INOGATE).

To date the TRACECA programme has financed 39 Technical Assistance projects (57,405,000 EURO) and 14 investment projects for the rehabilitation of infrastructure (52,300,000 EURO).

The dynamic of TRACECA today is stronger than ever, as a corridor and as a broad movement for transport integration. The TRACECA acronym has been adopted by partner states and the press as a synonym for the movement to integrate their national transport systems with the rest of the world. The east-west corridor from Central Asia through the Caucasus into the Black Sea, and their linking with the TENs and other world-wide destinations, is a physically functioning reality, carrying substantial cargo. The integration and harmonisation of the regions transport regulatory environment with European and international norms is an on-going process. TRACECA is the principal vector of the European, and indeed of other international agencies, for the introduction of practices to reduce non-physical barriers to the movement of goods. UN-ECE, UN-ESCAP, WB and ADB are looking to the TRACECA projects to carry their message and introduce their working practices.

## **Current ongoing projects**

**Harmonisation of Border Crossing Procedures Description:** analysis of current systems and their implementation; setting up a working group attached to the National Commissions; investigation, proposal for harmonised list of controls and documents, that conform with international norms; model documents; training and assistance with reorganisation; creation of the institute of Customs Broker.

**Unified Policy on Transit Fees and Tariffs Description:** Determination of a unified policy and equitable levels for the imposition of road transit fees; promotion of cost accounting methodology; commercial analysis, and regional collaboration; examination of maritime fees, including port fees in detail, and to propose a commercially rationalised scale.

**Common legal basis for transit transportation Description:** The objective of this project is to provide guidance in the organization of a common legal basis for transit traffic in each *TRACECA* state. The objective of this project will be to

introduce modern technical standards conforming to those of the EU, for road vehicle characteristics and operations.

### **Synergy with other donors**

TRACECA and the HBCP Project have ensured that they work in close collaboration with all Donor Agencies and International Institutions such as:

**Asian Development Bank (ADB)**

**World Bank and its affiliates (WB)**

**European Bank for Reconstruction and Development (EBRD)**

**European Investment Bank (EIB)**

**Kuwaiti Fund**

**Islamic Bank**

**OPEC Fund**

**USAID**

### **EuropeAid**

#### **United Nations:**

UNESCAP – SPECA

UNECE

UNCTAD

WHO

UNDP

In the area of Borders Harmonisation, TRACECA combines its development efforts with International Funding Institutions to enhance cooperation, to minimise duplication and to maximise the utilisation of funds.

In the case of UNESCAP – SPECA, the HBCP Project Borders Management Recommendations have been officially accepted to be implemented within the SPECA countries.

In the case of the ADB, TRACECA and the HBCP Project ensures that there is close collaboration, the open exchange of relevant information and Project Presentations at significant conferences.

In the case of the World Bank, TRACECA and the HBCP Project work closely together and in Azerbaijan, Georgia and Armenia where they have amalgamate the work of the Trade Facilitation Working Groups.

In the case of USAID and UNDP, TRACECA has supported training seminars on borders management for Uzbekistan, Tajikistan and Afghanistan.

TRACECA is constantly supporting all efforts to combine work and results with other International Agencies both Institutional and Financial.



## The Harmonisation of Border Crossing Procedure Project

The project methodology and approach is in full compliance with the European standards of Project Cycle Management

The strategic objective is CREATING THE CONDITIONS FOR HARMONISED BORDER CROSSING PROCEDURES BETWEEN TRACECA COUNTRIES

The specific objectives are :

- Elimination of bottlenecks
- Harmonisation of legislation and regulations in accordance with international standards
- Promotion of harmonised and simplified procedures
- Fight against fraud
- Promotion of close partnership between agencies acting at the border
- Development of network for exchange of information

The methodology and approach structure follows :

- 72 Border posts Audits whose reports have been centralised in a **data basis** available on line on the TRACECA web site [www.traceca-projects.org](http://www.traceca-projects.org)
- Recommendations have been elaborated following a gap analysis comparing the current situation and a referential model of modern border crossing procedures harmonised first of all at the level of National border crossing bodies
- Set of recommendations designed to reach an "Ideal Border Crossing Procedures Level" in compliance with the international and European standards.
- Creation of the Border Crossing Working Group in each TRACECA country under responsibility of the TRACECA National Secretary
- For Approval on recommendations' objectives as an "ideal" reference scheme and user requirements analysis in terms of legislation, equipment, infrastructure, training, control procedures approach, IT developments and Information systems management

- Use of training material concerning:
  - Experience of other countries which have developed a similar programme of modernisation and harmonisation of border crossing procedures
  - Exchange of knowledge on the different aspects of the trade facilitation based on harmonised and modern border crossing procedures
  
- Working Group requirements analysis and prioritisation will imply the conditions for implementation of the approved recommendations
  - Gap analysis
  - Needs and requirements analysis
  - Required Resources appraisal
  - Technical assistance and fund rising policy definition
  - Implementation plan

**Cross-border Agreement on Transit between Kazakhstan and  
Kyrgyz Republic**

**DISCUSSION PAPER**

**Seminar on trade facilitation and customs modernisation  
4 – 8 August 2003, Issik Kul, Kyrgyz Republic**

**Bernard TOUBOUL**

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# **Cross-border Agreement on Transit between Kazakhstan and Kyrgyz Republic**

## **Introduction**

The Cross Border Agreement was originally developed in 1998 in order to facilitate the approval of the funding protocols for the Almaty / Bishkek road. Its compilation methodology was essentially to extract articles from the existing regional agreements to which the countries were both parties, rather than negotiating specific separate with individual ministries. Customs were not specifically involved in its development and the areas that caused most concern in finalisation of the Agreement related to transport matters, particularly axle loadings.

Many articles, included in the cross border agreement between Kazakhstan and the Kyrgyz Republic on the Almaty / Bishkek road, pre suppose the development of simplified customs procedures and transit facilitation. Nevertheless, the current situations shows a low level of application of such an agreement. the internal orders and instructions of the different interested bodies are not in compliance with such an agreement considerations

Following a feasibility study for a reform programme of customs in the Republic of Kazakhstan and the Kyrgyz Republic it could have been possible to analyse the cross border agreement concerning the principles of simplification of the border crossing procedures at the kazakh / klyrgyz border post of Kordai / Akhjol.

Nevertheless it must be said that many other regional bilateral agreements comprises the regional legal framework for border crossing and customs procedures in the region.

## **1) Current situation at Kordai / Akhjol border post**

Current situation of border crossing procedures at the border post of Kordai / Akhjol between Kazakhstan and the Kyrgyz Republic is enclosed in the Annex of the present document.

## **2) Analysis of the level of application : Comments on the Cross border Agreement on Bishkek / Almaty route**

### **Article 7**

The weight control are not combined between Customs and Police. A video capture system may simplify the capture and data and be shared as far as concerned by the different border crossing bodies. The equipment available are not operational. Only a luggage weigh machine is really provided for the passengers control

### **Article 8**

The bonded warehouses facilities are not provided in respect of the security and guarantee on the bonded goods.

**Article 9**

The roadside facilities are reduced to a duty free shop, cafeteria, but no real communication links, no medical facilities.

**Article 10**

The road signs and signals are very poor.

**Article 17**

Transport companies have to receive an agreement from the ministry of transport, ministry of trade to be licenced to act as an international trade carrier through the borders.

**Article 24**

The training is delivered in a 3 week session in Almaty training center for customs workers employed for less than 1 year. The training conditions are not satisfactory to enable any efficiency of the completion of border formalities. The turn over of the staff in border posts make difficult to receive training and be experienced enough in the routine procedures like TIR, Transit procedures management, safety search and control (safety on radioactive goods control or chemicals...)

The risk analysis management system is not integrated in the procedures practices. The 100% control system is still prevailing.

Passengers have still to go out of the buses and be checked at the passport control points and the customs control points to go back in the buses. During the passengers documentation controls

**Article 25**

The formalities on both sides of the border are not yet harmonised. The export data are not yet used as import data inputs basis.

**Article 29**

The lack in harmonisation and communication between the border crossing bodies and actors is one of the major source of inefficiency of the border crossing trade facilitation.

**Article 32**

The number of stamps required to release goods is up to 5 in Kyrgyzstan customs to which it must be added the other bodies numerous controls.

The process of customs control is represented in the annex 4.

**Article 33**

All the border crossing bodies are not equipped with automated devices. Customs procedures are not automated. Communication links are established with the Bishkek regional customs house by post or email when possible.

The customs declaration is the Russian based one very compatible and similar with the European SAD (Single Administrative Document).

### **Article 34**

The payment of customs duties and taxes may be carried out at the customs cashier till 80000 Som or at the bank or treasury office. The payment is done in exchange of a customs receipt delivery. The duties payment is managed at the level of each post and retransmitted to the regional and central customs service office.

### **Article 35**

A customs convoy system is in place to cover the transit of goods from the border post till the customs point of delivery of goods inside the territory.

In practice the convoys fees have been cancelled but in practice some fees are still imposed to the traders.

The alternative of a bank guarantee to cover duties and taxes engaged, is not developed nor promoted by customs authorities.

### **3) The main causes of inefficiency of the CBA implementation**

- Poor information technology and communications infrastructure,
- Visible and invisible barriers to trade such as placement of goods at payable temporary warehouses, inspection of transit goods, multiple weighing, customs deposit and/or customs supervision of non excised goods and, non harmonised border crossing bodies activity,
- Difficulty of customs to accept and manage change and quickly adapt procedures to keep up with economic change and technological development,
- Lack in knowledge in modern customs management techniques,
- Lack in understanding of the economic role of customs.

Then, many operational barriers could have been pointed out such as:

- Not elaborated provisions for implementation of international and regional multilateral and bilateral agreements,
- Out dated legislation not yet fully in compliance with WTO and WCO standards,
- Lack in legal transparency with co-existing national orders and instructions and customs code,
- Lack in adequate infrastructure and resources,
- Lack in control and investigation equipment, legal power and methodology,
- Out dated automated processing system and outdated technology or even a total lack of automation,
- Low staff expertise and customs qualification due to a low level of training,
- Lack in risk analysis management and predominance of empirical selectivity criteria of control,
- Corruption,
- Non reliability and non consistency of the customs control procedure i.e. non equal treatment of the economic operators,
- Heavy and time consuming paper load procedures,
- Lack of cooperation and coordination with other border crossing bodies,
- Co-existing of bureaucratic hand made and partly or even not at all computerised processing.

#### **4) Recommendations**

- regional approach to issues : integration customs and economic policies, tariff harmonisation, non tariff and tariff integrated system
- border crossing approach of the border crossing issue (coordination of the TRACECA trade facilitation working groups of Kazakhstan and Kyrgyz Republic to deal with the possible application of such an agreement)
- unification and centralisation of border crossings instructions and orders
- single window shop and single stop on each side of the border kordai / akhjol
- dissemination of the routine legal frameworks to the traders
- common training on transit procedures, TIR, customs techniques,...
- improvement of equipment and infrastructures of border posts
- enhancement of the single window principles
- transfer border controls to post clearance controls
- adopt compliance model profiles
- implement risk analysis management systems

Annex. Border Crossing Procedures Audit of Korday/Akzhol Border Point.





KYR-VRO-ROD	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Passenger Car Outward	1	Traffic Police / Automated Inspectors	Located approx 150 metres from Border Control Zone check cars on a random basis	License	1 min	Relatively efficient border in terms of transit speeds and minimal delays, no Border Queue present. Congestion can occur due to impudence of drivers who come up the inward lane, this blocking facility. Delays occur due to the longer procedures on the Kazakh side meaning that cars back up through the Customs Security Zone	
KYR-VRO-ROD	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Passenger Car Outward	1			Car Documents	1 min		
KYR-VRO-ROD	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Passenger Car Outward	2	Customs	Enter Customs Control Zone. Drive slowly past Customs Inspectors who stop and check on a random basis. Drive to Kazakh Border Guard Control		1 min	Relatively efficient border in terms of transit speeds and minimal delays Sequence 2 and 3 could result in delays if strictly enforced	
KYR-VRO-PCI	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Passenger Car Inward	1	Customs	Enter Customs Control Zone from Kazakhstan. Drive slowly past Customs Inspectors who stop and check on a random basis. Exit Customs Control Zone		1 min		
KYR-VRO-PCI	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Passenger Car Inward	2	Environmental	Barrier after 100 metres. Theoretically all cars checked except loads known to have certificate (in practice some Kazakh and all foreign). Exhaust emissions checked. Certificate issued K/y/y/g for 3 months (\$1) and non K/y/y/g for 3 days (\$3)	Environmental Certificate	5 min		
KYR-VRO-PCI	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Passenger Car Inward	3			License	1 min		
KYR-VRO-PCI	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Passenger Car Inward	3			Car Documents	1 min		
KYR-VRO-PCI	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Passenger Car Inward	3	Quarantine	Random Checks on risk assessment basis		1 min		
KYR-VRO-PCI	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Passenger Car Inward	3	Ministry of Internal Affairs	Check passports and issue registration for foreigners. Use random selector methodology	Passport	5 min		
KYR-VRO-TO	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Truck Outward	4	Traffic Police / Automated Inspectors	Located approximately 150 metres from Border Control Zone. All trucks checked	License	3 min		TIR enables fast clearance but other vehicles also reasonably fast as have been pre-processed in Bishkek. Inward and outward drivers mix in processing area. Convey system leads to artificial peaking effect. All of the ancillary services outside the Customs Security Zone involving minor delays
KYR-VRO-TO	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Truck Outward	4			Truck Documents	3 min		
KYR-VRO-TO	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Truck Outward	4	Kyrgyzstani	Trucks checked for Operator Licences & Consignment Note	Operator License	3 min		
KYR-VRO-TO	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Truck Outward	4			Consignment note	3 min		
KYR-VRO-TO	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Truck Outward	4	Quarantine	All trucks stopped to check whether need certificates	Phytosanitary Certificate	5 min		
KYR-VRO-TO	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Truck Outward	4	Ministry of Internal Affairs	Check passports	Passport	2 min		
KYR-VRO-TO	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Truck Outward	4		Electronic arrival at border documents are processed at the customs in Bishkek, including preparation of Customs Declaration by Customs Infrastructure (Block). Trucks often conveyed from Centre Terminal or Terminal in Bishkek	TIR Carnet or Cargo Declaration	15 min		
KYR-VRO-TO	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Truck Outward	4	Customs	Truck parks in border terminal. Driver brings documents for registration (vehicle entry - exit, origin, signposting, goods, Border Post name and date, regime, Export, Transit/Commodity and code/foreign/vehicle/Carnet/Declaration reference, not-inspector no., Chief Inspector's name and signature) and return office to stamp documents. Driver returns to truck and drives to end of Border Control Zone	Invoice/Contract/Certificate of Origin Consignment Note	Computers limited to Customs Blockers in Central Customs. Computers at border only to type up registers 30 min		
KYR-VRO-TI	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Truck Inward	5	Customs	Driver drives from Kazakh post to adjacent terminal, then takes documents across to Customs office for initial document check. Documents registered by Chief Inspector	TIR Carnet or Clearance Authority Note Cargo Declaration	15 min TIR		
KYR-VRO-TI	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Truck Inward	5	Customs	Some companies have special approval to prepare Cargo Declaration and following document check an interim inspection is made. Truck then allowed to proceed independently. TIR trucks are registered and seal checked. If OK, allowed to proceed independently	Invoice/Contract/Certificate of Origin Consignment Note	No Computers at border except to list register 1-50 hours special		
KYR-VRO-TI	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Truck Inward	5		Most registered and wait for convey to Bishkek Terminal - approx 12 kms away where they will be cleared. Vehicles leave border terminal and Customs Control Zone	If company need legal entry Documents May need other certificates depending on type of cargo	1 hour normal but dependent on availability of convey		
KYR-VRO-TI	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Truck Inward	6	Environmental	Barrier 100 metres from border. Check has environmental Certificate for truck. All trucks checked except loads known to have certificate. Exhaust emissions checked. Certificate issued K/y/y/g for 3 months (\$1) and non K/y/y/g for 3 days (\$3)	Environmental Certificate	5 min	TIR enables fast clearance but other vehicles have to be conveyed to Bishkek resulting in some congestion and delays. Inward and outward drivers mix in processing area. Terminal is too small to accommodate all traffic resulting in congestion back into Kazakh post. Drivers have to cross passenger processing lanes to reach processing offices. Convey system leads to artificial peaking effect. All of the ancillary services outside the Customs Security Zone with some delays	
KYR-VRO-TI	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Truck Inward	6	Traffic Police / Automated Inspectors	Located approximately 150 metres from Border Control Zone. All trucks checked	License	3 min		
KYR-VRO-TI	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Truck Inward	6			Truck Documents	3 min		
KYR-VRO-TI	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Truck Inward	6	Kyrgyzstani	Trucks checked for Operator Licences & Consignment Note	Operator License	3 min		
KYR-VRO-TI	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Truck Inward	6			Consignment note	3 min		
KYR-VRO-TI	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Truck Inward	6	Quarantine	All trucks stopped to check whether need certificates	Phytosanitary certificate	5 min		
KYR-VRO-TI	AH729	Kyrgyzstan	Kazakhstan	Korday	Road	24 hours	Truck Inward	6	Ministry of Internal Affairs	Check passports and issue registration if foreigner	Passport	2 min		

**The Central Asian Transit Challenge**

**DISCUSSION PAPER**

**Seminar on Trade Facilitation and Customs Modernisation  
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# **The Central Asian Transit Challenge**

## **Introduction**

Transit issues in Central Asia has been well documented for the last years. From the independence time 12 years ago, the delimitation of the border lines has been difficult and even conflictuous, the restructuring of the rail, road and, in general, the transport sector has raised obstacles and problems. Being mainly landlocked economies, the Central Asian Republics turn back to the transit facility to gain a comparative advantage to support an industrial potential which still remains low.

Nevertheless, State control and enforcement bodies still focus their attention on the physical quantity and quality control of goods, the fight against smuggling and contraband, the severe control on excised goods. The fiscal and economic mission of the customs authorities appeared around ten years ago within the introduction of the liberal framework required by the market economy model.

Transit take a huge importance within the trade facilitation framework but in the same time is a source of considerable issues and obstacles.

The competitiveness of economic operators is at stake as well the competitiveness of the economy. The current challenge is important on a national as well as regional level in the framework of the international economic integration and foreign investment attractiveness for further trade development and then the purchasing power of the final consumer.

### **I. Current situation**

The current scenario of transport, transit and trade widens for the Central Asian States, the gate to China in the East, as well as to Europe in the Far-West and Pakistan in the South, in line with the new reality of trade and transport in the Central Asian Region. In the recent past, Central Asia's infrastructures were an integral part of the Soviet network and therefore primarily developed towards outlets in the North. Railways were the dominant mode of freight transport, reflecting the central planning emphasis on raw-material oriented industries. Today, the five Central Asian Republics, the new land-locked economies of the post-soviet period, instead have to cope with the challenges of new Euro-Asian trade, which requires a system of modern, demand-responsive logistics from East to West, with road transport and transit system as the most efficient partners.

Since independence in the early 1990s, Europe became a major trading partner and outlet for the Central Asian States. Increasingly, major import/export traffic runs over long distances to the market economies in the West, rather than to traditional trading partners in the former Soviet neighbourhood, regardless of prevailing transport bottlenecks along this corridor.

Nevertheless, inter-republican and CIS trade remains very important for other countries in the region, accounting for still around 50 per cent of the supplies in most

of the Central Asian Republics. However, also inter-republican trade suffers from transport difficulties at border crossings as well as in transit.

Again, looking East, one can see great traffic potentials looming in neighbouring China, ready to profit from the benefits of a reconstituted and operational silk road. Common understanding has been reached to overcome existing and future bottlenecks on the new Silk Road, in order to promote and sustain further growth in both East-West and inter-republic exchange. To make the new silk road attractive to shippers and transporters, however, calls for the development of a cost-efficient and demand-oriented transport system which addresses the total distribution problem from the start to final delivery, including the organisation of the interface between the road and other mode of transport (railways, ferry services). Sustainable progress in transport and transit may be brought about by different intervention measures:

- strategic capital investments,
- adoption of new technologies,
- harmonisation, simplification and standardisation of operations and procedures.

Also, an irreversible development in international transport worldwide has been the use of the container.

The countries participating in the silk road traffic therefore need to speed up efforts towards the acquisition of sufficient expertise, physical structures and facilities to implement standardised load concepts, including container through-services in international trade and transit.

For China, as well, it has been the recognition, that a Euro-Asia land bridge is substantially shorter and therefore potentially more economical than alternative maritime connections (by at least 6000 km). For instance, the realisation of a land bridge to Europe via Central Asia has been for a long time in the project pipeline of the Chinese Ministry of Communications. The enormous progress of construction and rehabilitation works observed in the neighbouring Xingjiang Autonomous Region of China, clearly underlines the country's commitment to the project.

For the land-locked Asian Republics, again, it has been the growing awareness, that economic growth has been infrastructure driven. The timely provision of transport, handling and warehousing facilities is the forerunner of economic development. For Europe, finally, it is the commitment to promote the development of East-West trade relations and exchange, thus helping to eliminate the disparities between the western economies and the newly independent CIS countries, providing also better access to Central Asian markets and resources base.

Since independence, the relative importance of the different overland transport modes has changed significantly. Indeed, freight volumes carried by the railways declined dramatically in the whole of the CIS countries, while road haulage won an increasing market share. In the growing consumer societies of the CAR countries, road transport is also the ideal mode of transport for local collection and distribution of freight over short and medium distances. Finally, on many transport relations,

road transport can offer unbroken door-to-door services, while railway transport is necessarily broken transport with associated risks and costs of transshipment.

The share of road in total traffic will continue to increase. These growth perspectives for the road sector represent a challenge for both network, and for service providers. Nevertheless, the road transport system remained deficient in many ways. Typical shortcomings are a poorly developed road haulage industry, low road standards and/or poor road conditions due to a backlog of maintenance, as well as a lack of road-side services and inter-modal terminal facilities, although with great differences from country to country. Furthermore, the former Soviet Union did not adapt its transport system to the standards of the International Standards Organisation (ISO).

The objectives of road up-grading and transport facilitation are, regarding the overall objectives of infrastructure improvements and transport facilitation, are mainly:

- To ensure adequate road standards and facilities,
- To assure the free flow of goods, passengers and vehicles,
- Create a rational environment for modern logistic operations,
- Minimise the costs of transport and transit,
- Guarantee easy and equal access to the silk road corridor and its facilities for all participant States,
- Overall, contribute to a balanced economic growth of the different Central Asian Republics.

The results achieved in Europe with regard to the development of international transit arterials and international land transport facilitation, however, may be taken as encouragement. In the field of transport facilitation alone, for example, all road permit and quota regulations have been abolished within the member countries as of 1 January 1993. This freedom to provide services extends since 1996 even to the right of "cabotage". Altogether, the Single European Transport Market testifies of the remarkable consensus reached by the member States.

## **II. Simplification of transit as challenge for transport and trade development**

The Central Asian participating countries are regularly invited to adhere to the various agreements and ratify them. In fact, the Central Asian States have joined selected international conventions and agreements but separately and without any uniform regional consensus. Furthermore, problems still exist with putting into place sufficient implementation and enforcement mechanisms at national, bi-lateral and regional level because of mainly:

- Lack of regional approach to issues : integration customs and economic policies, tariff harmonisation, non tariff and tariff integrated system,
- Lack of border crossing approach of the border crossing issues: issues are considered on each single State body point of view instead of a common

cross border approach considering the common and combined interest of each of them,

- Lack of transparency in secondary level of legislation manifested by multiplication and diversification of border crossings internal instructions and orders from every body of each country,
- Absence of initiatives promoting single window shop and single stop principles,
- Lack of dissemination of the routine legal frameworks to the traders,
- Lack of common training on transit procedures, TIR, customs techniques, inspection methodology, etc.
- Poor information technology and communications infrastructure,
- Difficulty of customs to accept and manage change and quickly adapt procedures to keep up with economic change and technological development,
- Lack in understanding the new economic role of customs.
- transfer border controls to post clearance controls
- Lack of due diligence and compliance profiles model
- Absence of risk analysis management and systems

Definitely, the transport planning remains one of the most important means of regional, trade and economic planning, and keeps based upon:

- Firstly, equal distribution of foreign assisted transport investments among the CAR and other participant countries to avoid or reduce regional development disparities.
- Secondly, efficient and cost-effective transport as the key to successful foreign trade. This is rather evident for Central Asian exports to foreign countries, which are largely resource-based materials or semi-finished products such as cotton, minerals, grains, crude oil, gas and coal, furs and skins. Those transport goods are highly transport costs sensitive, and competitive pricing of these commodities requires low transport costs. Last but not least, free transport flow is required in order to compete with other suppliers active on the world markets, in terms of punctuality and quickness of response.
- Then, objectives of road improvements and transport facilitation need to be achieved in a multilateral, regional and bilateral framework.

As testified, the current transit situation cannot be said efficient nor effective in the Central Asia region. Conditions are not attractive to move goods through and within the Central Asian countries for different reasons. Mainly the transit systems provided separately in Central Asia do not offer:

- a required transport security for goods, vehicles and drivers,
- a required safe cover of duties and taxes on in transit goods for the national budgets of the in-transit countries,
- required national transit management systems to discharge and reconcile information on the goods from the point of departure, through the points of passage and to the final point of destination.

- reliable discharge of the goods declared for clearance at the final point of destination and the discharged transit documentation

In other terms, those problems are usually in:

- loss of transit goods during the transit movement through countries
- loss duties and taxes related to the in transit goods not finally discharged
- waste of time due to multiple controls and inspections by numerous State bodies in each country with break of seals and handling of goods
- waste of time at border crossing points for running the customs formalities
- unpredictability on effectiveness of the movement of goods

### **III. The main categories of frauds**

The majority of frauds are committed on sensible goods such as excised goods. In addition to traditional frauds, such as false declaration of goods and smuggling, the transit system is open to more sophisticated, categories of frauds. The different categories of frauds listed below point out that one of the main causes of frauds is the paper based exchange of documents. Effectively, lessons learned from the EU experience of transit systems show that the cause of frauds are in order or priority:

- Elaboration and exchange of paper documents,
- Length of time for discharge of transit operations,
- Principal's responsibility in matter of guarantee and lack of control on guarantees,
- Elusion of the procedure and false declaration of goods.

The main categories of fraud may be listed as follows:

**1. Non-completion of transit procedures :** Goods fraudulently unloaded during the route and sold on the market somewhere between the customs office of departure and the office of destination. As no binding itinerary is generally prescribed, the vehicle can transit anywhere between the border points. Given the long period of time (months) required to put in place controls among national administrations and between national administration, this category of frauds generally remains long unknown. The use of container will considerably improve the situation concerning the risks of transshipment and the security of goods in transit. Many technical tools already exist to secure the goods through border video capture with electronic data seize and management, electronic seals, etc.

**2. Fraudulent completion of transit procedures:** Settlement of shell companies acting as consignee: enormous profits originated by a single fraudulent transit movement potentially justify the settlement of a company for one single fraud. These companies often go bankrupt before the payment of excise and duties and taxes. The regional exchange of intelligence information and data is essential to confine and fight this kind of crimes and frauds.



**3. Stamp forgery or use of stolen stamps:** the transit operation is cleared using false or stolen or counterfeited stamps. The most efficient way to reduce this kind of fraud remains the technique of random controls on paper documentation owned by the principal and dissemination of printed evidence of official stamps from each regional country may prevent such a case. Nevertheless, mutual recognition of seals and stamps between the regional customs is essential.

**4. Declaration and document forgery like False TIR Carnet:** Lessons learned from the European experience show that TIR carnets are used as guarantee and then generated a secondary market in forged TIR carnets has been created in various European Member State and Visegrad countries. The regional exchange of information and data is essential to confine and fight the risk of transit and transport document forgery as well as the mutual recognition of transit, transport and customs documentation between the regional bodies.

**5. Involvement of State officials:** corruption may be collusive or provoked by threats. Requests for unofficial fees to accelerate the process, arbitrary and unofficial simplified channels and/or uncertain special privileges for selected companies. the reliability and confidence in investing in the economic context of the Central Asia Region will be highlighted with the automation and EDI used for reducing the opportunities of irregular, illegal and/or non-transparent practices in return for compensation. Information and communication campaigns of the subject would be the first initiative toward establishing a transparent climate for trade and foreign trade development.

**Eventually, traders unsatisfactory daily business with State inspection bodies is the background on which most of the fraudulent practices take place :** Traders are unsatisfied of their connection with State inspection bodies and complain that their needs are scarcely taken into consideration. The daily contact with is made difficult by the existence of many different State inspection bodies to deal with at the border points and on the transit route even in the same country. Also, they have to interface with a lot of different information systems and international trade procedures, because of lack of homogeneity, traders have to face different levels of performance. Definitely, the adoption of Memoranda of Understanding between the customs administrations, more generally the cross border bodies, and traders is given a high priority. Systematic dialogue between the business community and the State inspection bodies to promote the climate for foreign investment attractiveness and trade development. Trade Facilitation and Customs Consultative Committee comprising representatives from national trade organisations and representative groups and other involved government bodies should be in place in every regional country and meetings should take place on a regular basis to build up the international trade framework in consultation with each other . Such an experience is initiated within the TRACECA project of Harmonisation of Border Crossing procedures between Kazakhstan and Kyrgyztan as a pilot project.

## IV. Main issues and recommendations

### 1. Consensus for accession to the different conventions and agreements by all the regional countries

The facilitation and simplification of transit call for the recognition of each others' standards or an agreement on common rules, techniques and standards. The basic principles and measure of intervention are contained in multilateral transport and trade and customs conventions and framework agreements, most of them administered by the UN Economic Commission for Europe (ECE), WCO, WTO and others. The Central Asian States have joined selected international conventions and agreements but separately and without any uniform regional consensus. A Regional Integration should induce a regional consideration of the national interest in each Convention and agreement in which each one of the Republic participates. The development of the Eurasia Cooperation Organisation and the Eurasia Economic Union would stress the achievement of a consolidated and effective customs union integrating the Central Asian Republics as a sub region of different wider regional zones.

For this purpose it should be figured out the idea of a **compensation financial organ** to make the customs duties as part of a "common or transferable" budget instead of the only national budget of the country of consumption. As the example of the European Union, the customs duties budget is a community budget. and not a national one. For the transit purpose, it would not be necessary to cover the duties and taxes by a covering guarantee for the in transit countries, the guarantee would cover the only duties and taxes at stake in the final destination and consumption country but established and managed from the country of departure.

The introduction of practical and correctly and effectively implemented regulations concerning the temporary import of goods, as for example, the samples required for international exhibitions, trial testing and commercial meetings are of great importance enabled by the so-called ATA convention. Again, this is an important issue to settle in countries like the CAR which need to organise business promotion activities and business.

Furthermore, the regulation of the transport of dangerous goods, the safety of which is of major concern as a consequence of risk of heavy accidents may occurred with dangerous, radioactive goods carrying vehicles. Important construction measures required in this connection include the provision of "safe havens" (special parking facilities) as well as special routes for heavy, dangerous traffic by-passing urban agglomerations. Once again, satisfactory regulatory framework is proposed by the European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR) negotiated within the United Nations. So far, the ADR Agreement is widely ignored by participant countries except Kazakhstan who is signatory members.

Also, the agreement on standard border control procedures, for health-checks or quality inspection of freight. A reference code of good practice has been developed in form of the International Convention on the Harmonisation of Frontier Controls of

Goods (1982). Supplementary, an Agreement on the International Carriage of Perishable Foodstuffs (ATP) has been developed within the United Nations. We know, that food and fruit processing offers good opportunities for the Central Asian export industry. Since this convention has been ratified by all European countries, therefore, compliance is indispensable for the development of a sound export practice from the CAR countries in particular with regard to food products. Only, Kazakhstan and Uzbekistan are signatory members.

## **2. legal framework and provisions for implementation of conventions and agreements**

The legal provisions for implementation of the different regional customs codes and such conventions or transit agreements are not really elaborated and often counteracted by local instructions and orders even contradictory to each other. Transit operations are not predictable in terms of costs, feasibility, profitability and sustainability for the economic operators. This point would be added to the already prohibitive costs of transport due to the level of infrastructures. Definitely attention should be paid on the required unification, centralisation and dissemination to the traders and public institutions, of all the legal customs and border crossing instructions, acts and protocols of agreement concerning the routine procedures implementation, in force in the Central Asian Republic. The current regional framework of upgrading the customs code to international standards and best practices should aim at concentrate the efforts to harmonise, simplify and alleviate them. In the same time, the customs regime of transit should be harmonised through the different regional codes

Also, the elaboration of the provisions for implementation the various conventions and agreement by the different bodies of each country should give rise to a regional transit procedure guideline to be disseminated as far as concerned to the traders.

## **3. Network and common approach Formulation, Design Standards and Vehicle Dimensions**

The movement of land transport is predicated upon the availability of adequate infrastructure including a road and rail network which is well connected and meets minimum design standards and requirements. If, for example, one of the policy objectives is to realize the inherent inter-modal and other advantages of containers then roads, bridges and tunnels have to be designed and constructed to standards which allows their transport. Closely linked to the design standards of roads and bridges are domestic regulations on permissible vehicle weights, dimensions and loadings. Clearly, the lowest allowable weights, dimensions, and loadings of the countries through which a vehicle commences, transits or ends its journey will affect the overall load which a vehicle can carry. In addition to vehicle weights, dimensions and loadings there are also safety issues of concern which are related to technical construction standards of vehicles, roadworthiness and whether the vehicle is left or right hand drive. In cases where there are gauge differences in railways, transshipment facilities for containers need also to be provided.

The harmonisation of technical vehicle standards, of road signs and signals should be set up as an agreement on a standard transport contract, with the final aim facilitating road safety at country level as well as the settlement of disputes

#### **4. Infrastructure Facilities and Services at Border Crossings**

The absence or low volumes of cross border truck transport in Central Asia has not warranted

the provision of adequate infrastructure facilities and services at border crossings. As volumes increase however, there is a need to upgrade facilities such as offices for the agencies responsible for implementing inspection and control measures, warehouses, road widths on the approaches to the border, vehicle parking areas (with hard surfaces), reliable electric power sources and telecommunications services.

Procedures can be harmonised to maximum efficiency, but if the infrastructure is incapable of coping with these procedures, then the results achieved will be of a limited nature. Funds have to be allocated under the various donors' programmes to radically improve the roads and main border crossing points in the next years and shall provide adequate border facilities and related installations needed for road transport and cargo control. Measures will be taken in order to integrate the border control facilities with a view to introduction of a "single stop" combined Customs and border crossing control services in each direction.

#### **5. Road Signage**

Poor road signage, signs that are not recognized internationally and signage written in a script which is not familiar to foreign drivers affect road safety and increase transport costs because of extra running on wrong routes, the need to employ the same drivers each time or the use of "routemasters" to map-out routes for company trucks. Similarly harmonized traffic rules and regulations are required to ensure safe movement of international road transport.

#### **6. Traffic and transit Rules and practices**

The provision of transit rights for goods does not necessarily provide transit rights for vehicles. Ideally, efficient transport transit requires no transshipment of goods at the border (that is, foreign vehicles are allowed to transit through the country), no routine customs inspection of the goods, no routine multiple and arbitrary inspection of goods at internal control points, no customs bonds or unrecoverable guarantees, no customs escorts, no transit restrictions due to eventual transit road permits and quota regulations (allocated and negotiated by nationality ) and of course, no arbitrary transit fees. In the regional Central Asian countries, however, some or all of these provisions are not in place. Observance of such provision is nevertheless the first performance indicators of the required quality of a harmonised and simplified regional transit

The development of professional organisations and association such as customs brokers associations, freight forwarders association, the establishment of an national

and regional-wide motor insurance system, professional federations at both national and then regional levels would be enable :

- an increase of international trade education and qualification,
- a better economical approach to transit operations,
- a better access to legal and procedural information,
- the possibility for the client to deal with only one interlocutor ,
- the possibility for the State bodies to deal with professional well informed of the current legal situation in terms of transit and transport.

An idea has been developed and implemented in Central Europe to create a Border Crossing Single Document used as a common border crossing check fiche, regrouping the outputs all border crossing activities. All the steps of checking and control from the different bodies are mentioned and filled in by each party on the same document. Between Bulgaria and Romania, the project of data sharing between customs and border guards of each country has already been concluded and would be extended to data sharing between countries.

An other idea to support the simplification of documentation would be the creation and utilisation of a combined transport / customs document, mutually recognised as basis for customs declaration processing knowing that the CAR keep on working on the accession to the ECMT convention since ECMT is called upon to consider the membership of the CAR and their participation in the ECMT Multilateral road quota system.

## **7. Collaboration and harmonisation on border crossing and transit Procedures and Practices between Officials within and among countries**

The time zones adopted by neighbouring countries in Central Asia are sometimes different. Similarly, the working hours of a number of inspection and control authorities at border crossings are different. Common time zones and working hours can clearly improve the productivity of processing cross border traffic. Increased coordination in inspection and control measures, including overlapping responsibilities and duplication of inspection of documents is another area which affects productivity. In these respects, movement towards "single window" control can reduce processing time considerably. A further vision which can be looked towards is a "single stop" control with joint inspection and control by authorities on both sides of the border at the same time.

## **8. Rationalisation and harmonisation of the transit procedures**

The rationalisation of the customs transit system, aiming at the reduction of customs inspections, the simplification of declarations, including all along the regional Central Asian Republics, the mutual recognition of customs seals, stamps and documentation, which is a matter of utmost importance with regard to the introduction and improvement of container services. A common recognition and understanding of documentation by officials would be improved through a first simplification and harmonisation step. Standardization and harmonization of the various documents, trade terms, commodity classification systems and units of

measurement can make a major contribution to increasing the understanding not only of officials involved in inspection and control at borders but also of the other actors involved in international trade transactions. This increased understanding can reduce document processing time, define the duties and responsibilities of actors clearly and provide a firm basis for more efficient practices such as electronic data interchange (EDI).

In fact, opening the container or the truck cargo at one of the transited border stations or at an inland point means to offset all the advantages of a containerised and transit cargo chain. A reference is to the solutions proposed by the TIR System, based on the UN Customs Convention on the International transport of Goods under Cover of TIR Carnets, 1975, which basically has been adopted by all CAR States but not always ratified and implemented. Increase of trade volume, development of far and long distance foreign markets trade and the improvement of transport providers' qualifications and competitiveness would be joined to the efforts of harmonising the customs transit regime and application of the TIR Convention and routine procedure. As a comparison, in Europe, 80 per cent of all Central European border-crossing truck movements today are operated under coverage of the TIR system. Of course, the accession to the TIR Convention requires the establishment of a well functioning mechanism to cover duties and taxes at risk during transit.

Also, a specific stress should be put on the consideration of the well known regional "Private Cargo Business" offering in all the region the possibility for private people to buy in a country, transport and transit crossing the borders and sells goods on local national (popular) markets. Those goods are not considered as commercial cargo due to a large tolerance in value and volume granted by the local customs authorities normative acts and practices but constitute a huge part of the regional and local transport and transit activity.

A common approach and official agreement of the "cross border local private trade" between the CAR should be highly recommended to improve the competition conditions for the local legal commercial entities in terms of distribution of tax burden and to create a standardisation of the local trade markets on a regional scale.

Eventually, the transit is a privileged customs regime and a favourable transport opportunity. The European experience shows that the basic backbones of the European transit system relies upon :

- economic operators' compliance,
- transporters' compliance,
- vehicle certification compliance,
- financial guarantee,
- efficient system of transit procedure discharge and guarantee release.

Such aspects must be highly taken into consideration in the framework of a regional transit system development. The final objective would be to create the conditions and to implement the required actions to adopt a Common Transit Regional System with the corresponding procedural provisions and necessary communication and dissemination strategy.

## **9. Broad based customs modernization and reforms on background of Information and Communication Technology (ICT)**

In the Central Asian countries, the level of automation and computerisation is variable from one country to another, from one country region to another one. Procedures are run out partially by automated systems or not at all in some of the CAR, implying hand-made registrations, unreliable statistics elaboration, lack of efficient management tool, difficult risk and offences or frauds analysis. Between border crossing, often similar data are seize many times with a risk of mistakes, and contradictory attitude, etc. The modernisation of customs and border management would play the driver of border crossing competitiveness which, in its turn, is the key factor of economy competitiveness and foreign investment attractiveness in a context of trade facilitation.

Information and Communication Technology is the central plank of modernization and it is in the capabilities provided by computers that the welcome advance to modern Customs and border crossing methods is to be realized. Also, Information and Communication Technology appears as a solution for transparency and procedural reliability insurance.

The communication architecture of the information system may lay upon the configuration based on satellite land stations, radio modem, LAN, computer workstations...In countries where customs have already been computerised and automated part of the border posts are linked to the attached regional computer network. At the IT application policy point of view, a customs declaration processing system has been established, implemented (ARM Universal system in Kazakhstan, ASYCUDA in Mongolia, EDIFACT in China...). In terms of statistics, the central system should receives data information or already extracted statistics analysis from the border posts Strategic functions should be interfaced to a central and unified customs Head quarter system like :

- information and intelligence system
- risk analysis methodology
- selectivity methodology
- appropriate IT systems should be capable of accepting Electronic Data Interchange (EDI)
- messages and exchanging data electronically with the trade


Definitely, the ICT strategy, focused on the international standards, modernisation of software and applications, and on equipment and architecture, should concern both national and regional levels in a perspective of E-governance in a medium or long term including interface with the economic operators as well as transit services providers (warehousing, customs brokers, declarants, insurance companies, banking systems, etc.) whose computerisation and automation level should be sufficient to support the challenge of a common and jointly development.

	HARMONISED SYSTEM	ATA Convention	PROF. EQUIP	EXHIBITORS	SCIENT. EQUIP.	PEDAGOG. MAT.	SEAFARERS	KYOTO	KYOTO AMENDED	NAIROBI	ISTANBUL	Road Traffic 1968	Road Signs and Signals 1968	Contract Road Goods Transport (CMR), 1956	TIR Convention, 1975	Temp. Impor. Commerc. Vehicles, 1956	Customs Container Convention, 1972	UN/ECE Convention on Customs Treatment of Pool Containers Used in International Transport 1994	Harm. Frontiers Goods, 1982	UNCL OS	IMO Facilitation Convention
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Kazakhstan												X	X	X	X						
Kyrgyzstan														X	X				X		
Tajikistan										X	X	X	X	X	X						
Turkmenistan												X	X	X	X						
Uzbekistan	X											X	X	X	X		X	X	X		





Category (No. of conventions)	Convention or agreement with the year of establishment	Armenia	Azerbaijan	Georgia	Kazakhstan	Kyrgyz Rep.	Moldova	Tajikistan	Turkmenistan	Uzbekistan
Infrastructure networks (6)	European Road network (AGR), 1975		X	X	X					
	European Rail Networks (AGC), 1985						X			
	European Rail Networks (AGC), 1985			X						
Road Traffic (11)	Road Traffic, 1949 and 1968			X	X	X	X	X	X	X
	Road Signs & signals, 1968, with 1971 Supplements			X		X		X	X	X
	Protocol Road Markings, 1973			X						
Vehicles (3)	Technical inspection of vehicles, 1997			X						
Road transport (9)	Work of Crews Int. Road Transport (AETR) 1970		X		X		X		X	X
	Contract Road Goods transport (CMR), 1956, with Protocol to CMR, 1978			X	X	X	X	X	X	X
Border crossing facilitation (14)	TIR Convention, 1975	X	X	X	X	X	X	X	X	X
	Temporary imported commercial vehicles, 1956		X			X				
	Customs Container convention, 1972			X						X
	Harmonization of Frontier Control of Goods, 1982	X	X	X		X				X
Dangerous goods and special cargoes (5)	Dangerous goods by roads (ADR), 1957		X		X		X			
	Perishable Foodstuffs (ATP), 1970		X	X	X					X

Source: UNECE 2002



The TRACECA Programme was launched at a conference in Brussels in May 1993 which brought together trade and transport ministers from eight of the TRACECA countries (five Central Asian republics and three Caucasian republics). These 8 were agreed to implement a programme of European Union (EU) funded technical assistance (TA) to develop a transport corridor on a West-East axis from Europe across the Black Sea, through the Caucasus and the Caspian Sea to Central Asia.

TRACECA

THIS YEAR TRACECA CELEBRATES TEN YEARS  
OF PROGRESS AND DEVELOPMENT

В ЭТОМ ГОДУ ПРАЗНИЧНО  
КОПИДОВА ТРАСЕКА  
ИСПОЛНЯЕТСЯ ДЕСЯТЬ ЛЕТ

TRACECA




Карта ТРАСЕКА  
TRACECA Map

TRACECA






TRACECA  
TRANSPORT CORRIDOR  
ТРАНСПОРТНЫЙ КОРИДОР



TRACECA






Программа TRACECA была начата на конференции, которая прошла в Брюсселе в мае 1997 г., в которой приняли участие министры торговли и транспорта из 8 стран TRACECA (2 республики Центральной Азии и 3 Кавказские республики), где были приняты соглашения инициировать программу Экономического Сотрудничества Финансированную Европейским Союзом, для развития транспортного коридора по направлению Запад - Восток из Европы, с пересечением Черного моря, через Кавказ и Каспийское море с выходом на Центральную Азию.



This Programme conforms to the global strategy of European Union towards the TRACECA member-states and pursues the following objectives:

- Assistance to political and economic sustainability;
- Promoting future regional cooperation to attract and facilitate investments from International Financial Institutions (IFI) and private investors;
- Promoting optimal integration of the international Transport Corridor Europe - Caucasus - Asia "TRACECA" with Trans-European Networks (TENs).

данная программа соответствует глобальной стратегии Европейского Союза по отношению к странам-участницам TRACECA и преследует следующие основные цели:

- Поддержка политической и экономической устойчивости;
- Содействие будущему развитию регионального сотрудничества для оказания содействия и привлечения инвестиций со стороны Международных Финансовых институтов (ИФИ) и частных инвесторов;
- Содействие оптимальной интеграции международного транспортного коридора Европа - Кавказ - Азия (TRACECA) в Транс Европейские Сети (ТЕС).

Страны-участницы TRACECA

1992 Azerbaijan, Armenia, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, Azerbaijan, Armenia, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan



1994 Ukraine has become a full member of TRACECA  
Украина стала полноправным членом TRACECA

1998 Moldova has become a full member of TRACECA  
Молдова стала полноправным членом TRACECA

2000 Bulgaria, Romania, and Turkey have become full members of TRACECA.  
Болгария, Румыния и Турция стали полноправными членами TRACECA.

2001 Start of the cooperation between UN ESCAP and TRACECA  
Начало сотрудничества ООН-ЭСВАТ и TRACECA

2002 Заключено соглашение Афганистан, Китай, Индия и Греция в признание TRACECA.

Armenia  
Азәрбајҹан

Bulgaria  
Румыныя

Georgia  
Таджыкыстан

Kazakhstan  
Туркыя

Kyrgyzstan  
Туркыя

Moldova  
Туркыя

Romania  
Туркыя

Tajikistan  
Туркыя

Turkey  
Туркыя

Ukraine  
Україна

Uzbekistan  
Ўзбекистан

EUROPEAN UNION

TRACECA

### Basic Multilateral Agreement - TRACECA

The general Provision is to regulate the international transport of goods and passengers between the Parties and transport in transit through the territories of the Parties.

The Objectives are:

- to facilitate access to the international market of road, air and railway transport and also commercial maritime navigation;
- to facilitate international transport of goods and passengers and international transport of hydrocarbons;
- to ensure traffic safety, security of goods and environmental protection;
- to harmonize transport policy and also the legal framework in the field of transport.

08.09.1996, Baku

ASI ÖZRƏ  
İNFRANS

INTERNATİK  
RESTORATI

EUROPEAN UNION

TRACECA

### Основное Многостороннее Соглашение - TRACECA

Целью Основного Соглашения является обеспечение доступа в международную систему автомобильного, воздушного и железнодорожного транспорта, а также торгового судостроения.

Цели Основного Соглашения:

- обеспечение доступа в международную систему автомобильного, воздушного и железнодорожного транспорта, а также торгового судостроения;
- обеспечение международной перевозки грузов, пассажиров и международной торговли транспортными средствами и товарами.

08.09.1996, Баку

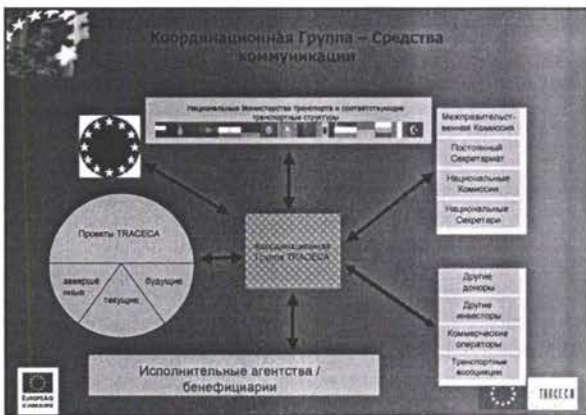
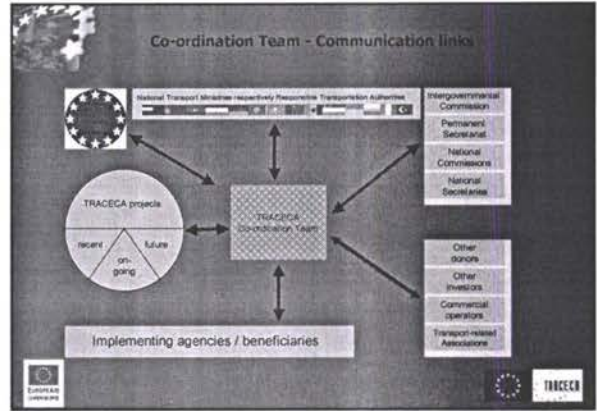
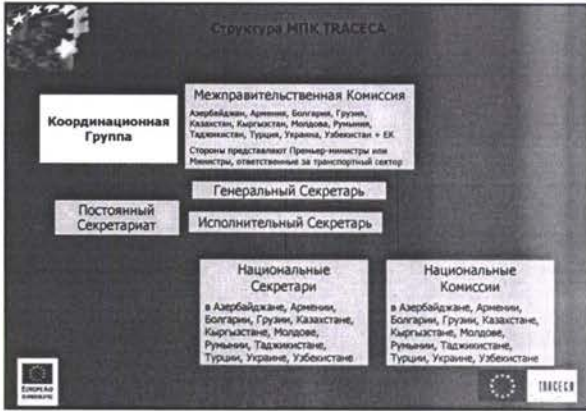
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EUROPEAN UNION

TRACECA





<b>Total number of Projects/В целом проектов : 53</b> <b>Total budget/Общий бюджет : € 110,005,000</b>	
<b>Technical Assistance Projects / Проекты технического содействия:</b> Number/Количество: 39 Budget/Бюджет: <b>€ 57,705,000</b>	<b>Investment Projects / Инвестиционные проекты :</b> Number/Количество: 14 Budget/Бюджет: <b>€ 52,300,000</b>

TRACECA активно сотрудничает для реализации Европейским Финансовым Институтом (ЕФИ) инициативы.

TRACECA is actively co-operating for support of International Financial Institutions (IFI) and private investors.

Investment amount of more than 200 Million Euro have been attracted in the transport infrastructure along the TRACECA Corridor.


Более чем 200 миллионов Евро инвестиций были привлечены в транспортную инфраструктуру вдоль коридора TRACECA.

TRACECA is involved: EBRD, WB, Asian Development Bank, Kuwait Funds, Islamic Development Bank, etc.

Включены: ЕБРР, Всемирный Банк, Азиатский Банк Развития, Кувейтский Фонд, Исламский Банк Развития и другие.

Other investors in the TRACECA corridor: invested 1 Billion USD (Including Japanese Development Agency and Private Investors)


Другие инвесторы инвестировали в коридор TRACECA 1 миллиарда долларов США (включая Агентство Развития и частные инвесторы)



TRACECA takes an active part in humanitarian acts of the world community for Afghanistan

В кратчайшие сроки была разработана и принята мера, направленная на упрощение административных процедур для транспортировки гуманитарных грузов и строительных материалов.


- TRACECA coefficients
- TRACECA Visa
- Special Action Plan
- Monitoring Groups in each TRACECA country
- Memorandum on transportation of humanitarian and special cargo.



TRACECA активно включилось в гуманитарную помощь мировой общности, направленную на помощь и восстановление Афганистана.

В кратчайший срок комиссия была разработана и принята мера, направленная на упрощение административных процедур для транспортировки гуманитарных грузов и строительных материалов в Афганистан.

- Коэффициенты TRACECA
- Визы TRACECA
- Специальный план действий
- Группы мониторинга в каждой из стран TRACECA
- Меморандум о транспортировке гуманитарных и специальных грузов



The European Union's Taci TRACECA Programme for Armenia, Azerbaijan, Bulgaria, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan

TRACECA Projects  
Проекты TRACECA

Программа Taci TRACECA Европейского Союза для Азербайджана, Армении, Болгарии, Грузии, Казахстана, Кыргызстана, Молдовы, Румынии, Таджикистана, Туркменистана, Турции, Узбекистана, Украины




**CURRENT TRACESA PROJECTS**  
**ТЕКУЩИЕ ПРОЕКТЫ TRACESA**

1. **ROADS**  
АВТОМОБИЛЬНЫЕ ДОРОГИ
2. **BRIDGES**  
МОСТЫ
3. **PORTS**  
ПОРТЫ
4. **TECHNICAL ASSISTANCE**  
ТЕХНИЧЕСКОЕ СОДЕЙСТВИЕ




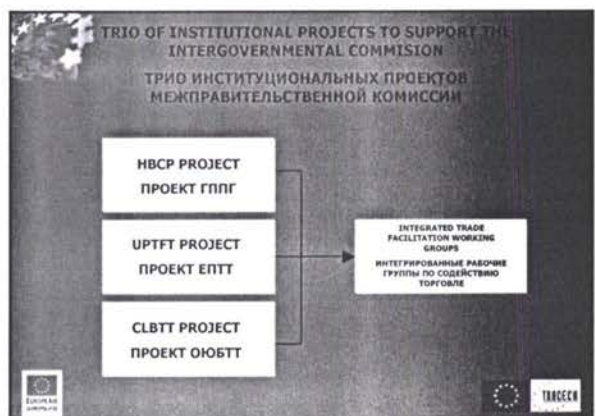
**LIST OF CURRENT TRACESA PROJECTS**  
**ТЕКУЩИЕ ПРОЕКТЫ TRACESA**

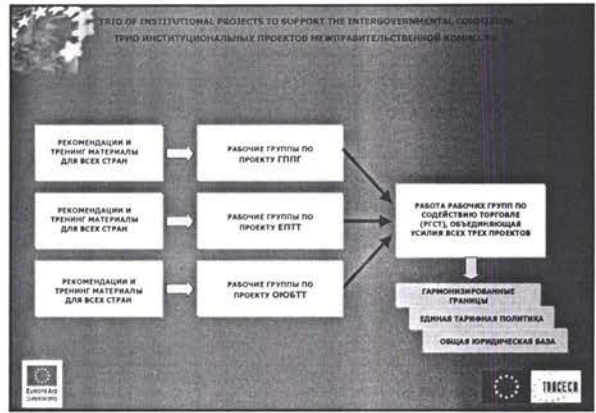
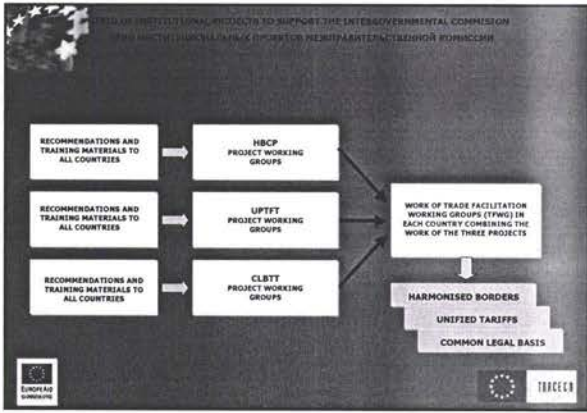
- Moldova / Ukraine Border Crossing  
Пересечение границ – Молдова – Украина
- Rehabilitation of Caucasian Highways  
Восстановление кавказских магистралей
- Railway Transit Oil Logistical Centre  
Логистический центр транспортировки нефти по железной дороге
- Supervision and Training for the Supply of Navigational Aid Equipment  
Контроль и тренинг для поставки навигационного оборудования



**LIST OF CURRENT TRACESA PROJECTS**  
**ТЕКУЩИЕ ПРОЕКТЫ TRACESA**

- Harmonization of Border Crossing Procedures  
Гармонизация Процедур Пересечения Границ
- Unified Policy of Transit Fees and Tariffs  
Единая Политика по Транзитным Расценкам и Тарифам
- Central Asia Railways Telecommunications  
Средства телекоммуникации железных дорог Центральной Азии
- Common Legal Basis for Transit Transportations  
Общая юридическая база для транзитных перевозок











**TRACECA HOT LINE**

For the purpose of improvement of the information base of the transport corridor Europe-Caucasus-Asia (TRACECA) routes, organization of transit traffic monitoring along the TRACECA corridor the Action Plan and Legal Working Group meeting on October 30-31, 2001 achieved an agreement on the creation and installation on the border-crossing points of the information boards "TRACECA Hot Lines" along the TRACECA route.



These boards contain the contact addresses and telephones of state and intergovernmental authorities, designed to provide assistance in case of argument while implementing freight traffic along the transport corridor Europe-Caucasus-Asia.


**Горячая линия TRACECA**

С целью улучшения информационной базы маршрутов транспортного коридора Европа - Кавказ - Азия (TRACECA), установления мониторинга транзитных перевозок грузов по маршрутам коридора TRACECA, на заседании Рабочей группы по плану действий и юридическим вопросам 30-31 октября 2001 года была достигнута договоренность о создании и установке на погранично-таможенных пунктах (переходах) вдоль всего маршрута TRACECA информационных щитов «Горячей линии TRACECA».



Данные щиты содержат контактные адреса и телефоны государственных и межправительственных органов, призванных оказывать содействие в случае возникновения каких-либо спорных вопросов при осуществлении грузоперевозок по транспортному коридору Европа - Кавказ - Азия.

**TRACECA HOT LINE  
Горячая линия TRACECA**



The information board "TRACECA Hot Line" in SIZOP  
Информационный щит «Горячая линия TRACECA» в СИЗОП

**TRACECA HOT LINE  
Горячая линия TRACECA**



The information board "TRACECA Hot Line" in the Railway Border Crossing Point in the village Masay  
Информационный щит «Горячая линия TRACECA» на железнодорожном пограничном пункте в селе Масай





### Ideas for the TRACECA future

Based on input from the TACIS Regional Co-operation Strategic Considerations for 2002 – 2006 and indicative programme 2002 to 2003 and the IGC Decisions and Resolutions 2000 to 2002.

A New Strategy could be developed considering:

- Enlargement of the TRACECA member States by Afghanistan, China, Iran
- The link with the States of East Asia (e.g. Afghanistan, Iran, China)
- Evolution of the National Transport Policies of the TRACECA Member States
- Incentives for investment by FDI and Private Investors




### Идеи относительно будущего TRACECA

Принимая во внимание анализ стратегии ТАСИС по региональному сотрудничеству на 2002 – 2006 гг. и программы на 2002 – 2003 гг. а также решения и резолюции ИСГК в период с 2000 по 2002 гг.

Новая стратегия должна разрабатываться с учетом:

- Увеличения числа стран-участниц (Афганистан, Китай, Иран)
- Соединения со странами Восточной Азии (Афганистан, Китай, Япония)
- Изменения национальной транспортной политики стран-участниц TRACECA
- Инвестиции со стороны МФИ и частных инвесторов





The detailed information is on the web-site:  
Более подробная информация на веб-сайте

[www.traceca.org](http://www.traceca.org)



### Modal Split of Trade Flows – Year 1999 (tonnes)

	TOTAL TRADE		Non-Oil Sector				Consumer and investment products			Total non-Oil Sector	Total Trade
	Oil Sector	Total	Oil Sector	Non-Oil Sector	Total	Machinery	Manufact. Products	Consumer Products			
	(\$ Bn)	(\$ Bn)	(\$ Bn)	(\$ Bn)	(\$ Bn)	(\$ Bn)	(\$ Bn)	(\$ Bn)	(\$ Bn)	(\$ Bn)	(\$ Bn)
<b>Central Asia</b>											
Railway	71,290	1,112,250	1,040,960	8,091,410	1,048,0	8,303,820	212,900	580,160	1,341,040	2,244,150	19,307,270
Road	880,190	8,884,400	10,880,890	19,807,790	984,070	34,302,480	72,290	1,437,210	162,080	2,246,380	37,089,880
Total	951,480	9,996,650	11,921,850	27,899,200	988,070	42,606,300	285,190	2,017,370	1,503,120	4,490,530	56,397,150
<b>East Asia</b>											
Road	10,260	42,860	63,120	1,864,810	800	1,865,610	134,240	324,870	166,960	1,286,080	2,777,730
Rail	45,880	52,470	102,250	1,476,410	155,390	1,321,020	47,850	113,260	81,660	311,680	2,368,890
Total	56,140	95,330	165,370	3,341,220	1,555,390	3,186,630	182,090	438,130	248,620	1,597,760	5,146,620
<b>SEA</b>											
Road	0	0	0	0	0	0	0	0	0	0	0
Rail	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL CA</b>											
Road	81,950	1,156,110	1,226,110	9,746,220	2,400	9,748,620	347,230	1,214,370	1,241,020	3,383,080	14,289,390
Rail	880,190	8,798,870	10,880,890	19,807,790	1,552,270	36,480,160	119,940	1,550,470	1,502,720	3,177,960	39,267,270
Total	962,140	9,954,980	12,107,000	29,554,010	1,554,270	42,928,780	467,170	2,764,840	2,743,740	6,561,040	53,556,660





Foreign Trade Flows of the TRACECA Subregions (tonnes) Year 2000

Торговля в Среднеазиатском регионе

Subregion	Year	Intra-subregional trade		Regional trade				Trade with non-TRACECA countries				Total regional trade	Total trade	
		Imports (M)	Exports (M)	Imports (M)	Exports (M)	Imports (M)	Exports (M)	Imports (M)	Exports (M)					
Central Asia	Year	14762.2	0	14762.2	0	0	0	0	0	0	0	0	0	0
	Jan	14762.2	0	14762.2	0	0	0	0	0	0	0	0	0	0
	Feb	0	0	0	0	0	0	0	0	0	0	0	0	0
Kazakhstan	Year	86291.8	222070.0	222070.0	317618.7	319698.9	24794.7	82394.4	29114.1	136443.2	333349.0	348888.9	365436.8	407446.0
	Jan	86291.8	222070.0	222070.0	317618.7	319698.9	24794.7	82394.4	29114.1	136443.2	333349.0	348888.9	365436.8	407446.0
	Feb	0	0	0	0	0	0	0	0	0	0	0	0	0
Kyrgyzstan	Year	2237.5	0	2237.5	0	0	19257.4	3251.8	20395.9	43005.0	10792.6	30413.7	0	0
	Jan	2237.5	0	2237.5	0	0	19257.4	3251.8	20395.9	43005.0	10792.6	30413.7	0	0
	Feb	0	0	0	0	0	0	0	0	0	0	0	0	0
Tajikistan	Year	2985.4	0	2985.4	0	0	22041.1	2035.6	30902.0	81936.7	32502.0	27348.7	0	0
	Jan	2985.4	0	2985.4	0	0	22041.1	2035.6	30902.0	81936.7	32502.0	27348.7	0	0
	Feb	0	0	0	0	0	0	0	0	0	0	0	0	0
Turkmenistan	Year	0	9026.500	9026.500	0	0	0	0	0	0	0	0	0	0
	Jan	0	9026.500	9026.500	0	0	0	0	0	0	0	0	0	0
	Feb	0	0	0	0	0	0	0	0	0	0	0	0	0
Uzbekistan	Year	561.7	5337.140	5337.140	106652.4	171183.7	13156.71	1677.76	18662.11	81936.7	28672.6	146439.9	0	0
	Jan	561.7	5337.140	5337.140	106652.4	171183.7	13156.71	1677.76	18662.11	81936.7	28672.6	146439.9	0	0
	Feb	0	0	0	0	0	0	0	0	0	0	0	0	0
West CA	Year	10799.8	12434.61	23234.41	301271.2	0	301271.2	104911.5	102910.0	121424.0	379492.0	311040.0	0	0
	Jan	10799.8	12434.61	23234.41	301271.2	0	301271.2	104911.5	102910.0	121424.0	379492.0	311040.0	0	0
	Feb	0	0	0	0	0	0	0	0	0	0	0	0	0

Внешнеторговые потоки в подбластиках TRACECA (тонны) 2000 год

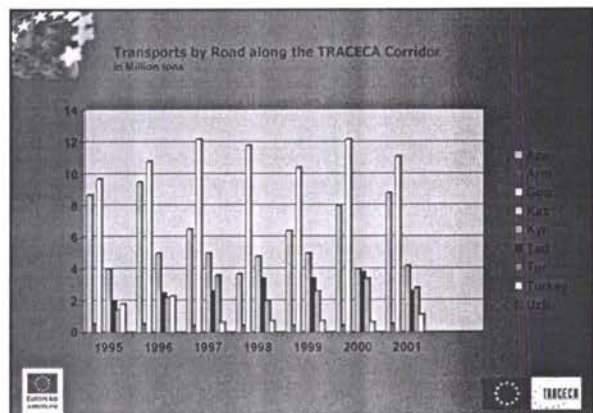
Trade within Central Asia

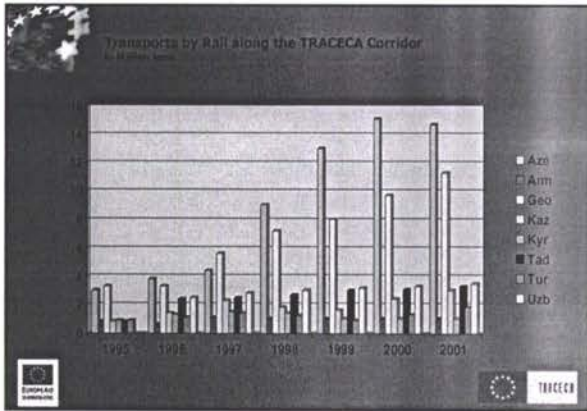
Subregion	Year	Oil Sector		Risk Oil Sector		Consumption and investment products				Total regional trade	Total trade		
		Imports (M)	Exports (M)	Imports (M)	Exports (M)	Imports (M)	Exports (M)	Imports (M)	Exports (M)				
Central Asia	Year	0	0	0	0	0	0	0	0	0	0	0	
	Jan	0	0	0	0	0	0	0	0	0	0	0	
	Feb	0	0	0	0	0	0	0	0	0	0	0	
Kazakhstan	Year	36793.2	0	36793.2	212076.1	121.9	212076.1	6032.1	17299.9	206395.8	212627.9	444025.1	677653.5
	Jan	36793.2	0	36793.2	212076.1	121.9	212076.1	6032.1	17299.9	206395.8	212627.9	444025.1	677653.5
	Feb	0	0	0	0	0	0	0	0	0	0	0	0
Kyrgyzstan	Year	26302.2	20071.6	20071.6	112932.0	2171.6	51.2	21944.6	24143.4	114605.0	117819.9	0	0
	Jan	26302.2	20071.6	20071.6	112932.0	2171.6	51.2	21944.6	24143.4	114605.0	117819.9	0	0
	Feb	0	0	0	0	0	0	0	0	0	0	0	0
Tajikistan	Year	38672.8	20071.6	20071.6	212938.6	212938.6	11932.7	489.7	101161.3	113662.7	224208.0	236648.0	0
	Jan	38672.8	20071.6	20071.6	212938.6	212938.6	11932.7	489.7	101161.3	113662.7	224208.0	236648.0	0
	Feb	0	0	0	0	0	0	0	0	0	0	0	0
Turkmenistan	Year	0	0	0	0	0	0	0	0	0	0	0	0
	Jan	0	0	0	0	0	0	0	0	0	0	0	0
	Feb	0	0	0	0	0	0	0	0	0	0	0	0
Uzbekistan	Year	41428.7	37942.0	79370.7	14344.7	159.3	14344.7	121.7	20.7	14665.4	14686.1	105326.8	157133.3
	Jan	41428.7	37942.0	79370.7	14344.7	159.3	14344.7	121.7	20.7	14665.4	14686.1	105326.8	157133.3
	Feb	0	0	0	0	0	0	0	0	0	0	0	0
Total CA	Year	303662.2	57148.0	470810.2	490719.3	109.3	490719.3	15933.2	17562.9	362702.5	364215.4	1257134.0	1579184.0
	Jan	303662.2	57148.0	470810.2	490719.3	109.3	490719.3	15933.2	17562.9	362702.5	364215.4	1257134.0	1579184.0
	Feb	0	0	0	0	0	0	0	0	0	0	0	0

Foreign Trade Flows of the TRACECA Subregions (tonnes) Year 2000

Торговля в Среднеазиатском регионе

Subregion	Year	Intra-subregional trade		Regional trade				Trade with non-TRACECA countries				Total regional trade	Total trade
		Imports (M)	Exports (M)	Imports (M)	Exports (M)	Imports (M)	Exports (M)	Imports (M)	Exports (M)				
Central Asia	Year	14762.2	0	14762.2	0	0	0	0	0	0	0	0	0
	Jan	14762.2	0	14762.2	0	0	0	0	0	0	0	0	0
	Feb	0	0	0	0	0	0	0	0	0	0	0	0
Kazakhstan	Year	86291.8	222070.0	222070.0	317618.7	319698.9	24794.7	82394.4	29114.1	136443.2	333349.0	348888.9	365436.8
	Jan	86291.8	222070.0	222070.0	317618.7	319698.9	24794.7	82394.4	29114.1	136443.2	333349.0	348888.9	365436.8
	Feb	0	0	0	0	0	0	0	0	0	0	0	0
Kyrgyzstan	Year	2237.5	0	2237.5	0	0	19257.4	3251.8	20395.9	43005.0	10792.6	30413.7	0
	Jan	2237.5	0	2237.5	0	0	19257.4	3251.8	20395.9	43005.0	10792.6	30413.7	0
	Feb	0	0	0	0	0	0	0	0	0	0	0	0
Tajikistan	Year	2985.4	0	2985.4	0	0	22041.1	2035.6	30902.0	81936.7	32502.0	27348.7	0
	Jan	2985.4	0	2985.4	0	0	22041.1	2035.6	30902.0	81936.7	32502.0	27348.7	0
	Feb	0	0	0	0	0	0	0	0	0	0	0	0
Turkmenistan	Year	0	9026.500	9026.500	0	0	0	0	0	0	0	0	0
	Jan	0	9026.500	9026.500	0	0	0	0	0	0	0	0	0
	Feb	0	0	0	0	0	0	0	0	0	0	0	0
Uzbekistan	Year	561.7	5337.140	5337.140	106652.4	171183.7	13156.71	1677.76	18662.11	81936.7	28672.6	146439.9	0
	Jan	561.7	5337.140	5337.140	106652.4	171183.7	13156.71	1677.76	18662.11	81936.7	28672.6	146439.9	0
	Feb	0	0	0	0	0	0	0	0	0	0	0	0
West CA	Year	10799.8	12434.61	23234.41	301271.2	0	301271.2	104911.5	102910.0	121424.0	379492.0	311040.0	0
	Jan	10799.8	12434.61	23234.41	301271.2	0	301271.2	104911.5	102910.0	121424.0	379492.0	311040.0	0
	Feb	0	0	0	0	0	0	0	0	0	0	0	0





Waste of time = Waste of money

According to the International Economic Forum:  
Costs of border crossing obstacles and delays are

**85 Billions USD\$ per year**  
1,2% of international trade value  
Between 5% and 10% of the final price of goods

STRUCTURE OF THE PROJECT - СТРУКТУРА ПРОЕКТА

CREATING THE CONDITIONS FOR HARMONISED BORDER CROSSING PROCEDURES BETWEEN TRACECA COUNTRIES  
Supported by creating the information exchange on cargo and passenger transit between border crossing national authorities of TRACECA countries

СТРУКТУРА ПРОЕКТА

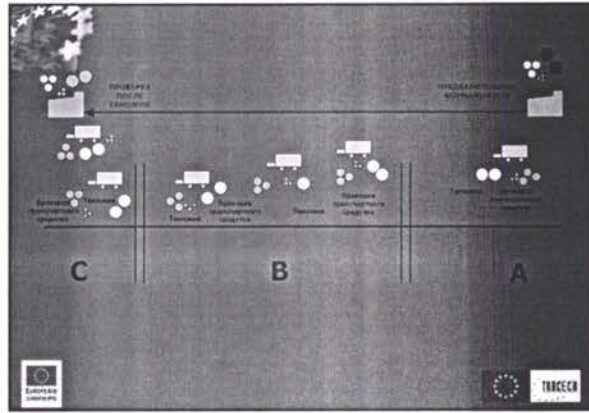
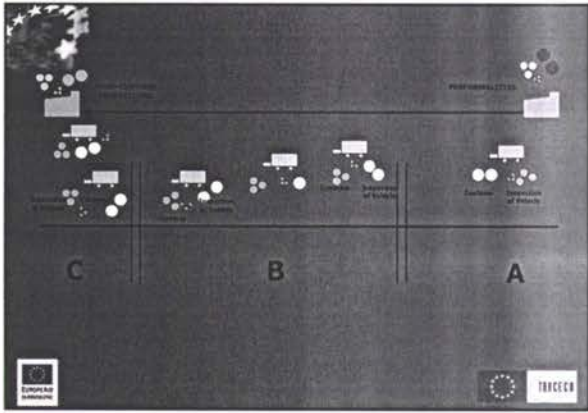
СОЗДАНИЕ УСЛОВИЙ ДЛЯ ГАРМОНИЗИРОВАННЫХ ПРОЦЕДУР ПЕРЕСЕЧЕНИЯ ГРАНИЦ МЕЖДУ СТРАНАМИ TRACECA

Поддерживается посредством информационного обмена по транзиту грузов и пассажиров между национальными пограничными ведомствами стран TRACECA.

STRUCTURE OF THE PROJECT - СТРУКТУРА ПРОЕКТА

- The Project approach and methodology is in full compliance with the Project Cycle Management.

Подход и методология Проекта полностью соответствуют стандарту Управления Проектом ЕС



### Multiple Inspections

**Context**

- Regulatory framework
- Policy objectives
- Stakeholders
- Key issues
- Key challenges
- Key opportunities
- Key risks

**Business**

- Business model
- Revenue streams
- Cost structure
- Key resources
- Key activities
- Key channels
- Key partners
- Key risks

**Performance**

- Key performance indicators
- Key metrics
- Key targets
- Key risks

**Implementation**

- Key milestones
- Key tasks
- Key risks

**Conclusion**

- Key findings
- Key recommendations
- Key risks

Logos for the European Commission and TRACCER are visible in the bottom corners.

### Multiple Inspections

**Context**

- Regulatory framework
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
Logos for the European Commission and TRACCER are visible in the bottom corners.



STRUCTURE OF THE PROJECT - СТРУКТУРА ПРОЕКТА

72 Border-cross Audit reports have been centralised in a data base available on line on the TRACESA web site [www.tracesa.org](http://www.tracesa.org)



В настоящее время на сайте TRACESA [www.tracesa.org](http://www.tracesa.org) в центральной базе данных собраны документы по аудиту 72 ППГ.

STRUCTURE OF THE PROJECT - СТРУКТУРА ПРОЕКТА

BORDER CROSSING AUDIT



Border	Year of Audit	Country	Modality	Modality of Border Crossing	Mode	Access Point	Priority	Project	Border Body	Notes
...	...	...	...	...	...	...	...	...	...	...

STRUCTURE OF THE PROJECT - СТРУКТУРА ПРОЕКТА

АУДИТ ПУНКТОВ ПЕРЕСЕЧЕНИЯ ГРАНИЦ



Государство	Год аудита	Тип	Модальность	Модальность пересечения границы	Режим	Точка доступа	Приоритет	Проект	Государственный орган	Примечания
...	...	...	...	...	...	...	...	...	...	...

STRUCTURE OF THE PROJECT - СТРУКТУРА ПРОЕКТА

- Recommendations have been elaborated following a gap analysis comparing the current situation and a referential model of modern border crossing procedures harmonised first of all at the level of National border crossing bodies.

Рекомендации были разработаны в результате проведения анализа разницы путем сравнения существующей ситуации с моделью современных процедур на границах, гармонизированных, прежде всего на уровне национальных пограничных ведомств.



STRUCTURE OF THE PROJECT - СТРУКТУРА ПРОЕКТА

Таблица 2. Подтверждение целей гармонизации процедур пересечения границы

Гармонизация и достижение целей в области мобильности	Цели гармонизации процедур пересечения границы											
	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.9	2.1	2.2	2.3
Культурный обмен	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.9	2.1	2.2	2.3
Информационные технологии	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.9	2.1	2.2	2.3
Оборудование	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.9	2.1	2.2	2.3
Тренинг	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.9	2.1	2.2	2.3
Высокоскоростной интернет	1	2	3	3	3	3	3	3	3	3	3	3
Информационные технологии	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.9	2.1	2.2	2.3

1. Поддержка  
 2. Развитие  
 3. Внедрение  
 4. Обновление  
 5. Развитие  
 6. Развитие  
 7. Развитие  
 8. Развитие  
 9. Развитие  
 10. Развитие  
 11. Развитие  
 12. Развитие

STRUCTURE OF THE PROJECT - СТРУКТУРА ПРОЕКТА

- For Approval on recommendations' objectives as an "ideal" reference scheme and user requirements analysis in terms of legislation, equipment, infrastructure, training, control procedures approach, IT developments and Information systems management.

Для подтверждения целей рекомендаций как «идеальной» модели, а также оценки потребностей пользователей по отношению к законодательной базе, оборудованию, инфраструктуре, тренингу, методам контроля, процедур, информационным технологиям и управлению информационными системами.

STRUCTURE OF THE PROJECT - СТРУКТУРА ПРОЕКТА

Use of training material about:

- Experience of other countries which have developed a similar programme of modernisation and harmonisation of border crossing procedures
- Exchange of knowledge on the different aspects of the trade facilitation based on harmonised and modern border crossing procedures

Использование тренинг-материалов содержащих информацию об:  
 Опыт других стран, которые развились по похожим программам модернизации и гармонизации пограничных процедур  
 Обмен знаниями по различным аспектам содействия торговле, основанного на гармонизированных и современных процедур пересечения границ.

STRUCTURE OF THE PROJECT - СТРУКТУРА ПРОЕКТА

- Creation of the Border Crossing Working Group in each TRACECA country under responsibility of the TRACECA National Secretary.

Создание Рабочих Групп по вопросам пересечения границ под эгидой Национального Секретаря.









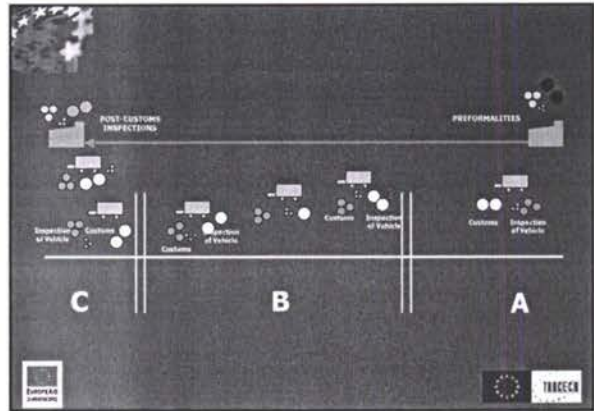




# Difference Between Borders


## Различия на Границе

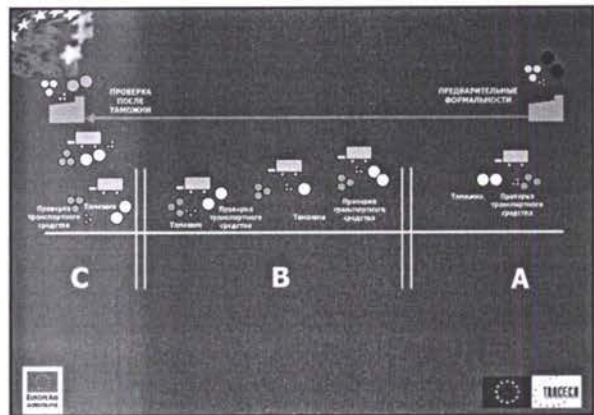




# Multiple Inspections

<p><b>Post clearance inspections:</b></p> <ul style="list-style-type: none"> <li>• Customs</li> <li>• Financial police</li> <li>• Ministry of foreign affairs</li> <li>• Ministry of transport</li> <li>• Tax administration</li> <li>• Ecology and environment ministry</li> <li>• Etc...</li> </ul> <p><b>Inspections in border:</b></p> <ul style="list-style-type: none"> <li>• Passport, visa</li> <li>• Driving license</li> <li>• Technical inspection points</li> <li>• Exit permit check</li> <li>• Individual surveillance</li> <li>• Etc...</li> </ul>	<p><b>Inspections on vehicles:</b></p> <ul style="list-style-type: none"> <li>• Fuel taxies, fuel exemption</li> <li>• Vehicle seizure</li> <li>• Ecology, pollution level</li> <li>• Quarantine</li> <li>• Radiation</li> <li>• Vehicle tax</li> <li>• Axle check</li> <li>• Social points</li> <li>• Tires and dimensions</li> <li>• Vehicle certificate</li> <li>• Vehicle roadworthiness</li> <li>• Transport outside</li> <li>• Dangerous goods transportation</li> <li>• Insurance permit</li> <li>• Transport vehicle, transport licence</li> <li>• Transit law</li> <li>• Etc...</li> </ul>	<p><b>Preformalities:</b></p> <ul style="list-style-type: none"> <li>• Registration, license, permits</li> <li>• Processing, product certification</li> <li>• Contract registration</li> <li>• Control of goods, Transport</li> <li>• Banking requirements</li> <li>• Etc...</li> </ul> <p><b>Inspection on goods cargo:</b></p> <ul style="list-style-type: none"> <li>• Customs declaration</li> <li>• Commercial receipt</li> <li>• Origin, sanitary, phytosanitary certificates</li> <li>• Technical certificate</li> <li>• Special export license</li> <li>• TIR, ATA carnet</li> <li>• Transport documentation, CNB</li> <li>• Physical control (manipulation, weight, quality, weight, cost) above value, etc.)</li> <li>• Quarantine</li> <li>• Etc...</li> </ul>
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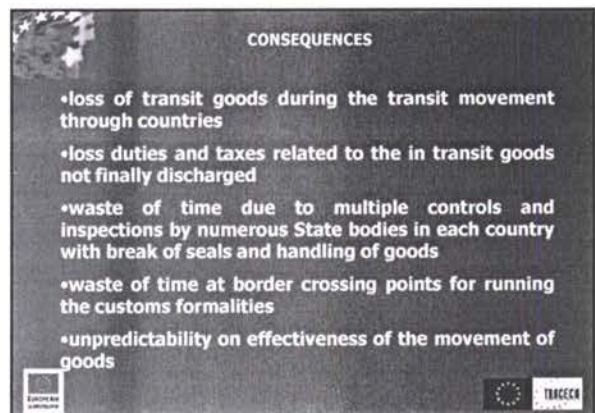
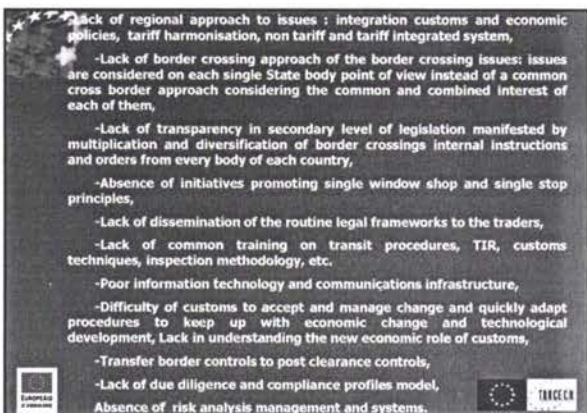
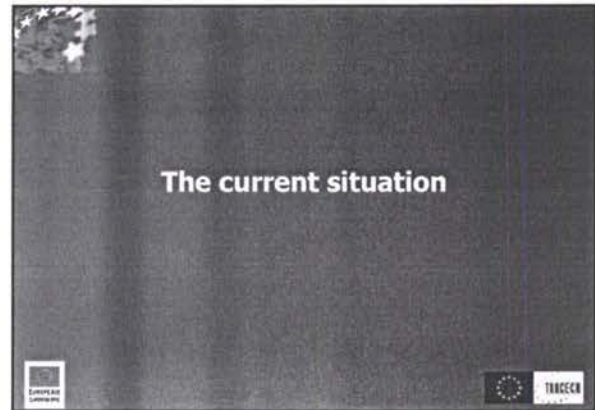
АЮКОЛ - КОРДАЙ – Truck Inward			
Высказывание владельца автомобиля	Дорогой Польша	Результативен - примерно 3 км от Зоны Таможенного Контроля Евробонны	Видеть только Траки
Высказывание владельца автомобиля	Полтавская Служба	Контроль выдает карт. Парковка шлагбаум для троллей машин	Дорожные знаки, указатели, вывески
Высказывание владельца автомобиля	Ташкент	Проводится контроль машин на въездной зоне. При отсутствии вывески устанавливается дорожная разметка	Дорожные знаки, указатели, вывески
Высказывание владельца автомобиля	Ташкент	При выезде с улицы прилегающей к РЗД осуществляется контроль дорожной разметки	Дорожные знаки, указатели, вывески
Высказывание владельца автомобиля	Полтавская Служба	Машина останавливается для проверки документов водителя. Такие транспортные средства не допускаются к проезду на территории РЗД	Дорожные знаки, указатели, вывески
Высказывание владельца автомобиля	Полтавская Служба	Машина продолжает движение в выезде из зоны. Шлагбаум устанавливается для троллей машин	Дорожные знаки, указатели, вывески
Высказывание владельца автомобиля	Польша	Результативен	Дорожные знаки, указатели, вывески

КОРДАЙ – АЮКОЛ – выезжающие легковые автомобили			
Высказывание владельца автомобиля	Дорожная Служба	Результативен - примерно 3 км от Зоны Таможенного Контроля Евробонны	Видеть только Траки
Высказывание владельца автомобиля	Полтавская Служба	Контроль выдает карт. Парковка шлагбаум для троллей машин	Дорожные знаки, указатели, вывески
Высказывание владельца автомобиля	Ташкент	Проводится контроль машин на въездной зоне. При отсутствии вывески устанавливается дорожная разметка	Дорожные знаки, указатели, вывески
Высказывание владельца автомобиля	Полтавская Служба	Машина останавливается для проверки документов водителя. Такие транспортные средства не допускаются к проезду на территории РЗД	Дорожные знаки, указатели, вывески
Высказывание владельца автомобиля	Полтавская Служба	Машина продолжает движение в выезде из зоны. Шлагбаум устанавливается для троллей машин	Дорожные знаки, указатели, вывески

КОРДАЙ – АЮКОЛ – выезжающие грузовые автомобили			
Высказывание владельца автомобиля	Дорожная Служба	Результативен - примерно 3 км от Зоны Таможенного Контроля. Проводится контроль троллей.	Видеть только Траки
Высказывание владельца автомобиля	Ташкент	Установка таможенных досмотровых пунктов на территории РЗД. Установка досмотровых пунктов на территории РЗД. Установка досмотровых пунктов на территории РЗД. Установка досмотровых пунктов на территории РЗД.	Дорожные знаки, указатели, вывески
Высказывание владельца автомобиля	Полтавская Служба	Результативен - примерно 3 км от Зоны Таможенного Контроля. Проводится контроль троллей.	Дорожные знаки, указатели, вывески
Высказывание владельца автомобиля	Полтавская Служба	Контроль выдает карт. Парковка шлагбаум для троллей машин	Дорожные знаки, указатели, вывески
Высказывание владельца автомобиля	Полтавская Служба	Проводится контроль машин на въездной зоне. При отсутствии вывески устанавливается дорожная разметка	Дорожные знаки, указатели, вывески
Высказывание владельца автомобиля	Польша	Результативен	Дорожные знаки, указатели, вывески

АЮКОЛ - КОРДАЙ – выезжающие легковые автомобили			
Высказывание владельца автомобиля	Ташкент	Результативен - примерно 3 км от Зоны Таможенного Контроля. Проводится контроль троллей.	Видеть только Траки
Высказывание владельца автомобиля	Служба охраны интерфейс РЗД	Установка таможенных досмотровых пунктов на территории РЗД. Установка досмотровых пунктов на территории РЗД. Установка досмотровых пунктов на территории РЗД.	Дорожные знаки, указатели, вывески
Высказывание владельца автомобиля	Дорожная Служба / Легковой инспекции	Результативен - примерно 3 км от Зоны Таможенного Контроля. Проводится контроль троллей.	Дорожные знаки, указатели, вывески
Высказывание владельца автомобиля	Польша	Результативен	Дорожные знаки, указатели, вывески
Высказывание владельца автомобиля	МВД	Контроль выдает карт. Парковка шлагбаум для троллей машин	Дорожные знаки, указатели, вывески








**MAIN FRAUDS**

- Non-completion of transit procedures
- Fraudulent completion of transit procedures
- Stamp forgery or use of stolen stamps
- Declaration and document forgery like False TIR Carnet
- Involvement of State officials

Eventually, traders unsatisfactory daily business with State Inspection bodies is the background on which most of the fraudulent practices take place



**Main issues and recommendations**




- 1 Consensus for accession to the different conventions and agreements by all the regional countries already acceded by one of them
- 2 Legal framework and provisions for implementation of conventions and agreements
- 3 Network and common approach Formulation, Design Standards and Vehicle Dimensions
- 4 Infrastructure Facilities and Services at Border Crossings
- 5 Road Signage
- 6 Traffic and transit Rules and practices
- 7 Collaboration and harmonisation on border crossing and transit Procedures and Practices between Officials within and among countries
- 8 Rationalisation and harmonisation of the transit procedures
- 9 Broad based customs modernization and reforms on background of Information and Communication Technology (ICT)




- 1 Consensus for accession to the different conventions and agreements by all the regional countries already acceded by one of them

a compensation financial organ to make the customs duties as part of a "common or transferable" budget instead of the only national budget of the country of consumption. As the example of the European Union, the customs duties budget is a community budget. and not a national one. For the transit purpose, it would not be necessary to cover the duties and taxes by a covering guarantee for the in-transit countries, the guarantee would cover the only duties and taxes at stake in the final destination and consumption country but established and managed from the country of departure.















### 3. Network and common approach Formulation, Design Standards and Vehicle Dimensions

The harmonisation of technical vehicle standards, of road signs and signals should be set up as an agreement on a standard transport contract, with the final aim facilitating road safety at country level as well as the settlement of disputes






### 4. Infrastructure Facilities and Services at Border Crossings

Funds have to be allocated under the various donors' programmes to radically improve the roads and main border crossing points in the next years and shall provide adequate border facilities and related installations needed for road transport and cargo control. Measures will be taken in order to integrate the border control facilities with a view to introduction of a "single stop" combined Customs and border crossing control services in each direction.





### 5. Road Signage


Poor road signage, signs that are not recognized internationally and signage written in a script which is not familiar to foreign drivers affect road safety and increase transport costs for company trucks. Harmonized traffic rules and regulations are required to ensure safe movement of international road transport.



### 6. Traffic and transit Rules and practices




Provision of traffic fluidity and safety are the first performance indicators of the required quality of an harmonised and simplified regional transit








6. Traffic and transit Rules and practices

The development of professional organisations and association such as customs brokers associations, freight forwarders association, the establishment of an national and regional-wide motor insurance system, professional federations at both national and then regional levels






6. Traffic and transit Rules and practices

Border Crossing Single Document used as a Common Border Crossing Check Fiche





6. Traffic and transit Rules and practices

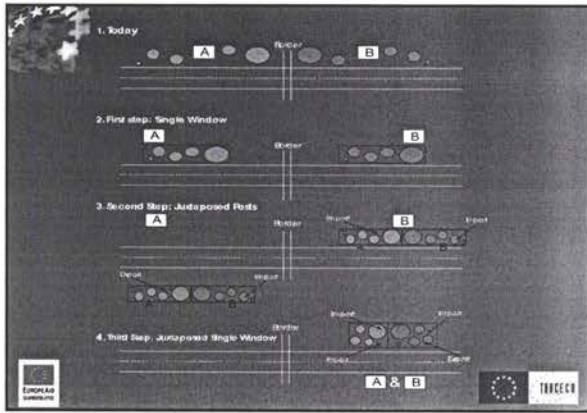
An other idea to support the simplification of documentation would be the creation and utilisation of a **Combined Transport / Customs Single Document**, mutually recognised as basis for customs declaration processing knowing that the CAR keep on working on the accession to the ECMT convention since ECMT is called upon to consider the membership of the CAR and their participation in the ECMT Multilateral road quota system.



7. Collaboration and harmonisation on border crossing and transit Procedures and Practices between Officials within and among countries

Promotion of "single window" control which can reduce processing time considerably. A further vision which can be looked towards is a "single stop" control with joint inspection and control by authorities on both sides of the border at the same time and then forwards the juxtaposing control post grouping all formalities processing on one side of the physical border





**8. Rationalisation and harmonisation of the transit procedures**

The rationalisation of the customs transit system, aiming at the reduction of customs inspections, the simplification of declarations, including all along the regional Central Asian Republics, the mutual recognition of customs seals, stamps and documentation, which is a matter of utmost importance with regard to the introduction and improvement of container

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**9. Broad based customs modernization and reforms on background of Information and Communication Technology (ICT)**

In the Central Asian countries, the level of automation and computerisation is variable from one country to another one, from one country region to another one. Procedures are run out partially by automated systems or not at all in some of the CAR, implying hand-made registrations, unreliable statistics elaboration, lack of efficient management tool, difficult risk and offences or frauds analysis.

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**9. Broad based customs modernization and reforms on background of Information and Communication Technology (ICT)**

Between border crossing, often similar data are seize many times with a risk of mistakes, and contradictory attitude, etc. The modernisation of customs and border management would play the driver of border crossing competitiveness which, in its turn, is the key factor of economy competitiveness and foreign investment attractiveness in a context of trade facilitation.

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