

**REGIONAL CUSTOMS COOPERATION MEETING**

**COMMON ACTION PLAN UPDATE**

**AND**

**PROPOSED WORK PLAN FOR 2003-2004**

**(As Endorsed by the Customs Cooperation Committee)**

**Tashkent, Uzbekistan**

**9-10 October 2003**

**Governance, Finance and Trade Division**

**East and Central Asia Department**

**Asian Development Bank**

## **I. INTRODUCTION**

1. The Customs Cooperation Committee (CCC) in its first meeting in August 2002 endorsed a seven-point Common Action Plan (CAP) and institutional arrangements for its implementation. Five expert groups were established on (i) simplification and harmonization of customs documentation and procedures chaired by the PRC (ii) joint-border processing chaired by Kazakhstan (iii) development of transit systems chaired by the Kyrgyz Republic; (iv) data sharing and ICT for customs operations chaired by Uzbekistan, and (v) risk management and post-entry audit chaired by the PRC. Additionally, two working groups (respectively chaired by the PRC and Uzbekistan customs) were established to coordinate expert groups' work and report progress to the CCC.

2. Four regional meetings were held in 2003, including a joint working group meeting in April in Almaty, Kazakhstan. These meetings contributed to the progressive development of a detailed work program to implement the CAP. The meetings at Almaty in February 2003, the Issyk-kul in August 2003 and Urumqi in September 2003 were particularly useful in adjusting and narrowing the scope of the work program according to the shared priorities among the CCC member countries.

3. The following CAP Update summarizes progress to-date in light of the evolving nature of the regional customs cooperation program and provides the updated direction for work program.

## **II. PROGRESS REPORT AND PROPOSED WORK PROGRAM**

### **A. Simplification and Harmonization of Customs Documentation and Procedures**

#### **Progress 2002-2003**

4. This component of the Plan was designed to "facilitate trade through harmonized and simplified procedures for customs processing at the borders". To date the initiatives have principally focused on legal reform and compliance with World Customs organization (WCO) and World Trade Organization (WTO) requirements and the Revised Kyoto Convention that is considered as a benchmark to Customs reform. There has been training on WCO and WTO rules and major international conventions and dissemination of the results of these seminars and other initiatives by other international agencies.

5. It was recognized that on the key issues of cross-border initiatives for simplification and harmonization of customs procedures and documentation that the ongoing European Union's Transport Corridors in Europe and Central Asia (TRACECA) Program on "Harmonization of Border Procedures" should take precedence to avoid duplication of initiatives, though it was appreciated that Mongolia and the PRC were not part of the project. In addition, Kazakhstan and the PRC Customs Authorities have commenced a program to exchange data at the border.

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6. All countries agreed that the Revised Kyoto Convention represented the international benchmark basis of modernization and reform of Customs and should form the basis for the CAP Update in relation to simplification and harmonization of customs documentation and procedures.

7. It was agreed that the CAP Update should focus on the following activities:

- (i) in-depth comparative analysis of selected countries' customs procedures and documentation vis-à-vis major international conventions, particularly the Revised Kyoto Convention, so as to develop common procedures and documentation requirements in line with best international practice;
- (ii) examining countries' status of accession to major customs-related conventions, identifying constraints, and recommending measures for accelerated accession so that all members are signatories to the key conventions;
- (iii) undertaking of audit studies on border procedures at the PRC and Mongolian borders so as to build on the TRACECA initiative to identify whether a harmonized system throughout the region is a realistic goal;
- (iv) undertaking comparative study of customs declaration and data elements of Kazakhstan and the PRC as a possible basis for IT based data exchange; and
- (v) In-country training of major international conventions (such as the TIR and Revision Kyoto Convention) as requested.

## **B. Development of Border Posts and Facilities**

### **Progress 2002-2003**

8. The concept of joint-border processing is endorsed by the major international customs conventions and many of the regional agreements. However, its implementation or piloting testing requires a high degree of harmonization of legal frameworks and bilateral agreements on joint border control and the sharing of jurisdiction on foreign sovereign territory that would need to be ratified by two countries' legislative bodies.

9. The Secretariat assisted in preparing a detailed discussion document for the Issyk-Kul Seminar and for this CCC Meeting identifying the various joint processing options and their legal ramifications. At the Seminar, further examination of the legal issues beyond the Customs Codes was requested, but the necessary legal documents have not yet been submitted to the Secretariat by all countries.

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10. The CCC endorsed the proposal that the Ak-Jol/Korday border-crossing between Kazakhstan and the Kyrgyz Republic shall be the site for piloting testing. There has already been a meeting in September 2003 between the two countries on joint processing. It was agreed that the Secretariat should help carry out the "feasibility study" involving design of site layout, assessment of infrastructure and equipment needs, cost benefit analyses including identification of development costs, and implementation plan including operational procedures. This should include an assessment of the procedures

by all state control authorities present at the border. A key aspect was the potential requirement for a new freight terminal.

11. It was further agreed that if any two countries together wish to consider pilot testing of joint border procedures that they should be free to do so but should advise the CCC in order that feedback was available to other countries. The importance of such feedback was emphasized particularly in terms of the establishment of an independent monitoring mechanism to quantify and qualify the benefits of joint processing resulting from the pilot testing.

### **C. Development of Simplified Transit Systems**

#### **Progress 2002-2003**

12. The CAP recognizes development of a regional transit system as a key step to reduce delays and cost for transit traffic by strengthening national transit systems and the international TIR Transit System. The Expert Group on transit re-emphasized the vital importance of transit systems for their economies because of their land-locked nature.

13. To date the emphasis has been on training covering (i) overview of the transit systems in East and Central Asia (ii) detailed examination of the TIR Transit System, and (iii) European Union's Community and Common Transit Systems, together with its associated New Computerized Transit System (NCTS). These training efforts helped the participants to place the transit issues and challenges in a broad regional and global context and propose possible strategies to improve transit.

14. A comprehensive working paper on "Strategy and Action Plan for Transit Development" has been prepared by the Secretariat, following on proposals by the Kyrgyz Republic at the Issyk-kul Seminar. It proposed adoption of the two-pronged approach to address issues related to the TIR Transit System as an immediate goal and to explore the possibility of introducing a regional transit system as a medium-term or long-term goal. The two transit systems would complement each other to promote both intra-regional and inter-regional trade.

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15. The TIR component requires the establishment of a Task Force in each customs administration to identify constraints in the implementation of the TIR Transit System and discussions with stakeholders to enable preparation of a specific TIR action plan to resolve the constraints and fully implement the Convention. In addition, it proposed support for increased participation in the United Nations Economic Commission for Europe (UNECE) Working Party 30 and IRU meetings, additional training on implementation of the TIR Convention to border personnel in order to improve enforcement of the TIR procedures and assistance to the PRC on accession to the TIR Convention, if requested.

16. The Regional Transit System component will cover examination of the possible transit system options proposed by experts, their institutional arrangements, funding requirements for the establishment of a chain guarantee mechanism to support a regional transit system, and assessment of the potential to integrate the current national

transit systems to form a regional transit system. In addition an evaluation of the EU and the PRC's transit systems should be made as a potential basis, with adaptation, for development of the proposed regional transit system. This will be followed by proposals for the operational scope of an ICT system to support such a regional transit system and an implementation plan for pilot testing of the regional transit system covering two countries in the Region with a supporting regional transit agreement.

#### **D. Data Consolidation/Information Sharing and ICT Development for Customs Operations**

##### **Progress 2002-2003**

17. This component of the CAP aims “to initiate coordinated ICT development in the region's customs organizations in order to make systematic and readily-available data exchange across borders to enable faster processing, better enforcement of laws and regulations, and increased co-operation and integration. At the Issyk-kul meeting participants were introduced to several examples of existing custom processing systems. Progress was made in developing general principles for using ICT for customs modernization, and agreeing on the scope of customs data to be exchanged through ICT.

18. Sharing of information between customs is recognized as being crucial for trade facilitation and harmonization of customs procedures and documentation, such as the customs declaration forms. The country specialists at the Issy-kul meeting proposed the following:

- (i) scope of information to be exchanged among the customs administrations;
- (ii) the Extended Message Language (XML) format as a possible format for data submission in combination with other formats;
- (ii) methodologies to exchange information on Export, Transit and Reconnaissance.

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19. It is proposed that a meeting of the ICT Expert Group be held with specialists from each country to discuss; (i) technical issues in relation to the mechanisms for data exchange (ii) issues of analysis and compatibility of normative and reference information – data elements to be exchanged; and (iii) development of a protocol with a view to undertaking a pilot data exchange program. This would require an international expert to be provided by the Secretariat and specialists from each country to examine what data could be exchanged, possibly using the agreed Issyk-kul data elements as a basis, and the technical means to undertake such an exchange. The WCO initiative on common data elements should also be considered in developing the data exchange elements.

20. It is recognized that the ICT initiative requires specialist expertise. Continuity of specialists attending the discussions is crucial for the success of this program. The countries endorsed the need for continuity of attendance at the specialist ICT expert group. It was agreed that a meeting of the ICT expert group would be required and would be supported by the Secretariat at an appropriate time within the technical assistance program.

## **E. Development of Risk Management and Post-Entry Audit**

### **Progress 2002-2003**

21. With growing volume of international trade and passengers, the traditional method of inspecting every traveler or cargo consignment has become a hindrance and is no longer practical. Risk management is a method through which customs can focus its resources on detecting and examining high-risk cargo and travelers, while not impeding the movement of low risk cargo and travelers. Risk management can be applied at the pre-clearance, clearance and post-clearance levels of customs controls. A further method for speeding the clearance of cargo is to utilize post-entry audit in order to concentrate customs scrutiny of a shipment after its entry has been cleared. Risk management can be used to select high-risk importers for post-entry audit. These methodologies have been commenced in some of the countries in the region.

22. Training has been the main focus of this initiative to date. The Almaty meeting addressed the following aspects of risk management: risk profiling, selectivity criteria and technical requirements for implementing a risk management system. The Urumqi meeting provided more comprehensive coverage on risk management and post-entry audit. It also gave an opportunity for the expert group to develop a work program for cooperation in the coming year. This included development of areas to be covered during the country study that has already commenced.

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23. Assessment of individual countries' risk management practices will be the main focus of the proposed work program. The on-going country study will be coordinated by the chair of the expert group assisted by the Secretariat. This study is intended to (i) determine the current capacity levels of participating customs administrations in implementing risk management and post-entry audit programs, and (ii) to identify training, technical assistance and equipment that is needed in order to implement an effective risk management and post-entry audit program. Asian Development Bank (ADB) will provide details on the concepts of risk management based on international best practice so that individual countries can develop such systems based on their priorities. The CCC endorsed the proposal that the Secretariat would facilitate the study through (i) technical support and (ii) in-country training on the implementation of risk management and post-entry audit programs.

## **F. Development of a Regional Intelligence Exchange System**

### **Progress 2002-2003**

24. This component of the CAP aims to "develop and implement a regional intelligence system that will aid customs enforcement against illicit trade in prohibited goods". Illegal cross-border transactions, such as drug trafficking and smuggling, are recognized as a major regional issue. Ineffectiveness in combating smuggling is partly due to inadequate intelligence collection and analysis and a lack of regional cooperation on this issue. A regional intelligence system among the CCC member countries was envisaged at the first CCC Meeting to complement the existing regional intelligence liaison office system (RILO) coordinated by the World Customs Organization (WCO).

25. At the Urumqi meeting in September 2003, discussions also took place regarding the necessity of having an effective national and international intelligence system in order to support a risk management program. A questionnaire was developed but not circulated.

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26. At the April joint working group meeting, several delegates expressed concerns about the usefulness and value-addition of the proposed regional intelligence system. A key issue was whether such an initiative would duplicate the function of the RILOs. In view of these concerns, as an initial step, it is proposed that the plan should focus on (i) strengthening national intelligence systems as part of the overall risk management system, and (ii) improving the CCC member countries' participation in the RILO network through training and technical support and effectively using the RILO network to address regional intelligence needs.

27. At the Urumqi meeting, it was determined that due to the essential role that a national intelligence has in supporting a risk management program, that the assessment of individual countries' risk management practices would also include an assessment of their national intelligence collection and analysis programs. This will be done in order to identify the technical assistance, training and equipment that may be needed in order to implement or improve national systems of intelligence collection and analysis. It is recognized that this is a sensitive issue and each country would review the Urumqi questionnaire and confirm their willingness to complete relevant sections.

### **G. Capacity Building for Regional Customs Organizations**

#### **Progress 2002-2003**

28. This component of the CAP aims to “train customs personnel region-wide on technical and administrative aspects of customs in order to (i) implement international procedures and processes; (ii) internationalize the trade facilitation and compliance framework and enhance skills; (iii) improve operational performance; and increase mutual understanding and improve regional cooperation”. Training is a key component in institutional capacity building in all of the customs organizations in the Region.

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29. Training has been an important component in all of the four regional meetings in 2003. Given the extensive training input in 2003, it is not considered that a similar number of meetings will be required in 2004. It was proposed to address the training requirements by circulation of a training needs form supplied by the Secretariat. This would be divided into regional and country specific needs and be completed by each country to enable a program to be developed. Additional training on the Revised Kyoto Convention and Annex 1-3 was considered as a priority.

30. The ADB as the Secretariat has encountered problems in relation to contacts within each customs administration. This is partially due to changes of personnel within the customs administrations and partly due to the lack of continuity between personnel attending the Working Group meetings and seminars. It was agreed by the members that a nominated person would act as the “focal point” within each administration for the

CCC activities through whom all contacts and exchanges of information can be routed. This person would be in the International Relations Department (or equivalent).

### **III. CONCLUSION AND RECOMMENDATIONS**

31. Given the evolving nature of the regional customs cooperation program, this Common Action Plan Update together with the Joint Statement issued at the second CCC Meeting will supercede all the previous documents in guiding CCC activities in the near future.