CAREC
Central Asia Regional Economic Cooperation

A Trade Facilitation Strategy for CAREC: Preliminary Draft

Sixth Customs Cooperation Committee Meeting
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EXECUTIVE SUMMARY

The trade facilitation strategy will help achieve the CAREC vision of good neighbors, good partners and good prospects through a coordinated program of action featuring mutual co-operation and key investments. A major obstacle to this vision is the high cost of trade across regions. The long-term outcome desired from the work of the Trade Facilitation Coordinating Committee (TFCC)/Customs Cooperation Committee (CCC) is greater volumes of trade intra-regionally and extra-regionally resulting from harmonized cross border regulations, procedures and standards and improved logistics thereby enabling substantial savings of time and money. Progressing trade facilitation beyond the initial positive steps achieved by the CAREC Regional Trade Facilitation and Customs Cooperation Program in 2002-7 is a primary means to achieving this goal. Trade facilitation will promote economic diversification and assist the international trade of small and medium enterprises. This is a vision of win-win, pro-poor growth.

The primary goals of the new CAREC trade facilitation program are to (i) realize a significant reduction in transaction costs and time by means of improving administrative efficiency, and simplifying, standardizing and harmonizing trade procedures; (ii) encourage the free movement of goods and business people, and (iii) enhance the transparency of laws, regulations, procedures and forms, and share information on these and other trade issues.

Objectives of the trade facilitation strategy are:

- Strengthening of customs co-operation as the core program of the trade facilitation strategy;
- Expanding the scope of the work program to address broader issues of trade facilitation;
- Focus trade facilitation efforts on the designated priority CAREC transport corridors;
- Adoption of a results-based approach to monitoring time and cost savings as the key indicators of program;
- Support for logistics assessments and planning, again focusing on priority corridors;
- Support for bilateral initiatives among CAREC members with sharing of experience through the CAREC TFCC/CCC;
- Enhanced partnership between the CAREC, multilateral institutions (MIs), and key international agencies supporting customs reform, trade facilitation and logistics development in the region.

The strategy is comprised of three components aimed at reducing trade costs by promoting (i) concerted customs reform and modernization; (ii) supporting an integrated trade facilitation approach through interagency cooperation and public-private partnerships; and (iii) promoting efficient regional logistics development.

Customs cooperation will remain the core of the strategy. The medium term objective will be to promote concerted customs reforms and modernization, with the CCC serving as a regional forum to address issues of common interest. The work program in the short to medium term will focus on harmonization of custom procedures and documentation; customs automation; data exchange; risk management, post entry audit and customs intelligence; joint customs control; regional transit development; and frameworks for customs co-operation and training.

The integrated trade facilitation part of the strategy aims to establish a regional mechanism to complement and strengthen the CAREC Customs Cooperation Committee process, building on inter-agency cooperation and partnership with the private sector.

The trade facilitation strategy will take a joint and integrated approach with the transport strategy (which is also being formulated) to the development of transport corridors in Central Asia, combining transport infrastructure investment and management with trade and transport facilitation initiatives into a comprehensive package designed to bring about significant and measurable improvements in transport time and cost requirements along the corridors for local, cross border and transit traffic and trade.

The work program will focus on promoting the establishment of national trade facilitation committees; one stop and single electronic window services; priority trade facilitation support for designated CAREC transport/economic corridors; support to bilateral initiatives to pilot integrated trade facilitation; support for accession to international conventions for integrated trade facilitation, establishment of a technical level forum for the range of agencies involved in providing trade facilitation support to the region to improve co-ordination and develop good practice models; and establishment of monitoring methodologies and mechanisms to measure performance.

The Trade Logistics component of the strategy will facilitate the development of an efficient regional logistics industry. The work program will include establishment of a regional forum to harmonize and plan trade logistics development; support for national level trade logistics assessments; and facilitation and financing of key investments including public-private partnerships.

The strategy envisages strengthened institutional arrangements, notably meeting of the TFCC immediately following CCC meetings, closer co-ordination with other CAREC sector committees, and partnership with RCO international agencies involved in customs trade facilitation and logistics in the CAREC region.

Introduction

The CAREC Regional Trade Facilitation and Customs Cooperation Program was launched in 2002. Guided by a Common Action Plan, progress has been achieved in the five priority areas of (i) simplification and harmonization of customs procedures and documentation, (ii) joint border control, (iii) data exchange and information communications technology (ICT) for customs automation, (iv) risk management, post-entry audit, and regional intelligence system, and (v) development of simplified transit systems.

The preparation of a new trade facilitation strategy was proposed by the Comprehensive Action Plan (CAP) endorsed during the Urumqi Ministerial Conference in October 2006, when Ministers called for action to overcome trade and other impediments to development.

The aim of the Trade Facilitation Strategy is to strengthen and broaden the existing trade facilitation program and establish a credible program to support sustained economic growth and improved living standards through the expansion of international and intra-regional trade. The primary goals of the new CAREC trade facilitation program are to (i) realize a significant reduction in transaction costs and time by means of improving administrative efficiency, and simplifying, standardizing and harmonizing trade procedures; (ii) encourage the free movement of goods and business people, and (iii) enhance the transparency of laws, regulations, procedures and forms, and share information on these and other trade issues.

The strategy is based on a vision for the region, in which the long term (15 – 20 years) aspirations of the CAREC countries are supported by intra- and extra-regional trade which underpins pro-poor growth, regional prosperity and amicable international relations. This is the rationale and justification for regional cooperation in trade facilitation. The strategy builds on the 2002-7 achievements of the Regional Trade Facilitation and Customs Cooperation Program by setting out a short (1 – 2 years) to medium (3 – 5 years) term approach to ensuring that trade facilitation measures taken over the next five years by individual countries as well as collectively move toward the long term objective. The short to medium term actions for reducing trade costs include promoting concerted customs reform and modernization, supporting an integrated trade facilitation approach through interagency cooperation and public-private partnerships, and promoting efficient regional logistics development. The three components are summarized in the Design and Monitoring Framework in Appendix A.

A major concern of this report is to ensure that the many separate trade facilitation measures achieve significant overall time and cost savings. The strategy adopts a results-based approach to further trade facilitation, whereby time and costs of trading can be monitored along key corridors to establish progress.

Trade Patterns in CAREC countries since 2002

A striking feature of recent economic development in the CAREC members is that all are open economies with export/GDP ratios in 2005, ranging from 39 to 65 percent (Table 1), except for Xinjiang of the PRC.[1] This is largely driven by their strong comparative advantage in natural resources (oil and gas, minerals, and cotton). Average import tariffs are, in most cases, fairly low. Some countries have promoted import substitution, but most of the actual

[1] Xinjiang's trade with rest of the PRC is not captured in the statistics.

import substitution in has been achieved by subsidies or directives rather than by border policies.

Over the last decade, the level of international trade has risen considerably (Table 2). Exports are heavily concentrated in a few commodities: oil and gas, minerals, and cotton (Table 3). In Kazakhstan, Turkmenistan and Azerbaijan rapid growth in the value of exports was boosted by rising world energy prices and an increase in the volume of oil and gas exports. In the Kyrgyz Republic, export growth was driven by gold exports and by re-exports of kerosene for refueling of foreign military aircraft. In Uzbekistan exports declined in 2000-2002, but rebounded in 2003 and 2004, supported by devaluation of the national currency, a rise in world cotton prices and expansion of exports of energy products. In Tajikistan, export growth was concentrated in aluminum and cotton, assisted by a rise in world prices for these commodities. Mongolia's export growth is led by copper and gold.

Imports are far more diversified. Machinery and equipment account for a significant proportion of imports for all six countries, especially Kazakhstan and Azerbaijan, whose imports are dominated by capital goods for oil sector development, and Uzbekistan, whose imports are dominated by capital goods for state-supported investment projects. Energy has been a major import in Azerbaijan, the Kyrgyz Republic and Tajikistan; Azerbaijan considerably increased imports of natural gas and electricity in 2000-2004, while the Kyrgyz Republic started importing large quantities of kerosene for refueling of foreign military aircraft on its territory.

The participation of CAREC countries in global production networks and related international trade remains very limited.[2] Trade between the Central Asian countries and China grew rapidly in 2000-4, while trade with Mongolia remained small. Despite their geographical proximity, trade between the Central Asian countries and Afghanistan remains limited. Although exports to Afghanistan have increased considerably in recent years, it is from a very low base and the values are small relative to total exports. Total recorded trade with China increased from US$0.7 billion in 1999 to US$3.4 billion in 2004, and, if unrecorded trade is taken into account, trade with China is much larger.

In sum, the CAREC countries have open economies whose exports are dominated by a small number of primary products and whose trade performance is dependent on production and world prices of those commodities. They have had limited success in diversifying exports, and by many measures they trade below their potential. The returns to integration in the global economy in terms of higher living standards have been disappointing. In large part this has been because realization of the potential gains from trade has been obstructed by unnecessary high costs of trade. Some of these costs derive from the CAREC countries' landlocked situation, which makes trade and transit problems especially severe. This highlights the potential benefits from reducing such costs.

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[2] One indication of this is the relatively low degree of intra-industry trade; the Grubel-Lloyd index shows that Azerbaijan, Kazakhstan and Tajikistan are involved in intra-industry trade to a much lesser degree than the PRC and, while the intra-industry trade is relatively high for resource-based, unskilled labor-intensive products, it is low for skilled-labor and technology-intensive products (*Central Asia: Increasing Gains from Trade through Regional Cooperation in Trade Policy, Transport and Customs Transit,* Asian Development Bank, Manila, 2006). China has over the last decade become much more involved in international production networks, but these are primarily with countries in East and Southeast Asia and only involve Xinjiang to a limited degree.

The suboptimal level of trade and the concentration on primary products are inter-related, because the high trade and transit costs discourage trade in manufactures or processed foods, more than they discourage export of oil, gas, minerals, cotton or grains. Another facet of this inter-relationship is that high trade costs are especially burdensome when the producers are small or medium-sized enterprises. In 2005 and 2006, analysis of the policies required to promote trade and growth began to focus on trade facilitation rather than on traditional trade policies.

Customs Cooperation Achievements under the Auspices of the Customs Cooperation Committee

Work in priority areas during the 2002-7 cycle has been coordinated by the Customs Cooperation Committee (CCC) which focused on promotion of bilateral agreements and country-specific customs modernization. Simplification and harmonization of customs procedures are being achieved through revision of customs codes in line with the Revised Kyoto Convention, introduction of risk management practices, joint customs control, and customs automation.

Moves to develop a simplified transit system have focused on accession to and use of the Convention on the International Transport of Goods under the TIR Carnet. All CAREC member countries except the PRC are contracting parties to the TIR Convention, and the PRC has indicated its intention to accede to the TIR Convention. Problems remain with the approved national associations for the issue of TIR carnets and, most importantly, due to the fixed costs of having TIR-compliant vehicles. Several customs administrations have also embarked on bilateral arrangements for a simplified transit system through security deposits. These also have problems, especially when the deposit is in cash and there are delays in refunding the deposit, but they are improvements over the convoy system which is still used for transit in the Region.

All of these initiatives in customs and transit matters are positive and important steps. The CCC has been successful in creating an environment of trust and cooperation among the custom services of the participating countries. The process of changing the culture of customs administrations from control-orientation to compliance-facilitation is crucial, but by its nature slow. The Design and Monitoring Framework in Appendix A sets out a medium-term strategy and priorities for continuing this work.

Customs cooperation will remain the core of the strategy. The medium term objective will be to promote concerted customs reforms and modernization, with the CCC serving as a regional forum to address issues of common interest. The work program in the short to medium will focus on customs automation; risk management, post entry audit and customs intelligence; joint customs control; regional transit development; harmonization of custom procedures and documentation; data exchange; frameworks for customs co-operation and training.

Trade Facilitation: Targeting Results

The definition of trade facilitation, as the term is used by the WTO, is “the simplification and harmonization of international trade procedures, including the activities, practices and formalities involved in collecting, presenting, communicating and processing data and other information required for the movement of goods in international trade”. Trade facilitation relates to a wide range of activities such as import or export procedures (e.g. customs or licensing procedures), transport formalities, and payments, insurance and other financial requirements. It is distinguished from trade policy, as reflected in legislated tariff rates or non-tariff barriers to trade, and from the hard infrastructure of roads, ports, etc. An alternative way of delimiting trade facilitation, which is useful in the CAREC context, is to distinguish between trade costs that arise due to:

1. lack of integrated border management, so that complex procedures at the border (or in preparation for crossing the border) impose time and money costs on traders. The policy goal is captured in the idea of move forward integrated border management schemes and achieving single window operations.
2. lack of coordination between the two sides of the border. The policy goal is that a trader crossing a border will only stop once.
3. behind the border costs.

All three of these trade costs are prevalent in the region.

Studies have documented the excessive border delays and large number of forms needed by importers and exporters in the region (see, for example, Table 5). At most borders it is necessary to comply with a range of procedures in addition to customs, including animal quarantine, inspection of plants and other agricultural materials, checks on driving licenses, axle loads and compliance with other rules of the road. Simplifying and harmonization of these procedures is a core business of trade facilitation. International agreements on standardized forms can help (and this is happening and WCO and EurAsEC are working with UN/ECE to harmonize regional data and document standards), but a key requirement is the need to shift policy emphasis to place more weight on trade facilitation rather than on trade control.

Behind-the-border trade costs, especially the frequent road checks which are often accompanied by an official or unofficial fine, are endemic and considerably raise the cost of doing business in the region. This is an issue which must be dealt with primarily at the national level.

Trade facilitation involves not only border measures. The various documents necessary for trade may be available only from offices in the national or regional capitals, while some obstacles (e.g. inspection of trucks for technical or other compliance standards) may occur anywhere on the national territory. Thus, although improvements can be made at the border crossing point (BCP), where vehicles often have to go past up to a dozen officials requiring different authorizations, focusing only on customs and border procedures is insufficient.

Improved border crossing processing and behind the border measures can result in large potential economic benefits. Trade facilitation will support higher living standards and pro-poor growth. The impediments to trade fall most heavily on exports other than the main primary product exports (i.e., oil and gas, cotton, and minerals) and on small and medium-sized enterprises and traders. In sum, trade facilitation is a slow and piecemeal process, but in the CAREC region there is a huge potential pay-off. It’s important to gather stakeholders into identify the pieces, establish priorities and timelines and thereby create an holistic strategy.

The outcomes from trade facilitation are simpler to define than the measures needed to facilitate trade. The outcomes are reductions in the time needed and costs incurred to carry out international trade. Progress in trade facilitation is best measured by these criteria rather than by intermediate criteria such as reducing the number of forms needed. The strategy proposes establishment of benchmarks against which progress can be measured and to build consensus on achievable targets for cost and time reduction. This is a similar approach to the WCO time-release assessment process and the establishment of the Time Release Strategy (TRS).

The strategy proposes strengthening national capacity to measure and monitor progress, co-ordination with other key partners (including WCO and ESCAP) to disseminate good practice, and sharing of experience and program monitoring by the TFCC. The World Bank has developed methodology and undertaken transport corridor performance measurements and methodology in support of the CAREC program. The Transport and Tourism Division of ESCAP has also developed a time/cost-distance methodology to identify inefficiencies and isolate time bottlenecks along particular routes. It will clearly be important to involve private sector users in the decision and monitoring of trade facilitation measures.

Focusing on Priority Transport Corridors

Travel times and costs could eventually be monitored along all major trade routes. However, this would be costly and, as for any new initiative, it is desirable to begin with a limited number of pilot studies. Although trade facilitation is conceptually distinct from transport improvements, there are synergies to focusing the efforts of the trade facilitation strategy on the corridors being identified in the CAREC Transport Strategy, which are summarized in Appendix Table B. The CAREC region is well-suited to a corridors approach to trade facilitation because most intra- and inter-regional trade flows use a limited number of east-west and north-south routes. The precise definition of the corridors becomes more subjective the longer they are, because at each end the possible routes fan out.

The six CAREC Corridors mostly have two variants (see map), and out of these dozen corridors identified by the CAREC Transport Strategy it is proposed that 2 or 3 be selected as pilot corridors for trade facilitation. While technical analysis may suggest certain corridors as being particularly suitable for the pilot phase, the key factor for success is the willingness of countries along the corridors to actively participate. Thus, it is proposed that the TFCC will respond to requests by CAREC members who wish to jointly work together on corridors or segments of corridors to facilitate trade. Once the methodology and implementation details are established, the corridor approach to monitoring trade facilitation can be applied more widely.

The strategy proposes a results-based approach to trade facilitation aimed at reducing trade costs. The basic concept is to identify key corridors, monitor time and costs of trading along these corridors, and agree on targets to reduce these costs. The policy decisions will be taken by individual countries. Key development partners will provide technical support and share international good practice, and the TFCC will provide a forum to share experience and monitor progress. The Trade Facilitation Strategy should be coordinated with the Transport Strategy to establish priority investments along the corridors. The monitoring would be a relatively low-cost exercise.

The proposed results-based approach allows countries to prioritize. For example, one country may prioritize quarantine, sanitary and phytosanitary measures,[3] and trade logistics while another may focus on reducing the number and complexity of forms. Either strategy

[3] Version 3.0 of the WCO Data Model makes provision for these (and other) data requirements.

could reduce the delay at border crossing points. The measure of success is the extent to which each strategy really does reduce the time and cost of traversing a corridor. Countries working bilaterally or in groups will enhance the possibility of significant improvements in time and cost savings along agreed corridors.

The work program will focus on promoting the establishment of national trade facilitation committees; one stop and single electronic window services; priority trade facilitation support for designated CAREC transport/economic corridors; support to bilateral initiatives to pilot integrated trade facilitation; support for accession to international conventions for integrated trade facilitation, establishment of a technical level forum for the range of agencies involved in providing trade facilitation support to the region to improve co-ordination and develop good practice models; and establishment of monitoring methodologies and mechanisms to measure performance.

Trade Logistics

The trade logistics component of the strategy will facilitate the development of an efficient regional logistics industry. The work program will include establishment of a regional forum to harmonize and plan trade logistics development; support for national level trade logistics assessments; and facilitation and financing of key investments including public-private partnerships.

Institutional Arrangements

The Strategy envisages that the Customs Cooperation Committee continues to meet on a regular basis and to undertake the program of activities set out in the DMF. Improved co-ordination among customs agencies in the region is a key outcome of the CCC process and the 2002-2006 work programs. The CCC is seen as having strong potential for further development for the benefit of the region.

In order to achieve the broader objectives of trade facilitation, the range of other national agencies involved in trade and border control need to be engaged. Improved national level co-ordination and capacity building is seen as a necessary first step towards effective regional co-operation on trade facilitation. The strategy proposes that the CAREC trade Facilitation Co-coordinating Committee be more formally established consisting of representatives of national level trade facilitation co-ordination mechanisms. It is proposed that the TFCC meet immediately following CCC meetings with delegates welcome to attend both meetings.

CAREC Senior officers have highlighted the need for closer co-ordination between the transports, trade policy and trade facilitation committee of CAREC. It is proposed that this could be facilitated by the three committees meeting at least once a year at the same location.

There is a range of global level and regional level international agencies assisting the CAREC region on customs, trade facilitation and logistics issues. It is proposed that the TFCC/CCC play a more active role in co-coordinating work with the range of involved agencies. In particular it is proposed that ESCAP and WCO be regarded as core partners for the implementation of the trade facilitation strategy, without precluding other international organizations and bilateral development agencies playing an active role. Synergies could be explored and build upon the past and existing trade and transport facilitation projects and activities of ESCAP in Central Asia. Within the CAREC family of MIs it is anticipated that the World Bank continue its strong support for trade and transport facilitation within the CAREC region and that close co-ordination with the IMF, in its capacity of facilitation of the trade policy co-ordinating committee will continue.

Table 1: GDP Growth, GNI per capita, Trade Ratios and Time required starting a Business - CAREC 2001-2006

	2001	2002	2003	2004	2005	2006
Afghanistan						
GDP growth (%)	…	29	16	8	14	12
GNI per capita (US$)	…	…	168	186	218	…
Exports (% of GDP)	…	29	40	29	26	…
Imports (% of GDP)	…	(57)	(79)	(68)	(63)	…
Days required to start a business	…	…	…	…	8	8
Azerbaijan						
GDP growth (%)	10	8	10	10	26	32
GNI per capita (US$)	660	720	820	950	1,240	…
Exports (% of GDP)	36	37	36	44	61	66
Imports (% of GDP)	(26)	(29)	(37)	(42)	(35)	(27)
Days required to start a business	…	…	106	123	115	53
Kazakhstan						
GDP growth (%)	14	10	9	9	10	11
GNI per capita (US$)	1,350	1,520	1,800	2,300	2,940	…
Exports (% of GDP)	40	41	43	48	50	50
Imports (% of GDP)	(36)	(33)	(31)	(32)	(32)	(31)
Days required to start a business	…	…	25	25	24	20
Kyrgyz Republic						
GDP growth (%)	5	-	7	7	-	3
GNI per capita (US$)	280	290	340	400	450	…
Exports (% of GDP)	31	31	31	33	28	28
Imports (% of GDP)	29	35	37	41	45	63
Days required to start a business	…	…	21	21	21	21
Mongolia						
GDP growth (%)	1	4	7	11	7	8
GNI per capita (US$)	400	420	480	600	690	…
Exports (% of GDP)	51	47	49	53	51	57
Imports (% of GDP)	(61)	(61)	(66)	(55)	(52)	(50)
Days required to start a business	…	…	31	20	20	20
PRC – XUAR						
GDP growth (%)	9	8	17	17	18	16
GDP1/ per capita (US$)	956	1,013	1,172	1,353	1,600	1,865
Exports (% of GDP)	10	14	21	21	16	…
Imports (% of GDP)	6	7	10	10	9	…
Days required to start a business[2/]	…	…	48	48	48	35
Tajikistan						
GDP growth (%)	10	11	11	10	7	7
GNI per capita (US$)	170	180	210	280	330	
Exports (% of GDP)	61	57	58	53	48	54
Imports (% of GDP)	(72)	(68)	(66)	(59)	62	70
Days required to start a business	…	…	…	…	67	67
Turkmenistan						
GDP growth (%)	20	16	17	15	10	9
GNI per capita (US$)	730		1,003	1,062	1,186	...
Exports (% of GDP)	39	33	32	31	32	...
Imports (% of GDP)	31	21	24	25	23	...
Days required to start a business						

	2001	2002	2003	2004	2005	2006
Uzbekistan						
GDP growth (%)	4	4	4	8	7	7
GNI per capita (US$)	550	450	420	460	520	...
Exports (% of GDP)	24	26	33	35	34	34
Imports (% of GDP)	(22)	(23)	(24)	(25)	(23)	(22)
Days required to start a business	...	...	29	29	29	29

…. No data available.

1/ GNI not available.

2/ National.

Sources:

Asian Development Bank. Asian Development Outlook, 2006-2007.
Asian Development Bank. 2007 Key Indicators of Developing Asian and Pacific Countries.
World Bank. World Development Indicators (online).
World Bank. International Finance Corporation, Doing Business Database.
Xinjiang Statistical Yearbook, 2005-2006.

Table 2: International Trade, CAREC, 1993-2003 (million US dollars

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
							Export							
Afghanistan	688	105	166	128	145	151	123	142	90	87	210	185	240	286
Azerbaijan	993	637	547	631	781	607	929	1,745	2,314	2,168	2,590	3,615	4,347	8,814
Kazakhstan	1,107	3,232	5,257	5,926	6,497	5,511	5,598	9,878	9,085	9,670	12,927	20,095	23,610	30,067
Kyrgyz Rep	360	339	483	506	609	509	454	504	476	486	582	705	708	873
Mongolia	91,696	120,869	148,959	151,168	182,920	183,746	194,936	249,208	266,709	325,744	438,364	593,358	762,337	969,284
PRC	383	356	473	424	452	345	358	536	521	524	616	852	1,054	1,521
Tajikistan	350	492	749	772	803	597	689	770	653	737	797	915	909	879
Turkmenistan	561	1,163	1,881	1,693	751	594	1,187	2,505	2,555	2,816	3,449	4,062	5,688	6,376
Uzbekistan	693	1,991	2,718	2,620	2,896	2,310	1,963	2,181	2,079	1,562	1,975	2,697	3,443	4,897
							Import (c.i.f)							
Afghanistan	465	391	387	661	604	462	490	621	566	1,034	1,608	1,971	3,002	3,733
Azerbaijan	636	778	668	961	791	1,077	1,036	1,172	1,434	1,666	2,626	3,516	4,210	7,760
Kazakhstan	1,704	3,285	3,807	4,247	4,303	4,374	3,687	5,048	6,478	6,584	8,409	12,780	20,139	26,859
Kyrgyz Rep	447	316	392	795	709	841	611	555	465	587	712	1,346	2,216	4,091
Mongolia	379	258	415	451	468	503	513	614	638	691	801	1,011	1,160	1,752
PRC	103,628	115,706	132,164	138,949	142,163	140,385	165,718	225,175	243,567	295,440	412,836	561,422	660,218	791,793
Tajikistan	532	547	810	668	750	711	663	671	694	721	908	1,191	1,330	1,958
Turkmenistan	586	904	1,364	1,313	1,228	1,007	1,478	1,788	2,210	2,128	2,511	2,732	2,709	3,140
Uzbekistan	918	2,455	3,030	4,854	4,538	2,931	2,481	2,072	2,293	2,076	2,484	3,164	3,559	4,295

Source: International Monetary Fund, Direction of Trade Statistics

[1] data prior to 1998 is offered by the Bureau of Foreign Economic and trade and data after 1998 is offered by Urumqi Customs House

[2] data prior to 1998 is offered by the Bureau of Foreign Economic and trade and data after 1998 is offered by Urumqi Customs House; no indication if values include c.i.f.

Table 3: Share of Selected Commodity Groups and Primary Commodities in Merchandise Exports, CAREC Countries, 1999 and 2004
(Based on HSC, in percent)

	Azerbaijan		**Kazakhstan**		**Kyrgyz Republic**		**Tajikistan**		**Uzbekistan**	
	1999	**2004**	**1999**	**2004**	**1999**	**2004**	**1999**	**2004**	**1999**	**2004**
Mineral products	<0.1	<0.1	5.5	4.6	12.6	13.1	2.7	3.1	10.2	14.9
Energy resources	68.9	82.2	39.8	59.6	12.6	13.1	25.4	6.2	12.7	14.1
of which: Crude oil	42.6	62.7	39.3	56.8	n.a.	n.a.	0.0	0.0	n.a.	n.a.
Natural gas	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.0	0.0	11.5	14.6
Electricity	n.a.	n.a.	n.a.	n.a.	11.5	3.0	25.4	6.2	n.a.	n.a.
Textiles and textile articles	2.9	1.3	0.8	0.9	7.1	11.1	18.8	21.8	36.6	26.3
of which: Cotton fiber	2.3	1.0	n.a.	n.a.	5.1	6.2	12.0	17.7	28.5	20.5
Pearls, precious or semi-precious stones, metals	0.0	0.0	4.8	1.7	40.5	40.5	0.0	2.6	32.1	36.3
of which: Gold	n.a.	n.a.	n.a.	n.a.	40.3	30.0	n.a.	n.a.	27.7	29.0
Base metals and articles thereof	2.7	2.7	29.1	17.3	5.9	4.4	45.4	62.6	0.3	2.5
of which: Aluminum	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	45.4	62.6	n.a.	n.a.
Total	**74.5**	**86.2**	**80.0**	**84.1**	**78.7**	**82.2**	**92.3**	**96.3**	**91.9**	**94.1**

Source: Asian Development Bank, *Central Asia: Increasing Gains from Trade through Regional Cooperation in Trade Policy, Transport and Customs Transit* (Manila, 2006).

Table 4: Trade between Central Asian Republics and China, 2004
(Million US dollars)

	Exports to China		Imports from China	
	As reported by the CARs at f.o.b. prices	As reported by China at c.i.f. prices	As reported by the CARs at c.i.f. prices	As reported by China at f.o.b. prices
Azerbaijan	31.7	40.2	145.5	143.7
Kazakhstan	1967.3	2286.3	758.2	2211.9
Kyrgyz Republic	39.3	109.5	80.1	492.7
Tajikistan	6.1	15.4	57.0	53.6
Uzbekistan	87.8	403.1	252.4	172.4

Source: Asian Development Bank, *Central Asia: Increasing Gains from Trade through Regional Cooperation in Trade Policy, Transport and Customs Transit* (Manila, 2006).

Table 5: Time taken to effect Exports or Imports

	Exports			Imports		
	Time (days)	Documents (number)	Cost (USD)	Time (days)	Documents (number)	Cost (USD)
Kazakhstan	93	14	2,780	87	18	2,880
Kyrgyz Rep.	na	na	na	127	18	3,032
Tajikistan	72	14	4,300	44	10	3,550
Turkmenistan	na	na	na	na	na	na
Uzbekistan	44	10	2,550	139	18	3,970

Source: *Indicators to Measure the Progress in the Implementation of the Almaty Programme of Action*, document presented at the meeting of experts to monitor progress in the implementation of the Almaty Programme of Action, Vienna, 12-13 December 2006.

Note: Cost is in USD per container; na = not given in the source.

APPENDIX A: OVERVIEW OF TRADE FACILITATION STRATEGY

Design Summary	Priorities and Performance Monitoring Indicators	Key Activities and Initiatives Contributing to Outcomes	Risks and Assumptions
Long-Term Impact Sustained economic growth and improved living standards through the expansion of international and intra-regional trade			
Outcomes: Greater volume of trade intra-regionally and extra-regionally, due to time and cost savings which result from harmonized cross border regulations, procedures and standards and improved logistics.	Growth of total intraregional trade and trading performance of the individual CAREC member countries.		Adequate resources. Coordination with international institutions Stable global economy Commitment of governments
Short to Medium-term Objectives **1. Customs Cooperation** To promote concerted customs reform and modernization and to serve as a regional forum to address issues of common interest	<u>Customs Automation</u> Automation system adopted (Kyrgyz Republic, Tajikistan) and upgraded (Mongolia). <u>Risk Management, Post Entry Audit, and Customs Intelligence</u> Risk Management practices adopted and upgraded <u>Joint Customs Control</u> Pilot testing implemented and extended to other countries <u>Regional Transit Development</u> PRC's accession to TIR Convention Bilateral/Trilateral Transit Agreements signed and implemented	Training Program on Customs Automation Support to bilateral initiatives including: Kazakhstan and PRC; PRC and Mongolia; Kyrgyz Republic and Kazakhstan; Workshop to share experience and harmonize approaches	

Design Summary	Priorities and Performance Monitoring Indicators	Key Activities and Initiatives Contributing to Outcomes	Risks and Assumptions
	Harmonization of Customs Procedures and Documentation Cargo manifest harmonized Accession to the Revised Kyoto Convention Data Exchange Data elements for cargo manifests and customs declaration harmonized Technology solutions for data exchange agreed bilaterally Framework for Customs Cooperation Bilateral agreements on mutual administrative assistance and customs cooperation signed and implemented. Training Training provided to customs agencies in the designated priority areas	Support to pilot initiatives including: PRC and Kazakhstan PRC and Mongolia Provision of technical support to participating countries Support to pilot testing for: Kyrgyz Republic and Uzbekistan Tajikistan and Kazakhstan	
2. Integrated Trade Facilitation			
To support an integrated trade facilitation approach through interagency cooperation and partnership with the private sector.	Establish a regional mechanism for integrated trade facilitation to complement and strengthen the CAREC Customs Cooperation Committee Process Establish National (Transport and) Trade Facilitation Committees One stop and single electronic window services	Annual meeting of the CAREC Trade Facilitation Committee Support, in conjunction with ESCAP, for establishing and work program design SEW workshop (2008)	

Design Summary	Priorities and Performance Monitoring Indicators	Key Activities and Initiatives Contributing to Outcomes	Risks and Assumptions
	Priority trade facilitation support for the designated CAREC transport/ economic corridors.		
	Bilateral initiatives to pilot integrated trade facilitation approach	Enhance ongoing bilateral initiatives	
	Accession to international conventions in support of integrated trade facilitation	Monitor and support accession to and implementation of international conventions for (Transport and) Trade Facilitation in conjunction with the CAREC TCC and ESCAP	
	Establish a technical level forum for the range of agencies involved in providing trade facilitation support to the region to improve coordination and develop good practice models	One day roundtable meetings immediately prior to CCC/TF sessions Harmonize support programs Measuring progress	
	Managing for Results Establish a monitoring mechanism to measure performance including time/cost/distance surveys, user surveys and administrative data from national agencies	Build on work of ESCAP, WB and other development partners to establish benchmarks and measure progress emphasis on monitoring designated CAREC corridors	
3. Trade Logistics To facilitate the development of an efficient regional logistics industry	Provide a regional forum to harmonize and plan trade logistics development Support national level trade logistics assessments Facilitate and finance and public-private partnerships	Undertake assessments in CAREC countries Prepare project proposals suitable for inclusion in bilateral investment programs	

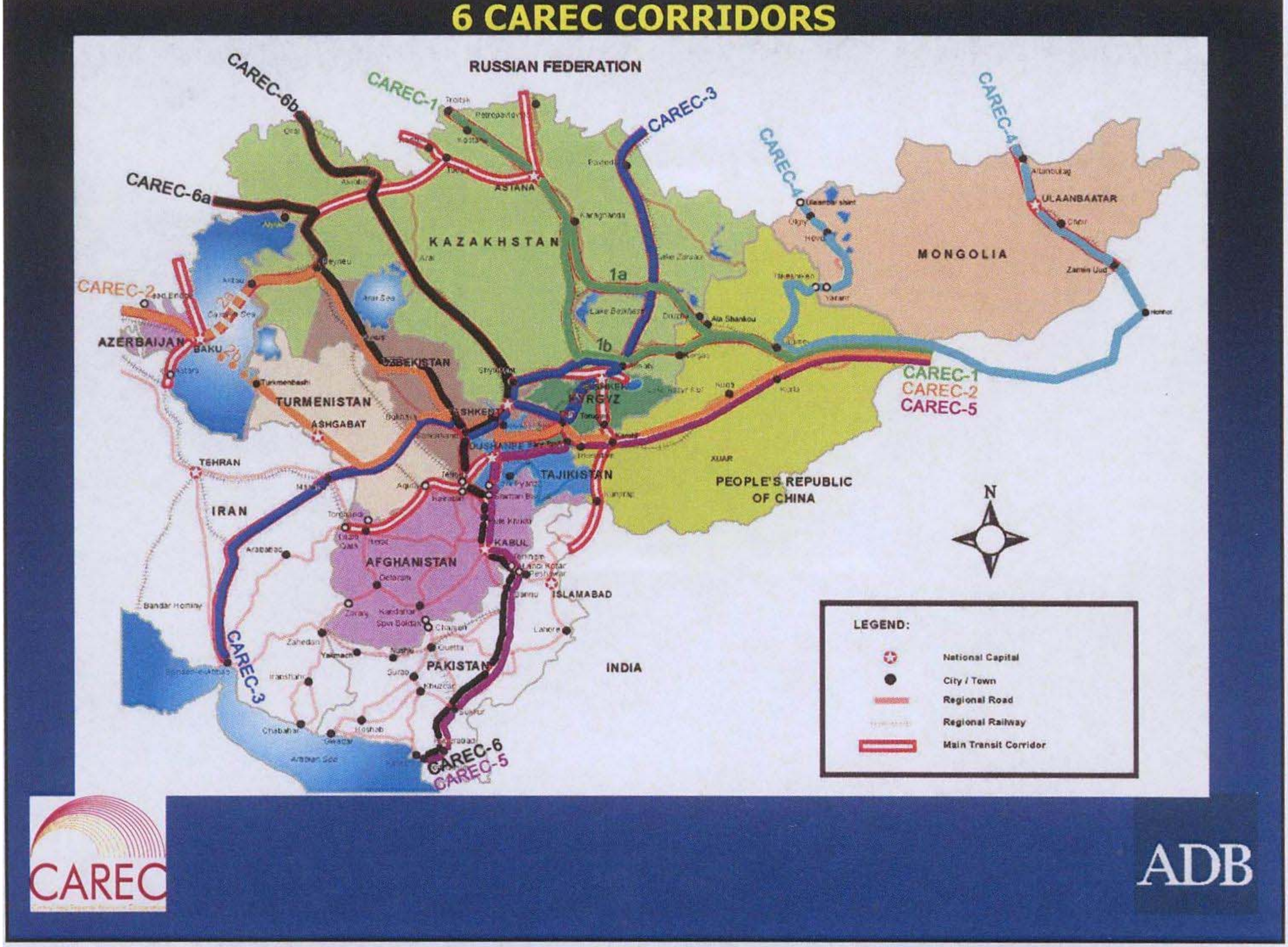
APPENDIX B: Matrix of Selection Criteria for CAREC Corridors

Corridors	1. High current traffic volume	2. Prospect for economic and trade growth	3. Capacity to increase connectivity between major population & economic centers	4. Potential to mitigate delays	5. Economic & financial sustainability of investing in corridor improvements
CAREC 1 North Europe – China via Kazakhstan (Druzbah)	This is the most active corridor for CA export/Import and transit traffic both by road and rail	Prospect for economic growth remains very good. Witness the high growth in trade between Europe and China and construction of the new Khorgas rail connection.	1-b provides good population connectivity Corridor connects major economic centers in Kazakhstan, passing through Astana and Almaty.	Construction of Khorgas line will resolve capacity problems. Few border crossings and therefore high prospect to mitigate delays	Good prospect for investments in corridor improvements, as EDI is already being used on a limited basis and logistic centers exist or are going to be established.
CAREC 2 South Europe – China, through Black Sea, Turkmenistan or Uzbekistan	This is a TRACECA corridor, with significant trade volumes for CA export/import	Trade prospect along the corridor is very good. Transport pattern is currently dominated by oil products, but will change with construction of additional pipelines	This corridor brings strong connectivity throughout Central Asia	This corridor scores average on this criterion because of intermodal (by sea via Black Sea and Caspian Sea; and by road in KGZ) potential and the relatively high number of border crossings	Prospect to implement logistic centers are good. The fact that it involves many countries may act as a limitation
CAREC 3 West Siberia – Persian Gulf and Arabian Sea	Presently limited volume from Siberia (timber) and large volume between Karachi and Kabul	This could offer great potential for exports of Siberian timber and minerals and metals from Siberia and Kazakhstan, with general goods coming from Arabian Sea to CA	Good connectivity (population-economic centers); also connects forest products and mining regions in north and gulf oil production.	Because of change of railway gauge and numerous border crossings, this corridor scores low on this criterion	This is a railway corridor which should make use of block trains. The fact that it involves many countries may act as a limitation
CAREC 4 China – Russia through Mongolia	Heavy rail traffic in Mongolian railway	The Central Corridor will continue to expand with traffic growing on the rail and road. With the completion of the western road, trade between Xinjiang and Russia will expand. Traffic on the western corridor will grow	Little population connectivity; some interesting economic centers connectivity	Prospects for mitigation of delays are very good on this corridor	Prospects for improvements are very good; new technology can be introduced easily on the rail link.

Corridors	1. High current traffic volume	2. Prospect for economic and trade growth	3. Capacity to increase connectivity between major population & economic centers	4. Potential to mitigate delays	5. Economic & financial sustainability of investing in corridor improvements
CAREC 5 China - Pakistan	Traffic varies along stretches. Presently more export/import traffic than transit	Substantial prospect for Pakistan – China trade. The corridor is a better alternative than through the Karakoram Highway	Potential for economic resource connectivity between China and Pakistan	Because of change of railway gauge and numerous border crossings, this corridor scores low on this criterion	Situation in Afghanistan and efficiency of the Pakistan Railway may limit prospect for improvement
CAREC 6 North Europe – Persian Gulf and Arabian Sea	Relatively high rail traffic on the Uzbek and Kazak part and the Afghan border to Pakistan	Faster and cheaper route from Europe to Arabian Sea implies potential for the corridor to compete with the all-sea route	Potential for economic resource connectivity between North Europe and Gulf region	Because of change of railway gauge and numerous border crossings, this corridor scores low on this criterion	Situation in Afghanistan and efficiency of the Pakistan Railway may limit prospect for improvement

Source: CAREC Transport Sector Strategy Study


CENTRAL ASIA REGIONAL ECONOMIC COOPERATION
RUSSIAN FEDERATION
RUSSIAN FEDERATION
KAZAKHSTAN
Astana
MONGOLIA
Ulaanbaatar
Lake Balkhash
Aral Sea
Caspian Sea
Baku
AZERBAIJAN
UZBEKISTAN
TURKMENISTAN
Ashgabat
Tashkent
Bishkek
KYRGYZ REPUBLIC
Dushanbe
TAJIKISTAN
Tehran
IRAN
PEOPLE'S REPUBLIC OF CHINA
XINJIANG UYGUR AUTONOMOUS REGION
NINGXIA
QINGHAI
TIBETAN AUTONOMOUS REGION
Kabul
AFGHANISTAN
Islamabad
PAKISTAN
INDIA
Arabian Sea
0 100 200 300 400
Kilometers
National Capital
Provincial Boundary
International Boundary
Boundaries are not necessarily authoritative.


6 CAREC CORRIDORS
RUSSIAN FEDERATION
CAREC-6b
CAREC-1
CAREC-3
CAREC-4
CAREC-6a
CAREC-2
KAZAKHSTAN
ASTANA
ULAANBAATAR
MONGOLIA
1a
1b
AZERBAIJAN
BAKU
TURMENISTAN
ASHGABAT
TASHKENT
KYRGYZ
DUSHANBE
TAJIKISTAN
PEOPLE'S REPUBLIC OF CHINA
TEHRAN
IRAN
KABUL
AFGHANISTAN
ISLAMABAD
PAKISTAN
INDIA
CAREC-1
CAREC-2
CAREC-5
CAREC-6
CAREC-5
N
LEGEND:
National Capital
City / Town
Regional Road
Regional Railway
Main Transit Corridor
CAREC
ADB