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CAPACITY-BUILDING

Trade facilitation strategy for SPECA countries:
Regional context analysis and implementation strategy

Note by the secretariat for information

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I. REGIONAL CONTEXT

A. Central Asian countries' common features

1. Central Asia benefits from a unique geographical and commercial position at the crossroads of Asia and Europe and its economic growth is largely dependent on these common features.¹ Definitions of the geographical boundaries of Central Asia vary. For the purposes of this paper, it refers to the six countries associated with the United Nations Special Programme for Economies of Central Asia (SPECAs) prior to December 2005.^a This programme is supported by the Economic Commission for Europe (UNECE) and the Economic and Social Commission for Asia and the Pacific (UNESCAP). SPECAs' overall objective is to meet Central Asia's development needs through greater subregional cooperation and trade,² as well as by strengthening the region's links with Asia and Europe and addressing interrelated issues such as transport and trade facilitation.

2. Closer regional economic integration and trade are complementary to the multilateral trading system, so greater Central Asian subregional integration could permit the SPECAs countries to more fully benefit from the major potential trade markets offered by the European Union, the Russian Federation and China. However, a lack of harmonization and cooperation in trade, among SPECAs countries and vis-à-vis the markets mentioned above are seriously hampering the region's development. The diversity of the bilateral and regional initiatives undertaken by each SPECAs country and their different positions within the multilateral trading system make it difficult to put into operation a comprehensive trade facilitation strategy.

3. In order to prioritize the issues to be addressed by such a strategy, the main trade trends and dynamics resulting from the distinct national trade strategies introduced in the 1990s need to be examined as well as the participation and degree of involvement of SPECAs countries in relevant multilateral and regional organizations.

B. Underlying trends

1. Trade trends

4. This section is supported by a set of statistical tables that can be found in the "Addendum" (document ECE/TRADE/C/2006/11/Add.1).

(a) Interregional trade

(i) *SPECAs export composition*

^a The SPECAs Programme covers five Central Asian countries: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan and one Western Asian country: Azerbaijan. In December 2005, its geographical coverage was expanded by the addition of Afghanistan, but it is not covered by this paper.

Table 1. SPECA countries: comparative export composition	
	Share of the three main exports (in percent*)
Azerbaijan	Oil and oil products (88.8), Cotton (1.0), Metals (1.0); Total: 90.7
Kazakhstan	Oil (50.6), Steel products (9.8), Copper (7.1); Total: 67.5
Kyrgyzstan	Nonferrous metallurgy (51.7), Electric Energy (9.8), Machine building (12.0); Total: 73.5
Tajikistan	Aluminium (61.0), Cotton fibre (11.0), Electricity (12.0); Total: 84.0
Turkmenistan	Gas (58.0), Oil and oil products (14.0), Cotton fibre (6.0); Total: 78.0
Uzbekistan	Cotton (24.4), Gold (28.3), Energy (11.8); Total: 64.5
* Azerbaijan, Kazakhstan and Turkmenistan (Year 2002), Kyrgyzstan, Tajikistan and Uzbekistan (Year 2001.) <i>Source:</i> Trade development in the Commonwealth of Independent States. Table 3. CIS commodity concentration of exports based on national authorities data. International Monetary Fund (IMF.) Working Paper WP/03/207, 2003.	

5. Exports are primarily commodity based composed of mainly energy, agricultural, mining and semi-processed products as shown in Table 1.

(ii) *Trade with the European Union*

6. The European Union (EU) is the largest trading partner of the SPECA countries.

7. In 2004, it was the first export destination for Azerbaijan, Kazakhstan and Tajikistan, the second for Uzbekistan, the third for Turkmenistan, and the sixth for Kyrgyzstan (Addendum, Section 1).

8. Similarly, in 2004, the EU was the first import market of origin for Azerbaijan and Turkmenistan, the second for Kazakhstan and Uzbekistan, and the fourth for Kyrgyzstan and Tajikistan (Addendum, Section 2).

9. Between 2000 and 2004, although the structure of exports from the SPECA countries to the EU remained relatively stable, two major changes occurred with regard to Kazakhstan and Kyrgyzstan:

- Kazakhstan strengthened its position as the largest regional exporter to the EU, with exports increasing from 2,272 million of USD in 2000 to 7,238 million in 2004.³
- Kyrgyzstan, saw a dramatic drop in its exports to the EU in 2002 due to an accident in the goldmines.⁴ However, the situation recovered rapidly and in 2003 the economy registered a rebound.

10. Within the EU, SPECA countries exports are currently targeted primarily to two EU countries: Italy and Germany, with the exception of Tajikistan, whose first export destination is the Netherlands (Addendum, Section 3, Table 1).

11. Exports from the SPECA countries to the ten new EU members⁵ are globally increasing; Poland, Czech Republic, Hungary, Slovakia and Latvia being the main export destinations among these countries (Addendum, Section 3).

12. With the exception of Turkmenistan, each of the SPECA countries has signed and ratified with the EU a ten-year bilateral treaty called a Partnership and Cooperation Agreement. (PCA). These PCAs set out the political, economic and trade relationships between the EU and its partner countries. They came into force in 1999 for Azerbaijan, Kazakhstan, Kyrgyzstan and Uzbekistan, while Tajikistan signed its agreement in 2004. Each participating country in a PCA benefits from the EU Generalised System of Preferences (GSP),⁶ with the exclusion of certain product categories such as fish, iron and steel products. According to the EU, the preferential tariffs agreed with Central Asian countries should provide EU traders with incentives to import more from them and help them to compete on international markets. However, due to the low volume of trade currently involved, the SPECA countries make little use of the GSP scheme.⁷ The parties to the PCAs also apply the most favoured nation (MFN) status to each other with respect to tariffs. The agreements also contain provisions on the elimination of quantitative restrictions and other trade related matters including competition and state aid.

13. More than privileged market access, the relations with the European Union may be strengthened thanks to the creation of a Common Economic Space between the EU and Russia, agreed at the EU-Russia Summit on 10 May 2005.⁸ For the SPECA countries, the implementation of such agreement should considerably facilitate the transit of SPECA exports through the Russian Federation to the EU. Not the least because the agreement includes trade facilitation measures related mainly to interregional and cross border cooperation, customs cooperation, the use of telecommunications and information sharing.⁹

(iii) Trade with the Russian Federation

14. Trade relations between the SPECA countries and the Russian Federation continue to be strong. Together with the EU, the Russian Federation is a major trading partner of the SPECA countries. SPECA countries' exports to the Russian Federation are globally increasing except for Tajikistan and Turkmenistan (Addendum, Section 4).

15. In 2004, the Russian Federation was the first export destination for Uzbekistan and the second one for Kazakhstan and Kyrgyzstan. The Russian Federation is the fifth export destination for Azerbaijan, the sixth and tenth export destination for Tajikistan and Turkmenistan (Addendum, Section 1). Similarly, in 2004, the Russian Federation was the first import country of origin for Kazakhstan, Tajikistan and Uzbekistan. It is the second import country of origin for Azerbaijan, Kyrgyzstan and Turkmenistan (Addendum, Section 2).

(iv) *Trade with China*

16. Compared with trade between the SPECA countries and the European Union, trade with China remains limited. It has, however, increased rapidly confirming China's trade potential for the countries of Central Asia (Addendum, Section 5). This increase is principally due to the Chinese demand for energy resources and other commodities. Tajikistan trade relations with China may improve in the future due to the recent completion of a road via the Kulma pass linking the country with the Xinjiang region.¹⁰

(b) Intraregional trade

17. Despite a general increase observed between 2000 and 2004, SPECA intraregional trade remains poor (Addendum, Section 6 and 7). This is mainly due to the similarities of its economies, all of which are primarily commodity based in their exports: oil in Kazakhstan and Azerbaijan, gas in Uzbekistan, gold in Kyrgyzstan, cotton and aluminium in Tajikistan.

18. When they established their national trade regimes, "most SPECA governments tended to implement protectionist policies in order to try to move away from this commodity dependence". However, "the resulting import substitution policies, infant industry protection measures and non-tariff barriers have hampered non-commodity intraregional trade"¹¹ while also not being very successful in moving countries away from commodity dependence.

(i) *Different national transition strategies*

19. To overcome their poor levels of trade, during the 1990s different strategies were put in place in the subregion. These consist mainly of different mixtures of:

- budget restrictions
- fiscal policy increases
- reforms to privatize and diversify production in the agricultural and industrial sectors
- export promotion
- infrastructure projects
- investment initiatives
- reforms of the financial system to attract foreign investments
- bilateral trade agreements with major trading partners, including neighbouring countries.¹²

20. Among the SPECA countries, Azerbaijan and Kazakhstan are the two main recipients of investment inflows, primarily in petroleum. In Kazakhstan, almost 75% of the FDI goes to the oil sector. However, its investment promotion initiatives have resulted in some diversification in FDI which has had a positive effect on its nascent small and medium-sized enterprise sector. Progress has also recently been made in cross-border investments as exemplified by the recent presence of Kazakh banks in Kyrgyzstan which is fostering business development between the two countries.

21. In the subregion, national strategies for trade liberalization also differ. Turkmenistan is not engaged in such reforms. Those who did, notably Azerbaijan and Tajikistan, have been hampered by territorial conflicts or civil war, respectively.¹³ In this context, the most reformist and successful approaches were those of Kazakhstan and Kyrgyzstan. Uzbekistan had adopted a more gradualist and protectionist approach.¹⁴

(ii) *Intraregional trade developments*

22. Each SPECA country, except Azerbaijan and Turkmenistan, has undertaken a number of regional bilateral trade agreements - however few are being applied. As shown in table 2, the only bilateral trade agreements applied are the two linking Kazakhstan with Kyrgyzstan and Kyrgyzstan with Uzbekistan.

Azerbaijan	(None.)	
Kazakhstan	Kyrgyzstan (applied.)	Tajikistan (signed.)
Kyrgyzstan	Kazakhstan (applied.)	Uzbekistan (applied.)
Tajikistan	Kazakhstan (signed.)	
Turkmenistan	(None.)	
Uzbekistan	Kyrgyzstan (applied.)	
<i>Source:</i> Contribution of the United Nations Economic Commission for Europe to the UNCTAD XI UNECE 2004.		

23. The success of these two “applied” bilateral agreements has been mixed.

24. Trade relations between Kazakhstan and Kyrgyzstan rose notably between 2000 and 2004 with Kazakh exports to Kyrgyzstan increasing 3.3 times and Kyrgyz exports to Kazakhstan increasing 2.3 times during the same period (Addendum, Section 6, Table 2 and 3). The commodities exchanged between the two countries are mainly dairy products, glass and construction materials.¹⁵

25. Data also confirm a sharp fall in trade between the other two countries having an applied agreement, i.e. between Kyrgyzstan and Uzbekistan. Between 2000 and 2004, Kyrgyz exports to Uzbekistan decreased to less than one quarter of their beginning level (Addendum, Section 6, Table 3). Uzbek exports to Kyrgyzstan also dropped by about one third (Addendum, Section 6, Table 6). The agreements have not been successful in stimulating trade between the parties.

2. Institutional trends

(a) SPECA integration into the multilateral trading system

(i) *The World Trade Organization*

26. In the transition-economy context of SPECA countries, the institutional aspects of international trade are particularly important indicators of integration into the global multilateral trading system. Among international trading organizations, the most important is the World

Trade Organization (WTO), which is at the heart of the multilateral trading system and the “only global organization dealing with rules of trade between the nations”.¹⁶

27. Among the SPECA countries, Kyrgyzstan was the first one to join the WTO in December 1998. With the exception of Turkmenistan, all the other SPECA countries are currently WTO observers engaged in the accession process.

(ii) *WTO and trade facilitation issues*

28. Across the world, redundant documentation requirements at border crossings and a lack of automation of mandatory trade procedures seriously hamper trade. Costs related to delays at the borders often exceed the costs of tariffs. As a result, trade facilitation was added to the WTO agenda at the 1996 Singapore ministerial conference and work was expanded in July 2004 when members agreed to launch negotiations on trade facilitation and integrate it into the Doha Development Agenda.

29. However, “work on trade facilitation in the WTO has passed through several distinct stages. In this process, Members’ focus shifted from a fairly broad and comprehensive approach to a more specific emphasis on customs and border-crossing procedures”.¹⁷ The GATT Articles currently being revisited in the context of the trade facilitation negotiations are Article V (“Freedom of Transit”), Article VIII (“Fees and Formalities connected with Importation and Exportation”) and Article X (“Publication and Administration of Trade Regulations”). The Doha Work programme, as reaffirmed in the WTO Hong Kong Declaration of 18 December 2005, asked for broader cooperation of the agencies involved in trade facilitation in order to assist the developing countries to implement and benefit from WTO agreements and more broadly expand their trade.¹⁸

30. Because the ongoing negotiations matter not only for the WTO members but for all the countries in the process of accession, articles V, VIII and X dealing with transit issues, harmonization of procedures and transparency offer a very suitable framework for improving the integration of SPECA countries into the multilateral trading system, as well as for improving regional trade.

31. An important aspect of trade facilitation, as recognized by the WTO, is the application of the World Customs Organization’s Revised Kyoto Convention. The Convention, which entered into force on 3 February 2006,¹⁹ provides for simplified, harmonized and modernized customs procedures. It contains modern customs formalities and procedures, harmonised customs documents for use in international trade and transport, and provides for the use of risk management techniques and the optimal use of information technology by customs administrations.

32. Among the SPECA countries, Azerbaijan is the first contracting party to the Convention. In the other SPECA countries, new customs standards are being developed based on the Russian model and using international best practices such as conformity with the Revised Kyoto Convention, compliance with WTO standards, and elements of risk management. The introduction of these new standards has largely been completed in Kazakhstan, Turkmenistan,

and Uzbekistan. It is in progress in Kyrgyzstan and Tajikistan, the two weakest customs system in the subregion.²⁰

(b) SPECA regional integration

(i) *Regional organizations with participation from SPECA countries*

33. Each SPECA country belongs to two or more regional trade organizations (Table 3). Participation by SPECA countries in these organizations has increased significantly in recent years.²¹

34. Similarities in the geographical coverage of these regional organizations and overlap in their respective mandates have lead to a particularly complex institutional framework in the region.²² A movement toward rationalisation is nevertheless taking place, as reflected in the October 2005 merger, of the Central Asia Cooperation Organization (CACO) into EurAsEC and adherence of Uzbekistan to EurAsEC in January 2006.²³

(ii) *Regional organizations with greater focus on trade facilitation*

35. Among the regional organizations listed above, those that involve most of the SPECA countries and place special emphasis on trade facilitation issues are the EurAsEC and the ECO.

Table 3: SPECA countries participation in regional organizations, 2006		
Regional organization	Member States	SPECA countries membership
Commonwealth of Independent States (CIS)	Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine, Uzbekistan	Azerbaijan Kazakhstan Kyrgyzstan Tajikistan Turkmenistan Uzbekistan
Eurasian Economic Community (EurAsEC)	Belarus, Kazakhstan, Kyrgyzstan, Russian Federation, Tajikistan, Uzbekistan	Kazakhstan Kyrgyzstan Tajikistan Uzbekistan
Economic Cooperation Organization (ECO)	Afghanistan, Azerbaijan, Iran, Pakistan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkey, Turkmenistan, Uzbekistan	All
Black Sea Economic Cooperation Organization (BSEC)	Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Republic of Moldova, Romania, Russian Federation, Serbia and Montenegro, Turkey, Ukraine	Azerbaijan
Shanghai Cooperation Organization (SECO)	China, Kazakhstan, Kyrgyzstan, Russian Federation, Tajikistan, Uzbekistan	Kazakhstan Kyrgyzstan Tajikistan Uzbekistan
Single Economic Space (SES)	Belarus, Kazakhstan, Russian Federation, Ukraine	Kazakhstan

Source: UNECE 2006.

36. Together with the Russian Federation and Belarus, the EurAsEC involves all the SPECA countries except Azerbaijan and Turkmenistan. Founded in 2000, the EurAsEC replaced the customs union created in 1995 within the CIS organization. Its mandate is to promote subregional integration by creating a customs union and a single economic area.²⁴ Dealing with trade facilitation issues, the EurAsEC objectives are to improve customs cooperation, and implement uniform standards, procedures and legal documents. Currently, the only one of these regional organizations notified to the WTO²⁵ is the EurAsEC and it has also emerged in recent years as a forum to discuss WTO issues in line with the accession and post accession needs of its members. Even if the articulation of WTO issues among EurAsEC members has encountered some difficulties²⁶ for the SPECA member countries, it is nevertheless a privileged forum for holding broader regional discussions on WTO issues such as trade facilitation and for developing trust through intra-regional cooperation.²⁷

37. ECO includes all the SPECA countries together with Afghanistan, Pakistan and the Islamic Republic of Iran. The organization mainly focuses on technical matters such as the implementation of trade facilitation as well as transit and transport operations aimed at fostering regional trade. Its programme of action (1998-2007) includes the following objectives: "Elimination of non-physical barriers on main transit-transport routes of the region; development of physical infrastructure of East-West and North-South transport corridors; development of telecommunications in the ECO region".²⁸ As a donor organisation, ECO also finances many infrastructure projects aimed at easing transit and transport operations in Central Asia.

C. Obstacles to Central Asian countries' multilateral and subregional integration

1. A landlocked situation

38. As well as being geographically landlocked, Central Asia has a difficult topography that complicates its transport links with other parts of the world. This is exacerbated by the poor quality of transportation services and difficulties with transit through neighbouring countries. To overcome this situation, governments of the SPECA countries have recognised the importance of "regional interdependency" and established mechanisms for consultations and negotiations on issues of mutual interest, often at a technical level such as transport and transit operations.²⁹

29. At the regional level, several agreements aimed at facilitating transit have been signed among the members of EurAsEC. Under ECO, a Transit Transport Framework Agreement (TTFA) was signed in 1998. This foresees establishment of a common regulatory framework for the development and facilitation of transit transport among its member countries. The agreement provides for freedom of transit through the territories of the contracting states for road and rail transport and inland water navigation, as well as access to maritime ports.³⁰ Even though all ECO Member States signed the agreement,³¹ up to date only six countries have ratified it. However, in terms of the Article 43, the TTFA can now enter into force.³²

40. Transport-transit initiatives supported by UNESCAP such as the Asian Highway project and other major programmes supported by the EU, UNDP and World Bank complement the EurAsEC and ECO agreements. Initiated in 1993, the TRACECA programme is a European Union funded technical assistance programme to develop a transport corridor on an east-west

axis linking Europe, the Black Sea region, the Caucasus and the Caspian Sea and Central Asia. This programme includes road, rail, maritime and multimodal transport, and transportation by pipeline, as well as cross-border and transit operations. The UNDP's silk road programme strives to promote a favourable policy and legal environment for trade and transit, and to encourage greater private sector participation in trade and transport promotion. The World Bank TTFCA (Trade and Transport Facilitation in Central Asia) project aims at reducing the physical costs of transportation, improving transit logistics, as well as improving the efficiency of operations at the border and inland terminals in the region.

2. Non-tariff barriers

41. In Central Asia, tariff barriers to trade are relatively low, in line with the accession process of most of its countries to the WTO: 10.8 % in Azerbaijan (2002), 7.4% in Kazakhstan (2004), 5.1% in the Kyrgyzstan (2004), 7.5% in Tajikistan (2004) and approximately 10% in Turkmenistan (2002.) Uzbekistan remains the exception, with the highest tariff rates of the SPECA countries: 14.6 % (2004) in line with its ongoing more protectionist policies.³³

42. Contrary to tariff barriers, non-tariff barriers to trade are particularly important in Central Asia. Taxes that are higher on imported goods than on domestically produced goods are common.

43. Among the SPECA countries, Uzbekistan is the country with the most non-tariff barriers. For example, commodities such as construction materials are subject to value-added taxes when they are imported, but exempt when domestically produced.³⁴ As another example, starting August 2002, imports of non-food consumer goods are subject to an extra fee of 30 per cent of the customs value in hard currency, if imported by firms, or to an additional customs duty of 90 per cent (which replaces VAT and customs duty) if imported by individuals.³⁵

3. Lack of customs cooperation and cross-border harmonised procedures

44. At the borders, improving the movement of goods will require the facilitation of customs procedures, various kinds of goods inspections, as well as the regimes for special categories of goods like perishable and dangerous goods. While the coordinated development of transport infrastructure is critical to ensuring the technical compatibility of national transport systems as they cross borders, coordination in the management and control of traffic and user information is key to optimising infrastructure use.³⁶

45. Up until now, each SPECA country has operated in isolation, creating its own specific customs environment. This has resulted in a lack of harmonization and standardization of legislation, documentation, and procedures making the trading within the region more complicated than necessary. There are also many constraints in sharing and exchanging information on cross-border goods flows and in tracking the movement of prohibited goods.

46. Although the SPECA countries have recently made significant steps in reforming their customs administrations, many obstacles to better operations remain. An important area for improvement being insufficient cooperation among the border agencies, customs, border policy, road traffic and transport inspectorate agencies. Uncertainty also remains about the

implementation of new customs codes and standards aimed at measuring the value of imported goods. Furthermore, there are still an excessive number of required (and not harmonized) trade documents for customs and other agencies. Finally, the capacity to fully utilize information technology in customs administrations has yet to be reached in the subregion.³⁷

II. RECOMMENDATIONS

A. Priority issues to be addressed

47. In order to benefit from their common geo-strategic trade positions, a coordinated approach aimed at a SPECA multilateral and subregional integration in the context of the WTO is a priority. To address these issues, UNECE and UNESCAP have developed, in consultation with the SPECA countries, a strategy for improving trade facilitation in those countries. The United Nations has decided to fund this strategy as a Special United Nations Development Account Project (UNDA) during 2006 and 2009.

48. The rationale of the project is that long-term effective capacity can be developed through a combination of building political will for regional cooperation, institutional and technological cooperative arrangements relying on established international standards and proven effective solutions adapted to local circumstances and realities.

49. The three core elements of such an approach are to: (1) reach agreement on cooperative solutions and utilization of international standards for trade facilitation and electronic business as the basis for these solutions; (2) build networks on policy-making and expert levels; (3) create the basis for pilot projects to increase the capacity of local experts to use modern tools for trade facilitation and electronic business. The analysis of non-tariff barriers to trade, and potential use of ICT systems should play a supportive role in the achievement of the outlined objective of further development of regional capacity and trade efficiency.

50. UNECE and UNESCAP will draw on their long-term experience in providing a neutral platform for policy debate on trade and trade facilitation issues, in setting standards for trade facilitation, and organizing capacity building activities. The UNECE has experience in building networks for the advancement of trade facilitation in South-eastern Europe and other countries with economies in transition. It has over 45 years of experience in setting standards for trade facilitation and electronic business, such as the United Nations Layout Key for Trade Documents, various codes, the United Nations Trade Data Elements Directory (UN/TDED), the only global standard for Electronic Data Interchange UN/EDIFACT, etc. These standards are maintained through the UN Centre for Trade Facilitation and Electronic Business (UN/CEFACT), since its establishment in 1996. The Centre has developed recommendations on the above standards; on the establishment of national trade facilitation bodies as public-private forums to discuss trade facilitation policy and standard implementation (trade facilitation Recommendation 4: National Trade Facilitation Bodies); on the concept and guidelines for development of Single Windows for export and import clearance (Recommendation 33); and in other areas.

51. Project implementation will start with activities on consensus building for subregional cooperation in the area of trade and trade facilitation among the SPECA countries. Before any

pilot implementation may begin, the project should help develop a common understanding among the recipients that economic growth through subregional cooperation would be significantly enhanced by an agreement to use international trade facilitation standards.

B. Proposed activities

52. Under the umbrella of a SPECA Working Group (WG) of experts and policy-makers in trade policy, the project aims at addressing non-tariff barriers, promoting subregional cooperation and improving subregional transit system.

53. The areas of activity under the UNDA project could concentrate in the following.

1. Non-tariff barriers

54. Promote an integrated approach to trade and transport facilitation, analyze problems for the movement of goods across borders (NTBs) that can be dealt with by trade facilitation measures. This activity can be carried out by using such tools as “Trade and Transport Facilitation: A toolkit for audit, analysis, and remedial action” (a World Bank auditing methodology), or such models as the “Integrated Framework for Trade” developed in selected ESCAP countries and the lessons from the UNECE-ECA-ESCWA project in the Mediterranean. This part of the project will very much depend on building synergies with other organizations, some of which are already active in the subregion, such as the World Bank, ADB, UNDP (and its Silk Road project), ECO, EurAsEC and TRACECA.

2. Subregional cooperation

(a) Network of public-private partnerships

55. Build a network of “Public-Private Partnerships” for trade facilitation in the SPECA countries: Create or help existing national trade facilitation bodies (PRO Committees), and create a network of all of them in SPECA (SPECAPRO). This item relates to UN/CEFACT Recommendation 4: “National Trade Facilitation Bodies”, and to the work already carried out by UNECE on establishing such organizations in the SPECA countries. Synergies will be created with the UNECE-Czech technical assistance project. UNESCAP will create synergies with the Asia Pacific Network for Efficient Trade and Transport, which is in the process of being set up, but has support from Member States, and ESCAP is working on its establishment. The expertise gained in building and supporting trade facilitation committees through the execution of national technical assistance projects, financed by various donors, including UNECE and UNESCAP. Synergies exist with the World Bank, and bilateral donor agencies from such countries as the USA and Sweden.

(b) Customs cooperation and cross-border harmonized procedures

56. Addressing GATT articles VIII and X related issues; the project examines possibilities for implementing “Single Windows”, described in UNECE’s trade facilitation Recommendation 33³⁸ - single entry point to fulfil all import, export and transit-related regulatory requirements. Promote the concepts of single points for (a) publishing information on trade laws, procedures,

as well as required documents and data (including "document servers"), (b) filing trade information (Single Windows), and (c) official controls (one-stop-shop). Synergies with TRACECA and the ESCAP project for assistance in trade facilitation, funded by the Netherlands, can be used to advance this work. The Single Window topic should be included in the curricula of planned capacity building activities. An element covered in these activities should be international standards used in Single Windows, as these develop.

57. Build a "competence network" (or "competence center", or "cluster", or "incubator" – all tentative names) for Central Asian experts to create and use electronic trade documents aligned with established UN standards. This activity would include capacity building and mentoring local experts, who would develop the skills to create and use electronic documents based on the international standards, and be able to train others to do it (training the trainers). This also includes pilot implementation of UNECE's standards for electronic trade documents (UNeDocs).

58. The strategy on this element of the project is, first, to obtain endorsement from the SPECA Working Group on Trade. Then organize a practical training seminar for specialists already involved in developing electronic trade and transport documents in the countries. They will be trained in how to develop documents aligned with international standards. At the end, they will develop one (or several) electronic document(s) using the UN software tool for such documents, and basing themselves on a paper document standard already in use (for this reason there should be a careful selection process for the choice of the document(s) to develop). The document(s) will then be ready for pilot implementation on the basis of a mandate given by the trade policy group of SPECA (WG). This project should build on synergies with ADB, TRACECA, bodies dealing with the relevant documents, e.g. UNECE's Transport Division, the European Commission, the UN Commission on International Trade Law (UNCITRAL), etc., as well as the project in Annex 21 to the SPECA Work Plan on improved management of trade information flows in Central Asia.

3. Subregional transit system

59. The capacity-building activities of the project will also address issues related to transit transport and international norms, instruments and standards in that area. Transit is a key issue for the landlocked countries of Central Asia and is a main element of the current WTO Trade Facilitation negotiations under GATT article V. UN legal instruments and experience in regional transit solutions (e.g. the UNECE TIR Convention) should be then incorporated in the technical assistance activities. The two Regional Commissions can contribute to the development of a subregional transit system.

NOTES

¹ Starr. S. Frederick. 2005. "A Partnership for Central Asia." *Foreign Affairs*, July/August 2005.

² The SPECA programme consists of several interrelated activities. According to its 2005-2007 Work Plan, the programme has activities in the following areas: Transport, water, energy and environment, trade development, statistical capacity-building and ICT for development. See

UNECE, UNESCAP, “SPECA II. Proposals to reform and strengthen the UN Special Programme for the Economies of Central Asia”, 2005. UNECE/UNESCAP, 2005.

³ IMF, *Direction of Trade Statistics*, Yearbook 2005.

⁴ Economist Intelligence Unit, “Kyrgyzstan, Country Profile 2005“, 2005 available at: http://www.eiu.com/report_dl.asp?issue_id=189341604&mode=pdf.

⁵ On 1 May 2004 ten new members (Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia) joined the European Union. For more information see: http://www.europa.eu.int/comm/enlargement/index_en.htm.

⁶ The EU's GSP grants products imported from developing countries either duty-free access or a tariff reduction. More information concerning the GSP are available at: http://europa.eu.int/comm/trade/issues/global/gsp/index_en.htm and www.unctad.org/gsp.

⁷ Richard Pomfret, “The impact of coherence of OECD country policies on Asian developing economies: development lessons for Central Asia”.

⁸ European Commission, “Final version of the Road Map on the common Economic space agreed at the EU-Russia Summit on 10 May”, May 2005. Available at: http://trade-info.cec.eu.int/doclib/cfm/doclib_section.cfm?sec=138&lev=2&order=date.

⁹ Ibid.

¹⁰ Economist Intelligence Unit, “Tajikistan, Country Report”, March 2006. Available at: http://www.eiu.com/report_dl.asp?issue_id=490133834&mode=pdf.

¹¹ Peter Löhmus and Tushar Poddar. “Trade Policy Issues in the Central Asian Republics: A background paper for the CAREC meeting”, 2004. Available at: <http://www.adb.org/Documents/Events/2004/CCC/SOM-Economic-Cooperation/draft-trade-policy.pdf>.

¹² UNDP, *Central Asia Regional Human Development Report*, 2005. Available on line at: http://hdr.undp.org/docs/reports/regional/CIS_Commonwealth_of_Independent_States/Central_Asia_2005_en.pdf.

¹³ International Crisis Group, “Central Asia: Border disputes and conflict potential”, Asia Report No 33, April 2002.

¹⁴ Peter Löhmus and Tushar Poddar, op. cit.

¹⁵ Economist Intelligence Unit, “Kyrgyzstan, Country Profile 2005“, 2005. Available at: http://www.eiu.com/report_dl.asp?issue_id=189341604&mode=pdf.

¹⁶ http://www.wto.org/english/thewto_e/whatis_e/whatis_e.htm#intro.

¹⁷ http://www.wto.org/english/tratop_e/tradfa_e/tradfa_overview_e.htm.

¹⁸ WTO, “Doha Work Programme, Ministerial Declaration”, WT/MIN(O5)/DEC, December 2005.

¹⁹ “On 3 February 2006, the Embassy of the Republic of Azerbaijan and the Embassy of the Republic of Namibia deposited their instruments of accession to the International Convention on the Simplification and Harmonisation of Customs Procedures (as amended), done at Brussels on 26 June, 1999. By reaching the number of 44 contracting parties, the revised Kyoto Convention entered in force on 3 February 2006.” See: http://www.wcoomd.org/ie/En/Topics_Issues/FacilitationCustomsProcedures/KyotoAzerbaijan.htm.

²⁰ The World Bank, *From Disintegration to Reintegration. Eastern Europe and the Former Soviet Union in International Trade*, 2005.

²¹ UNECE, “Building Trade Partnership in the CIS Region”, TRADE/2005/17, March 2005. Available at: http://www.unece.org/trade/ctied/ctied9/trd_05_17e.pdf.

²² UNDP, *Central Asia Regional Human Development Report, 2005*. Available at: http://hdr.undp.org/docs/reports/regional/CIS_Commonwealth_of_Independent_States/Central_Asia_2005_en.pdf.

²³ Asian Development Bank, “Central Asia Regional News”, monthly digest, October 2005.

²⁴ WTO, “Accession of the Kyrgyz Republic to the customs union between the Russian Federation, Belarus and Kazakhstan”, WT/REG71/4, September 2000.

²⁵ WTO, “Regional trade agreements notified to the GATT/WTO”, March 2006. Available at: http://www.wto.org/english/tratop_e/region_e/type_e.xls.

²⁶ Patrizia Tumbarello, “Regional Trade Integration And WTO Accession: Which Is The Right Sequencing? An Application To The CIS”, WP/05/94, May 2005. Available at: <http://www.imf.org/external/pubs/ft/wp/2005/wp0594.pdf>.

²⁷ “In May 2003, a coordinated approach in pursuing WTO membership in accordance with EAEC commitments was explicitly endorsed by the presidents of the non-WTO members of the EAEC and reiterated in Almaty, Kazakhstan, in June 2004”. See Peter Löhmus and Tushar Poddar, op.cit.

²⁸ www.ecosecretariat.org/Directorates/dtc.htm.

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³² The date established for the entering into force of the TTFA is the 19th May 2006 (ECO Secretariat, March 2006).

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³⁴ UNDP, *Central Asia Regional Human Development Report*, 2005 op. cit.

³⁵ WTO, Committee on Regional Trade Agreements, “Free Trade Agreement between Kyrgyzstan and Uzbekistan: Questions and Replies”, WT/REG75/5, 2004. For more information on non-tariff barriers see: UNECE, "Integration, Trade and Transport: Review of the Implementation of OSCE Commitments in the Economic and Environmental Dimension", paper prepared for the 13th OSCE Economic Forum, 2005.

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