

Evaluation of the Trade Facilitation Impact of the BOMCA Programme.

Richard Pomfret

Adelaide, April 2007

Table of Contents

Acronyms and Abbreviations	3
Executive Summary	5
Report	8
1. Border Enforcement, Trade and Security	8
2. Trade Facilitation	11
3. The Corridors Approach	16
4. Corridors and BOMCA	24
5. Linkages with other EC and UN Programmes in Central Asia	27
Recommendations	33
Annex 1 – Data on Documentation and Delays from the GTZ Project "Promoting Regional Trade in Central Asia"	36
Annex 2 – Benchmarking Travel Times and Costs	38

Acronyms and Abbreviations

ADB	Asian Development Bank
BCP	Border crossing point
BOMCA	Border Management in Central Asia
CACO	Central Asian Cooperation Organization
CADAP	Central Asia Drug Action Plan
CAEC	Central Asian Economic Community
CAREC	Central Asia Regional Economic Cooperation programme
CBACAiR	Congress of Business Association of Central Asia and Russia
CIS	Commonwealth of Independent States
DCI	Development Cooperation Instrument
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECE	UN Economic Commission for Europe
ECO	Economic Cooperation Organization
ESCAP	UN Economic and Social Commission for Asia and the Pacific
EurAsEc	Eurasian Economic Community
EU	European Union
GDP	Gross domestic product
GNI	Gross national income
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
GUUAM	Georgia, Ukraine, Uzbekistan, Azerbaijan, Moldova
IBM	Integrated border management
IMF	International Monetary Fund
IMU	Islamic Movement of Uzbekistan
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
OECD	Organization for Economic Cooperation and Development
OSCE	Organization for Security and Co-operation in Europe
SCO	Shanghai Cooperation Organization
TIR	Transports Internationaux Routiers
TRACECA	Transport Corridor Europe-Caucasus-Central Asia
UN	United Nations
UNDP	United Nations Development Programme
UN-OHRLLS	United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
WCO	World Customs Organization
WTO	World Trade Organization

Commonwealth of Independent States - Central Asian States



Executive Summary and Recommendations

To date, BOMCA has focused on border control, assisting governments to monitor people movements and prevent illicit trade. The strengthening of Central Asian borders since independence has, however, had a deleterious impact on trade, discouraging both intra-regional trade and also, because of the need for transit, much trade beyond the region. This report analyses the links and tensions between border management and trade facilitation. The interdependence is recognized in BOMCA's current emphasis on integrated border management, but a gap remains between conceptualization and implementation.

Trade facilitation would have a high pay-off in Central Asia. Trade within Central Asia and between Central Asia and the rest of the world declined substantially in the 1990s. The recovery since the late 1990s has been driven by primary product exports such as oil, gas, minerals and cotton. Despite generally liberal trade policies, other trade is discouraged by the high costs in time and money of doing trade in Central Asia. This inhibits economic development and diversification. Facilitating trade in Central Asia would stimulate pro-poor growth with beneficial social consequences.

The biggest obstacle to trade facilitation in Central Asia continues to be the control mentality of the authorities, although this varies from country to country, from agency to agency, and even from official to official. A systematic profiling of risks, for example, based on the origin of goods is lacking. Government concerns about the fiscal implications of loosening control over trade and transit could be assuaged by pointing out that, if trade is encouraged, then revenues from effectively implemented trade taxes and transit fees are likely to increase even if the rates are unchanged. All BOMCA activities should promote recognition of the trade-inhibiting role of border controls, and encourage national authorities to recognize the trade-offs between justified controls of people and goods and curtailing the benefits from trade – a simple slogan like “interdict illegal trade, facilitate legal trade” might be helpful.

The corridor approach is a good prism through which to view BOMCA's trade-facilitating role. This Report focuses on three corridors:

1. the Ferghana Valley corridor (Tashkent – Khojand or Kamchik –Osh), with extensions west to Turkmenistan and Iran and east to China and Pakistan.
2. a North-South corridor in western Central Asia (Ashgabat - Kunya Urgench – Karakalpakia); the corridor continues north to the Russian border near Astrakhan or to the Caspian port of Aktau.
3. a North-South corridor in eastern Central Asia (Tajikistan – Bishkek – Almaty – Russia); from the key border crossing point (BCP) on the Bishkek-Almaty road, the corridor goes south to Osh (and through the Karamyk BCP to Tajikistan and Afghanistan) and north to Russia.

Integrated border management can be applied to all corridors, and by improving efficiency and speeding up border crossing times it is trade facilitating. A practical way of assessing the ease of trade and transit is to monitor key corridors, establishing baseline indicators and obtaining results-based measures of progress. Beyond these general points, each corridor has its own features and potential for improvement.

The first corridor, through the densely populated Ferghana Valley, is an important one for east-west trade, but is currently restricted to local trade and even that is heavily constrained. Local cross-border trade in the Ferghana Valley, which was sharply reduced in the late 1990s, has still not recovered, and a change of attitude towards borders and behind-the-border controls is required. BOMCA has been involved in upgrading BCPs on both sides of the Kyrgyz-Uzbek border and could usefully improve facilities elsewhere in the Ferghana Valley.

The adverse current situation does not negate the value of upgrading facilities in the Ferghana Valley; relations will improve eventually and the BCPs will be physically prepared for increased trade flows. Meanwhile, BOMCA can play a strategic role in reversing the substantial increase in obstructions to trade over the last decade. Uzbekistan's central location means that effective promotion of trade along the East-West corridor depends upon inclusion of Uzbekistan in an effective trade and transit system. Given Uzbekistan's willingness to engage with BOMCA on upgrading BCPs, BOMCA can encourage the Uzbek authorities to realize the benefits of efficient border management to facilitate trade through risk assessment profiling and streamlined procedures.

The second corridor has the greatest potential for trade-facilitating border management, as well as for a coordinated approach with the donor community and national and regional governments. This corridor coincides with part of the E40 road from Tashkent to Berlin and the EU can realistically play a high-profile role. BOMCA could help to upgrade the BCPs at the Uzbekistan-Kazakhstan border, both of which are physically in poor state, and at the same time introduce the concept of integrated border management. Additionally, BOMCA can encourage Uzbekistan's government to introduce more trade-friendly border procedures, involve Turkmenistan in trade facilitation, and engage with the regional authorities in Mangistau province to ensure that the trend towards more trade-friendly BCPs in eastern Kazakhstan is replicated on the western corridor and is to their advantage.

The western North-South corridor provides an opportunity for BOMCA to become proactively involved in what will be important BCPs in the future, as opposed to being driven by pre-existing security and drugs-trade problems. The growing importance of Aktau port offers BOMCA a unique opportunity to provide assistance for a maritime BCP, as well as for synergy with a TRACECA project upgrading the port. Benchmarking time and monetary costs of transportation along the corridor would be useful, both to monitor the impact of trade-facilitating measures and to promote use of the corridor by European traders.

The third corridor has seen major improvements at the Kyrgyz-Kazakhstan BCPs, although the still long delays indicate that more could be done to simplify and streamline procedures. Building on the EU's contribution to the BCP at Akzhol (Kyrgyz Republic), further resources could be devoted to benchmarking time and monetary costs along the corridor and to facilitating entry into the corridor from Tajikistan to Osh, including a shift of emphasis in the Tajikistan office from the south, where improvement of management of the Afghan border has been a top priority in the past, to the north. The scarce and often poorly documented data on journey times and costs suggest a role for regular monitoring; BOMCA could be the benchmark

setter, sending a monitored truck along the corridor on a regular basis in order to establish a results-based approach to reducing border delays

In sum, BOMCA's core role along all three corridors is to promote integrated border management, encouraging the agencies at the border to coordinate their activities using simplified procedures to minimize pass-through times for legitimate traders, while doing necessary checks to curb illicit trade. BOMCA has achieved and can still obtain buy-in from the border guards and customs (and other border) officials by providing equipment and upgrading facilities so that their work conditions improve. However, this should be leveraged to provide training and obtain commitments on, for example, cross-border cooperation, harmonization of practices and integrated border management. Progress can be assessed by benchmarking time and cost through monitored truck journeys.

Secondly, BOMCA can use the EU's political weight to support policy changes at the central government level which will facilitate trade. Especially crucial is the will to change attitudes towards border management from a control mentality to one that recognizes the benefits from trade facilitation.

Thirdly, BOMCA's specific at-the-border expertise should make cooperation with other donors relatively straightforward. BOMCA is not in the business of road-building, but there are synergies from a coordinated effort to improve, for example, the second corridor's road and BCPs. Such coordination could involve inter-governmental and multilateral agencies such as the World Bank, EBRD, ADB and CAREC. Especially along the second corridor, the EU or individual member states could consider projects that would highlight the European presence and expertise, eg. countries like Sweden or Austria could supply road-building expertise required to keep the road operational and safe in the extreme weather conditions.

From a longer term perspective, likely extensions of the corridors should be taken into account. The third corridor may be extended from Tajikistan to Pakistan or Iran through Afghanistan. The first and second corridors may cross in Uzbekistan and connect Central Asian and other countries with Afghanistan and South Asia. In examining possibilities for trade and transit facilitation in Central Asia, BOMCA should keep in mind potential corridors through Afghanistan and initiate cross-border cooperation with this country as it becomes feasible. Not only would this increase possibilities for Central Asian trade with South Asia and Iran, but these potential corridors would increase transit options for trade between the Central Asian countries and other non-CIS trading partners, including the EU.

REPORT

The pre-existing focus of BOMCA has been on border control, assisting governments to monitor people movements and prevent illicit trade. The strengthening of Central Asian borders since independence has, however, had a deleterious impact on trade, discouraging both intra-regional trade and also, because of the need for transit, much trade beyond the region. This report analyses the links and tensions between border management and trade facilitation. The interdependence is recognized in BOMCA's current emphasis on integrated border management, but a gap remains between conceptualization and implementation.

1. Border Enforcement, Trade and Security

During and after the dissolution of the USSR, the inter-republic and foreign trade of the Central Asian republics fell substantially. The impact of declining output was magnified by disintegration of established supply chains. Trade began to revive in the mid 1990s but the share of trade with former Soviet republics continued to fall, dropping below 50% of the Central Asian countries' trade around 1997.¹ This was a natural correction to the distorted trade patterns of the central planning era, but the decline in local and intra-regional trade was exacerbated by border enforcement.

1.1 Nation-building and border-strengthening in Central Asia during the 1990s

Nation-building was accompanied by border strengthening which led to the worst of both worlds in the second half of the 1990s as customs officials controlled trade more effectively but inefficiently. The discretionary power of customs officials fostered the growth of unofficial trade and lack of respect for the rule of law. The magnitudes are, by their nature, difficult to document, but in all Central Asian countries a position in the customs service ranked among the most lucrative jobs.²

¹ Michael Kaser, The Central Asian Economies 1991-1996, *Economic Survey of Europe in 1996-1997* (United Nations Economic Commission for Europe, Geneva, 1997), pages 179-211.

² Anna Matveeva (EU Stakes in Central Asia, *Chaillot Paper No.91*, Institute for Security Studies, Paris, July 2006, p.19) states that "Appointments in the border areas are prestigious and 'job buying' is widespread, provided that the contender already belongs to a patronage network." She is referring to

The grey situation is best documented for Kazakhstan, where in 1996-7 the trough of the transitional recession and the peak of arrears in paying public officials coincided with the grand larceny of the privatization program when the elite captured billions of dollars in state assets or in bribes for oil and other concessions. Under such conditions it was accepted that customs officials would supplement their incomes through bribes, and based on the expectation of high future incomes people paid bribes to obtain such positions. Official estimates placed the shadow trade as high as four-fifths of all trade in 1997.³ Local officials and police also hijacked the benefits of trade (by one oft-cited estimate it cost \$1700 to take a Kyrgyz truck across Kazakhstan to Russia). These uncoordinated levies on traders led to a tragedy of the anti-commons; if trade became unprofitable, then everybody lost out, because the customs and other officials had nothing to tax.⁴

Similarly trade-destructive behaviours occurred in the other Central Asian countries to varying degrees. In Tajikistan the depredations of war destroyed trade and hindered efficient border management even after peace. In the Kyrgyz Republic the liberalization of the economy, low tariffs and WTO accessions should have limited opportunities for corruption at the border, although by all accounts corruption remained pervasive. In Uzbekistan and, especially, Turkmenistan strong control by the central government may have limited decentralized corruption by public officials, although again this does not seem to have been much of a restraint in practice.

Concerns about the drug trade from Afghanistan to western Europe and the accompanying rise in domestic drug abuse in Central Asia also led to measures which were harmful to legal trade. The general response to drug trafficking was to tighten border controls, which led to economic hardship for border communities and small traders, pushing some of those people into the drug trade.⁵

Uzbekistan, but it applies to all five countries. Such interlocking vested interests create strong biases against change.

³ Official estimates from Kazakhstan had shuttle trade accounting for a quarter of total imports in 1995, a third in 1996 and over four-fifths in 1997; see Richard Pomfret, *Central Asia turns South? Trade Relations in Transition* (Royal Institute of International Affairs, London, and The Brookings Institution, Washington DC, 1999), page 32n.

⁴ In contrast to the tragedy of the commons where too many participants lead to oversupply (eg. in ocean fishing), in the tragedy of the anti-commons too many participants lead to undersupply of the activity (trade in this case). James Buchanan and Yong Yoon (Symmetric Tragedies: Commons and Anticommons, *Journal of Law and Economics*, 43, April 2000, 1-13) developed the concept. Richard Pomfret (*The Central Asian Economies since Independence* (Princeton University Press, Princeton NJ, 2006, Chapter 10.4) gives a Central Asian example, the cessation of Kyrgyz onion exports to Russia.

⁵ Anna Matveeva (EU Stakes in Central Asia, *Chaillot Paper No.91*, Institute for Security Studies, Paris, July 2006, p.42) notes that all Central Asian governments with the exception of Turkmenistan

In sum, during the 1990s the customs regimes may have looked good for trade on paper, with generally liberal trade policies, but were harmful in practice. Towards the end of the decade the role of border guards was strengthened, especially in Uzbekistan from fear of incursions by armed militants after the 1999 explosions in Tashkent and the increased activity of the Islamic Movement of Uzbekistan (IMU). The introduction of visas added to border tensions.⁶ Other measures introduced at this time included the introduction of new border checkpoints, termination of cross-border bus routes, destruction of bridges which crossed borders, and increased militarization of the border (eg. by construction of barbed wire fences, laying of minefields, and more armed patrols). Especially in the southern part of Central Asia, a vicious circle of heightened security concerns, more onerous visa restrictions and border-crossing procedures, and violent clashes emerged. Policy statements emphasized coordinated action against terrorism, but after 1999 border closures and international incidents became more frequent.

1.2 Economic recovery and divergent strategies in the 2000s

The situation since the turn of the century is more complex. All five countries are enjoying positive economic growth (Table 1), but differences in their economic systems have become clearer. Trade has also increased, but this is almost entirely driven by primary product exports, helped by favourable oil and gas prices after 1998 and cotton prices after 2002.

Kazakhstan's oil-driven boom has set it apart by its significantly higher income levels. The government has become more concerned about economic diversification, which includes trade in non-oil products, and in strengthening the rule of law and in promoting economic efficiency. The border control system is becoming better managed, and unofficial trade has declined as a proportion of official trade. By contrast, the emphasis on border security in Uzbekistan and Turkmenistan increased

made opium cultivation illegal and took steps to combat drug trafficking. In practice, however, many government officials up to high levels were implicated in the drugs trade and interdiction was selective.
⁶ In the 1992 Bishkek Accord, CIS members committed to visa-free movement within the CIS. In 1998 Turkmenistan and Uzbekistan introduced visa requirements for CIS citizens, but enforcement was fairly lax, especially for people living close to a border. The *de facto* visa situation since 1998 is difficult to monitor, but in 1999 visa enforcement by Uzbekistan became stricter. The visa environment was also influenced by Russia's announcement in August 2000 that it was terminating its compliance with the Bishkek Accord.

in the early 2000s. There has as yet been little relaxation in practice, although this may be changing. For the Kyrgyz Republic and Tajikistan, trade potential tends to be dependent on the border policies of Uzbekistan and Kazakhstan.

Table 1: GDP Growth (annual percentage change) and GNI per capita (current US dollars)

	2000	2001	2002	2003	2004	2005
Kazakhstan						
GDP growth (%)	10	14	10	9	10	9
GNI per capita (US\$)	1,270	1,350	1,520	1,800	2,300	2,930
Kyrgyz Republic						
GDP growth (%)	5	5	0	7	7	-1
GNI per capita (US\$)	280	280	290	340	400	440
Tajikistan						
GDP growth (%)	8	10	9	10	11	8
GNI per capita (US\$)	180	170	180	210	280	330
Turkmenistan						
GDP growth (%)	19	20				
GNI per capita (US\$)	640	730				
Uzbekistan						
GDP growth (%)	4	4	4	4	8	7
GNI per capita (US\$)	620	550	450	420	450	510

Source: World Bank World Development Indicators at <http://devdata.worldbank.org> accessed 1 April 2007.

Note: Data for Turkmenistan not given after 2001

2. Trade Facilitation

2.1 Open economies trading below potential

Upon becoming independent in late 1991 the five Central Asian republics of the USSR faced huge economic challenges. The new national governments, whose leaders and officials had little experience of policymaking in a market-oriented economy, had to tackle the breakdown of established inter-republic supply chains and the transition from central planning as well as the immediate problem of high and accelerating inflation. International economic policymaking, which had previously been handled in Moscow, posed especially daunting challenges. Debates about international economic policy focused on monetary and exchange rate policy and on trade policy. All countries in the region have been attracted to signing a plethora of

regional trading agreements, but they have in fact pursued non-discriminatory trade policies, mostly with a stated goal of joining the World Trade Organization.⁷

A striking feature of post-independence development in Central Asia is that all five are open economies. Export/GDP ratios in 2005, as given in the World Bank's *World Development Indicators*, were: Kazakhstan 55%, Kyrgyz Republic 38%, Tajikistan 54%, Turkmenistan 70% and Uzbekistan 40%. This is largely driven by their strong comparative advantage in natural resources (oil and gas, minerals, and cotton). Average import tariffs are with the exception of Uzbekistan, fairly low.⁸ Turkmenistan and Uzbekistan have tried to promote import substitution through non-tariff barriers and the imposition of strict foreign exchange controls, although it is debatable how successful trade controls have been, at least in Uzbekistan.⁹

Nevertheless, by many measures the Central Asian countries trade below their potential, and the returns to integration in the global economy in terms of higher living standards have been disappointing.¹⁰ In large part this has been because realization of the potential gains from trade has been obstructed by unnecessary high costs of doing trade. Some of these costs derive from the Central Asian countries' landlocked situation, which makes trade and transit problems especially severe, but that only highlights the benefits from reducing such costs.¹¹ The suboptimal level of

⁷ Only Turkmenistan has not applied to join the WTO. The Kyrgyz Republic applied for WTO membership in 1993, Uzbekistan in 1994, Kazakhstan in 1996 and Tajikistan in 2001. The Kyrgyz Republic joined in 1998, while the other applications are still under negotiation.

⁸ The export/GDP ratios are from *Trade performance and regional integration of the CIS countries* (Poverty Reduction and Economic Management Sector Unit, Europe and Central Asia Region, World Bank, Washington DC, 2004), page 9. Table 3.2 in the same source quotes IMF estimates of average tariffs in Kazakhstan 7.9%, the Kyrgyz Republic 5.2%, Tajikistan 8.3%, Turkmenistan 0.5% and Uzbekistan 19.0%.

⁹ Most of the actual import substitution in Uzbekistan and Turkmenistan has been achieved by subsidies (eg. some textile factories in Turkmenistan receive domestic cotton at an artificially low price) or directives (eg. to plant wheat rather than cotton) rather than by border policies. Uzbekistan's forex controls were introduced in October 1996; they have been loosened since the early 2000s and the black market premium has become minimal since 2003, although restrictions on access to foreign currency remain. Turkmenistan's controls were formally introduced in 1998, and the black market premium remains large. Clemens Grafe, Martin Raiser and Toshiaki Sakatsume (Regional Borders: Reconsidering regional trade in Central Asia, *EBRD Working Paper No.95*, December 2005) examined prices in Kazakhstan, the Kyrgyz Republic and Uzbekistan and found greater price variation within countries than across countries, implying that Uzbekistan's border controls are ineffective and that the larger countries (Kazakhstan and Uzbekistan) have yet to create integrated national markets.

¹⁰ See, for example, *Central Asia: Increasing Gains from Trade through Regional Cooperation in Trade Policy, Transport and Customs Transit* (Asian Development Bank, Manila, 2006), p. 18-21.

¹¹ The 2003 Almaty Conference was the landmark event in the UN-sponsored effort to address the particular problems of the world's 31 landlocked developing countries. Gaël Raballand (Determinants of the Negative Impact of being Landlocked on Trade: An empirical investigation through the Central Asian case" *Comparative Economic Studies* 45(4), 2003, 520-36) provides a measure of the high costs of landlockedness.

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.¹²

2.2 The scope for trade facilitation

Trade facilitation is much broader than border management. 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.¹³ The definition of trade facilitation as the term is used by the WTO and OECD is:

Trade facilitation 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 (eg. customs or licensing procedures), transport formalities, and payments, insurance and other financial requirements. Two examples of trade facilitation are cutting red tape at the point where goods enter a country and providing easier access to information about import and export regulations and how customs procedures are handled.¹⁴

¹² United Nations Development Programme, *Central Asia Human Development Report: Bringing Down Barriers: Regional cooperation for human development and human society*, Bratislava, 2005, and Asian Development Bank, *Central Asia: Increasing Gains from Trade through Regional Cooperation in Trade Policy, Transport and Customs Transit*, Manila, 2006. A 2004 report by Lev Freinkman, Evgeny Polyakov and Carolina Revenco (*Trade Performance and Regional Integration of the CIS Countries*, Poverty Reduction and Economic Management Sector Unit, Europe and Central Asia Region, World Bank, Washington DC) had pointed out the economic costs of regional non-cooperation, and the UNDP report emphasised the human costs.

¹³ The costs of poor infrastructure (road quality and poor institutions) are highlighted in two unpublished 2006 World Bank studies: Ben Shepherd and John S. Wilson "Road Infrastructure in Europe and Central Asia. Does Network Quality affect Trade?" and Olivier Cadot, Celine Carrere and Christopher Grigorion "Landlockedness, Infrastructure and Trade in Central Asia" (in two-volumes).

¹⁴ This paragraph is based on the factsheet of the Doha Development Database maintained by the WTO at <http://tcbdb.wto.org/>. The same definition is used, *inter alia*, in "The Costs and Benefits of Trade Facilitation", *OECD Policy Brief*, October 2005, and by the ASEAN Secretariat.

The time taken to effectuate exports or imports is exceptionally high in Central Asia. Table 2, from a recent meeting convened by the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS), indicates that, among the 31 landlocked developing countries, the time taken to import a good is highest in Uzbekistan (139 days) and the Kyrgyz Republic (127 days); Kazakhstan (87 days) was sixth, behind Rwanda, Niger and Afghanistan.¹⁵ Among the 27 countries for which data were provided on the time taken to export a good, the number of days was highest in Kazakhstan and third-highest in Tajikistan. The costs of trade were correspondingly high; the UN-OHRLLS measure of the cost to export or import a container is much lower for, say, Botswana (\$524 and \$1,159) or Armenia (\$1,600 and \$1,750).

Table 2: Time taken to effectuate 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.

The proliferation of permissions is especially apparent in Central Asia. The GTZ office in Bishkek is coordinating a project to provide an inventory of such measures. Examples of the GTZ results for the Kyrgyz Republic and Tajikistan are provided in Annex 1. This clearly reveals the costs in terms of time taken to participate in international trade whether on the import or export side, although it is difficult to quantify these costs because a catalogue or a count of forms required does not fully reveal which requirements are onerous and which are minor.

¹⁵ There were no data for Macedonia and Turkmenistan.

The legal and regulatory framework for transport in the Central Asian countries is generally weak and nontransparent. Information about the rules and about the frequent changes and amendments is often limited. Competition policies are generally weak and in some cases state-owned companies perform both commercial and regulatory functions. Although the countries have signed a number of international conventions and agreements, they are often not respected in practice. Bilateral agreements are usually better respected, but their varying terms create a complex framework.¹⁶ Without harmonization, national transport legislation has been ineffective in facilitating regional trade. The TIR system, the most important international road transit system, is relatively little used in Central Asia due to high initial costs and the prevalence of owner-operated trucks and because of the frequent non-compliance at the border. Transit systems relying on guarantee payments are unpopular and by default there is often reliance on a convoy system which is inefficient and expensive.¹⁷

Two points are worth emphasising. The various targets for trade facilitation described in this section are not necessarily border measures, narrowly defined. The various documents may be available from offices in the national or regional capitals, while some obstacles (eg. inspection of trucks for technical or other compliance standards) may occur anywhere on the national territory. Nevertheless, some improvement could be made at the border crossing point (BCP), where vehicles often have to run the gauntlet past up to a dozen officials requiring different authorizations, which could be streamlined substantially through the introduction of an integrated border management. The second point is that trade facilitation would support higher living standards and most likely pro-poor growth in Central Asia. This would be an important contributor to the extension of civil society and is the best long-term approach to reducing the attractiveness of the drug trade and of violent regime change. In sum, trade facilitation is a slow and piecemeal process but in Central Asia there is a huge potential pay-off.

¹⁶ Harmonization of transport legislation is an explicit goal of the CAREC Regional Transport Sector Roadmap.

¹⁷ For more details see Asian Development Bank, *Central Asia: Increasing Gains from Trade through Regional Cooperation in Trade Policy, Transport and Customs Transit*, Manila, 2006. In Uzbekistan 2,000 TIR carnets were issued in 2005 and over 4,000 in 2006, which is a big increase but still a small number (interview with Bakhtiyar Nartaev, General Secretary of the Association of International Road Carriers of Uzbekistan, in Tashkent on 19 February 2007).

3. The Corridors Approach

A practical way of facilitating trade in Central Asia is to examine key corridors. In this project I focussed on three corridors:

1. Ferghana Valley corridor (Tashkent – Khujand or Kamchik – Karasu/Osh)
2. The North-South corridor in Western Central Asia (Ashgabat - Kunya Urgench – Karakalpakstan – Russian border near Astrakhan, or to Aktau)
3. The North-South corridor in Eastern Central Asia (Tajikistan – Bishkek – Almaty – Russia)

Each corridor has a key section which may serve several radial routes at either end. My practical study focussed on these sections: (1) Tashkent to Osh via Khujand or Kamchik, (2) Kunya Urgench (Turkmenistan) to Nukus (Uzbekistan) and Beyneu (Kazakhstan) and on to Aktau, and (3) the Bishkek-Almaty road.

The first corridor through the densely populated Ferghana Valley is the main east-west route in Central Asia. The section from Tashkent to Osh, either via Khojand in Tajikistan or via the Kamchik Pass, has historically been part of major overland routes from Europe or Iran to China. It is potentially the most important corridor for east-west trade, but is currently restricted to local trade and even that is heavily constrained. The key section of the second corridor between Kungrad in Uzbekistan and Beyneu in Kazakhstan (crossing the border at Karakalpakia) is part of the E40 road from Tashkent to Berlin. It is also in the main corridor north from Turkmenistan and part of important northbound corridors from Tajikistan and Afghanistan. In Kazakhstan a road from Beyneu leads to the booming Caspian port of Aktau. The third corridor is centred on the BCPs on the Bishkek-Almaty road, from which roads go north to several large towns in northern Kazakhstan and cities in Russian Siberia (eg. to the Sharbakhty (Kazakhstan) - Kulunda (Russia) BCP leading to Novosibirsk) or go south to Osh and through the Karamyk BCP to Tajikistan and Afghanistan.

3.1 Corridor 1

The feasibility of Corridor 1, running east-west from the Caspian Sea to China, depends crucially upon Uzbekistan which controls the western entrance to the

Ferghana Valley. There are two western approaches to the corridor. One through Angren involves the 2,200-metre-high Kamchik Pass, which is occasionally closed in winter and entails a long and arduous ascent for trucks at any time. An alternative route along a flat road passes through Khujand in Tajikistan, and involves crossing two Uzbek-Tajik BCPs. At present the Khujand route is seriously compromised by the complete rebuilding of the road running east from Uzbekistan's Oybek BCP; that road is being constructed by Chinese contractors and when completed should provide coherent physical infrastructure for the Khujand route from central Uzbekistan to the Ferghana Valley.¹⁸ The second, and currently less tractable, problem with the Khujand route is the attitude of the national governments, which makes the delays on entry and exit from Tajikistan unnecessarily long.

At the eastern end of the Ferghana Valley, the natural exit point for trade to and from China is through Osh. During our visit in December 2006, however, there was no evidence of vehicle traffic at the international BCP. The Kyrgyz border guards explained this in terms of Uzbekistan's policies, and the double barbed wire fence and intimidating gates gave credence to their argument. Uzbek officials interviewed in Tashkent denied there was a problem at this BCP and provided data indicating substantially more border crossings here than at other major Uzbek BCPs (Table 3).

Table 3: Uzbekistan Border Control Data on Crossings at Major BCPs

BCP	People		Vehicles	
	2005	2006	2005	2006
Karasu	2,088,165	3,853,602	na	na
Oybek	178,822	175,523	19,250	20,820
Karakalpakia	117,116	154,406	11,464	12,903
Kunya Urgench	48,667	57,199	216	438
Andrahan	186,473	203,685	8,736	6,360

Source: Interview in Tashkent with Mr. Ulugbek Abdusalomov, Deputy Head of Border Control Department, on 16th February 2007

Note: na – data not available (Karasu BCP had been closed for vehicles by the end of 2006)

¹⁸ The Oybek BCP is just before Bekobod on a main road running south from Tashkent. The Uzbek road is in reasonable condition, but on the Tajik side of the BCP there is a 40-50 kilometre stretch of dirt road, which only joins a paved road a few kilometres before Khujand. Historically more important roads to Khujand ran from Tashkent via Angren or from the west via Bekobod, but these roads do not currently have international BCPs.

The two international crossing points on the Uzbekistan-Tajikistan border (Oybek on the Tashkent-Khujand route and Andrahan on the Khujand-Kokand road) also do not appear trade-friendly. At the Oybek BCP in February 2007 I saw one Iranian and three Turkish long-distance trucks plus ten Tajikistan trucks carrying scrap metal, probably bound for nearby Bekobod. They all appeared to be experiencing lengthy stops, even though there was little else happening at the BCP. At the Andrahan BCP there was more activity, but this consisted of local pedestrian trade plus a few cars. The exposition by a senior State Customs Committee official of Uzbekistan's planned single automated information system for imports and exports appeared of little relevance to the on-the-ground situation observed at these underutilized BCPs.¹⁹

Within the scope of my missions it was difficult to identify precisely why so little cross-border trade was occurring, although the impression was of it being too much trouble for a foreign-registered vehicle to drive in Uzbekistan. The real obstacle to trade facilitation may lie in behind-the-border obstacles occurring at the numerous internal checkpoints on Uzbekistan's roads; for example, on the less than two-hour drive from Andrahan to the Kamchik Pass through Fergana and Namanjan provinces in February 2007 we encountered over half a dozen checkpoints.²⁰ This is clearly a situation that could be ameliorated by a policy initiative from Tashkent (as has happened in Kazakhstan in recent years).

Before independence local trade within the Ferghana Valley flourished across open borders between the Soviet republics, but there was little long-distance trade because borders with eastern and southern neighbours of the Soviet Union were largely closed. Since 1991, as new BCPs have been erected and visa requirements introduced, the local trade has been sharply curtailed, with considerable economic and social hardship to border communities which often contained members of the same family on opposite sides of the border and which had developed simple divisions of labour which are now disrupted. This applies to all Ferghana Valley borders,

¹⁹ Interview in Tashkent with Mr. Shukhrat Erizbaev, Chief Inspector, Customs Control Department, State Customs Committee, on 16th. February 2007. The automated system has not been tried at the BCPs visited during my missions. According the information posted on the State Customs Committee website, the system has been tested since 7th. December 2006 at twenty BCPs, mainly in Tashkent city and Tashkent region (see <http://www.customs.uz/rus/asod.htm>).

²⁰ Our BOMCA car with special plate was waved through these checkpoints, but others were stopped. There is a common belief that any vehicle with foreign non-diplomatic plates would be especially targeted; whether the perception is correct or not, the belief itself may deter cross-border traders.

although the Kyrgyz-Tajik border disputes are disruptive to local trade rather than to any corridor.²¹ Many of the border problems in the Ferghana Valley came to a head in 1999 and 2000 when Uzbekistan was agitated by the failure of the authorities in northern Tajikistan or Batken province of the Kyrgyz Republic to prevent the assembly of Islamic Movement of Uzbekistan fighters and their infiltration into densely populated areas of the Ferghana Valley, while the Kyrgyz and Tajikistan authorities were dismayed by the extensive mining of border areas and by Uzbekistan's cross-border military actions.²² The distrust, as well as the physical legacy of mines, from this period continues to haunt cross-border trade in the Ferghana Valley.

In the corridor context, the big cost of the new national borders has been to forestall what could have been a beneficial international trade through Iran or China. Whether, or when, such international trade develops will depend critically upon improving transit conditions. The physical infrastructure has been put in place (eg. the rail links between Turkmenistan and Iran or between Kazakhstan and China) or is planned (eg. upgrading roads to China or across Afghanistan to Pakistan). The potential benefits from access to the booming markets of China and South Asia or improved access to the nearest deep-sea port (Bandar Abbas in Iran) are huge. The east-west corridor is a key component in these routes and, as is obvious from the map, Uzbekistan's role is central to any effective transit regime.

In the short-term there are benefits from facilitating trade in parts of the Ferghana Valley in order to link up with the eastern North-South corridor. In particular, facilitating trade from Tajikistan to Osh would be beneficial, but there are difficulties surrounding the choice of route. Once the projected tunnel projects on the road north from Dushanbe are completed and the Dushanbe-Khujand road is upgraded

²¹ An important obstacle to improved management of the Kyrgyz-Tajikistan border is the continued failure to agree on border demarcation. Without demarcation there is limited prospect for an effective border management regime and continuing potential for discretionary and unpredictable actions which are inimical to regular trade. Between Tajikistan and the Kyrgyz Republic there are other border-related disputes, eg. over access to water and pastures, but their resolution is also largely dependent on prior resolution of the demarcation. Any BOMCA activity in northern Tajikistan should be coordinated with the activities of the large UNDP office in Khujand. For example, the UNDP office's cross-border project, which ran to the end of 2006, aimed at reducing social tensions between Sughd and Batken provinces.

²² Laying mines along the border involved decisions about where the border actually lay, and this opened up disputes with Tajikistan and the Kyrgyz Republic, whose governments were already alarmed by Uzbekistan fighter planes' incursions into their airspace without prior permission as they sought to bomb IMU targets. By mid-2004 some sixty-eight Tajik civilians and thirty Kyrgyz civilians had been killed by the landmines. In June 2004 Uzbekistan announced a change in policy, pledging to begin demining its borders.

the fastest route would be via Uzbekistan to Osh, but in order to avoid transiting Uzbekistan Tajik authorities are proposing an expensive road project through the mountains to the Kyrgyz Republic. The Japan International Cooperation Agency (JICA) is financing road construction south from Dushanbe to the Afghan border, from whence the road to Karachi is almost complete.

3.2. Corridor 2

The western North-South corridor passing thorough the Uzbekistan-Kazakhstan border north of Karakalpakia has been relatively ignored, even though it is the main rail and road link to Europe from much of Central Asia. It forms part of the E40, the designated through road from Tashkent to Berlin, although the terrible condition of the road on both sides of the Kazakhstan-Uzbekistan border belies this status. The E40 route from Poland through Ukraine and Russia is used by EU trucks; during our site visit on 21 February 2007, we saw three Polish trucks passing through the Kazakhstan-Uzbekistan border. From the south the corridor is a major link from Tajikistan, and to a lesser extent Afghanistan, to Russia.²³

The Uzbek border guards estimated that around 50,000 vehicles a year pass through the Karakalpakia BCP, although the Border Control Department of the Border Guard Committee in Tashkent gave a number of 12,903 vehicles passing through this BCP (Table 3). During our visit in February 2007 there was little traffic, but the wasteland of discarded bottled covering a huge area around the BCPs suggested heavy traffic at other times of the year. Whatever the true magnitude now, the number is likely to increase substantially over the next few years and this corridor is the prime candidate for a visible and effective BOMCA presence.

The railway line from Tashkent to Saratov and Moscow was one of the main economic links between Central Asia and western Russia in the Soviet era, and even today it remains a major link. It is especially important for migrant labour from Central Asia to Russia, and is also known to be a significant route in the drug trade to

²³ The Termez-Bokhara road serves traffic coming from Dushanbe and southern Tajikistan as well as traffic crossing the bridge from Afghanistan to Termez.

Russia and Europe. This report ignores the rail link with its particular issues of closed transit trains and on-train inspections, and focuses on the road corridor.²⁴

The road corridor has historically been of lesser importance, but construction of the road from Ashgabat to the Kunya Urgench BCP and the oil-driven boom in western Kazakhstan suggest that this corridor will assume increasing economic importance. Realization of potential is dependent on the border regime of Uzbekistan which is the crucial transit link. A positive argument for supporting the western North-South corridor is that it has become a focus of Uzbekistan's transport policy, as well as being a corridor identified by the Eurasian Economic Community (EurAsEc) and the Shanghai Cooperation Organization.²⁵ Investment in infrastructure, notably upgrading the road running northwest from Nukus, is planned.²⁶ Apart from providing a route to Russia, a spur from the corridor to Aktau provides Uzbekistan with access to an alternative Caspian Sea port to Turkmenbashi.

Traffic from Turkmenistan into this corridor has been negligible since the early 2000s, when Turkmenistan diverted its Uzbekistan-bound traffic to BCPs further south and also reoriented its trade to southern rather than northern or eastern partners. This situation looks set to change. Turkmenistan has constructed a rail link from Ashgabat to Kunya-Urgench and a modern road link is semi-completed. The Turkmenistan government is collaborating with BOMCA for construction of new border facilities at the Kunya-Urgench BCP, and the corresponding Uzbekistan BCP at Kojeli has already been upgraded to a high standard. Almost all traffic crossing this point will be north-bound through Karakalpakia to Russia and beyond. There may, of course, be hiccups in trade and other relations between Turkmenistan and Uzbekistan and the situation in Turkmenistan under the new President is difficult to predict, but expansion of trade along the Uzbek portion of the corridor seems assured; if traffic across the Kunya-Urgench/Kojeli BCP increases, then the corridor will become more used and, if Turkmen-Uzbek trade and transit relations do not improve, then Uzbekistan will direct more of its Caspian trade to Aktau.

²⁴ The passenger trains serve southern Tajikistan and also Afghanistan. The on-train inspection at Uzbekistan's northern BCP (Karakalpakia) can last an hour or ninety minutes, but this is inadequate for the understaffed and poorly equipped officers to effectively monitor illegal trade.

²⁵ The SCO ministers' meeting on trade and economic cooperation in Tashkent on 24 August 2006 approved the Volgograd-Astrakhan-Beyneu-Kungrad road as a corridor for construction projects, although specific projects were not listed in the conference documents.

²⁶ This project is being partially funded by an ADB loan of over \$30 million to rehabilitate the southern-most section of unpaved road, which has been approved but not yet disbursed. Construction is anticipated to begin in 2008.

The biggest obstacle to the corridor's current use is the poor state of the road north of Nukus. In our February fieldtrip the 425 kilometres from Nukus to the border took seven and a half hours, with only two brief stops. The first two-thirds are paved, but in some spots heavily potholed, while the last 150 kilometres to the border are graded dirt which is heavily ridged and slow-going, even though we had good weather conditions. The BCP at the Uzbekistan side processed a Ukrainian truck with TIR in about two hours. The other traffic we saw was buses and minibuses packed with migrant workers from southern Uzbekistan or Tajikistan. When we crossed the border the next morning, there was a delay because opening times are not coordinated. Three Polish trucks were waiting at the northern side for the Kazakhstan border to open at 9 am. North of the border, the road is unpaved and very bad for 70 kilometres before improving in the approach to Beyneu, the first real town for 500 kilometres. The road from Beyneu to Aktau was also very bad for about 300 of the 475 kilometres. In total it took twelve hours to cover the 560 kilometres from the Uzbek border to Aktau.

The section from Nukus to Beyneu is critical because there is no alternative to this stretch. During our February visit the Uzbekistan border guard and customs officials were very hospitable, with both respect for and expectations from BOMCA. The facilities are spartan and, although the through-flow of both TIR trucks and migrant-laden minibuses was quite fast, this may reflect the season (and perhaps our presence). The huge midden of plastic bottles suggested that outside of winter many people spent long hours at this border. The equipment on the Kazakh side looked roughly comparable, although we had less opportunity to examine their facilities.²⁷

3.3 Corridor 3

In the Soviet era, the North-South corridor through eastern Kazakhstan was a major overland trade link between Central Asia and Russia. This continued during the 1990s, in part boosted by independent truckers. Active wholesale markets in Tashkent and Bishkek allowed efficient collection and load assembly for shipment to

²⁷ Kazakhstan's position towards BOMCA appears to be that they are rich enough to buy their own equipment or facilities, but they are interested in training and technical assistance. At Aktau we drove past the port's customs perimeter and this looked in good shape with well-kept offices, but we had no time for closer inspection. Also due to the time constraint, we did not visit the Kazakhstan-Russia border between Atyrau and Astrakhan.

Omsk, Novosibirsk and other Siberian cities.²⁸ In the late 1990s, however, trade along this route dwindled as delays, dangers and other costs along the route discouraged truckers. Especially for the fruit and vegetable trade, delays are critical; with current road conditions travelling the 2,375 kilometres from Bishkek to Novosibirsk could plausibly be covered in less than 72 hours, but with border delays it takes over 200 hours, which is too long for some perishable goods. This corridor has by far the best prospects for substantial gains from intra-regional and transit trade in the short-term.

Although improvements have been made in recent years, there are still substantial delays at Kazakhstan's borders. The Transport and Tourism Division of ESCAP under Barry Cable has developed a time/cost-distance methodology to identify inefficiencies and isolate time bottlenecks along particular routes.²⁹ Within the 2005-6 work programme of the SPECA Project Working Group on Transport and Border Crossing this methodology has been applied to four selected routes: (a) road from Bishkek to Novosibirsk, (b) rail from Lianyungang on China's east coast to Almaty, (c) road from Tashkent to Istanbul, and (d) intermodal route from Veracruz (Mexico) to Almaty. The first is the best documented and is also the most valuable for the present report because it covers most of the eastern North-South corridor. In all four cases, border delays were substantial, but this is especially true of the Bishkek-Novosibirsk route, where the two borders accounted for 65.5 and 57.5 hours out of a total travel time of 208.1 hours. These delays are broken down in Annex 2. There were also sixteen other stops for document check or truck inspection, twelve in Kazakhstan and four in Russia, which totalled 6.25 hours and which cost around \$300 in total. There is obviously room for improvement in trade facilitation, but the cost of crossing Kazakhstan appears to have been much reduced since the late 1990s when \$1,700 was often cited as the cost for a Kyrgyz truck to transit Kazakhstan along this corridor.³⁰

²⁸ The improved efficiency of the Bektimir wholesale market in Tashkent was supported by a Tacis grant in the late 1990s, but this work appears to have been undone around the turn of the decade by restrictions on Uzbekistan's foreign traders.

²⁹ See http://www.escap.org/ttdw/common/TFS/ImprovingTx/ESCAP_Methodology.pdf for a description of the methodology.

³⁰ Benchmarking costs of trade and transit along the corridors is not easy. The ESCAP analysis is based on a single trip, which may not be representative. The original source for the \$1700 figure in the late 1990s is unclear, so it is difficult to know whether this number is conceptually comparable to the \$300 figure or whether it included customs fees and other charges at the Kazakhstan and Russian borders (which in the ESCAP case in Annex 2 increase the total cost to \$1,700!).

My own experience at the border crossing on the Bishkek-Almaty road in December 2006 was of a fairly brief delay, 15-20 minutes, for a car all of whose passengers had visas for Kazakhstan.

BOMCA is already committed to participating in upgrading the Kyrgyz BCP on the Bishkek-Almaty road. A further contribution, at relatively low cost, would be to fund a benchmarking exercise similar to that done by ESCAP. It is important to establish where delays occur and why and to do this requires both cross-checks on individual journey benchmarks (such as that described in Annex 2) and identification of changes over time.

This is an active corridor and any BOMCA involvement requires coordination with other agencies, as well as with the national governments. The Asian Development Bank has been a major donor in improving the physical infrastructure (eg. upgrading the Osh-Bishkek and Bishkek-Almaty roads) and is also coordinating trade facilitation efforts through CAREC. The United Nations regional commissions, ESCAP and ECE, are involved through the SPECA program. Among bilateral donors the GTZ Bishkek office has an especially useful project studying the documentation required by exporters and importers with an aim to streamlining the process. Regional organizations such as the Eurasian Economic Community have agreements on transit which are the subject of senior official and ministerial meetings.³¹

4. Corridors and BOMCA

The corridor approach is being embraced by many inter-governmental and multilateral agencies (eg. EurAsEc, the SCO, CAREC), and is a good prism through which to view BOMCA's trade-facilitating role. A principal goal of integrated border management is to improve efficiency, and speed up border crossing times, which is trade facilitating. The corridor concept also has the advantage of enabling a results-based approach to trade facilitation by benchmarking the time and cost taken to travel along a defined corridor. However, each corridor has its own features and potential for improvement.

³¹ The Central Asian countries are signatories of other transit agreements (eg. as members of the Economic Cooperation Organization together with Afghanistan, Azerbaijan, Iran, Pakistan and Turkey), but implementation has been negligible.

4.1 Features and potential for improvement along each corridor

Corridor 1 is the east-west axis of southern Central Asia, linking some of the region's most densely populated areas, and potentially connecting to China and Iran. Local cross-border trade flourished in the Ferghana Valley a decade ago, but it was sharply reduced in the late 1990s and has still not recovered. Unless there is a change of political will and attitude towards borders, there will be no early improvement. BOMCA has been involved in upgrading BCPs on both sides of the Kyrgyz-Uzbek border and could usefully improve facilities elsewhere in the Ferghana Valley. However, this is not currently facilitating trade, which seems to be deterred by behind-the-border controls, especially in Uzbekistan. The present situation does not negate the value of upgrading facilities in the Ferghana Valley, because relations will improve eventually and the border crossings will be physically prepared for increased trade flows.

Corridor 2 has the greatest potential for trade-facilitating border management at the Turkmen-Uzbek and Uzbek-Kazakh borders (and perhaps Kazakhstan's BCP with Russia), as well as for a coordinated approach with the donor community and national and provincial governments. BOMCA could realistically play a high-profile role – after all the road does go to Berlin! It is surprising that the E40 has been ignored by the EU for fifteen years, despite the large funds allocated to TRACECA and other EU initiatives in Central Asia; embracing the three Caucasus countries as well as Central Asia led TRACECA to focus on a Baku-Turkmenbashi corridor and to ignore the obvious land bridge from Central Asia to Europe, but it is not too late to refocus. Among the positive externalities for the region, revitalizing the corridor would provide an economic boost to the relatively poor towns Nukus, Kungrad and Beyneu.

Corridor 3 has seen major improvements at the Kyrgyz-Kazakhstan border crossing, although the (limited) evidence of long delays suggests that more could be done to simplify and streamline procedures. The scarce and often poorly documented data on journey times and costs suggests a role for regular monitoring on a consistent and comparable basis. BOMCA could consider being the benchmark setter, sending a truck with a monitor along this and other corridors once or twice a year. The goal would be to establish a results-based approach to reducing border delays.

4.2 What can BOMCA provide?

If this analysis is correct and a large increase in traffic along the second corridor can be anticipated over the next few years, what can BOMCA provide? Most obviously, reflecting its expertise and experience, it could upgrade the BCP at Karakalpakia, and the counterpart in Kazakhstan. Both BCP's are in poor state so that there is scope for introducing the concept of integrated border management with coordinated service from border guards, customs officers and any other agencies that may be involved (eg. sanitary and veterinary). These proposals involve encouraging Uzbekistan's government to experiment with more trade-friendly border procedures in a region where the threat of terrorist or other unwelcome infiltration is negligible, and engaging with the regional authorities in Mangistau province to ensure that the trend towards more trade-friendly BCPs in eastern Kazakhstan is replicated on the western corridor. In addition, the second corridor provides the opportunity for two innovative moves, which would be low cost and would not damage the basic proposals if they failed. First, BOMCA's Turkmenistan office could use the corridor proposal to involve the government in trade-facilitation. Second, the growing importance of Aktau port provides BOMCA with a unique opportunity to provide assistance for a maritime BCP which would be a high-profile stand-alone EU project

In sum, BOMCA's core role along all three corridors is to promote integrated border management, encouraging the agencies at the border to coordinate their activities using simplified procedures to minimize pass-through times for legitimate traders, while doing necessary checks to curb illicit trade. BOMCA has achieved and can still obtain buy-in from the border guards and customs (and other border) officials by providing equipment and upgrading facilities so that their work conditions improve. However, this should be leveraged to provide training and obtain commitments on, for example, the concept of integrated border management, cross-border cooperation and harmonization of practices.³²

Secondly, BOMCA can use the EU's political weight to support policy changes at the central government level which will facilitate trade. In the next few

³² In their September 2006 *Evaluation of the Tacis Programmes 'BOMCA' and 'CADAP'* Esther van der Meer and Hardy Roehling called for a shift in the balance between expenditure on infrastructure and on training more towards the latter (p.51) in order to correct the currently "warped" (p.24) emphasis on equipment to the neglect of training.

years the will to change attitudes towards border management will be especially critical in Turkmenistan and Uzbekistan.

Thirdly, BOMCA's specific at-the-border expertise should make cooperation with other donors relatively straightforward. BOMCA is not in the business of road-building, but there are synergies from a coordinated effort to improve, for example, the road between Nukus and Beyneu and the BCPs along it. The EU or individual member states could consider projects along the second corridor so that its presence is noted, eg. to keep the road operational and safe in the extreme weather conditions requires road-building or expertise that countries like Sweden or Austria could supply.

From a longer term perspective, likely extensions of the corridors should be taken into account. The third corridor may be extended from Tajikistan to Pakistan or Iran through Afghanistan. The first and second corridors may cross in Uzbekistan and connect Central Asian and other countries with Afghanistan and South Asia through the Termez BCP. Uzbekistan is already implementing its own strategy for improving access to Indian Ocean and Persian Gulf seaports, in spite of its rapprochement with Russia.³³ These future corridors will not only encourage trade between Central Asia and its southern neighbours, but they will also affect transport options between Central Asia and all non-CIS trading partners, including the EU, by increasing transit options. In assessing possibilities for trade and transit facilitation in Central Asia, BOMCA should keep in mind potential corridors through Afghanistan and initiate cross-border cooperation with this country as it becomes possible.

5. Linkages with other EC and UN programmes in Central Asia

5.1 EC programmes

The EU established the Transport Corridor Europe-Caucasus-Central Asia (TRACECA) programme in 1993 to develop an efficient and integrated transit

³³ Construction of a railway link between central and southern Uzbek provinces without transiting Turkmenistan began in October 2004, supported by a \$156 million loan (about 40% of total cost of the project) from the Japan Bank for International Cooperation (JBIC); it is planned to complete the construction by the end of 2007. The Uzavtoyul State Transport Concern and the US Central Asian Partners have cooperated since 2004 in the 80-km Termez to Mazar-i-Sharif railway project; the Uzbek side completed pre-project research works, topographical survey and land measuring in February of 2007. Uzavtoyul has also prepared tender documents for construction of the Termez – Mazar-i-Sharif – Herat – Meymena highway and has participated in construction of ten high-level bridges at a height of 2,000 meter above sea level on the Termez -Kabul road.

transport system between Europe, the Caucasus and Central Asia. The Multilateral Agreement on International Transport for Development of the Europe – the Caucasus – Asia Corridor was signed in Baku on 8 September 1998 by twelve countries, including four of the Central Asian countries.³⁴ The office of the Permanent Secretariat was opened in Baku in 2001. To date the EU has implemented sixty technical assistance and investment projects to the amount of over 121 million euros, covering issues such as training freight forwarders, contract supervision for highway rehabilitation, agreements on transport of dangerous goods, and maritime and civil aviation training.³⁵ In addition TRACECA projects have identified areas for funding by multilateral institutions, eg. the EBRD loaned \$65 million to Kazakhstan and \$40 million to Uzbekistan for railway rehabilitation after TRACECA projects had identified weaknesses in the region's rail system, and TRACECA has co-financed projects, eg. providing the border crossing component of the ADB's loans for upgrading the Bishkek-Almaty road. The European Commission has allocated 13.5 million euros under TRACECA Action Programme 2006.

Among the current TRACECA activities, those most closely related to BOMCA's mandate appear to be training programmes for freight forwarders and for maritime institutions (two million euros allocated to each under AP2003) and feasibility studies for the Termez-Dushanbe to Sari-Tash road (1.4 million euros under AP2004). Under AP2005 a planned activity is deriving a master plan for Aktau port, for which 2 million euros have been allocated.

Individual EU member countries support trade-related programmes in Central Asia. This report has mentioned the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) project on monitoring and reducing the number of documents required for trade transactions (see Annex 1), which is being managed by Jonathan Hornbrook in the GTZ Bishkek office.

5.2 UN programmes

³⁴ The other eight countries are Armenia, Azerbaijan, Bulgaria, Georgia, Moldova, Romania, Turkey and Ukraine. Turkmenistan was subsequently included in TRACECA. Afghanistan, Iran and Pakistan have applied for admission to the Multilateral Agreement.

³⁵ Starting in 2007 EU assistance programmes will be determined within the framework of EU Neighbourhood Initiatives and Development Cooperation Instruments (DCI).

The Special Programme for the Economies of Central Asia (SPECA) was launched in 1998 with the support of the two United Nations regional organizations, the Economic and Social Commission for Asia and the Pacific (ESCAP) and the Economic Commission for Europe (ECE), to strengthen the Central Asian countries' cooperation in order to both stimulate their economic development and facilitate their integration with the economies of Asia and Europe.³⁶ Through consultation with the participating countries, five priority areas were identified and working groups set up as instruments to develop and implement the program in each priority area.³⁷ The absence of a self-funding mechanism has limited SPECA's achievements, but the lack of achievement also reflects incomplete participation in the early 2000s when Uzbekistan and Turkmenistan did not attend the meetings of the governing body of SPECA which is responsible for strategic decisions.³⁸ Although the formal agreements have had little impact to date, the SPECA organizational structures survive because the need for regional cooperation on matters such as water management or transport and transit is self-evident. On transport and transit the UN regional commissions have done valuable background work, eg. in Phase 1 of the joint UNECE-UNESCAP Euro-Asian Transport Links Project which was carried out over the period 2002-6. At its tenth session in Issyk-Kul on 24 March 2005 the SPECA Project Working Group on Transport and Border Crossing (PWG-TBC) defined as a key area of its 2005-6 work program analysis of four selected routes: (a) road from Bishkek to Novosibirsk, (b) rail from Lianyungang (China) to Almaty, (c) road from Tashkent to Istanbul, and (d) an intermodal route from Veracruz (Mexico) to Almaty. This is the context of the ESCAP study reported in Annex 2.

The United Nations launched a Silk Road Initiative in March 2005 to promote investment, trade and tourism with a goal of achieving the Millennium Development

³⁶ The presidents of Kazakhstan, the Kyrgyz Republic, Tajikistan and Uzbekistan signed the Tashkent Declaration on 26 March 1998 creating SPECA, and in September 1998 Turkmenistan officially indicated its intention to sign the Declaration and to participate in SPECA projects.

³⁷ Two of the working groups have been single-project dominated, with their activities determined by available funding: the energy and water group has been supported by a UN-funded project on efficient water use, and the foreign investment promotion group organized a conference in Dushanbe. The transport and border crossing group has mainly served as a forum for discussion of transit issues between Kazakhstan and the Kyrgyz Republic, and the industrial restructuring and technical assistance with pipelines groups have not met.

³⁸ The SPECA concept was formally adopted in April 2000 at the Eurasian Economic Summit in Almaty, a forum in which Kazakhstan, the Kyrgyz Republic and Tajikistan were participants and the other two countries were not. The political fissure was partially mended in 2005 when Uzbekistan joined the Eurasian Economic Community.

Goals. The project includes China, Kazakhstan, the Kyrgyz Republic, Tajikistan and Uzbekistan.

The United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS) and the Organization for Security and Co-operation in Europe (OSCE) sponsored an expert workshop on the specific problems of landlocked countries in Vienna in December 2006, and intend to follow up with a conference on the prospects for the development of transAsian and European transit transportation through Central Asia till the year 2015 to be held in Tajikistan in autumn 2007.

Among the international financial institutions there is a division of labour (formally agreed, for example, in the context of the CIS-7 initiative) whereby the Asian Development Bank (ADB) plays the lead role in transport and trade in Central Asia. This is reflected in infrastructure projects described earlier (eg., the Osh-Bishkek and Bishkek-Almaty road projects), and is also reflected in the ADB's lead role in the CAREC (Central Asian Regional Economic Cooperation) Program, which covers the Central Asian countries, except Turkmenistan, and Azerbaijan, Mongolia and Xinjiang autonomous region of China. The other multilateral institutions participating in CAREC include the UNDP, as well as the European Bank for Reconstruction and Development (EBRD), the International Monetary Fund, the Islamic Development Bank and the World Bank. CAREC is the principal forum for region-wide initiatives on trade facilitation, and its activities should be complementary to BOMCA's work with individual Central Asian governments and activities at specific BCPs or along the targeted corridors.³⁹

5.3 Regional institutions: ECO, EurAsEc and SCO.

The Central Asian governments have signed many agreements to create regional institutions, but implementation is generally poor. In 1992 as a signal of diversification of trading partners the five Central Asian countries, Azerbaijan and Afghanistan joined Iran, Pakistan and Turkey in the Economic Cooperation Organization (ECO). One of ECO's major activities in the 1990s was to draw up

³⁹ CAREC launched a Regional Trade Facilitation and Customs Cooperation Program (RTFCCP) in 2002 with a strategy that included modernizing physical customs infrastructure as well as improving transit procedures. The corridors concept was discussed at a CAREC senior officials' meeting in Manila in March 2007.

regional transit agreements, but these have not been ratified by all member countries and are ineffective.

Also dating from 1992 were a series of agreements among Soviet successor states to maintain or recreate a common economic space or free trade area within all or part of the Commonwealth of Independent States. The only significant survivor of these many intra-CIS agreements is the Eurasian Economic Community (EurAsEc). EurAsEc's origins date from a 1994 agreement between Russia, Belarus and Kazakhstan. The Kyrgyz Republic joined them in 1995, and in 1996 Tajikistan made it a Union of Five. Uzbekistan joined in 2005. Currently, EurAsEc is the most significant and most active regional arrangement involving Central Asian countries.⁴⁰

The Shanghai Cooperation Organization (SCO) evolved from a loose agreement in 1996 among China, Russia, Kazakhstan, the Kyrgyz Republic and Tajikistan. At their 2000 summit the five countries took up a number of economic themes, and the Shanghai Five changed their name to the Shanghai Forum. Despite the intention to cover matters such as trade facilitation, the subsequent history of the organization has centred on political rather than economic matters. At the June 2001 summit Uzbekistan became the sixth member and the group was renamed the Shanghai Cooperation Organization. At subsequent SCO summits Mongolia, Iran, Pakistan and India have been admitted as observers.⁴¹

The SCO and EurAsEc should be treated seriously because the Central Asian countries do so. Moreover, both organizations have shown interest in the corridors approach. On the other hand, regional organizations in Central Asia have a chequered history, driven by short-term political considerations and with little economic achievement. Among the many dead agreements are various plans for free trade areas among CIS countries and a series of Central Asian organizations (CAEC, CACO, etc), while ECO is moribund. One reason for EurAsEc's current high profile is

⁴⁰ EurAsEc members have on several occasions committed to forming a customs union, but this goal is implausible; Russia is unlikely to bring its tariffs down to Kyrgyz levels, but Kyrgyz tariffs are bound by its WTO accession agreement. In 2000 EurAsEc's members agreed to have a common external tariff by 2005, but only 6,156 out of 11,086 tariff lines had been harmonized by 2005 (probably the easiest ones, eg. non-competing imports with zero tariffs). Currently much is being made of progress on customs harmonization within EurAsEc. However, independent of EurAsEc, all the Central Asian countries are signatories of the International Convention on the Simplification and Harmonization of Customs Procedures (the Revised Kyoto Convention) of the World Customs Organization. Because EurAsEc customs harmonization is WCO-consistent one could just as well speak of harmonization within the Revised Kyoto framework or, for that matter, within CAREC because CAREC's four Central Asian members have agreed to this standard within the CAREC trade facilitation program.

⁴¹ Iran, Mongolia and Pakistan have applied for SCO membership. Nepal is considering applying for observer status.

Uzbekistan's desire to re-establish close ties with Russia since May 2005, but at the same time there are signs of Kazakhstan seeking to move out from under Russia's shadow, continuing a post-1991 pattern of shifting alliances that does not augur well for EurAsEc's long-term stability. Similarly, the longevity of the SCO is far from assured, given the widespread suspicion of China in Central Asia and the competition between Russia and China for hegemony. Such considerations argue against placing great reliance on any individual regional organization.⁴²

⁴² Thus, while I agree with the van der Meer and Roeling *Evaluation of the Tacis Programmes 'BOMCA' and 'CADAP'* that existing regional initiatives such as EurAsEc or the SCO should not be ignored, their claim that this should be a priority (p.42) and that working with other international agencies (eg. though CAREC) is a sub-optimal alternative (p.52) is overblown. Close identification with a specific regional grouping risks being left with a non-existent partner if the organization collapses or being identified with one side if the region has a political divide, as happened in the late 1990s when the CIS split between the Union of Five and the five GUUAM members. One reason for the currently reduced influence of the USA in the region is its concentration on Uzbekistan as a preferred partner during the GUUAM era; after Uzbekistan withdrew from GUUAM (*de jure* in May 2005) the USA struggled to find an effective collocutor in the region.

Recommendations

All BOMCA activities should promote recognition of the trade-inhibiting role of border controls, and encourage national authorities to recognize the trade-offs between justified controls of people and goods and curtailing the benefits from trade – a simple slogan like “interdict illegal trade, facilitate legal trade” might be helpful.⁴³

The biggest obstacle to trade facilitation in Central Asia continues to be the control mentality of the authorities, although this varies from country to country, from agency to agency, and even from official to official. BOMCA could embrace the call by CAREC for a change in the corporate culture of customs administrations from a *control mindset* to *compliance facilitation*, and promote a risk assessment approach.⁴⁴

EU contact with national governments under the BOMCA aegis can be used to establish and modify (a) each government’s commitment to the trade and transit corridors and (b) the willingness of national authorities to reform border management and methodologies at the BCPs to facilitate improvement in trade and transit.⁴⁵

Governments worried about the fiscal implications of loosening control over trade and transit could be reassured by pointing out that if trade is encouraged, then revenues from effectively implemented trade taxes and transit fees are likely to increase even if the rates are reduced.

⁴³ The current emphasis on control courts the criticism that BOMCA is supporting the militarization of Central Asian borders, adding to a climate of fear and external threat which justifies authoritarian regimes. Nancy Lubin (“Who’s Watching the Watchdogs?” *Journal of International Affairs*, 56(2), 2003, 43-58) has warned of this negative consequence of US and international donors’ aid for border control programmes. Without mentioning BOMCA by name, three European authors have made a similar critique of Uzbekistan’s border control policy (Nick Megoran, Gaël Raballand and Jérôme Bouyjou, “Performance, Representation and the Economics of Border Control in Uzbekistan”, *Geopolitics* 10(4), Winter 2005, 712-40). BOMCA 5 redefines the overall objective as “to facilitate the licit flow of persons and goods over Central Asian borders and to increase security in Central Asia”.

⁴⁴ See the CAREC document *Risk Management: Catalyst of Customs Reforms and Modernization* (by Jeffrey Liang and Dorothea Lazaro, Asian Development Bank, Manila, April 2006). By *compliance facilitation* the authors mean encouraging informed compliance by traders crossing borders, and using risk management techniques and random audits to reinforce compliance.

⁴⁵ In the September 2006 *Evaluation of the Tacis Programmes ‘BOMCA’ and ‘CADAP’* (p.50), Esther van der Meer and Hardy Roehling call for more country-specific engagement and dialogue. With respect to Uzbekistan, 2007 may be an opportune moment for improving relations given that the government is showing some signs of loosening regulations (eg. the recent Resolution 245 which grants foreign carriers the right to change routes within Uzbekistan instead of having to follow a pre-appointed route, and the introduction in February 2007 of visa-free travel for locals crossing the Uzbek-Kyrgyz border for less than sixty days).

Ongoing elements of BOMCA's activities should include collection of baseline indicators for trade and transit along the corridors, and monitoring of objectively verifiable indicators. At present it is difficult to obtain consistent credible data on traffic and trade through the BCPs, and statements about the extent of delays and other costs rely too heavily on anecdotal evidence. Specifically, funds could be allocated to sponsor trips along the corridors following the ESCAP time/cost-distance methodology to identify inefficiencies and to isolate time bottlenecks along particular routes such as that from Bishkek to Siberia.⁴⁶ Such benchmarking is the simplest way to provide results-based indicators of trade facilitation.⁴⁷

The corridor concept is a positive way to view trade facilitation within the BOMCA programme. This Report focuses on three corridors, but in assessing the trade facilitation impact of the BOMCA programme potential extensions to these corridors should be kept in mind, especially as cross-border cooperation with Afghanistan becomes more important. My recommendations differ for each of the three corridors identified here.

1. With respect to the East-West (Ferghana Valley) corridor, BOMCA can play a strategic role in reversing the substantial increase in obstructions to trade over the last decade. In particular, given the willingness of Uzbekistan to engage with BOMCA on upgrading BCPs and improving the control elements of border management, BOMCA can encourage the Uzbek authorities to realize the benefits of efficient integrated border management to facilitate trade through risk assessment and streamlined procedures. This is not to underestimate the political obstacles to engagement with Uzbekistan, but Uzbekistan's central location means that effective promotion of trade along the East-West corridor depends upon inclusion of Uzbekistan in an effective trade and transit system. At the same time a flexible approach should be adopted by BOMCA in regard to choosing an itinerary for this corridor (e.g. through or outside Tajikistan).

⁴⁶ The Bishkek office of BOMCA has an estimate of under \$2,000 to monitor a truck from Bishkek to the Russian border.

⁴⁷ Without a results-based methodology trade facilitation measures are often cosmetic (e.g. forms are 'improved' without reducing traders' time or inconvenience). For example, the 2001 commitment by members of the Asia-Pacific Economic Cooperation forum to reduce trade cost by 5% over five years proved unenforceable, because while many trade facilitating measures were reported there was no accepted way of assessing their impact.

2. The western North-South corridor provides an opportunity for BOMCA to become proactively involved in what will be important BCPs in the future, as opposed to being driven by pre-existing security and drugs-trade problems.

Moving from south to north the principal recommendations are to:

- use BOMCA's Turkmenistan office to involve the government in trade-facilitation.
- encourage Uzbekistan's government to experiment with more trade-friendly border procedures in a region where the threat of terrorist infiltration is negligible
- engage with the regional authorities in Mangistau province to ensure that the trend towards more trade-friendly BCPs in eastern Kazakhstan is replicated on the western corridor. The growing importance of Aktau offers BOMCA a unique opportunity to provide assistance for a maritime BCP which would be a high-profile stand-alone EU project.

As with the third corridor, benchmarking time and monetary costs of transportation along this corridor would be a valuable exercise, both to monitor the impact of trade-facilitating measures and to promote use of the corridor by European traders.

3. BOMCA should continue to contribute to trade facilitation along the eastern North-South corridor. Building on the EU's contribution to the BCP at Akzhol (Kyrgyz Republic), further resources could be devoted to benchmarking time and monetary costs along the corridor and to facilitating entry into the corridor from Tajikistan to Osh.⁴⁸ These are incremental actions, which need to be coordinated with other donors' activities. They will not provide a high-profile stand-alone EU presence, but should publicize the EU's involvement in what will be by far the major trade artery in Central Asia during the next half-decade.

⁴⁸ This should include a shift of emphasis in the Tajikistan office from the south, where improvement of management of the Afghan border has been a top priority in the past, to Sughd province, where improved management of the border with the Kyrgyz Republic (in anticipation of settlement of the border demarcation) and with Uzbekistan (in anticipation of changing attitudes to border management in Uzbekistan) will yield substantial future economic gains.

ANNEX 1

Data on Documentation and Delays from the GTZ Project “Promoting Regional Trade in Central Asia”

(a) Results of Mapping Seminars in Kyrgyzstan

Imports	Washing powder		Beer		Lathe		Refrigerator	
	min	max	min	max	min	max	min	max
Number of documents needed	5	17	5	21	4	15	5	17
Number of signatures needed	8	16	8	16	7	16	8	17
Days needed to get through the whole procedure	1	10	3	30	1	3	1	10

Exports	Potatoes		Textiles		Milk		Construction materials	
	min	max	min	max	min	max	min	max
Number of documents needed	5	22	5	22	4	20	4	22
Number of signatures needed	7	21	7	21	5	19	6	19
Days needed to get through the whole procedure	5	15	5	15	3	5	3	15

(b) List of documents needed for export/import operations in Tajikistan

According to applicable legislative and normative acts for export/import operations the following documents are needed:

1. Contract/agreement between partner organizations with bank details ID
2. Certificate of origin issued by Chamber of Commerce of Tajikistan
3. Certificate of quality issued by State Agency on Standardization, Certification and Metrology
4. Quarantine certificate for agriculture products issued by the State Quarantine Office in the Ministry of Agriculture.
5. Veterinary certificate from the Veterinary Department of the Ministry of Agriculture.
6. Bank confirmation about full payment in advance for goods noted in Presidential Decree № 424 from 24.02.96 (cotton, aluminum, colored metals).
7. Insurance policy for exporting goods if the exporter is a state enterprise.
8. ABBAT (International Association of Automobile Carriers) licence issued by the Ministry of Transport.

9. Quota and license for export and import of alcohol and tobacco by Corporation “Khurokvori”
10. Confirmation on tax payments from export of cotton and aluminum by Tax authorities

Also for special and strategic goods, the following are needed:

11. Permission of Government to export aluminium products
12. Permission of Government to export cotton
13. Permission of Government to export ferrous and non-ferrous metals
14. Permission of the Committee for Precious Metals and the Ministry of Industry to export and import precious, half-precious metals, scraps
15. Permission of the Committee for Precious and Gemstones to export and import precious stones
16. Permission of the Ministry of Health to export and import medicines
17. Permission of the Nature Protection Committee to import chemical, mineral and poisonous materials
18. Permission of the Ministry of Communication to import radio-electronic equipment.
19. Bank form for foreign currency outflow
20. Special Government Decrees for export/import:
 - Uranium and other radioactive elements
 - Blaster matters
 - Drug and poisons
 - Weapons
 - Military attributes
 - Art handiworks, antiquaries
 - Wild animals and birds of Red book.

ANNEX 2

Benchmarking Travel Times and Costs

(a) Exemplary Application of ESCAP Time/Cost-Distance Methodology to the Route “Bishkek-Novosibirsk” by Road.⁴⁹

The analysis is based on a non-TIR truck making the 2375 kilometre journey. Cost estimates do not include customs charges. The total trip took 208.1 hours.

The border crossing at Akzhol (Kyrgyz Republic) involved passport control at the Border Control office and documents check at the Customs office. Total time spent at the BCP was four hours and there was no financial cost.

To cross the second BCP at Kordai (Kazakhstan) took 61.5 hours and financial charges amounted to \$1,028.80. Four different authorities were involved in the document controls: 1) the border control office checked passports, issued migration cards, and examined visas; 2) the customs office issued registration documents, checked documents for the vehicle and its cargo, placed the truck in a terminal, and levied customs fees and charges; 3) the vehicle inspection office checked weight and overloading, inspected axle load, checked the international licence on transport of goods, and levied charges on perishable goods; 4) the insurance company dealt with vehicle insurance issues.

The border crossing at Sharbakhty (Kazakhstan) took 30 hours and financial charges amounted to \$250. Three authorities were involved in the procedures: 1) the migration office checked passports, migration cards, and visas; 2) the transport office issued an inspection coupon in exchange for the driver’s licence and vehicle documents. After necessary transport, veterinary-phytosanitary, customs and border crossing inspections, the coupon was stamped and re-exchanged for the driver’s licence and vehicle documents; 3) the customs office checked documents and levied customs fees and charges.

The border crossing at Kulunda (Russia) consumed 27.5 hours and financial charges amounted to \$149.00. Six different authorities were involved: 1) the border control office checked passports; 2) the insurance office checked vehicle and driver’s insurance; 3) the customs office checked documents and cargo, levied fees and charges (while the driver registered and submitted customs documents, the cargo was placed in a bonded warehouse); 4) the traffic police checked vehicle documents, driver’s licence and insurance; 5) the drugs control office issued a certificate after inspection for drugs and narcotics; and 6) the vehicle inspection office checked weight and overloading, inspected axle load, and issued a vehicle inspection certificate.

In addition to stops caused by border crossing procedures, the truck had additional intermediate stops for various reasons in Kazakhstan and Russia.

The twelve intermediate stops in Kazakhstan involved fifteen individual checks (nine by traffic police for document checks, one by the migration office, one by the drug control agency, and four by transport control for axle load and

⁴⁹ The description of the ESCAP methodology draws on several presentations by Barry Cable, Director of the Transport and Tourism Division at ESCAP, and I am grateful to Geetha Karandawala (Chief, Transport Facilitation) from that Division for detailed comment and suggestions on this material.

overloading). The duration of the stops and the costs involved at each one varied enormously. A single stop could last up to ninety minutes and involve charges of up to \$85. The total delay caused by the twelve stops was five hours and twenty-five minutes and the total financial costs amounted to \$294.40.

In Russia intermediate stops were due to four checks by traffic police, leading to an overall delay of 45 minutes at no extra charge, and to the toll payment at a bridge, causing a five minute delay and incurring costs of \$3.50.

(b) Other Estimates

Rambøll, a Danish consultancy, prepared a July 2006 report on *Land Transport Options between Europe and Asia* for the Chamber of Commerce of the United States. One of their more detailed analyses is of a truck journey from Shanghai to the German border via Kazakhstan. This was characterized by long delays at the China-Kazakhstan border (2 days) and at the Kazakhstan-Russia border (1 day). The report claims that its estimates are more “optimistic” than others, eg. it quotes a 2003 study which found that shipping a forty-foot container along the 200-km road from Almaty to Urumqi took five days and cost \$2,150, which is a very high rate per kilometre (compare the average Shanghai to Los Angeles sea rate of around \$2,500 or an ADB estimate of \$3,700-4,500 to ship a container by train from Central Asia to Europe.⁵⁰

A number of time and cost reports were provided to me through the GTZ Bishkek office. These are indicative, but in general it is difficult to establish exactly what happened or to derive comparable benchmark studies.

Lyubka Mihailova reports on a monitoring study of the Almaty-Bishkek corridor conducted by the Forum of Entrepreneurs in Kazakhstan and the Kyrgyz Transporters Association and funded by the World Bank.⁵¹ Based on physical measurement by on-site surveyors, interviews and trip diaries, although the diaries appear never to have been completed by the drivers, the study covered 142 out of the 209 trucks crossing the border during the period from 27 February to 3 March 2006. The average processing time on the 190-km journey was 11 hours and 5 minutes, almost three times as long as the travel time of about four hours. Most of the delay was at the Kazakhstan customs post before the border, but this appears to reflect a bias in the design (interviews were primarily held at the STF Facility, which mainly processes trucks coming from the Chinese border). The study also refers to roadside checks with an average duration of 24 minutes, involving an average official payment of \$14 and unofficial payment of \$114.

⁵⁰ Reported in Asian Development Bank, *Central Asia: Increasing Gains from Trade through Regional Cooperation in Trade Policy, Transport and Customs Transit*, Manila, 2006

⁵¹ Lyubka Mihailova, Performance Measurement: Pilot Corridor, *Trade and Transport Facilitation in Central Asia (TTFCA)*, London, March 2006. The study was under the aegis of the Congress of Business Association of Central Asia and Russia (CBACAiR), whose members also include the Association of International Forwarders of Uzbekistan and the national Association of Small and Medium Businesses of Tajikistan. The report states that originally it was intended to measure times along a corridor to the Russian border, but does not say why this plan was abandoned. Aslan Sarinzhipov in the Almaty office of the World Bank has reported that the project considered a Osh-Bishkek-Astana-Petropavlovsk corridor and actual measurement was conducted along a corridor from the Chinese border through Almaty and Bishkek to Osh (which includes the Almaty-Bishkek segment reported here) and a corridor from the Chinese Border through Almaty and Shymkent to Sarygash on the Uzbekistan border. A CBACAiR presentation indicated that, although average travel speed was faster on the Bishkek-Osh route, non-official payments were higher on this domestic route than on any of segments that crossed borders.

A similar survey conducted by the GTZ on April 24-30 2006 is more explicit about the variance of time taken to cross the border between Kazakhstan and the Kyrgyz Republic.⁵² They estimate an average of two and a half hours at the Kazakhstan border, but it is faster at night. The GTZ also sent an assessor to accompany a truck taking cheese from the Issykul region in northern Kyrgyzstan to Almaty on 18/19 March 2006. The truck encountered a two and a half hour delay entering Kazakhstan at the Karasu-AkTitek BCP but no delay returning with the empty truck to the Kyrgyz Republic. The truck was stopped at five Kazakh checkpoints and one Kyrgyz checkpoint, but without major delay and at no financial cost. Although there were serious logistic problems with the delivery to the cheese-buyer in Almaty, this is a more positive trade facilitation picture than the Mihailova report. Another GTZ monitoring exercise followed some trucks taking consumer goods from Bishkek to Osh and agricultural goods from Osh to Bishkek; on the former route trucks faced an average of 22-23 stops all brief and involving payments of 20-150 soms, for an average total of \$9.27, while on the Osh-Bishkek route payments were less, totalling \$2.70. It is unclear on how many trips the Bishkek-Osh numbers are based, but this evidence suggests that along the Osh-Almaty corridor, the problem is almost as severe on internal as on international routes.

There is less time/cost evidence for other BCPs. The GTZ monitored a shipment of 6 tons of apples from Khujand to Tashkent on 25/28 April 2006. The driver paid 35 somoni at each of four internal checkpoints and 50 somoni at the Tajik BCP, before transferring the cargo to an Uzbek truck. The Uzbek driver was paid 200,000 soms to deliver the apples to Kuyluk bazaar in Tashkent, out of which he paid money at the Uzbek BCP and at four checkpoints in Uzbekistan. The Tajik businessman sold his apples for four million soms and sent the 240 empty boxes back by the same two trucks, which were stopped but not charged, because they were empty. Total travel times were eight hours from Khujand to Tashkent and four hours from Tashkent to Khujand, although the journey was delayed by the need to start after nightfall in order to make the illegal border crossing and by needing one and a half days at the bazaar to sell all the apples.

Finally, the GTZ monitored the Dostyk (Kyrgyz Republic) - Doslik (Uzbekistan) BCP near Osh between 25 and 30 September 2006. This report is depressing reading, confirming the tiny flow of large-scale official trade that I observed three months later. Much of the trade was wheelbarrow trade; the cargo is unloaded from a truck (taking one hour and forty minutes to unload a 10-ton truck and two hours to place the load in 30-40 wheelbarrows), and transported across the border by wheelbarrows – a terribly inefficient system apparently driven by the \$70 permit needed to take a cargo vehicle into Uzbekistan. Of the 25 TIR trucks crossing the border during these six days, some entered Uzbekistan in a few minutes after paying a bribe of between \$125 and \$170 while the remainder took 6-8 hours; according to the GTZ report only six of the 25 TIR trucks paid no bribe. The report is replete with mention of discretionary and rude behaviour by Uzbek customs officials and of arbitrary closure of nearby illegal BCPs, so it is difficult to evaluate the representativeness of the results.

⁵² The GTZ analysis covered 331 vehicles passing through the Kordai-Akjol BCP. It notes the problem of bias because many local vehicles use the nearby Karasu-AkTitek BCP. The report also comments on the speed with which the satellite tracking system allows vehicles to pass through the initial stages in a few minutes and the antiquated “runner” system whereby the driver must hand over his personal documents while the remaining formalities are done by hand and take two and a half hours.

(c) Evaluation

Time-cost monitoring of corridors is an excellent way of assessing progress in trade facilitation. Too often trade facilitation is accepted as a goal and the list of desirable measures is agreed upon, but actual changes have limited effect. A results-based approach avoids such outcomes and identifies truly important sources of trade costs and delays.

The ESCAP study could be used as a blueprint, since the time/cost-distance methodology provides a template for continuous data collection. A benchmarking database of travel times and costs can be established, which allows for comparison between routes and for self-explanatory graphical illustration of bottlenecks, and changes in travel time and cost can be evaluated along individual routes over time. The example provided above gives an idea on what kind of data is captured by the methodology, but its value is reduced by its one-of nature. To fully benefit from the ESCAP time/cost-distance methodology, regular and systematic monitoring is necessary and this requires support from national stakeholders such as government representatives, freight operators, freight forwarders and others.

The ESCAP study cited above appears to have been conducted in the early 2000s, when the time and cost of traversing Kazakhstan were much reduced from the high levels of the late 1990s. The Mihailova report of March 2006 reports similar order of delays at Kazakhstan's BCPs, suggesting little added progress in the mid-2000s, but the results may be biased by the choice of where to conduct interviews. The GTZ estimate from March and April 2006 of a two and a half hour delay entering Kazakhstan is lower and appears to be more firmly based. Whether this is evidence of continuing progress on trade facilitation is, however, difficult to say, given the varying bases for the different time/cost numbers.

A useful step would be to monitor on a regular basis the time and cost of sending a standard truck from, at a minimum, Bishkek to Almaty and preferably from Osh to Novosibirsk. Over time this would provide a useful benchmark for assessing progress in trade facilitation. Similar monitoring exercises would be useful along the other two corridors. Currently, however, the results along the Ferghana corridor would depend critically on specifics such as whether it was a TIR or non-TIR truck or a legal or semi-legal shipment (as in the Khujand apples example) and even on the particular day. Such problems appear less likely along the Karakalpakstan corridor.