



Central Asia Regional Economic Cooperation Program

Reference Document
For Session 3 of the Senior Officials' Meeting
June 2012

Trade Facilitation Program Progress Report and Work Plan (2011-2012)

**Senior Officials' Meeting
Central Asia Regional Economic Cooperation
6-7 June 2012
Hohhot, Inner Mongolia Autonomous Region,
People's Republic of China**

I. KEY DEVELOPMENTS

1. The trade facilitation program of the Central Asia Regional Economic Cooperation (CAREC) is composed of two components:

- (i) customs cooperation, which entails concerted customs reform, modernization, and cooperation; and
- (ii) integrated trade facilitation, which promotes efficient regional trade logistics development, monitors and evaluates the implementation of the CAREC Transport and Trade Facilitation Strategy (TTFS), and supports the development of priority trade corridors, single window (SW) facilities, enhanced interagency cooperation and public-private partnerships, and capacity building.

A. Program Implementation

Customs Cooperation

2. The Mongolia-PRC Joint Customs Control Pilot (JCC) was expanded to Gashunsukhait (MON) and Gangqimodao (PRC) border crossing points (BCPs). Start-up activities were launched in November 2011. A review of JCC experiences in selected PRC-Mongolia BCPs was held on 22nd- 24th May 2012.

3. Local training on Time Release Study for Afghanistan and Pakistan is planned for 3rd quarter 2012. Uzbekistan and Mongolia continue to conduct time release study (TRS) in their respective jurisdictions.

4. Specialized training continues to be provided for CAREC customs officials. Training on Customs Modernization and Customs Inspection and Risk Management Techniques will be conducted at the Shanghai Customs College on the following dates:

- | | |
|---|-----------------------|
| • CAREC Customs Officials | 21 May – 1 June 2012 |
| • Mongolia Customs Officials (Customs Management) | 6 –16 June 2012 |
| • Mongolia Customs Officials (Risk Management) | 6 –16 June 2012 |
| • Kazakhstan Customs Officials | 25 June – 4 July 2012 |

Integrated Trade Facilitation

5. The proposed Regional Improvement of Border Services (RIBS) project will cover Kyrgyz Republic, Mongolia and Tajikistan with an estimated total loan/grant of \$52 million. The project features two major components: national single window development and BCP improvement in the 3 countries. A second RIBS project is expected to cover other interested CAREC countries.

6. The CAREC Federation of Carrier and Forwarder Associations (CFCFA) now has 18 members. Pakistan International Freight Forwarders Association (PIFFA) has submitted its application for membership which will be reviewed at the 3rd CFCFA Annual Meeting in October 2012. The Turkmenistan Association of International Road Carriers has also expressed interest in joining CFCFA. The registration of CFCFA as a non-stock, non-profit organization is expected to be completed by June 2012.

7. Following the successful Business Networking Forum (BNF) held last year in Chongqing, PRC, CFCFA will hold the 2nd BNF in Hohhot, Inner Mongolia, PRC on 4-5 June 2012. Participants will include transport and logistics companies, major shippers, road carriers, and freight forwarders. The 2nd BNF will enable representatives of logistics, transport and trade companies from the 10 CAREC countries to meet with credible, capable and resourceful business partners to explore opportunities for collaboration.

8. In addition, CFCFA working groups, formed last August 2011 in Issyk-kul, Kyrgyz Republic, will meet on 4 June 2012 to finalize the priority project proposals identified by the working groups last August, identify resources available for funding, and prepare respective action plans for 2012-2013. A CFCFA work plan for 2012 has been drafted: key elements include the development of interactive CAREC corridor maps and publication of a Logistics Procurement Manual.

9. Corridor Performance Measurement and Monitoring (CPMM) is the principal mechanism for monitoring and evaluating the joint transport and trade facilitation strategy (TTFS) implementation, contributing trade facilitation indicators for the CAREC Development Effectiveness Review. Preliminary results for 2011 as compared to 2010 are shown below:

		Trade Facilitation Indicators					
		Mean	2010 Median	Margin of Error*	Mean	2011 Median	Margin of Error*
TF1	Time taken to clear a border crossing point (hour)	8.7	4.1	±0.4	7.9	4.1	±0.5
TF2	Costs incurred at border crossing clearance (US\$)	186.4	114.0	±4.3	156.2	90.0	±4.3
TF3	Cost incurred to travel a corridor section (US\$)	711.8	404.7	±28.6	959.4	636.9	±27.4
TF4	Speed to travel on CAREC corridors (kph), SWD	23.5	22.6	±1.9	21.9	20.2	±1.6
	Speed to travel on CAREC corridors (kph), SWOD	35.2	37.5	±3.3	38.0	39.9	±2.1

*at level of confidence of 95%

TF = Trade facilitation, SWD = speed with delay, SWOD = speed without delay

- Cost and duration spent on BCPs showed improvement in 2011. This reflects better performance at BCPs compared to 2010. However, the vehicle operation costs to travel a 500-km section of CAREC corridors increased. This number includes driver's wage, fuel cost, depreciation cost of truck/trailer, repair and maintenance cost and insurance, and activity costs spent on stops. Given the oil price increases and inflations in many CAREC countries, it's not surprising to see cost escalation. Detailed data shows that trips on Corridors 3, 4 and 5 suffered larger cost increases.
- SWOD was faster in 2011, but SWD showed a decline due to longer delays recorded at non-BCP stops, specifically for loading/unloading, waiting in queue, and repairs and maintenance. These non-BCP delays were more pronounced in Corridors 5 and 6.
- Margins of error have been included in the table to indicate if differences of 2011 and 2010 indicators are statistically significant. For example for TF1, statistically the indicator could be observed between 8.3 – 9.1 hours in 2010 and 7.4 – 8.4 hours in

2011. Hence we can safely say that there is a significant decrease in time taken to clear the border crossing point. Using the same logic, TF1, TF2 and TF3 are all significant. The TF4 (SWD) is not.

10. ADB and UNESCAP organized a workshop for regional interconnectivity and interoperability for national single windows in Seoul, Republic of Korea, on 23 April 2012 to familiarize CAREC and South Asia Subregional Economic Cooperation (SASEC) countries (Bangladesh, Bhutan, India, and Nepal) with the Pan Asia e-commerce Alliance (PAA). To capitalize on this opportunity, ADB and UNESCAP organized a training program for the same participants on legal framework for single window on 24-26 April 2012, Seoul, Republic of Korea. Both events are meant to strengthen the capacities of CAREC countries to make the transition to a paperless trading environment and to develop national single window facilities.

11. The 2nd Trade Logistics Management training course was delivered in Urumqi in November 2011 for private sector forwarders and road carriers, logistics companies, and government officials; the 3rd and 4th trainings will be held in Kazakhstan and Mongolia in June 2012.

12. To take advantage of the presence of a great number of logistics companies and transport associations during the Business Networking Forum, a short seminar on long distance learning tools will also be conducted on the second day of the forum.

13. A Conference on Regional Cooperation and Integration (RCI) to share experiences of ADB developing member countries in implementing RCI was held last 25-26 March 2012 in Kunming, Yunnan Province, PRC; where about 180 delegates from 30 countries participated. Three ADB supported sub-regional programs (CAREC, GMS and SASEC)¹ presented achievements, key issues, and future plans to strengthen RCI. A key recommendation is fostering inter-subregional cooperation. The above mentioned workshop for regional interconnectivity and interoperability for national single windows in Seoul, Republic of Korea, has taken a lead in that direction. In addition, ADB also introduced CAREC and GMS experience in trade facilitation at the Greater Tumen Initiative (GTI) forums. Mongolia and PRC participate in both CAREC and GTI; GTI has just introduced its own trade facilitation program, and both are well positioned to ensure that GTI and CAREC trade facilitation measures complement one another. More inter-subregional collaborations will be pursued in future trade facilitation initiatives.

B. Resolution of Key Issues Raised to the SOM, November 2011

14. On the possible impact of the Russia-Belarus-Kazakhstan Customs Union on the trade facilitation program: Results from 3 sets of questionnaires sent to different stakeholders in CAREC countries in July 2011 have been reviewed and a paper was prepared. The paper found that access to Kazakhstan from CAREC non-CU countries became difficult. It also identified a number of major impacts and highlighted issues to consider by CAREC program. The paper is being considered for publication as an ADB Regional Cooperation and Integration Working Paper. A consultant will be hired to finalize the paper.

15. On integrating Pakistan and Turkmenistan into the CAREC trade facilitation programs: Representatives from relevant Turkmenistan and Pakistan government agencies and the private sector have participated in various trade facilitation activities.

¹ GMS = Greater Mekong Subregion; SASEC = South Asia Subregional Economic Cooperation

16. On better utilization of CPMM results: Training for national CPMM coordinators to perform own analysis is scheduled in second half of the year and a study on how to increase volume of rail data will be undertaken. The interactive web page for CPMM in the cfcfa.net website is now more user-friendly and provides more information.

17. On new areas to be addressed: A consultant for Sanitary and Phyto-Sanitary (SPS) Measures visited 5 CAREC countries to assess SPS practices and capacities. The final report is now being reviewed and a seminar to present the final report and draw information from 5 other CAREC countries will be conducted in July 2012. An organizational meeting for a possible CAREC SPS working group is planned for October 2012.

II. KEY ISSUES FOR GUIDANCE BY THE SOM

18. The Kunming Conference (para. 13 above) generated a series of recommendations on how best to facilitate trade. These recommendations broadly affirm the priorities set forth in the TTFS. The conference recognized that good progress has been achieved on the “hard” physical aspects of transport infrastructure development, but noted limited progress on “soft” policy/regulatory aspects that impede regional trade. The conference concluded that, to complement investments in transport infrastructure, concerted efforts and political will are needed on the non-physical “soft” side, including institutional strengthening, to improve trade through border and behind-the-border measures and to keep pace with physical investments. This will require sustained, adequate provision of technical assistance by CAREC partners to support policy formulation and implementation. The CAREC trade facilitation team has identified the following areas as requiring priority attention and concentration of efforts:

- trade facilitation is multi-dimensional, complex, and presents challenges for institutional coordination. To confront these challenges, CAREC countries can capitalize on initiatives to develop national and regional single window facilities by expanding the scope of single window working groups to deal with broader integrated trade facilitation issues, engage different stakeholders, and enhance their commitment;
- the trade facilitation agenda is becoming broader and deeper, and is no longer limited to the formulation and adoption of more liberal policies and procedures. The role of the private sector is increasing in prominence: developing innovative solutions can help the private sector address supply chain constraints (e.g. leasing; logistics);
- trade facilitation and trade and investment liberalization measures should be implemented hand-in-hand. It is important to improve coordination with trade policy partners to support free trade agreement negotiations, customs union impact assessment, and sub-regional and WTO efforts to promote trade and FDI.

19. The CPMM has identified non-uniformity in implementation of SPS measures as one of the causes of delays experienced by traders at BCPs. The SPS assessment indicates the need to consider forming a regional working group to prepare an action plan to develop common solutions to SPS issues encountered at the borders. Stakeholders will be consulted on the need for such regional coordination mechanism. Guidance is sought on plans to proceed with the consultations and preparing an SPS action plan to be presented at the coming Ministerial Conference.

III. CHANGES TO PROGRAM ACTION PLAN

20. Trade Facilitation Work Plan submitted to the November 2011 SOM is unchanged. Further action to implement the new initiative on SPS and to overcome delays in the implementation of capacity building activities for customs (TRS training) will be initiated.