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**April 2014**

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## Trade and transport facilitation in the context of the GMS

### General background

The six GMS countries represent a consumer and labour market of over 300 million people, characterised by rising incomes and a combined GDP that could exceed $1 trillion by 2020. The ADB has been helping to unlock the economic potential of these countries through a series of road and rail development projects to foster subregional connectivity, trade and investment. The GMS connectivity strategy is multi-dimensional, involving political, strategic, tourism, pro-poor and security aspects, as well as purely trade and transport development. Reductions in transit times and transport costs should allow importers to select potential suppliers from a wider geographical area. In the absence of this, and given the GMS countries’ external trade-orientation, maritime transport tends to dominate the movement of subregional trade, with the major transport corridors (for both international and intra- GMS trade) those serving the region’s ports. Trade facilitation at mainland borders remains a key constraint for international road transport. Because of delays at major land crossings, and the need for “facilitation payments” to expedite performance, costs are higher than need be. According to research conducted by the ADB (under its TA-7851 project) international road transporters would generally like to see improvements of both roads and border operations along certain key trade corridors i.e. the focused development of a lesser number of better performing linkages rather than ever more crossings with variable performance. A joined-up approach to trade and transport facilitation (TTF) in the GMS countries is required, based on its current TTF-Action Plan (TTF-AP) taking care to co-ordinate work with other projects, programmes and development partners.

### The Cross Border Transport Agreement

Following the launch of the GMS Economic Cooperation Program in 1992, the GMS Cross Border Transport Facilitation Agreement (Agreement for the Facilitation of Cross-Border Transport of Goods and People) was signed by Lao PDR, Thailand and Vietnam in 1999. Cambodia acceded to the Agreement in 2001, followed by the People’s Republic of China (PRC) in 2002, and Myanmar in 2003. The CBTA was a pioneering accord, aimed at promoting the three Cs of the GMS Program – improved Connectivity, greater Competitiveness and a spirit of Community – by consolidating under a single legal instrument all of the key non-physical measures for efficient cross-border land transport.

This it does in the form of a main Agreement, together with 20 Annexes and Protocols, covering the facilitation of border crossing formalities, the cross-border transport of people, the cross-border transport of goods (including customs transit, phytosanitary and veterinary inspection), requirements for the admittance of road vehicles, the exchange of commercial traffic rights, infrastructure, and so on. Many of these provisions (e.g. visa free travel, progressive extension of traffic rights, guaranteed market access for licensed operators) were ahead of their time; however, some have been (or are likely to be) eclipsed by commitments made in the context of ASEAN, whose Economic Community building project was launched in 2003 and should be completed – in significant measure – by 2015.[[1]](#footnote-1) The CBTA was published by the ADB in in 2011, in hard and soft copy, in the form of a first-class compendium, entitled “GMS Cross Border Transport Facilitation Agreement – Instruments and Drafting History”.

The purpose of the MTR was not to evaluate the CBTA. However, in the course of meetings with the various beneficiaries and stakeholders of TA-7851, a number of issues were raised, suggesting that a detailed review of the CBTA is required, to determine which of its Articles, Annexes and Protocols remain valid – as the foundation for past, present and future (sub-)regional integration – and which should be updated or annulled.

Central to this process is the development of a common understanding between the GMS countries of: a) the issues that have prevented certain members from ratifying key Annexes and Protocols, including Annex 6: Transit and Inland Customs Clearance Regime, which has not been used since its 2009 launch due to flaws that emerged in its original design; b) areas where the CBTA and equivalent regional (ASEAN) and bilateral agreements can synergetically co-exist, and where contradictions risk increasing costs, inhibiting trade and/or causing confusion; c) the extent to which commercial traffic rights have been extended and on what basis (i.e. the relationship between bilateral and tripartite agreements and those made (sub-)regionally in the context of the GMS and ASEAN); and d) how to integrate or affiliate the GMS provinces of Southern China (Yunnan and Guangxi Zhuang Autonomous Region) with commitments made by the GMS countries as members of ASEAN. Further consideration of these issues is made in the following Sections.

### The TTF Ministerial Blueprint (2013-2106 Action Plan)

At the 4th Joint Committee Meeting for the GMS CBTA in Nay Pyi Taw, Myanmar, the GMS Transport Ministers endorsed a Three-Year Strategic Blueprint for Transport and Trade Facilitation (TTF) in the GMS (2013-2015) to support implementation of the next phase of TTF measures.

As part of this Blueprint, the Ministers reaffirmed a commitment to developing bilateral and tripartite agreements under the CBTA Framework as building blocks for CBTA implementation, as well as strengthening capacity at the borders and increasing collaboration and knowledge sharing between and among their Ministries, the private sector, and development partners.

Senior officials from the countries’ National Transport Facilitation Committees (NTFCs) were tasked with developing an action plan matrix, identifying the roles and responsibilities, and specific actions needed from GMS countries, and the ADB, in implementing the Three-Year Blueprint. The NTFCs (supported by regular Senior Official Meetings and Subcommittee Meetings to be held once a year or as needed) were instructed to address operational issues and bottlenecks, monitor the progress and outcomes of the actions undertaken, and to bring to the Ministers’ attention issues that emerge in the course of implementation.[[2]](#footnote-2) The ADB was asked to continue to serve as the Secretariat of the CBTA Joint Committee, and to co-ordinate and facilitate the implementation of the Three-Year Blueprint and to mobilise support from development partners to achieve a long-term focus on developing capacity and the funding commitments needed to continue ongoing and new activities.

The specific actions listed within the Blueprint were as follows:

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| **Mainstreaming Transport and Trade Facilitation into National Laws/Regulations**   1. Ratify the remaining annexes/protocols (Myanmar and Thailand) as soon as possible and fully integrate the CBTA into national laws (all countries). |

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| **Route Expansion and Traffic Rights Exchange**   1. Accelerate implementation of the agreed extended EWEC route to GMS capitals and deep-sea ports 2. Include Routes 8 and 12 in CBTA Protocol 1 as part of the EWEC. 3. Extend the operational route of the EWEC to include Myanmar. 4. Encourage early adoption and/or further implementation of bilateral traffic rights agreements/arrangements, e.g., between the PRC and Myanmar and between Myanmar and Thailand. 5. Encourage early adoption and/or accelerate implementation and close monitoring of trilateral agreements/arrangements (a) among the PRC, Lao PDR, and Thailand (i.e., along the Kunming-Bangkok Route), and (b) among Cambodia, Lao PDR, and Viet Nam. 6. Expedite measures in resolving/troubleshooting operational issues in the implementation of the exchange of traffic rights between and among GMS countries. 7. Increase transport permit quotas under traffic rights exchange in accordance with market demand and extend operational routes based on the demand for trade.   **Customs Cooperation and Border Management**   1. Improve customs cooperation and facilitation in the implementation of single-stop and single-window mechanisms, and propose system improvements that include the latest developments in information and communications technology and information exchange. 2. Apply the processes of coordinated border management including streamlined single-window inspection. 3. Identify legal/regulatory framework and capacity building requirements for the proposed process improvements and solutions to be made operational. 4. Revitalize initiatives on customs transit, undertake an assessment on how existing mechanisms can complement ASEAN customs transit initiatives and conduct country consultations on how to move forward. 5. Enhance information dissemination to border staff at the border sites and provide training and capacity-building. 6. Enhance the capacity of the guaranteeing organizations/ private sector in facilitating customs transit in the GMS. 7. Support the strengthening of SPS regimes at the borders.   **Private Sector Cooperation Mechanisms**   1. Strengthen the involvement and participation of the private sector and transport associations. 2. Establish a subcommittee on guaranteeing organizations under the Joint Committee of the GMS CBTA in order to strengthen private sector involvement and coordination with the government. 3. Provide capacity building and training for guaranteeing organizations. 4. Encourage the establishment of cross-border vehicle insurance cooperation mechanisms between/among GMS countries. 5. Develop more knowledge products in order to increase awareness of transport and trade facilitation issues and disseminate good practices. |

Of note is the fact that the Transport Ministers continue to see the CBTA as the central pillar for TTF in the GMS. However, the level of Customs (and other agency) commitment to the Blueprint is unknown (and has been questioned by some stakeholders).

The reference to an assessment of how existing CTS mechanisms can complement ASEAN customs transit initiatives (under the 1998 AFAGIT) is a positive addition. The role of the subcommittee on guaranteeing organisations (and other related activities) should be assessed as part of this process, since guarantees fall under the CTS. Likewise, cross-border vehicle insurance co-operation mechanisms should be reviewed, since AFAFGIT covers vehicle insurance under Protocol 5 (ASEAN Scheme of Compulsory Motor Vehicle Third-Party Liability Insurance).

## Other regional and multilateral processes with implications for the TTF-AP

### General (global)

The expansion of global supply chains and production structures – including the rapid worldwide growth of intra-industry trade in components and unfinished goods – are of major significance for GMS subregional trade and traffic flows, with a concomitant need for governments to respond, including through joined-up policies for “economic” and “transport” corridor development (see below), trade and transport infrastructure, and SEZs, tied to their countries’ national development strategies, if they are to remain competitive and (for the less developed GMS countries) move up the value chain, away from high bulk, low value, commodity based trade. TA-7851 has been used to undertake several in studies on Transport and Logistics in the Greater Mekong Subregion, including:

* An initial (desk-top) assessment report (IAR) covering road transport infrastructure and associated transport and logistics services for the enhancement of trade facilitation in the GMS. The results of this report were presented at the Fourth Economic Corridor Forum (ECF-4) for GMS countries in Mandalay, Myanmar, in June 2012. This led to some refinement of the strategic direction of GMS corridor development; with planned widening and deepening of the corridors by: a) linking their re-alignment/expansion to GMS trade flows; b) developing economic/urban centres on and around the corridors; c) promoting the economic viability of corridor development by strengthening links with maritime gateways and trade; and d) enhancing the connectivity of rural areas with the corridors and their urban growth nodes;

* A follow-up study was commissioned to expand on the initial IAR findings and as a contribution to the Regional Investment Framework (RIF) for implementation of the 2012-2022 GMS Strategic Framework (SF). The new SF established two key priorities i.e. the development of the major GMS corridors as “economic corridors”, and the strengthening of land transport linkages, particularly roads and railways. The main recommendation of the study was the establishment of an integrated approach to the development of key trade routes along GMS corridors to enhance maritime trade, improve rural connectivity, support domestic and international agriculture trade flows, and develop urban economic centres. A series of rapid-assessment site visits were conducted to identify potential transport investment projects in the context of this integrated approach. From these, a summary of prioritized transport projects were identified and costed and their potential for Public Private Partnerships (PPP) and the ADB participation assessed.

Through these studies, it was shown that the routing patterns of international trade (traffic) follow a logical pattern based on service offerings – a blend of cost, time and reliability – as well as use of the optimal transport mode. Detailed traffic data from the various GMS borders, including sea ports, in terms of tonnage and numbers of vehicles, rail wagons, containers etc. was not available, but, the studies’ authors state that it is “possible to speculate on the likely trade logistical patterns by using trade statistics to identify the main traffic streams and directions”.

The analysis commissioned by the ADB suggests that intra-GMS trade between the five ASEAN members of the GMS (Cambodia, Lao PDR, Myanmar, Thailand and Vietnam) currently amounts to around 30 million tonnes a year. It is estimated that 22 million tonnes or approximately 70% moves between countries by sea, with inland collection or delivery by road or rail. The maritime dominance is mainly due to the high proportion of bulk cargoes such as fuel, steel, cement, minerals, etc. Approximately 8 million tonnes move though the land borders by road. If trade with PRC is added this could amount to an additional 60 million tonnes in total to and from GMS countries, of which, approximately 2.5 million tonnes travels overland from the two GMS provinces of PRC.

In relation to future changes in trade, the study suggests annual growth rates for trade tonnage in the GMS countries are more likely to reduce below current levels than increase in the short to medium term, especially for exports due to both internal and external market factors. The balance between intra- and external GMS trade in most countries is unlikely to change significantly, meaning the maritime mode will continue to dominate trade movements. Developments in Myanmar will generate more trade, but this is more likely to be trade with non-GMS countries if it follows the trade pattern seen in the other GMS countries.

Despite the dominance of maritime traffic, road is expected to continue to play an important role in bilateral GMS trade, albeit a minor segment of overall trade. However, even a relatively small increase in tonnage can have a major impact on international road traffic due to the small load sizes. This suggests priority road infrastructure investment will be needed on key sections of the GMS corridors, passing through busy borders and close to the major seaport conurbations. These are outlined in the RIF.

The 8 main routes identified (and for which TTF would have the greatest impact) are:

* Trade Route 1: North-South Corridor, via Lao PDR (AH2/AH3), especially close towards the southern end near Bangkok/Laem Chabang;
* Trade Route 2: Southern Corridor between Bangkok and Ho Chi Minh City via AH1, especially on the Thai and Vietnamese sections;
* Trade Route 3: Central Corridor between Bangkok and Vientiane via AH2;
* Trade Route 4: Yangon - Mandalay route (AH1), incorporating the Payagyi - Meiktila section of the Western Corridor;
* Trade Route 5: Bangkok - Payagyi via Mae Sot – Myawaddy using combination of North–South and East–West Corridors (AH1);
* Trade Route 6: Northern Corridor between Kunming and Nanning and between Kunming and Mandalay;
* Trade Route 7: Eastern Corridor between Kunming and Hai Phong via AH14; and
* Trade Route 8: Central Corridor between Phnom Penh and Sihanoukville via AH11.

Note – the studies also distinguish between “economic” and transport” and corridors – the first group representing the core arteries of the GMS network, carrying the highest volumes of GMS trade and major concentrations of demand and/or resources, and as such capable of generating additional concentrations of economic activity, either along the corridor or through its immediate catchment area. All other corridors, the study suggests, should be reclassified as “transport corridors” focused on enhancing connectivity, until there are clear signs of their ability to make the economic transition within a given time period.

The application of further diagnostic work, in the form of more detailed traffic information (i.e. the value and volume of goods and passenger vehicles), average journey times, time-release studies at specific border crossings, and use of other forms of Business Process Analysis and Time Cost Studies (possibly in conjunction with Trade and Transport Facilitation Audits and application of (parts of) the associated World Bank Toolkit) along these corridors would allow more targeted engagement of the project beneficiaries, and impact-oriented use of development partner resources, including those under the 7851 (REG) TA. Further details on this are given elsewhere in the MTR report. Securing the co-operation of national Customs authorities is imperative in this regard.

### Regional

At the regional level, the ASEAN Member States (AMS) signed an Agreement on the Facilitation of Goods in Transit (AFAFGIT) in 1998, followed by a Framework Agreement on the Facilitation of Inter-State Transport (AFAFIST) in 2009, to which the GMS-5 also are party.

These Agreements not operational, due mainly to delays in the agreement of border crossings, transport corridors and customs transit arrangements between the contacting parties.[[3]](#footnote-3)

Transport facilitation in ASEAN is also underpinned by a 2005 Framework Agreement on Multimodal Transport, and the planned (2014) ASEAN Framework Agreement on Cross Border Transport of Passengers (CBTP).

With a dedicated TA project funded under the 2012-2016 ASEAN Regional Integration Support Programme from the EU (ARISE), that includes the development of a computerised ASEAN Customs Transit System (ACTS) – currently open to tender – based on Protocol 7 of the AFAFGIT, a detailed technical appendix and high level functional specifications (centred on the ASEAN Data Model) to which the ASEAN Members have agreed; and with signs that the other “problematic” Protocols – i.e. Protocols 1 and 2 covering the Designation of Transit Transport Routes and Facilities, and Designated Frontier Posts – are being resolved in anticipation of the 2015 deadline for realisation of the ASEAN Economic Community (AEC), it appears, however, that concrete progress on the implementation of these Agreements is starting to be made.

This has implications for the CBTA, and TTF in the GMS more broadly, since: a) countries are unlikely to want to manage two systems – due to the additional costs and confusion involved; b) the ACTS is computerised, making the most of recent progress made in developing e-Customs in the GMS countries (ASYCUDA in Cambodia and Lao PDR, Japanese financed bespoke systems in Myanmar and Vietnam), using the ASEAN Harmonised Tariff Nomenclature (AHTN), the harmonised ASEAN Customs Data Model V.3. for the ASEAN Customs Declaration Document (ACDD), and avoiding some of the weaknesses (broadly recognised) of the current paper-based CTS under the CBTA; and c) discussions are needed on how to deal with neighbouring countries including the GMS provinces of Southern China (Yunnan and Guangxi Zhuang Autonomous Region) which not part of the ASEAN region.

Also relevant to TTF in the GMS is the ASEAN Trade in Goods Agreement (ATIGA), under Article 13 of which work has started on the development of an ASEAN Trade Repository (ATR) and network of National Trade Repositories (NTRs) in the AMS – linked to the measures on notification and transparency under Articles 11 and 12 – with information provided on national trade rules, including: (i) tariff nomenclatures; (ii) MFN tariffs, preferential tariffs offered under the ATIGA and other Agreements between ASEAN and its Dialogue Partners; (iii) rules of origin; (iv) non-tariff measures; (v) national trade and customs laws and rules; (vi) procedures and documentary requirements; (vii) administrative rulings; (viii) best practices in trade facilitation applied by each Member State; and (ix) lists of authorised traders. The bilateral and tripartite agreements, protocols and MoUs between GMS countries in relation to traffic rights, Customs, and trade in specific products should be covered as part of this process, and are, again, covered by the MTR recommendations.

In the services sector, the AEC Blueprint sets an ambitious agenda to achieve services trade liberalisation – implying that by 2015, there should be substantially no restriction on providing services and in establishing companies across national borders within the region, subject to domestic regulations. Logistics services were added to the four original priority sectors of air transport, healthcare, e-ASEAN and tourism, with a target date of 2013. However, commitments made under the ASEAN Framework Agreement on Services (AFAS), for which negotiations are continuing on a 9th Package (with a 10th Package expected before 2015), have lagged behind these goals.

For transport and logistics services, all four modes of supply (as defined under the GATS) are relevant with cross-border trade (Mode 1), consumption abroad (Mode 2), commercial presence (Mode 3) and presence of natural persons (Mode 4) applicable for the free movement of goods, vehicles, drivers and passengers. Visa free travel in ASEAN has greatly facilitated Mode 2, but barriers remain to the other modes of supply, so that the “circumscribed” liberalisation of traffic and transport rights agreed under bilateral agreements, trilaterally, and as part of the AFAFIST (along specific corridors and for limited numbers of vehicles) are still relevant today.

Also of note are the ASEAN Master Plan on Connectivity and the ASEAN Trade Facilitation Work Plan, with joined up approaches and two-way flows of information required to ensure that synergies are exploited (and to avoid the duplication of efforts). The GMS and other, subregional – e.g. IMT-GT and BIMP-EAGA – frameworks also provide opportunities to operationalise and extend current ASEAN commitments (including on an ASEAN minus X basis), as building blocks for the AEC.

### Multilateral

Negotiations on trade facilitation in the World Trade Organisation (WTO) were launched in 2004, with the aim to “clarify and improve relevant aspects of Articles V, VIII and X of the GATT 1994 […] further expediting the movement, release and clearance of goods, including goods in transit”.

The negotiations also sought to enhance technical assistance and support for capacity building and provisions for “effective cooperation between customs or any other appropriate authorities on trade facilitation and customs compliance issues”, with special and differential treatment for developing and least-developed countries, which should not be obliged “to undertake investments in infrastructure projects beyond their means”.

Agreement on a trade facilitation package was reached at the Ninth Ministerial Conference in Bali, Indonesia in December 2013. The draft Agreement is narrower than the full package originally tabled, but includes 13 Articles (mostly focussed on customs clearance), together with a separate section on special and differential treatment.[[4]](#footnote-4) Among the issues addressed in the Agreement are:

* Norms for the publication of laws, regulations and procedures, including Internet publication
* Provision for advance rulings
* Disciplines on fees and charges and on penalties
* Pre-arrival processing of goods
* Use of electronic payment
* Guarantees to allow rapid release of goods
* Use of “authorised operators” schemes
* Procedures to expedite shipments
* Faster release of perishable goods
* Reduced documents and formalities with common customs standards
* Promotion of the use of a single window
* Uniformity in border procedures
* Temporary admission of goods
* Simplified transit procedures
* Provisions for customs co-operation and co-ordination.

The Agreement calls for the establishment of a Preparatory Committee on Trade Facilitation under the General Council, open to all WTO members, to ensure the expeditious entry into force of the Agreement as Annex 1A of the WTO Agreement (by July 2015) and its efficient operation thereafter. The complete text can be seen at: <https://mc9.wto.org/system/files/documents/w8_0.pdf>.

All of the GMS countries are WTO members (Lao PDR having joined the WTO on 2 February 2013) and participated therefore (to varying degrees) in the negotiating process concluded in Bali.

The implications of the Agreement for the GMS countries should be fully identified. A number of development partners, including UN-ESCAP in Bangkok, are looking at this; whilst at the national level, customs modernisation projects managed by the World Bank in Cambodia, Lao PDR and Vietnam also have a role to play.[[5]](#footnote-5)

Of similar note, multilaterally, is the Revised Kyoto Convention (RKC) adopted by the World Customs Organisation in 1999 and which entered into force in February 2006. However, only PRC and Vietnam are Contracting Parties to the RKC; other GMS countries such as Thailand would comply with most of the measures contained, according to the WCO Regional Office for Capacity Building in Bangkok, but have yet to accede.

That said, RKC standards were taken as a reference point in the WTO trade facilitation negotiations (see above) – and many RKC measures, including computerised or Electronic Data Interchange (EDI) Customs systems, Customs risk management systems, advance rulings and pre-arrival processing, have the potential to improve Customs release times. It is believed that all GMS countries could benefit from acceding to, implementing (or being guided by) the RKC.

## Development partner co-ordination, TA projects and activities

A “partial” list of development partner TA projects and activities is given in the table below. They are loosely divided into regional, subregional and national level activities – listed alphabetically by development partner – and may serve as the basis for a matrix to be developed as an output of the development partner co-ordination meeting planned at the end of the current MTR.

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| **Name** | **Details** |
| **Regional TTF projects** | |
| ASEAN–Australia Development Cooperation Program (AADCP II) | Australian Aid funded. 2008-2015. Support focussed on improvements in investment, trade in services and consumer protection in relation to Community Blueprints and Master Plan on ASEAN Connectivity. |
| ASEAN Regional Integration Support from the EU (ARISE) | EU funded. 2012-2016. Support for realisation of AEC. Main focus on customs and standard including ACTS computerised pilot system for regional transit operations. |
| EU-ASEAN COMPASS | EU funded. 2014-2018. Technical Cooperation for the EU-ASEAN Capacity Building Project for Monitoring Integration Progress and Statistics. |
| Capacity Building for the ASEAN Secretariat | GIZ funded. 2008-2013. Support for implementation of ASEAN Charter including ASEC and ASEAN Committee of Permanent Representatives (CPR).Also competition policy and SMEs. |
| Japan Fund for Poverty Reduction (JFPR) | Japan funded. 2000-present. Grant support for achievement of MDGs. Two ASEAN grant projects for customs and outreach planned. |
| ASEAN-Japan Transport Partnership (AJTP) | Japan funded. 2003-present. Support for Facilitating Cargo Transportation and Logistics as part of partnership aimed at strengthening co-operation relations between AMS and Japan |
| ASEAN Connectivity through Trade and Investment (ACTI) | USAID funded. 2013-2018. Support for AEC, including ASEAN Single Window (ASW). ASEAN-U.S. Trade and Investment Framework Arrangement, Enhanced Economic Engagement initiative, and Enhanced Partnership Plan of Action. |
| **Subregional TTF projects** | |
| Lower Mekong Initiative (LMI) | USAID funded. 2009-present. Support to Cambodia, Laos, Myanmar, Thailand and Vietnam to enhance co-operation on environment, health, education, and infrastructure development. |
| **National TTF projects – Cambodia** | |
| Trade Facilitation: Improved Sanitary and Phytosanitary (SPS) Handling in Greater Mekong Subregion Trade | ADB managed. Project - 43120-013: CAM/LAO to strengthen institutions and operational and management on GMS trade in agriculture, food, and forestry (AFF) products for which SPS measures for plant health, animal health, and food safety apply. |
| United Nations Development Programme (UNDP) | UNDP support for Trade Sector Wide Approach (Trade SWAp) and in relation to 2013 update of Diagnostic Trade Integration Study (DTIS). |
| Cambodia Trade Development Support Program | World Bank on behalf of EIF (70% EU) via Multi-Donor Trust Fund and own resources. 2009-2014. Joint focus on export development and competitiveness and trade facilitation and market access. Includes SPS and TBTs, Customs reform modernisation and ASYCUDA implementation. Capacity building for MoC. |
| Enhanced Integrated Framework (EIF) | Multi-donor. Tier 1 project on Strengthening Institutional Mechanisms for Formulating, Implementing, Managing and Monitoring Cambodia’s Trade Integration Strategy since 2010 and Tier 2 project on Export Diversification and Expansion Program I since 2012. |
| **National TTF projects – Lao PDR** | |
| Trade Facilitation: Improved Sanitary and Phytosanitary (SPS) Handling in Greater Mekong Subregion Trade (see KH above) | ADB managed. Project - 43120-013: CAM/LAO to strengthen institutions and operational and management on GMS trade in agriculture, food, and forestry (AFF) products for which SPS measures for plant health, animal health, and food safety apply. |
| Lao PDR Customs and Trade Facilitation Project | World Bank on behalf of EIF (60% EU) via Multi-Donor Trust Fund and own resources. 2008-2016. Single Window. Lao Customs Department training and modernisation. IT and ASYCUDA implementation. |
| Enhanced Integrated Framework (EIF) | Multi-donor. Tier 1 support to National Implementation Arrangements (NIAs) project. Other IF projects related to capacity building and technical support for WTO accession; building up capacity for IF coordination; support to garment industry; and capacity building at Ministry of Industry and Commerce. Pipeline Tier 2 project on building capacity for development of National Quality Infrastructure. |
| **National TTF projects – Myanmar** | |
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| **National TTF projects – PRC** | |
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| **National TTF projects – Thailand** | |
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| **National TTF projects – Vietnam** | |
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Of importance for the TTF-AP and TA-7851 is the need to contribute to a joined-up approach, working with regional level programmes (such as EU ARISE) at the level of planning, policies, and commitments; and national level programmes (such as those under the Enhanced Integrated Framework) for the purposes of implementation – under which (sub)regional objectives are sometimes overlooked.

## Key challenges and deliverables in relation to the TTF-AP

### Recommended foci

Given the number of development partners working at both national and regional levels, there is a large, and growing, body of literature on which to draw when seeking to contextualise TTF initiatives in the GMS, and the challenges faced by the 6 countries concerned. Of particular relevance is this regard are the Diagnostic Trade Integration Studies (DTIS) carried out by the World Bank, which evaluate internal and external constraints on countries’ integration into the world economy, and recommend areas in which technical assistance and policy actions can help the country overcome them. Other useful tools include the Time Release Studies (TRS) for Customs Clearance championed by the World Customs Organization (WCO), and Trade and Transport Facilitation Assessment (TTFA) methodology developed by the World Bank – for which a Practical Toolkit for Country Implementation was published in 2010 – as a simple, cost effective instrument to analyse bottlenecks in international supply chains and prepare corrective measures. UN ESCAP has developed a Business Process Analysis approach to simplifying trade procedures, and conducted a number of relevant Time Cost Studies.

According to the ADB’s own analysis, summarised in a Regional Investment Framework Sector Report on Transport and Related Services, submitted to the 18th GMS Ministerial Conference in Nanning, PRC in December 2012. The main challenges – and recommended foci – for its work in the sector going forward should be to:

1. Tackle residual hard infrastructure requirements

There is a need to further extend some corridors and tackle residual hard infrastructure bottlenecks. The RIF reports identifies 6 locations/areas where there are infrastructure bottlenecks and gaps that potentially adversely affect trade facilitation of which 4 are identified as potential investment projects in the road and trade logistics subsectors based on their potential assistance in enhancing trade facilitation: 1) Upgrading of the Kawkareik – Thaton Road Project (AH1 in Myanmar); 2) Bypass Road and Infrastructure Improvements, Aranyaprathet – Poipet Border Crossing Project; 3) Development of the Myanmar – Thailand Border Infrastructure Project; and 4) Phnom Penh Bypass Project; plus an assessment of the Yangon Port and Road Access. Further upstream advocacy and analytical work is needed to help prepare such investment projects.

1. Address gaps in available data and depth of analysis

Comprehensive data on international trade traffic flows moving along the various GMS corridors and other routes is not available. Freight transport demand is volume or tonnage (not value) related. In very few cases has route specific data been collated and analysed to calculate the trade traffic volumes likely to move along particular corridor links. The tables on pages 59 and 75-76 plus Appendix 1 of the RIF (taken from ADB TA-7557) provide some estimates of GMS Trade 2009 by Value and (estimated) Weight and the estimated annual tonnages and daily truck movements in relation to specific corridors. Further work is needed to improve data collection practices, determine the nature of traffic “demand”, the potential volumes and numbers of transit movements along specific corridors, and address challenges related to the estimated ratios of imports to exports. Such information is also required to provide baseline data for monitoring and evaluation purposes relative to the TTF-AP and Cluster TA.

1. Further improve traffic rights

Progress on transport facilitation has been patchy. For example, the RIF report considers it unlikely that either Thai or Vietnamese transporters will be permitted to enter PRC in the foreseeable future and the use of existing trading terms (based on trans-shipment at the border) suggest there would be limited benefits in doing so. Likewise the report states that it is unlikely that CBTA arrangements will permit through transport between Thailand and Myanmar, and that the need to transfer loads on one side or the other will continue. Work is needed to map the current situation, and fix “SMART” targets, either under the CBTA or on the basis of bilateral, tripartite or plurilateral discussions – according to economic criteria (i.e. potential volumes of trade / traffic). Clarity is needed vis-à-vis traffic rights agreed under the ASEAN Framework Agreement on the Facilitation of Inter State Transport.

1. Work on Customs procedures and other border formalities to cut costs and clearance times

Key requirements in the area of trade facilitation include determining how to dovetail GMS and ASEAN initiatives and securing the implementation of a common (sub)regional Customs Transit System and other AFAFGIT Protocols and CBTA Annexes after the completion of the North-South ACTS pilot. More concerted efforts are needed to reduce “facilitation payments” (graft), encourage Customs’ application of risk management procedures to reduce border examination and inspection levels, expand and improve the practice of joint inspections, and promote the more widespread use of co-ordinated border management (CBM), automated processing systems, RFID etc. whilst combatting smuggling and other types informal trade (up to 30-50% at some borders). As required, inter-agency co-operation and linkages need to be further developed. Solid bases for these are provided by the CBTA and ASEAN Strategic Plans for Customs Development (SPCDs) – but they need to be put into practical effect.

Note – further details on these (and other) issues are contained in the main MTR Mission Notes.

SPS issues should largely be handled under the dedicated TA grants and loans linked to the “Trade Facilitation: Improved Sanitary and Phytosanitary (SPS) Handling in Greater Mekong Subregion Trade Project”, building on the upstream work and analysis outlined in the Action Plan 2010-2015 for Improved Handling of SPS Arrangements in GMS Trade, and in concordance with the AEC Blueprint, and ASEAN-China MOU on SPS (focussing on improved information sharing and risk management practices, the adoption of relevant common international standards, mutual recognition arrangements, and investments in associated capacity building).

1. Develop subregional trade logistics

There is a need to encourage foreign operators, especially joint ventures, to help build up national capacity in the weaker GMS countries. Consolidation within the transport and forwarding sectors is essential to establish entities of sufficient size to undertake third party logistics (3PL) services. Support could be given to Cambodia and Lao PDR, for example, to determine how best to develop fleet operated transport, local distribution, storage and freight forwarding services for both bilateral and transit trade, and to explore the possibility for further liberalisation of traffic rights based on the requirement for JVs. Capacity building initiatives are needed to help operationalise the GMS Freight Transport Association (FRETA), whose position needs to be clarified against that of the ASEAN Freight Forwarders Association (AFFA). Options for introducing road use charges (for heavy goods vehicles) should be studied.[[6]](#footnote-6)

This analysis was borne out by the country missions, and is developed further in the MTR recommendations below.

### Coherence, co-ordination and completeness of the TTF-AP

In broad terms, the TTF-AP remains valid and coherent with the requirements for TTF in the GMS countries in the period to 2015. However, there are areas in which TA (or other) activities have yet to take place and in which progress, as a consequence, has been slow. Nor has the detailed matrix of actions been updated for the period post-2012.

The need for changes to the TTF-AP over for the second half of its implementation period are covered by the M&E Specialist, mobilised to review and update the Design and Monitoring Frameworks, based on the above analysis, as part of the M&E Specialist’s own reporting. Measures already identified include the need to: (i) update the DMF to respond to interventions by other DPs and to TTF developments in general (implying revision of the TTF-AP); (ii) strengthen the cause-effect relationships between levels of the DMFs in the Cluster TA and forthcoming TAs; (iii) develop more effective Performance Indicators and Targets in the Cluster TA and forthcoming TAs; (iv) develop more effective Assumptions and Risks in the Cluster TA and forthcoming TAs; and (v) ensure an appropriate coverage of gender, following the preparation of a gender action plan derived from the current gender review, prior to the conclusion of SP1.

There is a concomitant need to strengthen the roles played by national agencies (particularly Customs) who control much of the detailed data required for M&E activities, which in turn requires significantly strengthened ownership of the TTF-AP by the participating countries (guided perhaps by an external M&E specialist engaged over the life of the TA-7851 project), based on a stakeholder analysis being undertaken by the current M&E Specialist as part of the MTR. Only where GMS member countries are genuinely committed to the TTF-AP, and the development of the required planning, reporting and monitoring activities will it be possible to provide a “complete picture” of what has been done and what hasn’t in terms of the implementation, and impact, of the Action Plan (and broader CBTA) with indicators of achievement that include, *inter alia*, volumes of traffic, scope of traffic rights, frequency of joint inspections, average border clearance / release times, average journey times, evidence of reduced trade costs for specific traders, etc. along each of the focal corridors.

## TA-7851 project background, structure and intervention logic

### Introduction

A “cluster approach” was proposed for the implementing TA-7851 in acknowledgement of the need for sustained support within an overall framework agreed to by the GMS countries, whilst incorporating the flexibility needed to effectively address recognised difficulties of political commitment and country ownership necessary to successful TTF outcomes over time. By building in phased subprojects, the cluster approach also allows activities in subsequent subprojects to be tuned to the outcomes of preceding efforts, and to the evolving context of TTF initiatives as the ASEAN countries work to realise the AEC.

### Rationale

The Cluster TA Report confirmed that three major transport corridors – East-West Economic Corridor (EWEC), North-South Economic Corridor, and Southern Economic Corridor – manifest the increased physical connectivity promoted by the GMS program.[[7]](#footnote-7) Enhanced TTF to enable cheaper and faster transport across borders is central to the development of these “transport corridors” into “economic corridors”. Multimodal transport requirements (roads and railways) reinforce the need for effective transport facilitation at the borders. Despite rapid growth in intra-GMS trade in the past decade and generally low tariff levels in the region, non-tariff barriers to trade remain high. The potential gains from increased trade within GMS economies are large. Specific issues to be addressed by the Cluster TA were identified as follows:

1. Need for Strengthened Efforts to Improve Transport Facilitation

**Cross-border transport agreement** – the CBTA was considered a pioneering, landmark accord, which consolidates in a single legal instrument all the key nonphysical measures for efficient cross-border land transport. However, it was clear that CBTA implementation remains weak and some countries had yet to ratify all Annexes and Protocols.

**Exchange of traffic rights** – at the time of preparing the Cluster TA, traffic rights under the CBTA related only to the designated corridors. This was seen to be constraining and increasing the cost of delivery of the goods to their final inland [or overseas] destination and also restricting traffic volumes. Bilateral exchange of traffic rights had been adopted by some countries, whilst waiting for CBTA ratification, but implementation remained low. A need was identified to further extend the bilateral and tripartite exchange of traffic rights and their implementation to generate the appropriate network externality for GMS corridors through multilateral traffic rights.

**Customs transit system** – the GMS customs transit and temporary admission system (CTS) described under Annex 6 of the CBTA was unutilised by the private sector, and viewed as an impediment to its implementation. Problems were recognised with regard to the CTS design, including problems in generating a viable guarantee structure, as well as with CTS implementation. It was noted that the consistency of the paper-based CTS with the IT-based ASEAN Customs Transit System needed to be addressed.

1. Need for Enhanced Trade Facilitation

**Co-ordinated border management** – modernisation of border procedures remained a challenge on most GMS borders. There was limited interagency co-ordination, resulting in duplication, with different agencies collecting and checking the same information without exchanging data. While TTF initiatives in the GMS had centred on the CBTA, including Annex 4 on the Facilitation of Frontier Crossing Formalities, new international concepts of co-ordinated border management (CBM) had appeared. CBM can focus on the roles of domestic agencies or on co-operation between countries and is not limited to the border, recognising that operations away from the border have a direct impact on activities conducted at the border, and on the transit and other costs of doing business. It was recognised that there was a need to focus on practical, achievable aspects of CBM (and in doing so, tacitly help realise the objectives of CBTA Annex 4).

**Alignment with international and ASEAN agreements** – management of cross-border trade needs to comply with international agreements, such as the RKC, as well as commitments by five GMS countries in ASEAN, including under the ATIGA, ASW and National Single Windows, SPCDs, and related transport agreements.

**Strengthened institutional mechanisms** – it was acknowledged that enhancing TTF will require strong national and sub-regional institutional mechanisms. Cambodia and the Lao PDR in particular had proposed restructuring their national institutional mechanisms that support TTF, and these new structures needed to be made operational as quickly as possible.

**Lessons** – it was noted that experience with TTF in the GMS over a 15 year period had underlined the complexity of the issues and difficulty in achieving substantial results. It was further noted that success was affected by factors other than technical or institutional capacity, including vested interests and political commitment. Demand for trade facilitation services, through rising trade volumes and service standards, also needed to accompany measures to improve provision of TTF services. It was confirmed that successful TTF reforms require patience and country ownership, combined with pragmatic, realistic targets, and awareness that the path to success may be neither linear nor continuous. In addition, greater involvement (and leadership) by the private sector in TTF initiatives was critical to successful outcomes, and should be vigorously pursued.

Further analyses were undertaken under SP1 of TA-7851 as outlined in the MTR Mission Notes and have contributed to the international research base, and, through their integration in documents such as the Strategic Blueprint for Transport and Trade Facilitation in the GMS (2013-2015) and GMS Regional Investment Framework (through the Sector Report for Transport and Related Services) have influenced – and may continue to influence – decision making at national and development partner levels (to some degree). They also have informed the current MTR, and, as a function of the cluster approach, the orientation of subsequent TA activities under the SP2 and SP3 – another example being the Trade and Trade Facilitation in the Greater Mekong Subregion publication, which, amongst other things, looks at impediments to implementation of the CBTA CTS.

### Expected impact

The expected impact of the Cluster TA is the same as for the TTF-AP i.e. that the GMS is more integrated as a production base and market.

### Expected outcomes

The expected outcomes of the Cluster TA are, again, the same as for the TTF-AP i.e. co-ordinated border management, transit procedures and implementation of traffic rights are improved in the GMS corridors.

### Components or outputs

The expected outputs are grouped according to the same three sub-Components or work streams (and 10 activity areas within them) outlined identified by the TTF-AP. That is:

* **Transport facilitation** i) Exchange of traffic rights\*; ii) Customs transit system and border procedures; iii) GMS freight transporters association\*; iv) Road transport industry in Cambodia and Lao PDR; [[8]](#footnote-8)
* **Trade facilitation** v) Coordinated border management; vi) Enhanced sanitary and phytosanitary regime; vii) National and subregional institutions for trade facilitation; viii) Regional trade logistics strategy; and
* **“Others”** ix) Training workshops and meetings; and x) Legal and regulatory development.

### Resources and inputs

The total estimated cost of the TA is USD 5.7 million equivalent. Costs include International Consultants (USD 2.51m), National Consultants (USD 1.3m), and Training, Seminars and Conferences (USD 0.64m).

### Implementation arrangements

The ADB was assigned as the executing agency for the TA, to be administered by the Southeast Asia Regional Cooperation and Operations Coordination (SERC) Division under the Southeast Asia Department (SERD). An advisory committee was planned to be set up in each country in consultation with relevant national agencies, and drawing on existing national TTF institutions including the [often weak, and transport as opposed to trade focussed] NTFCs, as appropriate.

### Cross-cutting issues

In terms of cross-cutting issues, the SP1 has allowed some useful data collection and analytical work to be completed in relation to gender and economic development (and poverty reduction) in particular.

Gender

The 2012 Australian Aid Quality at Implementation (QAI) peer review process indicated that there was a risk of the project exacerbating gender gaps, with a need to analyse the potential gender impacts of the activity. Recruitment of a Gender Specialist was planned under the SP1, but only mobilised in late 2013 concurrently with the MTR. The main findings of her study have been incorporated into the findings and recommendations of the MTR, and will be included, as relevant, in the SP2 work plan with a view to increasing the Cluster TA beneficiaries’ awareness and capacity to improve gender equality. They will also be included in discussions at the planned development partners meeting in Manila.

There are three central issues of relevance to the Cluster TA, TTF-AP and TTF more broadly:

1. The need to control the negative externalities and spillover effects of international trade (in goods and services i.e. tourism) in terms of combatting people trafficking (including private and “state sanctioned” prostitution in border areas and SEZs) and infectious diseases (including but not limited to HIV) which are extensive at some borders;
2. The need to ensure that women (and other potentially vulnerable parties) are treated appropriately at the border, given the number of cases in which business operators are subject to improper, or extra-official, controls or rent seeking behaviour; and
3. The need to that the economic benefits of trade are shared with local communities along the main economic and transport corridors, including the maintenance of special arrangements (as in Vietnam) for local traders (though a system of local, national and international border crossings), compensation for any displaced communities, and the development of trade (markets, industrial zones), as well as transport (road, warehousing, cold storage) infrastructure.

Most of these issues are not TA-7851 specific, and may be best addressed by the relevant government departments (Ministries of Women’s Affairs) and mainstreamed into their work plans and those of other projects, NGOs, and development partners already working in the field.

Economic development and poverty reduction

On a number of occasions during the MTR missions, the beneficiaries signalled the need for inclusive corridor-focussed development in relation to TTF in the GMS (and ASEAN more broadly).

The Initiative for ASEAN Integration (IAI) was established to encourage the more developed ASEAN Member States to support the less developed or able. This has not occurred, however, on anything like the required scale, partly also since most of the more developed counties are still, themselves, at the middle or lower-middle income level. Development partners continue to have an important role to play, therefore, in promoting equitable development, both in and between the GMS countries.

The importance of income distribution as a determinant of economic take-off and development has been widely documented, including in research conducted by the ADB – with increased relative inequality (i.e. GINI coefficients over 30 all GMS countries and over 40 in PRC) and even sharper increases in absolute inequality, although levels of absolute poverty have been reduced.[[9]](#footnote-9)

Some of these issues are taken up in the RIF Transport and Related Services publication of the ADB, and other ADB documents, such as the Regional Corridors Development in Regional Cooperation (ADB Economics Working Paper No. 258), in tandem with research conducted under SP1, with a distinction made between “national” and “regional” corridors and “narrow” versus “broad” corridors.

As part of the RIF, a distinction is made between “transport corridors” and “economic corridors” as discussed in the previous Sections of this report. With much of the primary trunk-road infrastructure already built, there is a need for an integrated approach, to spread the benefits of TTF, by developing secondary trade and transport infrastructure along key GMS corridors, improve rural connectivity, support domestic and international agriculture trade flows, and to develop urban economic centres – a strategy that is clearly beyond the scope of TA-7851, but should be reflected in the TTF-AP, and may justify the funding under TA-7851 of the Scoping Study on Developing Border Economic Areas and Cross-border Linkages Between Thailand and its Neighbours, discussed in the corresponding MTR Mission Note, which underlines the role of SEZs (in the context of cross-border trade and economic integration) as catalysts for economic reform, as well as some of the income generating opportunities and livelihood options that may contribute to alleviating poverty.

The focus of the TTF-AP and TA-7851 is on trade, transport, and economic development at the subregional level, and not poverty reduction per se, which is better addressed by national level via projects, programmes and national development plans covering core issues such as land reform, public spending (on health, education, physical infrastructure etc.) and redistribution.

Environment

Environmental impacts are considered as part of the upstream impact assessments for ADB sponsored investments in physical infrastructure, with environmental (and gender) specialists mobilised as part of the preparatory TAs, and included as part of the RIF Transport and Related Services Framework Sector Report produced using resources from the Cluster TA.

## Overall assessment, lessons and recommendations

The texts below summarise the main findings of the MTR as a result of the 6 country missions undertaken, and meetings held with key government and private sector stakeholders.

### Assessment of the overall situation

1. Improvements in physical infrastructure within the Greater Mekong Subregion, in the form of ports, roads, and bridges (including at some border crossings) whilst not perfect, provide a foundation for vastly improved inter-state connectivity – development of which should continue, including through investment projects to be financed under the Regional Investment Framework (RIF) for implementation of the 2012-2022 GMS Strategic Framework. Reinforced by investments in productive and trading infrastructure (industrial parks, SEZs, markets, logistics hubs, warehousing, cold chain facilities), the factor endowments of some “trade” corridors should see them naturally develop into “economic” corridors, increasing demand for connectivity yet further.
2. However, extra- and intra-regional maritime trade still dominate the GMS, and the GMS countries remain far from a single market and production base, be it in their own right, as a sub-grouping of ASEAN (the 2015 target date for the realisation of the AEC notwithstanding), and in terms of the ASEAN-China FTA and Regional Comprehensive Economic Partnership.
3. The primary limitations to more efficient land-based trade and transport within the GMS are regulatory – linked to complex issues of internal and external political economy. Liberalisation and facilitation have advanced, but with considerable delays in the implementation of (sub)regional agreements, characterised by an unwillingness (or inability) to change national laws to meet international commitments – the inconsistencies or incompatibilities often used by government officials to seek economic rents, creating further resistance to change.
4. On the transport side:
5. There are strict limits (bans and quotas) on the means of cross-border transport between most GMS countries;
6. The routes on which foreign vehicles can operate (transport corridors) are restricted and may not extent to neighbouring sea ports (limiting their utility);
7. There are different vehicle standards, issues with the recognition of driving licences, the issuance of (some) visas, and obtaining cross-border vehicle insurance at affordable rates;
8. The ASEAN Inter State Transport Agreement and Framework Agreement for the Facilitation of Goods in Transit share some of these limitations, with key provisions (numbers of vehicles, corridors, border crossings) not yet agreed and still to be implemented;
9. Business operators either accept these limitations, transhipping goods at the border, or work within a “noodle bowl” of bilateral and (more recently) tripartite transport agreements – often not publicised, and with arrangements for licencing that are somewhat opaque.
10. On the trade (including customs clearance and transit) side:
11. Tariff reductions have not been accompanied by commensurate reductions in NTMs and TBTs. Food products (agricultural is an important sector subregionally) are particularly affected;
12. The most important agency for cross-border trade is Customs. Although progress has been made, not all GMS countries have implemented their National Single Windows (sometimes interpreted in the GMS as the physical co-location of border clearance i.e. Customs, Immigration, Quarantine, and Security or CIQS agencies) as building blocks towards an ASEAN Single Window Agreement (ASW), the functional specifications of which may vary;
13. At least one country (Thailand) has yet to ratify key Annexes to the CBTA Agreement, and others (e.g. PRC) are unable or lack the political will (?) required to make the changes to their national customs laws needed to allow the CBTA arrangements for customs transit, co-ordinated border management and single stop inspections to function effectively.
14. The net effect is to add time and costs to (sub)regional transport services, make supply chains less efficient, fragment markets, and limit the countries’ international trade competitiveness.
15. Despite these limitations, some progress has been made. Traffic rights have been slowly expanding (particularly in Lao PDR, and Vietnam, and to a lesser degree Cambodia). Several countries are pursuing Customs reform and modernisation programmes, and automated clearance systems make it possible to introduce cross-border EDI. A pilot version of the computerised ASEAN Customs Transit System (ACTS) is being developed between Singapore, Malaysia and Thailand, with other ASEAN Member States (CLV) interested in joining at an early stage. A concerted effort is required among all stakeholders to build on such progress, by taking trade and transport liberalisation, facilitation and the development of the required (sub)regional soft infrastructure further.

### Lessons learned

**General lessons**

1. Implementation of the CBTA remains an appropriate overall goal, but should be more closely aligned with the relevant ASEAN Agreements, and the development of an integrated (sub)regional transport market, based on clear, common rules, supported by improved customs clearance procedures based on international best practice (e.g. WTO TFA, WCO RKC, etc.).
2. The development community can play a role in promoting such alignment; although development partners have not always co-ordinated their activities as effectively as they might, allowing the ASEAN and the GMS to operate in isolation – particularly where transit is concerned. Greater efforts are needed to exchange information, fix integrated targets, and work towards common outcomes – based on multilateral (WTO, WCO…) best practice (mainstreamed as part of the countries’ own national development plans and at the subregional and regional level), with the GMS countries encouraged also to do so.
3. The current political and institutional reality is that (whether through incapacity, neglect or resistance) the GMS member country governments and key stakeholder agencies (particularly Customs) are unlikely to move forward together in all areas – at least for the lifetime of TA-7851 and the TTF-AP – with greater progress possible among some member countries on a national, bilateral, or tripartite basis. This should be encouraged but in a manner supportive of broader (sub)regional goals.
4. Technical assistance outputs will be most impactful if they focus on what is possible, improving current practice in specific countries, corridors and border crossings, and on advocacy in relation to these and other key issues: promoting coherence, consistency and co-ordination up and down the “regional pyramid” so that bilateral, tripartite and/or (sub)regional commitments are mutually reinforcing (i.e. where the sum of their parts add up to more than the whole), making trade rules, processes and procedures more transparent, predictable, and non-discriminatory, easier to implement by the countries, and easier to follow by the business operators themselves.
5. As an example of a more flexible approach, the 2012 UN-ESCAP publication on Efficient Cross-Border Transport Models, identifies the following constraints to cross-border transport:

|  |  |
| --- | --- |
| **Non-physical barrier** | **Explanation note** |
| a. No permission for cross-border transport by road. | There are no inter-governmental agreements to allow vehicles to cross border for commercial transport in some countries. |
| b. Difficulties with road transport permits and traffic rights. | (a) Transport permits may be issued for a single trip and prolong time for transport.  (b) Transport permits may be issued for a specific route by a specific vehicle only, which constrains service scope and prevents door-to-door or freight centre-to-freight centre transport in many cases.  (c) Quota limit cannot allow all vehicles to provide cross-border transport services. |
| c. Difficulties with visas for drivers and crew of vehicles. | Visa issuance is largely subject to bilateral agreements and there are no special provisions for professional drivers. Visa may need to be applied for in embassies and consulates in major cities and are subject to delays. Visas may only be granted for single entry. |
| d. Difficulties with temporary importation of vehicles. | For the vehicle of one country to enter another country, it is mostly necessary to pay a deposit or fee, or to find a local agent. |
| e. Difficulties with insurance of vehicles. | Due to absence of regional, subregional or bilateral insurance scheme, vehicles usually need double insurance in two countries. It is sometimes compulsory to purchase insurance at the border. |
| f. Different standards on vehicle weights and dimensions. | There are few unified standards on permissible weights and dimensions across border. |
| g. Lack of commonly recognized driving license, vehicle registration and inspection certificates. | Use of national languages and characters in driving license, registration plates and inspection certificates is common, causing delays in clearance at border. |
| h. Different side of steering wheels. | Some countries permit the use of only one-side steering wheel vehicles. |
| i. Empty return trip. | Many foreign trucks return empty due to lack of local network of customers and market protection. |

The paper evaluates freight transport arrangements according to four main models: Trailer swap, Container swap, Manual transloading, and No transloading. The numbers of issues (legal, technical, administrative, organisational, etc.) are listed for each model, together with their relative difficulty for business operator compliance. The results demonstrate clearly why manual transloading remains prevalent, and why cross-border transport without transloading (or changing the truck or trailer) has proven so challenging to implement:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Trailer swap** | **Container swap** | **Manual transloading** | **No transloading** |
| Total number of issues | 8 | 7.5 | 2.5 | 19 |
| Total difficulty points (min) | 14 | 16 | 6 | 46 |
| Total cost points (min) | 20 | 18.5 | 7 | 54 |

The publication goes on to compare these freight transport arrangements in terms of their overall difficulty, cost, efficiency and reliability:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Trailer swap** | **Container swap** | **Manual transloading** | **No transloading** |
| Difficulty | 2 | 2.25 | 1.25 | 4.5 |
| Cost | 2.5 | 2.5 | 1.5 | 5 |
| Efficiency | 1 | 3 | 5 | 1 |
| Reliability | 1 | 2 | 3 | 1 |
| **Total** | **6.5** | **9.75** | **10.75** | **11.5** |

Taking the last two considerations into account the trailer swap model comes out on top – meaning that whilst no transloading remains the “gold standard”, facilitation of arrangements for the trailer swap model may bring easier, cheaper gains over the shorter-term.

1. Sound methodologies exist for the identification of TTF bottlenecks. These include the Trade and Transport Facilitation Assessment (TTFA) methodology developed by the World Bank – for which a Practical Toolkit for Country Implementation was published in 2010 – as a simple, cost effective instrument for the analysis of international supply chains and preparation of corrective measures. Meanwhile, UN ESCAP has developed a Business Process Analysis approach to simplifying trade procedures, applied in conjunction with Time Cost Studies, which can be used along specific corridors, and the WCO Time Release Studies (TRS) have been carried out in most GMS countries to measure total clearance times, the results of which can be used to provide benchmark data for the purposes of M&E at individual land border crossings.

**Lessons learned in relation to the Trade and Transport Facilitation Action Plan (TTF-AP)**

In terms of the TTF-AP, a combination of field missions and desk analysis allowed the MTR to obtain a good overview of current progress, and the challenges faced in implementation with excellent support the ADB Resident Country Missions, relevant GMS country authorities and other development partners working in the TTF field.

1. With occasional exceptions, the countries’ commitment to “CBTA” objectives (and willingness to engage in further TTF activities) is “potentially” high, although a number of CBTA Annexes and Protocols are dormant or have yet to be operationalised (with ratification of the key transit Annexes, amongst others, still pending in Thailand and Myanmar), and most of the functioning arrangements (Customs co-operation, traffic rights, etc.) agreed bilaterally, with further tripartite agreements under negotiation.
2. In some of the meetings with the Ministries of Transport, Trade, Customs and the other agencies, officials were unaware of the TTF-AP (!) and the mission encountered varying degrees of preparedness in terms of TTF related information available for scrutiny.
3. Ownership of the TTF-AP by the GMS countries is impeded by a number of factors, including the absence of a corresponding institutional framework. The TTF-AP mentions the need for strengthened institutional mechanisms, yet makes no provision for its own implementation.[[10]](#footnote-10) As a consequence, it has not been reviewed or updated since its endorsement by the Ministers in 2010.
4. This has led to a shortfall in the anticipated situational mapping (correctly identified under the TTF-AP as part of an initial round of 27 “activities” included in the 2011-2012 TTF-AP (as TTF-AP Annex 1). Among these, several of the most important – including completion of a “comprehensive review” of traffic rights, and “country level mapping of customs automation and modernisation” etc., both of which were to have been completed by 2012 – are currently ongoing.
5. As the sub-regional economy grows, traffic along many of the main corridors is increasing, facilitated by infrastructural improvements, and, to an unknown extent, by these bilateral agreements. Traffic should continue to grow past 2015, as trade liberalisation, facilitation and promotion efforts are redoubled in the context of the ASEAN Economic Community (AEC).
6. In some cases “GMS” integration has moved faster, in others it risks being overtaken. The TTF-AP (and TA-7851) represent an opportunity to help unravel the current “noodle bowl” of bilateral, tripartite, sub-regional and regional agreements, ensuring they are complementary and do not create multiple, overlapping or contradictory regimes.
7. The ADB is uniquely positioned to facilitate such a process, so that TTF arrangements among and between the GMS countries, at varying levels of ambition, are aligned with key regional (AEC), extra-regional (RCEP) or multilateral (WTO Trade Facilitation) initiatives, build on best practices and take account of the needs of business and other key stakeholders who are informed, in turn, of their own rights and obligations.
8. Other development partners (such as the World Bank) are best positioned to catalyse national level activities and reforms, whilst the EU, Japan, US and others have a key role to play in supporting regional economic integration at the ASEAN level, with ADB, UNESCAP, the WCO and World Bank each providing methodological inputs, knowledge products and training.
9. Close co-ordination of the various development partner and national/bilateral/subregional/ regional/multilateral work streams is essential in order to speed the implementation process, exploit synergies, and avoid duplications and inconsistencies.[[11]](#footnote-11)
10. The ECF, GMS Senior Officials’ and planned development partner (GMS-DP) meetings in Hanoi and Manila can each add value in this regard.
11. Progress in extending transport routes (“transit” corridors) and traffic rights has been achieved. However, there have been problems in implementing the Single Stop Inspection (SSI) pilot project at the Lao Bao-Dansavan border (due mainly to the inadequate facilities on the Lao side of the chosen pilot crossing), which, notwithstanding a MoU for the subsequent stages signed in January 2007, has yet to progress beyond stage 1. Work on SSI has yet to begin elsewhere, and in some cases cannot do so, due the provisions contained in national Customs laws.
12. Transit operations have yet to take place using Annex 6 of the CBTA, due to its outdated design (number of documents, scope and expense of the guarantee system, lack of computerised control and management, etc.). These were known before the TTF-AP began, and are described in detail Chapter 4 – Trade Transit System in the GMS: Can It Work as Proposed? – of the ADB’s 2012 Trade and Trade Facilitation in the Greater Mekong Subregion publication (developed using resources under TA-7851). As such, important questions to be answered include: a) whether to amend the relevant CBTA documents, b) whether countries that have yet to ratify these Annexes should be required to do so, if they are to be changed, and c) how to dovetail the progress that has been made under the CBTA with that expected under the corresponding ASEAN systems.
13. Efforts are required to bring key agencies (i.e. transport and Customs) fully on board the CBTA process and (sub-) regional integration more generally. Practical implementation (on the NSWs, SSI, CBM, Strategic Plans for Customs Development (SPCDs), including transit) has suffered significant delays, relative to commitments made.
14. FRETA may not be sustainable, unless its role(s), functions and relationship with the ASEAN Freight Forwarders’ Association (AFFA) are clear; in some GMS countries, the cost of (even modest) subscriptions means companies are reluctant to contribute to more than one organisation.
15. The Design and Monitoring Frameworks (DMFs) of the TTF-AP, Cluster TA and SP1 were reviewed by the M&E Specialist and will be addressed as part of his M&E activities. The MTR Team worked with the main Transport and Trade Facilitation Analyst expert mobilised under the TA to confirm the intervention logic, developing a matrix to link the TA activities to the designed outputs and outcomes of the TTF-AP and TA-7851 (see annex) as a starting point for further work and discussion.
16. What is also needed (and being undertaken in parallel to the MTR) is a detailed assessment of the way in which the TTF M&E system can be implemented and especially the roles which can be played by national agencies. This implies significantly strengthened “ownership of the Program by the participating countries”, and to facilitate this a Stakeholder Analysis is required of the M&E system i.e. what agencies have an interest in monitoring and evaluating TTF initiatives and what are their interests, capacities, data availability, etc. An assessment of the way in which M&E results will be used by national agencies – and what uses could be made of TTF monitoring (i.e. feeding national and sector policy formulation and resource allocation) is equally required.

**Lessons related to Sub-project 1 (SP1)**

1. The scope of TA-7851 and SP1 were seen to be relevant, and whilst key GMS country agencies should be prompted to take responsibility for M&E activities (see above), the ADB has an important role to play, via the TA, in marshalling information, monitoring progress (outputs) and measuring impacts (outcomes).
2. TA resources were deployed for the development of the 2012 RIF Sector Report on Transport and Related Services (building on data taken from the Initial Assessments of Road Transport Infrastructure and Transport and Logistic Services for Trade Facilitation in the GMS Countries output of the TA) which in turn reproduces the International Traffic Data Used in Modeling GMS Trade from ADB TA 7557: Promoting Regional Infrastructure Development Project) providing data on volumes of traffic, freight, clearance times, etc. in its Appendix 1. The documentation of current traffic rights, however, is not included and is one of a number of activities required to provide improved baseline data for the TTF-AP and TA-7851.
3. Overall, there may be a need to focus on a more limited number of “higher impact” outputs with measurable outcomes (in terms of traffic rights, border management, and Customs transit), concentrating on achievable targets (based on the underlying political economy of the subregion), as well as on the promotion of more joined up approaches to TTF between the GMS and ASEAN and the different development partners concerned;
4. This includes redoubling efforts to implement the CBTA and ASEAN Transport agreements, identifying alternative arrangements, as necessary, to accommodate legal limits to CBM and SSI, based on a comprehensive survey of current difficulties to be completed under the SP1. Where effective harmonisation and regularisation of current practices and processes cannot be achieved subregionally, they should start with meetings between pairs or sub-groups of countries (e.g. VN, LA, TH) to agree the specific actions required to unblock the current bottlenecks between them.
5. At none of the meetings were objections raised to aligning the relevant Annexes of the CBTA with the ASEAN Customs Transit System, with the proposed review of the CBTA in the light of the ASEAN transport agreements and means for exploiting their respective strengths as part of a joined-up approach to bilateral, tripartite, subregional, regional and multilateral commitments universally welcomed;
6. The MTR missions also provide an opportunity to seek GMS country inputs to, and validation of the proposed scope of, the SP2 – focussing on a) Transit, b) Trade regulation, CBM and customs procedures, c) Transport facilitation and traffic rights, d) Support for transport and logistics, and e) Institutional strengthening – and to be implemented with the SP3 as a single undertaking;
7. Last but not least, discussions with the GMS member countries provided substantive recommendations for strengthening the current institutional frameworks, including through (re-) establishment of a Trade and Investment Working Group and Senior Officials’ Meeting for Customs Co-ordination (possibly reporting to the ECF) as a means of bringing key agencies fully on board the CBTA process and (sub-) regional integration.

### Key recommendations

1. Given the breadth and complexity of the thematic (TTF) and geographical areas (with varying bilateral, tripartite, subregional regional and extra-regional dynamics) covered by the TTF-AP and TA-7851, work should be undertaken to complete the situational mapping, benchmarking, and analysis referred to in the previous sub-Sections (and in paragraph 5 below); and the SP2 (which should include this work) and SP3 narrowed in scope to focus on areas in which results can be achieved within the TA resources (approximately 4 million USD) time frame (approximately 30 months) that remain. It also recommended that the SP2 and SP3 be combined.
2. The current “cluster approach” allows for flexibility in implementation, and should be retained, but the TTF-AP and TA-7851 cluster document revised and updated – guided by reformulated DMFs that clearly articulate a “theory of change”, and include appropriate indicators and performance targets with regular milestones, underpinned by baseline data – to which the GMS countries also commit; linked, where possible, to their own national, and institutional level strategy documents and work plans.
3. In terms of resources under the SP1, information provided to the MTR shows an available budget (of uncommitted funds) amounting to approximately 180,000 USD. It is suggested that some of these resources be utilised to undertake the following:

* A review (mapping) of existing bilateral/tripartite transport agreements (traffic rights) between GMS countries to be combined in a single matrix and/or using a Corridor based structure, with traffic data (past, present and projected) for each Corridor at individual border crossings; an estimate of growth of use of land border traffic over the next 5, 10 years would equally be useful in identifying the need and priority locations for TTF reforms and enhanced physical facilities[[12]](#footnote-12);
* A brief study of the potential for levying simple, time-based, road use taxes along the lines of the Eurovignette system or HGV tolls used to help pay for road infrastructure in some EU countries) for heavy goods vehicles over a certain weight threshold, with scaled pricing according to the period covered, number of axles etc.;
* A review of the CBTA to determine which of its Articles, Annexes and Protocols remain valid – as the foundation for past, present and future (sub-)regional integration – and which should be updated or annulled given the current status of ASEAN initiatives linked to realisation of the AEC and other measures agreed bi- / tri-laterally, and organise a consultation meeting/validation workshop with the GMS countries based on the outcomes of the review;[[13]](#footnote-13)
* The organisation of a development partners’ meeting in Manila to report on the outcomes of the MTR and TA-7851 project activities, facilitate co-ordination and the required inputs for the fullest implementation of the TTF-AP; and
* Other activities to be discussed with the SERC Division of the ADB.

1. Under the SP2 (and SP3), it is recommended that priority activities include:

**General (policy/strategy/planning/flexibility)**

* Establishing a central repository for CBTA, TTF-AP, TA-7851 and other relevant information and documentation, making key documents of relevance to the trade i.e. legal texts, regulations and agreements (domestic, bilateral, tripartite, subregional, regional) studies, etc. on traffic rights, border co-operation, customs, immigration, quarantine and security, available online under the appropriate web-portals; and
* Allocating funds for the implementation of key TTF initiatives at the national level or between pairs of GMS countries, with the potential to impact current levels of subregional trade. Examples include: a) the requests from Vietnam’s MOIT to strengthen bilateral / multilateral cross border trade agreements with neighbouring countries (Project 5 in their list of draft projects), and to support the development of working level guidelines to clarify the administrative procedures to be followed and ensure the common application of Prime Ministerial Decision 45 of 2013, promulgating the Government Regulation on management of activities at mainland border gates; b) support for GMS countries to identify TTF infrastructural bottlenecks and identify future loan projects etc.; and c) helping the CLMV SEOM to develop co-operation, with assistance in identifying key strategies and activities.

**Transport facilitation**

* Supporting the conclusion and implementation of tripartite traffic rights agreements between Thailand, Lao PDR and Vietnam, and Thailand, Lao PDR and China, amongst others best on identified best practices, and with a view to dovetailing the agreements with the AFAFIST and AFAFGIT (in ASEAN);
* Continuing to offer TA and “honest brokerage” services for the monitoring and extension of existing corridors and traffic rights agreed bilaterally (possible candidates being Highways 8 and 12 in Vietnam for which an addendum has been prepared, and links to ports such as Bangkok and Hai Phong, as well as the extension of traffic rights between Cambodia and Thailand amongst others);
* Developing operations manuals and knowledge products, as required, to facilitate capacity building, information sharing and awareness raising.

**Trade facilitation, CBM and customs procedures**

* Following the comprehensive review of transport agreements under SP1, commissioning Business Process Analysis and Time Cost Studies – possibly in conjunction with TTFA type analysis and application of the associated WB Toolkit – along (sections of) at least three Corridors (East-West, Southern, and North-South) to identify key bottlenecks, involving all agencies and the use (where available) of existing TRS data, together with results-oriented action plans and KPIs for (at least three) specific border crossings, based on SSI, to which national agencies agree;
* Supporting implementation of these action plans, making copies of key documents such as inter-agency MoUs and other relevant tools available to other GMS countries and border agencies;
* Agreeing and implementing a second and third pilot for SSI (completion of at least stage 1 i.e. for SSI by GMS customs) to foster implementation of Annex 4 of the CBTA (at least between CLV) with the aim of achieving a 30% decrease in clearance times at a minimum of 2-3 border crossings;
* Comparing the GMS countries’ current Customs data sets and declaration documents with the harmonised ASEAN Data Model V.3., paper format ACDD, and transit sub-Models, and identifying actions required to ensure their full application and interoperability, including the use of “additional” data elements and fields;
* Aligning the CBTA CTS with the ACTS (i.e. amendment of Annex 6 and other annexes as required) based on upstream analysis conducted under the SP1, together with support for ratification of the relevant annexes;
* Conducting and needs assessments and supporting the preparedness of CLMV to implement the ACTS (computerised transit system) by 2016 – for example through the development of inter-operability specifications for the connection of the ACTS application to national declaration processing systems for import, export, transit and risk management, and the development of technical training courseware and operational manuals in national languages etc.; and
* Working with the GMS countries to map the current state of play in terms of risk management, risk profiling and the development of simplified procedures for “preferred traders” in the GMS Subregion, analysing the available data and developing a step-by-step action plan for the establishment of a GMS Authorised Economic Operators (AEO) scheme, taking into consideration the WCO SAFE and APEC Frameworks, ASYCUDA selectivity module, relevant ASEAN initiatives (e.g. ATT for transit), and the resolution of impediments for the exchange of information including lists of preferred traders and the criteria for their selection.

**Support for transport and logistics**

* Identifying (and preparing) an enhanced road usage charge scheme in Lao PDR; and
* Supporting the development of national transport and logistics strategies, including support to the work of LIFFA and a national transport and logistics development strategy in Lao PDR based on enhanced public-private partnership.

**Institutional strengthening**

* Organising a high-level workshop with the GMS countries to discuss the strategic orientation relevance, ownership and implementing arrangements of the CBTA and TTF-AP (and TA-7851) based on a multi-partite review of the current status in terms of accomplishments and challenges, with recommendations for action by: i) streamlining the current list of activities; and/or ii) establishing the political momentum, implementation mechanisms and resources needed (nationally, subregionally and within the development community) for its realisation (in updated form) – including but not limited to (re-)establishment of a Trade and Investment Working Group and Senior Officials’ Meeting for Customs Co-ordination;
* Organising at least 3 meetings annually of a multi-partite, multi-agency forum at DG level (or above) to address implementation issues and serve as a steering committee for TA-7851 and to ensure effective ownership and management of the TTF-AP;
* Convening sub-workshops or round tables (e.g. in the context of the ECF) to discuss specific issues as required to secure a common vision and understanding of the ways forward on the designation of transport corridors, frontier formalities (including use of SSI and alternative mechanisms – including split arrangements, performance in foreign territory, MRAs, etc. – agreed under Article 5 of Annex 4 to reduce costs for business operators and border clearance times), and customs transit (including use of e-Customs, improvements to the current guarantee system, provision for resealing of cargo/containers to allow for LCL operations etc.); and
* Support for trade regulatory reform i.e. advocacy and legal advice as required to advance the TTF process.

**Sanitary and Phytosanitary (SPS)**

* Finally, it is recommended that SPS issues be handled under the dedicated TA grants and loans linked to the “Trade Facilitation: Improved Sanitary and Phytosanitary (SPS) Handling in Greater Mekong Subregion Trade Project” – in close co-operation with TA-7851 for purposes of consistency, complementarity and co-ordination and with explicit links to the TTF-AP.

1. Elsewhere in the Aide Memoire mention is made of the fact that the CBTA has yet to be fully implemented (indeed ratified) by the contracting parties. Note is made, too, of weaknesses in the customs transit system (CTS) design. This is not to say it is without its strengths, including provision for the simplification of (some) customs formalities, exemption from physical en route inspections, and single-window inspection. [↑](#footnote-ref-1)
2. This last point is particularly important in view of the delays experienced in implementing the current TTF-AP and CBTA more generally, as described elsewhere in the MTR report. However, the NTFCs will report to the Transport not the GMS Ministers, which risks perpetuating the weakness of the current implementing arrangements regarding the non-transport aspects of the CBTA. [↑](#footnote-ref-2)
3. Article 9 of AFAFIST states that each Contracting Party shall allow the use of means of transport registered in other Contracting Parties to provide inter-state transport services on its territory in accordance with Article 5 of the Agreement (that allows transport operators duly established in one Contracting Party to undertake transport of goods into and/or from the territories of other Contracting Parties). The number of inter-state transport vehicles allowed to be used for inter-state transport is set at “no more than” five hundred (500) vehicles per Contracting Party, although there is provision to discuss this. Article 30 of the Agreement allows contracting parties to sign implementing agreements/arrangements in line with the ASEAN minus X formula, on a plurilateral, multilateral or sub-regional basis. And Article 29 notes that the Agreement does not affect the rights and obligations of the Contracting Parties under any existing agreements to which they are also party. AFAFIST uses Protocols 1 and 2 of the AFAGIT for the Designation of Transit Transport Routes and Facilities and for the Designation of Frontier Posts, respectively. Note – being closer to the ground, and with development assistance co-ordinated (and delivered) by the ADB, the CBTA has progressed further, albeit with the limitations outlined. [↑](#footnote-ref-3)
4. Special and differential treatment for developing and least-developed countries provides (negotiated) transition periods for the adoption of the substantive provisions, the schedules for which vary by GMS country. Other NTMs are the subject of separate the Non-Agriculture Market Access (NAMA) negotiations. [↑](#footnote-ref-4)
5. Almost all Articles of the Agreement refer to importation, exportation and transit arrangements. Under the main transit-focussed Article 11, any regulations or formalities imposed by a Member in connection with traffic in transit must be clear, justified, applied in the least trade restrictive manner, with Members undertaking not to “seek, take or maintain any voluntary restraints or any other similar measures on traffic in transit”. Crucially (in the view of the MTR), Article 11.4 states that “each Member shall accord to products which will be in transit through the territory of any other Member treatment no less favourable than that which would be accorded to such products if they were being transported from their place of origin to their destination without going through the territory of such other Member” i.e. MFN (or indeed national) treatment is extended to transit traffic, with implications for the ASEAN and GMS CTS schemes – which should, consequentially (it would appear), be aligned (and extended to China – a possibility also under the ASEAN-China FTA) unless exempted under Article 24 of the GATT 1994. Other relevant provisions include the undertaking by Members, via Article 11.8, “not to apply technical regulations and conformity assessment procedures within the meaning of the Agreement on Technical Barriers to Trade on goods in transit”. This is clearly of relevance to CBM. Under Article 11, the Agreement requires guarantees (in the form of sureties, deposits or monetary or non-monetary instruments) for traffic in transit to be “limited to ensuring that requirements arising from such traffic in transit are fulfilled and […] allow comprehensive guarantees which include *multiple* transactions for same operators or renewal of guarantees without discharge for subsequent consignments”. It is not clear to the MTR whether the GMS CTS complies with these rules. Last but not least, Article 11.13 requires each Member to “endeavour to appoint a national transit coordinator to which all enquiries and proposals by other Members relating to the good functioning of transit operations can be addressed”. [↑](#footnote-ref-5)
6. According to the RI Sector Report, there is a tendency to try to limit through-transport flows by the net importing country to ensure that at least their hauliers earn some revenue out of such movements, even though it may be costing the country more as a whole in terms of higher import prices. Improved transit arrangements, preferably with stuffing and unstuffing of containers within Lao PDR (and provision for less-than-container load or LCL operations) would assist in helping to integrate the supply chain, whereas at the moment much of the exports are sold loose FOB Bangkok or Laem Chabang rather than ex Lao PDR. The reality is that Nong Kai is acting as an inward distribution centre for Vientiane, and the Thai ports as export consolidation centres. The overall logistics strategy is to change Lao PDR from being a landlocked country, to being a land-linked country. The use of a “Eurovignette” style road tax on heavy goods vehicles should also be considered to help offset infrastructure / adjustment costs. [↑](#footnote-ref-6)
7. Technical Assistance Report: Project Number 44174-01 Cluster Regional – Policy and Advisory Technical Assistance (C-R-PATA) Support for Implementing the Action Plan for Transport and Trade Facilitation in the Greater Mekong Sub-region (Financed by Government of Australia). Asian Development Bank, November 2010 [↑](#footnote-ref-7)
8. Note – those marked \* were managed by TRM in Bangkok, the remainder by the SERC in Manila. [↑](#footnote-ref-8)
9. See for example, Asian Development Outlook 2012: Confronting Rising Inequality in Asia, which notes that “Technological progress, globalization, and market-oriented reform have been the key drivers of developing Asia’s rapid growth in the last 2 decades – but they also had huge distributional consequences. Together, they have favored skilled rather than unskilled labor, capital rather than labor, and urban and coastal areas rather than rural and inland regions. These changes can explain many of the movements in inequality in many regional countries”. [↑](#footnote-ref-9)
10. And as reported in the Mission Notes, “Management of the TTF-AP (and TA-7851) was complicated by a failure to establish the planned implementing arrangements (including the advisory committees in each country, or other form of “steering committee”)”. [↑](#footnote-ref-10)
11. The TA-7851review of the ASEAN/CBTA/bilateral/tripartite transport agreements currently under preparation should provide clear examples of where approaches/experience could be combined/shared. [↑](#footnote-ref-11)
12. Note – this work has started already. [↑](#footnote-ref-12)
13. Central to this process is the development of a common understanding between the GMS countries of: a) the issues that have prevented certain members from ratifying key Annexes and Protocols, including Annex 6: Transit and Inland Customs Clearance Regime, which has not been used since its 2009 launch due to its original design; b) areas where the CBTA and equivalent regional (ASEAN) and bilateral agreements can synergetically co-exist, and where contradictions risk increasing costs, inhibiting trade and/or causing confusion; c) the extent to which commercial traffic rights have been extended and on what basis (i.e. the relationship between bilateral and tripartite agreements and those made (sub-)regionally in the context of the GMS and ASEAN); and d) how to integrate or affiliate the provinces of Southern China (Yunnan and Guangxi Zhuang Autonomous Region) which belong to the GMS, with commitments made by the GMS countries that are members of ASEAN. [↑](#footnote-ref-13)