

Opening remarks at CFCFA Working Group Meeting
9 August 2011, Issyk-Kul, Kyrgyz Republic

Distinguished Mr. Chairman,
Distinguished leaders from ADB,
Chairman Mr. Issingarín,
Chairman Mr. Thomas Sim,
Leaders of all the associations,

Good morning!

It's a great pleasure to meet you all again at this beautiful resort, to welcome the opening of the 2nd CFCFA Annual Meeting, and to discuss about the development of CFCFA. Meanwhile, we are most delighted to welcome a number of new friends to join us today.

In February, 2011, we held a successful meeting in Chongqing, which served as a platform for business to communicate and cooperated. During the executive boarding meeting in Chongqing, we discussed about forming three working groups with great enthusiasm, which was a great start for the working groups. I hope that on today's meeting, everyone can contribute his or her ideas to the development of CFCFA, to form consensus and to establish the three working groups.

1. The three working groups indicate three major directions of CFCFA development

For one and a half year, with ADB's support, and under the leadership of Chairman Mr. Issingarín, CFCFA started from scratch, and made great achievements in implementing CPMM, promoting business communication, providing training and establishing contacts with CAREC government agencies. Nevertheless, we are still facing a number of difficulties. CFCFA has not yet been legally registered, has no secretariat, the organizations and work mechanisms of CFCFA are yet to be improved. We are working for CFCFA from our various professional capacities, but the synergies among CFCFA members are yet to be formed. CFCFA hasn't made a full play among CAREC agencies, and further recognitions of CFCFA will be needed. The exchange and cooperation with other international organizations will need to be further strengthened. The current loose organization of CFCFA has limited its development to some extent.

What CFCFA needs to do in order to play a bigger role, including to improve capacities on service provision, innovation, organization, leadership, coordination and financing, is our common concern, and is also the core reason for the establishment of the three working groups. These three working groups represent the future direction of CFCFA development.

2. To serve as a foundation for regional standardization

This is the goal of Working Group 1. With the globalization, all countries have emphasized on the compatibility between their own logistics and international logistics. A lot of countries made their best efforts to ensure that their logistics standards match those international standards at the beginning of the development, to avoid higher trade and logistic cost because of different standards and the technical difficulties it brings. For example, there are African standards ARS, Arabic Standards ASMO, EU standards EN and Pan-America Standards PAS. We do hope that there will be a standardization organization of CAREC, and every one of us could be the founder. However, we have to realize that Central Asia has not yet played an important role in UN standardization process. For example, in the UN trade data

elements, there are data elements for CIM railway consignment note, but no data elements for SMGS consignment note. This could also indicate a huge potential for development.

If we can reach a consensus on regional standardization, we need to establish a development strategy. Although all CAREC countries have their own national standardization strategy, a CAREC regional standardization strategy is not simply to add together all the country strategies. The CAREC strategy is different from the country strategies, and has both internal development strategy and external development strategy. The internal goals include that CAREC standardization will develop from regional level to international level, and the trend of digitalization. The external goals include that CAREC should advocate the elimination of technical barriers, and promote non-CAREC countries to adopt standards and legislations that are based on international and CAREC standards, or are compatible to either of them. Consequently, the market access and competitiveness of the regional products will be improved. Under the context of IT society and globalization, the regional standards, country standards and international standards should complement each other and somewhat substitute for each other. A CAREC standardization strategy should lead to such relationships.

However, we have to be practical and pragmatic regarding either the strategies or the goals. After the establishment of the working groups, we need to identify which standards are not yet in place, and which standards can be easily development. Who will take the lead? Who will finance the activity? Who will disseminate the results? Who will be responsible for the implementation of the standards? For instance, based on our current work of CPMM, can we develop a standard name list of CAREC logistic nodes and BCPs? Can we cooperate with FIATA on the adoption of international best practices?

Let's not forget that the regional standardization advocated by CFCFA is a key move to increase CFCFA's influence among CAREC institutions. It also serves as an important bond between CFCFA and CAREC institutions. If CFCFA has developed its standard, who will announce it? If CFCFA has developed uniformed documents, who will certify them? The most appropriate would be the CAREC Ministerial Conference to announce and certify them.

3. To assist the cross border trade and logistic facilitation

This is the goal of the second working group. With the economic globalization and development of regional trade logistics, computers and internet are widely used in the industry. The trade, transport modes, clearance and settlements in cross-border transport and trade are changing rapidly. Boundaries between sectors are becoming less distinctive. Our member companies are faced with a lot of issues that cannot be solved by them alone. All of these issues need to be solved at government level. Comparing with those in the developed countries, industry associations in the developing countries are bound to be weak because of their national economic systems. They often lack of adequate capacity to manage the industry and have little power regulating their members. This is also a problem faced by CFCFA.

An advantage of CFCFA is that different member associations serve their own members and sectors with different and unique approaches. CFCFA should synergize all industry associations of CAREC countries, and to reform and innovate the traditional service models, contents and approaches, in order to serve as a service platform for cross border transportation and trade. I personally believe that we shall select some well-planned projects among member associations as entry points, and these projects shall serve as demonstration projects for regional cooperation.

4. To survive and to prosper

This is the goal of the third working group – Organization and Funding. My personal

understanding of this goal is to “make money in an organized manner”. The third working group is to provide services to the previous two groups. However, the mission of the previous two groups shall also include “to make money in an organized manner”. Three working groups should complement each other.

We all have years of experience working for industry associations. The funding resources include members’ fee, training, certification and organizing events. For CFCFA, an easy source of funding would be members’ fees. For other resources, prior investment would be needed. We had a lot of enthusiastic discussions on this issue with a lot of ideas. But few solutions had come out. I believe that the top priority of the third working group is to balance the relationships among project proposals, funding resources and project management, to balance the overall interests of CFCFA and the interests of individual members, and to balance the traditional revenue generating model with innovative models. I have therefore drafted the “Regulations on the Project Proposal and Application for CFCFA Working Groups” and “Notes on CFCFA Working Group Project Recommendations”, for discussion.

Like everyone else, I have been working hard to explore ways for CFCFA’s development. However, I feel a huge pressure. I have talked to ADB’s colleagues for several times that, if possible, I’d like to introduce “financing logistics”, which is developing rapidly in China to our Central Asian friends. This is when the bank, the manufacturer and the logistic company operate business together on the collateralizing, financing and supervision of the merchandise. This mode will revolutionize the traditional logistics. We are also exploring on the financing lease of transport vehicles with lending and insurance agencies, so that transport companies, without any asset serving as collaterals or guarantee, will be able to have long term rights to use the transport vehicles. This financing lease will separate the property right from the right to use. The support from financial industry is indispensable in modern logistics development. However, a lot of gaps still need be bridged between financial industry and logistics. I hope that all three working groups can do more on those aspects.

I’d like to quote a saying in China – “All those problems are problems in the process of development, and only by developing will those problems be solved. We shall use development as a way to solve problems that occur in the process of development.” I am confident that, with the great support from ADB, with all out joint efforts, CFCFA will grow bigger and stronger.

May I wish today’s meeting a very successful one.

Wish tomorrow’s assembly a very successful one.

Thank you very much!