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# *A Trade Facilitation Strategy for CAREC*

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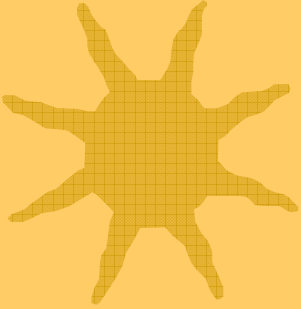
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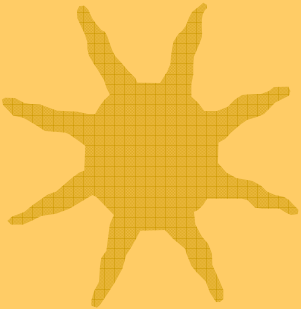
## *Outline*

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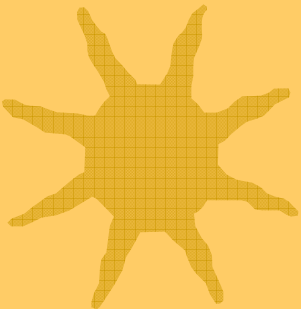
**1 Trade Patterns**

**2 Achievements under the auspices of the  
Customs Cooperation Committee**

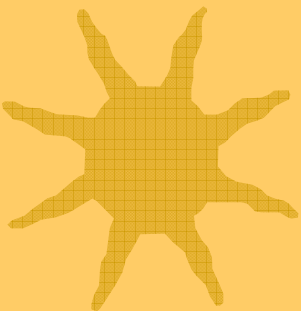
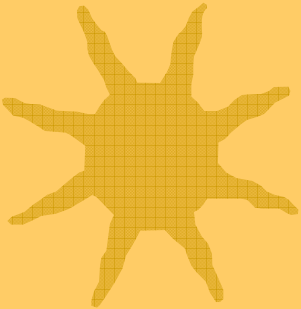
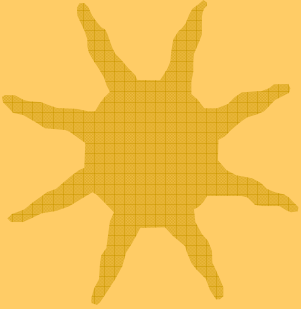


**3 A results-based approach to trade  
facilitation**

**4 Defining the corridors**



**5 Conclusions**



# *1. Trade Patterns in the 21st Century*

The Central Asian countries and Azerbaijan are:  
export-oriented economies

- X/GDP (2005) - Azb 57%, Kaz 55%, KR 38%, Taj 54%, Tkm 70% Uzb 40%

with low trade barriers

- apart from forex controls in Tkm (98→)

Their trade has increased, but

- it is concentrated in primary products and appears to be far below potential.

Problem = high costs in time and money of  
doing trade

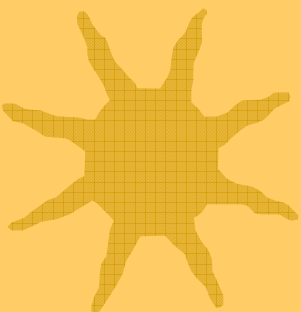
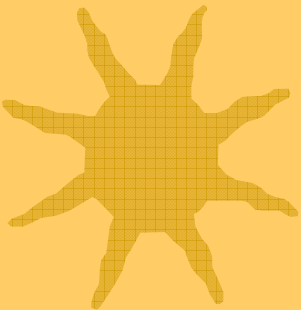
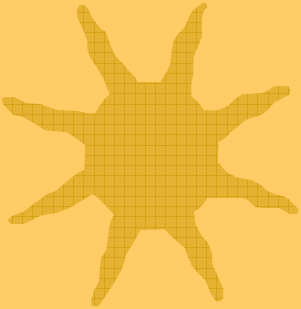


## *Long-Term Vision*

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Reduced trade costs will stimulate trade within and beyond the region promoting pro-poor growth, regional prosperity and amicable international relations.

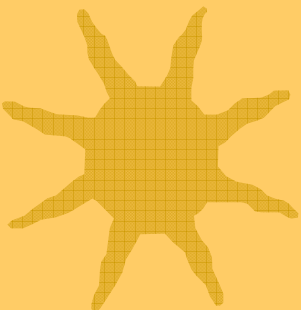
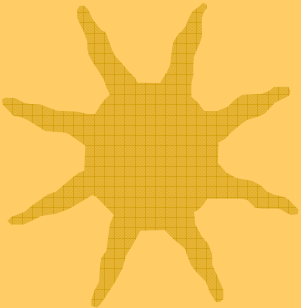
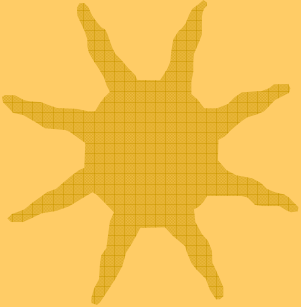
- TF is pro-poor because trade costs fall more heavily on small and medium-sized producers and traders
- Lack of TF perpetuates the domination of primary products in CA exports





## *2. Achievements under the auspices of the Customs Cooperation Committee*

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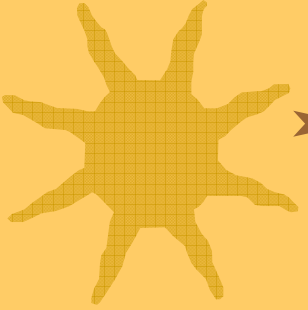


- ★ *CAREC Regional Trade Facilitation and Customs Cooperation Program: A Status Report* -- presented by Barry Hitchcock at the CAREC SOM in Manila, 26/3/2007.
- ★ The CCC has been successful in creating an environment of trust and cooperation among the custom services of the participating countries.
- ★ The process of changing the culture of customs administrations from control-orientation to compliance-facilitation is crucial, but by its nature slow.
- ★ This Strategy paper aims to identify a modality for a more broad-based trade facilitation strategy, which can be implemented over the medium term (the next 3-5 years)



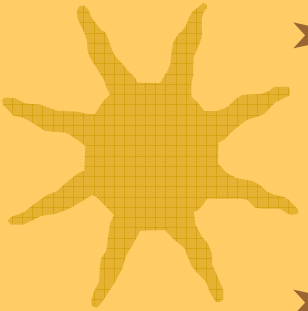
### *3. A Results-based Approach to Trade Facilitation*

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★ Trade facilitation is easy to define in general terms, and individual elements are easy to identify

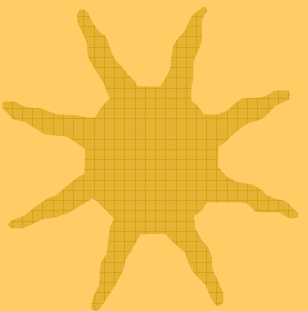
– High trade costs in Central Asia are well documented



★ The problem lies in monitoring actual compliance

– has a process really been simplified?

– do actual conditions match legislated procedures?



★ Rather than monitoring inputs to TF, measure outputs, ie. reductions in the time and cost of trading.



### *3. A Results-based Approach to Trade Facilitation (continued)*

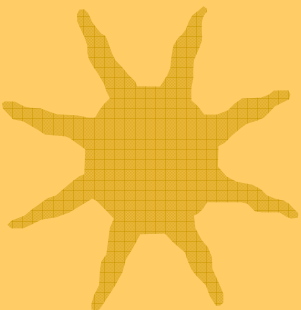
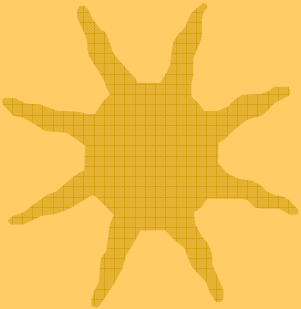
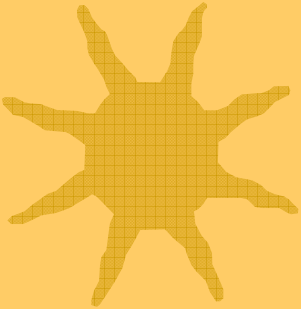
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#### Two steps:

1. CAREC countries agree on a target (eg. members will reduce trade costs by x% per year or by y% before 2010), and define these commitments in terms of a benchmarking exercise.
2. An appropriate benchmark is regular monitored trips by a standard vehicle along key corridors, with an honest broker (such as the CAREC secretariat) managing the benchmarking exercise.

#### National flexibility:

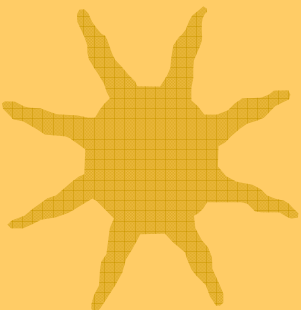
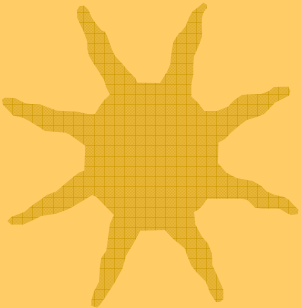
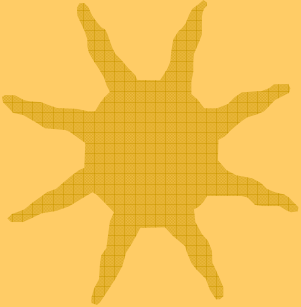
governments retain flexibility to decide for themselves which obstacles to reduce first and which obstacles are too sensitive to change immediately.





## *4. The Corridors Approach*

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- ★ The Corridors Approach is a positive way to view trade facilitation in Central Asia.
- ★ A major difficulty with any TF programme is that success consists of chipping away at many small obstacles
  - it is difficult to know whether a country is making a serious effort or highlighting cosmetic but trivial changes.
- ★ monitoring objectively verifiable indicators of time and cost is the simplest way to provide results-based indicators of trade facilitation.





## *4. Defining the Corridors*

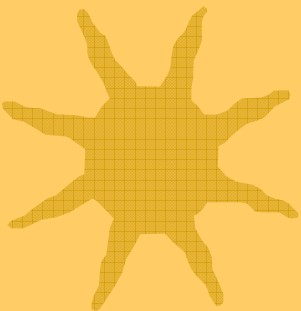
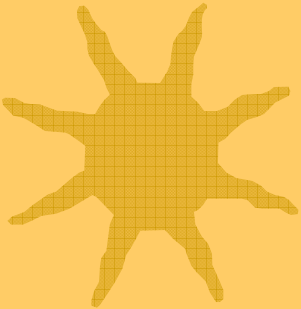
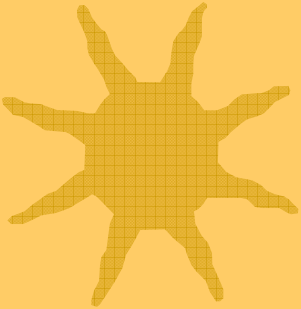
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Three corridors are used as illustration:

1. East-West Corridor
2. Eastern North-South Corridor
3. Western North-South Corridor

each corridor has a key segment through which traffic coming from a variety of ultimate origins and destinations funnel:

1. the Ferghana Valley,
2. the Bishkek-Almaty road,
3. the Kungrad-Beyneu road.



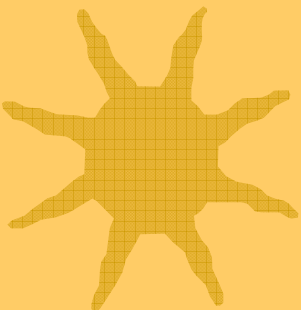
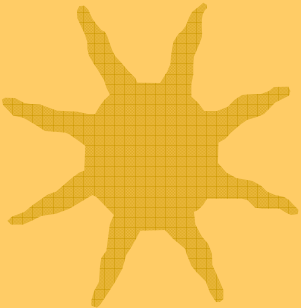
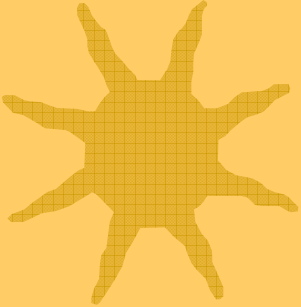
# CENTRAL ASIA REGIONAL ECONOMIC COOPERATION





## 5. *Conclusions*

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- ★ A major obstacle to long-term prosperity in the CAREC region is high trade costs
- ★ A results-based TF strategy with targets to reduce time and cost along monitored corridors is a practical approach that is flexible because it
  - allows countries to prioritize their TF measures
    - national accountability can be implemented in several ways (eg. GMS model of a core group and a TF focal point)
  - is initially low cost, but can be extended to more corridors and more sophisticated monitoring.