

Strategic Framework for Action on Trade Facilitation and Investment in the Greater Mekong

SECTION 1: INTRODUCTION

The GMS Program: Brief History and Context

The Greater Mekong Sub-Region (GMS) Program, launched in 1992, signified the beginning of a new phase of development in the region. Recognizing the opportunities offered by geographical proximity, resource complementarities and the onset of peace, six countries along the Mekong River — Cambodia, People's Republic of China (PRC), Lao Peoples' Democratic Republic (Lao PDR), Myanmar, Thailand, and Viet Nam embarked on a program of sub-regional economic cooperation for mutual benefit. As the program enters its second decade, cooperation amongst the six countries in infrastructure development, trade, and investment, in tandem with national reform and market opening measures, has reaped considerable benefits, and the GMS is forging ahead strongly in creating a dynamic and vibrant economic space in central Southeast Asia.

At the 11th GMS Ministerial Meeting in Phnom Penh in September 2002, the GMS countries adopted a 10-Year Strategic Framework, which was subsequently endorsed by the first GMS Summit held in November of the same year. The Framework articulated a shared vision for the GMS: economic growth, equity and prosperity for the sub-region over the long term. The Framework also identified five strategic thrusts in pursuit of the vision:

- (i) Strengthen infrastructure linkages through a multi-sectoral approach;
- (ii) Facilitate cross-border trade and investment;
- (iii) Enhance private sector participation in development and improve its competitiveness;
- (iv) Develop human resources and skill competencies; and
- (v) Protect the environment and promote sustainable use of the sub-region's shared natural resources.

The Framework further identified 'flagship' programs in 11 key areas linked to the strategic thrusts. These include transportation/economic corridors; telecommunications and energy interchanges; cross-border trade and investment; support for greater private sector participation in development; joint initiatives for the management of the sub-region's shared environment and natural resources; development of human resources;

and the promotion of the GMS as a single tourism destination.

The 12th GMS Ministerial Meeting held in Dali City, Yunnan Province, PRC in September 2003 laid down three building blocks for attaining the GMS vision: connectivity, competitiveness, and community - the "Three Cs". The Ministers noted that whilst the first decade of the GMS Program had focused on building connectivity through infrastructure linkages, the second decade should concentrate on competitiveness if the GMS is to benefit from the process of integration and globalisation. Building the competitiveness of the sub-region would require GMS countries to focus on technological innovation, human resource development, trade facilitation, and good governance. The Ministers agreed to work towards an integrated development strategy to better link national with sub-regional policies and programs, and to synchronize the planning and programming of major investments.

Trade Facilitation and Investment in the Context of the GMS Program

Since the beginning of the GMS Program, the sub-region has witnessed a significant expansion in the overall inflow of foreign direct investment (FDI). Between 1992 and 2003 there was a sharp rise both in GMS countries' total exports (15% annual growth) and intra-regional exports (21% annual growth)¹. In Cambodia, Thailand and Viet Nam, the ratio of total trade to GDP (the 'openness ratio') in 2003 exceeded 100%, compared to less than 60% in 1992. FDI flows increased from \$2.2 billion in 1992 to \$5.2 billion in 2003. PRC² and Thailand - the two advanced countries in the GMS - have also been posting substantial FDI outflows mostly directed at other Asian developing countries. PRC FDI outflows reached a peak of \$6.9 billion in 2001, up from \$900 million of the previous year, with the average outflow between 1999 and 2003 estimated at about \$2.78 billion. Thailand's FDI outflows reached \$557 million in 2003.

This growth of trade and investment in the GMS has resulted from a combination of domestic trade and economic reforms in individual GMS countries, complemented by trade liberalization initiatives at the regional and multilateral levels, and the expansion of sub-regional transport infrastructure. As a result, tariff levels have fallen rapidly, and the need to generate GMS revenue through trade facilitation and investment measures has become compelling.

The long-term goal of trade facilitation in the GMS is to strengthen trade and investment integration in the sub-region, and trade cooperation with countries outside it, through promoting the free movement of goods and people. Trade facilitation efforts should lead to lower transaction costs

and improved service speeds for cross-border trade; and trade facilitation should also seek to leverage neighbouring countries' costs and comparative advantages, thus contributing to GMS efforts to become a sub-regional production base.

A medium-term focus of GMS trade facilitation is to support the development of hardware and software along the GMS economic corridors: the construction and development of physical transport and trade infrastructure; efficient clearance procedures at border crossings; improved trade administration systems and institutions; and the active and extensive application of information technology to promote transparency and efficiency in trade transactions. These measures would contribute significantly towards the development of integrated supply chains, supply chain support structures (e.g. cool chain facilities and collection centres), and trade logistics hubs.

Main GMS Trade Facilitation Initiatives

The GMS Program. The most important trade facilitation initiative in the GMS program is the Framework Agreement on Facilitating Cross-Border Transport of Goods and People (CBTA), a compact and comprehensive multilateral instrument which covers all the relevant aspects of cross-border transport facilitation, including single-stop/single-window inspection; cross-border movement of persons; transit traffic regimes (such as exemptions from physical customs inspection, bond deposit, escort, and phyto-sanitary and veterinary inspection, requirements that road vehicles will have to meet to be eligible for cross-border traffic); exchange of commercial traffic rights; infrastructure, including road and bridge design standards, road signs and signals. All six GMS countries have ratified the Agreement and most Annexes and Protocols have also been signed and ratified.

The CBTA evolved from the findings of a technical assistance project supported by ADB in 1996, which showed that the barriers to trade and the free movement of people between GMS countries are substantial. These include (i) restrictions on the entry of motor vehicles, often causing costly and time-consuming trans-shipment; (ii) different standards pertaining to vehicle size, weight and safety requirements, and driver qualifications; (iii) inconsistent and difficult formalities related to customs procedures, inspections, clearances, and assessment of duties; and (iv) restrictive visa requirements. While there are existing international conventions that address these non-physical barriers to the cross-border movement of goods and people, most GMS countries are not yet able to fully accede to them. There is accordingly a need to address the

non-physical barriers over the short to medium term.

The CBTA will be implemented on a pilot basis at five³ of the 16 border crossing points defined in Protocol 1 of the GMS Agreement, starting in mid-2005. The full implementation of the CBTA will constitute the next major phase and will involve the incorporation of the CBTA provisions into domestic law, the preparation of detailed implementation guidelines and manuals, and capacity building.

ASEAN. All GMS countries, except PRC, are countries of ASEAN and are signatories to the ASEAN Free Trade Area (AFTA). Apart from pursuing market liberalization through tariff reductions under the Agreement on the Common Effective Preferential Tariff (CEPT) Scheme, AFTA also focuses on trade facilitation and the elimination of technical barriers to trade (TBT). ASEAN's trade facilitation efforts have been directed at the simplification and harmonization of customs procedures, specifically measures such as the harmonization of tariff nomenclature using the ASEAN Harmonized Tariff Nomenclature (AHTN), and implementation of the WTO Valuation Agreement (WVA). As part of the effort to facilitate regional trade, ASEAN customs authorities have been pursuing two priorities: Common ASEAN CEPT Declaration Forms and Common Export and Import Procedures.

Within the ASEAN Framework, the Initiative for ASEAN Integration (IAI) is helping the newer ASEAN member countries, Cambodia, Lao PDR, Myanmar and Viet Nam, to integrate more quickly and effectively with ASEAN and global markets. Numerous customs- and trade facilitation-related technical assistance training and advisory programs have been organized and conducted for these countries with the support from international and bilateral donors.

Economic and Social Commission for Asia and the Pacific (ESCAP). ESCAP has been proactive in assisting countries in the Asia Pacific region, including those in the GMS, to develop essential institutional 'software' to facilitate trade within the region. ESCAP's initiative for Trade Facilitation and E-commerce helps to promote the application of trade facilitation measures for simplification and harmonization of trade procedures and documents, and assists countries in building national capacity for trade facilitation and e-commerce. ESCAP has recently produced a Handbook on Trade Facilitation in the GMS.

World Bank (WB). The World Bank has developed toolkits and conducted several analytical studies and projects aimed at supporting regional, national and community trade facilitation efforts in the GMS. Specific

programs include research in the area of trade logistics development and its impact on poverty reduction in PRC, Lao PDR and Viet Nam, a transport and logistics regulatory review in Viet Nam, a trade facilitation and competitiveness project in Cambodia, Customs Reform and Modernization in Viet Nam, and the Mekong River Transport Project.

Asia Pacific Economic Cooperation (APEC). APEC' s work in trade facilitation is handled primarily by its Committee on Trade and Investment (CTI) which focuses on reducing impediments to business activity in 15 key areas outlined in the Osaka Action Agenda, namely, tariffs and non-tariff measures, services, standards and conformance, customs procedures, intellectual property rights, competition policy, government procurement, deregulation, rules of origin, dispute mediation, mobility of business people and implementation of WTO obligations; and to meet the trade facilitation objectives specified by Leaders in the Shanghai Accord.

Japan Bank for International Cooperation (JBIC). JBIC has conducted a study for the Second Mekong International Bridge (SMIB) and identified several constraints to the free movement of cargo and transit between Thailand, Vietnam and Lao PDR and recommended an action plan to address these constraints.

Japan Overseas Development Corporation (JODC). JODC' s support for GMS trade facilitation comes mainly under its West-East Corridor (WEC) program under the AEM-MITI Economic and Industrial Cooperation Committee (AMEICC). The WEC is an industrial and logistical network program that is envisioned to link industrial clusters and special economic zones along the corridor. The WEC program has carried out several technical assistance and human resource development programs to tackle the trade facilitation impediments along the WEC.

The World Customs Organization (WCO). The WCO has developed a Regional Strategic Plan (RSP) for its Asia Pacific Region, which includes all of the GMS countries except Lao PDR. This RSP contains a number of customs-related key result areas for the region, specifically capacity-building; cooperation and exchange of information; research and experience sharing; and communication and partnership. A work plan has been developed for each of these areas, and a regional office for capacity building is being opened in Bangkok.

The Emergence of a Strategic Framework for Trade Facilitation and Investment in the GMS

At PRC' s initiative, the Joint Declaration of the first GMS Summit held in Phnom Penh, Cambodia in November 2002 endorsed the formulation of an action plan to promote trade and investment to further enhance the competitiveness of the sub-region. This was supported by the other GMS countries. The action plan, which was to include information sharing and capacity building, would support the ASEAN-China Free Trade Area and the process of economic integration in ASEAN. Pursuant to the mandate of the Summit, the fourth meeting of the GMS Trade Facilitation Working Group (TFWG), in November 2004 discussed the strategic direction and content of the action plan. At TFWG 4, PRC outlined the basic elements of a comprehensive action plan on trade and investment facilitation, with a view to presenting the plan to, and having it endorsed by, the second GMS Summit to be held on 4 to 5 July 2005. The 13th GMS Ministerial Meeting held in Vientiane, Lao PDR in December 2004, welcomed this initiative.

Following the 13th Ministerial Meeting, PRC undertook the further development of the action plan. The Asian Development Bank (ADB) was requested to support the process of SFA-TFI formation and, in response, provided a small-scale technical assistance project for this purpose.

In the further development of the action plan, it has become clear that, although all of the GMS countries have made great efforts in trade and investment facilitation - by streamlining customs procedures, increasing administrative efficiency, improving legal frameworks, information sharing and capacity building - progress amongst the countries varies. A set of actions with universal applicability across the GMS is therefore unlikely to be appropriate. Accordingly, a staged approach has been adopted: firstly, to identify the priority areas, and related actions, that will apply to some degree to all GMS countries; and secondly, for individual GMS countries to take stock of its particular requirements by undertaking 'gap' and 'needs' analyses in each identified area. This Strategic Framework for Action on Trade Facilitation and Investment in the GMS (SFA-TFI) lays the foundations for the first stage.

The SFA-TFI provides the flexibility for each GMS country to formulate individual action plans directed at the achievement of common objectives at the sub-regional level. The SFA-TFI also offers the opportunity for national trade facilitation activities to be coordinated, synchronised and integrated with those of other GMS countries, thus helping to realise the full potential of sub-regional cooperation.

The activities implemented through the SFA-TFI will also have a prime role to play in supporting the implementation of the CBTA Agreement. The

priorities identified in Section 2, whilst in some cases having a more general application, should be seen in that context: the two initiatives are entirely complementary.

SECTION 2: THE STRATEGIC FRAMEWORK FOR ACTION ON TRADE FACILITATION AND INVESTMENT

General

Trade facilitation, in its broadest sense, is part of an overall trade strategy to develop and expand sustainable trade flows. It covers a wide variety of subjects, at one end of the spectrum including trade relations, trade infrastructure, and trade promotion; and, at the other, systematic rationalization of procedures and documentation for international trade.

The primary goals of trade facilitation in the GMS are to:

1. Realize a significant reduction in transaction costs and time by means of improving administrative efficiency; and simplifying, standardizing and harmonizing trade procedures and forms;
2. Encourage the free movement of goods and business people; and
3. Enhance the transparency of laws, regulations, procedures and forms, and share information on these and other trade issues.

Purpose

The SFA-TFI in the GMS will serve as a blueprint for action among the GMS countries to realize the above goals. It covers 4 priority areas, within each of which are a number of principal actions on trade facilitation that will enhance the competitiveness of the sub-region and encourage investment.

The SFA-TFI will guide GMS countries in the further identification, prioritisation and planning of specific trade facilitation and investment measures, tapping the full potential of regional economic cooperation under the GMS Program. It will also help to coordinate and rationalize external assistance efforts. Implementation will be focused on the identified priority areas, with the type, quantity, modality, and duration of all assistance being tailored not only to the functional/sectoral need, but also to the specific circumstances and absorption capacity of individual GMS countries.

Timescale

The initial horizon for SFA-TFI implementation will be 2010, this target date being consistent with the timeframe of the ASEAN-China Free Trade Area. Within that overall timescale, individual GMS countries are expected to set their own timescales for implementation, having regard to their own particular situation and requirements. Depending upon their starting date, the implementation timetable for some activities commenced between 2005 and 2010 may extend beyond that period; this will inter alia accommodate the fact that the 'CLMV' countries (Cambodia, Lao PDR, Myanmar and Viet Nam) are working to a target date of 2015 for a number of activities agreed under the Vientiane Action Plan.

Guiding Principles

The SFA - TFI draws from the collective experience of the GMS countries in trade facilitation and investment at the national, regional and international levels. It embodies the following guiding principles:

Ownership: The SFA-TFI belongs to the GMS countries. Its formulation has been based on their expressed priorities, and the scope and direction of the future development and implementation of the SFA-TFI will be a matter for GMS countries to decide.

Sustainability: All of the activities undertaken to address the priorities set out in the SFA-TFI should lead to self-sufficiency in the GMS institutions that are the beneficiaries of the work. The SFA-TFI must develop independent capability to generate trade facilitation and investment benefits, and ultimately inter-dependence between GMS trade and investment institutions, if it is to have any value. It must not create long-term dependence on external interventions.

Capacity Building: Closely linked to sustainability is the paramount requirement for the SFA-TFI to act as a catalyst for capacity-building efforts in the specified priority areas. Effective trade and investment facilitation requires the effective development, within the relevant GMS institutions, of appropriate structures, systems, policies, knowledge, skills, resources etc.

Flexibility: Different GMS countries have different development needs in respect of trade facilitation and investment. The SFA-TFI will take account of these different needs, to the extent that this remains consistent with the achievement of the agreed goals and objectives of the SFA-TFI. Implementation activities will therefore be tailored to the individual cultures, structures, systems and working methods in each of the GMS member countries, and will reflect the absorption capacity of

individual countries. The SFA-TFI will also address national and/or regional priorities and targets, so far as is possible and reasonable. Regional or national benchmarks that fall short of the longer term goal of given international standards can be adopted as intermediate targets for achievement; and implementation will allow for participation by two or more countries that share a common need, without the need for participation by all GMS countries. Flexibility will also extend to timing and timescales, in that individual GMS countries will have the freedom, within the overall SFA-TFI target date, to begin implementation of activities at a time that is most appropriate for them, and to choose an implementation timetable that best suits their needs. The SFA-TFI will be regularly reviewed and updated to reflect new developments on trade and investment, progress with implementation, and new needs identified by GMS countries.

Value Added: The SFA-TFI takes account of, will interface with, and will not in any way duplicate or overlap with the work of other major institutions (e. g. the WTO; ASEAN; APEC; the United Nations; the WCO; etc). The SFA-TFI builds upon, and complements, ongoing and planned work (e. g. the GMS Cross-Border Transport Agreement (CBTA)) by GMS countries themselves, and their bilateral and multilateral partner organizations, in the designated priority areas.

Private Sector Participation: The priorities expressed by the SFA - TFI are consistent with, and responsive to the concerns raised by the GMS business sector at the High Level Public Private Sector Consultation Meeting held in September 2004 in Bangkok. Further dialogue with the private sector will be conducted in the process of formulating specific activities and projects under the SFA-TFI, in a second round of consultations.

As part of their commitment to ensuring the effective implementation of the SFA-TFI, the GMS countries are encouraged to establish and implement GMS 'Trade and Investment Missions' , either individually or collectively. These trade and investment missions, comprising government officials and trade representatives, will make practical assessments of the GMS economic corridors, identify barriers to trade facilitation and investment, devise appropriate remedies, identify and report any new priorities and areas where action is required, and review and report to the TFWG on outcomes.

Structure

The main body of the SFA-TFI sets out the Priority Areas identified by

GMS countries as requiring action, by not later than 2010, to develop trade facilitation and investment in the sub-region. Each Priority Area is sub-divided as follows:

1. Overview and Rationale for Priority

This provides an explanation for the choice of sector, and the reasons why action in that sector is considered to be a trade facilitation and investment priority for the GMS.

2. Strategic Objectives

These are concise statements that describe in more detail what is to be achieved by the GMS in the designated Priority Area.

3. Principal Actions

The Principal Actions break down the Strategic Objectives into a number of component parts. Each of these components is an action that must be taken within the GMS in order to enable the objectives of the SFA-TFI to be achieved. The Principal Actions take full account of other ongoing and planned GMS-related initiatives on trade facilitation and investment.

The more detailed Activities that are required to deliver the Principal Actions will be set out in Annexes to the SFA-TFI. Each of the Activities will relate directly both to the relevant Principal Action and the Strategic Objective, and include a clear description of what must be done, the overall timescale⁴, the measurable indicators of achievement (expressed in sequence), the institutions responsible, and the associated risks and assumptions. (For illustrative purposes, a number of Activities have been included at Annexes A to D. Not every Principal Action has a related Activity. This reflects the need to prioritise within priorities, taking account of GMS absorption capacity, and the need to make the implementation process manageable).

Activities, once undertaken, will have to be further articulated - for example as detailed projects - so as to include more detail and precision about the work to be done, the order in which it is to be undertaken, the beneficiaries, timescales, the institutions (including donors) involved, outputs, etc. GMS countries will be expected to play a key part in this process, which is further described in Section 3.

Activities will also need to be regularly reviewed, revised, updated and adjusted in the light of trade facilitation and investment progress in the GMS. Setting them out as Annexes to the main body of the SFA-TFI enables this process to be carried out without the frequent need for revising the Strategic Framework itself.

Priority Areas

1. Customs Procedures

Overview and Rationale for Priority

Effective trade facilitation depends upon effective Customs measures to simplify import, export and transit procedures for trade operators, and to make clear information about those procedures readily available to trade operators and their agents. In the GMS sub-region, where the further development of trade between countries is a key target, the increasing convergence and harmonization of customs laws, regulations, procedures and forms is an important and parallel requirement.

This reality is already reflected in the Cross-Border Transport Agreement (CBTA), especially Annex 4, which recognizes the clear and continuing need for GMS countries to take into account a number of key international conventions, regulations and recognized standards of good practice when drafting and introducing new customs laws, regulations and procedures; to align these new laws, regulations and procedures between GMS countries; and to be fully transparent to trade operators and the public.

Across the GMS, and particularly within the context of ASEAN, considerable efforts are underway to simplify and harmonize customs procedures; to harmonize tariff nomenclature (using the ASEAN Harmonized Tariff Nomenclature (AHTN)); to implement the WTO Valuation Agreement (WVA); and to address the complex issue of preferential rules of origin, which - unlike valuation - is not regulated at WTO level (except for a common declaration contained in Annex II of the Agreement on Rules of Origin).

Nevertheless, there is further scope for improvement in all these areas at the national level, and cooperation amongst GMS countries, particularly in relation to harmonization and alignment of procedures and forms. There are also considerable benefits to be gained from the sharing of experience.

These priorities are reflected in the Strategic Objective and Principal Actions below, which - if effectively addressed - will not only support CBTA implementation, but also create a more 'customs-friendly' environment that is conducive to inward investment by traders wishing to establish an operating base in the GMS. Additionally, greater standardisation of Customs forms and procedures will contribute to greater accuracy and completeness in the collection of trade statistics,

an important indicator for potential investors.

Strategic Objective

To promote simplification, harmonization and transparency in customs procedures with a view to reducing trade barriers, minimizing transaction costs, and improving the efficiency and quality of trade data collection.

Principal Actions

- (I) Simplify Customs procedures and, where appropriate, laws and regulations by aligning them with key international standards (e.g. the Revised Kyoto Convention; the WTO Agreements on Valuation and Rules of Origin; ASEAN Harmonized Tariff Nomenclature; etc), and develop a harmonised approach - particularly in relation to procedures, forms and formats - between all GMS countries;
- (II) Improve the transparency, for trade operators and the public, of all GMS Customs laws, regulations and procedures, e.g. through appropriate publications in English (as required by Annex 4, Article 31 of the CBTA);
- (III) Reduce Customs control at the frontier through the development of Customs post-clearance / post-release control regimes, supported by effective risk management systems and procedures, in each GMS country;
- (IV) Minimize the burden on legitimate trade and travellers through the development of concurrent controls by Customs and other relevant frontier control agencies, consistent with the principles of 'single window inspection' called for in Article 4 of the CBTA.

2. Inspection and Quarantine Measures

Overview and Rationale for Priority

Cambodia, PRC, Myanmar and Thailand are members of the World Trade Organization (WTO), and therefore bound by their commitments under the WTO Agreements on Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary Measures (SPS); Laos and Vietnam are currently negotiating WTO accession and have already presented a detailed legislative plan to implement these agreements. Both the TBT and SPS agreements aim at ensuring that measures enacted by governments to enforce compliance with SPS and TBT provisions do not impose unjustified technical standards, or sanitary and phytosanitary requirements, and are non-discriminatory. Both agreements encourage countries to harmonise their standards with those already recognised internationally.

In this context, GMS countries are already committed to complying with a range of international inspection and quarantine standards (eg World Health Organization, Food and Agriculture Organization, International Standards Organization, International Electrotechnical Commission, International Plant Protection Convention, Office Internationale des Epizootics, Codex Alimentarius Commission, etc). In order to promote trade facilitation and investment, it is important that GMS countries balance their international obligations with complementary efforts to streamline inspection and quarantine requirements at the frontier (in accordance with Article 4 of the CBTA), whilst at the same time (a) making more transparent their requirements in relation to specific technical and quality standards, sanitary and phytosanitary measures, etc, and (b) aligning and harmonizing standards across the GMS.

To realise these objectives it is important that the capacity exists within each GMS country to manage the demanding work involved - coordinating and assisting the different ministries, agencies and bodies concerned, and developing the relevant legislative, regulatory and administrative provisions. This can be achieved by establishing a national 'focal unit', where one is not already in place; or alternatively through the strengthening of the existing enquiry points and the national notification authorities foreseen under the TBT and SPS agreements. A key responsibility of the 'focal unit' would be to interact with the WTO SPS and TBT committee and carry out the mandatory WTO tasks of notification to the WTO secretariat. These upgraded 'focal units' / 'enquiry points' would thus have a greater range of duties and responsibilities than the enquiry points and/or the national notification authorities foreseen in the WTO SPS and TBT agreements.

Since not all GMS countries yet possess the capacity to actively participate in international standard-setting bodies, so a common GMS approach should be emphasised that would allow all GMS countries to be involved actively in these bodies and furthermore make effective use of the consultation and dispute settlement mechanisms foreseen by the WTO.

Greater transparency is a formal requirement of the SPS and TBT Agreements. In a region which is closely intertwined, and within which individual countries experience similar TBT and SPS concerns, greater transparency, sharing of information, and coordination between GMS countries has a significant role to play in the closer integration of economies, and the facilitation of exports and imports between them. Sharing of information and data would also help to focus checks on the areas of greatest risk, prevent unnecessary controls, and reduce duplication of effort. A desirable longer-term outcome of such efforts would be the development

of an intra-regional Mutual Recognition Agreement(s) for conformity assessments.

Strategic Objective

To achieve a greater degree of trade facilitation by reducing the need for inspection and quarantine measures at the border through progressive implementation of the WTO SPS and TBT agreement for GMS WTO members, and the adoption of similar disciplines for GMS countries in the process of WTO accession.

Principal Actions

- (I) Enhance the compliance of GMS countries with the WTO TBT and SPS agreements, technical regulations, and standards in line with their current or future WTO commitments, and improve cooperation and exchange of information among focal units, enquiry points or the national notification authority (as specified by individual GMS countries);
- (II) Introduce, where necessary, and align quarantine and inspection laws, regulations and procedures in each GMS country with commonly agreed international standards, and develop a harmonized approach - particularly in relation to procedures, forms and formats - between all GMS countries;
- (III) Improve the transparency, for trade operators and the public, of all GMS technical standards, inspection and quarantine laws, regulations, procedures and forms, e. g. through appropriate publications in English (as required by Annex 4, Article 31 of the CBTA);
- (IV) Develop greater inter-agency cooperation in individual countries and at the GMS level, and improve the sharing and exchange of information/data between them, in connection with risk assessment, control, inspection and approval procedures, and conformity assessment procedures, with a view to establishing common procedures and working practices;
- (V) Minimize the burden on legitimate trade and travellers by ensuring so far as possible that inspection & quarantine controls are conducted concurrently with those by other frontier control agencies, consistent with the principles of 'single window inspection' called for in Article 4 of the CBTA.
- (VI) Encourage the conclusion of intra-GMS mutual recognition agreement(s) in relation to conformity assessments, and aim at achieving bilateral or multilateral agreements on recognition of the equivalence of specific sanitary or phytosanitary measures.
- (VII) Promote regional trade facilitation and strengthen cooperation in the field of human, animal and plant health by establishing a regional network for epidemiological surveillance and reporting.

3. Trade Logistics

Overview and Rationale for Priority

GMS cross-border transport interventions have traditionally focused on developing the 'hardware' (e.g. roads, rail, bridges etc.) along the GMS Economic Corridors. These infrastructure developments have contributed greatly to the opening of trade routes and encouraged new investments in the GMS. At the same time, cross-border transport regulations/procedures that are relevant to the development of the various GMS corridors (including border and customs formalities etc) are currently being addressed in the context of the GMS Cross-Border Transport Agreement. All GMS countries have ratified this Agreement and negotiations of the implementing Annexes and Protocols are in the final stages.

However, the effective leverage of the hard infrastructure and streamlined border formalities requires the parallel development of the trade logistics⁵ sector - the service providers. As examples, logistics operating procedures can be further streamlined in the areas of warehousing, transportation and distribution management; palletisation, containerisation and the use of material handling equipment such as forklifts, freight lifters, and cranes can be further encouraged; logistics application software like Warehouse Management Systems, Freight Management Systems, and Transportation Management Systems can be adopted; and multi-modal logistics, inland container depots, distribution parks, gateway ports, border transit zones and inter-modal interchanges can be developed in order to enhance the sub-region's trade competitiveness.

Skilled and experienced logistics professionals in the GMS are few in number, not least because of a lack of available human resource development (HRD). Whilst there are a number of existing capacity-building initiatives (e.g. by UNESCAP, ASEAN, bilateral assistance programs etc) for GMS countries, HRD interventions that address trade facilitation as a whole, as well as technical training targeted specifically at improving logistics management for the industry, are still required. Such initiatives could, at one end of the spectrum, equip GMS governments with the right assessment and analytical tools; and, at the other, provide industry players with the necessary skills and knowledge to deliver appropriate and integrated logistics services to clients.

Strategic Objective

To simplify and harmonize GMS cross-border transport regulations/procedures and to promote the development of trade logistics and its associated facilities to increase the efficiency of goods delivery and reduce trade transaction costs⁶ along GMS economic corridors.

Principal Actions

(I) Review, simplify and harmonize GMS cross-border transport regulations/procedures by accelerating the finalization and signing of the remaining Annexes and Protocols of the Cross-Border Transport Agreement and carrying out its initial implementation at the pilot border crossing points along GMS economic corridors;

(II) Improve the transparency of GMS cross-border trade logistics through an assessment and documentation of trade transaction costs along GMS economic corridors;

(III) Improve and develop facilities (e.g. multi-modal interchanges, container depots, freight distribution centres etc.) to support the development of an efficient and integrated GMS trade logistics network;

(IV) Upgrade and build capacity within the logistics/freight forwarding industry through human resource development;

4. Mobility of Business People

Overview and Rationale for Priority

ASEAN focuses on the visa-free movement of all its nationals within the region as foreseen by the ASEAN Tourism Agreement concluded in 2002. Article 2 of that Agreement calls upon Member States to aim at extending the visa exemption arrangement for nationals of ASEAN Member States travelling within the region on the basis of bilateral visa exemption agreements. Final efforts are being undertaken to have a fully operational system in place by the end of 2005.

In this context, at sub-regional level, a substantial work has already been undertaken within the GMS in connection with encouraging the free movement of people - notably with the development of the Single Visa Scheme covering Cambodia, Lao PDR, Myanmar, Thailand and Viet Nam under the ACMECS (Ayeyawady-Chaopraya-Mekong Economic Cooperation Strategy). The focus, however, is principally upon facilitating tourism from third countries outside the sub-region. PRC is not part of ACMECS. As the list of third countries allowed for in this Single Visa Scheme is still under negotiation within ACMECS, the possibility of PRC becoming a beneficiary

remains open.

Some of the GMS countries are part of APEC, under whose auspices a specific business traveller card was developed and introduced to allow multiple unrestricted access by APEC nationals carrying out business activities within APEC. The enhanced mobility of business people is an important pre-requisite for boosting trade facilitation and investment in the GMS. At present, business people who travel frequently around the sub-region are hampered by the constant need to make visa applications and/or gather information about immigration formalities.

A short overview of the existing regulations in GMS shows that one GMS country allows 'visa free' or 'visa on arrival' facilities for many third country nationals while other GMS countries have only single visa schemes and do not envisage a system allowing multiple entry over a certain time period. Some countries allow visa on arrival only at specific entry points like international airports and specific borders. The further simplification and clarification, and wider publication, of intra-GMS immigration procedures will complement efforts to implement related provisions in the Annexes and Protocols of the Cross Border Transport Agreement, and greatly facilitate the movement of GMS citizens conducting business around the sub-region.

A further step that merits careful consideration is, once a business visa scheme for GMS nationals has been established, the possibility of extending the coverage of that solution to business travellers from third countries. This would recognize the importance of foreign business and investment activities in the GMS.

Strategic Objective

To enhance the mobility of GMS citizens who are engaged in the conduct of business activities in the sub-region.

Principal Actions

- (I) Simplify the formalities for visa application, deferral and temporary stay for GMS citizens conducting business activities in the sub-region;
- (II) Consider and develop the introduction of a GMS business visa scheme allowing multiple entry for GMS citizens in the sub-region;
- (III) Improve the transparency of relevant laws and regulations for business travellers, e.g. through appropriate publications in English;
- (IV) Explore the feasibility of expanding the GMS business visa scheme to third country nationals;

SECTION 3: IMPLEMENTATION, MONITORING, REVIEW & UPDATING

General

The SFA-TFI belongs to the GMS countries, and therefore its implementation - drawing, as appropriate, upon external support - is primarily the responsibility of the GMS countries. Effective implementation will depend upon a number of key factors:

- (i) Detailed identification of the action to be taken, in each GMS member country, to deliver the Activities listed in the Annexes;
- (ii) Careful specification of the nature and timing of the identified action;
- (iii) Ensuring that the specified action interfaces properly with other relevant planned and ongoing initiatives, including those funded/supported by external organizations;
- (iv) Utilizing all opportunities for implementing Activities on an intra-GMS basis, and sharing related information amongst all GMS countries;
- (v) Regular monitoring, review and evaluation of progress with implementation;
- (vi) Updating and further developing the SFA-TFI in the light of progress made.

The GMS Trade Facilitation Working Group (TFWG) has an important role to play in the processes of monitoring, review, evaluation, and communication. However, each GMS country must also ensure that it has the capacity to identify and specify its implementation requirements, relating these properly to other national, regional, and externally supported initiatives; to manage and coordinate the implementation process; and to update the SFA-TFI accordingly.

Implementation Mechanisms

National Level

The designated trade facilitation (TF) ‘focal point’ in each GMS country will coordinate activities under the SFA-TFI. Their broad responsibilities will include (i) coordinating the processes leading to the formulation of national action plans in support of the SFA-TFI; and (ii) monitoring and reviewing the progress of those action plans. The TF focal point will work with a core team of officials representing ministries/agencies involved in each of the SFA-TFI priority areas. The TF focal point and the core team will coordinate with the national

mechanisms established under the CBTA, namely the National Transport Facilitation Committees and their various subcommittees in order to ensure that SFA-TFI activities do not overlap with, and are complementary to, the CBTA and other ongoing trade facilitation schemes involving the GMS countries. Looking further ahead, the complexity of this work may require GMS countries to consider additional staff resources to support the TF focal point, perhaps within a dedicated SFA-TFI Unit.

Regional Level

The GMS Trade Facilitation Working Group (TFWG) has an important role to play in the processes of monitoring, review and evaluation of the SFA-TFI. For national level activities the TFWG will serve as the forum for peer learning and review, as well as for exchanging information on the progress of initiatives. For sub-regional projects, the TFWG will monitor progress against set targets and recommend measures to enhance implementation. For the SFA-TFI as a whole, the TFWG will be the forum for reviewing and updating the strategic objectives and principal actions in the SFA-TFI to ensure that they remain relevant to changing circumstances and responsive to the needs of the GMS countries.

The TFWG, which meets at least once a year, submits a report on the progress of the SFA-TFI to the Senior Officials' Meeting (SOM) and the Ministerial Meeting. Significant changes in the content of the SFA-TFI in the course of updating will have to be endorsed at the level of the SOM and the Ministerial Meeting.

Supporting the SFA-TFI Processes

It is envisaged that the SFA-TFI processes will be supported by the ADB and other development partners in the course of implementation. In particular, technical assistance will be provided by ADB to build capacity of the TF focal point and the core team in performing their crucial role as drivers of the SFA-TFI process at the national level. As part of its commitment to support the SFA-TFI, the ADB will also continue to provide support for the TFWG in the exercise of its functions and responsibilities.

Implementation of the SFA-TFI

In respect of many of the areas covered by the Principal Actions, national GMS initiatives may already be in place or ongoing. The intention of the SFA-TFI is to exploit the potential of GMS regional cooperation: linking national initiatives, and developing them further on a regional level so

as to create synergies through joint action, planning, harmonization, etc.

The actual means by which the Principal Actions and related Activities are implemented will be a matter for individual GMS countries to decide, according to the nature of the actions involved, and their own individual circumstances. It will be important to consider the whole range of possibilities, including development work that is GMS-driven and financed by the GMS countries, as well as donor-funded investments, technical assistance and capacity-building projects etc.

Monitoring

Each of the Activities listed in the Annexes will contain clear and measurable objectives, target dates for implementation, and robust performance indicators. These will be used as the basis for evaluating their impact on increased trade facilitation and investment in the GMS.

The TF focal point in each GMS member country will be asked to produce regular progress reports for the TFWG, covering each of the Activities and taking account also of reports produced by the GMS Trade and Investment Missions. The progress reports will include a detailed description of the extent to which objectives, target dates and performance indicators have been met, with supporting data in each case. Additionally, and as part of this process, the TF focal point will be encouraged to identify and report any new priorities and areas where action is required.

The TFWG will discuss these reports, agree on findings, and recommend to the GMS SOM necessary improvements and adjustments to the SFA-TFI. The TFWG will update the activities in the Annexes accordingly.

Review and Updating

The GMS SOM will conduct an annual review of progress with implementation of the SFA-TFI based on the recommendation of TFWG and report to the GMS Summit triennially through the Ministerial meeting.

The annual review will take account of changing circumstances in the GMS trade and investment environment as a whole, particularly in relation to other relevant trade and investment initiatives. Based upon this assessment, as well as upon the TFWG's reports, the review will make final recommendations for necessary modifications to the SFA-TFI.

Notes:

1. Excludes PRC.
2. Includes Yunnan Province of PRC only.
3. The border crossing points are: (i) Hekou (PRC)–Lao Cai (Viet Nam); (ii) Bavet (Cambodia)–Moc Bai (Viet Nam); (iii) Dansavanh (Lao PDR)–Lao Bao (Viet Nam); (iv) Poipet (Cambodia)–Aranyaprathet (Thailand); and (v) Mukdahan (Thailand)–Savannakhet (Lao PDR).
4. Note that, as previously mentioned, this is the desired end-date for completion across the GMS. Individual GMS countries are free to set their own timescales, within the overall target, to take account of their particular circumstances and requirements.
5. Trade logistics in the context of trade facilitation would include warehousing, distribution, information management and global supply chain management to plan, implement, and control the efficient and cost effective flow and storage of raw materials, in-process inventory, finished goods and related information from point of origin to the point of consumption.
6. “Trade transaction costs” would include the ex-works freight as well as non-freight costs.

SECTION 4: LIST OF ANNEXES

Annex A: Illustrative Table of Priority Activities: Customs Procedures

Annex B: Illustrative Table of Priority Activities: Inspection & Quarantine Measures

Annex C: Illustrative Table of Priority Activities: Trade Logistics

Annex D: Illustrative Table of Priority Activities: Mobility of Business People