

Bilateral Dimensions of the CAREC Trade Facilitation Agenda: Spotlight on Mongolia and the People's Republic of China

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- **Cooperation on regional public goods promises substantial economic benefits.**
- **The ADB-assisted CAREC program sponsors measures to facilitate trade and maximize the impact of investments in infrastructure.**
- **The CAREC program provides an effective institutional forum for negotiating complex, cross-border projects.**

Background

The Asian Development Bank's support for regional cooperation and integration stems from its Charter, which cites the promotion of economic cooperation as a means for achieving a more efficient use of regional resources, making economies more complementary, and promoting the orderly expansion of foreign trade. ADB and six of its development partners support regional cooperation and integration initiatives for countries participating in the Central Asia Regional Economic Cooperation (CAREC) program. By promoting and facilitating regional cooperation in the priority areas of transport, trade facilitation, trade policy, and energy, CAREC helps Central Asian and neighboring countries realize their immense potential in an increasingly integrated Eurasia. The Program is a proactive facilitator of practical, results-based regional projects and policy initiatives critical to trade expansion and sustainable development. Mongolia and the People's Republic of China (PRC)—in particular, the Inner Mongolia and Xinjiang Uygur Autonomous Regions of the PRC—are active participants.

Regional public goods support regional trade and commerce.

The CAREC trade facilitation program has two components: (i) customs-related work that covers concerted customs reform, modernization, and cross-border cooperation; and (ii) integrated trade facilitation that promotes efficient regional trade logistics development, priority trade corridor development, single-window schemes, and enhanced interagency coordination. The CAREC program's focus on regional public goods to reduce transport costs and minimize transit times is an integral feature of transport and trade facilitation initiatives throughout the subregion. Motivated by this focus, and recognizing the mutual benefits to be derived by addressing physical and administrative barriers to trade, Mongolia and the PRC have jointly addressed transport and trade facilitation concerns in ways that benefit from and contribute to the shared CAREC experience.



Mongolia-bound trucks approach the PRC-Mongolia border, June 2008.

Much attention has been paid to improving Mongolia's ability to serve as a cost-effective regional transit corridor between Asia and Europe. The CAREC Transport and Trade Facilitation Strategy and Action Plan identified six CAREC corridors that traverse the region. These corridors link production centers and markets within CAREC countries and enhance access to neighboring regions and markets. ADB has invested in road infrastructure in Mongolia and the PRC, including CAREC Corridor 4, which extends from Mongolia into the PRC and is a major regional transit artery linking Russia and the PRC. To transform this into a corridor of seamless regional connectivity that will accelerate economic growth, reduce poverty, and efficiently move people and goods, ADB technical assistance supports efforts toward more harmonization of trade logistics and infrastructure development planning in the two countries.

Trade facilitation

Infrastructure issues (limited access, no dedicated lanes for priority traffic, dilapidated buildings, lack of specialized inspection equipment, and inadequate support for trade logistics service providers) are a major concern at border crossing points across the CAREC countries. Infrastructure is absolutely essential at both the national and regional levels for sustained development. Commerce, sufficient scale economies, and inflow of private capital depend on infrastructure in the form of regional public goods (Rufin, 2004). Mongolia and the PRC are, together with ADB, devising solutions to

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expand the physical capacity of border crossing points on the Mongolia–PRC border as part of a broader CAREC-wide effort aimed at eliminating physical barriers to trade and commerce. In addition, guided in part by the recently published Transport and Trade Logistics Development Strategies for CAREC, proposals are being considered to equip logistics providers with the essential infrastructure they need adjacent to border crossing points to relieve congestion and support the transshipment and storage needs of shippers.



The first truck to use the new harmonized cargo manifest crosses into Mongolia, 15 December 2009.

Equally important are related measures to reduce the administrative burden on shippers imposed by government agencies to submit identical international trade data via multiple forms. Building upon the achievements of a Customs Modernization Project, ADB and the Mongolian authorities are working within the context of a broader CAREC initiative to develop a single electronic window system that will minimize the demand for information and, ideally, link to a regional CAREC single window platform to facilitate data exchange and expedite border-crossing formalities. The PRC is similarly involved in this initiative. At a local level, ADB is providing support to communities in the Southeast Gobi to improve the efficiency of border trade between Mongolia and neighboring districts of the PRC.

Customs cooperation initiatives under the broad CAREC framework also augment the Mongolian–PRC customs cooperation program. Significant progress has been made in joint customs control: a pilot test of Mongolia–PRC joint customs control is under way (a memorandum of understanding on harmonization of cargo manifests was signed on 12 December 2009, and the pilot was officially launched on 15 December 2009). In addition, training programs for Mongolian customs

officers in various areas have been conducted at the Shanghai Customs College.

ADB technical assistance continues to fund a CAREC Corridor Performance Measurement and Monitoring program, which identifies the principal causes of delays encountered by commercial traffic. Forwarder and carrier associations in both Mongolia and the PRC are collecting and contributing data to this effort. Several of these associations are part of a broader CAREC Federation of Carrier and Forwarder Associations, recently established to bring the private sector’s voice into the CAREC trade facilitation process.

Building on the CAREC experience

CAREC has allowed Mongolia to interact on equal terms with its much larger neighboring economies and to build the trust and confidence required to tackle problems regionally. ADB support (financial, advisory, administrative) for regional cooperation via CAREC has created an effective institutional forum for negotiating complex cross-border projects. A tripartite transit agreement between Russia, Mongolia, and the PRC has thus far proved elusive. The CAREC experience may offer Mongolia and the PRC some insights and approaches to sort out this (and other) vexing issue(s).

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Mongolia: Trade Facilitation and Logistics Development

