International Convention on the Harmonization of Frontier Controls of Goods:
An instrument for border crossing facilitation

Conference on prospects for the development of trans-Asian and Eurasian transit transportation through Central Asia until 2015

Dushanbe, 23-24 October 2007

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United Nations Economic Commission for Europe
Landlocked countries: features

- **Negative economic impacts of geographic factors**
- Many border crossings; challenges related to transit through other countries
- Large distances to major markets
“Economic distance” from markets

- Impossible to change geography
- Possible to shorten the “economic distance”
- “Economic distance” – sum of all time and cost expenditures of moving goods to/from markets
How does one shorten “economic distance”?

- Transport infrastructure
  - Improve and construct new roads, railways, airports
Transport infrastructure: a new silk route?

- A Russian cargo ship crosses 'Arctic bridge' from Murmansk into Churchill, Manitoba, Canada

- 17 October 2007: delivers fertilizer from Estonia – returns with wheat destined for Italy

- The first step in the construction of a new silk road?
How does one shorten “economic distance”?

- Trade/transport facilitation
  - Reduce the “unnecessary” transport and trade impediments/expenditures
  - Make the “necessary” services more efficient
Trade/transport facilitation:

- Are there any “unnecessary” transport and trade impediments/expenditures?

- National competence and international commitments

- Economic perspective: need to analyze relative to others
Procedural requirements for exporting and importing a standardized cargo of goods

- Number of all documents required to export/import goods
- Time necessary to comply with all required to export/import goods
- Cost associated with all the procedures required to export/import goods

**Trade facilitation (proxy):**

<table>
<thead>
<tr>
<th>Country</th>
<th>EXP</th>
<th>ORTS</th>
<th>IMP</th>
<th>ORTS</th>
</tr>
</thead>
<tbody>
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<td>No. docs</td>
<td>Time days</td>
<td>Cost ($)</td>
<td>No. docs</td>
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<td>79</td>
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<td>1,548</td>
<td>10</td>
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<td>9</td>
<td>765</td>
<td>5</td>
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</tbody>
</table>

Note: Turkmenistan not included
Trade/transport facilitation:

- Is it possible to make the “necessary” services more efficient?
Border crossing facilitation (proxy): Customs clearance and technical control, Former Soviet Union, regional averages, 2007

<table>
<thead>
<tr>
<th>Region</th>
<th>EXP</th>
<th>ORTS</th>
<th>IMP</th>
<th>ORTS</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Days</td>
<td>Cost ($)</td>
<td>Days</td>
<td>Cost ($)</td>
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<td>2</td>
<td>68</td>
</tr>
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</table>

Note: Turkmenistan not included
More efficient border crossing:

Why?
- Leads to lower overall costs, greater revenue and compliance, reduced smuggling and corruption, makes exporters more competitive

How?
- High quality infrastructure for transport, logistics, customs
- Reform customs and other border agencies through better inter-agency coordination and cross-border cooperation
The International Convention on the Harmonization of Frontier Controls of Goods
21 October 1982
The “Harmonization Convention”:

- 49 Contracting Parties
- All FSU countries except Moldova, Tajikistan and Turkmenistan
- Accession must be supplemented by effective implementation
Objectives of the Convention:

The “Harmonization Convention” aims at facilitating border crossing of goods by harmonizing and reducing:

- formalities
- number and duration of border controls
The “Harmonization Convention” establishes a framework for:

- Customs controls, medico-sanitary inspections, veterinary inspections, phyto-sanitary inspections, quality controls and controls of compliance with technical standards
This framework calls for:

- National coordination of various domestic services
- International cooperation between the respective border services
The “Harmonization Convention”:

- Implementation does not require large financial outlays, but mainly administrative and organizational measures

- Effective implementation entails significant payoffs

- How large?
What a difference does one day make?

- Recent research: duration of export procedures has a large impact on exports

- A 10 per cent reduction in length of procedures is estimated to increase exports by 4 per cent

- Source: S. Djankov, C. Freund and C. Pham, Trading on Time, available at www.doingbusiness.org
What a difference does one day make?

<table>
<thead>
<tr>
<th>Country</th>
<th>Millions of Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Azerbaijan</td>
<td>13</td>
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<tr>
<td>Armenia</td>
<td>46</td>
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<tr>
<td>Belarus</td>
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<tr>
<td>Kazakhstan</td>
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<td>Tajikistan</td>
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<tr>
<td>Ukraine</td>
<td>495</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>28</td>
</tr>
</tbody>
</table>

Reducing the length of export procedures by one day, could result in additional exports, per year, in millions of dollars:

Summary:

- The “Harmonization Convention”: a useful model for integrating border management procedures within and between countries.
- Relatively low implementation costs – large economic rewards.
- High level political commitment essential for a successful implementation.