“Economic distance” to/from markets

- Objective of transport infrastructure and facilitation

- “Economic distance” – sum of all time and cost expenditures of moving goods to/from markets
More efficient border crossing (BC):

- Why?
- Three-quarters of delays attributable to BC
- Leads to lower overall costs, greater revenue and compliance, reduced smuggling and corruption, makes exporters more competitive
- Cheaper trade, greater GDP
- Uneven outcomes
ROAD ROUTE FROM BISHKEK TO NOVOSIBIRSK

- Cost:
  - Akzhol (KYR): $24; 3.16 hrs
  - Kordai (KAZ): 65.5 hrs
  - Sharbakty (KAZ): 57.5 hrs

- Time:
  - Akzhol (KYR): 25 km
  - Kordai (KAZ): 65.5 hrs
  - Sharbakty (KAZ): 182.10 hours

- Distance:
  - Bishkek: 2575.3 km
  - Novosibirsk: 1565 km

- Total:
  - $2,256.16 (208.10 hrs)
  - $1,691.63 (69.36 hrs)
  - $2,090.66 (124.6 hrs)

- Costs and Times:
  - $1,057.83 for 100 hrs
  - $1,691.63 for 69.36 hrs
  - $2,090.66 for 182.10 hrs
Bottlenecks at border crossings

Source: Project Working Group on Transport and Border Crossing, Special Program for the Economies of Central Asia, SPECA/PWG-TBC(11)/6, 21 February 2006
More efficient border crossing:

- **Trade/transport facilitation**

  - Eliminate 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 procedures required to export/import goods
- Cost associated with all the procedures required to export/import goods

Trade facilitation (proxy):

<table>
<thead>
<tr>
<th>Region</th>
<th>EXP</th>
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<th>IMP</th>
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<td>9</td>
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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>
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<th>EXP</th>
<th>ORTS</th>
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</table>

Note: Turkmenistan not included
More efficient border crossing (BC):

- How?
- Provide high quality infrastructure
- 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”:

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

To facilitate border crossing by harmonizing and reducing:

- number and duration of border controls
- customs controls, medico-sanitary inspections, veterinary inspections, phyto-sanitary inspections, quality controls and controls of compliance with technical standard
The Harmonization Convention 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?

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<th>Value</th>
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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
- New (road) Annex 8 will likely come into force in 2008
- Annex 9 (rail) being negotiated