



Progress Report on Transport and Trade Facilitation Initiatives in the Greater Mekong Subregion

November 2013



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GREATER MEKONG SUBREGION



Executive Summary

Major Achievements in Transport and Trade Facilitation

A. Key Deliverables Achieved

The implementation of transport and trade facilitation (TTF) initiatives is proceeding satisfactorily, and all key deliverables and targets have been successfully achieved. This is expected to yield tangible results in terms of improved transport connectivity as well as increased dialogue and awareness of TTF issues between and among the Greater Mekong Subregion (GMS) countries. Recent major achievements include:

- *Ratification of Cross-Border Transport Facilitation Agreement (CBTA) annexes and protocols by Myanmar.* Myanmar successfully ratified 17 annexes and protocols of the GMS CBTA by August 2013 and made a firm commitment to ratify the remaining three as soon as possible. The Government of Myanmar confirmed its readiness to fully implement the CBTA and actively pursue implementation at priority borders (i.e., Myawaddy – Mae Sot and Ruili – Muse).
- *Streamlining of Single-Stop Inspection (SSI) Procedures.* Single-Stop Inspection procedures by border agencies are expected to be further simplified and clearance time is expected to be substantially reduced. This follows the recent bilateral meetings between Lao PDR and Viet Nam in October 2012 to streamline the SSI process in light of the completion of the Common Control Area (CCA) facilities at the Lao-Bao – Dansavanh border crossing points along the East-West Economic Corridor (EWEC).
- *Exchange of Traffic Rights between Cambodia and Thailand.* Pilot implementation of the exchange of traffic rights between Cambodia and Thailand at the Aranyaprathet – Poipet border crossing points started in June 2012 to enable trucks and buses to operate along the Bangkok – Aranyaprathet – Poipet – Siem Reap and Bangkok – Aranyaprathet – Poipet – Phnom Penh routes, linking two capitals and major tourist destinations along the Southern Economic Corridor (SEC).
- *Exchange of Traffic Rights and Opening of Transport Routes between PRC and Viet Nam.* An agreement was reached on the implementation of the bilateral road transport agreement between the People's Republic of China (PRC) and Viet Nam in August 2012. With the opening of three new routes, trucks and buses from PRC and Viet Nam are able to travel to destinations inside each other's country, thereby boosting trade and tourism between the two countries and the GMS. An operations manual was drafted by Asian Development Bank (ADB) and the final version is in the process of being approved by the two countries following an Experts' Group Meeting between the two countries on 27 March 2013.
- *Exchange of Traffic Rights between Cambodia and Viet Nam.* The transport permit quota for cross-border transport between Cambodia and Viet Nam is now up to 500 (for each country) for goods, vehicles, and passengers at a total of five entry/exit points (including the Bavet – Moc Bai border crossing points). Additional entry/exit points are expected to be opened in the future and there are ongoing discussions to increase the current quota.
- *Agreement on Extension of the East West Economic Corridor (EWEC).* Lao PDR, Thailand, and Viet Nam signed an MOU on the Extension of the Operational Route of the EWEC to include GMS capitals (Bangkok, Hanoi, and Vientiane) and deep-sea ports (Laem Chabang and Haiphong). The countries conducted joint site surveys in early 2012 and had a number of discussions on how to resolve implementation concerns (i.e., conflicting national laws and internal procedures). An operations manual for drivers and transport operators was developed by ADB.

- *Agreement on additional CBTA routes.* The countries agreed in principle to include Routes 8 and 12 in Protocol 1 of the GMS CBTA.
- *Agreement on additional border crossings between Cambodia and Viet Nam.* Agreement was reached on additional border crossings and routes for CBTA implementation between Cambodia and Viet Nam [Prek-Chak – Ha Tien] along the Southern Coastal Economic Corridor.
- *Increase in bus and truck permit quotas between the PRC and Lao PDR.* During an ADB-supported bilateral meeting in Yunnan Province on 7 May 2013, PRC and Lao PDR agreed to increase their permit quotas by 50% for buses (increased to 20,000) and 25% for trucks (increased to 20,000), beginning in 2013.
- *Thailand Cross-Border Transportation Act for Joint Inspections in Foreign Territories signed.* A Thai act on cross-border transport facilitation that legally allows Thai officers and their foreign counterparts to conduct joint inspections both inside and outside Thailand was passed on 28 March 2013 in accordance with the implementation of the SSI scheme under the GMS CBTA.
- *Readiness to sign MOU among Thailand, Lao PDR, and PRC.* The Thai Parliament has approved the draft MOU between Thailand, Lao PDR and PRC to implement the CBTA at the Chiang Khong – Houaxay and Boten – Mohan border crossing points on 11 October 2013.
- *Establishment of the GMS FRETA.* Support was provided for establishing the GMS Freight Transport Association (GMS FRETA) as a legal entity. It is intended to function as a self-sustaining organization representing the private sector in its work to upgrade the standards of the GMS road transport industry. Technical Assistance supported the development of its articles of association and business plan. The GMS FRETA office was established in Vientiane and had its first annual meeting on 31 October 2012.
- *Development of knowledge products on Transport and Trade Facilitation.* Various knowledge products and analytical studies including the: (i) CBTA Negotiations and Drafting History Publication; (ii) Study on Private Sector Views on Road Transport along the North-South Economic Corridor; (iii) Study on Private Sector Views on Road Transport along the Yangon – Mandalay – Kunming route; and (iv) a video highlighting GMS TTF best practices and recent achievements were produced under the TA and disseminated to stakeholders to increase awareness and understanding of TTF issues and challenges. The TTF Knowledge portal/website is being developed and will be launched in November 2013.
- *A Trade Facilitation in the GMS report was published with AusAID support and launched at the GMS 20th Anniversary conference in September 2012.* This publication provided a detailed assessment of the geography of trade flows along with assessments of the transport sector and its links to the trade flows in the GMS and highlighted issues on the compatibility of GMS approaches with the ASEAN Framework in order to ensure the countries' abilities to access bigger markets in ASEAN as well as its various Free Trade Agreements.
- *Three-Year Blueprint for Transport and Trade Facilitation.* A three-year draft blueprint for GMS Transport and Trade Facilitation (Action Plan for GMS Transport and Trade Facilitation [2013-2016]) was prepared during the GMS National Transport Facilitation Committee Meeting in Nay Pyi Taw on September 2013. The final version of the action plan will be endorsed by the 4th [Ministerial-level] Joint Committee Meeting for the GMS CBTA in 22 November 2013.

B. Future/Planned Transport and Trade Facilitation Initiatives in the GMS

The draft Three-Year Blueprint/Action Plan on Transport and Trade Facilitation (2013 – 2016) focuses on the:

- (i) implementation of bilateral/trilateral road transport agreements under the CBTA framework;
- (ii) strengthening of Transport and Trade Facilitation institutional cooperation mechanisms with the private sector;
- (iii) opening of additional routes and border crossing points in the GMS;
- (iv) capacity building and information dissemination for stakeholders;
- (v) facilitation of the issuance of cross-border vehicle insurance; and
- (vi) implementation of customs cooperation facilitation initiatives related to single-stop and single-window inspection mechanisms.

Ongoing/planned Transport and Trade Facilitation activities include:

- Support for the 4th [Ministerial-level] Joint Committee Meeting for the CBTA in Nay Pyi Taw on 21-22 November 2013; Trade Facilitation issues and to disseminate best practices in TTF to stakeholders (e.g., analytical study and operations manuals);
- Dialogue and consultations on the Exchange of Traffic Rights between Myanmar and Thailand and between PRC and Myanmar – the respective governments of PRC, Myanmar, and Thailand have expressed interest in bilateral discussions and requested ADB to share its expertise in facilitating bilateral transport negotiations and provide technical assistance;
- Capacity building support for institutions and agencies (e.g., GMS National Transport Facilitation Committees [NFTCs], border agencies);
- Dialogue and consultations on the proposed extension of the EWEC operational route to include Myanmar;
- Support for the PRC – Lao PDR – Thailand Trilateral MOU on the Exchange of Traffic Rights along the Kunming – Bangkok route;
- Assistance in resolving/troubleshooting operational issues in the implementation of the Exchange of Traffic Rights between and among GMS countries;
- Undertaking of a North-South Economic Corridor Scoping Study in cooperation with National Economic and Social Development Board of Thailand;
- Support for the GMS FRETA including technical assistance to promote its financial sustainability and to improve its capacity as a regional training institution – the GMS FRETA requested ADB technical assistance for developing pragmatic action plans and training modules to upgrade and promote the mutual recognition of industry standards in the GMS;
- Support for customs cooperation facilitation related to Single-Stop and Single-Window inspection mechanisms along the EWEC; and
- Development of additional knowledge products in order to increase the awareness of Transport and Undertake a midterm review and development of a Monitoring and Evaluation Framework for GMS TTF that aims to improve the ability to collect meaningful data, monitor progress, report on what has been achieved in terms of impact, and review the implementation of the GMS TTF Action Plan, as well as ensure that the activities take into account the new developments in the regional and global environments since its approval in 2010.

Introduction and Project Background

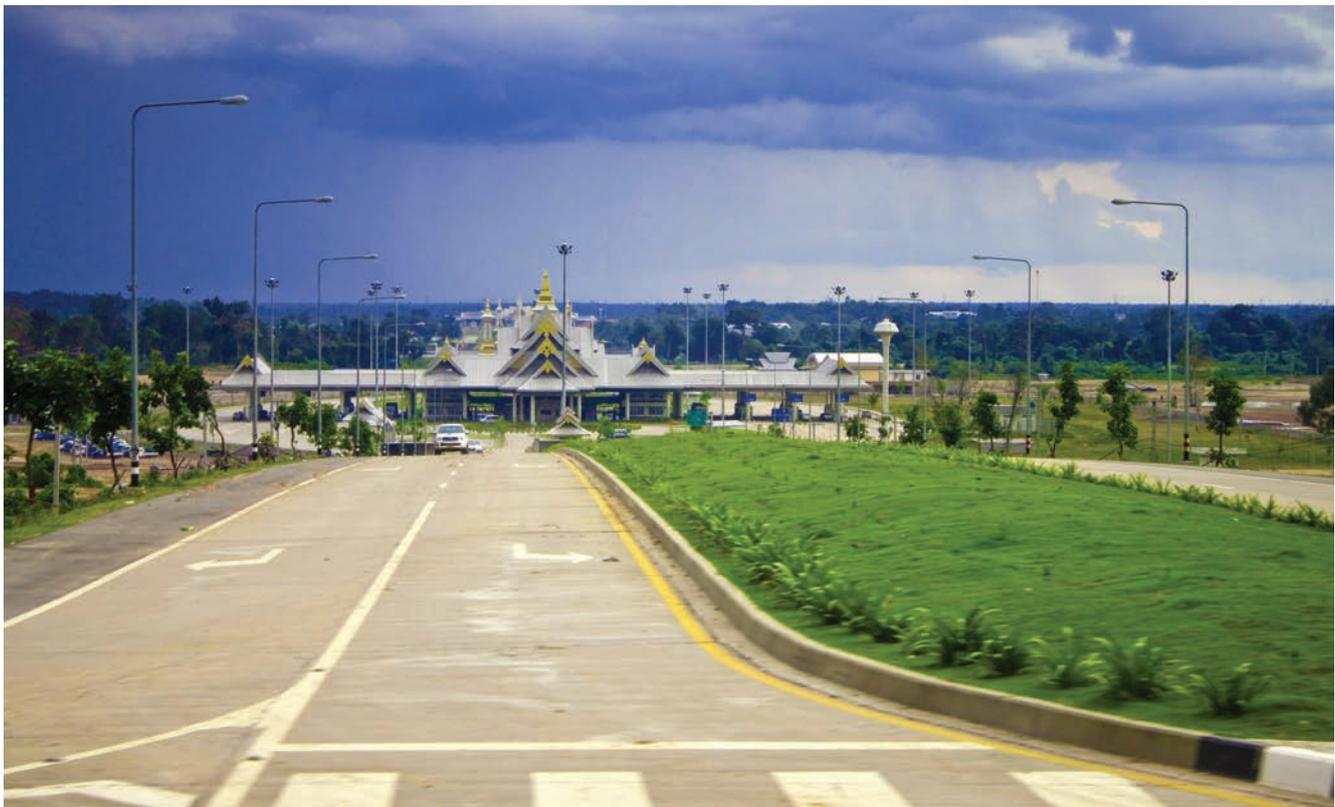
This report provides a status update on the implementation of outputs under Regional Technical Assistance (RETA) 7851: Support for Implementing the Action Plan for Transport and Trade Facilitation in the Greater Mekong Subregion (GMS).

Recognizing that improved transport and trade facilitation is key in increasing the benefits of improved connectivity between and among GMS countries, the countries approved the Action Plan for Transport and Trade Facilitation (TTF) in the GMS during the 16th Ministerial Conference in Hanoi in August 2010. The TTF Action Plan has been funded under the Cluster Regional Policy and Advisory Technical Assistance (C-R-PATA)¹ administered by ADB's Southeast Asia Department through a grant financed by the Government of Australia.

The deliverables of the Cluster Technical Assistance's CTA's Subproject 1² are grouped into three areas:

- (i) *transport facilitation* (exchange of traffic rights, freight transport association);
- (ii) *trade facilitation* (border management systems, sanitary and phytosanitary standards (SPS), trade facilitation institutions); and
- (iii) *capacity building and institutional reform* (capacity building and regulatory framework).

Half of the total TA amount for Subproject 1 (amounting to US\$1 million) was allocated to the ADB Thailand Resident Mission (TRM) to implement its transport facilitation work program, while the remaining half (another US\$1 million) was allocated to the Southeast Asia Regional Cooperation Division (SERC) and the Southeast Asia Transport and Communications Division (SETC).³



1 ADB approved the administration of the C-R-PATA for implementing the Action Plan for Transport and Trade Facilitation in the Greater Mekong Subregion on 26 November 2010 in an aggregate amount equivalent to US\$5,700,000 to be financed by the Government of Australia.

2 RETA 7851: Cluster TA Subproject 1, amounting to US\$2,000,000, was approved on 29 August 2011.

3 A sum of US\$400,000 was allocated to SETC for the work on transport sector and logistics assessment for enhanced trade facilitation. This minor change in the scope of implementation arrangements was officially approved on 22 December 2011.

GMS Cross-Border Transport Facilitation Agreement

The main area of focus of Transport and Trade Facilitation has been on improving the implementation of the GMS CBTA, a pioneering landmark accord that consolidates in a single legal document all of the key nonphysical measures to achieve the efficient cross-border road transport of goods, vehicles, and people; 20 annexes and protocols providing the detailed legal guidance to implement the GMS CBTA were signed by the six GMS countries in March 2007. Four countries have ratified all the annexes and protocols, while Myanmar has ratified 17 and Thailand has ratified 14. In terms of implementation, some GMS countries are more advanced than others.

Ratification of the GMS CBTA Annexes and Protocols

Consultation meetings were held in November 2011 and September 2012 in Nay Pyi Taw to discuss and resolve issues that impede the ratification of the GMS CBTA annexes and protocols. The meetings were productive and Myanmar's ratification process is now on track. To date, Myanmar has successfully completed the ratification of 17 annexes and protocols, including: Annex 5: Cross Border Movement of People in August 2013; 10 annexes and protocols in 2012; and six in 2011.⁴

Myanmar has also actively pursued measures to align its national laws with the CBTA framework and is in the process of ratifying the remaining three annexes and protocols⁵ (which have already been submitted to the President's office) and in the process of amending its multimodal transport laws. Thailand is in the process of ratifying the remaining six annexes (which have already been submitted to Parliament for consideration)⁶ and is in the process of revising its Customs and other related laws.

Follow-up Action:

- Continuation of advisory support to Myanmar and Thailand for ratifying the CBTA annexes and protocols.

Implementation of the Single-Stop Inspection Mechanisms

Another deliverable identified under the project has been support for improving the implementation of the GMS CBTA Single-Stop Inspection (SSI) mechanisms, which allow border control authorities from two countries to jointly conduct one-stop inspections at inbound checkpoints. Pilot implementation of SSI commenced at the *Lao-Bao – Dansavanh border crossing points* in 2005 under a bilateral road transport agreement between Lao PDR and Viet Nam.⁷ Initial implementation of SSI mechanisms resulted in a substantial reduction in border crossing times as Vietnamese trucks needed to be checked only at the Dansavanh border crossing point and Lao trucks needed to be checked only at the Lao-Bao border crossing point. According to the Ministry of Transport of Viet Nam, since initial implementation of Step 1 of SSI at Lao-Bao/Dansavanh, the average clearance time for trucks at the border was reduced from 90 minutes to 29 minutes, providing significant time

4 CBTA Annexes and Protocols Ratified by Myanmar (17): Annexes 4, 6, 8, 12, 14, and 15 were ratified on 4 December 2011; Annexes 1, 2, 7, 9, 10, 11, and 16, and Protocols 1 and 2 were ratified on 31 January 2012; Annex 3 was ratified on 26 April 2012; and Annex 5 was ratified on 8 August 2013.

5 CBTA Annexes and Protocols Not Yet Ratified by Myanmar (3): Annex 13a: Multimodal Carrier Liability Regime, Annex 13b: Criteria for Licensing of Multimodal Transport Operators for Cross-Border Transport Operations, and Protocol 3: Frequency and Capacity of Services and Issuance of Quotas and Permits.

6 CBTA Annexes and Protocols Not Yet Ratified by Thailand (6): Annex 1: Carriage of Dangerous Goods, Annex 4: Facilitation of Frontier Crossing Formalities, Annex 6: Transit and Inland Clearance Customs Regime, Annex 8: Temporary Importation of Motor Vehicles, Annex 10: Conditions of Transport, and Annex 14: Container Customs Regime.

7 The Lao-Bao border checkpoint was built as part of the ADB loan for the East-West Transport Corridor. It is located on National Highway 9, which is part of the Asian Highway and along the EWEC, which links central Viet Nam with central Lao PDR, Thailand, and Myanmar.

and cost savings, improved governance, and increased trade between Lao PDR and Viet Nam. In addition, under the risk management system, only 10% of cargo is physically inspected by Viet Nam Customs.

Bilateral meetings were conducted between the transport ministries of Lao PDR and Viet Nam on 3-4 October 2012 to revisit the SSI process after the completion of the CCA facilities.⁸ These discussions and follow-up meetings on the streamlining of procedures and establishment of coordination mechanisms between the countries are expected to increase efficiency.

As a result of the bilateral meetings, both countries agreed in principle to streamline procedures and move from Step 1 to Step 4 of implementing SSI mechanisms for goods facilitation. While previously results had been limited (since it was only Customs agencies from the countries that were conducting joint inspections), moving to Step 4 will entail full implementation, whereby the two countries' Immigration and Quarantine agencies (as well as Customs) also jointly and simultaneously inspect and process documents in the entry country. This is expected to maximize the benefits of efficient facilitation of border crossing formalities and result in increased time and cost savings as well as enhanced governance. The countries have agreed to establish a coordination mechanism and national focal points have been assigned to coordinate follow-up discussions on implementation details.

Thailand Cross-Border Transportation Act (2013) for Joint Inspections in Foreign Territories

For the implementation of the SSI scheme under the GMS CBTA, the *Thailand Cross-Border Transportation Act for Joint Inspections in Foreign Territories* was passed on 28 March 2013. It legally permits Thai officials (who were previously not allowed) and their foreign counterparts to conduct joint inspections both inside and outside Thailand, thereby enabling the implementation of SSI through joint and simultaneous performance of duties of Thai and foreign officials in a CCA. The Act stipulates that the Transport Minister of Thailand, with the approval of the Cabinet, has the authority to identify suitable CCA locations within the country.

Follow-up Actions:

- Close monitoring of implementation to ensure smooth operations, especially regarding the framework for joint inspection including Immigration and Quarantine agencies.
- Capacity building workshops requested by the countries in cooperation with the National Transport Facilitation Committees (NTFCs), considering the frequent reassignment of border officials.
- Study tour for border and central government officials on the practice of Single-Stop Inspection mechanisms (a visit to the Thailand – Malaysia border [Padang Besar] to inspect a good-practice example).
- Consultations with development partners to explore possible funding assistance and opportunities for collaboration.
- Consideration of applying SSI mechanisms at other GMS border crossing points.

⁸ CCA border facilities (e.g., CIQ offices, physical inspection areas, X-ray machines) at the Dansavanh border crossing point, funded by the Government of Japan, in cooperation with the ADB Thailand Resident Mission, are now ready for use and can support full-scale implementation of joint SSI procedures. Facilities and software for the Automated System for Customs Data (ASYCUDA), funded by World Bank, are also available.

Increasing Awareness of the CBTA and Transport and Trade Facilitation Issues

In spite of the progress that has been achieved, a number of challenges remain, especially in terms of limited capacity and awareness of the CBTA and related TTF measures. For example, since there is limited information in Myanmar on transport and trade facilitation and actual practices in other GMS countries, capacity building and training is needed.

In response, missions have been fielded to provide briefings and more information on transport and trade facilitation issues. During these missions ADB staff have shared their relevant experiences in other GMS countries through Transport and Trade Facilitation knowledge products including:

- (i) the GMS CBTA Negotiations and Drafting History Publication;
- (ii) the Study on Private Sector Views on Road Transport along the North-South Economic Corridor; and
- (iii) the Study on Private Sector Views on Road Transport along the Yangon – Mandalay – Kunming corridor.

A video on transport and trade facilitation (*Knocking Down Borders: Promoting Transport Connectivity in the Mekong*) was also developed under the TA and shown during a recent transport forum in Manila. The long and short versions of the video will be shown to the GMS countries and stakeholders, posted on relevant websites, and circulated to international media organizations.

A Meeting of Senior Officials of the National Transport Facilitation Committee (NTFC SOM) was held in Nay Pyi Taw on 4-5 September 2013 and was attended by senior officials representing Transport, Customs, Immigration, Quarantine, Commerce, the GMS National Coordination Office, and CEOs from Guarantee Organizations (private sector) from each country. During the meeting, the countries:

- (i) discussed and finalized a draft Joint Statement for the six Transport Ministers and a Three-Year Blueprint/ Action Plan for GMS Transport and Trade Facilitation;
- (ii) provided updates on the status of the implementation of Transport and Trade Facilitation initiatives in the GMS, and identified issues and bottlenecks; and
- (iii) conducted a stocktaking of the deliverables under the GMS Transport and Trade Facilitation Action Plan from the 3rd Joint Committee Meeting of the GMS Cross-Border Transport Agreement (3rd JCM) in June 2010 in Vientiane.

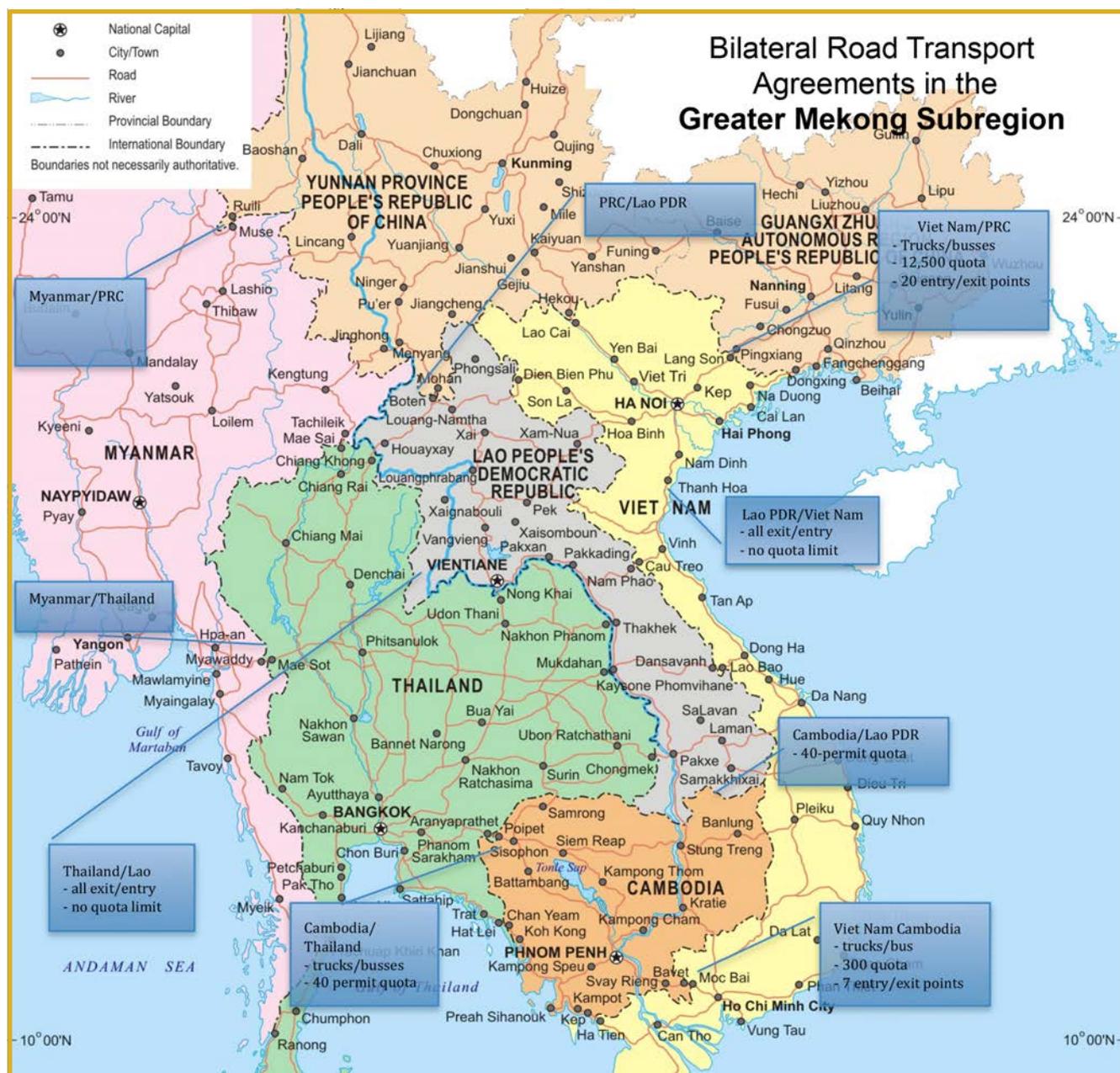
Follow-up Action:

- Support in organizing the 4th [Ministerial-level] Joint Committee Meeting for the CBTA.



Expansion of Routes and Exchange of Traffic Rights at Key GMS Border Crossing Points

Since not all of the countries have ratified all of the CBTA annexes and protocols, and the annexes and protocols in some countries are not yet fully aligned with national laws, bilateral/trilateral transport agreements serve as building blocks for CBTA implementation. Support for bilateral (and trilateral) exchanges of traffic rights and road transport agreements is a practical method using an interim approach during a period in which participating countries are not yet ready to implement the agreement in its entirety. Bilateral agreements provide countries with the flexibility to make provisional adjustments in their policies and provide an avenue for renegotiation in order to resolve operational issues that may emerge during the course of implementation.



Cambodia – Thailand Traffic Rights Exchange

In February 2012, with the Transport Facilitation team's support as mediator/honest broker, Cambodia and Thailand were able to resolve outstanding issues and concerns to put their bilateral MOUs⁹ into practice. With inputs from the TA, implementation arrangements were finalized during a follow-up meeting in May 2012, with Cambodia and Thailand agreeing to commence initial implementation by 14 June 2012. On this date trucks and buses from both countries could operate along the Bangkok – Aranyaprathet – Poipet – Siem Riep and Bangkok – Aranyaprathet – Poipet – Phnom Penh routes linking the two capitals and major tourist destinations. In the initial stage, implementation will involve 40 permits for each country; for Cambodia, 30 permits were allocated for buses and 10 for trucks, while for Thailand 30 permits were allocated for trucks and 10 for buses. These quotas will be gradually increased to meet market demand.

The opening of the route will facilitate access to products and services. This is a significant achievement since the total trade value at Aranyaprathet – Poipet is 40 billion baht (equivalent to about US\$1.3 billion, almost half of Thailand's total border trade value of 80 billion baht), and more than 12,000 people a day pass through these border crossing points. This important milestone for bilateral transport cooperation is expected to be replicated along other GMS economic corridors.

A "scorecard" was developed to monitor and track implementation status and outcomes. Meetings between the transport ministries of Cambodia and Thailand and the private sector were held to resolve operational issues (e.g., third-party motor liability insurance, representative/branch offices, business matching). During these meetings, Thailand requested the expansion of the route and an increase in permit quotas. Cambodia agreed to consider this expansion after assessing the outcome of initial implementation.

Follow-up Actions:

- Resolution of issues concerning third-party motor liability insurance.
- Establishment of branch/representative offices in Cambodia and Thailand.
- Monitoring of operations.
- Training of border officials.
- Follow-up bilateral meetings between Cambodia and Thailand.

Traffic Rights Exchange and New Transport Routes Opened between PRC and Viet Nam

Three transport routes were opened between PRC and Viet Nam on 16 and 22 August 2012, when trucks and buses from the two countries could begin operating along along the Kunming-Hekou-Lao Cai-Hai Phong; Nanning-Youyiguan-Huu Nghi-Hanoi; Shenzhen-Youyiguan-Huu Nghi-Hanoi routes. The key feature of the agreement between PRC and Viet Nam is that trucks and buses¹⁰ can operate from the border areas to inland areas along the agreed routes without transshipment when crossing the border checkpoints. Vietnamese trucks and buses from Hanoi can now travel all the way to Shenzhen, and cross national borders without unloading their cargo. This route is also open for the Yuyi border crossing point linking Hanoi to Shenzhen, a city adjacent to Hong Kong. Several hundred trucks a day cross this border. In 2011 half of the trade between Viet Nam and Guangxi Zhuang Autonomous Region, and one third of that between ASEAN countries and Guangxi, went across this border by road transport.

9 In 2005, with ADB's support and facilitation, Cambodia and Thailand signed an MOU on the Initial Implementation of the CBTA at the Aranyaprathet – Poipet Border. The two countries then signed an MOU on the Exchange of Traffic Rights between Cambodia and Thailand for Cross-Border Transport through the Aranyaprathet – Poipet border in 2008, followed by the signing of an Addendum in 2009.

10 Up to 15,100 permits/country/year are for travel within border provinces and 500 permits/country per year are for travel to inland provincial areas.

Further capacity building is needed. An operations manual has been developed to assist transport operators/drivers along this new route. The manual includes documents on bilateral transport, relevant laws and regulations, sample permits, procedures for applying for permits, taxes and duties, road safety, road signals, and detailed local road maps which indicate gas stations and rest areas.

Follow-up Actions:

- Addressing of issues on cross-border motor insurance.
- Addressing of customs guarantee issues in line with the GMS CBTA.
- Capacity building of transport operators.
- Monitoring of operations.

Exchange of Traffic Rights between Cambodia and Viet Nam

Cross-border transport between Cambodia and Viet Nam is being implemented at Bavet – Moc Bai and other key border crossing points between the two countries.¹¹ Good practices and lessons learned on implementation are being shared with other GMS countries, e.g., the strong cooperation mechanisms between the two governments. Lessons learned from the implementation of Traffic Rights Exchange at this border crossing were applied to the Exchange of Traffic Rights between Cambodia and Thailand at Aranyaprathet – Poipet.

Cambodia and Viet Nam began with a quota of 40 permits for trucks and buses to cross at Bavet – Moc Bai but have gradually increased the quota to accommodate for the increasing market demand. At present, the quota at Bavet – Moc Bai is up to 500 permits (for each country). There are now entry/exit points open between the two countries at:

- (i) Bavet – Moc Bai (opened on 30 September 2006);
- (ii) Trapeang Phlong – Samat (30 September 2009);
- (iii) Phnom Den – Tinh Bien (3 October 2009);
- (iv) Prek-Chark – Ha Tien (5 October 2009); and
- (v) Trapeang Sre – Hoa Lu (29 July 2011).

Another three entry/exit points (Oyadav – Le Thanh, Tranpeang Sre – Bo Nue, and O Raing – Bu Prang) have been designated but are not yet open. Additional entry/exit points are expected to be designated and opened in the future and there are ongoing discussions to increase the current quota. The TA will support future initiatives to increase the quota and replicate the system in other geographic areas.

Cambodia shared its experience in encountering difficulties in establishing a representative office/branch office in Viet Nam. Other operational concerns include: insurance issues, the lack of parking areas, congestion in the CCA, confusion about the documentation required for the vehicles (a certified translation is needed and Customs authorities require different documents), the lack of awareness of border officials on the Agreement/Protocols/MOU, and compliance with the Agreements/Protocol. They have learned that regular meetings and dialogue is necessary to ensure smooth operations.

Agreement on Additional Border Crossings between Cambodia and Viet Nam

An agreement was reached on additional border crossings and routes for the implementation of the CBTA between Cambodia and Viet Nam (Prek-Chak – Ha Tien) along the Southern Coastal Economic Corridor.

¹¹ The legal basis for implementation includes: Protocols and Agreements on Road Transportation, signed in 1998; a Protocol signed in 2005 that stipulated the initial quota of 40 vehicles; an MOU to increase the quota to 150, signed in 2009; and an Addendum to the MOU to increase the quota to 300, signed in 2012.

Follow-up Actions:

- Assistance in resolving issues concerning insurance/representative offices.
- Training of border officials.
- Support for the opening of additional exit and entry points.

Exchange of Traffic Rights between PRC and Lao PDR

During an ADB-supported bilateral meeting in Yunnan Province on 7 May 2013, the Transport Ministries of PRC and Lao PDR agreed to increase their permit quotas by 50% for buses (increased to 20,000) and 25% for trucks (increased to 20,000) beginning in 2013.

Expansion of the Operational Route of the EWEC

The GMS East-West Economic Corridor (EWEC) route serves domestic and interstate trunk transport between Khon Kaen, Mukdahan, Savannakhet, Dansavanh, Lao-Bao, Dong Ha, Hue, and Danang. This has created opportunities for the cost-effective development of connecting rural feeder roads. However, the originally envisaged transit traffic between Thailand and Viet Nam through Lao PDR, which was to serve as the basis for transforming the EWEC into an economic corridor, has remained low.

In order to increase traffic along the EWEC, consultation meetings were organized by ADB and Lao PDR, Thailand, and Viet Nam agreed to extend the scope of the corridor in the context of the Tripartite MOU for the Initial Implementation of the CBTA;¹² the three countries signed an addendum to the MOU to extend the scope of Attachment 1 of Protocol 1 of the CBTA. The EWEC will be extended to related corridors, including routes serving Bangkok, Vientiane, Hanoi, Laem Chabang, and Haiphong. These routes are defined as:

- (i) Laem Chabang – Bangkok – Khon Kaen – Udon Thani – Nong Khai (T) – Thanaleng – Vientiane (LAO); and
- (ii) Laem Chabang – Bangkok – Khon Kaen – Kalasin – Mukdahan (T) – Savannakhet – Dansavanh (LAO) – Lao-Bao – Cam Lo – Khe Giat – Thanh Khe – Xuan Mai – Hoa Lac – Hanoi – Haiphong (VN).¹³

The concerned agencies are currently in the process of actively pursuing necessary follow-up actions for the implementation of the route extension. Site surveys have been conducted and there have been further discussions on the measures needed to implement the newly signed MOU.

There are indications that the countries could possibly pursue an EWEC route extension to Myanmar after the necessary road infrastructure along the sections of the EWEC in Myanmar are in place. In the meantime, Myanmar can participate in dialogues with Lao PDR, Thailand, and Viet Nam regarding the initiatives to further improve connectivity along the EWEC.

Follow-up Actions:

- Involvement of Myanmar in dialogues with Lao PDR, Thailand, and Viet Nam for improving connectivity along the EWEC.
- Organization of a Tripartite Experts' Group Meeting on the Expansion of the EWEC.
- Dissemination of the operations manual.

¹² MOU Between and Among the Governments of Lao PDR, Thailand, and Viet Nam on the Initial Implementation of the GMS CBTA (IICBTA) at Lao-Bao, Viet Nam and Dansavanh, Lao PDR, Savannakhet, Lao PDR, and Mukdahan, Thailand.

¹³ Facilitation of the transit transport in Bangkok and Laem Chabang ports is to be implemented upon Thailand's ratification of Annexes 6, 8, and 14 of the GMS CBTA.

Exchange of Traffic Rights between Myanmar – Thailand and PRC – Myanmar

Consultation meetings were conducted to obtain first-hand information on Myanmar's position on its transport and trade facilitation priorities. During the meetings, two routes were identified as priorities for Myanmar, and ADB was requested to support and facilitate associated bilateral meetings with PRC and Thailand. To/from PRC the priority is the Lashio – Muse – Ruli – Kunming route, while to/from Thailand the priority is the Mawlamyine – Myawaddy – Mae Sot route. Insights from the meetings with Myanmar as well as from consultations with PRC and Thai Ministries of Transport will inform the upcoming bilateral meetings in the next phase of project implementation in 2014.

Follow-up Actions:

- Support for organizing bilateral meetings between Myanmar and Thailand.
- Support for organizing bilateral meetings between PRC and Myanmar.
- Additional information dissemination and capacity building.
- Analytical studies on how Myanmar can benefit from improved transport connectivity.



Support for the GMS FRETA

One of the components of the TA has been support for strengthening the GMS Freight Transport Association (GMS FRETA). The project provided technical assistance for establishing the legal basis for the GMS FRETA, which aims to be a self-sustaining organization representing the private sector in promoting transport and trade facilitation initiatives. Specific TA support for the GMS FRETA has included consultant support for developing its articles of association and business plan (including translation to local languages), assistance in organizing kickoff meetings in the six GMS countries, as well as consultant inputs for carrying out analytical studies initiated by the private sector. The GMS Business Forum has allocated half of its budget for GMS FRETA and has continued to allocate half of its budget during its initial operations.

Establishment of the GMS FRETA

The GMS FRETA was registered as a legal entity and its main office was established in Vientiane. Its first annual meeting was held on 29 October 2012, with about 60 representatives from transport associations, national and multinational freight forwarder companies and national chambers of commerce, academic institutions, and relevant Lao PDR government officials participating in the election of board members. The GMS FRETA is expected to function as a self-regulatory body and cooperate with the relevant national authorities utilizing the GMS CBTA framework as a strategic target to clarify future directions for the industry. It will also support decisions made under the GMS CBTA (i.e., Annex 9: Criteria for Licensing Transport Operators for Cross-Border Operations).

GMS FRETA's training and advocacy role is considered very important – it will aim to:

- (i) provide training for companies, managers, drivers, and staff so that they can reach industry standards; and
- (ii) inspect and certify vehicles and procedures.

The priority outputs identified for upgrading GMS FRETA operations include:

- Membership expansion and communication – establishment of a GMS FRETA website/information portal, development of brochures and information materials, and outreach activities to attract new members.
- Improvement of its capacity to serve as a regional training institution – through the identification of training needs, potential training providers, design of curricula, and regional training activities.
- Mutual recognition of standards/upgrading of the transport industry in the GMS – development of a compendium/comparison of truck driver regulations, identification of national laws, and the sharing of recommendations and analytical work through various fora such as the GMS Business Forum.
- Development of a feasible business model for the financing of fleet upgrades in Cambodia, Lao PDR, Myanmar, and Viet Nam (CLMV) – developing the business model, increasing sponsorship, and identifying funding sources.

Support for Analytical Work undertaken by the GMS FRETA

A GMS FRETA study on Private Sector Views on Road Transport along the NSEC was financed under the TA and presented during the 4th GMS Economic Corridors Forum in Mandalay on June 2012. The research provided policymakers with private sector views on road transport as well as the challenges for the private sector in conducting business and trade along the NSEC. Desk research was conducted, as well as interviews with the private sector, government agencies, and development partners in order to examine the private sector's views on the corridor's performance, service providers, and infrastructure. Priority interventions identified in the study included:

- (i) promotion of increased competition among lift-off/lift-on (Lo/Lo) service providers;
- (ii) container swap agreements to support transshipment operations;
- (iii) construction of a Fourth Friendship Bridge to reduce border crossing times;
- (iv) construction and upgrading border facilities (e.g., cool chain warehouses);
- (v) enhancement of road traffic safety; and
- (vi) promotion of the free movement of trucks in the GMS over the long term.

Provision of access to information for the private sector (e.g., a website for information exchange, information on existing agreements) is also important.

Another study by the GMS FRETA on Private Sector Views on Road Transport along the Yangon – Mandalay – Kunming route with the same research methodology was financed under the TA. The study provided the views of the private sector on current road transport challenges, voiced concerns and opportunities from the private sector perspective, and identified priority activities for both the private and public sectors to further develop the Yangon – Mandalay – Kunming trade route into an economic corridor.

Follow-up Actions:

- Follow-up studies on Private Sector Views on Road Transport for the Eastern Part of the NSEC and Road Transport along the EWEC.
- Development of action plans and analytical work.
- Joint initiatives with the GMS Environment Operations Center on developing a financing model for fleet upgrading for SMEs.



Analytical Work on Trade Facilitation in the GMS

Analysis on Trade and Trade Facilitation in the GMS was published with AusAID support and launched at the 20th Anniversary conference for GMS, held at ADB headquarters in September 2012. The publication provided a detailed assessment of the geography of trade flows along with assessments of the transport sector and its links to the trade flows in the GMS. This served as one of the main references in the development of the GMS Regional Investment Framework (RIF) to implement the new GMS Economic Cooperation Program Strategic Framework to guide the GMS program over the next decade. The analysis was useful in highlighting issues on the compatibility of the GMS approach with other regional commitments of the GMS member countries, with a view to ensuring GMS' ability to access bigger markets in ASEAN, as well as its various Free Trade Agreements.

Challenges and Constraints to Transport and Trade Facilitation

Increased acceptance and participation by governments and private sector businesses will help move the Transport and Trade Facilitation process forward, knock down more borders, and create a prosperous, integrated, and equitable Greater Mekong Subregion. Challenges that need to be resolved include:

- Full ratification of the CBTA Annexes and Protocols and its mainstreaming into national laws is needed.
- A higher level of coordination among concerned ministries/agencies is needed.
- Customs authorities' involvement in the implementation of the CBTA needs to be strengthened.
- Capacity building, especially for border officials, and information dissemination is needed.
- Close cooperation between the government and private sector is needed.
- A mechanism to monitor, measure and benchmark the status of cross-border transport initiatives is needed.
- The establishment of associated infrastructure and ICT is needed.
- Resolving operations issues and constraints in instituting a customs transit system (i.e. guarantee system, automation of systems and forms, vehicle insurance) is needed.
- Increasing traffic volumes along economic corridors is needed.



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