

Regional Economic Cooperation and Integration in Asia

INPUTS AND MATERIALS



Expert Hearing

Cross-border Cooperation and Trade Facilitation in Asia



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On behalf of the

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List of Abbreviations

ADB	Asian Development Bank
AEBR	Association of European Border Regions
AFTA	ASEAN Free Trade Area
AMRO	ASEAN+3 Macroeconomic Research Office
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ASEAN CEPT	ASEAN-Common Effective Preferential Tariff
CIEM	Central Institute for Economic Management
EAS	East Asian Summit
EU	European Union
FTA	Free trade agreement
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
GMS	Greater Mekong Subregion
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
GTI	Greater Tumen Initiative
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
ISEAS	Institute of Southeast Asian Studies
Lao PDR	The Lao People's Democratic Republic
MCCI	Mongolian Chamber of Commerce and Industry
MFN	Most-favoured nation logic
MFTU	Mongolian Federation of Trade Unions
NAFTA	North American Free Trade Agreement
NGO	Non-governmental organization
OECD	Organisation for Economic Co-operation and Development
PPP	Public–private partnership
PS	Private sector
PTA	Preferential trade agreement
RCI	Regional Economic Cooperation and Integration
RoO	Rules of origin
SAARC	South Asian Association for Regional Cooperation
SME	Small and medium-sized enterprise
SWP	German Institute for International and Security Affairs
TBT	Technical barriers to trade
TF	Trade facilitation
TPP	Trans-Pacific Partnership
UBS	Union Bank of Switzerland
UN	United Nations
UNDP	United Nations Development Programme
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNIDO	United Nations Industrial Development Organization
US	United States of America
WTO	World Trade Organization

Conference Agenda

14.11.2012

19:30 **Welcome Dinner by the Pool**

Swissôtel Nai Lert Park

15.11.2012

8:30 – 9:00 **Registration**

9:00 – 9:30 **Opening**

Welcoming Remarks

David Oberhuber

(Country Director, GIZ, Thailand and Malaysia)

Objectives and Background

Jürgen Steiger

(Programme Director, Regional Economic Cooperation and Integration in Asia, GIZ, China)

9:30 – 10:00 **Introduction to the Expert Hearing**

Jost Wagner

(Facilitator)

10:00 – 10:50 **Key Note Lectures**

What Makes an Economic Integration? – Experiences to Draw from the European Union

Jørgen Ørstrøm Møller

(Senior Research Fellow, ISEAS, Singapore)

Cross-border Cooperation on Regional/Local Level – A Key for Continental Integration

Jens Gabbe

(Former Secretary General, AEBR, Germany)

10:50 – 11:20 **Coffee & Tea Break**

- 11:20 – 12:30 **Free Trade in Asia – Hope or Hoax?**
A Talk Show
Moderator: Peter L. Fedon
Participants:
Heribert Dieter
(Senior Research Fellow, SWP, Germany)
Sangwon Lim
(Economic Affairs Officer, UNESCAP, Thailand)
Zhu Shu
(Senior Programme Officer, GTI, China)
Souvannavong Oudet
(Secretary General, Greater Mekong Sub-region Business Forum, Lao PDR)
Armin Hofmann
(Programme Director, GIZ, Lao PDR)
- 12:30 – 13:30 **Networking Lunch**
- 13:30 – 15:15 **Emerging Issues in the Sector**
1. Single Window / One Stop Shop
2. Regional Agreements and National Commitments – Implementation Gap
3. Free Trade Agreements in Asia
- 15:15 – 15:45 **Coffee & Tea Break**
- 15:45 – 16:30 **Workshops**
1. Cross-Border Industrial Business Parks
2. Dealing with Administrative Barriers to Trade
3. National Quality Infrastructure – Risk Management or Domestically Created
Technical Barriers to Trade
4. Consulting and Involving the Private Sector
- 16:30 – 17:15 **Reflection on the Day**
- 19:00 **Dinner (Optional)**

9:00 – 9:30	Recap of the First Day
9:30 – 10:45	Mechanisms of Cooperation – A Morning at the Cross-Border Café
10:45 – 11:15	Coffee & Tea Break
11:15 – 11:40	Findings from the Cross-Border Café
11:40 – 12:15	Input Regional Economic Cooperation and Integration – Trade Facilitation Experiences and Best Practices from Different World Regions Hartmut Janus <i>(Senior Economic Advisor, GIZ, Germany)</i>
12:15 – 13:30	Networking Lunch
13:30 – 14:15	Moving Forward Together <i>Sub-regional Break-Out Groups</i>
14:15 – 15:00	Wrap-up: Feedback and Closing Remarks Wrap-up and Feedback: Jost Wagner Closing Remarks: Jürgen Steiger
15:00	End of Expert Hearing & Coffee Break

Preface by Professor Dr. Rolf J. Langhammer

Lessons from Deepened Integration in Asia

Relative to Europe and the Western hemisphere in North and Latin America, Asia has been a latecomer in regional integration. When it started with ASEAN as the most well-known scheme until today, it refrained from applying the European template of a clear institutionalised “milestone” approach of four consecutive stages in regional integration (free trade area, customs union, common market, economic and monetary union).

Instead, all Asian schemes have been labelled by one of the most prominent international economists, Jagdish Bhagwati, as “noodle bowl approach” because of overlapping membership and very loose institutional structures. Acronyms for integration efforts like TPP, ASEAN CEPT, EAS, APEC, SAARC, open regionalism etc. so far share one principle: flexibility in terms of avoiding binding commitments which would have been rated by markets as non-credible. Instead, for long time, the majority of Asian countries have combined market driven regionalisation based on multilateral liberalisation and most-favoured nation treatment with an increasing consciousness among Asian ministerial technocrats for the need to cooperate in many cross-border relevant challenges. In following this approach, intra-Asian trade benefited from a number of factors:

- complementarity of production structures between commodity-exporting and manufactures-exporting economies creating “natural partnership” conditions,
- large differences in factor endowment between labour-abundant and capital-abundant economies,
- the relative openness of the economies to foreign direct investment from neighboring countries (still less in South Asia, more in Northeast Asia, but now increasing also in South Asia),
- sophisticated cross-border supply chains (“Asia Factory”) fuelling trade in intermediates, and
- most recently, from the slow but visible emergence of the Chinese currency as a regional invoice currency supported by bilateral swap arrangements lowering transaction costs.

These factors have stimulated intra-Asian trade and capital flows without incurring overly high costs of red tape caused by sophisticated regulations for preferential trade. In the ASEAN case, it has been shown that many trading companies shied away from applying for preferential treatment because of the mismatch between red tape and tariff savings thus creating a large gap between preference-eligible trade and preference-receiving trade.

This flexible approach has avoided the disadvantages of losing credibility, of time-inconsistent milestones and of over-ambitious target setting. In particular, it circumvents the core problem of Asian regional integration – that is the disclosure of the obvious unwillingness of national governments to follow the European understanding of “deep” integration and surrender sovereignty to a supra-national institution. Given the extreme heterogeneity of political and economic structures in the various countries plus the still unsettled remnants of war-time and territorial claims, a supra-national authority responsible for “common” policies is simply out of reach for the time being, even at the sub-regional level in South Asia, South-east Asia and Northeast Asia, not to speak of a wider geographic spread including Oceania (Australia, New Zealand).

But there are workable Asian type substitutes for “deeper” integration which are less engraved in detailed written agreements but more embedded in practical doing in terms of sub-regional cooperation. In this respect, it is important to draw a distinction line between regional integration, that is the stage-driven removal of intra-regional barriers to trade, to capital flows and labour migration, and regional cooperation, that is agreeing on concrete projects in easing infrastructure bottlenecks (for example, the Greater Sub-Mekong Project, or the ASEAN Connectivity Project), trade facilitation, and common management of cross-border mobile resources (for instance, river water management). Regional cooperation also comprises endeavours to speak to non-Asian counterparts increasingly with a more concerted voice than in the past. The latter “external” aspect of regional cooperation has, for instance, materialised in efforts of China to convince India at the Copenhagen Summit on the follow up of the expiring Kyoto Protocol to close ranks by proposing genuine targets to fight global warming. Instead of reducing greenhouse gas emissions on a percentage level, the reduction of energy intensity in economic growth was suggested as such a target.

Such experience from more than forty years experience of regional integration lends support to a number of lessons which are visibly distinct from the European experience:

- It has proven useful to concentrate more on regional cooperation than on regional integration. Cooperation projects are more transparent and predictable with respect to the time span needed for implementation, cost sharing and output than the simple removal of barriers to trade and capital flows the results of which are often invisible and subject to a number of uncontrollable factors. Regional integration always includes an element of discrimination to the detriment of non-beneficiaries which may create welfare losses, tensions, and retaliation. Integration should preferably be left to multilateral agreements and if confined to regional or bilateral agreements should concentrate on “early harvest” outcomes such as trade facilitation and free movement of persons, capital, and companies.

The private sector should always be given a fair role in such cooperation and integration projects. This is most helpful for the outcome as the Asian private sector is an important stakeholder in policy-making and by its nature is interested in exploiting the huge opportunities of cross-border economic interactions between Asian countries. Private sector participation can be ensured by establishing and supporting cross-border business councils, eventually with a specific target to strengthen the role of SMEs which up to now play a minor role in intra-Asian trade.

Cooperation and integration projects should try to avoid the politically sensitive issue of equitable distribution of costs and benefits. Instead, it would be useful if multi-lateral organisations from inside and outside the region would help the poorer country to shoulder their part of project costs unless a larger country in the region would be prepared to act as a “benevolent hegemon”.

Cooperation and integration projects should in future focus more on the sustainability issue defined as the protection of the physical, natural and human capital stock of Asian countries. This is seen necessary due to the risk Asia is facing in terms of becoming exposed to “tipping point” scenarios in the environment, the demographics, and the institutions.

Today, information is an important and genuine production factor. The extent of information on “best practice” tools of policy-making distributed between Asian economies is as porous as is the use of “early warning” signals disseminated to neighbouring countries if economic, social and political conditions deteriorate. To develop such dissemination networks would be extremely useful to avoid or at least minimise policy shocks and imprudent ad hoc reactions. A regional information device should be based on a comprehensive and consumer-friendly database and data processing.

Regional cooperation and integration in Asia should concentrate on a step-by-step piecemeal approach allowing for reversibility and deceleration periods if necessary. “Grand design” approaches are simply not compatible with the political reality.

To sum up, Asian regional integration so far has been “shallow” if measured by the European institutionalised “stages” approach. But it is certainly “deep”, if the actual extent of intra-regional trade is taken into account, and given the low use of preferences, the degree of discrimination (so-called trade diversion) against non-member countries has been relatively small. Yet, there are critical sectors such as the automobile industry in which trade preferences, for instance, between Japan and ASEAN countries, can have negative effects on the

viability of ASEAN-located assembly plants of competitors to Japanese car producers. These sectors receive special attention in FTAs in terms of defining transition periods until preferences become fully effective.

Overall, however, I see more prospects for cross-border interactions in implementing concrete cooperation projects than in pinpointing integration milestones. The scope for regional cooperation is wide and encompasses measures of trade facilitation, infrastructure projects and common rules on managing cross-border mobile natural resources. Cooperation allows low-income countries in the region to act at level playing field given their geostrategic weight or their abundance in natural resources. Furthermore, cooperation can make use of “variable geometry” or movement at different speeds which has always been a problem in regional integration. Finally, successful cooperation may also be a stepping stone towards regional integration, as it helps to build up mutual trust and other social capital which is indispensable for the milestone approach in regional integration.

About the author:

Professor Rolf J. Langhammer was Deputy of the President and Vice-President of the Kiel Institute for the World Economy. From July 1995 to November 2005 he headed the Research Department "Development Economics and Global Integration" at the Kiel Institute for the World Economy. In addition, he is honorary professor in international economic relations and development economics at the Faculty of Economics, Business Administration and Social Sciences, Kiel University since November 1995. Professor Langhammer has served as consultant to a number of international institutions (EU, World Bank, OECD, UNIDO, ADB), as well as to the German Federal Ministries of Economics and Technology and Economic Cooperation and Development. He is a member of the Scientific Advisory Council of the Federal Ministry of Economic Cooperation and Development. His research issues cover international trade patterns, trade policies, integration and international capital flows. He has widely published in professional journals and contributed to many volumes of conference proceedings.

1. Executive Summary



From 15 to 16 November 2012, the GIZ programme “Regional Economic Cooperation and Integration (RCI) in Asia” convened an international expert hearing on “Cross-border Cooperation and Trade Facilitation in Asia” in Bangkok, Thailand. The following pages summarise the purpose, themes and results of this event. Detailed information including the content of lectures and discussions can be retrieved from the respective summaries.

Background

Regional economic cooperation and integration play an increasingly important role in Asia’s economic landscape. They help countries to overcome the limitations of domestic markets and foster inclusive development, both by boosting economic growth and by providing resources for pro-poor policies.

Within the region many good practices of regional cooperation and integration are created. The promotion of peer-to-peer learning and exchange of positive and negative experiences among regional initiatives enables the communitisation of existing knowhow, contributing to pilot replication of lessons learnt.

The purpose of the expert hearing organised by the RCI-Programme was to bring together representatives from member countries of the sub-regional initiatives Pan-Beibu Gulf Economic Cooperation (PBG), Central Asia Regional Economic Cooperation (CAREC), Greater Tumen Initiative (GTI), and Greater Mekong Sub-region Economic Cooperation (GMS) and

to provide an initial platform for mutual learning and transfer of professional experience. The intermediate goal was to establish a sustainable network for further cooperation and communication between the sub-regional initiatives.

The expert hearing opened with two keynote lectures on European integration experiences from an academic viewpoint on the one hand and from the practitioner's perspective on the other. Professor Jørgen Ørstrøm Møller (ISEAS) focused on 10 principles that underlie economic integration. He emphasized that economic integration necessarily needs to be a positive sum game for all parties involved and that it is crucial to maintain a balance between smaller and more powerful member states. Jens Gabbe (AEBR) summarised experiences of the Association of European Border Regions with cross-border cooperation projects in the EU and neighbouring countries. In his view most effective cooperation takes place on the local level with well-established decision-making structures.

The keynote lectures were followed by a “talk show” style panel discussion. Here academics, practitioners, and representatives of international cooperation organisations explored whether and how free trade in Asia could be achieved. The open format offered space for audience interaction which enriched the debate. Panellists advocated multilateral agreements to form the basis of trade liberalisation efforts. Given the incremental nature of the integration process in Asia, it was recommended to prioritise. Recommended first steps would be to pursue small-scale agendas, such as the harmonisation of rules of origin in existing agreements, eventually leading to deeper regional integration.

In the afternoon of the first day, participants gathered in three parallel discussion forums on emerging issues in the sector (Single Window / One Stop Shop; Regional Agreements and National Commitments – Implementation Gap; Free Trade Agreements and Customs Unions in Asia). With each thematic focus an expert guided the debate and provided valuable stimuli to the deliberations. Intermediate conclusions in working group I were, that good technical systems might not be solely sufficient to guarantee a successful implementation of Single Window systems and thus further capacity building and knowledge exchange is required in this regard. Working group II highlighted the importance of actively involving all stakeholders in implementation processes, whereas working group III amongst others resumed, that dispute settlement should be confined to WTO mechanisms.

The subsequent small-scale workshops enabled the connection of as well as free flow in-depth discussions among professionals sharing common interest in specific topics. Beyond identifying sector-specific obstacles, participants took stock of how current knowledge available on the national as well as regional level and discussed how it can inform innovative and more effective policies and measures. For example representatives from Cambodia, as well

as Kyrgyzstan and the Lao PDR shared their experiences with establishing councils to advance dialogue among public and private sector bodies. The Lao PDR contributed its best practice in extending this mechanism to the provincial level.

On the second day participants spent the morning at the “cross-border café” collecting good practices from each initiative and developing concrete recommendations for international cooperation organisations in a round-table discussion setting. Participants proposed that international cooperation organisations should not limit their support to compiling studies, but complement theoretical frameworks through practice-oriented support for the implementation of appropriate policies on a multi- and bilateral level.

Following the collection of good practices generated by the sub-regional initiatives, Dr. Hartmut Janus (GIZ) presented case studies of regional economic integration supported by GIZ from different world regions. He pointed out, that the genuine characteristic of GIZ's approach is the vibrant network among its projects worldwide, providing access to a vast source of knowledge.

At the end of the second day, participants grouped by sub-regional initiatives reflected on insights derived from the expert hearing and related them to their operational realities. They resumed that the exchange of positive and negative experiences plays a key role in improving regional integration processes. Areas for mutual learning in the future could encompass private sector involvement, single window implementation, as well as questions pertaining to institutionalisation.

Conclusion

The expert hearing successfully assembled representatives from member countries of four different sub-regional initiatives in Asia. For the first time they sat down together to discuss their approaches to cross-border cooperation and trade facilitation. Not only did the expert hearing lead to a vivid exchange of existing knowledge, it also laid the foundation for a future network for peer learning expanding from Mongolia over Kazakhstan to Viet Nam and Cambodia.

2. Keynote lecture by Professor Jørgen Ørstrøm Møller

Challenges and Opportunities for the European Integration against the Background of the Ongoing Crisis



The achievements of the European Union – first economic then political integration – speak for themselves. The EU has ensured peace, stability, and prosperity in Europe over more than sixty years. When the Soviet Empire broke down in 1990-91, it opened the doors for the Central- and Eastern European countries. From the customs union, common

external trade policy, and common agricultural policy to the single market, the single currency, a common foreign and security policy and immigration plus internal security. Measured by history these are colossal achievements.

When the global financial crisis started in 2007-2008 the EU was caught in the storm and as we see now the single currency, the Euro, which was established only in 2002 but already a major global currency had to fight for its survival. Did the single currency come too fast, were the difficulties neglected, and did policy makers jump into the unknown? These are relevant questions for an observer looking at the European integration especially from Asia where many people rightly admire the EU for having stabilised Europe after centuries of turmoil, war, and destruction. The French and the Germans spent the first half of the 20th century killing each other and the second half first with reconciliation then integration. By any standard a remarkable performance. Do we risk a breakup of the Eurozone with dire consequences not only for the single currency, but for the whole European integration?

What we face is a global debt crisis rather than a Eurocrisis. All major industrial countries borrowed in times of high growth, they should have saved. Now the debt trap snaps. Economic theory prescribes public stimulus to revitalise the economy, but that is impossible for the simple reason that doing so will push the debt through the roof.

The Eurozone is doing better than the US, Britain, and Japan. Measured in percent of GDP public debt in the Eurozone is about 87% compared to 100% for the US, about 85% for Britain and 230% for Japan. Over the last five years the Eurozone has reduced deficits on public budgets from 6.2% in 2009 to 6% in 2010, to 4.2% in 2011 with a forecast of 3.5% for 2012 and 3.2% for 2013. The figures for the three other countries are: US 7.6%, Britain 8.4%, and Japan 9.1%. The US and Britain are running deficits on the balance of payments – 3.2%

respectively 2.1% – Japan has a surplus of 1.2%. The Eurozone can look forward to a surplus of 0.4%.

What we have is an economic crisis for Greece, Ireland, Portugal, Spain, and Italy. Some of them lived beyond their means; spend more than they earned. They borrowed to bridge the gap. Others saw an unsustainable property boom fuelled by the borrowing providing liquidity to invest. Except Ireland competitiveness was eroded by domestic regulations and rules, but there was no need to restructure the economies as long as global capital markets were more than willing to lend and at low interest rates. Strictly speaking neither of these calamities has anything to do with the Euro.

Some observers say that membership of the Euro prevent depreciation of currencies as a way out. Yes, but that will only serve to escape restructuring, preserving a non-competitive economy not solving any of their fundamental problems.

Not being a nation means, that some of the instruments for ironing out problems available to for example the US and used when cities or even states were on the brink of bankruptcy, are not at the disposal for the EU. This is due to the political situation when the Euro treaty was drafted. Most member states did not want to go the whole way and introduce policy instruments analogous to those a nation-state possesses. Therefore the single currency was launched knowing that the design was not perfect, but expecting and hoping that the subsequent problems would be tackled along the way. It is indeed a paradox that the main reason for the crisis inside the Eurozone is genuflection to the Euro sceptics who now come out saying that the whole thing was doomed from the beginning. Had the negotiators not tried to accommodate the sceptics, the treaties would have encompassed many of the measures needed to smooth out the difficulties.

The single currency was launched for two reasons. The first one being that the preceding 20-30 years had shown the impotence of currency rate adjustment, which did not correct imbalances, but instead lead to inflation and in many cases lower growth. In open economies the spin off onto higher wages and prices eat up the competitive advantage pushing the depreciating country back to square one, only making it poorer having to work more to purchase foreign products through higher import prices. The second one was political. The European Union has progressed since 1950 step by step and a single currency is one more step towards what the Treaty of Rome calls 'an ever closer union among the peoples of Europe'. Many people fear that this will lead to some kind of super state or super bureaucracy. It has not, even if myths are floating around about the 'enormous' number of bureaucrats and 'big' budgets. The total EU budget is 1.1 % of EUs total GDP. The European institutions employ 50.000 people (1/3 because of 23 official languages) compared to 82.000

employed by Britain's HM Revenue and Customs. Often people forget that one EU law replaces 27 national laws – simplification if you take a closer look at it.

17 countries have joined the Euro. 27 are member of the EU with Croatia joining 2013 and on-going accession negotiations with Iceland, Serbia, and Turkey. These countries all find they are better off inside than outside. Otherwise they would not be there.

A single currency strengthens the economy not only of the Eurozone, but also for individual members. Trade is higher between neighbouring countries and with conditions similar to a single currency. Add to this economic globalisation with individual European countries too small and too weak to fend for themselves against the US, China, India, and Japan. However, in global economics and global negotiations size matters. A country can only expect concessions for its trade and investment if able to offer something in return and what the 17 members of the Euro can offer is better than what individual European countries can put on the plate.

Neither the EU nor the Euro would be there unless they offered advantages for the member states. The debate often focuses upon the problems/disadvantages of which there obviously are a good deal, but the advantages clearly outnumber the disadvantages. This is why the Euro will not break up. It provides a basis for a stronger economy among the European countries. The alternative is to fight each other with trade restrictions and currency depreciations. It was tried in the 1930s and led to the great depression and ultimately war. Thankfully this belongs to history – no need to revive it!

One thing is for sure: If there was a better way, the Euro would not be there. Not only the Euro, but the EU fulfils criteria number one that they are there because the member states want them to be there to solve problems, member states could not solve alone or solve them better than if member states tried on their own.

The key is pooling of sovereignty. In many presentations particularly by sceptical politicians, but even in academic writings, it is labelled abandoning or surrendering sovereignty, but this is wrong. Member states pool or transfer sovereignty to exercise it in common with adjacent nation-states pursuing analogous political goals. This gives the EU and each individual member state increased leverage with regard to domestic policies.

In today's globalised world no nation-state can apply domestic rules if they violate international commitments, treaties, or rules. The road to success on the domestic scene is to make sure that international rules are sufficiently wide ranging and extensive not to stand in the way of domestic political goals and priorities. To translate this analysis into politics, an offensive policy where nation-states take part in formulation and drafting of international rules is called for. Formerly nation-states defended sovereignty by restrictions vis-à-vis the outside

world. Now it is done taking part in international cooperation shaping rules in conformity with own priorities. This is a fundamental shift in approach. The best way of doing so is to do it in common with other nation-states.

If it had not been for the Euro, the European nation-states would have been thrown into a currency war as we saw in the 1970s and 1980s with the Deutsche Mark being appreciated and the other currencies depreciated. This would have strained not only currency rate cooperation beyond its limits, but also opened the door for protectionism and state aids undermining the single market. Weak countries would have been left to fend for themselves with disastrous consequences in form of depression and social upheaval. From an area of stability, Europe would have turned into a disaster zone not only with regard to its own policies, but also eroding the basis for global policies. There is much talk of how bad the situation is for the Eurozone, but history may provide a useful yard stick. During the great depression in the 1930s income per head fell in the US and Germany with 1/3, yes 33 percent, or even slightly more. Compare to the situation from 2007 to 2012 where the income per head for the Eurozone has fallen with less than 1 percent.

It may sound strange when reading in the international financial press about the Eurocrisis, but the Euro has constituted a bulwark against a meltdown threatening the global economy. The road ahead may be agonising and acrimonious, but the Eurozone is on its way to solve the crisis deepening the integration. Faced with global problems only common policies can be effective.

About the author

Professor Jørgen Ørstrøm Møller, former Danish ambassador to Singapore, is Visiting Senior Research Fellow at the Institute of Southeast Asian Studies in Singapore. He has published widely in the areas of European cooperation and integration. His articles have been published in the top journals of the field and in renowned newspapers including the International Herald Tribune and the South China Morning Post. Among his published works is the standard textbook "European integration – Sharing of Experiences" (ISEAS 2008).

3. Keynote lecture by Jens Gabbe

Cross-border Cooperation on Regional/Local Level – A Key for Continental Integration



Cross-border cooperation is regarded as a political priority of the EU. Border regions are listed in the Lisbon Treaty as special regions, because they are mostly rural areas, located in a national, sometimes even European periphery with a less developed infrastructure as well as a weak economy. Moreover, border regions face severe problems with regard to

daily border problems, different legal, administrative and social systems in neighbouring states, which all meet at the border.

The EU is funding cross-border cooperation (7.6 Billion Euro for 2006-2013), because it contributes substantially to European cohesion and integration, to meet the challenges, to overcome barriers, to use potentials and to create added value.

Territorial cooperation in the EU is implemented in 3 strands:

- Cross-border cooperation (between neighbouring regions along one border, triangle also possible): Regional/local authorities acting in a legal cross-border structure (based on an EU-regulation); Results: concrete projects in all sectors of daily cross-border life.
- Interregional cooperation (mostly networks of several regions from different countries).
- Transnational cooperation (in larger areas like the North Sea, mostly between states).

In the EU, economic development and transport must be understood in the broader framework of the realisation of the Single Market, the launch of the Euro and the increased emphasis on social, economic and territorial cohesion. Cross-border cooperation creates European, political, institutional, economic and socio-cultural added value.

The socio-economic added value becomes apparent in the respective regions through the mobilisation of endogenous potential by strengthening the regional and local levels as partners for and initiators of cross-border cooperation. In this process, the participation of actors from the economic and social sectors (for example, chambers of commerce, associations, companies, trade unions, cultural and social institutions, environmental organisations and tourism agencies) is essential for success. By using their already existing national knowledge for cross-border activities, the opening up of the labour market, harmonisation of professional qualifications and additional development (e.g. in the fields of infrastructure, trans-

port, tourism, the environment, education, research and cooperation between small and medium-sized enterprises, and also the creation of more jobs in these areas) becomes possible.

The socio-cultural added value (understanding of the neighbour and its language, building trust and a circle of committed experts/multipliers) is reflected in a lasting, repeated dissemination of knowledge about the geographical, structural, economic, socio-cultural and historical situation of a cross-border region. In this way, socio-cultural cooperation becomes a new element of regional development by creating a workable environment for cross-border business, trade and services.

The specific added value of cross-border cooperation to the future of the EU derives from the fact that cross-border cooperation always adds value to national measures. This added value results from:

- cross-border programmes and projects,
- synergies through cross-border cooperation (particularly in the economic field),
- joint research and innovation,
- cross-border networking,
- exchange of best practices and know-how,
- spin-off effects by overcoming borders,
- efficient cross-border resource management.

Cross-border infrastructure

Up to now, large transport infrastructures have been built from the centre of a state or from an agglomeration to the borders. Sometimes gaps at and across the borders have been closed only decades later (Basel, Alps, Pyrenees).

As a consequence, international/cross-border infrastructure projects have to be constructed first across the border. That will cause pressure on the respective national governments to close the gaps between the border and the centres and maintain the political support of centres/agglomerations for the total of the infrastructural measures.

Recommendations

The main objectives should be the realisation of cross-border connections (transport, energy and telecommunication) above all by eliminating the bottlenecks, closing of missing links and improving the respective regional connections with the transnational and European networks in order to avoid that border regions will only fulfil the function as a transit area.

Border Control

Acceleration of customs clearance procedures

In the future, new and old checkpoints should, as a matter of principle, be accommodated in a single, shared building. This does not only save costs/investments (being cheaper than having, say, two separate national checkpoints), but more importantly, allows an intensive cooperation and joint control between border guards, the police and customs officials and will result in more success. Any problems arising can be tackled directly from and resolved by acting in unison. This is virtually impossible to achieve when checkpoints are several hundred meters apart. In addition, a separate lane for trucks can help to reduce the waiting time for the overall traffic and a separate lane should either be constructed or opened for the border inhabitants (to be identified e.g. by special badges on the cars).

Visa procedures

The main issue here is the development of practical procedures for issuing visas to local citizens and businesses in border regions along the EU's new external borders. These procedures must pave the way for the flexible allocation of visas without any decrease in security or any constraints on necessary checks. One major drawback for people living close to a border is the fact that visas are often issued in capitals or major cities (most of which are not located in border regions), for this prevents them from making essential trips at short notice. Consequently, local solutions have to be found for the population and businesses in the border regions, taking account of the main rules governing visa issuance.

Recommendations

Especially for businesses and the local population in border regions on both sides of a border visas or multiple visas should be issued valid for one year or at least for several months for people who can demonstrate professional or private reasons necessitating regular border crossings. The main prerequisites for these kinds of visa, if they are to be of real practical use is the establishment of offices issuing visas very close to the border or – even better - at official border crossings. This could be put into practice, provided that the staffs in question are correspondingly trained and modern data readers are used.

Overall conclusions and recommendations

It becomes obvious, that the framework conditions for cross-border cooperation in Europe can be or even are different from the situation in Latin America, West-Africa or Asia. This concerns above all factors like history, culture, geography, distances, population density, climate or the way of life. But these differences can be found even within these continents. Nevertheless, we can observe some key elements for successful cross-border cooperation. That should be used everywhere, adapted to the specific needs and circumstances:

- A bottom-up approach, allowing to work as close as possible with the citizens (the most affected by border problems).

- Mobilisation of politicians (national/regional) from both sides of the border.
- Mobilisation of all stakeholders and NGO`s concerned in order to mobilise their existing knowledge on national level in favour of cross-border cooperation.
- Building up a sustainable partnership, external with the national governments and internal with all stakeholders from both sides of the border.
- Joint cooperation structures (mid-term and if there are enough tasks), taking joint decisions (to be implemented on both sides of the border within the well known structures and competences), having a joint secretariat and own financial resources.

This cooperation structure will not be a new administrative level, but an instrument to allow cooperation despite further existing different structures and competences on both sides of a border. It will not have competences (they will remain with the respective national authorities), but only implement necessary cross-border tasks in favour of the citizens living in border areas. So, this cooperation structure will act as a hub and service point for all cross-border activities and actors, ensuring a permanent and sustainable cooperation process. By doing so, the barrier function of borders will be overcome: They will not be any longer a line of separation but a meeting point of neighbouring regions and states.

About the author:

Jens Gabbe is an economist with Europe-wide experience in cross-border cooperation programmes and projects as well as in regional planning and development. He was Managing Director of the EUREGIO from 1972-1998 and worked as Secretary General of the Association of European Border Regions (AEBR) from 1987 until his retirement. In both functions, he obtained wide knowledge and practical experience on cross-border cooperation at the internal and external borders of the EU in all fields of economy and society.

4. Expert input by Dr. Heribert Dieter

Regional Cooperation and Integration in Asia

Introduction

In recent years, Asian economies have embraced new projects of regional cooperation and integration. There are many reasons for this change in trade policy, but the key factor probably is the stalemate in the negotiations for the Doha Round of the WTO. Of course, the world-wide departure from the multilateral trading regime is suboptimal. Regulating trade has both economic and political advantages. From an economic perspective, regulating cross-border trade in goods



and services in one treaty and in one organisation is more efficient than having a plethora of bilateral and plurilateral agreements. Trade economists have a near unanimous position on this issue.

From a political perspective, preferential trade agreements undermine the core philosophy of the post-war trading system. Non-discrimination enshrined in Art. 1 of the GATT, the most-favoured nation clause, is replaced by exclusive agreements. The non-discrimination of the trading system has contributed to a lowering of barriers to trade and, at least indirectly, to the reduction of armed conflict since 1945.

But today's reality is different: The previous supporters of the multilateral regime, the US and the EU, are defecting from the multilateral order. Both the EU and the US are negotiating and implementing numerous free trade agreements. In recent weeks, the old idea of a Trans-Atlantic Free Trade Agreement has been revived. EU Trade Commissioner de Gucht has suggested the rapid implementation of this project.

Against this background, economies in Asia have no alternative to joining the trend and to create and implement their own range of free trade agreements. Even if the Asian economies, including China and Japan, had the intention to halt the (current) decline of the multilateral trading system, they simply could not impose this preference on the EU and the US.

Risks of the current trend

Trade agreements serve, in theory at least, a defined purpose. They should contribute to the facilitation of trade. Once an agreement is implemented, trade should be easier, and cheaper, than it was before. Today's trade agreements in Asia and elsewhere are not contributing to the goal of facilitating trade, at least not without exceptions. Most trade agree-

ments in the Asia-Pacific are FTAs between two countries. This represents a relatively low level of integration. In fact, one may ask whether many FTAs are rather cooperation than integration. In cooperation, sovereign countries engage in a limited, defined process of trade liberalisation. But in such a scheme, participating countries have no intention to deepen the integration process over time. All they have in mind is an FTA. The NAFTA is a case in point.

In the European integration process, the ambition is different, of course. European integration aims at the creation of political union – as the crowning final step of the integration process. The steps before – the customs union of 1968, the common market of 1992, and the monetary union of 2002 – are intermediate stations. Whether European countries will indeed one day replace their sovereign states with a new sovereign European state remains to be seen, but at least the mainstream narrative is aiming at political union.

In the Asia-Pacific, the large number of trade agreements reflects the fact that many countries in the region do not want to miss the current trend of trade liberalisation in preferential agreements. Put differently, the countries in the region are searching for solutions for improving their trade regime. By doing so, however, they may contribute less to trade facilitation than optimistic observers assume. For the agents that do trade, i.e. exporting and importing companies, the large number of regulations in an ever increasing number of trade agreements makes their job more, and not less complex.

The solution would be an Asian-wide FTA, or better still an Asian customs union. The difference is that in a customs union, all participating countries have to agree on a joint external tariff. This is of course more ambitious and politically much more demanding than the establishment of an FTA, in which participating economies retain their individual external tariff. In Asia, one of the main obstacles for the creation of a region-wide scheme is the competition between China, Japan and the US for leadership in the region. With the currently promoted medium-sized project, the Trans-Pacific Partnership Agreement, the US tries to establish itself as a key player in Asia-Pacific trade. China and Japan are of course unable and unwilling to solve both their current and their history disputes.

Solutions from the perspective of smaller players

Against this background, small and medium-sized economies have to ask themselves how they can improve the ability of their companies to participate in international trade. Even though preferential agreements are not an optimal solution, their design can be improved and characteristic disadvantages of FTAs can be minimised.

The main tool for improving the utility of FTAs is the design of RoO. All FTAs are using RoO to determine the origin of a product. Only products that pass the test qualify for duty-free trade with the FTA. But in the past, many FTAs in Asia used RoO that were either very com-

plex or set high levels for the establishment of origin. Most frequently used was the value-added method. But this method is also most difficult for companies. Documenting the level of value-added is time-consuming and costly.

If RoO are too complex, many companies will refrain from trying to establish origin and will simply trade on an MFN-basis. Simply put: Rather than engaging in the cumbersome and costly process of establishing origin, the simply pay the appropriate duty. Trade economists measure this: The technical term is utilisation rates. The lower the rate, the more obvious are the construction faults in the RoO. In some Asian FTAs, utilization rates reportedly are as low as five percent.

Thus, the key for turning FTAs into useful projects is the design of RoO. Keeping them simple, however, requires robust political support, because there will usually be companies within the FTA that are concerned about a lowering of the level of protection they have hitherto enjoyed.

In addition, the needs of companies that are actively contributing to cross-border production networks ought to be considered when FTAs are designed. Again, generous RoO will contribute to facilitate trade in components that are produced in a range of countries in the region. Ideally, countries in Asia would implement what is called the full cumulation of origin. In fact, such a scheme exists in Europe and includes countries that are not part of the European Union, e.g. Turkey.

About the author:

Dr. Heribert Dieter is Senior Fellow (Research Unit Global Issues) at German Institute for International and Security Affairs, Berlin. Moreover, he holds an Adjunct Professorship in Political Science at the Free University of Berlin. His research focuses on International Economic Relations, Globalisation and Regionalism as well as Financial Markets. More recently he published widely on the Regulation of the International Financial System and on Regional Monetary Co-Operation. In his capacity as a consultant for the United Nations Development Program, Deutsche Gesellschaft für Technische Zusammenarbeit and Union Bank of Switzerland, Dr. Dieter advised several projects in the public and private sector.

5. Expert input by Dr. Hartmut Janus

Regional Economic Cooperation and Integration – Trade Facilitation Experiences and Best Practices from different World Regions

Introduction

Today, development takes place in a globalised world. Economic activity transcends national borders. Regional economic cooperation brings together drivers of growth and provides an opportunity for local producers to participate actively in globalization. Therefore, regional economic cooperation processes in general and trade facilitation reforms in particular gain in importance. The German Development Cooperation supports these processes in numerous regions.



The current input illustrates the experiences and best practices made in the course of the support to regional economic cooperation processes in general as well as trade facilitation reforms in particular. It first presents the rationale behind the GIZ approach. Then, it gives an overview of the GIZ portfolio in these thematic areas. Subsequently, the input focuses on technical advice of GIZ programs and projects in the field of trade facilitation. However, one of the core messages is that these technical aspects have to be accompanied by complementary support measures, which often also have to be strengthened. Case studies at the end of the input show how GIZ programs and projects support these multiple elements of reforms processes in a holistic approach.

Rationale behind the GIZ approach

In order to be able to assess whether an approach is a good or even best practice, one needs to compare it to a reference. From our point of view, the following model can serve as reference for regional economic integration processes in general as well as trade facilitation reforms in particular. Based on this reference, three essential elements are necessary for these reform processes to be effective. First, a regional agreement needs to be approved. Often, such an agreement stipulates the common harmonization and simplification of regulations or procedures. Agreements can also concern the common planning of cross-border infrastructure projects. Second, these regional agreements have to be implemented on the national level. Member states may for example draft and adopt modified or new laws and regulations. The realization of cross-border infrastructure projects is also a way to implement regional agreements on the national level. Third, actors (mainly of the private sector) have to be able to make use of the improved framework, i.e. they have to increase their trade and investment flows as well as to generate employment. All three aforementioned elements

have to interact in order for regional economic integration processes in general and trade facilitation reforms in particular to be effective. If, for example, a regional agreement in a particular thematic field is in place, but this agreement is not implemented on the national level, the economic framework conditions don't improve and therefore no welfare effects for the population in the respective member states are generated. In another scenario, unilateral reforms in the area of trade facilitation might be implemented. However, due to the absence of regional agreements, no or different reforms are implemented in neighboring member states. As a consequence, the effects of the reform measures remain limited. In addition, the unilateral reforms might create distortions of competition in the region. In another case, a regional agreement might have been approved and might have been implemented on the national level of member states. But if the private sector is not aware of the harmonized/simplified rules and procedures, is not capable to apply the improved framework conditions or doesn't produce competitive goods and services (i.e. doesn't have goods and services to trade), the welfare effects for the population of member states are limited. Thus, trade facilitation reform processes have to take into consideration all three elements in order to assure their effectiveness.

Portfolio (Overview)

GIZ implements around 15 programs and projects all around the world that support regional economic integration processes, including trade facilitation reforms. They are more or less evenly distributed over the different continents. In Latin America and the Caribbean, GIZ supports the United Nations Economic Commission for Latin America and the Caribbean (CEPAL) to foster sustainable development and social cohesion in the region. In Central America, a project supports the Central American Integration System (SICA) to improve the sustainable economic development in the sub-region, while another project strengthens the Secretariat for Central American Economic Integration (SIECA) to foster a socially and ecologically sustainable trade integration. Finally, a project supports regional and national institutions in implementing the economic partnership agreement between the European Union and the Caribbean Forum (CARIFORUM). In Sub-Saharan Africa, three programs strengthen regional economic communities to promote the regional economic integration process. In Western Africa, the Economic Community of West African States (ECOWAS) is fostered through strategic management and technical advice. GIZ also supports the East African Community (EAC) integration process. Moreover, the economic and trade policy capacities and competences in the Southern African Development Community (SADC) are supported. In Southeast Europe, South Caucasus and Central Asia, three GIZ programs/projects foster regional economic cooperation processes. In Southeast Europe, an open regional fund gives advice to foreign trade promotion. Another program promotes economic development in the

South Caucasus, while a third project supports regional economic cooperation in Central Asia. Finally, in Asia, a first project promotes intraregional trade potentials in the South Asian Association for Regional Cooperation (SAARC). Two other projects strengthen the establishment of the ASEAN Economic Community. While the first builds capacities for the ASEAN Secretariat, the second enhances the competition policy and laws in ASEAN member countries. A particular project supports the integration of Lao PDR into regional markets. Last, but not least, the project to foster regional economic cooperation and integration in Asia strengthens four sub-regional initiatives (Pan-Beibu Gulf Economic Cooperation, Greater Tumen Initiative, Greater Mekong Subregion as well as Central Asia Regional Economic Cooperation). Not to forget that it supports the organization of the current expert hearing as well. A vibrant exchange between these programs/projects to support regional economic integration and cooperation processes, but also between regional economic communities takes place. Information on highlights, events and publications in programs/projects are exchanged by means of a newsletter on a quarterly basis and of regular network meetings. In addition, experts from programs in one region are invited to conduct short-term consultancies in programs in other regions. Currently, for example, an expert from Central Asia supports the introduction of the Single Window in Mongolia. Likewise, the South-South-Dialogue between regional economic communities is enhanced. The current Hearing on “Cross-Border Cooperation and Trade Facilitation in Asia” facilitates exchange between experts from Asian countries on relevant topics. In addition, a project “Support to regional economic communities”, supported by GIZ, strengthens the exchange of information and experiences between regional economic communities from Latin America, Africa, Asia and Europe.

Technical Advice in Trade Facilitation

In the framework of the programs and projects to support regional economic integration and cooperation as well as in other development measures, GIZ supports trade facilitation processes in a large number of areas. A study entitled “Trade and Transport Facilitation”, realized by Dr. Jörn Rieken in 2010 on behalf of the German Federal Ministry for Economic Cooperation and Development, analyses the different approaches applied by the German Development Cooperation in this field and illustrates them by presenting best practices. On the basis of his study, the GIZ technically strengthens trade facilitation reforms amongst others in the following areas:

- Modernization of customs administrations, including their valuation procedures and mechanisms;
- Simplification and harmonization of customs declarations, border management and product control systems;
- Simplification of pre-customs declarations and other procedures in cross-border trade;

- Introduction of standardized trade documents, electronic standards, paperless trade and “single windows”;
- Reduction of technical barriers to trade, sanitary and phytosanitary measures (in cooperation with the Physikalisch-Technische Bundesanstalt (PTB), the German metrology institute);
- Improvement of the information basis for cross-border trade, e.g. by the introduction of “Trade Portals”.

Complementary support measures

While the GIZ has long lasting and excellent experiences in supporting the trade facilitation reforms mentioned above, the details on how to optimize these technical processes is not the main topic of the present presentation. The current input rather focuses on the following message: In order for these technical reforms to be effective, they have to be accompanied by four cross-cutting issues:

1. Organizational Development

Regional economic cooperation processes in general and trade facilitation reforms in particular are complex. Often, they encompass several reforms steps and involve numerous actors from the public as well as private sector. Beyond technical questions, for these reform measures to be effective, it is important that they are well steered, coordinated and communicated. This contains for example the coordination of the elaboration of realistic strategies and action plans, the facilitation of working groups, the timely and adequate involvement of all relevant stakeholders as well as the communication of and awareness raising for the reform process.

2. Involvement of the private sector and the civil society

Several advantages are linked to the timely and adequate involvement of the private sector and the civil society in regional economic cooperation as well as trade facilitation processes. It strengthens the legitimization of the reforms. In addition, it makes regional agreements more beneficiary-oriented and, through early communication, it addresses concerns of those that are potentially worse off as a consequence of the reforms. Thus, it increases the probability that the reforms will be implemented in a timely and complete manner. The private sector and the civil society are the final beneficiaries of regional economic cooperation as well as trade facilitation processes. Their involvement will create incentives for political decision makers to implement these reform measures. Moreover, the involvement of the private sector and the civil society can mobilize additional resources (funding) to implement the reforms and quicken the de facto use of the improved framework. Finally, it might allow a joint monitoring and evaluation of results. However, in practice, the adequate private sector and civil

society involvement appears to be one of the key challenges for regional economic cooperation processes in general as well as trade facilitation reform in particular. Often, the communication and information flow between the public sector on the one hand and the private sector/civil society on the other hand - both on the regional as well as on the national level - shows potential for improvement. The awareness of the private sector/civil society for the reform process, its benefits and risks, is weak. Finally, sometimes, organizations of the private sector/civil society on the regional level are weak and financially non-sustainable. In order to enhance the effectiveness of trade facilitation reforms processes, a timely and adequate involvement of the private sector and the civil society are important.

3. Monitoring and Evaluation

Adequate monitoring also contributes to the effectiveness of regional economic cooperation processes in general as well as trade facilitation reforms in particular. It enhances the steering of complex processes by indicating which reforms have already been implemented and what still needs to be done. It therefore facilitates the updating of action plans and the prioritization of reform measures. In addition, the monitoring increases the transparency concerning the implementation of complex reforms. It therefore might create an incentive for relevant actors in charge to accelerate the implementation of these change processes.

4. Implementation of regional agreements on the national level

While a large number of regional agreements on regional economic cooperation processes in general and trade facilitation reforms in particular are signed and approved on the regional level, their implementation on the level of member states often lags somewhat behind or is incomplete. Several reasons contribute to explain this “implementation gap”. The first argument is of a political economy nature. Regional economic cooperation as well as trade facilitation reforms are not zero-sum games, but positive-sum games. The overall welfare effects are positive. However, these reforms produce winners and losers. While a lot of stakeholders will be better off, some stakeholders might be worse off. The problem is: Those who are worse off, if they are well organized, politically well connected and not compensated, can slow down or even evade the implementation of reform measures, because national politicians might be more interested in national interests than in the welfare of the region. A second argument refers to missing strategic as well as thematic capacities. Administrations might technically face difficulties to implement regional agreements, e.g. to draft complex national laws. At the same time, the private sector might not be capable to apply improved framework conditions e.g. for intraregional trade. The third argument rests upon a low ownership of stakeholders on the national level. They do not identify themselves with reform measures, e.g. because they have not been involved in these processes in time. All these

arguments will lead to the result that technical advice is not effective, because the reform measures planned are finally not implemented.

Case Studies

Three case studies illustrate how the GIZ approach materializes in practice.

1. Support to regional economic cooperation in Central Asia

The program “Support to regional economic cooperation in Central Asia” supports four Central Asian Countries: Kazakhstan, Kyrgyz Republic, Tajikistan and Uzbekistan. It has three components. The first component supports the introduction of single windows in the four countries. It aims at reducing the time and costs of the import and export of goods and services. However, the introduction of single windows will not lead to an increase in cross-border trade, if goods and services produced in Central Asia are not tradable. Therefore, the second component supports the national quality infrastructure. Yet, the introduction of single windows and the improvement of the national quality infrastructure will not lead to more trade, if the goods and services produced in Kazakhstan, Kyrgyz Republic, Tajikistan and Uzbekistan are internationally not competitive. Therefore, the third component focuses on the improvement of the international competitiveness of the private sector through the introduction of quality management systems (KAIZEN).

2. Strengthening the economic and trade policy capacities and competences in the Southern African Development Community

The overall orientation of the GIZ program to strengthen the economic and trade policy capacities and competences in the Southern African Development Community (SADC) is to

Processes and Structures of Regional Economic Integration: Trade	Processes and Structures of Regional Economic Integration: Finance and Investment	Regional Economic Integration at Member State Level	REI through involvement with the private sector
Supporting structures	Supporting structures	Supporting national coordination, steering	Mechanism(s) for promotion of Public-Private Dialogue
Reducing barriers to trade in goods	Supporting the harmonization of financial sector regulations	Implementation of pilot projects at the national level	
Supporting trade in services negotiations	Macroeconomic statistics and modeling	Support to Member States for Trade in Services negotiations	Capacity development for Public-Private Partnerships
Support monitoring of the Trade Protocol	Support monitoring of the Finance and Investment Protocol	Increase REI literacy at the national level (sensitization, information)	

support the regional economic integration process, in particular trade and investment, in SADC. In order to do so effectively, the program has four pillars. The first two pillars aim at strengthening processes and structures for regional economic integration at the regional level (SADC-Secretariat). The second and third cluster in each of the first two pillars contains measures to support technical, thematic capacities. The first cluster in both pillars comprises measures to support the organizational development of relevant structures at the regional level. The fourth cluster in both pillars contains measures to support monitoring activities. The third pillar aims at strengthening the implementation of regional agreements at the member state level. Finally, the fourth pillar is devoted to support the involvement of the private sector in the regional economic integration process.

3. Support to regional and national institutions in the implementation of the EPA in the Caribbean

The GIZ project supports the Caribbean Forum (CARIFORUM) and its member states to implement the economic partnership agreement (EPA) with the European Union. It contains two components. The first component supports the public sector on the regional and national level to improve the framework conditions for trade and investment in implementing the EPA. It includes measures to support the organizational development of relevant public institutions on the regional and national level (elaboration of communication strategies, national consultation processes, networking) as well as activities to strengthen technical capacities, e.g. in order to draft model laws, to reduce technical barriers to trade and to modernize customs administrations. However, in order to enhance trade and investments in the region, the private sector has to be able to make use of these improved framework conditions. Therefore, the second component strengthens the private sector on the regional and national level. Again, the component includes measures to support the organizational development of relevant private institutions, such as Coalitions of Service Industries. On the thematic side, the project supports amongst others training courses for export-oriented enterprises, strengthens enterprises in their product development and fosters the provision of an information basis on how to access target markets.

Summary

The strengthening of thematic, topic-related capacities of relevant actors is a key element of GIZ programs and projects to support regional economic cooperation processes in general as well as trade facilitation reforms in particular. Only if the contents of regional agreements, of national laws and regulations as well as the design of reform measures are of high quality, the reform processes can achieve their desired effects. However, the technical excellence is not sufficient to ensure the positive impact. Therefore, GIZ programs and projects also strengthen the organizational development of key actors, foster the involvement of the pri-

vate sector and the civil society as well as support the implementation of regional agreements on the national level of member states to complement technical advice and to make sure that trade facilitation reforms lead to their desired effects.

6. Talk Show

Free Trade in Asia – Hope or Hoax?



The topic of this talk show, moderated by Dr. Peter L. Fedon, was whether and how free trade in Asia could be achieved. A better understanding of the issue could help to design better policies to face the challenges of a globalised world economy.

Q: Speaking of the various multi- and bilateral FTAs in place: what has been achieved so far and what are the benefits of these FTAs?

A: Dr. Heribert Dieter

- In a global context, FTAs have become a secular trend. Whereas 10 years ago the number has been limited, they nowadays appear all over the world.
- Although multilateral agreements are superior to bilateral agreements, suboptimal solutions prevail as it seems easier to go down the “bilateral route”. That way, the WTO will become a sideshow of free trade and countries will have to turn to PTAs in order to save their advantage. However, there is a lot of collateral damage of PTA.
- As a result, Asia’s so called “spaghetti bowl” of bilateral trade agreements shows huge potential for improvement. Nevertheless, one has to keep in mind that economic integration is a long-term process, which involves several steps. For instance, one conceivable step toward a larger multilateral union could be a harmonisation of RoO in existing agreements. But for now a region-wide customs union seems too far ahead and optimistic.

Q: On the company and country level: What are tangible benefits of trade facilitation measures such as Single Window and paperless trade for Asia?

A: Sangwon Lim

- If you look at the landscape of trade in Southeast Asia, it becomes visible that many barriers exist. For instance, trade within the region costs more than trade with the US.
- In order to tap the huge potential for intraregional trade, non-tariff barriers need to be removed.
- The introduction of paperless trade and Single Window improves connectivity, increases efficiency and facilitates different aspects of cross-border economic activities in general.

Q: What is the GIZ approach to support regional cooperation and integration in the Lao PDR?

A: Armin Hofmann

- As the Lao PDR is a landlocked country, it relies on trade within the region.

However, it is a big challenge for the government to implement a regional strategy.

- Regarding its relationship to ASEAN, the Lao PDR tries to find its way to obtain regional leverage and to gain benefits from regional economic cooperation and integration.
- GIZ is committed to support its partner countries; this constitutes GIZ's core mandate. Germany, as a country outside of the ASEAN framework is well-positioned to provide impartial, informed and honest advice.
- GIZ's support aims to assist the Lao PDR in its accession to WTO and in adjusting to ASEAN regulations.
- GIZ's biggest achievement so far has been the analysis of the status quo with its Lao partners. That way, the Lao government is now able to prioritise the most important issues more efficiently. Hence, policy makers gained a better understanding of the consequences of regional cooperation and integration.
- In order to position Lao PDR within the ASEAN community, the next step is, accompanied by GIZ, the identification of sectors with a comparative advantage.

Q: What role does GTI play in the process of regional integration?

A: Zhu Shu

- GTI was initiated by the UN and has four priority sectors: transport, energy, tourism, and investment with environment as a cross-cutting theme.
- On the operational level, GTI has a strong institutional basis such as its secretariat, networks, boards and close partnerships with ADB, GIZ, UNESCAP as well as UNDP.
- On the one hand, the institutional framework provides a sound basis for coordination with local governments. On the other hand, it helps to represent and safeguard local government's interest on a national level.
- As the GTI member states have different economic systems and are at varying economic development levels, divergences regularly occur. Thus, GTI's approach is to prioritise possible areas of cooperation: They have to be differentiated from bilateral cooperation and they need to have additional value if they are multilateral.

Q: In the context of GMS, what are the achievements from the private sector perspective?

A: Souvannavong Oudet

- 15 years ago, there was nearly no intra-regional trade. However, in recent years huge changes in trade patterns and value chains took place. Mutual trade within the GMS region increased significantly.
- The most remarkable improvements have been accomplished in the areas of connectivity and infrastructure. This development went hand in hand with better conditions for investments and the evolution of business-to-business transactions.

- Although the private sector suffers from political disputes, most prominently border issues between the GMS member states, it will not wait for trade agreements.

Q: What happens when a crisis strikes (Asian crisis 1997, financial crisis 2008)? With regard to the main topic of this talk show, "Free trade – Hope or Hoax", did the past crises undo previous achievements? What needs to be done to avoid the erosion of FTAs in times of crises?

A1: Dr. Heribert Dieter

- In Asia one could observe financial cooperation since the crisis of 1997. Asia has thus not been so severely affected by the recent financial crisis. There is hope for trade cooperation and integration. However, the Asian Pacific region is still searching for solutions, and what we witness today is not the end of this process.

A2: Souvannavong Oudet

- The private sector lacks confidence. A domino effect took place, leaving a feeling of insecurity where to invest. The private sector is not that healthy and one can say that 2008 affected it.
- As it is really difficult to harmonise the different levels of development, there are very few programs for capacity building of local enterprises

Q: Asia was only mildly affected by the global financial crisis, as the level of integration is relatively low. However, more integration is desired. Would it not be better to be less integrated in order to shield the region against crises?

A1: Sisowath d. Chanto (from the audience)

- Without the financial crisis in 2008, Asia would be far less integrated. The Chiang Mai Initiative and AMRO would have not been in place.
- ASEAN might have the capability to perform better. But the question is: Will it be driven by market demands or political will?
- PPP could be a possible solution to overcome this problem.

A2: Zhu Shu

- Right now Asian integration is driven by political will. However, the private sector asks for more support and adequate policies.

A3: Sangwon Lim

- Initiatives are being pushed by institutions and often they are not helpful for the private sector.
- Facilitation of dialogues between the private and public sector is necessary to harmonise policies.

A4: Souvannavong Oudet

- In general governments are not forcing integration because they are not prepared (e.g. insufficient infrastructure).

Conclusion by the Moderator

- Large schemes of trade liberalisation are preferable even though they are more complicated.
- Harmonisation of RoO is a necessary first step.
- Connectivity is not just about infrastructure – trade facilitation is equally important.
- Practitioners and officials in their tasks are overwhelmed by the large number of trade agreements.
- External advisors who have no stake in the process can help to prioritise.

7. Emerging Issues in the Sector

7.1 Single Window / One Stop Shop

Expert: Sangwon Lim

Background

Single Window systems simplify trade procedures by allowing traders to hand in custom declarations/certificates and to collect import/export permits in one place. Thus, the topic tackles one of the challenges of regional integration: decreasing time and costs for cross-border trade operations will increase participating countries' capacities to engage further in regional integration processes.



Points from the general discussion

Sangwon Lim emphasized that there are many ways to implement Single Window and that, because a single definitive viewpoint of what a Single Window should be doesn't exist, systems differ according to the specific characteristics of a country. Due to this reason, governments have to overcome difficulties during the implementation stages regarding the following issues:

- Which model is the best for our country?
- Is there already a best practice model, which we could adopt or should we design our own?
- How should Single Window be implemented?

At working group I, participants agreed to share their experiences and knowledge regarding their implemented or not yet implemented Single Windows based on five key aspects:

- Regarding the institutional model: Who is the leading agency? How many agencies are involved during the establishment process?
- Process oriented: How to arrange the system? Electronic, paper based or one-stop shop? Should a country copy a system or design its own?
- Implementation stage?
- What are the major implementation challenges?
- What are the lessons learnt?

Comparison of the country's implemented and not yet implemented Single Window systems

The following summarizes the expert's shared information regarding the institutional mechanism, design and implementation stage.

Institutional Mechanism

- Mongolia: The Ministry of Economy and Development is the head of Single Window committee; Customs and the Chamber of Commerce cooperate during the implementation phase.
- Kyrgyzstan: The Ministry of Economy and Customs are the leading agencies; In total, 14 agencies are involved.
- Laos: From former eight to three agencies reduced; The leading agencies are Customs, Immigration and Quarantine; Customs and custom brokers are connected to Single Window.

Design

- Regarding the question whether a country should copy a system or design its own, the general consensus has been that it is better to design your own Single Window in accordance to the country's specific attributes.
- Kyrgyzstan: Veterinary and agricultural inspection are not connected to Single Window. Generally, the representatives emphasized that a Single Window system has two components, data (including rules, regulations as well as standards) and product flows. Both flows should be harmonized and connected to risk management.

Implementation stage

- Mongolia: The Single Electronic Window master plan is completed and customs is partly automated.
- Kyrgyzstan: Customs is partly automated.
- Laos: Laos and Vietnam have begun to implement joint customs control at the water border; currently there are discussions to also implement joint customs control between Laos and Thailand.

What are the major implementation challenges?

- Establishing a Single Window might not be attractive for governments, who try to gain their own benefits from export and import controls (corruption).
- Government officials might not have sufficient capacities or an adequate knowledge standard.
- Loss of knowledge due to personnel flows (elections, retirement etc.).
- Slow down of the implementation process due to government restructuring.
- Adequate funding sources.

What are the lessons learnt?

- The formal system must be as efficient as the informal one.
- A good IT system is not enough, if for example the working hours of border posts are not business friendly.
- Capacity building and training in the countries is necessary.
- Further knowledge exchange regarding the differing international Single Windows and customs systems is needed.

Intermediate conclusions and questions

- Single Window systems and their underlying institutional models differ from country to country. Governments should create their own design with respect to the country's specific characteristics.
- Several key challenges can have a disruptive effect on the implementation process and a good technical system might not be solely sufficient to guarantee a successful implementation of Single Window systems.
- The Single Window system should be “user friendly” and as competitive as a possibly existing informal system



- Further capacity building and knowledge exchange on international good and bad practices in establishing Single Windows is required.

7.2 Regional Agreements and National Commitments – Implementation Gap

Expert: Dr. Hartmut Janus

Background

Member countries of sub-regional initiatives have signed a large number of agreements and commitments to implement joint strategies and action plans. Many of them remain paper tigers.

Points from the general discussion

Participants came up with the following reasons and solutions for the implementation gap:



Reasons for the implementation gap

- RCI often implies a conflict between self-interests of actors and common regional interests.
- As a trade agreement is always a trade-off between political cost/benefits vs. economic cost/benefits, the successful implementation requires the compensation of potential losers by potential winners.
- However, one has to keep in mind that benefits are often just noticeable in the long run. But costs are often short-term and, therefore, more obvious in the first place.
- Less influential countries are pressured by more powerful states to sign regional agreements, but do not have the capacities to successfully implement them.
- Experience shows that the exclusion of stakeholders from the decision-making process or a lack of communication (principal-agent problem) might lead to an implementation gap.
- Insufficient coordination mechanisms lead countries to pursue inconsistent policy strategies.
- Multi-membership in several different sub-regional initiatives might cause conflicts of interest.
- Information gaps might occur when high-ranking officials sign treaties without fully comprehending the consequences.
- Macroeconomic uncertainty still prevails in the region.

Solutions to overcome the implementation gap

- Involve all relevant stakeholders in the implementation process to ensure ownership.
- Increase transparency and introduce a region-wide institutional framework (e.g. secretariat), which is responsible for monitoring, enforcement and benchmarking.
- Establish a dispute settlement, e.g. like the WTO.
- In order to settle conflicts of interest between the private and public sector, the provision of a common platform is highly recommended. Facilitating the dialogue among these actors will strengthen the coordination/awareness of politicians before negotiating agreements.
- The concurrence of problems demands for a strict prioritisation of key areas before signing agreements. Therefore, a country has to clarify its own position and initially ask itself: What is my role?
- Introduce capacity training for officials to increase expertise for further improvement of services.
- Aim for designing result-orientated agreements.

Intermediate conclusions and questions

- All relevant stakeholders must be involved in the implementation process. That way, potential losers can be identified and a compensation measure can be discussed.
- It is very important to compensate the potential losers of trade agreements; otherwise an implantation gap is most likely to occur.
- How to establish an effective dispute settlement?
- How to introduce enforcement mechanisms?



7.3 Free Trade Agreements in Asia

Expert: Dr. Heribert Dieter

Background

Most of the represented countries joined FTA in recent years (e.g. AFTA+1) or are currently negotiating new agreements (e.g. Kyrgyzstan and Tajikistan joining the Russian Federation-Belarus-Kazakhstan customs union; Mongolia-Japan FTA etc.). Lao PDR recently joined WTO and the ASEAN Economic Community will come into effect in 2015. However, despite relatively low tariffs, not all FTA members seem to benefit equally from the preferential policies.¹



Points from the general discussion

Participants addressed four main themes at working group III:

Negotiation of FTA (between asymmetric negotiators)

- Due to the complexity of FTAs and in order to avoid the concession of far reaching authorities to stronger players, focus should lie on RoO (natural origin; change of tariff heading; agreed transformation processes; percentage of value-added).
- Prior to issuing a certificate of origin, demonstration of eligibility for preferential treatment itself involves major challenges.
- Within transnational production networks the administration of origin becomes very complex. It would be beneficial for ASEAN producers if cumulation of origin within ASEAN was established.
- 95% of intra-ASEAN trade is governed by the MFN logic, mainly because preferential rules are too complex and it is beyond companies' capacity to handle the process, either in a cost-efficient way or at all. This applies in particular for SMEs.
- MFN rules are increasingly violated by bigger players such as US and EU, who are opting for exclusive bilateral agreements.
- Negotiation of bilateral FTAs between diverging powers pose substantial risks, as they often result in restriction of specific sectors (such as the agricultural sector in the EU or Japan) and the imposition of unfavourable rules and regulations on the weaker party.

¹ The main considerations of the discussion at Oasis III can be retrieved from Dr. Heribert Dieter's expert input in this reader (see p. 22 et seq.). This summary will only aggregate additional aspects of the debate.

- The lack of transparency and information are seen as major constraints to the successful negotiation of well-balanced FTA. In this regard the conclusion of blueprint FTA should be avoided, since they often tend to omit the needs of weaker parties.
- Still smaller parties hope to gain access to certain sectors in given countries and to attract more investment.
- Multilateral liberalisation is superior to bilateral arrangements, as the inconsistency of various agreements makes trade more difficult instead of easier. Applying one external tariff is simpler than dealing with a vast number of rules of origin.

Dispute settlement

- Given the multitude of regional and bilateral agreements it is not advisable to include dispute settlement within FTA, since the primacy of application with regard to various agreements is not regulated.
- From the perspective of smaller countries the dispute settlement mechanism of WTO holds a range of advantages, such as availability of legal support, greater transparency, and utilisation of standardised WTO settlement instruments.
- Generally, a lack of motivation to contest violations of Art. XXIV GATT can be observed, due to the expansion of preferential agreements world-wide.

Untangling the 'spaghetti bowl'

- Since it does not strive for a predominant role in the region, ASEAN is in a good position to serve as nucleus of a larger integration scheme. This might be undermined by the heterogeneity of economic structures within ASEAN, as less developed countries within the group will be reluctant to liberalise their economies at the same pace than more advanced members.
- Being highly politicised, the establishment of an Asia-wide customs union, including Japan and China, will be very difficult. For the time being this leaves no alternative than to come to terms with suboptimal solutions.
- Taking into account the still subordinate importance of customs unions for Asian countries, the conclusion of agreements en bloc with single countries (e.g. EU-Korea FTA) will rather fill the spaghetti bowl instead of untangling the noodles.

Rhetoric versus reality of trade liberalisation

- The importance of WTO is declining, as previous supporters such as US and EU are departing from the multilateral trade regime. Asia does not have the leverage to change the game single-handedly.
- Since we are approaching a multi-polar system, it will become more difficult to reach consensus on a uniform set of rules.

- With some countries having recently entered WTO (e.g. Lao PDR), its diminishing role is disappointing (A Lao participant stated: “It seems that while we struggled to reach one mountain peak, we realise that there is yet a new one to climb”)

Intermediate conclusions and questions

- How can countries assess impacts of FTA a priori?
- Smaller countries rely on rule-based multilateralism.
- Dispute settlement should be confined to WTO mechanisms.
- The achievement of a customs union would enable the region to provide a more transparent trading environment. However this seems incompatible with political realities.
- Within a constantly changing international trading regime there is a clear need to find regional answers to this challenge.



8. Workshops

Background

The purpose of the small-scale workshops was to enable the connection of as well as free flow in-depth discussions among professionals sharing common interest in specific topics. Beyond identifying sector-specific obstacles, participants took stock of how current knowledge available on the national as well as regional level and discussed how it can inform innovative and more effective policies and measures.

8.1 Cross-Border Industrial Business Parks

Viet Nam is currently reviewing the feasibility and potential benefits of cross-border industrial parks.

- Cross-border industrial parks are means to facilitate cross-border economic action. They should be viewed as an instrument of broader regional policy.
- Cross-border industrial parks are initiated by the



government and the private sector alike. Governments tend to give priority to visible projects, although sometimes they might not be the most practical and feasible options. Here, private sector involvement can act as a corrective.

- Between Viet Nam and Cambodia many informal cross-border industrial parks are operative. This leads to an increase in overall trade flows between both countries.
- Asia is taking a more pragmatic approach in establishing cross-border industrial areas than Europe. Instead of starting with drafting laws and regulations, the first step consist of informal exchange and practical projects. A next step could be the establishment of cross-border industrial clusters.
- For a long time European policy makers considered cross-border industrial parks to be a panacea to boost local cross-border trade in remote areas. However only very few existing parks really lived up to those expectations. This can be explained by the reluctance of involved parties to accept the disadvantages which naturally accompany the many advantages provided through closer cooperation.
- Recent research by the CIEM of Viet Nam showed that (informal) cross-border economic activity between Viet Nam and Cambodia had a direct positive effect on poor communities in border areas. It remains questionable whether greater schemes/FTA will entail the same effects in terms of poverty reduction.
- The “Pingxiang – Dong Dang Cross Border Economic Zone” between Northern Viet Nam and South China is so far only a customs bonded zone, providing integrated cross-border procedures, customs clearance, immigration, and services for freight forwarders.
- The expansion of transnational highways and railways might result in the relocation of industrial parks from border areas to less remote national industrial clusters. This might foil efforts of poverty reduction in poorer border areas.
- The question of applicability of law (such as labour law) and conflicting domestic provisions pose a substantial challenge to the establishment and management of cross-border industrial parks.

8.2 Dealing with Administrative Barriers to Trade

- Mongolia: Human factor “bureaucracy” causes unnecessary delays and constitutes insofar a challenge for trade. Because approvals for business undertakings tend to get delayed in the ministries for uncertain time periods, the public sector and private sector are losing valuable time.
- The Lao PDR: Too many responsible agencies can constraint trade flows.
- Russian Federation and PR China: The lack of harmonised language requirements for official documents increases transaction costs. E.g. Russia and China demand that for-

oreign firms fill out forms in their own national language. Companies often need to hire interpreters to translate necessary information.

- Artificially high security concerns, which are often related to corrupt practices cause barriers to transit operations.
- Transit shipment requirements pose a cost intensive challenge to trade flows.
- Countries obligate firms to use custom brokers for the custom clearing process.
- Customs offices operate during different business hours, further complicating cooperation.

8.3 National Quality Infrastructure – Risk Management or Domestically Created Technical Barriers to Trade

Quality infrastructure is exposed to a conflict of interest. Whereas traders want straight forward trade conditions, governments have to ensure customer protection and, thus, require certification and other forms of quality checks. Consequently, quality infrastructure generally relates to questions of:

- Regulation
- Standards (e.g. documentary, physical/ reference etc.)
- Conformity assessment and accreditation



The main questions, however, are: How to balance the interests between businesses and government? How to improve national quality infrastructure?

- Overcome technical barriers to trade (TBTs).
- Improve testing laboratories and issuance of documents.
- Increase efficiency by increasing transparency.
- Exchange of experiences: “Do you know your neighbour’s approach?” Moreover, the experience of the European Union can provide valuable lessons.
- Avoid that quality infrastructure becomes a tool of protectionism.
- Aim for mutual recognition of documents and certificates in trade agreements.
- Provide a better understanding of quality infrastructure and its necessity. For instance, internationally recognised certificates and laboratory results add value to products.
- Participants emphasised that their countries are still in a process of transformation and an improvement of quality infrastructure is a step-by-step process.
- Participants agreed that trainings and workshops could address and solve some of the major problems in the field by exchanging best practices.

8.4 Consulting and Involving the Private Sector

The participants shared hands-on experiences from their respective countries:

Cambodia

- The Cambodian government established a Public-Private Forum. It is chaired by the Prime Minister and consists of issue-specific sub-committees, which hold regular meetings on a demand basis. Using this platform, many problems were solved in the past.
- Regarding the drafting of laws, there is no sufficient involvement of the private sector. Businesses lack interest in complex issues but they are very active in addressing practical issues.
- An annual private business forum has been established as a platform to voice concerns, requests and feedback. However, the private sector's involvement depends on political will.



The Lao PDR

- By GIZ's support, the Lao PDR extended a Cambodian-style Public-Private Forum to the provincial level.
- In terms of labour laws the socialist constitution of the Lao PDR highly emphasizes protection of the work force.
- Due to a misunderstanding of the chamber's role as a mean for representing common interests, SMEs are more likely to join independent business associations.

Mongolia

- With regard to industrial relations there are two major institutions: the Chamber of Commerce and Industry (MCCI) and the Mongolian Federation of Trade Unions (MFTU). MCCI is a long-standing institution; which was founded 50 years ago. It is a large body and even though it is non-governmental, complaints from the private sector and companies have arisen that it has become just another government agency with a bulky sclerotic structure. Thus, the chamber lost its focus and efficiency. MFTU is becoming stronger in the recent years, hence strengthening its role for governing industrial relations in Mongolia.
- A legal framework incorporating the private sector in the process of drafting laws and regulations is not institutionalised.

Kyrgyzstan

- The business community is directly involved in the decision-making process.
- As information is almost freely accessible through media, the private sector's impact on rules, regulations and legislation can be easily analysed. In the past the business sector openly refused new legislation.
- Councils similar to the public-private forums in Cambodia and Mongolia were established too.

9. A Morning at the Cross-Border Café

Background

In this round table discussion good practices from each sub-regional initiative were collected and concrete recommendations for international cooperation organisations were developed.



1. What are good practices in making cross border cooperation a reality?

- As framework agreements are very difficult to implement, several participating countries set up bilateral agreements. They are assumingly more flexible and thus easier to implement.
- Invitation of line ministries and the business sector to the implementation process.
- Implementation of Single Window. For instance, on the Lao-Vietnamese border previously two customs inspections delayed the flow of cross-border trade by one and a half days. Now that there is only one inspection, joint software and both sides are working together, the whole process was shortened by a full day.
- Strong institutional capacities are crucial to multilateral cooperation. Whereas regional initiatives like GTI, CAREC, etc. provide a platform for dialogue, prioritisation and regional planning, institutions as ADB and GIZ directly support the implementation of agreements and capacity building.

2. You are a consultant for GIZ or a similar organisation: what would you recommend them to do to make trade facilitation a reality?

- International cooperation organisations should focus on specific areas within the field of RCI, review best practices on cross-border cooperation and send info to counterparts and stakeholders.

- International cooperation organisations should identify potential of industrial development, proliferate experiences on how to increase trade flows and gather knowledge on the movement of goods and people.
- International cooperation organisations should not only support studies and provide theoretical frameworks, but rather support implementing/negotiating appropriate policies on a multi- and bilateral level.
- International cooperation organisations should support the establishment of a platform for dialogue/cooperation on specific areas of trade facilitation, e.g. Single Window.
- International cooperation organisations should train policy makers, e.g. by organising study trips and strengthen Human Capacity Development through continuous trainings.

10. Moving Forward Together

Background

The objective of the working group was to gather insights which participants derived from the expert hearing and relating them to the operational realities of each sub-regional initiative. This form of peer-to-peer exchange was a first approach for sustainable network building among the participants for future joint action.



GMS/PBG Working Group

Participants from the GMS and PBG initiatives resumed that all represented sub-regional initiatives face a range of similar key challenges, where a further exchange of good practices should be promoted.

Challenge 1: How to improve coherence and coordination of stakeholders on national/bilateral/regional level?

The lack of coordination among stakeholders and overlapping mandates were perceived as key challenge. To counter institutional fragmentation a clear division of labour and work plans needs to be developed and coordinated by one authorised authority. Participants also emphasised the involvement and closer consultation of local communities, who constitute a less powerful interest group. Implementing measures should target the dissemination of existing knowledge to increase awareness of cross-border cooperation and trade among relevant stakeholders on the local level.

Challenge 2: How to close the implementation gap?

Policies should be realistic and aligned with macroeconomic policy agendas and development strategies of respective countries. According to the participants interventions should be aimed at: Undertaking comparative analysis, building capacity in policy formulation, defining policy options and priorities, and overseeing implementation.

Challenge 3: How to involve the private sector when designing and implementing regional policies/agreements?

To tackle this issue the establishment of a joint commission, consisting of public and private sector representatives, was identified as good practice. Responsibilities and commitments of the private sector within this dialogue should be clearly defined. It was furthermore considered crucial to give private sector stakeholders the possibility to voice their concerns at an early stage of drafting regional agreements. Greater attention should be paid to the practical experience in cross-border trade from private companies.



GTI/Central Asia Working Group

Participants from the GTI and CAREC initiatives exchanged their respective knowledge gain through the expert hearing and explored next steps towards further cooperation.

Step 1: Analysing the status quo of TF and CBC

In order to define objectives for future areas of cooperation, the participants unanimously agreed that initially the status quo of existing bilateral and multilateral FTAs as well as other forms of economic integration must be analysed and identified.

Step 2: Mutual exchange of experiences

Since most countries face similar problems regarding cross-border cooperation and trade facilitation, knowledge exchange among different countries plays a key role in improving regional integration processes. But, as participants emphasised, information provided by other countries should always be evaluated in the context of a country's own specific development path and its commitments towards regional initiatives like for example GTI or CAREC.

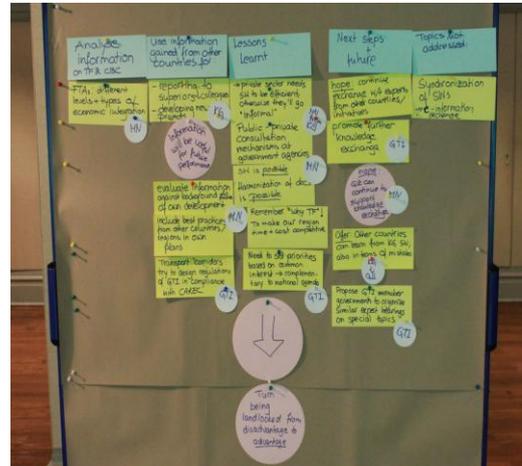
Step 3: Formulating lessons learnt

Another important component of effective future cooperation is the analysis and exchange of lessons learnt. The working group mainly focused on three topics: Single Window, PPP and the role of institutions. Firstly, Single Window turned out to be an efficient tool that prevents

the private sector to drift into the informal sector. Secondly, PPP helped in several areas to ease conflicting interests between private and public sector. Secondly, the institutional framework of GTI and CAREC helped the countries to set priorities based on common interest (complementary to national agendas).

Step 4: Future areas of cooperation

Based on the previous steps, the promotion of further knowledge exchange among different countries should be at the centre of future cooperation. For instance, participants from Kyrgyzstan offered to act as a source of knowledge for questions concerning the introduction of Single Window. Furthermore, participants stressed that GIZ should continue to support knowledge exchange in the future. GTI secretariat encouraged member governments to organise similar expert hearings on special issues emerging in the sector.



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