

Regional Corridors and agricultural logistics: Implications on Inclusive Development

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Outline

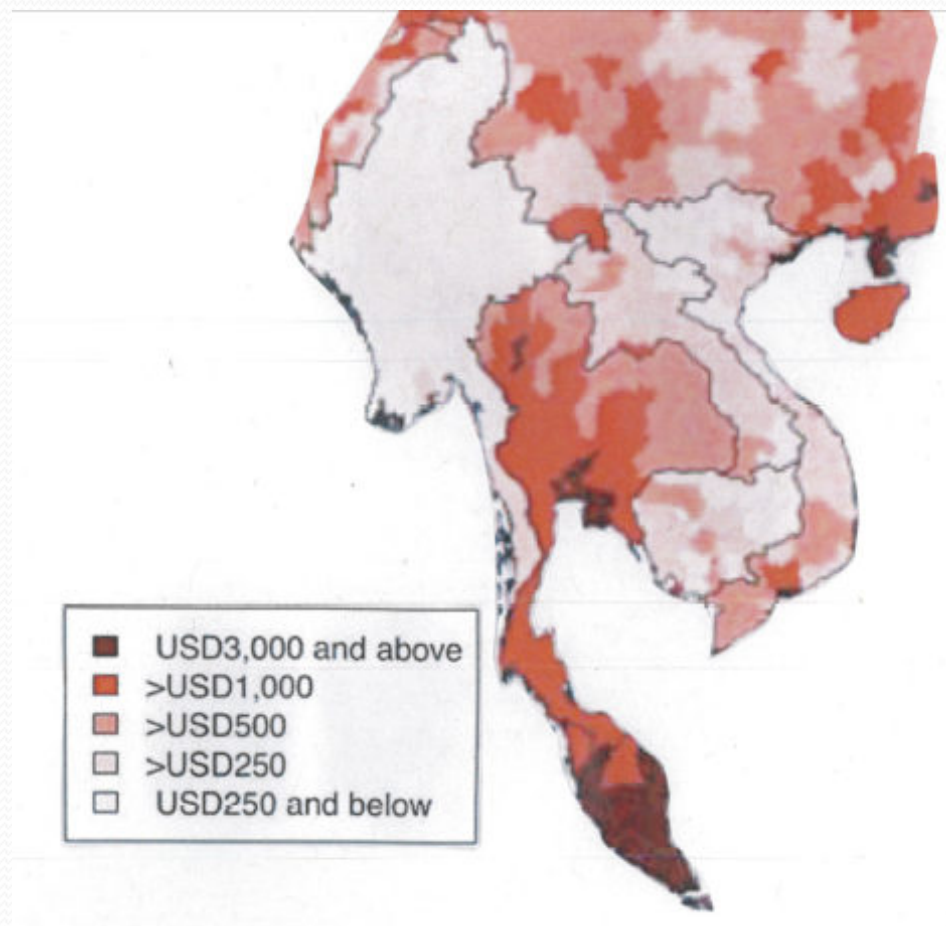
- A. Regional Corridors and TF in GMS
- B. Corridors Development: A Framework
- C. Corridors and Inclusive Development
- D. Agricultural Logistics in the PRC
- E. Agricultural Logistics and Inclusive Development

Regional Corridors and Trade Facilitation in GMS

- Centrality of corridors to GMS and other RCI initiatives.
 - Theoretical foundation
 - Practical responses for formulating regional projects
- Five stages of regional corridor development
- Corridors and inclusive development



GMS: History and geography....



Source: Isono, I., S. Kumagai, and F. Kimura. 2012. Agglomeration and Dispersion in China and ASEAN: A Geographical Simulation Analysis. ERIA Discussion Paper Series No. DP-2012-02.

ADB

GMS Trade : 1% and 99%

- 96% of the GMS trade is with countries outside the GMS subregion.
- Intra-GMS trade: data limitations, but maritime dominated.
- Even if total intra-GMS trade is 80% maritime and 20% land-based,....
- only about 1% of total GMS trade by value is comprised of land-based trade amongst themselves
 - Even smaller fraction (of 1%) linked to corridors



(...contd) GMS Trade

- Generally balanced
- Rapid changes in content of trade
- Some signs of growing intra-industry trade – white goods and electronics, vehicles

But... bypassing corridors and interiors



Intra-GMS: commodities and transport mode

- Liquid bulk cargo: dominated by oil-related. Maritime
- Dry bulk cargo: dominated by items like coal, iron ore, bauxite and other minerals and ores, and by cereals. Important component. Maritime
- Containerized and general cargo: Potentially both maritime and road. Can grow, but is very small segment.



Corridor Development: A Framework

Two attributes of corridors:

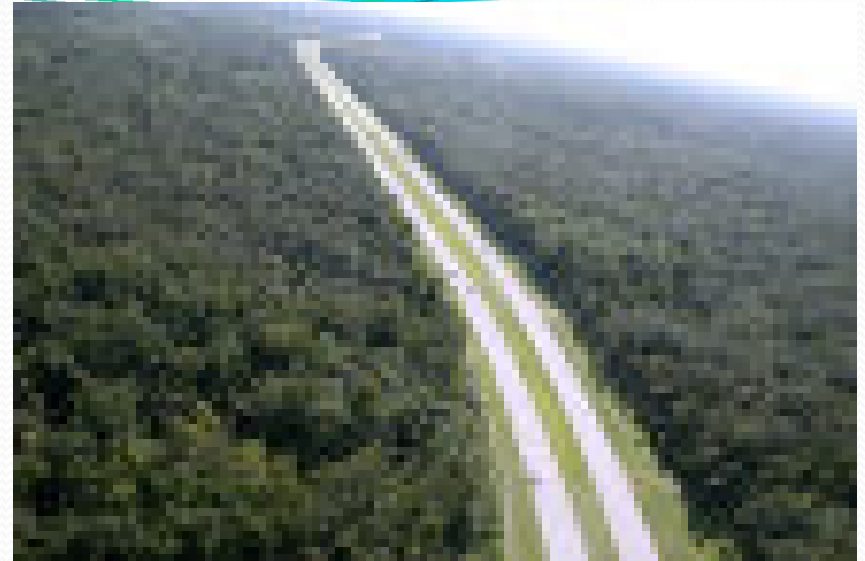
- **National versus regional**
 - All corridors are national highways
 - 55% EWEC (THA), 53% SEC (CAM)
 - Yet the national stretches are also part of regional corridors



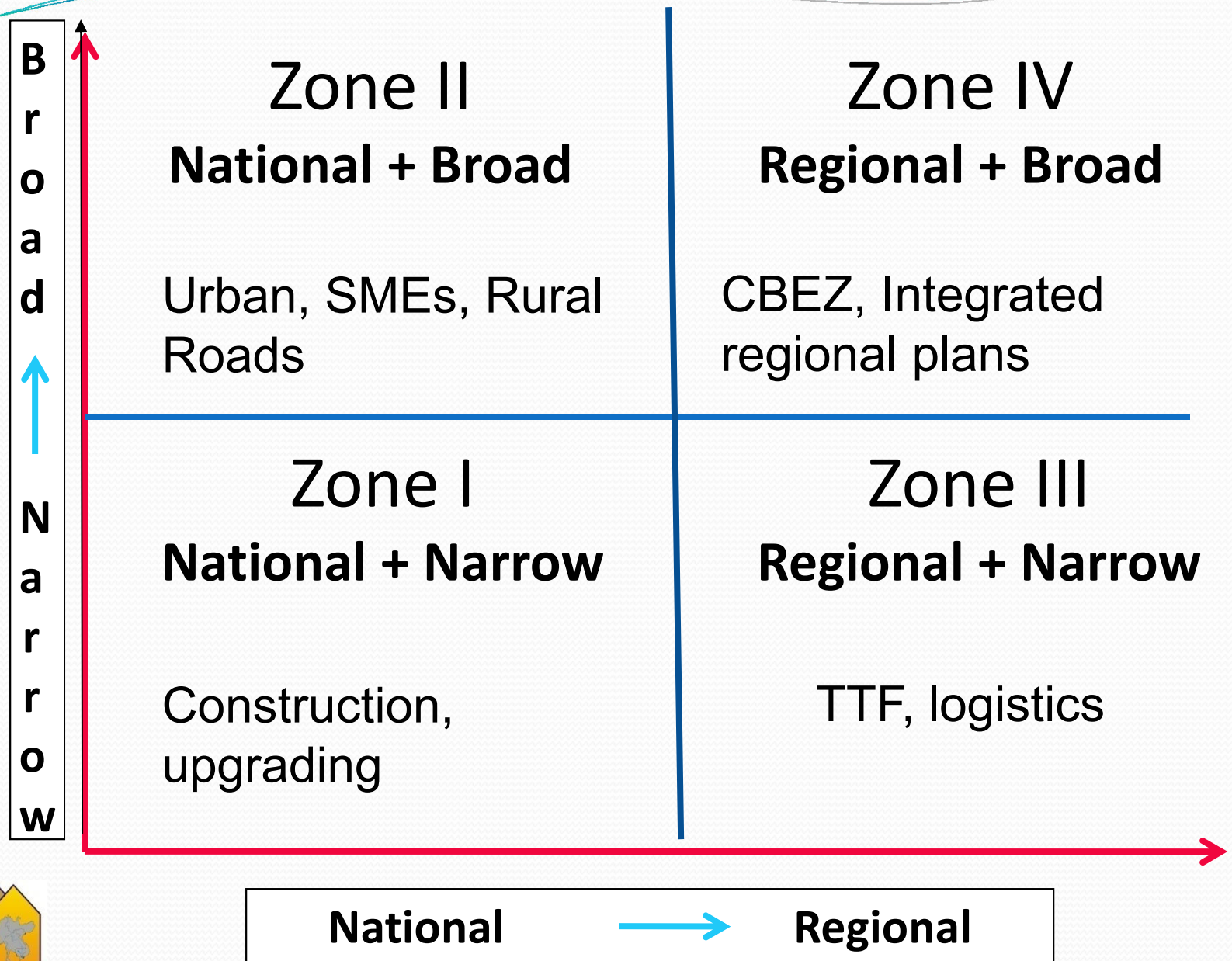
....Two attributes of Corridors (contd)

Narrow versus Broad

- Physical connectivity
 - Nothing in between
-
- Broad: holistic
 - End points matter
 - But so does the whole corridor
 - And areas around it



A Framework for Corridor Development



Corridor effect of selected factors/ projects

| Factor/project | Corridor Effect |
|---|---|
| <ul style="list-style-type: none"> • Highway/corridor upgrading • Road safety improvement • Increased costs at borders • Increased transport costs due to lack of sector competitiveness • Logistics development • Rural Road Improvement | <p>widen</p> <p>widen</p> <p>narrowing</p> <p>narrowing</p> <p>widen</p> <p>widen</p> |
| <ul style="list-style-type: none"> • Corridor town development • Value chain and SME development • Tourism infrastructure | <p>widen</p> <p>widen</p> <p>widen</p> |



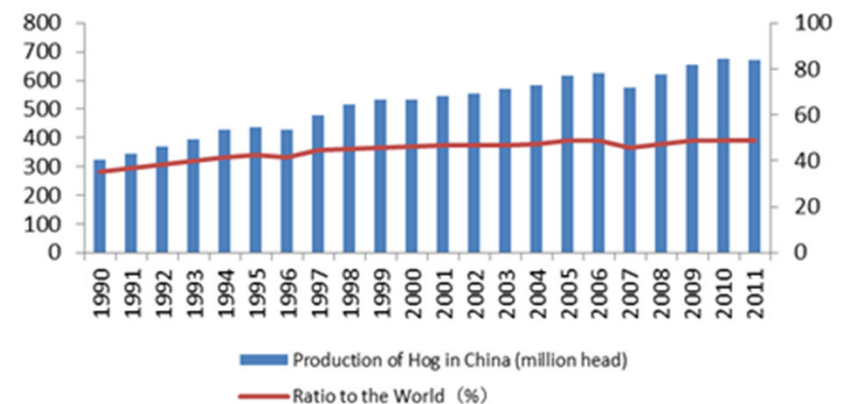
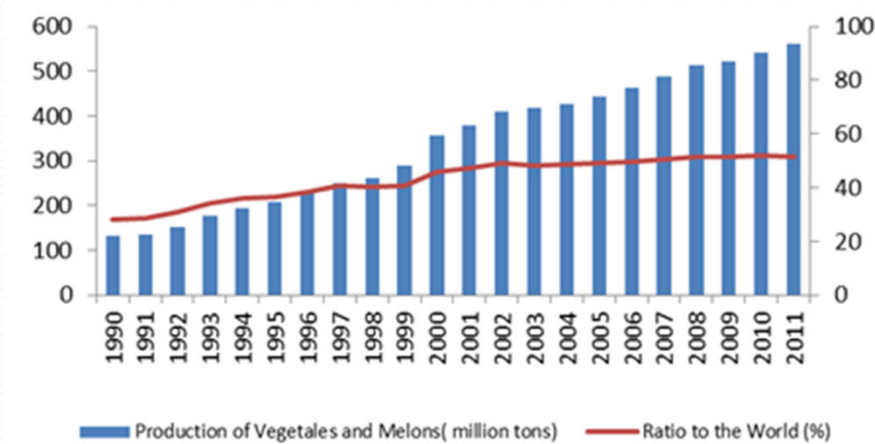
Regional Corridor and Inclusive Development

- Land-based cross-border trade unlikely to transform GMS transport corridors into economic corridors by itself
- Transport corridors can contribute to domestic connectivity and internal trade: e.g., regional tourism, rural labor, trade in services and goods
- Internal trade can transform transport into economic corridors
- Need to balance external (maritime) trade with internal (road based) trade/domestic connectivity; and link the two



Logistics Development for Perishable Agricultural Products in PRC: Production

Growth in production volumes: vegetables and hog 1990-2011



Source:
<http://faostat.fao.org/site/567/DesktopDefault.aspx?PageID=567#ancor>



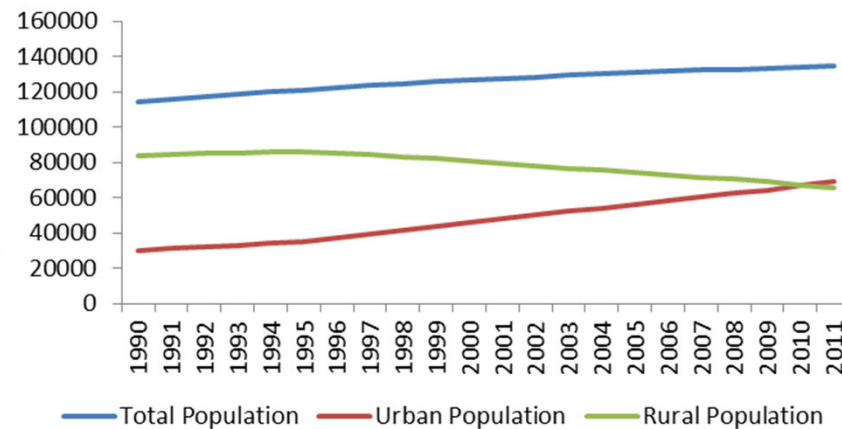
Production (continued)

- Specialization and expansion in trade
- Six specialized regions
- Growth of agricultural cooperatives
 - Sharing production technologies, increase scale and market power



Consumption

- Increase in per capita consumption of agricultural products in the past 20 years
- Urbanization rate and location of demand

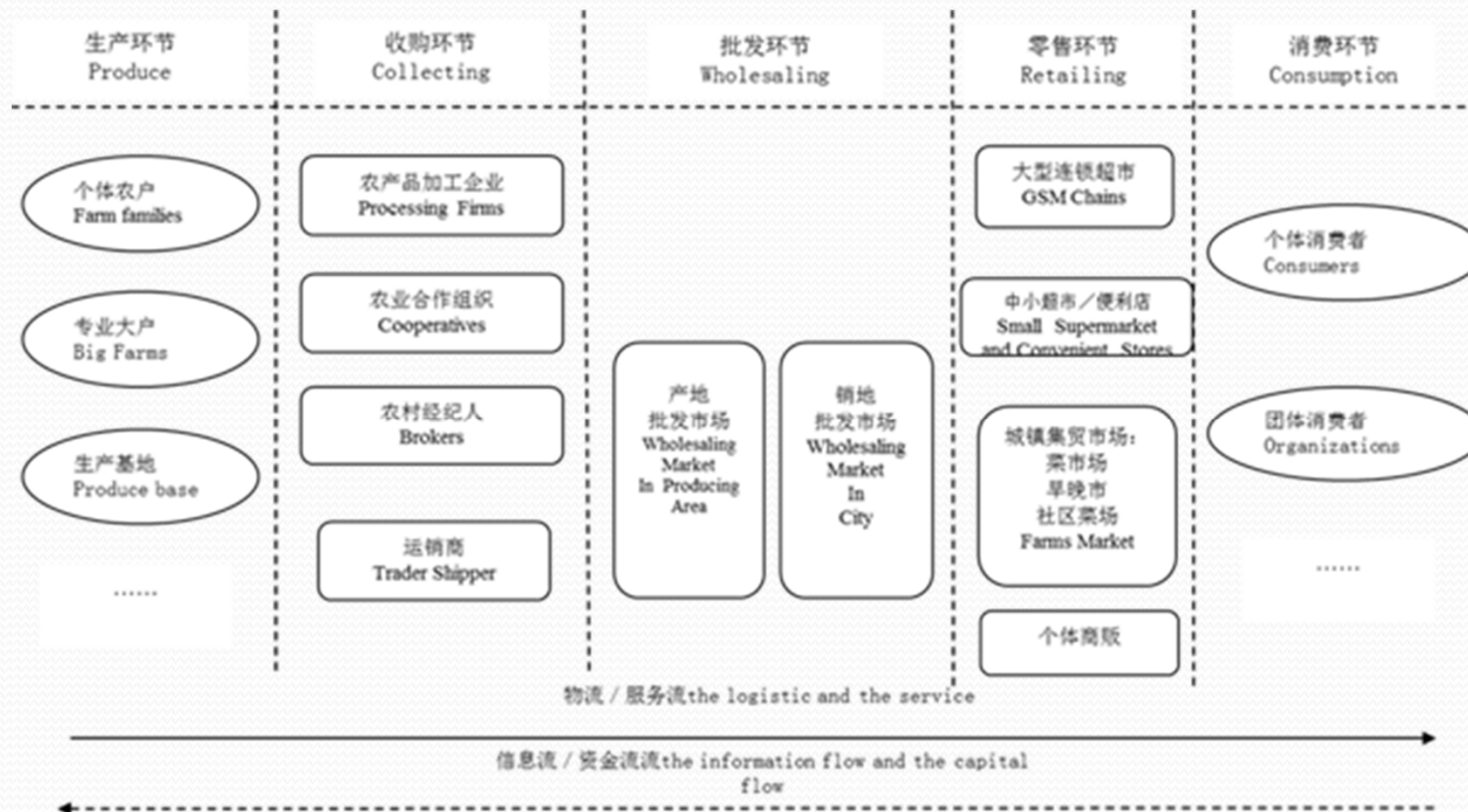


Flow of Agricultural Products

Network of “Green Channel” for Fresh Farm Produce in China



Logistics System



ADB

Logistics System (continued)

- Highly Fragmented System leads to low efficiency
 - Agricultural brokers: 82% individuals
 - Wholesale markets: large percentage are individual businesses
- Increasing Supply Chain Integration and Concentration
- Growing Third Party Logistics



Logistics System (continued)

- Cold chain distribution at infancy of development
- Location of cold chain facilities not optimal.
- Utilization rate is low: 20-30%.
- Cold chain logistics technologies adopted primarily for high value farm produce.



Issues to be addressed

- Lack of economies of scale
- Inefficiencies in the logistics system
- Lack of incentives to create competitive market environment
- Unfavorable government regulations
- Inconsistent and inequitable taxation and fees
- Inadequate access to financing





Logistics System and Inclusive Development

- Promoting efficiency under constraints:
 - Small producers and small retailers will continue to dominate in the near to medium term.
 - Consolidation may lead to market power and harm competition.
- Promote fair and efficient benefit distribution among stakeholders of the value chain.
 - The role of cooperatives in production and marketing
 - Improved access to financing.

