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Ad Hoc Expert Meeting on Logistics Services  
Geneva, 13 July 2006

**REPORT OF THE AD HOC EXPERT MEETING ON LOGISTICS  
SERVICES**

Held at the Palais des Nations, Geneva,  
on 13 July 2006

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## Chapter I

### CHAIRPERSON'S SUMMARY

1. The Ad Hoc Expert Meeting on Logistics Services was held on 13 July 2006. Participants, including governmental policymakers, regulators and trade negotiators, as well as representatives of the private sector, international organizations and civil society, put forward their views on how to ensure development gains from trade in the logistics services sector. There was a particular focus on how Governments of developed and developing countries can play an active role, at the national level and in multilateral negotiations, to maximize the benefits from trade in logistics services for developing countries.

2. The UNCTAD secretariat had prepared a background note entitled "Trade and development aspects of logistics services" (TD/B/COM.1/AHM.1/2), which was commended as an important contribution. It was considered a useful basis for the discussions, as well as a source of inputs into the policy formulation process at the national, regional and multilateral levels.

3. Different views were exchanged, and opinions expressed, on the issues raised in the background note and in the presentations made by the invited experts. The following summary aims to reflect the richness and diversity of the views expressed and suggestions made at the Meeting. The complete programme of the Meeting is provided in annex I to this report.

#### **A. Logistic services: A key feature of globalization today**

4. A clear definition of what constitutes logistics services does not exist, as it is difficult to draw the line between logistics services and other sectors, for example transport services, which are a key feature of logistic services. Various approaches and references were made to "supply chain management" as the key business activity dominating the evolution of the sector. A private sector understanding of logistics services considers it to be the process of planning, implementing, managing and controlling the flow and storage of goods, services and related information from the point of origin to the point of consumption. However, logistics services include transport, warehousing, management, the setting up of plants for assembly and manufacturing, information services and various value added services such as labelling, packaging and inspection services. Globally in 2002, the total value of contract logistics alone was estimated to be US\$ 130 billion. In 2003, the global market for logistics services was estimated to be US\$ 320 billion. The sector is expected to experience growth at a rate of 10-15 per cent in Europe and 20-30 per cent in the United States, and growth in countries such as India and China is also expected to be strong. Firms are increasingly outsourcing one or more functions to third party logistics (3PLs) service suppliers, who specialize in integrated logistics services and whose emergence is linked to increasing outsourcing of supply chain management activities. Some notable trends related to growth in logistics services include the containerization of cargo traffic, port reform, the use of larger and faster ships, and the use of air transport and air cargo through dedicated cargo airlines.

5. As a share of total export value, costs for export-related logistics services in developing countries are particularly high. The World Bank has found that in Africa, logistics services account for 15 per cent of export value. The high relative cost of logistics services is common in many developing countries, but particularly in Africa and landlocked countries, where it increases the cost of overall trade.

6. UNCTAD analysis shows that global logistics are estimated at US\$ 3.43 trillion and that total logistics activities are estimated to make up 15-20 per cent of finished product costs. Out of logistics cost components, transport accounts for 60-80 per cent, inventory costs account for 15-30 per cent and administrative costs account for 5-10 per cent. In terms of trends, logistics costs in Europe and the United States have seen a rapid decline since the 1980s, largely due to a reduction in inventory costs. As the use of transport as a distribution process has increased, so have transport costs. Furthermore, freight has grown much faster than trade because freight is now part of the production process in ever more prevalent global production chains. The growth in global cargo volumes is largely due to a larger manufactured goods component rather than an increase in the transport of commodities.

7. However, increased global cargo transport volumes have mostly benefited larger firms in the sector. It was pointed out that six alliances/operators in maritime transport control 50 per cent of total capacity, and this trend is increasing due to the increasing occurrence of mergers and takeovers in the sector. Terminal operators (who handle containers) also show a high level of concentration, with the world's top five terminal operators controlling 40 per cent of global terminal operations. There is increasing involvement of international operators based in the regional hubs of developing regions, with Hong Kong, Singapore, United Arab Emirates and the Philippines emerging as major players that now control 30 per cent of global terminal operation trade.

8. Shippers are interested in the optimization of total logistics costs. While overall logistics costs are declining, transport costs remain high. As far as the interlinkages between multimodal transport and logistics are concerned, shippers are looking for total transport solutions with increased flexibility of services. This requires appropriate and coherent administrative arrangements and procedures, which include modal regulatory and legal environments, freedom of choice for shippers and carriers, border crossing procedures, and regulation of support services such as insurance arrangements.

9. The majority of the world's top 3PLs are based in developed countries. Generally, these big service suppliers control a major proportion of the market share, with some "oligopolies". Furthermore, there has been an increase in government regulation as a result of a recent wave of privatization of port operations in order to address the emergence of large port operator oligopolies in both developed and developing countries.

10. Efficient logistics services can contribute directly to improved international competitiveness and facilitate integration into the world economy. However, in many developing countries, low trade volumes discourage the development of competitive logistics services sectors, while the lack of a mature logistics sector can discourage exports. The cost of logistics relative to export value is a major market access barrier for exporters of goods and commodities in such countries. Relative to total export value, average logistics costs are 3 per cent in developed countries, 8 per cent, in developing countries, 15 per cent in Africa and nearly 30 per cent in landlocked developing countries.

11. Developing countries currently have the choice of engaging foreign logistics services suppliers, enhancing their own national supply capacity, or a combination of both. At the same time, most developing countries have significant supply-side constraints, including inadequate infrastructure, small domestic markets (and thus inadequate economies of scale) and difficulties in penetrating foreign logistics services markets. While developing countries can benefit from liberalization, certain preconditions must be met in relation to infrastructure, technology, human resources, regulation and security. A sound and balanced regulatory

framework, buttressed by flanking policies to ensure a competitive environment for the sector, is imperative and fully consistent with the GATS' recognized right to regulate.

12. In some cases, introducing competition is not the best solution because of natural monopolies. For example, in small island countries it does not make sense to privatize port operations. This would only lead to a situation where a government monopoly has been replaced by a private monopoly. Even in a big market like the EU, there are certain services where privatization has not been feasible. The introduction of private operators in ground handling has only been possible in three airports so far, namely Amsterdam, Paris, and London. Frankfurt may soon follow. In all other airports there is not enough volume for a free market. Accordingly, countries should not have an overoptimistic view of liberalization.

13. It was pointed out that it is important to consider the philosophy behind logistics services as the industry is evolving. While it is difficult to differentiate between logistics services and supply chain management, as the net outcome of their functions remains the same, one key difference is that in logistics services the flow of information and material is generally managed within a single organization or company. This is in contrast with supply chains, where functions are distributed among different entities and synchronization, cooperation and information sharing are essential.

14. The question of the "languages" that should be used for logistics was also discussed. Previously, the EPIX system<sup>1</sup> was commonly used but the industry seems to be losing interest in using a harmonized system. A German firm SAP (Systems Applications and Products in Data Processing) has now developed what could be a useful harmonized platform. The software programme enables firms to conduct business globally (by allowing smooth compliance with local laws, trade security measures, documentation requirements and coordinating of various parties).<sup>2</sup> It was suggested that countries should consider using a standardized language as a way to reduce transaction costs.

15. An interesting geographical movement in the logistics services sector is the shift in activities among and between developed and developing countries. In the 1960s, both production and logistics services were based in developed countries, while raw materials moved from developing to developed countries. Today, the same trend continues for raw materials, but production is moving to developing countries.

16. The logistics services industry environment has evolved dramatically in recent years. Initially there were product offerings on "basic needs", and production was organized through mass production with economies of scale. Today, there is "personalized demand", with increasing numbers of items with a shorter product life cycle and production organization that necessitates other logistics elements such as timely delivery, total quality management, and lean production. With globalization, more companies are outsourcing specific functions so that they can focus on their "core business". This outsourcing may occur from headquarters to production sites or to other countries.

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<sup>1</sup> EPIX is software for supply chain management for local or worldwide control of production and distribution. EPIX, which is used for control of a company's total material flow, includes functionalities for control of purchase, production, sales and distribution. The use of EPIX generates profits in terms of shorter and more reliable delivery times together with reduced costs for warehousing, production, sales and distribution.

<sup>2</sup> The SAP Global Trade Services (SAP GTS) allows firms to: ensure full regulatory trade compliance; avoid costly fines and penalties and help ensure national security; expedite customs clearance; reduce cycle times and ensure fast delivery to customers by minimizing delays at national borders; automate customs warehousing procedures; take full advantage of international trade agreements; etc.

17. Other features with respect to the emerging philosophy behind the economics of logistics services include: (i) traceability systems in logistics as an increasingly important component of supply chain management; (ii) the need for increased collaboration among actors in the supply chain; (iii) ICT systems that allow corporate players to make decisions in order to reduce costs and to reduce risks; and (iv) the need to increase integration and standardization of ICT systems, as well as consider security issues that are emerging as a key concern.

18. The specific role of government actors was discussed. Government officials in China debated some time ago whether they should establish a separate department for logistics and which ministry should house such a department. However, it is important to highlight that separate ministries will be developing regulations relating to logistics, so a unique department in charge of logistics may not be the best option. The objective of rules and regulations for the logistics sector is to reduce complexity and therefore transactions costs. Subsistence logistics (i.e. logistics for the provision of water, food and shelter) and its regulation should be a national priority. Again, several ministries may be involved such as the Ministry of Health or the Ministry of Internal Affairs. It was noted that sometimes the Ministry of Defence is also an important actor in logistics-related matters. For example, road networks and other infrastructural projects are often developed by that Ministry. There is need for coordination and coherence amongst the different stakeholders.

### **B. Countries' experiences in logistics services trade**

19. It was highlighted during the Meeting that many LDCs have virtually no logistics services sector, and UNCTAD was requested to provide specific assistance to these countries. Conscious of the great importance of the logistics services sector, many developing countries have taken measures to cooperate with neighbouring developing countries to reduce trans-border logistics costs. However, they often encounter problems relating to hardware elements such as infrastructure and roads and to software elements. A supportive legal environment was also considered very important. As far as trade negotiations in the area are concerned, there are outstanding definitional issues that remain to be resolved, and developing countries need to better understand what commitments in this sector would entail. It was suggested that international organizations like UNCTAD can contribute in these areas. The question was raised whether research had been done on economies of scale and natural monopolies in the public sector. In this respect, it was pointed out that developing countries need to understand clearly what their role can be both as suppliers and users of logistics services and how they may benefit from trade in logistics services. This was considered an important issue not so much for successful services suppliers in South-East Asia, but rather for other developing countries and regions. Developing countries suffer from higher costs as well as the need for quality and availability of logistics services. Developing countries should explore the possibility of enhanced South-South cooperation, and landlocked countries can work through the 2003 Almaty Plan of Action.

20. Nicaragua's experience demonstrates that a clear definition of logistics services remains to be established. National actors view logistics services as the transport of goods from the point of origin to the point of consumption, or getting the right goods to the right place at the right time. However, the United Nations Central Product Classification (CPC) includes 220 services under the logistics services sector, many of which lie outside any 'national definition'. Nicaragua is currently considering opening up in Modes 1, 2 and 3 and potentially Mode 4 in logistics services. Specific sectors and modes in which liberalization is

being considered on a preliminary basis are the air and rail transport sectors in Modes 1 and 4. The feasibility of opening these sectors is being considered on the basis of consultations with various stakeholders.

21. There is a legal framework in Nicaragua for national port enterprises active in maritime and internal waterway activities. All national ports are operated by the state. As far as port and port installations are concerned, there is little interest in direct investment in ports at the moment. The telecom and postal services sector are partially privatized in the form of a limited company, wherein the state must maintain a majority holding. Concessions and licences are also granted. As far as land, air and water transport are concerned, a decree was passed in 2005 whereby all forms of transport are subject to approval by the Ministry of Transport. There is some opening up in land transport, but this is a sensitive area. As far as professional services are concerned, Nicaraguan service suppliers must be given preference over foreign ones in government procurement. Service suppliers have to be registered under national law as certified technicians.

22. While Nicaragua understands the importance of logistics services in world trade, there are certain elements it feels must be considered. In Nicaragua the sector is largely controlled by the state, and more time is needed to phase in privatization and liberalization in view of the complexity and breadth of logistics services. Further, Nicaragua requires the ability to assess liberalization under a plurilateral request to ascertain what changes in national legislation are implied and whether such changes are feasible and possible.

23. The experience of South Africa, which is a commodity-based manufacturing economy with substantial freight movement within its frontier and to foreign destinations, was also described. The cost of logistics in the South African economy is 15.2 per cent of GDP, higher than the United States but a typical figure for a developing country. However, logistics costs are growing faster than logistics volumes, a key cost contributor being transportation.

24. South Africa presents elements of a dual economy with features of both an industrial and a rural economy. In addition, it faces a major challenge in dealing with a large informal economy, a challenge not faced by developed countries. Features of its economy as it relates to logistics services sector include limited access in rural/underdeveloped areas, lack of skills development, and the need to develop and implement a modern national strategy. Five identified major deficiencies are: outdated national infrastructure, lack of benchmarking and measurement, inefficient alignment of supply chains, shortage of advanced supply chain skills, and an insufficient appreciation by private firms of the need to upgrade the sector in order to respond to emerging market requirements in the global economy.

25. In the regional context, South Africa confronts many problems in its efforts to enhance its effectiveness as a regional logistics hub. These include lack of access to transport services in rural, interior regions where poverty is endemic, the exorbitant costs of trade through African ports and border-crossings, underdeveloped networks for rail and road, which are the main modes of transport in Africa, and the lack of line-haul freight options for the majority of African countries.

26. The development of freight logistics remains, however, a key contributor to regional development and integration. It has thus been cited as a key development objective, particularly in view of the poverty reduction benefits that improved transportation can bring to rural communities and landlocked countries. At a national level, South Africa needs to

undertake institutional reforms, allow for infrastructure ownership, ensure integration of its two economies, focus on the core business of ports, rails and pipelines, restore profitability in the sector, and focus on capacity expansion. South Africa plans to invest 31.5 billion South African rand in railways over the next five years and is examining ways to build adequate multimodal transfer systems, improve telecommunication systems, modernize cargo and container handling facilities, and ensure internationally competitive port charges. However, to develop a true regional hub, these objectives will also need to be advanced through the Southern African region.

### **C. Perspectives of users and providers of logistics services and regulatory issues in logistic and related sectors**

27. Practical experiences within the logistics services industry, including the experiences of firms such as Wal-Mart, and cross-country transport were discussed. Notable features of the logistics services industry were described, including its growing flexibility and consumer responsiveness. Modern supply management systems based on rapid, real-time responses to demand were considered essential for companies to remain competitive in today's markets. Wal-Mart, for example, monitors its stores internationally to determine when and where there is likely to be a shortfall and then promptly responds.

28. A cross-country comparison of outsourcing in logistics services has shown the importance of global logistics expenditures, including inventory-carrying costs (warehousing, interest, taxes and insurance), transportation costs (the cost of carriers, brokers/forwarders, etc.) and management costs (e.g. shipment management). The range of expenditures in terms of GDP varies across countries from 10 to 20 per cent of GDP in many developing countries, to less 10 per cent in the most efficient industrialized economies. Several elements can explain these differences, including whether the economy has mature services sectors or a significant manufacturing sector; the importance of importing versus exporting; the overall quality of infrastructure; and a number of geographic, demographic and political factors. The point was made that different figures for the value/volume of trade in logistics services had been heard during the course of the day. It was suggested that one simple way of estimating the cost of logistics is to calculate 10 per cent of the imported value of products. The figure 10 per cent is used because efficient economies spend approximated 10 per cent of GDP on logistics. In some less efficient counties this figure is higher. It may also be higher depending on the specific characteristics of the economy. For example, in Norway the cost of logistics is 20 per cent of GDP. This figure can be explained by the small population, which is scattered throughout the country.

29. Specifically in the United States, where logistics costs decreased from around 13 per cent of GDP in 1984 to only 9.5 per cent in 2005, transportation costs represented 62 per cent of total logistics expenditures while inventory-carrying costs and management costs represented 33 per cent and 5 per cent respectively. Explanations for the improved performance of the logistics sector in the United States include: (i) regulatory reforms (undertaken in the areas of domestic air and domestic truck transport, as well as the postal reform); (ii) public infrastructure investments (in the interstate highway system, freight airports, and sea ports); and (iii) private infrastructure and innovation (with the appearance of overnight express, mega retail stores, lean inventory practices, and logistics outsourcing, amongst others). The importance of globalization and the accompanying transformation of the US economy from a manufacturing to a services economy and of rapidly growing imports were also acknowledged as contributory factors.

30. The case of logistics in China was presented in contrast to that of the United States. In China, logistics expenditures still represented around 20 per cent of GDP in 2004, with transportation accounting for 57 per cent of total logistics expenditures and inventory-carrying costs and management costs accounting for 29 and 14 per cent respectively. It was suggested that the doubling of logistics costs as a share of GDP in China relative to the United States can be explained by China's predominant manufacturing/export orientation and the fact that it has an emerging but not yet fully developed domestic consumer market. However, rapid infrastructure development in China should improve matters in the coming years.

31. Opportunities for improving logistics services efficiencies include infrastructure investments, process standardization, specialization, lean inventory practices, and strategic cost and investment sharing alliances between different firms with specific expertise.

32. In certain sectors, such as the express delivery segment, the participation of the private sector is becoming increasingly important. It is estimated that hundreds of companies are active in this segment around the world, with worldwide revenues of some US\$ 130 billion and direct jobs and indirect employment at 1.25 million and 2.65 million workers respectively. Among the factors that can explain this rapid growth are the following: global supply chain management, just-in-time manufacturing, global sourcing, fast cycle logistics, specialization and the diffusion of the Internet and information technology, as well as export-led growth (increased trade) arising from lowered tariffs. The key users of express delivery services are the high-tech, pharmaceutical, automotive and financial services industries.

33. Logistics service suppliers often take various measures to assist countries around the world with simplifying customs procedures in order to enhance prospects for the industry. The specific needs of express delivery services suppliers with respect to customs procedures include: the possibility to use electronic data interchange (i.e. harmonized data elements through a single global portal); the possibility for expedited clearance and less burdensome risk management (focusing mainly on high-risk shipments); and 24/7 customs clearance. It was emphasized that prospects for the industry are also dependent on reforms in the postal sector. The express delivery sector thus desires that high-value-added services be treated separately from basic postal services, with the area reserved for national postal operators narrowly drawn. It is also necessary that there be independent regulation and minimal licensing for express delivery suppliers, as well as adequate protection against unfair trade practices. There is need for capacity building in developing countries, particularly in respect of customs and infrastructure requirements. National policy objectives should be the basis of their policy reforms and liberalization in logistics services.

34. The potentially constraining impacts of security measures were also discussed. It was considered that devising balanced, practical and harmonized standards could contribute to lessening burdens of compliance on the private operators. Mutual recognition of different countries' measures and risk-based approaches was also mentioned as a supplementary means of dealing with increased security requirements. The importance of air transport as the principal means of shipment used by the express delivery industry was discussed. In this context, it was stated that there are huge economic gains to be made from aviation liberalization. The US Open Skies model was proposed as a model that had proved to be successful. In this context, reference was made to ongoing US-EU negotiations relating to air traffic rights and a proposal by the United States to relax ownership rules in order to stimulate investment.

35. The heavy dependence of the express delivery industry on air transport has led operators to adopt a responsible attitude to the problem of environmental protection, including issues relating to emissions, noise and local air quality. Some remedies are available, including using modern aircraft which are 70 per cent quieter and more fuel-efficient. The work of the International Civil Aviation Organization (ICAO) was considered particularly valuable in this respect.

36. Different presentations and interventions made during the Meeting highlighted the fact that island economies are faced with problems and logistics costs similar to those encountered by landlocked countries. Certain suppliers have some degree of monopoly power, but their ability to abuse this power can be limited by government measures, including clear and simple customs procedures. The development of standardized procedures and forms and the adoption of a common language for logistics services would greatly contribute to minimizing transaction times and costs.

37. Certain challenges facing developing countries relate to the market structure for logistics services and the link between these countries' access to transport and logistics services and their potential to benefit from trade liberalization; the negative impacts of cartels; and the difficulty of attracting FDI even where privatization is being introduced. Investment is difficult to encourage in cases where the sector is separated (either horizontally or vertically). In some situations, markets may not function effectively either because of their limited size or because of the magnitude of the infrastructure investments required.

#### **D. Logistics services and WTO negotiations**

38. The logistics services sector is not defined as a separate sector in the GATS, but rather falls under different services categories, including services auxiliary to all modes of transport. Recent negotiating proposals and various communications give a hint of countries' interests in the subject. Commitments on services auxiliary to all modes of transport during the Uruguay Round remain largely binary (i.e. either none or unbound), with some Members maintaining restrictions in such areas as establishment; foreign equity ceilings; minimum capital requirements; limited number and duration of joint ventures; nationality, residency, and language requirements; qualification requirements; and duration of stay and training conditions. In the current round, the logistics services sector has been recognized and discussed at the plurilateral/bilateral level, and according to informal feedback it is a relatively frequently mentioned item in requests.

39. Logistics services are linked with maritime and air transport services. For a number of countries, including LDCs, liberalization of maritime services is politically costly, and thus there is considerable difficulty in opening up the logistics services sector. For example, cabotage is likely to continue to exist for some time. No country seems to be moving away from cabotage restrictions. One of the rare examples where cabotage was abandoned is the case of the Rhine. The Danube may follow, but other examples are rare. For example, it seems unlikely that foreign ships will be allowed to operate in the United States, for example on the Mississippi river, in the near future.

40. Relevant country and group proposals on logistics submitted since 2004 were discussed. The Swiss proposal addresses the following subsectors: cargo handling services, storage and warehousing services, freight transport agency services, including other auxiliary transport services, and other supporting and auxiliary transport services. It identifies the following obstacles to be addressed: conditions for licenses, discriminatory security deposit

requirements and preferential pricing. The proposal of Hong Kong, China, is mainly inspired by the checklist drawn up by the “Friends of Logistics Services” group as it sought not to reinvent the wheel but to put together relevant information that is already available. It aims to obtain commitments in: freight transportation services, cargo-handling services, storage and warehousing services, customs clearance services, transport agency services, container station and depot services, inventory management services, order processing services, production planning services, and production control services.

41. The “Friends of Logistics Services” have suggested classifying services as follows: (i) core freight logistics services, which mainly cover services auxiliary to all modes of transport; (ii) related freight logistics services, which cover freight transport services and other related logistics services such as technical testing and analysis services, courier services, commission agents’ services, wholesale trade services, and retailing services; and (iii) non-core freight logistics services such as computer and related services, packaging, and management consulting and related services. They also suggested that Members make related additional commitments.

42. The current state of play with respect to logistics services within the WTO framework was discussed. Some 20 delegations, from both developed and developing countries, have issued a joint statement on the liberalization of logistics services. In this round of plurilateral negotiations, a group of countries has presented a plurilateral request to a total of 34 members. The request was based on an evolution of the earlier logistics checklist. It seeks to impress upon Members the fact that logistics services are not just an aggregation of all the relevant services, but the integration of these services to ensure proper coordination and efficiency within the sector. The co-sponsors of the proposal attach importance to the sector, not only in order to pursue their commercial interests, but also because of their recognition of the major role that logistics services play in the expansion of global trade. Logistics services benefit not only suppliers of services, but even more so users of services, as well as manufacturers and distributors. The spillover effects in other sectors of the economy must also be taken into account. Logistics services are in some ways very much a network service, and involve a whole series of logistics chains, often on a global basis; the benefits would be best realized if liberalization is taken on a global basis covering the widest range of sectors in order to involve all of the important actors.

43. While there are a large number of countries offering commitments in some sectors of the checklist, no member has liberalized across all of the services subsectors. There are gaps in the offers at the moment. To date, 61 offers have been tabled, of which 41 maintain existing commitments in logistics services, 22 offer improvements to existing commitments, and 19 offer commitments on new services sectors; 5 offer new commitments in logistics services, and 15 offers make no commitments in the sector. There has been little movement on the requests for liberalization made by the “Friends of Logistics Services” negotiating group. Modalities using a checklist or clustering approach are difficult for developing countries to agree to because it is difficult to determine their impact. In terms of building supply-side capacity, the possibility of South-South trade could be particularly useful in generating economies of scale in regional developing markets.

44. Although there was a low level of commitment in maritime transport and postal courier services during the Uruguay Round, today’s business realities reveal a more open regime. As for courier services, countries are in the process of opening partly, with monopoly service provision slowly disappearing. Express service delivery remains largely uncommitted

for two reasons: lack of regulatory frameworks and a lack of clarity over classification issues under the GATS. To ensure legal predictability, there is a need to define clearly the activities that are intended to be covered by GATS commitments. A growing number of countries are now considering making commitments in maritime transport services because of the significant role they play in the transport of goods. About 50 countries are offering commitments using the maritime model schedule.

45. UNCTAD and OECD are currently developing checklists of questions to assist negotiators in the request-offer process. In the background note prepared for the Expert Meeting, the UNCTAD secretariat looked at, among other things, developing country challenges when mainstreaming trade into development objectives; and ways and means for implementing Art. IV of the GATS (Increasing participation of developing countries in international trade in services). The following elements can be highlighted: (i) the list of key questions may need to be further developed for the various segments of logistics services; (ii) many challenges and barriers can be addressed through the request-offer discussions and the limitations and conditions that can be attached to commitments; (iii) Articles IV and XIX should remain the basis for requests to, and offers made by, developing countries and the importance of effective capacity building, SDT and flexibility; and (iv) developments in related fora should also be taken into account.

#### **E. Policy conclusions and recommendations**

46. In the discussions of the Ad Hoc Expert Meeting, the linkages between developing country participation in world trade and their increasing logistics services capacities appeared clearly. The implication of more open markets, including through GATS commitments for local suppliers as well as access to competitive logistics services, was discussed. A note of caution was raised concerning requests for market opening on logistics services and concerning the careful consideration that should be given to the state of economic and regulatory preparedness of the country before liberalization. Addressing regulatory reform, capacity constraints and special and differential treatment was considered a prerequisite for tabling offers.

47. The Meeting highlighted the fact that government policies sometimes act as barriers to the supply of efficient logistics services in a number of ways, primarily through customs inefficiencies, including too much paperwork, extensive formalities, limits on the size and value of shipments, and limited hours of services. Another problem area relates to burdensome cargo security and in some instances problems related to officials' integrity often arising from inadequate salary levels that lead to a culture of rent-seeking and related personal motivations for limiting automation. Restrictions on transport competition by way of monopolies and special taxes, as well as inefficient customs valuations, are other government barriers that can lead to unpredictable costs and delivery schedules. Logistics services should, however, be looked at in their entirety, including their impact on service users and providers, as well as their spillover effects.

48. While it is important for countries to have access to high-quality and efficient logistics services, it is also important to determine how developing countries can maximize their participation in and partake of the benefits of liberalization of logistics services. In this respect, addressing market access is one element, but more fundamentally there is a need to build and maintain supply capacities. The importance of building regulatory frameworks (including competition rules that should form an integral part of markets) and proper

sequencing for developing countries to benefit fully from the liberalization of logistics services was reiterated.

#### **F. UNCTAD'S contribution and future work**

49. The Ad Hoc Expert Meeting suggested the following issues that UNCTAD could take up in its future work:

(a) Analysing how developing countries can maximize their participation in and partake of the benefits of liberalization of logistics services, in terms of both users and suppliers of these services;

(b) Identifying the appropriate policy options, and more generally the regulatory framework, for ensuring quality and availability of logistics services and the proper sequencing of reforms for developing countries to benefit fully from the liberalization of logistics services;

(c) Further exploring the linkages between trade facilitation and liberalization of logistics services;

(d) Analysing empirical evidence on the operation of oligopolies in the logistics services sector and related development impacts;

(e) Examining the effects of concentration and anti-competitive practices in logistics-related services on developing countries' integration into world trade and their development opportunities; and

(f) Providing for key technical assistance and capacity building in the area of logistics services for developing countries, and more particularly vulnerable groups such as landlocked countries and LDCs.

## **Chapter II**

### **ORGANIZATIONAL MATTERS**

#### **A. Convening of the Expert Meeting and agenda**

50. The Ad Hoc Expert Meeting on Logistics Services was held at the Palais des Nations, Geneva, on 13 July 2006. Mr. Assad Omer (Afghanistan) chaired the Meeting. The Meeting had one agenda item, namely the substantive agenda item as set out in the programme in annex I to this report.

#### **B. Documentation**

51. For its consideration of the substantive agenda item, the Ad Hoc Expert Meeting had before it a note by the UNCTAD secretariat entitled "Trade and development aspects of logistics services" (TD/B/COM.1/AHM.1/2).

52. At the end of its deliberations, the Ad Hoc Expert Meeting authorized the Chairperson to prepare the final report of the Meeting under his own authority.

## Annex I

### PROGRAMME

- 10:00-10:30 ***Welcome and introductory remarks***  
Ms. Lakshmi Puri, Director, Division on International Trade in Goods and Services, and Commodities, UNCTAD
- 10:30-11:45 ***Session 1 – Logistics services: A key feature of globalization today***  
  
*Logistics services and development:* Ms. Mina Mashayekhi, Head, Trade Negotiations and Commercial Diplomacy Branch, UNCTAD  
*Trends in logistics and related services:* Mr. José Rubiato, Trade Logistics Branch, UNCTAD  
*Economics of logistics services:* Ms. Ximena Gutiérrez, International Institute for the Management of the Logistics Services, EPFL  
*Logistics services trade:* Mr. Pierre Latrille, WTO Secretariat
- 11:45-13:00 ***Session 2 – Countries' experiences in logistics services trade***  
  
*Addressing countries' specific logistics requirements: The case of Nicaragua:* Mr. Silvio Zambrana, Permanent Mission of Nicaragua to the WTO  
*The challenges facing LDCs in accessing efficient logistics services:* Mr. Solomon Kasa, Tanzania Freight Forwarders Association  
*Logistics requirements for export-led growth:* Mr. John Simpson, Director General, Global Express Association  
*South Africa: A regional hub for logistics services?:* Ms. Isabelle Meyer, Council for Scientific and Industrial Research, South Africa
- 15:00-16:15 ***Session 3 – Perspectives of users and providers of logistics services and regulatory issues in logistics and related sectors***  
  
*Cross-country comparison of outsourcing in logistics services:* Mr. Harvey Donaldson, Director for Supply Chain and Logistics Education, Georgia Institute of Technology  
*Perspectives of logistics firms:* Mr. Ralph Carter, Managing Director Legal and Regulatory Affairs, FedEx Express  
*Comments:* Professor Hugo B. Roos, Erasmus University Rotterdam
- 16:15-17:30 ***Session 4 – Logistics services and WTO negotiations***  
  
*Update on logistics services in the GATS negotiations:* Mr. Pierre Latrille, WTO Secretariat  
*Approaching logistics in the GATS negotiations:* Mr. Thomas Chan, Hong Kong Economic and Trade Office; Mr. Francesco Meggiolaro, EC Representative (DG Trade)  
*Specific issues in the request-offer process:* Ms. Martine Julsaint Kidane, TNCDB, UNCTAD
- 17:30-18:00 ***Closing session***

## Annex II

### ATTENDANCE<sup>3</sup>

1. Experts from the following States members of UNCTAD attended the Meeting:

Afghanistan	Madagascar
Angola	Mauritius
Argentina	Mozambique
Bosnia and Herzegovina	Nicaragua
Brazil	Nigeria
China	Panama
El Salvador	Philippines
Indonesia	Russian Federation
Iran (Islamic Republic of)	South Africa
Iraq	Syrian Arab Republic
Italy	Switzerland
Kazakhstan	Thailand
Lesotho	Viet Nam

2. The following intergovernmental organizations were represented at the Meeting:

African, Caribbean and Pacific Group of States  
 African Union  
 Organisation for Economic Co-operation and Development  
 Organisation internationale de la francophonie  
 South Centre

3. The following United Nations agencies were represented at the Meeting:

Economic Commission for Africa  
 United Nations Development Programme

4. The following specialized agencies and related organizations were represented at the Meeting:

Universal Postal Union  
 World Bank

5. The following non-governmental organizations attended the Meeting:

BPW International  
 Friends World Committee for Consultation (Quakers)  
 Institute for Agriculture and Trade Policy  
 International Centre for Trade and Sustainable Development  
 Oxfam International

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<sup>3</sup> For the list of participants, see TD/B/COM.1/AHM.1/INF.1.

Third World Network  
World Lutheran Federation

6. The following panellists attended the Meeting:

Mr. Ralph Carter, Managing Director Legal and Regulatory Affairs, FedEx Express  
Mr. Thomas Chan, Economic and Trade Office, Hong Kong, China  
Mr. Harvey Donaldson, Director for Supply Chain and Logistics Education, Georgia  
Institute of Technology  
Ms. Ximena Gutiérrez, International Institute for the Management of the Logistics  
Services/EPFL, Lausanne  
Mr. Hans Ittmann, Council for Scientific and Industrial Research, South Africa  
Mr. Solomon Kasa, Tanzania Freight Forwarders Association  
Mr. Pierre Latrille, WTO Secretariat, Geneva  
Mr. Francesco Meggiolaro, European Community (DG Trade), Brussels  
Ms. Isabella Meyer, Council for Scientific and Industrial Research, South Africa  
Mr. John Simpson, Director General, Global Express Association

7. The following special invitee attended the Meeting:

Ms. Myrtelle Rochette, Port-au-Prince, Haiti

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