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Expert Meeting on the Design and Implementation
of Transit Transport Arrangements
Geneva, 24-26 November 2004

**REPORT OF THE EXPERT MEETING ON THE DESIGN AND
IMPLEMENTATION OF TRANSIT TRANSPORT ARRANGEMENTS**

Held at the Palais des Nations, Geneva,
from 24 to 26 November 2004

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Chapter I

CHAIRPERSON'S SUMMARY

1. The Expert Meeting on the Design and Implementation of Transit Transport Arrangements was convened from 24 to 26 November 2004, pursuant to the decision taken by the Commission on Enterprise, Business Facilitation and Development at its eighth session. Experts had before them the background document prepared by the secretariat "Design and implementation of transit transport arrangements" (TD/B/COM.3/EM.22/2).

2. The substantive discussions were organized as follows:

- (a) Introduction;
- (b) Constraints facing transit trade;
- (c) Recent developments in transport and logistics;
- (d) Cooperation towards transit transport arrangements;

3. Experts came from trade, transport and other ministries, Customs, private sector organizations, public and private transport companies, and specialized organizations dealing with transport, trade and security.

(a) Introduction

4. In recent years, changing trade patterns have led to an evolving "new geography of trade". Developing countries are participating more intensely in world trade as merchandise exports have grown and South-South and intraregional trade has expanded. Yet far from all developing countries benefit from these developments. Many are still confronted with insufficient access to world markets. International connectivity and the costs of transport and logistics services are emerging as crucial factors in access to international trade. Whereas Customs tariffs have been decreasing, the incidence of international transport costs has actually risen in recent years, now surpassing the value of import duties on most exports from developing countries.

5. Many landlocked countries have to face constraints on their transit trade that reduce their competitiveness in international markets. By way of example, UNCTAD figures show that the international transport costs for imports of African landlocked countries account for an average of 20.7 per cent of the value of the imports, as compared to the world average of 5.1 per cent and the average for African countries of 12.7 per cent. A study on Western and Central African countries estimated that trade between pairs of landlocked countries was 92 per cent lower than would be expected if they were not landlocked, and having to cross a transit country reduces bilateral trade by 17 per cent.

6. Landlocked countries are faced with a lack of control over the development of transport management and policy, which are shaped by the transit country according to its own economic and social interests. Some coastal countries, too, may sometimes depend on ports in neighbouring countries if their own volumes do not justify enough ship calls. Other countries depend on transit trade because their main trading partners are reached better by land than by sea.

7. Many small economies, LDCs and especially landlocked LDCs are confronted with a vicious cycle where diseconomies of scale and low trade volumes lead to high transport costs and low connectivity, which in turn contributes to keeping trade volumes low.

8. Dependence on transit trade should not be confused with remoteness or distance from the sea. Many large countries have regions or cities that are further away from the sea than most capitals of landlocked countries. Of course, distance, too, has a measurable impact on transport costs, yet constraints associated with transit trade are additional and specific.

(b) Constraints facing transit trade

9. One of the main obstacles mentioned by experts is the lack of political will to improve and implement international agreements. Sometimes due to local vested interests and inadequate coordination among concerned ministries, there exists little “nationalization” of multilateral, regional and bilateral agreements. In several cases, coordination between central and regional authorities is poor, and regional authorities themselves do not reach out each other.

10. Another basic obstacle to improvements is a common mistrust between the public and the private sector, and also sometimes between neighbouring countries. This mistrust, combined with security-related fears and illicit narcotics trafficking, may justify physical inspection rates of up to 100 per cent, seriously hindering fluent transport operations along transit transport corridors.

Border crossings

11. Long waiting times at border crossings are a major cost factor in transit transport operations. The reasons for delays include inadequate opening hours, low manning levels, and cumbersome procedures.

12. Some transit countries consider “customs escorts” a necessity. These, however, often take place infrequently or without a reliable timetable. Other countries may consider such escorts as a service to trading partners because it reduces the risks of theft or piracy and could thus reduce the need for cash deposits required from carriers for their containers moving inland.

13. A particular practical problem related to international road transport and long waiting times at border crossings is the spread of HIV/AIDS.

Markets for transport services

14. Several experts reported cases where trucks are not allowed to enter the neighbouring country, which means that the cargo has to be transhipped. Similarly, truck drivers may not be allowed to enter a third country without a valid visa. In one case, it was estimated that allowing trucks of a landlocked country to operate in a transit country might save 30-40 per cent of transit transport costs. Transshipment of cargo between trucks of different countries is still common practice in many countries.

15. A cost disadvantage or a lack of capacity on the part of national operators or truck drivers to face international competition may discourage countries from agreeing to open transport services in transit and landlocked countries. Such protection of national operators from international competition leads to an increased need for transshipment and may mean that trucks have to return empty after delivering goods.

Infrastructure

16. Infrastructure was mentioned as a serious and very common constraint, including badly maintained roads, roads unfit for heavy loads, and a lack of railways. Low enforcement of

maximum axle loads leads to a further deterioration of roads. Poor infrastructure, combined with inefficient border procedures, renders regional South-South trade difficult, particularly if this trade has to transit through a third country. While container volumes are forecaste to grow at very high rates during the next years, infrastructure is not following suit.

17. Landlocked countries may depend on only one or a few foreign ports. These may be inadequately connected to international liner shipping networks and have insufficient infrastructure, depth or equipment. In several instances, landlocked countries mentioned problems of port congestion, often resulting from poor management. One landlocked country reported an average of 30 days' port storage for import cargo.

Transit regimes and commercial practices

18. Some neighbouring transit countries are not party to international and regional agreements and conventions that are of relevance to transit transport. When cargo is moved between a country that belongs to a particular Customs transit regime (such as TIR) and one that does not, transshipment of cargo from one truck onto another may become necessary, which is a serious obstacle to efficient continuous transport operations.

Customs

19. High physical inspection rates by Customs prevail for revenue protection purposes, as import duties in many developing countries account for 40 to 50 per cent or even more of fiscal income. High inspection rates do not apply only to import or export cargo; in several cases cargo in transit is also being inspected at points of entry and points of departure by the transit country's authorities. The fear on the part of transit countries that transit cargo will be sold within their own country is among the main reasons for these physical inspections.

20. Regarding customs transit clearance, procedures are often complicated and not transparent, resulting in delays, fines and penalties. Such procedures tend to allow for different interpretations and may become a source of disputes. The release of bond or bank guarantees often takes too long. Transit taxes are still being charged by Customs in some transit countries.

Information and communication technologies

21. Insufficient use of new technologies can be found at different levels. In some cases, users complain that Customs and other authorities are not using adequate information systems. In other cases, border posts do not even have access to electricity.

Commercial risks

22. For many transit trades, experience shows that the original seals may be broken without the proper presence of a representative of the carrier. This implies that the carrier does not have control over the integrity of the original content of the container. Higher risks lead to higher insurance costs, as well as uncertainty for importers in their planning and hence to higher inventory costs.

23. Aged fleets and accidents along transit routes further increase risks and costs. Uncertainty and low inland transport productivity are among the reasons for low turnover of equipment (containers), particularly in West, Central and East Africa. This increases costs, especially in view of today's demand for containers in other parts of the world.

(c) **Recent developments in transit transport and logistics**

24. Experts discussed the global framework affecting transit transport. This framework includes the General Agreement on Tariffs and Trade and also customs transit regimes, as well as technology applications such as automated customs systems and cargo tracking technologies.

WTO

25. At the World Trade Organization (WTO), negotiations on trade facilitation have recently been initiated with regard to articles V, VIII and X of the General Agreement on Tariffs and Trade (GATT). Of these articles, Article VIII deals with trade fees and formalities. Article X deals with transparency of information about trade regulations, lack of which is a common problem for transit operations.

26. Article V aims at ensuring free transit of goods. It was adopted in 1947, without later alterations, and is now a core element of the Trade Facilitation negotiations. Article V states that each Member shall grant freedom of transit for goods, vessels and other means of transport crossing its territory, via the routes most convenient for international transit with no distinction based on flag of vessel, origin, departure, entry, exit, destination, or ownership of goods, vessels or other means of transport.

27. One of the first tasks of the recently established WTO Negotiating Group on Trade Facilitation (NGTF) is to clarify the scope of the negotiations. The first meeting of the negotiating group took place in November 2004. Relevant international organizations, including UNCTAD, are invited to attend on an ad hoc basis. WTO Member States agreed that negotiations and new commitments need to be coupled with support for technical assistance and capacity building.

Customs transit regimes

28. The most widely used Customs transit regime to date is the TIR system (Transport International Routier) managed by the United Nations Economic Commission for Europe (UNECE), working in a public/private partnership with the International Road Transport Union (IRU). The system was originally developed for road transport, but since 1975 it also applies to intermodal containerized transport. Presently, it has 65 contracting parties and is operational in 55 countries. The system is applicable to trucks and containers where goods cannot be removed without leaving obvious traces or breaking Customs seals. Only authorized operators can carry out TIR transport. UNECE maintains a database of 35,000 such operators.

29. A process is presently under way to fully computerize the TIR procedure through an interface between national Customs transit systems. It was further pointed out that international Customs transit systems such as TIR are complementary to national Customs information applications such as ASYCUDA.

Customs information systems

30. ASYCUDA started in 1981 in UNCTAD, and was initially installed in three countries. Today, it is used in 80 countries. The latest software version, "ASYCUDAWorld", is currently being installed in a pilot country. Its overall objectives are related to fiscal and statistical information. It complies with international norms and standards. The programme also assists Customs administrations with capacity building.

31. The transit module of ASYCUDA includes forgery-proof electronic documents, electronic signature, and registration of all transactions. No data re-entry is required by carriers or at border crossings. The system allows the processing of transit documents such as the TIR Carnet. It in fact allows for the full integration of transit procedures in the Customs clearance process. Transit documents are generated from waybills and export declarations.

32. The question arose of the extent to which individual Customs officers may oppose the introduction of automation because it reduces the possibilities of discretion. In practice, experience suggests that Customs officers need to be convinced and trained so as to become partners in a process of Customs automation.

33. Experts suggested that UNCTAD should continue to analyse ways to link ASYCUDA with cargo tracking systems such as ACIS (Advance Cargo Information System). ACIS is an UNCTAD-managed logistics information system designed to improve transport efficiency by tracking equipment and cargo on transport modes and at interfaces and by providing information in advance of cargo arrival.

ICT applications

34. In container-based transit transport operations, the integrity of cargo cannot be ascertained at every stage of the operation. Trading partners often do not have access to enough information, and it is then impossible to identify where a security breach has taken place and who was responsible. Solutions require the acceptance of new technologies.

35. A possible technology for cargo tracking under new security requirements is based on Radio Frequency Identification Devices (RFIDs). These transmit information about the physical condition and position of a unit load. They can also be linked to electronic devices (tags) that register information about the unit load. Other, alternative, technology solutions are based on the use of bar-codes or satellite communication systems.

36. One example of an international initiative in the field of IT solutions for security and trade facilitation is the “Smart and Secure Tradelanes” (SST) Initiative, which currently comprises 65 global participants, including shippers, ports, carriers, and service and technology providers.

37. Experts highlighted the need to analyse and take into account the technical and financial implications of new security measures on international transport in general and transit trade in particular.

(d) Cooperation towards transit transport arrangements

38. As borne out by the corridor cases presented to the expert meeting, cooperation in respect of transit transport arrangements is essential to develop effective solutions to transit trade. Considering that a particular transit country may be a major trading partner of its neighbouring landlocked country, any effective transit transport arrangement will also benefit bilateral trade. Cooperation can take different forms, as discussed below.

Planning, organization and administration

39. Cooperation can be promoted through clusters along the transit corridors. These clusters would include transport operators and other service providers involved in the international logistics operations. Such cooperative arrangements would further involve transport users and

public administrations from the transit and the landlocked countries. Agreements should also lead to mutual acceptance of technical inspections of trucks and corresponding certificates.

40. Experiences suggest that the development of a regional data bank on transport operations and service providers can improve Customs risk management and reduce the number of physical inspections while at the same time increasing the likelihood of identifying fraud or smuggling. One reported positive regional experience is the cooperation between trade facilitation bodies established in countries of the Southeast European Cooperative Initiative.

41. Informal systems are sometimes more efficient in practice than what would be accepted officially. For example, swapping truck number plates at border crossings allows trucks to continue carrying cargo through a transit country and in the landlocked country. Learning about the solutions found by the informal sector may provide valuable information about the components of a formal transit arrangement.

42. One national experience showed that joint administrative inspections and simplified documentation, combined with free competition among operators of both transit and landlocked countries, resulted in a reduction of transport costs by 20 per cent. Single-window operations and one-stop border inspections can also significantly reduce transaction times and costs. A suggestion was also made to establish common reporting mechanisms for affected corridor users to monitor bad governance or incidences of corruption in transit and landlocked countries.

43. Some experts felt that policymakers should focus their attention on the design of specific corridor-based solutions rather than necessarily aiming at comprehensive agreements in terms of both substantive coverage and geographic scope. The resulting arrangements at the administrative and operational levels should secure a number of practical and effective measures and best practices, including the recognition of through bills of lading, the establishment of “single window” facilities, the establishment of “one-stop” inspections, and the establishment of transparent Customs transit procedures.

44. One possibility for reducing the need for physical inspections at border crossings might be the collection of fiscal revenues at the port of entry. It was considered by some experts that the European Union’s experience could serve as an example for other regions.

45. The regional coordination of investments in roads and also railway transport can help to increase competition between available transport modes and corridors and provide additional options to transport users. Experience suggests that, when different options are available, the competitive pressure encourages improved corridor arrangements. Several landlocked countries are benefiting from the assistance of regional organizations in the development of a regional approach to transit transport solutions.

46. Transit transport arrangement may include joint infrastructure planning or better coordination among neighbouring national administrations such as Customs and ministries of transport and trade. One country reported joint studies by Customs authorities of neighbouring countries, in cooperation with transport providers, which led to specific proposals for further trade facilitation.

47. Successful planning requires identifying an integrated and coherent set of economic development and infrastructure projects rather than a single project or a collection of disjointed projects, as well as the upfront identification of anchor-led investment projects. A “trade-led” growth strategy is based on step-by-step improvements of existing structures, including the incorporation of the informal sector into the formal economy. This will then lead to strong incentives for productive investment and increase in trade.

48. In other words, supply may create demand, i.e. additional services, new corridors and very importantly also new trade facilitation measures may induce new trade that did not exist before. Experiences with several corridors suggest that the benefits of transit transport arrangements thus go beyond an improvement of existing trade, but can lead to a virtuous cycle, where improved transit arrangements lead to more trade, and this additional trade then encourages further improvements of transit transport arrangements.

49. In other cases, corridor development will be investment-led. Transport infrastructure planning goes in line with investment in industries with a regional outreach. New industries cannot be developed without at the same time providing for the necessary ports, roads, railways and bridges. Public/private partnerships in Southern Africa have proven to be positive examples in this regard.

50. The construction and operation of inland clearance depots (ICDs) can also facilitate transit trade; in one particular case, ICDs were reported to have reduced transport costs by 30-40 per cent. Increased railway investment may provide an opportunity for multimodal transport operations and offer significant savings in trade transactions as a result of less cumbersome procedures and documentation, as well as reduced risks of pilferage. Development plans and investments could be undertaken on a bilateral or regional basis.

51. Overall improved transit transport arrangements are likely to have positive externalities regarding improved environmental protection, reductions of HIV infection, and fewer traffic accidents.

Necessary support by the international community

52. Smooth and sustainable transit transport can only be achieved through good understanding between and among all key trade-related stakeholders in the neighbouring countries involved. A major first condition for improvement is often a change of attitude among stakeholders. Successful experiences suggest that initiatives by cargo owners can help to start such processes. Also, ports can become proactive in promoting transit transport arrangements in order to attract additional cargo.

53. Some landlocked countries may have the possibility of themselves becoming transit countries for their neighbours. In this context, the term “land-linked” country was mentioned on several occasions. Through better transit transport infrastructure and trade facilitation, a landlocked country can thus become an attractive transit country itself.

54. Transit transport arrangements need to promote coherent and integrated solutions. They need a framework incorporating legal, institutional and operational aspects. Public/private partnerships have been most successful in promoting practical transit transport arrangements.

55. Experts suggested that existing Customs transit systems and Customs information systems should be used, instead of setting up new systems that may be more costly and may not be connected as easily to other countries’ systems.

56. Capacity building needs to be stepped up in terms of coverage and target population. Endeavours should not be limited to training and awareness events on transit transport issues, but should also include the creation of the necessary institutions and environment that can help to fulfil the expectations generated by those events.

57. Furthermore, capacity building should focus on the public as well as on the private sector. Not only staff of ministries, transport authorities and regulatory bodies, but also many small and medium-size national transport operators require further capacity development in

order to be able to participate in the design and implementation of transit transport arrangements. In the context of the São Paulo Consensus (TD/412) and paragraph 166 of the Bangkok Plan of Action (TD/390), the special needs of transit countries need to be taken into account, and international technical assistance may become necessary.

58. Such assistance, involving new technologies, would entail considerable funding requirements. It could be supported through bilateral and multilateral donor organizations and implemented by competent international institutions.

59. A proposal was made by experts relating to negotiations on transit trade and facilitation at the WTO. It was suggested that a consultative task force be created to consider trade facilitation issues in support of the WTO negotiations process, in the context of which transit transport would play a particular role. While concentrating on Article V of GATT, the consultative task force could look at transit facilitation from a developmental perspective and could extend its focus to articles VIII and X. The consultative task force could be part of the support mechanisms that UNCTAD could provide for the negotiating process in the area of trade facilitation in line with Annex D of the July package. The work of the task force could build upon work already undertaken by UNCTAD, such as recent transit studies. The idea of creating such a consultative task force could be discussed with potential donors so as to ensure adequate resources for its work. Experts agreed that the issue should be submitted for consideration to the forthcoming ninth session of the Commission on Enterprise, Business Facilitation and Development.

60. Cooperative structures to ensure information and experience-sharing, as well as joint actions, in the design of solutions to improve the performance of a corridor could take the form of transit transport clusters. Such collaborative platforms would allow the different parties involved in a corridor to jointly assess their needs and implement solutions for the benefit of all. These clusters would involve both private and public stakeholders from both the landlocked and the transit countries.

61. Furthermore, these clusters would foster the emergence of local and regional expertise that could be used in South-South cooperation. This could involve experts and private sector representatives from successful corridor developments, as presented during the meeting. Such expertise could provide advice to public and private institutions involved with transit transport corridor issues in other parts of the developing world.

62. UNCTAD has designed a technical assistance project in which these institutional structures are complemented by information systems to monitor the daily operation of a corridor and make it possible to better identify bottlenecks and ensure smoother and more effective corridor operation. The lessons learned and the educational material developed for the three initially selected pilot transit corridors should be made available to all other interested countries in the near future.

63. UNCTAD, in cooperation with other international agencies, should develop a systematic inventory of successful experiences in corridor management in order to identify, among other things, success factors, including sequencing, “champion” enterprises, and decision-shaping mechanisms. Options should be sought to develop additional and dynamic forms and mechanisms of documentation and dissemination of best practices.

64. Positive experiences highlight the advantages of a professionally undertaken spatial planning process. A transit corridor can be managed successfully by a non-profit organization, whose members, however, should include those private sector interests that

benefit from its operation. The development and management of transit corridors needs to be anchored in regional economic development.

Chapter II

ORGANIZATIONAL MATTERS

A. Convening of the Expert Meeting

1. The Expert Meeting on the Design and Implementation of Transit Transport Arrangements was held at the Palais des Nations, Geneva, from 24 to 26 November 2004.

B. Election of officers

(Agenda item 1)

2. At its opening meeting, the Expert Meeting elected the following officers to serve on its bureau:

Chairperson:	Mr. Matthias Meyer (Switzerland)
Vice-Chairperson-cum-Rapporteur:	Mr. Patrick Krappie (South Africa)

C. Adoption of the agenda

(Agenda item 2)

3. At the same meeting, the Expert Meeting adopted the provisional agenda circulated in document TD/B/COM.3/EM.22/1. The agenda for the meeting was thus as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Design and implementation of transit transport arrangements
4. Adoption of the report of the Meeting

D. Documentation

4. For its consideration of the substantive agenda item, the Expert Meeting had before it a note by the UNCTAD secretariat entitled "Design and implementation of transit transport arrangements" (TD/B/COM.2/EM.22/2).

E. Adoption of the report of the meeting

(Agenda item 4)

5. At its closing meeting, the Expert Meeting authorized the Rapporteur to prepare the final report of the meeting under the authority of the Chairperson.

Annex

ATTENDANCE *

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

Afghanistan	Latvia
Albania	Libyan Arab Jamahiriya
Angola	Mongolia
Bangladesh	Mozambique
Belarus	Namibia
Benin	Nepal
Bolivia	Pakistan
Cameroon	Philippines
Chad	Russian Federation
China	Saudi Arabia
Egypt	Serbia and Montenegro
Ethiopia	Sierra Leone
France	South Africa
Gabon	Sweden
Guinea	Switzerland
Haiti	Turkey
Honduras	United States of America
Indonesia	Venezuela
Iran (Islamic Republic of)	Zambia
Jordan	Zimbabwe
Lao People's Democratic Republic	

2. An expert from the following observer attended the meeting:

Palestine

3. The following intergovernmental organization was represented at the meeting:

Arab Labour Organization

4. The following United Nations organizations were represented at the meeting:

Economic Commission for Europe

Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing Countries

5. The following non-governmental organizations were represented at the session:

General Category

International Confederation of Free Trade Unions

Special Category

International Federation of Freight Forwarders Associations

* For the list of participants, see TD/B/COM.3/EM.22/INF.1.

6. The following panelists participated in the meeting:
- Mr. Souleymane Coulibaly, University of Lausanne
 - Mr. Koen Verbeke, Africa Regional Manager, Safmarine (Pty) Ltd
 - Mr. Amer Durrani Sr., Transport Specialist, South Asia Energy and Infrastructure Unit, World Bank
 - Ms. Nora Neufeld, WTO
 - Ms. Susan Evans, SAVI Technology
 - Mr. Chinpal Rauniar, Logistics and Trade Facilitation Expert, Nepal
 - M. Kodjo Evlo, Lomé University, Togo
 - Mr. Paul Hansen, UNECE, Geneva, Switzerland
 - Mrs. Virginia Tanase, Head, TIR, Policy, Training and Information, International Road Transport Union, Geneva, Switzerland
 - Mr. Jurgens Van Zyl, Spatial Development Initiatives
 - Ms. Brenda Horne, Maputo Corridor Logistics Initiative, Mozambique
 - Mr. Frank Gschwender, Walvis Bay Corridor Group, Namibia Panelists