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**EFFICIENT TRANSPORT AND TRADE FACILITATION TO IMPROVE
PARTICIPATION BY DEVELOPING COUNTRIES IN INTERNATIONAL TRADE**

Chairperson's summary

1. In introducing the item, the representative of the secretariat said that the availability of efficient transport and logistics services was crucial for economic development. He referred to the secretariat's background document (TD/B/COM.3/60) and highlighted some of the topics of particular relevance to transport and trade facilitation, namely security, multimodal transport and the use of information and communication technologies in transport. The rapporteur of the Expert Meeting on Development of Multimodal Transport and Logistics Services (see documents TD/B/COM.3/59 and TD/B/COM.3/EM.20/3) presented the outcome of the meeting, which had been held in September 2003 and attended by delegates from 46 countries as well as representatives of various governmental and non-governmental organizations. He highlighted the importance of economies of scale in transport operations, and the fact that they could often not be achieved by developing countries. He also indicated that various cases presented during the Expert Meeting showed how the introduction of private sector participation, combined with competitive pressures, had led to significant improvements of the transport and logistics system.

2. Two panellists launched the interactive discussion. The first panellist reviewed security risks in the context of containerized maritime transport and related measures adopted in recent years at the national and international levels. The second panellist spoke about combined containerized trade, and explained how the larger volumes of traffic helped to reduce transport costs, which in turn helped to promote trade, thus leading to further transport cost reductions. He noted that with the development

of containerization and multimodal transport in recent decades, delivery times and security of goods shipped had improved dramatically while the overall cost of transport had been reduced globally.

3. With regard to the determinants and impact of transport costs, it was mentioned that for some, notably landlocked, countries, international transport costs could reach up to 100 per cent of the free-on-board value of the goods. For most trades, the average international transport costs were far higher than the importing countries' customs tariffs. Empirical evidence showed that efficient and inexpensive transport and logistics services were crucial not only for export competitiveness but also for foreign direct investment (FDI). Export competitiveness and FDI were both increasingly necessary for countries so that they could participate in globalized production processes. Developing countries tended to export goods of a lower value per container, which implied that high transport costs per container were particularly detrimental to their exports. This was especially the case for landlocked countries, which depended heavily on relatively more expensive land transport. By contrast, where economies of scale could be achieved in sea transport, and where goods were of a relatively high unit value, transport costs might become almost insignificant. An example of the latter case was the containerized maritime transport of wine, which cost less than US\$ 0.10 per bottle even over very long distances.

4. As regards the provision of transport services, it was indicated that for most developing countries it would nowadays be unrealistic to expect to become major players in, for example, deep-sea shipping operations, although there were notable exceptions where carriers from some developing countries were major container shipping companies. Some developing countries, notably from Asia, have become host to important port and logistics operators, which have expanded into African, European or Latin American markets. Given the globalized nature of shipping and logistics services, opportunities also existed for developing countries to provide certain components of these services nationally and internationally. With this in mind, it was noted that a significant number of developing countries had made commitments to liberalize maritime transport services in the context of negotiations under the General Agreement on Trade in Services at the WTO.

5. Concerning multimodal transport, it was emphasized that care had to be taken to ensure that developing countries were assisted in making the best use of available technologies and also, very importantly, that the preparation of a future legal framework for multimodal transport took developing countries' interests into account. UNCTAD was urged to continue its work and cooperation with other international organizations involved in the preparation of a uniform legal framework.

6. With regard to trade and transport facilitation, the high costs and associated risks of paper documents as compared with electronic documents were mentioned. Approximately five billion trade and transport documents were issued annually, and the limited use of electronic documents was due to difficulties with their negotiability, as well as an often inadequate legal framework, particularly for electronic signatures. Furthermore, inefficiencies at customs were estimated to cost several billion US dollars annually. Generally, any facilitation measure that helped to reduce delivery lead-time helped to reduce capital costs, allowing for more just-in-time deliveries, and thus helped enterprises to better participate in global production processes. In this context, trade and transport facilitation in transit countries not only helped those countries' own development but also assisted in the development of landlocked countries that depended on transit countries. UNCTAD's Automated System for Customs Data (ASYCUDA) and the Advance Cargo Information System (ACIS) were important tools for

trade and transport facilitation available to developing countries. One country's delegate mentioned its positive experience in reducing ship waiting times thanks to recent facilitation measures.

7. The topic of security was discussed extensively, including the International Ship and Port Facility Security (ISPS) Code of the International Maritime Organization and its implementation deadline of 1 July 2004. Of the ports that responded to a survey by the International Association of Ports and Harbours at the end of 2003, only 21 per cent indicated that their countries had enacted legislation to implement the ISPS Code. Improving the security of international transport to reduce the risk of terrorist acts, especially the use of weapons of mass destruction, was a costly and difficult task because risks existed at each transport node and link, and a huge number of companies and individuals participated in global transport operations. By way of example, it was indicated that there were more than 40,000 registered freight forwarders and several million shippers.

8. The efforts to improve transport security were justified if the potential costs of a terrorist act were taken into account. By way of example, it was estimated that a single attack in the United States would cost several billion dollars, even without the inclusion of the costs to its trading partners. It was noted that several of the measures that helped to improve security also helped to reduce cargo theft. The latter was estimated to cost from US\$ 30 to 50 billion a year globally. Some security measures required the provision of cargo information 24 hours before a vessel's departure, and although that entailed an additional effort by transport providers, for many companies it was in any case desirable in terms of improving their own transport operations. Other security measures, such as scanning or sealing containers, also helped to reduce smuggling or drug trafficking. In this context, it was mentioned that even with a perfectly secure door seal, containers could still be accessed by other means, as had been shown by drug trafficking.

9. The total costs and potential benefits of the new security measures were considered impossible to estimate at the present time. What was clear, however, was that smaller shippers, carriers and ports in developing countries had to comply, as did companies in developed countries. Since in many cases the costs of complying with the new security requirements were practically fixed – that is, independent of trade volumes – it became clear that smaller players had to incur higher unit costs than larger players. There was a clear risk of exclusion from certain trades if the costs of compliance became prohibitive. For other developing countries and smaller ports it could be expected that increased trans-shipment costs, which might become necessary if cargo had to pass through an approved secure port before reaching its final destination, would reduce their competitiveness. The need to deal with new security threats had led to a new role for customs. This was now an area where many developing countries required additional international cooperation in order to proceed with trade facilitation in the new international security environment.
