

## Chapter 6

# TRADE AND TRANSPORT EFFICIENCY

*This chapter provides information on recent developments in the fields of transport, trade facilitation and multimodal transport, together with information on the status of the main maritime conventions.*

### A. NEGOTIATIONS ON TRADE FACILITATION AT THE WTO

Since 2004, the members of the World Trade Organization (WTO) have been negotiating clarifications of, and improvements to, Articles V, VIII and X of GATT. Article V deals with transit issues, Article VIII with import- and export-related fees and formalities, and Article X with transparency of trade regulations. In July 2004, in the “July Package” and its Annex D, WTO members agreed to the modalities to be followed for the launching of negotiations on trade facilitation.<sup>4</sup>

*Specific proposals related to information and communication technologies*

Many of the technical proposals that were tabled in the WTO’s Negotiating Group on Trade Facilitation (NGTF) during 2005 and early 2006 dealt with information and communication technologies (ICTs). As regards electronic documents and the electronic submission of data, it is stated that “in order to reach a set of common forms and electronic documents, the harmonization of import documents and the data required for release of goods using existing international standards under the WTO Customs Valuation Agreement, the HS Convention, the UN Layout Key Guidelines and the WCO Kyoto Convention etc., is

essential”.<sup>5</sup> Also, “The data set developed within the WCO data model, UN EDIFACT (UN Electronic Data Interchange for Administration, Commerce and Transport) and the UN Layout Key could be identified as basic reference points/standards”.<sup>6</sup> Other proposals state that “in cases where Goods declarations and other supporting documents are lodged electronically and authenticated by electronic signatures or electronic procedures, no other original of these documents shall be requested”<sup>7</sup> and that “Automated and Electronic Data Interchange (EDI) based electronic systems should be introduced to replace paper-based procedures across customs and ultimately all other agencies involved in import and export administration”.<sup>8</sup>

As regards Internet publication of trade regulations, the proposals made at the WTO include the establishment of “mechanisms ensuring the publication and availability of information on customs procedures to all Members in readily and promptly accessibly official media, including, where possible, in electronic form”.<sup>9</sup> Similarly, it is suggested that information “should be made available by the publishing Member for access by any interested parties through electronic means at no cost or at a charge commensurate with the cost of services rendered” and that “Each Member should notify the other Members through the Secretariat the means to access the

information published electronically".<sup>10</sup> The Internet publication is interpreted as "an available method for Members to meet current publication obligations under Article X of GATT 1994".<sup>11</sup>

Concerning automation, one proposal suggests "Automation of customs and other agency import/export procedures, with the possibility of electronic submission of customs and other declarations, and automated payment of duties and other fees and charges". The same proposal also includes "Automated payment of duties and other fees and charges".<sup>12</sup> Another proposal states that "If or when automatization is put in place, in cases where physical documentation is required under manual procedures, the Customs should normally accept copies and not only accept/request originals of documents, except in clearly defined circumstances. With automated transmission of documents it is always difficult, if not impossible, to identify an original document if it is printed out or a photocopy is made."<sup>13</sup>

Other ICT-related proposals relate to the electronic single window. "The use by Members of an electronic 'single window' for submitting, once only and to a single authority, all documentation and data relating to import/export procedures is highly important for the smooth running of trade, since it increases inter-agency coordination, allows more efficient use of public and private resources, and enhances the performance of government agencies."<sup>14</sup> "A single window does not necessarily imply the implementation and use of high-tech information and communication technology (ICT), although facilitation can be enhanced if relevant ICT technologies are identified and adopted."<sup>15</sup>

In the context of transit trade, a proposal stated that "As a general rule, identification of these goods is ensured by sealing. In addition to this classic function of seals, electronic seals have been developed to provide for the detection and tracking of trucks."<sup>16</sup>

#### *The Hong Kong (China) Ministerial Conference*

In the WTO Ministerial Declaration, adopted on 18 December 2005 in Hong Kong (China), Ministers reaffirmed the mandate and modalities for negotiations on trade facilitation contained in Annex D of the July Package. Ministers further endorsed recommendations contained in the report of the NGTF. They recommended that WTO Members be mindful of the overall deadline for finishing the negotiations and the resulting need to move into focused drafting mode early enough after the

Hong Kong Ministerial Conference so as to allow for a timely conclusion of text-based negotiations on all aspects of the mandate.<sup>17</sup>

Since the beginning of 2006, a large number of proposals made in the NGTF have effectively summarized issues covered by previous proposals. Many of these recent proposals were tabled by groups of countries, which had previously presented the relevant topics separately. Negotiations have thus in large part become "text-based", that is the NGTF is entering into the discussion of specific wording on some of the technical issues. By mid-2006, the total number of proposals tabled exceeded one hundred.

#### *Special and differential treatment, technical assistance and capacity building*

Several proposals made in the NGTF during the first half of 2006 dealt with the issue of "special and differential treatment".<sup>18</sup> Annex D of the July Package states that the results of the negotiations shall take fully into account the principle of special and differential treatment for developing and least developed countries. The extent and the timing of entering into commitments shall be related to the implementation capacities of developing and least developed Members. A mechanism proposed in the NGTF that aims at making the mandate of Annex D operational consists of four main phases: (1) capacity self-assessment; (2) notification; (3) capacity development; and (4) confirmation of capacity acquisition and compliance with the obligation.<sup>19</sup> Through this mechanism it is hoped to ensure that least developed WTO Members will be required to undertake commitments only to the extent consistent with their individual development, financial and trade needs or their administrative and institutional capabilities.

In Annex D it is also recognized that the provision of technical assistance and support for capacity building is vital for developing and least developed countries because it will enable them to fully participate in and benefit from the negotiations. Relevant international organizations, including the IMF, OECD, UNCTAD, WCO and the World Bank, are invited to undertake a collaborative effort in this regard. Since 2005, UNCTAD, the World Bank and WTO, in cooperation with each other and with the IMF, OECD and WCO, have been organizing capacity-building events to accompany the negotiating process. The United Nations regional commissions are also organizing seminars and undertaking studies related to the WTO negotiations in their respective regions.<sup>20</sup>

This mandate of Annex D endorses the NGTF's recommendation that relevant international organizations be invited to continue to assist Members in the process of identifying individual Members' trade facilitation needs and priorities as well as the cost implications of possible measures, the important contributions already made by them being duly recognized, and be encouraged to continue and intensify their work more generally in support of the negotiations.

#### *Suspension of negotiations*

In July 2006 "because of persistent differences", the WTO General Council supported the recommendation of the WTO Director-General to suspend the Doha Round of Trade Negotiations which, therefore, led to the discontinuation of the meetings of the Negotiating Group on Trade Facilitation. WTO members did not actually take a formal decision to suspend the talks, but instead, the General Council Chair simply "took note" of the Director-General's remarks. This means that it would be possible to restart the negotiations without a separate formal decision to do so, with each member having a veto over their resumption.

## **B. LEGAL ISSUES AFFECTING TRANSPORTATION: AN OVERVIEW OF RECENT DEVELOPMENTS RELATING TO MARITIME AND GLOBAL SUPPLY CHAIN SECURITY, AND TO SEAFARERS**

### **1. Maritime and global supply chain security**

Maritime and global supply chain security continues to remain high on the international agenda, and several international organizations are continuing their work to develop standards and recommended practices in these areas. Important international developments in the field include those described below.

In January 2006, a high-level **Ministerial Conference on International Transport Security** was held in Japan.<sup>21</sup> The conference recognized inter alia the serious threat to international maritime transport posed by acts of terrorism, and the continued need to address vulnerabilities. In that connection, it welcomed the activities undertaken by relevant international organizations, particularly the International Maritime Organization and the World Customs Organization,<sup>22</sup> and invited those organizations to consider, in cooperation, the development of appropriate measures to enhance the

security of the maritime transport of containers in the international supply chain. In addition, IMO was invited to undertake a study and, as necessary, make recommendations for enhancing the security of ships other than those already covered by SOLAS Chapter XI-2 and the ISPS Code.<sup>23</sup> States were urged to ensure the continued compliance of their port facilities with the requirements of SOLAS Chapter XI-2 and the ISPS Code. Furthermore, it was resolved to share best practices in the implementation of those instruments, to continue to provide assistance and support for capacity building, and further promote international cooperation in the education and training of officers.

In relation to international supply-chain security, a major development was the unanimous adoption in June 2005 of *The Framework of Standards to Secure and Facilitate Global Trade*<sup>24</sup> (*SAFE Framework*) by the Council of the **World Customs Organization**.<sup>25</sup> The SAFE Framework rests on two "pillars", namely Customs-to-Customs Network arrangements and Customs-to-Business partnerships, and consists of four core elements:

1. The Framework harmonizes the advance electronic cargo information requirements concerning inbound, outbound and transit shipments.
2. Each country that joins the Framework commits itself to employing a consistent risk management approach to address security threats.
3. The Framework requires that at the reasonable request of the receiving nation, based on a comparable risk-targeting methodology, the sending nation's Customs administration will perform an outbound inspection of high-risk containers and cargo, preferably using non-intrusive detection equipment such as large-scale X-ray machines and radiation detectors.
4. The Framework defines the benefits that Customs will provide to businesses that meet minimal supply-chain security standards and best practices.

The *SAFE Framework* relies on modern Customs principles contained in the revised Kyoto Convention,<sup>26</sup> which entered into force in February 2006, such as risk management based on advance electronic information, use of modern technology and a partnership with trade. It is based on existing supply-chain security and facilitation initiatives and programmes already in place at national levels, for example and in particular, in the United States.

Implementation of the Framework is intended to help Customs authorities to enhance their risk-assessment and risk-management capabilities and adopt an intelligence-based selective approach to targeting closed containers for inspection, primarily on the basis of advance electronic information provided by economic operators involved in the international supply chain. It is designed to improve Customs authorities' abilities to detect and deal with high-risk consignments before their arrival, and thus increase efficiency in the administration of goods by reducing their clearance and release time.

The *SAFE Framework* establishes the concept of the "Authorized Economic Operator" (AEO), who is involved in the trade supply chain and is approved as meeting certain criteria broadly outlined in the standards of the Customs-to-Business pillar of the Framework (Annex 2). Such operators should be entitled to participate in simplified and rapid procedures for the provision of minimum information. Detailed implementation requirements for the *SAFE Framework*, including those for cargo security and for AEOs, are being drawn up by the WCO.

As of June 2006, 135 WCO members had expressed their intention to implement the Framework. Many of those members will require capacity building. In order to assist developing countries in particular in the implementation of the *SAFE Framework*, the WCO's Directorate for Capacity Building has recently launched a major capacity-building programme, known as COLUMBUS, under which diagnostic missions are conducted, a needs assessment is carried out and an action plan is developed, with a view to identifying donors that are willing to fund projects to enable Customs Administrations to become *SAFE Framework* compliant.<sup>27</sup> At present, it is not possible to adequately assess the trade-related impacts of the implementation of the new global supply-chain security framework. Much will depend on whether SMEs, particularly in developing countries, will be able to comply with the requirements, such as those related to the use of electronic communication and modern technology and those related to AEO recognition, and on whether mutual recognition of the AEO status can effectively be achieved.

The idea of a voluntary framework for the recognition of "secure operators" is also under discussion at the level of the **European Union**. Recently, a Communication<sup>28</sup> was issued by the European Commission, containing a proposal for an EC Regulation to introduce a voluntary security scheme under which operators in the supply

chain would increase their security performance in exchange for incentives, such as fast-track treatment both inside the EU and at external borders, and obtain "secure operator" status. For this purpose, member States might either avail themselves of existing systems or procedures or create a specific system for supply-chain security. The scheme would cover intermodal transport and follow previous terrorism legislation in the field of maritime transport and ports. To obtain "secure operator" status, an operator would have to implement a security management system and demonstrate that it covers areas such as protection of buildings, access control and personnel procedures. As with the requirement of the WCO *SAFE Framework*, each member State would have to recognize the "secure operator" status conferred by another member State.

It should be noted that the **International Maritime Organization** (IMO) has begun to consider proposals for integrating, into international legislation,<sup>29</sup> appropriate cargo security procedures based on or compatible with the standards of the WCO's *SAFE Framework*. Thus, key elements of the WCO standards may in due course become part of the international law for maritime cargo transports, such as the 1965 *Convention on Facilitation of International Maritime Traffic* (FAL), as amended, and the 1974 *Safety of Life at Sea Convention* (SOLAS), as amended.

Amendments to SOLAS, which were adopted by the IMO in 2002, including in particular the *International Ship and Port Security* (ISPS) Code, continue to represent the most important international set of rules for the security of ships and port facilities.<sup>30</sup> The ISPS Code entered into force on 1 July 2004, and the IMO's Maritime Safety Committee (MSC) has issued a number of guidance circulars to assist in the implementation of and compliance with the requirements of ISPS Code.<sup>31</sup> Most recently, at its 81st session in May 2006, the MSC adopted a further set of guidance circulars,<sup>32</sup> notably the following:

- MSC.1/Circ.1192, *Guidance on voluntary self-assessment by SOLAS Contracting Governments and by port facilities*,<sup>33</sup>
- MSC.1/Circ.1193, *Guidance on voluntary self-assessment by Administrations and for ship security*;
- MSC.1/Circ.1194, *Effective implementation of SOLAS chapter XI-2 and the ISPS Code*.



In relation to the ISPS Code, it should also be noted that the **UNCTAD** secretariat is in the process of conducting a large-scale survey that seeks to establish the experiences and views of parties directly affected by the new maritime security regime, especially as regards costs related to the implementation of the ISPS Code. These parties include Governments, shipowning and operating companies engaged in international transport, and ports serving such ships. The results of the survey are expected to be available by the end of 2006.<sup>34</sup>

With regard to other relevant developments at **IMO**, it is also worth drawing attention to progress in relation to the introduction of *Long-Range Identification and Tracking Systems* (LRIT). By way of background, it should be recalled that it is already a special mandatory SOLAS requirement<sup>35</sup> for certain categories of ships to be equipped with *Automated Identification Systems* (AIS). AIS are shipboard automatic electronic reporting devices that communicate basic information regarding the ship's identity, position, course and speed to other AIS transponders and shore-based facilities. The AIS currently used are capable of transmitting information up to a range of around 50 nautical miles offshore. In order to extend significantly the tracking capabilities of SOLAS Contracting Governments, the introduction of LRIT has been proposed.

After extensive discussions,<sup>36</sup> the MSC adopted in May 2006 new regulations for the LRIT, to be included in SOLAS chapter V (Safety of Navigation), together with associated performance standards and functional requirements.<sup>37</sup> The MSC also approved the establishment of an ad hoc Working Group on Engineering Aspects of LRIT.

LRIT will be a mandatory requirement for ships engaged in international voyages, more particularly passenger ships (including high-speed craft), cargo ships (including high-speed craft) of 300 gross tonnage and upwards, and mobile offshore drilling units. The SOLAS regulation establishes a multilateral agreement for sharing LRIT information among Contracting States on the identity, location, date and time of the position of ships for security and search and rescue purposes. It maintains the right of flag States to protect information about ships flying their flag, as appropriate, while permitting coastal States access to information about ships navigating up to 1,000 nautical miles off their coasts.<sup>38</sup> While AIS is a broadcast system, data derived through LRIT will be available only to recipients who are, according to the regulation, entitled to receive the information.<sup>39</sup>

Safeguards concerning the confidentiality of data have been built into the relevant regulatory provisions. The regulation provides for a phased-in implementation schedule for ships constructed before its expected entry into force date of 1 January 2008, as well as some exemptions for ships operating exclusively in certain areas and already fitted with AIS.

Efforts are also being made at **IMO** to incorporate security-related provisions into other international legal instruments, such as the 1978 *International Convention on Standards of Training, Certification and Watchkeeping for Seafarers* (STCW Convention) and the STCW Code.<sup>40</sup>

Finally, it should be noted that amendments to the 1988 *Convention for the Suppression of Unlawful Acts Against the Safety of Maritime Navigation* (SUA Convention)<sup>41</sup> and its 1988 Protocol<sup>42</sup> were adopted on 14 October 2005 under the auspices of **IMO**. Once widely and uniformly implemented by **IMO** States Parties, the 2005 SUA Protocols<sup>43</sup> will provide a legal basis for the arrest, detention and extradition of persons in the event of a terrorist attack against shipping. The main amendments effected by the 2005 Protocols include the following:

- A broadening of the list of offences already contained in the 1988 SUA Convention and its Protocol. The offences listed shall be made punishable by each State Party by appropriate penalties that take into account their gravity.
- Inclusion in the 1988 SUA Convention of provisions covering cooperation and procedures to be followed if a State Party desires to board on the high seas a ship flying the flag of another State Party, when the requesting party has reasonable grounds to suspect that an offence under the Convention has been or is about to be committed. The authorization of the flag State is required before such boarding.
- Inclusion in the 1988 SUA Convention of a provision to the effect that none of the offences should be considered a "political offence" for purposes of extradition, and of a provision dealing with conditions under which a person detained may be transferred to another State Party.<sup>44</sup>

The Protocols were opened for signature on 14 February 2006 and will remain open for signature

until 13 February 2007. Thereafter they will remain open for accession. Seventy-one States signed the Final Act of the Conference.<sup>45</sup>

## 2. Seafarers

A workforce of nearly 1.2 million seafarers, many of them from developing countries, work in the world's shipping industry. One important function of the regulatory environment in which seafarers operate is its ability to ensure both the safety and the fair treatment of seafarers.<sup>46</sup> In this context, attention should be drawn to an important new international convention recently been agreed on under the auspices of the **International Labour Organization**.

In order to update and consolidate the more than 65 international labour standards which had been developed over the course of the previous 80 years, a new consolidated *Maritime Labour Convention* was adopted at the end of the 10th maritime session of the ILO International Labour Conference, held from 7 to 23 February 2006. The Convention covers most commercial shipping at the global level<sup>47</sup> and may be considered a major legal instrument, likely to become a "one stop" point of reference on labour standards for the maritime industry. It represents a comprehensive codification of responsibilities and rights with regard to labour and social matters in the maritime sector, and "will be an effective global response for a truly global industry".<sup>48</sup>

The Convention comprises three distinct but related parts, namely the *Articles*, the *Regulations* and the *Code*. The *Articles* and *Regulations* set out the core rights and principles and the basic obligations of States ratifying the Convention. The *Code* contains details for the implementation of the *Regulations*. It comprises Part A (mandatory Standards) and Part B (non-mandatory Guidelines).

The *Regulations* and the *Code* are organized into general areas under five Titles:

- Title 1: Minimum requirements for seafarers to work on a ship;
- Title 2: Conditions of employment;
- Title 3: Accommodation, recreational facilities, food and catering;
- Title 4: Health protection, medical care, welfare and social security protection;

- Title 5: Compliance and enforcement.

As clarified by the Explanatory Note to the *Regulations* and *Code* of the Maritime Labour Convention,<sup>49</sup> the Convention has three underlying purposes, namely:

- "to lay down (in its *Articles and Regulations*) a firm set of rights and principles";
- "to allow (through the *Code*) a considerable degree of flexibility in the way Members implement those rights and principles"; and
- "to ensure (through Title 5) that the rights and principles are properly complied with and enforced".

A number of fundamental rights and principles are set out in Article III of the Convention and must be respected by each Contracting State through the provision of its law and regulation. They include:

- “(a) freedom of association and the effective recognition of the right to collective bargaining;
- (b) the elimination of all forms of forced or compulsory labour;
- (c) the effective abolition of child labour; and
- (d) the elimination of discrimination in respect of employment and occupation”.

Seafarers' employment and social rights are regulated separately in Article IV of the Convention, which provides that "every seafarer has the right to a safe and secure workplace that complies with safety standards"; "a right of fair terms of employment; decent working and living conditions on board ship"; and "a right to health protection, medical care, welfare measures and other forms of social protection".

Contracting States are required to ensure, within the limits of their jurisdiction, that the seafarers' employment and social rights are fully implemented "through national laws or regulations, through applicable collective bargaining agreements or through other measures or in practice".<sup>50</sup>

Other detailed compliance and enforcement provisions are set out in Article V and in Title 5 of the Convention.<sup>51</sup> Contracting States are required inter alia "to establish a system for ensuring compliance with the Convention,

including regular inspections, reporting, monitoring and legal proceedings under the applicable laws".<sup>52</sup> Ships that are larger than 500 GT and engaged in international voyages or voyages between foreign ports are required to carry a *Maritime Labour Certificate* and a *Declaration of Maritime Labour Compliance*.<sup>53</sup>

The Convention will enter into force after it has been ratified by 30 ILO member States with a total share of at least 33 per cent of world tonnage. The Convention is considered to be an important contribution to high-quality shipping, representing the "fourth pillar" of the international maritime regulatory regime, next to the three key IMO Conventions, namely the International Convention for the Safety of Life at Sea (SOLAS), the Standards of Training, Certification and Watchkeeping Convention (STCW) and the International Convention for the Prevention of Pollution from Ships (MARPOL).<sup>54</sup>

### C. PRODUCTION AND LEASING OF CONTAINERS

Over the past three years, the container fleet has expanded at an average rate of 9.6 per cent (see table 44). From the 16.4 million TEU container fleet at the end of 2002, the fleet was expected to reach 21.6 million TEUs at the end of 2005. The rate of expansion was particularly high during 2004, when it reached an impressive 10.4 per cent, and slowed down during 2005 to 9.0 per cent. Fleet ownership is broadly split between container lessors and sea carriers. By the end of 2005, the container fleet owned

by lessors was expected to reach 9.8 million TEUs, which represented about 45 per cent of the world fleet.

During the past two years sea carriers increased their container fleets at a rate faster, over 10 per cent, than that of lessors, in line with the impressive commissioning of new containerships during the period. During 2003, however, lessors expanded their container fleets slightly faster than sea carriers — the former fleet expanded at 9.6 per cent while the latter did so at 9 per cent.

Box prices also explain the paucity of procurement of new boxes by lessors. The price of dry freight containers increased by over 50 per cent during 2004 owing to an increase in prices of steel and timber, and increased further during the first half of 2005. The price of a general-purpose 20' dry box reached \$2,050 by the end of 2004 and \$2,300 in June 2005. Similarly, a 40' high cube reefer box fetched \$18,600 at the end of 2004, which price was maintained during the first quarter of 2005 and eased slightly to \$18,400 by the end of June 2005. Box prices were high owing to expensive materials — Corten steel reached \$700 per ton in late 2004 and only started to decrease in late 2005 when it reached \$500 per ton — a two-year low. This impacted on box prices (see figure 9), which during the second half of 2005 started a downhill trend for all types of containers. Prices for general-purpose containers dropped by a quarter while those for reefers did so at a modest rate of 5 per cent.

Lessors' demand for containers also slumped during the second half of 2005 because of weakened lease prices.

Table 44

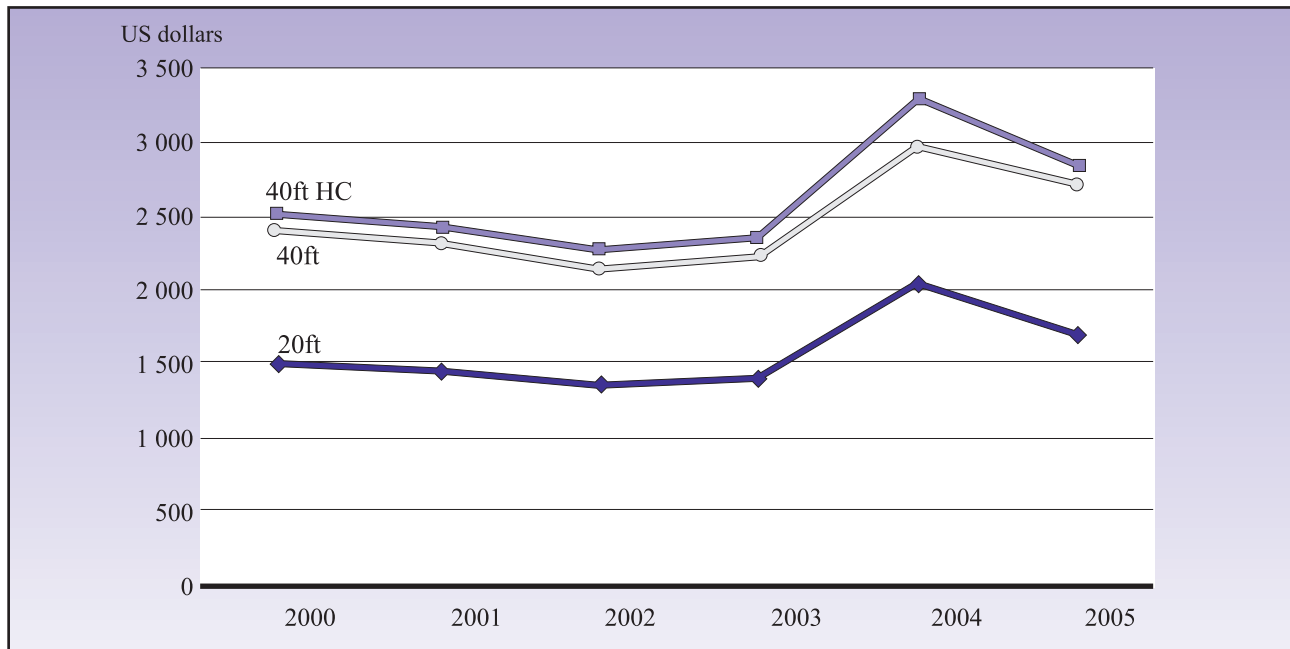
#### World container fleet (In thousand TEUs)

End of the year	World fleet	Lessor fleet	Sea carrier fleet
2002	16 425	7 635	8 790
2003	17 955	8 370	9 585
2004	19 830	9 105	10 725
2005	21 620	9 755	11 865

Source: *Containerisation International*, September 2005, p. 61

Figure 9

**Evolution of prices of new containers**  
(In US dollars)



Source: UNCTAD secretariat, with data from *Containerisation International*, several issues.

The average container lease rate for a 20' general-purpose container dropped to less than \$1 per day during the first quarter of 2005 and the downward trend continued during the year up to the first quarter of 2006, when it reached \$0.57 per day. There was a drop in lease rates of about a third during 2005 for all types of containers, with the drop being less pronounced for reefer containers.

In 2005 container production decreased by 16.2 per cent (see table 45). Of the 2.48 million TEUs manufactured in 2005, almost 90 per cent corresponded to dry freight boxes. In spite of this production drop, manufacturers accumulated stocks of about 0.8 million TEUs by the third quarter of the year owing to the drop in orders from discouraged lessors facing diminished lease prices. As a result, the production cuts were concentrated during the second half of the year. China dominated box production — the CIMC Group alone was responsible for 51 per cent of world production in the year. Singamas Holdings, another Chinese manufacturer, was responsible for about 20 per cent of world production. Chinese container manufacturers have plenty of spare capacity to increase production in the short term.

## D. INLAND TRANSPORT DEVELOPMENTS

### *Rail and road transport*

During 2005 intermodal traffic in the US rail network increased by 8 per cent and the improved financial situation of railroad companies triggered investments to boost services to ports along the West Coast. Union Pacific and BNSF added 700 and 200 locomotives respectively, with substantial hiring of 5,500 and 1,500 workers also taking place to expand the workforce badly dented by early retirements during the previous year. Moreover, block trains were extended by up to 7,500 ft before they proceeded to the hinterland, although this prompted a mixed response by port authorities, which feared terminal congestion. Moreover, Canadian Pacific decided to invest \$128 million to expand its rail network to Vancouver. Overall, these measures contributed to preventing congestion from developing along the West Coast of North America during the year. Further capacity was under construction further north — CN announced \$20 million upgrades of its rail network to match



Table 45

**Container production***(In thousand TEUs)*

<b>Container types</b>	<b>Production 2004</b>	<b>Production 2005</b>
<b>Dry freight</b>	2 720	2 212
<b>Integral reefer</b>	145	160
<b>Tank containers</b>	12	12
<b>Regional types</b>	83	96
<b>Total</b>	2 960	2 480

Source: *Containerisation International*, January 2006, p. 59.

investment in the container terminal to be commissioned by Port Rupert (Canada) in 2007.

Some investments were also made to serve destinations along the East Coast of North America. Norfolk Southern decided on capital investments of \$1.5 billion to upgrade infrastructure and services: although this coast represents only 45 per cent of the freight carried by the company, its traffic is growing at a faster rate than that of the West Coast.

During the second half of the year agreement was reached on enacting the US Highway Bill, which will fund transportation investments of about \$286 billion for the period 2004–2009. The bill, which had been delayed since 2003 for several reasons, is deemed crucial for funding projects that cope with growth of merchandise traffic, such as the Chicago rail hub.

Also during 2005, rail companies in the European Union continued to consolidate their cross-border services as a result of the 2003 partial liberalization — about 70 per cent of the rail freight network — and ahead of the full liberalization of cross-border traffic in 2006. Railion, formerly Deutsche Bahn Cargo, which had previously merged with the Dutch and Danish rail-cargo companies to become the largest rail-freight company in Europe, established an Italian subsidiary and a partnership with the SNCF (the French company), as well as a 20 per cent stake in the Swiss rail-cargo company. It is now believed to be responsible for 40 per cent of transalpine freight. The SNCF plans to establish a left of the Rhine transalpine freight route to compete with the one going through Germany. A group of five private carriers — Rail4Chem — was established and started complete train freight services

from Rotterdam to the Czech Republic, with six grain trains running per week. In Spain plans to fund transport infrastructure, including railways, costing \$275 billion during the next ten years, in partnership with the private sector, were announced.

Although there are still shortcomings in the European railway network, such as different power, rail gauges and signalling systems, as well as different operating and security systems, steps taken by Governments and rail companies are progressively overcoming them. Moreover, a memorandum of understanding concerning the interoperability of the European network with the Russian rail system was agreed within the framework of the Russian Federation–EU Transport Dialogue in October 2005.

Plans for the establishment of an Asian international intermodal network as set forth by the Ministerial Conference on Infrastructure held in Seoul (Republic of Korea) in November 2001 got under way — a meeting to develop an Intergovernmental Agreement on the Trans-Asian Railway (TAR) Network took place in Bangkok, hosted by ESCAP, in November 2005. The network is expected to be a catalyst for further railway development across Asia that would accommodate a growing share of demand for land and transit transport across the region that has recently been spurred by China's relatively high economic growth. The final text of the Agreement will be presented for adoption in April 2006.

The TAR Agreement identifies and includes existing railway lines of international importance in member countries, namely Armenia, Azerbaijan, Bangladesh, Cambodia, China, the Democratic People's Republic of

Korea, Georgia, India, Indonesia, the Islamic Republic of Iran, Kazakhstan, Kyrgyzstan, the Lao People's Democratic Republic, Malaysia, Mongolia, Myanmar, Nepal, Pakistan, the Republic of Korea, the Russian Federation, Singapore, Sri Lanka, Tajikistan, Thailand, Turkey, Turkmenistan, Uzbekistan and Viet Nam. It also aims to establish a seamless rail network that would allow efficient, reliable and economical movement of goods and passengers.

The issue of connecting Europe and Asia and its impact on development was discussed at a meeting organized by UNECE, UNESCAP and 16 countries of the Euro-Asian region in July 2005 to agree on the main road, rail and inland water transport routes. The meeting was organized as part of a wider project on capacity building for developing interregional transport linkages which is funded by the UN Development Account. The project identifies the interregional transport linkages between Europe and Asia and then focuses on preparing analytical studies on transit times and costs along the selected routes, implementing international transport agreements and conventions and strengthening national bodies responsible for the formulation and implementation of national transport development and facilitation plans. It also disseminates information on the progress made and lessons learned on specific routes and facilitates institutional networking among those involved in Euro-Asian transport development.

Meanwhile the 2005 results of the Trans-Siberian Railway were not encouraging as traffic between the Far East and Europe dropped by 17 per cent to less than 90,000 TEUs. Several reasons were cited for this situation: cargo losses in transit, Customs delays in processing paperwork and rolling stock deficiencies. Moreover, the announcement of 30 per cent tariff increases from 2006 prompted vociferous complaints from freight forwarders in the Russian Federation and the Republic of Korea.

Elsewhere, the Saudi Land-bridge Project moved ahead in August 2005 at the time of the pre-qualification stage for the build-operate-transfer concession. The project will rail link ports in the Persian Gulf with those on the Red Sea across the Saudi Arabian peninsula and includes a large distribution and logistics centre in Riyadh. The estimated cost of the contract is \$2.5 billion, to be awarded during 2006. More than 1,000 km of new track is to be laid, with upgrades to existing lines covering an additional 120 km.

## E. PROVIDERS OF LOGISTICS SERVICES

In addition to sea and land transport, shippers require other services to trade internationally, such as air transport, warehousing, freight forwarding, consolidation and/or splitting of consignments, and electronic tracking of consignments. Some or all of these services are provided by logistics companies, or third-party logistics providers (3P) as they are sometimes called, which are now powerful players in international transport. Each of the following companies — Nippon Express, Kuehne & Nagel, Schenker, DPL and Panalpina — were reported to have moved more than 0.5 million TEUs during 2004 on behalf of shippers. In the same year companies among the top ten providers of logistics services worldwide reported revenues of above \$4 billion per company, with the top two companies reporting revenues of \$14.8 and \$11.1 billion respectively. Major liner shipping companies have subsidiaries focusing on the same business and often serving primarily the parent sea carrier.

Expansion of these providers of logistics services has been under way over the few last years, mainly through the acquisition of lesser competitors. During 2005 in Europe, Kuehne & Nagel took over ACR Logistics for \$525 million and DPL took over Exel for \$6 billion. Freight forwarding features prominently among the activities undertaken by these companies and is usually the one undertaken in developing countries, often in competition with local companies.

## F. STATUS OF CONVENTIONS

There are a number of international conventions affecting the commercial and technical activities of maritime transport. Box 3 gives the status of international maritime conventions adopted under the auspices of UNCTAD as of 1 August 2006. Comprehensive and updated information about these and other relevant conventions is available on the United Nations website at [www.un.org/law](http://www.un.org/law). This site also provides links to, inter alia, a number of organizations' sites, which contain information on the conventions adopted under the auspices of each organization. Those organizations are the following: the International Maritime Organization ([www.imo.org/home.html](http://www.imo.org/home.html)), the International Labour Organization ([www.ilo.org](http://www.ilo.org)) and the United Nations Commission on International Trade Law ([www.uncitral.org](http://www.uncitral.org)).

## Box 3

## Contracting States parties to selected conventions on maritime transport as of 1 August 2006

Title of convention	Date of entry into force or conditions for entry into force	Contracting States
<b>United Nations Convention on a Code of Conduct for Liner Conferences, 1974</b>	Entered into force 6 October 1983	Algeria, Bangladesh, Barbados, Belgium, Benin, Bulgaria, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chile, China, Congo, Costa Rica, Côte d'Ivoire, Cuba, Czech Republic, Democratic Republic of the Congo, Denmark, Egypt, Ethiopia, Finland, France, Gabon, Gambia, Germany, Ghana, Guatemala, Guinea, Guyana, Honduras, India, Indonesia, Iraq, Italy, Jamaica, Jordan, Kenya, Kuwait, Lebanon, Liberia, Madagascar, Malaysia, Mali, Mauritania, Mauritius, Mexico, Morocco, Mozambique, Netherlands, Niger, Nigeria, Norway, Pakistan, Peru, Philippines, Portugal, Qatar, Republic of Korea, Romania, Russian Federation, Saudi Arabia, Senegal, Serbia, Sierra Leone, Slovakia, Somalia, Spain, Sri Lanka, Sudan, Sweden, Togo, Trinidad and Tobago, Tunisia, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, Uruguay, Venezuela, Zambia <b>(80)</b>
<b>United Nations Convention on the Carriage of Goods by Sea, 1978 (Hamburg Rules)</b>	Entered into force 1 November 1992	Albania, Austria, Barbados, Botswana, Burkina Faso, Burundi, Cameroon, Chile, Czech Republic, Egypt, Gambia, Georgia, Guinea, Hungary, Jordan, Kenya, Lebanon, Lesotho, Liberia, Malawi, Morocco, Nigeria, Paraguay, Romania, Saint Vincent and the Grenadines, Senegal, Sierra Leone, Syrian Arab Republic, Tunisia, Uganda, United Republic of Tanzania, Zambia <b>(32)</b>
<b>International Convention on Maritime Liens and Mortgages, 1993</b>	Entered into force 5 September 2004	Ecuador, Estonia, Monaco, Nigeria, Russian Federation, Spain, Saint Vincent and the Grenadines, Syrian Arab Republic, Tunisia, Ukraine, Vanuatu <b>(11)</b>
<b>United Nations Convention on International Multimodal Transport of Goods, 1980</b>	Not yet in force — requires 30 contracting parties	Burundi, Chile, Georgia, Lebanon, Liberia, Malawi, Mexico, Morocco, Rwanda, Senegal, Zambia <b>(11)</b>
<b>United Nations Convention on Conditions for Registration of Ships, 1986</b>	Not yet in force — requires 40 contracting parties with at least 25 per cent of the world's tonnage as per annex III to the Convention	Albania, Bulgaria, Côte d'Ivoire, Egypt, Georgia, Ghana, Haiti, Hungary, Iraq, Liberia, Libyan Arab Jamahiriya, Mexico, Oman, Syrian Arab Republic <b>(14)</b>
<b>International Convention on Arrest of Ships, 1999</b>	Not yet in force — requires 10 contracting parties	Algeria, Bulgaria, Estonia, Latvia, Liberia, Spain, Syrian Arab Republic <b>(7)</b>

Source: For official status information, see [www.un.org/law/](http://www.un.org/law/).

