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Parallel Event on Trade Facilitation at the International Ministerial Conference of Landlocked and Transit Developing Countries
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STRATEGIES FOR LANDLOCKED AND TRANSIT DEVELOPING COUNTRIES TO PLAN AND IMPLEMENT SUSTAINABLE TRADE AND TRANSPORT FACILITATION INITIATIVES

Issue note by the Secretary-General of UNCTAD

Executive Summary

The parallel event on Trade Facilitation is intended to address a strategy for landlocked and transit developing countries to develop a sustainable capacity to plan and implement regional trade and transport facilitation initiatives. This strategy would be based on self-assessed needs and priorities and on the use of a wide variety of available congruent solutions including framework and institutional building, networks and new technologies, as well as private and public partnerships at bilateral and regional levels.

This paper deals with available institutional, technological and framework solutions, including human resources and management capacity components. It is divided into three main parts. The first one discusses the assessment of transport and trade facilitation needs and priorities and how to ensure that transport and trade facilitation measures are made suitable for the country or region concerned. The second part deals with an overview of the variety of solutions to be taken into account based on an analysis of non-physical barriers affecting trade and transport operations of landlocked countries. The third part deals with some possible institutional mechanisms to take the lead in the design of transport and trade facilitation programmes through concerted actions among local private and public trading and transport-related communities, replicated at national and regional levels.

CONTENTS

INTRODUCTION

1. Facilitation remains in general a discipline where different actors, private and public, sharing common trade interests, are connected and get feedback from one another to reduce transaction costs. In particular, transit transport facilitation plays an overarching, central role in landlocked developing countries' trade. For these countries, facilitation means having an efficiently organized transport chain serving its trade, irrespective of the distance to be covered and the borders to be crossed, integrating land and sea transport modes.

2. In turn, a well-structured and flawless distribution system requires some determinant conditions to be competitive and to move trade better and faster. It needs parties to work together, to know each other, to share views and experiences, to build joint solutions, to assess common situations, and to make trade and transport simpler and more efficient in many ways, including through better distribution. Above all, it needs timing, trust and transparency amongst the parties. The use of local service providers and their linkage with international or global operators will make imports and exports more competitive, contributing to national and regional trade development and economic growth.

3. The Round Table on Trade Facilitation is intended to address a strategy for landlocked and transit developing countries to develop a sustainable capacity to plan and implement regional trade and transport facilitation initiatives. This would be based on self-assessed needs and priorities and on the use of a wide variety of available congruent solutions including framework and institutional building, networks and new technologies, as well as private and public partnerships at bilateral and regional levels.

4. This short paper deals with barriers to transit transport and mechanisms to resolve them, in particular through institutional, technological and know-how solutions, including human resources and management capacity components. It is divided into three main parts. The first one discusses the assessment of transport and trade facilitation needs and priorities and how to ensure that transport and trade facilitation measures are made suitable for the country or region concerned. The second part deals with an overview of the variety of solutions to be taken into account based on an analysis of non-physical barriers affecting trade and transport operations of landlocked countries. The third part deals with some possible institutional mechanisms to design transport and trade facilitation programmes through concerted actions among local private and public trading and transport-related communities that can be replicated at national and regional levels.

5. References are made also in the document to successful experiences in developing countries to deal with transit transport and trade-facilitation-related problems. Further ICT solutions for trade and transport monitoring and management along selected trade and transport corridors through the Automated System for Customs Data (ASYCUDA) and the Advance Cargo Information System (ACIS) are assessed.

I. TRADE FACILITATION NEEDS AND PRIORITIES

1. Basic difficulties and possible choices

6. Landlocked countries face two different and unique problems:

- Lack of own territorial access to maritime transport services, which means dependence on decisions taken by coastal neighbours, limitations on improving or planning port and connecting transport infrastructure, and reliance on foreign services;
- Obligation to transit through one or more countries, implying additional risks and delays at border crossings, significant land transports costs and dependence on the performance of services provided in the transit countries.

7. In turn, landlocked countries can seek solutions through regional cooperation, in two different ways:

- Developing trade and transport solutions in order to achieve increased volumes and better economies of scale, integrating logistics solutions, accessing better services and frequencies, sharing costs and benefits, planning and improving common-use infrastructure at the regional level;
- Reducing obstacles at the national level to compensate for the inherent costs and delays of being landlocked, to allow nationals access to regional services and infrastructure, to open internal markets to regional investment, to help national services to link with regional operators, and to promote regional initiatives.

8. Landlocked developing countries (LLDCs) should aim at developing transport and distribution counterpart relationships with their transit country neighbours. LLDCs share transport and trade support services with these neighbours, and those services are an important element of the distribution and supply channel. Landlocked countries could be seen as "land-linked" countries, meaning that transit countries are considered part of their transport network environment. Whereas sea transport and port logistics may be as relevant as ever, significant gains can be made by improving land transport links.

2. Proposed approach

9. The needs and priorities in national transport and trade facilitation programmes depend largely on the foreign commercial exchange content and the available regional transport infrastructure and services.

10. The assessment of these needs and priorities must take into account, for example, the fact that a country belongs to a regional grouping. This would lead to a focus on trade and transport facilitation actions serving primarily trade with regional partners and seeking commonalities with these partners. Being a Member of the WTO or adhering to other international conventions, from which obligations would arise as to trade facilitation, would also prioritize the actions needed to fulfil these obligations.

11. It is therefore essential to conduct – in each case – a review of the country's foreign trade with its major trading partners, including regional land neighbours and overseas partners,

of existing trade infrastructure, including trade support services, transport infrastructure and services, as well as regulatory frameworks, and of trade and transport bilateral or regional commitments and ratified international conventions. This review should lead to the establishment of priorities to be used in trade and transport facilitation proposals.

12. Once the present situation has been reviewed, an analysis of trade and transport operations can be carried out. It will focus on trade logistics channels for the major products, and will include Customs formalities and land transport corridors to and from ports linking major trade partners. This analysis will lead to the identification of obstacles to trade and transport.

13. Once obstacles have been identified, their cost implications will need to be quantified. Solutions will then need to be identified and their corresponding costs assessed. This will provide necessary elements to select the type and sequence of actions to be included in a plan. These actions will constitute the country's needs as to trade and transport facilitation.

14. Finally, based on the identified plan of action, trade and transport facilitation projects will need to be formulated as part of a national strategy. These projects will propose the ways and means to implement remedial actions, as well as designating the parties responsible for such implementation.

15. At this stage, the most important factor may be institutional capacity, which will condition the success of trade and transport facilitation programmes. Institutional coherence and transparency are needed. This can be achieved through the establishment of platforms involving top management from private and public sectors with a view to leading the reform during the whole process and providing comprehensive insight at the highest levels of political administration.

16. The development of trade-related information management systems could be part of close collaboration between private and public sectors, supporting the creation of trade and transport facilitation clusters. Modern information technology is also required to support monitoring and control of transit transport operations, risk assessment procedures, and sustainable knowledge transfer between private and public sectors. Furthermore, capacity building is essential to prepare highly qualified and dedicated personnel capable of managing the implementation of all stages of the trade and transport facilitation projects.

17. As regards external support for these projects, strategic sequencing and synchronization of the delivery of technical assistance and financial resources must be ensured, together with close cooperation amongst the various government agencies involved in trade and transport facilitation activities.

II. BARRIERS TO TRANSIT AND POSSIBLE REMEDIAL ACTIONS

18. Perhaps the best way to appreciate the effects of non-physical barriers on transit traffic is to consider two hypothetical cases: one where there are a number of significant delays, high costs and associated problems; and another where there are agreements and harmonized systems in place. The scenarios are for a containerized import cargo that has arrived by sea and will continue to its final destination by road.

19. While these scenarios might look simplistic, the various problems that can affect the transit of goods are quite evident. A number of measures could be implemented to improve transport efficiency and facilitate trade. Specific measures or actions to reduce non-physical barriers to the efficient use of transit corridors are described below.

Worst-case scenario

Containerized goods arrive in a port and need to be transported to a landlocked country. The ocean transport was carried out under a negotiable bill of lading, which is required to obtain discharge of the goods. However, the bill of lading is not available and – after considerable delay – the goods are finally discharged against a letter of indemnity. While a description of the goods is available, there is no invoice to determine their value, so the Customs transit declaration cannot be finalized. To check for forbidden goods, the container is opened, and the goods removed for inspection. Then, the goods are re-stuffed in the container and the container resealed. The invoice arrives, documentation is completed, port charges are paid and the road transport operator pays a deposit to Customs, equivalent to the value of duty for the goods. The truck and container must wait again until there is a sufficient number of trucks to make up a convoy escorted by a Customs official. Finally the convoy leaves the port area and – enroute for the border – is stopped twice by security agents for documentation and seal control. At one control point, security breaks the seal to check the cargo and then replaces the seal with another seal. At the border, the driver's license and vehicle insurance are not valid in the next country and another operator must provide the ongoing transport. The container must therefore be unloaded from the original truck that travels back empty. The Customs authority of the first transit country inspects the seal and, as it has been changed, requests the cargo to be removed and checked to see if any goods have gone missing. After checking, the goods are re-stuffed into the container and a new seal is placed. The container is loaded onto a different truck that can operate in the next country. A full day has been lost at the exit border of the first transit country because the arrival time of the original truck was not known (there was no tracking system) and because of the Customs inspection. The next country is also a transit country and only allows the temporary import of containers against a deposit. At the entry point a new Customs transit declaration is prepared, the goods unloaded from the container, inspected three times: by security, by health officials and, finally, by Customs. The goods are then re-stuffed in the container and it is sealed. The trucker pays a deposit for the duty value of the goods plus 20 percent as an incentive to discourage theft. The truck is allowed to travel without a Customs official but must stop at three weigh stations to make sure the weight of the goods does not change. At the exit border of the second transit country, the Customs officials inspect the seal and clear the goods. However, once again, the truck and driver are not allowed to continue and new transport for the container must be arranged. The Customs authority of the importing country clears the goods at the border (it takes 48 hours) and involves the stripping and stuffing of goods from/to the container. Upon arrival at final destination, some of the goods are found to be missing and others are damaged. The consignee does not know during which stage of the transport the loss/damage occurred. As several transport documents had been issued for different stages of the transport, the consignee does not know which party to sue for his loss. Under all the transport documents issued, the carrier's liability is severely restricted. No international mandatory convention on carriage of goods by sea or by road applies and neither does mandatory domestic law.

Best-case scenario

Containerised goods are discharged in the port. All required documents are in order and have been previously transmitted electronically by the multimodal transport operator to Customs who have pre-cleared the goods for transit. Customs inspects the seal and the multimodal transport operator provides a guarantee for the amount of the Customs duty. There is a transit agreement in place that allows a number of local transport operators to move the goods along the transit corridor. The multimodal transport operator selects one of these carriers to undertake the whole transit operation. The transit countries along the corridor use harmonized customs transit documents. There is a cargo tracking system operating along the transit chain, allowing all parties to know the whereabouts and arrival times of the container. At the border, a joint border post team inspects the cargo documents, the seal and the driver's documents. Everything is in order and the same procedure is repeated at the next border. Customs have been informed of the expected arrival time at the consignee's premises and are there shortly after the arrival of the truck and container to clear the goods. The carrier, through a local cargo exchange, has found a return load so that the return journey of the truck will also generate revenues and – at the same time – will make use of the container.

1. Bilateral and regional transit transport agreements

20. Transit agreements are a starting point, as they form the basis for the development and implementation of various protocols along transit corridors. The objective of these agreements is to provide seamless operations along the corridor while maintaining sufficient control to ensure that the transit operation neither permits fiscal fraud nor discriminates against transport operators along the chain. A national trade and transport facilitation network, working with a joint ministerial regional committee, served by a joint technical committee, could develop such agreements and focus on other measures to overcome transit problems. An important part of such an agreement is to establish how the transport services provided are to be divided between the transit and landlocked country operators.

2. Use of electronic means to simplify procedures

21. Landlocked and neighbouring coastal countries can greatly reduce the time goods spend in transit at ports and along the transit chain through the simplification of trade formalities. They can establish commonly agreed procedures involving harmonized customs formalities and mutually accepted documents such as those related to vehicle registration, compulsory motor vehicle insurance (and possibly cargo insurance) and international drivers' licenses. The use of electronic means of communication can also be of great benefit to the exchange and common processing of information on transit operations in landlocked and neighbouring countries and facilitate the final inspection of goods at destination. UNCTAD's customs modernization and reform programme, ASYCUDA, provides assistance to developing countries in simplifying customs procedures and in using electronic communications, particularly important for transit cargo.

3. Transport documents and electronic alternatives

22. Special attention should be paid to the use of transport documents, in particular in relation to the international trade of landlocked countries, which tends to involve carriage of

goods by sea as well as by road or rail. At present, negotiable bills of lading are extensively used for transportation of goods by sea. This practice may give rise to a number of problems, including an increase in transaction costs, as the document needs to be presented to obtain discharge of the goods upon their arrival at a port. Late arrival of the transport document due to postal delays and the use of letters of credit often lead to substantial delay in discharging the cargo. If goods are discharged against a letter of indemnity, misdelivery may occur and the proper consignee of the goods may have to claim against the insurance or the sea-carrier. Wherever negotiable documents are not required for the sale of goods in transit or under a letter of credit, their use should be discouraged so as to avoid problems associated with the requirement of presentation of the document. Instead, the use of non-negotiable transport documents and, where possible, of electronic alternatives should be encouraged.

23. The eventual replacement of traditional transport documents with electronic equivalents will significantly improve the speed and accuracy of transmission, thus reducing costs and avoiding delay and associated problems. International efforts at creating an enabling legal environment for the use of electronic alternatives to transport documents are in progress and need to be pursued as a matter of priority. In the short term, landlocked developing countries are encouraged to consider developing or adapting their national laws on the basis of the UNCITRAL Model Laws on Electronic Commerce 1996 and on Electronic Signatures, 2001.[1]

4. Common operational systems for transit monitoring

24. Landlocked and neighbouring transit countries may greatly improve the use of available transport infrastructures and services, and thus increase the return on investment, through the development and extensive use of common management and monitoring systems. These systems can be supported by private-public partnership platforms along trade and transport corridors. They can also be complemented with the use of information and communication technologies applied to assist trans-border traffic of road vehicles, interchange of rail rolling stock, and tracking of cargo and road equipment. In particular, UNCTAD's ACIS programme has allowed rail operators and their clients to track their cargo, facilitated exchange of rolling stock between operators in different countries and monitored border crossings for road traffic through the Border Pass Monitoring System (BPMS). Mutually agreed arrangements should also ideally cover other important aspects such as: uniform axle load limits, weighbridges to prevent overloading of trucks, container seals, security controls, and international standards (e.g. UN location codes). Whenever required, common Customs transit guarantee systems can be adopted to ensure that applicable duties and taxes are recovered if goods disappear while in transit.

5. Joint border-crossing control facilities

25. Common bilateral facilities at border points, under joint operation of both national authorities (Customs, health, etc.), not only simplify procedures and reduce delays but also improve the quality and the security of administrative controls. They allow the development of single window facilities, the shared use of the ACIS Border Pass Monitoring System (BPMS), as well as any necessary coordinated action of all involved parties along the transit corridor.

[1] See *Electronic Commerce and International Transport Services*, TB/B/COM.3/EM.12/2, part II (Legal and Documentary Aspects).

Finally they may help in sharing miscellaneous operational costs stemming from, among others, electricity, telecommunications, telephone, fax, photocopier, and e-mail services.

6. Institutional framework

26. Landlocked countries are more dependent than coastal countries on efficient trade logistics in order to reduce the burden of the distance to sea terminals and of border crossings in transit countries. It is now well known that the efficiency of transport chains is more a function of their management than of the available equipment and infrastructures. Global carriers have – through competition – developed effective operating technologies, in terms of both information systems and of working methods. The possibility for transport operators from landlocked and transit developing countries to integrate with global and more advanced operators is crucial to the improvement of their efficiency. Such efficiency could result from the transfer of technology that alliances and joint ventures bring. It is therefore essential that laws and regulations allow for and promote this type of partnerships between local and international agents. Accordingly, governmental administrative agencies should become "facilitators" and support national private sector operators in offering competitive services. Suitable regulations fostering a favorable institutional framework for private initiatives are therefore needed in order to compensate the administrative and operational burden posed by the distant access to maritime traffics.

7. Appropriate legal framework

27. At the global level, multimodal transport has, as a result of containerization, been growing exponentially, and it continues to do so[2]. Imports to landlocked developing countries, whether by means of container or otherwise, tend to involve at least two modes of transportation, such as sea and land transport (road/rail). Due to the high risks associated with the land leg of transportation and the absence of appropriate legal frameworks in relation to such transportation, international carriers do not, in many cases, offer one contract to cover the entire transport operation from origin to destination, with one party taking responsibility throughout. As a result, goods tend to be carried under numerous contracts and documents, with several different parties - not always easy to identify - being responsible for parts of the transport carried out by them. In particular in relation to containerized goods, it may be difficult or impossible to establish where loss or damage occurred and, consequently, which carrier may be liable and under which terms. Even where loss or damage can be localized, a cargo claimant may go empty-handed, as carriers tend to operate on the basis of standard term contracts under which their liability may be excluded or very limited. Although some international unimodal conventions exist to ensure minimum standards of carrier liability, these conventions have often not been ratified or implemented by landlocked developing countries. Ratification and effective implementation of existing transport conventions need to be considered as a priority for action.

28. Multimodal transport, under one contract and with one party being responsible throughout the entire transport operation, would significantly improve the situation for traders in landlocked countries. Landlocked developing countries, particularly, would benefit from the existence of a predictable and internationally uniform legal regime for multimodal transport. At present, no international convention on multimodal transport is in force, as the UN Convention on the International Multimodal Transport of Goods 1980 has not received the

[2] See *Multimodal Transport: The Feasibility of an International Legal Instrument*, UNCTAD/SDTE/TLB/2003/1.

required number of ratifications and the international legal framework is complex and fragmented.[3] Against this background, work that recently commenced within an UNCITRAL Working Group on Transport Law aimed at the preparation of a new international instrument is of major importance.[4]

8. Human resource development

29. Landlocked and transit developing countries face the need to build up regional capacity to enhance the knowledge and skills of those involved in policy-making and regulatory functions, as well as those responsible for day-to-day transit transport operations. This regional capacity will support the development of long-term regional cooperation and the implementation of necessary reforms in the transport sector and trade supporting services. It will also allow planning and prioritization of joint infrastructure development projects between neighbouring countries. This capacity is also required to improve the institutional and procedural management of trade and transit transport operations.

9. International support measures

30. To assist the development and implementation of measures to overcome non-physical barriers that prevent the efficient use of transit corridors, external financial and technical resources should be mobilized. Insufficient development assistance and inadequate private financing negatively affect transit systems, in both landlocked and transit developing countries, that are often in need of external financing. Furthermore, it is essential for local and national authorities to exercise true ownership over such systems. UNCTAD, through its programme of technical assistance, can provide support to transit and landlocked countries in the implementation of transport and trade facilitation projects, in the preparation and updating of national laws and regulations, in the reform and modernization of Customs, and in the implementation of modern management tools for transport operators. UNCTAD can also provide the necessary negotiating assistance to ensure that these countries' interests are taken into consideration in the preparation of any uniform international legal framework governing transport, in particular multimodal transport.

III. INSTITUTIONAL SOLUTIONS

31. Long-term regional cooperation is needed to undertake necessary reforms in the transport sector and trade support services, to plan and select infrastructure projects, and to improve the management of trade and transport operations taking into account procedural and institutional aspects.

32. Governments and the private sector need to cooperate to introduce trade facilitation measures in landlocked and transit developing countries in accordance with existing bilateral, regional and international agreements. These measures include the simplification, harmonization and standardization of transit procedures and documentation, and the

[3] For an overview over the current legal framework, see Implementation of Multimodal Transport Rules, UNCTAD/SDTE/TLB/2 and UNCTAD/SDTE/TLB/2/Add.1. See also *Multimodal Transport: The Feasibility of an International Legal Instrument*, UNCTAD/SDTE/TLB/2003/1.

[4] For further information, see the working documents before the UNCITRAL Working Group available on the UNCITRAL website (www.uncitral.org). The *Draft Instrument on Transport Law* is contained in document A/CN.9/WG.III/WP.21. For detailed comments by the UNCTAD secretariat, see UNCTAD/SDTE/TLB/4 (also contained in UNCITRAL document A/CN.9/WG.III/WP.21/Add.1).

improvement of customs transit systems, as well as commercial practices of transit operators in the private sectors.

33. Experience shows that the main difficulties in implementing transit trade and transport facilitation stem from the fact that internationally agreed recommendations must be adapted to local circumstances. This exercise must take into account local institutional and human resources capacity, regulatory frameworks and cultural contexts, if the measures are to be successfully implemented.

1. Local knowledge

34. Unlike traditional technical assistance based almost exclusively on foreign specialist expertise, effective solutions should rely mainly on local and regional experience and know-how. This enables relevant international standards and recommendations to be adapted to specific environments. Furthermore, it ensures ownership by the beneficiaries and the construction of lasting trade and transport facilitation structures, contributing to innovation and knowledge-sharing.

35. Capacity building should combine institution building, human resource development and establishment of collaborative networks. Knowledge acquisition and skills development can be ensured both through direct on-the-job learning and through individual or group training.

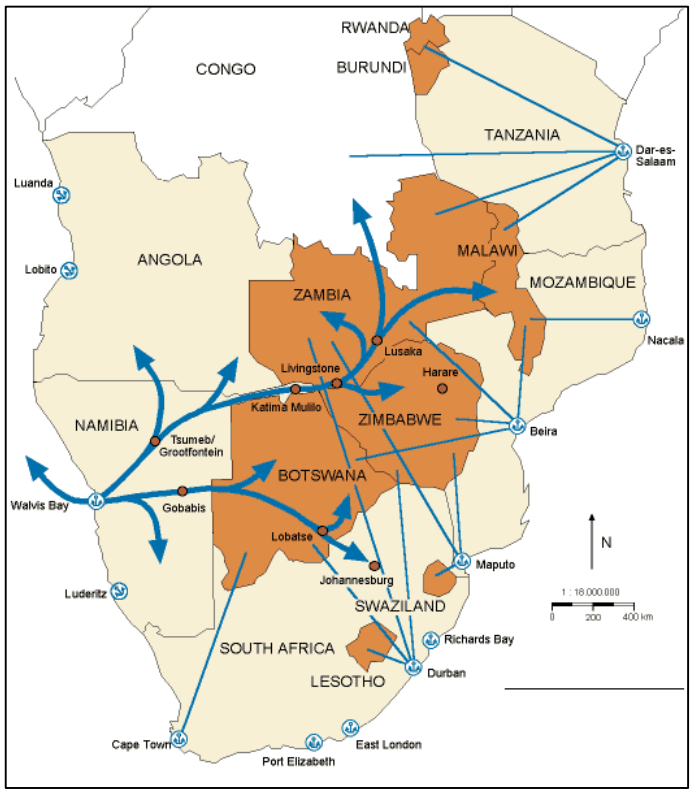
2. Facilitation clusters

36. Most of the participants in trade or transport maintain a commercial service buyer-supplier relationship among themselves and act in a sequential fashion along a supply chain. Even public agencies involved in the control of international trade and transport operations "demand" information in order to "grant" administrative authorizations or clearance. Partners in production processes have managed to interact and grow together technologically through the establishment of industrial clusters. Drawing from this successful endeavour of clusters in the manufacturing industry, clusters of services have developed in the business sector.

The Walvis Bay Corridor Group:
A trade and transport facilitation networked cluster

The WBCG gathers the following partners:

Namibian Association of Freight Forwarders
Namibian Road Carriers Association
Walvis Bay Port Users Association
Namibian Chamber of Commerce and Industry
Namibian Ports Authority
TransNamib Holdings
Walvis Bay Municipality
Ministry of Finance: Department of Customs
Ministry of Trade and Industry: Investment Center / Offshore Development Company
Ministry of Works, Transport and Communication: Department of Transport
Regional Partners



The public and private partnership institutional grouping of the Walvis Bay Corridor Group provides a one-stop support and resource centre to smoothen out transactions, facilitate contacts with the right business partners, and ensure convenient and reliable cargo delivery.

Once contacted, a local freight forwarding and clearing agent will take control of the shipment in Walvis Bay and will prepare the necessary documentation and transport control to destination. Contact can be facilitated through the WBCG office, or a company can be selected from the member list.

37. Trade facilitation provides an opportunity for public and private trade and transport communities to build clusters in order to improve trading and distribution channels, as well as trade management capacity by the public sector. Facilitation clusters can gather private and public sector participants from shipping lines, shipping agencies, customs brokers, freight forwarders, traders as shippers, customs administrations, sanitary and phytosanitary governmental agencies and other relevant governmental institutions.

38. The central function of trade and transport facilitation clusters consists in identifying conditions for the efficient operation of trade and transport corridors, including identifying major obstacles and possible improvements. Local facilitation clusters gather interested parties at key locations along a transit corridor: at the seaport end, at the border crossing area and at the main inland destination/origin of trade and transport operations. Clusters also serve the purpose of sharing knowledge among their members and exchanging information and solutions with associated networked clusters in other locations of the corridor. Clusters lead to a more efficient use of available transport infrastructure and increased trade along corridors.

39. Clusters constitute the institutional core in the design and implementation of adopted solutions. They work both on improving day-to-day operations and designing medium and long-term solutions. Clusters also promote partnership agreements that commit supply chain participants to deliver agreed levels of services under given conditions. These agreements take place between private parties, between public administrations, and between public and private entities.

3. Corridors and supply chain methodology

40. Experience shows that most effective facilitation measures concentrate on trade and transport corridors linking inland origins/destinations in landlocked countries with entry/exit seaports in transit coastal countries. The methodology used to analyse and improve the situation along such corridors is similar to the one used in supply chain management: it must cover the entire corridor and consider sequentially the contribution of the various trade and transport service providers along the corridor.

41. The corridor, as a whole, performs the various operations necessary to complete import deliveries and export shipments. The quality of such a performance can be measured in terms of delivery time, costs and degree of safety in transiting through the corridor. In quantity terms, performance can be measured in terms of goods throughput (metric tons or units), productivity can be determined as the ratio of throughput to time or cost factors, and competitiveness can be assessed by comparing these measures to those of similar corridors in other regions. These measurements will highlight the weakest stages of the corridor operations, as well as any significant cost and/or delay factor and, consequently, contribute to developing appropriate improvement strategies.

42. Along the corridor, each service provider manages information on its own operations. Depending on its location within the corridor (e.g. at the seaport end, at the border crossing area, or at the main inland destination/origin), the service provider might wish to join a cluster of similarly located providers, with a view to sharing elements of information of common interest. This may allow each provider to contribute to improving the complementary services offered by the cluster to traders. In turn, the clusters along the corridor may link with one another with a view to improving the overall services offered by the corridor.

4. Information technologies

43. Information and communication technology has resulted in the development of systems that can facilitate the movement of transit cargo. In particular, telecommunication solutions, such as the Very Small Aperture Terminals (VSATs), have become much more affordable and provide electronic data exchange without the need to develop infrastructure. Furthermore, UNCTAD has developed two systems using ICT that are made available to requesting countries through technical assistance projects. Given the relevance of these systems for landlocked and transit developing countries, they are briefly described.

44. ACIS is a real-time proactive system providing transport operators and ancillaries with reliable, useful and immediate data on transport operations, giving the whereabouts of goods and transport equipment; this enables transport operators to improve day-to-day management and decision-making. As a result, ACIS contributes to increasing the actual capacity of a transport corridor. ACIS also produces regular statistics and performance indicators, which, at

the operator level, enable management to remedy deficiencies and, at the national and subregional levels, provide data for macroeconomic planning.

45. ACIS can play an important role in the development of trade relations and above all in reinforcing subregional integration because it enables all operators who belong to the system to communicate via the Internet, through modes and interfaces and over borders, the vital information which is required by them to improve transport efficiency; the cost of the carriage of goods is thus reduced because ACIS, as a management tool, provides the required data to operators, enabling them to make full use of existing infrastructure and equipment capacity. Such accumulated data, on a subregional scale, enable macroeconomic transport planning to foster the optimal modal distribution patterns and foresee infrastructure investment.

46. ASYCUDA is a computerized customs management system which covers most foreign trade procedures. The system handles manifests and customs declarations, accounting procedures, and transit and suspense procedures. It generates trade data that can be used for statistical economic analysis. The ASYCUDA software is developed in Geneva by UNCTAD and operates on microcomputers in a client server environment. ASYCUDA is fully compliant with international codes and standards developed by ISO (International Organisation for Standardisation), WCO (World Customs Organization) and the United Nations. ASYCUDA can be configured to suit the national characteristics of individual Customs regimes, national tariffs and legislation. The system also provides for electronic data interchange (EDI) between traders and Customs using EDIFACT (Electronic Data Interchange for Administration, Commerce and Transport) rules.

47. The most recent Web-based version of ASYCUDA will allow Customs administrators and traders to handle most of their transactions via the Internet. The new e-Customs platform, dubbed AsycudaWorld, will be particularly useful to developing countries, where poor fixed-line telecommunications are a major problem for e-government applications. It is also powerful enough to accommodate the operational and managerial needs of Customs operations in any developed country as well. AsycudaWorld will mean even greater tax revenue collection and lower transaction costs than are already provided by the current version of the system, ASYCUDA++, making it a showcase for e-government. A secondary benefit is the provision of information to facilitate measures to combat fraud, corruption and illicit trafficking, as it gives Customs authorities in different countries a tool for working together online.

ASYCUDA TRANSIT OPERATIONS IN ZAMBIA

Zambia has implemented the ASYCUDA transit module between Chirundu and Lusaka using the Wide Area Network. This transit system calculates the total duties and taxes as the guarantee amount, which is then deducted from the bond as security. Once a transit document is processed and is sent to the destination office, the record at the departure office remains outstanding and is acquitted only when all items have been fully cleared or made on exit at the destination office. The availability of the Wide Area Network (WAN) between the two ports and enhancements in ASYCUDA++ have resulted in instantaneous data flow and efficiency in management of transits respectively.

Transit guarantees: In order to carry out transit operations, a declarant needs to have a Transit Guarantee Account. Transit Guarantee Accounts have been set up in the accounting module of ASYCUDA (MODAAC) by Customs for all licensed agents. For the account to operate, the Maximum Authorized Guarantee should be specified. This is the amount from which suspended duties and taxes will be deducted as bond to cover the movement of transit goods. Once this amount is exhausted, no further transits can be processed.

Departure Office – Chirundu: Submission of all entries to Customs is done through Direct trader input (DTI). The bureau is situated within the Customs premises and is managed by a private contractor. Chirundu is one of the major entry points, with a high volume of traffic. From inception, sufficient DTI terminals have been made available to cope with the business levels. The declarations are sent to a specialized transit declaration desk, which generates a transit document (T1). When issuing the T1, the equivalent of suspended duties and taxes, the bond, is deducted from the Guarantee. With the WAN in place, the T1 is automatically transmitted through the ASYCUDA message manager module (Gateway) to both Chirundu (departure office) and to Lusaka (port office). Finally, the release order is generated as proof that the consignment has been released after full compliance with the relevant transit requirements.

Destination Office – Lusaka: The Declarant reports to the transit counter at the Customs office and files the copies of the documents issued by the Departure office. The transit officer will access the list of transmitted T1 on the computer. The details on the computer are compared with the information on the hard copy of the T1. If the information is correct, and consistent with the physical consignment, the T1 is validated and the status of the transit document changes to 'Validated'. The bond is then credited back to the Transit Guarantee Account.

5. Trade facilitation and security in landlocked countries

48. Security concerns and recently adopted measures[5] to deal with them may have both immediate and long-term implications for landlocked developing countries' international trade transactions. In particular, the Customs–Trade Partnership Against Terrorism (C-TPAT), launched by the US Customs, may considerably affect small players using international trade and transport systems, as follows:

(a) *Discrimination in favour of C-TPAT participating ocean carriers:* although not presented as a condition to operate to and from or within US customs territory, not being a partner of the US Customs in the initiative may imply suspicion and having to

[5] Such as: the Container Security Initiative (CSI), the 24-hour rule, the Customs-Trade Partnership Against Terrorism (C-TPAT).

go through lengthy controls. Eventually only those companies that have joined the partnership will feel comfortable operating within US trade routes. For landlocked countries not served by these ocean operators, this initiative could result in increased delays and costs along supply chains bound to their US trade partners.

(b) *Supply chain management capability:* the C-TPAT initiative requires trade community partners (US importers and foreign exporters) to work with their service providers throughout the supply chain to enhance security processes and procedures. The aim is to monitor each stage of the supply chain, including staff employed and origins of the goods. Although this initiative only applies to US imports, it will certainly influence US-based importers, carriers and brokers to choose supply partners than can produce reliable and suitable information to be submitted to US Customs authorities. This might exclude some ill-equipped though trustworthy suppliers in developing countries.

49. On the other hand, these security initiatives may well provide the opportunity to start some sort of "trade facilitation intelligence" that could be achieved on a worldwide basis through the extensive use of interconnected ICT systems. The extent to which the current security concerns can add not only costs but also value to the effectiveness of developing countries' trade frameworks depends largely on the assistance they may receive, both in terms of technical and financial resources and in terms of developing capacity to attain an autonomous sustainable trade management infrastructure.

50. Many different sorts of technical solutions for improving the security of goods and systems for goods clearance and transport programming and tracking have spread rapidly over the past decade. They should be made more widely available to the private and public sectors in developing countries.

IV. THE WAY FORWARD

51. To facilitate trade and transport along transit corridors, landlocked and transit developing countries need to use internationally agreed rules, regulations and recommendations. This is the only way to avoid a proliferation of uncoordinated and often contradictory regulatory frameworks, with all the difficulties this would pose at the operational level. Regional cooperative approaches are then necessary to ensure effective implementation of international rules. Regional schemes make landlocked and transit countries full-fledged partners in the development of shared geographic, cultural and technological as well as economic environments. These environments condition the trade distribution channels and transit transport systems these countries use. They therefore make the improvement of transit transport and trade channels necessarily regional and help the countries to become land-linked.

52. Partnerships, which should be seen as activities to be undertaken jointly with specific goals and means, must be part of broader and more permanent cooperative institutional arrangements. Such institutional arrangements can be developed as platforms or clusters in which private and public sectors work together to assess the situation and formulate proposals for improvements. In this context, partnerships may become the most suitable ways to implement the elements of the proposals. While regional agreements also constitute major instruments to elaborate, and agree on, transit rules, as well as to establish duties and rights to operate along transit corridors, they cannot substitute for platforms and clusters that are long-term cooperative and evolving mechanisms to generate innovative solutions.

53. Regional cooperation needs such local, national, and bilateral or subregional platforms of major stakeholders to ensure long-term autonomous capacity for coordinating trade and transport development in landlocked and neighbouring developing countries. Success stories of joint-decision structures exist in Southern Africa, South-East Asia, and South America. They should be widely publicized and used as models for replication and further development in other regions, as required.

54. Public-private joint platforms have demonstrated their capacity to ensure the required close cooperation between trading communities and governmental agencies in the formulation of trade and transport facilitation solutions, as well as the efficient transfer and exchange of technology and know-how.