

UNCTAD Transport Newsletter



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Editorial

The year 2008 was marked by record freight costs, followed by a historic slump. Traders and suppliers of transport services can do little to offset such fluctuations. As UNCTAD's research has shown, policymakers can enhance their countries' connectivity and trade competitiveness, mostly in the areas of transport infrastructure and trade facilitation, and ensure competition among services suppliers. Most of the policies that can help to improve access to better or less costly transport services are domestic or regional in nature. They often require investments in infrastructure, as well as capacity-building and reforms in the areas of port operations and trade facilitation.

The present issue of UNCTAD's Quarterly Transport Newsletter includes several articles dealing with shipping issues, notably on our upcoming Expert Meeting on Maritime Transport and the Climate Challenge, the downturn in freight rates and their increasing fluctuation in recent years.

We further report on UNCTAD's technical cooperation with the Palestinian Shippers Council, a trade facilitation programme in Afghanistan, and a Training of Trainers Workshop for Spanish-speaking Port Communities of Latin America.

In the context of the WTO negotiations on trade facilitation, we report on a recent self-assessment workshop in Colombia and discuss the overall analysis of needs and priorities in the WTO negotiations on trade facilitation. Finally, we report on several new publications and information sources.

For feedback, comments, and suggestions for our next UNCTAD Transport Newsletter (first issue 2009), please contact Jan Hoffmann at jan.hoffmann@unctad.org before March 2009.

The Trade Logistics Branch Team, Geneva, December 2008

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UNCTAD Expert Meeting: Maritime Transport and the Climate Challenge

Multi-year Expert Meeting on Transport and Trade Facilitation, 16–18 February 2009

Compelling scientific evidence and a better understanding of the economics of climate change have moved this issue to the forefront of the international agenda. Greenhouse gas (GHG) emissions from international shipping are increasingly drawing attention and possible mitigation measures are being considered, both at the regulatory and industry levels. At the same time, the effects of climate change and their implications for maritime transport, as well as for access to cost-efficient and sustainable international transport services, need to be properly understood to ensure that appropriate adaptation measures are taken. This is crucial, given the special needs of the most vulnerable countries, namely the least developed countries (LDCs), the landlocked least developed countries (LLDCs) and the small island developing states (SIDS). As the Kyoto Protocol is due to expire in 2012, a Conference under the United Nations Framework Convention on Climate Change (UNFCCC) was held, in December 2007, in Bali, to launch negotiations on a post-Kyoto agreement. Set to conclude in December 2009, these negotiations provide a renewed opportunity for the international community to undertake meaningful



commitments to combat climate change.

Against this background, the first session of UNCTAD's Multi-year Expert Meeting on Transport and Trade Facilitation will address climate change and its implications for international maritime transport, in particular with a view to the concerns of developing countries. Taking into account a broad range of cross-cutting issues (e.g. investment and financing, technology, supply chain security and trade facilitation imperatives as well as energy market volatility and security), discussions at the meeting are expected to help identify relevant policy actions that serve the purpose of climate change mitigation and adaptation in maritime transport while furthering other objectives such as transport efficiency, trade facilitation, trade competitiveness and sustainable development. The overall objective is to gain a clearer vision of the format, scope and content of a potential new regime on GHG emissions from international shipping and help ascertain the economic and policy implications of various mitigation measures, including on the trade competitiveness of developing countries.

The UNCTAD secretariat has prepared a background note on some relevant issues to assist participants in the deliberations at the session. The provisional agenda and other documentations are available on UNCTAD's website.¹ Specialized agencies and intergovernmental bodies that wish to participate in the session, as well as non-governmental organizations in the general category and those in the special category that wish to participate as observers, are requested to inform the UNCTAD secretariat of the names of their representatives by 2 February.

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¹ <http://www.unctad.org/Templates/meeting.asp?intItemID=1942&lang=1&m=15862&info=doc>

Trade Facilitation in Afghanistan

Trade facilitation is a key issue for Afghanistan's development as a landlocked LDC, facing important security and contraband challenges. In order to generate new employment opportunities it is paramount to encourage investments, enhance productive capacities and become more competitive in foreign markets — all of which require trade and transport facilitation. Afghanistan's National Development Strategy (ANDS) states that "Increased priority will be given to regional economic cooperation initiatives aimed at developing regional transportation and transit infrastructure, facilitating regional trade and investment flows and developing Afghanistan as a regional business hub linking Central and East Asia with the Middle East and South Asia."²

UNCTAD is collaborating with Afghanistan's Ministry of Commerce and Industry (MoCI) in a range of trade facilitation reforms and capacity-building activities. UNCTAD's support forms part of the "Emergency Customs Modernization and Trade Facilitation Project in Afghanistan", which is financed by the World Bank and executed by UNOPS.

Since 2005, UNCTAD's activities have led to a number of tangible results. UNCTAD has been instrumental in the writing of the draft Afghanistan Pakistan Transit Agreement (APTA), which is presently being negotiated by the governments of these two neighbouring countries. UNCTAD contributed successfully to the audit and restructuring of the International Transit and Border Port Department at MoCI within the framework of the Priority Restructuring Reform (PRR) programme. In cooperation with FIATA and the Afghan Association of Freight Forwarding Companies, UNCTAD developed a comprehensive training package and delivered Training of Trainers courses. Following preparations by UNCTAD, the year 2007 saw the creation of Afghanistan's Trade Facilitation Committee (AFPRO), and subsequently the establishment of the AFPRO's secretariat in 2008.³ UNCTAD has assumed a leading role in Afghanistan's negotiating process towards WTO accession, organizing numerous capacity-building activities for the country's negotiators and providing advisory support for the preparation of the draft Memorandum of Foreign Trade Regime.⁴ Surveys of border post operations undertaken by UNCTAD have allowed the Ministry of Commerce and Industry to compare border-crossing times and obstacles at different borders and set benchmarks for the measurement of improvements over time.

Key factors of success of the project are close cooperation with the Ministry of Commerce and Industry, and the recruitment and training of national experts. At present, there are 10 Afghan staff working for the UNCTAD project, 8 of whom in offices within the Ministry of Commerce and Industry and 2 at the Afghan Chamber of Commerce and Industries.

The following articles describe in more detail some of the currently ongoing activities.



For more information please also contact Aurelie Legrand, aurelie.legrand@unctad.org, and Jan Hoffmann, jan.hoffmann@unctad.org, Trade Logistics Branch, UNCTAD; and Philippe Cabanius, philcabanius@aol.com, UNCTAD international transit consultant.

² Afghanistan National Development Strategy (ANDS), http://www.ands.gov.af/ands/ands_docs/index.asp, page 41.

³ See also UNCTAD Transport Newsletter No. 39, Second Quarter 2008, page 12.

⁴ Activities in this area are being undertaken in close cooperation between the Trade Logistics Branch and the Trade Negotiations and Commercial Diplomacy Branch of UNCTAD.

Freight Forwarding in Afghanistan

In 1951, the first freight forwarding company “Pashtani Forwarding” was established in Afghanistan, and in 1956 two further freight forwarding companies, “Afghan Transit” and “Herat Transit”, were set up. Following the first transit agreement between Afghanistan and Pakistan (ATTA)⁵ in 1965, the volume of trade and transit traffic between Afghanistan and Pakistan and other countries increased significantly, and since 1967 more than 800 freight forwarding companies have been licensed by the Ministry of Commerce and Industries.

As regards import cargo, Afghanistan’s freight forwarding companies provide their services first of all as “receiving agents”, i.e. freight forwarding companies located at the border ports depend on foreign freight forwarding companies (“principals”) to receive the cargo at the border, and after customs clearance deliver the goods to the consignee. Afghan freight forwarding companies are not acknowledged internationally and have not been in position to open offices abroad. Hence, they mainly operate inside Afghanistan’s border under their own name. Afghan companies thus find themselves at the end of the transport chain, organizing transportation and customs clearance of consignments within the borders.

In 2004, a number of major freight forwarding companies came together to found a national freight forwarding association: “Afghanistan’s Association of Freight Forwarding Companies” (AAFFCO). This body has been supported in a number of ways by UNCTAD. In 2005, a census survey provided data on 261 major freight forwarding companies in Afghanistan. On 1 January 2006, AAFFCO was formally accepted as a member of the International Federation of Freight Forwarders Association (FIATA). During the same year, a training need assessment survey was carried out, based on FIATA’s standard questionnaire, adapted and adjusted to conditions in Afghanistan, for which a sample of 13 companies was visited in Kabul and Herat.

One of the main problems identified was the low level of professional training and qualification among Afghan freight forwarders. This does not mean that Afghan freight forwarding operators would not have practical experience or skills. In many companies, however, staff were found to lack accurate knowledge of international procedures and standards. As a result, they have more difficulty gaining access to international customers and often lack training to undertake international operations.

In cooperation with FIATA, UNCTAD developed a proposal for a training programme and training curriculum, which was submitted to AAFFCO. After AAFFCO agreed to the proposal, the first FIATA Training of Trainers Courses was held in Kabul between March and May 2007, with 26 participants from Herat, Mazar and Kabul provinces. In 2008, UNCTAD continued the development of a 200-hour training course, designed for freight forwarding practitioners to receive certified FIATA training. Once the processes of (a) finalizing the development of the material; (b) offering additional Training of Trainers; and (c) establishing procedures for FIATA certification are finalized, it is envisaged that FIATA will authorize certified Afghan freight forwarding companies to issue the FIATA bill of lading. It is further envisaged that the training and certification through AAFFCO will allow the Ministry of Commerce and Industry to better control the issuance of licences to qualified Afghan freight forwarding companies.

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⁵ See also the note on the new transit agreement below.

Development of Afghanistan's border ports

As a landlocked country, Afghanistan depends on neighbouring transit countries for its access to seaports. As a transit country, Afghanistan itself plays a vital role in the region to connect Central Asian with South Asian countries; by combining its own foreign trade with transit traffic, Afghanistan could become an important regional logistics hub. For this to happen, Afghanistan requires a modern transit system, dry ports and efficient border port operations.

Afghanistan has borders with the Central Asian countries Tajikistan, Uzbekistan and Turkmenistan, as well as with the Islamic Republic of Iran, Pakistan and China. Currently, there are eight border ports which are operational and provide some facilities for trucks at Torkham and Spin Boldak (border with Pakistan), Islam Qala and Zaranj (Islamic Republic of Iran), Aqina and Torghundi (Turkmenistan), and Ai Khanum and Shirkhan Bandar (Tajikistan).

Among these border ports, Torkham (border with Pakistan) has been newly constructed based on a model of border port establishments supported by the European Commission. It has modern warehouses and equipment. In addition, a refurbished road links this border port with Jalalabad and Kabul. UNCTAD's Automated SYstem for CUstoms DAta (ASYCUDA) started its first pilot project at this border port, where it is now fully operational. UNCTAD conducted surveys in February and October 2007, reporting a 40 per cent increase of trucks between the first and the second survey. The two surveys also indicate that the average time for trucks to cross the border was cut from 55 minutes in February to 43 minutes in October.

Islam Qala (border with the Islamic Republic of Iran) has a large trans-shipment area where cargo is trans-shipped to another truck. This area is also used as a parking lot for trucks which do not trans-ship their goods at the border, and warehousing facilities are available for goods where customs clearance is delayed.

A new bridge has been built over the river of Shirkhan Bandar (border with Tajikistan), which is expected to facilitate trade and transit between Afghanistan and Central Asia. The European Commission has financed the construction of a new road coming from the bridge to the border customs control zone, and it is planned to build further installations to facilitate border crossing at Shirkhan Bandar.

These recent and planned developments at the border ports aim at enhancing Afghanistan's trade and transit volumes. UNCTAD is planning to continue its support to the Ministry of Commerce and Industry in its efforts to survey and further improve trade and transit facilitation at Afghanistan's border.

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Transit through Afghanistan

Afghanistan provides the shortest distance for transit between Central Asia and the seaports in Pakistan and the Islamic Republic of Iran as well as potentially connecting Pakistan and India to the resource-rich Central Asian republics. The Afghanistan National Development Strategy (ANDS) includes among its objectives that “Afghanistan and its neighbours will achieve shorter transit times within Afghanistan by means of cooperative border management and other multilateral or bilateral trade and transit agreements.” [ANDS, page 43.] The ANDS further suggests that “Expanding trade with neighbouring countries will help to establish Afghanistan as an important ‘trading hub’ in the region.” [ANDS, page 112.] For Afghanistan to achieve its desired role in the region, the following points need to be taken into consideration:

Security: Improved security and successful trade facilitation complement each other. Many trade facilitation measures can in fact help further reduce the risks associated with contraband or terrorist threats.

Insurance: At present, possibilities of insurance coverage for cargo or vehicles in transit are inadequate. Currently, there are three insurance companies operating in Afghanistan, and ways to enhance the coverage to facilitate traffic in transit need to be analysed.

Transport infrastructure: Afghanistan’s road infrastructure, including major transit corridors, has seen important improvements during the last couple of years. A new “ring road”, crossing many provinces, is under construction, which will connect all highways and facilitate transit traffic through the transit transport corridors.

Transport services: liberalizing markets for transport services and strengthening the private sector in this area are important conditions for attracting investment by trucking and other transport companies. Recently, the Afghan Chamber of Commerce and Industries, at a joint meeting with Iranian representatives, announced the establishment of a joint transportation company, with the participation of private sector investors from both countries.

Transit arrangements: customs has significantly improved the inward transit procedures but there has not yet been the same change in international through transit procedures, which still require several weeks or months to complete, as transport companies have to comply with numerous requirements by different ministries. The Government of Afghanistan has initiated steps towards the reactivation of the TIR system, to facilitate the movement of international goods in transit. Analysis is also taking place concerning the national customs transit system. In this context, the implementation of the ASYCUDA IT system developed by UNCTAD has provided operational and security improvements for both the public and private transit partners in Afghanistan.

UNCTAD has been particularly active in its contributions to the drafting of new bilateral transit agreements, notably a draft of the Afghanistan Pakistan Transit Agreement (APTA) to replace the Afghanistan Transit Trade Agreement (ATTA 1965). At present, the Government of Afghanistan is preparing for the negotiation of the proposed APTA with the Government of Pakistan, and UNCTAD plans to continue its support during the negotiating process. UNCTAD is also continuing its work on the preparation of further bilateral transit agreements with other neighbours of Afghanistan.

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Enhanced Integrated Framework (EIF) in Afghanistan

The Enhanced Integrated Framework (EIF) is an international initiative through which the International Monetary Fund (IMF), the International Trade Centre (ITC), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP), the World Bank (WB) and the World Trade Organization (WTO) combine their efforts with those of LDCs and bilateral and multilateral development partners to respond to the trade development needs of LDCs. The goal of the EIF is to boost the capacity of LDCs to integrate into the multilateral trading system with a view to reducing poverty and ensuring benefit from increased market access.

In January 2008, Afghanistan was accepted as a beneficiary member to the EIF Process on the basis of the technical review prepared by the Integrated Framework Working Group. In May 2008, a Pre-Diagnostic Study mission comprised of WTO, World Bank and UNDP came from Geneva to Kabul to start the EIF process in Afghanistan. The mission was led by the World Bank, and the counterpart from the Afghan Government side was the Ministry of Commerce and Industries. A one-day workshop was organized with support from the MoCI in collaboration with UNCTAD and GTZ, aiming to brief the Government of Afghanistan, the donor community, the private sector and civil society on the EIF program in order to take stock of trade-related research and analysis on Afghanistan as well as to develop a roadmap for the Afghanistan EIF pre-diagnostic trade integration study (pre-DTIS) phase. Furthermore, the Mission also discussed the composition of the counterpart working group.

Based on the agreed timeline for pre-DTIS, Afghanistan has taken the necessary measures, including appointment of the Focal Point, the Donor Facilitator and the National Steering Committee, to ensure a successful EIF process for Afghanistan. The first meeting of the NSC of the EIF process was on 17 July 2008. More information was provided on the process to members of the NSC.

The Afghan counterpart has been working to prepare itself for making the EIF process work for Afghanistan, for example through preparation for pre-DTIS, preparation for establishing the National Implementing Unit and collection of some required data, and efforts to secure support from EIF's Executive board and its governing bodies.

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WTO accession process

Afghanistan is in the process of accession to the World Trade Organization. This process is led by the Ministry of Commerce and Industries, in close cooperation and coordination with other Ministries and with the Mission of Afghanistan in Geneva. It is supported by several donors and international agencies, and UNCTAD in particular was requested by the Minister of Commerce and Industries to assist with the accession process and with the coordination of the various donor activities. In fact, since the initiation of the accession process, UNCTAD has been asked to provide support to the Government. Accordingly, support to the WTO accession process is one of the main components of UNCTAD's World Bank-financed project "Emergency Customs Modernization and Trade Facilitation Project in Afghanistan". The WTO accession process is also supported by technical assistance and capacity-building under the "UNCTAD Trust Fund for WTO Accession", with the financial contribution of the Governments of the United Kingdom and Norway. In this context, UNCTAD has been providing instrumental support to the Ministry of Commerce and Industries as the following:

(1) Raising public awareness: UNCTAD has supported the Ministry of Commerce and Industries in organizing a national launch at the Ministry of Foreign Affairs to announce Afghanistan's joining the WTO as an observer member in December 2005. Aiming to raise

public awareness among the public, private, parliamentarians, academia and civil society about multilateral trading system and its implications, in collaboration with UNCTAD, the Ministry of Commerce and Industries has organized a number of seminars and workshops starting in mid-2005, immediately following the initiation of WTO accession.

(2) Providing support to strengthen the Inter-Ministerial Task Force (IMTF): the WTO Inter-Ministerial Task Force under the leadership of MoCI in close cooperation with UNCTAD's TF Project and donors was established in August 2005. The key ministries and organs on this body are members of IMTF.

UNCTAD has advised the inter-ministerial task force to seek training both inside and outside the country. The Afghan Inter-Ministerial Task Force received a week's worth of intensive training on various aspects and agreements of the WTO in December 2006 and 10 days' comprehensive training on negotiations skills in May 2008 by UNCTAD experts in Geneva. A small WTO Working Group was established within MoCI to follow up and monitor the Afghanistan accession process, with instrumental support from the UNCTAD Project. This working group meets weekly and holds extraordinary meetings whenever required. Training workshops on WTO and other important trade policy-related issues are held almost monthly at MoCI and other venues for MoCI staff including secondary units, private sector, Inter-Ministerial Task Force and civil society. The results of these workshops have been extremely encouraging in raising knowledge about the multilateral trading system and international trade. UNCTAD has actively collaborated with the WTO Desk in organizing monthly IMTF meetings and delivering presentations at the MoCI aimed at building capacity and negotiating skills.

(3) Providing instrumental support to the preparation of the Memorandum of Foreign Trade Regime of Afghanistan (MFTR): the Draft MFTR, a very comprehensive document prepared with intense support from UNCTAD. This document is being reviewed, edited and commented by national and international experts in Afghanistan and Geneva, and will soon be submitted by the Government of Afghanistan to the WTO membership for examination.

(4) UNCTAD has been helping the MoCI to prepare a five-year work plan for Afghanistan's WTO accession process based on the Afghanistan National Development Strategy (ANDS) where every ministry is obliged to bring its work plans into line with the mandate prescribed under the ANDS. UNCTAD will continue to play an important role in providing technical support for Afghanistan's WTO accession process.

(5) Establishing coordination: the WTO Desk of MoCI, in collaboration with UNCTAD, established a donor coordination meeting aimed at enhancing cooperation and coherence among the ministries and projects supporting Afghanistan's WTO accession process. The meeting enabled the MoCI to establish more coordination and cooperation between Afghan ministries and with the donors on various activities regarding Afghanistan's WTO accession.

(6) Despite the above support, Afghanistan's accession process still faces challenges and problems such as weak institutions, lack of capacity, limited knowledge of the multilateral trading system, and poor awareness of some key political and economical decision-makers and stakeholders about WTO-related issues.

These challenges and problems need to be addressed by the Ministry of Commerce and development partners so that Afghan officials can successfully carry out this vital job on behalf of Afghanistan.

As the Ex-Deputy Minister of Commerce and Industries, Ziauddin Zia appreciated the great work and support being provided by the UNCTAD to the process from the beginning and, as the Minister has asked, UNCTAD will continue its support substantially and technically in this regard.

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UNCTAD's first Training of Trainers Workshop for Spanish-speaking Port Communities of Latin America

From 26 to 28 March 2008, the UNCTAD TrainForTrade Port Training Programme organized an International Coordination Conference for Port Communities of Spanish-speaking Developing Countries that took place in Valencia, Spain. The event was made possible thanks to the cooperation with the Port Authorities of Valencia and Gijon, and the financial support of the Kingdom of Spain. Port Authorities of twelve Latin American countries took part, as well as representatives from the French- and Portuguese-speaking port training networks. The Conference ended with the adoption of the "Declaration of Valencia", in which the participating Latin American port communities recommended the implementation of the Programme in their own ports and invited Spanish-speaking port communities actively to participate in that network. Subsequently, fact-finding missions were organized by UNCTAD, the Port Authority of Valencia and the Port Authority of Gijon in port communities of Dominican Republic, Ecuador, Guatemala, Mexico and Peru to assess needs of local port communities in the areas of human resources development, training and capacity-building.

Training of Trainers - Gijon, Spain, 10-28 November 2008

The next step in the development of the Spanish-speaking network of UNCTAD's Port Training Programme was the organization of the first Training of Trainers workshop of the "Modern Port Management" course on Modules 1 to 4, in Gijon, Spain. This intensive workshop is currently being offered on a full-time basis from 10 to 28 November 2008. A total of 20 instructors from the port communities of Valencia and Gijon as well as from UNCTAD have been tapped to deliver the corresponding modules in Spanish:

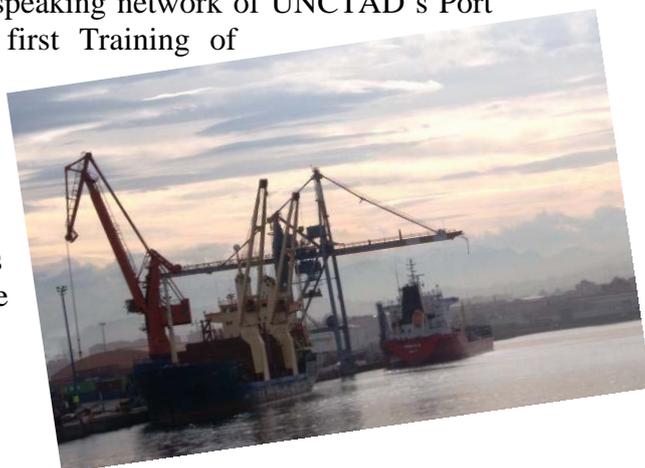
- Module 1: International trade and transport
- Module 2: The organization of a port system
- Module 3: The functioning of a port system
- Module 4: Future challenges of the port

A total of 17 participants were selected among senior managers of port communities from:

- Dominican Republic (1)
- Guatemala (10)
- Ecuador (2)
- Peru (4)

At the end of the workshop, the participants, who were selected from among senior managers of the targeted port communities, will have the requisite skills and knowledge to serve as trainers in their own countries. They will be able to use the teaching materials of the Port Training Programme to replicate the training at the national level for the benefit of middle managers from their own port communities, with the support of UNCTAD.

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Palestinian Shippers Council

In a part of the world experiencing protracted conflict, the successful completion of any project requires determination, flexibility and hard work. The implementation of the European Commission-funded project, Establishment of the Palestinian Shippers' Council (PSC), in the occupied Palestinian territory (oPt), required all that and more. Completed in October 2008 following a three-year implementation period, this project is viewed as one of UNCTAD's successes in the area of trade facilitation.

The project entailed the creation of an independent private sector shippers' council, the PSC, that represents and protects the interests of Palestinian shippers (importers and exporters) and industries that are end-users of maritime shipping, air freight and land transport. Apart from the physical establishment of the PSC from scratch, project activities involved fielding several UNCTAD and international experts to the oPt on advisory missions to assist the PSC in setting up sound management systems, and to deliver thematic training workshops to Palestinian shippers on issues identified by the PSC. Moreover, several international study tours were conducted to expose Palestinian shippers to the different aspects, processes and stages of maritime and overland trade-related transport activities. The study tours were also critical for helping the PSC establish direct lines of communications with relevant authorities.

Moreover, and to ensure the PSC's sustainability beyond the international funding cycle, UNCTAD fielded four of its experts on advisory missions to the oPt in early October, who were accompanied by one expert from the United Nations Economic Commission for Europe. The experts delivered a thematic training workshop on possible options for creating paperless trade documents for Palestinian exporters and exports, facilitating two internal focus group workshops geared to helping the PSC design a strategic action plan to guide its future activities.

Today, the PSC is a vibrant institution that boasts a growing membership of 370 members from across the oPt, representing different sectors and regions and linked virtually through the Council's website at: www.psc.ps. It is governed by an elected chairperson and an elected Board of Directors, which represents the General Assembly of regular (voting) members (shippers) and associate (non-voting) members (forwarders, transporters, trade promotion and industrial or professional associations, etc). The Board is assisted by a dynamic management with well-trained staff and a modern management system. The system also features monitoring and evaluation mechanisms, in the form of user-friendly databases of the PSC members, in order to facilitate periodic needs assessments.

Above all, the PSC has successfully established itself as a focal point for solving the problems reported to it by its members (Box 1), with tangible benefits for the shipping community in terms of cost reductions and trade opportunities. The Council's problem-solving efforts are supported by research-based policy advocacy, including the publishing of several policy briefs on major impediments to trade facilitation in the oPt. The Council's major achievements include:

- 2008 - Greater role in facilitating Palestinian trade through/with Jordan: With the assistance of UNCTAD, the PSC held meetings with relevant Jordanian authorities to discuss problems facing Palestinian shippers, especially those operating in Gaza. The meetings ended with an agreement to pursue the following joint recommendations:
 - Installation of a modern scanner at Allenby Bridge between the West Bank and Jordan for security inspections, instead of the existing outdated machines. The two sides agreed to mobilize funds from donors.
 - Intensification of efforts to increase the number of working hours at Allenby Bridge.
 - Regular dissemination of updated information to the PSC on the procedures and regulations governing trade activities through the bridge.
 - Use of Al Aqaba port as an alternative trading route for Palestinian imports and exports.

- Signature of a MOU with the Jordanian Chamber of Commerce to facilitate Palestinian trade through/with Jordan.
- Discount rates for Palestinian shippers from warehousing facilities in Jordan's free zones.
- 2008 - A PSC member company conducted its first export activity: With the assistance of the PSC, "Pharmacare (Dar Al Shifa) Pharmaceuticals Co." undertook its first export activity, which involved a shipment to Germany. The PSC coordinated the transport of the shipment with the Israeli and Jordanian Authorities through Allenby Bridge, as well as its transport from the bridge to Queen Alia Airport, Jordan to its final destination in Germany. The process was accomplished at minimum cost and in a reasonable time frame.
- 2007 - Greater role in facilitating Palestinian trade through/with Egypt: With the support and participation of UNCTAD, the PSC Board held meetings with Egyptian officials to discuss options for facilitating Palestinian trade through/with Egypt. The meetings ended with an agreement by both sides to focus on the following areas, among others:
 - Measures for facilitating the issuance of certificates of origin for Palestinian traders.
 - Ports and airports that could be used for facilitating Palestinian imports and exports.
 - The facilitation of cargo entry into Gaza and the West Bank through Egyptian customs.
- 2006 - PSC obtained extra free storage days for Palestinian goods at Israeli ports.

At the same time, the Council is doing its utmost to strengthen the capacities of its members, by organizing training workshops on such issues as export and import documentation and supply chain management. Members also receive regular, up-to-date information on port and border crossing regulations, activity, charges and conditions for Palestinian shippers.

Box 1: The PSC – A voice of Palestinian shippers

- Maintaining an ongoing dialogue on trade and shipping-related issues with relevant national and international governmental and non-governmental institutions.
- Acting as a private sector counterpart of the Palestinian Authority (PA) to facilitate and expand trade, and diversify trading partners.
- Assisting members in arriving at a consensual articulation of their collective interests.
- Working to obtain competitive costs and favourable conditions for Palestinian shippers.
- Playing a leading role in raising public awareness about regional and international developments affecting Palestinian shippers' interests.
- Representing Palestinian shippers' interests in international and regional circles along with other national shippers' councils.

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Self-assessment workshop in Colombia

The self-assessment workshop was held in Bogotá, Colombia from 1 to 5 September 2008. The results obtained from this important event were extremely positive.

Preparatory work was started at the beginning of the year with the setting-up of a mixed working group (public, private and inter-institutional sectors), which subsequently became the basis for the organization, discussions, results and, most importantly, the follow-up on the self-assessment – both nationally and in the negotiations in Geneva.

As usual in these workshops, the WTO provided the background documentation and logistics. Jan Hoffmann of UNCTAD and Enrique Fanta of the World Bank participated as facilitators, along with Doris Jurado from the Permanent Mission of Colombia in Geneva.

The workshop followed the methodology and guidelines laid down by the WTO and the World Bank. The main objectives of the workshop were to determine Colombia's capacity to fulfil the commitments being considered by the WTO Negotiating Group and to identify and prioritize technical assistance needs. These results and others meant that the event was a great success.

Fifty participants registered and fully participated in the five-day meeting, underscoring the high level of interest in the subject matter among the participants, who represented 13 public sector entities and 16 private sector companies and associations.



The workshop was held at an ideal time for the country if one considers that the Colombian Government is currently working on a project entitled “Misión Muisca”, a management model which includes organizational, procedural and technology aspects such as fundamental axes of customs operations. The project aims to attain excellence in external trade operations; redirect the customs management towards a service for users; and improve the country's competitiveness.

The project is in the development stage, and thus the workshop taking place at this particular time will allow the authorities to link two invaluable tools of different origins and with different objectives but with common elements, which, when combined, will generate important benefits leading to the improved facilitation of customs and other border-crossing operations.

The exercise enabled participants to move forward with the detailed identification of the current situation in Colombia in the area of customs, both from the normative and operational points of view. The Government and private sectors participated side by side, and the results show that Colombia is in a favourable position to take on a large percentage of the commitments which might evolve from the negotiations on trade facilitation at the WTO. The workshop noted that there were points on which additional work might be necessary, and set out the technical assistance needs.

It can be said that the main objective of the workshop was achieved, since Colombia now has a clear plan of the situation concerning procedures, future requirements and customs management, and understands the capacity necessary to meet the commitments in the WTO trade facilitation negotiations.

However, additional results of the workshop should also be noted:

1. A national dynamism was created that will encourage parties to continue with the system of analysis of customs management, supporting the national Government both during the negotiations at the WTO and in its national development.

2. It was obvious that there is a need to obtain and guarantee coherence between ongoing national reform projects and the commitments which might evolve from the negotiations at the WTO.

3. With the support group, a valuable tool was created, which will help the Government link the WTO process with the aim of enhancing the country's trade competitiveness.

4. Relations between the public and private sectors were strengthened.

Through the workshop and with the objective of gaining the maximum benefit from its results, contacts were established between the Ministry of Commerce, Industry and Tourism and the High Counsellor of the Presidency of the Republic for Competition and the Regions, which will head the Technical Support Committee for the Facilitation of Trade Logistics and Transport (COMIFAL), a joint technical committee between the



public and private sectors tasked with analysing procedures for Colombia's trade development with a view to adopting measures to enhance the efficiency of the logistics chain of external trade.

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Declining freight rates: Opportunities and challenges for developing economies

Falling freight rates may affect developing economies: the bulk shipping sector and African economies where trade in bulk raw materials represents a significant proportion of total exports; the liner shipping sector and other economies are also affected by declining rates. The present downturn in freight rates is in the short term good for importers and exporters of dry bulk cargoes but affects negatively those economies involved in ship building and shipowning, especially those servicing trade between other economies. Overall, a long term decline in dry cargo freight market is likely to be bad for both shippers and shipowning economies.

Baltic Dry Index

The Baltic Dry Index (BDI) is a compendium of spot rates for bulk carriers that transport raw materials: it shows the way prices of manufactured goods are moving and provides a marker of the earning potential for owners of bulk carriers. In early 2008, the BDI was around 6,800 points; a Capesize vessel trading on the spot market could earn \$115,000 per day with running costs of around \$7,000 pd (excluding capital repayments).⁶ In May 2008, the BDI climbed to 11,793 points, pushing the daily earning rate for Capesize vessels to \$230,000 while adding global inflationary pressures to the cost of manufactured goods.

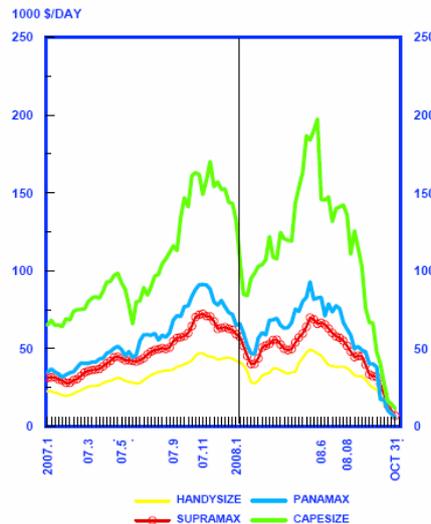
By early December 2008, the BDI had declined more than 17-fold to 663 and there were reports that 2.5–5 per cent of Capesize vessels were lying idle. The BDI is now at its lowest level since 2001. Figure 1 illustrates the time charter rates for Capesize vessels, which when times were good saw the biggest gains in revenue but also suffered the largest falls when markets tightened. The 90 per cent or so decrease in the BDI most affects the owners of large vessels such as the Capesize ships. Owners of small vessels, such as a 4,000 dwt dry bulker used in

⁶ Seekingalpha (2008) Dry bulk shipper anomaly in spot pricing creates buy opportunity, 27 February.

coastal shipping, have themselves experienced freight rate declines of around 30 per cent in late 2008.

The outlook for the BDI is uncertain: one analyst forecasts the BDI averaging 8,498 points for 2008, 5,099 in 2009, but halving to 2,719 in 2010.⁷

Figure 1: Trip Charter Rates for Dry Bulk Carriers



Source: R.S. Platou Economic (2008) Research⁸

Effects on dry bulk vessel owners

An example of possible paradoxical effects of the decline of freight rates is provided by the Brazilian iron ore producer Vale, which controls about one third of the global seaborne iron ore trade. The company entered the shipowning and operating market in 2006 when higher freight charges began reducing its competitiveness against Australian exporters. By mid-2008, it cost nearly \$108 per tonne to ship iron ore from Brazil to China, and only \$45 from Australia to China. Now, the collapse in dry bulk freight rates has seen rates to ship iron ore from Brazil to China drop to less than \$10 per tonne for the first time in nearly seven years. While this is good news to Vale, the mining company, it is bad news for Vale, the shipping company.

Developing economies with a significant dry bulk fleet that may also be affected by the decline in the bulk freight rates are: China with a dry bulk fleet of 42,973m dwt, Republic of Korea (20,184m dwt), Hong Kong, China (17,175m dwt), Taiwan Province of China (13,390m dwt), Turkey (6,141m dwt), India (5,739m dwt), Singapore (5,291m dwt), Islamic Republic of Iran (2,511m dwt), UAE (2,305m dwt) and Viet Nam (1,707m dwt). Shipowning economies with a low domestic demand for raw materials that rely mainly upon trade between other economies are most at risk from a declining revenue stream.

Effects on vessels value

As would be expected from a declining freight market, the price of bulk carriers has also fallen significantly; a five-year-old Panamax vessel costing \$90 million in December 2007 was valued at \$30 million in November 2008.⁹ Shipowners unable to sell their vessels now face operational losses and possible capital squeezes, brought on by the financial crisis.

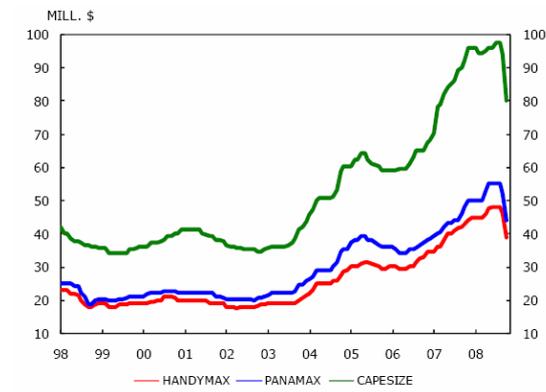
⁷ Thomson Reuters Freight Insight (2008) *Sea trade seizing up as growth, credit fears mount*, October.

⁸ <http://www.platou.com/loadfileservlet/loadfiledb?id=1225701725362PUBLISHER&key=1225701738128>

⁹ Lloyd's List (2008) *Panamax sale sparks value debate*, 7 November.

Consequently, they may either withdraw services or lay up ships in an effort to restore rates.¹⁰ Figure 2 illustrates the prices for new bulk carriers over time.

Figure 2: Building Prices for Bulk Carriers



Source: R.S. Platou (2008) *Monthly*, October

The decline in revenue and asset valuation is only marginally expected to affect developing economies in Africa. African-flagged vessels account for a mere 6.3m million dwt, or 0.005 per cent of the world's fleet and its dry cargo fleet is even smaller at 0.003 per cent.¹¹ Although the flag of registry does not indicate the country of domicile of the shipowner, it can reasonably be assumed that the immediate affect of a decline in the BDI is unlikely to have a significant affect upon African economies as shipowning nations.

Effects on new buildings and ship demolition

In 2008, the world's merchant fleet stood at 1.1billion dwt, of which 391million dwt was dry bulk carriers. At the same time the order book for new dry bulk carriers stands at 222m dwt, 57 per cent of the existing feet. These vessels are due to be delivered over the next three years. Such a large order book is exacerbating declining freight rates by increasing supply at a time when the underling demand has already weakened as a result of the global financial crisis.

In November 2008, one shipping company which had recently bought 2009 delivery contracts of six Capesize vessels for \$530 million cancelled its order after assessing that their price had decreased to \$300 million. The action cost the company \$53 million in a forfeited deposit but potentially saved it from a \$230 million writedown in assets.¹² Industry-wide, the cancellations of order books for vessels has been estimated at over \$22 billion.¹³ Brazil's Vale cancelled the \$1.6bn order it had placed for 12 super-sized, 400,000 dwt very large ore carriers, at China's Rongsheng shipyard.¹⁴ Those developing economies most likely to suffer from the cancellation of new vessel orders are China, Republic of Korea and Viet Nam. Some analysts point out that 35 per cent of dry bulk new buildings on order are from either greenfield or newly established yards: for Panamax vessels this figure is over 50 per cent. In China, there are almost 2,000 shipyards, many of which were only recently granted licenses to start operations.

For a two-year period prior to November 2008, no Capesize vessels had reportedly been scrapped. Bangladeshi breakers were paying over \$700 per ldt to attract dry cargo tonnage in mid-August 2008. However, as a result of increased demand, by November levels had fallen from the low- to mid-\$200s per ldt. Around 7.5m dwt of vessels have already been scrapped in

¹⁰ Lloyd's List (2008) Capesizes anchored as daily earnings plummet, 23 October.

¹¹ UNCTAD (2008) Review of Maritime Transport.

¹² Lloyd's List (2008) Genco takes \$53m hit to terminate newbuildings deal, 6 November.

¹³ Emirates Business 24-7 (2008), *Dry bulk cancellations to reach \$227bn*, 26 November.

¹⁴ Lloyd's List (2008) Vale cancels \$1.6bn VLOC order at Rongsheng yard, 27 November.

2008, compared with 4.8m dwt in 2007 and 7.4m in 2006, according to Clarkson's weekly report.¹⁵ Demolition activity can be expected to accelerate if freight rates remain depressed.

Bulk commodities and the BDI

The decline of the BDI is largely attributed to high iron ore stocks and lower steel demand from China as a result of the shutting-down of its steel mills and factories in the run-up to the Olympic Games; a slowing of global demand for coal; and an anticipated growing fleet supply due to accelerate in 2009 and balloon in 2010, accompanied by fewer vessels being scrapped.¹⁶

The number of economies that rely heavily on the export of primary commodities, which are carried by bulk vessels, is particularly high in Africa. Some 79 per cent of total exports in 2003–2006 by African economies were primary commodity exports, including oil. Cocoa accounted for 90 per cent of the exports of Sao Tome and Principe, iron ore for 64 per cent of Mauritania's exports, and cotton for 64 per cent of Benin's exports (although cotton is not carried by bulk carriers). Over the period 2002–2005, South Africa, Côte d'Ivoire and Ghana accounted for 56 per cent of total sub-Saharan African agricultural exports.

A declining BDI could have a positive impact for those African economies which are importers of primary commodities such as food. Net food imports of sub-Saharan Africa (excluding South Africa) increased from 1.3 per cent of GDP in 2000 to 1.9 per cent in 2007.

African cereal and fertilizer importers could also benefit from a declining DBI in the short term. In recent years, many African economies have become highly dependent on cereal imports. In order to combat the rising cost of commodities, including cereals, some economies have started local production of maize. In some cases, this has changed their dependence from cereals to fertilizers. The economies most affected include and Côte d'Ivoire, Egypt, Ethiopia, Liberia, Malawi, Senegal, United Republic of Tanzania and Zambia.¹⁷ On the export side, sub-Saharan African economies are highly dependent on traditional non-fuel primary commodity exports such as coffee, cotton, cocoa, tobacco, tea and sugar

Liner rates

Until recently, the unprecedented peak in the BDI had driven some shippers, in search of lower freight rates, to move cargo from bulk into containers. If the spot bulk carrier rates remain depressed, some of these "containerized bulk cargoes" may move back. However, declining rates for bulk carriers are mirrored by declining container rates, and approximately 1.5 per cent of the container fleet is currently lying idle.¹⁸

The cost of shipping a container from China to Europe has fallen from \$1300 to less than \$400 as the liner companies fight to fill space in a market where conferences can no longer influence supply. According to one market analyst, container trade growth has fallen to its lowest level from Asia to the United States this year, and was at a 15-year low from Asia to Europe.¹⁹

A cautionary note is that while in theory the users of transport services, importers and exporters of bulk commodities benefit from lower freight rates and the economy benefits from an easing of inflationary pressures, the effect may not be immediate. This is because bulk commodities are carried on a per voyage basis, using ships controlled by shippers, chartered long term or involved in well-established Contracts of Affreightment (COA).²⁰ In addition, the routes that comprise the BDI have negligible trade with African economies so the index does not properly reflect the situation in Africa. Furthermore, the index favours larger Capesize vessels

¹⁵ Lloyd's List (2008) Spot rate crash lifts dry bulk demolition, 11 November.

¹⁶ Lloyd's List (2008) STX Pan Ocean warns dry bulk market will fall further, 11 November.

¹⁷ UNCTAD (2008) Economic Development in Africa, p.38.

¹⁸ Lloyd's List (2008) Spot rate crash lifts dry bulk demolition, 11 November.

¹⁹ KPMG (2008) KPMG's Global Head of Shipping: Super cycle may well have ended and yards, owners and operators are again facing tough times, Press Release 17 October.

²⁰ Axsmarine (2007) Containership charter rates vs. Bulk carrier charter rates, 1 November.

which tend not to trade on routes to or from sub-Saharan African ports, with the notable exception of South Africa.

Some preliminary conclusions

On the whole, the outlook for developing economies is mixed. Financial market turmoil is impacting global trade and may in turn negatively affect many developing economies. Lower freight could lead to lower prices for delivered traded goods but are also indicative of a reduced demand for products and shipping services.

The outlook for shipowners, shipyards and shipowning nations is bleak. There is a clear oversupply of dry bulk carriers. Even cancellations of vessel orders are unlikely to lift freight rates up to their previous highs in the foreseeable future. Cancellation of orders will lead to forfeited deposits which shipowners will have to pay for out of their dwindling profits. Greenfield shipyard projects, financed on the back of vessel order books, may have to be abandoned if vessel orders are cancelled. Shipowning economies most at risk from the financial downturn are those which have low domestic demand for raw materials and which rely mainly on trade between other economies.

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Boom and bust in shipping

Vessel charter rates and freight costs have become ever more volatile in recent years. On 5 December, the Baltic Dry Index stood at 663 points – a decline of 95 per cent in five months (Figure 3). Containership charter rates, too, have been fluctuating much more in this decade than in previous decades (Figure 4). “The shipping industry is now attempting to undo the self-inflicted damage of a bloated new building order book, the growth of which has encouraged a near doubling of shipbuilding capacity in the past ten years.”²¹

Increasing fluctuations

Two main causes of the current bust are (a) the downturn in demand,²² including the difficulty to obtain trade financing, and (b) the fluctuations of a more general shipping cycle. The particularly strong decline towards the end of 2008 is due to the fact that the downturn in the shipping cycle has coincided with a historically strong downturn in demand.

As regards (a), shipping is particularly affected by the lack of credit. “If, for instance, an Indian importer wants to buy grain from the US, the exporter might not trust you and then the deal will not be done.”²³

As regards (b), already several months ago many analysts had warned that high freight rates would not be sustained because a great deal of new tonnage had been ordered in recent years, and as this tonnage was being delivered, it was set to lead to an oversupply. Hence, most analysts expected a reduction in freight rates already before the current downturn in demand.²⁴

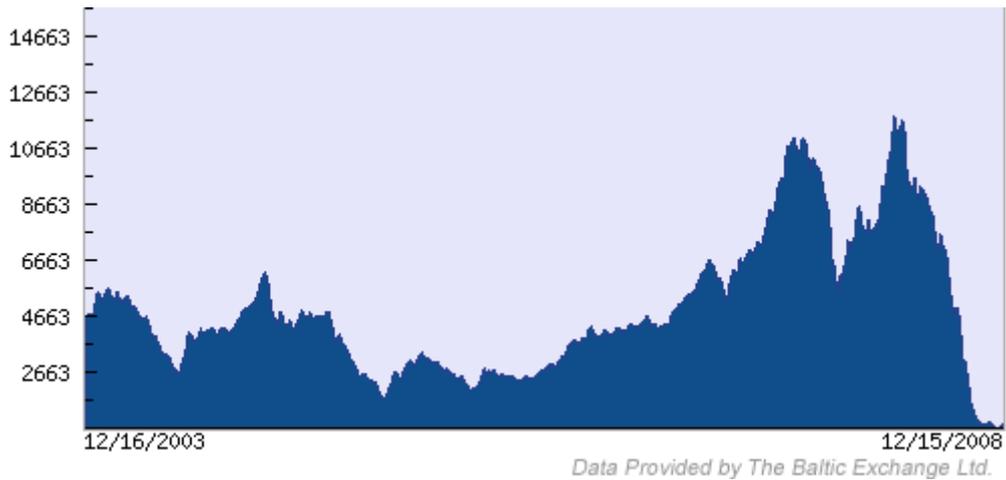
²¹ Lloyds List, 21 November 2008.

²² See also the previous article on “Declining freight rates: Opportunities and challenges for developing economies”.

²³ Martin Sommerseth Jaer, shipping analyst at Arctic Securities in Oslo, as quoted in Fairplay on-line, 34, October 2008.

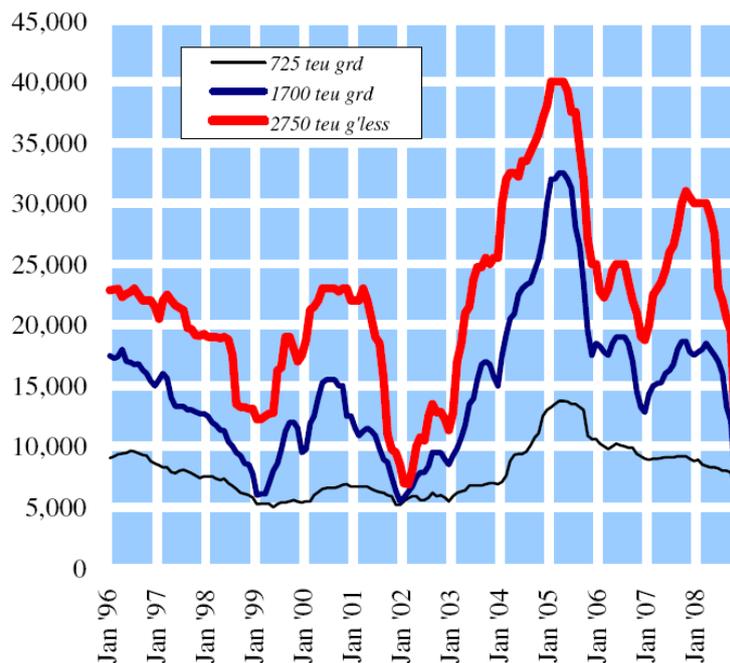
²⁴ See also *Review of Maritime Transport*, UNCTAD, Geneva, November 2008.

Figure 3: Baltic Dry Index



Source: http://shipping.capitallink.com/baltic_exchange/stock_chart.html

Figure 4: Containership time charter rates



Source: Clarkson Research Studies, *Container Intelligence Monthly*, December 2008

Over the longer term, an important underlying cause of the ever-higher fluctuations appears to be the trend that the share of fixed costs within the overall costs of supplying transport services has been increasing, in line with technological advances and economies of scale. The price will only need to cover the variable costs in the short term, while in the longer term shipping companies will only survive if their freight rates cover their total average unit costs. In the short term, however, they may choose to supply shipping services even if their average unit costs are not covered by the freight rate, as long as the short-term marginal costs are covered. As a result, a small surplus or shortage of supply will lead to larger fluctuations in the price.²⁵

²⁵ See also *Concentration in Liner Shipping*, UN ECLAC, LC/G.2027, 20 May 1998.

The supply of shipping capacity is very inelastic in the short term, as it takes time for the supply of capacity to adjust to changes in demand. Consequently, small fluctuations in demand lead to large fluctuations in the freight costs in the short term. While a shortage of supply led to historically high levels of freight costs in June, the downturn in demand leads to an even stronger reduction of freight costs today.

What do the higher fluctuations mean for developing countries' trade?

It can be argued that freight costs, as a component of overall trade costs, are a positive market mechanism that somehow mitigates fluctuations in demand: As demand decreases, traders at least benefit from having to pay less for moving their goods.

Traders and suppliers of transport services can do rather little against the fluctuations in freight costs. As UNCTAD's research has shown, policymakers can enhance their countries' connectivity and trade competitiveness mostly in the areas of (a) transport infrastructure, (b) trade facilitation, and (c) assuring competition among services suppliers. Also, (d) economies of scale have shown to be important determinants of trade costs (see for example also the chart below, which shows lower transport unit costs for larger vessel sizes).

Figure 5: Transport cost by ship size (dry bulk cargo)



* Cost of moving 1,000mt for 1 mile

Source: Clarkson Research Studies, November 2008

Most of the policies that can help to improve access to better or less costly transport services are domestic or regional in nature. They often require investments in infrastructure, as well as capacity-building and reforms in the areas of port operations and trade facilitation.

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Needs and priorities in the WTO negotiations on trade facilitation

Trade facilitation negotiations have made significant progress since 2005. In parallel, work on identifying developing country “needs and priorities” has been ongoing.

In 2004, WTO members agreed to start negotiations aimed at clarifying and improving relevant aspects of GATT Articles V (freedom of transit), VIII (fees and formalities connected with importation and exportation) and X (publication and administration of trade regulations).

Developing countries engaged in these ‘trade facilitation’ talks despite initial scepticism on whether new commitments in this area would support their development efforts. Their consent to the negotiations was made conditional upon the undertaking of all members to discuss technical assistance delivery, effective special and differential treatment provisions, and the identification of trade facilitation needs and priorities.

Delegations’ expectations

The trade facilitation negotiations differ from other areas of work of the Doha Round insofar as the members’ task is to draft a new set of multilateral rules. The question that arose was to determine on which basis these new commitments should be drafted, while bearing in mind the expectations of developing countries that the new rules would reflect their interests. In this context, the identification of members’ trade facilitation needs and priorities was seen as a crucial step. Members introduced this idea in the negotiations’ mandate and modalities; §27 of the Doha Declaration and Annex D of the July 2004 Framework.

The importance of the needs assessment for these negotiations derived from the fact that trade facilitation was perceived by many developing countries to benefit mostly the developed countries. There was also little awareness in developing countries of the importance of simplifying the trade transaction process for economic development. Trade patterns and transport and logistics infrastructure differ from country to country. Trade facilitation challenges and requirements are therefore country-specific. Identifying those requirements is crucial for developing a negotiating position in the WTO and would enable countries to actively seek commitments beneficial to and supportive of their development process.

From the large numbers of submissions on this issue, it is evident that the identification of needs was considered important. But WTO members were also uncertain how to translate the provisions of the mandate into concrete work. Since 2001, as part of the work in the Goods Council, delegations put forward proposals related to this issue, and in 2002 the WTO secretariat compiled countries’ submissions in a single document. However, only a few countries were involved in these efforts and challenges to the trade transaction process were captured in rather general terms. When the work in the Negotiating Group on Trade Facilitation (NGTF) started in 2004, the delegations of China and Pakistan formulated the idea of a general review of members’ needs and a compilation of the results in a single document, which would then serve members as a basis document in the negotiations.

Undertaking the assessment of members’ needs and priorities was an ambitious task from the outset. Delegations often mentioned that there was no especially dedicated tool available for that purpose and that trade facilitation encompassed a variety of aspects requiring in-depth knowledge of the topic, sound technical expertise and strong commitment. In most of the developing countries, those conditions were not fulfilled. However, the case of the landlocked countries constitutes an interesting exception. There was high awareness of the opportunities of a review of GATT Art. V, which translated into their active participation and introduction of proposals in the NGTF.

The reality of the negotiation process

So while members’ initial ambition was to undertake the identification of members’ needs and priorities prior to negotiations on the substantive parts of the mandate, the quickly progressing negotiation created a new context. From January 2005 onwards, the negotiations became very technical and complex. The secretariat’s first compilation of delegations’ proposals in June 2005 already listed 53 measures tabled in 13 technical areas. Most of these early proposals refer to existing international standards and instruments, or best practices. The rapid emergence of a core of proposed disciplines changed the parameters for the identification of members’ needs.

Needs and priorities’ no longer referred to what countries would need for trade facilitation from a development perspective, but rather to what they would require to comply fully with

future commitments. Developing countries were particularly concerned that they would not have the capacity to implement the new rules. Clearly, extensive technical assistance and capacity-building would be necessary. With regard to Annex D, delegations established that members' commitments should be linked to their implementation capacity – TN/TF/W/41 was the first submission to clearly spell out this linkage – and that developed countries “provide a strong commitment to provide Technical Assistance and capacity-building [...] in implementing the obligations resulting from negotiations” (TN/TF/W/56).

Thus, the concept of trade facilitation needs evolved from constituting a basis for building new rules to a benchmark for compliance with the proposed disciplines. One aspect of the new concept is assessing the technical assistance and capacity-building required for implementation.

Focusing on technical assistance needs

In 2006, the World Bank developed a self-assessment guide. After a test run in Zambia in February 2007, the guide was revised and submitted as a WTO secretariat document (TN/TF/W/143) to the NGTF. The assessment approach is based on a comparison of a country's current situation and the implementation requirements of each of the trade facilitation measures tabled at the negotiating group. It guides the user through an analysis of non-compliant areas of the current situation, leading to the identification of underlying reasons for such non-compliance. The last step is the identification of actions necessary to address the obstacles, together with the associated technical assistance and capacity-building needs.

The guide was designed as a self-assessment tool for national stakeholder groups. The WTO secretariat set up a technical assistance trust fund to provide support to countries undertaking self-assessments. The fund finances the organization of a first self-assessment national workshop with the participation of external experts. The WTO secretariat, various donors and the so-called Annex D organizations collaborate in providing experts for these workshops.

To date, more than 80 countries have requested self-assessment assistance. Thirty-five country workshops have been conducted since October 2007, with UNCTAD participating as facilitator in eight of them. At a July 2008 World Bank/WTO seminar in Geneva, 15 countries presented the key findings and conclusions of their self-assessments. They reported that, overall, the national workshops had successfully determined their current level of compliance with proposed future disciplines and identified areas of implementation for which technical assistance was needed.

They also noted that the national self-assessment workshops had provided an often unique opportunity for dialogue among public and private stakeholders on trade facilitation, as well as the WTO negotiations. That added transparency to the process and created personal relations across departmental boundaries and enhanced communication links between the capital and Geneva-based delegations.

However, the workshop is only a first step. Countries still need to refine the results and continue to adjust to new developments in the negotiations. Furthermore, once a final outcome of the negotiations is reached, detailed implementation plans, including timeframes and technical assistance needs, will have to be established. Sustaining the national stakeholder group is critical to ensuring the continuity of the assessment process. UNCTAD therefore focuses its activities on assisting developing countries in setting up, preparing and sustaining such inter-agency working groups.

Outcomes

The concept of ‘needs and priorities’ is now often used in the WTO context — mainly due to pressure for the WTO to become more responsive to developing country concerns. The experience in the trade facilitation negotiations offers a useful basis for approaching this concept.

Work on the cross-cutting issue of Members' trade facilitation needs and priorities has been more complex than expected. During the negotiations, developing countries' ambitions were

adjusted to the operational constraints and challenges of the task, as well as to the context of the rapid progress in the substantive part of the negotiations.

Delegations now focus on identifying implementation needs in general and technical assistance and capacity-building needs in particular. Members' needs and priorities no longer serve as a basis to develop the new rules, but as a means to ensure that the new commitments match developing countries' implementation capacities, including those capacities to be acquired through technical assistance.

Through self-assessment, countries gain knowledge of their current trade facilitation situation and can identify their need for external assistance for implementation. This in turn enables them to better react to the proposed disciplines and trade facilitation measures. In the current context of negotiations, this capacity is crucial, as members now focus on consolidating the textual proposals and drafting legal text detailing the scope and the depth of future disciplines. Ongoing discussions on the special and differential treatment provisions also aim at reinforcing the link between a country's commitments and the delivery of technical assistance.

In addition, capacity-building and training efforts undertaken by the WTO secretariat and other relevant organizations with the objective of raising awareness of the negotiations and the technical aspects of trade facilitation have contributed to a change of attitude towards trade facilitation. There is now strong support from both developing and developed country WTO members, and many of them believe that trade facilitation can provide real benefits to governments and business in developing countries and support their efforts to enhance trade competitiveness.

Lessons learned

Useful lessons can be learned from the self-assessment methodology with regard to other WTO agreements and negotiations containing provisions for the identification of technical assistance needs, e.g. in the TRIPS context. The key points of self-assessments include:

- The diagnostic methodology has to be very simple. It should not focus on collecting information but instead guide a stakeholder group in its discussions and analytical process.
- Agreeing on one common tool among delegations and relevant international organizations helps in building support for the assessments and achieving comparable results.
- Funds have to be made available to support the assessment process. In trade facilitation, donors contributed with more than US\$ 1.5 million to the WTO trust fund, and Annex D organizations further contribute with in-kind provision of facilitators.
- Constituting a national stakeholder group requires political commitment and capacity-building.
- The coordination of technical assistance and capacity-building efforts of relevant international organizations is crucial.

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Shipping innovation

By Niko Wijmolst and Tor Wergeland.

The book “Shipping Innovation” aims at putting developments in innovation into perspective for both students and professionals involved in maritime business. It consists of four parts covering a wide spectrum of topics from many disciplines.

Part I provides a bird’s-eye view and explains the basics of the long-term relationship and dynamics between shipping, shipbuilding and the global economy, offering a conceptual framework for analysing and understanding shipping markets.

Part II discusses the origin and drivers that have resulted in today’s myriad of ship types, each with their own competitive advantages. On this basis, a set of instruments is proposed to analyse the comparative performance of ships, assess performance limits, and derive from these insights a set of triggers to result in a methodological framework for proactive innovation.

Part III furnishes a comprehensive overview of innovation perspectives at various levels of aggregation, such as the economy, the cluster, the business, and the individual. As clusters are crucial for such innovation, some case studies are included from such prominent European maritime groupings, as well as a set of proposed cluster possibilities.

Part IV introduces and explains the complex design and innovation process of ships. It contains two detailed design studies and provides not only a number of case studies from the past but also very topical ones related to the sustainability of shipping, such as ballast-free ships.

For further information contact shippinginnovation@dynamar.com or visit www.dynamar.com.

Worldyards

Worldyards is a web-based information and analytical system containing commercial, technical and management information about active merchant shipbuilders worldwide. As of today, Worldyards contains databases of 359 shipbuilders in 35 countries, 963 beneficial owners with vessels on order, 7,999 orders of merchant vessels, 208 conversions, 6,436 designs, 76 design houses and 2,860 shipping/shipbuilding news entries. Members can:

- Obtain accurate information on a shipbuilder’s history, facilities, track record, corporate structure, standard designs, order book as well as practical

information, such as layouts and travel tips for getting to the shipyards in question.

- See technical and commercial details of vessels that are on order as well as view and track contract details, re-sales, delivery, sales and demolition.

Worldyards can hence be used as a research tool, supplying statistics, such as order-book/existing fleet ratios, age profiles of the fleet, delivery schedules, ranking of shipbuilders/shipbuilding nations. Another feature of Worldyards is the ability to track building capacity of individual shipbuilders and new developments. This would improve transparency about the true supply picture of the shipbuilders in question, and on an aggregate basis this leads to the world’s first ever scientifically quantitative forecast of shipbuilding capacity in the years to come.

According to Worldyards, a great amount of time and resources have been spent by the Worldyards’ team to verify and track changes of newbuilding orders.

Source: www.worldyards.com

Establishing performance targets for shipbuilding policies

Article published in Maritime Policy and Management, Vol. 35, No. 5, October 2008. Authors: F.C.M. Pires and T. Lamb.

Shipbuilding is the subject of public policies in a number of countries, as it is often considered a strategic industry and has an impact on employment levels in many regions. Establishing performance targets can be a challenge to policy makers. The paper applies the Data Envelopment Analysis approach, which made it feasible to estimate productivity and the building time potential, taking into account the output patterns, technological development, and the quality of the industrial environment of a country or region.

Journal home page: <http://mpm.iame.info>.

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Third International Forum on Shipping, Ports and Airports

The C.Y. Tung International Centre for Maritime Studies and the Department of Logistics and Maritime Studies of Hong Kong Polytechnic University are organizing the Third International Forum on Shipping, Ports and Airports (IFSPA 2009) from 24 to 27 May 2009.

Themed “Post-Financial Tsunami: The Way Forward for Shipping, Transport and International Trade”, IFSPA 2009 aims to provide a platform for international academics and industry practitioners to examine issues related to global and regional maritime and aviation economics, policy and management after confronting the financial turmoil worldwide, and to share their views on how the industries should move forward to cope with challenges and opportunities ahead.

www.lms.polyu.edu.hk/ifspa2009

HEC

In November 2008, UNCTAD’s Trade Logistics Branch delivered Module 3, “Delivery Terms and Shipping” of the “Diploma of Advanced Studies in Commodity Trading” at the Geneva Graduate School of Management (HEC) of the University of Geneva.

During four days, the Module aimed at providing:

- A general overview of key elements that affect the terms and condition of shipping and delivering traded commodities;
- A basic understanding of the determinants of transport costs, basic skill to perform voyage calculations, and fundamental familiarity in identifying stakeholders along the supply chain and assessing their roles as building blocks for an efficient and secure trade and its transport;
- A working knowledge of procedures, rules and regulation of transport and cross-border formalities, modes of transport and stakeholders in the transport chain and the shipping industry, and the role of technology and security in shipping.

<http://commoditytrading.ch/?Id=41&lang=fr&RefCat=1&Ref=3>

IAME Copenhagen 2009

The Annual Conference of the International Association of Maritime Economists (IAME), hosted by the Department of Maritime Research and Innovation at the University of Southern Denmark, will take place from 24 to 26 June 2009 in Copenhagen, Denmark.

iame2009@maritimecenter.dk

www.iame2009.org

Transportation Research Record

The Journal of the Transportation Research Board No. 2062 includes nine papers that examine public-private partnerships for port infrastructures; the productive efficiency of world container ports; productivity improvement at a seaport coal terminal; critical infrastructure at US West Coast intermodal terminals; and an equilibrium model to evaluate maritime infrastructure investments.

This issue of the Transportation Research Record also examines barge terminals and the competitiveness of barge transport; optimal transport routes for inland waterway container ships; the scheduling of waterway projects; and grain shippers’ transportation demand and volume sensitivity.

http://www.trb.org/news/blurp_detail.asp?id=9676