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Expert meeting on regional cooperation in transit transport –
solutions for landlocked and transit developing countries
Geneva, 27–28 September 2007

**Report of the expert meeting on regional
cooperation in transit transport – solutions for
landlocked and transit developing countries**

Contents

	<i>Page</i>
I. Chair's summary	2
II. Organizational matters	8
<i>Annex</i>	
Attendance	9

I. Chair's summary

1. The expert meeting on regional cooperation in transit transport – solutions for landlocked and transit developing countries was convened on 27 and 28 September 2007, pursuant to the decision taken by the Commission on Enterprise, Business Facilitation and Development at its eleventh session. Experts had before them the background document prepared by the secretariat (TD/B/COM.3/EM.30/2).
2. The meeting provided a forum to explore models and best practices to improve international transit transport operations based on practical solutions, with a view to enhancing transit transport for the benefit of landlocked and transit developing countries.
3. Experts came from (a) trade, transport and other ministries; (b) customs authorities; (c) other agencies; (d) private sector organizations; (e) public and private transport companies; and (f) specialized organizations dealing with trade, transport and multilateral negotiations.
4. Substantive discussions were grouped under the following topics:
 - (a) Industry views and experiences on transit;
 - (b) Strategies of a transit country;
 - (c) Selected transit arrangements; and
 - (d) Conclusions and the way forward.
5. In the introductory remarks to the meeting, reference was made to the declaration adopted at the meeting of trade ministers of landlocked developing countries, which took place in Ulaanbaatar, Mongolia, on 28 and 29 August 2007. A copy of the declaration was made available at the expert meeting. In that context, it was stressed that the transit issue was of high importance both for the 31 landlocked developing countries that did not have access to the sea and for transit countries.

A. Industry views and experiences on transit

6. It was pointed out that shippers of cargo had to focus on efficient control of the supply chain in order to be competitive. Supply chains were no longer national but had become more globalized and, as a result, their management was more complex.
7. One of the main constraints for shippers in optimizing supply chains was the problem of infrastructure limitations, such as road and port congestion, and an underdeveloped rail system. Those problems had to be addressed to ensure a country's sustained economic growth. In particular, additional transport capacity could be created by moving commodities to rail transport. To answer the infrastructure needs, including multimodal solutions, public-private partnerships (PPPs) were necessary. However, PPP investment in infrastructure development would only be attracted if such partnerships were proven to be efficient.
8. In the complex supply chains, the service performance of each provider was deemed crucial. As an example, the congestion of ports impeded the supply chain. Transparency and availability of information was crucial for the viability

of corridors and clear identification and communication of needs was essential, e.g. through forums involving both users and authorities.

9. Other main concerns of cargo shippers in regional transit operations included lack of modern regulations, complex and non-harmonized border procedures leading to high costs, lack of cross-border cooperation, lack of logistics terminals and hubs, lack of framework for corridor arrangements, insufficient information and communication technology (ICT) penetration, and capital and human resource limitations.

B. Strategies of transit countries

10. One of the essential issues in relation to implementation of transit arrangements was to have a clear transit strategy at the national level as well as with neighboring countries. In that context, the main objectives of a national transit strategy included (a) trade facilitation, with a view to enhancing efficiency and reducing transaction cost; and (b) economic integration and trade promotion with a regional perspective.

11. A national transit strategy was often seen to consist of several tiers, including bilateral agreements with neighboring countries, regional arrangements and multilateral agreements. In that context, it was noted that a given country could be part of several regional transit arrangements, such as Thailand being a member of both the Greater Mekong Subregion (GMS) Economic Cooperation Agreement and the Association of South-East Asian Nations (ASEAN) Framework Agreement of the Facilitation of Goods in Transit.

12. It was noted with particular interest that, while awaiting the full implementation of the GMS solution, member countries had started temporary “fast-track” implementation measures through bilateral arrangements such as memoranda of understanding.

C. Selected transit arrangements

1. Regional transit arrangements

13. In the context of the presentations, it was argued that the general considerations concerning regional transit arrangements included the political dimension, the general trade facilitation environment, the linking of transit agreements to bilateral trade, and the systematic approach whereby trade and transport aspects were considered in an integrated system.

14. It was felt that, when possible, regional solutions should integrate the multilateral approach in order to satisfy transit needs in continental corridors and avoid isolating individual regions. Negative consequences of isolated solutions included confusion for transport industry and authorities.

15. In relation to transport operations, important considerations included the freedom of transit, access to the profession and access to the market. Other transport operation-related aspects included fiscal matters, infrastructure user charges and use of transport technology. Concerning the transport vehicle, freedom of transit should be granted and issues such as technical standards documentation should be considered. Issues affecting drivers – such as driving licenses, easy access to visas for professional drivers, rest hours, specific

certificates including for dangerous goods, and health insurance policies – should also be covered in regional agreements. Finally, with respect to cargo, the concept of freedom of transit in the context of the World Trade Organization (WTO) should be further developed.

16. In the context of regional arrangements, the example of the Common Market for Eastern and Southern Africa (COMESA) was presented. The COMESA transit agreements focused on, among other things, physical infrastructure, including terminals, administrative and regulatory matters, customs and ports procedures, facilities en route, user charges, border operations, immigration, and licensing of operators and vehicles.

17. In terms of physical infrastructure, there was a need to enhance regional connectivity through, among others, construction of missing transport links.

18. On the soft issues, i.e. trade facilitation, there was a need to adopt conducive regulatory and institutional frameworks, remove non-physical constraints, and promote trade facilitation and capacity-building. A conducive policy also involved promoting private investment and participation in infrastructure and reforms on the regulatory and institutional fronts, including promotion of competition and empowering regulatory authorities.

19. It was noted that corridor structures could be established in the framework of regional economic communities, multinational agreements, and bilateral and hybrid solutions with Government and industry, e.g. the Dar es Salaam corridor.

20. Finally, it was noted that the main task of regional economic communities was to build on the general principles established under the international multilateral framework and adapt and customize those to meet the specifications at the country and regional levels. The challenge in that respect was that many developing countries were unable to implement adopted instruments because of capacity constraints. Hence, the importance of building capacity in the area of implementation.

2. Bilateral transit arrangements

21. Bilateral traffic mainly should ensure reciprocity and controlled traffic. The development of bilateral transport and transit arrangements had traditionally been based on two phases: a first phase based on diplomatic goodwill and little details, and a second phase related to detailed implementation of the first phase agreement.

22. In Europe, bilateral transit agreements traditionally covered both freight and passenger transport.

23. Bilateral transport and transit agreements traditionally included a number of standard features, including exemptions from duties and taxes, designation of competent authorities, definition of journeys permitted and requirements for journey permits, size and weight restrictions of vehicles, etc.

24. In Europe, bilateral transport and transit agreements were gradually moving from purely regulating and restricting the number of vehicles in bilateral traffic (competition focus) to focus on the total pollution output that transit traffic generated.

25. The advantages of bilateral transport and transit arrangements were (a) they clearly set out the regulatory framework, often based on international legal instruments; (b) they could be based on reciprocity; and (c) States could impose specific policies such as environmental protection. The disadvantages were (a) such agreements often contained quantitative restrictions, resulting in higher

transport costs; (b) wider international harmonization was not ensured and (c) they were costly to administer. It was expected that bilateral agreements would be overtaken by multilateral and regional approaches.

26. In the context of transport regulations, the United Nations Agreements and the area of inland transport in particular, the agreements of the United Nations Economic Commission for Europe offered a solid framework to ensure a harmonized approach to trade, transport and transit.

3. Corridor arrangements

27. It was noted that one of the key elements in transit arrangements, including corridor management, was the cost pertaining to delays and unreliability in transit. According to a recent World Bank study, those factors were eight times higher than the cost of inventory in transit.

28. Furthermore, the conclusions of the World Bank studies indicated that the areas where the largest gains could be obtained in reducing logistics costs were enhancing supply chain predictability, reducing rent-seeking activities and reforming market structures through, among other things, the elimination of cartels, syndicates, etc.

29. The World Bank had recently completed two studies on transit costs and best practices in managing transit corridors. Further studies were being prepared on the issues of cargo tracking, supply chain management, air freight, border management and others.

30. In the context of corridor arrangements, the example of the Walvis Bay Corridor Group (WBCG) was presented. WBCG worked closely with the Southern African Development Community in providing a western gateway to the region.

31. WBCG was a multi-country, multi-corridor network. The infrastructure development of the corridor took about 10 years, and the focus had moved to facilitation. WBCG was a PPP, including members from customs, ports and the private transport sector.

32. Some of the relevant lessons learned from WBCG were:

- (a) Development rationale: corridors must be embedded in national and regional agendas and be based on economic/commercial rationales.
- (b) Institutional framework: a tailored framework must be created, since “one-size fits all” could not be applied, due to different political and economic circumstances. The following factors were essential: PPP, correct membership, solid structure, good management capabilities and sufficient funding.
- (c) Development programme: based on an integrated approach, the programme should address core transit problems and include promotion and marketing of the corridor.

33. Furthermore, issues such as exchange of information and best practices through corridor exchange forums and the rapid response to implementation problems had proven essential to the successful development of the corridor.

4. Customs transit arrangements

34. The problems faced by transit operators in relation to customs transit regimes could be described in basic terms as (a) the requirement to deal with

two or more national requirements; (b) the requirement to provide national documentation; and often (c) the requirement to provide national guarantees.

35. International customs transit systems such as the Transit International Routier (TIR) Convention assisted in providing a harmonized and integrated approach to customs transit requirements in the 55 countries where it was implemented. The convention was open to all United Nations member States and was based on the principles of a unique guarantee and document system, mutual recognition, approved loading units and containers, and approved operators. As a result, TIR operations provided for efficient procedures for operators and revenue for member States.

36. At the national level, many countries had implemented customs transit systems that provided risk management and guaranteed arrangements for one country. In many countries, such systems were implemented with the support of ICT systems linking customs offices, with a view to ensuring a continuous customs control of transit operations.

5. ICT solutions in transit management

37. Cargo community services had originally been developed to respond to the need for integrated systems between ports and hinterland trade, including the control of transit goods.

38. Cargo community systems differed from the single window concept insofar as they built on an open real-time integrated ICT approach, whereas the single window approach built on a centralized approach. Furthermore, the cargo community approach applied to the entire supply chain.

39. The cargo community systems integrated commercial and customs systems, unlike single window systems, and could incorporate the World Customs Organization Framework of Standards for supply chain security.

40. The process of customs reform and modernization was aimed at strengthening customs administrations and at the same time simplifying trade. The UNCTAD Automated System for Customs Data (ASYCUDA) was assisting in that process by computerizing customs procedures focusing on key areas such as fiscal collection and statistics, enforcement and security, and trade facilitation.

41. The ASYCUDA system was being implemented in more than 80 countries and was based on generally accepted international standards.

42. The ASYCUDA programme included a transit module, which could assist countries in managing both national transit systems, as well as regional and international systems such as the TIR or the *Transit Routier Inter-Etats* systems.

43. Essential elements for the proper functioning of transit systems had a legal framework, describing functions and procedures, securing guarantees, ensuring the organizational structure and providing communication. All those elements were provided for via the ASYCUDA transit module.

D. Conclusions and the way forward

44. Landlocked developing countries had only limited success in reaping the benefits of trade-related globalization processes. In order to remedy the situation, it was indispensable to improve access of those countries' traders to global markets. From a general policy view, the principle of freedom of transit

provided such access. While the principle was generally accepted, there needed to be more focus on the application and implementation of the concept, bearing in mind the interests of users and providers of transit services. If so, transit could provide a win-win situation for both landlocked and transit countries.

45. An unequivocal user requirement arising from the meeting was that supply chains must extend to reach users and consumers in landlocked developing countries. In that context, more work should be undertaken to coordinate between agencies and the users of the private sector, in particular by improving transparency and predictability, which was a requirement for users.

46. In the relation between multilateral, regional and bilateral solutions, there was a clear understanding that the multilateral approach should prevail whenever possible and that regional, bilateral and local solutions should build on the multilateral framework, if possible. However, experience showed that adaptation of the multilateral approach was needed at the regional, bilateral or local level, as there were no one-size-fits all solutions.

47. In that context, the multilateral solutions administered by WCO – for example, through the TIR Convention and WTO rules – could provide for the linkage of landlocked and transit developing countries to global markets. In that context, it might, in some cases, be necessary to temporarily “fast-track” the application of such principles through bilateral or local solutions until regional solutions were negotiated.

48. The existence and the efficient use of physical transport infrastructure encompassing, among other things, seaports, airports, dry ports, roads, railways and multimodal transport infrastructure, was a prerequisite for enabling efficient transit solutions. It was essential that infrastructure be considered at the local, national and regional levels, involving both public and private sector financing. In that context, international financial institutions were called upon to provide adequate funding resources.

49. Further investment was required in the institutional infrastructure, at the national and regional levels, to improve transit. That included mechanisms to facilitate the communication between the three main groups of partnerships: the private and public sector, landlocked and transit countries, and service providers and users.

50. Corridor developments needed to be supported further, in particular in relation to conceptualization and implementation, and through the sharing of best practices. It was important to ensure the financial sustainability of corridor arrangements by ascertaining that the services and the environment were feasible in the long term, in particular by mainstreaming transit corridors as part of industrial developmental initiatives and policies.

51. ICT was considered the most important support facility for ensuring sustainability of transit solutions. In that context, it was vital to ensure the interoperability between ICT systems of various users and countries. That could be ensured through, among other things, community systems linking all parties in the supply chain. In that context, customs transit systems should not only be further integrated through the use of ICT systems, but should also be subject to further policy reform, with a view to enhancing transit treatment.

II. Organizational matters

A. Convening of the expert meeting

52. The expert meeting was opened at the Palais des Nations, Geneva, on 27 September 2007, by Dr. Supachai Panitchpakdi, Secretary-General of UNCTAD.

B. Election of officers

(Agenda item 1)

53. At its opening meeting, the expert meeting elected the following officers to serve on its bureau:

Chair: Mr. Rigoberto Gauto Vielman (Paraguay)

Vice-Chair-cum-Rapporteur: Mr. Edouard Bizumuremyi (Rwanda)

C. Adoption of the agenda and organization of work

(Agenda item 2)

54. At the same meeting, the expert meeting adopted the provisional agenda circulated in document TD/B/COM.3/EM.30/1. The agenda for the meeting was thus as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Regional cooperation in transit transport – solutions for landlocked and transit developing countries
4. Adoption of the report of the meeting

D. Documentation

55. For its consideration of the substantive agenda item, the expert meeting had before it a note prepared by the UNCTAD secretariat entitled “Regional cooperation in transit transport – solutions for landlocked and transit developing countries” (TD/B/COM.3/EM.30/2).

E. Adoption of the report of the meeting

(Agenda item 4)

56. At its closing meeting, the expert meeting authorized the Rapporteur to prepare the final report of the meeting under the authority of the Chair.

Annex

Attendance¹

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

Afghanistan	Albania
Andorra	Angola
Azerbaijan	Belarus
Benin	Bolivia
Burkina Faso	Cambodia
Cameroon	Chile
China	Côte d'Ivoire
Cuba	Dominican Republic
Ghana	Guinea
Honduras	India
Iran (Islamic Republic of)	Iraq
Italy	Kenya
Lebanon	Lithuania
Madagascar	Mali
Mexico	Namibia
Nepal	Nigeria
Pakistan	Paraguay
Russian Federation	Rwanda
Saudi Arabia	Senegal
Sri Lanka	Thailand
Togo	Ukraine
Viet Nam	Zambia
Zimbabwe	

2. The following intergovernmental organizations were represented at the meeting:
 - African Union
 - Common Market for Eastern and Southern Africa

3. The following United Nations agency was represented at the meeting:
 - Economic Commission for Africa

4. The following specialized agencies and related organizations were represented at the meeting:
 - United Nations Industrial Development Organization
 - World Bank
 - World Trade Organization

5. The following panellists attended the meeting:
 - Ms. Brenda Horne, South Africa Shippers' Council, Nelspruit, South Africa
 - Mr. Phantong Loykulananta, Royal Thai Embassy (Customs), Brussels, Belgium
 - Mr. Peter Krausz, International Road Transport Union, Geneva, Switzerland
 - Mr. Gilbert Maeti, Common Market for Eastern and Southern Africa, Lusaka, Zambia
 - Ms. Eva Molnar, Director, Transport Division, United Nations Economic Commission for Europe, Geneva, Switzerland
 - Mr. Graham Smith, Transport Economist, World Bank, Washington, United States

¹ For the list of participants, see TD/B/COM.3/EM.30/INF.1.

Mr. Frank Gschwender, Business Development Executive, Walvis Bay Corridor Group,
Windhoek, Namibia

Mr. Konstantin Glukhekiy, United Nations Economic Commission for Europe, Geneva,
Switzerland

Mr. Mohammed Javad Atrchian, Director General, Ministry of Transportation, Tehran, Islamic
Republic of Iran

Ms. Marelia Martínez Rivas, Trade Facilitation Consultant, Paris, France
