TRADE FACILITATION and MULTIMODAL TRANSPORT

Newsletter

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Prepared by the Division for Services Infrastructure for Development and Trade Efficiency United Nations Conference on Trade and Development (UNCTAD)
Foreword

In this Newsletter, you will find latest developments in the area of trade facilitation and multimodal transport. The Newsletter is one of UNCTAD secretariat's tools for implementing its mandate, which is to help developing countries, economies in transition and small and medium-size enterprises to participate in international trade by increasing the efficiency of trade-supporting services and to increase the availability of services that enable micro and informal entrepreneurs to benefit from the operation of the market economy.

We also maintain an UNCTAD Multimodal Transport Internet homepage at the following updated URL address: http://www.unctad.org/en/subsites/multimod/mt1home.htm. Besides the Newsletters, this site contains information on:

- multimodal transport;
- workshops available on multimodal transport; and
- UNCTAD technical assistance activities in the field of trade facilitation and multimodal transport.

This homepage is constantly updated and supplemented.

We continue to rely on our Focal Points, an updated list of which is reproduced in annex 1, for the distribution of copies of our Newsletter within their countries. Should you live in a country where no Focal Point has yet been established, please feel free to contact us if you are able to serve as a national or regional distributor.

We very much welcome articles from our readers and/or letters to the editor for publication. Contributions can be sent to us at the following address:

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Editorial

Almost 20 years ago, in May 1980, some 77 States members of the United Nations adopted the United Nations Convention on International Multimodal Transport of Goods by consensus, and hopes were high that the new convention would soon enter into force. But today only nine States have become Contracting Parties to the Convention. That means that 21 are still needed. A straight extrapolation of adhesions would indicate that the Convention might gather the necessary 30 Contracting Parties by the year 2043, hardly an appealing prospect.

As an interim measure, until the Multimodal Transport (MT) Convention comes into force, UNCTAD, together with the private sector, has been developing the UNCTAD/INTERNATIONAL CHAMBER OF COMMERCE (ICC) RULES FOR MULTIMODAL TRANSPORT DOCUMENTS. These new rules, which in 1992 replaced the 1975 ICC Rules for Combined Transport Documents, have been widely welcomed, first by the freight forwarding industry, particularly the International Federation of Freight Forwarders Associations (FIATA) through its new FBL, then later by shipowners with the BIMCO Multidoc95. They are now being used by thousands of multimodal transport operators around the world.

In spite of this, over the last couple of years an increasing number of countries have felt the need to develop national or regional multimodal transport regulations. From a relatively small number of countries a few years ago, there are now about 13 countries, including a number of developed countries, that have such legislation in place and another 33 that are contemplating similar legislation. As a consequence, the ICC last year established a small multimodal transport group, of which UNCTAD was a member, which examined the scope for the private sector to have an input into the work to harmonize global rules on multimodal transport. However, the ICC decided to leave this task to Governments and, in the meantime, to concentrate on the promotion of the UNCTAD/ICC Rules. The European Commission is engaged in such a review, although of course only within Europe. The same review is under way at the Inland Transport Commission of the UN Economic Commission for Europe (ECE); the ASEAN group of countries and Central American countries too are looking at multimodal transport regulations at the regional level. The two European countries that have already introduced their own multimodal transport legislation, Germany and the Netherlands, are following in the footsteps of such countries as Argentina, China, India and Mexico, which all have their own national multimodal transport rules, while the United States’ draft COGSA contains strong multimodal transport elements. The problem is that all these laws are different.

With the growing number of more or less uncoordinated efforts mentioned above, the time has now come to review the situation again. UNCTAD is, therefore, conducting a survey of where individual Governments to find out how far they have progressed in the process of developing multimodal transport rules, either individually or within regional groupings. It is hoped that the replies to this survey will place UNCTAD in a position to report and make recommendations on what Governments would like to see done in this area.

This Newsletter also describes the latest developments in trade facilitation, within both ECE and the WTO, and outlines a large trade facilitation project UNCTAD is undertaking in Nepal, which may become a model for similar projects to be undertaken elsewhere in the world.

In the area of technical assistance, UNCTAD's cooperation with the Economic Cooperation Organization (ECO), a 10 country grouping in central and western Asia, is also described, together with a series of briefer flashes on developments in trade facilitation around the world.

The Newsletter also updates information on the container leasing industry and indicates a number of useful websites for readers to browse through.
News on Trade Facilitation

Cooperation between the trade facilitation sections of UNCTAD and ECE

The ECE TFS acts as the secretariat of the United Nations Centre for the Facilitation of Procedures and Practices for Administration, Commerce and Transport (UN/CEFACT)

UN/CEFACT is located within ECE, which is part of the United Nations network of regional commissions. It was established in 1996 (more information can be obtained from the website: www.unece.org/cefact/).

Its mission is to improve the ability of business, trade and administrative organizations from developed, developing and transitional economies to exchange products and relevant services effectively, and so contribute to the growth of global commerce. It focuses on worldwide facilitation of international transactions, through simplification and harmonization of procedures and information flows.

UN/CEFACT's key goals are, inter alia:

S Expanding global commerce through free trade agreements and increasing the participation of small- and medium-sized enterprises (SMEs) in international trade by making international trade transactions easier and simpler, through the reduction and harmonization of cumbersome and time-consuming paperwork, formalities and procedures required for trading; and

S Reducing bureaucracy and increasing transparency in administrative and commercial procedures, as well as in the way information is transferred between parties.

To carry out its work, UN/CEFACT actively coordinates with such other international organizations as the World Trade Organization (WTO); World Customs Organization (WCO); United Nations Commission on International Trade Law (UNCITRAL); and UNCTAD.

A recent example of cooperation between UN/CEFACT and UNCTAD is the revision of the 1974 Recommendation No. 4 on National Facilitation Bodies.

National trade facilitation bodies

At its March 1999 meeting, UN/CEFACT approved the revision of Recommendation No. 4 on national facilitation bodies (TRADE/CEFACT/1999/11), prepared by its International Trade Procedures Working Group (ITPWG).

This revision recommends that Governments establish and support national facilitation committees with balanced private and public sector participation in order to:

• identify issues affecting the cost and efficiency of their country’s international trade;
• develop measures to reduce the cost and improve the efficiency of international trade;
• assist in the implementation of those measures;
• provide a national focal point for the collection and dissemination of information on best practices in international trade facilitation; and
• participate in international efforts to improve trade facilitation and efficiency.

UNCTAD participated actively in the ITPWG revision process, by sharing its experience in implementing similar bodies (called National Trade and Transport Facilitation Committees (NTTFCs)) through its technical assistance projects, for example, in Colombia, Mozambique, Nepal, and Pakistan. UN/CEFACT also prepared a conference room paper on establishing national facilitation bodies (TRADE/CEFACT/1999/CRP.11) and decided to give it the status of an official CEFACT document.

The approved recommendation and its guide can be downloaded from the CEFACT website: www.unece.org/cefact/index.htm.
The World Trade Organization’s work in the field of trade facilitation

Pursuing the mandate it received at its Singapore meeting in December 1997 (para. 21 of the Singapore Ministerial Declaration (WT/MIN(96)DEC)), the WTO Council on Trade in Goods (CTG) has carried out exploratory and analytical work to assess the scope of possible WTO rules in the area of trade facilitation. To this end, the WTO secretariat organized a trade facilitation symposium on 9 and 10 March 1998, and the CTG called regular, informal meetings on the issue. The UNCTAD secretariat is contributing to, and closely following, the development of trade facilitation issues within WTO.

The symposium

At the symposium, 27 speakers from private enterprises and industry groups indicated a number of areas where traders face obstacles when moving goods across borders. Speakers from six intergovernmental organizations (IMF, ITC, UNCTAD, UN/ECE, World Bank and World Customs Organization) reported on their work on trade facilitation. About 350 delegates from 75 member countries and more than 20 observers attended. Delegations comprised Geneva-based trade diplomats, experts on customs and commerce affairs, and interested private sector representatives.

The Chairman of the CTG gave a brief summary of the outcome of the symposium, circulated in document G/L/226. The secretariat circulated a “Checklist of issues” (G/C/W/113), summarizing all concrete suggestions made at the symposium, and a longer factual report (G/C/W/115) containing full copies or transcripts of the presentations made and the ensuing discussions. In addition, the text of the secretariat’s presentation on WTO rules relevant to trade facilitation was circulated (G/L/244). These documents can be downloaded from the WTO website: www.wto.org/wto/goods/trad.htm.

Informal meetings

As of 1 July 1999, the CTG had held four informal meetings (each lasting 2-3 days). These meetings covered the following issues:

1. Import and export procedures and requirements, including customs and border-crossing problems; overview of the Kyoto Convention and its current revision process – September 1998;
2. Physical movement of consignments (transport and transit); payments, insurance and other financial requirements which affect the cross-border movement of goods in international trade – December 1998;
3. Electronic facilities and their importance for facilitating international trade; technical cooperation and development issues relating to simplification of trade procedures; consideration of WTO agreements relating to, or including provisions on, trade facilitation – March 1999; and

The evaluation at the meeting of 21 June 1999 underscored the general agreement among delegates that trade facilitation was beneficial for traders, business, consumers, and the economies of all members. Implementation of existing agreements was considered to be of critical importance.

Furthermore, delegates agreed that technical cooperation, to be truly effective, required improved coordination among the providers of such assistance and its recipients. Delegates differed in their views on other issues, such as WTO rules in this area, and as regards conclusions to be drawn from the exploratory and analytical work carried out under the work programme.

Some delegates believed that the next step forward is to reach agreement on concrete areas requiring rules. They viewed rules as ensuring that domestic reform efforts would be based on the same principles in all countries, thus becoming complementary, rather than involving different reform approaches. They also believed that the negotiation of rules would stimulate the provision of increased technical assistance and looked forward to addressing trade facilitation issues during the preparatory process for the upcoming Ministerial Conference in Seattle.

However, while some delegates viewed WTO rules as beneficial in securing political commitment to the reform and modernization of customs and trade administrations, others believed that the present trade facilitation efforts being undertaken by individual countries would stimulate an equal degree of political commitment. These efforts were generally based on models that would ensure that countries were moving in the same direction. Several delegations reiterated the view that a focus on rule-making was not appropriate at present, if ever. It was suggested that the next Ministerial Conference might focus the Singapore trade facilitation mandate more specifically on identifying any existing gaps in WTO agreements.

At this informal meeting, it was agreed that a status report on work undertaken since the WTO’s Singapore Conference be submitted to the General Council.
UNCTAD’s technical assistance in the fields of multimodal transport and trade facilitation

NEPAL

Background

In early 1998, the Government of Nepal began work on an important infrastructure development project ($28.5 million) with a World Bank credit to the Kingdom of Nepal of $23.5 million. The project’s estimated completion date is end 2001.

The project has two components, an infrastructure development component and an UNCTAD component. The latter deals with multimodal transport, trade facilitation, an Automated System for Customs Data (ASYCUDA) and an Advance Cargo Information System (ACIS).

The principal development objective of the project is to reduce transport costs associated with Nepal’s imports and exports. A second set of project objectives is to streamline trade and transit procedures and to improve the efficiency and organization of transit trade documentation and data exchange.

The overall aim of the project is to modernize the customs clearance process at the international airport in Kathmandu and at the three main border stations with India.

The project components are:
1. Construction of an Inland Clearance Depot (ICD) at Sirsiya (Birgunj);
2. Improvement to the road to the ICD at Biratnagar;
3. Improvement to the road to the ICD at Bhairahwa;
4. Procurement of equipment for the three ICDs;
5. Technical assistance/training for multimodal transport and trade facilitation;
6. Installation of the ASYCUDA; and
7. Installation of the ACIS.

UNCTAD was requested to implement the institution-building components of the project (multimodal transport and trade facilitation, ASYCUDA and ACIS), within the first three years of the project. Its budget for technical assistance is over $3 million.

The purpose of UNCTAD’s contribution is to correct the inefficiencies bred into the transport and trade system by: (1) adjusting the key aspects of the Transit Treaty with India; (2) modernizing the Nepal transport legislation; (3) simplifying documents and documentary procedures; (4) giving support to the freight forwarding and customs clearing agents; (5) forming a strong local human resource technical group within the Ministry of Commerce to continue and sustain the reforms; and (6) introducing electronic communications in the Calcutta/Haldia-Birgunj corridor and at Nepal Customs.

UNCTAD’s technical assistance is expected to improve the technical capacity of officials from other sectors related to the project, from the Customs administration, and from the private sector.

A National Trade and Transport Facilitation Committee (NTTFC) was set up at the beginning of the project to allow the UNCTAD technical assistance team to report to the Secretary of Ministry of Commerce (MoC), as Chairman of the NTTFC, through the Joint-Secretary of MoC, acting as National Facilitation Coordinator.

The UNCTAD project activities are organized into three major areas:

I. Activities related to transport operations:
   • Assessment of Indian railways operations in the Nepal corridor; and
   • Fostering the skills of freight-forwarding and clearing agency professionals.

II. Activities related to trade facilitation:
   • Collection of trade data from customs;
   • Simplification of documents and procedures;
   • Review of foreign currency regulations; and
   • Preparation of an express procedure for transit of containerized cargo by rail.

III. Activities related to transport legislation:
   • Improvement of road carriers’ liability provisions;
   • Proposal for multimodal transport legislation;
   • Assessment of current insurance laws and practices for freight in transit; and
   • Advice on international transport conventions.

In order to carry out this technical assistance, UNCTAD has recruited a Chief Technical Adviser and a team of five international consultants, specialized respectively in freight forwarding, transport legislation, trade facilitation, transport insurance and in the set-up of facilitation committees, for a total of 37 man-months. To complement the international consultants’ work, a team of four national professionals with similar specialization have been recruited for a total of 114 m/m. These two teams of experts are working closely together throughout the entire project. A series of workshops and ad-hoc seminars constitute an essential element in the transfer of know-how.
Strengthened cooperation between
the Economic Cooperation Organization (ECO) and UNCTAD

In 1994, ministers and representatives of the public and private sectors from over 130 countries attending the United Nations International Symposium on Trade Efficiency (UNISTE), held in Columbus, Ohio, United States, adopted the “Columbus Declaration on Trade Efficiency.” This declaration initiated a worldwide process to enhance participation in international trade through a set of practical actions, recommendations and guidelines which may be adopted by Governments, international and national organizations and enterprises, as appropriate.

The increasing globalization of international commerce is making the introduction of efficient trading practices ever more essential. Such practices can be introduced more effectively through an existing regional institution such as the Economic Cooperation Organization (ECO). The members of ECO are the 10 central Asian countries of Afghanistan, Azerbaijan, Islamic Rep. of Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkey, Turkmenistan and Uzbekistan.

In the first half of 1998, two joint UNCTAD/ECO missions were undertaken within the framework of the UNDP-supported regional project, “Support to Economic Cooperation Organization (ECO) Member Countries in Trade Efficiency and Economic Cooperation.”

The objectives of these missions were to review the interest and need among the ECO member countries to develop a longer-term partnership programme with UNDP/UNCTAD through ECO. The programme will contribute to modernizing, rationalizing and improving efficiency of trade infrastructure facilities and administration of trading operations, and to strengthening the economic integration process through trade cooperation in member countries of the ECO and outside the region.

The missions identified opportunities for cooperation between ECO member States and UNCTAD in the field of trade and transport facilitation and in the reform and modernization of customs procedures.

They concluded that there was scope for regional cooperation between UNCTAD and ECO countries through the ECO secretariat, and that a programme of assistance should be formulated. The main areas involved in an initial phase are:

- Trade facilitation and cooperation;
- Customs modernization and reform;
- Transport infrastructure and services; and
- Cooperation in trade and investment.

The missions found that future cooperation between ECO and UNCTAD in the field of trade efficiency could include regional trade facilitation initiatives, such as the standardization of tariff nomenclatures and customs and trade documents and procedures, the improvement of cross-border cooperation, the exchange of experiences between ECO countries.
and the implementation of the ECO Transit Trade Agreement. In addition, recommendations were made aimed at: strengthening the operations of the ECO Transit Trade Committee; the implementation of transit trade corridors; the setting up uniform quality certification norms; and building training capacity.

Recommendations were also made for customs reform and modernization, including the formulation of a permanent customs review mechanism for customs automation and, where required, the implementation of a customs reform and automation programme such as ASYCUDA.

Included in the recommendations on transport infrastructure and services were the implementation of ACIS, the formulation of a common transit fee structure, the reciprocity of transit truck charges, multimodal transport initiatives and the application of international trade and transport conventions. In order to enhance regional cooperation in trade and investment, it was recommended that consideration be given to setting up a free trade agreement for ECO member States.

The mission also identified a number of national activities that are linked to the recommended regional initiatives.

Both missions concluded that there was a need for improved efficiency within the international trading sector. If the region is to take full advantage of its new position as a central point for trade in Central Asia, its personnel must be trained in the standards which govern international trade; in trade efficiency and services infrastructure; and in trade facilitation.

The above findings addressed both the regional and the national programme components. They could be translated into detailed project proposals, which would specify the technical assistance to be provided by UNCTAD and how this assistance would be tailored to the regional needs of ECO and the national needs of ECO members. Modalities for implementation are being developed between UNCTAD and the Governments involved.

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Trade Facilitation and Multimodal Transport
News Flashes from Around the World

Landbridges

Trains have been an integral element that facilitates trade, domestically and internationally. Many countries of the world are connected extensively by railways. With globalization, there is a growing need for efficient and cost-effective transport. Over the last few years, many new developments in the rail sector have been made to improve its role in world trade. These developments have been mainly in three areas: investment, management, and landbridges.

In the area of investment in new links and infrastructures, a number of new links are being established in Asia. In China, in particular, a new service has been established connecting China with Europe. For example, a Rotterdam-based company, Multimodal Logistics, is now offering rail transport for containers from Rotterdam to north-west China, according to the Port of Rotterdam Municipal Authority. The Marco Polo Rail Express, as the service is commonly called, has two connecting points at Almaty and Druzhba. The transit time is between two and three weeks depending on its destination in China, which could be Alataw-Shankou, Jinghe, Wusu, Ürümqi, Turpan, Korla or Hami/Yumen. Multimodal Logistics has its own representatives in China for better service.

There is also an effort to connect Singapore and Europe by rail. So far, India, Iran, Pakistan, and Turkey have been active in the project. Each participating country must bear the cost of completing the link within its national boundary. The aim is to reduce the transit time for deliveries from Singapore to Europe and vice versa by two weeks.

There is also a proposal for the construction of a tunnel that will link Taiwan Province of China and mainland China in order to accommodate the yearly increase of 517 million tons of goods traded and transported between the two countries. The Taiwanese private sector has already responded by investing in new depots in Shanghai and Shenzen in China.

In the area of management, organizational restructuring has been the most common trend in the sector over the past few years. India’s Container Corporation (CONCOR), for instance, has sold 26 per cent of its shares to the public by reducing the Government’s stake of shares in the company to 51 per cent. This has been done to enable the management to improve CONCOR’s rail service performance in the face of increasing competition for transported containers from the road carriers. In addition, just recently, the Indian Government has allowed CONCOR to set up joint ventures, create subsidiaries, and enter into an alliance with the shipping industry in the area of port development.

In Australia, the privatization process has been recommended for all State and nationally-owned rail freight operations. This strategy is necessary considering the fact that the cost of AUD 2.75 billion for the next 13 years, needed for infrastructure investment, may only be funded by the private sector.

In Europe, the largest pan-European intermodal networks operator, the Intercontainer-Interfrigo (ICF), is going through a significant restructuring process. There are now four new operating companies overseeing four groupings: one connecting Scandinavia, Germany, Switzerland and Italy; another connecting the United Kingdom, Benelux, France, the Iberian Peninsula and Italy; a third connecting Austria, the Balkans and adjacent countries; and a fourth connecting Germany, Poland and the Commonwealth of Independent States (CIS). The Basle office has become the center that provides operational services for the new companies.

In the area of landbridges, there is a growing need in Latin America to connect the Atlantic and Pacific sides of the continent by way of landbridges. This need has grown also because of the anticipated congestion in the Panama Canal that will reach its projected maximum capacity in 15 years. A proposal was submitted last year to
integrate both Bolivia’s eastern and Andean railways to form a link to and from the Chilean port of Arica and the Brazilian port of Santos. The increase in traffic from such a link is expected to be between 2 and 20 million tons with a cut in transport costs by about $16 per ton.

**Transports Internationaux Routiers**

Transport Internationaux Routiers (TIR) is a system that facilitates trade by reducing transit time for transport operators at border crossings. The TIR Convention entered into force in 1975. To date, about 62 countries plus the European Community are signatories to this Convention.

Amendments to the Convention entered into force on 17 February 1999. The amendments were designed, in particular, to address the problems of abuses committed by international organized crime in recent years against transport supply chains operating under the Convention. The abuses include falsified customs stamps, falsified cargo declarations, and disappearance of truckloads of sensitive goods (tobacco, liquor, etc) that are later sold back on the black market. The problems are difficult to fight because of the fact that, besides coping with smugglers and organized crime, national customs must also cope with decreasing budgets and less resources.

Authorized TIR transport operators are now required to go through a highly scrutinized selection process as a way of reducing customs fraud. Operators must obtain approval from both their national transport associations and customs authorities. The amendments include criteria that would also ensure the reliability of the authorized national associations in issuing TIR carnets.

The administrative structure of the revised TIR convention is briefly represented in the diagram below.

In the new structure, the TIR administrative committee continues to meet at least once a year under the auspices of the ECE. The
committee is composed of all contracting parties to the Convention. At its regular meetings, it endeavors to adopt required amendments and to update the Convention.

The body that prepares the work of the TIR administrative committee is the ECE Working Party on Customs Questions affecting Transport (WP30). The Working Party is open to all UN members and all interested international organizations.

There are two important tools in the TIR system, namely the TIR carnet and the TIR plate placed on lorries. The carnets are normally issued by the national guaranteeing association to authorized transport operators. As they pay customs duties and taxes, such associations serve as a “guarantor” vis-à-vis the national customs authorities.

The TIR Executive Board was established on 26 March 1999 for the purpose of supervising the application of the TIR regime and its international guarantee system; supervising the printing and distribution of TIR carnets; facilitating the settlement of disputes between States, transport associations and insurance companies; and supporting the training of customs personnel and those of transport associations working within the framework of the TIR Convention.

Latest developments in the use of the Internet for Trade Facilitation

Competition in the carrier industry has now expanded into the information field. Many big companies have invested in information technology, especially in traditional electronic data interchange (EDI). Those without EDI stand to miss opportunities arising from the segment of the market, which demands to do business electronically.

At the same time, the newly-developed Internet technology now allows even smaller-sized companies to compete with their larger counterparts. The main reason is that the Internet is accessible to all.

For the low initial cost of a personal computer, a modem and an Internet connection, anyone can now access the Internet. More and more shippers and carriers choose to do business through the Internet because of the lower administrative costs involved in conducting transactions through it. This means significant savings because carriers and shippers depend less on third party value-added networks that are normally required to run EDI transactions. There is also a growing expectation that soon EDI may be transmitted safely and effectively over the Internet that costs practically nothing to use.

As the Internet is available 24 hours a day, any business deal made on the Internet can be done at both the shipper’s and carrier’s convenience. Customers no longer have to be restricted to office hours, operating procedures, and framework usually required by a traditional company. This leads some to believe that in a few years the Internet will replace the commonly practiced face-to-face business dealings between companies and customers, including carriers and shippers, respectively.

Through the Internet, small carriers are now able to capture a greater market for small package deliveries. A broader range of shippers is now available to carriers, and shippers now have a better selection, based on competitive prices and services offered on the on-line sites of carriers. Such immediate and up-to-the-minute data become very important, for example, in the operation of an overnight delivery.

Internet is not an end in itself. It depends heavily on a chain of inputs, such as, minute-to-minute reporting from the dispatcher and drivers on their latest status and location of their deliveries. More needs to be done to make it more user-friendly. Up to now, to maintain security in accessing particular information, customers are often required to know a user name or password, or the carrier’s identification number. In some instances, the information is released only when customers are able to complete related information regarding their shipment, such as bill of lading number, date of shipment, or content of the shipment.
World Container Production

After a drop between 1995 and 1996, world container production continued to grow steadily due to the continuing growth in world trade coupled with currency devaluation in Asia (Chart 1). The increase of production was, however, not as high in 1998 as the year before. This slowdown was attributed to a worsening trade imbalance.

![World Container Output 1994-1998](chart1)

Chart 1

China continued to dominate the production of containers for 1998. For a couple of years, China’s container output represented nearly 70 per cent of world production. Chart 2 depicts the remaining container producing countries and regions other than China. Most of these countries and regions were negatively affected by the world economic slowdown in 1998. In Asia, the republic of Korea and Thailand were the exceptions mainly because of their early recovery through improved rates of exchange.

![Container Production by Countries or Regions Other Than China](chart2)

Chart 2
Container leasing industry

The container leasing industry is still struggling to come out of its depressed market situation, which has prevailed since 1995. In general, the leasing rate per day has continued to fall as the demand for lease equipment has decreased considerably. Leasing companies, therefore, continue to battle losses in profit despite an increase in the size and value of lease equipment fleets.

The drop in the price of new containers has directly affected the average daily lease rate. The price of a new box was slightly above $2500 in 1990. Since 1991, however, the price of new 20-foot containers has continued to fall to below $1400 in mid-1999. Since the production of boxes has increased in the past five years to accommodate a continuing strong demand for new boxes generated by the growth in global trade, the downward trend in prices can only be explained by changes in production. One explanation is the increase in competition dominated by China. Currently, China accounts for more than 70 per cent of the total global production of new boxes. But their price has been driven down partly by over-capacity in Chinese production facilities and partly because the factories are being funded by the State through local or regional agencies. As a result, the price quotes in mid-1999 are almost half of what they were in mid-1995 (see chart 3).

![Chart 3: Price trends for new boxes in central and southern China (1995-1999)](chart.png)

The lower prices of new containers are reflected in lower costs to leasing companies, which in turn can offer them at a more competitive lease rate. Such a rate is an attractive factor when the companies own only a fleet of new boxes. In reality, the global leasing fleets have old and new containers with different rates of depreciation, which poses different cost burdens on them. The annual rate of depreciation is generally around 6-7 per cent. Companies owning older containers are actually penalized owing to higher costs of depreciation.

Companies must also deal with the tendency of users to select newer containers over older ones. Their main concern lies in the re-marketing used containers and negotiating new contracts. In general, this situation has led to a low level of utilization. The drop in average utilization for the past few years reflects the drop in demand for lease containers. The rate has fallen to less than 80 per cent of the container fleet or 75 per cent of...
its dry freight containers in mid-1999. This is below the generally accepted level for the industry as a whole to generate profit.

Another cost concern comes from the growing need to reposition used containers from low-demand drop off points in North America and Europe to higher-demand areas in Asia, as Asian countries are concentrating on increasing their exports. To manage the box recovery effort, companies must take into account several factors, including the cost of repositioning, that may reach up to $400 per unit, storage fees that may reach $1 per day, and the fact that older boxes may have a higher book-value than newer ones. In other words, lessors must find an acceptable repositioning cost to move boxes from low- to high-demand areas. They must also consider ways to reduce storage, management, and maintenance costs for the remaining used containers found accumulating in low-demand areas. This general approach to repositioning containers may, in the long run, help reduce the need to buy new boxes in the high-demand areas.

In practice, lessors may directly reposition their used containers in large numbers into relatively higher-demand areas. This is justified when the repositioning cost is lower than the projected long-term cost of storage and maintenance.

Alternatively, used boxes could be leased at a lower rate so that the repositioning cost gets borne by the lessees. The utilization rate, however, depends heavily on the posted lease rate. To reach a wider audience, lessors may also advertise the low-lease rates electronically through the Internet.

Another option lessors have used is to increase the rate of disposal of older containers from the fleet before the end of their functional lives. This approach means a considerable capital loss due to reducing the depreciation period of older boxes, but it may be justified because it is relatively lower than the total depreciation cost of the remaining natural lives of the boxes. It also improves demand as newer used boxes are leased in the low-demand areas.

Merger is still the most common approach for leasing companies to counter their profit losses. This approach is preferred due to the potential economies of scale, greater market share, and a sharp reduction in the need to buy new equipment.

Overall, the aforementioned approaches may have negatively affected purchases of new containers by top leasing companies over the past three years. This can also be explained by the fact that prices of new containers have reached their lowest level and are due for a gradual hike. The leasing industry, therefore, must endure a while longer in its efforts to improve its revenue. The most favourable condition for recovery would be when the global trade has balanced out and the prices of new containers has levelled off or increased. However, this may take some time.
Web Pointers
Some websites related to trade facilitation and multimodal transport

http://www.wpc-edi.com/
EDI implementation guides for railways, shipping companies, etc.

http://www.tradeex.com/
Data interchange tools and ideas.

http://www.sterlingcommerce.com/
Some XML solutions.

http://www.intelliseek.com
A new search engine that deletes duplicates and sorts by concepts.

http://www.eSupplyChain.com/
Information about supply chains.

http://www.cargolog.com/
Online Transportation and Logistics Directory.

http://downtothesea.com/Home.htm
Information regarding merchant ships and/or the merchant shipping industry, particularly the worlds afloat industries, such as ports, steam ship lines, shipping schedules and current locations, worldwide trade, and freight forwarders.

http://www.mglobal.com/

http://www.llplimited.com/
LLP, formerly Lloyd's of London Press, now part of Informa group, is a world leader in the provision of shipping, maritime, trade, insurance, energy and legal business intelligence. The LLP website provides a unique combination of free access and subscriber news and information, including newspapers, photographs, archives and databases. Informa has newsletters, magazines, books, directories, conferences and exhibitions.

http://www.logcity.com/
This site provides the transport industry with a virtual "community" enabling anyone, from traffic managers to freight forwarders, to access information about all facets of freight.

http://www.manufacturing.net/magazine/logistic/
Logistics' Management and Distribution Report.

http://www.shipweb.com.my/
Malaysia’s shipping directory containing a daily updated sailing schedule, shipping news, and trade leads.

http://www.shipping-gazette.co.nz/shipdata/
This user-friendly site hosts the on-line SHIPDATA service, valuable for businesses; it includes a list of shipping schedules, updates of port-to-port service, current exchange rates, and news headlines.

http://www.rm.com.ar/
Revista Marítima en Internet: Servicios para el importador, el exportador y el transportista.
http://airtravelcenter.com/landsea.html
Listings of cruise travel agencies, information and news on cruises, cruising, freighter travel, shipping, ferry, charter, boating, sailing, yachting, seaports, maritime, ports of call, sea travel services, career links, cruise lines, guides, cruise reviews.

http://www.shipping.co.il/
This online magazine has a comprehensive, up-to-date source guide to the Israeli international shipping and air transport market. It is organized by ships' movements, names, ports, shipping companies, airlines and airports.

http://www.aajs.com/shipint/
Ships International, the Maritime Net magazine.

Singapore Shipping Times online.

http://www.couriertimes.com/
The Courier Times.

http://www.joc.com/
The Journal of Commerce online.

http://www.theshippingnetwork.com/
The Shipping News.

http://www.webalias.com/eximnews/
India’s Export and Import News online.

http://www.home.aone.net.au/import_export/index.html
This website comprises direct hyperlinks to some of the sites which are of primary importance to international traders.

TimesNet Asia: Asian Business News & Information.

http://www.tradestar.com/index.htm
Links related to Asian trade.

http://www.trafficworld.com/
The logistics news weekly online.

http://www.aircargoworld.com/
Air Cargo World’s online magazine.

http://www.fairplay-publications.co.uk/

http://www.tradecompass.com/
Trade Compass, the leading website for electronic products and services that facilitate international commerce over the Internet.

http://www.wwshipper.com/
Daily Shipping News online: a trade and transportation industry website.
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Survey of Readers' views on Trade Facilitation and Multimodal Transport Newsletter

The UNCTAD secretariat seeks the views of readers on the quality and usefulness of this newsletter. Accordingly, we would appreciate your taking the time to complete this questionnaire and return it to us as soon as possible.

Summary of Ratings

1. How do you rate the newsletter as regards its usefulness to your work?

   - Very useful [ ]
   - Of some use [ ]
   - No use [ ]

2. Your area of work: (e.g. government, business sector, academic institution, NGO)

3. How do you rate the quality of the newsletter?

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4. Do you have any other observations?

5. Your name, title and address (optional)

Thank you for your contribution. Please send, or fax, the completed questionnaire to the following address or fax number:

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