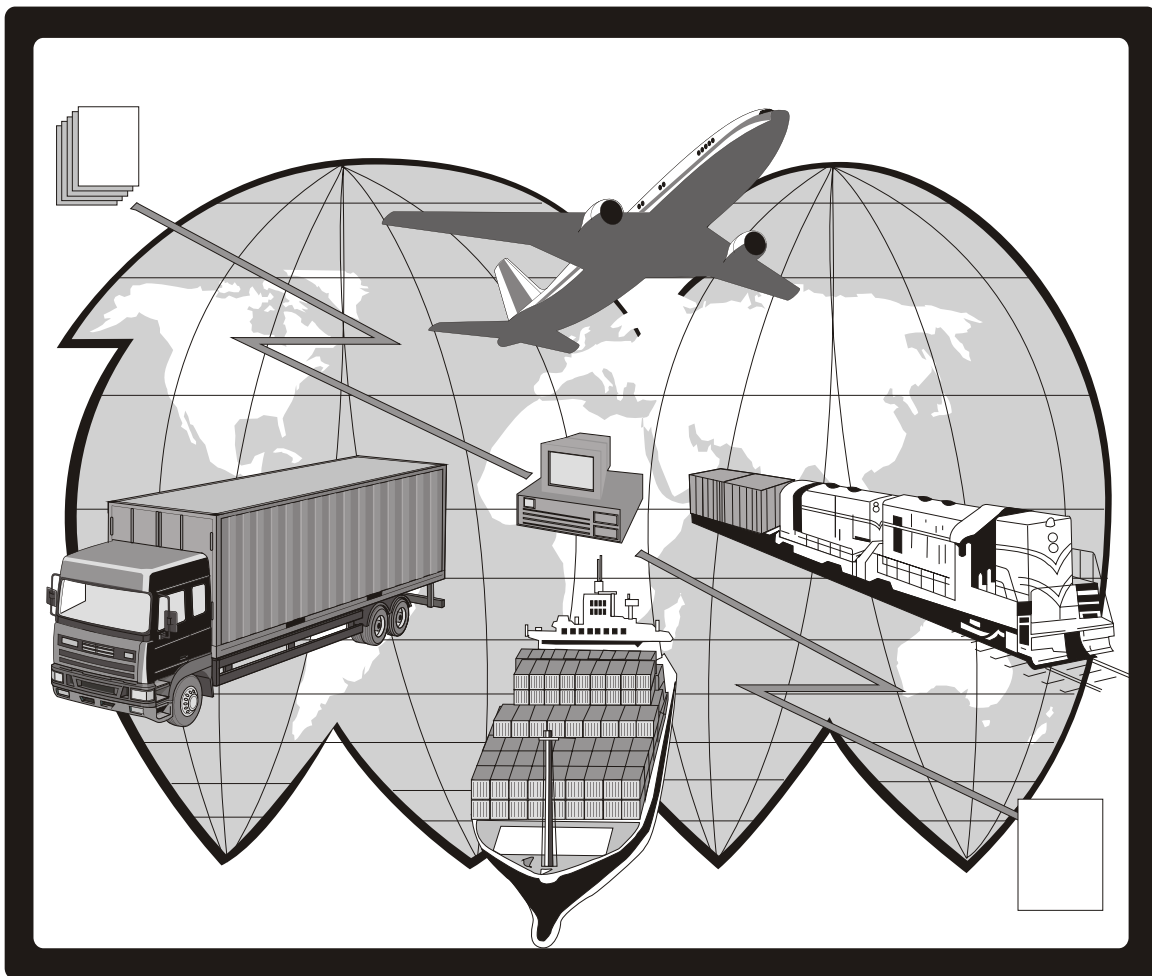


TRADE FACILITATION and MULTIMODAL TRANSPORT

Newsletter

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Division for Services Infrastructure for Development and Trade Efficiency
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(UNCTAD)



Foreword

In this Newsletter, you will find some of the latest developments in the area of trade facilitation and multimodal transport. The Newsletter is one of the UNCTAD secretariat's tools for implementing its mandate, which is to assist developing countries and countries in transition in building up a service infrastructure in the areas of customs, transportation, banking, insurance and tourism with a view to improving their competitiveness in the international market place.

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:

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

This homepage is constantly updated and supplemented.

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

The Year 2000 was marked by an important event for UNCTAD: the tenth session of the United Nations Conference on Trade and Development (UNCTAD X), which took place in Bangkok from 12 to 19 February 2000.

This Conference provided the opportunity for a wide-ranging exchange of views and was instrumental in creating an atmosphere of greater mutual understanding about the complexities of the globalisation process. But, as stated by Mr. Rubens Ricupero, Secretary-General of UNCTAD, *“much remains to be done in translating this into practical moves for institutional change at the international level. The entire international community must see this as its goal in the four years ahead of us. UNCTAD’s role in assisting the emergence of more effective international economic institutions must be a constructive one. UNCTAD must deploy for this purpose all of the three instruments at its command – research, policy advocacy and technical assistance.”*

In his report to the Conference he states that *“UNCTAD X would provide an important opportunity for the United Nations system and the international community to make a collective reflection on development ”*that would help substantively in the formulation of developmental strategies in an increasingly interdependent world and in finding ways to make globalization an effective instrument for development of all countries and all people.

This issue of the Newsletter covers the usual updates on the economic situation within the container industry and issues related to logistics, transport infrastructure and customs harmonization. It also takes a closer look at the mandate UNCTAD has received at the Conference for the next four years, particularly in the area of trade facilitation and multimodal transport. This particular mandate states that improving trade-supporting services, including transport, customs, banking and insurance, human resources development and business information, helps the enterprises in developing countries and countries in transition to compete fully in both domestic and international markets, hence allowing these countries to benefit more from their participation in the already complex global economic system.

During the meeting of UNCTAD X, a parallel event was organized to discuss the trade-related issues of the Least Developed Countries and to review the preparatory process for the Third United Nations Conference on LDCs. This edition briefly highlights the steps that have been taken and upcoming events prior to the Conference.

UNCTAD X Bangkok Declaration and UNCTAD's structure to foster trade facilitation and multimodal transport

In the UNCTAD X Bangkok Declaration,¹ member States agreed that “globalization is an ongoing process that presents opportunities, as well as risks and challenges”. They also agreed on the role of the international community in ensuring the integration of developing countries into the world economy.

Regarding the provision of service infrastructure for development and trade efficiency, the Plan of Action² contained in the Bangkok Declaration states that:

“148. UNCTAD should continue to assist developing countries and countries in transition in building up a service infrastructure in the areas of customs, transportation, banking, insurance and tourism with a view to improving their competitiveness in the international market place.

149. UNCTAD's work programme, with regard to both its analytical activities and technical cooperation, should include:

- ! Trade facilitation, the use of information technology in trade-related activities and, in particular, the development-related dimension of electronic commerce;*
- ! Institutional reforms and legislative adjustments where appropriate, capacity-building and training activities supporting the build-up of an efficient services infrastructure for trade;*
- ! The possible gains in efficiency in the build-up of services infrastructure for trade when they are provided at regional level;*
- ! LDCs' specific problems, such as access to information technology and build-up of human resource capacity to utilize information technology and thereby*

participate in the information society.

(i) Trade and transport facilitation

150. UNCTAD'S work should focus on its comparative advantage in the fields of the applied economics of transport, trade facilitation and multimodal transport. UNCTAD must treat problems relating to the provision of, and access to, international transport services as an integral part of international support measures designed to enable the trade and industry of developing countries and particularly the least developed, land-locked and transit developing countries to participate more effectively in the globalization processes.

151. The work undertaken by UNCTAD in recent years in the field of management information systems and logistics as applied to the transport sector, such as the Advance Cargo Information System (ACIS), should continue and be strengthened. UNCTAD's programmes should pay special attention to the particular difficulties encountered by land-locked developing countries and transit developing countries.

152. In close cooperation with other relevant international organizations, UNCTAD should continue to undertake studies on the implementation of multimodal transport rules.

.....

(v) Electronic commerce

156. UNCTAD should contribute to informing international debates on the developmental impact of global information networks addressing, in particular, developing countries' specific problems, such as access to information technology, infrastructure constraints and build-up of human resource capacity. Particular importance should be given to their impact on the enterprise sector, including corporate structures and the role of SMEs in global competition, as well as international trade and investment flows. UNCTAD should continue to organize seminars, workshops, and other means of exchanging information on topics in this area.”

¹ Bangkok Declaration: Global Dialogue and Dynamic Engagement (TD/387), Bangkok, February 2000.

² Plan of Action (TD/386), Bangkok, February 2000.

WORLD'S POOREST COUNTRIES TARGETED FOR PRIORITY INTERNATIONAL ACTION

THIRD UNITED NATIONS CONFERENCE ON THE LEAST DEVELOPED COUNTRIES,
TO BE HELD IN BRUSSELS FROM 14 TO 21 MAY 2001

A. The least developed countries

Within the 188 countries that make up the United Nations membership there are 49 that stand out because of their low economic and social indicators. In 1998 their GDP per capita was US\$ 287, which is only about 1 per cent of the GDP per capita of the developed market-economy countries. Other economic and social indicators³ measuring economic diversification (i.e. manufacturing share in total GDP, share of industry in labour force, energy consumption and merchandise export concentration) and physical quality of life (i.e. health, nutrition and education) confirm this gap. Since 1968 these countries⁴ have been collectively known as least developed countries (LDCs) and have been the subject of particular efforts by the international community to speed up their development process. The challenge for the international community is to undertake the commitments to reversing the marginalization of LDCs in a credible manner. As Rubens Ricupero, Secretary-General of UNCTAD recently stated, “*The*

international community will ultimately be judged by the way it treats its most vulnerable members”.

LDCs have a combined population of 610.5 million, equivalent to 10.5 per cent of the world population. The majority of them, 33, are located in Africa; there are 9 in Asia; 5 are islands in the Pacific and 1 is located in the Caribbean. In geographical terms, there are 10 island countries, 22 coastal countries, and 16 landlocked countries for which the issue of transit for access to the sea is an additional and important problem.

On 18 December 1997, the United Nations decided to convene the Third Conference on LDCs to assess the results of the programme of action embodied in the Paris Declaration and the Programme of Action for the Least Developed Countries for the 1990s at the country level; review the implementation of international support measures, particularly in the areas of official development assistance, debt, investment and trade; and consider the formulation and adoption of appropriate policies and measures for sustainable development of LDCs and their progressive integration into the world economy.

UNCTAD was designated as the focal point for organizing the LDC-III Conference. Its Secretary-General, Mr. Rubens Ricupero, was appointed Secretary-General of the Conference.

Preparations for the Conference were launched during the Ministerial Meeting of LDCs convened in New York on 29 September 1999. The First Inter-agency Consultation for all agencies of the UN system reviewed the preparatory arrangements for the Conference, exchanged views on substantive issues to be addressed and discussed the contribution of UN organs, organizations and bodies to the Conference and to its preparatory meetings. Moreover, a Consultative Forum is to serve

³ The criteria for defining these countries is currently under revision by the UN Economic and Social Council and a new set is expected to be approved by the UN General Assembly in the near future.

⁴ The 49 LDCs in alphabetical order are Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sudan, Togo, Tuvalu, Uganda, United Republic of Tanzania, Vanuatu, Yemen and Zambia.

as an interface between the UN system and other stakeholders, discussing and exchanging views on the conceptual framework of the objectives of the Conference and the preparatory process.

Preparations are also being carried out at a country and regional level. National preparatory committees have been set up in LDCs to draft a national plan of action based on the needs and priorities of the country. The UN Economic Commission for Africa (ECA) and the Economic and Social Commission for Asia and the Pacific (ESCAP) provided regional insight onto the plans of actions. Three expert meetings were held during the first half of 2000 – in Addis Ababa (Ethiopia), Kathmandu (Nepal) and Niamey (Niger). The overall evaluation of the process was made at the first session of the Intergovernmental Preparatory Committee, held in New York from 24 to 28 July 2000. The second session of this Committee is scheduled for March 2001 just before the Conference.

B. Transport issues

Transport is an important element in development. Without physical access to resources and markets, growth stagnates and poverty reduction cannot be sustained. Transport is an essential element of physical integration. It is a key sector for international trade, for regional integration and for ensuring balanced national development. Transport provides physical access to market places, without which no trade can take place. There is a cause-and-effect relationship between the availability of adequate transport services and access thereto and the scope for trade-based development processes. The availability or lack of access to a functioning transport sector affects in an important manner the degree of participation of countries in the global trading system, or in the negative

sense, causes a measure of marginalization. Most LDCs are trading low-value goods with little potential for differentiation but considerable risk of substitution. The trade success or failure of such countries is largely determined by transport availability and cost.

It has been recognized that reduced transport availability and excessive cost constitute major barriers to foreign markets and to the effective integration of LDCs into the global economy. Market access commitments by developed countries can only have a positive impact on trade-related development processes of LDCs if transport costs can be reduced to competitive levels. Additionally, lack of a functioning transport system has proved to be a major impediment to attracting foreign direct investment (FDI) to LDCs. High transport costs imply that a large share of foreign exchange earnings of LDCs which could have funded productive investment are being used to pay for international transport services. How can these problems be overcome? While there is definitely a need for long-term improvements in infrastructure, the Thematic Round Table on Transport, which is scheduled for 19 May 2001 as part of the Conference, will concentrate on more immediate “software” solutions that can be expected to have a direct bearing on LDCs’ competitiveness and more efficient use of existing infrastructure and equipment. That gathering will address this question by concentrating on a number of issues which arise from globalization and technological development and which equally affect policy makers, regulators, transport operators, providers of auxiliary services and transport users. These include transport operational problems and solutions, the transformation of public transport/infrastructure operators, FDI and transport, the legal and regulatory framework, information technology (IT) and management systems, and know-how transfer and training.

To put the trade and transport problem of LDCs into perspective:

S 10 per cent of the world population live in LDCs, which generate not even 0.4 per cent of world exports;

- S Most LDC exports are low-value and thus particularly sensitive to transport costs;
- S The share of freight cost in import values can serve as an indication of the impact of transport cost on the ability of countries to effectively participate in global trade. In 1998, the share of freight cost in the import value of developing countries was 8 per cent on average, with individual countries, particularly landlocked LDCs, facing freight costs of up to 40 per cent of import value. These high costs compare with an average of 4.1 per cent of import value in the case of developed market-economy countries.

Some of the issues to be considered at the Conference are the need for simultaneously addressing both “hardware” issues, namely physical rehabilitation and development of transport networks using public and private finance, and “software” issues. The latter issues address the problem of institution-building, which is crucial for ensuring maintenance of existing infrastructure, and timely planning for its expansion, and for preparing and implementing agreements to facilitate efficient transit to landlocked countries and also efficient trans-shipping and feeding to small island countries. The harmonization of legal regimes and the fostering of the use of information technology packages, such as ACIS,⁵ to facilitate the operation and

transparency of transport networks are also relevant. In those countries facing emergencies, transport is a linchpin when moving from that stage into development.

C. Short-term solutions

While measures to improve transport infrastructure are necessarily of a long-term nature, a number of specific activities can be envisaged that have a direct intermediate impact on the transport situation of LDCs and on the efficient use of existing infrastructure and equipment. These measures largely relate to improvements in the working of institutions, management assistance (particularly through the application of information technology) and the transfer of know-how. In particular, they need to be addressed at the Conference.

Despite the long-term nature of infrastructure investments, there is a potential for action that could already have a positive impact on infrastructure projects in the planning or early implementation stage. The purpose of such an initiative would be to develop a more systematic approach to the enhancement of transport infrastructure. Under this approach, multilateral funding institutions and other traditional donors would continue to focus on funding infrastructure and equipment projects. UNCTAD or other institutions could complement these projects by contributing their expertise through institution-building in transport, transit, logistics, IT, trade facilitation and legal framework that is required in order to improve trade and transport efficiency.

⁵ The Advance Cargo Information System (ACIS) is a management information system developed by UNCTAD to improve transport efficiency by tracking equipment and cargo on several transport modes (i.e. rail, road etc.) and at interfaces (i.e. ports and dry ports).

UNCTAD TO PARTICIPATE IN A TECHNICAL ASSISTANCE PROJECT ON INTERNATIONAL MULTIMODAL TRANSPORT OPERATIONS, INCLUDING TRADE FACILITATION, IN THE ECO SUBREGION

A. Introduction

The ten countries members of the Economic Cooperation Organization (ECO)⁶ together cover an area of over 7 million square kilometres with a population of about 325 million. The traditional trading links of the six newly independent ECO member countries were through the former Soviet Union, either by rail towards European Russia and onward to Central, Eastern and Western Europe, or through several lesser used routes via the Caspian Sea, to the Caucasus republics of Armenia, Azerbaijan and Georgia via the Islamic Republic of Iran and/or Turkey. Some trade and transport towards East Asia has also taken place via the Trans-Siberian Railway.

However, recent developments are significantly influencing trading and transport patterns in the ECO subregion. New links with the southern members of ECO mirror the resurgence of old cultural ties, and the southern ECO countries are already actively engaged in upgrading transport infrastructure to enhance trade within the ECO subregion and to provide enhanced access to international markets. The continuing development of modern transport technology makes it important for ECO member countries to adopt modern technologies and systems for transportation so that they can compete better in their external trade, and thus accelerate their economic development.

B. Background

⁶ Afghanistan, Azerbaijan, Islamic Republic of Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkey, Turkmenistan, and Uzbekistan.

In order to foster increased regional trade between the southern countries (such as the Islamic Republic of Iran, the Gulf States and other Middle Eastern Countries) and the northern countries (such as the Russian Federation, China, the Republic of Korea and Japan), infrastructure projects have been identified within the Programme of Action for the ECO Decade of Transport and Communications (1998-2007) and the ESCAP Integrated Project on Asian Land Transport Infrastructure Development (ALTID). These projects aim at providing the region with a reliable and efficient land transport network. They must be supported by appropriate facilitation measures at border-crossings and by effective implementation of solutions to the already identified impediments (physical, procedural and administrative).

The project, designed to establish a sound basis for door-to-door transport operations in the ECO region, covers two main areas: public and private sector capacity-building in the area of multimodal transport operations; and border-crossing facilitation for land transport operations.

ECO, ESCAP and UNCTAD are the relevant organizations for providing the skills and experience required in order to ensure the successful implementation of this project. Financial support is granted by the Islamic Development Bank (IsDB) in Jeddah.

C. Objectives

The main objectives of the project include the provision of quantitative information required by strategic and operational planning for multimodal transport; the identification of infrastructure and non-physical impediments, and their possible solutions, to the smooth flow of transport in selected ECO corridors, as well as best practices in transport operations

which could form the basis for future technical cooperation between developing countries (TCDC) activities; and the creation of awareness among government officials about the need to upgrade institutional capacities, as well as the development of skills among potential multimodal transport operators in the ECO region.

D. Proposed activities

UNCTAD's inputs focus on multimodal transport and trade facilitation issues. UNCTAD is responsible for the drafting of the terms of reference for, and the backstopping/supervision of, the trade facilitation consultant. UNCTAD will undertake field missions and present papers at the country-level workshops, as well as

participate in the ECO subregional seminars and meetings as required.

UNCTAD will contribute to the elaboration of a consolidated report on commodity flows, multimodal transport capacity requirements, quality and quantity of transport means, and documentary and maintenance procedures, on the basis of national reports prepared by each ECO member country; the formulation of priority issues to be addressed in order to enhance the status of the freight forwarding and multimodal transport industry; and the exposure of about 150 participants, from the public and private sectors (Kazakhstan, Kyrgyzstan, Turkey, Turkmenistan and Uzbekistan) to the potential benefits and requirements implied by the introduction of multimodal transport.

STRENGTHENED COOPERATION BETWEEN UNCTAD AND THE LEAGUE OF ARAB STATES

Draft elements for preparatory assistance in the areas of trade facilitation, including customs modernization and cooperation measures in the member States of the League of Arab States (LAS)

A. Introduction

The LAS region forms an economically significant grouping of countries that are eager to achieve enhanced economic growth in the next millennium. There are considerable imbalances in economic performance within the region, and this cooperation programme and its successors will seek to identify and redress these imbalances through technical assistance initiatives that have been implemented so successfully by UNCTAD elsewhere in the world. The LAS region holds the world's significant oil reserves and participates as an important bloc and partner in international trade. Donors' association, with professional technical assistance programmes designed to help the eradication of poverty and enhance the economic development of a region with such vast economic potential, will benefit both the countries themselves and the credibility of the donors' technical assistance programmes worldwide.

This preparatory assistance project proposal is designed to identify the areas where the provision of UNCTAD expertise could enhance the capacity of the LAS secretariat and member States to improve trade facilitation, including customs modernization, of intra-Arab, regional and international trade. The preparatory assistance will seek to identify a programme of assistance which will foster a longer-term partnership of three institutions, namely LAS, UNDP and UNCTAD, that will contribute to a modernized, rationalized and efficient trade infrastructure and administration of trading operations. The partnership will also contribute to the harmonization and simplification of customs and transport-related procedures, documents and data within the trade facilitation framework in the region, and to improved trade transactions. This will lead to a strengthened economic integration process through improved trade cooperation among

member countries of the LAS and with the international trading community, thus contributing significantly to the Pan Arab Free Trade Area initiative, a priority of the LAS.

B. Background

At the request of the LAS, representatives of UNCTAD made a presentation of the Columbus recommendations relating to customs modernization and trade facilitation, including the ASYCUDA Customs Reform and Modernization Programme, at the committee meeting held by LAS in Cairo from 19 to 21 May 1997. The main objective of UNCTAD's presentation was to create awareness of this programme in the Arab region and its importance for modernization of customs procedures and management with a view to improving efficient clearance and effective revenue collection. The purpose of the meeting was to discuss the experience of, and to focus on, the fact that facilitation of trade and customs procedures and improving the efficiency of trading operations are essential for intraregional trade and trade with other countries outside the Arab region and its possible impact on the success of the Pan-Arab Free Trade Area concept. The above subjects created great interest among participating Arab States attending the meeting. The meeting called for continued LAS/UNCTAD close cooperation in areas such as trade facilitation, EDI/EDIFACT and ASYCUDA.

C. Objectives

The outcome of this work will become an input into LAS and the UNDP's future policy and programme for its member States in the area of trade facilitation, including customs modernization. In addition, this assistance will help the LAS secretariat to develop clearer policy options, thus contributing to its goal of a Pan-Arab Free Trade Area with a view to developing

and facilitating trade among its member States.

D. Analyses of current situation and action recommendations

Preparatory assistance would review the following issues:

- S Trade facilitation and cooperation measures to identify the scope for simplification of trade and customs documents and procedures, including review of existing proposals for regional and subregional trade facilitation measures;
- S The potential for customs modernization and reform, in the context of regional and international cooperation, covering the identification of training courses to support implementation of the new procedures, and the feasibility of automated customs procedures;
- S The potential for regional transport facilitation, including advice on the

formulation and implementation of LAS trade agreements, recommendations on multimodal transport operations and advice on the adoption of international transport conventions;

- S The possibility of extending regional trade facilitation cooperation, including advice on the provision of UNCTAD's assistance in setting up a regulatory framework for trade facilitation cooperation.

Following this work, which will be carried out with the participation of LAS in selected countries, UNCTAD will produce a detailed project proposal for technical assistance in the areas where specific needs for improvement in the regional and external trading environment have been identified. These findings, gathered into an Action Programme, will be presented at the workshop of senior officials from member countries on trade facilitation and customs modernization to be organized by the UNCTAD and LAS secretariats.

Trade facilitation and multimodal transport news and flashes from around the world⁷

Landbridges and rail

China

China is intensifying its effort to shape the Eurasian Continental Bridge, a 7,000-mile rail route from the Port of Lianyungang in eastern Jiangsu province to Rotterdam, to be a multilateral economic force. The bridge is considered essential in promoting the strategic combination of China's capital and foreign investment. It is shorter and thus more convenient than the sea route for connecting China, Central Asia and Europe. All of these reasons, together with globalization and China's Western development initiative, have made the development of the bridge one of the high priorities on China's agenda. Among the factors which will determine the success of the initiative, the Chinese Government is expected to play a substantive and facilitating role in cooperating with other participating and contributing countries along the route.

Belgium

The port of Antwerp has been operating with only one point of entry for its rail transportation. The Government of Flanders has accepted the proposal to add the second rail link to the port on side of the Antwerpen North Marshalling Yard-side. The rail is planned to pass through Ekeren, Merksem, Schoten, Wijnegem, Wommelgem and Lier, at which point the line will meet a rail-route to Aarschot. It will also become a key link for routes linking Montzen-Aachen and Herentals the "iron Rhine". The project is estimated to cost EUR 619.73 million and be completed by 2009.

Netherlands

In facilitating environmentally friendly rail transport to play a larger part in freight transportation, which is currently served

mostly by road, the European Commission has raised no objection to the Dutch subsidy for the construction and expansion of two intermodal rail terminals – RSC Rotterdam and the European Container Terminal – in Rotterdam. The subsidy is supported because it is not to fund trans-shipment equipment and its related infrastructure, which would otherwise lead to unfair competition in the trans-shipment service in the two terminals. The subsidy is also supported because its maximum funding intensities are below 20 per cent of the total construction costs. It will eventually help the terminal operators offer to their customers a lower price per trans-shipment, which would shift some demand from the road transport sector. With the prospect of an increase in demand, the two operators will be encouraged to contribute to the necessary investment for the terminals, which will help operators in generating a reasonable profit while optimizing the use of public funds.

United Kingdom

Railtrack together with IBM in a six-year £300 million project, will streamline the rail network of computer operating systems which are currently run with 270 different operating systems, a 75 per cent reduction from the total 1,100 systems two years earlier. The project aims at further limiting the number of systems to 35 compatible operating systems. The ultimate objective is to gradually adapt all systems to operate together via the Internet, which will, among other things, allow operators and technicians to obtain information about on-line updated network status and related problems through PCs or Wap mobile phones.

In the context of the privatization of the

⁷ *Containerisation International*, January-December 2000.
Logistics: Management and Distribution Report, January-December 2000.
World Cargo News, January-December 2000.

United Kingdom's railways, the move to open the market to foreign companies is supported by country's Shadow Strategic Rail authority and transport groups. The national operators, however, are worried as not all of them are able to challenge the enormous bids submitted by the foreign companies. The main concern is that, in the long run, foreign national operators may not have to generate the same return to investment as private companies.

United States and Canada

The anticipated synergies from the merging of the Burlington Northern Santa Fe Corporation (BNSF) and the Canadian National Railway Company (CN) have come to an end. Both BNSF and CN have mutually decided to end their joint effort to form North American Railways, Inc. The decision was regretfully taken because of the 2½-year period needed by the regulator in the United States to decide on the transaction between BNSF and CN. On 17 March 2000, as it prepares new guidelines for new rail mergers, the Surface Transportation Board (STB) has imposed a 15-month moratorium on new rail mergers. The United States Court of Appeals for the District of Columbia Circuit, in a ruling on 14 July 2000, upheld the moratorium, which only allows BNSF and CN to file a common control application with the STB starting from mid-June 2001 onwards, which in turn pushes the prospect of obtaining a regulatory decision on the merger further towards the end of 2002. North American Railways would have provided a 50,000-mile network and an estimated additional return of US\$ 800 million per year.

The almost 2-year-old United States Priority Mail Global Guaranteed (PMGG) is being replaced by the Global Express Guaranteed (GXG), which is a new international delivery service promising certain date of delivery for packages dropped off at 20,000 United States postal locations with more than 200 countries and territories worldwide as their final destinations. Such a service, which

includes extensive international transportation, customs clearance and delivery is made possible because of the strategic alliance formed by the United States Postal Service and DHL Worldwide Express. Besides documents, the newly upgraded service is now accepting shipments of merchandise. The former PMGG was started in spring 1999 to provide delivery of documents from 11 United States locations to various cities in 19 countries in Western Europe.

European freight developments

For the first semester of the year 2000, the Intercontainer-Interfrigo (ICF) has carried a total of 19,800 TEUs of intermodal shipment between German seaports and Hungary, which reflects an increase of 25 per cent over the same period in 1999. The number of operated block trains in particular has increased to 332, which reflects a 23 per cent increase. ICF is the pan-European railroad combined transport network operator. With its Hansa-Hungaria-Container-Express line (HHCE), it links the German seaports of Hamburg and Bremerhaven with approximately 130 stations and terminals in Hungary. HHCE serves both direction five times a week and is operated by ICF, the Raab-Idenburg-Ebenfurter Railway (GySEV/RÍEE) and the Hamburger Hafen and Lagerhaus AG (HHLA).

OverNight Express is the combined goods and passenger train between Amsterdam and Milan, operated by a cargo railway operator, Railion, over the Dutch-Belgian-Luxembourg route. By the end of May, the load factor of wagons from Milan to Amsterdam had risen considerably, contributing to the 40 per cent increase to over 70 per cent of the total load factor. The usual three freight wagons per train have now increased to six per train, while the number of bookings increased to over 4,000 per month. Such achievements, together with a transit time of 14 hours, have made OverNight Express a serious competitor in the inland transportation market.

Inland and road transport

China

As of July 2000, a revised clearance system for land cargo from Hong Kong (China) into China was introduced by Hong Kong (China) at Lok Ma Chau, a main crossing point into China for empty or laden northbound vehicles. This modification is in preparation for more efficient procedures involving submission of manifests through electronic data interchange (EDI). The modified system encapsulates different views of the cross-boundary transport industry, with the objective of allowing submission to be done one hour instead of three hours before the arrival of goods at customs checkpoints. Such a reduction in submission will also substantially shorten the queuing time at the borders. Lok Ma Chau is considered the busiest checkpoint in China: at which about 9 million trucks passed through it in 1999 and more than 8.7 million in 1998. During the first quarter of 2000, there was a 5 per cent increase over the same period the previous year of freight trucks crossing at Lok Ma Chau.

United States of America

A new partnership has been formed between a company called DriveNet, which offers Internet-based services for drivers and the transportation industry, and a national association called the Association of Professional Truck Drivers of America (APTDA), which offers insurance products and services to professional truck drivers. The partnership has made it possible for drivers to receive free insurance quotes from APTDA's insurance provider, the Transportation Association Solutions, Inc. Drivers may access such information interactively from DriveNet's Web site and its more than 400 workstations, which are installed at major truck stops and travel plazas all over the United States. Besides the quotes, drivers may also obtain other services such as on-line driver pay settlements, load matching, truck routing, job postings, Private Fleet Network (PFN) trucking company intranet connectivity, document scanning and Web-based email.

Latest developments in the use of information technology for trade facilitation

The transport industry has gradually grown used to the Internet as an integral part of the effort to improve efficiency within the industry. From the middle of July 2000, for example, a new Internet-based logistics business called Transplace.com started operating under the control of six carriers, namely Covenant Transport, J. B. Hunt Transport Services, M. S. Carriers, Swift Transportation, U. S. Xpress Enterprises and Werner Enterprises. The objective of the business is mainly to establish for shippers and carriers from around the world a centre for collaboration to achieve optimal planning and execution of transportation logistics. In addition, the business allows for purchasing of fuel, equipment, maintenance and repair parts, insurance, and a number of other service products.

Another example of the use of the Internet to facilitate the exchange of essential information on international transport is the

launching of wireless access facility by DHL International. In particular, DHL has updated its Wap service on cellular phones, allowing access to a limited version of DHL's corporate website. Downloadable information includes the service bulletins, which include the latest transport-related news such as customs delays or air traffic control disputes. The bulletins are designed to help customers to monitor the status of their shipments and plan or compensate accordingly. Another type of information, known as Drop Off Locator, will also be made available. Its function is to direct customers to the nearest DHL office. Its recent modification has also made tracking of packages possible from any Wap device in 21 different languages: Danish, Dutch, English, Finnish, Flemish, French, German, Greek, Hungarian, Icelandic, Italian, Korean, Lithuanian, Norwegian, Polish, Portuguese, Russian, Slovak, Spanish, Swedish and Turkish.

In general, a growing number of participants in the transportation industry are establishing themselves on the Internet. The most common phenomena are business-to-business (B2B) transportation eMarketplaces, which are geared to drawing users and providers of transportation services together in finding the best solution to their transport management problems related to efficiency and capacity. The emerging virtual market is, nevertheless, still in its early stage where providers concentrate only on one mode of transportation and on-line users are still small in size to generate significant returns to the initial investment made by the providers to be on-line. Besides establishing a presence on the Internet through higher transaction volumes, to attract more customers, service providers must also expedite the integration of the existing traditional systems into the eMarketplaces in order to ensure uninterrupted execution of their applications.

Another kind of emerging B2B online is the virtual supply chain integration (V-SCI) network. The main role of V-SCI is to improve the competition level within the supply chain market by promoting more dynamic communication and interaction among participants of the supply chain. Such an objective will eventually be achieved with gradual streamlining of the flow of real-time critical business information. It is estimated that in the year 2004 there will be about 280,000 businesses participating in the virtual supply chain, which represent a more than 100 per cent increase over the some 25,000 existing this year. It is also estimated that transaction volume through V-SCI will multiply by approximately 200 per cent by 2004.

Large public companies, on the other hand, adapt the recent development of communication technology into their business in different manners. Sinotrans, for example, has moved to step up its distribution, delivery and inventory control by signing a cooperation agreement with Computer Associates International Inc. (CAI) of Islandia, New York and the IPACS Asia Pte. Ltd. of Singapore. Sinotrans will buy from the business software specialist, CAI, the MK Logistics distribution and

inventory control system and the business management package Unicentre TNG. The software will help Sinotrans improve the efficiency of its inventory control, distribution and delivery services, and centralize its management of the related information technology. With IPACS, Sinotrans will implement the project of installing CAI's software, starting at warehouses in Tianjin, Beijing, Guangzhou, Nanjing, Wuhan and Chengdu, of which customers include Motorola Inc. of Schaumburg, Illinois; Acer Inc., of Taiwan province of China; and many others. Sinotrans is China's largest cargo transport agency, officially known as the China National Foreign Trade Transportation Corporation. It operates by air, sea, rail and road. Among services offered are chartering, liner service, ship management and agency, courier services, container leasing, storage and warehousing, distribution and international trade.

To the Government, however, the latest communication technology is embraced in such a way as to facilitate its country's trade with the rest of the world. In the case of China, the Ministry of Foreign Trade and Economic Cooperation indicates that its 62 customs offices are now fully setup to access an electronic database of import and export permits. This arrangement is part of the effort to facilitate China's trade through more efficient customs procedures. The pilot project began in 1998 as the Ministry started collaborating with the General Administration of Customs in linking their networks for on-line processing of export and import permits. The 1999 assessment revealed that the newly installed system has improved efficiency at a number of customs offices, namely in Dalian in northeastern Lianoning province, Gongbei in southern Guangdong and Chengdu in southwestern Sichuan. It also showed that the system has drastically reduced the number of permit forgeries, which were common before the installation of the electronic permits system. In the first half of this year, China's exports and imports exceeded US\$ 100 billion, which represents a 38.3 per cent increase in exports to US\$ 114.5 billion and a 36.2 per cent increase in imports to US\$ 102.1 billion.

Demand for containers

At the beginning of the third quarter of 2000, the peak season for containers had just started in Asia. The demand for exports to North America and Europe and intra-Asia trading have increased, causing container lessors to have to increase rates in order to lower demand for containers from carriers. The mid-2000 figure suggests a 30 per cent increase in the number of full export containers compared with 1999. Shortages of space, equipment and containers have become apparent. To meet the demand, there is an increasing demand to reposition idle and empty boxes located in India, Singapore and the United States.

For the container and shipping industries, the peak is just the prelude to the long anticipated growth in global container traffic. This expectation is clearly reflected in several investments in fleet and port facilities around the world. Malaysia, for example, has formed a new company to operate two terminals at Port Kelang. It will also upgrade two of its wharves to

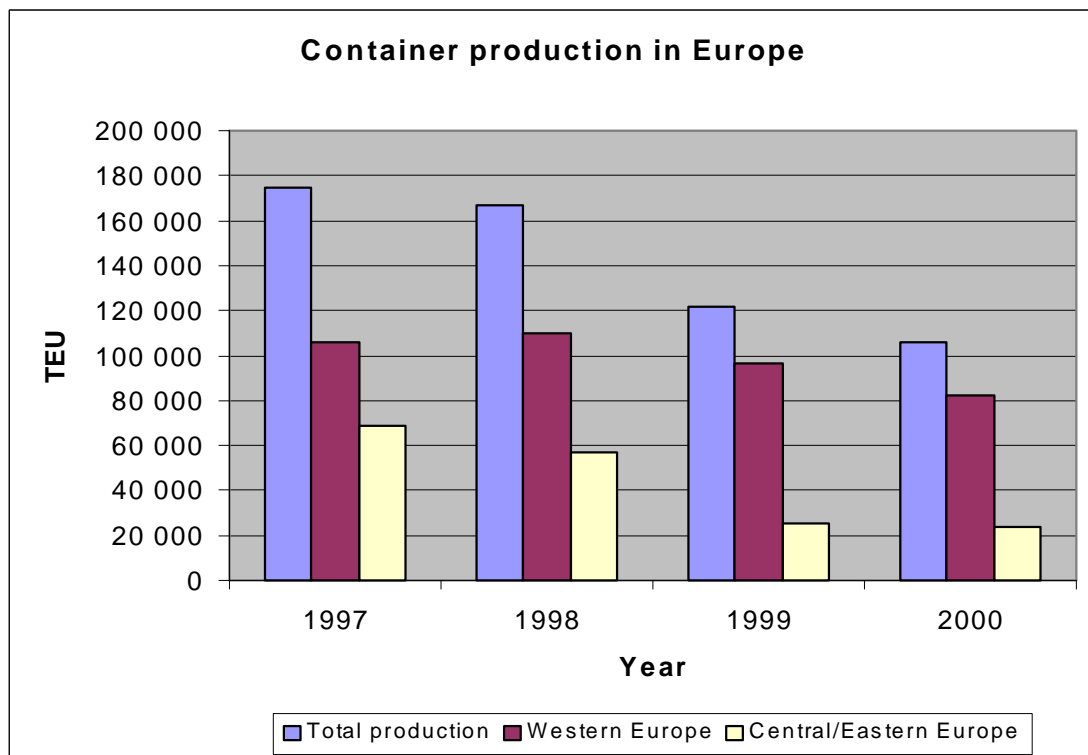
accommodate 3.6 million TEUs of containers by 2002, which will also require a further increase in depth of quay-side to 47 feet from 33 feet. This year, Port Kelang expects to accommodate 3 million TEUs of containers. At the other end of the trade, the United States has to prepare for the high season of containerized imports which started in August 2000. Long Beach container port recorded a 10.4 per cent increase in August, while the Los Angeles port recorded 30.4 per cent rise in container handling. Hapag Lloyd has also acknowledged the advent of growth in container transport, having newly acquired seven units in its fleet, thus increasing its total to 30 modern container ships. As Hapag Lloyd represents one third of the fleet of the Grand Alliance – one of the largest consortiums in international liner shipping – it has planned to further increase the consortium with four new large ships with a total capacity of 7,2000 TEUs, mainly in 2002.

World container production

The major box producer is still China, with continuing domination of nearly 70 per cent of the world output of standard 20 ft containers. The trade imbalance in 1998 seemed to affect only countries other than China causing the slowdown in total world production during the past couple of years. China's competitive edge has come mainly from low production costs, especially labour costs. To compete, other countries have gradually concentrated their resources to specialize in producing other types of boxes. Europe, for example, now has more companies concentrating on the production of swaps.

In Europe, the total production of containers has decreased by almost 50 per

cent since 1996. This decline has been mainly attributed to the rising competition from China in terms of prices of new standard boxes. In 1999, at European ports, containers from China were priced at US\$ 1700-1800 per 20 ft container. The fall in demand for standard ISO equipment has forced the European box industry to rearrange the composition of its output in order to make ends meet. Over the past four years, the industry has witnessed an increase in production of other types of boxes and equipment. For example, the swap body output was not more than 20,000 TEUs in 1995, while in 1999 was almost double. This is also true of the production of reefers, which has now almost doubled in relation to its 1997 output.

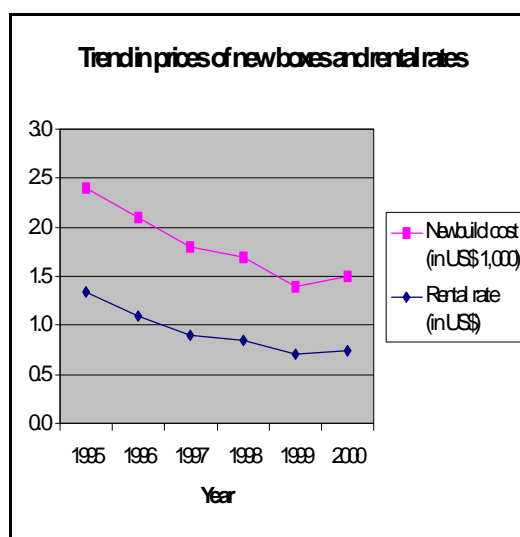


Container leasing industry

Since mid-1999, world trade has recovered from the Asian crisis. The growth in world trade has affected the demand for leased equipment in a positive way, with the result that its average utilization rate and daily rental rate have begun to improve. The industry has entered a brighter period where a continuing increase in rental rates is supported by an increase in prices of new boxes. A break-even situation, however, continues to be a remote target because of the losses accrued by the industry before 1999.

For the leasing industry, the period up to mid-1999 was difficult for a number of interdependent reasons. One is directly related

TEU purchase made a year earlier. Besides the outpurchasing of new entrants and ocean carriers, the situation was worsened by the growing pile of older containers already offhired at low demand areas around the world, especially in Europe and North America. The oversupply of new containers, together with the high number of idle old stocks, had driven the rate of utilization down to its lowest point below 80 per cent as the industry entered 1999. As regards its composition, there was an increase in the share of lessors' equipment on long-term rental by 10 per cent over the 35 per cent level in 1994. The rest of the share constituted those on master lease or offhired.



to the slowdown in trade. The low and decelerating world trade growth rate had been reflected in the dwindling growth rate of the number of operational TEU shipboard slots. In 1999, the rate had fallen by almost six points from the 8-9 per cent of the 1997-1998 rate, owing partly to the decrease in the delivery of new containerships during 1999. The growth rate of operational TEU shipboard slots is a good indicator of the rate of demand for leased equipment.

Another factor is the continuing high level of uncertainty displayed by world trade indicators, which misleads the industry into oversupplying the market with new leasing equipment. In 1998, for example, as the world economy seemed to indicate the advent of a better market, the industry made another mass purchase of more than 750,000 TEUs, which is slightly less than the at least 800,000

On another front, the continuing drop in box prices had also pushed the rate of leased boxes down further. The graph shows that the trend in prices of new boxes is followed proportionally by the leasing rates. Both prices of new boxes and rates of leased equipment reached their lowest levels at the beginning of 1999. The daily rate of long-term leased boxes, which generally consist of newer boxes, bottomed at US\$ 0.70 per day, while the rate of master leased boxes could be lowered only to slightly more than US\$ 1.20 per day, making them less attractive. The rigidity of master leased rates was mainly caused by the high fixed service cost. The combination of low utilization rate, low leasing rates and consumers' preference for newer boxes had made it even more difficult for the industry to generate profits.

As observed over the period of the downward trend, leasing companies had to find ways to generate return, for instance by reducing the number of purchases of newer boxes, as shown by the drop in total purchases of new boxes from more than 800,000 TEUs in 1997 down to slightly above 750,000 TEUs in 1998. Alternatively, companies tried to lower their service costs by improving their e-commerce element.

In the second half of 1999, prices of

new containers started and continued to pick up, pushing leasing rates higher. By the end of 1999, the five-year rental rate was US\$ 0.70 per day and the price of new 20 feet containers was about US\$ 1,400. By the end of the first half of 2000, the price of new boxes had climbed and reached US\$ 1,500 per unit, pushing the five-year rental rate up to US\$ 0.75 per day. The utilization rate had therefore improved and was estimated to be in the range of 85-90 per cent of the whole fleet of leased boxes.

Web pointers to organizations dealing with trade facilitation

TF-MMT page on UNCTAD website http://www.unctad.org/en/subsites/multimod/mt1home.htm	The site of TIR. It contains ... http://www.unece.org/trans/new_tir/welctir.htm
Trade facilitation on WTO website http://www.wto.org/english/tratop_e/tradfa_e/tradfa_e.htm	International Multimodal Transport Organization website http://www.immta.org/
Where trade efficiency issues are found on ESCWA website http://www.escwa.org.lb/escwa/divisions/economicaldev.html	FIATA website http://www.fiata.com/
TT Club website http://www.ttclub.com/	Website of Bolero net system http://www.bolero.net/
Shipping Agents Association Jordan http://www.aqabaport.com/	ACIS rail-tracker website http://www.railtracker.com/
ICC Incoterms 2000 http://rapidhttp.com/cargo/incoterm.html	ICC customs guide http://www.iccwbo.org/home/statements_rules/rules/1997/customsdoc.asp
Business and Industry Advisory Committee to the OECD - BIAC http://www.biac.org/	The Baltic and International Maritime Council - BIMCO http://www.bimco.dk/
Federation of National Associations of Ship Brokers and Agents FONASBA http://www.fonasba.com/	International Association of Ports and Harbors - IAPH http://www.iaph.or.jp/
International Air Transport Association - IATA http://www.iata.org/	International Civil Aviation Organization - ICAO http://www.icao.int/
International Chamber of Commerce - ICC http://www.iccwbo.org/	International Cargo Handling Co-ordination Association - ICHCA http://www.ichca.org.uk/
International Federation of Customs Brokers Associations - IFCBA http://www.ifcba.org/	International Monetary Fund http://www.imf.org/
International Maritime Organization - IMO http://www.imo.org/	International Road Transport Union - IRU http://www.iru.org/
International Organization for Standardization - ISO http://www.iso.ch/	Organisation for Economic Co-operation and Development - OECD http://www.oecd.org/
Southeast European Cooperative Initiative - SECI http://www.unece.org/seci/	International Air Cargo Association - TIACA http://www.tiaca.org/
Transport Corridor Europe Caucasus Asia - TRACECA http://www.traceca.org/	International Union of Railways - UIC http://www.uic.asso.fr/
International Union of Private Wagons - UIP http://www.uiprail.org/	International Union of Combined Road-Rail Transport Companies - UIRR http://www.uirr.com/
Economic Commission for Europe UN/ECE Transport Department http://www.unece.org/trans/Welcome.html	Economic and Social Commission for Asia and the Pacific: Transport, Communications, Tourism and Infrastructure Development Division (TCTIDD) http://www.unescap.org/tctd/index.htm
United Nations Conference on Trade and Development http://www.unctad.org/	World Customs Organization - WCO http://www.wcoomd.org/

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?

	Excellent	Good	Adequate	Poor	Not applicable
Presentation and readability	[]	[]	[]	[]	[]
Wealth of information	[]	[]	[]	[]	[]
Up-to-date information	[]	[]	[]	[]	[]
Technical accuracy	[]	[]	[]	[]	[]
Quality of analysis	[]	[]	[]	[]	[]
Validity of conclusions	[]	[]	[]	[]	[]
Clarity of recommendations	[]	[]	[]	[]	[]
Comprehensiveness of coverage	[]	[]	[]	[]	[]

4. Do you have any other observations?

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.....

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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