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Outcome of the meeting “Globalization of port logistics: opportunities and challenges for developing countries”

Pre-conference event, Geneva, 12 December 2007

Note prepared by the UNCTAD secretariat

Summary of discussions

1. The purpose of this pre-conference event was to address the opportunities and challenges facing developing countries in the light of the recent globalization of port logistics services. The meeting was attended by 76 participants from more than 42 countries representing Governments, international organizations, academia and industry.
2. In the context of world trade and logistics development, ocean carriers saw location, operating efficiencies, political setting and good governance as key factors in selecting a port of call. Rail and road infrastructure close to storage, production and distribution centres added to the attractiveness of ports. Ocean carriers also faced challenges relating to “green shipping”, environmentally friendly operations and competition for the use of land and public funds.
3. Regarding port logistics development, it was noted that increased traffic was putting pressure on port infrastructure and operational requirements. As economic development was not possible without an adequate port infrastructure, it was clear that strong trade growth would place further demands on container terminal capacity. The utilization of current global terminal capacity, forecast to reach 95 per cent in 2011, would create congestion. The current growth in container traffic and anticipated future demand meant that countries were in a catch-up phase regarding the creation of container-handling capacity. Worldwide constraints on container terminal development included (a) long lead times from planning to construction; (b) environmental, safety and security requirements; (c) landside connections and (d) the limited number of natural deepwater sites. In many new concessions, privatization and the lack of skilled labour or good governance also posed challenges.

4. With regard to inland connections to global networks, it was noted that inland transport costs could be two or three times higher than ocean transport costs. The main bottlenecks identified related to carriers' delays, infrastructure limitations for trucks and trains at the gate and inside the terminals, security measures, opening hours of public services such as customs, and the lack of value added services (e.g. container repair facilities). Action by the Port of Rotterdam to address congestion and delays and the example of the Port of Duisburg as a hinterland hub were presented as examples.

5. With regard to the expected benefits of the globalization of terminal services, it was explained that maritime logistics were extremely important for countries and regions where a significant majority of merchandise was carried by sea. Traffic through Indian ports had almost doubled between 2000 and 2007. Container traffic was forecast to more than double by 2012. To address that challenge, the Indian Government had launched several public-private partnership initiatives to develop port logistics and increase capacity at other ports. Meanwhile, emerging markets offered investment incentives to international terminal operators in the light of the growth potential in many developing countries, low-cost bases and satisfactory returns on investment. Important factors identified by those operators when deciding to enter a given market included the existence of a proper concession process, a clear role for the port authority and port regulator, a detailed plan for labour reform and tariff flexibility.

6. Multilateral negotiations on freight logistics services under the General Agreement on Trade in Services were also discussed. It was explained that, even though the negotiations were facing a stalemate, all countries, including developing countries, stood to gain from greater liberalization of freight logistics services. Possible risks were exposed, resulting from the fact that current container terminal concessions were not yet part of, or protected by, any World Trade Organization agreement on services.

7. A summary of the industry outlook and potential developments highlighted the importance of public-private cooperation in terminal development. It was noted that, although port development was largely driven by global trade, care had to be taken to ensure that port planning was not considered in isolation from other national, regional or international networks. A national transport investment policy that took account of the interests of all stakeholders should be developed.

8. A number of industry practices (e.g. free storage, the unstripping of containers in ports or restrictions on the movement of empty containers between ports) were seen as harmful to transport efficiency. A review of national port practices should be undertaken with a view to eliminating restrictive processes, inefficiencies, delays and bottlenecks, whilst promoting greater cooperation between different modes of transport.

9. It was noted that, as negotiations on logistics services at WTO moved forward, decision makers were likely to be aware of the benefits derived from liberalizing services and private sector participation, when appropriate.

10. It was highlighted that landlocked developing countries transport difficulties were caused in large part by the availability and efficiency levels of port infrastructures and services in neighbouring transit countries. It was suggested that experts on logistics convey a well-documented message directly to Governments.

11. Finally, it was suggested that government policies in the transport sector were crucial to support trade and development efforts and should focus primarily on:

- (a) Coherent policies whereby transport and port development were seen as part of development policies, which created employment and value added services, and promoted trade;
- (b) Appropriate regulatory framework conducive to private sector involvement in port logistics through public–private partnerships or other mechanisms; and
- (c) Appropriate facilitation measures aimed at eliminating restrictive process, inefficiencies, delays and bottlenecks.

12. The participants considered that UNCTAD should continue to help increase the awareness and understanding of the above issues by policymakers in order to design suitable regulatory frameworks that would ensure Governments kept control of port development and at the same time attracted private participation as required. This could be achieved through research and analysis of specific relevant topics, technical meetings to exchange views and experiences, and the provision of technical assistance and capacity-building upon request.
