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Editorial

Dear readers:

UNCTAD's next Expert Meeting will deal with "Regional Cooperation in Transit Transport Solutions for Landlocked Developing Countries". Please mark your agendas for 27–28 September 2007 (page 4).

In this Transport Newsletter we report on the outcome and recommendations of UNCTAD's Commission on Enterprise, Business Facilitation and Development (page 4), as well as on two new UNCTAD publications: one on maritime security (page 8), and the other on trade in services (page 13). The previously announced "Trade Facilitation Handbook Part II: Technical Notes on Essential Trade Facilitation Measures" is now also available in French and Spanish (page 7). Two topical articles look at "Developments in the Field of Carriage of Goods by Air: Status Update for Montreal Convention 1999" (page 12) and "Liner Shipping Freight Rates and Competition among Carriers" (page 14).

The featured topic of the Global Facilitation Partnership (GFP) is "A Business Prospective on Capacity-Building for Trade Facilitation" (page 7). We also report on activities of the Mekong River Commission (page 11) and the Business Alliance for Secure Commerce (BASC) (page 12).

Finally, we include the regular update on "New Contracting Parties to International Conventions Adopted under the Auspices of UNCTAD" (page 16) and on upcoming events (page 16).

For feedback, comments and suggestions for our next UNCTAD Transport Newsletter (No. 36, Second Quarter 2007), please contact Jan Hoffmann at jan.hoffmann@unctad.org before June 2007.

The Trade Logistics Branch Team

Geneva, April 2007

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UNCTAD Expert Meeting on Regional Cooperation in Transit Transport

Expert Meeting to take place 27 and 28 September 2007, entitled "Regional Cooperation in Transit Transport: Solutions for Landlocked Developing Countries"

The lack of access to the sea adversely affects the competitiveness of landlocked developing countries (LLDCs) and hence their ability to participate in and benefit from international trade. UNCTAD has for many years worked to provide tangible solutions to the problems faced by LLDCs and transit developing countries. It is UNCTAD's experience that the establishment of efficient transit transport systems, which utilize infrastructures and facilities along transit routes, depends mainly on successful cooperative arrangements between LLDCs and their neighbours. Emerging transport management techniques, such as incorporating information and communication technology (ICT) into integrated transport systems and door-to-door logistic services, can be highly effective in improving transit transport efficiency.

The concerns of landlocked and transit developing countries were comprehensively addressed by the international community at the Ministerial Conference on Transit Transport Cooperation, held in Almaty, Kazakhstan, in August 2003. The United Nations General Assembly, at its recently-concluded 61st session, adopted resolution 61/212, calling for a Mid-Term Review (MTR) to assess progress in the implementation of the Almaty Programme of Action. In this context, the Assembly also requested UNCTAD to provide substantive inputs to this process. The expert meeting will be part of this effort, and will also support the preparatory process of the countries directly concerned.

The expert meeting will support landlocked countries and their partner transit countries in their common endeavours to improve international transit transport operations through practical solutions, including the use of information technologies and systems such as the Automated System for Customs Data (ASYCUDA).

Among other issues, the experts will review:

- institutional and operational arrangements for multimodal door-to-door transport operations;
- the use of management information systems along transit supply chains;
- best practices of successful transit arrangements in developing countries; and
- central elements for improving the efficiency of transit transport operations.

For further information contact Poul Hansen, Economic Affairs Officer, Trade Logistics Branch, UNCTAD, poul.hansen@unctad.org.

February 2007 Commission on Enterprise, Business Facilitation and Development

As announced in the previous Transport Newsletter, UNCTAD's Commission on Enterprise, Business Facilitation and Development met for its eleventh session from 19 to 23 February 2007 in Geneva. Item 4 of the agenda was "Efficient Transport and Trade Facilitation to Improve Participation by Developing Countries in International Trade".

Chairperson's summary

In introducing this item, the secretariat noted that international transport costs are greater than customs duties as a barrier to international trade, and developing countries are more affected by such underlying costs than are developed countries. The incidence of transport costs is even higher for the most vulnerable countries, such as LLDCs. Higher transport costs negatively affect a country's ability to trade, and consequently to attract investment. This often leads to a vicious circle, where high transport costs hinder trade, and low trade volumes lead to diseconomies of scale, which further increase transport costs. In an effort to reduce transaction costs, therefore, the countries concerned require access to competitive transport services and a facilitating environment.

In order to enhance their competitiveness, countries need to identify their trade and transport facilitation needs and priorities, and embark on coherent trade facilitation programmes. In order to make effective trade facilitation programmes possible, conformity with and implementation of internationally uniform laws, rules and standards are crucial. In this context, emerging issues such as security and environment must also be taken into account.

In the discussion that followed, it was pointed out that transit and waiting times also cause traders to incur inventory costs and costs related to guarantees. With reference to the possibilities of achieving win-win situations for both landlocked countries and transit developing countries, it was noted that transit trade and transport require holistic solutions. Regarding environmental considerations, in particular those relating to climate change and the relevant regulatory responses, the UNCTAD secretariat was encouraged to monitor developments and report on ongoing activities.

The Vice-Chairperson of the Expert Meeting on ICT Solutions to Facilitate Trade at Border Crossings and Ports presented the main findings of the meeting in document TD/B/COM.3/EM.27/3. The experts considered emerging issues in the areas of trade and transport facilitation, and ICTs. Major factors which have a bearing on the use of ICTs in trade and transport facilitation, as well as on the design and implementation of customs modernization programmes, include globalized production and trade, logistics and supply chain developments, multimodal and door-to-door transport, expanded industry portals and e-commerce.

A panellist presented the issue of good practice in trade facilitation and capacity-building. With the resumption of the negotiations at the World Trade Organization (WTO), countries could proceed with their needs assessment and undertake the necessary trade facilitation reforms. The adoption of three groups of measures could help countries move towards accepted international standards in this field, namely: (a) basic international norms such as the harmonized system of tariffs, the United Nations data formatting and transmission norms, and the permitted level of fees and charges; (b) transparent management, which implies respecting the rights of users, publication of all relevant documents and guidelines for users (at best in one single enquiry point), and ensuring a fair and timely appeal process; and (c) a gradual passage to greater efficiency, which implies adequate risk management and advanced use of modern telecommunications and automated data management techniques, which will lead to passage to an automated single window. The last group of measures will require efficient links with all actors, including traders, border agencies, banks and insurance companies, port authorities and transport companies, as well as the maximum number of investment and management changes.

A notable acceleration of trade facilitation reforms around the world has been observed in the last 10 years, for a number of reasons. These include the great profitability of such reforms, inclusion of trade facilitation and capacity-building measures in regional and preferential trade agreements, successful corridor developments in certain regions, and the WTO negotiations on trade facilitation. However, it was noted that various groups of countries were currently at various stages of implementation of different trade facilitation measures. Three crucial features for the successful initiation of trade facilitation reform by countries were highlighted: (a) making trade facilitation a central priority of Governments and confirming it through concrete action; (b) ensuring the participation of reform's main private and public stakeholders in the process; and (c) establishing a policy and management planning unit, usually in customs, able to analyse reform options and make concrete proposals.

Delegates stressed the importance of UNCTAD's participation in the support to the negotiations on trade facilitation in the context of the Doha Development Round.

Panellists identified a number of key obstacles to cross-border road transport, including long waiting times, transport quotas and licences, non-compliance with most-favoured-nation treatment, requirements for trans-shipments, mandatory convoys, the mandatory use of certain commercial services, difficulties in obtaining visas for drivers, transit fees and documentation requirements. Solutions to overcoming existing obstacles require the adaptation of trade procedures to international standards and investment in infrastructure. Often, reforms require a change in the mindset of stakeholders.

In the context of transit transport, panellists highlighted the need for a transit system, for example Transports Internationaux Routiers (TIR), so as to avoid unnecessary high costs and delays arising from exposing transit goods to national procedures reserved for processing exported and imported goods at border-crossing points. The TIR system is an international transit system for goods carried entirely or partly by road. It is currently operational in 55 countries, where it facilitates transit movements through the use of standard controls and documents, and cuts transport costs by reducing formalities and delays in transit operations.

During the subsequent discussion, it was pointed out that in some regions efforts to set up customs transit arrangements had failed, owing to the lack of a robust and efficient guaranteeing system, which is a prerequisite for any customs transit regime. At present, attempts are under way to introduce the concepts of the TIR system in developing regions.

UNCTAD plays a leading role in inter-agency coordination under the auspices of the United Nations High Level Committee on Programmes (HLCP). It also actively participates in the Global Facilitation Partnership for Transportation and Trade which, in addition to the agencies involved in the HLCP process, includes national institutions, non-governmental organizations (NGOs) and private sector operators.

Agreed recommendations

Regarding trade logistics, the following are the agreed recommendations of the Commission:

"3. Given the critical role played by transport and trade facilitation in enhancing the efficiency of supply chains, while analysing and reporting on issues and developments relating to international transport and trade facilitation and their implications for developing countries with a focus on the special situation of landlocked and transit developing countries, UNCTAD should pay particular attention to identifying and analysing the linkages between access to and supply of transport services, a facilitative trade environment and development prospects within globalized trade and production networks.

"4. UNCTAD should enhance cooperation with member States in their effort to devise and implement national and international policies aimed at promoting transport and trade facilitation, including transport and transit corridors, in coordination with other relevant organizations. Assistance should continue to be provided to developing countries, in particular least developed countries, and to countries with economies in transition to support their participation in transport and trade facilitation negotiations, particularly in the context of the Doha Development Round."

For the complete report of the Commission and background documentation see www.unctad.org/Templates/Meeting.asp?intItemID=1942&lang=1&m=12715&year=2007&month=2.

Trade Facilitation Handbook Part II: Technical Notes on Essential Trade Facilitation Measures

Part II of the Handbook is now available in its French and Spanish versions, in addition to English.

The document consists of a collation of technical notes on the most important trade facilitation measures countries should consider when reforming their trade, transport and customs operations. Written by experts in their respective areas, these notes provide technical and practical detail. They complement Part I of the Handbook on National Facilitation bodies, which focused on institutional structures and consensus-building between government and private sector stakeholders for identifying and implementing trade facilitation measures in a given country.

English version: http://www-dev.unctad.org/en/docs/sdtetlb20052_en.pdf
French version: http://www-dev.unctad.org/fr/docs/sdtetlb20052_fr.pdf
Spanish version: http://www-dev.unctad.org/sp/docs/sdtetlb20052_sp.pdf

GFP Featured Topic: A Business Prospective on Capacity-Building for Trade Facilitation

As has become regular practice, the Transport Newsletter introduces the current "featured topic" at the Global Facilitation Partnership (GFP).[1]

Introduction

The task of improving trade facilitation has attained a high profile and broad political support, thanks to the converging efforts of WTO, the World Customs Organization (WCO), other intergovernmental bodies and donor organizations, and the private sector. Most Governments now understand and appreciate the potential for additional trade and investment benefits, including increased customs revenue, through improved trade facilitation. Many Governments continue to make improvements unilaterally, to make their nations more efficient platforms for trade and investment.

There is also a parallel convergence on what steps need to be taken, for example, with the establishment of the Revised Kyoto Convention, the WCO SAFE Framework of Standard to Secure and Facilitate Global Trade, the International Chamber of Commerce (ICC) Customs Guidelines, and the emerging text of the WTO facilitation talks.

Potential resources are mounting with the Aid for Trade Commitments, new donor emphasis on trade facilitation, and WCO's Columbus Programme to implement the SAFE Framework.

These multilateral developments are sharpening the focus on implementation and capacity-building at the national level.

Business as well as Governments and international organizations have been involved in capacity-building related to cross-border transactions and customs issues for some time. A large proportion of the funding and technical assistance has been undertaken in the form of isolated projects, and has not been part of a coherent improvement process using recognized best practices. As a result, improvements in the management and control of international trade have not progressed as much as might have been expected, considering the resources that have been applied to capacity-building.

[1] www.gfptt.org/topics/Capacitybuilding.

The ICC, representing the world business community in 130 countries and thousands of companies and associations around the world, has offered some practical recommendations to avoid waste and duplication in this phase of capacity-building.

Where to start

The ICC recommendations are enumerated in a January 2007 article entitled "The International business perspective on capacity building to improve trade facilitation",[2] which is based on the ICC's Policy Statement of September 2003, "Capacity building to improve trade facilitation"; it outlines several points of concern that need to be addressed if the new wave of trade facilitation capacity-building is to be more successful than previous efforts, and it includes an outline of the ways that private companies can be constructively engaged. Other suggested starting points are the WCO's Columbus Programme[3] and the recent World Bank article "Implementing the WTO Agreement on Trade Facilitation: What Makes Sense?" by J. Michael Finger and John S. Wilson.[4]

For further information visit www.gfptt.org.

Maritime Security: ISPS Code Implementation, Costs and Related Financing

New UNCTAD report, UNCTAD/SDTE/TLB/2007/1

As previously announced (Transport Newsletter No. 33, Third Quarter 2006), the UNCTAD secretariat has conducted a global government and industry survey on International Ship and Port Facility Security (ISPS) Code implementation, costs and related financing. A report presenting the results of the survey has been published and is available for downloading at www.unctad.org/ttl/legal. The executive summary of the report is reproduced below.

On 1 July 2004, the 2002 amendments to the 1974 International Convention for the Safety of Life at Sea (SOLAS) and the new International Ship and Port Facility Security (ISPS) Code entered into force and became mandatory for all SOLAS member States. The SOLAS amendments and the ISPS Code (hereinafter jointly referred to as the ISPS Code) impose wide-ranging obligations on Governments, shipping companies and port facilities. Implementing these obligations entails costs and potential economic implications.

Against this background, UNCTAD conducted a global study based on a set of questionnaires designed to obtain first-hand information from all affected parties. The main objective was to establish the range and order of magnitude of the ISPS Code-related expenditures made from 2003 through 2005, and to gain insight into the financing mechanisms adopted or envisaged. In addition, the study sought to clarify matters relating to the implementation process, level of compliance and other less easily quantifiable impacts. Due to limited responses received from the shipping sector, the report presents responses received from ports and Governments only.

A: Ports Questionnaire

A total of 55 completed questionnaires were received from respondent ports spread over all regions, the majority in developed countries. Together, respondent ports that provided information on cargo throughput handle about 16 per cent of the global port cargo throughput

[2] www.iccwbo.org/uploadedFiles/ICC/policy/customs/pages/The_Business_Perspective_on_Capacity_Building(1).pdf.
[3] www.wcoomd.org/ie/en/Topics_Issues/CustomsModernizationIntegrity/HH0018E1a.pdf.
[4] http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2006/07/21/000016406_20060721143416/Rendered/PDF/wps3971.pdf.

(tons), based on 2004 world seaborne trade figures, and approximately 24 per cent of the global container port throughput (twenty-foot equivalent units (TEUs)).[5]

Implementation, Supplementary Measures and Level of Compliance

Full compliance seems to have been achieved with no major difficulties. The mandatory requirements in Part A of the ISPS Code are largely fulfilled on the basis of the guidance contained in Part B of the Code. In many cases, additional measures, either Government- or industry-driven, have been adopted.

Cost of Compliance

Reported initial cost figures for respondent ports range from a low of $3,000 and a high of $35.5 million, while reported annual costs range from $1,000 and $19 million. Unit costs and averages have been assessed on the basis of a number of parameters. These include respondent ports' annual revenues, cargo throughput (tons and TEUs), ship calls and number of ISPS port facilities. The unit cost analysis revealed the presence of important cost differentials between respondent ports, especially between larger and smaller ports. In other words, relative costs appear to be substantially higher for smaller respondent ports.

As to the manner in which costs are distributed among various cost headings, responses received suggest that, on average, expenditures on equipment absorb the largest share of the initial costs, followed by expenditures on infrastructure and to a lesser extent other cost headings. With respect to the annual costs, on average, personnel and staff time represent, by far, the largest share of the ISPS Code-related costs. Other cost headings take up a smaller share of the annual costs.

Global initial and annual costs were also estimated on the basis of cost data provided, as well as reported cargo throughput (tons and TEUs) and number of ISPS port facilities. The share of relevant respondent ports of world seaborne trade measured in tons is estimated to be about 13 per cent, while their share of global container port throughput and total number of declared ISPS port facilities is estimated to be approximately 16 per cent and 6 per cent respectively.[6] While the accuracy of such calculations is limited, the estimated global port-related costs of the ISPS Code range from approximately $1.1 billion and $2.3 billion initially, and approximately $0.4 billion and $0.9 billion annually thereafter. These costs are equivalent to increases in international maritime freight payments of about 1 per cent with respect to the initial expenditure and 0.5 per cent with respect to the annual expenditure.[7]

Financing the ISPS Code-related Costs

A number of respondent ports have implemented or plan to implement cost-recovery schemes. Where applicable, ports seem to favour levying security charges on several types of port users, particularly cargo and containerized traffic. In general, less than full recovery of both initial and annual costs is expected. As to security charges applied, responses received did not shed much light on the criteria used for setting the basis and the levels of the charges.

The survey also revealed that some ports had received public funding and assistance. Where applicable, assistance included governmental grants and cost-sharing agreements, mainly for respondent ports located in developed regions. Respondent ports in developing countries appear

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[5] See pages 8 and 77 of UNCTAD's *Review of Maritime Transport 2006* (www.unctad.org/rmt2006) for data on global container port throughput and seaborne trade.

[6] 2004 data on global container port throughput and seaborne trade have been used (see UNCTAD's *Review of Maritime Transport 2006*). According to the International Maritime Organization (IMO) secretariat, as of October 2006 the total number of the declared ISPS port facilities amounted to 10,652.

[7] See UNCTAD's *Review of Maritime Transport 2006* (www.unctad.org) for 2004 data on global freight costs. The 2004 data on international maritime freight costs have been estimated by the UNCTAD secretariat to be about 67 per cent of global freight costs.

to have benefited mainly from technical assistance and capacity-building provided by international organizations.

Ports' Perception of Other Effects

Ports seem to have accepted the ISPS Code objectives as legitimate, and reported an overall positive impression of the new security regime, especially in terms of increasing awareness, streamlining processes, standardizing risk assessment and improving business practices. Respondent ports that emphasized the negative impacts associated with the Code appeared particularly concerned about operational interference, as well as cost implications and related funding requirements. In this respect, some respondent ports have called for assistance.

As to the Code's impact on various port performance measures, such as efficiency, use of ICTs and throughput growth, respondent ports' perceptions appeared rather positive. Some, however, reported experiencing increased delays, and few noted a decrease in competitiveness, while many said the ISPS Code had had no impact at all.

B: Governments Questionnaire

A total of 45 responses were received from Governments of countries representing about 24 per cent of United Nations membership. Responses received span all regions with the exception of North America and Oceania.

Implementation Process and Compliance

All respondent Governments are Contracting States to the SOLAS Convention, and most have delegated certain security duties to Recognized Security Organizations (RSOs). Most respondent Governments reported that they had relied on dedicated legislative and regulatory instruments to ensure national implementation of the Code, including the monitoring of initial and subsequent compliance.

With few exceptions, including in relation to resource limitations, Governments reported that compliance with the ISPS Code by their respective national ports and shipping sectors had been achieved with no major difficulties. Compliance with the mandatory provisions of Part A of the Code has been achieved mainly on the basis of the guidance provided in Part B. The majority of respondent Governments indicated that additional measures affecting their respective national ports and the shipping sectors had been adopted to supplement the ISPS Code requirements.

Implementation and Compliance Costs

Reported initial cost figures range from $13,500 and $50 million, while annual costs range from $1,500 and $27 million. This provides an indication of the range of ISPS Code-related expenditures on the part of Governments. However, the limitations that characterize data on costs obtained require that these be considered as broadly indicative only.

Financing Governments' ISPS Code-related Costs

There are various approaches and degrees of external support to SOLAS Contracting Governments, since not all respondent Governments have benefited or expect to benefit from assistance. Assistance received by Governments mainly took the form of capacity-building, technical assistance and grants. As to cost-recovery, for the majority of respondent Governments, costs appear not to be recovered through user fees or charges. That being said, where applicable, the favoured approach for Governments appears to be the application of fees for the issuance and renewal of certificates and audit fees.

Governments' Financial Assistance to their National Ports

Some respondent Governments have assisted or plan to provide assistance to their respective national ports. Grants and cost-sharing arrangements appear to be the most common type of assistance provided by Governments to their respective national ports. Some Governments have also provided technical assistance to their ports.

Governments' Perception of the ISPS Code's Overall Impact

Summarizing the overall impact of the ISPS Code on their respective countries, a significant majority of respondent Governments highlighted the positive impact of the new IMO security regime. Some argued, however, that it was expensive to implement and additional guidance was required. Others had a negative perception of the Code due to their resource limitations. In this respect, a number of respondent Governments, especially from developing countries in Africa, stressed the need for international assistance and cooperation.

The complete report can be downloaded via www.unctad.org/ttl/legal.
For further information, contact Regina Asariotis, Chief, Policy and Legislation Section, Trade Logistics Branch, UNCTAD, at regina.asariotis@unctad.org or Hassiba Benamara, Economic Affairs Officer, Trade Logistics Branch, UNCTAD, at hassiba.benamara@unctad.org.

Navigational Aids on the Mekong River

The Mekong River Commission (MRC) has laid the inaugural navigational buoy in the Chaktomouk area in the access channel to Phnom Penh Port, as the start of what will be the first 24-hour navigational aid system on the Mekong River in Cambodia. The Aids to Navigation on the Mekong River Project is part of the MRC's Navigation Programme, which is funded by the Government of Belgium.

Over the next six months, the project will install 12 leading markers and 56 buoys of three different types over a 100-km stretch of the Mekong River. These buoys will mark a safe channel from Phnom Penh Port to the Cambodia–Viet Nam border, the busiest stretch of the Mekong in Cambodia. The installation of this internationally-recognized system of aids to navigation — such as buoys, beacons and shore marks — aims to improve safety and efficiency of navigation so that seagoing vessels and inland barges can safely navigate 24 hours a day.

Shipping is being hindered by numerous shoals, sand banks, shipwrecks and other obstacles. A lack of aids to navigation is the main cause of various accidents such as collisions and ships running aground, and pollution that threatens the ecosystem of the river. This also results in a loss of opportunities, as investors see navigation as an adventure rather than a transport mode which can provide a reliable schedule for cargo forwarders. This system is expected to be of assistance to Cambodia in increasing its export potential, as the river will become a reliable and more economic form of transport. The quality of waterborne transport will be improved, waiting times will be shortened, night navigation will be possible, and river transportation will be more cost-effective and efficient. A cost-benefit study has shown that up to $45 million per year in transport costs can be saved, as the Mekong River can be used to transport containers between Phnom Penh and Ho Chi Minh City and also directly to ports such as Singapore and Hong Kong, China. This stretch of the river is part of the international shipping route that connects Phnom Penh Port with the sea whilst passing through the delta in Viet Nam. Although international shipping from countries outside the Basin to and from Cambodia and Viet Nam on the Mekong River System exists, there is great potential for increased maritime shipping. This initiative should assist in supporting the overall development of navigation on the Mekong.

For more information contact Captain Lieven Geerinck, Geerinck@mrcmekong.org, or Ms. Virginia Addison, virginia@mrcmekong.org, or visit http://www.mrcmekong.org/.

Business Alliance for Secure Commerce (BASC) — Security Standards as a Trade Facilitation Tool

The implementation of trade facility measures is not just the responsibility of public authorities such as customs administrations; the private sector, too, needs to protect its commerce from acts of terrorism and from contraband of merchandise and narcotics. During the last 10 years, BASC has been recognized as a model for cooperation programmes, thanks to the successful association between the private sector, customs administrations, Governments and international organizations aimed at an agile and secure trade.

Customs administrations are today involved in tasks beyond their traditional duties, in particular regarding national security. New controls applied at borders as well as security requirements in ports and airports have obliged companies to modify the way they do business. New security measures and increased controls have an important impact in trade, potentially raising costs and transit times, thus representing new trade barriers.

A Security and Control Management System (SCMS) improves logistics processes and prevents terrorism and drug trafficking, which affect legitimate commerce. If such a system is recognized by customs administrations, operations can be expedited, providing benefits to traders with simplified customs procedures, dispatching merchandise in an agile and secure manner, saving time and money.

Policies and procedures of the BASC SCMS provide for compliance with legal requirements. They define the security system and responsibilities, taking into account human resources, the security of facilities, information and goods, as well as the selection of suppliers and clients. The BASC SCMS is based on strategic alliances that aim to strengthen supply chain security. BASC-certified companies benefit from a strong and confident image in international markets, and have direct and permanent contact through their national chapters with customs authorities and international organizations that participate in the programme.

Almost 1,800 companies in 13 Latin American countries take advantage of more secure commerce thanks to recognition of the BASC SCMS by more than 20 customs administrations and international organizations in the United States, Europe and Latin America.

For further information visit www.wbasco.org.
Marcel Barcelo, Executive Director, BASC Uruguay, marcel.barcelo@basc.org.uy.

Developments in the Field of Carriage of Goods by Air: Status Update for Montreal Convention 1999

As noted in Transport Newsletter No.32, [8] a report entitled “Carriage of Goods by Air: A Guide to the International Legal Framework” (UNCTAD/SDTE/TLB/2006/1),[9] had been published by the UNCTAD secretariat in June 2006. The report provides an overview of the complex international framework of conventions governing carriage of goods by air, with a view to assisting developing countries in the effective implementation and application of the diverse international conventions at the national level. As may be recalled, the international legal framework for carriage by air remains particularly complex, due to continued coexistence at the international level of the Montreal Convention 1999,[10] which entered into force in late 2003, and the earlier Warsaw system conventions.[11] Readers of the UNCTAD report may be

[8] UNCTAD Transport Newsletter, No.32, Second Quarter 2006, http://www.unctad.org/en/docs/sdtetlbmisc20062_en.pdf.
[9] The text of the report is available at the UNCTAD website, www.unctad.org/ttl.
[10] *Convention for the Unification of Certain Rules Relating to International Carriage by Air*, Montreal, 28 May 1999.
[11] The Warsaw Convention 1929, as amended by a number of Protocols and supplemented by the Guadalajara Convention 1961, is collectively known as the “Warsaw system of conventions”.

interested to learn that the Montreal Convention 1999, which represents the most modern, consolidated convention text, has recently been adopted by an additional six States.[12]

Convention for the Unification of Certain Rules Relating to International Carriage by Air, 28 May 1999

Entry into force: 4 November 2003; States Parties 76

	Date of deposit of instrument of ratification (r) or accession (a)	Date of entry into force
Bosnia and Herzegovina	9 March 2007 (a)	8 May 2007
Brazil	19 May 2006 (r)	18 July 2006
Ecuador	27 June 2006 (a)	26 August 2006
Madagascar	28 December 2006 (r)	26 February 2007
Pakistan	19 December 2006 (r)	17 February 2007
South Africa	22 November 2006 (r)	21 January 2007

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Challenging Conventional Wisdom: Development Implications of Trade in Services Liberalization

A report by Luis Abugattas Majluf and Simonetta Zarrilli, Division on International Trade in Goods and Services, and Commodities, UNCTAD.

The implications of trade in services liberalization on poverty alleviation, welfare and the overall development prospects of developing countries remain at the heart of the debate on the interlinkages between trade and development. Assessing the actual and potential implications of services liberalization in developing countries is a complex exercise. Empirical studies remain anecdotal, with examples concerning a rather limited number of countries and services sectors. Quantitative assessment has produced inconclusive results. Moreover, a number of theoretical and methodological issues need to be addressed. Among those is the fundamental issue of whether the theoretical assumptions justifying reform in the goods sector can be directly and fully transferred to the services sector, and what the possible implications of such a transfer for welfare, equitable public policies and democratic sustainability could be. Answering these questions is a precondition for formulating policy recommendations to developing countries, and for those countries to put in place sound domestic policies and accept international obligations that bind them to certain policy options. This paper holds the view that trade in services has some specificities, above all the movement of factors of production, which make it rather different from trade in goods.

This paper reaches the overall conclusion that liberalizing trade in services, under appropriate regulatory and policy frameworks, may contribute to enhancing global welfare through increased efficiency, lower prices and greater choice of services, as well as increased competition at a country level. Liberalization is expected to be instrumental to expand access to basic services and contribute, therefore, to reducing poverty and achieving the Millennium Development Goals (MDGs). Developing countries, however, face a number of structural weaknesses that jeopardy the achievement of the above-mentioned results, namely poor or

[12] For more information on the status of the Montreal Convention 1999 and other air law instruments, visit the ICAO website: http://www.icao.int/icao/en/leb/treaty.htm.

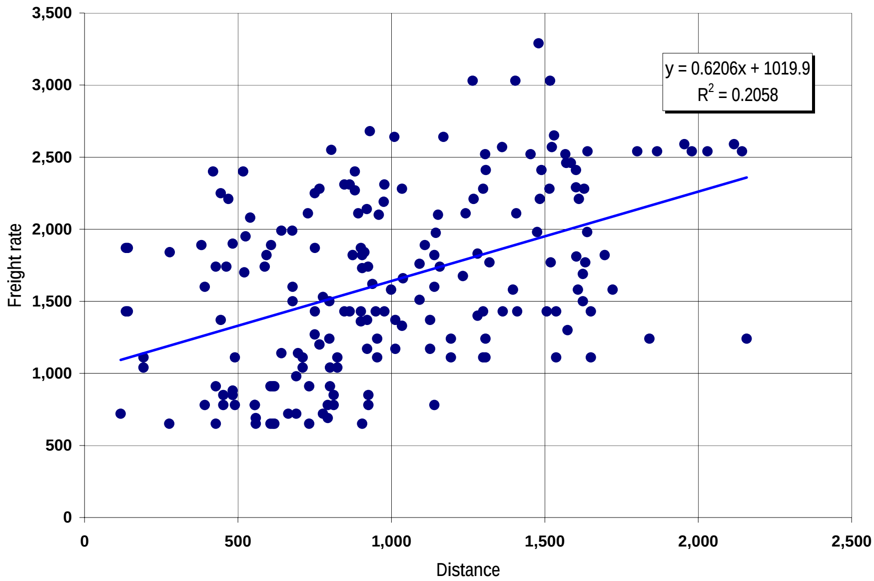
inexistent regulatory frameworks, difficulty in putting in place the right sequencing of policy reforms and liberalization initiatives, inability to compete with TNCs, numerous and fragile SMEs, poor access to capital and technology, pressure from investors and trade partners, huge fiscal deficits.

To download the complete document, visit *www.unctad.org/en/docs/ditctabpov20061_en.pdf*

Liner Shipping Freight Rates and Competition among Carriers

Following previous articles in the Transport Newsletter about transport costs and the geography of trade,[13] in the present article we report on ongoing research about the statistical correlation between freight rates, distance and the number of companies providing direct liner shipping services.

Figure 1: Correlation between freight rate ($) and distance (km)



Distance is usually assumed to be among the main determinants of transport costs and thus also of the trade competitiveness of countries. For a sample of 189 liner shipping freight rates for the Caribbean,[14] taken in July 2006, the general positive correlation between distance and freight rates is confirmed in principle (Figure 1). However, statistically, distance explains only one fifth of the variance of the freight rate.

The number of liner shipping companies providing direct services between pairs of countries appears to have a stronger impact on the freight rate than does distance. For routes where there is no company providing direct service, where all containerized maritime trade involves at least one trans-shipment in a third country's port, freight rates in our sample range from $1,170 and $3,290, with an average of $2,056. For routes with one to four carriers providing direct services, the reported freight rates range from $650 and $2,250, with an average of $1,449. When there are five or more competing carriers providing direct services, the freight rate ranges from $650 and $1,730, averaging $973. Statistically, the number of carriers explains around two fifths of the variance of the freight rate (Figure 2).

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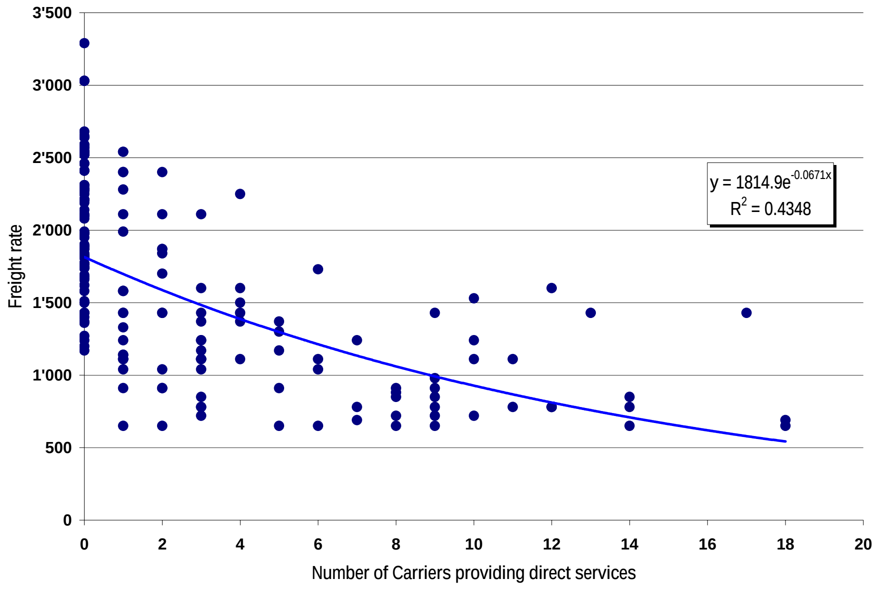
[13] "Trade, Liner Shipping Supply, and Maritime Freight Rates", Transport Newsletter No. 33, 3rd Quarter 2006. "Ports and International Transport Costs", Transport Newsletter No. 31, 1st Quarter 2006. "On the New Geography of Trade: The role of transport services and their costs", Transport Newsletter No. 25, 3rd Quarter 2004.
[14] Freight rates are port-to-port freight rates, without surcharges, for one 20-foot container.

Figure 2: Correlation between freight rate ($) and the number of carriers providing direct services



More detailed analysis suggests that the following variables have a statistically significant impact on liner shipping freight rates in the Caribbean:

- Trans-shipment versus direct services;
- The number of competing carriers;
- An index of liner shipping connectivity, measuring the deployed number of ships, TEU and vessel size on a given route;
- Transit time; and
- Port infrastructure.

A model that incorporates the above variables statistically explains three fifths of the variance of the freight rate.

The article is based on a forthcoming paper to be presented at the annual conference of the International Association of Maritime Economists, www.iame.info.
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Publication "Emerging Maritime Nations: Viet Nam"

New publication series by Dynamar. The publication aims at showing the opportunities offered by Viet Nam having become the 105th member of the WTO. It states that logistics and infrastructure in the form of an adequate port industry and dense container liner services are a prerequisite to make economic expectations come true.

www.dynamar.com

New Contracting Parties to International Conventions adopted under the auspices of UNCTAD

United Nations Convention on the Carriage of Goods by Sea, 31 March 1978

Entry into force: 1 November 1992; Contracting States: 33

Dominican Republic - 9 April 2007 (a)

International Convention on Maritime Liens and Mortgages, 6 May 1993

Entry into force: 05 September 2004; Contracting States: 12

Peru - 23 March 2007 (a)

For more information on the latest status of this and other Conventions, please visit www.unctad.org/ttl/legal

Regional Workshop on Multimodal Transport in the ECO Region

“Measuring Trade and Transport Facilitation Instruments for Development” Tehran, Islamic Republic of Iran, 25–27 June 2007

As reported in the past, the objective of the present workshop, building on the outcome of the First Workshop on the Trade Facilitation and based on the findings of the transport component of the project, is to provide an opportunity for stakeholders in the member States of the Economic Cooperation Organization (ECO) region to:

- Discuss the findings of national and international expert(s) regarding Multimodal Transport (MMT) initiatives and related issues;
- Address and identify possible cooperative action among the ECO member States to further strengthen cooperation in the area of MMT, taking into account the interlinked coverage of MMT and logistics issues within this cooperation scheme;
- Examine the possibility of widening the scope to include trade facilitation initiatives to the promotion of MMT operations; and
- Elaborate a set of concrete recommendations and outline technical assistance proposals in the area of MMT, including trade facilitation aspects.

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Forthcoming Events

Events with UNCTAD participation

30 April–1 May 2007: Congreso Latinoamericano de Ciudades Puerto. Punta del Este, Uruguay.

14–18 May 2007: WTO Regional Workshop on Trade Facilitation for Asian Countries. Viet Nam.

21–25 May 2007: WTO Regional Workshop on Trade Facilitation for French-speaking African Countries. Benin.

3–6 June 2007: International Port Training Conference. Rotterdam, Netherlands.

18–20 June 2007: Thematic Meeting on Transit Transport Infrastructure Development as a part of the preparatory process for the Midterm Review of the Almaty Programme of Action. Ouagadougou, Burkina Faso.

18–22 June 2007: WTO Regional Workshop on Trade Facilitation for Eastern European and Central Asian Countries. Lithuania.

25–27 June 2007: Multimodal Transport (MMT) in the Economic Cooperation Organization (ECO) Region. Tehran, Islamic Republic of Iran.

25–29 June 2007: WTO Regional Workshop on Trade Facilitation for Latin American Countries. Buenos Aires, Argentina.

26–28 June, 2007: International Coordination Meeting of UNCTAD Port Training Programme. Dublin, Ireland.

4–6 July 2007: IAME annual conference. Athens, Greece.

9–13 July 2007: WTO Regional Workshop on Trade Facilitation for Caribbean Countries. Port of Spain, Trinidad and Tobago.

28–31 August 2007: Global Event for LLDC on Trade and Trade Facilitation. Ulaanbaatar, Mongolia.

27–28 September 2007: UNCTAD Expert Meeting on Regional Cooperation in Transit Transport. Geneva, Switzerland.

Other events on trade and transport facilitation

30 April 2007: Trade Costs and International Development: What Do We Know and What Do We Need To Know? Washington, D.C., United States.

22–23 May, 2007: Joint WCO/OECD Conference on Transfer Pricing and Customs Valuation. Brussels, Belgium.

14–15 June 2007: 4th IRU Euro-Asian Road Transport Conference, Warsaw, Poland.

07–09 July 2007: TRB Annual Summer Ports, Waterways, Freight, and International Trade Conference. Chicago, United States.

18–19 September 2007: Application of the WCO Harmonized System. Brussels, Belgium.

20–21 September 2007: International Symposium on Maritime Safety, Security and Environmental Protection. Athens, Greece.

24–28 September 2007: Forum of the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT). Stockholm, Sweden.

25–28 September 2007: IRU Academy Seminar. Amsterdam, Netherlands.

For further details on most of these events and continuous updates please visit www.gfptt.org/Entities/EventList.aspx?list=all.