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Conférence Européenne des Ministres des Transports
European Conference of Ministers of Transport

31-Aug-2007



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**EUROPEAN CONFERENCE OF MINISTERS OF TRANSPORT
INTERNATIONAL TRANSPORT FORUM**

**CEMT/ITF(2007)8/FINAL
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SOFIA MINISTERIAL MEETING 2007

**POLICY RESPONSES TO CONGESTION: BETTER SYSTEM MANAGEMENT
The implication of border crossing obstacles for congestion and impacts on trade**

Reference Document for the Session 2A

This document was submitted as a reference document for the discussion under session 2A "Better System Management" of the Sofia ministerial meeting on 30-31 May 2007.

JT03231281

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**REPORT ON THE IMPLICATIONS OF BORDER CROSSING OBSTACLES FOR
CONGESTION AND THEIR IMPACTS ON TRADE**

Background paper for the ECMT Ministerial Meeting on Mitigating Congestion, May
2007, Sofia

by Dr. Éva Molnár

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EXECUTIVE SUMMARY

The purpose of the report is to inform the debate for the ECMT Ministerial Conference 2007 on congestion across the transport network. More specifically, the study attempts to bring together information on how border problems contribute to causing congestion in inland transport networks, on the impact of this congestion, and on means of mitigating it. It will serve as background for the debate on trade facilitation in the session on Better System Management of the Sofia agenda.

The report has drawn on the responses to the ECMT questionnaire and also on relevant donors' work and logistics literature. It gives a brief review of the mega-trends that influence trade and transport facilitation deficiencies and the measures to resolve them; the theories and the legal commitments on trade facilitation (TF) and also on trade and transport facilitation (TTF); the typical efficiency problems, i.e. the deficiencies in crossing borders, cost implications and the ways these costs are calculated, and last but not least, a few best practices are identified, followed by lessons and conclusions. A separate section lists the recommended actions.

From logistics perspectives, the countries covered by this survey are very different: some face congestion due to fast traffic increases and some have basic obstacles to trade due to lack of an environment conducive to international trade and transport. Consequently, issues and reform needs, as well as investment requirements vary among the different regions and countries.

TTF related mega-trends

With the progress of trade liberalisation, the question of facilitation becomes more important. Prohibitively high transport costs arrest the development of low income countries and this has a detrimental impact on their trade with the more developed middle- and high-income countries. From a global perspective, direct and indirect transaction costs (customs, banking, insurance, transport etc.) can be as high as 10% (or even more) of the total value of world trade (US\$400 billion)¹. Thus inefficiencies in crossing borders can be very costly indeed.

The theory and the legal framework for Trade and Transport Facilitation

A developing theory and practical innovations

Recent surveys and research on the relationship between investment climate and export competitiveness reveal vast opportunities for growth if infrastructure and services are developed and if governance is improved. There are several studies in the field of economic geography, macro-economics and competitiveness, as well as logistics

¹ UNCTAD estimate.

performance in general, but much less in the field of transport that deals with facilitation measures.

Over the past decade, the specific topic of trade facilitation has become a common theme. International organisations (e.g. WTO, WCO, UN etc.) are committed to and have launched their program for trade facilitation. Under trade facilitation emphasis has so far been on simplification, standardisation and harmonisation. Programs drawn under this broad definition include border management reforms and to some extent also transport, though often with priority on transit only or keeping transport as part of the simplification of trade procedures and documentation.

Trade and Transport Facilitation (TTF) on the other hand zooms in on concrete transaction costs and measures related to the international transport of goods. As part of the broader trade facilitation theme, it requires a holistic approach since border crossing obstacles and their most often cited indicators (costs due to delays at the borders) are only symptoms of the deficiencies. To effectively improve the performance of international freight transport however, the deep-rooted causes of these delays and costs are the ones that should be eliminated. In this sense trade and transport facilitation is a policy choice that requires different reform packages in the different countries and regions. An increasing number of trade and transport facilitation audits have been carried out in different regions (South Caucasus, Central Asia, Africa, Latin America, etc.), sponsored mostly by international financial institutions like the World Bank, the Asian Development Bank and others. The TTF audit methodology has been evolving and a toolkit is available from the Global Facilitation Partnership for Transport and Trade (GFPTT)².

Legal commitments: existing and evolving

Article V of the **GATT** provides for the freedom of transit. The interpretation and implementation of this article has been controversial due to the different speed of road transport liberalisation in the European countries, to the often diverging national interest and to the different agendas of transport policies of the countries on the transit route or on the periphery. This is well reflected in the proliferation of bilateral road transport agreements. Nonetheless, the principle of transit freedom was already laid down several decades ago.

The 1996 Singapore Ministerial Conference decided that the WTO should start exploratory and analytical work “on the simplification of trade procedures in order to assess the scope for **WTO** rules in this area”. The Negotiating Group on Trade Facilitation was established in 2004. In December 2005 at the Ministerial Conference in Hong Kong, it was decided to start drafting the text of a WTO trade facilitation agreement. The trade facilitation talks are part of the WTO Doha Development Agenda. Its mandate is to clarify and improve relevant aspects of Articles V [freedom of transit], VIII [import and export fees and formalities] and Article X [publication and administration

² The Global Facilitation Partnership for Transportation and Trade (GFPTT) is a UN Trade Facilitation Network that has been initiated by the World Bank and jointly launched with UNCTAD, WCO, UNECE, ICC and UNIDO. Non-governmental international organisations, like the IRU are active partners in this initiative. See: <http://www.gfptt.org/>.

of trade documentations] of the GATT 1994 [General Agreement on Tariffs and Trade] with a view to further expediting the movement, release and clearance of goods including goods in transit. It also aims to provide for effective cooperation between customs or any other appropriate authorities on trade facilitation and customs compliance issues.

The **UN** has been particularly sensitive to trade facilitation issues. The MOUs on Island Countries and on Land-locked countries offer a general framework for the recommended cooperation and actions to be taken. The Almaty Declaration is a milestone in recognising the special needs of the land-locked countries. Its review shall be undertaken in 2008.

UN/CEFACT (Centre for Trade Facilitation and Electronic Business) Trade Facilitation Recommendations give a broad summary of the UN work in standardization, e-documentation, UN/EDIFACT (Electronic Data Interchange for Administration), etc. They also recommend the creation of national bodies for trade facilitation. Furthermore, they widely promote the use of the single window concept.

A lot of agreements and conventions that promote international transport and the carriage of goods in international trade have been developed in the framework of UNECE. Out of nearly 60 UNECE agreements and conventions, about 20 deal with border crossing facilitation. The TIR Convention and the International Convention on the Harmonization of Frontier Controls of Goods are two of the most widely-known and relied-upon instruments in this regard.

Among the most recent achievements in facilitation of international freight transport services and border crossings are the Budapest Convention on inland navigation, the new Appendix 8 of the International Convention on the Harmonization of Frontier Controls of Goods, the alignment of the CIM and SMGS documents and procedures as a result of the cooperation between OTIF and OSJD. These are results of the cooperation among countries and several international organisations.

The **World Customs Organisation (WCO)** has been the focal point for both the development of the international legal framework for customs (International Convention on the simplification and harmonization of Customs procedures, Kyoto Convention) and for global and regional cooperation between customs administrations. The WCO Framework of Standards to Secure and Facilitate Global Trade (the SAFE Framework) was adopted in June 2005. WCO has also adopted new international guidelines for Authorised Economic Operator (AEO) status.

The main problems when crossing borders (Land Transport) – according to the questionnaire responses

Inefficiencies and delays on the roads

The most obvious indicator of inefficiencies when crossing a border is the waiting time. The current survey has revealed that 16 years after the political changes in Eastern Europe the waiting times on several road borders can still be measured in hours or even

days. The most affected crossings are either outside the EU or on the EU's external borders.

Increased road traffic generates congestion on all major transport corridors, whether in North America, Europe or Central Asia. Road infrastructure and traffic management improvements cannot keep pace with the fast growth of traffic. In Europe, the weekend traffic bans create further pockets of congestion.

On the EU's external borders two different transit regimes meet: the EU's New Computerized System for Transit Procedure (NCST) and the TIR system. According to road transport operators, this makes the waiting time worse. Different weight standards in the EU and in third countries and also the need to weigh trucks on nearly all borders further slow down the clearance process.

In SEE, South Caucasus, and several CIS sub-regions the border crossing problems go beyond capacity constraints on the borders and on the network as a whole. The lack of good governance is a common complaint by the shippers and trucking companies. This is in direct relation to the very slow progress with customs reforms in several CIS countries.

Morocco requires quite significant attention as it is an important gateway between Europe and Africa. Delays at this gateway have been reported to be very long (15 days in 2004). In addition to the general set of problems (cumbersome and time-consuming clearance procedures) lack of competition in ferry services and a weak trucking sector have been identified as reasons for the constraints.

Central Asian countries stand out as particularly vulnerable because they are both physically and economically distant from their markets³. They are landlocked and suffer from most of the TTF deficiencies that one can name.

In road transport, the visa issue continues to be a big problem for road freight operators in Europe and in Central Asia. The difficulties in obtaining a visa for professional drivers are seen as the reasons behind distorted competition and an uneven and discriminatory playing field.

In North America, the road border crossing problems are first of all due to increased trade and traffic and also to some extent due to the new and enhanced security requirements. The problems are, however, different on the Mexico-US border from those on the US-Canada border.

Most countries believe that trade barriers are overall non-discriminatory in international road freight transport in the ECMT area. There are nevertheless incidences, mostly in the CIS countries but occasionally also in the new EU Member countries, which are seen as discriminatory to foreign road hauliers.

³ The difference between physical and economic distance is made here by taking into account the costs that could be avoided if the TTF conditions are friendly to trade.

To sum up, the TTF-type road inefficiency problems can be categorized in two main groups: infrastructure bottlenecks and institutional constraints.

Inefficiencies and delays on rail border crossings

Waiting time for freight trains continues to be an issue on all ECMT rail borders. Countries that responded to the questionnaire attribute the following infrastructure, institutional and operational reasons for these delays:

- Under-developed rail infrastructure
- Lack of locomotives
- Lack of interoperability
- Old and obsolete bilateral railway agreements
- Restricted or non-harmonized opening hours and lack of synchronization between the customs authorities, other agencies and the operators
- Inadequate/cumbersome administrative procedures for phytosanitary inspections
- Lack of inter-agency cooperation: information flow is not timely
- Late and non-scheduled arrival of international freight trains in the border railway stations
- Technical problems with the freight wagons on the one hand and non-RIV compliant conditions by the wagon inspectors on the other hand. Sometimes wagons have to return to the starting station for re-loading
- Operational problems, like the lack of a unified system of railway bills, etc.

The situation on rail border crossings differs from region to region. Within the EU, the lack of interoperability remains the main issue. On the EU-external borders of the rail network, technical incompatibilities are further aggravated due to enhanced controls. Another specific technical issue is the different gauges, where either reloading or changing the bogies is necessary.

Inefficiencies and delays in inland navigation

The situation of inland navigation is far better than that of the roads or railways. Yet procedures at certain border crossings along the River Danube are reported to be rather bureaucratic, inappropriate and even discriminatory.

TTF deficiencies increase costs and reduce competitiveness

The estimated worldwide gains are \$40 billion from each 1% reduction in trade transaction costs⁴. The Global Economic Prospects report of 2004 calculates that one extra day in customs or in a port for completing paper work adds an average of 0.8% to costs. ECMT countries do face the problem of congestion at their borders. These costs are due to inefficiencies in the implementation of international transport services. These costs are however not of the magnitude of those for the least developed countries. There is not much comparable information today for the costs of TTF shortcomings in the

⁴ Source: SITPRO.

ECMT countries, except for sporadic empirical information and analytical work related to certain regions, like SEE, South Caucasus or Central Asia.

There are several other estimates that reveal a lot about the level of development of the transport infrastructure or the overall trade environment of the ECMT countries. Among them it is worth considering the Global Competitiveness Index and the SCOR (Supply Chain Operations Reference Model). This latter focuses on the whole supply chain and gives indications about competitiveness of a whole region or country. A number of World Bank studies that focus on the level of competitiveness use four trade facilitation indicators: Port Efficiency, Customs Environment, Regulatory Environment, and e-commerce used by businesses (as a proxy for Service Sector Infrastructure).

The Doing Business database⁵ also information about transport costs that provides a global comparison. These indicate that transport costs in the OECD countries are around half of those of the 28 non-OECD countries of Europe and Central Asia. Is this satisfactory?

Notwithstanding these developments, it is difficult to estimate and internationally compare the costs of border crossing obstacles, or, in a broader sense, the costs of TTF deficiencies. The countries' responses to the current ECMT questionnaire revealed that it is not the practice in most countries to calculate shippers' costs due to border crossing delays. Only a few countries showed sensitivity to cost implications and have begun to analyse the reasons for delays, their costs and feasible solutions.

Government measures and best practices in the ECMT countries to improve system efficiency

The most significant changes over the past decade have been driven by regional cooperation. In North-America, NAFTA internal trade has increased and cooperation to facilitate cross-border movement of goods has deepened. In Europe, the enlargement process has continued and the EU has expanded by another twelve countries. In this way, the EU external borders have shifted towards the East. Major reforms have been initiated and in some countries successfully accomplished in the field of customs, other border agencies and also in transport.

The EU has been continuously improving its customs operations. The Community Transit System in itself is ensuring the standard procedures across the Union. The introduction of the New Computerized Transit System since July 2003 has further improved the decentralised EU regime. The Modernised Community Customs Code means better, faster, cheaper clearance and fewer Customs procedures.

The different regions have given priorities to different development objectives. The EU focus has been on inter-modal transport. Central European governments have put emphasis on logistics centres and combined transport terminals. South-East Europe has become the heart of the first IFI supported trade and transport facilitation (TTF) project. The South Caucasus and Central Asian countries have received some Technical

⁵ <http://www.doingbusiness.org/>.

Assistance to carry out TTF audits and design and start the implementation of a TTF strategy. North America has the advantage of the highly developed US logistics market and the history of nationwide and regional surveys, the strong lobbying power of the business community, as well as the availability of federal budget allocations for border crossing projects. Innovative solutions, for example the application of Intelligent Transport Systems (ITS) to facilitate traffic flow, the introduction of e-documentation etc. are used to improve border crossing conditions.

Best practice solutions

The current ECMT survey has identified a rather long list of solutions that can be examples for other countries. Among best practices we can mention the creation of the European single market also in the transport services. Further examples include the cooperation between Finland and Russia and their border crossing conditions, the information brochure on international road transport issues published by the Russian Association of Road Carriers (ASMAP), the new bilateral rail transport agreement between Bulgaria and Serbia, the TTFSE project, the international cooperation of rail infrastructure managers (RNE) within the EU, the progress on particular corridors (for example the introduction of ETCS on the North-South corridor (project IQ-C), in North America the introduction of FAST lanes, as well as the financing schemes for border crossing improvements, several national logistics surveys etc.

Is it enough to remove obstacles or do we need to think beyond problem solving?

The questionnaire responses underline that the solutions are complex and have to be designed to the needs of the specific region. Countries have suggested a long list of measures to improve border crossing conditions. These are summarized in the conclusions and recommendations.

Conclusions and lessons

Based on the questionnaire responses and the relevant research documents the following conclusions and lessons are recommended for consideration:

- The level of economic development and the level of regional integration will determine the *nature of TTF and specifically border crossing issues*, as well as *their solutions*.
- *Infrastructure bottlenecks* are part of the problem, but *often* they seem to be *over-emphasized*, while institutional reforms are overseen or even neglected.
- Although TTF is beneficial for all traders and transport service providers, it may often be the case that one country pays most of the costs and other countries enjoy most of the benefits of the TTF measures (i.e. when transit facilitation has the priority). Therefore the *benefits for all can be truly reaped if these measures are taken in an internationally or at least regionally concerted way*.
- TTF interventions are usually complex and they require the coordination among many institutions with potentially different divested interests. At the same time TTF measures could be politically difficult, particularly when they aim at improved

governance. Thus *external pressures* (commitments from regional integration, like the EU or NAFTA; IMF and IFI conditions; oversight and lobbying by NGOs and the business community etc.) *are key to the success* of TTF reforms.

- Border Crossing issues and customs clearance in particular have become the centrepiece of facilitation initiatives. Relatively recent experience has further highlighted the need to design and implement customs reforms with holistic approach, where adequate attention is given to cooperation among border control organisations, between neighbouring countries and countries either along the key trade corridors or in the same region, and also between the authorities and the business community. Transport operators should be seen and treated as customers of the border crossings. They are the most interested stakeholders in improvements on the ground, possessing first-hand information about the shortcomings and their causes. By leveraging on this “client-asset”, *transport ministries could and should play a growing role in facilitation measures and also in macro-economic reforms.*
- The return on TTF investments when they are coupled with timely and well-designed reforms can be huge. Therefore funding TTF initiatives is a good way to spend public money. *Governments are increasingly required to take TTF actions, but they are not fully empowered by data and research to argue for the budget line in public expenditure debates.*

Recommendations for actions

A strong political commitment and patience is needed to design a TTF reform package, which could serve the common interest of countries in an ever more globalizing world. From the long list of tasks, those selected below could be useful in multi-country cooperation, irrespective of the level of development of the participating countries.

- ***Transport policy makers, regulators and civil servants*** need to be more aware of the legitimate needs of business and develop broad understanding of cross-sectoral issues (i.e. how global, regional and local supply chain networks function) in order to create an enabling business environment in transport.
- Training and re-training in logistics and TTF should be expanded to support the ***development of civil servants’ knowledge about TTF and logistics issues.*** ***The existing training materials for professional competence*** (e.g. IRU Academy accreditation locally) should be more widely used and promotion of ***other more industry-specific training programs*** should be encouraged.
- Political support ***of transit systems*** (EU transit guarantee system, TIR system) by Transport Ministers would facilitate their ***development and highlight ministers’ expectations in terms of future improvements,*** particularly by means of taking due account of transport needs as opposed to customs.
- Like the Global Competitiveness Index published by the World Economic Forum, Transport Ministers could launch the ***Global Logistics Indicators (GLI)*** as a benchmark for transport competitiveness.

- A system of **Border Crossing Indicators (BCI)** could be launched either as a precursor to or as part of the GLI initiative.
- Transport Ministers could use their influence to accomplish and apply international agreements on **recommended standards for border crossing procedures and designs**, for example, in the UNECE framework.
- Transport Ministers should express their political commitment **to include and empower the local business community in developing and overseeing the implementation of TTF measures** -- for example, consultation in the process of new legislation, monitoring the waiting times at borders etc.
- To offer a long-standing solution to transport related visa issues a **multilateral agreement or even a visa guarantee system for professional transport crew and drivers (road, rail and inland navigation)** should be drawn up.
- In response to rail transport liberalisation a framework for **standard bilateral rail transport agreement** should be developed.

These actions can be taken effectively through international cooperation among countries and institutions.

REPORT ON THE IMPLICATIONS OF BORDER CROSSING OBSTACLES FOR CONGESTION AND THEIR IMPACTS ON TRADE

1. Introduction

The purpose of the report is to inform the debate for the ECMT Ministerial Conference 2007 on congestion across the transport network. More specifically, the study attempts to bring together information on how border problems contribute to causing congestion in inland transport networks, on the impact of this congestion, and on means of mitigating it. It will serve as a background for the debate on trade facilitation in the session on Better System Management of the Sofia agenda.

The report has drawn on the responses to the ECMT questionnaire and also on the donors' work in the field of trade and transport facilitation, as well as on the broad literature of logistics and competitiveness.

28 countries responded to the questionnaire. If island states are not taken into account, since they do not face the problems of international inland transport and related border crossing obstacles in the same way as their continental counterparts, the answers represent more than half of the ECMT countries. Among the respondents there are 11 EU Member States, four CIS countries and three non-European countries, namely the United States, Canada and Mexico. One international cooperation initiative, i.e. the Corridor X working group has also sent its response. IRU and UIC have contributed to the review by sharing their own data and studies.

During the past decades there have been significant changes in the economic geography of several European and Central Asian countries. The break-up of the USSR, the break-up of the Federal Republic of Yugoslavia, the consequent territorial disputes, hostilities and even war have undermined the development of trade-conducive borders. On the other hand globalisation, the enlargement of the EU and the strengthening of the NAFTA cooperation have both boosted trade among countries within the respective trade blocks. Within the enlarged EU the completion of the single market (with the exception of *cabotage*) also in road freight transport and the abolishment of the internal borders have benefited trade and in general limited congestion due to infrastructure bottlenecks and border crossing issues at the external EU borders. Traffic congestion particularly at the borders has also accompanied the otherwise blissful trade development among the three North American countries. Thus, from logistics perspectives the countries covered by this survey show a mixed picture (see Table 1).

Table 1 **Different border crossing issues in the different regions**

Trade conducive trends	Trade impairing situation and trends
<ul style="list-style-type: none"> • Borders abolished within the EU • Efficiency improvements (planned and actual) in terms of procedures and capacity increase of already well-functioning border crossings to cope with increased traffic and to reduce congestion: e.g. US-Mexico; US-Canada, EU external borders • Accession to international transport and customs conventions • Harmonisation and simplification of procedures 	<ul style="list-style-type: none"> • Closed borders (e.g. Armenia-Azerbaijan, etc.) • Break away territories over which national customs authorities do not have full control and which cause increased alert of customs to check cargo movement (e.g. Transnistria) • New borders and border crossings created after the independence of the country -- massive investments have still to be made (e.g. in several SEE countries and in all CIS countries) • Border crossings suffered war damage, some still in need of re-construction and modernisation (e.g. in South-East Europe) • Closed down transport infrastructure or services due to geo-political changes (e.g. South Korean⁶ railways) • Red tape⁷ and other inefficiencies at borders

In addition to the above changes the nature of reforms concerning customs and other border agencies significantly varies among countries. New EU Member States have implemented a major over-haul of their customs organisation as part of the accession process and by now they are all part of the European customs union with its own rules and discipline. Turkey has embarked on a customs reform program in the broader framework of macro-economic reforms supported by the IMF and the World Bank. Customs reforms in many CIS countries have mostly been driven by the WTO accession requirements. The new customs code of the Russian Federation for instance is considered to be a good legal framework that can be an example for other states in the region. Modernisations of customs procedures, computerisation and the introduction of IT technologies (e.g. ASYCUDA in a good many countries) have started in many South-East and East-European countries, as well as in Asia. Several of these initiatives have been supported by the EU, the World Bank and other IFIs and also by the United States (e.g. USAID).

There is also a growing presence of and oversight by the “customers” of the borders: IRU has been the “watchdog” of waiting times ever since they identified the emergence of the “paper curtain” back in the early 1990s.

⁶ One-off test run was undertaken on 17 May 2007, when a pair of passenger trains crossed the fortified border between North and South Korea for the first time in more than 50 years.

⁷ Red tape is a term for excessive paperwork and regulation or rigid conformity to formal rules that is considered redundant or bureaucratic.

The technical secretariat of the Pan European Corridor X, for example, has launched specific activities on border crossing issues. Several pro-committees⁸ in the SEE region have become a focal point for border crossing matters and more.

On a global level, the ILO review of border crossing issues should be mentioned as it is sensitive to the working conditions of drivers and transport crew working far from home⁹. Also on a global level, the Global Facilitation Partnership has made efforts to create a database and a pool of resource materials for border crossing facilitation.

In this report there is a brief review of the mega-trends that influence trade and transport facilitation deficiencies and the measures to resolve them; theories and legal commitments on trade facilitation (TF) and also on trade and transport facilitation (TTF); typical efficiency problems, i.e. deficiencies in crossing borders, cost implications and how these costs are calculated; and last but not least, a few best practices are identified following which lessons and conclusions are drawn. A separate section lists the recommended actions.

2. Trade and Transport Facilitation related to mega-trends

2.1. *Moving from trade liberalisation to trade facilitation*

In the 20th century we witnessed massive trade liberalisation. While there are still a lot of tariff and quota barriers to be dismantled, the 21st century is likely to be the era of trade facilitation.

Since the post-Uruguay Round, customs tariffs in the major developed markets (USA, Canada, European Union and Japan) have reached the level of about 3.7%. At the same time, average cost of transport can be twice or even three times higher than customs tariffs. For 168 out of 216 U.S. trading partners, transport costs outweigh tariff barriers. Only a few developing countries are more constrained by trade taxes than by shipping costs. Amjadi and Yeats (1995) confirm that freight rates for African exports to the United States are considerably higher than on similar goods originating in other countries - contributing to the region's lacklustre trade performance over the last two or three decades. For developing countries' exports, as a group, it is estimated to be about 8.6%. The cost of transport of exports from landlocked developing countries is approximately 14.1% (based on FOB rates and not considering the total costs including the most costly land transport leg). The FOB-based transport and insurance payments¹⁰ for Kyrgyzstan and Turkmenistan, as a proportion of total exports of goods and services, were 15.1 and 15.8% respectively in 1997¹¹. Unofficial payments for truck drivers forced to live within countries with low governance can however, further increase logistics costs

⁸ National Trade Facilitation Bodies (often called PRO committees, where PRO arguably stands for "procedures").

⁹ Labour and social issues arising from problems of cross-border mobility of international drivers in the road transport sector, TMRTS/2006, International Labour Office, Geneva.

¹⁰ These are not total transport costs!

¹¹ UNCTAD, 2001. Transit Systems of Landlocked and Transit Developing Countries: Recent Developments and Proposals for Future Action.

by up to 40-50% of the export value, thus reducing the competitiveness of cargo and nations.

Prohibitively high transport costs arrest the development of low income countries, which has a detrimental impact on their trade with more developed middle- and high-income countries.

High logistics costs are however a concern for both developed and developing countries. If they are too high they can challenge the competitiveness of the countries in relation to those with whom they are trading the most. Finland is rated one of the most competitive countries in the world, yet the Finnish National Logistics Survey is calling for action to lower logistics costs estimated at 17% of GDP -- higher than those of Finland's competitors. On the other hand, logistics costs are even higher in several ECMT land-locked countries which have bottlenecks both in their infrastructure network and in their institutions. This underlines that logistics costs are a matter for concern for all countries, although their magnitude and nature are rather different. The differences are mostly rooted in the level of development. The Global Competitiveness Index used by the World Economic Forum (as discussed later) shows clearly that the composition of sub-indices for measuring competitiveness is different for a factor-driven economy, an efficiency-driven economy and an innovation-driven economy. These category divisions for ECMT countries can be found in Appendix 1. Similarly, if we look at the main barriers for international trade and transport, we see that delays due to traffic congestion and the recent introduction of enhanced security checks are the main concern for most EU countries and North America. The lack of adequate infrastructure and the unfinished reform and transition agenda could be identified as the main barriers to international trade and transport for the new EU Members and several other East and South-East European countries. On the other hand, as we move more to the East, costs and barriers seem to be multiplied in addition to the problems with the general conditions of international trade (lack of physical infrastructure, obsolete institutions that still bear the legacy of the past era), informal arrangements and rent-seeking activities further burden businesses and slow down the countries' development.

From global perspectives, direct and indirect transaction costs (customs, banking, insurance, transport, etc.) can be as high as 10% of the total value of world trade (US\$400 billion)¹². Thus inefficiencies in crossing the borders can be very costly indeed.

2.2. *The changes that influence our view of facilitation*

Without getting lost in the details let us briefly review the mega-trends that increasingly focus our attention on trade and transport facilitation:

❖ Globalisation:

➤ Increasing world trade:

- High import content in goods, increased dependence on foreign countries;

¹² UNCTAD estimate.

- Increased amount of goods shipped;
 - Increased distances that goods have to travel and an increased requirement of the customer to track and trace the shipment;
 - Increased number of trade transactions, as well as trade and transport related transactions, and the need to handle the documentation.
- The centre of world economy is likely to move to Asia, fast increase of trade between Far East and Europe, Far East and North America.
 - Competition
 - *Moves* from a company-to-company level to supply chain-versus supply chain level, which implies that it is no longer adequate for a company to increase its productivity; it also needs to improve all factors of its and its partners' business environment. This includes improving basic infrastructure as well as efficiently operating public institutions.
 - *Makes* customer satisfaction a core company value; often leads to products with shorter life cycles; calls for vertical collaboration involving suppliers, manufacturers, distribution centres, customers and Logistics Service Providers (LSPs)¹³.
 - In this global competitive environment, companies in high-income countries often expand to low-income countries and develop supply chain agility, with Just-in-Time transport and reliable and innovative logistics services in general.
 - The application of lean manufacturing principles has led to an increase in outsourcing and also a further increase in the importance of supply chain management.
 - In conclusion: globalisation assumes the availability of efficient and seamless transport infrastructure and logistics services.
- ❖ Technology:
- Fast introduction of ICT applications in transport may have high investment costs, but the applications will lower operating costs, increase security and general customised service quality.

¹³ Except for a small number of successful cases in North America (e.g. Land 'O Lakes), horizontal collaboration in logistics is mainly gaining momentum in Western Europe. In Belgium and the Netherlands, the European logistic centres of gravity, there are over 30 formal logistic partnerships. Through close collaboration the partnering LSPs aim at increasing productivity, e.g. by optimising vehicle capacity utilisation, reducing empty mileage and cutting costs of non-core/supporting activities to increase the competitiveness of logistic networks. Horizontal Cooperation in Logistics: Opportunities and Impediments, Frans Cruijssena, Martine Cools, Wout Dullaert, Hein Fleurena, 2004.

- Growing e-commerce, that is likely to change product flows from B2B (business to business) to B2C (business to consumer) and thus generate different demand for transport both in scale and geographically.
- Ecological requirements in terms of transport can be satisfied without the need for a major modal split.

❖ Logistics costs in the centre of considerations

- A concern for the lack of TTF measures; increasing political commitment to eliminate or at least reduce costs due to system inefficiencies; avoiding the widening of the gap between low and high income countries; avoiding widening the gap between countries belonging to a regional economic integration and those that don't, i.e. countries with national borders and countries with continental borders only.
- Cost increasing trends: transport costs are increasing due to labour costs, congestion, oil prices and transport tolls and the internalisation of external costs; also the cost of ensuring safety and security may increase total logistics costs¹⁴.
- Trends that can lead to cost reduction and increase at the same time: better utilisation of transport vehicles on the return journey due to the increasing importance of reverse logistics (because of the likely commitment to ensure an environmentally friendly take-back of end-of-life products and commercial returns). However the set up of the return systems will lead to new cost elements.
- Cost reducing trends: liberalisation of transport services.

❖ Regional integrations and their impact on the development of logistics

- The role of regions will increase in transport regulations and key infrastructure investments.
- Regional integrations are likely to lead to more efficient transport services through liberalisation, while there is a growing threat that their relations with third countries may imply more stringent rules for market access.

3. The theory and the legal framework for Trade and Transport Facilitation

3.1. A developing theory and practical innovations

Recent surveys and research on the relationship between investment climate and export competitiveness further reveal vast opportunities for growth if infrastructure and services are developed and if governance is improved.

¹⁴ UPL 187.

- *The wealth of studies are mostly on economic geography, macro-economics, competition and on logistics in general*

International commerce conditions have always been the focus of research. Similarly, as the theory of logistics has developed a growing number of papers have dealt with transport logistics issues and solutions. Over the past ten to fifteen years costs to trade and transport due to administrative and other barriers have been a growing concern. In this respect valuable studies have been published that analyse growth and competition issues. The importance of transport is perhaps best demonstrated by studies in the field of economic geography. They underline that remoteness and being landlocked continues to be an economic handicap and a barrier to growth¹⁵.

Redding and Venable¹⁶ found that more than 70% of the variation in per capita income can be explained by the proximity of a country to key markets. Those countries, which are remote from their key markets, incur greater transport costs; consequently the wage rates are kept lower to remain competitive. Based on shipping company data on the costs of transporting a standard 40-foot container around the world, they find that a landlocked country's shipping costs are more than 50% higher than those of a coastal country. According to their estimate, direct access to the coast yields predicted increases in per capita income of over 60%. If the country's distance to the coast is halved, all of its trade partners yield an increase of over 70%. The geographic distance is given. The economic distance however is the cost and predictability of reaching the markets.

- *The specific topic of trade facilitation has become a popular theme*

First of all we should take note of the national organisations that have undertaken to carry the torch of TTF activities. These are the pro-committees in general.

SITPRO is UK's National Trade Facilitation Agency. Its mission is to simplify international trade with an emphasis on procedures and documentation. As a non-departmental government body its aim is to bridge between government and business on all trade facilitation issues. It has supported the set up of a Commission for Africa, i.e. the Business Action for Improvement of Customs Administration in Africa (BFICAA). SITPRO initiated the set up of the Boksburg Group that consists of public and business representatives mainly from developing countries to support the creation of a WTO agreement on trade facilitation (see the WTO chapter).

BULPRO is the Bulgarian pro-trade committee. It has become the regional coordinator for a joint SEE website on TTF issues and has also been recognised by the Bulgarian government as the focal point for consultation on these issues. They have

¹⁵ See: Adam Smith: *Wealth of Nations*; Gallup, Sachs, Mellinger: *Geography and Economic Growth*, 1998; Stephen Redding and Anthony J. Venables, *London School of Economics and CEPR: Economic Geography and International Inequality*, 2001, Krugman, *Is Geography a Destiny*, 1998; Raballand, *The Determinants of the Negative Impact of Landlockedness on Trade: An Empirical Investigation through the Central Asian Case*.

¹⁶ Redding and Venables based their estimates on a structural model of economic geography, using cross-country data on per capita income, bilateral trade, and the relative price of manufacturing goods.

managed to keep legislation on customs or other border crossing matters stable for some time and if changes are warranted, BULPRO can have its say. It is also active in organising training for its members.

The Greek and Turkish pro-committees have a similarly crucial role in facilitating cooperation between authorities and businesses. Some down-to-earth analytical work funded by donors relies on the insight and contribution from these NGOs. The creation of similar organisations in the South Caucasus countries has been a targeted action of the World Bank, and TRACECA supported TTF work.

➤ *The difference between trade facilitation (TF) vs. trade and transport facilitation (TTF)*

For further clarity we need to review the different interpretations, definitions for trade facilitation and also for trade and transport facilitation so that we can differentiate without ambiguity in the future. In fact most of the international organisations speak about trade facilitation (see table below). Their emphasis is on simplification, standardisation and harmonisation. Programs drawn under this broad definition include natural border management reforms and to some extent also transport, though often with an emphasis on transit alone or as part of the simplification of trade procedures and documentation.

Table 2 **Different definitions for Trade Facilitation**

	Trade Facilitation
WTO	The simplification and harmonisation of international trade procedures with trade procedures defined as "activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade"
OECD	Simplification & standardisation of procedures
UNECE¹⁷	Comprehensive and integrated approach to reduce costs and increase efficiency, transparency and predictability: trade facilitation encompasses the systematic rationalisation of procedures and documentation for international trade, where trade procedures are the "activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade" ¹⁸ .
IECC	Simplification and standardisation of procedures and associated information flows required to move goods internationally from seller to buyer and to pass payment in the other direction ¹⁹ .
APEC	Simplification & harmonisation, use of new technologies to address procedural and administrative impediments to trade.
SITPRO	Trade facilitation aims to improve procedures and controls governing the movement of goods across national borders in order to reduce associated costs and burdens, maximise efficiency and safeguard legitimate regulatory objectives.

¹⁷ UNECE has organised several conferences on trade facilitation and in 2003 published a book: Trade Facilitation, The Challenges for Growth and Development, UNECE, 2003.

¹⁸ UN/CEFACT Recommendation 18.

¹⁹ By the Director General, International Express Carriers Conference, John Raven.

In terms of trade transaction costs, one can consider a wide range of costs: any costs that are related to international trade, including export and import licensing, logistics costs in general and so on. A closer look at transaction costs for cargo crossing borders is a subtopic of trade facilitation; here it is defined as **Trade and Transport Facilitation**. While it has a narrower scope than trade facilitation, it also requires the holistic approach, since border crossing obstacles and their most often cited indicators (costs due to the delays at the borders) are the symptoms of the TTF deficiencies.

Consequently, in discussing the need for improving border crossing efficiency, first one must make a distinction between TF and TTF issues. Secondly, one must understand TTF as a policy choice that requires different reform packages in the different countries and regions.

TTF Reform Package assumes the holistic approach encompassing transport, communications, customs and other border agencies (see Appendix 2). It needs a realistic and revolving action plan over a longer period, 5 to 10 years for example. For its success, it is also essential to reach an agreement about TTF priorities with neighbouring countries, countries along the key transport corridors, and also business communities, since they are the ones who represent the key stakeholders' interest.

In countries where the high cost of trade is caused by the high costs of transport, partly because of the informal payments and rent-seeking practices, **improved governance** could be a priority objective of the TTF Reform Package. In countries where the main cost drivers are inefficiencies and other shortcomings of the transport systems, either on behalf of the service provider or through infrastructure deficiencies, the issue is likely **to make the transport sector more competitive**. This improved competitive environment could be created through sector reforms such as liberalisation, de-monopolisation and privatisation, as well as through infrastructure investments that offer better connections with international markets and networks. **More competitive communication sectors** are crucial for the application of ICT techniques in border management; they are also critical for overall management of the information supply chain. To some extent, these are the higher level elements in the package – knowledge –driven economies require the most advanced technologies, while countries with severe infrastructure shortcoming should first focus on their basic infrastructure (e.g. border posts need electricity and telephone lines). Above all, to make these reforms sustainable one needs to introduce new types of **training**, strengthen **international cooperation**, improve the working relationship between the authorities and the **empowered business community** and consistently **monitor results**. In more detail, such an approach means the following:

- **Broad based customs modernisation** and institutional reforms. They are crucial both for improved governance and for reaping the benefits from more competitive transport operations. Costly investments in new motorways can reduce transit time considerably, but all is lost if the waiting time at the border continues to be an obstacle. Customs development and reforms therefore are in the prime interest of transport operators. The type of reforms varies according to the level of development and the intensity of regional cooperation and integration between

countries. The long list of customs reforms may include interagency cooperation, particularly integrated border management within countries and across borders; Management Information Systems²⁰ (where border agencies are electronically connected to inland terminals, headquarters and possibly to their peers and main trade partners) and also regional and multi-sectoral harmonisation of IT technology introduction and upgrade; simplification of procedures and introduction of selectivity and risk analysis; on a procedural level, the introduction and application of one *window shop*; moving as much clearance to inland terminals as possible; enforced respect for cargo travelling under a customs transit guarantee scheme (e.g. TIR); phasing out of obligatory convoying; cross country cooperation between customs administrations with the immediate neighbours and also with all countries on the corridor, both on the higher political level and on the working level at the border sites.

- **Extending transport sector reforms, expanding liberalisation of transport services and targeting modernisation.** Liberalisation of transport services has been taking place for more than two decades both in North America and within the EU. Increased competition has already shown its beneficial impact on cost reduction. There are, however, still spots of protectionism on the ECMT map; for road freight transport, the ECMT multilateral quota has been and continues to be a unique opportunity for phasing in liberalisation. There are also regional and sub-regional initiatives to further road transport liberalisation, for example the agreement between Russia, Belarus and Ukraine.

It is common sense that the social benefits from liberalisation and privatisation of the infrastructure services can only be maximised if they are coupled or even preceded with well-designed reforms. Due to the wide variety of ECMT countries, such reforms could include a wide range of different tasks: set up and/or strengthening of Transport Ministries; elaboration of multi-annual national transport investment plans; accelerated reform of infrastructure pricing and funding, with a special concern for road financing; reforming the road administrations to manage the improvement of the road network according to market conditions; continued railway modernisation and reforms for greater efficiency and customer satisfaction; better business conditions for the international railway services (e.g. with tariffs for container transport) and rail border crossing conditions (e.g. (i) monitoring the actual border stopping times; (ii) eliminating shunting and marshalling as far as possible at all points on the international corridors including the borders; (iii) introducing interface connections for the information systems of railways and border agencies (particularly customs) along all the main international corridors (e.g. the TEN-T Corridor working groups or the TRACECA cooperation); (iv) streamlining border procedures both railways and the border agencies;

²⁰ A multi-sectoral approach was characteristic of the trade facilitation network in Singapore, which included customs MIS as well. This allows traders to make declarations electronically and directly. Savings are reported to be around 1% of Singapore's GDP. The Chilean customs modernisation program that introduced Electronic Data Interchange (EDI) systems is reported to have generated savings over US\$1 million per month, while the investment cost was around US\$ 5 million in total.

- (v) harmonising technical specifications for future rail infrastructure development (particularly with regard to equipment)); improvements to the competitiveness and efficiency of road transport operators through the enforcement of licensing regulations and the promotion of professional training (Certificate of Professional Competence (CPC) regulations established and enforced; training centres to seek IRU Academy accreditation); harmonisation of gross weight and axle load for road vehicles and the introduction of jointly acceptable weight certificates; negotiation of new bilateral road transport agreements based on qualitative criteria rather than quantitative restrictions; introduction of a more conducive environment for logistic services.
- Planned transport investments are huge and costly, particularly if shippers are to pay the costs at the end of the day. Close cooperation among all the countries on the corridors and **strict prioritisation of investments** based on economic evaluation are warranted, that calculates with reliable traffic census and forecast in order to best use scarce resources. In this respect the development of the Trans-European transport network and progress towards a continent-wide transport planning exercise in Europe could be considered best practice. Today, we are witnessing efforts to develop the Trans- and Intercontinental transport network beyond the EU. The series of the St. Petersburg Conferences, the recently published UNECE Master Plans, their cooperation with UNESCAP, and the EU initiatives in particular reflect the significance of countries and organisations acting together.
 - **Promoting closer cooperation between authorities and business communities (e.g. pro-committee)** enabling users of the border services (shippers, manufacturers, transport operators, freight forwarders) to voice their concerns and forcing the authorities (the government in general, but particularly customs and other border agencies and also the Transport Ministry and agencies) to respond to the needs of the private sector. Empowering the business community and providing a forum to represent their interests in decisions concerning international trade could lead to better and more sustainable results.
 - **TTF information** to be regularly shared with key stakeholders (e.g. through TTF web sites) where business communities, i.e. pro-committees, can play the role of catalyst in close cooperation with the already existing industry associations. In the road sector, the national road transport associations together with their umbrella organisation, the IRU have created a sound monitoring system and database on waiting times at road border crossings. In railways, UIC has done surveys and analysis of border crossing issues²¹.
 - **Training of all participants in the TTF chain**, including customs officials, brokers, forwarders, shippers, transport operators, etc. is required to bring about

²¹ ABC Study, Action Plan for Border Crossings, UIC, 2003 represents only one of several UIC initiatives in this field.

the necessary changes in business ethics, border crossing management, attitude and mentality.

- **Impediments and progress** in their abolishment should **be made more transparent**. Any TTF program can start if the impediments are clearly understood. Therefore, the diagnostic exercise is key stage in the identification of which part of the TTF work should be prioritised and also to establish the basis for monitoring progress. For results tracking and evaluation, **performance indicators** should be introduced, initially along the most frequented international corridors. **Monitoring and measuring** changes in border agencies' performance and within regional trade blocks and eventually worldwide has the benefit of introducing peer pressure. In this regard, benchmarking introduced by the World Bank supporting the TTFSE project could be considered as a good example and also as a data resource for other regions and countries.

The above description attempts to define the meaning of TTF based on empirical experience. While it has a much narrower focus than trade facilitation in general, it offers a complex approach where transport and customs reforms are interrelated on all levels: policy, legal, institutional and operational.

- *Increasing the number of trade and transport facilitation audits, based on TTF audit methodology*

Because the obstacles to international trade due to border crossing problems have been talked about so much, because there has been so much “finger pointing”, and because so little has actually been achieved despite the rather significant amount of aid to many developing countries, the International Chambers of Commerce has come to the conclusion that a thorough and internationally applied standard audit of trade barriers is warranted before border investments can start and before a trade facilitation program is developed²². The ICC-developed audit methodology has been adopted by the World Bank, further improved and more centred on TTF as discussed earlier. This methodology has been put to use to prepare TTF reform programs and the investments required for smooth border crossings. The TTFSE Program used this methodology initially, but since then numerous TTF audits have been carried out in countries of the South Caucasus, Central Asia, South-East Asia, Africa and Latin America.

²² Actually it was John Raven, the Director General of IECC who worked out the first audit methodology. This was used and modified considerably by the World Bank Team dealing with the TTFSE project, and particularly by Michel Zarnowiecki, the customs specialist of the team. Later as several other TTF audits were carried out in different parts of the World (Central Asia, South-East Asia and Latin America) the World Bank revisited and renewed the audit methodology. It can be downloaded from the Website of the Global Facilitation Partnership under: [Trade and Transport Facilitation: a Methodology for Audit, Analysis, and Remedial Action.](#)

3.2. *Legal commitments; existing and evolving*

➤ *GATT and the WTO*

Article V of the GATT provides for freedom of transit. Different road transport liberalisation schedules for European countries, said countries' interests in transit and bilateral traffic depending on their geographic location, sensitivity to the promotion of environmentally friendly solutions (vehicle modernisation, a modal split to encourage rail and inland navigation), etc. have all lead to long discussions about the interpretation of this article. In international road transportation, the application of the principle most favoured nations treatment (MFN) has been limited to general conditions and user fees. It has never been applied in market access decisions, i.e. in determining the amount of road permits. In fact, the European bilateral road transport agreements that were concluded after WWII made reciprocity the over-arching principle of international road transport.

The 1996 Singapore ministerial conference decided that the WTO should start exploratory and analytical work "on the simplification of trade procedures in order to assess the scope for WTO rules in this area". The Negotiating Group on Trade Facilitation was established in 2004. In December 2005 at the Ministerial Conference in Hong Kong, the Group began drafting the text of a WTO trade facilitation agreement. The trade facilitation talks are part of the WTO Doha Development Agenda (DDA), which also includes negotiations on agriculture, industrial tariffs and trade in services. Accordingly the TF negotiations should be completed under the overall Doha Development Agenda timeline.

The mandate for negotiation is to clarify and improve relevant aspects of Articles V [freedom of transit], VIII [import and export fees and formalities] and Article X [publication and administration of trade documentations] of the GATT 1994 [General Agreement on Tariffs and Trade] with a view to **further expediting the movement, release and clearance of goods including goods in transit**. Negotiations shall aim to enhance technical assistance and support for capacity building in this area. The negotiations shall further aim to "provide for effective cooperation between customs or any other appropriate authorities on trade facilitation and customs compliance issues".

The proposals of the countries partly repeat the revised Kyoto Convention on Customs and partly include some additional provisions. Those that have the most direct relationship with international transport and TTF are: goods transit and border agency cooperation.

The Member countries have shown their interest in trade facilitation both through individual proposals and also through the set up of the Boksburg Group. Since 2003 the Group consists of private and public representatives and has been working as a think tank. One of the concerns of the less developed countries is the cost of modernisation

and the capacity to implement the obligations. To address this problem, technical assistance grants in support of trade facilitation have been created with WTO²³.

To sum up, there are two main questions that still remain open:

1. How fast and in what framework is liberalisation of transport services going to take place -- as the author has no doubt that liberalisation will continue despite its slowing down in some regions and sub-regions.
2. When will WTO countries conclude an agreement on Trade Facilitation? And how effective that agreement be? In other words, what further role can regional integrations and relevant international organisations play?

Liberalisation and deregulation of transport services could be seen as vital in facilitating international trade both for goods and services. With regard to its speed and form, it is worth noting that there are huge differences between regions and sub-sectors. The highest level of liberalisation of transport services has been achieved within the EU. Yet we are not witnessing the roll-over impact of the EU's liberal transport policy. In fact, market access conditions in international transport are much less liberal between the EU Members and third countries. This lull in liberalisation may be a temporary phase in the cycles, to give breathing time for transport operators on the liberalised market before trying to embark on the next stage²⁴.

²³ In addition to bilateral grants, see also: European Commission (2000). Technical Assistance and Capacity Building in Relation to Trade Facilitation, a Communication to the WTO Council for Trade in Goods (ref G/C/W/235).

²⁴ Looking at the development of transport services liberalisation in Europe, three specific features should be considered:

1. The Treaty of Rome establishing the European Economic Cooperation provided for the creation of common transport policy. The 1985 White Paper gave a clear roadmap for the creation of the Single Market also in the field of transport services.
2. ECMT played an important role in integrating Europe above and beyond the EU a) by its resolutions, b) by the ECMT Multilateral quota of road transport licences to facilitate road liberalisation first between the EEC and EFTA countries and later between the EEA and the rest of Europe.
3. Multilateral transport agreements under the auspices of UNECE have played the role of a catalyst that ensures minimum technical standards and common rules for international transport across the whole continent.

Box 1. Negotiation Issues on Trade Facilitation

WTO Trade Facilitation Negotiation Issues – Proposed by the Member Countries

A. Publication and Availability of Information - The information should be filed with WTO, "Enquiry Points" to be set up, Single National Focal Points (SNFP) to be identified...

B. Time Period Between Publication and Implementation - Traders should be able to obtain accurate and timely information on trade procedures to avoid unnecessary documentation and procedures, thus reducing their logistical costs and time....

C. Consultation and Comments on New and Amended Rules that may affect traders - Effective consultation mechanisms offering a more binding framework for dialogue between authorities and businesses....

D. Advance Rulings – A Provision by a Customs administration (or any other competent authority), upon application by a trader, of a written binding ruling on key elements of import transactions, in advance of trade commencing in order to facilitate compliance with customs requirements and improve transparency and legal stability...

E. Appeal Procedures - A relief measure for traders against unfair administration of trade-related procedures...

F. Other Measures to Enhance Impartiality and Non-Discrimination include strengthening the integrity of customs administrations - e.g. code of conduct in the customs services, introduction of computerised systems to reduce (or eliminate) the discretion exercised by officials and employees with respect to basic Customs decisions....

G. Reduction of Import /Export Fees and Charges - i.e. limit the costs due to government regulatory activities regarding import and customs entry processes ...

H. Import and export formalities, procedures and requirements should be reduced to the least restrictive levels possible - e.g. multilateral harmonisation and standardisation of documents and data formats, introduction of uniform Customs code, automated payment of duties and other fees, the use of automated and electronic data exchange (EDI) based electronic systems, replacing paper-based procedures, 'single window' processing, one-time submission of required information by traders (this information will then go to all relevant parts of government), clearing house for all documents and data submission, elimination of pre-shipment inspections, phasing out mandatory use of Customs brokers

I. Consularisation – Formalities, procedures and requirements should be reduced to the least trade restrictive levels possible whilst ensuring that Members' legitimate objectives can be fulfilled. This also includes discontinuation of the levying of "consular fees" or "consular invoices" ...

J. Border Agency Cooperation - Incl. integrated border controls. Inter-agency and cross-border cooperation, "one-stop shop" operations ...

K. Release and Clearance of Goods – e.g. for advanced release of goods by fulfilling initial, simplified declaration procedures prior to formal clearance, pre-arrival clearance, risk management analysis, authorised traders, post clearance audit systems, establishment of the average clearance and release times, expedited procedures for express shipments

L. Tariff Classification – The aim is to establish a single tariff classification system

M. Matters Related to Goods Transit - Each Member is required to allow free transition through its territory for traffic in transit to or from the territory of another Member via the most convenient route in order to guarantee that the choice of route and means to transport is left to the operator, and to ensure that the right to require in-transit traffic to enter at the proper Customs house is enforced without unnecessary delays or restrictions to the trader. Proposals also include:

- Non-discriminatory, most-favoured-nation treatment with respect to all transit charges, regulations and formalities
- Permanent review mechanism, such as a commission formed by representatives of the sectors involved
- Charges for transportation and for administrative expenses should be reasonable and should be published
- Reduction and/or simplification of Customs formalities and increased use of electronic and interconnection media for the inspection of goods Identification of consignments through sealing (including the use of electronic seals)
- Use of international standards
- Simplified and preferential clearance for perishable goods
- Introduction of a bonded transport regime, allowing goods to transit without payment of customs or transit duties, or other charges, Promotion of regional transit arrangements
- Simpler rules, goods declarations and service fees for goods which do not require transshipment
- Improved coordination amongst authorities, between authorities and the private sector and amongst countries

Source: WTO, SITPRO

The attempts during the Uruguay Round and in preparation for GATS to arrive at a globally liberalised transport services market have been important, but have had rather limited results. In principle, GATS applies to all services with two exceptions (government rendered services and air transport). The services sector however is extraordinarily complex and their trading system is pretty different from trade in goods. This in itself leads to conceptual difficulties: can normal economic principles of comparative advantage be applied to trade in services in the same way as for trade in goods? Can the principles of trade in goods be applied to trade in services, i.e. the most-favoured-nation principle, the national treatment principle or the concepts of market access? The well-established system of bilateral transport agreements still seems to be the stronghold; they offer the possibility for reciprocity (direct or indirect) and eventually the creation of a win-win situation. Given the intrinsic constraints of the different service sub-sectors, the author believes that WTO might achieve a multilateral agreement that sets the minimum targets for transport liberalisation globally. Major liberalisation measures are most likely, however, within and between regional trade blocks, while the spider's web of bilateral transport agreements will continue to be important, particularly for countries that are outside of regional integrations.

➤ *UN*

The **UN** has been particularly sensitive to trade facilitation issues. The MOUs on Island Countries and on landlocked countries offer a general framework for the recommended cooperation and actions to be taken. In 2003, the UN organised the first International Ministerial Conference on Landlocked and Transit Developing Countries and Donors. The outcome of the conference is the Almaty Ministerial Declaration and the Almaty Program of Action.²⁵ As a follow-up a project working group on transport and border crossing was set up. Its review shall take place in 2008.

A lot of multilateral agreements and conventions that promote international transport and the carriage of goods in international trade have been developed within the framework of **UNECE**. Out of nearly 60 UNECE agreements and conventions, about 20 deal with border crossing facilitation. The TIR Convention and the International Convention on the Harmonisation of Frontier Control of Goods are two of the most widely known and relied on instruments in this regard.

The most recent achievements in facilitation of international freight transport services and border crossings are:

- The Budapest Convention on inland navigation, developed by the Rhine and the Danube Commission together with the riparian countries and other relevant organisations.
- The new Appendix 8 of the International Convention on the Harmonisation of Frontier Controls of Goods, 1982 has introduced a systemic approach, and new

²⁵ Report of the Secretary General:
<http://daccessdds.un.org/doc/UNDOC/GEN/N03/531/02/PDF/N0353102.pdf?OpenElement>
 The Declaration can be found at: http://www.unece.org/trans/cd/Almaty_Declaration.pdf

facilitating measures have been agreed on covering the four dimensions of international transport, i.e. the human side (the driver and his visa, the vehicle and its technical certificates) including a multi-country framework for weight certificates for trucks, the cargo and the border infrastructure.

- The alignment of the CIM and SMGS documents and procedures as a result of cooperation between OTIF and OSJD.

UN/CEFACT Trade Facilitation Recommendations²⁶ gives a broad summary of the UN work in standardisation, e-documentation, UN/EDIFACT, on the recommended national bodies for trade facilitation, as well as on the use of the single-window concept²⁷. Its Trade Facilitation toolkit helps traders to locate the forms required to trade with a specific country or obtain the correct information on the necessary procedures.

UNECE has also recognised the urgent need to harmonise the description of freight costs and charges and has developed its recommendations for a freight cost code.

Over the years **UNCTAD** has taken a lion's share in trade facilitation. First of all, it has developed and continuously improved the ASYCUDA computerised management system for customs. It has also worked out a trade facilitation handbook that gives a rather exhaustive list of technical measures. It reviews the transport documents used in international trade on a regular basis. It has also initiated the review and improvement of the carrier liability and freedom of contract, though it focused on maritime transport and on the framework of UNCITRAL. UNCTAD has launched a capacity building program in trade and transport facilitation for land-locked and transit developing countries. The geographic focus of these projects is Africa, Latin-America and Asia.

The increased political attention to transport and trade is demonstrated by the fact that in 2006, transport was selected to be the main theme for the OSCE (Organisation for Security and Cooperation in Europe) and an OSCE Transit Conference will be held in autumn, 2007.

➤ WCO

The members of the World Customs Organisation process more than 97% of international trade. It has a mission to enhance the effectiveness and efficiency of Customs administrations, develop and maintain instruments for standardisation and simplification of customs systems and procedures, promote international cooperation including sharing information and best practices and assist members in technical assistance and capacity building. It has been the focal point for:

²⁶ http://www.unece.org/cefact/recommendations/rec_summary.pdf.

²⁷ UN/CEFACT - United Nations Centre for Trade Facilitation and Electronic Business (<http://www.unece.org/cefact/>) published its TF Recommendations, that include topics like trade documents, the creation of national trade facilitation bodies/committees as part of the guidelines for efficient environment for trade and transport, abbreviation of INCOTERMS, aligned invoice layout, codes for ships, documentary aspects of international transport of dangerous goods, freight cost code, codes for status of consignment, guidelines for single-window etc.

- the development of the international legal framework for customs, from which the International Convention on the simplification and harmonisation of Customs procedures (the Kyoto Convention) stands out as the number one reference point,
- the development of global and regional cooperation among customs administrations and
- trade facilitation from the customs perspective.

To support efficiency improvement in clearing goods in 2002, WCO published its guide to measure the time required for the release of goods. This is a recommended methodology for time release studies that could serve as a basis for national customs reforms.

The WCO Framework of Standards to Secure and Facilitate Global Trade (the SAFE Framework) was adopted in June 2005. It stemmed from a need to secure the movement of global trade in a way that does not impede but rather facilitates it. The SAFE Framework sets out the principles and standards for Customs administrations to follow in order to enhance both security and facilitation measures.

WCO has adopted new international guidelines for the Authorised Economic Operator (AEO) status. Relying on the two already functioning examples, i.e. the US C-TPAT system and the European Commission's draft security provisions under the EU Customs Code Regulation 648/2005, WCO is creating the framework for a globally harmonised system. Authorised traders may benefit from fast-track release and clearance of goods, whilst the rest of the business community must comply with heightened security requirements. While obviously the WCO guidelines offer a cap on the increasing compliance costs for businesses, the benefits from the AEO status are limited: SMEs may still find it difficult to finance the investments required for achieving this privileged status.

- *Global Facilitation Partnership for Transport and Trade (GFPTT) –cooperation among the international organisations²⁸*

The Global Facilitation Partnership for Transport Transportation and Trade (GFPTT) is a UN Trade Facilitation Network that has been initiated by the World Bank and jointly launched with UNCTAD, WCO, UNECE, ICC, UNIDO. It is supported by several non-governmental international organisations, like the IRU. It's a unique feature that GFPTT has grown out of an investment project into a true multi-agency and multi-sectoral cooperation.

²⁸ <http://www.gfptt.org/>.

4. The main problems when crossing borders (Land Transport)

4.1. *Inefficiencies and delays on the roads*

The most obvious indicator of inefficiencies when crossing the border is the long waiting time. The current survey has revealed that 16 years after the political changes in Eastern Europe the waiting times on several road borders should be measured in hours or even days. The most affected crossings are either outside of the EU or on the EU's external border. The tables in Appendix 3 and the graph by the IRU in Appendix 4 show the border crossings with the highest congestion problems.

Within the EU delays on the road border crossings no longer exist. Congestions and delays on the roads are due to bottlenecks on the road network only or can be caused by holiday and week-end traffic bans. On the railways however interoperability continues to be a problem. A new phenomenon is also being experienced and that is the need for new types of border crossing rules and conditions as the European rail freight market is becoming competitive. Inland navigation poses a specific problem: while the two main navigable rivers, the Rhine and the Danube are connected by the DMR canal, three riparian countries of the Danube and in total four Danube Commission countries are not members of the EU. This leads to three EU external borders on the Central and Southern part of the Danube, these are the Hungarian-Serbian border, the Serbian-Romanian border and the Romanian-Ukrainian border.

On the **external borders of the EU**, there are two types of issues: (i) those related to the transition period because of the shift of the external borders towards the East as the EU enlargement is taking place; (ii) those with strategic implications due to the fundamentally different level of liberalisation and different focus on regulations in the EU and in third countries. This involves differences between the freight transport markets and the customs organisations.

On the Russian -- Lithuanian and Russian -- Latvian borders, for example, capacity constraints have been identified as the major cause for delays, as these crossings were designed for a much lower traffic. Over the past years trade between the EU and Russia has grown significantly, and as a consequence transit traffic has also increased in countries along the key trans-European corridors. The capacity expansion of B/Cs could not keep pace with this development (e.g. each day the average number of trucks in the queue at the Latvian-Russian border of Terekhovo-Burachki in 2004 and in 2006 was 380; at Grebnevo-Ubilinka it was 50 in 2004 and 200 in 2006). Several border crossings are not able to handle even the normal daily load, not to mention the end of year peaks (see Box 2).

On the EU's external border two different transit regimes meet: the EU's New Computerised System for Transit Procedure (NCST) and the TIR system. According to road transport operators this adds to the waiting time problem.

Different weight standards in the EU and in third countries and the need to weigh the trucks nearly all borders slow down the clearance process. In this regard, a further concern is that the information about the fees and penalties for over-weight is not readily

available to the truckers. In Hungary, for example, there has been more than a year of debate and consultations to put together a table of the relevant fees and penalties and still there is no transparent information.

Traffic bans in the different countries: by the end of the traffic ban a huge number of trucks are waiting to cross the border right at the border itself; at the Swiss-German border for example, the reason for the waiting time is that the customs authorities do not work during the night (Swiss driving restrictions between 22h and 5h). As weekend and holiday bans have become common in many European countries, it is becoming obvious that truckers plan their time-table in a way that they should be able to enter the other country as soon as the ban ends. For this, they queue up at the border. If there is not adequate pace in the parking lot, they occupy at least one lane of the motorway and block normal traffic there.

Even the EU and its neighbours are not immune to infrastructure bottlenecks. On the main borders to Switzerland parking facilities and parking lots are insufficient. Every day, there are long queues of trucks on the emergency lanes of the motorways. This situation is worrisome also in terms of road safety.

In the SEE, South Caucasus and the CIS regions the type of border crossing problems go beyond just capacity constraints on the borders and on the network as a whole. The following is a list of issues that many respondents raised:

- lack of good governance and motivation at customs and other border agencies continues to be a problem; complaints about the behaviour of the Russian customs officials are numerous; informal payments either at or beyond the border (forced by traffic police, but also by others) considered as an additional tax on road transport even if they do not end up in the official books of the governments²⁹ (see Box 2).
- Stalled or very slowly implemented customs reforms that hinder the modernisation of the national customs administrations, the introduction of MIS and overall modern operations management.
- Lack of adequate inspection facilities: e.g. only one scanner at customs.
- Delays due to queuing up for vehicle weighing (scale capacity problem, different weight standards, non-recognition of weight information in the documents).
- On weekends, holidays or customs holidays B/Cs are either closed or a special permit from the customs is needed for crossing the border or the

²⁹ According to a World Bank estimate in Tajikistan e.g. the informal payments at internal checkpoints may amount to as much as US\$15 million dollars, or 1% of GDP annually. This would be 4 times the amount that the Government officially collects in licenses and other payments from truckers. It is also comparable to the US\$19 million consolidated budget expenditures that the government spent on roads and communication in 2003. Tajikistan Trade Diagnostic Study, 2005 World Bank, Report No. 32603-TJ.

waiting time is long due to reduced number of officers (problems have been identified at the Russian and Georgian borders).

- Still at many road B/Cs, payments to the different agencies are at different places, as only few border stations are managed through a single window.
- Despite the improvements along many corridors, inter-agency cooperation is still perceived to be inadequate.
- A special case at some of the borders: vendors occupy the checkpoint zones, petrol stations are situated so much within the control area that they generate congestion (e.g. in the “entering” zone at Kalotina and Kapitan Andreevo).

Box 2. What truckers consider a problem

A list of truckers' complaints when driving in Russia, Belarus or Ukraine

1. Customs procedures and the way they are implemented. The waiting time for customs inspection varies from one day to 10 days
2. Proof and document requirements by authorities that are cumbersome and non-relevant for international trade (incl. also the requirement for translation)
3. Understaffed borders and staff does not always have the required competence to carry out its job
4. Evenings and holidays are particularly problematic (more severe under-staffing)
5. Lack of clear and precise information about the requirements, e.g. procedures and documents, no prior information about changes
6. Different interpretation of rules and regulations
7. Different norms for weight in the EU and several CIS countries
8. Some documents should be filed electronically by Russian customs brokers only – rule GTK1467
9. Foreign drivers in international road transport are required to report their “trip”, and if they do not do so within 3 days after the entry into the country, a case can be made against them -- with regard to the long distances in Russia, this can be a problem
10. In the Pskovskij oblast there is only a tolled road (and no alternative road) that leads out of the customs area
11. There is a limitation on the quantity of fuel in the standard tank of a vehicle when exiting the Russian Federation
12. Officials tend to levy charges and truckers often found it un-founded, i.e. a form of rent-seeking

Source: several national associations of road transport operators

Morocco is an important gateway to Africa. A recent World Bank diagnostic study has identified several inefficiencies. It has found that the trucking sector is weak with low quality service carried out by an obsolete vehicle fleet. Most small operators provide cheap, but very low quality services and preclude the emergence of modern land transport corporations that can properly serve the needs of the most demanding shippers. High port charges in Morocco, both for containers and trucks, lack of competition in ferry services, as well as Spanish port pricing also contribute to high cost of crossing compared with other straits. Clearance is cumbersome and time-consuming (15 days in 2004) especially at Casablanca port, the main import gateway. It mainly derives from a problem of coordination since most of the agencies (port, customs) have developed their own modern information systems. A pilot project was launched in 1999 to introduce the wide-scale use of EDI (Electronic Data Interchange). This was to provide

a critical real-time link between the parties to the trade transaction (consignee, forwarder, bank, customs, ports, other agencies). The project has not brought the expected results first of all because there had been no prior agreement about on a common architecture. Trade is vulnerable to illegal activities (drugs, human trafficking) in ports and on access routes for TIR vehicles. This is one of the main concerns of logistics operators and exporters. Low investment levels in dedicated facilities and services are leading to low quality and inadequate logistics services. Consulting in logistics and distribution centres is almost inexistent. Cumbersome implementation of fiscal and customs regimes is a constraint for logistics services.

Central Asian countries stand out as particularly vulnerable because they are both physically and economically distant from their markets. They are landlocked and suffer from most of the TTF deficiencies that one can name.

With regard to border management in the CARs the following issues have been identified by the different studies: differences in tariff rates, different stages in the WTO accession process, overlapping, sometimes inconsistent regional trade preferences, non-tariff tax barriers such as excise taxes on imports, labelling requirements, import licenses, lack of harmonized customs procedures, all leading to detailed checks on both sides of the border, numerous and cumbersome documentation requirements, lack of recognition of TIR seals and high cost of transit convoys, lengthy trans-shipment procedures and lack of adequate logistics centres (trade terminals, etc.), high levels of corruption among customs officials and other inspection agencies.

Vehicles that are overweight and oversized usually face even more delays, as national legislation may be stricter than the European standards and the control mechanism is not traffic friendly.

Country responses to the ECMT questionnaire further reveal that delays at the borders happen as trucks are often dispatched without adequate documents. While this can be due to a lack of clear and broadly published rules and regulations, this can also be caused by the lack of a strong and competent trucking industry and by the reliance on own-account transport where manufacturers fail to keep up with the changes in international transport requirements.

Logistics infrastructure is vastly underdeveloped: modern warehousing with IT solutions needs to be established but prior to this basic infrastructure should be created, existing conditions should be improved. The road network itself cannot offer adequate coverage and its low quality poses safety hazards and accelerates the vehicle amortization rate.

A number of obstacles are related to the relatively slow development of modern logistics services, starting with but not limited to competitive freight forwarding and trucking industries. The lack of modern, TIR-compatible trucking fleets is an indicator that basic conditions for this industry need to be urgently improved. In Tajikistan, for example, truckers find it difficult to participate in the TIR system primarily because of the obsolete fleet.

Transportation by road in Central Asia and in its Southern neighbours may entail major risks both for the cargo and vehicle and for the truck driver. The numerous checkpoints by authorities, local and national, seem to serve as a rent-seeking opportunity rather than a security enhancement. In addition the obligatory services of the trucking cartels or so-called landlords to guarantee safe passage recall the Timurlein period in the Middle Ages and further increase the costs of transport and trade.

Visa issuance for professional drivers continues to be a big problem for road freight operators in Europe and Central Asia. The problem has several key aspects:

- difficulties with the Schengen visa in the EU countries;
- difficulties with the transit visa in the new EU Member countries that are not yet part of the Schengen procedures;
- difficulties with visa procedures in several non-EU countries.

These difficulties involve but are not limited to the following: numerous documents are required; applicants have to present an invitation letter; application fees are perceived to be prohibitively high; limited length of stay for all types of visas delivered to professional drivers; long period of waiting for a visa (it may be 30 days or even longer).

The ECMT Road Transport Group has already reviewed the procedures, the number of documents required, the time needed to get the visa and the duration of the visas issued for professional drivers (see Appendix 5). It is common sense that such bureaucracy is costly and thus it reduces the competitiveness of those hauliers whose governments could not achieve as favourable visa conditions as any other third countries. Eventually competition is distorted and the level playing field is undermined by the visa anomalies.

In North America the road border crossing issues are first of all due to increased trade and traffic, and also to some extent to the new and enhanced security requirements. The problems though are different on the Mexico-US border from those on the US-Canada border (see Box below).

A planned pilot project that was to authorise some hundred Mexico-based trucking companies to operate freely across the Mexico-US border could have been a best practice example. The pilot project was designed to simplify the process that requires Mexican truckers to stop and wait for US trucks to arrive and transfer cargo -- a process that wastes money, inflates the cost of goods, and leaves trucks loaded with cargo idling inside US borders. Under current rules US trucks are not allowed into Mexico either. Nevertheless in the framework of NAFTA, the US was willing to lift the ban on the Mexican trucks and conduct on-site safety audits of Mexican trucking companies, and this way to ensure they comply with US safety and HOS regulations. According to the plan Mexican hauliers that meet these standards would have been allowed to make international pick-up and deliveries (cabotage or the transport of dangerous goods would not have been authorized). On the other hand, Mexico was also considering applications from US trucking firms for licensing rights to operate within Mexico. Partly as a result of US industry protests, the newly proposed "Safe American Roads Act of 2007" however

puts a break on this modest trend of liberalisation, as it seems to allow Mexican trucks to travel freely in the US only under a strictly monitored pilot program, which would be limited to three years and 1 000 trucks.

Box 3. Causes of congestion and delays at the North American borders

Congestion and delays at the North American borders	
<u>Mexico-US border:</u>	
Border Infrastructure	<ul style="list-style-type: none"> • Infrastructure limitations on both sides of the border • Infrastructure in Mexico and on the International bridges is not sufficient to provide for the segregation of trusted traveller (FAST Lane) traffic
Operations and Institutions	<ul style="list-style-type: none"> • Not adequate inter-agency cooperation (National Security, Customs, Migration, Phyto-sanitary; state/federal – local, etc.) results in different time-frame or even place for the controls and checks by the different authorities • Enhanced security control • Delays due to the limited capacity of the X-rays • Mixing Freight traffic & passenger traffic • Mixing Freight traffic and pedestrians
Banking/Broker system in Mexico	<ul style="list-style-type: none"> • Traffic is released all at once after receiving paperwork • The broker industry is heavily regulated and impedes competition, 24hr operation
Financing	<ul style="list-style-type: none"> • Border infrastructure products have to compete with other portfolio projects (i.e. port roadways vs. interstate projects and POEs vs. federal courthouses) • Lack of funding to meet infrastructure needs of inspection agencies • Lack of funding for staff to operate at full capacity and perform security protocols
<u>In North America: US- Canada border:</u>	
<p>For the commercial vehicles the obstacles that are most important in terms of impact include adhering to regulation and providing duplicative information to multiple actions at multiple points in one trip (e.g. security, safety), infrastructure, business practices (e.g. inefficiencies in broker operations), and requirements to meet to deliveries schedules that require trips be made at peak period.</p>	
Border Infrastructure	<ul style="list-style-type: none"> ▪ infrastructure limitations on both sides of the border
Operation	<ul style="list-style-type: none"> ▪ Clearing of paper work at the border for small operators ▪ Lack of staffing to operate at full capacity
Financing	<ul style="list-style-type: none"> ▪ Border infrastructure products have to compete with other portfolio projects (ie: port roadways vs. interstate projects and POEs vs. federal courthouses) ▪ Lack of funding to meet infrastructure needs of inspection agencies
<p><i>Source: Country responses to the ECMT Questionnaire</i></p>	

4.2. Are the trade barriers in road transport discriminatory?

Based on the responses it can safely be stated that transit conditions are overall non-discriminatory in the ECMT countries. Nonetheless, there are some concerns that warrant our attention.

One of these issues is the perception of “**over enforcement**” of technical, safety and social rules, particularly how the obligatory rest and driving time is checked in many EU countries. Hungary is one of the countries where foreign hauliers have the impression that they are specifically targeted for road-checks. After consultation with Hungarian

truckers, different road transport operators' associations and authorities, we found the following peculiarities. Until early 2006 the National Transport Inspectorate had the right to keep the revenues from penalties levied on Hungarian operators, but they had to transfer penalty revenues that were collected from foreign hauliers. As a result 92% of the inspections targeted Hungarians. In early 2006, a new arrangement was introduced that was driven by public expenditure considerations, as part of the broader austerity measures. Now all revenues either from penalties or from services should be transferred to the central budget. The problem is that there is a target amount of revenue that the Inspectorate should collect and in case of non-performance its operating budget may be cut.

Obligatory convoys imposed on foreign trucks in some CIS countries are broadly criticised.

Transit in Russia and some other CIS countries is considered to be an ordeal and not totally without discrimination of foreign hauliers. The treatment by the customs authorities is cited as one area of perceived abuse. In Russia, for example, heavy financial sanctions are imposed on the transport operator by the authorities in case of theft of goods. At the same time it is quite common in the Tvery region, for example, that pilferage occurs even from moving trucks.

The still rather mixed picture of **road user charges** in the form of tolls or vignettes and the access related road fees for trucks trying to enter the other country without bilateral or transit permits lead to different financial conditions depending on the nationality of registration:

- In Lithuania, for example, EU hauliers have to pay road user charges, while hauliers from third countries (Russia, Ukraine, Belarus, etc.) are exempt from this charge on the basis of intergovernmental bilateral agreements.
- Non-EU countries cannot participate in the liberalised European road freight market, and in their case a road permit system is still in place. This in itself is seen by many as discriminatory.
- As a legacy from the past international road transport regimes, in countries and for hauliers where road permits are still required, hauliers are obliged to pay a fee for entry if they arrive at the border without a permit (i.e. journeys initiated beyond the quota). Georgia has already abolished this system, where such a fee was 300 USD. Georgia has recently also abolished other discriminatory practices, like the 60 USD fee for transit and partially for veterinary services.

At certain borders with long waiting times, high parking fees have been observed while the trucks have been queuing up for customs control (e.g. Serbia). If this waiting time is imposed on foreign trucks only, this is beyond any doubt a discriminatory treatment.

In sum, the TTF type road inefficiency problems can be categorised in two main groups: infrastructure bottlenecks and institutional constraints. A relatively new type of

congestion is created when there are road blockades, demonstrations or strikes. For the sake of complexity these are mentioned here too.

Box 4. Summary table of TTF deficiencies

<i>Summary table of issues</i>	
❖	<p>Infrastructure bottlenecks</p> <ul style="list-style-type: none"> ➤ Along the main corridors ➤ On the borders – where delays due to long waiting times are seen as a major problem <ul style="list-style-type: none"> ▪ On the US-Mexico and US-Canada border fast increase of traffic leads to congestion and cost increase ▪ On the EU-third country borders administrative burdens are perceived to be the cause of eventual delays ▪ On the borders of some East-European and Central Asian countries institutional handicaps and the lack of good governance are seen as the primary causes for delays and cost increases
❖	<p>Institutional deficiencies</p> <ul style="list-style-type: none"> ➤ Law enforcement (e.g. social regulations, drive and rest hours for truck drivers) is seen sometimes as abuse to protect local carriers ➤ Transit issues in some East European and Central Asian countries, where the question of transit systems is raised: tailor it more to the specific needs of the regions and sub-regions or improve the compliance capacity with the TIR system ➤ Visa issues in the non-EU countries ➤ In Europe, liability systems have been developed within the different modes of transport, but <ul style="list-style-type: none"> ▪ There is no through-documentation for multi-modal transport (UNCTAD proposal) ▪ The CIM/SMGS cooperation has only been launched ▪ The Budapest Convention for inland shipping has not been joined by all the riparian countries
❖	<p>Special case, when congestions, delays and costs are caused by road blockades and strikes -- shall this be considered a new type of TTF deficiency?</p>

4.3 Inefficiencies and delays on rail border crossings

Waiting time for freight trains continues to be an issue on all ECMT borders. Countries that responded to the questionnaire attribute the following infrastructure, institutional and operational reasons for these delays:

- Underdeveloped rail infrastructure [The otherwise extended rail network in Europe has bottlenecks, particularly in the New Member States. Single-track sections are seen as one of these bottlenecks. The Hungarian-Serbian rail border station (Kelebia-Subotica) for example is situated at the end of a single track line and traffic through the border is occasionally slowed down due to line capacity constraints].
- Lack of locomotives [In Hungary for example the lack of traction equipment (locomotives) is responsible for 70–80% of the delays at the border stations. The problem is not unique, as all CEE railways have to face it. This further aggravates the situation. As a result border stations seem to run out of capacity. However, this can send misleading signals on investment needs].

- Lack of interoperability [including safety certification, qualification of the crew (medical, language), insurance, approval of the rolling stock (locomotives)]; for example, even in well-organised cases, the need to change the locomotive and sometimes insufficient capacity for marshalling is the reason for a 30 minute crossing time at Danish Padborg.
- Old and obsolete bilateral railway agreements (for example, the Kulata-Promahon Agreement (Bulgaria-Serbia) rail B/C dates from 1964; the Railway Agreement between Austria and the Czech Republic dates from 1964 etc.).
- Restricted or non-harmonised opening hours and lack of synchronisation between the customs authorities, other agencies and the operators. For example, at Dragoman-Dimitrovgrad (Bulgaria-Serbia) border crossing the veterinary services of both countries work only daily shifts, so wagons with food and plant products stay there for more than 12 hours. This damages the quality of transportation and puts delivery time at risk. According to reports the situation improved in 2006.
- Administrative procedures of the phyto-sanitary or veterinary inspections are often perceived to be an obstacle. For example, at the Svilengrad-Kapikule border crossing at peak cereal transportation problems emerge due to a lack of adequate personnel and facilities at Kapikule station. Consequently, consignments are often rejected and thus full wagons are returned back to Svilengrad. Slow progress in achieving mutual recognition of phyto-analyses between the EU and Turkey also aggravates the problem.
- Lack of inter-agency cooperation: information flow is not timely.
- Late and disorganised arrival of international freight trains in the border railway stations.
- Technical problems with the freight wagons on the one hand and non-RIV compliant conditions by the wagon inspectors on the other hand. Wagons sometimes have to return to the starting station for re-loading.
- Operational problems like the lack of a unified system of railway bills. At the Hungarian-Serbian border for example, shipments often have to be re-dispatched. Personnel at the border station have to fill in the new railway bills. This process (especially when applied to most of shipments in a train) causes hour-long delays.
- A special situation at the Rousse Shunting Station-Gjurgevo North border crossing: the presence of Romanian forwarders in the shared border station (Ruse Shunting Station) often leads to unjustified refusals of consignments with export and transit to CFR MARFA because of the unsettled financial relations between the forwarders and the recipients in Romania. This often generates complicated operating situations, prolonged stopping times for freight, delays and missed delivery deadlines.

The situation on rail border crossings differs from region to region. Within the EU, lack of interoperability remains the main issue. On the external EU borders of the rail network technical incompatibilities are further hampered due to enhanced control. On the borders between Hungary and non-EU countries waiting times can be really lengthy (at

Kelebia/Subotica on the Serbian border 87% of the trains entering and 66% leaving the EU territory are hindered by delays. The average delay time amounts to as much as 216/447 minutes per entering/leaving train). A further technical issue is the different gauges; where either reloading or changing the bogies are necessary. This is the case where the CIS railway connects to the rest of Europe, and also between Spain and France.

For rail border crossings the question of discrimination has no meaning as long as rail freight services are supplied solely by the incumbent national railway operator. With the introduction of liberal access to rail infrastructure and with the entry of new, mostly private railway companies into the common EU railway transport market, the potentials for discrimination arise. This discriminatory treatment however is not based on the flag of the carrier; it is the attempt of the incumbents to fence off new railways even for just a short period of time. The European Commission planned to consider whether or not a best practice guide on drafting state agreements in the rail sector would be helpful and appropriate.

Concerning the cost of transit, we have received one specific response from Denmark. Accordingly, the infrastructure (and bridge) fee for a freight train running approximately 310 km from the Oresund to Padborg borders (½ Oresund Bridge, a whole Great Belt Bridge, infrastructure excluding congestion fee morning/evening on approximately 40 km of the infrastructure) amounts to approximately €1,100. A possibility for freight trains to get “environmental subsidy” based on ton/km transported reduces in average cost by €335. This environmental subsidy has been suspended from 11 December 2006, while it is investigated by the European Commission. It is expected to come into force again in 2007.

One should bear in mind however, that rail access charges have been analysed both by the EU and ECMT in great details.

It also needs to be mentioned that on the Southern corridor of the **trans-Asian railways** three main types of delay which can interfere with the smooth flow of traffic at the rail border crossings have been identified by UNESCAP: (i) delays due to customs and security control procedures; (ii) delays due to transshipping freight and containers or exchanging wagon bogies at border beak-of-gauge stations; and (iii) delays due to railway operational procedures, such as train inspection, brake testing, checking of wagons and their equipment, recording of wagon and consignment details, etc.

More specifically in CARs slow speed of rail cargo is considered responsible for the low competitiveness of time-sensitive goods. In addition, the lack of customer-oriented services and the still underdeveloped freight forwarding market is not able to offer smaller tonnage freights, particularly in the field of rail cargo.

4.4. *Inefficiencies and delays in inland navigation*

The situation of inland navigation is far better than that of the roads or railways.

Procedures at certain border crossings along the River Danube are reported to be rather bureaucratic, inappropriate and even discriminatory. These cumbersome border crossing procedures cause unnecessary delays and costs. An even more detrimental effect is on the modal split and the difficulties to improve the share of inland navigation in freight transport across Europe. Hungarian border crossings at Komarom and Mohacs are mentioned, albeit not solely, as the ones that carry out comprehensive examinations of personal, freight and ship's documents as well as checks of the freight and of the ship itself. At Komarom, freight documents also need to be officially translated into the Hungarian language. Numerous complaints about the course of action of the Hungarian border authorities (border police, customs office, river police, etc.) have been filed with the Danube Commission as well as with the Hungarian authorities.

It is worth remembering however, that this is the new external border of the EU and consequently EU compatible new border procedures have been introduced. There are physical constraints as well: tows are not always able to enter river ports where the customs are located, simply because of the size of the vessel. In these cases the inspection takes place on open water. This task would require a small, robust, high-performance ship, which is currently not available to the Hungarian authorities³⁰.

4.5. *Identification of the most-affected corridors, sites or "congestion pockets"*

Here we need to distinguish between two types of corridor shortcomings. 1. Land transport infrastructure constraints and congestions along the main international corridors. 2. Inefficient access to local markets since part of the corridor has become international.

Corridor inefficiencies are somewhat different on the North American continent and in Europe. In Europe and the CIS countries the main concern is definitely that transport infrastructure development is on rather different levels of development: the road network of EU-15 is far denser and of higher standard than for the new EU Members. As we go to the east, both the availability of roads and their quality decline. With regard to railway density the situation is the opposite: the quality of the trunk network however gives a similar picture to the roads. The character of congestion and delays is therefore different: in North America and Western Europe congestion is evolving despite the well developed road infrastructure due to the constantly increasing level of motorisation and also due to modal split. In these cases policy measures, like congestion pricing and the application of innovative technologies, such as ITS are the usual tools of intervention. In most of the non-EU European and Central Asian countries congestions are generated mostly at the internal and border checkpoints and further delays are caused by the low quality of infrastructure. In this part of the World, the availability of road infrastructure is low, while railways have been densely developed. Consequently, modal split still favours the

³⁰ Investment cost would amount to approximately €350,000.

railways, though with a declining trend. Under these circumstances the priority policy measure is expected to target efficiency improvement of the controls through the elimination of internal checkpoints, major reforms of the customs and other border agencies, and improvement of business conditions on the transport market. With regard to investments, new constructions and technology up-grades of the existing physical infrastructure are prioritised. Russia represents a special case, as this country witnesses both the “Western and the Eastern type” congestion and delays, with the Ural and the economic centres to its West as the dividing line.

The current questionnaire survey underlines pockets of congestion and the most affected corridors are:

- the North route between the EU and Russia via Lithuania and Latvia on road and rail
- the South route between the EU and Turkey via Bulgaria
- corridor VII, the Danube
- the Europe-Africa connection through Gibraltar
- the Traceca route.

The second issue is typical of but not limited to the Central Asian and South Caucasus countries. With the current network, both road and rail evolved under a different political and economic setting. This also implied that the alignment of routes to connect remote settlements particularly in mountainous areas benefited from the wider regional perspectives. After independence however some of these routes have had to cross the border (sometimes more than twice) to cover the distance between two domestic settlements. The different national transport policies and particularly discriminatory access fees hamper trade and traffic in such regions. The situation has occasionally been further aggravated by hostilities or by the emergence of breakaway territories. There are several corridors affected in this way, for example the Kohjand-Dushambe (Tajikistan) corridor can use the Anzob pass during the summer and 340 km can be covered for 4US cents per ton/km on average. In winter time, however a long detour via Uzbekistan increases the length to 930 km and the costs to 7US cents per ton/km³¹. Another example is the accessibility of the Ferghana valley. The Uzbek railway has to go through Tajik territory before reaching the Uzbekh economic centres in the Valley. The prohibitively high transit fees and the reliability concerns over the transit services have led to the political decision to build a bypass and avoid crossing the border. Similar investment decisions have been made also in the South Caucasus to establish a direct railway line between Georgia and Turkey bypassing the Armenian railways, as the Armenian borders with Turkey and Azerbaijan are closed. These are just two examples from among the numerous investment decisions that are initially triggered by a lack of adequate international cooperation.

³¹ World Bank data.

5. Trade and Transport Facilitation deficiencies increase costs and reduce competitiveness

The estimated worldwide gains are US\$40 billion from every 1% reduction in trade transaction costs³². So it is understandable that the initiative of “Aid for Trade” has been launched in support of developing countries. We should bear in mind however that TTF deficiencies are not limited to low income developing countries. In fact, there is a different type of transport-related trade barrier in the middle- and high-income countries.

Today it is widely recognised that there is a need for a sustainable support mechanism for trade facilitation. Over the past ten years, donors have provided in-depth research and analytical work. Grants and loans have been put to use for TTF related reform packages and investment projects. The European Union’s Phare, Cards, Tacis, Traceca and other programs pay keen attention to TTF issues. The Asian Development Bank has been active in Central Asia and has also been instrumental in the start of the Mekong Delta economic area program. The World Bank’s first multi-country investment program to improve TTF conditions in South-East Europe has become a flagship project which is now replicated in several other regions and sub-regions and which is about to be scaled up to rail border crossing improvement of the SEE countries. This project is going to be discussed in more detail in the best practices chapter. In this program, customs reforms are designed from the perspectives of the users of the border, i.e. taking into account the interest of the shippers and transport operators.

We can safely say that the world has moved from recognition of the importance of TTF to actions. Still one may ask if there is adequate research to underpin long term interventions. Theoretical and analytic work in the area of trade liberalisation, its impact on economic growth as well as its regional and global perspectives is very rich. Nonetheless the analytical work has sizable gaps as liberalisation of trade in services and particularly transport services is still sporadic both in terms of geographical and sectoral coverage. As the “new economy” requires modern logistics services, trade and transport facilitation has also come to the forefront. Recent years have produced a good crop of studies and it is likely that this topic will attract even more scientific attention, particularly as donors’ portfolios will have a larger share to support trade. In transaction-oriented trade facilitation, however, the gap is much wider.

Infrastructure is one of the assessment criteria used by the Global Competitiveness Index

In 2001, the World Economic Forum started to use the Growth Competitiveness Index (Growth CI) developed by Jeffrey Sachs and John McArthur to assess the competitiveness of nations. In order to incorporate other important factors, like efficiency of labour, public health and infrastructure Xavier Sala-i-Martin developed a new more comprehensive model, the Global Competitiveness Indicator. The World Economic Forum used this model in its World Competitiveness Report of 2006. With regard to infrastructure, its availability and modernisation has been recognised as an important

³² Source: SITPRO.

driver of productivity and growth potential. In lower income countries, dilapidated roads and ineffective physical infrastructures are seen as important supply bottlenecks, undermining growth performance. The GCI provides a holistic overview of factors that are critical to driving productivity and competitiveness, and groups them into nine pillars: institutions, infrastructure, macro-economy, health and primary education, higher education and training, market efficiency, technological readiness, business sophistication and innovation.

Early initiatives for logistics performance indicators

Since the first draft of this report had been completed the World Bank has started a questionnaire based survey in order to create a Logistics Performance Index (LPI). The LPI is compounded from the information transport operators and freight forwarders voluntarily give about their perception of logistics friendliness of countries. It is a practical tool that can serve as the shippers' and operators' barometer provided there is adequate number of responses on a regular basis.

How much is this cost? Different surveys and models arrive at different figures.

Typically logistics costs account for 10-17% of GDP in industrialised countries. Logistics costs in Finnish business and industry amount to about 26.4 billion euros. This is 17% of GDP. In relation to the levels in the countries with which Finland competes, the figure is considered to be high³³. In landlocked developing countries logistics costs are estimated to be between 15-40% (Sachs Report). According to the already mentioned World Bank study, logistics costs in Morocco are close to 20% of GDP. Cost and delays incurred in crossing the Gibraltar strait are equivalent to an additional 600-700 kilometre road journey in Spain.

UNCTAD estimates that 2% of the value of foreign trade is wasted by TTF deficiency. The Global Economic Prospect report of 2004 calculates that one extra day in customs or in a port completing paper work adds an average 0.8% to costs.

The SCOR (Supply Chain Operations Reference Model) focuses on the whole supply chain and gives indications about competitiveness of a whole region or country. For companies and supply chains, it is estimated that 37% of North American (NA) companies that have set up logistics and SCM Key Performance Indicators and corporate-wide measurement applications have achieved a decrease of 15% or more in shipment delays³⁴. The European Logistics Association (ELA) survey in 2004 has also focused on identifying the competitiveness in a more general way.

A number of World Bank studies that focus on measuring the level of competitiveness use four trade facilitation indicators. These are: Port Efficiency, Customs Environment, Regulatory Environment, and e-commerce used by business (as a proxy for Service Sector Infrastructure). This approach uses the gravity model to consider how

³³ Finland, State of Logistics 2006 – results of the 4th national logistics survey.

³⁴ Logistics and Supply Chain Management (SCM) Key Performance Indicators (KPI) Analysis, A Canada / United States Perspective, October 2006.

trade among countries might be increased under various scenarios of improved trade facilitation. The goal is to provide directions for specific trade facilitation initiatives with the highest potential to increase trade. Different scenarios are examined with regard to improvements in Port Efficiency, Customs Environment, Service Sector Infrastructure, and Regulatory Environment. A simulation strategy is followed that uses a formula to design a unique program of reform for each country in the sample, and apply it to the specific case of the country under investigation. The formula brings *below-average* countries in the group *half-way* to the average for the entire set of countries. The model focuses on the *below-average* country on the grounds that donor attention and capacity building efforts should be extended to this group. An improvement of *half-way* to the average is recommended because there are limited development resources and improvements take time. Based on these indicators Singapore and Finland stand out for best practice. After simulating these improvements in trade facilitation in all four areas, Isidro Soloaga, John S. Wilson and Alejandro Mejía³⁵ find for example that Mexico has a large scope for trade promotion and trade facilitation reform: overall increments *from domestic reforms* are expected to be to the order of US\$31.8 billion, equivalent to 22.4% of total Mexican manufacturing exports for 2000-2003. On the import side, these figures are US\$17.1 billion and 11.2%, respectively. Their results show that unilateral trade facilitation reforms for the case of Mexico could generate an increment of more than 20% for exports as well as about 11% for imports.

The analytical skills required for understanding and estimating the logistics costs and benefits are evolving; the amount of information about their link with competitiveness is becoming sizable. Benchmarking is also evolving, though in a more limited way, as the different methodologies produce databases of great value for a follow up study based on the same methodology. So, the question remains open: how close are we to estimate and internationally compare the costs of border crossing obstacles or in a broader sense the costs of TTF deficiencies?

A new modelling approach has been used to demonstrate the link between road infrastructure and trade by Ben Shepherd and John S. Wilson³⁶, when they analysed the quality of road networks in the 28 countries of the Europe and Central Asia (ECA) region of the World Bank. They came to the conclusion that “an ambitious but feasible road upgrade program in ECA has great potential to boost intra-regional trade by as much as 50%. Moreover, it is possible for the region to reap a large proportion of the overall gains by focusing attention on just three countries which are important transit corridors but exhibit significant limitations in terms of infrastructure quality: Albania, Hungary and Romania. Such a concentrated program of road upgrading would come at significantly reduced cost (perhaps 40%) compared with attaining the same level of road quality on a region-wide basis, yet would bring around 60% of the total expected trade benefits.”

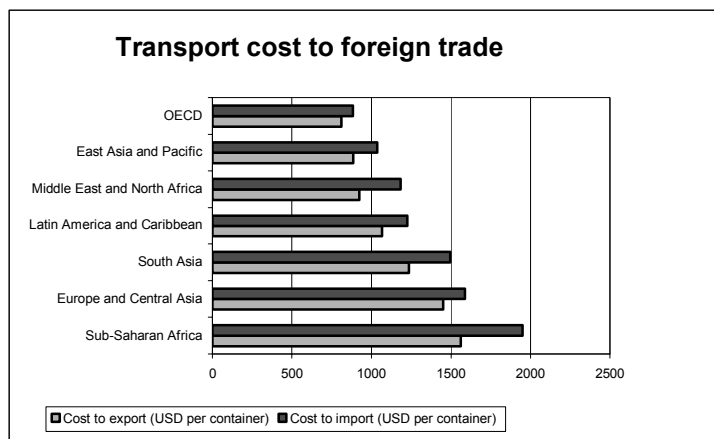
The Doing Business database also contains information about transport costs that offers a global comparison. These indicate that transport costs in the OECD countries

³⁵ Moving Forward Faster: Trade Facilitation Reform and Mexican Competitiveness, Isidro Soloaga, John S. Wilson and Alejandro Mejía, World Bank, Policy Research Working Paper 3953, 2006.

³⁶ Road Infrastructure in Europe and Central Asia: Does Network Quality Affect Trade?, Ben Shepherd and John S. Wilson, World Bank, WPS4104.

are around half of those of the 28 countries of Europe and Central Asia (see Diagram 1). Can we be satisfied with this?

Diagram 1. Transport cost to foreign trade



Source: doing business database

Arvis, Raballand and Marteau attempt to create the analytical framework to assess the impact and costs of being landlocked [2007]. Looking into the issues of international road freight transport they model the benefits of transit guarantee systems, like TIR³⁷.

Several **empirical studies** like the TTF audits of different countries underpin the above data, but in a more concrete way and with more opportunities for errors. The overall nature and tendencies in the differences in competitiveness however can still be seen from such figures, e.g. transport costs between Europe and Kazakhstan are disproportionately higher than between Europe and Azerbaijan. Obviously, the TTF deficiencies are behind such discrepancies.

As we move on to investment programs and project levels, both the developed methodology and the actual appraisals can be taken as examples. The San Diego study for example developed an evaluation methodology on the economic impacts of border crossing improvement. In 2001 FHWA conducted a study to determine a benchmark border crossing delay measure for commercial vehicles. Seven ports of entry (POE) were surveyed: four on the U.S./Canada border and three on the U.S./Mexico border. Those ports of entry were Otay Mesa, El Paso, Laredo, Blaine, Ambassador Bridge, Peace Bridge and Blue Water Bridge. Average delay times were calculated for each port of entry. The delay time represents the difference between the average crossing time and the free-flow crossing time³⁸.

Several studies have been prepared on specific corridors or border crossings, for example:

³⁷ The Cost of Being Landlocked: Logistics Costs and Supply Chain Reliability, by Jean-Francois Arvis, Gael Raballand, Jean-Francois Marteau, World Bank Research Paper 4258, June 2007.

³⁸ http://www.ops.fhwa.dot.gov/freight/freight_analysis/brdr_synthesis/index.htm

- Taylor Study – The U.S.-Canada Border: Cost Impacts, Causes and Short to Long Term Management Options.
- A study by the San Diego MPO (SANDAG) that was called the “Economic Impacts of Border Wait Times at the San Diego-Baja California Border Region”³⁹.
- The El Paso MPO will be conducting a similar study in the near future.
- Cross border shopping studies⁴⁰.
- The Globerman Study – The Impact of 9/11 on Canada-US Trade (Western Washington University).
- The Cost study by the Coire University etc.

Even more information is available however on the specific reform-oriented investment projects. When SITPRO looked into the economic and efficiency gain factors of the introduction of a single window system (ITSW) in the UK, it has found that in terms of the cost of supplying data and obtaining authorisations the savings to UK businesses could be between £160m-£190m. It identified benefits of £163m to business on the narrower measure of 30% savings using existing data submission costs with around 80% of this figure representing year-on-year cost reductions. Extrapolating from a US study, Gurses⁴¹ projected slightly more rewarding benefits with annual savings of £190m to UK business and £35m to Government. Although these figures are inevitably hypothecated it seems indisputable that the introduction of the Single Window System has important efficiency potentials both for businesses and governments⁴².

Convincing results have also been produced by Japan when they analysed the costs and benefits of the introduction of the ITSW and the replacement of paper-based administration by the Electronic Data Input based system. According to their findings, trade related administrative costs can be reduced by 32%, while the cost savings for common cargo can be as high as 39%. Naturally it also implies time efficiency improvement, which is 33% for common cargo⁴³.

The countries’ responses to the questionnaire revealed that several of them had never calculated the costs for shippers and hauliers due to border crossing delays. There is however a growing number of countries where both the road transport operators’ association and the government are sensitive to cost implications; they have started to analyse reasons for delays, their costs and feasible solutions.

³⁹ <http://www.sandag.org/index.asp?projectid=253&fuseaction=projects.detail>

⁴⁰ <http://www.dallasfed.org/news/research/2006/06crossborder.htm>

⁴¹ SITPRO International Trade Single Window Cost Benefit Study, 2003.

⁴² International Trade Single Window and Potential Benefits to UK Business, Prepared by Gordon Linington, February 2005. The study also gives the definition of ITSW, accordingly A platform to allow traders to submit international trade -- import, export or transit -- data required by government departments or agencies once only through a single electronic interface thereby fulfilling all the regulatory requirements in respect of each transaction.

⁴³ OECD (2003) Quantitative Assessment of the Benefits of Trade Facilitation, Paris, OECD, TD/TC/WP(2003)31/FINAL; based on JETRO (Japan External Trade Organization), 2002. Report on Market Access to Japan: Single Windows for Trade and Port-related Procedures (in Japanese), Tokyo.

- According to the Estonian government the estimated loss for the Estonian road hauliers is 2 million USD per month.
- The Latvian Road Transport Association estimates losses for hauliers by taking into account the:
 - Waiting times in the queues – including driver salaries, vehicle spare parts, losses connected with vehicle being idle (idle times), penalties for non delivery of goods on time, etc.
 - Waiting times and financial costs of mandatory customs convoys.
 - Waiting times for customs control and loading/unloading of trucks

Taking all these factors into account and making the calculation based on waiting times at two border crossing points (outbound traffic) on Russian Borders, with an average traffic of 580 trucks per day in 2006 and with losses of 200 Euros per truck per day, the total financial loss is estimated to be 42 Million Euros.

Since 43% of hauliers are Latvian, their losses will be 18 million Euros; 25% of the traffic is made up of Lithuanian trucks, so their loss is estimated at 10 million Euros and 17% of the traffic is made up of Russian hauliers, whose loss accordingly 7 million Euros, 9% of the traffic is given by Polish hauliers, whose loss according to this calculation is then 3.7 million Euros.

In November 2006, at the Latvian-Lithuanian border crossing point, there were lengthy delays. According to the Lithuanian road hauliers' association these delays caused EUR 2,262,830 loss to their members.

There are few studies, however, specifically on the economic impact of the border waiting times. The IRU has set up a consistent and rather neutral database about the waiting times at the different borders regularly reported by national member associations based on various national resources; today, these data represent an immensely valuable resource for analysis. This system is just being updated and extended. The Pyrenees Observatory in Catalonia is a Spanish-French joint initiative to monitor traffic and facilitate the solution of transport issues in the region⁴⁴ and as they build their own database new assessments are likely to be published.

6. Government measures and best practices to improve system efficiency

Countries with unfavourable geography and/or with poorly developed physical, institutional and electronic infrastructures need to make extra efforts to reduce trade and transport costs, shorten the *economic distance* to the key markets, enabling the country to become part of global logistics systems, attracting foreign and local investors and benefiting from increasing world trade. A failure to address these issues would mean that they risk being marginalised and deprived of the opportunity for sustainable growth and increased wealth. Countries can take measures in support of their economic integration on global (WTO, multilateral conventions etc.), regional (growth of trade blocks), macro (trade diagnostics, foreign exchange regimes, foreign trade policies, etc.) meso

⁴⁴ http://www.mcrit.com/assembling/assemb_pyr/PYR_What_up.htm

(structural reforms of key TTF related sectors, like customs, transport and other specific TTF measures as discussed below) and also micro levels (improved business climate, thriving logistical services, etc.)⁴⁵.

The most significant changes over the past decade have been driven by regional cooperation. In North America, NAFTA internal trade has increased and cooperation to facilitate cross-border movement of goods has risen. In Europe, the enlargement process has continued and the EU has expanded by another twelve countries. Ten out of which are situated on the continent. This way, the EU external borders have shifted towards the East. The first change took place in 2005, with the first 8 Central European countries' accession. The second shift is taking place now, with the accession of Romania and Bulgaria.

Major reforms have been initiated and in some countries successfully accomplished in customs, other border agencies and also in transport. Although the content, the depth and the timetable of the reforms vary according to the level and direction of the country's international integration, there are a lot of similarities. Thus, the measures of the past few years are grouped below according to the nature of the sector and not the region of their application.

6.1 Sectoral responses and measures to TTF deficiencies

Customs Reforms, modernisation and international cooperation

- Trade and Transport Facilitation in South East Europe (TTFSE) multi-country investment program and customs reform initiative that focused on road border crossings and covered: Albania, Bulgaria, BiH, Croatia, Macedonia FYR, Moldova and Serbia. The TTFSE Program has been supported by World Bank loans and credits and also by EU TA grants. A follow-up project, TTFSE II is under preparation to address some of the remaining problems in the SEE region.
- In addition to South East Europe, customs modernisation and computerisation has taken place or started in several countries, for example Switzerland, Russia, etc.
- Several governments have introduced or have decided to introduce the single window payment at the B/Cs (e.g. Bulgaria).
- Supported through EU TA grants, specific preparation of the new EU Members for becoming the external frontier of the Union (e.g. two such projects in Bulgaria: "Reinforce the capacity of the border control". The project was completed at the end of 2005 and its main objectives were: improvement of cooperation with neighbouring customs administrations; providing correct, systematic and effective customs border control; reinforce measures for opposition to customs and currency infractions and offences; improvement of the infrastructure of the strategic border crossing checkpoints in the long term

⁴⁵ Trade and Transport Facilitation in the CIS 7, Kazakhstan and Turkmenistan, Molnar and Lauri, World Bank (2003).

plan. "Strengthen the border control of the future external borders of the EU and in the field of the Common agriculture policy". This project is currently in implementation with border control and being developed as an integrated element of border management. Also delivery of specific technical equipment for Border Control Check Points will be done under the project).

- In Poland several projects have been launched on different levels:
 - International level: agreement between the Government of the Republic of Belarus and the Government of the Republic of Poland on cooperation and mutual assistance in customs matters -- mutual assistance in ensuring that customs laws are correctly applied; exchange of information and documents regarding application of the customs laws; training and development of professional skills of customs officers, acquainting them with technical equipment used by customs departments in their job, etc.
 - Central customs level: memorandum between the President of the Central Board of Customs of the Polish Republic and the State Customs Committee of the Republic of Belarus on mutual assistance -- contact persons for exchange of information, forms of requests for assistance, forms and substance of replies giving results of explanatory proceedings.
 - Regional level: memorandum between the Director of Customs Chamber in Bialystok and Director of Regional Customs Office in Grodno on mutual assistance -- daily exchange of information between authorised heads of the customs posts or heads of the shifts connected with current situations on border crossings, exchange of information upon request such as confirmation of authenticity of the customs or trade documents, trainings, comparison of databases between border authorities of neighbouring countries -- source for risk analysis system.
 - Other actions and good practices:
 - Benchmarking Project on National Customs Measures at the Eastern EU border.
 - Laufzettel Project concerning measurement of border crossing time.
 - ZMPD, the Association of International Road Carriers in Poland in cooperation with regional associations organises meetings with Polish border authorities and representatives of Polish hauliers with border authorities of neighbouring countries -- exchange of information and experience and proposals on solving problems related to road transport.

Road transport:

- Information and communication:
 - IRU has continued its oversight over the waiting times and delays at the borders.
 - Information about the laws and regulations, their interpretation is given in the Russian ASMAP's brochure.
 - Information about the waiting times and expected delays is provided by the National Transport Regulatory Commission of Georgia.

- Upgrades of roads and new construction have continued in most of the countries. Albeit, this has often taken place at the cost of reduced maintenance capacity for the existing network. All over Europe, there are several examples for new constructions:
 - Continued EU support to the TEN projects
 - In South East Europe transport projects (not just roads) have been supported by the European Union, the World Bank, EBRD and bilateral donors (for example from 2002-2006, the Greek government allocated 550 million euros for the REBIS-countries, i.e. for Albania, Bosnia and Herzegovina, Macedonia FYR, Serbia and Montenegro).
 - Spain plans to create new high quality roads in the centre of the Pyrenees, to the borders in Roncesvalles, Somport, Aran Valley and Puigcerda.
 - Some PPP – initiatives for new road constructions etc.

Railways:

- Change of the work technology in the common railway station at the border of Dragoman – Dimitrovgrad (Bulgaria – Serbia), December 2006.
- Introduction of IT technologies in several areas of railway management.
 - In Denmark all paperwork is managed via the HERMES system.
 - In Hungary in conjunction with the implementation of the new COTIF standards, progress has been made to develop the capacity to process electronic railway bills. The system is being tested at the Hungarian-Austrian border stations. Ideally this kind of IT link is needed at all neighbouring border stations.
 - The implementation of TAF TSI is expected to create facilitation benefits.
- New or renewed bilateral railway agreements have been concluded: for example Finland-Russia, the Czech Republic-Poland, Bulgaria-Serbia (2005), Bulgaria-Turkey (2006). The Agreement between Bulgaria and Turkey, for example, covers the Svilengrad-Kapikule and Dragoman-Dimitrovgrad border stations, and provides for free access and free crossing to all licensed railway undertakings.
- Some investment projects have started to improve rail capacity.
 - Spain is constructing two high-speed, European gauge lines, crossing the border with France at Hendaye, on the Atlantic side, and La Jonquera on the Mediterranean side. Additionally, a railway tunnel project in the centre of the Pyrenees has been planned in the Trans-European Network of the European Union.
 - Between Hungary and Romania the ongoing reconstruction project on the Budapest-Szolnok-Békéscsaba-Lőkősháza-Curtici (Romania) (TEN corridor IV) line upgrades the remaining short single-track sections to double-track (except for the short section crossing the border) that will remove the bottlenecks experienced there.
 - The electrification of the Győr-Celldömök-Zalaegerszeg-Hodos (Slovenia) (TEN corridor V) line is underway.

6.1. *Regional and corridor level responses and measures to TTF issues*

The EU, as the most developed economic integration that achieved its goal to create a customs union as early as 1967 has been continuously improving its customs operations. The Community Transit System in itself is ensuring the standard procedures across the Union. The introduction of the New Computerised Transit System since July 2003 has further sophisticated the decentralised EU regime. The Modernised Community Customs Code (MCCC) means better, faster, cheaper clearance and fewer Customs procedures. MCCC is an essential element of the e-Customs programme and the basis of a simple paperless environment for Customs that will facilitate trade and provide for more consistent interpretation and application of Customs procedures throughout the EU. Current trade procedures are unnecessarily complex and do not reflect the shifting focus of Customs work from the collection of duties to the control function⁴⁶.

With regard to transport logistics its focus has been on improving transport logistics first of all in order to facilitate the growth of inter-modal transport. Therefore the main measures taken in this respect have been:

- setting up a group of contact points with Member States and industry to identify and deal permanently with the obstacles preventing faster development of freight transport logistics (“bottlenecks exercise”) -- the bottleneck exercise was launched in 2000. At that time 161 bottlenecks were identified. According to the update of July 2006, there are 39 bottlenecks within the EU;
- improving effectiveness and interoperability in information technologies and communications to provide better tracking and tracing;
- building logistics terminals and improving their efficiency;
- optimising the use of infrastructure to meet the needs of advanced logistics (for example, through the emergence of a dedicated rail freight network);
- improving the training and certification of logistics providers and other personnel involved in the management of logistics flows;
- harmonising transport documents, clarifying and ensuring the harmonisation of the different liability regimes in the multimodal chain;
- promoting multimodal transport solutions and creating the theme of freight integrators⁴⁷;
- devising methods and indicators for assessing logistics performance in Europe and introducing a label recognising logistics excellence in transport and the supply chain;
- researching and implementing common European standards for loading units to ensure a seamless flow of cargo. Rules on vehicle dimensions and loading units should meet the needs of modern logistics.

⁴⁶ Presentation by Robert Verrue, Director General for Taxation and Customs Union, EU.

⁴⁷ http://ec.europa.eu/transport/logistics/consultations/doc/2006_10_06/05_shortsea_promotion_centres_esn.pdf.

Through grants and other regional and bilateral actions the EU has supported customs and transport reforms in third countries. It has also launched multi-country cooperation along the Trans-European Corridors. Surveys about the infrastructure and operation of roads and railways along the corridor, including information about the border crossings were carried out by the Pan-European corridor X in 1999-2001. In 2000 it set up a data base that was updated in 2004 and a new revision is just taking place.

Central Europe can be characterised by the huge investment backlogs and reform needs that have become a challenge as part of the transition from planned to market economy and as part of the preparation for the EU accession. Accession also means that the EU eastern borders are now the previously national borders of the new members in Central and South-East Europe. In light of the European experience in horizontal cooperation in logistics, Central European governments have stressed emphasis on logistics centres and combined transport terminals. There is considerable criticism by the business sector that the development of these logistics centres has been lead by political considerations. The expectations on the role of these logistics terminals in increasing the countries' competitiveness seem to be unrealistic.

South East Europe: the external emphasis on and support for TTF measures has been both from bilateral donors and the EU, the World Bank, SECI, SEERECOM etc. have all contributed to turn-around. The Trade and transport facilitation (TTF) project that dealt with the road border crossings in the region has become a factor in regional stabilisation and has also been completed in most countries. Several countries have decided on its replication with or without limited donor assistance. A TTFSE II focusing on railways is under preparation.

Morocco: Using the World Bank diagnostic study of 2005 the Moroccan government has decided on an action plan, and several of its items have already been implemented. With regard to road transport, weighbridges have been procured and agreements signed with several industry associations (such as representatives of cement factories) to promote enforcement of axle-load legislation. The Customs and the textile industry signed an agreement to facilitate a temporary admission regime. A private operator may request enhanced facilitation from the customs administration if this operator fulfils several criteria. Moreover, customs administration allows deferred payment of tariff duties up to six months with interest rates close to market prices. These were a critical ingredient for the industry to adapt well to the post Multi-Fiber Agreement environment. The institution in charge of vocational training started to develop comprehensive logistics courses in Casablanca, Tangiers and Agadir. The Ministry of Industry recognised logistics SMEs as eligible for the same assistance benefits as other industries and services.

South Caucasus and Central Asian countries have received some Technical Assistance to carry out TTF audits, design and start implementing a TTF strategy. The Traceca multi-country cooperation has run several projects with an impact on TTF: review of bottlenecks, rail tariffs, specific problems like the analysis of the cotton corridors. The World Bank carried out audits of TTF issues, with an emphasis on border

crossing problems, customs reforms and transport infrastructure development in both regions and has aligned investment projects geared to TTF needs.

North America has the advantage of highly developed US logistics market and the history of nationwide and regional surveys, the strong lobbying power of the business community, as well as the availability of federal budget allocations for border crossing improvements, particularly through the federal budgets of US and Canada. Innovative solutions, for example the application of ITS, are used to improve border crossing conditions.

6.2. Best practice solutions

Best practices among the recent facilitation measures are considered to be the following:

- Within the EU the development of the common market in all modes of transport, i.e. the current milestone with the opening of the rail freight market as of 01.01.2007.
- The cooperation between Finland and Russia and their border crossing conditions.
- The new bilateral rail transport agreement between Bulgaria and Serbia makes it possible that Dimitrovgrad will be the common border railway station. It will serve the personnel of the two administrations. An overall modernisation and optimisation of railway infrastructure facilities were accomplished with the financial support of the European Investment Bank. The station is electrified with a system connected to the Bulgarian electrical transmission network, which will supply to the Dimitrovgrad-Nish section.
- International cooperation of rail infrastructure managers (RNE) within the EU.
- Progress on particular corridors:
 - the introduction of ETCS on the North-South corridor (project IQ-C),
 - the Transit Trade Framework Agreement among the TRACECA countries.
- Turkey agreed with 4 countries to establish a system that provides one-year multiple entry visas for professional drivers through Bilateral Agreements and protocols with these countries. Such a process should be extended to regional level.
- The ILO (International Labour Organisation) Tripartite meeting on border crossing issues.
- In North America:
 - Dedicated FAST⁴⁸ lanes have been constructed for US\$700,000, with coordination between State Departments of Transportation (DOT) and Customs and Border Protection (CBP). One additional lane dedicated to

⁴⁸ Free and Secure Trade program, which promotes free and secure trade through risk-management principles, supply chain security, industry partnership, and advanced technology This program allows U.S./Canada and U.S./Mexico partnering importers accelerated release for qualifying commercial shipments.

- FAST participants reduced truck volumes driving through POE (Port of Entry) by one third of the total volume.
- FHWA (the Federal Highway Administration) has started a program to grant money to states to improve the safe movement of motor vehicles at and across the borders with Canada and Mexico. Under the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), a total of US\$833 million is authorised in the program to be distributed by formula to states.
 - Canadian Government, in cooperation with its partners, also invested over 1.3 Billion CAD through dedicated funding programs since 2001 to improve land border crossings.
 - Focus on Public Private Partnerships to use private capital/funds to build new infrastructure to increase border capacity. Examples: 1. New Crossing proposed for Detroit/Windsor 2. New Crossing proposed between California and Baja California (Otay Mesa II).
 - Focus on alternative finance sources from all levels of government and the private sector for both infrastructure and operating costs.
 - The development of national procedures to authorise new or major changes to border crossing that coordinate the agencies at the border. An example is the US Presidential Permit System⁴⁹, and the International Bridges and Tunnels Act in Canada.

From among these examples the author takes the privilege to select just six as those which vary in their nature, but which can be replicated by others. These are: Programs of regional integrations: EU bottleneck exercise; IFI driven regional cooperation and investments: TTFSE; use of ITS: US-Canada and Mexico-US; bilateral solutions: Finland-Russia⁵⁰; national logistics surveys: Finland national logistics surveys; business driven activities: IRU Border Waiting Times Observatory in Russia; ASMAP brochure on road freight, transport rules and regulations, plus their interpretation; the achievements of the Bulgarian Pro-committee. As the TTFSE project actually is addressing all the efficiency issues addressed by trade and transport facilitation, the project is described in the following box according to the views of a deputy finance minister.

⁴⁹ (www.state.gov/p/wha/rls/fs/7895.htm).

⁵⁰ Tedim Logistics /EuroRussia Programme Strategy for 2006-2008 includes 6 areas of cooperation. One of these is: Customs procedures and the acceleration of the border-crossing (import of components directly from the border to the factory and fulfilment of customs clearance at the factory, a decrease in the number of Russian authorities at the border zone, the development of electronic customs clearance and co-ordination of the customs nomenclature).

Box 5. Success factors in a TTF project

Signs of success in the TTFSE program – as the Deputy Minister of Finance of Bulgaria sees it

- Monitoring of performance: local teams for data collection of border crossing and clearance time
- For measurement of border agencies performance three pilot sites were selected: the Danube Bridge Border Crossing Point (at Rousse), the “Gyueshevo” Border Crossing Point and the Plovdiv Inland Customs Terminal
- Reduction of Clearance Time in 4 years:
 - ✓ 81% total reduction for the three pilot sites
 - ✓ 74% for Plovdiv (from 230 to 59 minutes)
 - ✓ 53% for Rousse (from 42 to 19 minutes) and
 - ✓ 11% for Gyueshevo (from 25 to 20 minutes)
- The development objectives mark a steady increase:
 - ✓ There is an increase in the revenues collected by the Customs of 2.7 times for a period of 4 years, and for 2004 the revenues have reached 2 615.957 million USD
 - ✓ The number of SAD has increased by 2.25 times: from 1 172 402 in 2000 to 2 636 236 in 2004
 - ✓ The total foreign trade volume has grown by 2.14 times: from 11 331.7 million USD to 24 203.242 million USD
 - ✓ The indicator named “total Customs revenues to total Customs expenditures” is the lowest in the Region having a level of 1.2% for 2000 and for 2004 its value is less than 1% (0.99 %)
- Replication of pilot sites initiatives:
 - ✓ The Bulgarian Customs Administration effectively applied the broadened set of measures for processing improvement at the initially selected sites in Rousse, Gyueshevo and Plovdiv
 - ✓ Approaches and practices used on the pilot sites will be replicated to other border crossing points and inland customs terminals in Bulgaria
- Improved Dialogue among Customs Administration within the Region
 - ✓ The Bulgarian side has been actively participating in the eight meetings of the Regional Steering Committee
 - ✓ The BCA initiated the creation of an expert working group on mutual exchange of information between the countries participating in the TTFSE regional program. The first meeting of this joint working group was held in Sofia in 2003
 - ✓ The Customs Administration initiated also numerous bi-lateral meetings with all neighboring countries: Romania, Serbia, FYR Macedonia, Greece and Turkey
- Bulgarian Integrated Customs Information System (BICIS) Improvement
 - BICIS was successfully implemented at a national level
 - Additional Advanced Submission of Customs Declarations Module was also developed within the framework of the TTFSE Project
 - The Module has been tested in the Plovdiv Customs House and its implementation in all customs offices is forthcoming
- Regional TTFSE Website Launched -BULPRO is a regional TTFSE web site coordinator
- Training
- Infrastructure Improvement at Border Crossing Points:
 - ✓ The reconstruction and modernization of buildings and facilities at both the border crossing points and inland customs terminals started in the 90’s, initially performed by the Bulgarian Customs Agency and consequently by the Ministry of Finance
 - ✓ Six selected border crossing points were either built or modernized under the Bulgaria TTFSE project
- The facilities at the Rousse Border Crossing Point (at the border with Romania) were completed and put into operation
- The modernization of the “Vidin-Ferry” Border Crossing Point (at the border with Romania) was completed
- The facilities at the “Kapitan Andreevo” Border Crossing Point (at the border with Turkey) were completed and put into operation
- A new Customs Terminal at the “Kulata” Border Crossing Point was completed and is operational
- A new Facility for Detailed Customs Inspection of Containers on the territory of Container Terminal - port Bourgas was completed – this is the first of its kind in Bulgaria
- The completion of the “Gyueshevo” Border Crossing Point widening and reconstruction (at the border with FYR Macedonia) is underway
- The completion of the new Customs Office and Truck Terminal – Vidin Customs is underway
- The total value of the investments is only around 10 million EUR
- **Lessons learned:**
 - The necessity for targeted and coordinated actions by all institutions involved in the commercial traffic border processing.
 - The ultimate usefulness of procedural reforms can be achieved only if they are applied to all BCPs and most significant internal customs offices.
 - The need for the trade and transport facilitation measures to cover also the other modes of transport.
 - The need of optimizing the activities alongside whole traffic routes, such as the trans-European transport corridors.
 - This is aimed at achieving a constant and adequate quality of transport services.
 - Lack of supply of high quality and flexible logistic services.

Stamen Tassev, Deputy Minister of Finance, Bulgaria

6.3 *Is it enough to remove obstacles or do we need to think beyond problem solving?*

The questionnaire responses underline that the solutions are complex and have to be designed to the needs of the specific region. Countries suggest that the following measures should be taken in order to improve the situation at border crossings and facilitate trade and transport.

Border crossings in general:

- With regard to border infrastructure improvements:
 - More distinctive priority to border crossing improvements should be given in the national and EU financing schemes.
 - In some cases the re-location of border crossings is needed, for example when they are in the centre of a town.
 - Border crossing capacity increase is required through improved efficiency of the existing infrastructure, though in some cases investments could be justified for both of the border stations and the access roads.
 - Establishing/constructing appropriate facilities for sanitation, food and beverages, supplies, rest, communication, lodging, vehicle repair and other emergency services as well as parking facilities, and establishing harmonised minimum standards for such facilities.
- Facilitation measures should support effective control matters in order to stop illegal immigration and to fight smuggling. The suggested facilitation measures:
 - Fight against corruption, including for example:
 - Benchmarking to be introduced on a trans-continental level, with exchange of information on good practices, including code of conduct for border officials, international drivers etc.
 - Campaign against corruption targeting all parties that could be involved
 - The elimination of situations, such as long delays that could foster corrupt practices
 - Excluding commercial entities from the border crossing control procedures performed by national authorities
 - Improved inter-agency and cross-border cooperation at the border
 - Electronic information exchange between customs authorities of neighbouring countries, or along the main corridors or eventually on a trans-European scale
 - Border Crossing Facilitation committees with all the players from both sides of the border
 - To address and coordinated strategic changes
 - To address operational and tactical issues: certain congested areas can be alleviated using common traffic management techniques, improving delineation/signage, eliminating a conflicting movement, traffic analysis of the traffic flows)
 - Joint inspections or joint border stations are seen as the ideal solution

- Efficiency improvement through simplification, the reliance on ICT technologies, modern procedures and administration:
 - Wider introduction of risk management
 - Development of common technical procedures for the controlling authorities
 - Introduction of pre-information and e-customs systems, preliminary exchange of customs information between countries of export and transit
 - More clearance to be carried out at inland-customs terminals
 - Single window payment, one stop checks
 - Standardisation and simplification of procedures and documents
 - Synchronising the time schedule on both sides of the border
 - Separation of the different types of traffic, for example:
 - on the US-Mexico borders -- separation of trucks from passenger traffic; encourage the enrolment into FAST lanes allowing CBP to focus on high risk carriers
 - in Europe and Asia green lanes for road transit are needed with better “flow management at the border” so that a truck driver knows exactly when it is his turn to be controlled -- a simple electronic number system for instance has been used with success for many years before the EU Internal Market at the border between Germany and Denmark at the Padborg Customs offices
 - Limiting the control procedures for goods to procedures appropriate for the given purposes, i.e. full control of goods should be applicable only in cases when goods are released at the border crossing
 - Qualified personnel and state of the art equipment for better and quick processing of control documents and performing customs surveillance
 - Transparent and timely information on new requirements on border crossing and customs procedure
 - Adopting and complying with the international agreement conventions (e.g. UN) and internationally accepted standards
 - Overall customs reforms should also include new processes for the selection and recruitment of officials, their continuous retraining and appropriate motivation schemes.
- In non-EU countries, it is recommended that the application of the TIR system equipped with the safe-TIR application should be more widespread, while being further aligned with the requirements of e-documentation. Namely, actions are needed to ensure, that the full TIR system should go electronic within the shortest possible time. The Safe TIR application (with its real time version being tested between the IRU and the Russian Customs Administration) is a partial e-application already in use today by customs, with TIR issuing associations and the IRU to exchange data on discharged TIR operations. It increases TIR security and it should be integrated into the future e-TIR system just like the so-called

TIR-NCTS e-application which creates an electronic interface between the TIR and the NCTS (EU) customs transit systems.

- Concerning the US-Mexico border it is essential that carriers can get their paperwork through a “24” hour system; for this the cooperation of the Mexican Customs Brokers and Bankers will be required.
- Enhanced comfort for the drivers through setting policies for reasonable pricing of facilities and services at the border crossings.

The problem of the visa procedures

- Simplification of the visa procedure, as a particular measure:
 - Special multi-entry visa for commercial drivers
 - Possibility of obtaining Schengen visas based on the request from the National Road Haulage Association
 - Possibility of obtaining Russian visas without the need for a letter of invitation etc.
 - Further options that might be considered for streamlining the provisions of visas for international drivers include:
 - Measures to optimise existing visa-issuing arrangements
 - Consideration of other means by which visa arrangements might be improved (for instance via the provision of information to consulates by employers and/or their associations)
 - The issuance of multiple-entry and/or longer term visas to international drivers at reasonable cost
 - The promotion of regional and sub-regional solutions to reflect local circumstances.

Road transport⁵¹

- Continued investment in and timely maintenance of road and border crossing infrastructure and facilities, for example:
 - At the Swiss borders: together with the introduction of customs clearance at night, lorry parking lots should be built at both sides of the borders, to allow trucks at least to cross the border during the night driving ban;
 - Overall reconstruction of Kapitan Andreevo and Katolina Border Crossing checkpoints at the Bulgaria-Turkey and Bulgaria-Serbia borders, opening of a second border crossing point for international traffic over Danube river (Bulgaria-Romania)
 - Extension of the currently existing Terehova-Burachki and Grebneva-Ubilinka border crossing points (Latvian/Russian Border)
 - Development of the infrastructure of Vientulji (LT)-Ludonka(RUS) border crossing point in order to open it for customs control of heavy road vehicles

⁵¹ Note: the new and candidate Schengen countries' expectation is that problems with other Schengen countries will be solved through their accession into the Schengen system.

- Opening of new border checkpoints on the Latvian-Russian border
- Road investments to improve the physical link between the Iberian Peninsula and the rest of Europe.
- The liberalisation of road freight transport should be continued and with non-EU Members: possibilities for quota increase, elimination of additional fees or “taxes” in case of permits beyond the quota.
- Joining the Agreement on Uniform Weighing Certificates (UNECE).
- Harmonisation of transport regulations in countries that are not members of the EU, possibly on a regional level and eventually on a trans-European level.
- Strengthening the lobbying power of the different interest groups, for example pro-committees, road hauliers’ associations and a system of regular meetings between the users and the border and bigger harbour or terminal authorities.

Railway Transport

- Rail infrastructure improvements:
 - Improvement of the technical conditions of the railway infrastructure (lines and stations) in the border areas.
 - Modernisation, for example electrification of railway lines⁵² along the main corridors.
 - New constructions⁵³.

⁵² In Bulgaria, for example:

Svilengrad-Kapikule: electrification and reconstruction of the Svilengrad-Turkish border are envisaged for implementation until the end of 2009. The project will be funded by Sectoral Operational Programme Transport and is part of the Plovdiv-Svilengrad railway line. Through this project the full electrification of Sofia-Istanbul railway line will be completed.

Kulata-Promahon: The “Modernisation of security and telecommunication equipment of the Blagoevgrad-Kulata railway line” Project is currently being implemented. The modernisation of security and telecommunication equipment and the new modern technologies for the Sofia-Thessaloniki railway line will lead to reduced travel time and increased speed of freight trains between border regions Blagoevgrad and Serest.

⁵³ There have been some new constructions, initiated or even completed:

The re-connection of the Hungarian and Slovenian railways - already completed. Due to its low rate of return and also the operational disadvantages, the investment has been heavily criticised by many. Yet it has created corridor competition which reduces costs for shippers.

Second bridge over the Danube River - the construction of the second bridge over the Danube River at Vidin-Kalafat until 2009 will provide the missing connection for the Pan-European Transport Corridor IV and will significantly improve traffic between countries of Europe, Middle Asia and the Near East through reduced travel time and increased traffic capacity. The opening of the second border checkpoint will reduce the transport flow via Rousse-Gjurjevo as well as the border waiting times.

Rail Connection between Bulgaria and Macedonia - long discussions have been held about building the missing part of the Sofia-Skopje railway line (2.5 km Bulgarian railway section Gueshevo-Border and 56 km new railway line on the territory of the Republic of Macedonia), along Corridor VIII. Because of the high investment costs and low economic return, this project has not been included in the core investment requirements either by TIRs or REBIS.

- Accelerated measures to improve interoperability both within and beyond the EU borders, for example replication and upscaling of pilot or early implementation ERTMS/ETCS projects which are under installation in many countries⁵⁴, more widespread use of two-system locomotives. Common rail traffic rules and a common communication language for locomotive drivers and traffic controllers, and more.
- Capacity of the border crossings should be increased through electrification, for example, and doubling border railway lines.
- Development of standardised documentation, as well as information systems for preliminary data transmitting for the passing trains, in close collaboration with the neighbouring countries (for example Turkey, that has recently established a computer-based network at the Turkey-Iran and Turkey-Bulgaria borders for early data flow and institutionalised cooperation between the railways, customs and other border agencies of the three countries).
- Streamlined customs transit procedures to be applied for Community cargo and all transit (for example, since Lithuania joined the European Union and since the Community customs code entered into force, it is possible to apply streamlined customs transit procedures for loads which are not Community loads and are carried in transit. Lithuanian Government passed resolution No. 507 (8th April 2004) which exempts railway companies from the obligation to produce a warranty. In case of streamlined customs transit procedures, customs control is being exercised at the place of destination.)
- Accelerate the cooperation between OTIF and OSJD to create a harmonised and eventually common transcontinental liability system; OSJD countries could join OTIF to further cement cooperation (following the example of Ukraine, recently adhered to OTIF).

Inland Navigation:

- The necessary border procedures along the River Danube should be handled in the same way as procedures along other Central and Western European waterways namely the Rivers Elbe, Oder, Rhine and Moselle.
- Investment is needed to improve the control capacity of the authorities also on open water.
- Simplification and consolidation of the number of customs ports to one or fewer border crossings. Similarly to road border crossings, joint border stations could be a solution. On the Danube for example, the Serbian authorities are located at Bezdan while the Hungarian authorities are at Mohács. As that section of the Danube River is also flanked by Croatia, Hungary is open to designate a tri-state customs port. The situation is similar on the Drava River with Osijek on the Croatian side and Drávaszabolcs on the Hungarian side.

⁵⁴ <http://etcs.uic.asso.fr/index.html>

On corridor level:

- New and updated combined transport terminals should be considered.
- New cargo distribution and logistic centres and support for the development of value added services may be required, subject to their feasibility.

Other measures to be taken:

- Approximation of all transport legislation beyond the EU.
- Improved cooperation between the relevant international organisations and regional initiatives, as well as more active participation by the countries in working with these organisations.
- Improvement of short sea shipping in Europe.
- New appraisal methodology and toolkit to be developed for border crossing investments.

7. Conclusions and study lessons

Based on questionnaire responses and the relevant research documents, the following conclusions and lessons are recommended for consideration:

- *The level of economic development and regional integration will determine the type of TTF and specifically border crossing issues and applied solutions. As we have seen, the nature of congestion on borders and inside the countries varies to some extent depending on the state of the economy and infrastructure, and also the good or improvable governance. Both the Global Competitiveness Indicators and the questionnaire responses suggest that congestion and delays at border crossings and inside a transit country are primarily due to the fast increase of trade and motorisation in the most developed countries and the underdeveloped infrastructure and institutions in the less developed countries.*
- *Infrastructure bottlenecks* are part of the problem, but *often* they seem to be *over-emphasised*, while institutional reforms are overlooked or even neglected.
- *Although TTF is beneficial for all traders and transport service providers, it may often be the case that one country pays the costs of the TTF measures and other countries reap the benefits* (particularly when transit facilitation has the priority). It is clear that customs reforms are politically difficult and transport infrastructure investments are expensive, to name but two TTF elements. There is no doubt that they both serve the national interests of a country that wishes to grow and improve competitiveness. Priority of transit routes and transit facilitation in clearance may shift the emphasis from a national to a regional level. When the obligation for accompanied convoys for foreign trucks is lifted, when some of the numerous internal checkpoints are abolished, related revenues for local operators and the authorities disappear. At the same time, this sort of tax on international trade is costly to the exporting and importing countries and it is not at all compatible with international commitments. Therefore the *benefits for all can be reaped if these measures are taken in an internationally or at least regionally concerted way.*

- Since TTF interventions are usually complex and require coordination between many institutions with potentially different divested interests and because TTF measures could be politically difficult, particularly when they aim at governance, *external pressures* (commitments from regional integration bodies such as the EU or NAFTA; IMF and IFI conditions, oversight and lobbying by NGOs and the business community, etc.) *are key to success* in TTF reforms.
- Border Crossing issues and customs clearance in particular have become the centrepiece of facilitation initiatives. Relatively recent experience (e.g. TTFSE) has further highlighted the need to design and implement customs reforms using a holistic approach. With this method, adequate attention is given to cooperation between border control organisations, neighbouring countries and countries along the key trade corridors or in the same region, not forgetting the authorities and the business community. Transport operators should be seen and treated as customers of the border crossings. They are the most interested stakeholders in improvements on the ground, possessing first hand information about the shortcomings and their causes. Therefore, leveraging on this “client-asset” *transport ministries could and should play a growing role in facilitation measures and also in macro-economic reforms.*
- The return on TTF investments when they are coupled with timely and well-designed reforms can be huge. Therefore funding TTF initiatives is a good way to spend public money. To improve the bargaining position for TTF interventions however one would need clear and feasible national strategies, supported by research results. Despite the increasing amount of analytical work, mostly done by international organisations and IFIs, there is no generally accepted database that countries can use to make the relevant international comparison. Countries are not monitoring the impact of their eventual TTF measures. *Governments are increasingly required to take TTF actions but not fully empowered by data and research to argue for the budget in public expenditure debates.*

Abridged summary of the essential key factors of a TTF program are provided in the inset below:

Success factors in a TTF program

1. **Clear vision and strategy and firm political commitment that can be further strengthened by an external anchor (e.g. strong commitment due to regional cooperation -- like EU, NAFTA --, WTO accession, donor support and covenants...)**
2. **Adequate financing capacity where donors could play an important role**
3. **Performance should be measured and internationally benchmarked**
4. **Regional cooperation among neighbouring countries and among countries on the key trade corridors brings synergy due to concerted actions and also due to peer pressure**
5. **Public-private cooperation to make users and decisions makers be part of the same club**
6. **Multi-disciplinary approach to include all sectors and segments related to international trade and transport**

8. Recommendations for actions

Strong political commitment and patience is needed to design a TTF reform package, which could serve the common interest of countries in an increasingly globalised world. From a long list of tasks, those selected below could be useful in a multinational cooperation, irrespective of the level of development of the participating countries:

- Given the impact of globalisation on transport and the increased requirement for governments and national institutions to facilitate economic growth and competitiveness, **transport policy makers, regulators and civil servants need to be more aware of the legitimate needs of businesses and develop broad understanding of cross-sectoral issues** (how global, regional and local supply chain networks function) to create a positive business environment for transport.

To effectively change the transport authorities' *modus operandi* and to support the organisational and structural changes therein, the expertise required involves in-depth transport knowledge and a broader understanding of cross-sectoral issues. The growing demand for the expansion of both vertical and horizontal knowledge is difficult to satisfy unless there is **a pool of information resources** easily accessible for all. A couple of years ago ECMT collected data and information about the ECMT transport ministries including charts, descriptions and legislation. This could be a great starting point. There have been numerous EU and IFI programs that have funded institutional changes in several countries. Using their results, it would not take much effort to launch an electronic library.

We need, however, to go beyond this and analyse the trends in institutional changes, particularly from trade and transport facilitation aspects.

- Training and re-training in logistics and TTF has been developing on different levels: a growing number of universities have a logistics management course and specific sub-sectoral training programs have also been launched. In EU countries, for example, the Certificate for Professional Competence in road transportation is a condition for market access. At the same time, there is no training program designed for civil servants whose attitude towards trade and transport facilitation is so important in providing a response for business needs.

The World Bank, in cooperation with relevant international organisations like the IRU, has played an important role developing training material in several facilitation related fields, for example SCM manager and road transport manager. These training materials then have been made available to the different organisations to avoid duplication and to ensure quality standards.

To support the institutional changes, it would also be useful to have basic training material to change the mindset of “rule makers” and help them become less like “controllers” and more like “business facilitators”, with the right balance in line with the level of a country’s development. As a further step, the study material could be incorporated in the national training and examination system for civil servants, at least where such a system is in place.

Training and re-training in logistics and TTF should therefore be expanded to support the ***development of civil servants’ knowledge about TTF and logistics issues*** (study material about TTF and logistics specifically designed for civil servants, for example). Training materials for globally common resource would be very helpful. With regard to less developed ECMT countries, this could also become a tool to empower these governments to reform themselves and better support their traders and transport operators faced with increasing competition.

Wider use of the existing professional competence training materials (the IRU Academy local accreditation, for example) ***should be promoted and other industry-specific training programs should be encouraged.***

- Over the past fifty years, two sophisticated transit guarantee systems have been launched and developed by European countries. The EU transit guarantee system is unique as it meets the needs of a highly developed regional economic integration. The TIR system, designed and modernised under the auspices of UNECE, is unique as it is a bridge between regional integration and third countries. It is also a bridge for trade between two continents: Europe and Asia. Both are vital to facilitate international transport and trade and both could be considered as global best practices. Therefore the political support for ***transit systems*** by Transport Ministers would facilitate ***their development*** and highlight ***ministers’ expectations towards future improvements, particularly by means of taking due account of transport needs in addition to customs requirements.***

- Like the Global Competitiveness Index published by the World Economic Forum, Transport Ministers could launch the **Global Logistics Indicators (GLI)** as a benchmark for transport competitiveness.

There are several publications that offer a country-based comparative study for competitiveness, logistics, business environment, infrastructure availability, etc. UNECE has also published its recommended guidelines for benchmarking in trade facilitation. IRU has created a database on waiting times at selected road border crossings and these are perhaps the only statistics that can be used for time series as well. UIC has been active in examining issues at selected rail border crossings and their work may lead to a representative database on rail border crossings. All these initiatives underline that there is a demand for better knowledge and international comparison. Several World Bank studies on trade facilitation assess transport related facilitation issues by looking at port performance in the first place. A new initiative attempts to create the Logistics Performance Index (LPI) for each country in the world. This would be based on the perceptions of businesses, as well as on their willingness to regularly up-date their inputs. All these initiatives also use their own modal, in which transport itself and trade and transport facilitation is taken into account. Nonetheless there is still no single methodology for a set of TTF indicators that is universally accepted and which provides proper assessment of transport performance or its shortcomings (covering also land transport).

To ensure that transport issues are properly considered in future investment and reform decisions, Global Logistics Indicators (GLI) are recommended; they should be worked out with due regard to the Global Competitiveness Index used by the World Economic Forum in Davos. This would imply three phases:

1. Drawing up the model and the methodology
2. Political discussion between transport ministers; their decision to accept/implement or reject the GLI proposal
3. If the GLI proposal is accepted, launch of its implementation.

Bearing in mind that the current ECMT reform may make this international body somewhat similar to the World Economic Forum in Davos but in the field of transport, ECMT lends itself as a potential focal point to coordinate and manage the creation and future use of the GLI. As the ECMT Ministerial Meeting in 2009 has globalisation on its agenda, the analytical work could be accomplished over the next two years and its results could be put forward for political discussion at the 2009 Ministerial Meeting.

- The system of **Border Crossing Indicators (BCI)** could be launched either as a precursor to or as part of the GLI Initiative.

So far the transport operator business community has systematically collected data about waiting times at borders: the IRU has been the first to do it on road boarder crossings and the UIC has also prepared studies. Both have looked at selected border crossing stations. It may be time for the authorities to participate

in this oversight of border crossing performance and extend the exercise beyond waiting times and a few selected stations.

To provide internationally comparable results, it is important that a set of Border Crossing Indicators are developed with due regard to the GLI efforts described above and the ongoing work by NGOs and others. The recommended indicators and mechanism for collection and analyses could be put forward at the 2009 Ministerial Meeting in conjunction with the GLI project. The Border Crossing Indicators should be seen as part of the GLI initiative, but also as a far less ambitious program. It may be that ECMT Ministers would rather decide to support this in principle and leave the execution to other bodies and organisations, while keeping an eye on its development; ECMT Ministers may be willing to take action in this field and launch a joint GLI-BCI program.

- **Recommended standards for border crossing procedures and designs** are needed. Transport Ministers could use their influence to establish and apply international agreements on such standards, for example in the UNECE framework.

Significant border crossing improvements have been achieved in North America by traditional methods and also through the introduction of innovative IT solutions. A considerable amount of EU and IFI support has been given to countries in transition to modernise their border crossings and improve their management. Experience of all these projects would suggest that procedures should no longer be designed and reformed on a case by case basis only. The World Bank has already worked out general recommendations based on the TTFSE program. These are promoted by the World Bank's Customs Reform Toolkit and also by the Global Facilitation Partnership. Drawing on all these results, Transport Ministers, in cooperation with the other relevant organisations, could help the standardisation process.

- Transport Ministers should express their political commitment to **include and empower the local business community in developing and overseeing the implementation of TTF measures** for example, consultation for new legislation, monitoring the waiting times at the borders, etc.

It is often the business community initiating change or calling for facilitation measures. Because of the practical approach and fundamental interest in the market, the community's contribution to trade and transport facilitation is very valuable. Therefore the business community should be included and empowered to develop and oversee the implementation of TTF measures, such as:

- The participation of business communities and NGOs in TTF related legislation work.
- NGOs and business communities could become watchdogs for TTF: monitoring waiting times at borders and making the data public. Take one

step further with the IRU and UIC which could be in line with the border crossing indicators and also the GLI as recommended above.

- Visas for professional transport crews and drivers continue to be a priority concern for many countries, despite improvements over the past few years. Therefore a long-standing solution similar to other multilateral conventions that facilitate the movement of cargo and vehicles in international transport could be **a multilateral agreement or even a visa guarantee system for professional transport crews and drivers (road, rail and inland navigation)**.
- As a result of the rail transport liberalisation within the EU, the rail market structure is going through fundamental changes. Consequently the number and function of players at rail border crossings are changing, too. In several countries, rail border crossing procedures were subject to agreements between the state-owned railway companies and not between the governments. Therefore, to reflect the changes on the market and also to facilitate rail border crossings, new bilateral rail transport agreements are required in Europe both on the EU's external borders⁵⁵ and also outside the EU, between the other European countries. **A framework for standard bilateral rail transport agreement** or a sample agreement could be developed to help and save time for the negotiating governments.

ECMT was providing this type of service to its members in the early nineties when a sample bilateral road transport agreement was created. The Luxembourg government was the sponsor. In aviation, ICAO had a sample bilateral air transport agreement attached to its founding document, the Chicago Convention.

⁵⁵ The European Commission has also planned to do this. This work should be carried out in cooperation with the European Commission.

APPENDIX 1. COMPETITIVENESS OF SELECTED COUNTRIES¹ AS RATED BY THE WORLD ECONOMIC FORUM

THE GLOBAL COMPETITIVENESS INDEX (GCI)

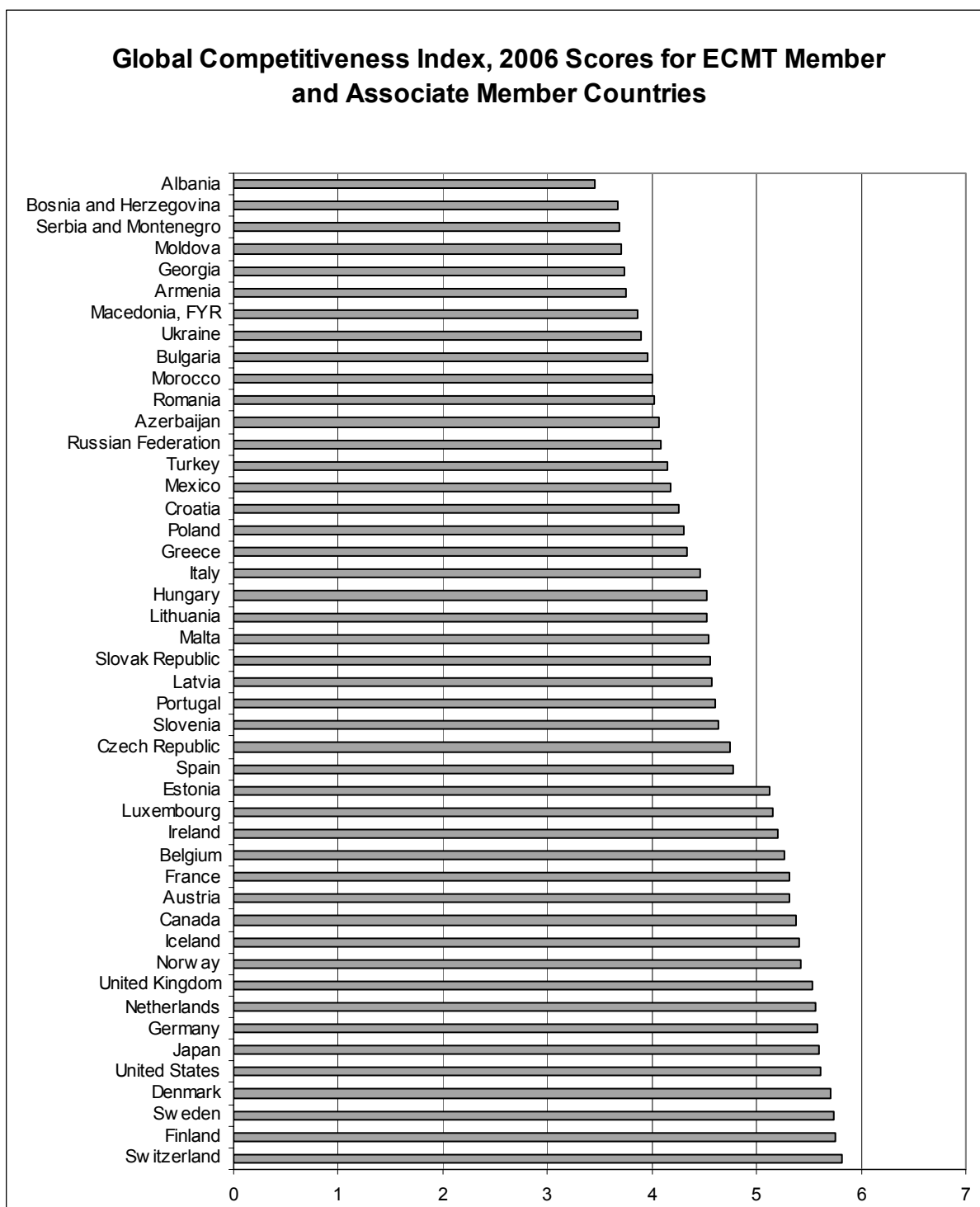
1. Which category?

Factor-driven (stage I.) economies	Countries in transition from stage I to stage II	Efficiency-driven economies (stage II)	Countries in transition from stage II to stage III	Innovation- driven (stage III) economies
Armenia Azerbaijan Georgia Moldova Morocco Ukraine	Albania Bosnia and Herzegovina Macedonia, FYR	Bulgaria Latvia Lithuania Poland Romania Russia Serbia Montenegro Slovak Republic Turkey	Czech Republic Estonia Hungary Malta	Australia Austria Belgium Canada Denmark Finland France Germany Greece Iceland Ireland Italy Japan Luxembourg Netherlands Norway Portugal Slovenia Spain Sweden Switzerland United Kingdom United States of America

1. ECMT Member or Associate Member countries.

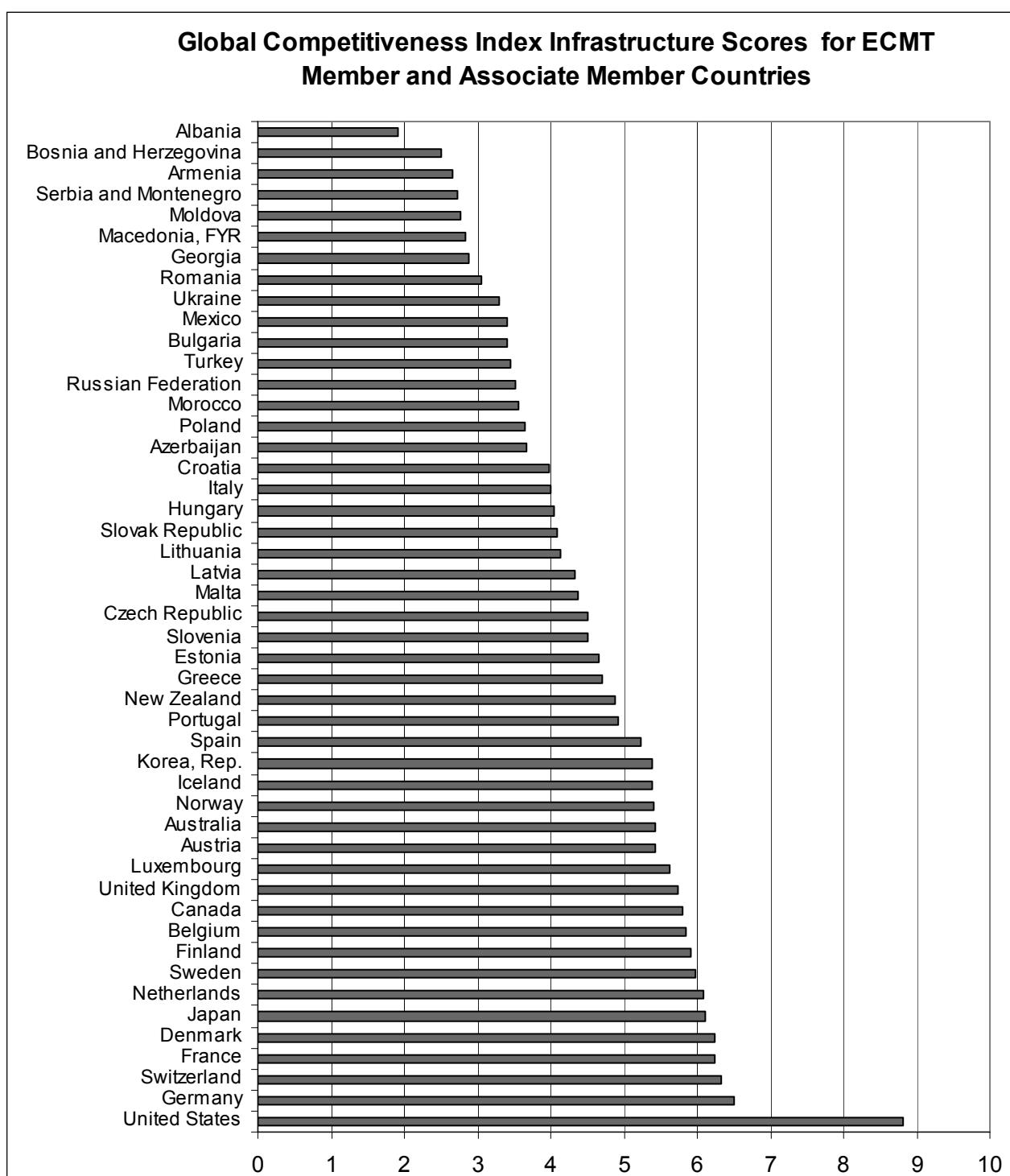
Source: World Economic Forum, Global Competitiveness Index

2. Ranking by the World Economic Forum: Global Competitiveness Index 2006



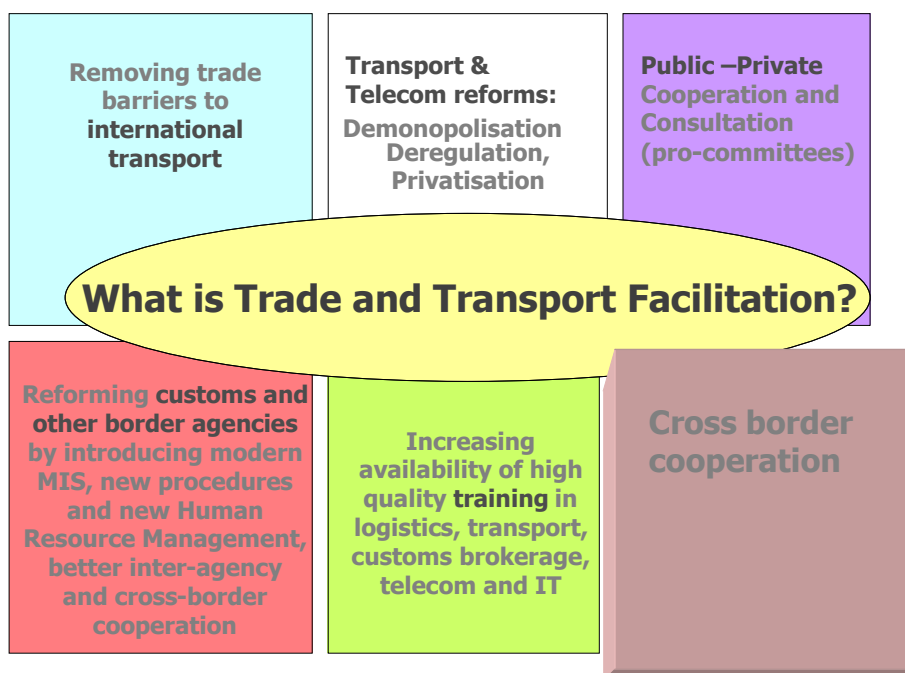
Source: World Economic Forum, Global Competitiveness Index

3. Infrastructure availability and quality, one of sub-factors in the GCI



Source: World Economic Forum, Global Competitiveness Index

APPENDIX 2. A HOLISTIC DEFINITION OF TRADE AND TRANSPORT FACILITATION



APPENDIX 3. THE MOST CONGESTED ROAD AND RAIL BORDER CROSSINGS BASED ON QUESTIONNAIRE RESPONSES

Road border crossings with congestion problems

Country	Location of the B/C	Average waiting time	Peaks	Comments from the 2006 survey
Belarus-Russia	Smolensk–Krasnaia Gorka	1-2 days		As reported by Kyrgyzstan
Bulgaria-Turkey	Kapitan Andreevo–Kapikule	2-3 hours	36 hours	Long waiting time due to weekend congestion, otherwise average documentation processing time is 40-50 minutes
Bulgaria-Serbia	Kalotina (Bulgaria/Serbia)	2-3 hours	36 hours	Long waiting time due to weekend congestion, otherwise average documentation processing time 24-28 minutes
Estonia-Russia	Narva–Ivangorod (Russia)	3-4 days		Since Estonia's EU accession in May 2004 the waiting time has increased. A particularly steep increase has taken place in 2006.
Estonia-Russia	Luhamaa – Sumilkino (Russia)	2-3 days		
Estonia-Russia	Koidula–Kunitsina Gora (Russia)	2-3 days		
Poland-Belarus	Kukuryki – Kozlowiczy	8-14 h		
Poland-Ukraine	Drohustk–Yagodin Korczowa-Rava Ruska	8-14 h		
Georgia-Turkey	Sarphi (GEO)-Sarpi (TR)		Several days	
Georgia-Armenia	Sadakhlo – Bagratasheni	2-3 hours		
Georgia–Azerbaijan	Tsiteli Khidi-Krasni Most	2-3 hours		
Germany-Switzerland	Weil am Rhein / Basel Autobahn	2-6 hours	Several days	Peaks are during red phase
Italy-Switzerland	Chiasso (Switzerland)	2-6 hours	Several days	Peaks are during red phase
Latvia-Russia	Torfianovka	2-3 days		As reported by Kyrgyzstan
Latvia-Russia	Terehova-Burachki	2 days	4-5 days	Despite capacity increase over the past 2 years traffic congestion is a problem: the capacity is 450-500 trucks but in December 2006, for example, the queue at the border consisted of around 1,000 trucks
Latvia-Russia	Grebneva-Ubilinka	2 days	4-5 days	Despite capacity increase over the past 2 years traffic congestion is a problem: the capacity is around 300 trucks but in December 2006, for example, the queue at the border consisted of around 600 trucks

Country	Location of the B/C	Average waiting time	Peaks	Comments from the 2006 survey
Lithuania-Russia	Panemune-Sovetsk	12 hours		Its daily capacity is 270 trucks, while the current traffic requires a capacity of 700 trucks per day
Lithuania-Russia	Kybartai - Chernysevskoje	12 hours		Its current capacity is 200 trucks per day, but for no congestion it should be at 500 trucks per day.
Morocco	Tanger	2-3 days		Lack of adequate infrastructure – as reported by Portugal
Poland-Belarus	Brestkaia	1–2 days		As reported by Kyrgyzstan ⁵⁶
Spain-France	Behovia–Biriadou Motorway			Capacity 8,000 trucks / day. Congestion is on Sunday nights when traffic ban ends.
Spain-France	La Jonquera–Le Perthus Motorway			Capacity 10,000 trucks / day. Congestion is on Sunday nights when traffic ban ends.
Russia–Kazakhstan	Petukhovo Cherlak–Jana-Jol	1-2 days		As reported by Kyrgyzstan
Kazakhstan	An average for all B/C	3-5 days (74-110 minutes)	10-11 days (255 minutes)	In the Almaty region the average waiting time is 7-12 minutes, while in the Costanaiska region it is between 5-11 days.

Rail border crossings that were identified as those with long delays

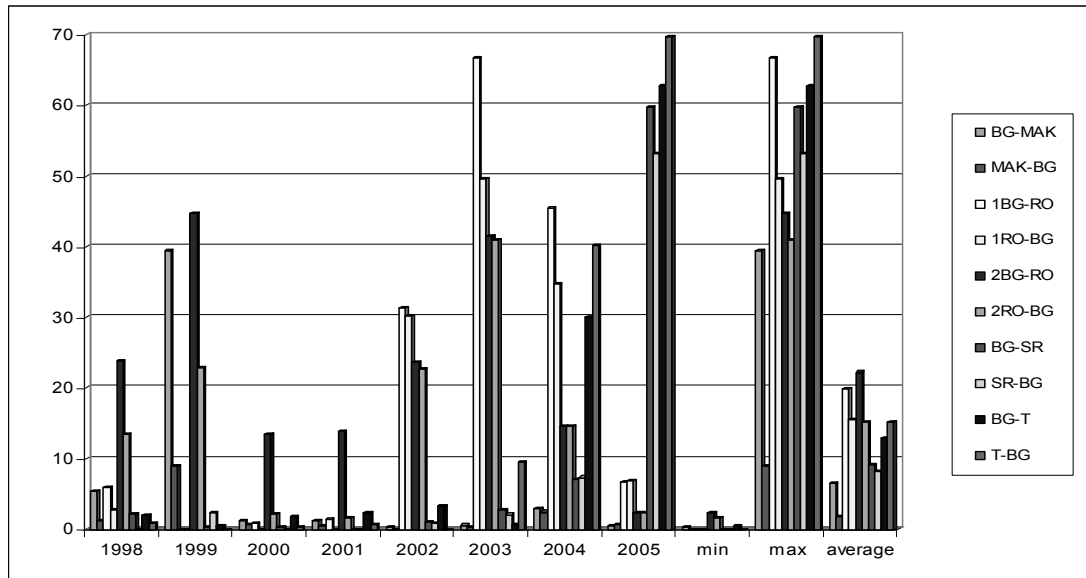
Country	Location of the B/C	Average waiting time	The longest waiting time so far	Comments
Bulgaria	Dragoman–Dimitrovgrad	No data	No data	
	Svilengrad–Kapikule	No data	No data	
	Kulata-Promahon	No data	No data	
	Ruse-Giurgiu	No data	No data	
Lithuania-Russia	Pagegiai	143 minutes		3 freight trains per day
	Kybartai	215 minutes		29 freight trains per day
Hungary-Serbia	Kelebia-Subotica	216 -447 minutes		At Kelebia/Subotica on the Serbian border 87% of the trains entering and 66% leaving the country are hindered by delays.
Kazakh borders	Average for all borders		6-7 hours	Longest waiting times are at: Ilitsk, Jaisun, Aul

⁵⁶ If a truck from Kyrgyzstan or with a destination in Kyrgyzstan has to wait 1-2 days at three border crossings on its way its average journey time is three – six days longer than it should be normally.

For comparison it is useful to see that the average waiting time is:

- 3 minutes at the Oresund rail border crossing (Denmark) with a capacity of 30 freight trains per day
- 30 minutes at the Padborg (Denmark) border crossing with a capacity of 40 freight trains a day
- 20 minutes at the Kena (42 freight trains per day) and also at the Stasylos (13 freight trains per day) border crossings on the Lithuania-Belarus border. In both cases border crossing control procedures are exercised at Vaidotai transmission station that is 40 km from the border
- 30 minutes at Obeliai (2 freight trains per day) and also at the Mazeikiai (one freight train per day) border crossings between Lithuania and Latvia
- No waiting time at the Joniskis border crossing between Lithuania and Latvia (10 freight trains per day).

APPENDIX 4. AVERAGE BORDER WAITING TIMES AT EU CANDIDATE COUNTRIES' BORDERS, 1998-05



Source: IRU 2006

APPENDIX 5. VISAS FOR PROFESSIONAL DRIVERS

[CEMT/CS/TR(2007)8]

1. Background

Facilitation of visa procedures for professional drivers is a long standing issue within the ECMT. The question was studied by the Group on Integration of New Member States and the Group on Road Transport as a separate issue, and also within the framework of border crossing facilitation studies.

Following this work, the ECMT Ministers adopted several recommendations and resolutions, including a Recommendation on Visas for Professional Drivers in 1998 and a Resolution on Simplification of Procedures of Issuing Visas for Professional Drivers in 2002.

In this latter Resolution, Ministers recommended that “[...] the ECMT Member countries regularly exchange information on practices in the field of facilitating the issuing of visas for professional drivers, and strive for simplified procedures on the basis of more harmonisation of documentation concerning the obtaining of visas.” Ministers also invited the official Bodies concerned to simplify procedures, reduce the number of supporting documents required and reduce the time for obtaining visas.

As a follow-up to this Resolution and taking into account the topical nature of the problem for a majority of ECMT Member countries, both non-EU and EU countries, the Turkish Delegation requested the ECMT to conduct a further survey on visas for professional drivers. The questionnaire CEMT/CS/TR(2006)7, prepared within the framework of the Task Force on Social Aspects in Road Transport by the Moldovan and Turkish Delegations with the aim looking at the current state of visa procedures in ECMT countries, was sent to the Delegations in May 2006.

Based on the replies received from national Delegations, the Secretariat prepared a Report [CEMT/CS/TR/SOC(2006)10/REV1] summarising the replies. It should be noted that the questionnaire was targeting competent visa issuing Authorities in ECMT Member countries, and replies received reflect their approach and provide information on the rules and formalities to be applied by the visa-issuing countries. At the same time, the report includes information provided by IRU, which is based on their 2005 inquiry and reflects an industry point of view, describing practical difficulties in procedures to obtain visas.

Further documents produced by the Task Force on Social Aspects, including information from the Turkish and Moldovan Delegations, as well as materials from Belarus [CEMT/CS/TR(2005)21, CEMT/CS/TR/SOC(2006)2, CEMT/CS/TR/SOC(2006)6/ADD1], provide additional insights on the existing situation.

2. Current situation

The document CEMT/CS/TR/SOC(2006)10/REV1 shows that visa obtaining procedures vary significantly depending on the country. It seems that over the last few years, a certain harmonisation of conditions of issuing Schengen visas to professional drivers has taken place (i.e. as regards visa fees). Nevertheless, the overall situation, including cumbersome procedures for visa applications, lengthy waiting periods and large number of diverse documents requested from applicants by different Consulates, remains unsatisfactory and many countries consider it an obstacle to smooth border crossings and an impediment to trade. The situation outside the Schengen area is indeed rather diverse, including visa free regimes for EU nationals in Ukraine, Georgia and elsewhere, rather complicated visa procedures in Russia, very high visa fees in Turkey, and difficulties in obtaining transit visas in new EU Member countries which are not yet party to the Schengen agreement.

The most common difficulties in visa application procedures include:

- Requirement to present an invitation letter.
- Requirement of applicant's personal presence, leading to disruption in the international drivers work and high costs of drivers' displacement.
- Refusal of Consulates to acknowledge the guarantee letter of national road transport industry associations as sufficient justification for issuing visas to the members of the association.
- Requirement to present a contract with foreign companies impedes the ability of hauliers to respond quickly to market demands and work in close contact with the forwarders.
- Too large a number of required documents, varying from 9 to 14 for non-EU applicants (reaching up to 30 documents in certain cases), and from 5 to 9 for EU applicants.
- Lengthy time periods for processing the visa applications, in certain cases reaching 40 days.
- Too short validity of visas (3-6 months with 30-45 working days), lack of simplified procedures for issuing annual multi-entry visas.
- Limited length of stay for all types of visas.
- Limited days of one journey within the territory of one state and restriction of using the Schengen visa on the territory of the states other than the state which issued this visa.
- Uncertainty about obtaining visas after an initial refusal.
- Absence of uniform requirements, application forms and fees.
- Absence of fast track procedures (under the special fee).
- Aligning visa duration to the duration of contract, licenses or insurance.

3. New developments

New developments include the EU-Russia Agreement on Visa Facilitation, which was signed on 25 May 2006 in Sochi, subject to further ratification both in Russia and the European Union.

The Agreement, once in force, will be of particular benefit to professional drivers from Russia and EU Member States. For example, the list of documents to be presented on the purpose of the journey for international professional drivers will be simplified and only the documents listed in the Agreement will be requested. The Agreement recognises the national association of carriers of the Russian Federation or the Member states as an intermediary between drivers/transport companies and Consulates and their written request stating the purpose, duration and frequency of the journey will be deemed as a sufficient proof of purpose of the journey. Visa fees by both parties of the Agreement will be aligned with the current Schengen visa fee (EUR 35) and, what is of particular importance, the Agreement provides for simplified criteria for issuing multiple entry visas to professional drivers.

At the same time, it should be noted that new EU Member countries do not yet fully apply the Schengen rules, therefore special measures should be taken to simplify the transit of holders of Schengen visas through the territory of these Member states.

The European Commission also launched negotiations on bilateral visa facilitation agreements with Ukraine, Morocco and the countries of the Western Balkans (Albania, Bosnia and Herzegovina, Macedonia, Montenegro and Serbia).

The new proposal for a Regulation of the European Parliament and of the Council establishing a community Code on Visas is indeed very important for the further development of the issue and can play a positive role in facilitation of visa procedures.

The new proposal incorporates the present Schengen acquis on visa policy, including the Common Consular Instructions (CCI), develops certain parts of the current legislation and enhances transparency and legal certainty by clarifying the legal status of the provisions of the CCI and its appendices.

The Visa Code is a comprehensive and complicated proposal, but it is still possible at this stage to identify certain practical or political issues that might be of concern for ECMT Member countries, particularly in connection with visa facilitation problems for international drivers, i.e:

- While the new Code recognises seamen as a separate group of visa users, and for example, provides for issuing of visas at the borders for seamen in transit, international professional drivers are not acknowledged as such, and cannot benefit from this facilitation measure.
- Introduction of biometric identifiers as a requirement for applying for a visa will have considerable impact also for professional drivers, leading to mandatory personal appearance in the consulates and thus removing them from their professional duties.

- The Code also provides for an increase in visa fees, which will also increase the financial burden on transport companies.

It should be noted that there is also a new development at ILO (International Labour Union) level where, following the tripartite meeting held last October in Geneva, it was decided to work further on visa facilitation in a tripartite context (unions, employers and governments) with a view to establishing a procedure similar to those for seafarers. The first meeting of the Task Force set up should take place in April 2007. ECMT Secretariat should be involved in this work.

4. Follow-up proposal

Considerable difficulties still exist in visa issuing procedures within the geographical area covered by the ECMT leading to unnecessary delays that, as with other obstacles particularly at border crossings, are economically inefficient and cause financial losses for transport companies. Bearing in mind the increasing volume of trade between ECMT countries and the dual role of the visa regime (to ensure security and fight illegal immigration and criminality on one hand and on the other hand to promote legitimate crossing of borders), the following facilitation measures could be considered of particular importance for professional drivers performing international transport:

- Recognise professional drivers as a preferential group benefiting from preferential visa treatment, similarly to seamen.
- Facilitate the practice of issuing long term multi-entry visas (annual visas, with 180 days over 12 months) for drivers with a clean visa history.
- Simplify and limit the number of supporting documents required from the applicants and make them widely available through websites. In this context, acknowledging the ECMT license as a facilitation support document for obtaining multi-entry annual visas would be an improvement.
- Consider the possibility of waiving the present practice whereby the visa applicant has to present an invitation letter and dispense with the requirement of the professional driver's presence at the Consulates. Recognition of national road transport industry associations as an intermediary between drivers/transport companies and Consulates could help solve this problem.
- Lower visa fees across ECMT Member countries and harmonise them at the current EU level (Euro 35). High visa fees in some of the ECMT Member countries and fee increases, foreseen by the new Visa Code, will put additional financial burden on transport companies and impede their competitiveness.
- Simplify to the greatest extent transit by holders of Schengen visas through the territory of new EU Member countries which have not yet fully applied the Schengen rules.

- Reconsider the application of the principle for the main destination country for professional drivers, so that transport operations throughout a long-term visa validity period are not impeded.
- Examine the possible consequences of introducing biometric (fingerprint) data into the visa system for international professional drivers.

Given the above, it seems advisable to urge the Member Country Governments to facilitate implementation of the above measures and the Group on Road Transport to monitor their implementation and regularly report on existing visa-issuing procedures and current and future developments in this field.

APPENDIX 6. ABBREVIATIONS

ADB	Asian Development Bank
APEC	Asia-Pacific Economic Cooperation
ASMAP	The Road Transport Operators' Association in Russia
ASYCUDA	Automated System for Customs Data
B/C	Border Crossing
BULPRO	Pro-Committee in Bulgaria
CAR	Central Asian Republics
CARDs	EU assistance program for the Western Balkan countries: Community Assistance for Reconstruction and Development
CFR MARFA	Rail Cargo Operator in Romania, that was created when the State Railways Enterprise was un-bundled
CIM	Uniform Rules Concerning the Contract for International Carriage of Goods by Rail (CIM)
CIS	Commonwealth of Independent States
CMR	CONVENTION ON THE CONTRACT FOR THE INTERNATIONAL CARRIAGE OF GOODS BY ROAD (C M R)
CPC	Certificate of Professional Competence
DMR	Danube-Main-Rhine canal
EBRD	European Bank for Reconstruction and Development
ECA	Europe and Central Asia
ECMT	European Conference of Ministers of Transport
ELA	European Logistics Association
ETCS	The European Train Control System
EU	European Union
FOB	Free on board the ship (INCOTERMS)
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GCI	Global Competitiveness Index
IBRD	International Bank for Reconstruction and Development
ICT	Information and Communication Technologies
ILO	International Labour Office
IMF	International Monetary Fund
IRU	International Road Transport Union
FAST	Free and Secure Trade program (USA)
IT	Information technologies
LSPs	Logistics Service Providers
MIS	Management Information System
NAFTA	North-American Free Trade Association

NCST	New Computerised System of Tariffs, EU
OECD	Organisation for Economic Cooperation and Development
OSJD	Organisation for the Cooperation among Railway Companies
OTIF	The Intergovernmental Organisation for International Carriage by Rail (OTIF)
Phare	EU Grant Program
POEs	Point of Entry
RIV	Regolamento Internazionale Veicoli (RIV) – UIC Agreement governing the exchange and use of wagons between Railway Undertakings (see RIV 2000 and its modifications), RIV is for freight vehicles, RIC is for passenger vehicles
SCM	Supply Chain Management
SECI	South-East European Cooperation Initiative
SEE	South-East Europe
SEERECON	SEE Reconstruction initiative
SITPRO	Simplification of International Trade (SITPRO), UK organisation for trade facilitation
SMEs	Small and medium-sized enterprises
SMGS	Originally a COMECON agreement on rail freight operations, now overseen by OSShD, SMGS consignment note is different from a CIM consignment note
Tacis	EU Grant Program for the CIS countries
TEN	Trans-European Network
TF	Trade Facilitation
TIR system	CONVENTION ON THE INTERNATIONAL TRANSPORT OF GOODS UNDER COVER OF TIR CARNETS
TRACECA	Transport Corridor Europe-Caucasus-Asia (EU grant programme)
TTF	Trade and Transport Facilitation
TTFSE	Trade and Transport Facilitation in South-East Europe, an investment project that benefited from World Bank lending
UIC	International Union of Railways
UN ECE	UN Economic Commission for Europe
UN ESCAP	UN Economic Commission for Asia and the Pacific
UNCITRAL	United Nations Commission on International Trade Law http://www.uncitral.org/index.html
UN/ CEFAC	United Nations Centre for Trade Facilitation and Electronic Business
UN/EDIFACT	UN Electronic Data Interchange for Administration
UNCTAD	United Nations Conference on Trade and Development
US C-TPAT	US Customs-Trade Partnership Against Terrorism (C-TPAT),
USAID	Grant Program of the United States of America
WB	World Bank
WCO	World Customs Organisation
WTO	World Trade Organisation

**APPENDIX 7. SELECTED LIST OF THE MOST RELEVANT PAPERS,
RESEARCH DOCUMENTS AND PROJECTS**

A Bird's Eye View of Trade Facilitation, David Wakeford MBE, SITPRO Ltd, 21 April 2005

ADB, Central Asia: Increasing Gains from Trade Through Regional Cooperation in Trade Policy, Transport, and Customs Transit by ADB

ADB, Trade and Transport Facilitation in the CIS 7, 2006, ADB

APEC Principles on Trade Facilitation, 2002

Chapter II. Is DR-CAFTA The End Of The Road?: Trade And Development In Central America Since 1990 [DR_CAFTA_challenges_Opport]

CHINA'S ACCESSION TO THE WTO: THE SERVICES DIMENSION, Aaditya Mattoo* [22267_wps2932]

CLECAT STATEMENT IN THE AREA OF POLICY MAKING IN THE FIELD OF THE EUROPEAN LOGISTICS SECTOR, 2006

ECMT, Benefiting from globalisation: Time as a trade barrier, Hildegun Kycik Nordas, OECD Trade Directorate, ECMT Round Table October 2006

ECMT, Emerging global logistics networks: some consequences for transport system analysis and design, Tavaszy, ECMT Round Table October 2006

ECMT, Global Trends in Trade and Transportation, David Hummels, Purdue University, Prepared for ECMT Round Table October 2006

ECMT, Impact of Cross Border Infrastructure, Manabu Fujimura Aoyama Gakuin University, ECMT Round Table October 2006

ECMT, Improving Transport Security and Efficiency; Contradiction or Opportunity?, by Jack Short, Secretary General, ECMT

ECMT, Market structure in transport and distribution services, goods trade and effect of liberalization Joseph Francois, Tinbergen Institute and CEPR, Ian Wooton, University of Strathclyde and CEPR, ECMT Round Table October 2006

ECMT, Removal of obstacles at border crossings, CEMT/CM (2004)23

ECMT, Trade and Transport Facilitation: European Accession and Capacity Building Priorities, Draft Paper Prepared for the Workshop on "Transport Costs and their Impact on International Trade," *European Conference of Ministers of Transport and OECD Research Center, Paris, October 21-22, 2004*, John S. Wilson, Xubei Luo, and Harry G. Broadman, World Bank

ECMT, Trade in Transport Services in the NAFTA Region: A Free Trade Area? By Mary R. BROOKS Dalhousie University, Halifax, Canada, ECMT Symposium, Berlin

Economic Geography Inequality, 2001, Stephen Redding and Anthony Venables

Elements for European logistics policy, A discussion paper submitted by Finland, Ministry of Transport and Communications, Helsinki, 2006

EU A background note to DG TREN's, COMMUNICATION ON FREIGHT LOGISTICS, Submitted to the Ministry of Transport and Communications, Finland

EU Protrans project, Role of Third party Logistics Service Providers and their Impact on Transport, <http://www.logistik.tu-berlin.de/protrans/index.html>

EU SULOLOGTRA project, Effects on transport of trends in Logistics and Supply Chain management, <http://www.logistik.tu-berlin.de/sulogtra/>

EU TRALOG project, RT&D Roadmaps for European Transport Logistics in the future (EUTRALOG), <http://eutralog.mettle.org/>

EU TRILOG Europe Project

EU, COMMUNICATION ON FREIGHT LOGISTICS: COMMUNICATION FROM THE COMMISSION TO THE COUNCIL, THE EUROPEAN PARLIAMENT, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS, COM(2006) 336 final, Freight Transport Logistics in Europe – key to sustainable mobility

EU, Freight Transport Logistics in Europe – the key to sustainable mobility, Impact Assessment, SEC(2006)818

EU, Issues Relating to the Physical Movement of Consignments (Transport and Transit) & Payment, Insurance and Other Financial Questions Affecting Cross-border Trade in Goods., Communication from the European Community, 3 December 1998

EU, Trade Facilitation: Article X of GATT on the Publication and Administration of Trade Regulations, *Communication from the European Communities to WTO*

Global Trade Management Strategies: Surviving Growing Complexities in 2007, published by the Aberdeen Group, a Boston-based supply chain and logistics research firm

GFPTT SIMPLIFICATION AND HARMONIZATION OF BORDER MEASURES ENFORCING NON-TARIFF CONTROLS AT THE BORDER

GFPTT: Integrated Border Management

ILO, Labour and social issues arising from problems of cross-border mobility of international drivers in the road transport sector

IRU, BRIEF ANALYSIS OF BORDER WAITING TIMES 1998-2005, An IRU Analysis

IRU, Selected recent statistics on road freight transport in Europe, 2006, IRU

Land transport between Europe and Asia, Commercial Feasibility Study, 2006

Logistics and Intermodality for a transport-efficient economy, Finland

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Logistics and Supply Chain Management (SCM), Key Performance Indicators (KPI) Analysis, A Canada/United-States Perspective

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Logistics Landscape in China Report 2006,

MEXICO Intermodal Corridors Corridors: Key for Connecting the World

MExico-US border transit facilitation, 2006

OECD, TD/TC/WP(2001)21

OECD, TRANSPORT ET COMMERCE INTERNATIONAL, Conclusions de la Table Ronde 131, La Table ronde s'est tenue au siège de l'OCDE, à Paris, les 21 et 22 octobre 2004

ON THE GEOGRAPHY OF TRADE: DISTANCE IS ALIVE AND WELL Céline CARRERE and Maurice SCHIFF

Poland, The Polish Center of Logistics Competence (POLLOCO), <http://www.polloco.pl/>

Quantifying the Impact of Services Liberalization in a Developing Country, Denise Eby Konan, Keith E. Maskus

SITPRO Guide to the WTO Trade Facilitation Negotiations

State of Logistics 2006, Helsinki, 2006

State of Logistics Report published every year by Council of Supply Chain Management Professionals (CSCMP)

TEDIM project

The Cost of Being Landlocked: Logistics Costs and Supply Chain Reliability, Jean-Francois Arvis, Gael Raballand, Jean-Francois Marteau, World Bank Policy Research Working Paper 4258, June 2007

Trade and Competitiveness, EBRD Issues Paper 2004

Trade Facilitation in the Economies in Transition «Trade Facilitation in Russia in a view of application of the Russian Federation Customs Legislation», THE 2005 WTO PUBLIC SYMPOSIUM, (20-22 April, 2005)

UN General Assembly, 58/201. Almaty Programme of Action: Addressing the Special Needs of Landlocked Developing Countries within a New Global Framework for Transit Transport Cooperation for Landlocked and Transit Developing Countries, 2004

UN General Assembly, Declaration on the island states

UN, Investing in development, A practical Plan to Achieve the Millennium Development Goals, UN, Sachs Report, 2005

UNCTAD, agreed recommendations; relevant papers: TD/B/COM.3/67 7 December 2004; TD/B/COM.3/EM.24/3 14 November 2005; TD/B/COM.3/60 3 October 2003, TD/B/COM.1/EM.26/3 1 March 2005), D/B/COM.1/73 1 April 2005

UNCTAD, DESIGN AND IMPLEMENTATION OF TRANSIT TRANSPORT ARRANGEMENTS

UNCTAD, EFFICIENT TRANSPORT AND TRADE FACILITATION TO IMPROVE PARTICIPATION BY DEVELOPING COUNTRIES IN INTERNATIONAL TRADE, 2005

UNCTAD, INTERNATIONAL MINISTERIAL MEETING OF LANDLOCKED DEVELOPING COUNTRIES EFFECTIVE PARTICIPATION OF LANDLOCKED DEVELOPING COUNTRIES, 2005

UNCTAD, TRADE AND DEVELOPMENT ASPECTS OF LOGISTICS SERVICES, 2006

UNCTAD, Transit Systems of Landlocked and Transit Developing Countries: Recent Developments and Proposals for Future Action, 2001

WCO, FRAMEWORK OF STANDARDS TO SECURE AND FACILITATE GLOBAL TRADE, 2005

World Bank, Assessing the Potential Benefit of Trade Facilitation: A Global Perspective, 2004 by John S. Wilson, Catherine L. Mann+ and Tsunehiro Otsuki

World Bank, Global Economic Prospect (GEP) Realizing the Development Promise of the Doha Agenda, 2004

World Bank, Lessons from NAFTA for Latin America and the Caribbean Countries, by Daniel Lederman, William F. Maloney és Luis Servén

World Bank, Road infrastructure in Europe and Central Asia: Does network quality affect trade? By Ben SHEPHERD and John S. WILSON, Development Economics Research Group—Trade, The World Bank

World Bank, Trade and Transport Facilitation Audit in the Baltic States, On a fast track to economic development, 2005, World Bank

World Bank, Trade and Transport Facilitation in South East Europe (TTFSE)

World Bank, Trade and Transport Facilitation in the CIS 7, Kazakhstan and Turkmenistan, Molnar és Lauri (2003), TTF papers, 2006 Febr.

World Bank, Trade Facilitation and Economic Development – Measuring the Impact, John Wilson, Cathrine Mannn és Tsunehiro Otsuki (2003)

WTO – GATS, TURNING HILLS INTO MOUNTAINS? CURRENT COMMITMENTS UNDER the GATS And prospects for change

WTO Public Symposium, Workshop on: Trade Facilitation: A Tool for Development

WTO Trade Facilitation - Improvements to GATT Article VIII on Fees and Formalities Connected with Importation and Exportation

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WTO, Cancun, Ministerial Declaration

WTO, LAND TRANSPORT SERVICES, PART I - GENERALITIES AND ROAD TRANSPORT ,
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WTO, land transport services, Part ii - rail transport services

WTO, Public services and gats, 2005

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WTO, Trade liberalization in the Doha Development Round Joseph Francois, Hans van Meijl and Frank van Tongeren Erasmus University Rotterdam; Agricultural Economics Research Institute LEI, Wageningen University; Agricultural Economics Research Institute LEI, Wageningen University

WTO, World Trade Report, 2003