CHAPTER II. TRANSIT TRANSPORT ISSUES IN LANDLOCKED AND TRANSIT DEVELOPING COUNTRIES

Efficient transit transport is crucial for landlocked nations. Due to their lack of territorial access to seaports and the prohibitive cost of airfreight, landlocked countries have to rely on the transport of goods by land through one or more neighbouring countries. The additional costs incurred together with problems of distance, make imports more expensive and render exports less competitive, thus putting landlocked countries at a disadvantage in the global economy. Some of the major factors influencing the transit transport systems of landlocked and transit developing countries in the Asian region are described below.

A. Availability and quality of infrastructure

Several regional and subregional networks provide transport infrastructure linkages to and through the landlocked countries of Asia. These include the Asian Highway and the Trans-Asian Railway (TAR), as shown in maps at the beginning of this publication. Examples of subregional transport networks include the Association of South East Asian Nations (ASEAN) Highway; the priority road network in North-East Asia; the Economic Cooperation Organization (ECO) transport network; and the international road network of the Commonwealth of Independent States (CIS). It is true that the basic infrastructure for transit transport exists, but "missing links" in the networks continue to constrain route choice, while insufficient capacity on some corridors and the poor quality of the infrastructure add costs and time to the transit process. As a result, some landlocked countries tend to rely heavily on one or a limited number of transit corridors, despite the choice of possible alternative competing routes.

In addition, there is a lack of infrastructure facilities such as inland container depots (ICDs), particularly at border crossings, to support logistics activities such as the consolidation and distribution of goods and speedy, secure transshipment between road and rail services. Overall, foreign direct investment is less attracted to these countries as destinations, making the task of funding infrastructure development that much more difficult for them.

B. Limited choice of routes

In some cases, transit transport can become more efficient by encouraging the development of alternative routes, not only within one transit country but also through different countries. When a transit transport route passes through the territory of another country, the carriage of traffic along the route is possible only when the transit country grants to the other the right of transit through its territory, usually under specific conditions. Given that sovereign states have exclusive jurisdiction over transportation within their territories, the transit rights, along with any limits on them, are created when sovereign states voluntarily enter into bilateral, multilateral or international agreement and or conventions.[1] In most cases, landlocked countries are bound by such agreements in their choice of transit routes.

Landlocked countries may be able to strengthen their bargaining position in the negotiation of transit and trade agreements by demonstrating the value of the transit business provided to its neighbours, taking into account not only the direct costs involved but also

[1] Transit issues and various international conventions, agreements on transit are discussed in ESCAP, *Transport Planning for Landlocked Countries: Transit Issues and Border-crossing Issues* (ST/ESCAP/1484).

income generated through additional multiplier effects. Transit countries can also benefit from a clearer appreciation of the contribution the sale of transit services makes to their national income.

C. Trade and transport facilitation and border crossings issues

For most regional member countries, transit transport is most heavily constrained by delays and costs incurred at border crossings. Time-consuming border crossing and customs procedures, complicated non-standard documentation, poor organization and a lack of skills in the transport sector are some of the major contributory factors. Overlapping obligations brought about by several bilateral, trilateral and subregional agreements, and the lack of a harmonized legal regime for transit transport, including arrangements for transit fees, further compound the complexity of the transit transport process. Unfortunately, consistent information isolating the causes of these constraints and quantifying the costs and time they add to the transit process, as well as their impact on the economies of landlocked countries, is not available to policy makers. Another factor leading to significant increases in the costs of transit transport for landlocked countries is the return of empty containers to points of origin, a reflection of the present imbalance in trade of landlocked countries and the lack of logistics facilities near borders.

For transit transport issues to be addressed effectively a comprehensive approach is required, involving relevant government ministries, agencies and the private sector; yet several landlocked countries and their transit neighbours have not established facilitation boards or committees. As a result, the essential coordination and cooperation required for effective action has been constrained. Sometimes, landlocked countries have not demonstrated leadership to their transit neighbours in prioritizing and addressing transit transport issues domestically.

D. Opportunities of intermodal transport

While over 90 per cent of the volume of international trade still moves by sea, land and intermodal transport routes are increasingly being seen as viable options for accessing new markets. Intermodal transport, including road, rail and inland water transport, can maximize the use of existing infrastructure. In the open and competitive global economy, any saving on account of transport costs can give a significant competitive edge to producers. The relative efficiency of any transport mode depends on the nature of the goods being carried, the expected delivery time between origin and destination, as well as the level of services provided.

In the current scenario, cost efficient international transport increasingly requires a more coordinated use of different modes, and has to be viewed as part of the total supply chain.

E. The importance of cross-border cooperation

As compared with sea or air transportation, transport by land generally requires coordination and harmonization of a wider range of potentially conflicting issues, particularly between countries. Overland transit is subject to the national sovereignty of each transit country and can therefore exist only within the parameters and concessions that each country is prepared to make. Since transit transport involves the use of transport infrastructure and

vehicles in moving goods and natural persons across national boundaries, issues relating to all these factors need to be addressed if efficient transit transport is to be made possible.

As far as infrastructure is concerned, key issues are the harmonization of technical and operational standards and requirements along international routes under various modes, as well as user charges for the infrastructure. For vehicles, key issues include commercial operating rights, vehicle registration, vehicle technical standards, traffic rules and signage, driving licenses, third party liability and temporary importation of vehicles for the purpose of carrying goods and people across national frontiers. The movement of goods requires facilitation of customs procedures and various kinds of inspection of goods, people and plants, as well as regimes for special categories of goods like perishables and dangerous goods. With regard to natural persons, key issues involve passports, visas, border permits, health inspections, personal effects and currency.

While adjustment and development of transport infrastructure in a coordinated manner is critical to ensure technical compatibility of national transport systems, coordination in the management and control of traffic and user information is key to optimizing infrastructure use. The gains in efficiency from technical measures can, however, be offset in the absence of streamlined legal and administrative systems for international border crossings. Discriminatory road charges, restrictive traffic quotas, restrictions on the use of foreign trucks and, last but not the least, the amount of time needed for police, customs and security clearance of vehicles and drivers are some of the factors that directly influence transport operators' choice of route. The inability to deal with these and other factors adequately results in the loss of the potential income generated by transit traffic to alternative routes.

F. Transit transport agreements

As a first step towards establishing transit routes, landlocked countries have traditionally developed bilateral transit agreements with neighbouring countries to overcome their geographical constraints. Thus bilateral transit arrangements have been developed in the broader context of historical, political, economic and cultural ties. Landlocked countries need such agreements with not only their immediate neighbours, but also all other transit countries en-route to the market for their goods.

In some cases where transit transport involves more than two countries, separate bilateral agreements that may contain mutually incompatible provisions are likely to impede rather than facilitate transit transport. Transit transport involves issues and problems that should ideally be dealt with through multilateral agreements. In the ESCAP region, a growing number of trilateral, quadrilateral and subregional agreements have emerged. Some examples of these are the ASEAN Framework Agreement on the Facilitation of Goods in Transit[2]; the GMS Agreement for Facilitation of Cross-border Transport of People and Goods; the Transit Transport Framework Agreement of the Economic Cooperation Organization (ECO); and the Transport Corridor Europe-Caucasus-Asia (TRACECA), being developed with the support of the European Community's TACIS programme (see Box II.1). These are usually framework agreements that lay out broad goals and policy directions but leave potentially contentious details to be worked out through separate protocols and annexes.

[2] The full text of this agreement can be found at http://www.aseansec.org/8872.htm.

Box II.1. Examples of subregional agreements relating to transit transport

(a) *ASEAN Framework Agreement on the Facilitation of Goods in Transit*

The ASEAN Framework Agreement on the Facilitation of Goods in Transit was signed by nine of the ten countries of ASEAN, namely Brunei Darussalam, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam in December 1998. This agreement provides for the mutual granting of transit transport rights, as well as the right to load and discharge goods of third countries destined for or coming from contracting parties. The Agreement came into force in October 2000 but countries have yet to ratify a number of protocols under the agreement.

(b) *GMS Agreement for Facilitation of Cross-border Transport of People and Goods*

The Greater Mekong Subregion (GMS) Agreement for Facilitation of Cross-border Transport of People and Goods and the annexes that are currently being negotiated is an extension of the trilateral agreement signed between Lao People's Democratic Republic, Thailand and Vietnam in 1999. An integral part of the Asian Development Bank's GMS Program, the Agreement has now been signed by Cambodia and China, and Myanmar is expected to sign in the near future. The annexes and protocols are currently being negotiated with ADB assistance.

(c) *ECO Transit Transport Framework Agreement*

The Economic Cooperation Organization (ECO)[1] adopted the Almaty Outline Plan in 1993 and the Programme of Action for the ECO Decade of Transport and Communication (1998-2007) in 1998 for the development of the transport sector in the ECO subregion. The Transit Transport Framework Agreement envisages establishing a common regulatory framework for the development and facilitation of transit transport among member countries. The agreement provides for the freedom of transit through the territories of the contracting states for road and rail transport and inland water navigation, as well as access to maritime ports.

(d) *Transport Corridor Europe-Caucasus-Asia*

Six out of the ten signatories to the ECO Transit Transport Agreement are also signatories to the Basic Multilateral Agreement on International Transport for the Development of the Transport Corridor Europe-Caucasus-Asia (TRACECA) routes.[1] Begun in 1993, the TRACECA programme is a European Union (EU) funded technical assistance (TA) to develop a transport corridor on a west - east axis from Europe, across the Black Sea, through the Caucasus and the Caspian Sea to Central Asia. The agreement provides a framework for the development of transport corridors linking these regions. The scope of the agreement extends to road, rail, maritime, air and multimodal transport, as well as transportation by pipeline, and covers cross-border and transit transport.

An advantage of the framework agreements is that they highlight the commitment placed on facilitation measures by countries along particular transport corridors or international routes. The framework agreements are often viewed as stepping-stones to acceptance of international conventions by signatory countries. This is more likely to be the case when provisions in both types of agreement are in conformity with each other and have been developed through consultations among different subregions. In reality, framework agreements are frequently developed independently by different subregional groupings, leading to the prospect of different provisions being applicable as goods move along a transport corridor that spans two or more subregions.

Landlocked and transit countries acknowledge the fact that in order to bring framework agreements into operation, consensus has to be achieved on detailed modalities. Countries also agree that existing international conventions, which have taken many years to develop, have an important role to play. Subregional framework agreements and protocols make frequent reference to international conventions, and seek to incorporate specific provisions from such conventions. Modification or simplification of these provisions in substance or language however could give rise to problems in interpretation, and pose difficulties when countries eventually seek to ratify and accede to the international conventions. There are also circumstances where more than one framework agreement covering similar issues could apply to the members of a particular subregion.

At the global level several international conventions established the right of access to the sea and facilitate transit transport for landlocked countries. In chronological order, these are the Convention and Statute of Freedom of Transit, Barcelona, 1921 (Barcelona Transit Agreement); the Convention on Transit Trade of Land-locked States, New York, 1965; and the United Nations Convention on the Law of the Sea, 1982. New conventions have also been developed, primarily under the auspices of the Economic Commission for Europe, on specific aspects of transport[3].

Recognizing that harmonized transport facilitation measures at the subregional, regional and international levels are a prerequisite to international trade and transport, the ESCAP Commission adopted a resolution on Road and Rail Transport Modes in Relation to Facilitation Measures (resolution 48/11 of 23 April 1992). In this resolution, it was recommended that countries in the region should consider the possibility of acceding to seven international conventions in the field of transport facilitation (see Box II.2).

While efforts to implement ESCAP resolution 48/11 must continue, it should be noted that the scope of the conventions covered by the resolution is largely confined to highway transport and customs procedures. The increase in trade following the development of the Asian Highway and the TAR, as well as the opening up of new roads and railways facilitating transit trade and providing opportunities for landlocked countries to become "land-linking" countries, also need to be recognized. The scope of resolution 48/11 may have to be expanded to cover other relevant international conventions that facilitate transit transport.

Since the adoption of resolution 48/11 a number of subregional agreements have emerged, to deal with issues covered by the conventions. There is thus an urgent need for a comprehensive comparison and analysis of the international conventions and the subregional agreements in order that countries could fully understand the provisions and the implications of the convention and assess their compatibility with the subregional agreements currently in place and under negotiation.

[3] For a summary list of these agreements and links to their texts, please visit the website of the United Nations Economic Commission for Europe, at http://www.unece.org/trans/conventn/legalinst.html.

Box II.2. International Conventions listed in Commission resolution 48/11 on road and rail transport modes in relation to facilitation measures

Convention on Road Traffic (Vienna, 8 November 1968)

Convention on Road Signs and Signals (Vienna, 8 November 1968)

Customs Convention on the international Transport of Goods under Cover of TIR Carnets (TIR Convention) (Geneva, 14 November 1975)

Customs Convention on the Temporary Importation of Commercial Road Vehicles (Geneva, 18 May 1956)

Customs Convention on Containers (Geneva, 2 December 1972)

International Convention on the Harmonization of Frontier Controls of Goods (Geneva, 21 October 1982)

Convention on the Contract for the International Carriage of Goods by Road (CMR) (Geneva, 19 May 1956)

G. Changing global economy

Finally, it is worth noting that with the spread of new manufacturing and trading practices such as outsourcing, 'just-in-time' production systems and intra-firm trade, transport costs and time are becoming ever more critical factors in determining global trade and investment patterns. These changes require strategic thinking on the part of the landlocked countries and must be taken into account in their medium- to longer-term plans.

One approach through which landlocked countries can seek to mitigate the disadvantages of their remoteness is by developing exports of high-value, low-weight products in which the share of transport costs in total value is less and alternative transport modes such as airfreight become feasible. Fostering the export of invisibles, such as tourism services, is another option.

Transport costs may also be reduced through pursuing a growth strategy closely integrated with neighbouring economies that can increasingly provide markets for imports and exports within the region. Liberalization of trade and new market opportunities are also creating a demand for landlocked countries to become "land-linking" countries, providing important transit services to their neighbours.