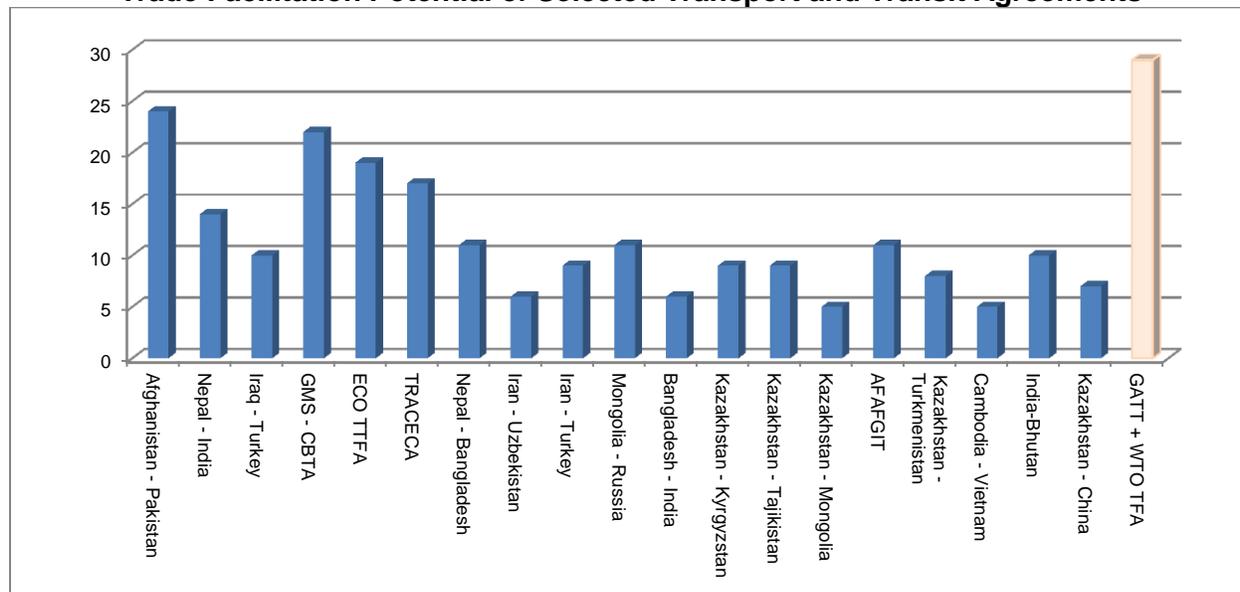


Including the Landlocked Developing Countries: Trade Facilitation Potential of Existing Asian Transit Agreements

Landlocked developing countries (LLDCs) face higher costs of trade because they lack direct access to the sea, thereby reducing their competitiveness in terms of trade and investment. The WTO Trade Facilitation Agreement (WTO TFA) has potential to reduce trade costs and boost trade for LLDCs through the article on ‘Freedom of Transit’ which protects “legitimate” interests of the transit country’s access to the sea. This can help LLDCs integrate in to global value chains (GVCs) and transition from landlocked to land-linked.

The WTO TFA contains ambitious measures not – or rarely – found in bilateral, regional transport or transit agreements (see figure). These include: advance clearance of goods in transit (found in 1 treaty only); renewal of guarantees (1 treaty); and designation of national coordinators (3 treaties). However, some measures widely found in related treaties are absent from WTO rules and the WTO TFA. This includes: mutual recognition of customs seals (found in 5 treaties); simplified immigration formalities for drivers (5 treaties); and freedom of transit for passengers (10 agreements).

Trade Facilitation Potential of Selected Transport and Transit Agreements



Source: Cousin and Duval (2014).

Notes: The trade facilitation potential is scored out of 37 specific provisions covered by different agreements.

Initial drafts of the WTO TFA (known as Draft Consolidated Negotiating Texts) included provisions on the ‘Scope’ of transit and on strengthening non-discrimination; however these amongst other provisions were removed from the final text. The WTO TFA is nevertheless welcome news for LLDCs which have

a unique opportunity to advance freedom of transit through the new WTO Committee on Trade Facilitation, established to afford “*Members the opportunity to consult on any matters related to the operation of this Agreement or the furtherance of its objectives.*”

Analysis of provisions of transit in 153 preferential trade agreements (PTAs) and 19 international transport and transit agreements show that the legal environment for transit is highly complex. Key insights from the analysis include:

- Inter-agency coordination is crucial between those responsible for: trade; transport; control agencies; and private sector operators at border crossings along transit corridors. Closer and earlier collaboration would contribute to more transparent and less conflicting rules on transit and increase the likelihood of measures being implemented.
 - The WTO TFA is promising in that regard, since it requires members to “*establish and/or maintain a national committee on trade facilitation or designate an existing mechanism to facilitate both domestic coordination and implementation of the provisions of this Agreement.*”
- There is a need for strengthening multilateral rules and building on “good practices” found in existing bi-lateral, regional and multilateral instruments. While transit facilitation has been widely overlooked in PTAs, many countries have addressed such matters using a variety of other bilateral and regional instruments such as international transport or transit specific agreements.
 - The Convention on International Transport of Goods Under Cover of TIR Carnets (TIR Convention) and other international instruments – not mentioned in the WTO TFA – also provide concrete and detailed mechanisms for transit facilitation. Incorporating these agreements into implementation plans may be an effective way to further the objectives of the WTO TFA.
- The most “trade facilitating” agreements are not necessarily the ones that bring the most results on the ground. For example, while the Afghanistan-Pakistan transit agreement was found to have the highest facilitation potential among other bilateral agreements reviewed (see figure), informal discussions with officials from both countries indicate challenges in implementation. The situation is similar in the case of the GMS Cross-Border Transport Agreement. This suggests that simpler and more specific agreements allowing for pragmatic and gradual approaches and incorporating the needs of local stakeholders on both sides of the borders may be most effective.

Sources:

Cousin, L., and Duval, Y. (2014). Including the Landlocked Developing Countries: Trade Facilitation Potential of Existing Asian Transit Agreements, ESCAP Trade and Investment Division Staff Working Paper 01/14, Bangkok¹

For other notes on Reducing Trade Costs in Asia and the Pacific see: <http://www.unescap.org/resources/notes-reducing-trade-costs-asia-and-pacific>

This note is based on in-house research and analysis by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). For more information on ESCAP's work on reducing trade costs and trade facilitation, please visit: <http://www.unescap.org/our-work/trade-investment/trade-facilitation>

¹ <http://www.unescap.org/resources/trade-facilitation-potential-asian-transit-agreements-context-wto>