

## **X. CROSS-BORDER FACILITATION AND TRANSIT FOR LANDLOCKED DEVELOPING COUNTRIES**

Due to the existence of national borders, another set of initiatives have to be taken to address cross-border transport and transit, in addition to the development of intermodal infrastructure an efficient services. This Chapter provides a brief view of some of the issues that arise and how they are addressed, particularly through facilitation agreements. These initiatives are an integral part of the development of an Asian Integrated Transport Network.

### **A. Transit transport issues in landlocked and transit developing countries**

An excellent ESCAP study exists on this theme, entitled “Transit transport issues in landlocked and transit developing countries”<sup>108</sup>, which includes detailed information based on case studies of Kazakhstan, Uzbekistan, Lao PDR, Mongolia and Nepal. This section is draws on this study and the reader is referred to it.

#### **1. Background**

Owing to geographic and other related attributes, landlocked developing countries are confronted with a range of special constraints that inhibit their full participation in the globalization process. The ESCAP region is home to 12 of the world’s 30 landlocked developing countries. Of these, Afghanistan, Bhutan, Lao People’s Democratic Republic and Nepal are least developed countries, while Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Lao People’s Democratic Republic, Mongolia, Tajikistan, Turkmenistan and Uzbekistan are economies in transition. Each of these landlocked countries is disadvantaged by its lack of territorial access to and distance from the sea.

For the landlocked countries, problems of distance are substantially compounded by the need to cross international borders and by the inability to regulate the through transport process. As a result, the delivered costs of imports are higher, exports less competitive and attraction for foreign direct investment reduced.

Economic development in the Asian region and emerging opportunities for interregional trade are stimulating new directions of trade which are creating a demand for landlocked countries to become “land-linking” countries and provide important transit services to their transit neighbours. In this regard, both landlocked and neighbouring transit countries can benefit from actions taken to increase the efficiency of transit transport.

To give appropriate emphasis to the continuing problems faced by landlocked and transit developing countries and the need to improve their transit transport systems, the General Assembly adopted resolution 56/180 of 21 December 2001 on specific actions related to the particular needs and problems of landlocked developing countries, by which the Secretary-General was requested to convene an international ministerial meeting on transit transport cooperation. Subsequently, by resolution 57/242 of 20 December 2002 on preparations for the International Ministerial Conference on Transit Transport Cooperation, it was decided that the International Ministerial Conference of Landlocked and Transit Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation should be convened at Almaty on 28 and 29 August 2003.

By resolution 57/242, the General Assembly also requested the Secretary-General of the Conference to organize, in close cooperation with the regional commissions, a number of

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<sup>108</sup> ESCAP (2003). Transit transport issues in landlocked and transit developing countries, ST/ESCAP/2270.

intergovernmental regional and subregional meetings as part of the preparatory process for the Ministerial Conference. In response to this request, the secretariat developed a methodology for analyzing transit transport corridors and analyzed four case studies. The framework of recommendations and action plan were subsequently reviewed and endorsed by the Commission at its 59th session (first phase) on 24-25 April 2003 as the regional platform to be submitted to the International Ministerial Conference. The key issues contained in the action plan are:

- Policy-related actions
- Improved coordination within and between countries
- Trade and transport facilitation
- Promoting competition in the provision of transit transport services
- Better monitoring
- Enhancing transit infrastructure
- Application of ICT
- Capacity-building and human resources development for transit transport

## **2. Issues**

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:

- Availability and quality of infrastructure
- Limited choice of routes
- Trade and transport facilitation and border crossings issues
- Opportunities of intermodal transport
- The importance of cross-border cooperation
- Transit transport agreements
- Changing global economy

## **3. Time-cost approach**

For the analysis of routes and corridors, ESCAP has promoted the use of time-distance and cost-distance diagrams along specific paths through the networks across borders and across transport modes. This approach was also used for the case studies contained in the transit study mentioned above.

In the time-cost approach, costs and time associated with transport by any mode (road, rail, inland waterway and sea) and with transfers between modes (at ports, rail freight terminals and inland clearance depots) as components are included. The approach is based on the premise that the unit cost of transport varies between modes and this will be reflected in the cost curves. For volume movements, sea transport is generally cheapest per tonne per kilometre and road transport is normally the most expensive, with transport by waterway and rail in an intermediate position.

This simple approach has proven to be a useful tool in the debate over the value of time in freight transport operations by analyzing transit times by mode and route. The longer freight

takes to reach its destination (including dwell times at terminals), the greater will be the implicit interest costs of working capital. Total implicit costs may, however, be a good deal higher, since some goods may be needed urgently and business may be lost if goods arrive too late. The value of time will ultimately depend on the nature of the commodities being transported and the cost of delays must also be taken into account when appraising the risks attached to specific routes and transport modes. As part of the analysis of the transit routing decision, it is important to examine the trade-off between the monetary outlays for transport and the implicit costs of time.

Points of transshipment, at border crossings or between modes, are incorporated into the cost curves as vertical steps. For example, at ports and inland terminals, a freight handling charge is levied without any material progress being made along the supply chain; therefore, the costs incurred here are represented by a shift upwards in the cost curve at these points. The vertical steps can also be broken down to reflect different types of charges or processes involving time, such as document fees, transit charges and cargo clearance costs. In this regard, bottlenecks at points of transshipment can be analyzed in themselves and as part of the overall route.

Using this time-cost approach, example results from the ESCAP transit study of 2003 are summarized in Figure 13 and Figure 14.

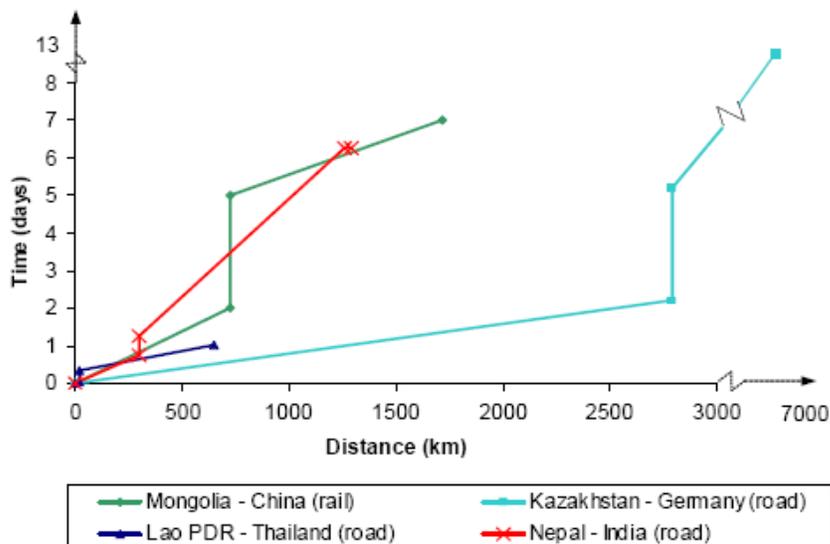


Figure 13: Average transit time for the export of containerized cargo (Per TEU; for Kazakhstan – Germany per half of 12 meter semi trailer).

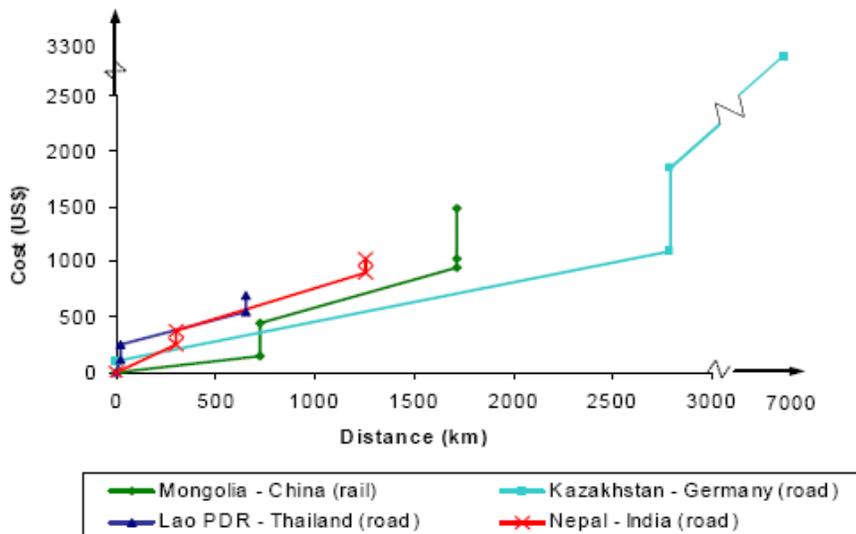


Figure 14: Average transit costs for the export of containerized cargo (Per TEU; for Kazakhstan – Germany per half of 12 meter semi trailer).

#### 4. Recommendations and action plan

The recommendations listed below have been formulated and refined through the four subregional seminars held in Kazakhstan, Lao People’s Democratic Republic, Mongolia, and Nepal and endorsed by the 59<sup>th</sup> session of the Commission (first phase) on 25 April 2003. It seeks to focus resources and inputs of landlocked and transit developing countries and donor countries and international financial and development institutions and the private sector on improving the efficiency of transit transport and thereby access to global markets. The actions also recognize the increasingly important potential of landlocked countries to provide transit opportunities for their neighbours, an important factor in the planning of future transit arrangements.

##### (a) Policy-related actions

While landlocked countries do need the cooperation of neighbouring countries in developing efficient transit transport and access to international markets, they also need to demonstrate their commitment to improve the transit process through the formulation and implementation of a clear and consistent national policy. It is important that landlocked countries coordinate among themselves, ensure representation at international meetings and articulate their positions with a single voice.

##### (b) Improved coordination within and between countries

Along with the development of transport infrastructure comes the need to formalize arrangements with regard to the operation and facilitation of transit transport. Multiple agreements at a bilateral, trilateral and subregional level along with international conventions can result and are resulting in some countries having overlapping and sometimes contradictory obligations. The need to ensure a consistent, and to the extent possible, harmonized legal regime for transit transport across the region is thus important.

(c) *Trade and transport facilitation*

Simplification and harmonization of transit transport documentation along transit routes and across the region could lead to immediate benefits in terms of a simplification of procedures and a reduction in transit costs and time. With the potential growth in transit transport through landlocked countries, both landlocked and neighbouring transit countries can benefit from actions taken to increase the efficiency of transit transport. As road transport takes on an increasingly important role in providing transit transport services, there is need to consider equitable approaches to the charging of transit/road maintenance fees.

(d) *Promoting competition in the provision of transit transport services*

Transport service providers from landlocked countries are sometimes restricted from offering services in the territory of their transit neighbour, even for the carriage of national goods in transit. Limited competition between operators, modes of transport and alternative routes may be resulting in inefficient pricing policies and services.

(e) *Better monitoring*

The cost/time diagrams utilized in the ESCAP case studies can provide countries with a snapshot of the current performance of transit transport routes. They can also provide policy makers with a clear view of the critical problems facing transit transport and a methodology for monitoring the impact of efficiency improvements. They could facilitate comparisons with other transit routes/border crossings within and outside the country, with a particular focus on, and the identification and transfer of, best practices.

(f) *Enhancing transit infrastructure*

Development of transport and information and communications technology (ICT) infrastructure, and particularly completion of the “missing-links”, would improve transit transport and enable landlocked countries to provide transit transport services to neighbouring countries. An integrated approach is needed to balance competing priorities in the development of road rail and other infrastructure. While alternative transit routes are important, volume and economies of scale contribute to the reduction of unit costs. The availability of a choice of routes will allow the trade and transport industries to select the most effective route on a commercial basis. The role of the private sector in providing and managing infrastructure facilities along transit corridors is still limited.

(g) *Application of information and communications technology*

ICT applications can assist customs authorities in undertaking their duties and in building a data bank of information. ICT applications can also effectively increase the efficiency of various processes within the transport sector, provide connectivity between neighbouring countries and increase the ability of shippers to track their goods.

(h) *Capacity-building and human resources development for transit transport*

Landlocked countries need to create a greater awareness of international developments with respect to transit transport and increase the capacity of government officials and private sector in addressing issues of concern.

## **B. Facilitation agreements**

### **1. Resolution 48/11**

The forty-eighth session of ESCAP<sup>109</sup> adopted resolution 48/11 of 23 April 1992 on roads and rail transport modes in relation to facilitation measures, which recommended that countries in the region should consider acceding to seven international conventions in the field of international land transportation facilitation as a cost-effective prerequisite step towards enhancing road and rail transport routes throughout the region. Twenty-eight countries in the ESCAP region are members of the project.<sup>110</sup>

In order to facilitate the movement of goods, people and vehicles across international borders, there are around 50 international conventions. In the ESCAP region, the ESCAP secretariat has been working closely with the International Maritime Organisation (IMO) and the Economic Commission for Europe (ECE), the body designated within the United Nations system with responsibility for land transport conventions, in promoting a selected subset of these conventions. These include:

- Convention on Facilitation of International Maritime Traffic (FAL 1965) (1998 edition);
- 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 Harmonisation of Frontier Controls of Goods (Geneva, 21 October 1982); and
- Convention on the Contract for the International Carriage of Goods by Road (CMR) (Geneva, 19 May 1956).

The implementation of Resolution 48/11 has been supported by a number of ESCAP activities, including:

Seminars on implications of accession to land transport facilitation conventions for:

- ECO countries (Tehran, 15-17 November 1994);
- North-East Asian countries (Bangkok, 8-10 May 1996);
- Greater Mekong area (Bangkok, 26-29 November 1996);
- SAARC countries (Dhaka, 8-10 December 1997);
- World Bank/ESCAP regional technical workshop on South Asia regional transport and transit facilitation (Bangkok, 19-21 April 1999);

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<sup>109</sup> ESCAP Transport and Tourism Division, Asian Land Transport Infrastructure Development (ALTID) project, 1992-ongoing, <<http://www.unescap.org/tctd/lt/altid.htm>>.

<sup>110</sup> <http://www.unescap.org/ttdw/>

- national seminars for Myanmar and Thailand (Bangkok, April 1998); Hanoi and Vientiane (17-19 and 21-23 September 1998 respectively); for Bangladesh and India (New Delhi, 19-21 May 1999 ); Phnom Penh (31 May-2 June 1999); Beijing (19-21 July 1999);

A number of publications, including the proceedings of each of the above seminars as well as:

- "Transport Planning for Landlocked Countries: Transit and Border-Crossing Issues" (ST/ESCAP/1484, 1995);
- "A review of Regional and Subregional Agreements on Land Transport Routes: Issues and Alternative Frameworks" (ST/ESAP/2034, 1999).

In the period of 2001-2002, Azerbaijan acceded to the Convention on Road Traffic (1968) and Georgia acceded to the Convention on Road Signs and Signals (1968). Mongolia also ratified the Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention) in 2002, which made the TIR system operational from Europe to northern part of North-East Asia through Central Asia.

The Agreement for Facilitation of Cross-border Transport of Goods and People in the Greater Mekong River has incorporated major provisions of the seven conventions into its annexes which are being negotiated.

## 2. Subregional framework agreements

Countries of the region are also developing subregional framework agreements designed to facilitate the movement of goods, people and vehicles across borders.

### (a) ASEAN

As well as promoting the FAL convention and the seven conventions contained in resolution 48/11, the ESCAP secretariat has assisted ASEAN in the development of a multimodal transport framework agreement, which will provide the basis for domestic legislation on multimodal transport.

The ASEAN Framework Agreement on the Facilitation of Goods in Transit was signed on 16 December 1998.<sup>111</sup> Nine protocols on specific arrangements of transit transport were planned for implementation of the agreement. Following signing of the agreement, 3 protocols were concluded during the period of 1999 – 2000. Two protocols were signed in 2001 and 2002, namely, Protocol 5, the ASEAN scheme of compulsory motor vehicle third-party liability insurance, and Protocol 9 on dangerous goods. Four more protocols on transit routes and border posts and Customs procedures are expected to be signed in the near future: these will enable the practical operation of transit transport under the agreement.

The ASEAN countries are also negotiating the ASEAN Framework Agreement on the Facilitation of Inter-State Transport to simplify and harmonize requirements for cross-border transport.

### (b) Greater Mekong Subregion

The Greater Mekong Subregion includes China (Yunnan Province particularly) and five ASEAN member countries, namely, Cambodia, Lao People's Democratic Republic,

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<sup>111</sup> ASEAN web page, "ASEAN Framework Agreement on the Facilitation of Goods in Transit", <<http://www.aseansec.org/8872.htm>>, 4 November 2003.

Myanmar, Thailand and Viet Nam. The Agreement for Facilitation of Cross-border Transport of Goods and People was signed by Lao People's Democratic Republic, Thailand and Viet Nam on 26 November 1999. It was acceded to by Cambodia on 29 November 2001 and by China on 3 November 2002.<sup>112</sup> Myanmar is expected to sign in the near future.<sup>113</sup> The agreement is supplemented by 15 annexes and 3 protocols to form an operational system for cross border and transit transport. The negotiation on 7 annexes and 1 protocol was started in 2002 as the first of three stages to be totally completed in 2005.

(c) *TRACECA*

The Basic Multilateral Agreement on International Transport for the Development of the Transport Corridor Europe- Caucasus-Asia routes, and its technical annexes were signed by Armenia, Azerbaijan, Bulgaria, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan, Turkey, Ukraine and Uzbekistan on 8 September 1998. An Inter-Governmental Commission (ICG) TRACECA has been established to administer and promote the agreement. The signatories to this agreement are also contracting parties of major conventions on international land transport formulated under the auspices of ECE. The basic principles and requirements for international land transport under the agreement are complemented by the conventions. A project on harmonisation of border crossing procedures commenced in 2001 to standardize the documents and control processes.

(d) *ECO*

The members of the Economic Cooperation Organisation (ECO), namely, Afghanistan, Azerbaijan, Islamic Republic of Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkey, Turkmenistan and Uzbekistan, signed the Transit Transport Framework Agreement on 9 May 1998. In 2002, ECO undertook a reconciliation of the inconsistencies between the agreement and the Transit Trade Agreement signed on 15 March 1995. The eight annexes of the agreement will be in place after the reconciliation process.

ECO is making efforts to promote the application of the TIR Convention across the ECO region. The Central Asian countries issued 9,450 TIR carnets in 2002.

### **3. Bilateral agreements**

In addition an increasing number of bilateral agreements have been concluded. See, for example, the *Review of developments in transport in the ESCAP region, 2003*<sup>114</sup>.

## **PART FOUR: EXTENDING PRODUCTION SYSTEMS TO INLAND SITES IN ASIA**

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<sup>112</sup> ADB web page, "GMS Summit", <<http://www.adb.org/Documents/Events/Mekong/2002/bn-01.asp>>, 4 November 2003.

<sup>113</sup> ESCAP, 2003. *Transit Transport Issues in Landlocked and transit Developing Countries* (ST/ESCAP/2270).

<sup>114</sup> [http://www.unescap.org/ttdw/Publications/TPTS\\_pubs/pub\\_2307.pdf](http://www.unescap.org/ttdw/Publications/TPTS_pubs/pub_2307.pdf)