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***Role of International Support
in Establishing Efficient Transit (and) Transport Systems
to Expand LLDC Trading Opportunities***

Think 'Landlinked'!

- At the August 2007 LLDC Ministerial Meeting in Mongolia, participants agreed that it was important to think '*landlinked*', more than 'landlocked' - ie, to consider the opportunities offered by common borders, and to determine how to overcome the obstacles that prevent countries from maximizing these opportunities.

July 2008 Global Preparatory Meeting, Geneva

- UNCTAD, on 8-9 July 2008, organized a Global Preparatory meeting on the Midterm Review of the Implementation of the Almaty Programme of Action: "Trade Facilitation Opportunities for Landlocked and Transit Developing Countries".
- The meeting reviewed: new realities in transit transport; initiatives resulting from the Almaty Programme of Action; and opportunities for the next five years. Key issues discussed included:
 - ✓ local realities, successful tailored solutions and new approaches to measure and improve transit efficiency

- ✓ managerial and technological advances in port logistics and intermodal operations
 - ✓ increasing use of ICT for transit operations in business and government
 - ✓ progress made in designing a regulatory environment that may shape transit regimes under a universal common model
 - ✓ other issues, such as environment, fuel prices, security, etc:
- The Chairman's Summary called for specific measures to deal with transit issues:
 - more international assistance for collaborative solutions between landlocked and transit countries; and
 - intensified coordination among international agencies and regional development bodies to improve transit facilitation frameworks in both transit and landlocked countries. To this end, the Summary suggested:
 - (a) research on the economics and political economy of transit corridors, through surveys and case studies
 - (b) capacity-building programmes to set up collaborative mechanisms on specific corridors. (These arrangements would assist dialogue on facilitation issues and initiatives between countries, and between private and public stakeholders.)
 - (c) targeted projects within transit and landlocked countries to implement core reforms, especially in transport and customs
 - (d) assistance to groups of countries on a corridor or within a trading subregion to address systemic issues, including the design and implementation of transit regimes, based on international best practices
 - (e) a transit corridor performance measurement system that would be cost-effective and sustainable, and would facilitate benchmarking of performance between corridors (toolkits and capacity-building initiatives)
 - (f) a repository of best practices in transit facilitation and related areas, created by international agencies such as UNCTAD, ECE, and the

Follow-Up will include:

UNCTAD Multi-Year Expert Group Meetings

- UNCTAD will hold a series of four multi-year expert group meetings on Trade and Transport Facilitation. The first will take place the week of 16 February 2009. The main themes will be: Emerging Challenges; Regulatory and Legal Frameworks; ICT and Trade Facilitation; and Public-Private Partnerships in Transport. These will focus on the following issues:
 - Measures and actions to optimize investment, in particular private sector investment, in trade and transport facilitation. The use of information and communication technologies in logistics, trade facilitation and supply chain security. (*all four years*)
 - Best practices for public-private partnerships in infrastructure. (*all four years*)
 - Emerging challenges affecting transport costs and connectivity. The impact of high fuel prices and high freight rates, climate change and supply-chain security on access to cost-efficient and sustainable international transport services, especially for LDCs, LLDCs and Small Island Developing States. Improving transit and transport infrastructure and associated services in Transit Developing Countries. (*first year, follow-up in third year*)
 - Regulatory and legal frameworks for transport and trade facilitation; effective implementation of agreed rules and standards. (*first year, follow-up in third year*)
 - Using the Aid-for-Trade initiative to progress implementation of trade facilitation measures, including those relating to commitments ensuing from WTO negotiations on trade facilitation.

- Support for implementation of the Almaty Programme of Action, including analysis of bottlenecks between landlocked and transit developing countries and identification of solutions. Good practices in the development and use of transport infrastructure, adoption of common standards. (*second and fourth year*).

Background on UNCTAD Assistance to LLDCs

General

- UNCTAD helps landlocked developing countries (LLDCs) to assess and identify policy priorities and options to promote their national development objectives and attain the MDGs. This includes assistance in developing policies and frameworks for transport, logistics, transit and trade facilitation; international trade; competition and consumer protection; investment; environment; ICT; etc.
- UNCTAD is collaborating with other agencies on regional projects which assist LLDCs - eg, the Asian Highway and Asian Railway, with ESCAP and ECE.
- UNCTAD supports Geneva-based negotiators, capital-based trade officials and other stakeholders in preparing for important trade negotiations, such as Doha Round Agriculture, NAMA, Service and Trade Facilitation negotiations.

WTO Trade Facilitation Negotiations

- The WTO Trade Facilitation negotiations have important implications for the Almaty Programme of Action. At a minimum, they will lead to wide-reaching commitments on transparency and on streamlining paperwork and administrative procedures. The Article V negotiations on Freedom of Transit are also delving into important and sensitive issues. They introduce some groundbreaking proposals, including suggestions on how national treatment could be included in transit agreements. The Trade Facilitation negotiations are among the most advanced of

the Doha Round, and some members are calling for them to be carried on, even if the Round remains stalled for some time.

- UNCTAD has been working closely with LLDCs on the WTO negotiations, assisting them to analyze the issues and understand the development implications. It has also helped them to address the technical assistance part of the negotiations by focusing on the need to build and strengthen trade-related infrastructure, transport networks and trade facilitation institutional support mechanisms.

WTO Accessions

- Consistent with the Almaty Programme of Action, UNCTAD assists LLDCs acceding to the WTO (Afghanistan, Azerbaijan, Belarus, Bhutan, Ethiopia, Kazakhstan, Lao PDR, Tajikistan and Uzbekistan), with financial support from the United Kingdom, Norway and Germany. Such support addresses all phases of the accession process, including planning for the post-accession period.
- The assistance focuses on building the necessary human, regulatory and institutional capacity to negotiate, implement and abide by WTO rules and principles. Assistance typically includes advisory, national workshops and training course to create awareness and expertise on WTO issues, multistakeholder consultations, assessment of implications of accession commitments, and preparation for negotiations via simulation exercises.

Services

- The services sector offers tremendous potential for developing countries, particularly LLDCs, to strengthen their productive and trade capacity. Transport and transit issues in particular require a robust services economy in order to develop in a sustainable fashion.

- UNCTAD's work with LLDCs focuses on establishing solid legislative, regulatory and institutional foundations for an enabling environment that is conducive to a healthy services sector. UNCTAD seeks to reduce capacity bottlenecks, and assist LLDCs to carefully design, pace and sequence regional and multilateral integration and market opening.
- With DFID support, UNCTAD is working individually with LLDCs such as Uganda, Nepal and Kyrgyzstan, to assess needs and opportunities. National stakeholder workshops allow for an exchange of ideas, brainstorming and national strategy development to improve the efficiency, capacity and overall performance of specific services sectors. In Uganda stakeholders have decided to strengthen the insurance, construction and professional services sectors. Nepal is targeting the tourism and education sectors, while Kyrgyzstan, is focusing on tourism and energy.
- At the regional level, LLDC SADC members are receiving assistance from UNCTAD in the negotiation of a regional protocol to liberalize trade in services. Priority sectors include transport and other infrastructure services (eg, energy, telecommunications, financial services, and logistics). One of the aims is to maximize synergies between the Protocol on the liberalization of trade in services and sector-specific cooperation mechanisms such as the Protocol on Transport, Communications and Meteorology. Similarly, UNCTAD has supported several LLDC COMESA members in negotiating the COMESA Framework for Trade in Services (which includes transport-related services).

Some developments impacting on trade, transport and transit facilitation

- The World Maritime Organization estimates that 90% of world merchandise trade uses maritime transport. Given the distance to sea ports, LLDC exporters and importers must pay much more in transport and insurance costs than developing

countries with ports. This has a major impact on competitiveness, because industrial inputs are more expensive, transport times are often unpredictable, and SME exporters have difficulty meeting customers' price and delivery requirements. Lately, rising fuel and insurance prices (when they can get insurance) have been adding to their troubles.

- Some new solutions are emerging that highlight areas for further work on identifying and disseminating good practices and tailored solutions.
- Express delivery companies, such as DHL, TNT and UPS, are developing services offering SMEs in LLDCs a reliable way to get small-volume consignments to overseas markets at a reasonable cost. These services operate via local franchises, which have access to new technology and management systems. This competition, in turn, can lead to improvements in the whole freight forwarding sector.
- Well managed dry ports and ILCs can also make a measurable contribution to trade competitiveness.
- In addition, the expansion of regional road and rail networks under international agreements to maximize trade and economic development (eg, the Asian Highway and Railway), is offering traders more options for getting goods to markets.
- Also, some LLDCs are finding themselves becoming transit countries for fast-growing neighbours (eg, Mongolia, between Russia and China; Nepal between China and India). This offers numerous opportunities for development and for increasing their own negotiating power vis-à-vis these neighbours.

