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ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

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Bangkok

**TRANSIT TRANSPORT ISSUES IN LANDLOCKED AND TRANSIT  
DEVELOPING COUNTRIES**

(Item 7 of the provisional agenda)

*Note by the secretariat*

In its resolution 57/242 of 20 December 2002 on preparations for the International Ministerial Conference on Transit Transport Cooperation, the General Assembly requested the Secretary-General of the Conference, in close cooperation with the regional commissions, to organize intergovernmental regional and subregional meetings and decided that such work should be completed by April 2003 in order to make a substantive contribution to the work of the intergovernmental preparatory committee.

Taking into consideration the time constraints and the necessary rearrangement of the fifty-ninth session of the Commission and the sixth session of the Special Body on Least Developed and Landlocked Developing Countries, the Commission is invited to review the issues, recommendations and action plan in document E/ESCAP/SB/LDC(6)/1 with a view to their adoption as a regional platform to be considered by the intergovernmental preparatory committee and the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation, to be held at Almaty on 28 and 29 August 2003.



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ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

Special Body on Least Developed and Landlocked Developing Countries

Sixth session  
22-23 April 2003  
Bangkok

**TRANSIT TRANSPORT ISSUES IN LANDLOCKED AND TRANSIT  
DEVELOPING COUNTRIES**

(Item 4 of the provisional agenda)

*Note by the secretariat*

**SUMMARY**

In response to United Nations General Assembly resolution 57/242 of 20 December 2002 on preparations for the International Ministerial Conference on Transit Transport Cooperation, the secretariat has undertaken a series of case studies to identify the common issues and concerns related to physical and non-physical barriers that characterize the transit transport systems of landlocked and transit developing countries in the ESCAP region. The secretariat has also developed a methodology to help identify and quantify bottlenecks, bringing stronger focus and greater clarity to a number of priority policy recommendations designed to assist landlocked developing countries in reducing the cost of imports, improving the competitiveness of their exports and attracting foreign direct investment.

The Special Body on Least Developed and Landlocked Developing Countries is requested to review the issues, recommendations and action plan in this document with a view to their adoption as a regional platform to be considered by the intergovernmental preparatory committee and the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation, to be held at Almaty, on 28 and 29 August 2003.

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## Introduction

1. Landlocked developing countries, owing to geographic and other related disadvantages, are confronted with a range of special constraints that inhibit their full participation in the globalizing economy. Some of these constraints have been recognized, and in part, addressed through the Convention and Statute on Freedom of Transit (1921), the Convention on Transit Trade of Landlocked States (1965) and the United Nations Convention on the Law of the Sea (1982). To give appropriate emphasis to the continuing problems faced by landlocked and transit developing countries, 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 of landlocked and transit developing countries and donor countries and international financial and development institutions 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 conference should be convened at Almaty on 28 and 29 August 2003.

2. By resolution 57/242, the General Assembly also requested the Secretary-General of the Conference, in close cooperation with the regional commissions, to organize intergovernmental regional and subregional meetings in order to make a substantive contribution to the work of the intergovernmental preparatory committee.

3. In response to this request, and with financial support from the Government of Japan, the secretariat has undertaken a series of case studies to identify the common issues and concerns related to physical and non-physical barriers that characterize the transit transport systems of the region. The secretariat has also developed a methodology to help identify and quantify bottlenecks, bringing greater focus and clarity to a number of priority policy recommendations. The methodology, the results of the studies and the framework for the recommendations contained in this document have been discussed at subregional seminars convened in the first quarter of 2003, with the participation of member States, international organizations, donors and the private sector in Central Asia, North-East Asia and South-East Asia. The fourth subregional seminar for South Asia is scheduled to be held in Nepal in April 2003.

4. The Special Body on Least Developed and Landlocked Developing Countries is requested to review the issues, recommendations and action plan in this document with a view to their adoption as a regional platform to be considered by the intergovernmental preparatory committee and the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation, to be held in Kazakhstan.

## I. TRANSIT TRANSPORT ISSUES IN LANDLOCKED AND TRANSIT DEVELOPING COUNTRIES

5. The ESCAP region is home to 12 of the world's 30 landlocked developing countries. Of these, Afghanistan, Bhutan, the Lao People's Democratic Republic and Nepal are least developed countries, while Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, the 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 access to and distance from the sea.

6. Even within transit countries, the pace of development in areas remote from the coast has been slower as the distance from the sea increases. 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.

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

8. The Asian Highway, as shown in annex I, and the Trans-Asian Railway, as shown in annex II, along with subregional transport networks such as the ASEAN Highway, the priority road network in North-East Asia, the Economic Cooperation Organization (ECO) transport network, the international road network of the Commonwealth of Independent States and the Singapore-Kunming railway, all of which are based on the Asian Highway and the Trans-Asian Railway, provide transport infrastructure linkages to and through the landlocked countries of the region. The basic infrastructure for transit transport therefore does exist, however, "missing links" continue to constrain route choice, while insufficient capacity on some corridors and the poor quality of infrastructure are adding cost and time dimensions to the transit process. There is also a lack of infrastructure facilities, including inland container depots, particularly at border crossings, to support logistics activities such as the consolidation and distribution of goods and speedy, secure trans-shipment between road and rail services. As a result, some landlocked countries tend to rely heavily on one or a limited number of transit corridors, thus limiting the choice of possible alternative, competing routes.

9. For most regional member countries, transit transport is most heavily constrained by excessive 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, the need for multiple bilateral 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 that isolates the causes of these constraints, and quantifies the delays and costs they add to the transit process and their impact on the economy of the landlocked countries is not available to policy makers.

10. For transit transport issues to be addressed effectively a comprehensive approach is required, involving relevant government ministries, agencies and the private sector, yet many landlocked countries and their transit neighbours have not established and maintained the effectiveness of 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.

#### **A. Summary of cases studies**

11. In identifying the issues to be addressed, the secretariat has undertaken case studies in four subregions: the Lao People's Democratic Republic (South-East Asia), Mongolia (North-East Asia), Nepal (South Asia) and Kazakhstan and Uzbekistan (Central Asia). The case study countries represent least developed countries and economies in transition. Study visits have been undertaken to the five countries and wherever possible to the neighbouring transit countries. Questionnaire results have been supplemented by face-to-face interviews with policy makers, shippers, transport industry representatives, other stakeholders and desk research from sources in the United Nations Conference on Trade and Development (UNCTAD), the World Bank and the Asian Development Bank (ADB).

12. Data have been validated, to the extent possible, through four subregional seminars where the framework for the recommendations contained in this document have been deliberated. The seminars were hosted by the case study countries at Vientiane, 15-16 January 2003; Ulaanbaatar, 6-7 March 2003; and Almaty, 13-14 March 2003. The fourth subregional seminar is scheduled to be held at Kathmandu, 3-4 April 2003. The recommendations arrived at through consensus at these subregional seminars are reported in section II.

13. To provide comparability of results in an area of rapid growth and importance to the landlocked countries, the case studies have focused particular attention on container transport. A brief review of the case studies is provided below.

#### **Case study: Mongolia**

14. **Background.** With an area of 1,564,000 square kilometres, Mongolia has shared borders with the Russian Federation to the north and China to the south. Mineral products accounted for 41 per cent of total export earnings in 2000. Mongolia also exports commodities such as cashmere, textiles, meat and meat products. China and the United States of America account for 59 per cent and 20 per cent of Mongolia's exports, respectively. The Russian Federation and China together represent

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the source of 53 per cent of its imports and Japan accounts for 12 per cent. The ratio of containerized traffic has been increasing. It is currently estimated to be 5 per cent of exports and 80 per cent of imports.

15. **Major routes and corridors.** The majority of Mongolian transit traffic passes through a corridor to the port of Tianjin, China, by rail (with a break of gauge) and a combination of rail and road. Mongolia also has access by rail to Russian Federation seaports in the cluster of Vladivostok, including Nakhodka, Vanino and Vostochny to the east, Saint Petersburg on the Baltic Sea and Novorossisk on the Black Sea. Mongolia also has access to the all-land route through Brest, Belarus and onward to Western Europe by rail.

16. **Transit transport operations.** The majority of Mongolian transit traffic is carried by rail. The total distance from Ulaanbaatar to the port of Tianjin, China, is around 1,700 kilometres and transit time is reported as a minimum of 3.5 days to a maximum of 12 days. In 2001, a total of 15,732 twenty-foot equivalent units (TEU) transited via the port of Tianjin to and from Ulaanbaatar. Road infrastructure in Mongolia is limited and does not currently contribute to the carriage of transit cargo. In addition to rail services, Chinese trucks carry goods in transit between Tianjin and the Mongolian border.

17. **Legal framework.** Transit transport through the Russian Federation is based on a bilateral transit agreement of 1991 and a road transport agreement of 1996. Transit transport through China is covered by a transit agreement of 1991 and a road transport agreement of 1991. Negotiations are taking place on a transit traffic framework agreement at a trilateral level between China, Mongolia and the Russian Federation, with assistance from UNCTAD.

18. **Infrastructure developments.** Completion of the road infrastructure between Ulaanbaatar and the Chinese border, as identified in the ESCAP/Tumen Secretariat study on priority road networks and investment requirements in North-East Asia, is presently under way, with assistance from ADB; it will substantially improve transit services and offer an alternative to rail. There are proposals to develop a north-south corridor along Asian Highway route AH4 in the western part of Mongolia.

19. **Potential to provide transit transport services.** The potential for Mongolia as a “land-linking” country in providing transit transport opportunities between China and the Russian Federation has grown substantially. Last year the demand for through transport from the Russian Federation to China was 12 million tonnes while capacity was limited to 4 million tonnes. When the infrastructure projects indicated above are completed and railway capacity enhanced, they will provide increased opportunities for Mongolia to provide transit facilities.

#### **Case study: Lao People’s Democratic Republic**

20. **Background.** With an area of 237,000 square kilometres, the Lao People’s Democratic Republic has shared borders with Cambodia, China, Myanmar, Thailand and Viet Nam. Thailand and

Viet Nam account for 20 per cent and 40 per cent of exports from the Lao People's Democratic Republic. The European Union, the United States and other ASEAN countries account for the balance, with wood products and garments being the major exports. The majority of the Lao People's Democratic Republic's imports come from Thailand and Viet Nam. Transit transport movement of container imports have been estimated at 80,000 TEU per year.

21. **Major routes and corridors.** Around 95 per cent of transit goods (imports and exports) pass through the Thai ports of Bangkok and Laem Chabang while the remainder passes through the Vietnamese ports of Danang, Haiphong and Ho Chi Minh. The Lao People's Democratic Republic also has access to the new port of Vung Ang, near the town of Ving, specifically built by Viet Nam for the Lao People's Democratic Republic's transit cargo.

22. **Transit transport operations.** Road dominates transit transport in the Lao People's Democratic Republic. The distance from the port of Bangkok to Vientiane is 670 kilometres. The transit time between Bangkok and Vientiane is 2-3 days. The total distance from Danang to Vientiane is 1,060 kilometres and the transit time is approximately 3 days. Thai trucks undertake transit transport to and from Bangkok port to the border of the Lao People's Democratic Republic. Trucks from Viet Nam and the Lao People's Democratic Republic carry transit goods to and from the port of Danang.

23. **Legal framework.** Transit transport between Thailand and the Lao People's Democratic Republic is based on the bilateral transit transport agreement of 1 June 1978. A new transit agreement was negotiated in 1999 and the implementation protocols were signed in 2001. Transit transport between the Lao People's Democratic Republic and Viet Nam is undertaken under a bilateral agreement and protocol of 1991. The Lao People's Democratic Republic is also party to the ASEAN Framework Agreement on the Facilitation of Goods in Transit and the Framework Agreement on the Facilitation of Interstate Transport. A third agreement, the ASEAN Framework Agreement on Multimodal Transport, is to be signed shortly. The Lao People's Democratic Republic is also a party to the Greater Mekong Subregion agreement on transport of goods and people, the 12 protocols of which are being negotiated.

24. **Infrastructure developments.** An inland clearance depot, or dry port, to serve Vientiane is planned to assist in the process of containerization of transit transport. The construction of the planned rail link between Nong Khai, Thailand, and Vientiane will facilitate goods moving into Vientiane and encourage a modal shift to rail transport.

25. **Potential to provide transit transport services.** The completion of Asian Highway route AH2 linking Kunming, China, to Thailand via the Lao People's Democratic Republic will provide the opportunity for transit transport through the country. The completion of Asian Highway route AH16 will increase transit trade between Thailand and Viet Nam through the Lao People's Democratic Republic.



### Case study: Nepal

26. **Background.** With a land area of 147,181 square kilometres, Nepal has shared borders with India to the south and China to the north. The main exports from Nepal are carpets, garments and Pashmina wool, processed vegetable oil, jute goods and soap. Among regular imports are machinery, vehicles, consumer and manufactured goods, chemicals and medicines. India is Nepal's main trading partner, accounting for about 38 per cent of Nepal's total trade. Other major trading partners include the United States, Germany, the United Kingdom of Great Britain and Northern Ireland, Belgium, France and Japan.

27. **Major routes and corridors.** All Nepalese transit traffic passes through the ports of Kolkata and Haldia in India. These two ports, which are in close proximity to each other, are linked to 15 recognized border points on the India-Nepal border. The majority of cargo moves through the Kolkata-Raxaul (India) and Birganj (Nepal) route to Kathmandu.

28. **Transit transport operations.** Road transport currently dominates the transit traffic to and from Kolkata. The total distance from Kolkata to Birganj is approximately 800 kilometres. The transit time varies between six and nine days, depending on weather conditions and traffic at the border points. Both Indian and Nepalese trucks carry transit cargo through India.

29. **Legal framework.** Transit transport through India is organized in accordance with the Treaty of Transit between the Governments of India and Nepal (1999), which is valid for a period of seven years until January 2006. The protocol to the agreement sets out the details of the processes to be followed at the border points.

30. **Infrastructure developments.** An inland container depot has been constructed at Birganj, Nepal, with rail connection to the national rail system of India, under project funding from the World Bank. When negotiations between India and Nepal are finalized and the inland container depot is operational it will facilitate both the movement of Nepalese transit cargo and customs formalities, which are presently undertaken at Kolkata/Haldia. The railway link will also promote a modal shift to rail transport for cargo in transit.

31. **Potential to provide transit transport services.** While flows are presently still limited, Nepal could become an important transit country for cargo between India and China with the extension of the Asian Highway route AH42 to Lhasa, China.

### Case study: Kazakhstan

32. **Background.** With a land area of 2,717,000 square kilometres, Kazakhstan has shared borders with China, Kyrgyzstan, Uzbekistan, Turkmenistan and the Russian Federation. It also has access to the Caspian Sea. The economy of Kazakhstan is based largely on its vast natural resources and agricultural production. Road transport to and from European markets is developing for

manufactured goods and consumer goods; 75 per cent of current transport volume is import into Kazakhstan and 25 per cent exports to European countries.

33. **Major routes and corridors.** Major rail and road transport routes between Kazakhstan and seaports and inland markets include road transport through the northern route via the Russian Federation, Belarus and Poland to European markets, with a length of about 6,000 kilometres and rail transport routes to Baltic ports via the Russian Federation and the Baltic States. Railway routes are also available to connect to Pacific ports in China and the port cluster of Vladivostok, including Nakhodka, Vanino and Vostochny in the Russian Federation and to the Black Sea ports of the Russian Federation.

34. **Transit transport operations.** Rail transport carries the major share of transit transport, including containers, and the railway network of the countries of the Commonwealth of Independent States is commonly used for transit transport. Transit time for railway transport is between 15 to 23 days. An increasing number of truck operators are successfully competing in providing services to and from Europe.

35. **Legal framework.** Transit transport is regulated by the Agreement on International Goods Transport by Rail (SMGS) and railway transit tariffs are set according to the MTT/ETT (international transit tariff) scale, which is applied to rail freight traffic between member countries of the Organization of Railways Cooperation. The regulating framework for road transport is constituted through international conventions and a large number of bilateral agreements. At the subregional level, Kazakhstan is party to the ECO Transit Transport Framework Agreement (1998); the Basic Multilateral Agreement on International Transport for Development of the Transport Corridor Europe-Caucasus-Asia routes (1998); and a 1995 agreement on traffic in transit between China, Kyrgyzstan and Pakistan.

36. **Infrastructure developments.** Kazakhstan is investing in a number of infrastructure projects to enhance capacities of both the road and rail networks.

37. **Potential to provide transit service.** Owing to its geographical location, Kazakhstan is already providing transit facilities on various routes for its neighbours, particularly for China to Kyrgyzstan and Uzbekistan, and is providing access to the port of Aktau on the Caspian Sea. Kazakhstan has great potential to increase Euro-Asian transit traffic through China to the Russian Federation and Europe as part of the Trans-Asian Railway Northern Corridor.

#### **Case study: Uzbekistan**

38. **Background.** With a land area of 447,000 square kilometres, Uzbekistan has borders with Kazakhstan, Kyrgyzstan, Tajikistan and Turkmenistan; Uzbekistan is therefore double landlocked. Its primary exports include cotton, gold, oil, chemicals and machinery.

39. **Major routes and corridors.** Uzbekistan's major rail and road transit transport routes include road transport through southern routes via the Islamic Republic of Iran, Turkmenistan, Turkey and the Balkan countries to European markets, with a length of about 7,000 kilometres and road/rail transport to seaports in the Islamic Republic of Iran and Turkey. Alternative routes are also available via Kazakhstan and the Russian Federation to ports of the Baltic and the Black Sea. Railway transport routes are also used to connect to Pacific ports in China and the Russian Far East via Kazakhstan and the Russian Federation.

40. **Transport operation.** While rail transport operation for transit transport of Uzbekistan is the same as for Kazakhstan, road transport operators are often choosing the longer southern route for road transport to Europe.

41. **Legal framework.** Transit transport is regulated by the Agreement on International Goods Transport by Rail (SMGS) and railway transit tariffs are set according to the MTT/ETT (international transit tariff) scale, which is applied to rail freight traffic between member countries of the Organization of Railways Cooperation. The regulating framework for road transport is constituted through international conventions and a large number of bilateral agreements between Uzbekistan and other countries that are involved in bilateral and transit transport. At the subregional level, Uzbekistan is party to the ECO Transit Transport Framework Agreement (1998); the Basic Multilateral Agreement on International Transport for Development of the Transport Corridor Europe-Caucasus-Asia routes (1998); and a 1998 agreement on transit by road with China and Kyrgyzstan.

42. **Infrastructure developments.** Uzbekistan is upgrading road and rail infrastructure and has recently agreed with Kyrgyzstan and China to construct/improve road connections that will provide more direct transit transport access. There have been discussions about constructing a similar rail link.

43. **Potential to provide transit service.** Uzbekistan provides transit facilities to other Central Asian countries to seaports of the Islamic Republic of Iran and Turkey via Turkmenistan. Uzbekistan also has the potential to provide transit facilities for its neighbouring Central Asian countries, in particular for Afghanistan, Kyrgyzstan, Tajikistan and Turkmenistan, to access the northern route to European markets and for Kazakhstan to access seaports in the Islamic Republic of Iran and Turkey.

## B. Case study methodology

44. There are, however, a number of problem areas related to transit transport in the region that need to be identified and addressed and require a methodology to provide convincing results. The methodology used in the secretariat studies is based on the graphical representation of data collected with respect to the cost and time associated with the transit transport process. Figures 1 and 2 provide examples<sup>1</sup> of the resulting outputs, in which the vertical axis represents the time and cost incurred

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<sup>1</sup> Full reports of the case studies (Lao People's Democratic Republic, Mongolia, Nepal, Kazakhstan and Uzbekistan) are available.

while the horizontal axis represents the distance travelled from origin to destination. The methodology allows easy comparison and evaluation of competing modes of transport operating on the same route and comparison of alternate transit routes. Figures 3 and 4 illustrate how the methodology has been used to isolate the time and cost associated with border crossing procedures and formalities and make constructive comparisons.

45. The methodology is based on the premise that unit costs of transport may vary between modes, with the steepness of the cost/time curves reflecting the actual cost, price or time. At border crossings, ports and inland terminals, delays occur and freight/document handling charges and other fees are usually levied without any material progress or movement of the goods being made along the transport route. This is represented by a vertical step in the cost curve. The height of the step is proportional to the level of the charge or time delay. The purpose of the model is to identify inefficiencies and isolate bottlenecks along a particular route.

46. The methodology as applied in the case studies can be further refined to break down to a greater level of detail the contributory costs and time, for example, associated with border crossings. This may be particularly useful to policy makers in focusing policy approaches to the most critical issues. Similarly, including in the methodology data on inventory costs for particular commodities, demurrage charges and other indirect costs may be useful to specific export/import industries in evaluating their logistics performance.

47. The transport costs and official border crossing charges/fees in the case studies are based on quotations obtained by interviewing service providers that operate in the landlocked country and its transit neighbours. Prices quoted concern the shipment of one container TEU on a “freight all kind” basis, however, the transit corridor between Almaty and Berlin is being undertaken in 12-metre trucks and these costs have been used.

### **C. Overview of case study results**

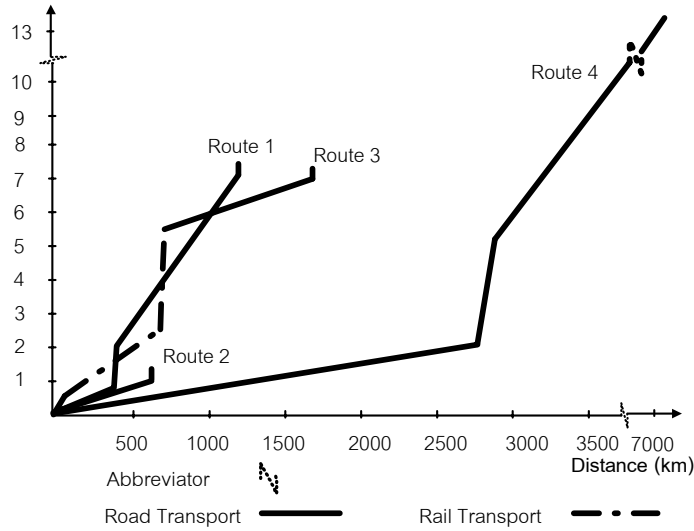
48. Data collection on transit costs and time in all the case studies has been difficult. While there is general awareness among policy makers of the scale of delays and costs, substantial differences were noted in data and information provided by ministries responsible for transport and those responsible for customs and information provided by private sector shippers, transport operators and freight forwarders. This was true within countries but sometimes more pronounced when comparing information from either side of a border. Detailed information that can help focus resources on critical issues by isolating the underlying causes of delays and costs does not appear to be available to policy makers.

49. The case studies show wide variance in terms of minimum and maximum transit times and costs for each route; this is partly explained by differences in distance. However, differences in time and costs associated with border crossings are less easily explained. While the secretariat has been

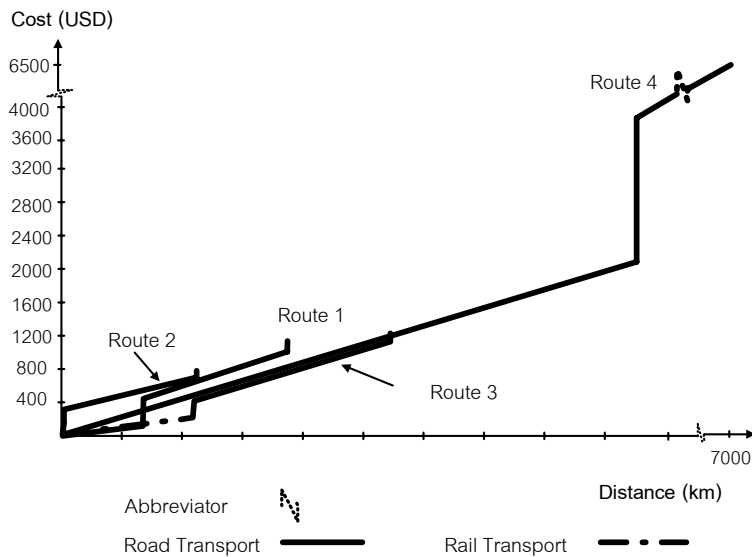
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able to ascertain the cost and time of transit transport in total, further study is required to determine a detailed breakdown of contributors to the bottlenecks shown in the models. Four transit corridors studied are represented in the models provided below. Figure 1 represents the average export transit time and figure 2 represents the average export transit transport costs along selected routes utilizing road and rail transport.

**Figure 1. Average transit time (export) <sup>2</sup>**

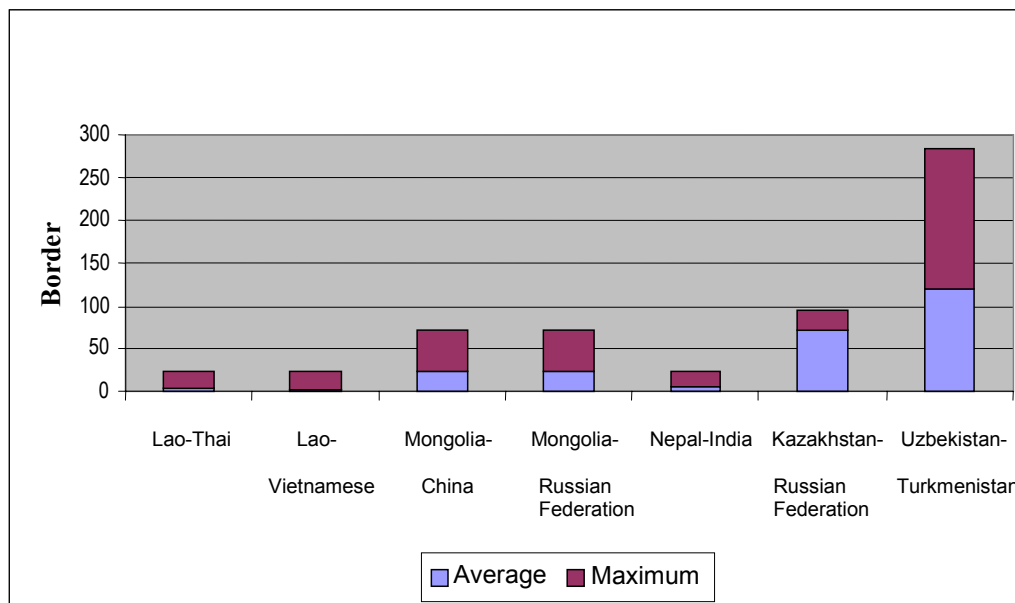


**Figure 2. Average transit cost (per export TEU) <sup>2</sup>**

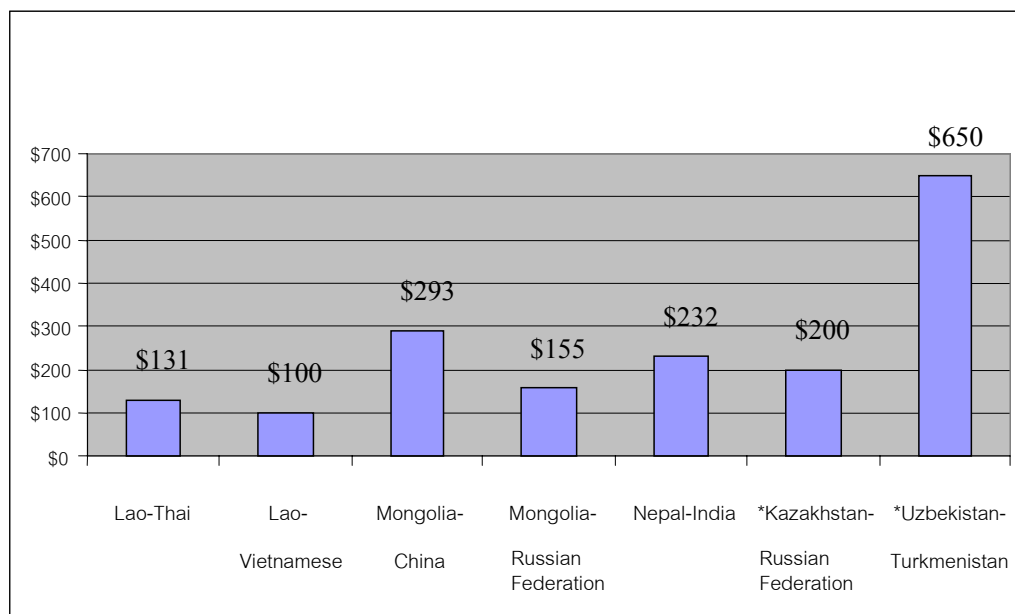


<sup>2</sup> Route 1: Kathmandu - Birganj -Raxaul - Kolkata.  
 Route 2: Vientiane - Thanaleng - Nong Khai - Bangkok port.  
 Route 3: Ulaanbaatar - Zamiin Uud - Erenhot - Tianjin.  
 Route 4: Kazakhstan - Kurlin - Krasnoe - Berlin.

**Figure 3. Comparison of selected border crossing times**



**Figure 4. Comparison of selected border crossing costs (per TEU)**



\* Border crossing cost per 12-metre truck.

50. The time and costs associated with border crossings shown in figures 3 and 4 range between 3 hours and 120 hours and US\$ 100 to around US\$ 650. Although it is recognized that some rail border crossings have to accommodate break-of-gauge operations, it would appear examples of best practices already exist within the region that could be examined as the basis for collaboration between member countries.

## II. FRAMEWORK OF RECOMMENDATIONS AND ACTION PLAN

51. The framework of recommendations, in the form of the action plan described below, has been designed 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

52. 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.

#### *Specific action by landlocked and transit countries*

(a) Development and implementation of a nationally integrated transit transport policy and the promotion of regionally coordinated initiatives where appropriate;

(b) Landlocked and transit countries should establish and/or strengthen national trade and transport facilitation boards or committees with representation of all major stakeholders (Government, private sector, transport operators/associations, etc.) to develop a coordinated and consistent transit and transport strategy. Owing to the cross-cutting nature of the work that body would have to undertake, chairmanship should be at the level of deputy prime minister, with clear terms of reference and responsibilities, based on this action plan. Such a body may be supported by subcommittees operating at the working level and focusing on specific routes.

#### *Supporting role of subregional and international organizations*

(a) Ensure that the issue of transit transport, particularly with respect to landlocked countries, is regularly placed on the agenda of meetings and brought to the attention of policy makers through discussion and action;

(b) Provide information on and analysis of examples of best practice in the establishment and operation of trade and transport facilitation committees, supported by advisory services to countries that wish to develop a national integrated transit transport policy;

(c) Subregional initiatives may focus on specific transit corridors.

## **B. Improved coordination within and between countries**

53. 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.

### *Specific action by landlocked and transit countries*

(a) Undertake a study to collate and review elements of existing and proposed agreements within the region and relevant international conventions on transport facilitation and to make proposals for regional harmonization;

(b) Develop national and subregional action plans to address transit transport issues with common and agreed priorities, including implementation of ESCAP resolution 48/11 of 23 April 1992 on road and rail transport modes in relation to facilitation measures;

(c) Active and constructive participation of landlocked developing countries in transit-related meetings of international organizations.

### *Supporting action by subregional and international organizations*

(a) Undertake and publish a review of bilateral, trilateral and subregional transit transport agreements and provide relevant comparisons with international conventions;

(b) Facilitate the organization of regular meetings between national trade and transport committees of landlocked and transit countries at the subregional and regional levels.

## **C. Trade and transport facilitation**

54. 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.

### *Specific action by landlocked and transit countries*

(a) Simplification and harmonization of transit documents, particularly between neighbouring countries along transit routes;



(b) Minimization/elimination of customs inspections of goods in transit and simplification of customs formalities, while, at the same time, recognizing security concerns by introducing guarantee systems, as appropriate;

(c) Reduction and simplification of transit fee systems and associated charges;

(d) Establishment of a one-stop shop where jointly undertaken customs inspections can be undertaken and other forms of collaboration promoted;

(e) Establishment of a “single-window” facility at the national level to facilitate the processing of all transit transport-related documents at one location.

*Supporting action by subregional and international organizations*

(a) Provide advisory services and support to countries wishing to simplify and harmonize transit transport documentation;

(b) Undertake a review of transit fees and related charges with a view to simplifying and harmonizing the process at the regional level.

**D. Promoting competition in the provision of transit transport services**

55. 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.

*Specific action by landlocked and transit countries*

(a) Recognize the special need of landlocked countries to use their own trucks to transport goods in transit to and from international ports and markets using their own vehicles; landlocked countries should recognize the needs of transport operators of their neighbouring countries to transit through their territory;

(b) Landlocked countries could consider taking the initiative in identifying alternative, competing transit routes that may form the basis for discussion with their transit neighbours where appropriate and agreed to by the countries concerned;

(c) Strengthen institutional capacity and promote the role of private sector transport operators, including those from landlocked developing countries, to increase competition and efficiency.

*Supporting action by international organizations*

(a) Identify and provide examples of best practices with respect to liberalizing transit transport markets and facilitating negotiations, at the request of member countries.

### **E. Better monitoring**

56. The cost/time models 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.

#### *Specific action by landlocked and transit countries*

(a) National trade and transport facilitation committees or similar bodies could, inter alia, apply ESCAP methodology, based on the graphical representation of the cost and time data associated with the transit transport process between origin and destination, to assess, monitor and evaluate progress in improving the efficiency of transit transport routes;

(b) Improve data collection and develop a data bank to promote informed policy-making, including identification and monitoring;

(c) Consider applying performance indicators to measure transit transport efficiency.

#### *Supporting action by subregional and international organizations*

(a) Provide training on the application of the ESCAP methodology described above and other appropriate techniques to each major transit transport corridor and provide an analysis of regional results.

### **F. Enhancing transit infrastructure**

57. 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.

#### *Specific action by landlocked and transit countries*

(a) Prioritize transport infrastructure investment requirements for transit transport, including for intermodal transport;

(b) Establish logistics facilities and inland container depots as consolidation/distribution hubs, particularly at border crossing points;

/...

(c) Promote the development of competing transport routes to reduce costs and improve service in consultation between landlocked countries and transit countries;

(d) Mobilize financial resources and create public-private partnerships to finance and operate transport infrastructure and facilities;

(e) Improve operations and efficiency of each transit route.

*Supporting action by international organizations*

(a) Assist regional member countries in identifying and formalizing agreements with respect to highway and railway transport linkages of regional importance, including those providing access to landlocked countries, as well as infrastructure that can promote intermodal transport connectivity, with a particular focus on the development of the Asian Highway and the Trans-Asian Railway as well as Asia-Europe transport linkages in the context of the development of an integrated transport network;

(b) Assist member countries in creating an environment conducive to private sector participation in the construction and operation of transport facilities.

**G. Application of information and communications technology**

58. 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.

*Specific action by landlocked and transit countries*

(a) Computerize customs systems and the transmission of information with respect to goods in transit;

(b) Introduce and develop ICT systems along major transit routes from point of origin to point of destination, including maritime transport;

(c) Provide information on transit transport regulations and their interpretation on the Internet;

(d) Develop systems and encourage the lodging and processing of documents electronically;

(e) Introduce transit transport management and monitoring systems;

(f) Mobilize financial resources through domestic initiatives and also through international cooperation agreed to between the States concerned and through the creation of public-private partnerships to finance and operate ICT applications.

*Supporting action by subregional and international organizations*

- (a) Compile information on computerization of customs processes and electronic data interchange systems adopted by selected countries including best practices;
- (b) Develop guidelines and recommendations on information and ICT requirements for efficient transit transport in the region.

**H. Capacity-building and human resources development for transit transport**

59. 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.

*Specific action by landlocked and transit countries*

Capacity-building is required, particularly in the following areas:

- (a) Negotiation, accession and implementation of multilateral agreements where appropriate and agreed to by the countries concerned;
- (b) Trade and transport documentation and processes;
- (c) Freight forwarding, multimodal transport and other transport operations.

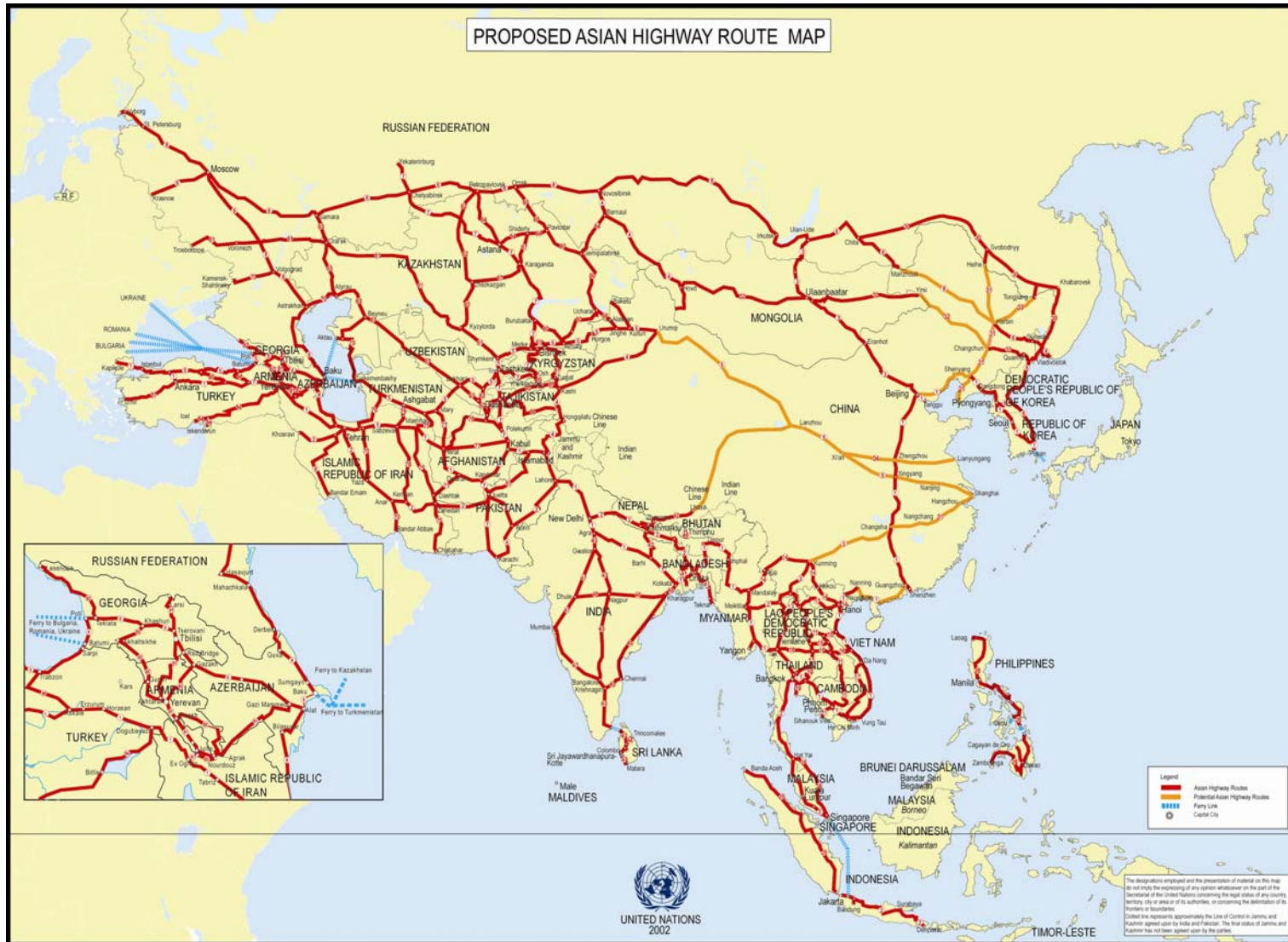
*Supporting action by subregional and international organizations*

- (a) Assist countries to develop and deliver a sustainable human resources development programme for policy makers and transport industry personnel;
- (b) Provide advisory services, training programmes and other technical assistance.

**III. ISSUES FOR CONSIDERATION**

60. The Special Body is invited to comment on the proposals to address the issues of transit transport made above, and their appropriateness to be taken up as the regional the regional position to be considered by the intergovernmental preparatory committee and the International Ministerial Conference, to be held in Kazakhstan.

*Annex I*



Annex II

