

UNCTAD Transport Newsletter

No. 26
Fourth Quarter 2004



Contents

Support to Negotiations on Trade Facilitation.....	4
Transit Transport Arrangements	5
Trade and Transport Facilitation in Western Asia.....	11
Logistics and ICT as Innovation Drivers in the Ocean Transport Industry.....	13
GFP – Featured Topic.....	16
Trade Facilitation Implementation: Tools, Techniques and Methodologies	18
Transport and International Trade	20
Assessment of a Seaport Land Interface: An Analytical Framework.....	22
Carrier Liability and Freedom of Contract	22

NOTE

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries.

UNCTAD/WEB/SDTE/TLB/2004/6

Published by the
United Nations Conference on Trade and Development (UNCTAD)
Trade Logistics Branch, SITE
Palais des Nations
Geneva
www.unctad.org

Editorial

Dear readers:

International organizations, including the World Bank, the World Customs Organization, the International Maritime Organization, OECD and UNCTAD, and also the UN regional commissions, are paying increased attention to the topic of trade and transport facilitation. Since the WTO “July Package” of 2004, trade facilitation is now also being negotiated in the World Trade Organization.

In this issue of the Transport Newsletter we inform you about a new UNCTAD trade facilitation project, funded by the Government of Sweden (p. 4), as well as about our Expert Meeting on Transit Transport Arrangements, which also had a strong focus on trade and transport facilitation (p. 5). We also have our regular feature about the Global Facilitation Partnership (GFP) (p. 16) and two articles about trade and transport facilitation from colleagues at the UN regional commissions for Western Asia (ESCWA, p. 11) and for Europe (UNECE, p. 18).

Regarding international transport, you will find an article about ICT and logistics in shipping (p. 13) and two reviews of new documents about port logistics (p. 22) and about carrier liability and freedom of contract (p. 22). Finally, we include a brief article about a Round-table on Transport and International Trade, held at the ECMT in Paris, which confirmed the significant positive impact of trade facilitation measures on international trade flows (p. 20).

For feedback, comments and suggestions for our next Transport Newsletter (First Quarter 2005), please contact Jan Hoffmann at jan.hoffmann@unctad.org before March 2005.

With our best wishes for 2005

Your Team of the Trade Logistics Branch

Geneva, December 2004

Subscriptions

To subscribe or unsubscribe to the UNCTAD Transport Newsletter, please use the following on-line form: <http://extranet.unctad.org/transportnews>.

For past issues of the Transport Newsletter, please visit www.unctad.org/transportnews.

Support to negotiations on trade facilitation

UNCTAD to manage trust fund to assist developing countries in their negotiations on trade facilitation in the WTO

The Government of Sweden has approved initial financing for a multi-donor Trust Fund on trade facilitation, managed by UNCTAD.

Trade facilitation aims at developing a consistent, transparent and predictable environment for international trade transactions that is accepted worldwide. The effective implementation of trade facilitation measures can lower transaction costs, smooth the movement of goods, and improve the capacity of developing countries to supply competitive goods and services in global markets, with due consideration being given to those countries' level of development and to the implementation of transport, information and communication technologies.

After its unconcluded Ministerial Conference in Cancún, the WTO General Council decided on 1 August 2004 to commence negotiations, *inter alia*, on trade facilitation (see "July Package", WT/L/579). Recognizing the need for effective, operational and coherent technical assistance and capacity building in the field of trade facilitation, the General Council invited relevant international organizations, including UNCTAD, to undertake a collaborative effort in this regard.

The Trust Fund initiated by the Government of Sweden aims at assisting developing country members of WTO in better understanding the issues at stake, in defining their positions regarding the treatment of trade facilitation within the context WTO negotiations on trade facilitation, and in formulating the modalities for effective implementation of the negotiated commitments.

The Trust Fund seeks to help Geneva- and capital-based negotiators from developing countries and from least developed countries better understand the scope and implications of the negotiated trade facilitation measures, taking into account UNCTAD's experience with the implementation of its work programme on trade facilitation.

UNCTAD will cooperate with other international organizations, in particular through the Global Facilitation Partnership. The volume of the activities foreseen under this Trust Fund will be adjusted in the light of resource availability.

For more information about the WTO "July Package" please visit http://www.wto.org/english/tratop_e/dda_e/draft_text_gc_dg_31july04_e.htm.

For more information about the Trust Fund, please contact Jan Hoffmann at jan.hoffmann@unctad.org.

Transit transport arrangements

As announced in the previous issue of the Transport Newsletter, last November UNCTAD organized an Expert Meeting on the Design and Implementation of Transit Transport Arrangements. We reproduce below excerpts from the Chairman's summary. The complete report and summary are available at www.unctad.org/en/docs/c3em22d3_en.pdf.

Introduction

In recent years, changing trade patterns have led to an evolving “new geography of trade”. Developing countries participate more intensively in world trade as merchandise exports have grown and South–South and intraregional trade has expanded. Yet not all developing countries benefit from these developments — far from it. Many still have insufficient access to world markets. International connectivity and the costs of transport and logistics services are emerging as crucial in access to international trade. Whereas Customs tariffs have been decreasing, the incidence of international transport costs has actually risen in recent years, now surpassing the value of import duties on most exports from developing countries.

Many landlocked countries have to face constraints on their transit trade, which reduce their competitiveness in international markets. By way of example, UNCTAD figures show that the international transport costs for imports from African landlocked countries account for an average of 20.7 per cent of the value of imports, as compared with the world average of 5.1 per cent and the average for African countries of 12.7 per cent. A study on Western and Central African countries estimated that trade between pairs of landlocked countries was 92 per cent lower than would be expected if they were not landlocked, and having to cross a transit country reduces bilateral trade by 17 per cent.

Many small economies, LDCs and especially landlocked LDCs are confronted with a vicious cycle whereby diseconomies of scale and low trade volumes lead to high transport costs and low connectivity, which in turn contribute to keeping trade volumes low.

Dependence on transit trade should not be confused with remoteness or distance from the sea. Many large countries have regions or cities that are further away from the sea than most capitals of landlocked countries. Of course, distance, too, has a measurable impact on transport costs, yet constraints associated with transit trade are additional and specific.

Constraints facing transit trade

Border crossings

A major cost factor in transit transport operations are long waiting times at border crossings. The reasons include inadequate opening hours, low manning levels and cumbersome procedures.

Markets for transport services

Several experts reported cases where trucks were not allowed to enter the neighbouring country, the cargo thus having to be trans-shipped. Similarly, truck drivers may not be allowed to enter a third country without a valid visa. In one case, it was estimated that allowing trucks from the landlocked country to operate in the transit country might save 30–40 per cent of transit transport costs. Trans-shipment of cargo between trucks from different countries is still common practice in many countries.

Infrastructure

Inadequate infrastructure was mentioned as a serious and very common constraint. This includes badly maintained roads, roads unfit for heavy loads and a lack of railways. Weak enforcement of maximum axle-loads leads to a further deterioration of roads. Poor infrastructure, combined with inefficient border procedures, renders regional South–South trade difficult, particularly if this trade has to transit through a third country. While container volumes are forecast to grow at very high rates during the next years, the infrastructure is not following suit.

Transit regimes and commercial practices

Some neighbouring transit countries are not party to international and regional agreements and conventions that are of relevance to transit transport. When cargo is moved between a country that belongs to a particular Customs Transit Regime (such as TIR) and one that does not, trans-shipment of cargo from one truck onto another may become necessary. Such trans-shipments may pose a serious obstacle to efficient continuous transport operations.

Customs

High rates of physical inspection by Customs prevail for revenue protection purposes as import duties in many developing countries account for 40 to 50 per cent or even more of fiscal income. High inspection rates do not apply only to import or export cargo — in some cases, cargo in transit is also being inspected at the points of entry and points of departure by the transit country's authorities. Fear on the part of transit countries that transit cargo will be sold within their own borders is among the main reasons for these physical inspections.

Information and communication technologies

Insufficient use of new technologies can be found at different levels. In some cases, users complain that Customs and other authorities are not using adequate information systems. In other cases, border posts do not even have access to electricity.

Commercial risks

For many transit trades, experiences show that the original seals may be broken without the presence of a representative of the carrier. This implies that the carrier does not have control over the integrity of the original content of the container. Higher risks lead to higher insurance costs and uncertainty for importers in their planning, and hence to higher inventory costs.

Recent developments in transit transport and logistics

WTO

At the World Trade Organization (WTO), negotiations on trade facilitation have recently been initiated with regard to Articles V, VIII and X of the General Agreement on Trade and Tariffs (GATT). Of these articles, Article VIII deals with trade fees and formalities. Article X deals with transparency of information about trade regulations, lack of which is a common problem for transit operations.

Among the first tasks of the recently established WTO Negotiating Group on Trade Facilitation (NGTF) is to clarify the scope of the negotiations. The first meeting of the group took place in November 2004. Relevant international organizations, including UNCTAD, are invited to attend on an ad hoc basis. WTO Member States agreed that negotiations and new commitments need to be coupled with support for technical assistance and capacity building.

Customs transit regimes

The most widely used Customs Transit Regime to date is the TIR system (Transport International Routier), which is managed by the United Nations Economic Commission for Europe (UNECE), working in a public–private partnership with the International Road Transport Union (IRU). The system was originally developed for road transport, but since 1975 it has also applied to intermodal containerized transport. Currently, it has 65 contracting parties and is operational in 55 countries. The system is applicable to trucks and containers where goods cannot be removed without leaving obvious traces or breaking the Customs seal. Only authorized operators can carry out TIR transports. The UNECE maintains a database of 35,000 such operators.

Customs information systems

The transit module of ASYCUDA includes forgery-proof electronic documents, the electronic signature and the registration of all transactions. No data re-entry is required by carriers or at border crossings. The system allows the processing of transit documents such as the TIR Carnet. It in fact allows the full integration of the transit procedures in the Customs clearance process. Transit documents are generated from waybills and export declarations, and the latter two can also generate transit documents.

ICT applications

In container-based transit transport operations, the integrity of cargo cannot be ascertained at every stage of the operation. Trading partners often do not get access to enough information, and it is therefore impossible to identify where a security breach has taken place and who was responsible. Solutions require the acceptance of new technologies.

Experts highlighted the need to analyse and take into account the technical and financial implications of new security measures for international transport in general and transit trade in particular.

Cooperation towards transit transport arrangements

As borne out by the corridor cases presented to the Expert Meeting, cooperation towards transit transport arrangements is essential for developing effective solutions to transit trade. Since a particular transit country may be a major trading partner of its neighbouring landlocked country, any effective transit transport arrangement will also benefit bilateral trade. This cooperation can take different forms as discussed below.

Planning, organization and administration

Cooperation can be promoted through clusters along the transit corridors. These clusters would include transport operators and other service providers involved in the international logistics operations. Such cooperative arrangements would further involve transport users as well as public administrations from the transit and the landlocked countries. Agreements should also lead to mutual acceptance of technical inspections of trucks and corresponding certificates.

Experiences suggest that the development of a regional data bank on transport operations and service providers can improve Customs risk management and reduce the number of physical inspections while — at the same time — increasing the likelihood of identifying fraud or smuggling. Another reported positive regional experience is the cooperation between trade facilitation bodies established in countries of the Southeast European Cooperative Initiative.

Sometimes, informal systems are — in practice — more efficient than what would be accepted officially. For example, the swapping of truck number plates at the time of border crossing allows trucks to continue carrying cargo through a transit country and in the landlocked

country. Learning about the solutions found by the informal sector may provide valuable information about the components of a formal transit arrangement.

One national experience revealed that joint administrative inspections and simplified documentation, combined with free competition among operators of both transit and landlocked countries, resulted in a reduction of transport costs by 20 per cent. Single-window operations and one-stop border inspections can also significantly reduce transaction time and costs. It was suggested that common reporting mechanisms for affected corridor users be established to monitor bad governance or instances of corruption in the transit and landlocked countries.

Some experts felt that policy makers should focus their attention on the design of specific corridor-based solutions rather than aiming at comprehensive agreements, in both substantive coverage and geographical scope. The resulting arrangements at the administrative and operational levels should secure a number of practical and effective measures and best practices, including the recognition of through bills of lading and the establishment of single-window facilities, one-stop inspections and transparent Customs transit procedures.

Reducing the need for physical inspections at border crossings might be achieved through the collection of fiscal revenues already at the port of entry. Some experts believed that the European Union experience could serve as an example for other regions.

The regional coordination of investments in roads and also railway transport can help to increase competition between available transport modes and corridors, and provides additional options for transport users. Experience suggests that when there are different options available, the competitive pressure encourages improved corridor arrangements. Several landlocked countries are benefiting from the assistance of regional organizations in the development of a regional approach to transit transport solutions.

Transit transport arrangements may include joint infrastructure planning or better coordination among neighbouring national administrations such as Customs and ministries of transport and trade. One country reported joint studies undertaken by the Customs authorities of neighbouring countries, in cooperation with transport providers, which led to specific proposals for further trade facilitation.

Successful planning requires the identification of an integrated and coherent set of economic development and infrastructure projects rather than a single project or collection of disjointed projects, as well as the upfront identification of anchor-led investment projects. A “trade-led” growth strategy is based on step-by-step improvements of existing structures, including the incorporation of the informal sector into the formal economy. This will then lead to strong incentives for productive investment and increased trade.

In other words, supply may create its demand — that is, additional services, new corridors and, very importantly, new trade facilitation measures may generate trade that did not exist before. Experiences with several corridors suggest that the benefits of transit transport arrangements go beyond an improvement of existing trade, but can lead to a virtuous cycle whereby improved transit arrangements lead to more trade, and this additional trade then encourages further improvements of the transit transport arrangements.

In other cases, corridor development will be investment-led. Transport infrastructure planning will go hand in hand with investment in industries within a regional outreach. New industries cannot be developed without at the same time providing for the necessary ports, roads, railways and bridges. Public-private partnerships in Southern Africa have proven to be positive examples in this regard.

The construction and operation of Inland Clearance Depots (ICDs) can also facilitate transit trade; in a particular case, ICDs were reported to reduce transport costs by 30–40 per cent. Increased railway investment may open up the possibility of multimodal transport operations and offer significant savings in trade transactions resulting from a reduction in cumbersome procedures and documentation, as well as in the risks of pilferage. Development plans and investments could be undertaken on a bilateral or regional basis.

Overall, improved transit transport arrangements are likely to have positive externalities in terms of improved environmental protection, reduction of HIV infections and fewer traffic accidents.

Necessary support by the international community

Smooth and sustainable transit transport can be achieved only through a good understanding between and among all key trade-related stakeholders in the neighbouring countries. A major precondition for improvements is often a change of attitude among stakeholders. Successful experiences suggest that initiatives by cargo owners can help to start such processes. Also, ports may become proactive in promoting transit transport arrangements in order to attract additional cargo.

It may be possible for some landlocked countries to become transit countries for their neighbours. In this context, the term “land-linked” country was used on several occasions. Through better transit transport infrastructure and trade facilitation a landlocked country can become an attractive transit country itself.

Transit transport arrangements need to promote coherent and integrated solutions. They need a framework incorporating legal, institutional and operational aspects. Public–private partnerships have been most successful in promoting practical transit transport arrangements.

Experts suggested that already existing Customs transit systems and Customs information systems should be used instead of setting up new systems which may be more costly and may not be as easily connected to other countries’ systems.

Capacity building needs to be stepped up in terms of coverage and target population. Endeavours should not be limited to training and awareness events relating to transit transport issues, but also include the challenging creation of the necessary institutions and environment that can help to fulfil the expectations emerging from those events.

Furthermore, capacity building should focus on the public as well as on the private sector. Not only staff of ministries, transport authorities and regulatory bodies, but also many small and medium-sized national transport operators require further capacity development in order to be able to participate in the design and implementation of transit transport arrangements. In the context of the São Paulo Consensus and paragraph 166 of the Bangkok Plan of Action, the special needs of transit countries need to be taken into account and international technical assistance may become necessary.

Such assistance, involving new technologies, would entail considerable funding requirements which could be supported through bilateral and multilateral donor organizations and be implemented by competent international institutions.

A proposal was made by experts relating to negotiations on transit trade and facilitation at the WTO. It was suggested that a consultative Task Force be created to consider trade facilitation issues in support of the WTO negotiations process, in the context of which transit would play a particular role. While concentrating on Article V of GATT, the Task Force could look at transit facilitation from a developmental perspective and could extend its focus to Articles VIII and X. It could be part of the support mechanisms that UNCTAD could provide for the negotiating

process in the area of trade facilitation in line with Annex D of the July package. The work of the Task Force could build upon work already undertaken by UNCTAD, such as recent transit studies. The idea of creating such a Task Force could be discussed with potential donors so as to ensure adequate resources for its work. Experts agreed that the topic should be submitted for consideration to the forthcoming ninth session of the Commission on Enterprise, Business Facilitation and Development.

Cooperative structures to ensure information and experience-sharing, but also joint actions, in the design of solutions to improve the performance of a corridor could take the form of transit transport clusters. Such collaborative platforms would allow the different parties involved in a corridor to jointly assess their needs and implement solutions for the benefit of all. These clusters would involve both private and public stakeholders from both the landlocked and the transit countries.

Furthermore, these clusters would foster the emergence of local and regional expertise that could be used in South–South cooperation. This could involve experts and private sector representatives from successful corridor developments as presented during the meeting. Such expertise could provide advice to public and private institutions involved with transit transport corridor issues in other parts of the developing world.

UNCTAD has designed a technical assistance project in which these institutional structures are complemented with information systems to monitor the daily operation of the corridor and allow better identification of the bottlenecks for a smoother and more effective corridor operation. The lessons learned and the educational material developed for the three initially selected pilot transit corridors should be made available to all other interested countries in the near future.

UNCTAD, in cooperation with other international agencies, should develop a systematic inventory of successful experiences in corridor management in order to identify *inter alia* success factors, including sequencing, “champion” enterprises and decision-shaping mechanisms. Options should be sought in order to develop additional and dynamic forms and mechanisms of documentation and dissemination of best practices.

Positive experiences highlight the advantages of a professionally undertaken spatial planning process. A transit corridor can be managed successfully by a non-profit organization, whose members, however, should include those private sector interests that benefit from its operation. The development and the management of transit corridors need to be anchored within regional economic development.

For further information contact Jan Hoffmann at jan.hoffmann@unctad.org. For the substantive presentations visit <http://r0.unctad.org/ttl/ttl-ppt-2004-11-24.htm>.

Trade and transport facilitation in Western Asia

For the purpose of this article, Western Asia refers to the 13 members of the United Nations Economic and Social Commission for Western Asia (ESCWA), which covers the area from Iraq in the east to Egypt in the west, the Syrian Arab Republic in the north to Yemen in the south, and comprises Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, the Syrian Arab Republic, United Arab Emirates and Yemen.

From the mid-1960s through the mid- to late 1980s, several countries in the ESCWA region, implemented some of the most restrictive trade regimes in the developing world.¹ These policies incorporated an extensive and complex system of import controls, tariff rates and exchange controls. In addition, Governments put in place comprehensive systems to support domestic import-substituting industries, including investment, credit, price and trade support programmes.

Beginning in the mid-1980s, some countries began to pursue economic reforms which included a general dismantling of quantitative import controls, cuts in tariff levels, streamlining of tariff systems and elimination of currency controls. Despite these advances in trade liberalization, the economies in the region on the whole remain relatively closed, with comparatively high tariff levels and with trade institutions such as Customs, financial services and export promotion institutions functioning far less well than in more integrated economies in East Asia, for example.²

Governments in ESCWA member countries are aware of the need to improve their trading and transport regimes, and many have started modernizing their Customs administrations and carried out institutional reforms to lower trade barriers. As recently as September 2004, for example, the new Government in Egypt cut average import tariffs by 40 per cent.

The demands that Governments liberalize trade and institute trade facilitation measures come from many different interest groups, such as local producers, importers and exporters — who of course will also demand protectionist measures when they feel threatened by foreign competition — trade and transport operators, and consumers, although the voice of the latter is seldom very strong. These demands also come from within Governments, made by those who recognize the benefits of freer trade for development, and from foreign trading partners who want easier access to the local markets for their products.

Lately, bilateral, regional and multilateral trade agreements have become important drivers not only for reducing tariffs but also for reducing procedural and other trade barriers. This is reflected in the recent free trade agreement between Bahrain and the United States, concluded in May 2004, which contains several trade facilitation articles spelling out detailed obligations related to Customs administration, technical barriers to trade and transparency. In contrast, the free trade agreement between Jordan and the United States, which was concluded in October 2000, contains no such provisions.

Ironically, bilateral and regional free trade agreements often introduce new procedural barriers to trade. Each bilateral and regional free trade agreement specifies which goods qualify for the special treatment accorded by the agreement. These definitions can be both complex and extensive and are often particular to each agreement; this makes their administration an intricate matter. For example, the EU–Egypt Association Agreement, which came into force on 1 June 2004, is a 355-page document in which Protocol 4, “Protocol concerning the definition

¹ World Bank Institute and Mediterranean Development Forum (2000). *Trade Policy Development in the Middle East and North Africa*. Chapter 1 by M. Nabli and A. De Kleine.

² Ibid.

of the concept of originating products and methods of administrative cooperation,” takes up no fewer than 195 pages!

Unfortunately, it is only too common that gains in trade liberalization gained through lower tariffs and the elimination of quantitative restrictions are lost or seriously diluted through the use of technical and procedural barriers. Traders exporting to the ESCWA region complain about complex border clearance systems, which are frequently modified and often implemented with immediate effect, without traders being given time to adjust. Traders also complain about non-standard, time-consuming and cumbersome health and safety regulations. A recent EU report on trade barriers in Egypt had the following to say: *"The sampling of products by several different government bodies is sometimes excessively destructive, especially when done on each package of goods. Likewise sampling is done sequentially rather than in parallel thus taking longer time. As a result, goods are frequently blocked in harbours. Customs duty assessment is not transparent and rates charged are often subject to arbitrary decisions taken by customs officials ... customs authorities arbitrarily increase customs values by 10 to 30 per cent"*.³ Studies carried out by ESCWA suggest that the above comments apply not just to Egypt but also to many other countries in the ESCWA region.⁴

In order to assist member States in improving interregional and international trade and transport, ESCWA is pursuing several strategies. One of these is the development and implementation of the Integrated Transport System in the Arab Mashreq (ITSAM). ITSAM consists of a regional network of roads, railways, ports and airports that are underpinned by international agreements.

The Agreement on International Roads in the Arab Mashreq, for example, was adopted on 10 May 2001 and was the first ESCWA convention to be deposited with the United Nations Secretary-General. It entered into force on 19 October 2003 following its ratification by five ESCWA members, namely Jordan, Lebanon, Qatar, the Syrian Arab Republic and Yemen. The Agreement was subsequently ratified also by Egypt and Saudi Arabia. It specifies the Arab Mashreq International Road Network, the technical specifications to which all roads described in the Agreement shall conform within a maximum period of 15 years, and the signs, signals and markings, which shall be used on the roads within a maximum period of 7 years.

The Agreement on International Railways in the Arab Mashreq was adopted on 17 April 2003. It defines the Arab Mashreq International Rail Network and establishes the technical specifications to which the railways shall conform as soon as possible. By December 2004, three member countries had ratified the Agreement and nine had signed it. Four ratifications are required for the Agreement to enter into force, and it is hoped that this will happen early in 2005.

The major regional stakeholders have developed a Memorandum of Understanding (MOU) for Maritime Transport in the Arab Mashreq under the auspices of ESCWA. It is hoped that this MOU will be adopted by member States during the forthcoming session of the Commission in spring 2005. Finally, ITSAM also incorporates an information system and a methodological framework for issue analysis and policy decision support, which are being developed.

A second strategy for advancing trade and transport facilitation in the region has been to encourage national dialogue between private and public stakeholders in member countries. To that effect, ESCWA is promoting the establishment of National Trade and Transport Facilitation Committees. As of December 2004, the Governments of six ESCWA members,

³ European Union website, <http://mkaccdb.eu.int/cgi-bin/stb/mkstb.pl?action=bycountry&country=220> .

⁴ United Nations Economic and Social Commission for Western Asia, Facilitation of international freight traffic in the ESCWA region, Beirut, March 2001 (a six-volume study, in Arabic).

namely Egypt, Jordan, Oman, Palestine, the Syrian Arab Republic and Yemen, had issued decrees creating such committees, and other member countries have expressed a commitment to the concept.

The road ahead will not be easy, but ESCWA believes that important groundwork has been laid, which will bear fruit in the years to come. Each member will implement trade facilitation measures as agreed among national stakeholders, while ESCWA will continue to highlight issues and opportunities, advise on policy and implementation, coordinate action among member countries and monitor progress.

*Niels Rasmussen, First Economic Affairs Officer, Globalization and Regional Integration Division, ESCWA, Beirut, Lebanon, rasmussen@un.org
For further information visit www.escwa.org.lb/divisions/grid/main.htm .*

Logistics and ICT as innovation drivers in the ocean transport industry

The ocean transport industry, particularly in the container-shipping sector, has markedly changed in recent years. In the last decade, deregulation and the weakening of liner shipping conferences, large capital investments in ships, terminals and equipment, and the development of alliances, mergers and acquisitions are all factors that have had important effects on the international liner-shipping sector.⁵ As in other transport modes, the development of supply chain management (SCM) and the dissemination of information and communication technologies (ICT) and e-business tools in the shippers' logistics systems are major driving forces influencing liner-shipping industry. Logistics and ICT are considered dominant issues and "seeds of change" in the industry.⁶

Several shipping lines have been offering freight consolidation services since the mid-1970s, mostly to meet the needs of their North American and European customers that imported large volumes of goods from manufacturing centres in the Far East. But pure consolidation and deconsolidation were not enough as shippers sought more sophisticated services together with better information and control over shipments in order to minimize inventories and improve their customer service. This fuelled the trend for major liner companies to create logistics divisions, either inside or outside their organization. This trend has picked up speed in recent years as ocean carriers have followed road hauliers, warehouse companies, transportation intermediaries and others into the logistics service market. In addition, freight forwarders and third party logistics providers (3PLs) are increasingly taking control of the cargo away from pure shipping lines. With their sophisticated ICT and e-commerce solutions and their customer service functions, these companies have challenged traditional practices in the liner shipping industry. Many shipping lines themselves have extended their services from providing little-differentiated port-to-port transportation services to more customized logistics service

⁵ See for example Evangelista P., Heaver T.D. and Morvillo A. (2001). "Liner Shipping Strategies for Supply Chain Management", Atti della 9th World Conference on Transport Research (WCTR), 22–27 July, Seoul, Republic of Korea; Drewry Shipping Consultants (1991) Strategy and Profitability in Global Container Shipping, London; Gardiner P. (1997). The Liner Market 1997/1998 — New Alliances and The New Era, London, Lloyd's Shipping Economist; and Pontoppidan K. (2000). "The Evolution in Container Trades and the Change from Pure Maritime Transport to Supply Chain Management", paper given at the IAME 2000 Conference, The Maritime Industry into the Millennium: the Interaction of Theory and Practice, 13-15 September, Istituto Universitario Navale, Naples, Italy.

⁶ Shirokawa S. (2000). "From Maturity to Growth — Current State of Liner Shipping: Aiming for New Horizon of Growth", in Current State of Liner Shipping 1999-2000, Mitsui O.S.K. Lines Company Report, chapter 1, Research and Co-operation Office, Tokyo, Japan.

packages. This has fuelled the gradual replacement of isolated transportation transactions by long-term supply chain partnerships based on integration of land and sea transport, including port terminals and inland depots.

Although the past 10 years have witnessed an unprecedented move by shipping lines into the logistics service market, linked to the growth in ICT and e-business, the liner-shipping industry does not have a major share of the logistics service market. While most of the largest shipping lines claim to be able to provide logistics services, their impact on total business revenues remains generally low.⁷ Different reasons can be found for this. Firstly, shipping lines have to overcome the shippers' perception that they may not be able to manage all stages of the supply chain. Most container lines appear to lack the in-house expertise to provide a full range of supply chain services and they still offer few logistics services beyond cargo consolidation. It may seem that the way in which shipping lines conduct their business is still based on exploiting their traditional capabilities rooted in ocean transport and related services. Evidence from a survey of alliances set up by shipping lines indicates that, for the most part, deals are focused on the maritime-port stage of services and do not involve inland transport and value-added logistics services. There also appear to be risks as well as requirements for new skills to undertake supply chain operations, which further explain why the logistics service market is not attractive to many ocean carriers.⁸

The introduction and dissemination of information technology and e-commerce can be considered an effective source of service innovation in the ocean transport sector as well as in the logistics service industry.⁹ ICT have the potential to improve cooperation between shippers, carriers and their supply chain partners. Additionally, the Internet offers the potential for shippers to benefit from real-time supply chain operations, including order/shipment initiation, en route tracking of goods, customs verification and delay alerts. Nevertheless, in terms of the adoption of ICT and e-business systems, the liner shipping industry has strong internal electronic data processing (EDP) and interchange (EDI) systems but a traditional weakness in external electronic links with customers and other supply chain participants. In addition, shipping lines seem relatively slow in implementing ICT in comparison with parcel delivery companies or large freight forwarders.¹⁰ Some large shipping lines have started e-commerce initiatives through the management of their own Internet portals to serve clients better through supplying on-line booking, tracking and tracing of the goods and other information and additional services. These portals are, however, rarely able to provide end-to-end visibility of goods along the entire supply chain.

⁷ Fossey J. (2000). "Logistics — Lifestyle or Lifeline," *The Drewry Container Market Quarterly*, September 2000.

⁸ See for example Heaver T.D. (1996). "The Opportunities and Challenges for Shipping Lines in International Logistics", proceedings of the 1st World Logistics Conference, Ramada Hotel, London Heathrow; Evangelista P. and Morvillo A. (2000) "Cooperative strategies in international and Italian liner shipping", *International Journal of Maritime Economics*, vol. II, n.1; McKnight B., Reeve J.C. and Lee Y. (1997). "Can Container Lines Make it as Global Logistics Service Providers", *Transportation & Distribution*, April; Gillis C. (1998). "Shipping Lines Discover Logistics", *American Shipper*, June; Slack B., Comtois C. and Sletmo G., (1996). "Shipping Lines Agents of Change in the Port Industry", *Maritime Policy & Management*, Vol. 23, N.3; Evangelista P. and Morvillo A. (1999). "Alliances in Liner Shipping: An Instrument to Gain Operational Efficiency or Supply Chain Integration?", *International Journal of Logistics: Research and Applications*, Vol. 2, N.1; and Brooks M.R. and Graham, F. (2001). "Maritime Logistics", in Brewer A.M., Button K. and Hensher D.A. (eds.), *Handbook of Logistics and Supply Chain Management*, Elsevier Science Ltd.

⁹ Evangelista P. (2002). "Information and Communication Technology — Key Factor in Logistics and Freight Transport", in Ferrara G. and Morvillo A. (eds.), *Training in Logistics and Freight Transport Industry. The Experience of the European Project ADAPT-FIT*, Ashgate Publishing Ltd, London.

¹⁰ Drewry (2000) *I.T. and Shipping: New Technology and New Thinking Leading to Commercial Advantage*, Drewry Shipping Consultants, London, United Kingdom.

Furthermore, the web host of a number of portals devoted to transport and logistics is managed by companies outside the shipping industry (the so-called infomediaries or e-marketplace). Some of these initiatives are “container shipping specific”, while others also operate in the air and land transport sector. Some of these portals — particularly freight auction portals — have not received great attention from the shipping lines because they mainly focus on price rather than other service elements.¹¹ Also, from the perspective of shippers these new electronic channels have not been very successful, partly because of the anonymity that accompanies the quotations. Such portals often bypass freight forwarders and take no responsibility for the results of transactions.

Some more comprehensive initiatives have been launched; they are based on joined efforts among shipping lines, logistics service providers and other companies working in complementary sectors, such as banks, insurance and suppliers of equipment. These initiatives have resulted in the realization of web-shared platforms among all the companies participating in transport and logistics operations, which generally aim to drive efficiencies into the ocean transportation industry by streamlining and standardising processes. The services offered by these portals allow shippers, freight forwarders, third party logistics providers, brokers and importers to manage the booking documentation and tracking of cargo across multiple shipping lines in a single integrated process. Examples include GT Nexus, INTTRA, Cargo Smart and Bolero. The participation of ocean carriers in these initiatives is very strong. Shipping lines are also involved in e-business port initiatives (the so-called Cargo Community Systems — CCS), usually promoted by port authorities, which also include shipping agents, port and terminal operators, Customs and freight forwarders.

By effectively using the Internet and other new technologies, carriers could reduce information, transaction and associated management costs by 50 per cent with a 15 to 25 per cent reduction in transportation costs. Only about half the total cost to a shipping company is related to ships, such as finance, personnel and fuel; the rest is administrative, sales and marketing.

In conclusion, it appears that the developments in the field of logistics and SCM on the one hand, and ICT and e-business on the other, are leading to a shift by ocean transport companies from being “hardware-based” service suppliers towards being “know-how intensive” providers. This emphasizes their search for new customized logistics solutions based on service innovation and differentiation. The increasing importance of logistics and ICT presents shipping lines with two alternatives: survive in a low-cost world of ocean transportation providers or pursue the innovative and perhaps more risky path of becoming value-added logistics service providers.

Pietro Evangelista, National Research Council (CNR), Institute for Service Industry Research (IRAT), Logistics & Freight Transport Research Group, Naples, Italy; p.evangelista@irat.cnr.it.

¹¹ UNCTAD (2000), Review of Maritime Transport, United Nations, Geneva.

GFP – Featured topic

As in previous issues of the Transport Newsletter, we include information about the “featured topic” of the Global Facilitation Partnership (GFP). At present, this topic is “economic development and trade facilitation”, which covers a number of sub-topics, such as “measuring the economic impact of trade facilitation”, “landlocked countries”, “competitiveness” and “development of small and medium-sized enterprises”, and “income distribution and poverty reduction”.

Economic development and trade facilitation

Trade facilitation, in its broadest terms, can be defined as a measure, or set of measures, that aims to reduce the cost of international trade transactions. This definition encompasses both strands of trade facilitation; the first-generation reforms involving both tariff reduction and the removal of other physical and licensing restrictions on trade, associated with the movement towards membership of the World Trade Organization. These reforms, which can be characterized as top-down, also highlighted the need for second-generation reforms, which focused on improving the actual processes associated with the movement of the consignment, and which involved *inter alia* the harmonization of procedures, greater integration and the strengthening, in terms of skills and knowledge, of the different agencies involved in trade.

The links between both types of trade facilitation and economic development are strong and the impacts are particularly pronounced on the development of small and medium-sized enterprises, reflecting the direct link between these measures, which result in lower logistics costs, and lower costs, and hence prices, for both imports and exports. The former leads to a better range of products, available at lower cost, whilst the latter can lead to increases in exports such as agricultural products, with a direct impact on poverty reduction. The following sections summarize recent work on measuring the benefits of trade facilitation at the two levels.

The macro benefits of trade facilitation

The potential economic benefits of trade facilitation are great, with one recent study¹² investigating the relationship between trade facilitation in four important categories — port efficiency, Customs environment, regulatory environment and service sector infrastructure — and the impact on flows of traded manufactured goods, and predicting an increase of US\$ 377 billion globally, with the benefits accruing disproportionately to exports.

Other authors either consider more specific categories of trade facilitation initiatives, or a more limited country set. Hertel, Walmsley and Itakura (2001) find that greater standards harmonization for e-business and automating Customs procedures between Japan and Singapore increase overall trade flows between these countries as well as their trade flows with the rest of the world.¹³ Hummels (2001) finds that each day saved in shipping time, in part owing to faster Customs clearance, is worth a 0.5 percentage point reduction of the ad-valorem tariff.¹⁴ Freund and Weinhold (2000) find that a 10 per cent increase in the relative number of web hosts in one country would have increased trade flows by 1 per cent in 1998 and 1999.¹⁵

¹² Wilson J.S., Lua X. & H. Broadman (2004). “Trade and Transport Facilitation — European Accession and Capacity Building Priorities”, paper prepared for the OECD/ECMT Workshop, Paris.

¹³ Hertel, T.W., Walmsley, T. and Itakura, K. (2001). “Dynamic Effect of the ‘New Age’ Free Trade Agreement between Japan and Singapore” *Journal of Economic Integration* 16(4):446–84.

¹⁴ Hummels, D. (2001). “Time as a trade barrier”, unpublished paper, Purdue University.

¹⁵ Freund, C. and Weinhold, D. (2000). “On the Effect of the Internet on International Trade”, International Finance Discussion Paper #693, Board of Governors of the Federal Reserve System.

Fink, Mattoo and Neagu (2002) find that a 10 per cent decrease in the bilateral price of telephone calls is associated with an 8 per cent increase in bilateral trade.¹⁶

UNCTAD (2001) uses advanced macro-economic models (Computerized General Equilibrium) to consider trade facilitation in the broader context of creating an environment conducive to developing e-commerce.¹⁷ The objective of the CGE analysis is to consider the relationship between the impact of an exogenous shock of a given size on productivity growth, applied equally to all members of the group and the GDP of regional groups of countries. The results show that a 1 per cent reduction in the cost of maritime and air transport could increase Asian GDP by some \$3.3 billion. If trade facilitation is considered in a broader sense to include an improvement in wholesale and retail trade services, a 1 per cent improvement in the productivity of that sector could increase GDP by an additional \$3.6 billion.

The World Bank's *Global Economic Prospects* (2004) clearly outlines the links between trade reform and poverty reduction. Because most poor people live in rural areas, cutting trade barriers in agriculture is among the most important actions for poverty reduction. A relatively simple programme to cut tariff peaks in rich countries to 10 per cent in agriculture and 5 per cent in manufacturing, reciprocated with cuts to 15 per cent and 10 per cent respectively in transition and developing countries, coupled with other complementary measures, would produce gains for transition and developing countries of nearly US\$ 300 billion by 2015. This is projected to cut the number of people in poverty by 8 per cent or 144 million individuals. The wealthier countries would gain too — up to US\$ 170 billion.

The micro benefits of trade facilitation

At a micro-economic level, trade facilitation has a direct impact on total logistics costs — the amount of time and money involved in moving traded goods. Lower transport costs can lead to higher wages, thereby having a direct impact on poverty reduction. The associated increasing and broadening of the exports of a country can reduce the vulnerability of the respective economy to exogenous shocks, increase the potential for knowledge spillovers in specific sectors and have a positive impact on foreign direct investment (FDI).

A broad, well-designed trade facilitation programme can also impact positively on the development of SMEs, which have been found to be the engines of economic development in many transitional countries (see World Bank, 2002), growing faster, engendering more employment opportunities and making a substantive contribution to the objective of broad-based economic growth.¹⁸

For further information about this topic visit www.gfptt.org/topics/customs or contact Richard Humphreys, World Bank, at RHumphreys@Worldbank.org.

¹⁶ Fink, C., Aaditya Mattoo and Cristina Ileana Neagu (2002). "Trade in International Maritime Services: How Much Does Policy Matter?", *World Bank Economic Review* 16(1):81-108.

¹⁷ United Nations Conference on Trade and Development (2001). *E-Commerce and Development Report*, UNCTAD, Geneva.

¹⁸ World Bank (2002) "Transition: The First Ten Years".

Trade facilitation implementation: tools, techniques and methodologies

The Capacity Building Workshop on Trade Facilitation Implementation, organized by the United Nations Economic Commission for Europe (UNECE) in Geneva in October 2004, attracted over 150 participants from 42 developed and developing countries. This high level of participation is a clear indication of the increasing interest in and importance of trade facilitation in trade and economic policy.

The Workshop focused on building capacity to implement existing trade facilitation standards, recommendations¹⁹ and other instruments, developed by the UNECE's United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT).²⁰ Topics included:

- Simplification, standardization and harmonization of trade documents;
- Use of relevant international standards and codes;
- Identification of trade facilitation needs and priorities;
- UNeDocs for electronic trade documents;
- Establishing a Single Window for enhancing trade;
- Supply-chain efficiency.

Opening the event, H.E. Ambassador Alejandro Jara, Permanent Representative of Chile to the WTO, noted that trade facilitation, whether undertaken unilaterally, regionally (as in APEC countries) or multilaterally, is primarily about reducing transaction costs. He explained the WTO mandate for trade facilitation negotiations contained in the WTO "July Package", and indicated that the principle of special and differential treatment for developing and least developed countries would be extended beyond the granting of the traditional transition period for the implementation of commitments.

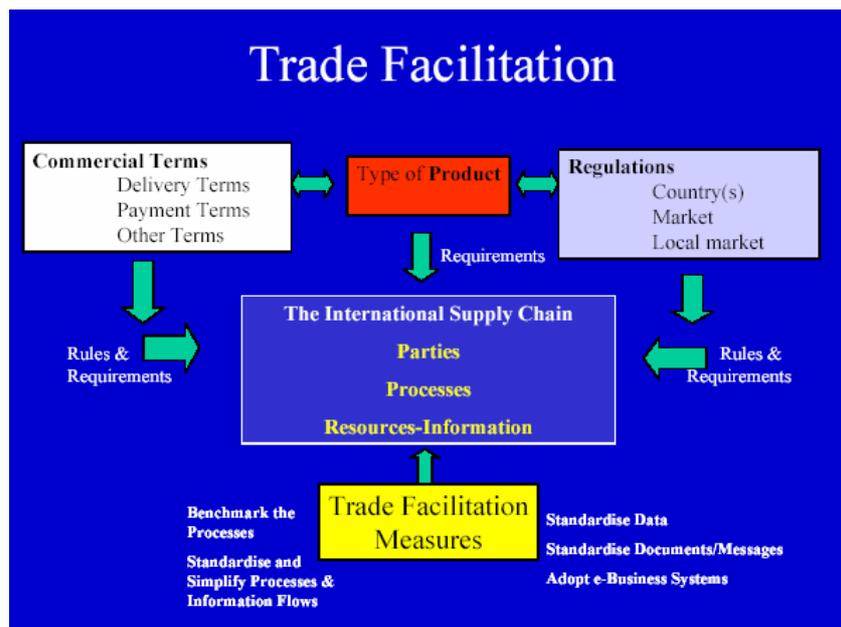
Carol Cosgrove-Sacks, Director of UNECE's Trade Development and Timber Division, explained the vital role of trade facilitation to UNECE. UNECE membership comprises all of Europe, the United States, Canada, Israel and the countries of the former Soviet Union. "Our 55 member States", she said, "together account for two thirds of world trade. It is therefore logical that trade facilitation should have its home in our Centre for Trade Facilitation and Electronic Business (UN/CEFACT). UN/CEFACT has a global remit for the development of trade facilitation instruments."

She stressed the importance of ensuring a smooth and efficient flow of trade information for the international movement of goods. "Without a standard for electronic documents", she said, "the world cannot automate and move forward to paperless trade". Using the United Nations Layout Key (UNLK)²¹ — the international standard for paper as well as digital trade documents — participants learned how to align their trade documents to this standard and to use it in practice. The Workshop also showed participants how to transform paper documents into digital documents, a precondition for automation and paperless trade.

¹⁹ http://www.unece.org/cefact/recommendations/rec_index.htm .

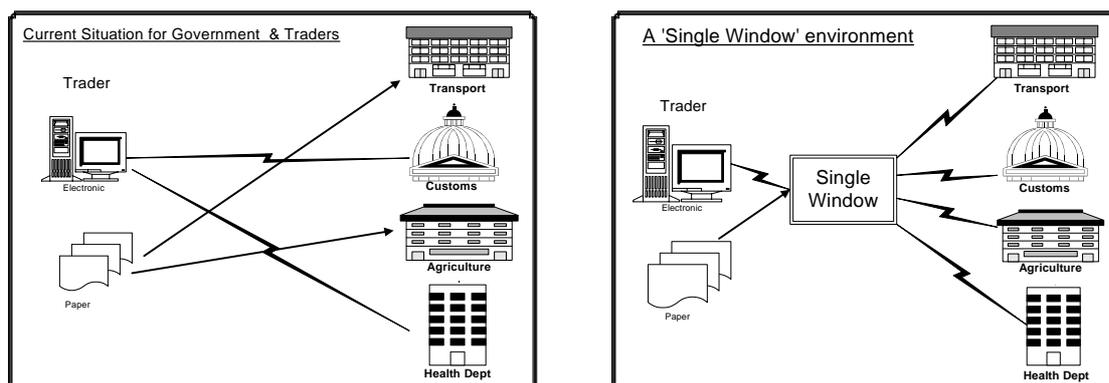
²⁰ <http://www.unece.org/cefact> .

²¹ http://www.unece.org/cefact/recommendations/rec_index.htm



One of the key messages that emerged from discussions at the Workshop was the need for a uniform approach to developing electronic trade documents. Participants therefore called for a task force to be established for electronic trade documents, including UneDocs,²² in early 2005.

The third day of the Workshop focussed exclusively on the establishment of a Single Window to expedite and simplify information flows between trade and government. The session started with an overview of the new UN/CEFACT Recommendation and Guidelines on establishing a Single Window, which was released in October 2004 (UN/CEFACT Recommendation 33).²³ This was followed by presentations from operators of existing Single Windows in Germany, Hong Kong (China), Mauritius, Senegal, Singapore, Sweden and the United States. The speakers emphasized that successful implementation of such a system required securing strong political will; a strong lead agency; public-private dialogue and partnership; and developing a strategic a step-by-step approach.



In addition, the use of information and communications technology was also considered an important element. Many participants felt that this session, which built on the technical sessions of the previous two days, was the highlight of the Workshop. They emphasized the value of seeing real-life cases of trade facilitation implementation.

²² <http://www.unece.org/etrades/unedocs>

²³ http://www.unece.org/cefact/recommendations/rec33/rec33_ecetr352_e.pdf .

With an increasing number of Single Windows being established throughout the world, the Workshop emphasized the need for common standards and interoperability between such facilities. UN/CEFACT will work with existing Single Windows to develop this standard approach. UNECE is also compiling a repository of information on existing Single Windows, including operation model, services offered and future plans. Such a repository will complement UN/CEFACT Recommendation 33 and will be most useful to countries that are considering establishing such a facility.

Participants echoed the need for an integrated approach to trade facilitation among all the international organizations concerned, including UNECE, UNCTAD, WTO, WCO and the World Bank. The Global Facilitation Partnership was seen as a useful initiative in this regard.²⁴

Participants also placed special emphasis on the need for technical assistance and capacity-building workshops and seminars to address the particular concerns of developing and transition countries. UNECE emphasized its commitment to this, particularly through promotion and implementation of UN/CEFACT trade facilitation standards and tools, and the organization of capacity-building workshops, in cooperation with other international, regional and national organizations and networks.

The other four United Nations regional commissions — ECA, ESCWA, ESCAP and ECLAC — which were represented at the meeting, expressed interest in co-organizing regional workshops on this topic with UNECE. In 2005–2006, UNECE, in cooperation with these other regional commissions, plans to host or co-organize several regional and national capacity-building workshops on trade facilitation implementation. Discussions are currently under way with the Economic and Social Commission for Asia and the Pacific (ESCAP) and Malaysian Customs to jointly organize one such workshop in Kuala Lumpur in March 2005.

Tom Butterly, Deputy Chief, Global Trade Solutions Branch, UNCECE, Tom.Butterly@unece.org. For further information please contact Tom Butterly or Maria Misovicova at Maria.Misovicova@unece.org.

The Workshop documents and presentations can be found at www.unece.org/trade/workshop/wks_capbld/Wkshop_capbld.html.

Transport and international trade

Round-table 131 of the OECD/ECMT Transport Research Centre

Does transport policy have an important role in the volume and pattern of international trade? What are the costs of a lack of attention to investment in cross-border transport facilities and regulatory as well as customs procedures to facilitate international transport? What priority should transport policy give to measures that help international trade?

To find answers to these questions the OECD/ECMT Transport Research Centre held a Round-table on Transport and International Trade on 21 and 22 October 2004 at the OECD headquarters in Paris. Background papers were prepared by David Hummels (Purdue University, United States), Anthony Venables (London School of Economics, United Kingdom) and John S. Wilson with co-authors from the World Bank.

The Round-table discussed the strong impacts that transport costs seem to have on observed trade patterns, with distance still having a strong influence on the intensity of trade between partner countries. It was observed that the overall decrease in transport costs differed a great deal between the different modes of transport. The strong shift from maritime transport to air

²⁴ www.gfptt.org.

transport reflects this change in the relative prices of the modes of international transport. In addition to the dramatic increase in international trade and transport, the decrease in the sourcing wedge and the shortening of product cycles determined the recent changes in transport costs' role in the quality composition of international trade and its geographical pattern.

The Round-table assessed the importance of infrastructure investment for trade costs and derived concepts such as market access for the per capita incomes of the trading economies. The mechanisms for this include direct terms-of-trade effects, and impacts on the extent to which countries are able to specialize in line with comparative advantage, and on the incentives for firms to operate in different locations. Investment in infrastructure is expected to reduce not only direct shipping costs, but also time in transit and the uncertainty about travel times. Less immediate integration effects might result from the facilitation of face-to-face contacts, knowledge spillovers and technology transfer. Much needs to be done to develop appropriate evaluation techniques to help transport policy decision makers take into account the full equilibrium implications of these benefits.

Immediate progress is to be expected from measures of trade facilitation. Specifically, the Round-table looked at four dimensions of facilitation of trade between European, CIS and Central Asian countries — port efficiency, Custom regimes, regulatory policy and information technology infrastructure for new member and candidate members of the European Union. In those transition countries improved efficiency in logistics at ports and customs, the use of advanced technologies, the streamlining of regulatory environments, the greater harmonization of standards and conformance with international norms are seen as crucial to accelerating integration into the world economy. The report discussed showed that the values of three out of the four indicators (port efficiency, regulatory regimes and IT infrastructures) indicate more expected gains in exports than in imports. The analysis presented suggested that improvement in IT infrastructure has the greatest marginal impact on trade gains among the trade facilitation dimensions. Excessive bureaucracy, lack of transparency and ambiguity in regulatory interpretation can also lead to unnecessary trade costs. Transport policy planning and capacity-building programmes should take these results into account in order to support the integration process.

*Andreas Kopp, Chief Economist, ECMT and Joint OECD/ECMT Transport Research Centre,
Andreas.KOPP@oecd.org . For further information visit <http://www1.oecd.org/cem>*

Assessment of a seaport land interface: an analytical framework

Report by the UNCTAD secretariat

Although landside expansions are a cornerstone of strategic port planning, inland infrastructure/superstructure development plans are usually designed to satisfy the needs of shipping services, for example through the provision of container freight stations and marshalling areas to accommodate ships' cargo. Similarly, the segmentation of the port market has traditionally been oriented towards the sea-leg component of the transport chain, with port marketing and competitive strategies being typically formulated to meet the requirements of sea transport and related shipping services. This situation is far from desirable not only because it disintegrates the port system from the total transport and logistics chain, but also because it unnecessarily binds the entire port system to sea transport and impedes a port's potential to integrate land operations and management.

This study attempts to analyse ports' potential to develop landside connections and facilities and integrate the land-leg interface of the trade, logistics and supply chain system. It examines main operational and management practices in international shipping services versus those of land transport systems, and proposes a framework for ports' landside integration, with particular emphasis on appropriate tools of assessment and analysis. Finally, a number of policy initiatives, such as organizational reform and technological developments, are put forward with a view to ensuring successful landside integration and management, particularly for ports from developing countries.

The report will be available via <http://r0.unctad.org/ttl/> .

For further information contact trade.logistics@unctad.org .

Carrier liability and freedom of contract

Carrier Liability and Freedom of Contract under the UNCITRAL Draft Instrument on the Carriage of Goods [Wholly or Partly] [by Sea] (UNCTAD/SDTE/TLB/2004/2), a report by the UNCTAD secretariat

The UNCTAD secretariat has recently published a note which deals with some central issues for consideration in connection with the preparation of a new international instrument to govern liability arising from the carriage of goods. In 2002, an UNCITRAL Working Group on Transport Law began its deliberations on a Draft Instrument on Transport Law (UNCITRAL document A/CN.9/WG.III/WP.21). At the time, the UNCTAD secretariat had prepared an analytical commentary on the Draft Instrument (UNCITRAL document A/CN.9/WG.III/WP.21/Add.1 and UNCTAD document UNCTAD/SDTE/TLB/4). This note, which was submitted to the UNCITRAL Working Group at its 14th session, is a complement to the earlier UNCTAD commentary and focuses on central issues which arise for consideration by the Working Group, namely (a) freedom of contract, in particular the question of which contracts may be exempt from the mandatory application of the Instrument, and (b) liability of the carrier for cargo loss, damage and delay.

Regina Asariotis, Legal Affairs Officer, regina.asariotis@unctad.org.

The document is available at http://www.unctad.org/en/docs/sdtetlb20042_en.pdf .