Working Party of the Trade Committee

TRANSPARENCY AND SIMPLIFICATION APPROACHES TO BORDER PROCEDURES:
REFLECTIONS ON THE IMPLEMENTATION OF GATT ARTICLE V-RELATED PROPOSALS IN
SELECTED COUNTRIES
Acknowledgements

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EXECUTIVE SUMMARY

In the context of WTO CTG discussions in the area of trade facilitation, WTO Members submitted communications relating to GATT Article V on Freedom of Transit with a view to identifying aspects that might usefully be clarified or improved. Proposals included in these communications covered the simplification and standardisation of transit procedures and related documentary requirements; the non-discrimination between modes of transport, types of consignment, or individual carriers; and the strengthening of international co-operation with respect to transit, including through technical assistance and capacity building.

A review of information available through international organisations active in the area of transit shows that several endeavours to facilitate transit along the lines suggested by the proposals have already taken place at the national, regional or international level, but the outcomes are not always on par with expectations. Measures adopted at the national level to facilitate import and export trade, such as the introduction of standardised documentary requirements, the implementation of risk assessment techniques, the limitation of physical inspection, or the automation of customs procedures, are equally relevant for transit. However, international co-operation is particularly important for transit facilitation. A number of co-operation instruments have been in existence for some time but they do not seem to have been adequately used. Reflections in the WTO aiming at improving the international framework with respect to transit will have to look more closely at the factors influencing success or failure of co-operation efforts.
TRANSPARENCY AND SIMPLIFICATION APPROACHES TO BORDER PROCEDURES: REFLECTIONS ON THE IMPLEMENTATION OF GATT ARTICLE V-RELATED PROPOSALS IN SELECTED COUNTRIES

Introduction

1. In preparation for eventual future negotiations in the area of trade facilitation, the WTO Council for Trade in Goods (CTG) has undertaken to “… review and, as appropriate, clarify and improve relevant aspects of Articles V, VIII and X of the GATT 1994 …”. CTG meetings in May, July and October 2002 have been devoted to the review of GATT Articles X, VIII, and V, respectively. In the context of these reviews, several WTO Members submitted communications relating to the GATT articles under scrutiny and identifying some aspects that might usefully be clarified or improved.

2. At its June 2002 meeting, the Working Party of the OECD Trade Committee decided to support the discussions on trade facilitation in the WTO CTG by making available information and analysis it has undertaken in the past five years on the market openness dimension of regulatory reform. The Working Party undertook to review transparency and simplification approaches to border procedures in selected OECD and non-OECD countries, by drawing on the information from its past work.

3. The present paper discusses facilitation approaches to transit procedures and should be read in conjunction with previous notes in this series (document TD/TC/WP(2002)36/FINAL on transparency and document TD/TC/WP(2002)50/FINAL on simplification). In contrast to these notes, however, the analysis uses very little information from OECD regulatory reform country reviews, as most of these reviews did not contain analysis related to transit. Information mainly comes from UNCTAD, UN/ECE and World Bank sources, as well as from National Experience papers submitted to the CTG by WTO Member countries since the 1998 WTO Trade Facilitation Symposium.

4. The paper is structured, for ease of reference, along the lines of WTO Member submissions to the WTO Council for Trade in Goods relating to the ongoing review of Article V. It shows how proposals contained in these submissions may be related to, or contrast with, policies and practices in various OECD and non-OECD countries and offers some initial reflections on these practices.

Facilitation approaches to transit procedures

5. Communications relating to GATT Article V (Freedom of Transit) have been submitted by three WTO Members (the European Communities, Korea, and Canada). Issues raised in these papers included:

- simplification and standardisation of transit procedures and related documentary requirements;
- non-discrimination between modes of transport, types of consignment, or individual carriers;
- strengthening of international co-operation with respect to transit, including through technical assistance and capacity building.

The rest of this paper will be structured along these three themes.

1. An outline of Article V from a legal perspective can be found in the WTO Secretariat note “Article V of the GATT 1994 - Scope and Application”, G/C/W/408 of 10 September 2002

2. Documents G/C/W/422, G/C/W/423 and G/C/W/424
A. Simplification and standardisation of transit procedures and related documentary requirements

6. Procedures and related documentary requirements applying to goods in transit share several objectives in common with border procedures and documentary requirements related to importation and exportation. Public policy measures related to the enforcement of phytosanitary, quarantine and related agricultural protective measures; the monitoring of dangerous goods, nuclear substances or hazardous wastes; the protection of public health and the environment; or the implementation of security considerations require certain controls to be exercised at the border irrespective of the eventual destination of the goods (e.g. importation, warehousing, transhipment or transit). Control requirements and other measures aimed at securing these objectives, as well as the related simplification endeavours described in document TD/TC/WP(2002)50 would thus equally apply to import and export and to transit. On the other hand, controls and procedures related to the revenue collection function of Customs would in theory not be relevant, as traffic in transit is exempt from customs duties. To formulate this more generally, border-critical measures such as quarantine and control of nuclear, phytosanitary or other hazards which require immediate and full identification and control of goods at entry would also be relevant for transit, while other commercial and public policy measures (including implementation of safeguards and trade remedies) would not. In practice, Customs need to ensure that goods declared in transit are not instead diverted into the home market, which implies a number of revenue-related controls. However, if goods which are declared through a country are instead diverted into the home market, the duties which were temporarily suspended and which become then due can be recovered by triggering the in-built safeguards of the customs transit procedure, i.e. the guarantee. This means that, although not completely irrelevant, non-border-critical measures should be considerably lighter for traffic in transit. Among the simplification and standardisation endeavours that are relevant for traffic in transit, particular mention could be made to the following:

Introduction of aligned and standardised documentary requirements

7. The standardisation and simplification of documentary requirements related to transit is essentially driven by regional and global initiatives. Transit operations may involve several border crossings, quickly amounting to an important paperwork burden where documentary requirements diverge. Border crossings for Southeast Europe regional trade were multiplied after the collapse of the former Soviet Union and the break-up of the Yugoslav Federation. The complicated and diverging requirements in each of them was likened by analysts to a new “Paper Curtain” replacing the old Iron one, and led the World Bank to launch the Trade and Transport Facilitation Project in South East Europe. Standardisation is an important step to facilitate trade flows among partner countries, although the scope for simplification of data requirements can always be further explored even after standardisation of data requirements has been realised. When countries replace specifically national data elements and formats by standardised ones for the purposes of international trade they also facilitate transit. The greater the extent to which countries on a given route adopt standardised requirements, the less traders are subjected to burdensome and error-generating duplications with respect to transit.

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3. For further reflections on this point see also document TD/TC/WP(2002)50
8. An interesting illustration of documentary standardisation can be found in the TIR system in which TIR Carnets serve both as customs transit declaration and as guarantee. TIR operations can be established with 53 countries in Europe, Asia and North Africa and can allow transiting up to 10 different countries with a single control document accepted by the countries of departure, transit and destination. Another example, originally designed more narrowly and which has subsequently spread, is the European Communities Single Administrative Document (SAD). The SAD can be used as the declaration for both Community transit and transit between the 15 Member States, the EFTA countries and the four Visegrad countries, thus facilitating the movement of commodities through continent Europe.

9. As for import and export, the UN Layout Key provides a very important model for standardised transit documents. As an example, the Lao Customs Declaration Form, aligned to the UN Layout Key is used since November 2000 for all customs transactions (although documents and permits by other government departments involved are neither incorporated in the Form, nor standardised). The Form replaces the set of 16 separate documents formerly used by Customs, including the Export Document, Import Document and Document for In-transit Goods through Lao PDR. In the Lao case, which is far from unique, Customs have introduced reforms inspired by the provisions of the revised Kyoto Convention despite the fact that the country has not yet acceded to the Convention.

Implementation of risk assessment techniques

10. Risk assessment and management techniques are equally important for transit traffic, although criteria may be slightly different than for import and export, focussing for instance less on Customs value issues and more on the risk of diversion into the domestic market. Criteria used with respect to traffic in transit relate to the reliability of the trader and the risks involved in the goods being transported, as well as the mode of transport used (see below, section B). Traders’ reliability is assessed in much the same way as for import, on the basis of financial standing, professional experience and past compliance records. With respect to the transported goods, greater risk of diversion into the domestic market is associated with goods that are subject to special health, safety and sanitary controls, or to high rates of duties and charges. For example, in the framework of the Community transit system, goods considered to involve greater risk of violation of transit regulations include live cattle and bovine meat, milk, cream and butter, bananas, sugar, alcohol and spirituous beverages and tobacco.

11. Identifying such goods and assessing the level of risk they represent is essential for defining appropriate guarantee levels in transit regulation or for devising satisfactory insurance schemes in the framework of transit agreements. Well adapted and reliable instruments to underwrite the movement, for example in the form of insurance, guarantees and associated security-enhancing physical devices, such as transit seals, can eliminate ordinary risks of revenue loss and account for third party liability, although they do not necessarily cover risks associated with other trade policy measures, such as import restrictions. In the early 1990s it appeared that fraud relating to tobacco and alcohol transit was so significant that the US$ 50 000 limit of the guarantee in the TIR system was often inadequate to meet Customs claims. Despite the introduction of a special “tobacco/alcohol” guarantee of US$ 200 000 in 1994 the central pool of insurers was finally forced to withdraw their insurance cover for all guarantees for tobacco and alcohol, making it impossible to move tobacco and alcohol under TIR.

4. Road transit procedures (TIR stands for Transports Internationaux Routiers) established initially in 1959 and revised by the 1975 UN/ECE Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention). The TIR Convention covers the carriage of goods by road, as well as other modes of transport provided that part of the journey is by road.
12. Proper targeting of high risk shipments is also an important supporting element for transit facilitation between concerned countries by enhancing regulatory confidence and thus enabling more extensive co-operation. Risk management is central to the Action Plan for implementing the 12.12.2001 Canada -U.S. Smart Border Declaration, whereby the two countries agreed to co-operate in identifying high risk goods while at the same time facilitating the flow of low risk goods. In particular, Canada and the U.S. undertook actions that would allow them to share data related to Customs fraud or other commercial and trade data useful for national security purposes; to jointly target marine in-transit containers by exchanging information and analysts; and to establish joint teams to analyse and disseminate information and intelligence, and produce threat and intelligence assessments.

13. Similarly, in order to enable wider regional endeavours towards transit facilitation to go forward, the ASEAN Framework Agreement on the Facilitation of Goods in Transit excluded from its coverage the transit transport of dangerous, prohibited and restricted goods\(^5\). Such goods do not benefit from freedom of transit instituted by the Framework Agreement but need a specific authorisation in order to transit through the territory of a contracting party. A special implementing Protocol on dangerous goods, adopted in 2002, subjects their transportation to the provisions of the UN Recommendations on the Transport of Dangerous Goods, in particular with respect to the packaging and labelling of the goods, the marking of the vehicle and to transport documentation.

**Limitation of physical inspection.**

14. To the extent that transit traffic is exempt from customs duties and that Customs do not need to verify that duties on the consignment have been properly declared and calculated, the need for physical inspection should in principle be more limited than for goods for import. This would however require making sure that the consignment corresponds to what was originally declared and that it would leave the transit territory as it entered it, without a portion of the transported goods being illegally sold in the way. In accordance with the TIR Convention, goods carried under the TIR procedure in sealed road vehicles, combination of vehicles or containers are not subject to Customs examination, unless irregularities are suspected. A similar provision is contained in the ASEAN Framework Agreement on the Facilitation of Goods in Transit. The pillars of the system are i) the use of secure vehicles and containers, ii) an internationally valid and duly certified guarantee covering duties and taxes at risk throughout the journey, and iii) the acceptance by the countries of transit and destination of customs control measures taken in the country of departure. Mutual recognition of controls within the system mean that goods in transit should in principle be verified only at the start and the end of the journey.

15. In practice the limitation of physical inspection through the use of secured systems has still a long way to go. Many of the difficulties encountered are related to the lack of efficient insurance and reinsurance arrangements or of appropriate guarantee systems. Customs authorities cannot conceivably forego controls where they are not confident that potential violations and losses can be compensated. A recent UNCTAD study on transit transport to and from the Lao PDR reported complaints about import containers being systematically opened in Thailand, the original seal being broken and replaced by a Thai seal, and about long and cumbersome procedures for transit through Vietnam, often exceeding the 30 days specified deadline. At the same time the study notes the serious constraints generated by the lack of an appropriate guarantee system and the inefficient and costly insurance mechanisms for third party liability. In West Africa the TRIE (Transport Routier Inter-Etats) Convention, ratified in 1982 has not been operational, while the COMESA/SADC Customs Document and the Regional Customs Bond Guarantee (RCBG) system in Southern and East Africa still struggle with implementation problems.

\(^5\) In the context of the Agreement “dangerous goods” means those substances and articles which may affect the interest of environment, health, safety and national security.”
Co-operation between authorities.

16. Co-operation between authorities on the two sides of a border crossing is essential for suppressing unnecessary delays during the movement. It is indeed established that the most notorious delays during the transit journey occur at the main interface of transhipment points (for instance between maritime and inland transport or between adjoining railway networks) and on both sides of national borders. World Bank studies on African transit note that for Mali’s imports from Europe delays in African ports and terminals (between 29 and 45% of total time from origin to destination, depending on the entry port) take longer than the sea leg of the journey (between 29 and 36% of total time, depending on the seaport chosen). In a study carried out in southern Africa it was found that a heavy truck usually required three days for clearance, generating an economic cost of about US$ 50 million to the SADC region in terms of reduced truck productivity.

17. Co-operation between involved authorities is a central feature of regional initiatives in the area of transit facilitation. Noting the economic costs generated by delays at the border, SADC established a number of “one-stop border posts”, financed and/or managed by the private sector. These posts operate within a single physical infrastructure and based on information sharing among government officials from the two countries across the border. The ASEAN Framework Agreement on the Facilitation of Goods in Transit provides for physically adjacent frontier posts, operating on co-ordinated working hours, and encourages joint customs inspection for goods in transit. Furthermore ASEAN countries have concluded a number of side-agreements providing for the mutual recognition of commercial vehicle inspection certificates and of driving licences. A Protocol in the process of elaboration will specify the technical requirements for the vehicles used for transit transport, such as vehicle dimensions, maximum weights and loads, emission standards, etc.

The concept of authorised traders

18. The conditions for obtaining an “authorised trader” status in various regulatory systems are the same for transit as for import and export procedures, i.e. established businesses that the authorities can easily trace and control, which regularly and reliably go through the transit procedures, and which have a good compliance record (no offences against customs or tax legislation). “Authorised traders” benefit from a range of simplification in various transit systems. The Revised Kyoto Convention stipulates simplified procedures for authorised consignors and consignees involved in transit. In particular, authorised consignors and consignees may carry out specified Customs operations on their premises, which enables them to send or receive the goods directly at their premises without having to present them at the Customs office of departure or destination.

19. In the framework of the new EU transit procedures, in addition to simplifications such as the exemption from using binding itineraries for greater risk goods or the implementation of special provisions for large containers and rail, sea, air or pipeline movements, “authorised traders” benefit from guarantee waivers or the use of comprehensive guarantees covering more than one transit operations. Traders with a good financial standing and sufficient professional experience which engage in very close co-operation with the competent authorities (in the sense of assuming part of the charge and responsibility for customs control) can obtain a comprehensive guarantee of a level reduced to 50% or 30% of the “reference amount” (the maximum amount of duties and charges at stake for all covered operations) or be totally waived.


7. A distinction needs to be made between “exempted” cases, where the law does not require a guarantee (such as for air transport), and cases where a guarantee is required, yet the trader is considered so reliable that he
Automation of customs procedures

20. It has already been noted in document TD/TC/WP(2002)50 that, although simplification approaches can be implemented without the use of automation, information and communication technologies enhance simplification by speeding up clearance procedures, allowing an effective implementation of risk management, harmonising the implementation of Customs regulation and enabling the introduction of co-ordinated mechanisms. However, for several OECD and non-OECD countries the need to cope with increasing volumes of goods trade gradually turns automation from an efficiency-enhancing option to a sheer necessity. All these aspects are equally relevant for transit, but special mention could be made of fraud prevention and detection. As shown by the experience of the European Union after the implementation of the Single Market in 1993, eliminating intra-EU border checking for several EU Member States and increased volumes of trade have stretched the capacities of paper-based systems in detecting fraud thus indirectly leading to revenue losses.

21. One of the main objectives of the European New Computerised Transit System (NCTS) is to improve fraud prevention and detection, using a number of tools, such as the “anticipated transit record” message (an early warning system allowing the office of departure to notify the declared offices of transit of the anticipated border movement of consignments), or the inter-administration data-bank, containing information about genuine, lost, stolen and forged customs stamps and seals, pre-authenticated transit declarations and guarantee undertakings. When the goods pass by an office of transit a notification of crossing the frontier is send back from the transit office to the office of departure. At the end of the movement and after the relevant controls have been carried out, the office of destination also notifies if the operation has been properly concluded or whether any irregularities have been detected, so as to allow the discharge of the transit procedure and free the guarantees used for it.

22. ASYCUDA (Automated System for Customs Data), the UNCTAD software employed in over 80 developing and transition countries for the automation of customs procedures, includes in its latest version a module for the management of transit procedures. Zambia has implemented the transit module between the Chirundu border post with Zimbabwe and the port of Lusaka. The system enables calculation of a guarantee amount, corresponding to the total duties and taxes that would be due if the shipment was destined for the internal market, which is then deducted as a security from the transit guarantee account of the declarant. It also allows the automatic transmission of the transit document to the destination office, and of the clearance notification back to the departure office. Upon completion of the procedure the guarantee amount is credited back to the account of the declarant.

B. Non-discrimination between modes of transport, types of consignment and individual carriers

23. GATT Article V calls for non-discrimination between shipments in transit with respect to the flag of the vessels, the place of departure, entry, exit or destination, or on any circumstances relating to the ownership of goods, vessels or other means of transport. One of the WTO Member submissions\(^8\) reads the non-discrimination provision as also covering discrimination with respect to transit procedures based on the mode of transit. During the presentation of the submission it was suggested that the Council for Trade in Services should look at the relationship between GATT Article V and the GATS, so as to clarify whether and how freedom of transit provided in GATT Article V may be affected by commitments contained in WTO Member schedules with respect to transport services. Without prejudice to the

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\(^8\) G/C/W/442, Communication from the European Communities
eventuality and outcome of related discussions in the appropriate WTO bodies, a number of preliminary remarks can be made here.

24. The provisions of GATT Article V refer to charges, regulations and formalities in connection with transit and not to market-access rights to the different transport services, which is clearly an exclusive GATS issue. In this sense freedom of transit and non-discrimination provisions of Article V are not about whether transit operators can choose between modes of transport or between transport service providers; they are about equal treatment in customs and border formalities and about charges and regulations objectively reflecting the cost impact of the transit shipment. Put differently, Article V cannot be read as limiting the choice of countries in terms of overall transport policy.

25. Provisions on non-discrimination between modes of transport are not to be found in domestic or international instruments on transit. On the contrary, most countries – and in particular transit countries – adopt transport, environmental and spatial planning policies that de facto favour certain transport modes over others, or simply shape mode choices so as to pursue an equilibrium between traffic volume and environmental harm. Switzerland, for instance, consistently undertakes significant investments to improve railway infrastructure and tunnel networks and create more combined transport corridors, so as to unburden land transport in favour of trains.

26. Road transport, which is the principal mode of freight transport as far as transit is concerned, is widely subject to road freight quotas and permits, which often generate limitations in transit traffic through certain countries because of the shortage of available permits. This problem is often addressed through bilateral agreements between neighbouring countries providing for the mutual exchange of road transit authorisations, such as those between Hungary and the EU or some EU Member States individually, but bilateral solutions are not necessarily the more efficient way for dealing with transit movements involving several countries.

27. The choice of transport modes for transit can also be significantly affected by the definition of “the routes most convenient for international transit” operated by the transit country, as well as by infrastructure constraints, which are quite widespread in developing countries. For instance the shortcomings in, or total absence of, rail systems heavily burden road networks, rapidly deteriorating road infrastructure, and increase congestion in border crossings.

C. Strengthening of international co-operation with respect to transit

28. While international co-operation is important for providing momentum towards import and export facilitation, it is absolutely essential with respect to transit. Facilitation of transit procedures is definitely an internationally driven process and could not really occur outside bilateral, regional or multilateral instruments. A regulatory framework agreed among involved countries with respect to Customs, sanitary and phytosanitary, or health and safety controls and formalities, professional qualifications of carriers, technical requirements of vehicles, or third-party liability and insurance issues will be much more efficient than piecemeal approaches by countries along the road from origin to destination.

29. Similarly, infrastructure requirements and constraints need to be addressed in a comprehensive manner so as to reconcile the needs, priorities and capacities of all concerned countries. In particular, commitments of transit countries to preserve free and operational transit routes cannot be envisaged without equitable sharing of maintenance burdens among various transit countries and user countries, including in the form of maintenance charges imposed on transit movements. The 1948 Belgrade convention on the Navigation of the Danube defines in detail maintenance commitments, the development
of navigational channels and the defraying of relevant costs. Problems related to road degradation would call both for regulatory harmonisation and for financial co-operation: for instance, roads in Côte d'Ivoire are built for vehicles with a ten ton axle weight, while the legal axle weight limit for trucks from Mali (one of the landlocked countries transiting through Côte d'Ivoire) is 13 tons and resulting degradations in road infrastructure are not compensated for. COMESA countries have successfully elaborated common regulations for harmonised axle load limits aimed at defining maximum payloads and avoiding overloading, but implementation at the national level is taking time.

30. An important observation is that international co-operation has already yielded a number of co-operation instruments, in the form of standardisation models, regional and bilateral facilitation agreements and assistance projects, yet the concrete outcomes of many of these instruments are far below expectations, especially outside the OECD area. Why, despite the existence of many of these provisions for quite a long time, have they not been sufficiently or adequately used? The World Bank has observed with respect to transit facilitation in Africa that reforms are often not uniform from one participating country to another and overall achievements do not seem proportional to the enormous efforts made, partly due to lack of capacity to implement reforms coupled with resistance to change from vested interests. UNCTAD, which has also been very active in the field of transit facilitation, has further observed that "in times of economic decline and difficulties, parochialism and inward looking behaviour surface and tend to thwart regional initiatives."

31. Unsatisfactory outcomes may be linked to failures in addressing related problems and the resulting impossibility of co-operative solutions to deliver their full potential. They also relate to exogenous factors, such as infrastructure constraints. In the MERCOSUR area, although several resolutions relating to transit facilitation have found their way into the domestic systems of Member countries (including provisions on dangerous goods, vehicle norms, or transporter qualifications), seamless transit still suffers from a number of regulatory constraints, such as duplicative phytosanitary tests, requirements for carrier permits for each individual trip, or lack of standardization of pallet sizes or bar codes. These constraints further compound infrastructure problems that affect the region: the Paraguay-Parana waterway requires significant dredging and maintenance efforts to be operational, road networks have problems of insufficient capacity, while rail networks present a very low degree of connectivity because of gauge differences, to state but a few among the problems.

32. An additional compelling reason in Africa and elsewhere is recurring internal and international conflicts in the transit region. For instance, since the breakup of the Soviet Union, energy trade in the CIS area has been seriously disrupted because of cross-border disputes between energy exporting countries and transit countries over pipeline access. A number of energy producers have undertaken to construct pipelines in order to bypass the problem. In 1994 an Energy Charter Treaty, signed by 52 countries, including all of the European and Central Asian countries plus Australia and Japan, provided for freedom

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9. Illustrative examples of agreements that yielded little or no improvements in terms of transit facilitation (in addition to those referred in paragraph 15) are the Northern Corridor Transit Agreement signed by Burundi, Kenya, Rwanda, Uganda and Zaire; the 1964 central African customs union; or the West African countries agreement to regulate international transport of bonded freight.


11. Russia, Kazakhstan, Azerbaijan, Turkmenistan and Uzbekistan. The last two, large producers and exporters of natural gas within the CIS are completely unable to export to Central and Western Europe because of restrictions to their access to Russian transit pipelines.

12. Most transit routes go through Belarus, Russia and Ukraine, all of which set discriminatory tariffs on transit access that favour domestic suppliers.
of energy transit through pipelines and grids. However, two of the three main transit countries of the region have not yet ratified the treaty\(^\text{13}\), although they do apply it provisionally.

33. More specifically as far as assistance projects are concerned, the World Bank noted that a major factor of failure of early lending projects was their narrow focus, both geographically and sectorally. Most pre-1994 projects were country oriented with little, if any, inter-country elements, lacking a sufficiently integrated view of the seaport and the rail/road links, and paying little attention to intermodal links such as port/rail and rail/road interfaces. Furthermore, achievements could not be sustained where physical infrastructure development was not accompanied by adequate institutional development. Such institutional reforms would both narrow the role of government (to avoid vested interests and monopolistic practices in transit operations) and strengthen it (to improve road safety and customs performance).

34. A number of transit countries have taken measures at the domestic level to facilitate the smooth movement of goods in transit so as to increase their territory’s attractiveness and reap the financial benefits of increased traffic in transit. These measures relate not only to the streamlining of the regulatory framework related to transit transport, including with respect to transit charges for international traffic, but also to the improvement of transit infrastructure, supporting transit transport services and related information technologies. The recent adoption by Ukraine of a “Comprehensive Strategy for Ukraine as a Transit Country” was motivated by the observation that the transit transport capacity of the country was only used at 50-70% and aimed at stabilising and further increasing transit transport volumes from Russia and the CIS to Western Europe, and contributing to the economic integration of Ukraine into Europe. The strategy focussed in particular on the development of a national network of transport corridors, the development of transit-related infrastructure and the simplification of border crossing procedures and related charges.

35. However, landlocked developing countries are themselves surrounded by developing transit countries, which do not have the financial means to properly maintain transport infrastructure and which may have different priorities when it comes to applying for official development assistance (ODA). For instance, for Uganda, Malawi and Eastern Zaire, Tanzania potentially offers the cheapest access to the sea, but the poor state of Tanzanian roads and railways rules out this option. In the late 1980s, closures of neighbouring transport corridors because of civil unrest had caused Malawi cumulative losses of more than $75 million in additional transport charges. In order to properly target ODA towards transit infrastructure enhancement, technical assistance projects have to be aimed at the sub-regional and regional level. The United Nations Special Programme for the Economies of Central Asia (SPECA) has undertaken the development of transport infrastructure and the simplification of border crossing procedures, including through the appropriate targeting of technical assistance projects supported by international agencies.

36. In the framework of the Southeast Europe Co-operative Initiative, the Trade and Transport Facilitation Project (TTFSE) was created to assist countries in the region reduce transport costs, fight corruption and align customs procedures with EU standards. The programme, supported by a number of donors, including the European Union, the United States and the World Bank, adopts a regional approach, but tailors the different projects to the initial conditions and needs of each country. Projects under the programme finance the improvement of old facilities, or the establishment of new ones where fresh borders have sprung up, the upgrading of information systems and technical assistance to modernise border agencies. Results are already visible, in terms of reduced delays at border checkpoints and increased client satisfaction manifested through intensified traffic through the affected routes.

\(^{13}\) Ukraine has ratified the Energy Charter in 1998
Another model of regional co-operation seeking to finance infrastructure investment by attracting private capital is the development of transport corridors in a number of developing countries. Corridor development co-operation seeks to concentrate viable industrial development projects within selected corridors connecting inland production areas to ports at the same time as infrastructure investment takes place. The organisation of transit in successful transport corridors includes all the physical, organisational and administrative operations needed to carry goods from their origin to their destination, involving transport, collection, handling, insurance and customs. Economic activities related to agriculture, industry, commerce, communications, tourism and other industries are developed as a complement and support to mere transport. The approach was used by Mozambique and South Africa to rehabilitate the Maputo Corridor between Johannesburg and the Mozambican port of Maputo. The project started in 1995 and involved upgrading road and rail links between South Africa and Mozambique, rehabilitating the Maputo port and upgrading the concerned border post to operate as a “one-stop border post” on a build-operate-transfer (BOT) basis. During its unfolding the project generated numerous spin-off activities financed by the private sector and created 8000 new jobs. It is today considered as a model for other development corridors in the region.
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