



IMPROVING TRADE AND TRANSPORT IN LANDLOCKED COUNTRIES



TRADE AND TRANSPORT FOR LANDLOCKED DEVELOPING COUNTRIES

A Progress Report

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Land-locked developing countries

The 34 land-locked developing countries account for 6% of world population and 12% of world area, but less than 1% of world income and 0.6% of world trade.

The 10-year Almaty Program of Action (2003) called for landlocked and transit developing countries to ;

- improve transport infrastructure for transit trade
- review and revise their regulatory frameworks;
- increase the transparency of transit and border regulations;
- establish streamlined administrative procedures;
- and
- further simplify border control and procedures.

World Bank perspective

The World Bank is now supporting this Program. Our work is based on an understanding that:

- transit trade is relatively unimportant for most transit countries;
- the transport infrastructure needed for transit trade is not very different to that needed for bilateral trade between the landlocked and coastal countries, or for the international trade of the coastal countries.
- Improved transport services and transit regimes are the key to increasing the accessibility of land-locked countries to world markets

So the new approach focuses more on services than on physical infrastructure and the transit countries as much as on the LLDCs themselves.

World Bank Actions

1. Measure, and find ways to increase, **the benefits of transit trade to transit countries**;
2. Measure the **costs and times of transit corridors** to identify the specific sources of costs and delays;
3. Complete **Corridor Analyses**;
4. Design **new transit regimes** to overcome the resistance of Customs agencies to facilitating transit trade;
5. Assess the potential impact of **air freight** in overcoming the problems of being landlocked;
6. Complete Logistics diagnoses and develop **National Logistics Strategies**.

Progress Report: Landlocked and Transit Countries

1. Benefits to transit countries

1. Direct: charges for infrastructure and services
2. Indirect: scale economies in storage, warehousing, logistics
3. Greater social and economic integration
4. Greater political leverage

with off-setting costs of

5. Expanded transport infrastructure
6. Environmental and health consequences

Pilot countries

- Chile (Bolivia)
- China (Mongolia, Central Asia)
- Thailand (Laos)
- Cote d'Ivoire (Burkina Faso, Mali)
- Tanzania (Burundi, DRC, Malawi, Rwanda, Uganda, Zambia)

Transit benefits: A non-zero sum game?

- Relationship between landlocked and transit country need not be a zero-sum game
- Transit country can gain, at same time as landlocked country, from expansion of its trade (e.g. regional trade and transport facilitation projects)

Benefits to transit countries

- Many transit countries implement restrictive regulations that are intended to protect their own service providers;
- These regulations allow all suppliers to maintain high prices. As an example, on the Douala-Ndjamena Corridor, tariff setting by the Freight Bureau doubles road freight rates;
- When these regulations are relaxed or removed, the transit country operators become more efficient, to the benefit of both. For example, on the Vientiane-Bangkok Corridor, opening Lao transit trade to all allowed Thai truckers reduced logistics costs by 30%

Importance of who are winners ... and losers

- Many traders and transport operators in transit countries would lose from facilitated transit trade. If they have a significant political voice they can block reforms:
- For facilitation on transit trade to work, potential losers need to be compensated
- There are few recorded examples of successful compensation schemes in trade, but many in privatizations

Build a coalition in favor of reforms

Increasing benefits to transit countries requires incentives for cooperation

- use increases in transparent transit fees to reduce rent seeking (e.g. Togo),
- reduce the nuisance power of the potential losers by financing them to exit the market (e.g. compensation schemes for truckers).
- make public the extent of rent-seeking activities (SSATP and USAID on informal tolls in West Africa)

2. Corridor Performance Indicators

- Logistics Performance Index, Doing Business and other indicators show a country's logistics relative to others;
- But we need more detailed costs and times of transit to know where action is needed
- Yet nothing available that is consistent across corridors. UNESCAP and USAID have developed corridor cost and time indicators, but they use incompatible specifications and the results cannot be compared

Common standards for corridor indicators

- Easy to understand and use
- Easy to replicate over time
- Applicable to many corridors and product types
- Include maritime performance
- Base on existing best-practice methods
- Benchmark LLDC corridors against those for coastal countries

Indicator standards include:

- Type of product (agricultural, mineral, industrial, consumer)
- Direction of travel (import/export)
- Overseas origin or destination (EU, USA East Coast, USA West Coast)
- Overall costs and times, by location and whether formal or informal
- Pre-transit, transit in landlocked country, border crossings, transit in coastal country, port, maritime, port for destination country
- Variation in each, with comparative statistics and benchmarks

What corridors we are looking at

Seven pilot corridors:

- Almaty to Europe
- Asuncion to US east coast
- Bamako to Europe
- Kigali to Europe
- La Paz to US west coast
- Ulanbaataar to US west coast
- Vientiane to US west coast

All should be completed by August 2008. Twelve other LLDC and six more coastal corridors by December, 2008

All Corridor Performance Indicators will be available on an easily accessible web site

What we are finding

	Kigali/ Europe	Ulanbaataar/ West Coast	Benchmark value
Logistics cost per teu	U\$ 5,185	U\$4,395	U\$3,750
Logistics time (Origin to destination)	59 days	45 days	30 days
Cost as % of value of products	26%	18%	12%
Cost increase compared with benchmark	+ 34%	+ 28%	0%
Time increase compared with benchmark	+ 96%	+ 50%	0%
Variation in cost as % of minimum	13%	24%	10%
Variation in time as % of minimum	37%	51%	10%
Land share of total cost	44%	43%	20%
Land share of total time	24%	23%	12%
Informal share of land (inc. port) cost	8%	8%	0%
Informal share of land time (inc.port) cost	31%	23%	0%

3. Complete corridor analyses

- On the basis of the Corridor Performance Indicators and their comparison with benchmark values, the Trade Diagnoses undertaken by the World Bank, we will complete analyses of the main transport corridors leading to LLDs;
- These analyses will include recommendations for the most productive and effective ways for corridor performance to be improved to enable products from the specific LLDs to be competitive in the target world markets.

4. Transit systems

- Support the trade of landlocked countries and long-distance trade more generally
- Clear customs using agreed global principles
- Provide seamless movements across borders
- Foster private-public arrangements for procedures, guarantees, and professional competence

Basics of a transit system

- Agreements on cross-border movements of vehicles, drivers, and goods;
- Regional insurance;
- Corridor institutions;
- National institutions for transport and customs;
- Border infrastructure;
- Transport infrastructure.

Re-engineering of transit systems

Based on a review of existing transit systems, and of what works and what doesn't, we are planning new systems that

- Implement the core features of working systems
- Include electronic Documentation
- Provide an information system with manifest tracing
- Provide regulation of transit operator entry
- Provide financial guarantees
- Expand the trade facilitation agenda to logistics and transit systems
- Rebuild transit systems under regional transport projects

5. A fresh look at exporting by air

Air freight offers an opportunity for avoiding impediments to trade imposed by transit countries

The use of air freight depends on being having the conditions to produce high value for weight products and aircraft capacity available at relatively low costs

Markets for perishables and industrials

- Cut flowers to the EU and US from Rwanda, Tanzania, Uganda, Ethiopia
- Seafood and fresh fish to the EU and US from Ecuador, Tanzania (\$70 million)
- Fresh fruit from Chile, Mali (mango), Kenya (avocado)
- Clothing to the EU from Mauritius
- Electronics from Malaysia and the Philippines

High value for weight products

- Shrimp, tuna, trout, perch
- Roses, chrysanthemums
- Mangoes, avocados, berries
- Electronics
- High fashion textiles

Threshold value of product is about U\$3/kg, *but increasing*

Air freight is currently about US 25 cents per ton/km compared to sea freight at about US 1.5 cents ton/km

Air freight capacity

- Tourist market might mean excess cargo capacity on passenger aircraft (the 3 times a week 747 from Arusha allows 20 tons of flowers from Tanzania to Amsterdam)
- Imbalance of air freight imports leaved low-cost space for exports
- Freight-only air operators looking for combinations of markets to fill capacity (Uganda – Rwanda – Tanzania to Amsterdam service gives 100 tons per week capacity for fish and flowers)

Start up requirements

- Products must meet developed country standards (quality, phytosanitary, agricultural);
- Marketing (for example, to counter carbon footprint objections);
- Minimal bureaucratic impediments (products are very time sensitive);
- Vertically integrated transport services to ensure on-time delivery to airport;
- Investment in specialized terminals (cold stores) and transport infrastructure NOT usually needed;

6. National Logistics Strategies

- Several countries have requested help from the World Bank in preparing their National Logistics Strategies;
- We have almost completed an update of the Trade and Transport Facilitation Toolkit;
- We are working on five pilot cases to develop a baseline approach and method;
- The LLDs for which we will develop such Strategies will depend on those that request such help and how such requests fit with their Country Assistance Strategies

World Bank Program of Deliverables

1. Benefits to transit countries August 2008
2. Corridor Performance Indicators December 2008
3. Corridor Analyses March 2009
4. Transit regimes December 2008
5. Air Freight August 2008
 - Almaty Update October 2008
6. *National Logistics Strategies* December 2009