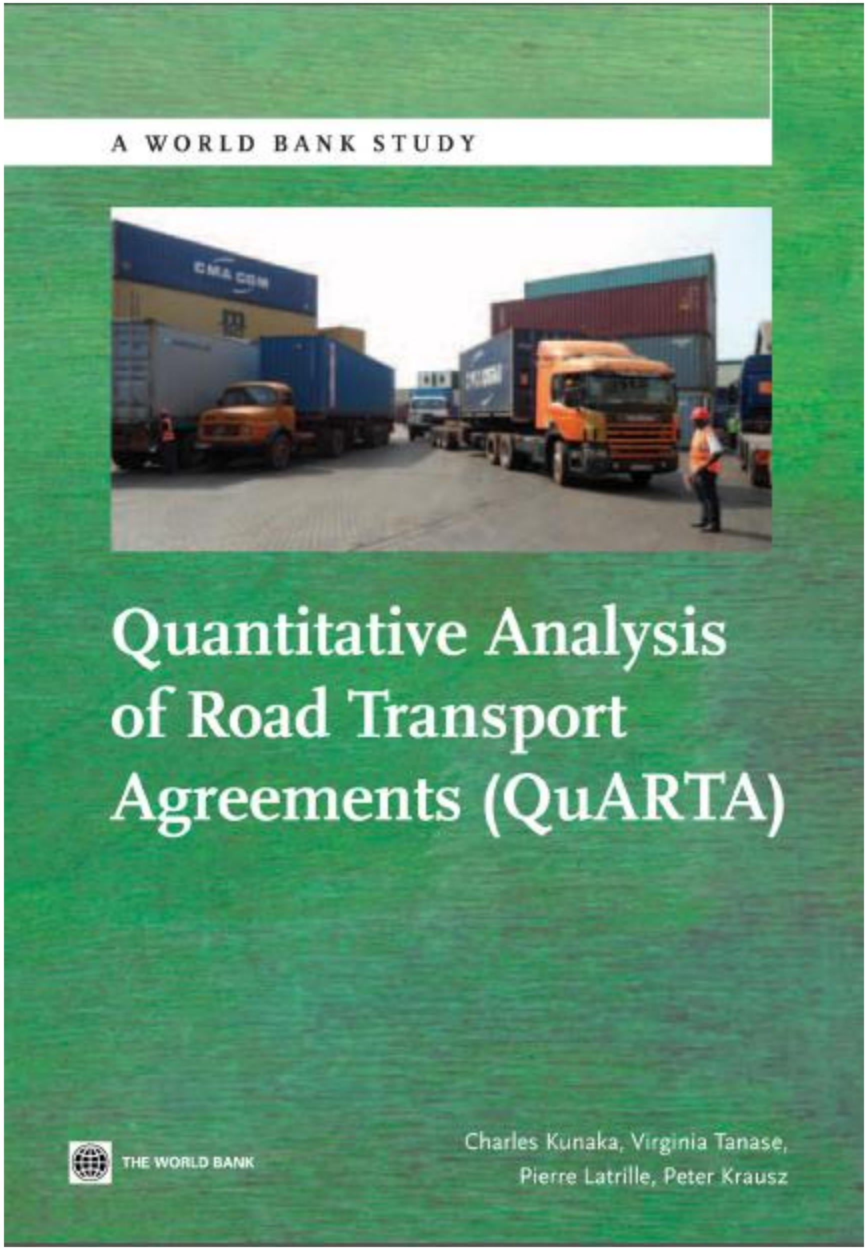
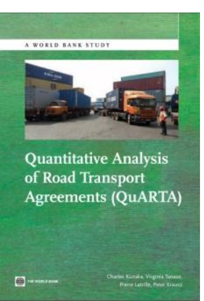


The Tools: from Diagnostic to Implementation

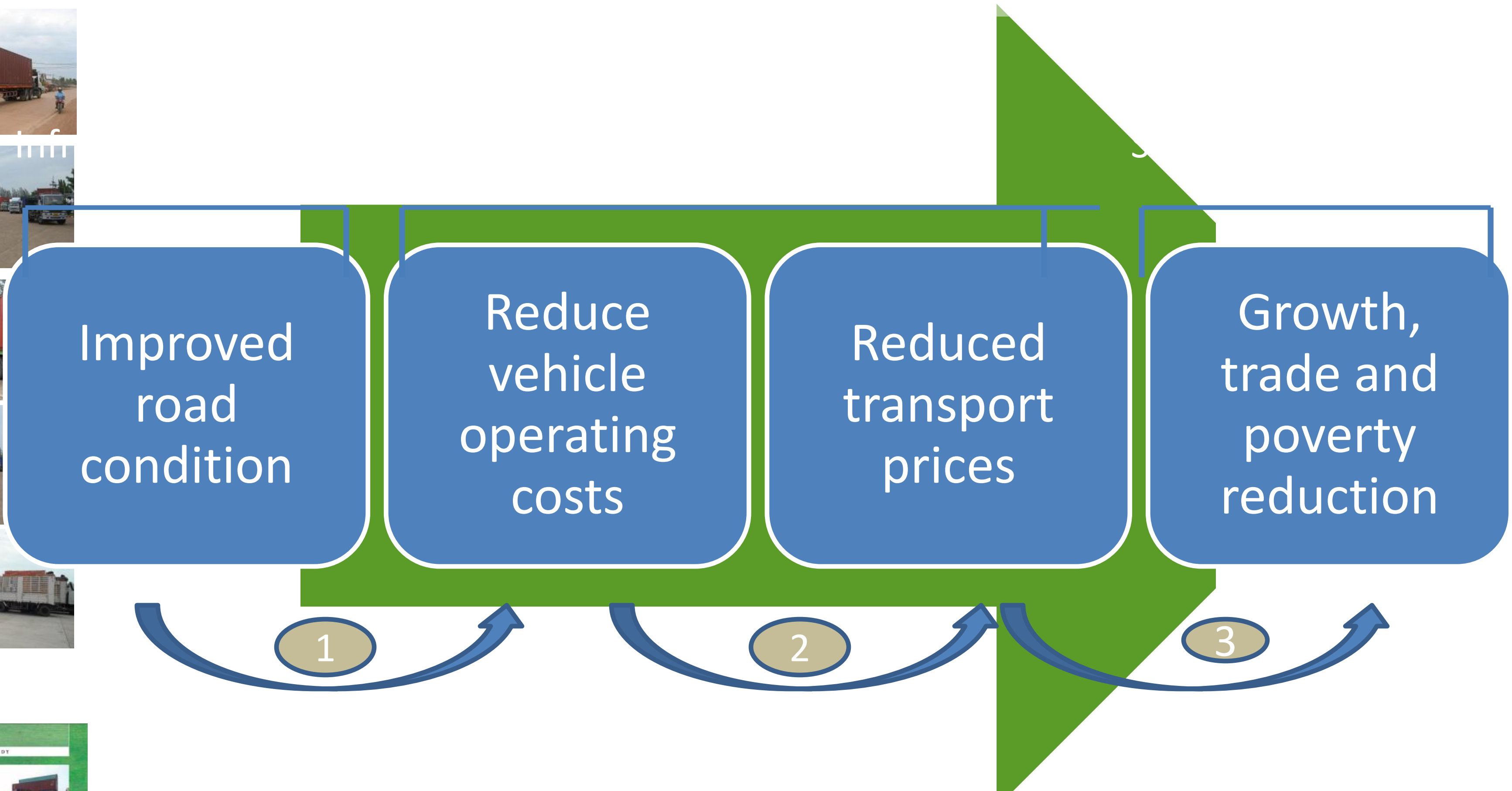
Virginia Tanase

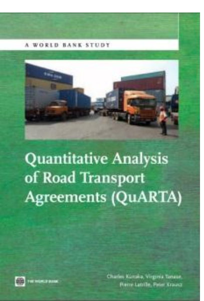
Road Transport is the dominant mode of transport in overland trade…

- There are significant prospects to reduce trade costs by improving the efficiency of road transport operations
- Most regional road transport markets, outside the EU, are not fully liberalized
- However, most effort goes into building roads rather than undertaking reforms in road transport services



The assumption: Roads, Transport Services and Trade





Source: Raballand, 2013

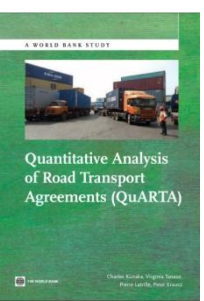






International road transport services

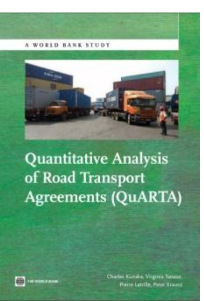
- **THE** victim of market access restrictions, for various reasons:
  - to penalize the lack of harmonization of technical standards/parameters
  - to protect national carriers
  - for political reasons
  - because of bad enforcement



International road transport services

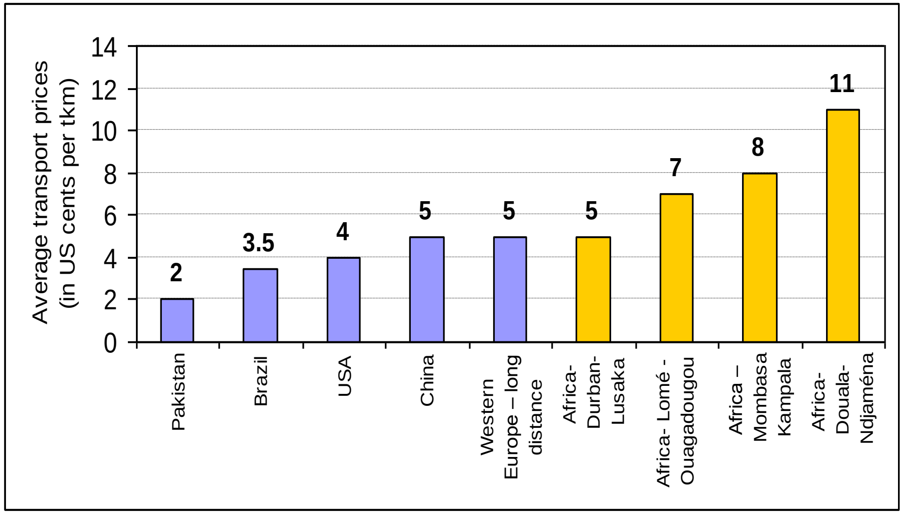
- Multilateral legal instruments (if any) set just the framework, minimal standards, acceptable to all

- Bilateral agreements are still the predominant barrier or tool for facilitation, even in high regional integration areas



Need more focus on road transport services …

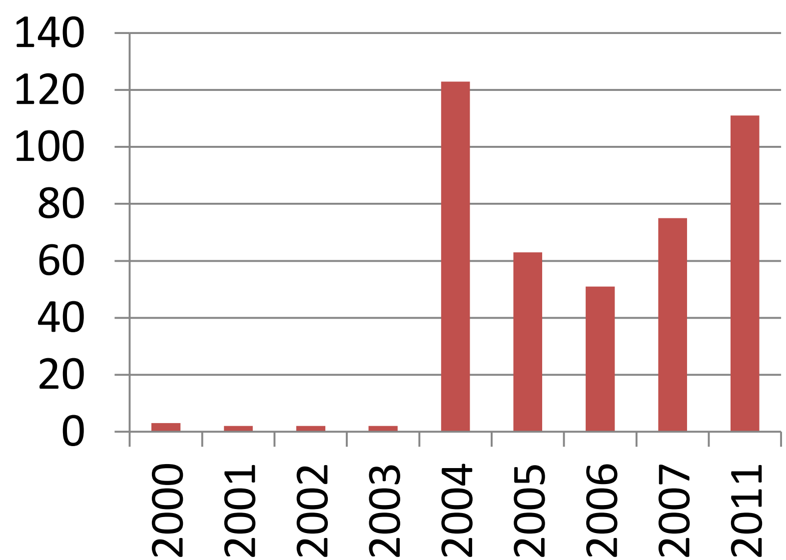
- Developing and advocating for regional transport infrastructure
  - World Bank invested close to USD14 billion from 1970-2007 in Africa (mostly on corridors)
- But …
  - Prices are still high in most regions especially in Africa…
- Worth remembering …
  - Regulation was originally intended to protect rail traffic and incumbents
- But failed in
  - Regulating capacity and
  - Preventing the erosion of rail transport
- Quantity regulation largely dismantled in developed countries



Bilateral agreements are the instrument of choice ..

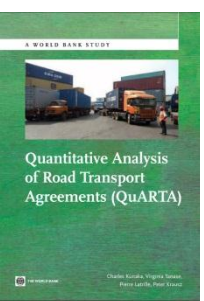
- Bilateral agreements are the favored instrument of regulatory control
- There are multitudes of bilateral agreements.
  - ECMT in 2002 found around 1,400 bilateral agreements between 43 European countries. Bilateral road transport agreements account for more than 95 percent of road transport operations between EU states and third countries.
  - For operators, keeping track of all the agreements can be a significant regulatory burden.
- There is often unequal treatment of operators based on their country of registration.
  - Reciprocity and territoriality are key principles in bilaterals

- Yet restrictions are often embedded in such agreements
- Liberalization of transport services can have a significant impact on supply and prices e.g. Laos - Thailand



Agreements are not always concluded for pure transport purposes

- There are two main types of reasons for bilateral road transport agreements:
  - Economic
    - To carry trade exchanges in an equitable manner
    - To send a signal to markets and develop demand.
    - In case of large investments performed in infrastructure, to promote its use, including the development of ancillary activities.
    - To detail the implementation of broader commitments assumed by the two parties in international multilateral legal instruments.
  - Political
    - agreement s are used as a starting point to develop or improve the relations between the two countries.
    - an economic (partial) solution to a political problem.

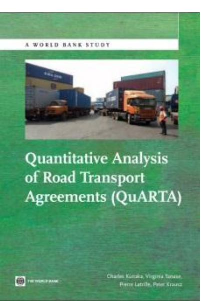




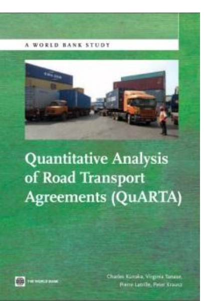



What World Bank projects told us

- Lack of traffic and transit rights (loading / unloading at borders)
- Different technical standards between neighboring countries, abusive roadside checks
- Market restrictions
- Imposed cargo sharing/tour de rôle
- Discrimination on grounds of goods' origin, vehicle plates etc
- Low level of regional integration
- Absence of multilateral agreements or poor enforcement



What the bilateral agreements told us



- Some of the bilateral agreements are quite old
  - Often poorly enforced and at same time may lack modern provisions thereby perpetuating unsustainable practices.
- Restrictive bilateral agreements can introduce market distortions and increase costs.
  - Where bilateral agreements are based on a quota system, the common practice is to fix the number of permits at the same level for both parties. Ignores potential for supply response.
- All the above lead to:
  - fragmented supply chains; high costs, transit times, and uncertainty in cargo flows.
  - Operators finding it difficult to comply with requirements in different markets, and a company's efficient operations in one country may not create positive spillover effects in another country.

The approach …

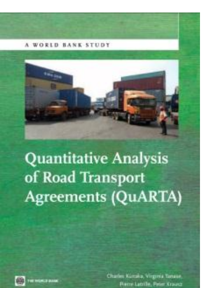


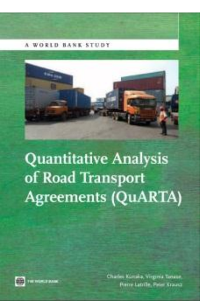




- 4-step process:
  - Develop an analytical template and use it to generate an index of openness of cross-border road transport markets.
  - Select benchmarks to compare the relative openness of each agreement.
  - Select agreements to review.
  - Conduct a statistical analysis to assess the relationship between demand for road transport services and the openness of the bilateral agreements between pairs of countries.

- Identified 11 core features:
  - i. limitations of the scope of the agreement
  - ii. transport authorization requirements and complexities/restrictions of transport permit management
  - iii. list of types of traffic exempted from permit requirements
  - iv. list of types of traffic exempted from quota requirements
  - v. cabotage traffic limitations
  - vi. transit quota limitations
  - vii. third-country traffic limitations
  - viii. prescribed routes and border crossing points
  - ix. taxation-related limitations
  - x. facilitation measures (driver, vehicle, cargo) in place
  - xi. transparency requirements.





Agreements reviewed

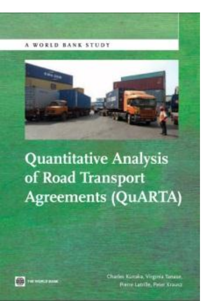
Geographic relation	Number of selected bilateral agreements	% of total
Europe-Europe	18	23
Asia-Europe	29	38
Africa-Europe	13	17
Asia-Asia	9	12
Africa-Africa	7	9
South America	1	1
TOTAL	77	100

Multilateral agreements

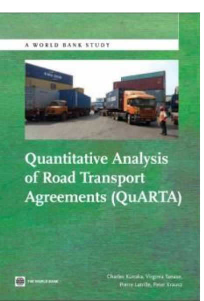
Geographic region	Multilateral agreement	Number of countries
Europe (including Caucasus)	Recommended Model Bilateral Agreement on Road Transport between ECMT member countries	45[a]
	South-East European Cooperation Initiative (SECI) Memorandum of Understanding on the Facilitation of International Road Transport of Goods	10
Black Sea Region	Memorandum of Understanding on Facilitation of Road Transport of Goods in the BSEC Region; Black Sea Economic Cooperation (BSEC); Agreement on Multilateral Transit Permits	7
Asia (South-East Asia)	Agreement between and among the Governments of the Lao People's Democratic Republic, the Kingdom of Thailand, and the Socialist Republic of Vietnam for Facilitation of Cross-border Transport of Goods and People (CBTA—Cross Border Transport Agreement)	3
Africa	Memorandum of Understanding on Road Transportation in the Common Customs Area pursuant to the Customs Union Agreement between the Governments of Botswana, Lesotho, South Africa, and Swaziland	5
	SATCC Model Bilateral Agreement on the Regulation of Cross-Border Freight Road Transport	15
	Tripartite Agreement on Road Transport Uganda—Kenya—Tanzania	3
South America	ALADI Agreement on International Land Transport	7

Maximizing benefits for countries

- Start negotiation only when all stakeholders have agreed on the mandate- this will ensure support in implementation!
- Include core elements in any bilateral road transport agreement
- Emphasize qualitative over quantitative and multilateral over bilateral regulation
- Adopt the principle of freedoms



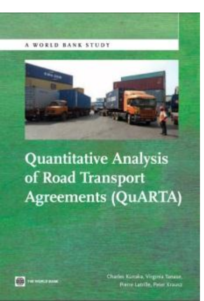
Maximizing benefits for countries (1)



- Harmonize and simplify technical requirements
- Set harmonized and transparent rules for cross-cutting issues
- Nurture effective institutional and implementation arrangements
- Conform with major international obligations

Conclusion

- Lack of consistency and transparency in bilateral agreements reduces efficiency and increases cost of international road transport services
- A comprehensive approach including a model-agreement to reform the regulation of international road transport services is needed



Appeal

Please kindly share with us your bilateral agreements so that we can continue this important work!

Thank you!