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Facilitation of international road transport:
Quantitative restrictions imposed on international road transport of goods

An analysis on the impact of road transport quotas

Submitted by the Government of the Republic of Turkey[1], [2]

I. Background

1. Restrictive road transport quotas are one of the biggest barriers in the way of the development of trade and transport operations in the UNECE Region. Turkey is one of the countries that has been negatively affected by the insufficient number of road transport quotas. Turkey has a reliable and modern fleet, consisting of more than 75,000 freight trucks operating in international transport. The modern Turkish road transport fleet is composed of environmentally friendly trucks with engines of Euro III and over. 70 per cent of the vehicles in the Turkish fleet, performing international road transport operations, have Euro V engines. According to the 2012 figures, 41 per cent of Turkey's export volume is carried by road transport operations. However, the total number of road transport quotas lags behind the economic development and yearly change in exports from Turkey. For example, while Turkish exports carried by road transport in 2011 increased by 9.4 per cent on the previous year, the total number of road transport quotas allocated to Turkey increased only by 3.9 per cent.

[1] The present document was submitted late due to resources constraints.

[2] This study covers all types of road quotas as it is considered that the assessment of the negative impact of road quotas may not yield correct results if the transit quotas are taken into account. Although Turkey argues that all types of quotas in international road transport operations must be eliminated, it also believes that as a first step transit quotas should be eliminated, as many international agreements foresee the freedom of transit in road transport.

2. As is known, for each and every border crossing and movement within a foreign country, a permit is required. In order to understand the whole picture, it is useful to elaborate the different road transport quota systems currently used.

II. Multilateral ECMT Licenses

3. The European Conference of Ministers of Transport (ECMT) Multilateral Quota System provides unlimited transport operations between the Member countries in the course of the year, but the haulier may perform a maximum of three loaded journeys within ECMT countries after the first journey from the country of establishment.

4. The amount of the quota is limited and established through discussions among ECMT Member countries.

5. The ECMT licenses allow the operation of international transport operations between two ECMT member states. In this system, in addition to the basic quota, for each vehicle class, a coefficient is defined. The ECMT quota system is an effective tool for the promotion of newer and cleaner vehicles. It also facilitates road transport operations in cases where it is difficult to obtain bilateral permits that complement these permits. One of the main advantages of the ECMT permits is that the hauliers have the chance to choose the optimal route for their operations. Thanks to this flexibility, the transport operator can use shorter and faster routes.

III. The Bilateral System

6. The bilateral quota system is mostly dependent on bilateral agreements. Road transport permits for international bilateral/transit/third-country transport are stipulated within the framework of these bilateral agreements and/or the Joint Committee Meetings on Road Transport that are organized periodically. Permits in limited numbers for each type of transport are usually exchanged every year.

7. The system stands on signing bilateral inter-governmental agreements between two countries and formulating the transport regime for these two countries' vehicles, reciprocally in their territories. The bilateral inter-governmental agreements can stipulate free market conditions as well as restricted transport provisions.

8. As EU countries are free to sign bilateral inter-governmental agreements with non-EU countries, these bilateral agreements are far from having harmonized and aligned provisions for the signatory countries.

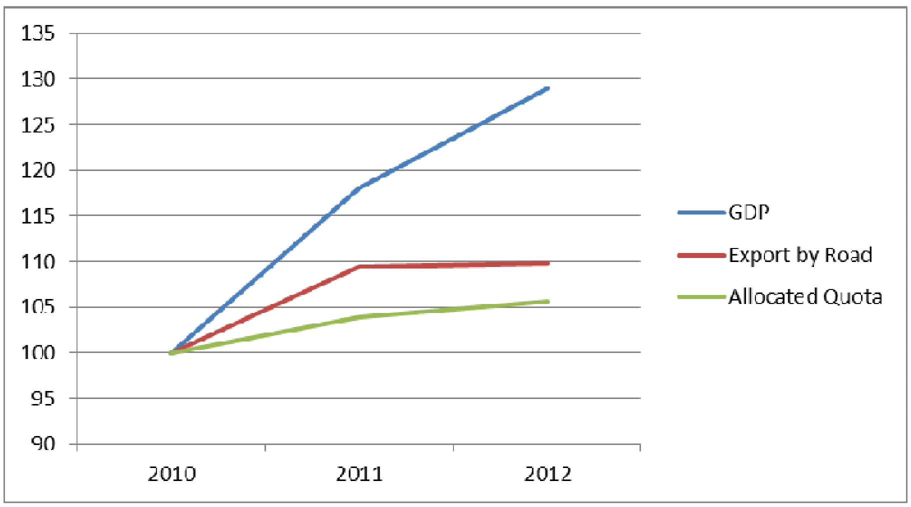
9. The restrictive bilateral agreements and insufficient quotas simply limit the number of vehicles carrying export goods to a certain country or region, using the superstructure of a transit or destination country. This situation obviously restricts the volume of goods exported from a country and thus, restricts the foreign trade revenues of the countries subject to quantitative restrictions.

10. The following table clearly indicates that the permit quotas allocated to Turkey lag well behind the percentage growth in exports to certain countries.

	Turkish Exports (million USD)			Permit Quota Allocated to Turkey (number of permits)		
Country	**2010**	**2011**	**Change**	**2010**	**2011**	**Change**
Germany	11479	13950	22%	157050	170550	9%
Russia	4628	5992	29%	15500	16500	7%
Italy	6505	7851	21%	48000	48000	0%
Spain	3536	3917	11%	5260	5260	0%
Netherlands	2461	3243	32%	6850	6850	0%
Romania	2599	2878	11%	48000	52000	8%
Greece	1455	1553	7%	55000	55000	0%

11. The same tendencies can be observed in respect of other economic indices. The below graph explains the decoupling of the Gross Domestic Product (GDP) of Turkey, the expansion rate of export goods carried by road transport and the insufficient rate of increase in the total number of quota permits allocated to Turkey.

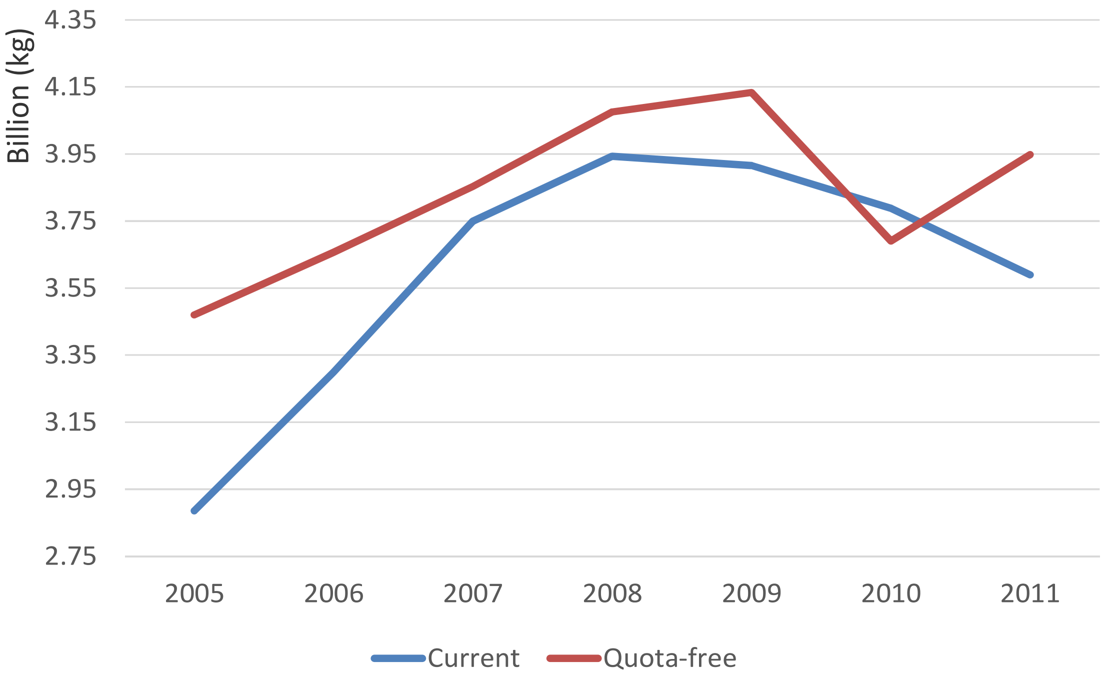
12. Taking the figures in 2010 as a reference, the number of quotas allocated to Turkey has not increased as much as the rise in GDP, nor increased as a percentage of exports by road transport. This represents a serious setback to economic and social progress.



13. In a recent comprehensive study conducted by an Istanbul-based university, the correlation and the effects of the exports realized by road transport and the quantitative restrictions imposed have been examined by using various mathematical models (fixed effect model and the random effect regression model). In this study, the exports performed by road transport have been analyzed both in terms of freight weight carried (kg) and in terms of financial value (USD), covering a seven-year period, from 2005 to 2011. Both models used during the analysis showed that road transport quotas have a negative effect on exports performed by road transport.

14. In terms of amount, according to the Turkish Statistics Institute (TUIK), exports by road to 11 countries (the most problematic in terms of the quota issue) have been taken into account as well as the fact that 2.7-3 billion kg (on average) was being carried every year during this period (2005-2011).

Export by road (kg)



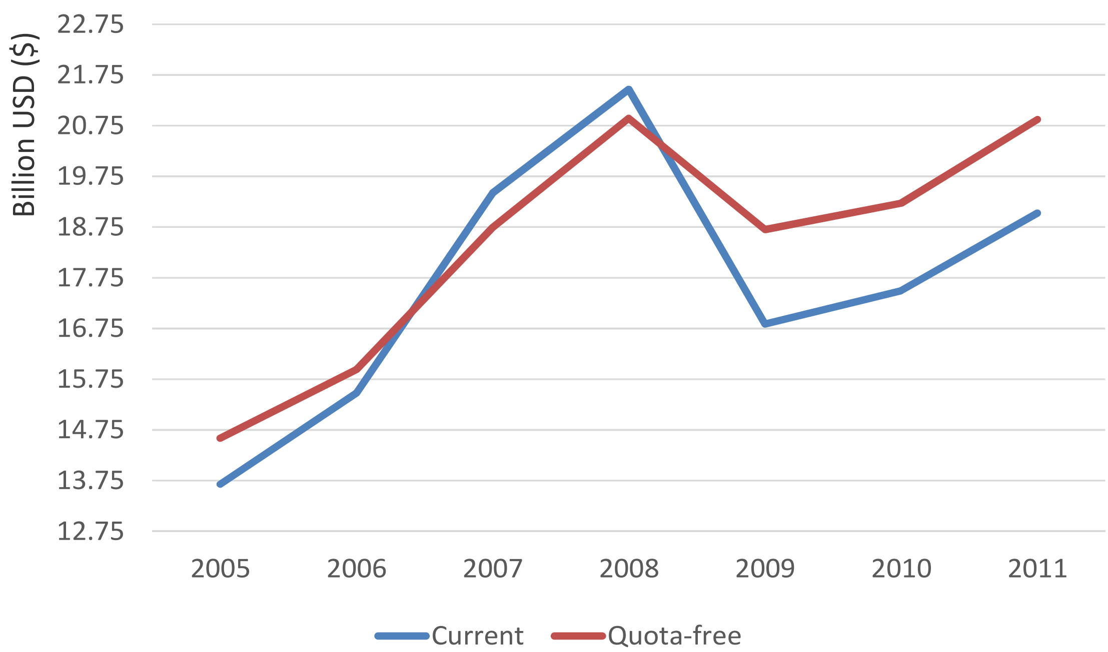
15. The results of the study showed that in the 2005-2011 period, the total weight of exports made by Turkey using road transport was 25.1 billion kg. However, the mathematical modeling predicted that in the case of a quota-free environment the number would have been 26.8 billion kg of exports. As a result, in terms of total weight of exports made by road transport, Turkey has a loss of approximately 1.7 billion kg.

16. On a country to country, basis, this deficit is 246 million kg with Bulgaria, 231 million kg with Spain, 159 million kg with Germany, 157 million kg with Slovakia and 101 million kg with Greece.

17. The study also gave an idea of the financial value of Turkish exports by road transport in the same period. The modeling compared the current situation and the possible quota-free environment for export operations by road transport.

18. In terms of financial value, exports from Turkey to the most problematic (quota issue) 11 countries have been processed and it has been calculated that the financial value of Turkish export by road in the period (2005-2011) was USD123 billion. If a quota-free environment has been achieved, the same value would have been USD129 billion. As a result, in terms of financial value of exports by road transport, Turkey has a loss of approximately USD6 billion.

Export by road (USD)



19. On the country basis, this deficit is USD2.4 billion with Spain, USD604 million with Italy, USD598 million with Slovakia, USD297 million with Bulgaria and USD277 million with France.

IV. Situation in Turkey

20. Even though, the bilateral agreements between individual EU countries and Turkey mostly contain a mix of quantitative limitations and qualitative rules of access to international markets, the Turkish road transport fleet and the road hauliers are subject to the same requirements as in the EU.

21. In terms of access to market and profession all international and domestic operations in Turkey have been regulated in line with the EU requirements. This started in mid-2003. Nearly 98 per cent of the domestic road transport market has been licensed with the introduction of the licensing system. As for the social rules presented by the AETR Agreement, Turkey started to implement the digital tachograph system as of 1 January 2011.

22. Market access conditions in Turkey are fully aligned with the relevant EU acquis. International road transport operations performed by Turkish hauliers are therefore in accordance with the same international rules and principles that European hauliers are obliged to observe.

23. In terms of environmental protection, motor-vehicles which are more than 23 years old and whose permissible maximum weights are heavier than 3.500 kg in freight transport as well as buses and coaches which have more than 16 seats, including the driver, are being withdrawn from the market. Furthermore, the significant portion of the Turkish fleet have Euro III engines and above.

24. On the safety and security issue, Turkey became a contracting party to the European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR) Agreement and reinforced the safety and security standards in its national transport operations by promulgating secondary legislation. With the modernization of customs gates and the introduction of electronic systems and infrastructure, border crossing times and paperwork to be done at border gates have been significantly reduced. Additionally, Turkey places great importance on Certificate of Professional Competence (CPC) exams and strictly regulates the authorized institutions all across the country.

25. Turkey is the biggest beneficiary of the TIR carnet in the world (22 per cent) with a high usage rate of total number of guarantees issued in the TIR System. In this regard, the number of the authorized TIR Carnet Holders is approximately 1,500, which means that the number of international road transport companies operating under the TIR System and in need of road transport permits is much more than that.

V. Conclusion

26. Quotas imposed on Turkish hauliers that are frequently mentioned by Turkey in both bilateral and multilateral platforms are actually not against Turkish trucks, but are technical barriers for the restriction of the free movement of Turkish industrial products. Turkey has therefore to always struggle against negative conditions in an unfair competitive environment. In this regard, we believe that the points below have to be taken into consideration in search for a permanent solution to the problem of transit quotas:

- One of the most important results of the abovementioned quota problem is delays in delivery times. According to the Customs Union rules, delays in deliveries resulting from any type of administrative, judicial or legal argument - apart from the unexceptional conditions - leads to indirect quotas. World Bank sources indicate that a one-day delay in delivery times causes a 1 per cent decrease in the volume of trade. Therefore, the most significant reason for the insufficient level of Turkish exports to the EU results from the sum of all the points mentioned above.
- Current road quotas give damage not only Turkish manufacturers but also all countries investing in Turkey.

27. At this point, we have to establish that we are facing a serious change in the paradigm today. The amount of direct foreign capital that entered Turkey in 2012 was USD16 billion and it is expected to exceed USD20 billion in the near future. In this regard, more than 70 per cent of foreign investors (30,000) in Turkey come from EU member states. Consequently, it is not only Turkish manufacturers that are negatively affected by the quota problem. Foreign investors in Turkey are equally affected and have to perform road transport operations under conditions of unfair competition.

28. As a result:

- Turkish exports remain below the levels where they should actually be;
- Turkish producers have to struggle with the conditions of unfair competition;
- Turkey has to incur income loss due to a decrease in production levels;
- Turkish employment levels cannot rise at a suitable rate;
- This unfair practice deters foreign investors from coming to Turkey.