



**Strengthening integration of the economies in transition into the world economy through economic diversification**

# **Trading Across Borders: Transport in the CIS region**

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## Inefficient transport and the economy:

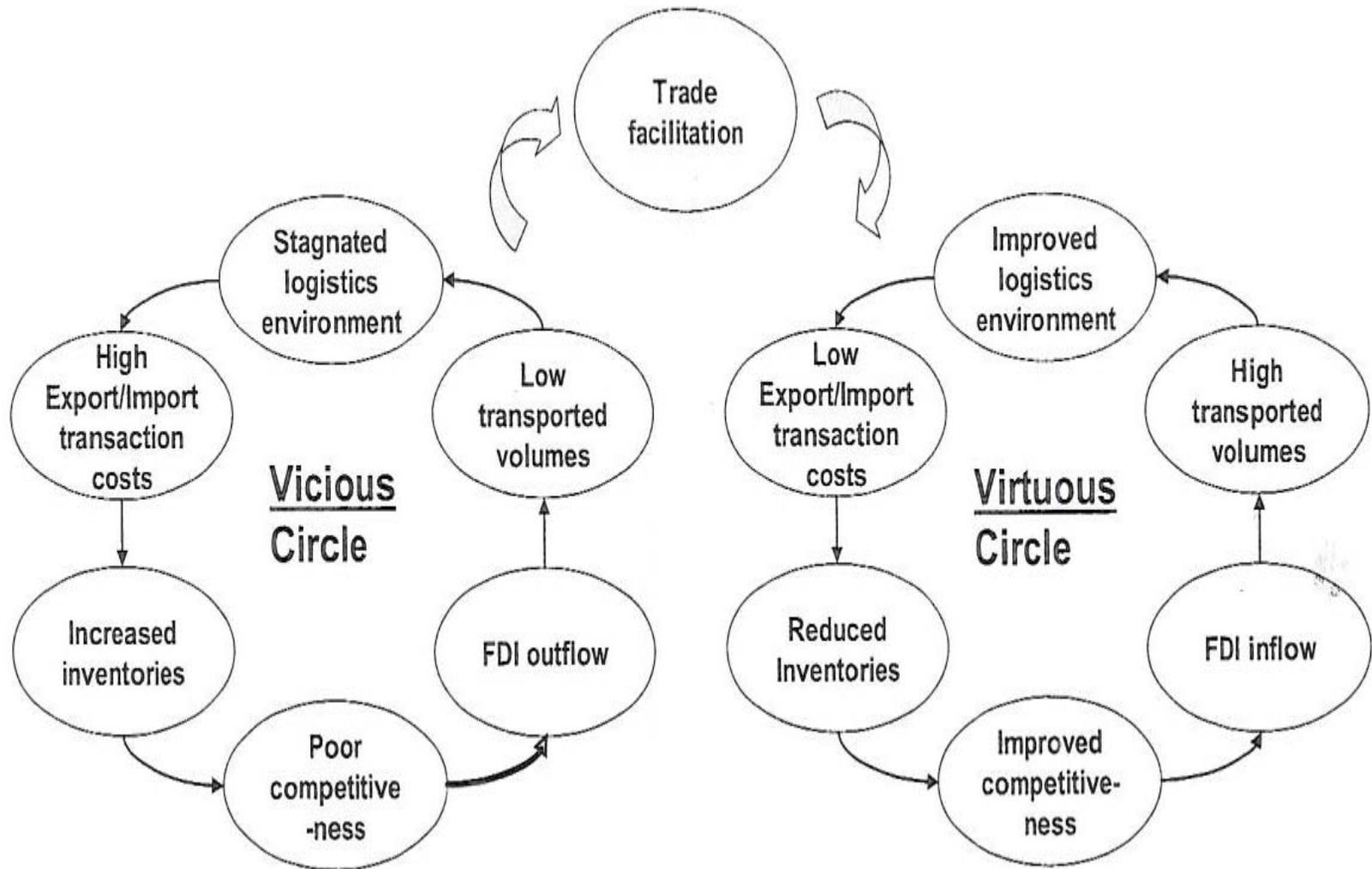
- **Integration**

- **discourage trade and investment (incl. FDI)**

- **Competitiveness**

- **higher import (lower export) prices**
- **higher inventory costs (“just-in-case instead of just-in-time”)**

## Vicious and virtuous circles:



Source: T. Naula and K. Rasulov, Simplification of export and import procedures in the Republic of Tajikistan, June 2007.

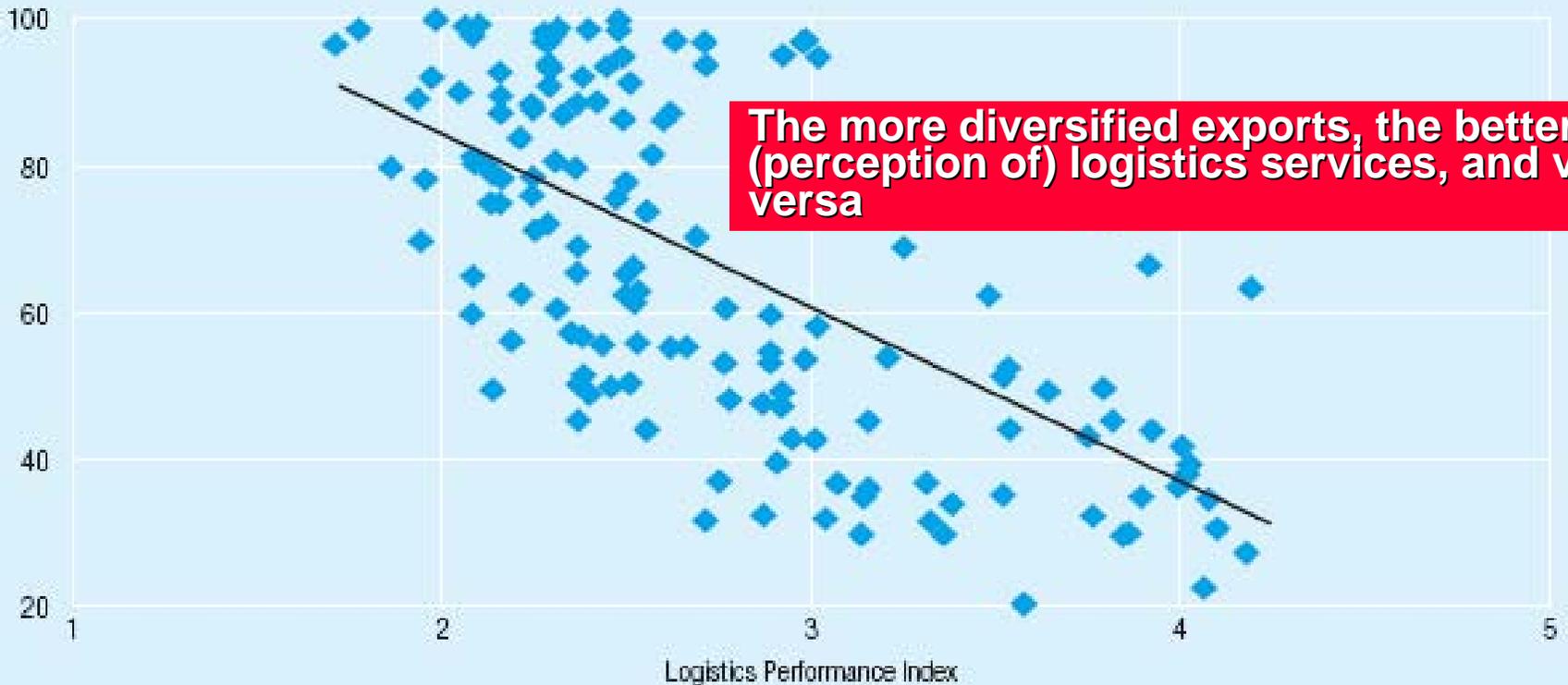
## Efficient transport/border crossing and diversification:

- **Efficient transport and border crossing necessary for economic diversification**
- **A “two-way street” relationship:**
  - **quality logistics services attract FDI and trade**
  - **increased FDI and trade encourage quality logistics services**

## Border procedures and transport go hand in hand with diversification:

Figure 1.4 Logistics performance is associated with the diversification of exports, 2005

Percent of top 10 exports in total exports



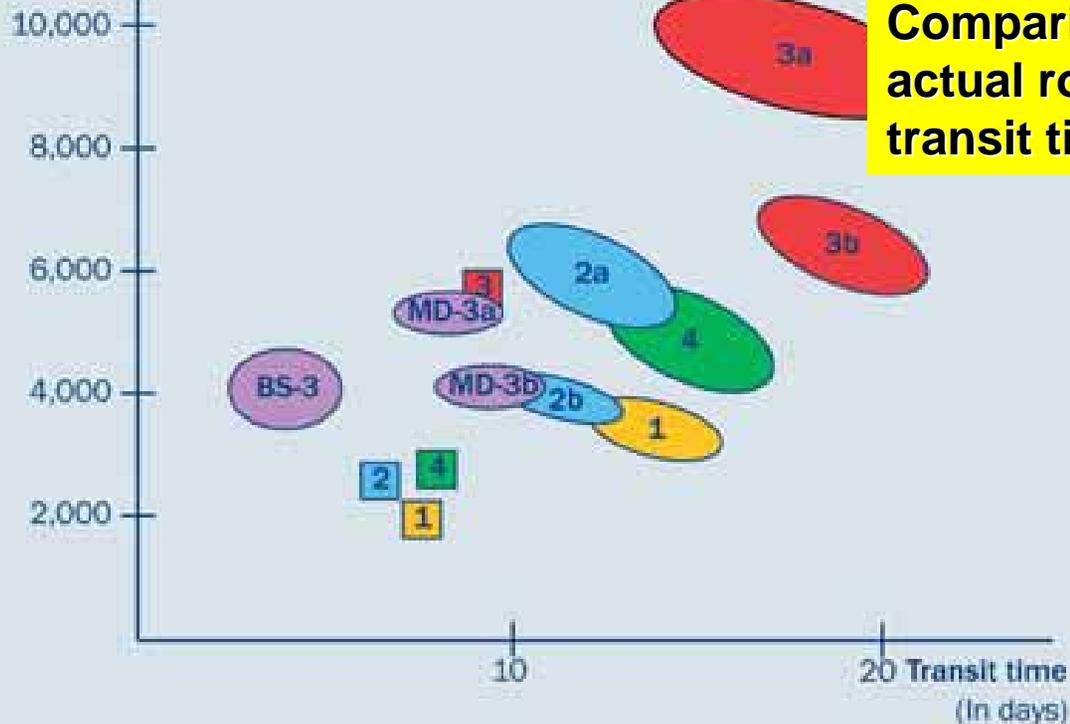
Source: UNCOMTRADE and authors' calculations.

Source: Connecting to Compete, Trade Logistics in the Global Economy, The Logistics Performance Index and its Indicators, World Bank, 2007.

## Transport infrastructure and facilitation: objective

- **Reduce the “economic distance”**
- **The sum of time and cost expenditures of moving goods to/from markets**
- **Is there anything to reduce? Too high transport costs and too long transit times?**

Transport costs  
(In US dollars)



**Comparison of the “ideal” with actual road transport costs and transit times in Central Asia**

Legends:



Actual transport costs and transit time



Transport costs and transit time in the “ideal world” (i.e. a world with balanced transport flows, competitive markets for transport services, smooth border crossing, low transit fees, and no visa problems and unofficial payments).

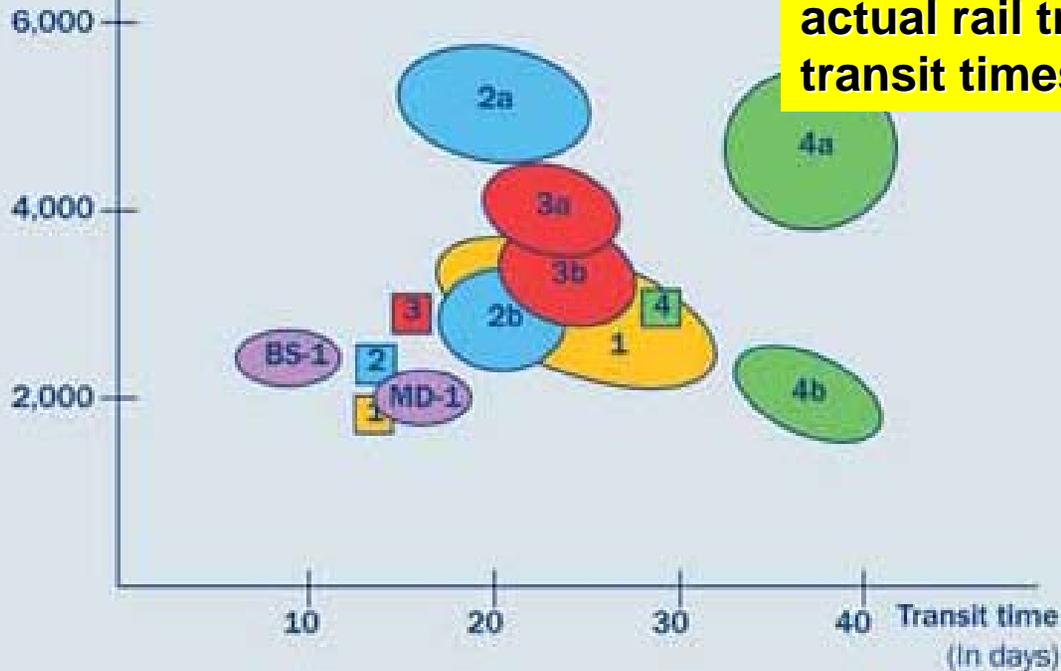
1

For a shipment by a local truck to Moscow;

2

For a shipment by a Turkish truck (a) from Istanbul and (b) to Istanbul;

Transport costs  
(In US dollars)



**Comparison of the “ideal” with actual rail transport costs and transit times in Central Asia**

Legends:



Actual transport costs and transit time

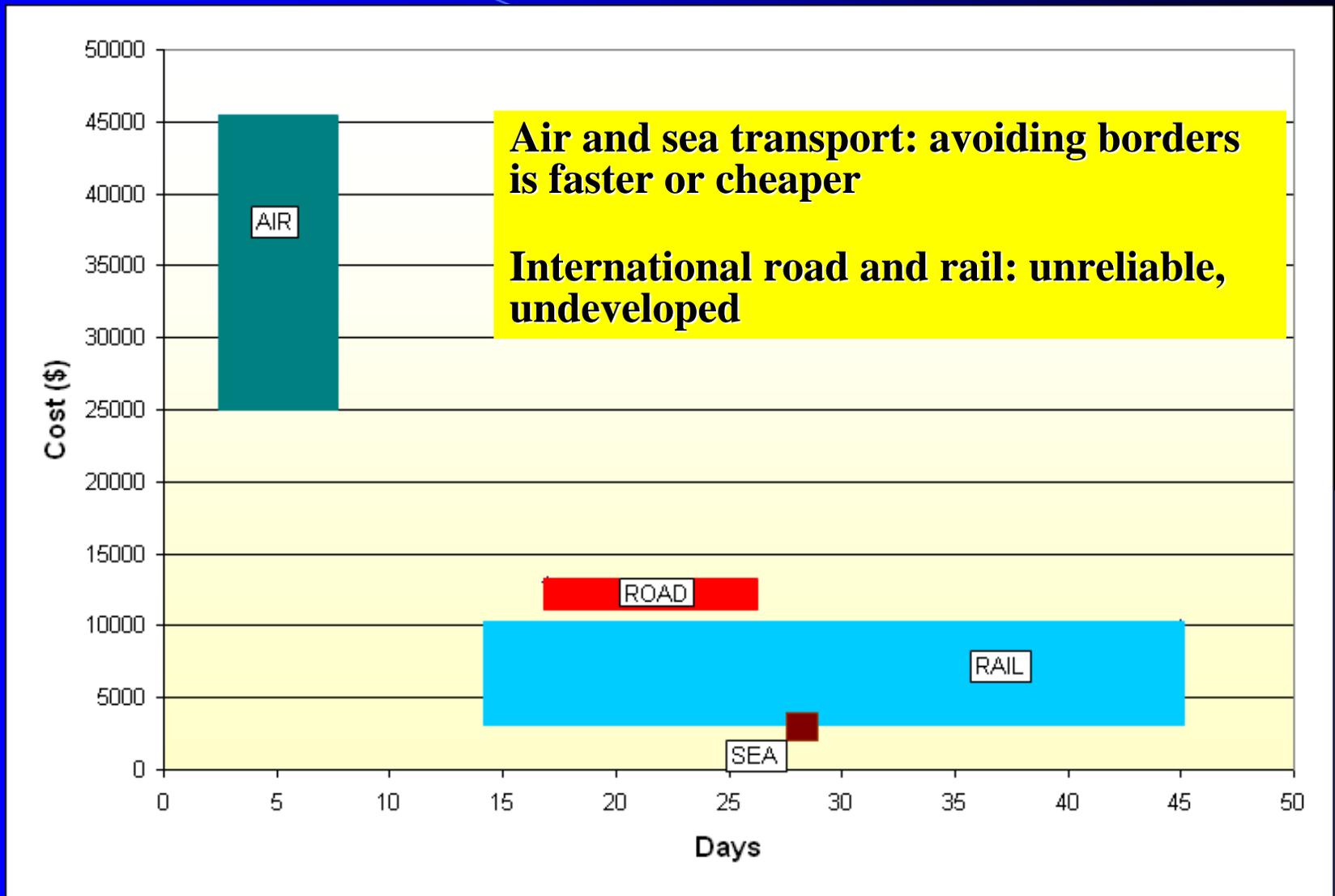


Transport costs and transit time in the “ideal world” (i.e. a world with balanced transport flows, competitive markets for transport services, smooth border crossing, low transit fees, and no visa problems and unofficial payments).

1 For a shipment of a full wagon or a 40-foot container from and to Moscow by rail;

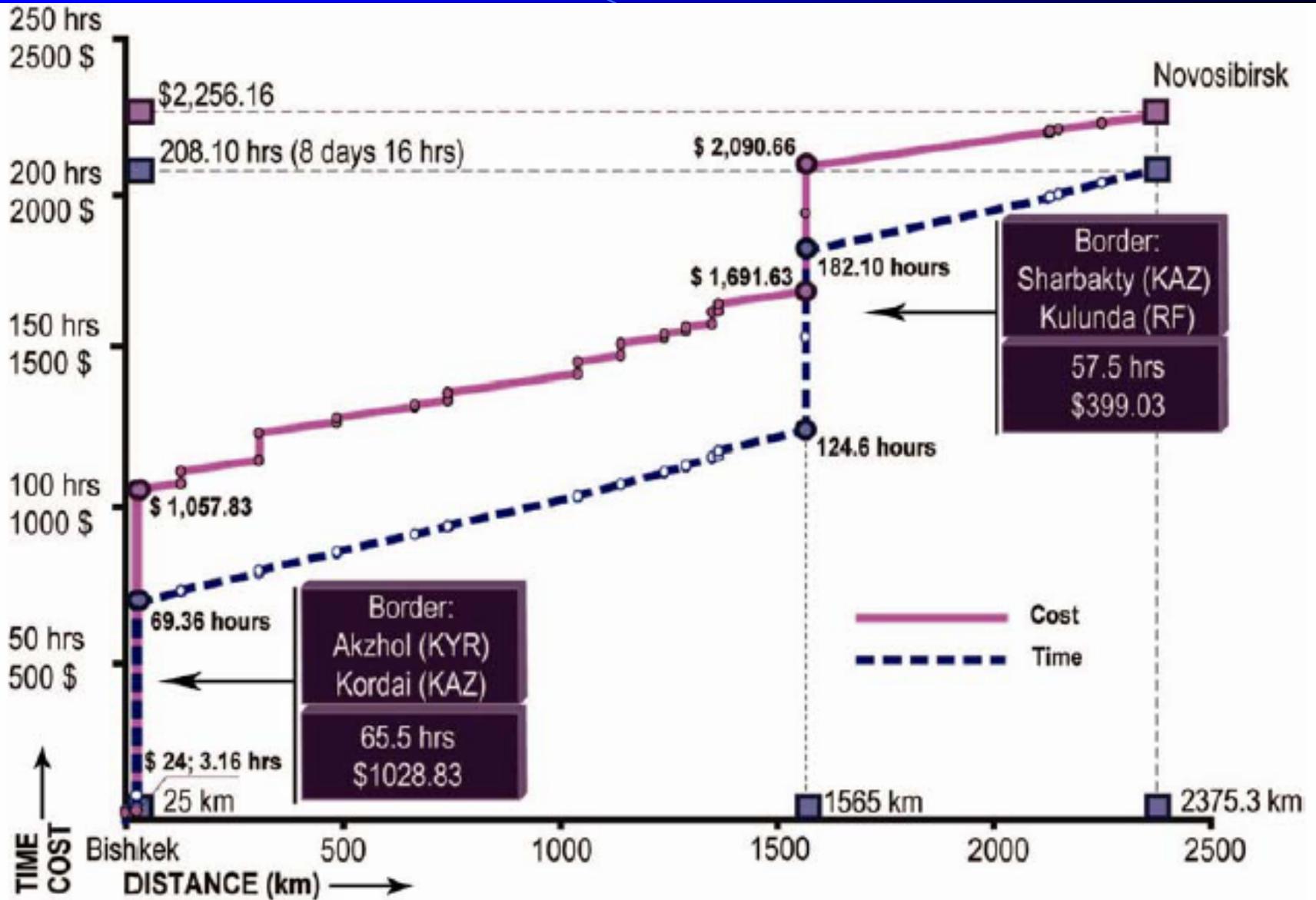
2 For a shipment of a 40-foot container (a) from Istanbul and (b) to Istanbul by rail and by sea;

# Freight costs and scheduled transit times China to Western Europe, (40 foot container or equivalent)

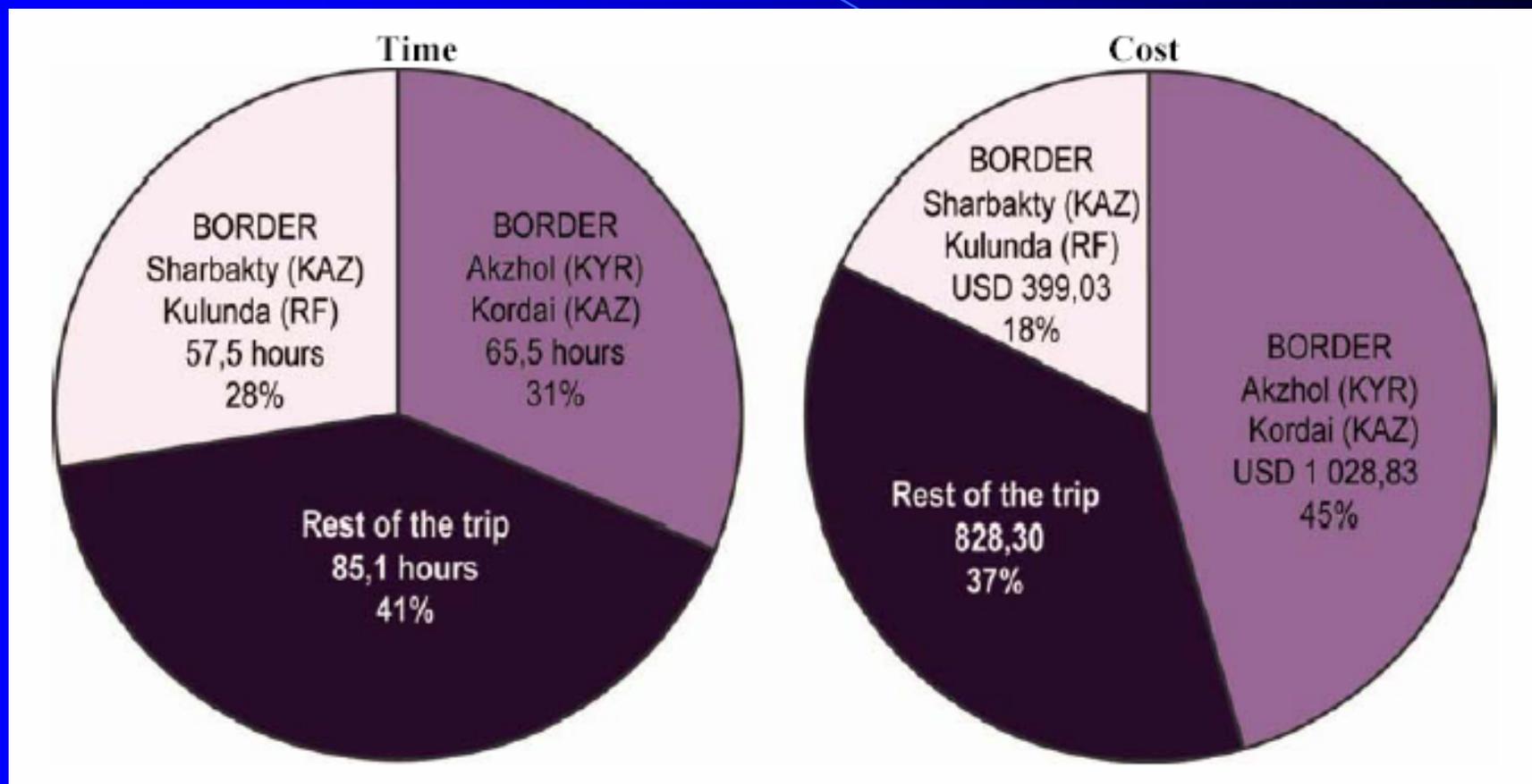


Source: Land Transport Options between Europe and Asia: Commercial Feasibility Study, US Chamber of Commerce, July 2006.

# Waiting times at borders too long and unpredictable: road route



## Bottlenecks at border crossings:



**Source: Project Working Group on Transport and Border Crossing, Special Program for the Economies of Central Asia, SPECA/PWG-TBC(11)/6, 21 February 2006**

# The Northern Transport Axis:

## Road:

Virtually all delays at borders

## Rail:

Technical constraints at borders



Source: The Northern Transport Axis, Final Report, European Commission, Directorate-General Energy and Transport, 2007.

## Time as a barrier to trade and diversification:

- **Too much time spent at borders**
- **Time reduces trade volumes**
  - **Lengthy trade procedures increase probability that trade will not take place**
  - **Time-sensitive sectors: manufacturing, retailing, clothing, high-tech**
  - **A high import content of exports (no mercantilism)**

## Trade/transport facilitation:

- Any “unnecessary” transport and trade requirements?
  - national competence constrained by international legal commitments
  - an economic perspective: cross-country comparisons
- Possible to make the “necessary” requirements more efficient?

**Procedural requirements for exporting and importing a standardized cargo of goods:**

- **Number of all documents required to export/import goods**
- **Time necessary to comply with all procedures required to export/import goods**
- **Cost associated with all the procedures required to export/import goods**

**Source: World Bank, [www.doingbusiness.org](http://www.doingbusiness.org)**

**Trade facilitation (proxy):**  
**Former Soviet Union, regional averages, 2007,**

	EXP	ORTS		IMP	ORTS	
	No. docs	Time days	Cost (\$)	No. docs	Time days	Cost (\$)
Central Asia	11	79	2,695	12	85	3,445
Caucasian Countries	8	33	1,662	10	31	1,795
European Countries	7	31	1,548	10	35	1,583
Baltic States	5	9	765	5	10	810

**Note: Turkmenistan not included**

**Source: World Bank, [www.doingbusiness.org](http://www.doingbusiness.org)**

**Border crossing facilitation (proxy):**

**Customs clearance and technical control, Former Soviet Union,  
regional averages, 2007**

	EXP	ORTS	IMP	ORTS
	Days	Cost (\$)	Days	Cost (\$)
Central Asia	8	180	11	193
Caucasian Countries	4	120	4	58
European Countries	3	200	5	205
Baltic States	1	68	2	68

**Note: Turkmenistan not included**

**Source: World Bank, [www.doingbusiness.org](http://www.doingbusiness.org)**

## Making border crossing more efficient:

### How?

- Provide high quality infrastructure
- Reform customs and other border agencies through better inter-agency co-ordination and cross-border co-operation
- UNECE's international legal instruments readily available:
  - eg., TIR, CMR, "Harmonization Convention"

## The International Convention on the Harmonization of Frontier Controls of Goods:

- **50 Contracting Parties**
- **All FSU countries except Moldova, Tajikistan and Turkmenistan**
- **Accession not equivalent to effective implementation**

## The “Harmonization Convention” facilitates border crossing:

- **The number and duration of border controls to be reduced**
  - customs controls, medico-sanitary, veterinary, phyto-sanitary inspections, quality controls and controls of compliance with technical standards
- **National co-ordination of border services**
- **International co-operation between the respective border services**

## The “Harmonization Convention”:

- **Implementation does not require large financial outlays, but mainly administrative/organizational measures**
- **Effective implementation entails significant payoffs**
- **How large?**

## What a difference does one day make?

- **Recent research:**

- **duration of export procedures has a large impact on exports**

- **a 10 per cent reduction in length of procedures is estimated to increase exports by 4 per cent**

- **Source: S. Djankov, C. Freund and C. Pham, Trading on Time, available at [www.doingbusiness.org](http://www.doingbusiness.org)**

## What difference does one day make?

<b>AZERBAIJAN</b>	13
<b>ARMENIA</b>	46
<b>BELARUS</b>	329
<b>ESTONIA</b>	777
<b>GEORGIA</b>	33
<b>KAZAKHSTAN</b>	172
<b>KYRGYZSTAN</b>	5
<b>LATVIA</b>	189
<b>LITHUANIA</b>	566
<b>MOLDOVA</b>	13
<b>RUSSIA</b>	3,349
<b>TAJIKISTAN</b>	7
<b>UKRAINE</b>	495
<b>UZBEKISTAN</b>	28

**Reducing the length of export procedures by one day, could result in additional exports, per year, in millions of dollars:**

**Calculations based on 2006 exports data and data from “Doing Business Report, 2008” (“pipeline” exports included).**

## Policy issues:

**Globally, three-quarters of delays attributable to borders not transport infrastructure**

- **Re-focus on border crossings**
- **Need for benchmarking; measuring performance at border crossings**
- **TIR – only functional, global transit system**
- **Closer co-operation between trade and transport**

## Summary:

- **Efficient transport/border crossing necessary (not only) for economic diversification**
- **Integrating border management procedures within and between countries:**
  - **relatively low implementation costs**
  - **large economic rewards**
- **Effective institutions take a long time to develop. Time to act today**