

**SIXTY-FOURTH SESSION OF THE ECONOMIC COMMISSION
FOR EUROPE**

**Palais des Nations, Room XIX
29 March 2011, 15:00-18:00**

**Item 3: The role of regional integration and cooperation for promoting
sustainable development in the ECE region**

(a) Transport and Trade Infrastructure

Issues Note

The Commission is responsible for making strategic decisions on the UNECE Programme of Work and also provides a forum for policy dialogue on the economic developments in the region. Hence, the Biennial Session of the Commission provides an opportunity for its member States and the UNECE's other intergovernmental partners to provide their strategic vision of how the effectiveness of the organization could be enhanced.

The objective of the discussion under agenda item 3 "The role of regional integration and cooperation for promoting sustainable development in the UNECE region" is to bring to the attention of member Governments the most challenging issues which the transport and trade sectors are facing in playing their essential role of integrators and cooperation promoters of sustainable development in the region.

Transport is one of the economic sectors with multifaceted implications for *sustainable development*. Analysis of its impact on economic and environmental sustainability is the subject of research, policy debates and many national and international initiatives and programmes. However, the impacts of transport on social sustainability are less known and not sufficiently analysed. The new publication by UNECE, "*Transport for Sustainable Development*" analyses the complex links and multilayered relationship between transport and the economy, the environment and society. It also discusses the best transport policy options to achieve sustainable development and highlights the UNECE contributions to this objective.

One specific aspect of sustainable development is climate change mitigation. The negative *environmental impacts of transport* must be addressed through coordinated policies and integrated actions to support climate change mitigation. Meeting the commitments to reduce CO₂ emissions from the transport sector requires adequate assessment tools and effective policy measures to be at the disposal of Governments. Political will and support for the further development of common methods and policy instruments for reducing green house gases and harmful emissions from transport is needed by all UNECE member States, but it must also be a global exercise. UNECE is leading the implementation by all the five Regional Commissions of the global project called *For Future Inland Transport Systems* (ForFITs).

Regional and subregional *transport infrastructure* constitutes a pillar of regional integration. Good quality, well developed and safe infrastructure fosters and facilitates trade flows and individual mobility between countries of the ECE region, and has a special importance for landlocked countries. It opens new markets and increases access to employment, education and health services, thus promoting economic and social development. It also has an

environmental impact since appropriate design and regulation reduce traffic congestion and CO₂ emissions.

Transport infrastructure connects and integrates regions and countries both with their neighbours and with the rest of the world. However, the financing of new infrastructure and the maintenance of what already exists is a growing challenge for many UNECE countries. Therefore, it is essential that only feasible projects with a high economic rate of return are promoted and that planning and prioritization are carried out at all levels - local, national, subregional, regional, Pan-European and even Euro-Asian. The UNECE supports the Trans-European Motorway (TEM), Trans-European Railway (TER) and the Euro-Asian Transport Linkages projects which aim at facilitating the identification and prioritization of transport projects of international importance.

Public funding for infrastructure development has always been inadequate but the recent economic crisis has further exacerbated these financing issues. Thus public-private partnerships continue to be an important way of funding new construction, as well as the maintenance and overall management of infrastructure across the UNECE region. Governments have had both good and bad experiences with private concessions. Among the lessons learned are that PPPs are beneficial for improving the efficiency of infrastructure delivery but not a panacea for solving all institutional and financial problems in the transport sector; nor will they eliminate the need for railway or road management reforms. On the contrary, countries that have implemented far reaching transport reforms appear more attractive to private investors. More can be read about recent experience in road and rail financing in the annexes of the revised TEM and TER Master Plans.

Commonly agreed trade and *transport facilitation standards* and the simplification of cross-border procedures reduce transaction costs, expand markets and have a large impact on economic sustainability. Consistent implementation of facilitation measures can play a significant role in supporting economic recovery in the region and reinforcing the competitiveness of the UNECE economic space. The two major stakeholders in border crossing facilitation are the border agencies (especially the customs administrations) and the transport operators - the users of the borders. While their interests do not always coincide, their cooperation is fundamental for promoting international trade and transport. At this time, many UNECE countries are participating in the WTO debates on a global trade facilitation agreement, as well as on transit facilitation. The UNECE countries, as well as a growing number of countries beyond the region, are contracting parties to legal facilitation instruments such as the TIR Convention, the Convention on the Harmonization of Frontier Controls of Goods and several other agreements. The implementation, as well as the modernization, of these existing legal instruments can have a direct and almost immediate impact on the conditions for “doing business” in a country and thus on competitiveness. Globalization, the deepening of economic integration and the accelerating implementation of technological innovations pose new challenges and offer many opportunities that are permanent issues on the agendas of the UNECE Working Parties.

Compared with the global situation, international inland transport among UNECE countries is well supported by fundamental *multilateral agreements*. However, one exception is cargo transport by rail, which is subject to different legal regimes within Europe and, even more so, between Europe and Asia. Over the past decades, international trade, particularly between Europe and Asia, has exploded. So has containerized maritime transport, reaching over 10 million twenty-foot equivalent units (TEU) annually. This trend is predicted to continue,

while seaports on both continents are already close to saturation, which calls for better hinterland connections, as well as for more efficient land-bridge between Europe and Asia. While important infrastructure projects along the Euro-Asian transport corridors have already been completed or are close to completion, a unified legal framework covering the contractual conditions for the rail transport is still missing. A new UNECE Expert Group will be set up that will work on achieving a unified railway law through progressive harmonisation.

International supply chains depend upon transport, but just as critically, upon information. Trade consignments cannot move any faster than the information (data) that is needed by the various parties involved in trade (including governments). For example, if goods arrive at the office of a transport operator without the shipping and payment information or at a port without the information for customs clearance, the goods will move no further. Thus, even if the transport infrastructure is in place, trade will not grow and flourish if information requirements are excessive, information systems are inefficient, relevant trade procedures are too complicated or trade institutions are inadequate. Within the UNECE region, integration into international supply chains is particularly important for the countries in Eastern Europe and Central Asia and, particularly, for their small and medium-sized enterprises.

For disadvantaged landlocked countries, integrating trade and transport facilitation measures can be a particularly effective tool in offsetting the barriers they face in regional and global trade.

One way of improving the management of trade information in supply chains is through the implementation of **international best practices and data standards** as developed by the UNECE through its Centre for Trade Facilitation and Electronic Business (UN/CEFACT). This session will highlight how these tools can be used in order to strengthen regional integration. Modern trade logistics require an appropriate trade information infrastructure - but this infrastructure must be filled with trade information (data) and, if this data is based on international standards, this will facilitate its exchange between participants in the international supply chain. The UNECE has a unique competence with regard to electronic business, trade and transport facilitation and how to automate these procedures in order to strengthen competitiveness and regional integration.

In view of the above, the discussion on this theme will address the following issues and the role of ECE:

- a) What are the most prominent best practices, and most striking challenges for sustainable transport development in UNECE countries?
- b) Which tools and policies are necessary to mitigate climate change effects and reduce transport related CO₂ emissions? What will be the implications for making the transport sector more environmentally sustainable?
- c) How can the transport infrastructure networks across the UNECE region be further developed in the global context? Which modes of cooperation could best assure coordination in the planning of international transport routes and infrastructure? Which financing methods would be the most effective in meeting the needs of the region and individual UNECE countries? How can the particular needs of landlocked countries in the UNECE region be met?

- d) Which are the best approaches to further facilitate international transport and simplify border-crossing procedures while taking into account security concerns?
 - e) What are the further steps that need to be taken to enhance the legal framework, transport regulations and standards for international transport, with a view to achieving better connectivity and economic sustainability in the region?
 - f) Is it important for small and medium-sized companies to participate in international supply chains? If yes, what are the principal obstacles they face when attempting to do so?
 - g) Can international standards and recommendations support access to international trade and supply chains?
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