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INLAND TRANSPORT COMMITTEE

Working Party on Road Transport

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**HARMONIZATION OF REQUIREMENTS CONCERNING INTERNATIONAL
ROAD TRANSPORT AND FACILITATION OF ITS OPERATION**

Quantitative Restrictions Imposed on International Road Transport of Goods

Transmitted by the Government of Turkey

During the seventieth session of the Inland Transport Committee, the Government of Turkey submitted a proposal concerning restrictions imposed on the transit quota of road transport permits (ECE/TRANS/2008/13). The Committee recognized that such restrictions might pose obstacles to road transport operators of some UNECE member countries and requested the Working Party on Road Transport (SC.1) to deal with this matter, in the broader context of the liberalization of road transport services, the future regulatory framework of direct and indirect market access conditions to international road transport, the potential impact of the World Trade Organization (WTO) transit facilitation negotiations, etc., and to report to it at its next session.

Based on the request of the Committee, the Working Party, at its 102nd session, agreed to include the matter on its agenda for the 103rd session and invited the delegation of Turkey to provide more details on the subject (ECE/TRANS/SC.1/383- para.47). The Government of Turkey prepared the attached document, submitted for consideration to the Working Group at its present session.

Quantitative Restrictions Imposed on International Road Goods Transport

1. As is well known, road transport, which is the principal land freight transport mode, including in transit, is widely subject to quotas and permits, which often generate limitations also in transit traffic.
2. International road transport on the European continent, excluding transport operations which have a distinctive feature resulting from the free market access in and between EU Member States,¹ are performed within the framework of two different systems: the relatively dominant bilateral system based on annual negotiations on the size of road transport quotas imposed on a foreign trucks and the International Transport Forum (former European Conference of Ministers of Transport) multilateral quota system (here after referred to as "ECMT Quota").
3. The ECMT Quota of transport licenses is based on the allocation of a basic quota fixed for Member countries in accordance with certain criteria, such as country population, GDP, fleet structure, freight transport performance in ton-km, etc. It ensures unlimited transport operations between the Member country of registration and another Member country in the course of the year, while, due to recent limitations of previous freedoms, the haulier may maximum perform three loaded journeys, where the Member country of registration is not involved, after-before a loaded trip between the Member country of registration and another Member country. The size of the quota is defined through discussions among Member countries of ECMT, whereby the structure and size of the ECMT Quota beyond 2010 is presently under review.
4. The bilateral quota system is dependent on bilateral agreements between pairs of countries which authorize a haulier of the other Contracting Party to conduct bilateral, transit or third-country transport operations. Road transport permits for international bilateral/transit/third-country transport are fixed through these Agreements and/or the Joint Committee Meetings on Road Transport that are organized periodically. Permits in limited numbers for each type of transport are, in general, exchanged every year.
5. Today, both systems are subject to criticism due to restrictions imposed on the multilateral quota system and the bilateral license system having always been considered an important hindrance for the development and growth of international trade. Road transport quota limitations are deemed to be quantitative restrictions on the free flow of trade between countries. In most cases, permit quotas imposed on international road goods transport do not follow the progress of trade relations between states.
6. Quantitative restrictions imposed by some countries on bilateral and/or transit road goods transport operations have a significant negative impact on transport costs and thus a substantially harmful effect on the overall cost of trade (import or export of products). The ultimate results are:

¹ Except provisional market access restrictions regarding cabotage traffic in relation to new EU Member States.

- (a) Unnecessary delays in deliveries and the resulting decline in consumer satisfaction
- (b) Significant rises in cost of trade and consequently in product market prices
- (c) Loss of competitiveness of economies not being part of the EU and often in peripheral geographic situation
- (d) Loss of wealth for the consumers

7. Such arbitrary road traffic restrictions give rise to unjustified transport cost increases for Turkish hauliers. The total burden, roughly, accounts for €100 million per year. These limitations act as barriers to trade and they violate GATT Article V as well as they limit the benefits of general trade facilitation achieved by the World Trade Organization (WTO) system over the last decades.

8. Moreover, discriminatory road and transit charges constitute a further barrier to trade and fair competition. There are unjustifiable differences between the charges applied by Members. This gives rise to concern over the fairness of charges with regard to administrative expenses and the cost of the services rendered contrary to provisions of GATT Article VIII. In a possibly new WTO trade facilitation agreement under consideration as part of the Doha negotiations, the non-discrimination principle should be underlined and reinforced, which means that domestic and foreign transport operators should be charged equally as well as foreign operators should be imposed uniformly irrespective of their country of registration or origin / destination (MFN and NT principles).

9. Transit traffic quotas and permits are often addressed also in bilateral agreements. However bilateral arrangements do not bring an effective solution to the problem since most transit movements involve several countries and require a series of agreements on both bilateral and transit traffic rights.

10. On these grounds, Turkey, with a view to facilitating trade, has liberalized road transport with 18 countries and continues to urge countries, in bilateral and multilateral forms, to eliminate barriers to the transit transport of goods among other things by referring to the below mentioned multilateral principles and agreements.

11. In this context, it should be recalled that a number of agreements set out the principle of the freedom of transit. One should cite Article V of the 1994 General Agreement on Trade and Tariffs (GATT) of the WTO and the revised Consolidated Resolution on the Facilitation of International Road Transport (R.E. 4) adopted by UNECE in 2004.

Paragraph 2 of GATT Article V stipulates:

“There shall be freedom of transit through the territory of each contracting party, via the routes most convenient for international transit, for traffic in transit to or from the territory of other contracting parties. No distinction shall be made which is based on the flag of vessels, the place of origin, departure, entry, exit or destination, or on any circumstances relating to the ownership of goods, of vessels or of other means of transport.”

12. There is no doubt that Paragraph 2 prescribes the unlimited freedom of transit. It requires each Member to allow free transit through its territory for traffic to or from the territory of another Member. Moreover, the WTO has clearly confirmed that it requires from Member States to ensure the freedom of transit also for road vehicles, which is incompatible with the existence of quantitatively restrictive systems of authorizations.

13. Besides, the revised Consolidated Resolution on the Facilitation of International Road Transport (R.E. 4), adopted by UNECE in 2004, asserts:

“Without prejudice to other provisions of these principles, freedom of transit should be granted on major international traffic routes (E-roads in Europe, similar roads on other continents). Traffic should not be banned or subjected to such measures as transit duties, taxes (other than user charges and tolls for the use of transport infrastructures) or quotas.”

14. Having considered the utmost importance of the transit quota issue, Turkey has prepared and submitted a paper to the seventieth session of the Inland Transport Committee (ITC) held on 19-21 February 2008. Consequently, the ITC concluded that:

“Regarding the proposal concerning restrictions imposed on the transit quota of road transport permits, submitted by the Government of Turkey in document ECE/TRANS/2008/13, the Committee **recognized** that such restrictions might pose obstacles to road transport operators of some UNECE member countries and **requested** the Working Party on Road Transport (SC.1) to deal with this matter, in the broader context of the liberalization of road transport services, the future regulatory framework of direct and indirect market access conditions to international road transport, the potential impact of the World Trade Organization (WTO) transit facilitation negotiations, etc., and to report to it at its next session.”

15. In order to carry out this task, Turkey proposes that the Working Party on Road Transport or a Task Force to be established by representatives from a limited number of Members on a voluntary basis should deal with the matter. The Working Party or a Task Force could firstly analyze the current status of transit and bilateral road transport permit quotas throughout the UNECE region and also the consequences of imposing restrictions on international trade with charts indicating the financial and administrative burden and related economic losses. Member States then should find

the proper solution and implement them through the Inland Transport Committee (ITC) of the UNECE.

16. As a result, a multilateral solution, which provides standardized, transparent and predictable applications in the transit and bilateral quota regime according to standards specified by the WTO, the UNECE and other international forums and Conventions, including the elimination of all quantitative restrictions and other barriers that violate the provisions of GATT Article V, should be adopted and implemented.

17. There is no doubt that fast and efficient international road transport operations will have an extremely positive impact on trade, social and economic progress and the peaceful co-existence of nations.
