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Trade Facilitation and Transport Reform

by

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ABBREVIATIONS AND ACRONYMS

CEPAL	(UN)Economic Commission for Latin America and the Caribbean
CIF	Cost, Insurance and Freight
CIP	Carriage and Insurance Paid to..
DCP	Carriage Paid to..
DTI	Direct Trader Input (of Customs data)
ECE	(UN)Economic Commission for Europe
EDI	Electronic Data Interchange
ESAL	Export Sector Adjustment Loan (Mexico)
FCL	Full Container Load
FOB	Free on Board
FRC	Free Carrier at..
GDP	Gross Domestic Product
ICC	International Chamber of Commerce
ICD	Inland Clearance Depot
IFS	International Financial Statistics
IFTMER	International Forwarding and Transport Message Framework
IMT	Mexican Institute of Transport
INCOTERMS	ICC Carriage Terms
"just-in-time"	the concept of minimizing inventories by arranging precise delivery schedules
"KTNet"	South Korea EDI network
LCL	Less-than-container load
MTC	Multimodal Transport Convention
MTO	Multimodal Transport Operator
"Multimodal"	Empresa de Transportes Multimodal (Mexico)
NIC	Newly Industrialized Country
NVO-MTO	Non-Vessel Owning Multimodal Transport Operator
teu	twenty foot equivalent unit
TMM	Transportes Maritimos Mexicanos
"Tradelink"	Hong Kong EDI network
"Tradenet"	Singapore EDI network
UN/EDIFACT	(UN)Electronic Data Interchange for Administration, Commerce and Transport
UN	United Nations
UNCTAD	UN Commission for Trade and Development
UNTDED	UN Trade Data Elements Directory
USAID	United States Agency for International Development
"Value Added Networks"	Organizations translating between EDI networks
VO-MTO	Vessel Owning Multimodal Transport Operator

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This study was undertaken by Malise Dick, Senior Transport Economist and Railways Adviser, LATIE. Fieldwork was executed by Nancy Jesurun-Clements (Consultant) on Costa Rica, The Instituto Mexicano del Transporte in Mexico, and the Economic Commission for Latin America and the Caribbean in Argentina and Chile, whose assistance was much appreciated. Mr. David Hughart reviewed an earlier draft of this document and provided helpful comments and suggestions. The report was prepared by Sonia C. Molina, LATIE.

ABSTRACT

This report reviews the institutional obstacles to the efficient use of containers in the international trade of four Latin American countries. It looks particularly at four areas of potential concern a) Treatment of consignments which are insufficient to fill a container (commonly called Less-than-container load or LCL) b) documentary processes in general c) customs procedures in particular and d) the development of Multimodal Transport and Electronic Data Interchange (EDI).

The method employed was to issue a questionnaire to selected importers/exporters in Argentina, Chile, Costa Rica and Mexico, undertake follow-up interviews, discuss with providers of transport services and review current literature on developments in the area. The macro-economic setting in the four countries was also considered.

After brief chapters introducing the study, and outlining its objectives, the report focusses on two key chapters. The first reviews the responses to the questionnaire which asked for shippers views on the quality of service provided by the various agents in the transport chain, and places these in a macro and micro-economic context. The second investigates in detail developments in three areas which are believed to be of critical importance; the terms of carriage of foreign trade, the necessary conditions for the development of efficient multimodal transport, and the benefits (and costs) in the development of electronic data interchange.

The report concludes with responses on the four areas of particular concern, draws conclusions and makes recommendations.

Annexes include a bibliography, detailed responses to the questionnaire and extracts from documents with particular relevance to the report themes.

About 60 pages including annexes and bibliography.

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ANNEXES

EXECUTIVE SUMMARY

Introduction, Objectives and Methodology

i. During the last quarter century, the nature of non-bulk seaborne trade has changed dramatically, with the substantial substitution of movement in containers (basically, steel boxes 20 to 40 feet long) for traditional movements in pallets or bags. Containerization in Latin America lagged behind, probably partly due to the comparatively closed nature of the economies. In the last five years or so, however, the physical development of container facilities, and the volume of container traffic, has increased substantially, more than doubling in some countries. However, there were indications that the institutional developments necessary to take full advantage of the possibilities of the container have been slower to materialize.

ii. Accordingly, the objective of this investigation was to review the institutional constraints on containerization in four countries (Argentina, Chile, Costa Rica and Mexico) which it was hoped would give a picture reasonably representative of the region. The study was to focus primarily on: a) less-than-container-load (LCL) movements, particularly relevant to small shippers; b) transportation and associated documentation. The underlying issue was whether cumbersome documentation and procedures were a significant problem; c) customs and customs associated requirements and procedures. Customs are clearly a central element in international transport movements; and d) the development of multimodal transport, with its ramifications such as Electronic Data Interchange (EDI). Multimodal transport is principally distinguished from unimodal by having one agent (the principal) responsible for all movements in the transport chain.

iii. The importance of the topic is demonstrated by the various estimates of the benefits of improvements in the institutional framework. Review of Mexican customs procedures some three years ago indicated that the proposed reform program, which has since largely been implemented, would generate benefits of more than US$2 billion annually. Similarly, some years ago the Economic Commission for Europe estimated that the substitution, where possible, of Electronic Data Interchange (EDI) for paper documentation could save up to 8% of the value of intra-EEC trade.

iv. The methodology chosen was to determine upon a list of typically containable commodities, identify a sample of companies handling them, issue a questionnaire soliciting information on their operations and views on the workings of the transport chain, review comparative literature, and undertake more

intensive work on the key problem areas. The last activity was not accomplished due to resource limitation.

Conclusions and Recommendations

v. The conclusions of this report can be considered under four headings, the macro/microeconomic linkages, the formal impediments to efficient operation of the transport chains, the dynamic of recent developments in the countries surveyed and, finally, the remaining weaknesses.

vi. At the time when fieldwork was undertaken, (early 1991) there were significant differences in the macroeconomic situations in the four countries. Chile was enjoying steady and satisfactory economic growth, Mexico had emerged from several years of stagnation, and Argentina was in recession. The Costa Rican economy was growing, but only marginally above the population growth rate. The perception of users regarding the efficiency with which the transport chain was operating largely reflected the macroeconomic situations, and the objective evidence, such as it was, tended to be in line with user perceptions. Chilean institutions were generally functioning satisfactorily, Mexican were improving though not uniformly, while the Argentinean situation was generally unsatisfactory. Only Costa Rica, where transport and trade institutions were not seen as working well, despite economic growth, was inconsistent with this pattern. It is exceedingly difficult to assess which was the driving force, but it does seem clear, and almost tautological, that countries, in which foreign trade is significant, cannot expect to achieve satisfactory economic growth without a generally satisfactory trade/transport chain.

vii. Legal regimes were probably less of a problem than the manner in which the laws are interpreted, and the tendency towards inertia and acceptance of conditions which would be considered unsatisfactory elsewhere. For example, there are no legal impediments to establishment of inland facilities for consolidation of Less-than-container-load (LCL) consignments, but in fact these are rare, and small exporters (and importers) face considerable uncertainty in their international trade movements. In some countries, facilitation centers were established to address this problem, but in fact tended to restrict entry, thus defeating the objective. Similarly, there is a tendency for the terms of carriage normally employed to encourage the international element of external trade movements to be left to foreigners, with the local freight forwarders (whose legal status is, admittedly, inappropriate to modern conditions as he acts only as an agent for a consignor, thus not taking responsibility) handling only national movements.

viii. The situation is, however, changing quite rapidly, and (eg) conditions in Argentina are reportedly perceptibly improving. The Mexican experience gives a good indication of what can be achieved and can be summarized as follows:

a) the trucking industry, previously subject to numerous directives from government, was substantially deregulated in mid-1989. By 1991, significant improvements had taken place; rates had been reduced, particularly in highly trafficked corridors, and investment in new vehicles, which had been minimal for nearly a decade, had started to recover.

b) customs, which had previously been notorious for slowness and cost, had been substantially reformed. In particular, the liability assessment function had been separated from revenue collection and a system of 10% random survey had replaced the previous discretionary system, with its frequent inspections. Additionally, the customs agent profession, previously a "closed shop", had been opened up and the number of agents accordingly increased. These measures had increased both the speed of service and the satisfaction of the customers, significantly.

ix. There are still significant weaknesses in the trade/transport chain. First, practice does not always follow theory closely. In Mexico, for example, the 10% customs inspection rule often translates into a whole consignment of containers being held up for several days, because all are on the same "bill of lading". This obviously was not the intention, and Mexican customs will hopefully be addressing the problem. Another example is that movement of containers inland may be legal, but the paperwork too complex for the consignee/consignor to take advantage of this conceptual advantage.

x. Secondly, best practice would suggest that containers spend as little time in port as possible. There are three main reasons: a) the risk of damage or theft is generally accepted as being higher in ports than in ICDs or outside warehouses; b) the technical characteristics of container ports are increasingly determined by shipping lines that demand that their very expensive ships are turned round rapidly. The advantage to the customer of such speed is lost if the container then sits in the port awaiting processing or collection. This clogging of ports also tends to encourage proposals for new port investment, even when better landside operations could avoid them; and c) modern industrial practices increasingly call for "Just-in-time" supply of components. The emphasis is usually more on predictability than absolute speed of delivery, and such predictability is inconsistent with port delays. Unfortunately, practices such as

allowing excessive free storage of containers in ports, and imprecise distribution of responsibility for port operations, can, and do, inhibit efficient use of both facilities and equipment. Furthermore, the various links in the transport chain are usually under different managements, and their coordination is often less than ideal.

xi. Increasingly tied into all of the above are documentation and communications. Developed countries, including the so-called Newly Industrialized Countries (NICs) of the Pacific Rim, are increasingly employing electronic rather than paper communications and documentation. The subject is complex, and experts in the field point out the dangers of superimposing an electronic system on inappropriate documentary practices. This has led, in many countries including Singapore and Korea, to central government playing a leading role in setting up systems, which may take several years to become operational. In Latin America, only Brazil is a member of UN/EDIFACT, which is becoming the international standard, and in none of the four countries was use of EDI well advanced.

xii. The recommendations flow almost naturally from the conclusions. If encouragement of international trade is an objective, inefficiencies in the trade/transport chain should be reduced. Some of these relate to information. Small exporters will be encouraged if they have sources of information on how to deal with commercial documents, arrange transport and liability coverage. Also, if freight forwarders had a stronger legal position, their willingness to invest in computational equipment and start assuming the role of multimodal transport operators could be increased. Documentary improvements should be encouraged from two standpoints a) simplification and adaptation to the realities of container rather than breakbulk transport and b) preparation for the substitution of electronic for paper transmission of information. Customs reform, where not underway, should be encouraged, with adaptation of proven good practices preferable to reinvention of the wheel. Again, this goes hand in hand with increased use of computers and shifting the focus from comprehensive to selective inspection, coupled with significant penalties rigorously enforced. The Mexican experience suggests this approach is welcomed by traders.

Other Issues

xiii. Two issues and recommendations relate directly to the role of government and promulgation of this report. First, should the workings of market forces by themselves be expected to address the deficiencies that still exist in the trade facilitation and transport chain. The answer might well be "yes" if time were not at a premium. Latin American countries are now much less protected from the forces of competition than a decade ago, and their competitors

are not standing still. If the process of identifying in detail the main problems, which will vary in relative importance and intractability from country to country, is not undertaken quickly, the next generation of advances will have occurred before regional countries have absorbed existing ones. Governments are inevitably involved in trade and transport policy and major institutions involved in them, and if the governments of countries like Singapore and South Korea take a leading role in facilitating trade, there are sound reasons for Latin America doing likewise. The Bank, for its part, is well positioned through either transport or trade loans, and associated studies, to assist in this work.

xiv. Finally, this report would not pretend to be comprehensive even at the time it was prepared, and with changes taking place rapidly it would in any case soon become out of date. However, strong interest in the subject of trade facilitation and its links with transport was expressed by nearly all parties involved in the report's preparation, and it does at least provide a basis for discussion of the main issues. For this reason,it is for consideration that it should be employed as the basis for a regional or sub-regional conference on the subject. There may be merit in concentrating on the northern part of Latin America, as the Economic Commission for Latin America and the Caribbean (CEPAL) has already organized a conference with a similar, but not identical, theme, attended mainly by southern countries. Costa Rican authorities have expressed an interest in assisting with arrangement of the suggested conference.

1
INTRODUCTION

1.1 During the last quarter century, the form in which international seaborne trade in non-bulk products is moved has changed dramatically, from small units, prearranged on wooden pallets, to steel containers up to some 45ft. in length. The container now dominates non-bulk trade between developing countries, but it is only in recent years that the "container revolution" has penetrated Latin America. Part of the reason has been inadequacy of physical structures, and the characteristics and shortcomings of these have been the subject of studies and seminars dealing with the east and west coasts of South America, the results of which are summarized in " Containerization and Multimodal Transport in LAC - A Strategy for the Nineties"(Ref.1).

1.2 Part of the comparatively slow development may, however, be due to institutional rather than physical impediments. The term "institutional" can be subject to a variety of interpretations. For the purpose of this study, the simplest definition, impediments which are a function of processes including the legal and administrative framework rather than those that need to be addressed primarily through investment in structures and equipment, was chosen.

1.3 Some indication of the importance of the subject can be gauged from two of the more precise estimates of benefits to be gained from improvements in the areas covered. In Mexico, the government's program of customs reform was estimated, two years ago, to yield annual benefits of more than US$2.0 billion. Substitution of electronic transmission of information for paper documentation was estimated, by the Economic Commission for Europe (the "father" of Electronic Data Interchange (EDI)) to yield cost savings of about 8% of the value of intra-EEC trade. In terms of the international trade of the four countries reviewed in this document, this would be the equivalent of US$15 billion yearly. Obviously, the magnitude of the savings would be less in economies where labour intensive methods are less expensive than in Europe, but they would still be impressive.

1.4 Although the study was approved before issuance of Procedures for LAT's Regional Study Program, the study conforms to the objectives of the program in providing an insight into a regional sector development issue, supplementing knowledge on trends and drawing lessons from experience in selected countries which may have relevance elsewhere in the region.

1.5 This report is presented in seven chapters. After a brief **Introduction**, the study **Objectives** are noted, and the **Methodology** chosen to meet them, which included issuance of a questionnaire, described. Thereafter, the responses to the questionnaire in the **Macro/Microeconomic Framework** are reviewed, and a section is then devoted to the interrelated topics of **Multimodal Transport**, Terms of Carriage and Electronic Data Interchange. **Results** and overall **Conclusions** and **Recommendations** are then presented.

2
STUDY OBJECTIVES

2.1 The basic objectives of the study were to identify, for a representative selection of Latin American countries,the importance of institutional, as opposed to essentially physical, issues in the transport of traded goods, and make recommendations on how these issues could be addressed.

2.2 There are basically four elements which were, a priori, identified at study commencement as important. These were:

a) procedures particularly affecting Less-than-container-load (LCL) consignments. The relevance is that containers have large capacity (8' x 8'6" x 20' is the capacity of the Twenty foot equivalent unit (TEU) which is the standard employed for measuring containers capacity) and consignments which are insufficient to fill a container necessitate consolidation with other consignments.

b) transport documentation. The underlying concern was whether improvements in documentary procedures had kept pace with the physical improvements associated with containerization.

c) a special, central, focus of documentation is customs. The study would examine the extent to which customs procedures were an obstacle to trade facilitation; and

d) the status of development of multimodal transport, in the full sense of a system whereby containers wouldmove by different transport modes under the responsibility of a single agent. Within that framework, the study would examine the implications of the development of Multimodal Transport Organizations (MTOs). Because the container can theoretically be moved from the door of the consignee to that of the consignor without its contents being disturbed (the "Door-to-door" concept) in contrast to the segmented movements associated with traditional cargo movements (e.g. by truck to port, storage in a transit shed, loading on ship with reverse procedures at the other end) there has been a strong trend towards the establishment of foreign carriers offering door-to-door services. The potential issues were whether MTOs would tend to be foreign and monopolistic, and whether indeed fully comprehensive through transport services were available.

2.3 A fifth consideration, whose close association with those identified above has become clear during study investigations, are the benefits from the introduction of Electronic Data Processing/Interchange (EDI) in trade documentation, the issues encountered in its development, and the extent of its use in the countries under review.

2.4 The ultimate objectives of the study were to analyze the situations of the four subject countries with respect to the above, identify the issues arising particularly as they might apply to other countries in the

region, recommend actions to address these issues and identify any further analysis required.

3
METHODOLOGY

3.1 To obtain a reasonably representative sample of country conditions, and to confine attention to trade in products which are likely to be typical of those moving in seaborne containers (as distinct from bulk products, which normally move in specialized ships, and to highly perishable or high value items which normally move by air) the study concentrated on four countries and products which were of medium value (up to US$5000 per metric ton) and generally "containerizable". The four countries chosen were a) Mexico: large, diverse and undergoing a process of restructuring; b) Costa Rica: comparatively small, economically quite dynamic but without pronounced restructuring; c) Chile: with an impressive record of economic growth in recent years and d) Argentina, which at the time was in economic recession, and in which economic activity was heavily concentrated geographically.

3.2 It was envisaged that the study would draw upon a combination of review of existing documentation, and discussion, both within and outside the Bank, and that the primary interlocutors would be the international trade oriented users of transport services. Initially, Chambers of Commerce were seen as a means of obtaining wide experience economically, but after further consideration it was felt there would be a tendency to "filter" information and accordingly direct contact with users was chosen.

3.3. The work program was devised to obtain representative user opinion of the transport chain at an early stage, and through follow-up interviews, determine the underlying causes of problems identified. This modus operandi was envisaged as having the following steps:

a) preparation of a questionnaire to elicit relevant information. (Annex 1);

b) assembly of a list of potential interviewees which would i) be reasonably homogeneous between the four countries ii) be sufficiently large to obtain a reasonable cross-section of opinion, without becoming unmanageable and iii) give a spread across large and small companies;

c) issuance of the questionnaire, review of responses, undertaking of interviews, tabulation and analysis of results;

d) follow-up investigation of the main issues identified, through review of existing material, discussion with expert opinion, and further fieldwork as appropriate;

e) preparation of conclusions and recommendations for review by the LAT Regional Studies review meeting, and, if then approved, dissemination first within the Bank and latterly at a workshop in which participation by regional country representatives and outside organizations would be invited.

3.4 In order to stimulate local interest, and to implement the study cost-effectively, it was decided to undertake the work more or less simultaneously in all four countries, under the overall supervision of the Bank, with the fieldwork being executed

as follows a) in Mexico, by the Instituto Mexicano del Transporte (IMT), b) in Costa Rica, by consultant Ms. Jesurun-Clements (working from the Bank) and c) in Argentina and Chile, by the Economic Commission for Latin America and the Caribbean (CEPAL). As CEPAL agreed to undertake this assignment in conjunction with work they were independently undertaking on the subject of Commercialization of Latin American Exports, they adopted a somewhat, but not significantly, modified version of the questionnaire. (Ref.2)

3.5 In addition, the Bank decided to undertake some complementary discussions with foreign and domestic freight forwarders, and other organizations such as customs and as appropriate, initiate or attend relevant meetings as the study progressed. (Ref.3)

4
QUESTIONNAIRE RESULTS AND MACRO/MICROECONOMIC FRAMEWORK

4.1 A total of fifty seven companies responded to the questionnaire and discussed their responses. The response rate was in aggregate approximately 90% and there was no discernable pattern to the non-responses. Neither was there systematic variations in the completeness of the responses, which generally were comprehensive. They ranged in size from subsidiaries of international chemical companies to small producers of ceramics. Annex 2 shows the aggregated results of the responses; Annex 3 gives specific details by company.

4.2 The respondees indicated whether an agent (e.g. a freight forwarder) was unimportant, important or very important to them. For the last two categories, the respondees were asked whether the agent was satisfactory or not and, if the latter, why. At an aggregate level, two features stand out. First, the level of satisfaction with the agents in the transport chain is appreciably higher in Chile than in the other three countries. Secondly, out of the thirteen activities separately identified, five accounted for most of the dissatisfaction. These were Government Departments/Agencies, Customs Authorities, Port Authorities, Land Transport Operators and Banks.

Satisfaction Levels Summary (%)

Argentina	Chile	Costa Rica	Mexico
67	87	68	71

4.3 For the agencies most closely associated with documentations customs and customs agents, port authorities, government agencies, banks and insurers the following aggregate satisfaction levels are found (A gives the percentage dissatisfaction using the number of respondees considering the agency important or very important as the numeraire, B employs as numeraire the total number of respondees)

	Argentina	Chile	Costa Rica	Mexico
A	55	20	44	36
B	31	13	23	9

4.4 There are no significant variations in the results that can be correlated with company size, except in the use of EDI, noted below. Large companies have more or less the same complaints about customs delays or poor rail services as small ones. However there are some clear distinctions between countries in the absolute and relative importance of different agencies as a source of frustration. In Chile, almost universal discontent with agricultural inspection procedures was expressed, the only other serious complaints being with bank inflexibility (by exporters). In Argentina, customs and port problems, expressed in terms of bad management and high costs and risks, overshadowed all others. In Mexico, land transport (the railway) and customs agents were the main source of complaint, again on the basis of unreliable service. In Costa Rica, discontent was more broadly based. Slowness and, to a lesser extent, costs, of government and customs procedures, land transport and the ports, and risks of cargo damage, were widely reported.

4.5 It is quite clear that the extent to which there have been improvements in

documentation, and the extent to which this area is reasonably satisfactory, varies markedly from one country to another. Broadly speaking, documentation is satisfactory in Chile, improving in Mexico, and (at time of investigation) unsatisfactory in Costa Rica and Argentina. Also, good documentation by itself is not sufficient. If the procedures are Byzantine, the scope for corruption tends to exist and, equally, if the officers handling documents are encouraged to be cooperative (for example, by being adequately paid and supervised) comparatively antiquated documentation can be made to work. These observations apply particularly to customs and associated activities. Customs are clearly a key, if not the key element, in the transport chain from the trade facilitation perspective.

4.6 There was little evidence of multimodal transport as a concept featuring prominently in the four countries, where the impression was gained that foreign trade transport was seen as something "received" rather than "conceived". The prevalence of the use of CIF (Cost, Insurance and Freight) arrangements for imports, and FOB (Free on Board) for exports, tends to support this impression. This is not to suggest that terms of carriage or other measures should be deliberated designed to reintroduce the cargo reservation systems, formerly prevalent in Latin America, by the "back door", but merely to note that CIF/FOB tend to discourage local initiative in entering the multimodal transport market. Likewise EDI is used to only a limited extent in a trading sense, almost exclusively by foreign subsidiaries. (See Chapter 6).

4.7 Although, with the exception of Chile, the statistical data suggests a perceptible level of dissatisfaction with the workings of the transport chain, most interviewees focussed attention on procedures in organizations such as customs and banks, which are outside the traditional transport chain and more within the overall external trade chain. To present possible explanatory scenarios, it is thus desirable to start by briefly reviewing the macroeconomic conditions, including the external trade performance, before proceeding to microeconomic characteristics.

Macroeconomic Overview

4.8. The table below shows that Chile's macroeconomic performance was clearly superior to the other countries during the last five years. GDP, GDP per capita, imports and exports all grew rapidly, while the performances of the other countries varied from reasonable in Costa Rica to poor in Argentina and Mexico. It may be argued that as external trade was the most dynamic element in Chilean growth, this derived from a comparatively smooth trade/transport chain and/or that an efficient chain induced or reinforced trade and economic growth. We have insufficient data to address this "chicken and egg" question.

GDP and Trade Growth 1985 - 90 (%)

	ARGENTINA	CHILE	COSTA RICA	MEXICO
GDP (real)	1	35	25	7
GDP (real/pers.)	-5	24	4	-4
Imports (US4)	6	157	85	126
Exports (US4)	47	117	49	24
Inflation (89/90)	217	26	19	27

Source: IFS

4.9 In Argentina, by contrast, external trade performance, export oriented, was reasonable but GDP growth was poor. Argentina was, in fact, in a recession when the interviews were carried out (spring 1991) Costa Rican performance was quite good across the spectrum, while Mexico was emerging from the stagnation of the mid-1980s. The level of inflation was much higher in Argentina than elsewhere, although it had been reduced from near-hyperinflationary levels. On the whole, the macroeconomic indicators suggest an association between macroeconomic growth and satisfactory trade facilitation, but little from which firm operational conclusions can be drawn.

4.10 While it would be presumptuous for a review of this nature to claim to establish macro/microeconomic relationships, it does seem clear that the trade/transport chain was working more satisfactorily in countries where economic performance was perceived to be good or significantly improving. Indeed, it may almost be tautological that economies that were becoming more oriented towards international trade in manufactures could not do so without a reasonably satisfactory trade/transport system, and that where (as in Argentina and Costa Rica) the system was not responding, the complaints would be vociferous.

Microeconomic Review

4.11 In reviewing the microeconomic features, an essentially qualitative approach has to be taken. This is partly because we are observing dynamic processes, not comparing static situations. Nevertheless, it is possible to see some patterns on a country basis which seem consistent with the user perceptions exposed in the survey. These are described below, summarizing the main characteristic of the key elements in the transport chain.

Argentina

4.12 Argentina in 1991 was in a recession, with key trade institutions which

had changed little in recent years but, with the substitution of containers for traditional general cargo handling methods and continuing trade growth, were under increasing pressure. The port of Buenos Aires, which handles over 90% of Argentinean general/container cargo, was never built nor organized for containers, but nevertheless the number of TEU nearly doubled from 1985 to 1990, to over 200,000. (Ref.4) This traffic had to be accommodated on three berths, and, using the "rule of thumb" that a container berth approaches capacity at 50,000 TEU per year, it is obvious that even though the three private cargo-handling (stevedoring) companies are considered efficient, there was (and is) considerable congestion in the port. Furthermore, lack of finance has obliged the port authorities to defer dredging and maintenance of navigation aids, both of which restrict port operational efficiency. Additionally, Argentina still operated a cargo reservation system, the elimination of which produced clear benefits in Chile (see below). Finally, Argentine customs are still operated on the basis that import containers must be unloaded (unstuffed) within the port, even though the legal requirements allow movement under seal to the consignees premises. (Ref.1 c) Thus the risk of damage/pilferage is high, especially for LCL.

4.13 It is less obvious what banking problems would be. Argentina is an exporting nation with large companies experienced in international trade and, presumably, an appropriate banking system. It is, however, probable that the inflation rate which was still high, though less than in the recent past, and the associated unpredictability of the exchange rate, was an inhibiting factor.

Chile

4.14 The contrast between Argentina and Chile is marked. The Chilean port system was reorganized/rationalized under the Pinochet regime, with apparently spectacular results in terms of port productivity. (Ref. 5) There is also an element of competition for the main port of Valparaiso from the much smaller port of San Antonio, although the initiative seems to lie with the shipping lines, which can, and have, moved to the other port when service was unsatisfactory. (Ref.6) Also, the cargo reservation system was effectively abandoned in 1979, again with beneficial results. (Ref.7)

4.15 Customs procedures are less restrictive than in Buenos Aires, with random sample inspection at the ports. However, there has been no establishment of inland clearance depots (ICDs) outside a facility located in Valparaiso, even though the advantages of consolidation/ deconsolidation of cargo in Santiago, which is the industrial and commercial centre and pre-clearance of exports before entry to the port, in terms of reduced delays within the port, are obvious. Vested interests in Valparaiso are reportedly blocking such moves. It also appears that despite a long period of export growth, commercial banks services in providing letters of credit, etc., are in some cases unsatisfactory (Ref.6). Chile has had a much lower and more stable level of inflation and exchange rate than Argentina, which makes this weakness surprising (Ref.7).

Costa Rica

4.16 Costa Rica achieved the dubious distinction of having the highest across-the-board dissatisfaction level. The underlying reason seems to be that all elements of the transport chain, except shipping, where there is more competition than in either Argentina or Mexico, are subject to inefficiencies (Ref.8). The railway system is physically run down and administratively weak, and the trucking system, while unregulated, is generally considered to be less modern than , say, that operating between Mexico and the US border. The port system also has physical and administrative problems. All were further affected by the recent earthquake. Physical problems, in particular lack of appropriate storage for exports, exist at San Jose airport. Air transport is used for a significant proportion of Costa Rican fruit and vegetable exports.

4.17 Costa Rican traders seem to experience more problems with government than the banking system, in contrast to the other countries surveyed. An explanation is the reported tendency for the government to address problems by establishing committees which deliberate and recommend, but have little success in producing action. This assertion was obviously rather difficult to substantiate within this survey. What is clearer, however, is that customs procedures, and facilities, are neither modern nor adequate. There is no provision as yet for direct movement of containers under seal to ICDs nor consignee premises, and customs procedures for the release of cargo from customs warehouses are slow and unpredictable(Ref.9). USAID has, however, started a 1991 - 93 program of assistance to customs. Annex 4 summarizes the USAID assessment of problems found, the initial program of assistance, and the work still to be done. Apparently one problem has been that Costa Rican customs decided some years ago to introduce new systems without reference to developments elsewhere, these have been found unworkable and Costa Rica has had to start all over again.

Mexico

4.18 While Chile has for some time experienced a flexible and generally efficient transport chain, and Argentina, and to a lesser extent, Costa Rica have still to reform, Mexico is in a transition phase. It thus probably has more lessons for other LAC countries than the other subject countries. The main features of recent Mexican experience are reviewed below.

4.19 Before and during the de la Madrid presidency, Mexico was a society in which regulation was pervasive in the transport sector, and the customs system was very much geared to restriction of entry of imports of goods subject to quotas, and, in theory, accurate recording of imports subject to high import duties. In other words, its main objective was not trade facilitation. The Salinas presidency altered the focus across the board. Customs were reformed, road transport was almost completely deregulated, and even Mexican Railways were accorded greater freedom in such key areas as negotiation with users. Obviously this did not happen all at once, but by early 1991, when interviews were conducted with Mexican international transport users, significant changes had taken place. These are briefly described below, together with preliminary assessments of the consequences.

4.20 As noted above, Mexican customs services have been substantially reformed. The deficiencies in the previous system, from a fiscal point of view (the trade facilitation perspective is somewhat different) the measures proposed and taken, are best described in the customs annex to the Export Sector Adjustment Loan (ESAL) (Annex 5). Two important features were a separation of trade tax from tax assessment functions, thus reducing temptation to underrecord, and introduction of random rather than universal inspection. These were linked with liberalization of entry to the customs agency profession, and the introduction of stiff penalties for infringement of customs regulations. Effectively, importers (and to a lesser extent, exporters) were put on trust to record accurately. At that time the new system had been introduced only at the three most important entry points (two on the US border, and Mexico City airport) with significant improvements in processing speed and revenue collection. The system has now been extended to all major entry points. Unfortunately, overzealous interpretation of the rules at the ports has resulted in processing delays continuing.

4.21 There were five key elements to Mexican land transport deregulation. Previously, trucking for hire was restricted in tariff setting and route selection and obliged to use the services of cargo centres to consolidate cargo. Furthermore, control of multimodal transport was assigned to a state monopoly (Empresa de Transportes Multimodal S.A. - "Multimodal"). The results were reviewed some four years ago in a study (Ref.10) which found, not surprisingly, that these restrictive practices had tended to reduce efficiency and raise transport costs. Mexican Railways, which had been subject to a somewhat different set of regulations (including tariff control) was not deregulated, and even a reasonable degree of relaxation of tariff control had to wait nearly two years(Ref.11). Whether to compensate, or for less calculating reasons, Mexican Railways have been less inhibited from establishing ICDs than truckers.(See Box 1). Finally, the Mexican ports system, which had previously been rather closely controlled by a poorly coordinated set of government agencies, was changed to one in which local ports were given more autonomy, but in which major investment decisions were made by a single centralized agency (Puertos Mexicanos).

4.22 Attributing results to actions in these conditions is particularly subject to the hazard that the number of possible determinants is much greater than can be analyzed in a study of this nature. Nevertheless, there are factual changes within the transport chain which are directionally consistent with trade facilitation. First, the questionnaire reveled that substantial variation now exists in trucking rates (there are no longer tariffs). Annex 6 gives examples. Although there were certainly breaches of official tariffs prior to deregulation, it is very doubtful if variations of the present magnitude ever existed. It is possible such variations are competitively determined, but it is also possible that such competition is very imperfect in some areas. Secondly,

BOX 1: INLAND CLEARANCE DEPOTS

The underlying principle of the establishment of Inland Clearance Depots (ICDs) is a simple one. Sea (and land) borne containers or other intermodal transport units such as wheeled trailers, should operate on the basis of movement directly from consignor to consignee without unloading and reloading of contents. Thus the risk of damage and loss in minimized.

Unfortunately, there are two common obstacles to this optimal situation. One is that customs are often reluctant to allow containers to exit from the port (or land frontier) customs area, and prefer to inspect the contents in these areas. This is something that applies to cargo consignments regardless of volumes, and is being addressed, in theory at least, by the adoption of sample random, or stratified random, inspection, normally based upon a 10% inspection rate.

The second problem applies to small consignments. Often these are insufficient to fill a container and thus have to be consolidated/ deconsolidated with similar consignments, under the control of freight forwarders or similar agents. If the total volume is sufficiently high and balanced directionally the freight forwarder may find it worthwhile to arrange with customs for customs inspection at the freight forwarder's premises, which, in a country like Mexico, are probably a substantial distance from the frontier. However, if the volume is insufficient, the solution may be a pooling arrangement whereby less-than-container load (LCL) consignments (and full container load (FCL) consignments where the consignor/ee prefers to leave transport arrangements to a freight forwarder) may be consolidated/deconsolidated at an inland terminal with customs clearance facilities. This is the ICD concept. It might be added that legal restrictions on internal movements of containers generally result from the documentary definition of destination (which relates to the Terms of Carriage discussed in Box 2) something which does not require substantial legislation to correct.

In Mexico, the only fully functioning ICD is that operated jointly by Mexican Railways and private truckers, at the main Mexico City rail wagon marshalling yard at Pantaco. In 1990 over 30,000 TEU (Twenty foot equivalent units) or 18% of total Mexican container traffic moved through this terminal, the remainder either moving directly to/from customers' premises (probably less than half the remainder) or being consolidated/deconsolidated in the ports. As studies (noted in Ref. 10) have indicated that insurance claims on containerized cargo are only about 10% of on unconsolidated, the advantages in minimizing unconsolidated movement are clear.

investment in trucking has recommenced after many years of stagnation (Ref.12). Thirdly, cargo centres appear to have reverted to a much reduced function of assisting small truckers to obtain cargo consolidation and contractual assistance, which was the original intention. Fourthly, Mexican freight forwarders were increasingly employing ICDs and thus avoiding the need to unload LCL cargo at ports or frontier posts. (This progress, reportedly, has been reversed as customs have applied stricter inspection at these entry points, for reasons which are not clear, as the same limitations have not been applied to rail movements) Fifthly, Mexican Railways which, admittedly, is structurally less flexible than the trucking industry, has lost traffic to trucks. More promisingly, it has started to establish meaningful contractual relations with clients and develop new traffics (such as "double-stack" container trains). Mexican port container traffic has expanded significantly, but become more concentrated on four main ports. The demise of Multimodal seem in fact to have stimulated major Mexican shipping line (TMM) to develop a multimodal system and be in the forefront of EDI development in Mexico(Ref.13) though its dominance in several important Mexican ports is perhaps a cause for concern on monopoly grounds.

5
TERMS OF CARRIAGE, MULTIMODAL TRANSPORT AND ELECTRONIC DATA INTERCHANGE (EDI)

5.1 These three aspects are interrelated, and the interrelationships complex. What follows is based upon a summary of an UNCTAD analysis(Ref.14) and other documents.

5.2 There are two pointers to a lack of national involvement in multimodal transport and EDI within the four countries. One is the fact that very few respondees to the questionnaire employed multimodal transport, or EDI. The second is the prevalence of the use of CIF/FOB carriage terms, in which nationals are not commonly the principals. An elaboration on CIF/FOB and their alternatives is accordingly in order.

Cost, Insurance, Freight and Free on Board

5.3 CIF are terms of carriage commonly employed for imports and FOB for export (collectively known as INCOTERMS, from the International Chamber of Commerce, ICC). Under CIF, the seller arranges insurance and freight (though the buyer actually takes responsibility for the goods from the time they are loaded on the ship, and should make any insurance claim). Under FOB, the responsibility for freight and insurance pass from seller to buyer when loaded on the ship. Thus importing CIF and exporting FOB, the traditional Latin American pattern, means the involvement of either importer or exporter in determination of the physical links of the transport chain to be employed is limited to domestic land transport. The question of the pros and cons of greater developing country participation in transport link choice is a subject which goes beyond the scope of this study. However, there are a number of specific observations below, that are appropriate.

5.4 Until fairly recently, Latin America has generally operated within narrow institutional confines. In shipping, cargo reservation systems which effectively allocated a fixed proportion of cargo to national shipping lines, within Liner Conference systems, were common. Likewise, land transport services were often highly regulated. The net result was a fairly rigid transport chain. This may have eliminated the need to worry about transport choice, but was hardly designed to encourage initiative in searching out the least cost alternative. This situation is now changing; cargo reservation systems are being abandoned and trucking (and even rail) operations being deregulated.

5.5 Containerization, by its very nature, places less emphasis on two predetermined ports, being the dominant points in a international journey, and indeed the concept of ports, and associated organizations such as customs authorities, as points of interruption rather than termination in the flow of goods was recognized more than two decades ago(Ref.15).

5.6 It is for consideration, therefore, that the substantial retention of the traditional CIF/FOB distribution in Latin America is a function of lack of knowledge and/or lack of interest in greater participation in the international transport market and that in the long run this will inhibit the competitiveness of regional

exports (and increase the cost of imports). This is a view held by CEPAL, which has drawn attention to it in recent studies (Ref.16).

5.7 Another CEPAL study (Ref.17) gives a breakdown of distribution chain costs for Chilean fruit exports. (Details in Annex 7) While the authors note the data should be used with caution, they illustrates the importance of transport cost elements. The study shows that the costs incurred between FOB Chile and after discharge at the port of destination (i.e. those costs susceptible to variation according to the routing chosen) amount to between 28% and 42% of total distribution costs. As the residual to the exporter can be as low as 8%, and the remunerations of the workers, most of whom are on minimum wages, as little as 2%, the possible effect of savings from more flexible routing are clear.

5.8 The CIF and FOB carriage terms have another characteristic which makes them inherently inappropriate for container movements. The formal change of responsibility for cargo under these terms passes from seller to buyer at a ship's rail. This was generally acceptable for general breakbulk cargo, but it is worth repeating that the full advantage of containerization is not realized unless transport from door to door is envisaged, and the institutional arrangements, of which carriage terms are an important part, adapted appropriately. What has been proposed are the so-called new INCOTERMS , promulgated in 1980, which essentially change the transfer point away from the ships rail (See Box 2).

Multimodal Transport

5.9 One of the main differences between transport which is segmented by mode, and that which is known as combined or multimodal, is in formal responsibility for carriage. The UNCTAD/ICC Draft Rules for Multimodal Transport Documents give the flavor of the legal obligations, and are reproduced as Annex 8. Under a segmented transport regime, a transport agent, such as a freight forwarder can, and normally does, arrange through transport - but his liability does not formally extend beyond a certain point, usually the ship's rail. There liability passes to another agency, which may, in fact, accept no liability at all. A second issue, which relates to the "Rules" that govern seagoing shipping, and the proposed Multimodal Transport Convention (MTC) which covers all forms of transport in a multimodal movement, is that even for the segment of transport represented by the sea voyage, the liability may be very limited, depending upon the rule applied. This relates partly to when the various rules came into force. The "Hague" rules date from 1924, with subsequent amendments ("Hague-Vis, etc), promulgated long before containers were even dreamed of, and as a result are really only applicable to breakbulk cargo.

5.10 Attempts have been made to address the above problems, dealing in parallel with the liability of the ocean carrier and the increasingly important Multimodal Transport Operator (MTO) arranging the door-to-door container movements. The former would be addressed with ratification

BOX 2: LIABILITY AND TERMS OF CARRIAGE

Consider a typical movement of a product from point of production to a final destination overseas. It can easily pass successively into the tender care of seven transport intermediaries, sometimes more, sometimes less and not counting the non-transport agents or the different agents within a link. The trucker who carries it to a railhead, the railway, the port, the shipping line and the equivalent operators at the other end may all have different carriage and insurance obligations.

This was something that, while hardly satisfactory, was reasonably consistent with the fact that breakbulk cargo, commonly stored on pallets or in bags, was at least visible at all transfer points and, if damage or loss occurred, responsibility could be pinpointed fairly accurately. The container, however, poses the problem that, in optimum usage, it is not opened from origin to destination, and consequently, 'concealed damage' is very difficult to attribute.

The changes in the transport characteristics have tended to be reflected in the "Rules" governing liability, but with a time lag. The following summarizes, in chronological order, the main changes introduced or proposed, from the starting point of the Hague "Rules". Except for the proposed Multimodal Transport Document rule, the rules referred to apply to sea transport.

The Hague Rules (1924) employed the concept of a unit as the basis of liability. Thus, a container could be classed as a unit, with the liability applying to that unit, not the number of units contained. The original liability per unit was 100 pounds sterting maximum. Many liability exceptions permitted. There are 77 contracting countries.

The Visby Protocol (1968) amended the Hague Rules, and is commonly referred to as the Hague-Visby Rules. Under these, the units inside the container are recognized as the basis for liability, provided they are mentioned in the transport documents, and provided the containers are assumed to be under-deck cargo. Liability was doubled in real terms. Defences from liability virtually unchanged. There are about 20 less contracting parties, including some very important trading countries.

The Hamburg Rules (adopted 1978 but not yet ratified). This introduced liability for delay, and eliminated the previous liability distinction between deck and under-deck cargo. The significance is many containers are carried on deck. It also reduced and clarified defences against liability. Importantly, it extended liability of the ocean carrier until deliver of cargo, i.e. beyond the ship's rail. It, also, recognizes documents other than the rather restrictive "Bill of Lading".

The Multimodal Transport Convention (adopted 1980 but not yet ratified). This codifies what has become increasingly common practice among multimodal transport operators (MTOs); the assumption of door-to-door liability. Such liability extension is partly a function of the difficulty of defining when "concealed damage" to the contents occur when cargo is containerized; only when the container is finally opened is damage (e.g. by seawater) revealed. The liability is expressed in the multimodal transport document, which is superseding the bill-of-lading, which was limited to sea transport (Air transport had different documents).

Terms of Carriage have adjunted accordingly, in theory at least. Free on Board (FOB) generally applied to exports, and Cost, Insurance, Freight (CIF), for imports, related to movement from/to the ship's rail. The modern terms (F' e Carrier at..) FRC, Carriage paid to..(DCP) and Carriage and Insurance paid to..(CIP) all pass full liability for final delivery of goods to the principal carrier, commonly a MTO.

of the "Hamburg" rules, formulated in 1978, which requires one additional contracting party to meet the required twenty,(expected in late 1992) and the MTC which is much further behind with only five out of a necessary thirty signatories.

5.11 The relevance of the rules and convention, apart from the determination of liability per se, is that they do provide a common framework within which contracting countries can actually operate. For example, Chile has written the Hamburg rules into national legislation but is not applying its main provisions until ratification. This seems to give an advantage to major international transport operators in establishing themselves as dominant Vessel Owning,or Non-Vessel Owning Multimodal Transport Operators (VO-MTO or NVO-MTO) insofar as they can, and do, independently arrange liabilities, while if the MTC were ratified, the issuance of a multimodal transport document would require adherence to an internationally established liability regime. The fact that Mexico is already a signatory to the unratified MTC does not seem to have stimulated multimodal development there.

5.12 It might be argued that international transport is a high risk activity, increasingly one characterized by economies of scale (particularly in the sense of generation and use of information) and that the operation of the marketplace will ensure against "exploitation" by the foreign shipper. Thus there is no real need for Latin American countries to concern themselves with establishing their own multimodal systems. This may be true where the transport markets, both in their physical and informational aspects are reasonably perfect, but it is doubtful if this is universally the case; shipping of imports and exports in some countries tend to be dominated by a few major carriers and consignors/consignees may be unaware of the options open to them, and how these are changing over time. Thus national authorities are faced with a classic dilemma. They would not wish to restrict entry to the transport market, and certainly not to establish "national" transport companies which, lacking the stimulus of competition, have a tendency to become overstaffed bureaucracies. On the other hand, where competitive, or even contestable, markets have failed to materialize, the state has an interest in ensuring that unregulated private monopolies are discouraged.

Electronic Data Interchange (EDI)

5.13 EDI is the concept of transmitting electronically information that traditionally has taken a paper form. As with most activities employing computers, (see Box 3) EDI was introduced as a wide-spread concept only in recent years, and has been undergoing a period of rapid evolution; the scope and concept today are substantially different from those obtaining only five years ago. EDI, like all new systems, has had its "teething troubles" and as a result, it has been argued in some quarters that as the FAX system is well-nigh universal in business and even personal applications, and can transmit copies of documents instantaneously, there is really no need to go into EDI. A review (Ref.19) of recent developments in EDI gives the basis for disputing this position.

5.14 The first dynamic aspect of EDI is that both the scope and universality of the system has developed significantly. The system relies upon the development of a series of standard messages which can be passed electronically from a consignor or freight forwarder to the various members of the transport chain, and it was only in the mid 1980's that such messages began to be

BOX 3: ELECTRONIC DATA INTERCHANGE (EDI)

EDI is closely associated in international transport, with Direct Trader Input (DTI) of information required by customs. The underlying concept is straightforward; substitution of legally acceptable transmission of information by electronic rather than physical (paper) means. This reduces costs, errors and time required.

The implementation, however, is much less simple. EDI in its ultimate form is a system of computers, and if the languages are at variance, messages will not be passed. The language that is now generally accepted is know as UN/EDIFACT, a document standard that has been developing over the past decade under the auspices of the UN Economic Commission for Europe (ECE). As recently as 1985 several distinct standards existed in different parts of the work, and it was only in 1987 that first EDIFACT message was adopted. These messages (current status given at Annex 9) are still in various states of trial and acceptance, but in essence encapsulate information that in paper form require over 30 documents and over 300 pieces of paper.

The "word", or data elements, cover such concepts as invoice numbers, date of shipment, customs classification. To date some 700 are stored in the UN Trade Data Elements Directory (UNTDED). The development of EDIFACT is under the ECE Working Party on Facilitation of International Trade Procedures, which in turn has liaison offices in the 35 main trading countries (including only Brazil in Latin America).

A central focus of EDI use is customs. All international trade passes through local customs, and if messages are passing in electronic form from consignor to consignee, but being passed to customs in paper form, many advantages are lost. Unfortunately, there has been a tendency for individual customs to develop their own systems, which may require adaptation to become compatible with those of other customs organizations, and of different traders. Even the US customs had to introduce EDIFACT in parallel to its own Automated Broker Input System, but it appears that in most major trading countries, compatible systems are now in place.

The complex web of messages passing in a normal trade transaction requires compatibility not only between A and B but with C....Z. In Singapore, which was a leader in EDI development, the government took a leading role in establishing a standard system ("Tradenet"). Hong Kong has developed "Tradelink" and the Republic of Korea is currently developing what appears to be an even more comprehensive system "KTNet". The alternative approach is the development of so-called "Value Added Networks" which act as intermediaries between different systems.

The use of EDI is growing rapidly. Although differences in the scope of the use of EDI makes cross-country comparisons suspect, the following are illustrative a) USA 9,000 users in 1989, 30,000 by mid-90's; b) Europe 5,500 in 1991, 40,000 by mid 1990's; c) Singapore 50 in 1989, over 2000 in 1991. By contrast, Mexico, which appears to be the most advanced country in Latin America, expects to have about 1,000 users in 1992, mostly with strong US connections.

Possible financial savings vary from one situation to another. The ECE estimated that EDI could save 8% of the value of intra-EEC trade. At the other end of the scale, the Mexican shipping line TMM estimates current savings of US$2 million per year from EDI linkages of its fleet, with reduction in data receiving and processing time from 16 days to half as many hours.

systematically developed. Naturally, establishment and testing of such formats takes time, and again, if one goes back five years, not only were the number of messages limited, but so was the degree of standardization. An example is that when Singapore, where centralized Government led decisions are common, decided to introduce EDI in 1986, it had to devise its own messages, which are now having to be reviewed to be compatible with what is becoming the worldwide standard, known as UN/EDIFACT. Since then EDIFACT frameworks (the schemes into which messages fit) and the messages themselves have been substantially developed (including the International Forwarding and Transport Message Framework (IFTMFR), and thus the Singapore pioneering approach is much less necessary. (Annex 9 summarizes the present range of messages, and their states of development).

5.15 The second dynamic aspect is that, just as breakbulk general cargo operations are becoming rare where containerization is feasible, it is probable that in the future paper documentation will be superseded generally by faster, less expensive and more reliable electronic documentation. The ultimate objective will be to have direct computer communication of trading data (known as Direct Trader Input (DTI)) In the near future, it seems inevitable that trading countries and companies which cannot meet acceptable data interchange standards will be disadvantaged commercially. "Just-in-Time" concepts cannot operate effectively on the basis of paper dominated documentation. (Annex 10 illustrates the current "paper trail", most of which will eventually be replaced by electronic messaging) The possible use of EDI is not necessarily confined to large companies; the use of "third-party services", companies specializing in data transfer from one system to another can enable small companies to join, and indeed will be a central feature of the system in the foreseeable future.

5.16 All of this takes time, first to establish satisfactory documentation and procedures, then to set up systems and equally to correct mistakes. The Republic of Korea established "KTNet" in 1990, but the comprehensive system is not expected to be fully operational until 1995.

5.17 The narrowly defined costs and benefits of EDI, as with containerization, vary from one organization to another. The charges to join and operate within the Singapore system were expressed in terms of a connection charge of S$ 750 (about US$ 250 equivalent), about S$ 3.5 per declaration, and from S$ 5,000 to S$ 8,000 hardware and software. With subsequent sharp reductions in computer costs, presumably entry costs are lower. The benefits per consignment, in terms of document cost reduction, have been estimated by the Economic Commission for Europe for intra-EEC trade, as equivalent to about 8% of its value of consignments. Other estimates give different figures, but in all cases savings are expected to be substantial. Clearly, even allowing for the smaller benefits which will obtain where labor costs are lower the rate of return on EDI investment is potentially substantial.

6
RESULTS

6.1 To briefly recapitulate the objectives described in paras. 2.1 to 2.4, the specific areas of concern were LCL movements, documentation, customs procedures and multimodal transport development. It is clear from the results of the questionnaire, and intuitively obvious, that these elements are interlinked, and thus there is an element of artificiality in analyzing them separately. Nevertheless, these four elements are examined separately below, with the interrelationships noted.

A. Less-Than-Container (LCL) Movements

6.2 "Containerization" is essentially the substitution of movement in large boxes for movement in comparatively small quantities on pallets or slings ("break-bulk") and its development has generally taken the form of both increasing the percentage of movements of a particular product which occur in containers, and broadening the range of products which are containerized. Thus an exporter of a medium/low value product (say ceramics) would typically move through stages of both broadening of the groups of products containerized, and deepening of the container penetration of the particular product group. In both stages, which will proceed interdependently, different destinations, and possibly product mixes, will result in the company initially producing an insufficient amount to fill a container, and eventually justifying a full container movement on a regular basis.

6.3 The intrinsic difference between LCL and Full Container Load (FCL) movements is the need for an intermediary to consolidate/deconsolidate LCL movements. In fact, all the survey respondents had reached the stage where they were able to send or receive consignments as FCLs. Thus no insights into LCL problems were obtained from the survey. As far as we can judge, there are no legal distinctions or restrictions that apply particularly to LCL movements. However, LCL shipments in particular rely on freight forwarders as intermediaries - and freight forwarders commonly have a status in civil law only as agents of the shipper. In other words, their liability in case of loss, damage or delay to cargoes, is rather limited. Thus unless a freight forwarder has taken on the status of a Multimodal Transport Operator (MTO), which is not commonly the case in Latin America, the small shipper has little control over his cargo, which may well inhibit his entry into the international market. We also have the impression that small shippers have limited means of obtaining information on international trading opportunities and procedures.

6.4 Freight forwarders, either independent companies or subsidiaries/ associates of international freight forwarders, suggest that LCL problems, where they exist, are particularly related to customs. As was noted in the previous chapter, customs in two of the countries surveyed have in theory quite trade facilitation "friendly" procedures. In practice, an underlying preference by customs for close control of containers at the country frontier, and excessive concern about keeping track of containers, means that even where inland clearance depots (ICDs) exist, they are little used. ICDs have the major advantage that they enable containers to be sealed away from the ports, where goods are generally believed to be particularly vulnerable to theft and damage.

6.5 Thus the situation regarding LCLs is a) there are no legal problems pertaining specifically to LCLs b) freight forwarders are well established, and are competent to

handle the particular operational requirements of LCLs but c) however, freight forwarders legal status generally leaves small shippers at risk and d) customs practices, in inhibiting the use and development of ICDs, put LCL shipments at unnecessary risk.

B. Documentation and Procedures

6.6 The role of documentation in international trade is a very wide subject, ranging from the arrangement of the means of financing a transaction in two or more currencies, which may involve exchange controls, through insurance, to evidence of the type and volume of goods being shipped. A typical transaction may involve over 50 separate documents. (Annex 9). For the surveyed countries, it seems that a large number of laws are involved, and it is not possible in a paper of this nature to comment in detail upon them. It is however, clear that for most foreign transactions, the resulting documentation is generally that associated with break-bulk general cargo movements, in which the natural point for transfer of responsibility is the ship's rail, rather than containers, whose whole essence is movement with minimum interruption from origin to destination. (see discussion on CIF/FOB below).

6.7 The procedural aspect is what is done with this documentation. A regime in which the strict letter of the law is enforced can make conformation to comparatively enlightened documentary requirements more onerous than where common sense is applied to outdated documentary requirements. It is obvious that the situation in the four countries on this aspect is even more difficult to determine than whether the documentation is appropriate. We have the impression that Chilean and Mexican players on the paper trail are less bureaucratic and have less scope for gaining from flexibly interpreting procedures than those in Argentina and Costa Rica.

6.8 A special case of documentation is that concerned with obtaining access to foreign exchange. As all four currencies are convertible, the problem is presumably in assumption of the foreign exchange risk, the transaction cost, and the notification procedures. The problem has not been investigated in depth in this study, but it does appear that it is significant.

6.9 In summary, a) substantial documentation is involved in international trade b) probably most of this is commercially necessary in most countries; Latin America does not appear to be more subject to petty regulations than anywhere else c) documentation concerned with the banking system, which presumably relates to foreign exchange transactions, seems to be a particular problem and d) documentation is inevitably subject to interpretation, and interpretation to possible abuse. It is probably no coincidence that discontent with documentation was greatest in the two countries where trade reform was in a comparatively early stage (and where customs had not been reformed appreciably).

Customs Organization and Procedures

6.10 What customs are permitted to do, and how they interpret regulations, are critical to trade facilitation, particularly when a conceptual change such as containerization is introduced.(See Box 4) It is quite clear that when survey fieldwork was undertaken, Chilean and Mexican customs were viewed as being reasonably

BOX 4: CUSTOMS REFORM

Customs services have several functions. Control of entry, or exit, of forbidden or restricted products, collection of duties and taxes (not necessarily entering foreign trade) and collection of relevant statistics are all important. From the point of view of transport flows, all of these represent impediments and in particular, rigorous inspection to ensure that there is no underrecording or misclassification in a complex regime or import or export duties can be very time consuming.

Customs reform has therefore gone hand in hand with trade reform. The best example of this is in Mexico. Five years ago, Mexican tariffs were as high as 100% and quota restrictions were commonplace. Currently the top import duty rate is 20% and the average under 15%. In customs, major improvements described below, were made almost concurrently. In other countries both trade reform and customs improvements were well behind. In Argentina, industry was still heavily protected, and customs operations traditional, with poorly paid officers, while in Costa Rica, a report (see Annex 4) described the organizations of customs as chaotic, slow and poorly trained and paid.

The general thrust of the Mexican customs reform program which, conceptually, seems a sound model for other countries requiring reform to review, had seven main features a) simplification of documentation and, probably more importantly, procedures for processing it; b) subsequent increased substitution of electronic processing for manual; c) associated introduction of objective, electronically generated, random inspection for (theoretically) comprehensive inspection; d) clear separation of the liability assessment functions from payments, which go directly to commercial bank accounts; e) increased salaries which make the profession more attractive, and make the potential loss of a job more of a deterrent to dishonesty; f) liberating entry to the customs brokers profession, thus reducing 'rents'; g) increase in the disincentives to inacurate recording through higher fines on consignors/consignees and possible disqualification of the associated broker (see Annex 5 for more detail).

Although the Mexican reform program has largely been implemented, there are reportedly still discrepancies between theory and practice. Heavy traffic at the main US border crossing has encouraged attempts to bypass even the improved procedures, and at the ports overzealousness, misinterpretation, or badly drafted rules (we are not sure which) reportedly results in whole consignments being delayed for the inspection of one container. The lesson, perhaps a depressing one, is that while regulations can be changed at the stroke of a pen, changing behavioral patterns takes much longer.

efficient, while those in Argentina and Costa Rica were not.

6.11 A comparison of the analyses of the problems in Costa Rican customs (Annex 4) and Mexican (Annex 5) suggests that, even allowing for stylistic differences, the problems were more fundamental in Costa Rica. The Costa Rican situation was described as chaotic, with poor control, inadequate data and (we surmise) even inefficient corruption! Mexico, by contrast suffered more from the locus of customs services in the government structure, the internal organization and procedures encouraging corrupt practices, and a "closed shop" of customs agents, who were the experts who piloted the shipper through the system. The summary of Argentine customs problems prepared for the East Coast of South America Study Containerization seminar 1/ suggested that they were different from the other countries, partly due to the dominance of Buenos Aires, the congestion in the port, the resultant desirability of moving containers out of the port for clearance procedures, and the reluctance of customs to allow this.

6.12 It is also apparent from the Mexican survey that movements across the land frontier to the US encounter fewer problems than through the seaports. This may be due to the greater flexibility, both physically and administratively, of truck movements where the transition from one country to another involves change of tractors, (and drivers) rather than a completely new mode. It may also be due to the fact that bills of lading (used for sea movements) can include quite a large number of containers, and customs procedures dictate that if one container is stopped for inspection, the whole consignment movement is interrupted. Where only one or two containers are involved, as is typical in cross border truck movements, the chances of stoppage are obviously less.

6.13 In summary a) except in Chile, customs services needed reform b) the Mexican reform program is the most advanced and appears to be a good model, though procedural problems still exist c) such reforms should be tailored to best international practice. The Costa Rican experience suggests that "going it alone" can have serious consequences d) however, modern means of speeding up customs operations, such as those associated with EDI, need to be introduced if a country's competitiveness (and ability to fulfill such conditions as "just-in-time) are to be met d) poorly paid and inadequately supervised customs officers, faced with theoretical obligations which cannot be fulfilled (such as to inspect the contents of every container) are liable to discriminate between clients for personal gain.

Multimodal Transport

6.14 Multimodal transport, in the limited sense of the movement of a single unit of transport (a container) by more than one mode, is increasing quite rapidly in all four countries. However, it is much less clear that multimodalism in the broader sense, of a single entity (commonly a freight forwarder or shipping line) taking full responsibility for the movement of a container from consignor to consignee, has developed to the same extent.

6.15 The survey showed that few respondees considered they employed multimodal transport. This was despite using containers, which meant they were

thinking of the term in the broader sense. This deduction is supported by the prevalence of the use of CIF and FOB terms of carriage, which are associated with disaggregated rather than multimodal transport. Nor was any mention made of problems with shipping lines as a result of monopoly practices or foreign domination.

6.16 Other sources suggest that, with the exception of Transportes Maritimas Mexicanos (TMM), the main Multimodal Transport Operators (MTOs) are foreign rather than domestic, but that shipping services are more competitive than a decade ago. This has resulted from the progressive abandonment of cargo reservation systems and the entry of shipping lines already experienced in intermodal transport (such as those operating out of US Gulf ports).

6.17 The situation of TMM illustrates the potential dilemma posed by multimodal transport development. TMM dominates Mexican shipping, handling in aggregate more than half Mexican seaborne cargo. While there is substantial, if dispersed public sector ownership of its assets (eg Mexican Railways is a shareholder) TMM acts as a private, financially independent company. It appears to be in the forefront of multimodal transport development, in the broader sense, and is also developing EDI capability. It does, however, have almost a monopoly position, notably on the Pacific coast, where competition from international shipping lines is intrinsically less. Do the monopoly gains, in technological development, outweigh possible losses? We do not know because we do not know what have been the inhibiting factors on similar technological development by other actual or potential MTOs.

6.18 In summary a) multimodal transport, in the broad sense, does not seem to have developed as rapidly as might have been expected b) there are a number of possible explanations, which were described above but cannot be analyzed adequately without more fieldwork c) there appear to be sufficient differences between countries for such further work to be best undertaken at a country rather than a regional level d) probably at this time, and certainly if present trends continue, dominance by foreign MTOs does not appear to be a problem and e) in any case, the scale economies of advanced MTO operation may mean that sacrifice of some elements of competition may be inevitable.

7
CONCLUSIONS AND RECOMMENDATIONS

7.1 The conclusions and recommendations that follow are presented under two headings, those which address the potential issues described in Chapter 2, and those which flow from ancillary analysis.

On Chapter 2 Issues

7.2 **LCL Consignments.** As none of the companies interviewed habitually fell into the category of LCL, it is difficult to arrive at definitive **Conclusions.** Nevertheless, it appears that there are no specific legal or documentary requirements that would particularly operate against LCL shipments. **Recommendation.** The basic problems are therefore, lack of information and lack of responsibility. Chambers of Commerce are an obvious source of information, but their remits are rather broad and, as most trade is internal, they naturally tend to focus on that area. There are clear economies of scale in obtaining and maintaining information dealing specifically with international trading questions. Thus the establishment of what might be called "Trade Facilitation Offices", strategically located, which would be staffed by individuals experienced in international trade documentation, is recommended. They would be financed in the same way as Chamber of Commerce activities, and access to their services would be open to all. Their constitutions should make clear that use of their services is not obligatory and that they would not be acting as intermediaries in the provision of transport services. (This was a problem which detrimentally affected the former "Centrales de Carga" in Mexico).

7.3 **Documentation and Procedures. The Conclusion** is that there are a large number of documents involved in international trade anywhere, and there is no conclusive evidence that number is excessive in the four countries. What does seem to be true is that procedures for processing these documents is still labor intensive - probably more so in some countries than others - and that this characteristic gives more scope for delay in processing, and for manipulation to speed up the process, than more mechanized systems. Thus it can be concluded that the development of procedures for handling documentation has not improved at the same pace as physical developments, even though they themselves have not, in some cases, been adequate to cope with demand. Also, procedures associated with the banking system, presumably related to foreign exchange transactions in particular, are a cause of universal discontent. **Recommendation.** Documentation and procedural requirements related to foreign trade, in the commercial banking system, should be reviewed to determine whether allegations of high cost and slow processing are justified, and what measures can be taken to address such problems. This is clearly a specialized area, more suited to a TF division. For directly transport related documentation, its appropriateness and need in relation to increasingly containerized traffic should be reviewed on a country by country basis, by experts. If the documentation is found appropriate, the procedures should be sequentially examined, and once both are on a satisfactory basis the scope for the ultimate stage, of introduction of EDI on a national basis, should be determined. It should be emphasized that the long lead time in introduction of comprehensive EDI means review of documentation and procedures should be initiated quickly.

7.4 **Customs.** The **Conclusions** on documentation and procedures apply particularly to customs. With inadequate customs reform, improvements elsewhere cannot achieve full potential. The efficiency

of customs services, and their locus within government, are clearly under review in all four countries, but at different stages. The Mexican model seems to provide a good example of a systematic approach to reform, though the bias, almost inevitably, is towards collection of duties rather than trade facilitation. **Recommendation.** The locus and efficiency of customs should be measured against the Mexican, or other systematically developed model, making due allowance for local conditions. Proposed or installed customs computer systems should be reviewed to ensure compatibility with the increasingly standardized international EDI networks(in effect, with EDIFACT). Procedures should be reviewed to ensure they are not being applied with the objective of supplementing meager salaries (which implies the salary levels should also be reviewed).

7.5 **Multimodal Transport.** The **Conclusion** is that the ratification, and, on a specific country basis, adoption, of the "Hamburg Rules", will be a big step in establishing multimodal transport in the broad sense of clear and adequate responsibility for door-to-door movements of containers, which include a sea component. Ratification of the Multimodal Transport Convention which has broader implications, and its adoption, will be of further assistance. Beyond that, however, appropriate terms of carriage need to be adopted. This might occur naturally, as a result of the above ratifications, but it is not certain. There is no evidence of detrimental domination of multimodal transport by foreign operators. **Recommendations.** Existing country specific legislation should be reviewed to ensure that it does not unnecessarily inhibit door-to-door movement of containers (door-to-door including movement to/from ICDs). Once ratified, the "Hamburg Rules" should be adopted into national legislation. The same applies to the Multimodal Convention, where ratification may be further off. Where cargo reservation systems still exist (in practice as well as legally) they should be abandoned unless clear evidence of their benefits at a national level can be established. Also, where a single shipping line, whether domestic or foreign, enjoys monopoly or near monopoly conditions, the determinants of such conditions should be reviewed with the objective of introducing competition. To ensure that the full benefits of broadly defined multimodal transport are secured, the introduction of EDI needs to be encouraged.

On Ancillary Matters

7.6 Some **Conclusions** can be drawn from the Mexican experience with transport deregulation. First, competing sub-sectors should be afforded the same degree of deregulation. This may seem obvious, but in an otherwise successful deregulation process, Mexico's unwillingness (or inability) to deregulate the railway at the same time as trucking conferred a clear advantage on the latter. Secondly, trucking deregulation can lead to wide disparities in trucking rates. This may be due to Ramsey pricing, (effectively, covering fixed costs from charges on traffic with low elasticity of demand) in which case it is unobjectionable; if society wants below-market rates it will have to target subsidies. If, however, the cause is the continued existence of monopolies and barriers to entry, previously not evident because of controlled tariffs, anti-monopoly action may be necessary. If there is no legislative framework for such action, its creation should be considered. The same problem may be occurring in shipping.

7.7 This report is partly based upon data for the first half of 1991, and it is clear that many things can change in a year and a quarter. Nevertheless, there are some fundamental messages that transcend time -- imposing new technologies on antiquated processes is unlikely to work, that well intentioned actions to provide services can produce undesirable effects if the power of knowledge is abused, that reinventing the wheel can be expensive, that a container should be seen as a means to an end rather than just a large metal box. For this reason, it would seem desirable to promulgate the results, and the issues, raised, outside the Bank through a regional or sub-regional seminar. The basic objective would be to stimulate discussion and bring together representatives of the various agencies involved in trade and transport, to try and formulate a reasonably common strategy for improving the efficiency of the system. Probably a sub-regional seminar, focused on northern Latin America would be preferable. Costa Rican authorities (particularly the Coalicion Costarricense de Iniciativas de Desarrollo (CINDE) have expressed interest in assisting.

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CUESTIONARIO

A. SU EMPRESA

I. Nombre y Dirección de la Empresa:

II. ¿Cuáles son los términos de compra o venta de sus importaciones/ exportaciones (FOB, FOA, CIF, etc.)? Por favor indique si los términos difieren entre sus productos.

III. ¿Cuáles son los principales productos importados/exportados por su empresa?

IV. ¿Es empresa Pequeña (menos de US$1 millón de ventas totales anuales), Mediana (US$1-10 millones) o Grande (más de US$10 millones)?

V. ¿Se realizan sus importaciones/exportaciones más importantes de/hacia la dirección anotada en la pregunta I? Si la respuesta es NO, cuáles son las direcciones más importantes? (Por favor suministre una distribución porcentual si tiene más de una dirección).

VI. ¿Qué volúmenes anuales (en Toneladas Métricas y cualquier otra medida si es necesario) se transportan en los movimientos cubiertos en la pregunta V?

VII. ¿Podrían esos volúmenes: (a) crecer; (b) decrecer; (c) mantenerse relativamente constantes durante los próximos cinco años? (Si la respuesta es (a) o (b), por favor dé un porcentaje aproximado).

B. RUTAS Y MODOS DE IMPORTACIONES/EXPORTACIONES

I. ¿Cuáles son las áreas geográficas más importantes de sus importaciones/exportaciones? (Por ejemplo: países de América Latina, América del Norte, Europa, Africa y Asia).

II. ¿Qué proporción del total de su volumen de importaciones/exportación se transporta por (a) aire; (b) mar; (c) tierra? Por favor indique las principales razones para escoger ese modo de transporte.

III. ¿Qué proporción del transporte por cada modo se hace (a) en forma "unificada (contenedores, paletas, pre-colgado; por favor especifíque) (b) como carga no unificada; (c) a granel o (d) otro (por favor especifíque). ¿Cuáles son los principales problemas y beneficios provenientes del transporte "unificado"?

C. PARTICIPANTES EN LA CADENA DE TRANSPORTE

I. ¿Hace usted sus propios arreglos de transporte para importaciones/exportaciones o a través de un agente de comercio/envío? Si usa un agente, por favor suministre su nombre y su teléfono.

(Las respuestas a las siguientes preguntas se pueden expresar en forma matricial. Por favor use la matriz incluída después de la pregunta IV).

II. Si usted hace sus arreglos,la siguiente lista incluye agencias que podrían estar involucradas en la cadena de transporte para importaciones/exportaciones. Por favor indique cuales son: Muy Importantes (M); Importantes (I); ó Poco Importantes (P); para su compañía. Indique también si son Nacionales (N) o Extranjeras (E):

a) Agente de Carga (N/E)
b) Agente de Aduana (N/E)
c) Empresa de Consolidación de Carga (N/E)
d) Gobierno/Ministerio (N/E)
e) Aduana (N/E)
f) Autoridad Portuaria (N/E)
g) Pactos Comerciales Regionales (Indique que actividad económica) (N/E)
h) Operador de Transporte Multimodal (MTO)(N/E)
j) Buque de Línea (N/E)
k) Consignatario (N/E)
l) Banco (N/E)
m) Aseguradora de Carga (N/E)
n) Aseguradora de Contenedores (N/E)

III. De los participantes considerados Muy Importantes o Importantes, por favor indique para cada uno si el servicio es Satisfactorio (S); No Satisfactorio (NS).

IV. Donde el servicio se considera No Satisfactorio (NS), por favor indique que aspectos son problemáticos: Costo (C); Tiempo (T); Riesgo de Daño o Pérdida (D); Otro (O). Si usted señaló "otro", por favor mencione de que aspecto se trata.

MATRIZ

Participante	Origen	Importancia	Satisfacción	Problema
a				
b				
c				
d				
e				
f				
g				
h				
i				
j				
k				
l				
m				
n				

V. Por favor dé un estimativo de los tiempos de procesamiento de las diferentes actividades que se requieran para los flujos internacionales (transporte, documentación, trámites, etc.).

VI. Por favor dé un estimativo del costo anual de los principales problemas de sus flujos de comercio internacional.

VII. ¿Está usted tomando acciones específicas o tiene alguna sugerencia sobre cómo solucionar los problemas identificados en las preguntas II, III y IV de ésta sección?

D. ASPECTOS TECNOLOGICOS

I. ¿Usa usted computadoras en la preparación de su documentación de importaciones/ exportaciones? ¿Cuál es el principal programa usado?

II. ¿Emplea usted algún sistema de intercambio electrónico de datos (EDI)?. De ser así, ¿Con cuál agencia está conectado?. ¿Qué sistema usa usted? Por favor describa brevemente.

SATISFACTION WITH AGENCIES - SUMMARY

AGENCIES	ARGENTINA		CHILE		COSTA RICA		MEXICO		TOTAL		%
	A	B	A	B	A	B	A	B	A	B	B/A
Freight Forwarder	—		—		5	–	3	–	8	–	–
Cargo Consolidator	—		—		6	2	3	–	9	2	22
Customs Agent	9	–	12	–	10	–	11	4	44	4	9
Government Agency/Dept.	3	1	7	7	8	5	4	3	22	16	73
Customs Authorities	9	6	13	–	7	6	10	2	39	14	36
Port Authorities	8	6	14	–	10	4	3	2	35	12	34
Trade Unions	—		—		4	–	2	–	6	–	–
Multimodal Transport Operator	—		—		3	1	1	0	4	2	50
Modal Transport Operator (Land)	7	–	12	–	6	6	11	5	36	11	31
Shipping Line	7	1	11	1	7	1	9	2	34	5	15
Consignee/Consignor	—		—		8	1	4	–	12	1	8
Bank	6	3	8	3	9	2	6	3	29	11	38
Insurer	5	1	8	–	7	1	5	0	25	3	12
	54	18	85	11	90	29	72	21	303	81	27
	33		13		32		29				27

A = Number of respondees considering the agency important.
B = Number of above respondees considering the agency services unsatisfactory.

SATISFACTION WITH AGENCIES - SUMMARY

AGENCY	IMPORTANCE M	IMPORTANCE I	SATISFACTION Y	SATISFACTION N	PROBLEM C	PROBLEM T	PROBLEM D	PROBLEM O
a) Freight Forwarder 1/	6	2		0				
b) Cargo Consolidator 1/	7	2		2	2			
c) Customs Agent	39	5		4	2	1		1
d) Government/Ministry	19	4		15	3	9	6	2
e) Customs Authorities	33	7		14	3	8	2	6
f) Port Authorities	32	4		12	9	4	1	3
g) Trade Unions	——							
h) Multimodal Transport Operator (MTO) 2/	2	3		3	1		1	1
i) Modal Transport Operator	30	6		11	5	5	4	3
j) Shipping Line	28	6		7	4	3	-	3
k) Consignee/Consignor	——							
l) Bank	19	10		11	4	5	1	2
m) Cargo Insurer } n) Container Insurer }	8	17		1	1	1		

Notes:

M = Very I = Important C = Cost T = Time D = Damage/Loss O = Others (General Administration, etc.)

1/ Mexico and Costa Rica only
2/ Also included in Modal Transport Operator

Consolidated Links: a/b, c, d, e, f, i, j, l, m/n.

RESULTS OF QUESTIONNAIRE AND INTERVIEWS
MEXICO

COMPANY	SIZE	PRODUCT	TERMS	VOLUME	ORIGIN	MODE	EDI
FOOTWARE							
Manufacturera de Hormas y Tacones el Arbol, S.A. de C.V.	Medium	Plastic molds for shoes	FOB	8 TN	North America	Terrestrial	NO
PRODUCE AND PRESERVES							
Marbran S. de R.L. de C.V.	Large	Broccoli, Coliflower Frozen Spinich	FOB	22,700 TN	North America Japon, Europe Australia	Terrestrial 91% Maritime 9%	NO
Gigante Verde, S.A. de C.V.	Large	Frozen Produce	FOB	22,680 TN	North America Japon	Terrestrial 97% Maritime 3%	NO
Anderson Clayton & Co., S.A. de C.V. - Division Clemente Jacques	Medium	Jalapenos Pepper Preserves, Nopal Sauce	FOB	2,611,300 TN	North America Europe	Terrestrial 95% Maritime 5%	NO
MARBLE							
Marmoles y Terrazos, S.A. de C.V.	Medium	Marbles	FOB	1,200 TN	North America	Terrestrial	NO
Ceramica Regiomontana, S.A. de C.V.	Large	Tiles and Floors	FOB	3.5 Millones de M	North America	Terrestrial	NO
Marmoles Poblanos, S.A. de C.V.	Medium	Marble blocks, Onix Plates and Parckets	FOB	36,856 M2	North America Orient	Terrestrial 80% Maritime 20%	NO
Marmolera Internacional Puebla, S.A. de C.V.	Medium	General marble products	FOB	Variables	North America Japon/Europe	Variable	NO
Fachadas y Monumentos, S.A. de C.V.	Small	Marbles and Natural Granites	FOB	30,000 M2	North America Asia	Terrestrial 95% Maritime 5%	NO

RESULTS OF QUESTIONNAIRE AND INTERVIEWS
MEXICO

COMPANY	SIZE	PRODUCT	TERMS	VOLUME	ORIGIN	MODE	EDI
FOOTWARE							
Manufacturera de Hormas y Tacones el Arbol, S.A. de C.V.	Medium	Plastic molds for shoes	FOB	8 TN	North America	Terrestrial	NO
MARBLE							
Marmoles Poblanos S.A. de C.V.	Medium	Marble blocks, Onix Plates and Parcket Washstand covers	FOB	36,858 M2	Europe Orient	Maritime	NO
Fachadas y Mommentos, S.A. de C.V.	Small	Marbles and Natural Granites	CIF	30,000 M2	North America Latin America Europe	Maritime 80% Terrestial 20%	--
CHEMICAL PRODUCTS (RESINS)							
ROMH and HASS Mexico, S.A. de C.V.		Chemical Products	FOB CIB	8,400 TN	South America	Terrestrial 98% Maritime 2%	NO
Industrial Quimo Dent, S.A. de C.V.	Small	Ceramic Plaster Epoxicas Resins	CIF	180 TN	North America Latin America	Terrestrial 100%	NO
ALCOHOLIC BEVERAGES							
Seagram de Mexico, S.A. de C.V.	Large	Whisky, Cognac and Vodka	CIF	864,000 LTS	Europe	Maritime	NO
ELECTRONIC EQUIPMENT							
Proyecto, Construcciones e Instalaciones Procisa, S.A. de C.V. (Grupo CONDUMEX)	Large	Specialized Telecommunicacions Equipment	FOB	3,000 M3	North America	Terrestrial	SI

Note: Electronic Interchange of Data

RESULTS OF QUESTIONNAIRE AND INTERVIEWS
MEXICO

COMPANY	SIZE	PRODUCT	TERMS	VOLUME	ORIGIN	MODE	EDI
TEXTILES							
Grupo BABA	Large	Fabrics	FOB	393,939 M	North America	Terrestrial	NO
CHEMICAL PRODUCTS							
ROMH and HASS Mexico, S.A. de C.V.		Chemical Products	FOB CIB	400 TN	South America Europe/Africa	Terrestrial 98% Maritime 2%	NO
Grupo Dupont S.A. de C.V.	Large	Agro-Chemicals	CIF FOB	5,000 TN	North America Latin America	Autotpe. 50% Maritime 35%	YES
ALCOHOLIC BEVERAGES							
Seagram de Mexico, S.A. de C.V.	Large	Tequila	FOB	700,000 LTS	Europe/Japon	Terrestrial 95% Others 5%	NO
CEMENT							
CEMEX Internacional, S.A. de C.V.	Large	Portland Cement Grey or White	FOB	1,580,000 TN	North America Asia	Terrestrial 63% Maritime 37%	YES

RESULTS OF QUESTIONNAIRE AND INTERVIEWS
COSTA RICA

COMPANY	SIZE	PRODUCT	TERMS	VOLUME (Tons)	ORIGIN	MODE	EDI
KATIVO	Large	Chemicals	CIF	1,800	North America Europe/Mexico	Air 5%, Maritime 90%, Terrestrial 5%	NO
MATRA	Medium	Machinery, Vehicles, Parts	CIF	2,000	North America Canada	Air 10% Terrestrial 90%	
SCOTT PAPER	Large	Paper Fiber (Raw Material)	CIF	15,000	North America	Air 1% Maritime 95% Terrestrial 4%	NO
DOLE	Large	Raw material, Equipment, and Parts	FOB CIF	N/A	North America	Maritime 90% Air 15%	
CEFA	Large	Medications, Cosmetics and Perfumes	FOB CIF	200	North America Europe, Brazil Mexico	Maritime 40% Air 55% Terrestrial 5%	
COOPEMONTECILLOS	Large	Machinery and Spare Parts	FOB CIF C & F	7,000	North America Latin America Europe		Dialog

RESULTS OF QUESTIONNAIRE AND INTERVIEWS
COSTA RICA

COMPANY	SIZE	PRODUCT	TERMS	VOLUME (Tons)	ORIGIN	MODE	EDI
CAFE CAPRIS	Large	Chemicals	CIF	1,800	North America Europe/Mexico	Air 5%, Maritime 90%, Terrestrial 5%	NO
EXPORPACK	Medium	Machinery, Vehicles, Parts	CIF	2,000	North America Canada	Air 10% Terrestrial 90%	
SCOTT PAPER	Large	Paper Fiber (Raw Material)	CIF	15,000	North America	Air 1% Maritime 95% Terrestrial 4%	NO
STANDARD FRUIT CO. (Dole)	Large	Pineapple/banana	FOB	482,524	North America 30.5% Europe 69.5%	Maritime 100%	NO
BANDECO (Del Monte)	Large	Banana	FOB	615,000	North America 45% Europe 55%	Maritime 100%	NO
COOPEMONTECILLOS	Large	Fish, seafood	CIF	7,000	North America Asia	Maritime 98% Air 2%	NO
	Large	Meat	FOB	6,000	North America Asia	Maritime 98% Air 2%	Dialog
INVERSORA NICOA	Small	Vegetables					

RESULTS OF QUESTIONNAIRE AND INTERVIEWS
ARGENTINA

COMPANY	SIZE	PRODUCT	TERMS	VOLUME	ORIGIN	MODE	EDI
CHEMICAL PRODUCTS							
Chemical DOW	>10M	Herbiar-A	FOB	40 TEUS	North America 100%	Maritime 100%	YES
BASF-Argentina	>10M	Herbiar-B	C&F FOB	800 TONS	North America 100% Latin America 25%	Terrestrial 25% Maritime 75%	YES
Monsanto-Argentina	>10M	Herbiar-C	C&F	100 TEUS	North America 90%, Europe 5%, Latin America 5%	Maritime 95% Terrestrial 5%	YES
BEVERAGES							
Cuisenier	>10M	Bebi Ar-A	FOB CIF	3,000 TEUs	Latin America North America	Maritime 94% Terrestrial 6%	NO

RESULTS OF QUESTIONNAIRE AND INTERVIEWS
ARGENTINA

COMPANY	SIZE	PRODUCT	TERMS	VOLUME	ORIGIN	MODE	EDI
FOOTWARE							
Stelkar	< 1M	Calzar-A	FOB	15,000 pares	North America 100%	Maritime 100%	NO
Calandria	1M < 10M	Calzar-B	FOB	15,000 pares	Latin America 100%	Air 100%	NO
TEXTILES							
Alpargatas, S.A.	>10M	Textar-A	FOB C&F	180 TEUS	North America 50%, Europe 50%	Maritime 80% Air 20%	NO
CERAMICS							
San Lorenzo	10M<	Ceramar-A	FOB	2,400 TEUs	North America 10%, Europe 70%, Latin America 10%, Africa 10%	Maritime 90% Terrestrial 10%	YES
Zanon	10M <	Ceramar-B	FOB	1,000 TEUs	North America Latin America Africa, Asia	Maritime 98% Terrestrial 2%	NO

RESULTS OF QUESTIONNAIRE AND INTERVIEWS
CHILE

COMPANY	SIZE	PRODUCT	TERMS	VOLUME	ORIGIN	MODE	EDI
CHEMICAL PRODUCTS							
Hoescht-Chile	>10M USD	HerbiChile-A	CIF C&F	259,000 L	Latin America 55%, Europe 45%	Terrestrial 55% Maritime 45%	YES
BASF-Chile	>10M	HerbiChile-B	C&F FOB	480,000 L	Latin America 6%, Europe 94%	Terrestrial 6% Maritime 94%	YES
Bayer-Chile	>10M	HerbiChile-B	CIF		Latin America 20%, Europe 80%	Maritime 80% Terrestrial 20%	YES
RESINS							
Pizarreno	>10M	ResiChile-A	FOB C&F	1,200 TU	North America 70%, Africa 30%		NO
Wenco, S.A.	1<10	ResiChile-B	FOB CIF C&F	3,200 TEUs	Latin America 80%, North America 20%	Maritime 20% Terrestrial 80%	NO
BEVERAGES							
Chacao	>10M	BebiChile-A	C 8F	41 TEUS	North America 100%	Maritime	NO
Engel, S.A.	1<<10	BebiChile-B	FOB CIF	50 TEUS	EN 100%	Maritime	NO
MCkendrick y Cia.	>1	BebiChile-C	CIF	10 TEUS	EN 100%	Maritime	NO

RESULTS OF QUESTIONNAIRE AND INTERVIEWS
CHILE

COMPANY	SIZE	PRODUCT	TERMS	VOLUME	ORIGIN	MODE	EDI
TEXTILES							
Seminola, S.A.	1M< 10M	TexChile-A	FOB	24 TEUs	North America 100%	Maritime 99% Air 1%	NO
Campinas, S.A.	1M< 10M	TexChile-B	Ex Factory	300,000 items	North America 100%	Maritime 100%	NO
Contex, Ltda.	<1M	TexChile-C	FOB Arica	Unknown	Latin America 50%, Europe 20%	Maritime 70% Terrestrial 30%	NO
CERAMICS							
Cordillera	10M<	CeraChile-A	FOB Valpo	180 TEUs (89)	North America 100%	Maritime 100%	NO
Espejo	1M< 10M	CeraChile-B	FOB	20-30 TEUs	North America 90%, Europe-Asia 10%	Maritime 100%	NO
BEVERAGES							
MCkendrick y Cia.	>1	BebiChile-C	CIF	10 TEUS	EN 100%	Maritime	NO

COSTA RICA
CUSTOMS REFORM
USAID Analysis and Recommendations
(Summary)

Principal Problems:

Up to 1989:

Chaotic organization of Customs Houses, ineffectual administration, lack of standard operating procedures, operational structure and functional job descriptions. Low educational levels of personnel, poorly trained, unsupervised, low salaries.

Deficient physical infrastructure in all customs houses, inability to limit public access to workers.

Poor services, slow- 8-12 days to clear a non-controversial entry document, costly additional payments proliferation.

Negligible control over international transport.

Negligible control over fiscal warehouses.

Little income from auctions of abandoned goods.

No reliable import or export data.

No reliable data on taxes collected, or exonerated.

Focus of Technical Assistance 1989-1990
Results Achieved

Practical organization of the Aduana Central. Division into Technical and Administrative functions. Preparation and clarification of job descriptions and responsibilities, providing structure for supervision and operational audits.

Preparation of Manual of Position Descriptions for consideration and adoption by Civil Service to open a technical Customs career category, as a separate chapter in the Civil Service.

Preparation of the International Transit Guide, in accordance with the SIECA/UNCTAD initiative of simplification of forms, procedures, and controls.

Collection of laws, decrees and resolutions related to customs functions, for use by the legal departments, and for confrontation of conflicting legislation to propose abrogation.

Preparation of manuals for most of the major functions of the customs process, with the expectation of mechanization of most of the procedures.

Design of a prototype software to define the "architecture" of the system that could be mechanized.

Focus of HCOLC Financing 1991-1993

1. Administrative

   Finish the series of procedural manuals.
   Establish a modern accounting system at the customs house level.
   Intervene in the administration of the Customs houses, implant supervision and internal controls/operational audits.
   Simplify documentation.

2. **Collect decisions of Controller and Procurator.**

Collect and categorize resolutions of Customs and Finance related to Customs. Evaluate the Costa Rican and Central American proposed Customs legislation and effects on practical operations.

3. **Human Resources**

Coordinate with Civil Service to implement the Position description manual for Customs.
Establish a continuing education program for introductory courses and skills upgrading for customs officials.

4. **Foreign Trade**

Collect the existing national and international legal backdrop for international commerce.

Determine Costa Rica's practical obligations and operational conditions required by its adhesion into GATT, and analyze the practical impact in view of the national legal structure and customs functions.

Propose for legal adaptation of the customs service operations to the harmonized valuation and classification system.

Define and propose in concert with the Ministry of Foreign Trade, legal reforms needed to comply with the expectations of a customs service that responds to the needs of international commerce.

5. **Infrastructure**

Define strategic geographical points for customs control stations.
Draw up plans, bid for construction of posts, supervise construction.

6. **Customs Information System -**

Computerized Development of strategic sub-systems and data bases as independent modules, for posterior integration:

Vehicle entry control
Reception of Transportation Units
Reception of Inventory from Fiscal Warehouses
Accounting
Values Data Base
Tariff for on-line consultation
Duty Calculation

Selection of Software and hardware modalities.
Analysis and prototype design, and programming and modules for nationalization, accounting, transportation, inventories in fiscal warehouses, auctions, destructions and donations of goods.

Interaction with other entities, banks, warehouses, port authorities, brokers, etc.

Design of greater network for consolidation of data, communication network.

Creation of users manuals.

Parallel systems, computerized and manual in 3 centers.

Free standing systems.

Training.

Initiation of Systems in peripheral customs houses.

CUSTOM PROCESS AS A RESTRAINT TO TRADE
(From Mexico: Export Sector Adjustment Loan)

1. An important effort is currently underway to control better the customs process and improve efficiency. Customs procedures have been a significant restraint to trading because they are highly centralized and antiquated, involving numerous, complex, time-consuming and non-transparent steps. While trade reforms have simplified customs requirements, customs procedures clearly had not kept pace with trade reforms. Traders faced long processing times and substantial undocumented costs in clearing merchandise. Until the reform was initiated recently, the authorities had effectively lost control of the customs process, and the clearance system had become bogged down in a mire of bureaucracy, ad hocery and corruption.

2. The excessive costs of clearing customs effectively functions as another barrier to trade, and are thus inimical to the recent liberalization since a well-functioning, transparent customs process will ensure that the new trade policies are being fully implemented. There is also the additional benefit of improved collection of trade taxes, and indeed the other taxes.1/

3. Customs reform is part of an overhaul of the tax collection. Simplifying and standardizing customs process will foster increased transparency, reduce discretion of the customs employees, and lessen opportunities for tax evasion. Traders will benefit from the reduced costs, delays and uncertainties of a standardized, universally applied, non-negotiable customs process. By a conservative estimated, the readily quantifiable benefits of the Government's program of customs reform in terms of cost reductions to trade are around US$2.3 billion a year, which is around five percent of the value of merchandise trade or close to one percent of GDP. The estimate does not include additional benefits such as efficiency gains from improved competitiveness of the traded sector.

Past Institutional and Regulatory Issues

4. Until recently the Directorate General of Customs (DGC), which reported directly to the Secretary of Finance and Public Credit, simultaneously carried out a number of functions: (i) policymaking--i.e., determining customs operating procedures; (ii) supervision of its own activities; (iii) evaluation of effectiveness of customs operation; and (iv) responsibility for day-to-day operations. The Ministry of Trade and Industrial Development (SECOFI) has traditionally been in charge of controls on foreign trade and coordination of tariffs, while the Ministry of Finance and Public Credit (SHCP) has been responsible for tax and fee collection and supervision of general compliance with legal requirements. In practice, the DGC operated substantially in isolation with regard to traded merchandise, and coordination with SECOFI and the remainder of SHCP was limited.

5. An enormous amount of legislation and ordinances applicable to customs, spanning all levels from Articles of the Constitution to Administrative Circulars has proliferated over the years. The previous legislation and operating practice of customs implied that every merchandise transaction had to be inspected individually, and hundreds of regulations applied in each

case. This was clearly impossible. Thus, enormous discretion was given to customs officers, with predictable results and the authorities effectively lost control of the process.

6. Importers and exporters typically use the professional services of a customs broker to find their way around all of the statutory obligations and provisions. Customs brokers were generally considered to be major accomplices in irregularities involving customs. Entry to the private sector profession had been tightly controlled by means of licenses. The number of customs brokers remained roughly constant at 500 for over a decade. Customs brokers were permitted by law to charge a two-part fee for their services: one part depended on the duty-paid value of merchandise plus a fixed component for the service, and the other part was known as "complementarios: or extras, depending on the additional undocumented expenses the broker had to incur to release the merchandise. This system contained a built-in incentive to understate the value of the merchandise and increase the undocumented complementario.

The New Process and Policies

7. In mid-1989, the DGC went from a stand-alone entity reporting directly to the Secretary of Finance to being incorporated into the Undersecretariat of Revenues (SSI). Legal matters and monitoring of compliance related to customs at the central level were reassigned from DGC to other areas of SSI in August 1989, so that DGC is now exclusively concerned with improving the physical processing of merchandise through the customs facility. The national registry for importers and exporters (RENIE), which was used by customs for the collection of trade taxes and listed only about 200 traders, has also been abolished. Traders are now required to be in the Federal Tax Registry, which lists all taxpayers, and they use their standard Mexican IRS numbers. This change will improve collection of all tariff and taxes. The responsibility for computerizing the decentralized customs sites rests with SSI, which is providing guidance to the Central Informatics Units of Customs. Procedures are being implemented whereby electronic data is collected from commercial banks and customs agents, cross-checked for consistency at the decentralized Informatics Units of each customs site and compared with hard copies of the declaration forms.

8. The new budget law containing the basic legal and institutional changes pertaining to customs became effective on January 1, 1990. Changes in process are being formalized through Reglamentos to the Customs Law.

9. The Mexican tax system operates on the basis of voluntary declaration of tax liability by the taxpayer, and it is at the discretion of SHCP to check for compliance. This will also be the new modus operandi for the collection of trade taxes. The new rights and obligations of traders and customs have been widely published to enhance transparency. A basic premise is that meaningful individual inspection of each transaction is impossible. The intention is to regain control, tailoring inspections to match the capacity of each customs facility, and to remove discretion and negotiability. Operations will be decentralized, linked by an electronic data communication network, and responsibility for information collection and monitoring will be shifted to the individual customs sites.

10. Trade transactions are inspected to random, and the number of steps in the customs process has been reduced by two thirds. The previous system for customs processing contained around twelve steps, of which nine involved some sort of paperwork. The new system consists essentially of four steps. The reduction in processing time has been a major source of savings.

11. Traders no longer make payments of tariffs to customs officials but rather to commercial banks which have opened branches inside the customs facility. The commercial banks keep the funds for 48 hours before officially placing them in the account of the national treasury, and are required to keep computerized records of all transactions.

12. Entry to the tightly controlled customs brokers' profession is being freed up and the regulated fee structure will be phased out after a transition period so that fees will be market determined. Brokers will be required to present electronic data on a weekly basis containing all information related to their clients's trade activities.

13. The random inspection system is complemented by stiff fines and penalties for all parties involved, including the loss of authorization to operate as brokers, if irregularities are discovered during the inspection. The new system therefore contains incentives for customs agents to ensure that the contents and value of al traded merchandise are accurately declared. Even at the pilot stage it was observed that brokers are pre-inspecting some merchandise before completing declarations and calculating tariffs owed.

14. The low salaries paid to customs officials under the public sector salary structure and limited training are principal constraints to implementation of the reform program. Also, the costs of training are very high, the results often uneven, and training can lead to defections to the private sector where salaries are much higher. The customs reform addresses the salary issue by "privatizing" the money collection function to commercial banks, and the primary inspection function to customs brokers. The reforms have simultaneously reduced the workload of customs employees as well as the possibility for graft. The Government's financing requirements to implement the customs reforms are primarily in the areas of training and hardware.

1/ Taxes on international trade were O.4 percent of GDP in 1988, compared to 1.1 percent in 1981. Almost all the trade tax revenue comes from tariffs on imports; trade taxes account for a much smaller percentage of GDP in Mexico than in many other developing countries.

MEXICO - EXPORT ADJUSTMENT LOAN
Policy Matrix for Actions on Customs Reform

ISSUES	OBJECTIVE	ACTIONS ALREADY TAKEN	ACTIONS TO BE TAKEN
1. Lack of reliable information gathering systems.	Modernization of procedures and improvement of collections.	The Directorate General of Collections has embarked on a program to computerize all of decentralized Units of Informatics, Accounting and Compilation (UIACs) of each customs facility. At the same time, a process is in place by which customs brokers are required to present all information in standard format on a diskette every week to their local UAIC, where the information is verified and passes up through two levels to the National Registry. This is already in place at Mexico City Airport, Nuevo Laredo and Tijuana. Random checking system has also been introduced at these three sites.	Introducing the system at ten customs facilities by December 1990 (monitorable).
2. Combining trade tax collection with overall tax collection.	Enhance revenues collection from both customs and other taxes.	Phasing out Registry of Importers and Exporters and assimilation of this information with the Federal Registry of Taxpayers.	Single account by 1994.
3. Problems with customs agents handling money paid for trade taxes.	Collection of total revenues owed.	Implementation of system to collect tariff revenues through commercial banks already in place at three sites.	Introducing system to twenty two sites by December 1990 (monitorable)
4. Non-compatibility of customs accounts with other domestic tax data.	Unification of accounting procedures.		Automating the registry of all customs accounts similarly to domestic taxes by 1992. (Monitorable).
5. Irregularities/evasion in payment of trade taxes.	Detection of undervaluation of imports and training of personnel for appropriate inspection capability.	Initiated.	Not monitorable.
6. Lack of transparency in procedures.	National Campaign of rights and obligations, which will also receive media attention.	Initiated for passengers.	Same for merchandise?
7. Resolution of disputes.	Install employee trained to handle disputes, at every customs facility.		To be determined.
8. Training	Diagnose needs and design training program for mid-level (and other) customs personnel.	Initiated at three customs sites.	Implementation at ten sites by December 1990.
9. Improve administrative process of policy making for customs.	Incorporate Directorate of Customs into the Undersecretariat of Revenues; reassign some of the functions without losing any, and make transition as smooth as possible.	Committee has been formed, headed by Undersecretary of Revenues and made up of different Directorate Generals.	None.
10. Maritime frontiers are not consistent with remaining border points in terms of customs procedures.	Introduce random inspection system to port customs operations.		Introduction of elements of the new system to one maritime frontier by December 1990, and to be fully operational in other ports by 1994.

TRADE FACILITATION AND TRANSPORT STUDY

MEXICO
TRUCK TARIFF 1991

PRODUCT	ROUTE	DISTANCE KM	COST PER Tkm USC	COMMENTS
LEATHER	Leon - Mex., D.F. Leon - N. Laredo	500 930	7 3.5	
CONSERVES	S. Miguel - N.L.	970	2.6	
CONSERVES	Irapuato - Manzanillo Irapuato - N.L. (Rail I - N.L.)	500 950 950	15 4.8 1.9	
CERAMICS	Puebla - Manzanillo Puebla - N. L.	930 1250	6.3 3.9	U.S. Coy.
CERAMICS	Puebla - N.L. Puebla - Tijuana	1250 3000	3.8 2.0	2.5c before deregulation
HIDES	N. L. - Leon Juarez - Leon	930 1330	3.0 5.4	
HIDES	P. Negras - Leon	1110	4.6	
TRANSPORT GROUP	Leon - N.L.	930	4.9	
LOW VALUE CHEMICALS	N. L. - Monterrey (Rail) Chicago - N.L. (Rail)	230 1200	7.5 4.0 3.8 2.8	48t Consignments (52t)
RESINS	Reynosa - Monterrey Pittsburg - Hidalgo (Tex.)	230 2000	20.7 5.5	U.S. Coy. U.S.A.

MEXICO
TRUCK TRANSPORT COST CALCULATIONS 1986/87 AND 1991

	VARIABLE Total Per Km	1991 (updated)		FIXED Total Per Km	1991 (updated)
FUEL	172	258 (1.5x)	Insurance	80	560 (x7)
OIL/LUB.	7	11 (1.5x)	Overheads	24	168 (x7)
TIRES	118	177 (1.5x)	Maint. (Labor)	24	168 (x7)
SALARIES ($M7,200,000/Yr.)	60	(x7)=420	Maint. (Parts)	80	192
TOTAL	357	886	Total	208	1,088
TOTAL ex Dep.		1974			
Dep.		500			
Per Tkm		US$			
Total ex Dep.	110	0.36			
Total inc. Dep.	137	0.46			

Basic Assumptions

a) 1000 km round trip
b) Annual km 120, 000 (2 1/2 RT/week).
c) Average 18 ton load.
d) Exchange rate US$1.0 = SMEX 2,200 (1987) US$3,000 (1991).
e) Assume wages increased as IFS. Fuel and tires as international translated to parts as real appreciation of Peso (2.4x).
f) Vehicle value 1987 = $M200m plus 10% (real) = SM300m (1990) dep. 5 years = $M60m/yr.

PARTICIPACION DE LOS AGENTES EN LA CADENA DE DISTRIBUCION - TEMPORADA 1987/88
(Dólares/caja y porcentajes)

	Uva Flame EE UU		Uva Thompson EE UU		Manzana G.Sm. Europa		Pera Packham Europa		Kiwi Europa		Nectarin EE UU		Durazno EE UU		Ciruela japonesa EE UU	
	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%
Precio mayorista	9.58	100.00	14.60	100.00	17.60	100.00	19.50	100.00	10.07	100.00	9.41	100.00	11.30	100.00	8.90	100.00
Margen mayorista	1.44	15.03	2.19	15.00	2.60	14.77	2.92	14.97	1.51	15.00	1.40	14.88	1.70	15.04	1.34	15.06
Precio ex-dock recibidor	8.14	84.97	12.41	85.00	15.00	85.23	16.58	85.03	8.56	85.00	8.00	85.02	9.60	84.96	7.56	84.94
Menos:																
Recibidor	0.65	6.78	1.00	6.85	1.20	6.82	1.33	6.82	0.68	6.75	0.60	6.38	0.77	6.81	0.60	6.74
Puerto destino	0.75	7.83	0.75	5.14	1.70	9.66	1.70	8.72	1.25	12.41	0.75	7.97	0.75	6.64	0.66	7.42
Naviera	2.25	23.49	2.25	15.41	4.44	25.23	4.44	22.77	1.08	10.72	1.97	20.94	1.97	17.43	1.57	17.64
Seguro	0.06	0.63	0.06	0.41	0.06	0.34	0.06	0.31	0.06	0.60	0.06	0.64	0.06	0.53	0.06	0.67
Valor FOB Chile	4.43	46.24	8.35	57.19	7.60	43.18	9.15	46.92	5.49	54.52	4.62	49.10	6.05	53.54	4.67	52.47
Menos:																
Exportador	0.35	3.65	0.67	4.59	0.60	3.41	0.73	3.74	0.43	4.27	0.37	3.93	0.48	4.25	0.37	4.16
Puerto cargue	0.16	1.67	0.16	1.10	0.33	1.88	0.33	1.69	0.06	0.60	0.16	1.70	0.16	1.42	0.14	1.57
Flete terrestre	0.22	2.30	0.22	1.51	0.31	1.76	0.31	1.59	0.08	0.79	0.39	4.14	0.39	3.45	0.22	2.47
Packing y frio	0.79	8.25	0.79	5.41	1.30	7.39	1.39	7.13	0.45	4.47	0.69	7.33	0.69	6.11	0.64	7.19
Material embalaje	0.93	9.71	0.93	6.37	2.15	12.22	2.02	10.36	0.69	6.85	0.81	8.61	0.81	7.17	0.81	9.10
Precio productor	2.45	25.57	5.58	38.22	2.91	16.53	4.37	22.41	3.78	37.54	2.57	27.31	3.52	31.15	2.86	32.13
Menos:																
Mano obra huerto	0.57	5.95	0.57	3.90	0.34	1.93	0.40	2.05	0.07	0.70	0.36	3.83	0.35	3.10	0.38	4.27
Productos químicos	0.53	5.53	0.53	3.63	0.40	2.27	0.56	2.87	0.16	1.59	0.35	3.72	0.40	3.54	0.34	3.82
Maquinaria	0.40	4.18	0.40	2.74	0.27	1.53	0.50	2.56	0.05	0.50	0.28	2.98	0.25	2.21	0.28	3.15
Otros gastos huert	0.15	1.57	0.15	1.03	0.16	0.91	0.15	0.77	0.13	1.29	0.10	1.06	0.12	1.06	0.10	1.12
Remanente exportaci	0.80	8.35	3.93	26.92	1.47	8.35	2.76	14.15	3.37	33.47	1.48	15.73	2.40	21.24	1.76	19.78
Mercado interno	0.50		0.50		0.63		1.13		0.19		0.65		0.84		0.37	
Saldo final	1.30		3.98		2.10		3.89		3.56		2.13		3.24		2.13	

Fuente: elaboracion propia.

UNCTAD/ICC Draft Rules for Multimodal Transport Documents

1. Applicability

1.1. These Rules apply when they are incorporated, in writing or orally, into a contract of carriage by reference to the "UNCTAD/ICC Rules for multimodal transport documents", irrespective of whether there is a unimodal or a multimodal transport contract involving one or several modes of transport or whether a document has been issued or not.

1.2. Whenever such a reference is made, any derogation from these Rules shall be null and void to the extent that it is in conflict with these Rules, except insofar as it increases the responsibility or obligation of the multimodal transport operator.

2. Definitions

2.1. Multimodal transport contract (MT contract) means a single contract for the carriage of goods by at least two different modes of transport.

2.2. Multimodal transport operator (MTO) means any person who concludes a multimodal transport contract and assumes responsibility for the performance thereof as a carrier.

2.3. Carrier means the person who actually performs or undertakes to perform the carriage, or part thereof, whether he is identical with the multimodal transport operator or not.

2.4. Consignor means the person who concludes the multimodal transport contract with the multimodal transport operator.

2.5. Consignee means the person entitled to receive the goods from the multimodal transport operator.

2.6. Multimodal transport document (MT document) means a document evidencing a multimodal transport contract and which can be replaced by electronic data interchange messages insofar as permitted by applicable law and *be*

(a) issued in a negotiable form or,

(b) issued in a non-negotiable form indicating a named consignee.

2.7. Taking in charge means that the goods have been handed over to and accepted for carriage by the MTO.

2.8. Delivery means

(a) the handing over of the goods to the consignee. or

(b) the placing of the goods at the disposal of the consignee in accordance with the MT contract or with the law or usage of the particular trade applicable at the place of delivery, or

(c) the handing over of the goods to an authority or other third party to whom, pursuant to the law or regulations applicable at the place of delivery, the goods must be handed over.

2.9. Special Drawing Right (SDR) means the unit of account as defined by the International Monetary Fund.

2.10. Goods means any property including live animals as well as containers, pallets or similar articles of transport or packaging not supplied by the MTO, irrespective of whether such property is to be or is carried on or under deck.

3. *Evidentiary effect of the information contained in the multimodal transport document*

The information in the *MT document* shall be *prima facie* evidence of the taking in charge by the MTO of the goods as described by such information unless a contrary indication, such as "shipper's weight, load and count", "shipper-packed container" or similar expressions, has been made in the printed text or superimposed on the document. Proof to the contrary shall not be admissible when the *MT document* has been transferred, or the equivalent electronic data interchange message has been transmitted to and acknowledged by the consignee who in good faith has relied and acted thereon.

4. *Responsibilities of the multimodal transport operator*

4.1. Period of responsibility

The responsibility of the MTO for the goods under these Rules covers the period from the time the MTO takes the goods in his charge to the time of their delivery.

4.2. The liability of the MTO for his servants, agents and other persons

The multimodal transport operator shall be responsible for the acts and omissions of his servants or agents, when any such servant or agent is acting within the scope of his employment, or of any other person of whose services he makes use for the performance of the contract, as if such acts and omissions were his own.

4.3. Delivery of the goods to the consignee

The MTO undertakes to perform or to procure the performance of all acts necessary to ensure delivery of the goods:

(a) when the *MT document* has been issued in a negotiable form "to bearer", to the person surrendering one original of the document, or

(b) when the *MT document* has been issued in a negotiable form "to order", to the person surrendering one original of the document duly endorsed, or

(c) when the *MT document* has been issued in a negotiable form to a named person, to that person upon proof of his identity and surrender of one original document; if such document has been transfered "to order" or in blank the provisions of (b) above apply, or

(d) when the *MT document* has been issued in a non-negotiable form, to the person named as consignee in the document upon proof of his identity, or

(e) when no document has been issued, to a person as instructed by the consignor, or by a person who has acquired the consignor's or the consignee's rights under the MT contract to give such instructions.

5. *Liability of the multimodal transport operator*

5.1. Basis of Liability

Subject to the defences set forth in Rule 5.4 and Rule 5.6, the MTO shall be liable for loss of or damage to the goods, as well as for delay in delivery, if the occurrence which caused the loss, damage or delay in delivery took place while the goods were in his charge as defined in Rule 3.1., unless the MTO proves that no fault or neglect of his own, his servants or agents or any other person referred to in Rule 3.2. has caused or contributed to the loss, damage or delay in delivery. However, the MTO shall not be

liable for loss following from delay in delivery unless the consignor has made a declaration of interest in timely delivery which has been accepted by the MTO.

5.2. Delay in delivery

Delay in delivery occurs when the goods have not been delivered within the time expressly agreed upon or, in the absence of such agreement, within the time which it would be reasonable to require of a diligent MTO, having regard to the circumstances of the case.

5.3. Conversion of delay into final loss

If the goods have not been delivered within ninety consecutive days following the date of delivery determined according to Rule 5.2., the claimant may, in the absence of evidence to the contrary, treat the goods as lost.

5.4. Defences for carriage by sea or inland waterways

Notwithstanding the provisions of Rule 5.1. the MTO shall not be responsible for loss, damage or delay in delivery with respect to goods carried by sea or inland waterways when such loss, damage or delay during such carriage has been caused by:

- act, neglect, or default of the master, mariner, pilot or the servants of the carrier in the navigation or in the management of the ship,
- fire, unless caused by the actual fault or privity of the carrier,

however, always provided that whenever loss or damage has resulted from unseaworthiness of the ship, the MTO can prove that due diligence has been exercised to make the ship seaworthy at the commencement of the voyage.

5.5. Assessment of compensation

5.5.1. Assessment of compensation for loss of or damage to the goods shall be made by reference to the value of such goods at the place and time they are delivered to the consignee or at the place and time when, in accordance with the MT contract, they should have been so delivered.

5.5.2. The value of the goods shall be determined according to the current commodity exchange price or, if there is no such price, according to the current market price or, if there is no commodity exchange price or current market price, by reference to the normal value of goods of the same kind and quality.

6. Limitation of liability of the multimodal transport operator

6.1. Unless the nature and value of the goods have been declared by the consignor before the goods have been taken in charge by the MTO and inserted in the *MT document*, the MTO shall in no event be or become liable for any loss of or damage to the goods in an amount exceeding the equivalent of 666.67 SDR per package or unit or 2 SDR per kilo of gross weight of the goods lost or damaged, whichever is the higher.

6.2. Where a container, pallet or similar article of transport is used to consolidate goods, the packages or other shipping units enumerated in the *MT document* as packed in such article of transport are deemed packages or shipping units. Except as aforesaid, such article of transport shall be considered the package or unit.

6.3. Notwithstanding the above-mentioned provisions, if the multimodal transport does not, according to the contract, include carriage of goods by sea or by inland waterways, the liability of the MTO shall be limited to an amount not exceeding 8.33 SDR per kilo of gross weight of the goods lost or damaged.

6.4. When the loss of or damage to the goods occurred during one particular stage of the multimodal transport, in respect of which an applicable international convention or mandatory national law would have provided another limit of liability if a separate contract of carriage had been made for that particular stage of transport, then the limit of the MTO's liability for such loss or damage shall be deter-

mined by reference to the provisions of such convention or mandatory national law.

6.5. If the MTO is liable in respect of loss following from delay in delivery, or consequential loss or damage other than loss of or damage to the goods, the liability of the MTO shall be limited to an amount not exceeding the equivalent of the freight under the MT contract for the multimodal transport.

6.6. The aggregate liability of the MTO shall not exceed the limits of liability for total loss of the goods.

7. Loss of the right of the multimodal transport operator to limit liability

The MTO is not entitled to the benefit of the limitation of liability if it is proved that the loss, damage or delay in delivery resulted from a personal act or omission of the MTO done with the intent to cause such loss, damage or delay, or recklessly and with knowledge that such loss, damage or delay would probably result.

8. Liability of the consignor

8.1. The consignor shall be deemed to have guaranteed to the MTO the accuracy, at the time the goods were taken in charge by the MTO, of all particulars relating to the general nature of the goods, their marks, number, weight, volume and quantity and, if applicable, to the dangerous character of the goods, as furnished by him or on his behalf for insertion in the *MT document.*

8.2. The consignor shall indemnify the MTO against any loss resulting from inaccuracies in or inadequacies of the particulars referred to above.

8.3. The consignor shall remain liable even if the *MT document* has been transferred by him.

8.4. The right of the MTO to such indemnity shall in no way limit his liability under the MT contract to any person other than the consignor.

9. Notice of loss of or damage to the goods

9.1. Unless notice of loss of or damage to the goods, specifying the general nature of such loss or damage, is given in writing by the consignee to the MTO when the goods are handed over to the consignee, such handing over is *prima facie* evidence of the delivery by the MTO of the goods as described in the *MT document.*

9.2. Where the loss or damage is not apparent, the same *prima facie* effect shall apply if notice in writing is not given within 6 consecutive days after the day when the goods were handed over the consignee.

10. Time-bar

The MTO shall, unless otherwise expressly agreed, be discharged of all liability under these Rules unless suit is brought within 9 months after the delivery of the goods, or the date when the goods should have been delivered, or the date when in accordance with Rule 5.3, failure to deliver the goods would give the consignee the right to treat the goods as lost.

11. Applicability of the rules to actions in tort

These Rules apply to all claims against the MTO relating to the performance of the MT contract, whether the claim be founded in contract or in tort.

12. Applicability of the rules to the multimodal transport operator's servants, agents and other persons employed by him

These Rules apply whenever claims relating to the performance of the MT contract are made against any servant, agent or other person whose services the MTO has used in order to perform the MT contract, whether such claims are founded in contract or in tort, and the aggregate liability of the MTO of such servants, agents or other persons shall not exceed the limits in Rule 6.

13. Mandatory law

These Rules shall only take effect to the extent that they are not contrary to the mandatory provisions of international conventions or national law applicable to the MT contract.

UN/EDIFACT MESSAGES

	MESSAGES:	STATUS	PAGE
BANSTA	Banking Service Message	0	1
BAPLIE	Bayplan: Occupied and Empty Locations Message	1	2
BAPLTE	Bayplan: Total Numbers Message	1	3
CALINF	Call Info Message	0	4
COARRI	Container Arrival Message	0	4
CODEPA	Container Departure Message	0	5
CONDPV	Construction - Direct Payment Valuation	0	6
CONEST	Construction - Establishment of Contract	0	7
CONITT	Construction - Invitation to Tender	0	8
CONPVA	Construction - Payment Valuation	0	9
CONQVA	Construction - Quantity Valuation	0	10
CONTEN	Construction - Tender	0	11
CONTRL	Control Message (Acknowledgement/Rejection Advice Message)	1	12
COOVLA	Container Overlanded Message	0	13
COPDEN	Container Predeparture with Guidelines Message	0	14
COPRAR	Container Prearrival Message	0	14
COPRDP	Container Predeparture Message	0	15
COSHLA	Container Shortlanded Message	0	15
CREADV	UNSM - Credit Advice Message	2	16
CREEXT	UNSM - Extended Credit Advice Message	2	16
CURRAC	Current Account Message	0	17
CUSCAR	UNSM - Customs Cargo Report Message	2	18
CUSDEC	UNSM - Customs Declaration Message	2	19
CUSEXP	Customs Express Consignment Declaration Message	0	20
CUSREP	UNSM - Customs Report Message	2	21
CUSRES	UNSM - Customs Response Message	2	22
DEBADV	UNSM - Debit Advice Message	2	22
DELFOR	Delivery Schedule Message	1	23
DELJIT	Just In Time Delivery Message	1	23
DESADV	Despatch Advice Message	1	24
DIRDEB	Direct Debit Message	0	25
DIRDEF	UN/EDIFACT Directory Definition	0	26
DOCADV	Documentary Credit Advice	0	27
DOCAPP	Documentary Credit Application Message	1	27
DOCINF	Documentary Credit Issuance Information	0	28
GENRAL	General Purpose Message	0	28
GESMES	Generic Statistical Message	0	29
IFCSUM	Forwarding and Consolidation Summary Message	1	30
IFTMAN	UNSM - Arrival Notice Message	2	33
IFTMBC	UNSM - Booking Confirmation Message	2	34
IFTMBF	UNSM - Firm Booking Message	2	35
IFTMBP	UNSM - Provisional Booking Message	2	37
IFTMCS	UNSM - Instruction Contract Status Message	2	38
IFTMIN	UNSM - Instruction Message	2	39
IFTSTA	International Multimodal Status Report Message	0	41

	MESSAGES:	STATUS	PAGE
INVOIC	UNSM - Invoice Message	2	41
INVRPT	Inventory Report	0	42
ORDERS	UNSM - Purchase Order Message	2	43
ORDCHG	Purchase Order Change Message	1	43
ORDRSP	Purchase Order Response Message	1	44
PARTIN	Party Information Message (Trading partner profile data)	1	45
PAXLST	Passenger List Message	0	46
PAYDUC	Payroll Deductions Advice Message	0	47
PAYEXT	UNSM - Extended Payment Order Message	2	48
PAYMUL	Multiple Payment Order Message	0	49
PAYORD	UNSM - Payment Order Message	2	49
PRICAT	Price/Sales Catalogue Message	1	50
QALITY	Quality Data Message	1	51
QUOTES	Quote Message	1	52
REINAC	Reinsurance Account Message	0	53
REMADV	UNSM - Remittance Advice Message	2	55
REQOTE	Request For Quote Message	1	56
RESMSG	Reservation Message	0	56
SLSRPT	Sales Data Report Message	0	57
STATAC	Statement of Account Message	1	58
SUPCOT	Superannuation Contributions Advice Message	0	58
SUPMAN	Superannuation Maintenance Message	0	59
SUPRES	Supplier Response (Reservation Response Message)	0	60
VESDEP	Vessel Departure Message	0	60

	FRAMEWORKS:	STATUS	PAGE
IFTMFR	UNSM - International Forwarding and Transport Message	2	61

STATUS: 0 = Draft Document, 1 = Draft Recommendation, 2 = Recommendation

Totals:
35 Messages at Status 0
16 Messages at Status 1
18 Messages at Status 2
1 Framework at Status 2
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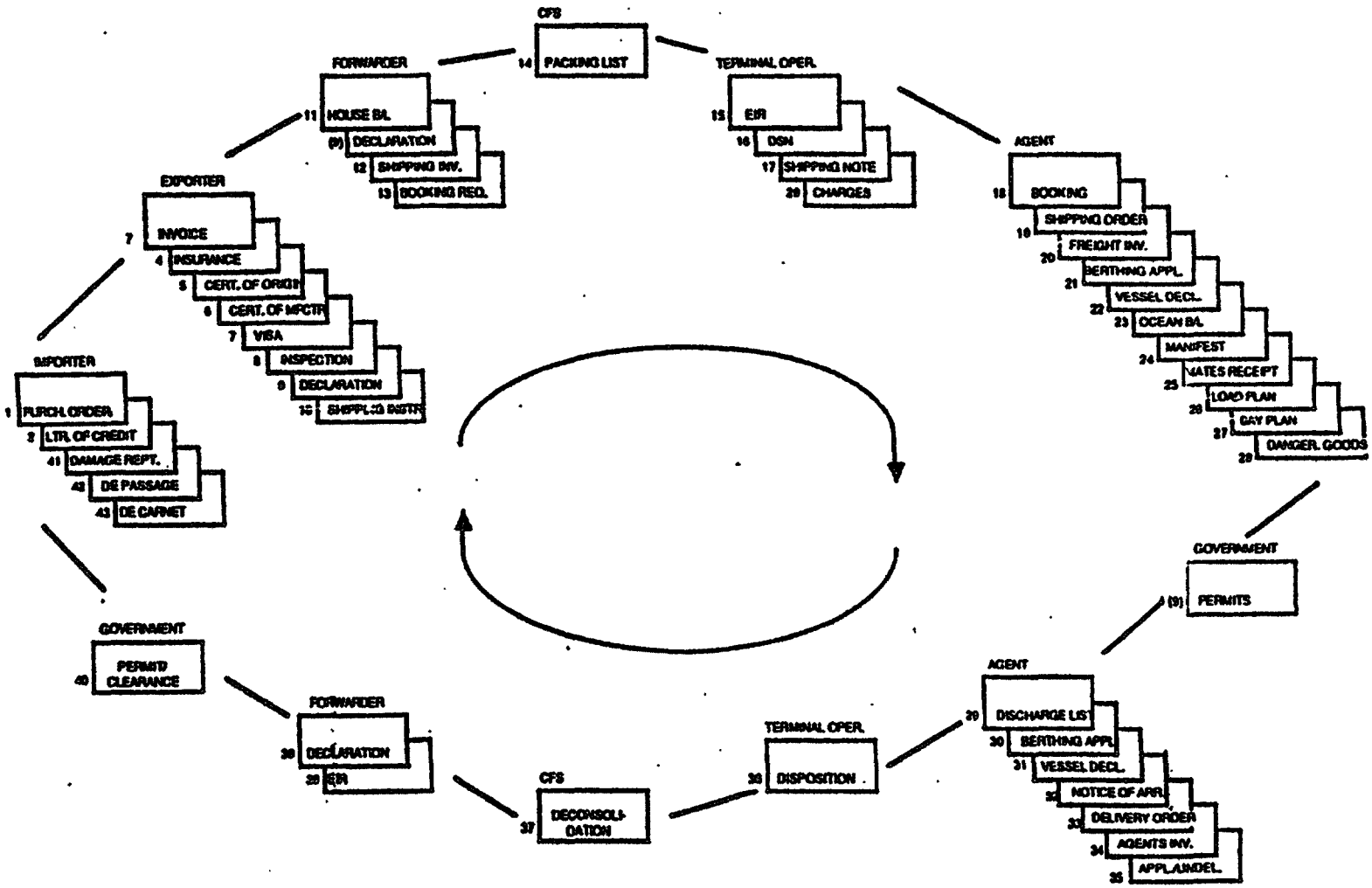
70 Messages/Frameworks

MAJOR DOCUMENTS PREPARED TO SUPPORT EXPORT/IMPORT OF CARGO



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