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POSITION PAPER

More Logistics Connectivity in the Goals and Targets of the Open WG!

Preamble

FIATA, the International Federation of Freight Forwarders Associations was founded in Vienna, Austria on May 31, 1926. Today FIATA is a non-governmental organisation that represents an industry covering approximately 40,000 forwarding and logistics firms, which employ around 8-10 million people in some 160 countries.

FIATA has consultative status with the Economic and Social Council (ECOSOC) of the United Nations (inter alia ECE, ESCAP, ESCWA), the United Nations Conference on Trade and Development (UNCTAD), and the UN Commission on International Trade Law (UNCITRAL). It is recognised as representing the freight forwarding industry by many other governmental organisations and authorities, such as the World Customs Organisation (WCO), the World Trade Organisation (WTO), as well as private international organisations in the field of transportation the International Chamber of Commerce (ICC), the International Air Transport Association (IATA), the International Union of Railways (UIC), the International Road Transport Union (IRU). It is also represented through its members at the level of a great many individual governments and the European Union.

Targeting Sustainable Development

On 22nd of January 2013 the 30-member Open Working Group (OWG) of the UN General Assembly was established with the task of preparing a proposal on the next Sustainable Development Goals (SDGs) for the post 2015 development agenda. The OWG has met 13 times since January and prior to the 12th OWG meeting the co-chairs published a document, which lists 17 SDGs for the first time. Supported by a wide range of targets¹ these proposed goals are gaining momentum in view of the adoption of the Sustainable Development Goals, which is supposed to be reviewed at the 69th session of the UN General Assembly from 16 to 29 September 2014. UN Secretary-General Ban Ki-moon will then submit a synthesis report in November, in order to prepare the ground for the final adoption of SDGs in September 2015.

FIATA has been following the OWG's laudable efforts by advocating for the inclusion of logistics connectivity in the design of the main SDGs with a view to achieving enhanced trade facilitation. Trade facilitation is seen by FIATA as a means to an end, in as much as it would foster better trade and therefore greater prosperity, especially in those countries that are today excluded from the main trade lanes of the world.

¹ <http://sustainabledevelopment.un.org/content/documents/4044zerodraft.pdf>

With the release of the 17 SDGs, trade facilitation has been mentioned in proposed targets 8a, 9.2 and 17.2, 17.3 in the newly published document. These specified targets seek to enhance trade in developing countries through improved connectivity; however FIATA advocates that more emphasis and focus should be placed on logistics connectivity beyond the text of proposed targets. There are two main reasons for advocating for greater emphasis, the first being that the intimate connection between trade facilitation and sustainable development, as recently discussed in the FIATA World Congress of Istanbul is still a concept that fails to be perfectly absorbed by policymakers. The second reason is fairly obvious and it has to do with the need to focus on objectives that are susceptible of creating a virtuous cycle in the achievements of the goals. Logistics connectivity for trade is the perfect example of such a multiplier.

Review of the targets

Target - 8.a improve Aid for Trade support for developing countries, notably through the Enhanced Integrated Framework for LDCs

Targeted aid for Trade can immensely assist developing countries, and particularly least developed countries, in terms of trade balances and economic growth. States must be aware that many developing countries face supply choice restrictions and infrastructural obstacles which constrain their ability to trade at global level. Targeted policies and timely investments in trade facilitation are the best assistance that traders in these countries need.

We know that one country in West Africa has been unable to fully benefit from aid for trade, as their local structures were unable to receive the intended measure due to lack of skilled staff that was able to provide the required local assistance. In this regard, we must reiterate that the laudable efforts of the FIATA Foundation for Vocational Training are available to all countries in need to create an appropriate training programme and regular applications are welcome.

“Teach a man to fish and you feed him for a lifetime”, we need say no more than this.

Target - 9.2 improve regional and trans-border infrastructure to promote regional connectivity and integration and to facilitate trade

Improving connectivity through regional infrastructure is essential for prosperity and sustainable growth. This is the most effective way to contribute to poverty reduction in a great many countries of the world. Cross-border infrastructure projects have helped raise household incomes through improved access to markets and enhanced trade and investment by reducing the cost of doing business, and private sector development through creating business opportunities. Just as an example, the completion of the East-West Economic Corridor in Savannakhet province of the Lao PDR was associated with a 35% decline in the incidence of income poverty in 6 years.²

In the years after 2015, Asia-Pacific economies will depend heavily on enhanced regional connectivity to stimulate trade and attract investment, as the member countries seek decisive measures to improve regional economic integration, as well as connectivity with other parts of the world. A prominent researcher at the National Development and Reform Commission stated that the APEC economies, particularly those in Southeast Asia and South America, such as Vietnam, Indonesia, Peru and Chile, are building new platforms for broader cooperation with major APEC economies.³ The Asian Highway and the Trans-Asian Railway combined represent approximately 250,000 kilometres of roads and rail networks connecting capital cities, major industrial zones, and other important commercial areas.⁴ The ADB has helped finance

² <http://www.adb.org/news/speeches/aid-trade-initiative-asia-pacific-experience>

³ Same as above

⁴ <http://www.unescap.org/news/asia%E2%80%99s-rebalancing-needs-better-regional-infrastructure-says-adb-president-escap-public-lecture>

approximately 18,000 kilometres of the Asian Highway, accounting for 13% of its total length.⁵ Optimising these networks and ensuring that they operate at the right level remains within the interest of the governments which obtained donors' assistance.

This crucial target falls within the subset of a “**Proposed goal 9 which seeks to promote sustainable infrastructure and industrialisation and foster innovation**” but FIATA encourages the OWG to recognise that enhanced connectivity catalyses trade in all economies, which in turn contributes to creating prosperity globally. The goods have only an expected value until the moment they reach the consumer who receives them: this is the time and place where all the accumulated value flourishes and procures prosperity. Without sufficient connectivity there is little value and no prosperity at all. This is why ensuring logistics connectivity is conducive to increasing prosperity.

Target - 17.2 improve market access for exports of developing countries, in particular Least Developed Countries, African countries, LLDCs and SIDS with a view to significantly increasing their share in global exports, including doubling the LDC share by 2020

FIATA views the aim of this target will be to encourage developing countries to open their markets and create an enabling environment for trade to thrive. There is evidence that countries which had adopted more open and liberal policies had performed better than those which had adopted restrictive ones. In addition this proposed target is also meant to identify hidden barriers which make it difficult for developing countries to penetrate into other markets.

In this regard one cannot fail to recognise that market access can be seriously hampered by insufficient logistic connectivity. Contemplating the world trade from the perspective of a country with insufficient logistics connectivity is like contemplating the beauty of a flower shop-window without being allowed to enter because the shop is closed. Obviously insufficient logistics connectivity is not the only obstacle to trade, but it one of the most devious, because it starts conditioning traders from the very beginning: Foreign Direct Investments (FDI) are seldom attracted by countries with bad logistics, whilst good logistics connectivity is often regarded as importantly as staff's skills and a business-friendly legal environment.

17.3 realize timely implementation of duty-free quota-free (DFQF) market access on a lasting basis for all least developed countries consistent with WTO decisions and the Istanbul Programme of Action

FIATA has developed appropriate official language to promote the harmonisation of a Customs de-minimis regime. This will be disclosed during the upcoming FIATA World Congress on October 15th 2014. FIATA encourages all participants in the OWG to consult the relevant position paper as soon as it is published later this month.

Proposing Goals and Targets with a purpose

During its 7th session the OWG recommended that there should **not** be a dedicated SDG on transport and that the cross-sectorial nature of transport is best served by integrating transport in a range of SDGs. This proposal by the OWG was carried through, as we can see in their newly published Goals and Targets document. Transport and trade were not given stand-alone Sustainable Development Goals, but were mentioned across a range of proposed SDGs.

It is more than obvious that transport and trade may be considered cross-sectorial, if the ultimate goal is to incentivise sustainable development and growth. We are all aware that transportation is not a goal in itself, no more and no less than logistics is not a goal in itself. These are services, not targets.

⁵ Same as above

The goal and target is to make such services possible, prosperous and conducive to facilitation and good business. This is the reason why logistics connectivity, as a principal enabler for trade has, in FIATA's view, the dignity of being listed as a goal in itself. FIATA does not advocate for logistics per se, but better logistics connectivity i.e. for the conditions that allow such services to be established and thrive. The same goes for trade, we are trying to promote trade facilitation, not trade per se. Trade facilitation is what makes trade possible and successful; this is why trade facilitation is a political objective in its own right.

This being said it is not so important in which rank these concepts achieve, but that they come to fruition. It is important indeed that these concepts make their way to the surface of the goals that governments will have on their political agendas in the next few years.

Governments that will not have logistics connectivity and trade facilitation on their tables in the next 10-15 year may miss the opportunity to grow and ensure prosperity to their people.

For these reasons FIATA was quite surprised to learn that the OWG had not seized the opportunity to focus more clearly on trade facilitation and logistics connectivity as a means to an end to sustainable development.

FIATA'S proposals

Proposed Goal 12, promote sustainable consumption and production patterns

FIATA would like to suggest **inserting a target to enable sustainable supply chain patterns** with focus on enhanced connectivity that allow for sustainable, facilitated trade. Sustainable consumption and production cannot happen, or at best are not sustainable, without good logistics connectivity and trade facilitation instruments.

Proposed goal 13, tackle climate change and its impact

One of the biggest challenges facing the global transportation sector is its dependence on fossil fuels and its attempt to lowering transport related emissions. This is an epochal endeavour that must ensure the more sustainable mobility patterns of our future. Investment in infrastructure and in optimising the supply chain is as important as cutting on energy consumption and finding alternative fuels. It is extremely important that governments do not turn a blind eye on the fact that "de-carbonising transport" per se has not been a completely winning strategy, even in those countries that have embraced such policy choices as early as the end of the last century or the beginning of this one. Significant results can only come from an integrated approach with the right balance of policies and actions. Just as a matter of interest, the savings in energy that can be achieved by enhanced trade facilitation at borders are more than significant.

Ideally we should all travel on smart infrastructure, enjoy seamless border procedures and reach our destination (goods as well as passengers) undisturbed and without any waste of time and energy. One can say this is a dream, but FIATA maintains that we must live up to our dreams and work to make them possible with appropriate policy choices, today and tomorrow.

Proposed goal 17, strengthen the means of implementation and the global partnership for sustainable development

Under this heading FIATA wishes to highlight the impact of capacity building on trade. The return from investing in capacity building resources in the sector of logistics is immense and therefore more capacity building should be targeted towards the logistics sector, especially in developing countries. As mentioned earlier, the FIATA Foundation is one of the instruments FIATA has to contribute to the achievement. We have seen above that insufficient awareness can seriously hamper the ability to even receive assistance in certain countries and this is certainly a situation that must be avoided.

Conclusions

FIATA views the Goals and Target document as underscoring the impact of logistics connectivity in improving the economic situation of developing countries, or other countries that are less favoured in the world trade lanes. One of the aspects that are often overlooked is that logistics normally works both ends. This means that assisting with appropriate policies the countries which are in quest of better connectivity would inevitably also provide better opportunities for the other ones, even if they are already amongst the developed nations.

Through the examples provided in this position paper, it was conveyed that such focus on logistics connectivity is central in addressing economic growth and environmental challenges in the fight to build resilient societies. This works irrespective of the economic conditions of the countries and is susceptible to multiplying the value of the results.

FIATA looks forward to continuing the discussion of the chosen Goals and Targets that are set to define the upcoming SDGs. We remain available to discuss any key points with the UN Secretariat, UN Member States, civil societies and any other stakeholders with a view to improving their development and implementation with regards to sustainable development.

For more detailed information please contact the FIATA secretariat.

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