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ISSN 0256 9779

BULLETIN

FACILITATION OF TRADE AND TRANSPORT IN LATIN AMERICA AND THE CARIBBEAN

FAL

Issue No. 199, March 2003

BORDER CROSSINGS IN MERCOSUR COUNTRIES: OBSTACLES AND THEIR COST

In a recent ECLAC study of inefficiency at border crossings in Mercosur countries, it was found that the cost of delays in traffic between Argentina and Brazil amounted to a minimum of US\$ 170 per truck for the most problematic border crossing. This is over 10 % higher than the typical price of freight between Buenos Aires and Sao Paulo or Porto Alegre. It was estimated that the extra-cost on this border crossing may amount to a maximum of US\$ 273 per truck.

These problems, which have to do more with organization than with infrastructure, cause serious losses to the sectors involved in international transport, and especially to end users of intermediate or consumer goods transported.

This edition of the Bulletin includes a summary of a soon-to-be-published study entitled ***Identificación de obstáculos al transporte terrestre internacional de cargas en el Mercosur: los casos de Argentina, Brasil y Uruguay.***

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Main problems encountered in international land transport

The study points to the convergence of two phenomena: weaknesses in the infrastructure and problems in the organization of the sector. These phenomena occur in a context of disincentives (lack of coordination, corruption) that hinder the work of the agencies involved and affect staff performance, thus preventing land transport from moving smoothly and efficiently.

In the case of infrastructure, it was found that on the Brazilian side, there are ample facilities for logistical support, cargo handling and border controls. However, the road infrastructure (taking into account the condition of road surface, markings and engineering design) creates a serious bottleneck. As far as organization is concerned, the bureaucracy is fairly well organized, enterprises have achieved significant economies of scale, and the transport industry has achieved a high degree of professionalism.

In Argentina, the situation has improved considerably in recent years, but problems remain. The road infrastructure is good but still prone to congestion; border infrastructure is poor; there are

serious disincentives to performance of officials and public entities (corruption, lack of coordination and management), poor bureaucratic organization, lack of professionalism, excessive impact of problems caused by down time. Indeed, in 1987, the average delay for loaded trucks at some problematic borders was three days. In 1989, the average delay had increased to four days, or even more, as noted in the study entitled *Diagnóstico del Transporte Internacional y su Infraestructura en América del Sur* (DITIAS) published by the Latin American Integration Association (LAIA); this study mentions delays of up to five days. Delays in procedures have been reduced, although long waits are still common, owing to problems with organization and incentives. It is estimated that 65% of the cargo crossing the border between Uruguaiana and Pasos de los Libres suffers delays of between 30 and 36 hours, with only a few vehicles experiencing delays of 11 hours or less.

In Uruguay, the motor vehicle transport infrastructure is extremely important for the country's foreign trade, most of which depends on road transport. However, even though considerable improvements have been made in regard to administration and organization, some of Uruguay's roads are in very poor condition compared with those of Argentina and Brazil. It is essential that further investments be made in road construction and maintenance in order to rehabilitate the deteriorated corridors. Uruguay's road system has bridges with capacity restrictions; in the interior, some bridges have a maximum load capacity of 12 or 15 tons. Substantial improvements in the roads in the interior would facilitate truck traffic between Argentina and Brazil –making the connection between Buenos Aires and Porto Alegre– by cutting down distances and reducing congestion. Thus, improving the infrastructure in Uruguay would not only help improve its own trade development, but would strengthen the economic integration of the subregion. It will also be important to eliminate differences in the technical specifications used by the countries, achieve full integration of customs control activities, simplify bureaucratic procedures and improve personnel performance.

On other occasions, ECLAC has already expressed its concern at the fact that transit countries, such as Uruguay, do not always offer the incentives that are needed to improve the infrastructure for trade conducted by other countries.

Table 2: State of infrastructure at border crossings between the 3 countries

Border crossing	State of crossing	State of road at either side of crossing		
		Argentina	Brazil	Uruguay
Paso de los Libres - Uruguaiana	Access: highway, railway. Main crossing in the region, in number of trucks and tons transported. Structural deficiencies in Argentina. Lack of coordination. Long delays. Only border crossing connecting Argentina and Brazil by regular railway. Differences in track gauge.	Good, although congested.	Deficient from Porto Alegre onward.	-
Foz de Iguazú - Ciudad del Este	Access: highway. Very important crossings, linking three countries. Access infrastructure in good condition,	-	Good, from Curitiba onward.	-

	structural deficiencies at the border (Argentina). Breakdowns in coordination. Delays.			
Foz de Iguazú - Puerto Iguazú		Good, although congested.	Good, from Curitiba onward.	-
Fray Bentos - Puerto Unzué	Access: highway and railway (not in use). Shortest land route between Montevideo and Buenos Aires. Border controls are integrated. Operates better than border crossings with Brazil.	Good, although congested.	-	Fair to good.
Jaguarao - Río Branco	Access: highway and railway (not in use). Traffic jams on bridge. Access difficult on the Uruguayan side. Railway not in use.	-	Deficient, from Curitiba onward.	Fair.
Chui – Chuy	Access: highway. Structural problems hinder access and movement of trucks.	-	Deficient, from Rio Grande onward.	Fair to good.
Santo Tomé - Sao Borja	Access: highway. Bridge operated under concession, with tolls. This crossing is being promoted as a substitute for Uruguaiana – Paso de los Libres, with little success. Much shorter delays than the alternative. All border crossing controls are integrated.	Good, although congested.	Deficient, previous section.	-
Rivera - Santana do Livramento	Access: highway, railways with different gauges. Dry border with highway and railway connections. Difficulties for truck access and movement.	-	No information available.	Fair to good.

Table 3: Main problems in international land transport

Definition	Description	Responsibility	Impact	Solutions
<p>Red tape hinders granting of international permits for carriers</p> <p>Delays. High degree of uncertainty</p> <p>Lack of continuity in public agencies and in their staffing</p> <p>Overlapping of rules</p>	<p>Many different documents required</p> <p>In Argentina, permits for international operations are expensive and slow (much uncertainty as to how long they take). In Uruguay and Brazil, procedures are more flexible and streamlined.</p> <p>Considerable staff turnover, lack of decisiveness and continuity among officials responsible for dealing with issues, lack of professionalism.</p> <p>New procedures required by authorities (e.g., permit renewals) involve a great deal of red tape, as they require documentation that has already been submitted.</p>	<p>Official. Non-compliance with guidelines agreed between the countries.</p>	<p>Uncertainty</p> <p>Loss of cargo</p> <p>Cost overruns</p>	<p>The solution seems simple from the organizational point of view, but is very difficult from the institutional point of view.</p>
<p>Cumulative delays in multiple border procedures (red tape) and loading and unloading at points of origin and destination (organization – private sector).</p> <p>Large number of cargo transfers at border</p>	<p>Poor organization of border controls, short working hours, inadequate incentives to improve staff performance in agencies within the country, poor coordination of schedules between countries.</p> <p>Non-compliance with international rules relating to controls and documentation. Poor integration of border control area.</p> <p>Congestion.</p>	<p>Official: national and international</p> <p>Private sector</p>	<p>Vehicle down time caused by delays (including those caused by decisions in the private sector) may be greater than the time a truck is actually in operation: inefficiency in the use of capital</p> <p>Cost overruns</p> <p>Risk that opportunism and corruption may hinder border</p>	<p>The solution seems simple from the organizational point of view, but is very difficult from the institutional point of view.</p> <p>Application of Mercosur resolutions providing for the integration of border controls. Longer working hours and</p>

	<p>Regulatory, commercial or organizational restrictions make transfers necessary at the border.</p> <p>Delays caused by requirement that drivers go through immigration procedures.</p> <p>Private-sector organizational problems in loading and unloading at points of origin and of destination.</p>		operations and cause unnecessary delays.	<p>better coordination between agencies and between countries, pursuant to GMC (Mercosur) resolutions.</p> <p>Streamlining of immigration procedures.</p>
Vehicles returning empty	Traffic flows in one direction	Depends on the type of trade. Cargo is usually transported in trucks from the country of origin.	Negative. Adds to costs of the journey in question.	

Problems with the application of Mercosur rules	<p>Differences in application in different national jurisdictions.</p> <p>Complexity of documentation required.</p> <p>Rules not implemented or errors in use of international transport documents (international bill of lading/Customs transit document) as tax documentation.</p> <p>Long delays in application of rules. Non-compliance once cargo has entered the country (e.g., technical inspection of vehicles).</p>	Official/International	<p>Negative, adds a large number of minor inconveniences.</p> <p>Serious cause of delays. Risk of opportunism.</p>	<p>The countries are trying to find a solution, but beyond constant discussions, no progress has been made; whenever some progress is made, it is difficult to apply and enforce the solution in all the countries.</p> <p>Transport and tax documentation should be standardized and simplified</p>
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				for use by customs authorities at points of origin and of destination. The work of the Mercosur technical committees concerned with international transport should be strongly promoted at the regional level.
Asymmetries and tax pressure	Differences between countries in regard to tax pressure. Excessive taxation.	Official	Hurts competitiveness	Tax treatment based on exports and imports
Civil liability of carrier	Increased insurance costs. Argentina did not sign the agreement on civil liability of carriers (CRT agreement), but the other Mercosur countries did.	Official		Standardize and harmonize the insurance system by means of the Single Policy. Implement the CRT agreement.
Security on the road	Theft of trucks and cargo Smuggling	Official and private	Insecurity. Increased insurance costs. Credibility of companies is	Better policing. Use of global positioning system (GPS) on trucks

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