

Breakout Session 5

Exporting Transport and Logistics Services – A Moving Target

The Issue: In 2003, global exports of transportation services amounted to US\$ 406 billion, constituting a share of 22.6% of total commercial service exports. And the sub-sector is growing strongly (4.1% between 1996 and 2003). Most developing and transition economies are not, however, keeping pace with the technical, organizational and business developments in logistics chain management and their participation in this expanding market is under serious threat, not just internationally but at home. Indeed, a poor performing transport and logistics sub-sector undermines the competitiveness of all export sectors reliant on the efficient flow and storage of goods.

**A Typical Developing/Transition Economy's Transport and Logistics Sector
- Export SWOT Analysis -**

<p>Strengths</p> <ul style="list-style-type: none"> ▪ Understanding of local / regional markets, including customer business practices & local regulations ▪ Many SMEs requiring 3PL service providers ▪ Low cost of human resources 	<p>Weaknesses</p> <ul style="list-style-type: none"> ▪ Fragmented industry lacking scale & alliances ▪ Limited ability to influence government policies affecting the sector ▪ Bureaucracy & red tape to establish & operate ▪ Lack of coherence in regulations for different transport modes ▪ Limited financial resources & leverage ▪ Inability to offer comprehensive & global logistics solutions ▪ Poor image / Lack of trust ▪ Poor transport & logistics infrastructure ▪ Outdated / inadequate equipment & operating systems (handling, ICT, etc.) ▪ High government fees (direct and indirect) ▪ Scarcity of information on commercial opportunities ▪ Lack of skilled human resources
<p>Opportunities</p> <ul style="list-style-type: none"> ▪ Outsourcing trend for logistics solutions ▪ National economic growth ▪ Regional economic growth – enlarged markets ▪ Government support / direction ▪ National regulations ▪ Adopting best practices ▪ Progressive implementation of trade facilitation measures ▪ Development projects improving infrastructure 	<p>Threats</p> <ul style="list-style-type: none"> ▪ Rising fuel prices / Threat of inflation ▪ Rising compliance costs of freight security and supply chain traceability ▪ WTO compliance (elimination of access restrictions to domestic market) ▪ Market access restrictions by foreign countries ▪ Continuing consolidation and integration in the sector, shutting out small-scale service providers

The Proposition: It is essential that strategy-makers in developing and transition countries ensure that a strategy for the transport and logistics sub-sector forms part of the overall national strategy for competitiveness and export development.

Market Constraints / Weaknesses	Potential Solutions
Inability to offer comprehensive & global logistics solutions	1. FDI for transfer of knowledge / skills
	2. Consultancy grants to help businesses transform, upgrade and develop higher added value services.
Poor image / Lack of trust	3. Marketing and promotion to elevate profile of industry
	4. Industry trust mark, accreditation or codes of practice
Lack of skilled human resources	5. Training programmes for current staff & for tertiary students
Market access restrictions by foreign countries	6. Trade agreements to widen market access
Limited ability to influence government policies affecting the sector	7. Industry associations to provide unified lobbying strength
	8. Formal committees that involve the officials
Outdated / inadequate equipment & operating systems	9. Consultancy grants to adopt appropriate e-commerce systems
Fragmented industry lacking alliances	10. Platforms that foster cooperation among companies
Scarcity of information on commercial opportunities	11. Cost-sharing of market studies to raise awareness
Bureaucracy and red tape	12. Streamline relevant processes and procedures
Poor transport & logistics infrastructure	13. Soft loans from donor banks to develop basic infrastructure
	14. A public-private partnership arrangement (e.g. build, operate, transfer - BOT) for infrastructure development

Focus of the debate: It is proposed that the debate focus on the following:

1. Given the technological and organization dominance of major international players in the transportation and logistics services sub-sector, is it worthwhile for most developing/transition economies to consider this sub-sector as one with long-term export promise?
2. Taking account of – and adding to – what is shown in the above SWOT analysis, which are the main strengths and opportunities available to developing and/or transition economies in this services sub-sector?
3. Are the solutions listed above realistic? Which other solutions are possible, and what should be the priorities?