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## THE EFFECT OF Y2K ON WESTERN HEMISPHERE TRANSPORT SYSTEMS

This edition of the Bulletin provides a report on the Conference on the Effect of the Year 2000 Problem (Y2K) on Transport Systems in the Western Hemisphere, which was held in Cancún, Mexico, in May 1999. Also included is an analysis of sea transport in South America, prepared and presented by the Uruguayan delegation at the Fifth Ordinary Meeting of the Conference of Ministers of Transport, Communications and Public Works of South America, held in Cochabamba, Bolivia, in April 1999.

ECLAC's Transport Unit took part in the Conference on the Effect of the Year 2000 Problem (Y2K) on Transport Systems in the Western Hemisphere, held in Cancún, Mexico on 13-14 May 1999. The conference was organized by Ministry of Communications and Transport of Mexico, under a mandate of the Declaration adopted by Western Hemisphere Ministers of Transport in their most recent meeting held in New Orleans, United States, in December 1998.

At the Conference, experiences, solutions and contingency plans were presented for dealing with the potential effect of the year 2000 problem on issues such as transport equipment, air navigation and traffic control systems, and the facilities being offered by international institutions to finance the implementation of national action plans.

The “Year 2000 Problem” (known by its English acronym, Y2K) concerns errors in the functioning of computer systems arising from the use of two digits to specify the year, without reference to the century. A change of millennium is an event not taken into account in the design of many such systems, in which the specification of the year 2000 as “00” will most likely be interpreted as a condition of exception (or error), leading programs to act in an unpredictable way.

The Conference aimed to raise awareness in all countries of the importance of taking steps to meet the challenges and potential impact of Y2K on regional transport systems. Judging by the stimulating and varied presentations made during the Conference, and the high level of participation by national representatives, this goal would seem to have been thoroughly fulfilled.

General recommendations include the following: (i) for countries that have not yet taken precautionary measures, there is still time to do so; and (ii) a project of the scale of Y2K necessarily

requires cooperation and coordination at the highest level; i.e., the problem must be addressed at national level.

**Action Plans** are necessary and indispensable, as situations of exception are sure to occur and will have to be solved. A standard Action Plan should include the following stages: (i) awareness raising; (ii) diagnosis and taking stock of the situation; (iii) identification of critical areas and definition of priorities; (iv) correction/replacement of components; (v) testing and validation; and (v) implementation.

To back up the Action Plan, it is crucial to draw up a **Contingency Plan** covering all units of the institution concerned from decision-making to operational levels; all have a contribution to make when evaluating both the chances of different pieces of equipment breaking down and the best alternatives for keeping them running.

Websites offering detailed information on the Y2K problem include the following:

<http://www.inegi.gob.mx>

<http://www.y2ktransport.dot.gov>

<http://www.fl.com.mx>

<http://www.mitre.org/research/y2k>

<http://www.boeing.com.y2k>

<http://www.ucr.ac.cr/a2000>

## URUGUAY PRESENTS A NEW ANALYSIS OF SEA TRANSPORT

*Study of the similarities and differences in national and subregional legislations as regards freedom of access to cargoes and traffic flows between the countries of the region, or to and from other countries, presented at the Fifth Ordinary Meeting of the Conference of Ministers of Transport, Communications and Public Works of South America, held in Cochabamba, Bolivia, in April 1999.*

At the Fourth Ordinary Meeting of the Conference of Ministers of Transport, Communications and Public Works of South America, held in Buenos Aires, Argentina, on 26,27 and 28 November 1997, Resolution 36 Point 2 assigned the Uruguayan delegation, acting as coordinator of the Working Group on Ocean Transport, the task of carrying out a survey of all agreements and measures that restrict access to the region's cargoes and traffic.

Accordingly, a study was made of the similarities and differences existing in national or subregional legislations on freedom of access to cargoes and trade flows both between the countries of the region, and to and from other countries.

### Survey of agreements and measures

A survey was made of agreements and measures, using as information base the replies given by the countries involved to the Questionnaire on Ocean Transport Services prepared by the Latin American Integration Association (LAIA) as; in addition, to ensure uniformity of criteria, countries were asked to clarify certain aspects of their respective national legislations that could give rise to restrictive measures.

The following countries answered these questions on aspects of national legislation: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Peru, Uruguay and Venezuela.

### **Subregional legislation *Andean Community***

The countries belonging to the Andean Community (Bolivia, Colombia, Ecuador, Peru and Venezuela), and which have ratified the Decisions of the Commission of the Cartagena Agreement, and in particular Decision 314, on freedom of access to cargoes transported by sea and policies for the development of merchant marine in the Andean Community, have established freedom of access to cargo transport generated by the external trade of the countries of the subregion, subject to the principle of reciprocity.

Reciprocity is defined as mutual concessions made by countries or groups of countries to permit access to cargoes carried between them, to or from third countries. (This does not cover the coastal shipping of each member country).

For reciprocity to exist, the free access granted by one country must be matched by the other.

This freedom of access to cargoes is total, as indicated by the countries of the Community, since there are no intrinsic restrictions affecting access to their transport market, nor limitations, bureaucratic obstacles or any other similar elements impeding access, even though these may not be directly related to transport.

This total freedom is not absolute, however, as certain limits have to be observed. These relate to the action and conduct of other countries that establish some sort of restriction on free access to their cargoes. When this happens, legal action and conducts arise whereby the country or group of countries affected react against the restriction.

The Cartagena Agreement establishes the principle of reciprocity within freedom of access to the freight transport market between the countries of the Community and with third countries.

**As an exception, Ecuador** restricts access to its hydrocarbons and bulk iron ore in complete sea-borne shipments, reserving such transport for vessels operating under its own flag.

**Venezuela**, while maintaining free access to the transport of its cargoes in general, in a bilateral agreement with the United States exempts cargoes financed by Eximbank. These have to be carried by ships flying the United States flag.

### ***MERCOSUR***

In **Mercosur**, agreements are being drawn up to eliminate the existing bilateral agreements between member countries, with a view to replacing them with a regime establishing free access to regional cargoes traded between member States. Given that the documents have not yet been agreed and are under discussion, it is not possible to give them detailed consideration in this study.

### **Bilateral Agreements**

Bilateral Agreements exist which reserve volumes traded between two countries to vessels operated by the shipping companies of one or the other, on a 50-50 basis. This denies free access to carriers trading partners, unless no carrier from a member country is in a position to carry the cargo, in which

case the cargo is made available to carriers of other countries.

Some agreements exclude certain types of cargoes, such as hydrocarbons and bulk liquid petroleum products, and also bulk iron ore, the transport of which is open to ships flying any flag. They also exclude national coastal shipping and transport on inland waterways.

**Argentina** has bilateral agreements to share cargoes generated by its trade with Brazil and Paraguay, in equal proportions, and also with Cuba, China and Russia.

**Brazil** has similar bilateral agreements on sharing the transport of cargoes in its reciprocal trade with Argentina, Chile and Uruguay.

**Chile** has a bilateral agreement with Brazil.

**Uruguay** has a bilateral agreement on the transport of reciprocal sea-borne cargoes with Brazil; and Venezuela has one with the United States.

### National Legislations

In this regard, in the different national legislations there are no reserved cargoes, or if these exist they are currently suspended, except for those arising out of bilateral agreements that are still in force.

In principle, there is freedom of access to cargoes arising from countries' foreign trade transported by sea, but this is subject to the principle of reciprocity as defined above.

### Coincidences and Differences

**Coincidences.** Member countries of the Andean Community that are also signatories of the Cartagena Agreement (Bolivia, Colombia, Ecuador, Peru and Venezuela) coincide in accepting free access to their traffic and the cargoes arising from their external trade, under conditions of effective reciprocity.

Other countries that are not members of the Andean Community also accept free access to their traffic and the cargoes arising from their external trade, except for the non-application of effective reciprocity and restrictions arising from bilateral agreements on ocean transport that are still in force.

**Differences.** The most notable differences in free access to cargoes stem from **restrictions on certain cargo types**. In Brazil, the sea-borne transport of crude oil of national origin, together with basic petroleum products produced in the country and natural gas derivatives, is a national monopoly enshrined in the Federal Constitution.

Exceptions in **Ecuador** and **Venezuela**, relating to certain types of cargo and vessel, have already been mentioned in the section on subregional legislation.

Countries that maintain bilateral agreements also establish reserved cargoes in bilateral trade with the countries involved.

Other differences, although not directly linked to cargo access, may also affect such access, such as restrictions on the number of foreigners employed, the involvement of foreign capital in local firms, among others.

## Conclusions

Even considering that negotiations have not yet been concluded in one of the subregional integration schemes (Mercosur), the general conclusion can be drawn that there are coincidences among the countries of South America as regards free access to transport of cargoes, subject to the principle of effective reciprocity.

The differences pointed out arise from pre-existing bilateral agreements and restrictions on certain cargo types.

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