



www.edac.cl

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.***

For further information, please contact Ricardo J. Sánchez or Georgina Cipoletta T. trans@eclac.cl

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 Uruguiana 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 - Uruguiana	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).			
Foz de Iguazú - Puerto Iguazú	Breakdowns in coordination. Delays.	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>		<p>operations and cause unnecessary delays.</p>	<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>
--	--	------------------------	--	--

				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 hurt.	Better policing. Use of global positioning system (GPS) on trucks.

Final remarks on the study

Given the cultural differences inherent to the structure of our societies, the institutions and agencies involved in international land transport and border procedures operate in a context of disincentives that discourage good performance throughout the system. Factors such as the lack of coordination among agencies and officials within a given country and between different countries, as well as the corruption that is often denounced by carriers, keep land transport from flowing efficiently and delay the process of regional integration. This may be one of the fundamental problems hindering this region from moving to a deeper union (such as that existing in Europe) and facilitating movements between countries. The excessive red tape barely disguises the real barriers to trade which must be

overcome by authorities and societies in order to ensure the success of the integration process.

The problems encountered are not caused by a lack of instruments; as we have noted earlier, the subregional agreements provide reasonable solutions to the main problems arising in regard to coordination and transport operations. Although they can be improved, the agreements provide tools for ensuring a smoother flow of operations. Unquestionably, what happens in practice is that the agreements are not implemented or enforced. One may reach the conclusion that although "international issues" are blamed for the deficiencies, the real cause is a lack of willingness and disposition to facilitate transport, trade and regional integration.

The aforementioned problems occur on a daily basis in international road transport in Mercosur countries, and they are obvious at the truck stops where, often inexplicably, trucks have to wait for days for permission to continue their journey, usually under difficult physical and sanitary conditions. Interviews with a number of waiting drivers of all the nationalities covered by this study brought to light certain situations that were mentioned repeatedly, namely, bribery ("They always find something..." "If you show them a little money, everything moves quicker..."); inadequate physical facilities; excessive red tape, and lack of coordination (unexplainable delays in implementing unified controls, more time-consuming immigration procedures for drivers, although technically they should be treated the same as tourists, any number of phytosanitary and bureaucratic controls, etc.). All of these situations lead to cost overruns caused by the waste of time and by corruption.

To compare operations at border crossings, information was obtained on waiting periods in other regions. The findings were striking: on the border between Canada and the United States on the first day it was opened after the attacks of 11 September 2001, when national security precautions were at the highest level (which meant applying extremely strict controls for every vehicle), delays affecting trucks averaged around eleven hours; at present, the average waiting period is two or three hours. Likewise, the average delay at all borders in Central and Eastern Europe is 2.5 hours per truck.

At our borders, on the other hand, the problem is very serious, especially at the border between Argentina and Brazil. Some progress has been made over the last few years in reducing down time (which averaged between four and five days a few years ago). On the border between Uruguay and Brazil, there are still some deficiencies in physical facilities and in regard to organization. In general terms, procedures at the border between Argentina and Uruguay are somewhat more efficient.

Considering only the direct cost overruns caused by inefficiency and problems with the organization of the bureaucracy, trade procedures and border facilities, plus other special costs, it has been estimated that such costs amount to some US\$ 32.3 million per year (at 2002 values) for the three borders studied. Eighty per cent of this amount is generated at the border between Argentina and Brazil; the border between Uruguay and Argentina accounts for only 6.5 per cent. When this level of inefficiency is prorated according to the number of trucks affected by delays between Argentina and Brazil, where most of the inefficiency lies, the cost amounts to US\$ 170 per truck. This is very high compared with the typical price of freight between Buenos Aires and São Paulo or Porto Alegre.

However, other delays must be considered besides those which occur on leaving the country of origin. Among them, the delays that trucks incur when returning and certain organizational inefficiencies related to carriers, the practices of handling of vehicles and losses of time have been considered incurred in the process of loading and unloading at the point of origin or destination. To the same daily cost before used, the sum of delays concerns an extra-cost of 22,4 million dollars

between the three countries. Consequently, the aggregation of both estimations totals an extra-cost of 54,7 million dollars per year. Between Argentina and Brazil, to consider this aggregated value, the extra-cost by truck would amount to a maximum of 273 dollars. For the other two borders, the total extra maximum cost is: 129,5 dollars per unit between Brazil and Uruguay and 97,14 dollars between Uruguay and Argentina.

Highways between the three countries have been improved, thanks to an investment of nearly US\$ 10 billion over the past few years, although some work still remains to be done. In Brazil, in particular, border facilities have been greatly improved, and the country's highway improvement plan includes some very ambitious projects that will allow for significant progress to be made in the road system in the southern part of the country (so crucial to trade with Argentina and Uruguay) over the next few years. Uruguay also has some important plans for improving its road system in the near future.

Argentina, for its part, plans to conclude its highway concessions in 2003. At that time, it will review the situation, although the roads linked to Mercosur have improved dramatically, thanks to the substantial investments made in recent years. On the other hand, investments for improvement of the border infrastructure, which have been delayed considerably, are not significant.

This brief summary should make it clear that although there are problems with the physical infrastructure, they are not as serious as the problems relating to organization, which may be summarized as follows: red tape, delays and uncertainty regarding international permits for carriers; lack of continuity in public agencies and in their personnel; too many national regulations and overlapping of same; obvious non-compliance with subregional rules; problems with application of Mercosur rules; overtime and cost overruns in the multiplicity of border procedures required and in loading and unloading operations at points of origin and destination (caused by organizational problems in the private sector); marked differences between countries as regards professionalism of the private transport sector; excessive number of cargo transfers at the border; imbalance in the direction of traffic flows and high degree of seasonality in traffic and in numbers of vehicles returning empty; problems with fiscal asymmetries and tax pressure between countries; and serious security problems on the road.

ANNEX

Movement of cargo vehicles at border crossings

**: Ranking of loaded trucks at border crossings. Units, year
2000**

Border crossing	Total (with export or import cargo)
Paso de los Libres-Uruguaiiana	149.991
Foz de Iguazú- Puerto Iguazú	83.641
Fray Bentos-Puerto Unzué	45.516
Chui- Chuy	29.001
Jaguarao- Río Branco	27.234
Santo Tomé-Sao Borja	17.556
B. Irigoyen-Dionisio Cerqueira	12.262
Rivera-Santana do Livramento	11.159

Source: Author's compilation, based on data supplied by the Brazilian International Transport Association (ABTI) and in *Anuario Estadístico de Transporte*, 2001, Eastern Republic of Uruguay.

Of all the border crossings between the three countries, the first six, which account for 85% of the cargo transported, are: Paso de los Libres-Uruguaiiana, Foz de Iguazú-Puerto Iguazú, Fray Bentos-Puerto Unzué, Chui-Chuy, Jaguarao-Río Branco and Santo Tomé-Sao Borja (table 1). The two strategic points for movement of goods between the three countries are the crossing between Paso de los Libres and Uruguaiiana and the triple border between Paraguay, Brazil and Argentina. Together, these crossings account for 56.2% of all traffic.