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**COMMUNICATION FROM
AUSTRALIA, CANADA, CHILE, DJIBOUTI, THE EUROPEAN COMMUNITIES, HONG
KONG CHINA, ICELAND, JAPAN, KOREA, LIECHTENSTEIN, MAURITIUS, NEW
ZEALAND, NICARAGUA, NORWAY, PANAMA, PERU, SINGAPORE, SWITZERLAND,
THE SEPARATE CUSTOMS TERRITORY OF TAIWAN, PENGHU, KINMEN AND
MATSU, AND THE UNITED STATES**

Joint Statement on Liberalization of Logistics Services

The following communication, dated 17 February 2005, from the delegations of Australia, Canada, Chile, Djibouti, the European Communities, Hong Kong China, Iceland, Japan, Korea, Liechtenstein, Mauritius, New Zealand, Nicaragua, Norway, Panama, Peru, Singapore, Switzerland, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, and the United States is being circulated to the Members of the Council for Trade in Services.

1. International trade is facilitated by freight logistics services providing efficient integrated management of point-to-point supply and distribution chains. Logistics suppliers manage the supply chain process by planning, implementing, and controlling the efficient and effective point-to-point flow and storage of goods, services and related information, throughout the production, distribution and delivery stages, from the initial suppliers of inputs to final consumers of products. Logistics services form a crucial and integral part of the infrastructure and a major determining factor of the competitiveness of an economy in global trade and investment.

2. Efficient freight logistics services are beneficial to world trade in goods and services and crucial to the economic development of different economies. The availability of competitive logistics services, namely on a global basis, will enhance overall economic efficiency and competitiveness. This is particularly the case for developing countries, which have significant interests in export of goods ranging from agricultural products to industrial goods, and which could benefit from timely, reliable and efficient supply chain, distribution and inventory management for their exports. Data shows that logistics costs are a particularly heavy burden for developing countries, especially small economies, island economies, and landlocked economies¹. Differentials in logistics costs could be even higher than tariffs and could easily undermine comparative advantage in production costs. Cost reductions or quality improvements in the supply chain benefit the exporter through increased

¹According to the World Bank, total logistics costs (including packaging, storage, transport, inventories, administration and management) are estimated to reach up to 20 per cent of total production costs in developed countries, while freight costs alone can be up to 40 per cent of export values for certain landlocked developing countries. UNCTAD also estimated that freight costs as a share of import value is higher for developing countries at 8.8 per cent (in 2002; Asia 8.3 per cent, Africa 12.4 per cent and Latin America 10.0 per cent) compared with 5.7 per cent for developed countries. Logistics costs also typically amount up to 12-17 per cent of the GDP of an economy (source: Council of Logistics Management).

competitiveness as well as the importer/consumer through lower total prices to be paid. The availability of efficient freight logistics infrastructure and services is also an important factor in attracting inward investments in many sectors especially manufacturing.

3. The trend of increasing focus on integrated management of the supply chain and outsourced support for transport and inventory management provides significant potential for third-party suppliers of logistics services to flourish. Such third-party logistics services would enable manufacturers of goods and service providers (e.g. in relation to distribution) to pay specialists for providing freight logistics management and to focus better on their core competencies to enhance their competitiveness. Competitive logistics services could also benefit freight transport services suppliers through more efficient use of their capacity reducing costs and improving profitability. The availability of integrated freight logistics services on a global basis enhances the potential for further growth in global trade, and opens up new markets and possibilities for producers and exporters, especially those in developing countries.

4. We, the co-sponsors of this statement, consider improvements in freight logistics services to be a crucial underpinning of expansion of global trade and improvements in global economic welfare. Liberalization of the range of services involved in freight logistics operations on a global basis will benefit all Members by enhancing the efficiency and competitiveness of all economies and contributing to economic development of users of freight logistics services. We therefore urge all Members to participate actively in the negotiations with a view to achieving substantial liberalization commitments in logistics services.
