

# Transport situation and transport cost measuring

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# Transport situation

- Armenia is a land lock country with 2 closed borders ( Turkey and Azerbaijan) of 4 existing ( open borders with Georgia and Iran )
- 1 Rail Way connection to port Poti ( Georgia) - 687 km.
- 2 High way via Georgia to Poti- 650 km and via V. Lars to Russian borders - 470 km,
- 1 high way to port Bandar Abbas ( Iran) – 2750 km

# Convention on Transit Trade of Land-locked States (New York, the 8th of July, 1965).

- Armenia did not adopt Convention on Transit Trade of Land-locked States (New York, the 8th of July, 1965).
- This convention's first principle recognizes that, "the right of each land-locked State of free access to the sea is an essential principle for the expansion of international trade and economic development."
- Moreover, the fourth principle of this convention decidedly states that, "Goods in transit should not be subject to any customs duty," and that, "Means of transport in transit should not be subject to special taxes or charges higher than those levied for the use of means of transport of the transit country."

# Macroeconomic Overview

The import had stable growth from 2004 to 2008 and fell down to negative in 2009. The export growth was developing by leaps and bounds, reached its maximal value in 2005 and became negative from 2008.

## Financial and Economic Data

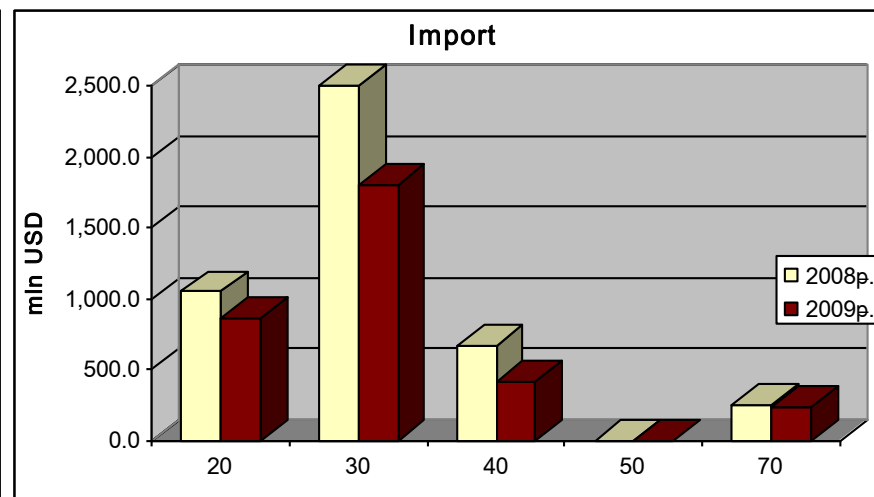
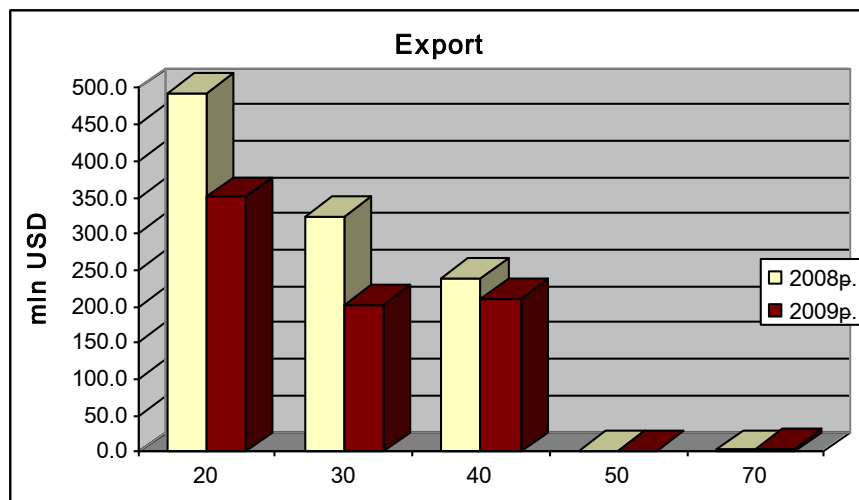
	2002	2003	2004	2005	2006	2007	2008	2009
Real GDP growth (%)	12.9	13.9	10.1	13.9	13.3	13.7	6.8	-14.4
Exports Growth Rate(%)	48%	36%	4.3%	31.5%	3.1%	17.5%	-7.2%	-34%
Imports Growth Rate(%)	12%	23%	5.6%	30.9%	21.8%	49.7%	35%	-25.3%
Inflation rate (% , average)	-1.1	4.7	7.0	2.2	2.9	6.6	5.2	6.5
Total FDI (USD million)	140	178	235.2	276.4	250.7	582.3	1132.4	- 2606.3
Trade Balance (USD million)	-368.8	-434.1	-458.0	-587.9	-895.9	-1600.3	-2664	-2081
Total external public debt (Government, Government guaranteed and Central Bank) (USD million)	<b>1,098</b>	<b>1,183</b>	<b>1,099</b>	<b>1,206</b>	<b>1,449</b>	<b>1,577</b>	<b>2,967</b>	<b>3,954</b>
Unemployment Rate (% of labor force)	9.4	10	9.4	9.6	7.5	7.1	6.3	6.9
Exchange Rate (AMD/US\$ annual average)	573.3	578.7	533.45	457.69	415.5	304.1	306	363.3

# Main Export Products of Armenia in 2003-2009

<i>Products</i>	<b>Main Export Products</b>						
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Precious &amp; Semi-Precious Stones</b>	51%	42%	51%	31%	19%	16.4%	17.9%
<b>Foodstuff</b>	11%	12%	11%	10%	13%	19%	17.6%
<b>Non- Precious Metal</b>	13%	19%	9%	29%	33%	32.8%	30.2%
<b>Mineral Products</b>	7%	12%	8%	14%	15%	16.2%	17.1%
<b>Sewing Products</b>	15%	6%	6%	4%	3%	3.9%	2.0%
<b>Machinery</b>	3%	7%	4%	3%	4%	4,4%	5,2%

# Foreign trade by transport means in mln USD

Transport means	2008		2009	
	Export (mln USD)	Import (mln USD)	Export (mln USD)	Import (mln USD)
Railway	494.1	1048.8	350.2( 45%)	865.0 ( 40%)
Road	323.3	2 499,7	201,4( 26%)	1799.6( 22%)
Air	239.0	670.3	211.3( 28%)	421,0 (13 %)
Other (mail, pipes, electricity network)	3.2	251,3	5.1 ( 1%)	233,1(7%)
<b>Total</b>	<b>1,060</b>	<b>4,470</b>	<b>768,0</b>	<b>3,319</b>

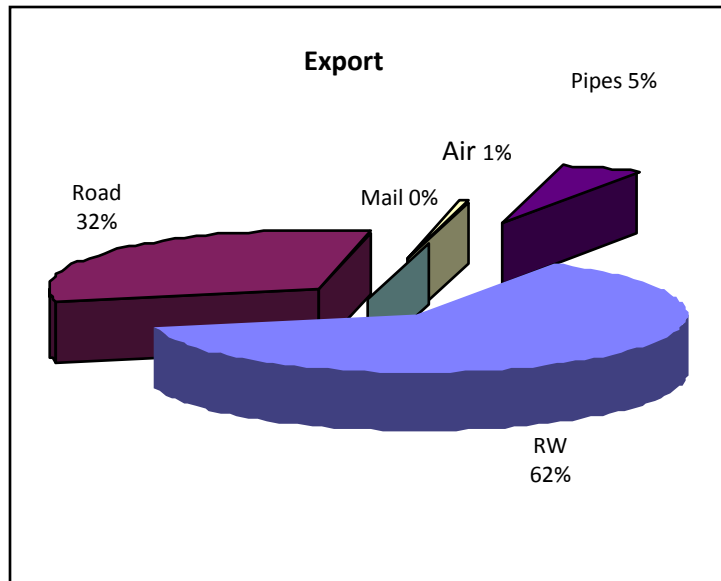


Source: [www.customs.am](http://www.customs.am)

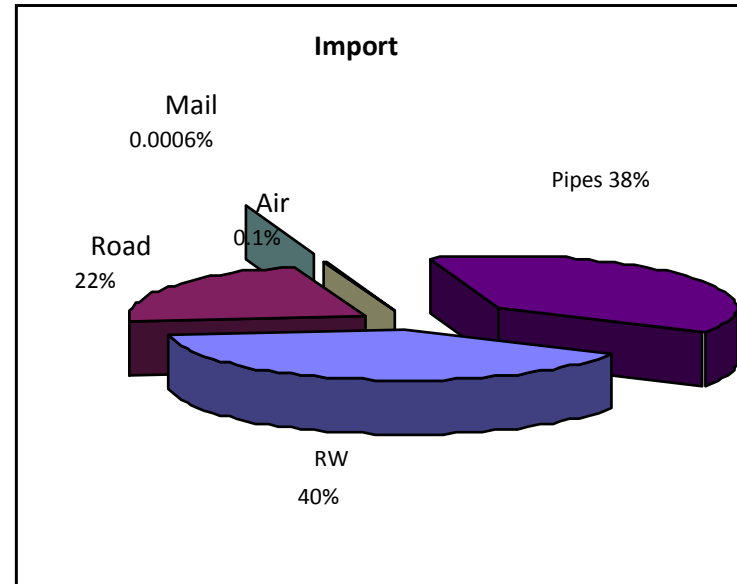
# Foreign trade by transport means in thousand tons

Transport means	2008		2009	
	Export	Import	Export	Import
Rail way	616 ( 72%)	1,3539 (35 %)	339 (62%)	1,261 ( 40% )
Road	214 ( 25%)	900 ( 23,3 %)	174 ( 32%)	695 (22 %)
Air	4 ( 0,3%)	5 ( 0,2%)	3 (<1%)	5 ( 0,15%)
Other (mail, pipes, electricity network)	23( 2,7 % )	1,610 (41,5%)	25 ( < 5%)	1,212 ( 38%)
<b>Total</b>	<b>856</b>	<b>3,868</b>	<b>541 ( -37 %)</b>	<b>3,169 ( -1 %)</b>

Export 2009 by transport means in %



Import 2009 by transport means in %



## Inland and sea transportation costs for December 2010 by TEU container\* with cargo weight more that 20 tons, USD

	SEA FREIGHT (FOB ANTWERP)	CHARGES IN PORTS (THC AND AGENTS FEES )	COST OF RW OR TRUCKING IN GEORGIA	COST OF RW OR TRUCKING IN ARMENIA	TERMINAL CHARGES IN ARMENIA AND DOOR DELIVERY	RETURN OF EMPTY TEU RW AND PORT CARGES	FEES PAID TO FF	TOTAL
Import by RW	1065''''''	320	215	181	170	105 A +136 G	250	2442
Export by RW	850	285	183	151	155	----	250	1874
Import by road	1065''''''	320	700	500	-----	-----	250	2835
Export by road	850	285	300	210	-----	-----	250	1895

## Railway tariff rates Dynamics for 20 container in 2006-2010 (US\$)

20 container by RW	2006	2007	2008	2009	2010
full import US\$	1075	1253	1590	1458	1122
full export US\$	685	838	1044	942	774



# Export rates for 2010 from Poti to some destinations in the World

Destinations	20' =TEU	40' = 2 TEU
Russia, Novorossisk	650 USD	1000 USD
Illichevsk, Ukrain	700 USD	1100 USD
ports in Italy	850 USD	1300 USD
Marseilles Barcelona	750 USD	1150 USD
Antwerp, Rotterdam Hamburg	850 USD	1300 USD
New York, including THC \$400	1650 USD	2050 USD
Long Beach( LA,CA) including THC \$ 400	1800 USD	2350 USD
Ports in China Shanghais, Fuzhou, Shenzhen, Quigdao	900 USD	1500 USD

# Transport cost composition for few Imported Items for 2010

Commodity	Country of import	Product cost USD	Transport cost per containers 20'and 40'	Transport part of commodity cost
Juices	Austria	18 000,00	4000,00 /20'	25%
Mineral water	France	16 800,00	4900,00/40'	29%
Cigarettes	Greece	210 000,00	3800,00/40'	1,8%
Bakery products	Italy	34 500,00	4700,00/40	13,6%
Olives	Greece	18 600,00	2800,00/20'	15 %
Pasta	Italy	27 600,00	3300,00/20'	12 %
Lamps and accumulators	China	77 000,00	6000,00/40'	8 %
Ceramic tiles	China	18 000,00	3500,00/20'	19,4 %
Ceramic tiles	Spain	25 000,00	2900,00/20'	11,6 %
Construction materials	Turkey	9000,00	2400,00/20'	26%

# Transport cost composition for few exported Items (2010)

Commodity	Export destinations	Product cost USD	Transport cost per containers 20'and 40'	transport part of commodity cost
Juices	Marseilles/France	9500	1750/20'	18,4%
Mineral water	Novorossiysk/Russia	6500	1600/20'	25%
Stone tiles	Rijeka/ Croatia	6000	1500/20'	25%
Stone tiles	Chi wan /China	6000	1900/20'	31,6 %
Caned fruits	LA/ USA	54000	2800/20'	5%
Brandy	Moscow/ Russia	600000,00	5000/40'	0.8%
Copper	Antwerp/Belgium	360000,00	1850/20'	0.5%
Bentonite	Rotterdam/Holland	600,00	1850/20'	308 %
Wine	Illychevsk/Ukraine	70 000,00	1700/20'	24,3%

Having the main commodity prices and rate for any destinations we could calculate transport parts of export charges to any country.

Main commodities of export by air are:

Alcohol beverages, sec fruits, caned fruits, chocolates, flavors and spices, sec herbs, medical equipment and medicines, small equipment, clothing, chooses, chemicals, covering materials, books, decoration items, souvenirs, carpets any personal items...etc

Custom formalities in cargo terminal of Yerevan airport "Zvarntots" costs:

AMD 6500 = 18 US\$ .per cargo Invoice

Air way bill – US\$10

For cargo inspection and processing for - 1 ton of different cargo types from USD 82-130

**Current transport rate for export by air from Yerevan airport "Zvartnots" terminal to different destinations effective since 01 June 2009**

Destinations	Minimum cost US\$	net cost US\$ 1- 44 kgs	45 kgs	100 kgs	250 kgs	500 kgs
Moscow ,Russia	20	1,2	0,8	0,6	0,5	0,4
Krasnodar, Russia Rostov, Russia	15	0,8	0,65	0,55	0,45	0,4
Kiev ,Ukraine	20	1,3	1,1	0,9	0,8	0,65
Dubai UAE	65	1,4	1,2	0,9	0,8	0,7
London UK	65	2,2	2,0	1,9	1,8	1,7
Amsterdam, Holland Marseilles , France Berlin, Germany Athens, Greece Zurich, Switzerland	62	2,0	1,8	1,7	1,6	1,5
Beirut, Lebanon Aleppo , Syria	65	1,4	1,2	1.1	1.0	0.9

# Necessary Documents for Export and Import

## Export

- Bill of Lading (Rail way bill or CMR)
- Commercial invoice
- Customs export declaration

## Import

- Bill of of lading,( Rail way bill or CMR)
- Certificate of origin
- Commercial Invoice
- Customs import declaration
- Preliminary customs import declaration
- Terminal handling receipts in Yerevan

# The main data for trading across borders for Armenia and Georgia

Trading Across Borders	Armenia	Georgia
Documents to export (number)	3	4
Time to export (days)	16	10
Transport cost for export (US\$ per 20' to FOB Poti)	1024	873
Documents to import (number)	6	4
Time to import (days)	16	13
Transport cost to import (US\$ per 20' FO Poti)	1377	1091

These tables list the procedures necessary to import and export a standardized cargo in 20 container in Armenia. The documents required to export and import the goods are also shown above.

Procedure description for export	days	cost in US \$
Documents preparation	6	190
Customs clearance and technical control	1	75
Inland transportation and local handling	7	739
Ports and terminal handling	2	285
Total	16	1289

# Conclusions and Recommendations

Relatively high Transport rate are not the main challenge for Armenian export .

Export cargos with high production cost “could accept” any high rate of transportation.

Soonest construction of new Rail way to Iran, reopening of RW and road connection with Turkey, and in future phased strategy - with Nakhichevan and Azerbaijan.

Soonest possible adoption of Convention on Transit Trade of Land-locked States .

Make changes in Armenian custom regulation for consolidated cargos export and import.

Opening the logistic centers and special custom warehouses for keeping export cargos under “custom cleared” regulation .

Amend Customs regulations to allow for the export authorization procedure to take place with out mention of transport means numbers at the custom warehouses), as well as to allow exporters to clear their shipments at any regional Customs house, and release the goods to transport company for future shipment.

Thanks for attention