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**United Nations Economic Commission for Europe**

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## **UNECE event addresses the weakest link in global supply chains**

Growing volumes of international trade in goods cause major bottlenecks in the hinterland connections of seaports which currently form the weakest link in global supply chains. This issue was the focus of the United Nations Economic Commission for Europe (UNECE) two-day conference held on 17-18 September in Piraeus, Greece, at which the key problems associated with hinterland connections and possible solutions were debated.

The Greek Minister of Mercantile Marine, The Aegean and Island Policy, Mr. Anastassios Papaligouras highlighted in his opening speech the importance of international cooperation in developing the transport sector and the role of the United Nations in facilitating such cooperation, particularly at a time of rapid transport growth.

“Three main relevant trends must be considered,” said Ms. Eva Molnar, Director of the UNECE Transport Division. “New, global supply chains are changing the future of transport, so investments are prone to be demand driven. The opening up of transport markets, especially in the UNECE region, coupled with a growing number of non-European investors, such as the Chinese COSCO Group in the port of Piraeus, leads to fundamental market restructuring. Competing, deregulated, ports in Western Europe are benefiting landlocked countries in Central Europe but landlocked countries in Eastern Europe may still be the captive market of their key port outlets.”

Whereas the shipping industry has responded well to globalization, and its ensuing growth in trade, through increasingly efficient practices, hinterland connections have typically not been a priority area for development and often struggle to obtain adequate funding. Lack of facilitation measures further aggravates the problem. Combined, these factors have led to a situation of “freight traffic jams” in and out of ports (or within a 20-50 km radius of ports) when goods are transferred from holding areas and on to their final destination.

Major gateway ports represent massive engines of economic growth for countries and the stakes are high to attract business. Global warming, and the consequent melting of Arctic ice, is opening new sea routes that could potentially decrease the value of land bridges. Ports that can offer efficient services at all levels will naturally have the competitive advantage.

The Greek Government, recognizing the great importance of seaport connections in the supply chain, recently gave concessions for operating the ports of Piraeus and Thessaloniki to specialized companies. Mr. Papaligouras, the Greek Minister said: “These companies determine to a great extent the global market and therefore the concession of these two container terminals is aimed, among other things, at the effective inclusion of these two ports in the international transport chains to avoid any future threats of isolation and loss of significance.”

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So what is the best way to proceed? At the Piraeus meeting researchers, government officials, including the Chinese Vice Minister of Transport, the Polish Vice Minister of Infrastructure and the Deputy Minister of Public Works, Transport and Telecommunications from Albania, and stakeholders (port authorities, rail companies, freight forwarders, etc.) presented their views on the complex nature of hinterland connection development, from financial and administrative issues to environmental concerns and infrastructure planning. “There are many actors involved in hinterland connections of seaports,” said Mr. Peter de Langen, Economist, Corporate Development of the Port of Rotterdam, “but even if they all optimize their activities, there is still a need for overall coordination”. The biggest challenge, it appears, will be to achieve the right balance among the various, and competing, elements as well as different stakeholder interests.

With the growing influence of global supply chains and the changing role of port authorities, the event concluded that it was time to rethink the organization of transport systems. It identified the need for additional integration among supply chains, hinterland connections and intermodal transportation to optimize time and cost balances whilst protecting the environment. Further innovation will also be required to respond to increased competition.

“Many questions have been raised over the last two days”, said Ms. Molnar at the end of the meeting, “and it is clear that a shift in the perspective to supply chain integration is called for. The UNECE Transport Division will also have to adapt to these new challenges – we will need to rethink our approach to intermodality and how we can incorporate port and hinterland perspectives into our existing projects, such as the Trans-European Motorway (TEM), Trans-European Railway (TER) and Euro-Asian Transport Linkages (EATL), whilst continuing our work on hinterland connections of seaports”.

*The Piraeus Conference forms part of the ongoing work of the UNECE Group of Experts on Hinterland Connections of Seaports. This Group is tasked to prepare a set of recommendations to UNECE Governments on how to improve hinterland connections in areas such as infrastructure, procedures, personnel and information exchange. On a larger scale, the work of this Group aims to help achieve the Millennium Development Goals through knowledge transfer, particularly to landlocked developing countries.*

For more information, please visit: [http://www.unece.org/trans/main/wp5/wp5\\_ge1\\_SPC.html](http://www.unece.org/trans/main/wp5/wp5_ge1_SPC.html), or contact:

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Additional background information is also provided in the Special Edition Number 284 of UNECE Weekly “Hinterland Connection of Seaports” (<http://unece.org/trans/news/weekly2008-284.pdf>).