As Freight Moves by Rail, Who Controls the Goods?

The region is laying the tracks for a new chapter in trade. Are its banks, exporters and importers ready for the rights and risks that come with it?

Mohamad M. Burjak
Trade Finance Specialist

Burjak Institute · Perspectives from Practice

An issuing bank may require a railway consignment note to name it as consignee and may receive the certified duplicate among the documents presented under its documentary credit.

These are meaningful precautions. But what protection do they actually provide if the applicant has not reimbursed the bank when the goods reach their destination?

Can the bank instruct the carrier to withhold delivery? Can the consignor change the destination or consignee? Does possession of the duplicate strengthen the bank's position? And will the answers remain the same if the goods cross national borders under different railway transport regimes?

The questions are not answered simply by observing that a railway consignment note is non-negotiable. Under some carriage regimes, the named consignee may enjoy substantial rights over delivery and subsequent instructions without holding a negotiable document of title.

The difficulty is establishing precisely what those rights are, how they may be exercised, and whether they remain effective throughout the journey.

As railway links develop across the Middle East, these distinctions deserve greater attention. Physical connectivity may advance faster than the legal and operational arrangements on which banks rely.

The region is preparing for a different trade journey

Railway development across the region is acquiring new momentum, with projects that may eventually reshape the movement of goods between Gulf markets, the Arab Mashreq, Türkiye and Europe.

In October 2026, Jordan laid the foundation stone for the Aqaba–Shidiya–Maan railway project, intended initially to improve the movement of mining products towards Aqaba Industrial Port. The project is an important component of Jordan's wider national railway plans, although it is not itself an operating international corridor.

Those wider plans give Jordan a potentially significant role beyond domestic freight transport. In April 2026, Jordanian officials outlined a proposed railway connection between the Omari crossing on the Saudi border and the Jaber crossing on the Syrian border, through the Madouneh area. Such a connection could make Jordan an important link between the Gulf and the northern markets.

Syria occupies a consequential position in that prospective connection. Restoring and developing rail links through Syrian territory could connect the Jordanian network with Türkiye and, potentially, onward European rail networks.

On 7 April 2026, Jordan, Syria and Türkiye signed a memorandum of understanding to strengthen transport cooperation and regional integration, including railway connectivity. Later that month, Saudi Arabia's transport minister indicated that feasibility studies for a railway connection to Türkiye through Jordan and Syria were expected to be completed by the end of 2026.

Iraq presents another important dimension.

Its Development Road project is intended to connect the Grand Faw Port in southern Iraq with Türkiye and onward European markets through a major railway and road corridor. An October 2026 Zawya report, quoting an Iraqi railway official, described engineering-design preparations and a proposed oil-backed financing arrangement with Türkiye.

In April 2026, Jordan and Iraq also discussed studying railway connectivity between their countries. Such a connection could eventually create additional trade options between Iraqi markets, Jordanian logistics centres and the wider regional network.

These are distinct projects and possible connections, not a single railway system already in operation. Their completion, integration and commercial arrangements remain subject to further development. [1]

The GCC Railway Authority, meanwhile, identifies December 2030 as the target for full operation of the railway network connecting the six GCC countries. Work is also progressing on the Hafeet Rail connection between the UAE and Oman. That GCC target does not establish a completion date for the proposed connections through Jordan and Syria or for Iraq's Development Road.

Nevertheless, the direction of development matters.

For exporters, new railway routes may offer different ways to reach markets and ports, but the ability to redirect goods, change delivery instructions or preserve rights when payment is outstanding will remain important.

For importers, the reliability of delivery depends not only on the physical journey, but also on the contracts, release procedures and rights governing the goods at destination.

For banks, the challenge is to ensure that documentary obligations and the legal arrangements protecting their exposure remain coherent as the goods move between carriers, borders and transport systems.

The train may travel continuously. The legal rights associated with its cargo may not.

Before relying on the document, identify the governing law

There is no justification for assuming that the rules governing international railway carriage in Europe will automatically govern the Gulf's emerging railway network.

The region already has a relevant international instrument. The Agreement on International Railways between Arab Countries, adopted in 2003 and in force since 2005, establishes a framework for developing an international railway network and coordinating its routes and technical specifications.

Jordan, Syria, Iraq and Saudi Arabia are among its parties. This gives the agreement particular relevance to the regional connections now under consideration.

Its importance, however, should not be misunderstood. Its text, as adopted in 2003, addresses the network, its axes and its technical specifications. It contains no rules determining who may instruct the carrier, who is entitled to delivery or what rights a bank acquires by being named as consignee. [2]

COTIF and its CIM Uniform Rules provide one established international model.

Their possible wider application is relevant in view of cooperation between OTIF and the GCC and the prospect of railway connections with Türkiye, a COTIF Member State.

The position of the regional States matters here. OTIF's 2024 Annual Report records Jordan as an Associate Member, not a contracting party to COTIF, and records the membership of Iraq and Syria as suspended. Those are the report's historical statuses, not a determination of the law applicable to a future shipment. CIM applies under Article 1 §1 where the places of taking over and delivery are in two different Member States. For international rail carriage between places in two different States, Article 1 §2 also provides for application where at least one is a Member State and the parties agree that the contract is subject to CIM. A physical railway connection with Türkiye, therefore, does not by itself bring every shipment travelling along that route under CIM. [3]

Other possibilities include national carriage laws, regional arrangements and emerging international frameworks.

The 2023 Convention on the Contract for International Carriage of Goods by Rail, developed through the United Nations Economic Commission for Europe's Unified Railway Law initiative, represents an attempt to establish a common international contractual framework. It had not entered into force as at 1 November 2026. Even after entry into force, it would apply under Article 1(1) only where the places of taking over and delivery are in two different States Parties, the contract of carriage stipulates that it is subject to the Convention, and neither CIM, SMGS nor another agreement between the Parties applies to the entire journey. Its default rule on when the consignee acquires the right of disposal also differs from CIM's. [4]

None of these frameworks should be treated as the predetermined legal basis for future railway operations across the region.

This uncertainty matters to banks, exporters and importers alike.

The governing regime may determine who can modify the contract of carriage, what authority the consignee possesses, when those rights arise or expire, and what the carrier must do before releasing the goods.

Those matters must be established before any party relies on the transport document for protection that it may not actually provide.

A complying document and an enforceable right answer different questions

UCP 600 Articles 4 and 5 distinguish documentary credits from the underlying transactions. Article 14 governs the examination of a presentation.

Where a credit requires a rail transport document, Article 24 and ISBP 821 paragraphs J1–J20 determine the applicable documentary examination requirements.

The bank examines the document for compliance with the credit and the relevant rules, including carrier identification and authentication, shipment particulars, the stated places of shipment and destination, and other applicable requirements.

Transshipment, partial shipments and presentation periods must also be considered where relevant. A document covering at least two different modes of transport may instead fall under Article 19 and the corresponding ISBP provisions. [5]

But compliance with these requirements does not determine ownership of the goods or establish a security interest. Nor does it answer every question concerning the carrier's obligations towards the bank.

One particularly revealing provision is UCP 600 Article 24(b)(ii), under which a railway transport document marked duplicate is accepted as an original.

ISBP 821 J7 goes further in explaining its treatment. An authenticated railway duplicate may satisfy a requirement for a full set of the relevant transport documents.

This rule sometimes invites an inappropriate comparison with the originals of a negotiable maritime bill of lading.

In the conventional CIM paper consignment note, five principal numbered sheets perform different functions. Sheet one is the original intended for the consignee. Sheet four is the consignor's duplicate, used among other things in connection with subsequent orders and instructions.

The sheets do not constitute several interchangeable negotiable originals. The prescribed duplicate is not merely an ordinary photocopy, but neither does its acceptance under UCP 600 make the document negotiable. [6]

Under CIM Article 6 §5, the consignment note does not have the effect of a bill of lading. Its evidential function and the carriage rights associated with it must be distinguished from the functions of a negotiable document of title.

The same distinction applies to the consignee designation. ISBP 821 J8 permits a railway document to name the specified entity directly even where the credit requires consignment to its order. Such documentary acceptance does not transform the underlying railway consignment note into a negotiable instrument.

The bank must therefore distinguish two enquiries: whether the document complies with the credit, and what rights it acquires or can exercise under the applicable carriage arrangements.

A favourable answer to the first does not supply the second. Equally, the absence of negotiability does not establish that the bank lacks meaningful protection.

What CIM can actually give the bank

CIM provides a useful illustration of rights that may arise independently of negotiability.

Under Article 17, the carrier has obligations concerning delivery to the consignee. Articles 18 and 19 regulate the right to modify the contract of carriage and the procedures for issuing subsequent orders.

Article 18 §3 grants the consignee the right to modify the carriage contract from the time the consignment note is drawn up, unless the consignor indicates otherwise on that note.

When the consignee becomes entitled to issue orders under that provision, the consignor's corresponding right ends in accordance with Article 18 §2.

Article 19 §1 requires the person exercising the relevant right to produce the duplicate consignment note, with the modifications entered on it. [3]

These provisions have important practical consequences.

Suppose the issuing bank is named as consignee under a carriage contract governed by CIM, and the bank receives the certified duplicate.

If the consignor has not reserved the modifying right in the manner contemplated by Article 18 §3, the bank's position may include a direct statutory right to issue instructions concerning the carriage.

That is considerably more than the mere possession of a non-negotiable document.

Possession of the duplicate matters even if the consignor has indicated on the consignment note that the consignee may not modify the contract. Under Article 6 §4, the carrier certifies the taking over of the goods on the duplicate and returns it to the consignor. Under Article 19 §1, a consignor wishing to give subsequent orders must produce that duplicate to the carrier.

Once the duplicate has passed to the bank, therefore, the consignor cannot ordinarily exercise its own modifying right. If the carrier nevertheless implements the consignor's orders without requiring the duplicate, Article 19 §7 makes it liable for loss or damage sustained by the consignee to whom the duplicate has passed, subject to the compensation limit for loss of the goods.

The bank should not assume that an undisclosed side arrangement can simply displace a right which CIM confers on the consignee. Under Article 5, any stipulation that would derogate from CIM is null and void unless CIM itself provides otherwise. Article 18 §3 provides the relevant route: a contrary indication by the consignor on the consignment note. Article 5 does, however, permit a carrier to assume obligations more burdensome than CIM requires, which is why a separate carrier undertaking can add to the bank's protection.

Yet several questions remain.

Were any subsequent instructions issued before the duplicate reached the bank? Has the carriage contract already been modified? How does the carrier authenticate instructions, and how is the current state of the consignment recorded?

The answers may not all be apparent from the face of the duplicate presented under the credit.

CIM also places limits on the exercise of modifying rights. Under Article 19 §3, the requested changes must be possible, lawful and reasonable when the orders reach the person who is to carry them out. They must not disrupt the carrier's normal operations or prejudice consignors or consignees of other consignments. They must not split the consignment under §4. If the §3 conditions prevent compliance, §5 requires immediate notice to the person who gave the orders.

Under Article 18 §4, the consignee's own right to modify the carriage contract ends once it has taken possession of the consignment note, accepted the goods or asserted its rights under Article 17 §3, or once a person to whom it has directed delivery has asserted those rights.

The bank should also be careful about simply refusing the goods. Under Article 21 §3, if the consignee refuses the goods, the consignor becomes entitled to give instructions even without producing the duplicate. Where the bank holds the right under Article 18 §3, an order to delay delivery, one of the modifications contemplated by Article 18 §1, may be the more appropriate instrument, subject to these limits. Articles 20 and 21 separately govern impediments to carriage and delivery; an instruction arrangement must also account for those procedures.

The carrier may incur liability for wrongful action, but a right to compensation after an unauthorised delivery is not necessarily equivalent to the ability to prevent that delivery. Under Article 19 §§6–7, compensation for a carrier's fault in failing to carry out an order properly, or for following the consignor's orders without requiring the duplicate, may not exceed the amount payable for loss of the goods.

Nor should a bank named as consignee overlook the consequences of exercising its rights, including the contractual allocation of carriage charges under Article 10, its obligation under Article 19 §2 to compensate the carrier for the costs and prejudice arising from its subsequent orders, and the delivery provisions of Article 17.

Thus, even under an established regime that gives the consignee meaningful statutory protection, the bank must examine the scope, timing and practical exercise of those rights.

The important distinction is not simply between a negotiable and a non-negotiable document. It is between the rights the bank actually holds and the protection it assumes those rights will provide.

Will those rights survive the border?

CIM is an instructive example, not a prediction of the law that will govern the emerging regional railway network.

Elsewhere, international carriage may operate under SMGS, national legislation or other contractual arrangements.

CIM and SMGS have different fields of application and provisions governing carriage instructions and delivery. The common CIM/SMGS consignment note can facilitate movement between the two systems without requiring conventional replacement of the document at the transition point.

But the common document does not merge the underlying legal regimes or make the ordinary consignment note negotiable. Within the manual's agreed scope and participating traffic, acceptance of the goods and the common note by the following carrier at the reconsignment point is treated as delivery under the first contract; onward carriage then falls under the other regime. A consignee right that exists under CIM therefore cannot be assumed to continue unchanged on the SMGS section. [7]

China offers another relevant distinction.

In a reported dispute involving imported vehicles and a specially arranged railway bill of lading, a Chinese court confirmed the buyer's ownership of the vehicles and ordered the logistics company that had issued the bill to deliver them. The court relied on the parties' contractual arrangements, including the issuer's undertaking to deliver to the holder of the bill and a sale-contract term treating delivery of the bill as delivery of the vehicles. It treated the transfer of the bill as a transfer of the claim to delivery of goods held by a third party.

Neither the recognition of ownership nor the order for delivery established that ordinary railway consignment notes had generally become negotiable documents of title. The case demonstrated the importance of the specific contractual undertaking and the legal basis on which the claim to delivery was transferred. [8]

The lesson for emerging regional rail trade is not that one country's arrangement should be copied into another jurisdiction.

It is that a bank must know precisely which person and which obligation stand behind the document it receives.

Geography alone does not decide whether those rights survive. Where a single contract of carriage governed by CIM covers the whole journey, crossing a border within that covered journey does not by itself displace the consignee's rights. Under Article 26, each successive carrier that takes over the goods with the consignment note becomes a party to that same contract on its terms.

The position is different if the goods are reconsigned under a new contract, cross from one legal regime into another or move from rail to sea under a separate arrangement. The bank then needs to establish whether its intended rights continue, cease or require a separate arrangement.

Where the applicable carriage law does not provide the required protection, a condition in the documentary credit cannot create it on its own. The bank must then establish an enforceable arrangement binding the relevant carrier or other party controlling the goods, or rely on security that is effective under the applicable law.

A possible future development in negotiable cargo documents

A separate international development may eventually offer additional possibilities.

The United Nations Convention on Negotiable Cargo Documents, adopted in December 2025, establishes a framework for specially constituted negotiable cargo documents in international transport, including transport involving non-maritime modes.

China and Saudi Arabia were among the States that signed it on 26 October 2026. It had not entered into force as at 1 November 2026. [9]

This development is important because it addresses the possibility of a legally recognised negotiable cargo document beyond the traditional maritime setting.

It does not, however, make ordinary CIM or SMGS consignment notes negotiable merely by association. The Convention establishes its own conditions for issuance, application and legal effect.

Future international instruments may offer different solutions. Banks structuring transactions today must rely on rights that are presently established and enforceable.

Insurance can leave a different gap

Even where the carriage arrangements adequately protect the bank's position concerning delivery, insurance introduces another distinction.

UCP 600 Article 28 determines the documentary examination requirements for insurance documents. Compliance with those requirements does not establish that the actual journey is insured against every risk relevant to the transaction.

The Institute Cargo Clauses (A) provide broad cargo insurance protection subject to their exclusions, which include war risks under clause 6.

Clause 4.5 excludes loss, damage or expense caused by delay, even where the delay originates from an insured risk, subject to the express exception for expenses payable under clause 2. Continuation of insurance during certain delays does not remove that exclusion.

War risks provide a particularly important example for rail transport.

Under the unamended Institute War Clauses (Cargo), CL385, insurance attaches when the goods are loaded on an oversea vessel. That wording does not, by itself, provide war-risk cover for a wholly inland railway journey. [10]

As goods move between inland terminals, borders and potentially maritime stages, the insured route, attachment and termination of cover, territorial exclusions, insured interests and rights to claim require separate attention.

Carrier liability is not the same as cargo insurance. The applicable carriage regime may impose limits on compensation, while the insurance policy may contain exclusions or conditions affecting recovery.

An insurance document acceptable under a documentary credit may therefore coexist with a material exposure that the parties have not adequately insured.

The decisive work belongs before issuance

The bank's protection should be examined while the transaction can still be structured, not after a complying presentation has arrived.

If the issuing bank intends to rely on being named as consignee, it should establish what that designation achieves under the governing law.

Can the consignor reserve or retain authority to modify the carriage contract? What evidence is required for subsequent instructions? Who is entitled to delivery? Can the carrier release the goods without the bank's participation, and in what circumstances?

Where the relevant law grants the bank direct consignee rights, the next task is to determine how those rights will be exercised operationally.

The bank may need reliable confirmation of the carrier's current records, an agreed instruction-authentication process, and a clear release procedure at the destination terminal.

If protection depends on a separate undertaking, the bank must establish that the carrier or other relevant party has accepted an enforceable obligation.

If it relies on security, it must determine whether the interest is properly created, effective against relevant third parties and capable of enforcement under the applicable law.

The transaction must also address the possibility that the goods arrive before the presentation reaches the bank, and that the route involves successive carriers or different legal regimes.

For exporters, these arrangements can affect their ability to give effective delivery instructions and preserve contractual rights when payment remains unresolved. For importers, they can determine the procedures and conditions under which goods are released, as well as the risk of delay and additional costs.

These are not additional documentary examination standards imposed by UCP 600. They concern the design of the transaction and the rights and obligations of the parties involved.

Once a complying presentation is made, the issuing bank must apply the credit and the governing rules. The absence of anticipated carriage or security protection does not justify inventing a documentary discrepancy.

The opportunity to secure that protection arose earlier.

The question to settle before the goods move

Regional railway connections may improve the movement of goods between production centres, inland markets and ports. They may also create new opportunities for exporters, importers and the banks supporting their trade.

But physical connectivity alone cannot establish what a bank may require the carrier to do.

The ordinary railway consignment note does not need to become a negotiable bill of lading to provide meaningful protection. Under an applicable carriage regime such as CIM, a bank named as consignee may possess important rights concerning instructions and delivery.

What matters is establishing those rights accurately, understanding their limits and ensuring that they can be exercised when needed.

Different legal regimes may provide different answers. Agreements establishing railway networks do not necessarily settle contractual delivery rights. A document accepted under a credit does not necessarily reveal every relevant carriage arrangement. And an insurance policy does not establish every recovery protection that a transaction may require.

The issuing bank's undertaking under the credit must therefore be assessed separately from any rights it intends to rely on concerning the goods, and the two must be aligned when the transaction is structured.

When the rail consignment note reaches the issuing bank, UCP 600 may explain why the bank must honour. Whether the carrier must respect that bank's instructions is a different legal question.

The answer should be established before the goods begin their journey.

Sources and legal qualifications

Reference date: 2 November 2026

[1] Regional railway developments. Royal Hashemite Court, Aqaba–Shidiya–Maan railway announcement, 5 October 2026; GCC Railway Authority, project description and target timetable; Hafeet Rail project update, 20 April 2026; Jordan News Agency, proposed Jordanian north–south rail connection, 26 April 2026; Jordan News Agency, Jordan–Syria–Türkiye transport memorandum, 7 April 2026; Jordan News Agency, Saudi–Türkiye railway-link feasibility studies via Jordan and Syria, 22 April 2026; Jordan News Agency, Jordan–Iraq railway-link discussions, 20 April 2026; Zawya, report on Iraq Development Road design and proposed financing, 13 October 2026. These are distinct projects and proposed connections at different stages; none establishes a continuous operating Gulf–Europe railway corridor.

[2] Arab Mashreq railway framework. United Nations, Agreement on International Railways between Arab Countries, 14 April 2003, in force from 23 May 2005. Jordan, Syria, Iraq and Saudi Arabia are recorded as parties. The instrument concerns regional railway-network development and coordination; it is not treated as a uniform regime governing the bank's carriage and delivery rights.

[3] COTIF and CIM. OTIF, COTIF and CIM Uniform Rules, particularly CIM Articles 1, 5–6, 10, 12, 17–21 and 26; OTIF Annual Report 2024, concerning membership (including Jordan's Associate Member status and the suspended membership of Iraq and Syria) and cooperation with the GCC. Published consolidations must be read subject to their status and applicable amendments. CIM is used as an illustrative regime, not presumed to govern GCC traffic.

[4] Unified Railway Law. United Nations, Convention on the Contract for International Carriage of Goods by Rail, Geneva, 17 November 2023. The depositary record dated 1 November 2026 identifies the Convention as not yet in force. Its prospective relevance does not establish applicability to an existing transaction; see particularly Articles 1(1) and 15(2).

[5] Documentary credit examination. ICC, UCP 600, particularly Articles 4–5, 14, 19, 24 and 31; ICC, ISBP 821, Section J, particularly J7–J8. Documentary acceptance is distinct from carriage, delivery and security rights.

[6] Railway consignment-note structure. CIT, CIM Consignment Note Manual, edition 1 July 2025, including the prescribed functions of the original, duplicate and other numbered sheets. The manual is a CIT recommendation with its stated adoption conditions.

[7] CIM/SMGS documentation. CIT/OSJD, CIM/SMGS Consignment Note Manual, edition 12 December 2025, particularly its definitions, scope, conditions of use and Appendix 3 notes; CIT documentation portal. The manual applies within its stated contractual and participating-traffic conditions. A common consignment-note form does not independently unify the applicable laws.

[8] Chinese contractual railway-document practice. Supreme People's Court, third group of Belt and Road typical cases, Case 5, published 28 February 2022, concerning Chongqing Fuqi Automobile Sales Co. v. Chongqing Sinotrans Logistics Co. and others, first-instance case (2019) Yu 0192 Min Chu 10868. The official account describes the issuer's undertaking, the transfer of the delivery claim and the sale-contract arrangement treating transfer of the bill as delivery of the vehicles under the then-applicable Property Law rules on constructive delivery. It records confirmation of the buyer's ownership and an order to deliver. This is an official judicial summary, not the complete judgment or a general ruling that ordinary railway consignment notes are negotiable.

[9] Negotiable cargo documents. United Nations Convention on Negotiable Cargo Documents, New York, 15 December 2025, depositary status. China and Saudi Arabia signed on 26 October 2026; the Convention had not entered into force at the latest status checked.

[10] Insurance. ICC, UCP 600 Article 28; Institute Cargo Clauses (A), CL382 (2009), particularly clauses 2, 4.5, 6, 8 and 16; Institute War Clauses (Cargo), CL385 (2009), particularly clause 5. Standard insurance specimens do not establish the terms or coverage of an actual policy.

The analysis distinguishes documentary compliance from carriage rights, ownership, security interests and insurance. It does not determine the enforceability of a particular bank's rights, the applicability of a treaty, or the coverage of a specific shipment. Those matters require examination of the actual contracts, parties, route and governing law.

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