Евразийский Банк Развития

EXECUTIVE SUMMARY

1. The geographic and geo-economic location of EurAsEC countries gives them significant strategic potential for freight transit. Analysts estimate that the region's total potential transit capacity is about 220 million tonnes at present. This figure is expected to increase to 400 million tonnes by 2020, 290 million tonnes of which will originate in EurAsEC countries for transport on to third countries. EurAsEC has motorway and railway corridors running east-west and north-south, and a number of new corridors are being constructed. However, to handle such huge volumes of cargo, the region's existing transport infrastructure must be modernised.

2. EurAsEC states are not making the most of their transport potential. At the moment, these countries are handling only half their potential cargo flow. The main limiting factor is EurAsEC's current inability to become the key cargo transit route between the mainland's two macroregions – the European Union (EU) and the Asian-Pacific Region (APR), principally China. Trade between these two regions will reach $1 trillion within the next few years. Only 1% of the cargo transported between the EU and the APR utilises the EurAsEC international transport corridors (ITC). Meanwhile, sea freight companies are earning billions of dollars. According to available data, of the 17.7 million TEU transported from Europe to Asia in 2008, only 74,551 TEU were transshipped via Dostyk (0.42%), including 0.35% from Europe to Asia.

3. Sea vs land: 2:1. Transportation of transit cargo by sea (transoceanic service) has some strong advantages, such as low delivery cost, established relationships with customers and high standards of service. This leads us to conclude that sea transit will prevail in the near future. Land transit routes offer only one competitive advantage – speed of delivery, which is two to three times faster compared with the sea routes linking East Asia with Europe. This advantage must be exploited. A considerable proportion of "time-sensitive" transit (some 16 million tones annually, according to the most conservative estimate) can be redirected to ITCs operated by EurAsEC.

4. There are a number of physical and non-physical barriers to the realisation of the EurAsEC's transit potential. Physical barriers include the poor state of motorways and railways and their related infrastructure, i.e. obsolete rolling-stock, which prevents any increase in transportation speeds and volumes; existing roads do not meet international standards; border crossing points and logistics centres have a low throughput capacity. Non-physical barriers include cumbersome permit systems, unreasonable delays in crossing borders, various charges and additional taxes imposed by regulatory and local authorities, scheduled and spot-check inspections of cargo weight, etc. The non-physical barriers are the most significant obstacles to the development of cargo transit in the region and cause serious delays in cargo delivery. Time lost does not only result in loss of money and customer trust, but also the loss of the main (in fact the only) competitive advantage land transit has over sea transit.

5. There are two complementary ways to reduce physical and non-physical barriers:

a) integrating national transport systems, which we consider to be key to overcoming barriers by introducing well-coordinated transport policies and by harmonising and fine-tuning national legislation, etc.;

b) well-coordinated investment policy for priority national projects is required in order to realise transit potential and foster mutual trade between EurAsEC member countries, including projects to construct priority railway and motorway routes, develop logistical and border infrastructure, and renew existing rolling-stock.

Together, the above factors should enable the physical and non-physical barriers to be minimized and encourage joint investment in the renewal of transport infrastructure and construction of service and logistics centres. Ultimately, these will have a positive impact upon economic integration.

6. Projects to construct or modernise transport infrastructure are exceptionally capital-intensive. Therefore, the region's countries must identify the priorities for their concerted action in order to develop transit flows and support integration. In order to maximise transit potential, the most important ITCs are the northern corridor of the Trans-Asian railway (which connects to the Trans-Siberian railway) and the 10,000-km Western Europe – West China motorway corridor. The transport capacity of the Trans-Asian railway is not fully utilised, whilst the TRACECA (Europe-Caucasus-Asia) international transport corridor, with its numerous transshipments, ferry ports (Turkmenbashi and Baku on the Caspian and Poti, Batumi, Varna and Odessa on the Black Sea) and high capital intensity is unlikely to be competitive in the Europe-Asia direction. According to preliminary estimates, all other conditions being equal, the freight tariffs charged by Russian railways (RZD) for grain, cotton and containers are 1.7 times lower than those of TRACECA, and for oil and non-ferrous metals this ratio is 1.2. In addition, transportation via Russia is 1.8 times faster.

7. Given their geographic position and national economic interests, Russia, Kazakhstan and their neighbours have a direct interest in the Eurasian integration process that extends beyond the boundaries of the post-Soviet space and involves the region's most important countries. Projects implemented in certain economic sectors provide a reliable basis for regional economic integration. Transportation is undoubtedly among these priority sectors.

Евразийский Банк Развития

CONTENTS

Executive Summary ……5

Abbreviations ……..7

1. Scope of this report…… 8

2. The transit and transport potential of EurAsEC …… 9

2.1. Review of cargo flows between EurAsEC member countries …… 9

2.2. Cargo transportation potential in the context of the global crisis ……10

2.3. Review of Eurasian cargo flows from Asia to Europe ……11

2.4. Review of potential cargo flows along China-Western Europe overland routes via CIS countries …….. 14

3. The existing and emerging international transport corridors in the region ……... 18

3.1. The role of international transport corridors in EurAsEC ……...18

3.2. Pan-European corridors ……...19

3.3. Railway corridors ……21

3.4. Motorway corridors ……28

4. Key issues affecting cargo transit on EurAsEC ITCs ……31

4.1. Sea vs land: 2:1 ……31

4.2. Barriers to fulfilling the region's transit potential ……...33

5. Transport strategies and targets for investment ……..……38

5.1. National transport strategies and ITCs ……38

5.2. Targets for investment ……41

6. The integration of the Eurasian transport system …..……43

6.1. EurAsEC initiatives ……43

6.2. CIS integration initiatives ……44

6.3. Initiative 1520 ……..……45

6.4. Outlook for integration of transport systems ……...46

7. Faster, cheaper, smoother: the priorities in the development of ITCs in EurAsEC ……..……..……48

Sources ……49

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Евразийский Банк Развития

Tables

Table 1. Trade turnover between EurAsEC member countries ……9

Table 2. China's trade with Europe and the CIS in 2007 ……11

Table 3. South Korea's commodity trade with Europe and the CIS in 2007 ……...12

Table 4. Aggregate transit potential of EurAsEC member countries ……..31

Table 5. Physical and non-physical barriers to trade ……...34

Table 6. Forecast of cargo transit via Russia ……...38

Table 7. Participation of EurAsEC countries in transport infrastructure projects until 2020 ……47

Figures

Figure 1. Potential cargo flows between EurAsEC countries ……...10

Figure 2. Exports to the EU from China, South Korea and India ……11

Figure 3. Structure of Chinese exports to Europe, 2007 ……...12

Figure 4. Transshipment of containers at Dostyk ……14

Figure 5. Existing and potential cargo flows via EurAsEC ……..17

Figure 6. Pan-European corridors ……20

Figure 7. Journey times of Trans-Siberian Railway services ……...22

Figure 8. TRACECA ……24

Figure 9. Main railways ……26

Figure 10. Motorway corridors…….. 29

Figure 11. Railway freight transportation and the freight rail car fleet in EurAsEC ……...42

Figures 12. Main 1,520-mm gauge railways 45

Boxes

Box 1. Main commodity groups that can be transported by Eurasian routes (China–Western Europe) ……15

Box 2. The XUAR and transit to Western Europe ……16

Box 3. The TRACECA Programme ……25

Box 4. Outlook for the development of container traffic ……25

Box 5. Sea and rail container freight tariffs in Eurasia ……32