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Main results of the Phase II of the Euro-Asian transport linkages (EATL) project

Note by the secretariat

I. Mandate

1. The Inland Transport Committee (ITC) at its seventieth session (19–21 February 2008) agreed to establish a Group of Experts on Euro-Asian Transport Links, adopted its Terms of Reference and asked that the results of the Group be reported to the United Nations Economic Commission for Europe (UNECE) Working Party on Transport Trends and Economics (WP.5) and to the ITC (ECE/TRANS/200, para. 30, and its Annex III, para. 8). During ITC’s seventy-second session (23–25 February 2010), the Committee approved the extension of the mandate of the EATL Group of Experts by two years, until February 2012. This decision was endorsed at the meeting of the Executive Committee (31 March 2010). The present document contributes to fulfilling the reporting requirements requested by the ITC. The full report of EATL Phase II is published and available as document ECE/TRANS/230.

II. Introduction

2. The United Nations’ support for the development of transport connections between Europe and Asia has a long history. The global project entitled “Capacity-building for Developing Interregional Land and Land-cum-sea Transport Linkages”, carried out between 2003 and 2007, included a component focusing specifically on Euro–Asian transport links. It identified main Euro-Asian transport linkages of international importance in order to connect the European and Asian networks. The EATL routes in Phase II of the

project were extended to seven newly involved countries, thus covering 27 countries.¹ As a result of this phase, 9 EATL road routes, 9 EATL rail routes, 17 water transport links, 52 inland river ports and 70 maritime ports were identified. The final list included 311 transport infrastructure priority projects with a total cost of US\$ 215 billion, out of which 188 were identified as high priority, with a total cost of US\$78 billion. In addition to the transport investment needs assessment, i.e. the EATL updated Investment Plan, a comparison of rail and maritime transport links was made, the non-physical obstacles to international transport along the EATL routes were reviewed and a SWOT analysis of the EATL land links was carried out. Furthermore, a Geographic Information System (GIS) database was set up and GIS maps developed showing the planned projects.

III. Transport investment needs assessment

3. The primary goal of Phase II was revising EATL priority transport infrastructure projects identified in Phase I and the developing an up-dated international Investment Plan for new projects that would entail a consistent and realistic short-, medium- and long-term investment strategy for the identified EATL routes. This included an extensive inventory of specific road, rail, inland waterway, maritime port, inland terminal and other infrastructure projects for the 27 participating countries, together with their estimated budget and an implementation timetable.

4. Initially, a review and assessment of the status of the implementation of the EATL Phase I priority projects were carried out. Accordingly, around 53 per cent of the priority projects included in Phase I were completed, while 25 per cent have been carried over as part of EATL Phase II. For the remaining projects, no detailed information was provided for their status.

5. The prioritization of new projects to be included in the transport investment needs assessment along EATL routes used a methodology identifying the needs based on the governments' project proposals. These were grouped according to their implementation time periods (four periods were used). The methodology applied was identical to the one developed for the purpose of EATL Phase I project prioritization, in order to ensure consistency between the two EATL phases. It had three stages:

- Identification of projects based on pre-set criteria (their readiness and funding possibilities, as well as commonly shared objectives of responsible authorities, national or international, and the collection of readily available information/ data).
- Analysis according to available data related to criteria, such as serving international connectivity; promoting solutions to the particular transit transport needs of the landlocked developing countries; connecting low income and/or least developed countries to major European and Asian markets; crossing natural barriers; removing bottlenecks; raising sub-standard sections to meet international standards; or filling missing links in the identified routes; having a high degree of maturity, and high social and minimal environmental impact.

¹ The EATL participating countries are: Afghanistan, Armenia, Azerbaijan, Belarus, Bulgaria, China, Finland, Georgia, Germany, Greece, Iran (Islamic Republic of), Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Luxembourg, Mongolia, Pakistan, Republic of Moldova, Romania, Russian Federation, Tajikistan, the former Yugoslav Republic of Macedonia, Turkey, Turkmenistan, Ukraine and Uzbekistan. Poland and Serbia joined the EATL in 2012, hence the EATL involves 29 member countries.

- Time Period classification/prioritization according to the project's total score, applying the Multi-Criteria Analysis.

6. Transport infrastructure projects proposed for inclusion in the updated EATL Investment Plan consisted of the non-completed EATL Phase I projects as well as projects added in Phase II. The Plan includes an extensive inventory of specific road, rail, inland waterway projects and maritime/inland terminal development projects at a country level for each of the 27 participating countries. The prioritization exercise was also carried out at route level, for each of the identified Road and Rail routes, for the purpose of establishing the investment cost that has already been secured at the route level. The project inventory is based on up-dated data provided by 23 countries. For the four other countries, the original data provided in EATL Phase I was used. It contains estimated investment costs and a realistic implementation time table.

IV. Comparison of rail and maritime transport between Asia and Europe

7. Growing international trade between Europe and Asia has had a major impact on transport flows and consequently on the future development of Euro–Asian transport links. In this context, the social and economic development of transit and landlocked developing countries along EATL routes is particularly important. The analysis of trade flows among the 27 countries participating in the EATL Phase II Study indicated that, in general, China's export represents a high percentage of total Asian exports to Europe. In addition, significant growth has been noted in intra-Asian trade flows.

8. Maritime routes naturally dominate the transport of goods from Asia to Europe. The vast distances between the two continents, combined with numerous border crossings, political instability, rent-seeking practices, the lack of security, delays at borders and unpredictability discourage the use of inland transport. In addition, simple comparisons between maritime and land transport costs often lead to the conclusion that the land bridge is not financially competitive. For example, comparing the cost and time required for the transport of a container from Shanghai port to Hamburg port by maritime versus inland transport can lead to wrong conclusions. In reality, products carried by containers are transported from production to final consumption areas, which are often far away from ports. As a result, logistics managers must compare the total costs of the entire supply chain, which include road transport costs of moving containers from/to the warehouse/port, terminal handling charges, and documentation and other administrative costs.

9. Railway transport can be more competitive both in terms of time and cost when production areas are situated relatively far from the ports, such as in China and India, and cargo is destined for southern or eastern European countries.

10. Therefore, another objective of this study was to compare the existing Euro–Asian maritime routes with selected EATL rail routes. The methodology used for the analysis was simple and pragmatic. It compared Euro–Asian maritime and rail links from the perspective of a logistics manager of a company that produces goods in a particular location that need to be delivered to another location.

11. Nine scenarios were analysed. In all scenarios, rail transport performed better than maritime in terms of travel time. The study showed that Euro–Asian rail transport, and its intermodal combination with maritime and road transport, is a feasible and competitive transport option, provided that efficient rail corridor management is established, governments are willing to cooperate and rail companies serve customers' needs in an effective manner along the whole corridor.

V. The non-physical obstacles to international transport along EATL routes

12. Another integral part of EATL Phase II was the identification of non-physical obstacles to transport. The result of the analysis indicated a mismatch between the interests and perception of the public and private sectors. For example, the importance of national trade and transport facilitation committees, or any other form of public and private partnership arrangements, was considered high or low depending on which sector the response came from.

13. While the availability and quality of transport infrastructure is improving, albeit slowly and not along the entire network, the management of road infrastructure and rail operations raises concerns in many places. The level of computerization or the use of information and communications technologies in transport and in certain Customs administrations must still be improved significantly. Several operational issues pertaining to border crossings remain to be addressed. For example, governments and border-control agency staff manage border-crossing point assets but are not accountable for queue lengths, delays, congestion or added costs to consumers.

14. Nevertheless, the growing number of good practices provides hope that improvements are under way. For instance, the one-stop border clearance process in Belarus takes place at one single location for all types of border controls. This includes Customs, passport control, as well as veterinary and health controls. The useful result is that no party has to stop at the checkpoint more than once. The main benefit of this one-stop procedure is that the total clearance time at the checkpoints is significantly reduced so that it lasts not more than 15 minutes. Another example of a good practice is the Authorized Economic Operators “Gold list” programme in Georgia. This programme provides simplified import procedures for high-value and high volume traders that have demonstrated a strong history of compliance. The number of companies taking advantage of this programme has grown to over 200 at present. These are examples of the implementation of internationally recognized good practices.

VI. SWOT analysis of EATL land transport links

15. The strengths, weaknesses, opportunities and threats (SWOT) analysis carried out on land transport links provided useful information on their respective attributes, potential for further development, as well as related risks.

16. The priority routes identified by the EATL Phase II project have promising potential for transportation between Europe and Asia, primarily taking into account the significant transit capability of land routes through northern Eurasia, which, at present, are greatly under-utilized. The development of these land transport routes would provide alternatives to existing maritime routes. In addition, better EATL routes would contribute to better connectivity among the Central Asian countries, which would enhance their economic integration and strengthen their cohesion. As several countries along the Euro–Asian routes are landlocked, improved connectivity within the region and through the region to main markets, as well as to sea ports, could be a key development goal. The investment needs identified here must be converted to bankable projects that can be implemented in the foreseeable future if the EATL countries wish to reap all the benefits of their cooperation in the needs assessment. Improved connections at distinctive sections of roads and railways are important, but not adequate. Connections must also be improved between the transport modes; the road and rail networks must be linked and their connection to inland ports and terminals, dry ports, logistics centres be warranted. Transport and logistics services on

improved infrastructure require facilitation that includes not only reduced waiting times at borders, but also more sophisticated measures for seamless transportation. These are only some examples of the implementation of internationally recognised good practices. There are many more such cases. However as long as they remain positive exceptions and not part of corridor based or network-wide daily operations, integrated in the philosophy to serve traders and transport operators as customers, the results remain limited and the economic distance stays longer than the geographic one.

VII. Conclusions and recommendations

17. The EATL Phase II project has resulted in an updated assessment of transport investment needs along EATL routes at the multi-country level, which is referred to as the updated EATL Investment Plan. The transport projects have been evaluated from the standpoint of their relevance and importance for international traffic and their value to connect Asia and Europe. Moreover, the exercise resulted in a unique database on EATL countries' transport networks and their development plans. Furthermore, Geographic Information System (GIS) maps that offer valuable information in an interactive manner have been developed and made available at the Internet.² In collaboration with the participating governments, UNECE is ready to maintain this database with the intention that it will help the governments underpin their national transport investment strategies and the hope that international financial institutions and other donors will find it useful as available information will accelerate the start of investment projects. The study also resulted in a more seasoned analysis of the Euro–Asian railway links in comparison to maritime transport. The results of the analysis could help in the emancipation of railways, and could be used as anchors for further railway reforms to improve railway services for trade between the two continents. The transport and border-crossing facilitation review and analysis should be used in conjunction with the recently published OSCE-UNECE Handbook of Best Practices at Border Crossings – A Trade and Transport Facilitation Perspective (2012).³ However this part of the EATL Study offers concrete examples and highlights certain specific issues to be addressed. This, together with the SWOT analysis serves as the basis for the recommendations that, once implemented, could shorten the economic distance between EATL countries. It is also expected to boost political support for often painful reforms in the transport sector, border crossing facilitation, as well as in the management of large-scale transport investment programmes.

18. The study also argues that user-friendly and well-functioning EATL corridors, efficient Customs transit regimes, the implementation of international trade and transport conventions, the elimination of rent-seeking and the overall improvement of transport and logistics services can reduce time and costs to transport operators and traders and, ultimately, to end-consumers.

19. Finally, the study lists a number of recommendations in the areas of infrastructure development, facilitation and sectorial policies. A selection of the key recommendations can be found in the annex. These lay the groundwork for the continuation of the EATL project, stipulating the needs and issues that could potentially be addressed in a subsequent third phase.

² <http://apps.unece.org/eatl/>

³ <http://www.osce.org/eea/88200?download=true>

Annex

Key recommendations of the EATL Project Phase II

Recommendations on Infrastructure Development

- obtain and provide the necessary financial resources for the implementation of transport investment projects along the priority road and rail routes
- improve infrastructure in order to provide a technically viable and commercially attractive alternative to maritime transport
- coordinate national infrastructure investment plans and their implementation
- include the EATL programme in national investment plans and programmes
- improve large scale-investment and programme management at multi-country, national and project levels alike

Recommendations on Facilitation

- significantly simplify procedures and practices, and improve the equipment, infrastructure and skills of officials at border-crossing points
- ensure the interoperability of systems
- identify and remove physical bottlenecks on a routine basis
- make benefit and use of available Customs transit systems, like the TIR
- use containers
- simplify visa requirements and formalities
- standardize trade and transport documents; eventually make use of electronic documents to achieve paperless trade and transport documentation
- reduce and remove the hidden costs of transport and transport-related services, as well as the non-physical barriers
- as a priority, accede to and implement The International Convention on the Harmonization of Frontier Control of Goods, 1982
- modernize transport and trade legislation and accede to relevant international conventions for border crossing facilitation
- increase the security of vehicles, crew and cargo in transport and transit
- share experiences and implement internationally recognized best practices

Recommendations on Policy

- develop national transport master plans using EATL achievements as a backbone
- design and implement needed reforms of the transport sector, border crossing facilitation and of the management of large-scale transport investment programmes

- reduce the pressure that might arise from domestic transport and trade-related monopolies
 - ensure that the country fits well into the production, supply and transport chain of modern production
 - improve the monitoring of infrastructure and the execution of transport facilitation plans
 - set targets as benchmarks for the appraisal of policy achievements
 - accede to the UN conventions and agreements facilitating international transport
 - support the expansion of trade, not only between the EU and Far East, but also along segments of the EATL routes
 - encourage public-private partnerships in infrastructure development
 - improve the exchange and implementation of international best and good practices
 - improve data collection and dissemination and improve overall transport statistics
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