Ladies and Gentlemen,

Dear Friends,

Let me thank you for being today with you and have the opportunity to present the perspectives of TRACECA programme and the instruments that we envisage to implement for the development of the Euro-Asian transport linkages.

For the ones that maybe don’t know yet what TRACECA means, I will tell you in few words the concept and the main basis of the creation of the TRACECA.

The TRACECA Program aims to assist and facilitate the recreation of the historical “Greatest Silk Road”, which includes any type of transportation from Asia to Europe and the international markets via Caucasus.

The Europe-Caucasus-Asia “TRACECA” Corridor has been officially acknowledged by the leading international institutions (European Commission, EEC UN, ESCAP UN, ECMT) as one of the natural transit bridges between Europe and Asia.
The existing trade triangle US-Europe-Asia is not virtual but just a reality and the countries that have signed the TRACECA Basic Multilateral Agreement are physically situated on the trade corridor connecting Europe with Asia.

Whilst during the first 10 years of its life, TRACECA programme have been predominantly institution-oriented, next decade is expected to be issue-oriented. That means that specific issues arising out of any type of transportation including investments in infrastructure facilities, trade facilitation and increase of flow of transported goods shall be the focus of our efforts. In 1998, in Baku at the level of heads of states has been signed the TRACECA Basic Multilateral Agreement (MLA) and since then, TRACECA became an instrument in the hands of states and not only a Brussels’ baby.

In order to identify useful instruments for the implementation of transport routes, we have to envisage procedures and needs.

When we are talking about transport we have to think at:

1. the creation of **infrastructure facilities**, which means financing.
2. the **implementation of appropriate investments** in order to produce goods for export. The export of goods brings profits in the country, so that money exists to import goods as well. All these necessities also financing, i.e. financing for
investment, financing for production of goods, financing for imports.

3. **various forms of trade facilitation techniques** which are the “condition sine qua non”, the necessary precondition for this uninterrupted chain: investment-transport-trade. This chain needs also financing in order to have: modern installations for effective cross border procedures, information technologies applications and of course permanent education.

For all the above mentioned elements we need financing. Financing comes from various sources of International Financial Institutions, Export credit agencies, international and local investors and various donors (international organizations).

Any financing has two types of basic preconditions in order to be implemented and feasible:

- Institutional preconditions
- Economic preconditions

And of course, I will not present to you the economic preconditions, but I will focus on the institutional ones.

**Institutional preconditions** include everything which is connected with the so-called mitigation of non-calculated risks and refer to all considerations that must be solved before starting calculating figures for any type of project.
It is required a stable clean environment for any investment, which means a stable legal environment well familiarized with international financial institution approaches, which is also in line with the international uses and practices for investments. The creation of such legal environment is the outcome of an in-depth analysis of the up-to-date uses and practices in the TRACECA countries in connection with the above mentioned considerations. 

Here is the TRACECA work: The harmonization of the legal environment of all the countries of the TRACECA region so that common rules should be in force, facilitating investors to undertake the decision for commercial risks.

Of course, when we are talking about landlocked countries as in the case of Central Asian and Caucasus countries, a stable legal environment in the country, which is hosting the investment transport infrastructure or production investment, is not enough. It is needed the same stable legal environment and the same guarantees for its protection also from the countries which are part of the export route, i.e. the transit countries. That’s why we are talking in TRACECA about the importance of the regional and intra-regional cooperation, the common language, the common understanding, the common procedures and common bodies for the decision making process (already existing), which are the Intergovernmental
Committee (IGC) of TRACECA with its rules and procedures and the Permanent Secretariat of the IGC with its statutes.

And comes the predominant question: How a country that participates in a TRACECA Route\(^1\) (as it is defined in the protocol of TRACECA MLA for investments and TRACECA Routes) guarantees the international economic community that will perform all its obligation under the said institutional framework of TRACECA MLA, and its protocols and technical annexes without affecting negatively the investment-transport-trade process with new unpredictable actions and failures.

In this respect, of course, we are not going to re-invent the wheel. Already E.U. with other international organizations have implemented in harmed areas of the globe an instrument named "Guarantee Trust Fund". Guarantee Trust Fund could be envisaged as a mechanism covering any non-calculated risk that might emerged during the implementation and operation of such projects within the investment – transport - trade chain. These risks are covered under the

\(^{1}\) TRACECA Route means an integrated Interstate Transportation System crossing the territories of more than one State; it can be defined:
- Either by specific transportation means and facilities constituting the said Interstate Transportation System;
- Or/and specific modes of transportation envisaged for the establishment of the said Interstate Transportation System;
- Or/and by specific goods transported through the said Interstate Transportation System.
A TRACECA Route shall be established each time by means of an interstate agreement between at least two Parties signatories to the MLA and the present Technical Annex. The incorporation of such inter-state agreements into the Internal Legal Orders of the Participating Parties and their implementation shall be pursued in accordance with the constitutional and legislative provisions of those Parties.
MIGA Convention (all TRACECA countries have signed the MIGA Convention). With a simple structure of contracts, eligible investors could be insured from such a Guarantee trust Fund for all non-calculated political risks, so that the investment decision should be easier to be taken.

There is no sense to invent new instruments: we just need to create a Guarantee Trust Fund under the management of MIGA (an International Organization well used in this type of activities) which will operates in connection with a practical and efficient settlement of dispute mechanism. Having, from one hand, the commitment and willingness of the TRACECA countries, and the international community from the other hand, the TRACECA uninterrupted chain of investment – transport – trade could be the attractive destination for investors, financiers, trades and forwarders.

This inevitable linkage with economic community creates ideas about the creation of the TRACECA Industrial Advisory Panel. An advisory panel of the industry involved to the TRACECA process, could bring the experience of the international industry as a useful tool to TRACECA IGC, encouraging innovative effective approaches and techniques.

All these instruments could be implemented only through regional cooperation and real hard work, but the result of its implementation, could be the facilitation of the development and the creation of
stability in all Central Asian countries bringing peace, economic growth and prosperity.

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