



Concept Paper

on

**«Development of transport links between countries of
the Asia Cooperation Dialogue»**

Presented by Kazakhstan

«Today Kazakhstan is in the focus of communications' flow between Europe and Asia. And our task is to make use of the unique geopolitical disposition in the interest of the country and international community.»

N.Nazarbayev



Conception

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General Provisions

Asia Cooperation Dialogue (ACD) is the forum, consolidating the common political will of governments of Asian countries, and offers opportunities for the development of common approaches in order to solve a wide range of issues.

The ACD is called upon to fill in “missing links” of interaction in Asia and presents ongoing process of cooperation oriented toward the interests of Asian countries.

Taking into account geographical disposition of the ACD countries, the development of transport communication assists to considerably upgrade the welfare of peoples in the economic aspect, contribute to the increase of security level of Asian region – in the political aspect. The latter makes its contribution to the strengthening of trust in Asia.

Under globalization conditions of the world economy it is necessary to note the growing significance of East-West and South-North transport corridors.

The transport links are one of the key elements of goods delivery and development of international trade. The transport system makes its contribution to the national economic product and plays an important role in the strengthening of economy. Efficient transport links between countries of the Dialogue bring to the reduction of expenses for transportation, raise competitiveness of ACD countries both on an individual and collective level within the framework of the ACD.

At the same time it's necessary to note that the production of many ACD countries, rich with minerals, energy and human resources, frequently does not have an access to the world market on the following reasons:

- absence of access of some ACD countries' goods to the marine transport;
- difficulties of establishing transport links and high risks of transportation due to the regional conflicts in Asia;
- absence of the unified transit and transport policy;
- absence of unification of transport documentations;
- difficulties related to the establishment of multimodal transport links due to poor development of some segments of the transport system.

The aim of development and strengthening of transport links between the ACD countries is the creation of conditions, providing with transport services for free movement of passengers, cargoes and transport means on the basis of the common transport infrastructure and processes.

The Republic of Kazakhstan as the co- Prime Mover of the ACD in the sphere of development of transport links. For the aim of development and strengthening of friendly relations and cooperation, widening and increasing efficient transport links, development of uninterrupted, timely and efficient movement of goods between countries of the Dialogue, and from/to other states, suggests the following:

to further improve national regimes of transit transport of passengers, cargoes and goods on the basis of the existing experience and in accordance with international conventions and standards;

to make efforts to proper using and developing of existing transport infrastructure for implementation transportation of passengers and goods to the South-North and the East-West.

For solving the mentioned issues it is necessary to continue works on:

- 1) increasing of efficiency of transport links for development of passenger and goods transport in South-North and East-West transit directions;
- 2) assisting railway, road, maritime, river and air transport of ACD member- countries to have access to international service market;
- 3) promoting to the increase of volumes of international passenger and goods transport and reducing of the transit time of passenger and goods transportation;
- 4) providing safety traffic of vehicles, goods and environmental protection in accordance with international standards;
- 5) harmonization transport policy and legal instruments in the field of transport to realization transport potential of Asian countries;
- 6) setting up equal nondiscriminatory access conditions for transport suppliers on different modes of transport for transportation of passengers and goods;
- 7) facilitation and unification of all administrative documentation and procedures (including customs) concerning passenger and goods transit transport via the ACD member-countries in accordance with international agreements and standards.

2. Institutionalization and establishment of the ACD transport cooperation

1. It is necessary to support the proposal of the Prime Mover, India on the establishment of the ACD Transport Forum (ACDTF) and to hold its first meeting at 2008-2009 either in India or in Kazakhstan (under the agreement).

The meeting of representatives of the ACD Transport Authorities would contribute to specify the cooperation and develop the joint approach to solve existing problems in the sphere of transport and consider a possibility of establishment of the Working Groups on:

- unification of transport documentation;
- unification of customs policy and tariff reduction;
- development of cooperation on major single-modal and multimodal transport corridors;
- creation of the sustainable multimodal transport link for landlocked countries.

Moreover, the ACDTF will extend a possibility to discuss and exchange information/experience on different aspects of the efficiency of transport links, promote intergovernmental cooperation and reach political consent on development of transport links between the ACD member-countries.

2. Besides development of direct cooperation in the sphere of transport within the framework of the ACD it is important to study the experience and make efforts

on stimulating cooperation with international organizations and special programs, such as the ECO, ASEAN, UNESCAP, SPECA and TRACECA.

The realization of the abovementioned needs an establishment of a Special expert group from representatives of the Prime Mover and co-Prime Movers for development of cooperation with the mentioned organizations, examination an opportunity of introducing their experience.

3. In the nearest future the ACD member-countries are advisable to focus at upgrading qualification and improving experience of the working staff.

Considerable experience of the ACD developed member-countries in the logistics and transport links development will allow to develop special programs on upgrading staff's' qualification of the ACD developed member-countries, which would include workshops, training courses and trainings in countries.

3. Transport potential of Central Asia

Situated in the heart of Eurasian continent, Central Asia (hereinafter – CA) is a spacious region with an area of 3,35 mln. sq/km. Its geographic disposition enables simultaneous access to several major regions: South-East and South Asia, Middle East, Caucasus, Russia, the European Union. Actually, the strength of Central Asian transport corridors is the fact that the majority of North-South and West-East routes pass via the CA region.

At the same time the region has a weakness - lack of direct access to the ports of the world ocean.

All these factors largely define the policy of Central Asia countries on development of national transport systems and utilization of their transit potential. Besides internal economical peculiarities of each country, resources potential, character of foreign relations and geopolitics aspects exert an influence exert a great influence.

Considerable success of CA countries is reached in communications sphere and the work on formation of new creation new transport corridors is going on.

A great attention is paid to perspective projects in Europe-Russia-Middle East direction, which develop under national programs of Kazakhstan and Turkmenistan and “North-South” International transport corridor: Kazakhstan is engaged in expansion of Aktau port to the north, construction of the Uzen-Gyzylgaya-Bereket-Etrek-Gorgan new railway line, reconstruction of Astrahan-Atyrau-Aktau-Turkmenistan road. Turkmenistan has implemented the project on modernization of Turkmenbashi port and reinforces the capacity of Ekerem port. By putting into operation new roads and increasing ports' capacities, there is being created the basis for formation of the common North-South Caspian transport network, which enables to work in harmonized regime and includes ports and roads of Russia, Iran, Kazakhstan and Turkmenistan.

Examining the transit potential of the CA and the policy of regional states on the access to the world markets it is impossible note to note the role of Iran, which became an important corridor on the way toward Persian gulf and Indian ocean, and markets of Turkey and the EU. It makes efforts for development of new

transport corridors and infrastructure objects, enabling foreign cargo forwarders to use more widely Iranian territory in transit operations (construction of Millak bridge on Iranian-Afghanistani borderline – the TransAfghani corridor, development of Chabahar port and the Caspian Sea ports, construction of Bafq-Bandar-Abbas railway network, which reduced the distance between Tashkent and Bandar-Abbas port up to 800 km.

In the CA region great hopes is placed on creation of new East-West transport routes, which will bridge the region with China and enable reorient a part of exported Chinese cargoes to be transported to the Middle East and Europe to Central-Asian networks.

China is in the rank of world economic leaders and demonstrates high rate of foreign turnover (annual increase about 20-25%)*.

Russia is a strategic partner of CA countries in organizing the transit transport. Within the framework of regional transit Russian Federation is a basic cargo-providing and cargo-gaining country (traditionally the trade links of the most CA countries with Russia run via Kazakhstan). Its share totals 26% of forming and 19% of designation of transit cargos passed via the territory of Kazakhstan.

On the whole the transit flows to the “South-East Asia and East Asia-Europe” are estimated about \$330-400 bln and 20% of flows might pass through the territories of Russia and Kazakhstan.

Considering the transit-transport potential of CA and the level of activity on expansion communications opportunities, in the prospect the transport infrastructure of CA countries will be utilized for carrying out international transit transportation.

3.1. Economical factors of growth of regional cargo transport and transit

At present there are three centers of economic activity – North America, Europe and East Asia. About half of container transport accounts for three directions: Asia-North America by trans-Pacific route, North America-Europe by trans-Atlantic route and Europe-Asia along Euro-Asian continent via the Suez Canal.

Due to the geographic disposition the cargo transport from North America is implemented by water route, but the cargo transport between Europe and Asia might have an option and Kazakhstan has the chance to influence on the option. The trade volumes between Europe and Asia reached \$ 700 bn. a year.

At the same time capacity of marine transport is not unlimited, for that there exist a number of reasons: the carrying capacity of the Suez Canal and Gibraltar as well as ecological problems.

The considerable part of experts is in full agreement with the fact that CA demonstrates gradual strengthening of ongoing and sustainable growth, increasing of economical and consumer potential.

The development tendencies related to the region, economies of the countries' market (Russia, China, Iran, the EU and others) hold a firm place in enhancing the

potential of Central Asia as a transit-transport bridge. All these markets might be conditionally divided into two groups: “Northern” - Russia, China, Japan, South Korea, the European Union and “Southern” - Iran, the Persian Gulf and the Middle East countries, India and Pakistan.

By 2006 the total GDP of the “Northern” group countries was more than \$23, 5 trill., goods and service export – about \$7 trll., import – more than \$6,6 trill.. These countries represent a huge consumer market with the population more than 2 bln., among them a number of countries are the world leaders according to their economic rate of development (China – 10,7%, Russia – 6,7%).

Within the “Northern” group there actively develop trade economical relations and cargo transport, particularly, in Europe and Asia direction between the EU and China, South Korea, Japan. However for the time being the major cargo transports are bypassing and proceeding along the South Pacific.

By 2010 the goods turnover to Europe-Asia will amount to approximate \$1 trill., and international cargo shippers will spend about \$20 bln. a year for transportation.

The “Southern” group countries also demonstrate high economical indices and have extensive consumer market: by 2006 the joint GDP was about \$2 trill., the export of goods and services – almost \$700 bln., the import – nearly \$500 bln., the population – 1,4 bln..

At the same time the experts note that in “Southern” group India is the most sustainable market and key cargo consignee/consignor of goods, which related to the intensive industrial development and growth of foreign investments to the industry.

The annual economical growth of India is 9-10 %. Indian export of goods to the USA market increases faster than Chinese export, though it is in less volume, and more than 2/3 of foreign investments to Indian economy are assigned to the industrial sector

It is necessary to note that all “Southern” group countries actively develop trade economical relations with the EU, China and the Far East, but the major part of cargo transportations is implemented by water transport.

So, the development of transit-transport potential of CA depends much on the practical providing of communications’ capacities with cargoes. In the nearest future the ongoing development of the economics and interregional integration processes will directly impact on increasing level of communications intensity of freight turnover between Central Asian countries and their foreign trade economical partners. Moreover, this factor will influence on the development of new nets and modernization of existing ones.

Transformation of Asian region into organic and an integral component of the common continental economic space will greatly impact on transport and transit opportunities of CA counties, emergence of new transcontinental transport corridors.

4. Formation of the international transport corridors’ network

International transport routes are being formed on the basis of separate sections of transport networks of different countries by combining and regulating their activities in international transport. Effective functioning of such systems might be provided under the coordinated activity of all countries, along territories of which pass the routes, and in case of availability of an appropriate transport conditions within national borders of each country.

By defining traffics of transit freight flows the priority should be given to South-North (Central Asia-Russia-North Europe) and East-West (South-East Asia-China-Central Asia-West Europe) directions.

The experience of the international cooperation in the field of transport enables to identify barriers, impeding the development of the interstate communications which might be combined into the following basic groups:

- 1) infrastructure – lack of obligatory elements of infrastructure of the necessary quality;
- 2) technical – inadmissible technical state of vehicles, service infrastructure and differences in technical requirements to them;
- 3) legal (administrative) – differences in permits systems, licensing, insurance, control and etc.;
- 4) transboundary – border crossing impediments between countries, existence of numerous pre-shipment inspection and modes of control;
- 5) fiscal – border crossing state and illegal charges.

The basic trend of transport communications development system of CA countries is a consecutive integration into the world transport system, which assumes realization of transport potential of the CA countries at the expense of attractiveness of their land communications, marine and air space for international transport of passengers and freights, including:

- 1) implementation of coordinated foreign economic policy of the transit countries;
- 2) harmonization of national programs on the development of transport communications, at the interstate level, transport corridors and basic trends of development of transport services' market
- 3) formation of new transit transport networks of international significance, trans and Euro-Asia land transport corridors;
- 4) modernization of infrastructure and bringing existing transit corridors into accordance with international standards;
- 5) selection of methodology and introduction of the PPP mechanism at investing infrastructure projects;
- 6) study case of issues on creation of common technological, customs, information-logistics and service providing system for transit freight transport;
- 7) monitoring of the status and development prospect of international transport corridors passing via territories of transit states, and modes of transport as well.

The development of infrastructure determines the economical progress but not is determined by it. For the country transport corridors are the essence of

mechanism, providing economic and cultural unity of a territory and preservation its dominating identity.

For the last years national economics of Russia, Kazakhstan, Uzbekistan and other CA countries, owning definite transport systems, are in great need to solve problems of unification and integration of railway, road and air transport systems by developing harmonized policy on operating international transport corridors.

5. Enhancing efficiency of tariff policy and elimination an impact on fiscal and administrative barriers at freight and passengers transit transport

Existing transport links between the ACD countries does not fully meet the development potential of international trade and transit requirements. At the same time it is obvious that existing opportunities are is not fully used due to high tariffs and differences in customs policy and regulations of processing transport documents.

This factor doubts competitiveness of goods originating from some ACD countries, since it raises their final cost and increases the terms of goods' delivery. Under globalization of the world economy and rapid communications development in the developed countries this factor assumes a great importance for further development of welfare of peoples of the region.

Simplification of border crossing procedures is important in the view of time reducing and "door to door" transport cost.

International aspect of developing and operating the transcontinental routes requires regular cooperation of transport authorities of all involved counties. The cooperation must be aimed at developing of common technical standards and operating rules, unification (harmonization) of legal instruments, elimination of physical and non-physical barriers of transport traffic, realization of coordinated tariff policy and providing with competitive routes in transcontinental exchange system.

In this regard it is requested to hold regular consultations of the authorities' representatives responsible for tariffs, charges of the ACD countries to solve the following issues:

- 1) creation favorable conditions for equal competition of all means of transport;
- 2) development of measures for establishing the uniform transport modes tariff policy focused on providing free traffic of passengers and cargoes;
- 3) establishing the legal base regulating pricing principles for the transport services in transit between transit countries;
- 4) defining the tariff corridors to transport selected cargoes;
- 5) monitoring barriers on international transport via the territories of transit countries (border crossing, technical, fiscal, bureaucratic);
- 6) ensuring free transit for international cargo and passenger transport, envisaging harmonized transit transport, concerted regime and control of entrance/exit vehicles of transit countries;

- 7) mutual recognition of certificates, diplomas and other documents, regulating access to the transport sector and technical facilities identifying customs authorities of transit countries;
- 8) creation of the common data system, providing with information on transport service market;
- 9) harmonization of tax charging system for suppliers of transport services, including:
 - unification tax rates of transit countries;
 - elimination double taxation;
 - accommodation the unified list of basic charges, principles and rules of taxation;
- 10) harmonization the legal basis of transit countries;
- 11) development and accession to multilateral agreements on international transport in place of existing bilateral agreements.

6. Increasing interaction level between different modes of transport

Today we have routes (maritime and land) in Euro-Asia direction, which allows to make a definite choice at carrying out transport. The decisive criterion is the existence of a “service package”, determining the common level of transport quality and uniting such indices like time (duration), cargo safety, service quality (opportune delivery, information provision and etc.).

Achievement of the best indices of a “service package” is the main task in operating of international route.

Multimodal transport systems, concentrating all modes of transport - railway, road, marine, aviation, pipeline, are of priority.

In this regard it is necessary to stimulate activities towards:

- 1) improvement an interaction of the ACD transport authorities;
- 2) development of multimodal transport logistics centers as basic elements of international transport corridors and optimization of goods’ traffic;
- 3) improvement of information exchange, registration, and paper turnover system by utilizing international standards and norms as one of the key elements of interaction providing between modes of transport.

7. Improvement of transit transport legal instruments

With the aim of increasing trade volumes, integration of the CA region into the world market by means of lowering transport expenses and development of transit it is necessary to continue works on efficient harmonization of national legal basis with the international transport legal basis.

The best world instruments for the transport integration are the UN and its regional commissions’ international conventions.

The effective managing of regional transport system is based on well-developed legal basis.

The transport infrastructure and its exploitation should accord the following requirements: safety, rapidity, lack of delays at time of changing the mode of transport and border-crossings, competitiveness, security, environment protection

Improvement of such parameters should be regular, ongoing and own dynamic tasks.

For improvement the legislation, regulating international transport, the following measures are required to be undertaken:

- 1) review of agreements related to international transport with proposals on excluding international agreements out off relevance;
- 2) development and accession to international agreements creating legal conditions for the coordinated and efficient realization of priority projects in the field of transport and transit;
- 3) development and adoption legal (model) norms in the sphere of transport;
- 4) harmonization of standards and technical characteristics of vehicles, infrastructure and etc.;
- 5) improvement and harmonization transit countries` technologies of passenger and cargo transport;
- 6) carrying out consolidated policy in the sphere of transport, traffic safety and environmental protection.

8. Transport and communications' potential of the Republic of Kazakhstan

Having developed railway (14 thou. km) and road nets (88,4 thou. km), the complex of international airports (14), airways (61 thou. km), running over the territory of the country, Kazakhstan possesses a great transport potential, which is capable to realize national transit resources for providing Euro-Asian connectivity and needs in transport of passengers and cargoes. .

The key objectives of formulation and development of international transport corridors on the territory of Kazakhstan are: arrangement of favorable conditions for attraction international transport flows to the national transport communications and improvement of transport connectivity within the country.

Projects on reconstruction and construction of roads and railways, development of sea ports and civil aviation infrastructure are important steps being undertaken for the development of transit transport corridors

Last years the issue on revival of “The Great Silk Road – establishing a complex Euro-Asian transcontinental bridge” is raised due to the globalization processes in international economic relations in Euro-Asian continent and increasing cargo traffic between East Asia and Europe.

Establishing such a bridge by reconstruction old and construction new railways and highways will enable to reduce the distance up to 8-15 km. in comparison with cargo transport via the Suez Canal or round Africa. The project is supported by the EuroAsEC, the UNESCAP and other international organizations.

The immediate goal is the joint support by CA countries the integrated infrastructure in transport, energy and telecommunications, extending from the Atlantic to the Pacific.

The presumed transcontinental bridge will interlink more than 40 countries with the population of 2,2 bn and the area mln. sq/km.

The main connecting axe will be railway and road networks originating from highways from Lianyungang port in China up to Rotterdam port in Holland by the shortest way along the land transport network of Kazakhstan.

Asian countries are gaining the greatest benefit from the establishment of Euro-Asian transcontinental bridge.

Joining of Euro-Asian railways and roads will lead to widening of international trade and trade-economic relations, development of tourism, influx of foreign investments, access to the sea via transit countries.

In 2006 Kazakhstan adopted long-term Transport Strategy logically tied up with the development of the country itself and Asia continent on the whole. The Strategy is headed for creation of modern networks, enabling to carry out continental and transcontinental north-south and west-east transit.

By developing transcontinental road route “West Europe-West China”, is the shortest transport link between CA countries and Europe, and the exit from China and South-East Asia to the west regions of Russia toward Europe, Kazakhstan is expected to reach great progress of its transit potential.

By 2013 it is planned to realize the project with an extension 8 445 km, including China - 3 425 km, Kazakhstan – 2 787 km, Russia – 2 233 km,.

The works are carried out on the raise of the carrying capacity of Dostyk station, boundary with China. By 2011 the carrying capacity of Dostyk and Aktogai-Dostyk railway sector will grow from 14 mln. to 25 mln tons a year.

In December 2007 the Governments of Kazakhstan, Turkmenistan and Iran signed Agreement on cooperation by realizing the project on construction Uzen-Bereket-Gorgan new railway.

In the nearest future it is planned to construct new Korgas-Zhetygen railway. The project envisages opening of the 2nd railway crossing border point with China and the distance from Almaty, Aktau to China will be reduced for 500 km.

It is planned to construct Beineu-Zhezkazgan railway with extension of 988 km. Implementation of the project will insure competitive transit routes via Aktau Port and connect West Kazakhstan with Central and West regions of the country, reducing extension for 530 km.

Aktau port is the constituent part of three international transport corridors – TRACECA, North-South and Inogate. Today the activities on implementation project “Extension of Aktau port to the north” are being carried out. By 2010 it is expected to increase shipping capacity: oil - by 20 mln.tons and dry cargo - 3 mln. ton a year.

Formulation of transit routes via the air space of Kazakhstan is under the process. The particular priority will be given to establishing modern “hubs” powerful transport junctions, enabling to connect not only all country’s cities, but cities largest cities of the world.

There are being undertaken a number of measures on forming Khorgos”, “Dostyk”, “Taskala”, “Aktau Port” free economic zones (FEZ) with organization of international centers of border cooperation and transport logistics centers (TLC). Development of FEZ will promote the creation of the common transport logistics infrastructure, favorable conditions for social economic development of boundary regions. The TLC projects are being implemented in greater hubs of Kazakhstan.

Kazakhstan hopes for successful mutually beneficial cooperation with global and regional organizations, including the ACD.

Whatever political or economic changes are taking place, international transport corridors remain to be lasting stabilized factor, creating favorable investment climate and influencing positively on regional and interregional integration processes.