STATUS REPORT CONCERNING PLANNED TRANSPORT INVESTMENTS IN RUSSIA, BELARUS, UKRAINE, CENTRAL ASIA AND THE FAR EAST

TransBaltic - Task 3.1

TransBaltic Task 3.1.
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*Disclaimer Note
This publication does not necessarily reflect the opinion of the members of the TransBaltic project.

ABSTRACT

National Transport Strategies of some countries from CIS, Central Asia, Iran, China and India are passed in review and special attention is paid to find out corresponding country's plans/intentions to promote cargo transit in frame of Euro-Asian Links. According to strategy's analyses the task of inland development of Euro-Asian cargo transit is clearly marked in corresponding documents (Russia, Kazakhstan, Belarus, Iran). These countries try to develop transit infrastructure, to take some important steps for law harmonization in transportation field of activity. China makes efforts to develop its western regions and invests serious funds in XUAR economy. The appearance of a big production center in XUAR could be interesting as a new cargo origin center also for Europe. In India domestic transport tasks are dominated and more attention is focused to maritime transportation.

The analyses of different euro-asian routes shows the most important ITCs for Euro-Asian Transport Links 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 utilized. Also barriers to fulfil the Russia, Kazakhstan, Belarus and Central Asian Countries (EuAsEC) transit potential and Euro-Asian Transport Links are passed in review. Increasing the volume of freight transit using EurAsEC ITCs is made difficult in a number of ways. These problems are either of physical or non-physical character. The report contains the most significant differences in the development of national road and rail transport sectors. Short conclusions are formulated.

WORKING METHODOLOGY PROPOSED BY THE CONSULTANT AND ADOPTED BY WP3

For providing the analysis of the Baltic Sea Region transport development and making inventory report the examination and analysis of relevant transport development of Belarus, Ukraine, Russia, Kazakhstan, Turkmenistan, Uzbekistan, North-West of China, Iran (the first stage – short analysis, the second stage – the detailed one) is planned. The consultant believes that making a fuller picture of the Baltic Sea Region transport development requires special attention to the Baltic Sea Region approach. Furthermore, the plan of a EuroAsian Economic Community (EurAsEc) is of interest.

In this connection it is proposed the analysis of the main documents – national economic development plans and programs, transport systems and transport infrastructure development programs and strategies. It is intended the examination of Eurasian transport connection development (freight flows, intensity, the presence of large-scale infrastructure facilities etc.) on the main directions: Europe – Russia – with outlet to China via Trans-Siberian railway, Europe – Russia – Kazakhstan with outlet to the North-West of China, ITC «North-South» with outlet to Iran, the development of the transport capacities for passengers and cargo transition in Ukraine, Belarus, possibly Iran.

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It is proposed to identify and reveal transport routes in Eurasian connection, which will compete with the sea transport system existing in the Baltic Sea Region.

While preparing the inventory report the consultant plans to use the transport databases of the Institute of Economic Forecasting (Russian Academy of Sciences), Caspian Center of Analysis and Forecasting Transport-Logistics Systems, statistical yearbooks of Russia and CIS countries, PR of China, Iran, other possibilities for making statistical arrays.

The Author also used its own research papers. A part of them was published in different scientific magazines and in conference papers.

According to the agreed Working methodology proposed by the consultant and some clarifications needed to be introduced after the presentation of the first results at the Work-Package 3 Seminar (Stockholm, February 1-2, 2010) the following report was prepared.

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1.

NATIONAL TRANSPORT STRATEGIES

1.1 Russia

Russia has adopted two national transport strategies in recent years. On 12 May 2005, the Russian Ministry of Transport adopted the Transport Strategy of the Russian Federation to 2020. Three years later, on 22 November 2008, the Russian Government adopted a similar strategy which extends until 2030. The amendment of the original document became necessary mainly because of the rapid change in the global economic situation. The importance of developing the national transport system was seen in a new light. Whereas in the original strategy the state merely intended to promote economic growth and prosperity by developing transport, in the 2008 strategy, the government's ambition for the transport sector is to "create the conditions that will make the national economy more competitive and improve the quality of life of the population". In other words, the state has assumed a more active role in the development of this critical sector.

The main objectives outlined by the government in its national transport sector development initiative are:

- to create a unified transport system in Russia based on developed and balanced infrastructure;
- to integrate the country into the global transport system and utilise spare transit capacity;
- to ensure that the provision and competitiveness of transport services reflect the country's commitment to innovative economic development.

Various studies are planned into the speed of cargo flows along trunk routes, delivery times, commodity structure, the development of transport logistics centres, etc. Russia will participate in international projects and programmes aimed at extending inter-regional transport links (e.g. in Eurasia), enhancing international corridors and increasing cargo transit.

The export of transport services is an important component of Russia's GDP. The government anticipates that between 2007 and 2030, the measures included in the transport strategy will increase the export of transport services by 6.8 times in revenue terms to $80 billion. Cargo weight transported is expected to increase from 28 to 100 million tonnes over the same period.

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Russia's Cargo Transit Transportation (2000-2007) and Forecasting (2010-2030), mill.t.

Mode of transport	2000	2005	2007	2010	2015	2020	2030
Total	**21,8**	**18**	**27,9**	**34,2**	**42,7**	**60**	**100**
Railway	20	17,4	27,2	33,1	40,3	53	76
Road Transport	0,5	0,5	0,6	1	2	2,5	3
Inland Waterway Transport	1,3	0,1	0,1	0,1	0,4	4,5	21

Source: Transport Strategy of the Russian Federation to 2030.

The main objective of regional transport integration is to create a fully-functioning transport union and a unified transport system in EurAsEC. The strategy focuses upon:

- harmonising the legal framework of the transport sector and ensuring that technical and technological standards for transport are uniform across EurAsEC. These should also be in line with international standards, multilateral agreements and treaties on transport;
- eliminating discrimination in the provision of transport services and in the licensing, certification and registration of freight companies (and their representative offices or joint ventures) throughout EurAsEC, i.e., treating all companies within EurAsEC in the same way;
- removing restrictions to freight and passenger transit and utilizing the transit and transport capacity of EurAsEC efficiently;
- applying best practice identified in the CIS to the integration of transport systems, especially in the railway sector, civil aviation and the use of air space;
- applying uniform guidelines in the formulation of tariff policies;
- participating in a process of creation of the common european transport space;
- developing Russia-EU transport cooperation.

1.2 Kazakhstan

Kazakhstan's Transport Strategy to 2015 was adopted in April 2006. The basic objective of this strategy is to "advance the development of the transport and communications sectors in line with the economic strategy of the state". The Kazakh Government identified the following objectives:

- to integrate the Kazakh transport system into the global transport system;

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- to create a modern national transport infrastructure;
- to enhance and realise transport potential; and
- to create a favourable investment climate in the transport sector.

The Kazakh government anticipates that its strategy will allow the country's transport sector to integrate easily and fully into the global transport system. The sector's assets will be modernized, and, it believes, the transport element of the price of goods can be reduced to 6.9%. Cargo transit will triple (compared with 2005) to 32.2 million tonnes. The speed of cargo traffic will increase by 15-20% on average, and by 20-30% on the main international transport corridors.

These ambitious plans will be implemented in two phases. During phase one (2006–2010), the state will invest public money and encourage private investment in transport infrastructure, tighten the legal framework, apply international standards, and further the integration of the national transport sector into the global transport system. During phase two (2011–2015), efforts will focus on "consolidating the successful implementation of the Strategy": the development programmes and institutional reforms introduced during phase one will be reviewed, and recommendations made in order to eliminate any remaining or emerging systemic problems. Following this, "the creation of an efficient transport system will be completed".

The volume of railway transported cargo in 2009 was 246,3 million tons including 80,7 million tons for export (-15% to last year), transit cargo was cca. 14 million tons.

According to the State Program of Industrial and Innovating Development of Kazakhstan till year 2020 the total railway transported cargo volume for export has to increase to 131 million tons, including 94 million tons for companies from Europe and Russia, 15 million tons for China and 10 million tons for companies from Central Asia. The investment Program of Kazakhstan Temir Zholy (Kazakhstan Railway Company – KTZ) is evaluated at the level of 25-35 billion euro (proper and public investment and loans).

1.3 Belarus

The Belarusian government has formulated a transport policy to 2010, which aims to "create a competitive transport system and to develop transport and communication services and related infrastructure" (Government of the Republic of Belarus, 2005). In accordance with the Programme of Development in Belarus to 2010, adopted in 2005, and a number of other initiatives approved by the Cabinet of Ministers, the following measures will be implemented:

- the legal framework of the transport sector will be refined;
- all social groups and regions will have access to transport services;
- basic transport infrastructure will meet the needs of industry;
- management structures will be reformed and enhanced;

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- competition in transport services markets will be encouraged (including passenger and freight transportation and rolling-stock repair);
- the government will create a favourable environment for investment in transport, replacement of rolling-stock, reconstruction and modernisation of transport infrastructure;
- the government will encourage international transportation and the export of transport services.

1.4 The Kyrgyz Republic

The Kyrgyz Republic has adopted a Development Strategy for Kyrgyzstan to 2010 (Government of the Kyrgyz Republic, 2007). Its chief objective in terms of the development of transport infrastructure is to "ensure that the motorway network operates to higher standards, enabling suppliers of goods and services to minimise their transport costs, ensuring that they have access to regional and local markets, and that local markets in labour and social services can be sustained".

The Government places great emphasis on the improvement of motorways, since road transport accounts for more than 95% of all cargo and passenger transportation. To this end, the Strategy to 2010 aims to:

- identify priority sections of road and set up schemes to finance the improvement of selected roads jointly with local, self-governing bodies;
- preserve the existing network of surfaced roads and gradually repair damaged roads;
- review existing road taxes and charges which pay into the Road Fund, and establish a secondgeneration Road Fund by introducing a tariff for accessing and using roads.

1.5 The Republic of Tajikistan

The Republic of Tajikistan's transport system development programme is incorporated into the national Strategy for Economic Development to 2015 (Government of the Republic of Tajikistan, 2004). The Tajik Government's main objectives for this programme are to create the conditions to accelerate the socioeconomic development of the Republic of Tajikistan by increasing cargo revenues; to ensure that the demand for transport services from different economic sectors and the population is met; and to improve the quality of transport services and reduce transport costs.
The government therefore intends to:

- create a common transport space in the country which will support a unified domestic market;
- co-ordinate efforts to develop transport infrastructure, design and implement construction projects (building roads, communications infrastructure, airports, etc.), and purchase new vehicles;

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- integrate the national transport sector into the global transport system and create competitive international corridors in the country taking full advantage of its geographic location and transit potential;
- introduce flexible transport tariffs responding to the needs of the users of transport services and the need to renew transport sector assets.

Tajikistan's emphasis on the improvement of motorways, as in Kyrgyzstan, is a response to the country's geographic location. It is interesting to note that the government intends to play a particularly active role in TRACECA.

1.6 Ukraine

In 2008 the Ministryt of Transport and Communications of Ukraine has adopted the "Strategy of the Development of Maritime Ports till 2015"In 2007 the State Programme of Road Development 2007 – 2011 also was adopted.
Main points of this programme are:

- Construction of roads specially for the 2012 European Football Championship;
- Increasing of the safety level in road transport, improving of servicies and information availability;
- Increasing of ecology level during the process of the road project elaboration, road construction etc.
- Innovation and investment activity;
- Institutional changes in the road construction activity.

1.7 Iran

Iran adopted "A Strategy for Modernizing the Iranian Transport Sector" in 2004. The transport sector is of special importance to the Islamic Republic of Iran because of its high degree of urbanization (about 65%), its large and mountainous land area, the long distances between large cities and between these cities and the sea (1,280 Km from Tehran to the main port, Bandar Abbas), and its privileged location at the crossroad of intemational trade routes (from Europe to Central Asia and from Russia/Northern Europe to India). This importance is shown by the sector's share of GDP (about 10%, an unusually high share) and the freight volume per US$ of GDP (approximately 1-1.2 t-km, i.e. double the amount in comparable countries). With about 67,000 Km of main and regional roads (95% paved), 7,265 Km of railway lines, three main ports on the Persian Gulf and two on the Caspian Sea, and seven international airports, IRI has a well developed transport network.
Main Transport Sector Issues are:

- Inefficiencies due to price distortions. There are many instances in the transport sector where prices do not reflect economic costs.

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- Need for institutional strengthening. Both at the level of Government/public administration and that of State-owned enterprises, the Iranian transport sector pays a high price for more than twenty years of isolation. The lack of exposure to international experience has made it difficult to develop the know-how necessary to design and implement sector reforms and to manage the sector with the methods and processes that, in most countries of the world, have proven key for increasing efficiency.
- Slow pace and sub-optimalforms ofprivatization. Many obstacles still hamper the sound participation of private investors and operators in the transport sector though this is essential for increasing sector efficiency. Many of the basic conditions which international experience has shown necessary for the private sector to be willing to invest and perform efficiently are not met.
- Severe urban traffic congestion and air pollution. All major cities have serious congestion and air quality problems, but none more than Tehran. This is mainly due to the poor quality of public transport and inadequate traffic management in addition to the price distortions noted above.
- Very poor road safety. IRI is one of the world's worst performers for road safety. With close to 22,000 accident related deaths in 2002, or about 45 deaths per 10,000 vehicles, Iran is more than twenty times above the average for industrialized countries. The annual increase in road deaths and injuries has exceeded 15% over the last decade.
- Impediments in logistics and transport facilitation. Notwithstanding large road, rail and port investments implemented in the last fifteen years, significant progress in customs performance, and signature of multilateral and bilateral trade and transport agreements, transit through IRI has not reached the high volumes that were aimed at.

The main measures that the Government should consider so as to move along these lines are described below. They are articulated in six main strategic directions:

- Removing Price Distortions and Ensuring Financial Sustainability
- Rationalizing the Role of Government and Strengthening Institutions
- Making Effective Use of the Private Sector in Transport
- Developing a New Urban Transport Policy
- Improving Road Safety
- Developing the efficiency of Logistics and Transport Facilitation.

1.8 India

Key Government Strategies.

Road Sector Objectives for the Eleventh Plan 2007 – 2012:

- Develop roads as an integral part of transport system, supplementing other modes, with high priority being accorded to balanced development of road network (primary, secondary and tertiary systems).
- Expedite implementation of enhanced NHDP:
  - Completion of balance work of GQ and North-South and East-West corridors.

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  - NHDP Phases III through VII, with reduction in scope of NHDP IV from 20000 km to 6800 km.
  - Restructure NHAI, the main implementing agency of NHDP.
- Phased removal of deficiencies in existing NHs concomitant with development of traffic over the next 10–15 years:
  - Emphasis on augmentation of capacity of high-density corridors.
  - Greater attention to construction of missing links and missing bridges, rehabilita tion and reconstruction of weak/dilapidated bridges for traffic safety.
- Formulate comprehensive Master Plan for development of 15600 km of access-controlled expressways:
  - Determine alignments.
  - Acquire land for about 6000 km.
  - Expedite and complete construction of 1000 km.
  - Consider establishing an 'Expressways Authority of India' to implement the Master Plan.
- Prioritize SARDP-NE:
  - Improve connectivity of all State capitals in North East with two- or four-lane NHs with paved shoulders.
  - Connect all district headquarters with two-lane NHs/SHs.
- Prioritize development of high-density corridors in SHs/MDRs.
- Promote private sector participation for development of the national and State roads networks:
  - Adopt BOT (Toll) for construction.
  - Adopt MCA for OMT for tollable roads.
  - Earmark sufficient funds for maintenance for non-tollable roads;
  - Adopt improved maintenance practices NHs/SHs/MDRs.
- Achieve Bharat Nirman time target of providing rural connectivity through all-weather roads to all habitations with a population of 1000-plus persons (500-plus in hilly/tribal areas) by 2009 and thereby improve the quality of life in rural areas and ensure balanced regional development.
- Focus on proper upkeep and maintenance of the existing road network and on attaining higher maintenance standards for optimum utilization of existing network capacity and preserving road assets already created. Adopt modern management techniques for scien- tific assessment of maintenance strategies/priorities.
- Improve capacities of implementing agencies: NHAI, State PWDs, and BRO.
- Prioritize road safety: prevent overloading of trucks, encroachments, unplanned ribbon development, etc. Focus on issues like energy conservation and environment protection.
- Provide world-class wayside amenities along highways.
- Reduce transportation costs: better riding surface, use of containers, multi-axle vehicles in the haulage of goods, etc.
- Ensure road connectivity where rail link is not possible.
- Integrate road development with railways and other modes of transport.
  - Identify feeder roads to important railway routes and undertake needed improve ment including periodic maintenance.
  - Link minor important ports with minimum two-lane NHs/SHs/SRs.

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  - Link all inland container depots/CFSs with minimum two-lane NHs/SHs.
- Develop a road data bank, computerize project monitoring system, promote use of information technology in the road sector.

Public-Private Partnership (PPP):

As on date, the Indian Railways have a large shelf of uncompleted projects whose completion would require about Rs 65000 crore. To meet the requirement of future growth of the Indian Railways, further new investment projects are required for which very large funds are needed. The magnitude of the task is huge and any neglect of the same is bound to lead to severe capacity limitations adversely affecting the competitiveness and growth of the economy.

It is estimated that the Indian Railways would not be able to generate sufficient funds internally, through borrowings and from budgetary support for meeting the investment requirements of the Eleventh Five Year Plan. The shortfall would be met through private investments in PPP projects. Additional investment from private sector is also expected through their investments in manufacturing facilities created as a consequence of partnerships with IR. Together it is expected that about Rs 20000 crore worth of investments would be done by private sector during the Eleventh Five Year Plan.

Private sector participation in container movement is already unfolding on a large scale after it was decided to introduce competition in this segment. Necessary Model Concession Agreement (MCA) has been finalized, agreements signed with 15 parties in January 2007, and the scheme has since been operationalized with seven new operators, excluding CONCOR, commencing operations by utilizing about 30 new rakes.

This policy is required to be taken forward by building in suitable guarantees and commitments from railways in order to enable the private operator to provide value-added container services and make investments in container handling facilities such as Inland Container Depots and Container Freight Stations (CFSs). Long-term commitments on transit time and access charges on the part of Railways would be necessary for stimulating private investments in the container logistics sector.

A range of PPP models have been identified which need further fine tuning. These include multi-modal logistics parks, upgradation of major freight and passenger terminal, construction of road over bridges (ROBs), Railway Optical Fibre Cable (OFC) network, consolidation of piece meal parcels into wagons and train loads, etc. A programme for redevelopment of 22 railway stations into world-class stations through the PPPs has already been initiated.

1.9 China

The XUAR and transit to Western Europe.

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The XUAR is one of China's largest regions; it borders eight countries. Its population exceeds 19 million. Economic growth averaged 11.2% per annum in the last decade. The XUAR produces gas, oil, coal, cotton, fruit, vegetables and fertiliser. Over 60 large facilities are now under construction costing more than $100 billion. 91,000km of new roads and 4,070km of new railways have been built. The administrative centre, Urumqi (population 2 million), has become a major transshipment centre, receiving consumer goods from all over China and shipping them to Central Asia, Russia and Europe. Over 90% of these goods are manufactured in inland China.

The XUAR exports textiles, shoes, mechanical engineering products and electronics (industrial goods account for 67% of all exports), and imports oil, iron ore and copper ore. According to Chinese statistics, the XUAR's own production accounts for less than 10% of its exports, and the region consumes around 20% of its imports. Trading with the XUAR means trading with the whole of China through its western gate.

The People's Government of the XUAR and the ADB have signed an agreement under which the bank will extend a $100-million loan to fund the development of transport infrastructure in Altay, Kuitun, Changji, Turfan and Hami. Prior to this, in April 2006, the ADB had loaned the XUAR government $150 million to develop transport in the cities of Tacheng and Yining and around the Alashankou border crossing point.

Special economic zones (SEZ) are being established to encourage trade; these zones offer advantageous terms to businesses. The construction of roads is an important part of the creation of SEZs. To date, the XUAR has 16 border motorways with a total length of 1,676 km. Border SEZs are all connected to railway networks such as Dostyk, the only Sino-Kazakh railway border crossing point. Motorways and road transport are used increasingly.

It is estimated that, by 2025, the Urumqi–Yining–Sary-Ozek railway will have an annual freight capacity of 25 million tonnes. In the first quarter of 2008, the foreign trade transactions of the XUAR totalled $13.7 billion – an increase of 90.4% compared with the previous year. Trade with Western Europe accounts for 7.3% (about $1 billion) of the total commodity turnover. According to our estimates, XUAR's share of foreign trade between China and Western Europe will increase by 1-2% annually. The pace of growth is slow because it is exceeded by demand for XUAR products from its neighbouring countries. The dollardenominated monetary value of trade with XUAR's immediate neighbours will grow faster (about 15-17% annually) and reach $2.1 billion within five years and $4.4 billion in ten years, according to Chinese estimates.

A few years ago the Chinese Government adopted a resolution on the industrial development of the XUAR. Its intention was to strengthen the region's economic position by bringing in plentiful and cheaper labour, reducing political tensions and relocating low-cost production facilities from other successful industrial regions to this relatively poor region. Beijing believes that many consumer goods intended for Europe can be manufactured in the XUAR, which is geographically closer to Europe. However, only a part of this vast volume of exports will be manufactured by the XUAR itself, and it is understood that the lion's share of goods

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will have to be shipped to Europe by sea from other more established zones of production. Nevertheless, a certain proportion will be shipped directly from the XUAR. The Chinese Government hopes to bolster XUAR's industries and enhance trade with Central and Eastern Europe and the Russian Federation.

China's Leap Forward unified transport strategy and Go West programme to develop its western provinces will have the effect of increasing cargo flows to Europe via Kazakhstan and Russia. The Go West programme may lead to an increase in freight transit via the region's ITCs, as is discussed below. A new network of logistics centres is being planned for the XUAR, which will simplify cargo transportation to Central Asian countries. By 2015, 21 logistics centres, with a total area of 2.12 million m2, will have been built in the XUAR, including in the cities of Urumqi, Hami, Korla, Kashgar, Kuitun and Yining and the Khorgos border crossing point. In addition, by 2015 the XUAR will have around 280,000 lorries of its own.

Some commodities manufactured in the XUAR will be shipped via Kazakhstan. Delivery from China to western parts of Russia will take about ten days – one fifth of the journey time by sea. It is expected that an international border cooperation centre will be opened in 2009. We believe that the volume of land trade between the XUAR and Western Europe will be dictated by the technical capacity of border crossing points. Based on the optimistic forecast by Kaztransservice that transshipment will reach 730,000 TEU in 2015, and assuming that shipments to Europe will remain at the current level of 70% of the total volume, we expect that about 500,000 TEU will be transited to Europe annually.

In the wake of the financial crisis, China invested more than 1.8 trillion yuan (US$264 billion) in transport infrastructure. Economists predict the trend will continue in 2010. According to China's 2009 Economic and Social Development plan, an additional 5557 kilometers of railways and 98000 kilometers of highways were opened to traffic, including 4719 kilometers of expressways. A total of 35 civilian airports were built, upgraded or expanded.

During 2009–2013 period China will invest 120 billion yuan (cca. $18 billion) to upgrade intra-Xinjiang road transportation and the corridors that connect Asia to Europe (new Silk Road). This investment will cover both the national expressway network projects and the boarder roads.

In 2009, national expressway investments in Xinjiang Uygr Autonomous Region (XUAR) was 7,1 billion yuan ($1,05 billion). The China Government, together with XUAR continues to support ongoing projects such as the Xingxingxia-Turpan Road, Lake Sayram-Guozigou Road and Korla-Kuqa Road. The Kuqa-Aksu Road Project started in 2009. In addition, 1,07 billion yuan ($157 million) will be invested in constructing frontier/boarder roads, totaling 1258 km.

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2.

EURO-ASIAN TRANSPORT LINKS

Euro-Asian Rail Road Corridors

2.1. Routes A5 and A6 within the UN Asian Highway Network

A-5:
Shanghai - Xi'an - Lanzhou - Urumqi - Korgas - Almaty - Tashkent - Ashgabat - Turkmenbashi - Baku - Derbent - Makhachkala - Astrakhan - Volgograd - Tambov - Moscow - St. Petersburg - Vyborg - Border of Finland (China, Kazakhstan, Uzbekistan, Turkmenistan, Azerbaijan, Russian Federation).

We don't have any information concerning the demonstration trip of a group of trucks on this route in scope to make a comprehensive monitoring. The route A5 is quite difficult because of different conditions/obstacles as: - road quality in different countries; - different level of technical services offered in all 6 countries; - border-crossing conditions; - different unjustified levies payments and others.

As an example we offer some results of monitoring on trucks en route made by IRU in February 2009. A group of trucks from 9 companies executed a demonstration trip from Brussels to Beijing in frame of so called IRU initiative " New Euroasian Land Transport Initiative – Monitoring of Euroasian Road transport Haulage in Central Asian region (NELTI)". Statistic dates are as following (one truck):

- Amount of the fuel consumed (liters) – 5340

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- Distance covered (km) – 14241
- Amount of official levies paid (USD) – 420
- Sum of unjustified levies paid (USD) – 684
- Time worked by drivers of all vehicles (days) – 400
- Time en route of all vehicles (days) – 25
- Number of stops en route – 108
- Number of state border crossing – 8
- Length of downtime en route (days) – 5

These dates in general offer the realistic picture which could be taken into account for routes A5 and A6.

As about of the route A5 we can say that situation with the road conditions, logistic technologies, infrastructure is different. In China many new transport infrastructure projects are under the execution (see above mentioned details – investment). May be in 3 – 5 years transport infrastructure in XUAR has to be in general ready. Different information concerning the road constructions in Kazakhstan, Uzbekistan, Turkmenistan, Azerbaijan attests that rates of transport infrastructure development are not so high.

In Russian Federation the situation with the transport infrastructure development concerning this route is the following. In scope to rose the competition level of the transport system the route M-6 "Caspian" Moscow – Tambov – Volgograd – Astrakhan (1450 rm) will be reconstructed and modernized in 2010-2015. Total expenses (federal budget only) – 410 million euro (reconstruction and new 86 km highway).

The route M-10 "Scandinavia" Moscow - St. Petersburg – Vyborg - Border of Finland (Moscow-Vyborg – 822 km). Total expenses (federal budget only) – 200 million euro (reconstruction and new 37 km highway).

The route M-11 "Narva" St. Petersburg – Border of Estonia (Moscow-Narva – 112 km). Total expenses (federal budget only) – 248 million euro (reconstruction). Main goal is to improve transport infrastructure for new russian maritime port Ust-Luga.

A-6:
Pusan – Seoul – Pyongyang – Wonsan – Chongjin – Rason – Hunchun – Yanji — Changchun – Harbin – Manzhouli – Chita – Ulan-Ude – Novosibirsk – Omsk – Petropavlovsk – Chelyabinsk – Samara – Moscow – Smolensk – Border of Belarus (Republic of Korea- PDR of Korea – China-Kazakhstan-Russian Federation).

Main problem to use this route in commercial scope is the political situation between both Korean states. It's very well known that the most important project – Trans-Korean railway doesn't developed. From economic points of view there are three main problems: – Commutation, Communication and Customs. Despite the apparent growth of business, South Korean corporations doing business with North Korea cites the – the most urgent problems to take care of in terms of logistics in North Korea: the infrastructure problem.

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China tries to develop road transport infrastructure in northern part of the country in direction to Russia and Mongolia according to national plans of social-economic development but for the current period in function of business activity. In 1990-th China preferred to develop the construction of buildings for local inhabitants, small and medium production enterprises. Goods produced were transported to Russia, Mongolia, Kazakhstan by companies and businessmen from this countries using their vehicles. According to Russian-Chinese Road Transport Agreement trucks from both countries were permitted to enter only 50 km out of the border. So China was not very interested to develop roads and to construct highways at needed level. But the situation has to be changed in nearest time.

Russian Federation last years tried to improve the situation with roads in Siberia and in Far East. According to adopted plans by the government the general "investment picture" could be as following.

Construction and reconstruction roads M-51, M-53, M-55 "Baikal" Chita - Ulan-Ude – Irkutsk-Krasnoiarsk-Kemerovo-Novosibirsk – Omsk – Kurgan Chelyabinsk". The road has to serve the Euro-Asian cargo transit. The part of the route via Kazakhstan is not touched in this project. Total expenses in 2010-2014 (federal budget only) – 335 million euro.

It's important to mention the construction road M-60 "Ussuri" Khabarovsk - Vladivostok. Total expenses (federal budget only) – 675 million euro (last portion of 263 km). After the road to be finished (2014) the new possibility for the transportation of passengers and goods from Vladivostok to Europe and back will appear.

Construction and reconstruction of the road Ulan-Ude – Kiahta - Border of Mongolia. The road of 124 km has to serve the Euro-Asian cargo transit too. Total expenses in 2010-2014 (federal budget only) – 95 million euro.

Construction and reconstruction of the road M-5 "Ural" Cheliabinsk-Ufa-Samara-Penza-Reazan-Moscow. The road of 1155 km has to serve the Euro-Asian cargo transit too. Total expenses in 2010-2015 (federal budget only) – 4,96 billion euro.

Construction and reconstruction of the road M-1 "Belarus" Moscow – Border of Belorussia. The road of 1155 km has to serve the Euro-Asian cargo transit too. Total expenses in 2010-2015 (federal budget only) – 1,582 billion euro.

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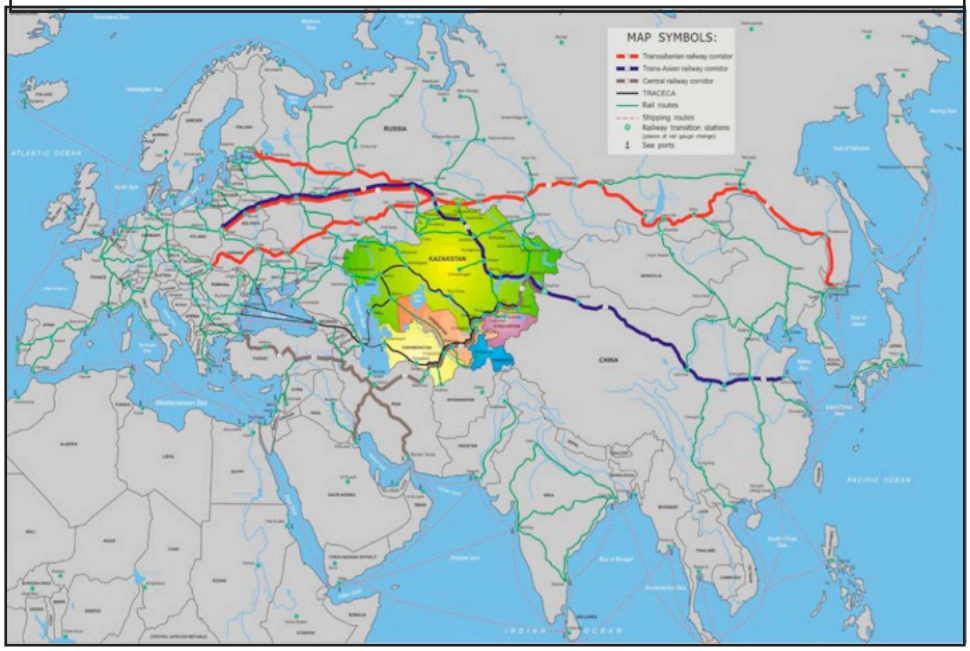
Euro-Asian Rail Corridors



2.2 The following corridors of the UN Trans-Asian Railway (TAR):

The *Northern Corridor,* linking China, Kazakhstan, Korean Peninsula, Mongolia and Russian Federation.

The Federal Transport Program of Russian Federation for the period 2010-2015 contains four projects for the developing of Northern Railway Corridor:

1. Development of the cross-border points between Russian Federation, Ukraine, Belorussia, Kazakhstan, Mongolia, China and PDR of Korea.
Logistic Centers will be constructed in the border regions with Ukraine, Belorussia, Mongolia and China (Zabaikalsk, Naushky, Ozinky). Russia-Kazakhstan rail development (railways Astana-Petropavlovsk-Cheliabinsk; Almaty-Ust-Komenogorsk-Rubtzovsk; Tashkent-Chimkent-Aktiubinsk-Uralsk-Samara; Maikapchagai-Omsk.

2. Construction of Transport-Logistic Centers in Siberia and Far East for the development of transit flows from Asia-Pacific countries to Europe and CIS countries (Novosibirsk, Irkutsk, Khabarovsk and Vladivostok regions).

3. Development of transport facilities in Yaroslavl, Nijnii Novgorod, Samara, Saratov, Volgograd.Main attention is the developing of intermodal infrastructure (rail, road, inland water and air transport) to support TSR and inland water routs links.

4. Complex linkage of Far East maritime ports with TSR (Vladivostok, Nakhodka, Vostochny, Khabarovsk Region).

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Total four project cost is cca. 1 billion euro (incl. Federal budget – cca.625 million euro).

2.3. Trans-Siberian Railway (TSR)

The total TSR capacity is evaluated at the level of 100 million t. This capacity was achieved in 1980-th.

According to Strategy of the Railway Transport Development 2030adopted by the Russian Government in June 2008 TSR is a key chain in the development of the Russian railways system to insure Euro-Asian transport links. In 2006-2007 some measures to improve the customer procedure were implemented and nowadays containers remain on the border from a few hours to 1-2 days. Rapid block-container trains transport cargo from Russian Far East ports to Russian West border in 11 days covering cca.1000 km/day. Last year several container "train demo" covered 11000 km in 6,5 days.

Russian part consider the possible volume of transit container transportation via TSR ("West-East" corridor) could be 250-450 000 TEUs. The maximum volume of transit containers was 155000 TEUs in 2005 and then after the introduction of a new tariff system the number of containers reduced to 40-50000 TEUs a year.

Russian railway authorities consider as important to offer their possibilities to transport transit cargo from/to Republic of Korea, Japan, North and North-East China to/from Europe. Russian Railway Company (RZD) started to construct/modernize the railway Khasan (Russian Far East) – Rajin (PDR of Korea) to have a direct link between Port of Rajin and TSR (54 km and cca. USD 60 millions invested to rose the container traffic). TSR part has to be involved to transport cargo from Western China via Kazakhstan to Europe.

Main "bottlenecks" to develop TSR transit are: - transport companies cannot offer the transportation service using "a single document" (road-rail-ship-port); - existing difficulties as custom and technological procedures make some obstacles to provide effective container flows; - cargo owners prefer existing transit logistic schemes using maritime lines etc.

The construction of high speed railway Moscow-Smolensk-Minsk-Berlin is also planned for period 2016-2030.

2.4 Belkomur and investments in ports of Murmansk and Arkhangelsk.

Construction of the railway Belkomur - Beloe More (White Sea) - Komi (Komi Republic) – Urals - will allow to link big Urals industrial centres as Solikamsk (Urals) with Syktyvkar (Komi Republic) and Arkhangelsk (White Sea). Solikamsk has linkage with TSR. The proposed cargo flows could be cca. 35,5 million tons a year, volume of investment – 2,87 billion euro, period of project realization – 5 years, payback period – 6,5-9 years. In 2009 the first part of the

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railway (short) near Solikamsk was constructed. Total length is 1252 km incl. new railway of 795 km. In December 2009 the Government of Russian Federation asked Belkomur promoters to revise Belkomur investment fund and to prepare new vision.

According to "Social and Economic Strategy of Arkhangelsk Region Development until the year 2030" main positions in transport sector (port and roads) are as following:

1. Construction of "deep sea sector" in Maritime Port of Arkhangelsk of 28 million t capacity (7,5 million t existing, vessels – till 20 000 DWT). Main terminals (planned): - Container – 18 million t; - Oil and petroleum products – 5 million t; - Coal – 6 million t; - General cargo – 3 million t. Vessels – till 75 000 DWT. The total investments – cca. 1 billion euro.

According to other opinions the construction of the new deep maritime port has to take place in Belomorsk near Arkhangelsk. The new port has to be constructed in function of the Belkomur project development. The construction period is 5 years.

2. Reconstruction of the enter channel in Port of Arkhangelsk (2014-2015). Total investment – 321 million euro incl. federal budget – 55,2 million euro.

3. Construction and reconstruction of the road M-8 "Kholmogory" Moscow – Yaroslavl – Vologda – Arkhangelsk. The road of 1291 km has to serve the Euro-Asian cargo transit too. Total expenses in 2010-2015 (federal budget only) – 806 million euro.

Port of Murmansk also has to be developed during 2001-2015. Main projects are: port infrastructure improvement and construction as coal, oil and petroleum products terminals (west side of the port), container terminal and reconstruction of coal terminal (east side)? Construction of distribution zones, logistic center, construction of the railway Vyhodnoi-Lavna and 10 railway stations etc. Total investment (2010-2015) – 2,864 billion euro incl. 1,243 billion euro federal budget.

Construction and reconstruction of the road M-18 "Kola" St.Petersburg-Petrozavodsk-Murmansk-Pechenga-Border of Norway. The road of 1592 km has to serve cargo transit to Norway. Total expenses in 2010-2015 (federal budget only) – 59,5 million euro.

2.5. International Transport Corridor "North-South" (ITCNS)

ITCNS practically doesn't work as an international one. The experience of the beginning 2000-th shows that the maritime route included in the middle of the corridor make it not so competitive as many experts wanted. Russia has constructed a new railway to connect Caspian Port of Olea with the main railway, new port Olea, Iranian companies have constructed new maritime ports too but transit flows didn't appeared yet. Also no good advertising was done. Nowadays this route is used for bilateral trade Russia-Iran.

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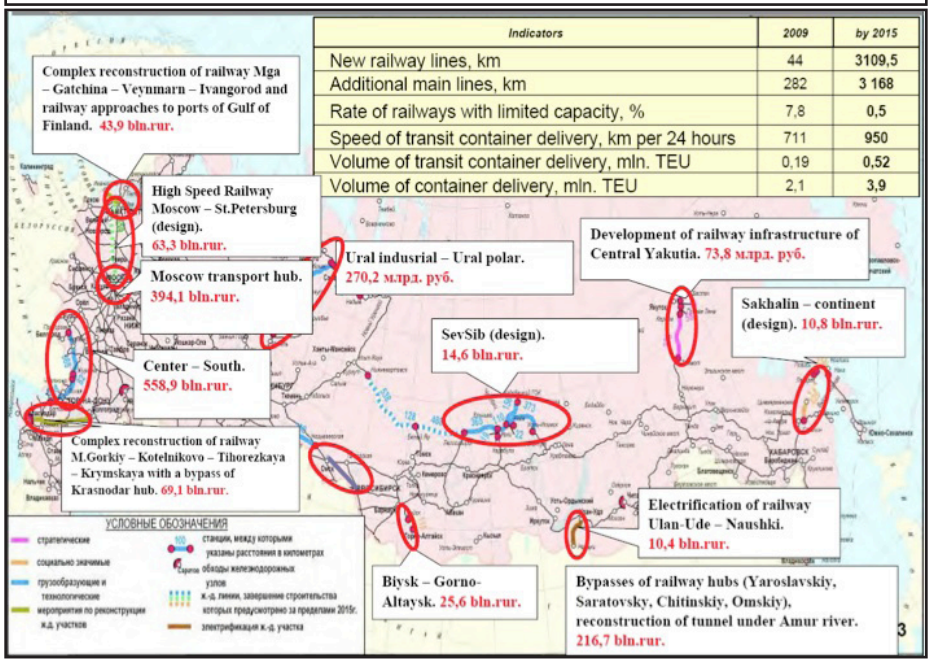
By the Russian railway company RZD continue its efforts to promote the project based on railway transportation. They consider this way as good one and they'd like to reconstruct the railway connection with Iran via the west side of Caspian Sea.

In 2001-2015 according to the Transport Strategy of Russian Federation 2030 the big construction of railway have to start. There are three projects: - reconstruction and construction of transport communications near big maritime and river ports; - infrastructure development of Moscow and St.Petersburg for ITCNS needs; - complex development of transport communications of Kazan and Astrakhan. In 2010-2015 investment planned is 906 million euro incl. federal budget – 617 million euro.

Development of rail network in Russia by 2015



2.6. International transport corridors cross the territory of Kazakhstan:

Northern Corridor of Trans-Asian Railway Main (TARM): Western Europe – China, Korean Peninsula and Japan via Russian and Kazakhstan (section Dostyk – Aktogai - Sayak – Mointy – Astana – Petropavlovsk (Presnogorkovskaya)).

Southern Corridor of TARM: South-Eastern Europe – China and South-Eastern Asia via Turkey, Iran, Central Asian states and Kazakhstan (section Dostyk – Aktogai – Almaty – Shu – Arys – Saryagash).

TRACECA: Eastern Europe – Central Asia via the Black Sea, Caucasus and the Caspian Sea (section Dostyk – Almaty – Aktau).

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North-South: Northern Europe – Gulf States via Russia and Iran, with Kazakhstan's participation in the following sections: sea port Aktau – Ural regions of Russia and Aktau – Atyrau.

In 2005, Kazakhstan received 142,000 TEU of import and transit cargoes and shipped 25,000 TEU of exports. (In 2008 as Kazkh's statistics says 12.6 million tons of cargo crossed the border with China). In 2015, these figures will increase to 126,000 and 138,000 TEU respectively. Containerised shipments from China to EurAsEC or Kazakhstan are essentially transit cargoes. They enter via the Dostyk-Alashankou border crossing point. According to the Kazakh press, in 2008, the daily throughput at Dostyk-Alashankou was 520-550 rail cars, although a high of 620 rail cars has been recorded recently. Some 70% of this freight is containerised. Most trains consist of 48-50 rail cars, including container wagons. We estimate that Dostyk can transship about 306,000 TEU annually. However, this figure has not yet been achieved. According to Kaztransservice, the official container operator owned by Kazakhstan Temir Zholy (KTZ), Dostyk transshipped 109,677 TEU in 2007, including 74,551 TEU from China and 35,126 TEU to China. Compared with 2006, these figures were up by 37%, 40% and 31% respectively.

Kaztransservice forecasts that by 2015 the transshipment of containers at Dostyk's railway terminal alone will reach 730,000 TEU, i.e. 2.5 times the current throughput (see Figure 4). The Kaztransservice forecast is, however, much more optimistic about the future of container transportation than UN ESCAP. Nevertheless, there is a consensus that transshipment volumes will grow considerably in the medium term, which justifies the development of overland transport systems.

The port of Lyanyungang (the destination point of the railway line via Dostyk) transshipped 2 million TEU in 2007 and 3 million TEU in 2008. Therefore, it is safe to assume that cargo flows from China will merit investment to increase capacity at Dostyk and construct a new border crossing point at Khorgos.

The northern trans-Asian corridor is viewed as the second most developed corridor after the TSR. In some UN ESCAP documents, this corridor is referred to as "the second Eurasian overland bridge". It runs from Lianyungang through central and northwest China, Kazakhstan and Russia to Western Europe. The distance from Lianyungang to Rotterdam is 10,900 km. The corridor is being developed on an ongoing basis. It is 2,500 km shorter than the TSR and 10,500 km shorter than the sea route.
After 1992 the Chinese section of this railway (some 4,150 km) was partially modernised. To date, 89% of its total length is double track, and 29% of the line is electrified. It is expected that, with the industrial development of northwest China, this route will be made double track along its entire length, and electrification will be extended.

China and Kazakhstan use different gauges – 1,435 mm and 1,520 mm, respectively. This poses a major problem for the development of freight transportation, since containerized cargoes have to be reloaded by crane. At present, the Dostyk rail freight terminal in Kazakhstan, at the Sino-Kazakh border, is capable of handling a maximum of 620 rail cars per

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day. Until recently, maximum capacity barely exceeded 500-550 rail cars per day. The depot's current throughput is 12 train pairs per day on the Chinese narrow-gauge line. According to preliminary estimates, the depot handled a total 14 million tones scheduled cargo in 2008. Now, new handling terminals are being constructed and eight of them are already complete. Each of these terminals is designed to handle certain cargoes: heavy machinery and equipment and packaged, bulk or containerized cargoes. Dostyk services container shipments, which constitute about 70% of all cargo traffic. It has been calculated that this border crossing point must be capable of handling over 300,000 TEU annually. Compared with 2007, container traffic in 2008 was up by 30%. Typically, containerized cargoes are shipped to the Baltic, CIS and European countries.

The central trans-Asian corridor runs from the Sino-Kazakh border via Dostyk to Almaty and on to Ukraine. This is the shortest route from Asia to Central Europe. It is double-track and electrified within the former Soviet Union and it provides access to Poland via Jagodin and Mostiska and to Slovakia and Hungary via Chop.

The southern trans-Asian corridor incorporates only one EurAsEC member country – Kazakhstan. However, this railway is enlisted here as a potential competitive route. It also starts from Lianyungang, and passes through Dostyk, Almaty, Tashkent, Iran and Turkey before reaching the Mediterranean and Black Sea ports. But this railway also has the problem of different gauges. Transshipment is required at two points, which increases delivery costs and slows down traffic; hence the key advantage of overland trans-Eurasian routes over sea shipment, i.e., speed of delivery, is lost. The Iranian part (2,010 km) is single track and not electrified. In Turkey, trains have to cross lake Van by ferry. Along the branch lines to Istanbul (i.e., the Mediterranean) and Samsun (Black Sea), only 46% of the railway is electrified, and only 10% is double track.

TRACECA. This project includes the Dostyk – Tashkent – Ashgabad – Turkmenbashi – Baku – Tbilisi – Poti section and ferry lines to Odessa, Varna, Constanta and Istanbul. Despite the EU's enthusiasm for this project at an early stage, TRACECA failed to achieve its design capacity during the fourteen years after relevant documents were signed. We discuss the reasons for this below. Parties to TRACECA signed a number of documents relating to certain benefits and reduced tariffs, e.g. a 50% discount on rail freight and ferry transportation of empty wagons. In addition, taxes and fees on transit cargoes were abolished, and measures were taken at national level to enhance the safety of passengers, cargoes, carriers and vehicles.

However, despite all these measures, the economic efficiency of this route is in doubt. According to preliminary figures, all other conditions being equal, the tariffs charged by RZD for transporting grain, cotton and containers are 1.7 times lower than those of TRACECA, and 1.2 times lower for oil and non-ferrous metals. In addition, transportation via Russia gives 1.8-fold journey time advantage. Cargo is shipped mainly from west to east, with mostly empty wagons traveling in the opposite direction. This has a negative effect on the efficiency of Caspian and Black Sea ferry lines. At the moment, some sections of TRACECA are used to transport oil and oil products from Turkmenistan, cotton and grain from Uzbekistan, etc. At the port of Poti, a grain terminal with an annual capacity of 1.5 million tones,

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a container terminal with an annual capacity of 200,000 TEU, and large storage facilities are all under construction. According to experts, the potential capacity of the Batumi – Poti – Ilyichevsk ferry line is 15-20 million tones per annum. However, its annual throughput at the moment is no higher than 0.9 million tones (using two ferries). The Baku – Turkmenbashi ferry line handles up to 2 million tones a year (five ferries)

2.7. Transport investments in Western China.

The XUAR is one of China's largest Western regions; it borders eight countries including Kazakhstan. Over 60 large facilities are now under construction costing more than $100 billion. 91,000km of new roads and 4,070km of new railways have been built. The administrative centre, Urumqi (population 2 million), has become a major transshipment centre, receiving consumer goods from all over China and shipping them to Central Asia, Russia and Europe. Over 90% of these goods are manufactured in inland China.

The People's Government of the XUAR and the ADB have signed an agreement under which the bank will extend a $100-million loan to fund the development of transport infrastructure in Altay, Kuitun, Changji, Turfan and Hami. Prior to this, in April 2006, the ADB had loaned the XUAR government $150 million to develop transport in the cities of Tacheng and Yining and around the Alashankou border crossing point.

Special economic zones (SEZ) are being established to encourage trade; these zones offer advantageous terms to businesses. The construction of roads is an important part of the creation of SEZs. To date, the XUAR has 16 border motorways with a total length of 1,676 km. Border SEZs are all connected to railway networks such as Dostyk, the only China-Kazakh railway border crossing point. Motorways and road transport are used increasingly. It is estimated that, by 2025, the Urumqi–Yining–Sary-Ozek railway will have an annual freight capacity of 25 million tones.

Trade with Western Europe accounts for 7.3% (about $1 billion) of the total commodity turnover. According to our estimates, XUAR's share of foreign trade between China and Western Europe will increase by 1-2% annually. The pace of growth is slow because it is exceeded by demand for XUAR products from its neighbouring countries. The dollar denominated monetary value of trade with XUAR's immediate neighbours will grow faster (about 15-17% annually) and reach $2.1 billion within five years and $4.4 billion in ten years, according to Chinese estimates.

A few years ago the Chinese Government adopted a resolution on the industrial development of the XUAR. Its intention was to strengthen the region's economic position by bringing in plentiful and cheaper labour, reducing political tensions and relocating low-cost production facilities from other successful industrial regions to this relatively poor region. Beijing believes that many consumer goods intended for Europe can be manufactured in the XUAR, which is geographically closer to Europe. However, only a part of this vast volume of exports will be manufactured by the XUAR itself, and it is understood that the lion's share of goods

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will have to be shipped to Europe by sea from other more established zones of production. Nevertheless, a certain proportion will be shipped directly from the XUAR. The Chinese Government hopes to bolster XUAR's industries and enhance trade with Central and Eastern Europe and the Russian Federation.

A new network of logistics centres is being planned for the XUAR, which will simplify cargo transportation to Central Asian countries. By 2015, 21 logistics centres, with a total area of 2.12 million m2, will have been built in the XUAR, including in the cities of Urumqi, Hami, Korla, Kashgar, Kuitun and Yining and the Khorgos border crossing point. In addition, by 2015 the XUAR will have around 280,000 lorries of its own.

Some commodities manufactured in the XUAR will be shipped via Kazakhstan. Delivery from China to western parts of Russia will take about ten days – one fifth of the journey time by sea. It was expected that an international border cooperation centre will be opened in 2009.

We believe that the volume of land trade between the XUAR and Western Europe will be dictated by the technical capacity of border crossing points. Based on the optimistic forecast by Kaztransservice that transshipment will reach 730,000 TEU in 2015, and assuming that shipments to Europe will remain at the current level of 70% of the total volume, we expect that about 500,000 TEU will be transited to Europe annually.

Development of automobile transport corridor network in Russia by 2015

Indicators		2009	by 2015
Rate of federal autoroads that are due to standards of transport exploitation normatives	%	39,6	48,56
Rate of federal autoroads that are over loaded	%	27,6	34,72
Increase of federal autoroads with eliminated limits capacity	km		6209
Number of traffic incidents because of bad road conditions	pc. / 1000 cars	1,458	1,100

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3.

BARRIERS TO FULFILLING THE RUSSIA, KAZAKHSTAN, BELORUSSIA AND CENTRAL ASIAN COUNTRIES (EUASEC) TRANSIT POTENTIAL AND EURO-ASIAN TRANSPORT LINKS

Increasing the volume of freight transit using EurAsEC ITCs is made difficult in a number of ways. These problems are either physical or non-physical, with the following identified as the most acute:

Non-physical barriers are those non-technical barriers to trade, which, to a large de gree, are "manmade"; these are:

- protracted customs procedures at border crossing points, which significantly increase waiting times for vehicles and rolling stock;
- random inspections, often requiring sealed transit containers to be opened;
- non-harmonised transit tariffs across the CIS – despite the signing of international agreements, transit tariffs still vary from country to country;
- migration rules – the time drivers are allowed to stay in EurAsEC differs from country to country

Physical barriers include:

- obsolescence and shortages of rail cars, containers and locomotives;
- non-compliance of existing infrastructure and technology with international quality standards (route handling capacities, etc.);
- inadequate processing capacity at border crossing points;
- poorly developed logistic and communications networks and motorway service facilities;
- different rail gauges – throughout the CIS, the 1,520-mm gauge is used, whereas in Europe and Asia (China, Iran, Southeast Asia, etc.) the gauge is 1,435 mm. This poses additional problems which compound the shortage of transshipment centres and insufficient handling capacity at border crossing points;
- insufficient capacity for cargo handling, consolidation and deconsolidation.

It is also important to highlight developments that have had a positive impact in creating a unified transport system and encouraging transit:

- the full-scale commercialisation of the road transport sector, which is now dominated by private owners;
- equal access to domestic freight services markets for private and public carriers;
- unrestricted (or almost unrestricted) access to foreign cargo facilities (notably, however, each member country bans foreign operators from engaging in coastal freight transport);
- the freedom to select a carrier for the purposes of export and import contracts;
- the absence of legal restrictions on foreign ownership of road transport companies; and
- the abolition of permits for return journeys between certain member countries.

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The most significant differences in the development of national road transport sectors are:

- the varying potential of each country's road transport sectors: for example, Belarus is a net exporter of road transport services, and Russia is a net importer. The road transport capacities of other EurAsEC countries (Kazakhstan, Kyrgyzstan and Tajikistan) prevents them from fully satisfying demand for external transport services;
- the unequal pace of modernisation of the vehicle fleet to current European standards;
- variation between countries in the legislation governing the road transport sector;
- differing tax regimes and currency regulation for carriers and forwarding agents;
- unresolved incompatibility in customs procedures for cargo transported by road, especially in the time taken to clear customs and undergo transit cargo inspection;
- differences in the regulations governing transit in different countries (including those which have signed up to bilateral agreements on international road traffic); and
- incompatible road tax and road pricing systems7; differing regulations governing access to the road transport market and shipping services (including licensing, professional permit systems and other methods of state regulation).

The problems that are preventing the development of rail transport along ITCs. There have been positive achievements: EurAsEC member countries benefit from an extensive railway infrastructure; regular traffic is properly administered; modern IT systems are being employed to a satisfactory level; freight technology is continually improving; and the railways are achieving significant time gains.

On the other hand, according to analysts, container traffic in EurAsEC member countries is not increasing as it should. Despite the unified tariff policy being applied across the CIS, variations in the funding of railways and the different methods used to calculate freight tariffs have resulted in significant fluctuations in transport costs. Moreover, container transport operators resent the manipulation of their profit margins. The reduction in transport tariffs, notably the cut in Russian railway tariffs in January 2007, did not have the anticipated effect of stimulating transit operations. In fact, in 2007 the volume of railway transit dropped by two times compared with 2006 levels, and was 17 times lower compared with 2004. This decrease is attributed to the growth of other freight transport services handling transit cargo.

Achieving stability in the journey times and cost of freight transit is another problem for the industry. Some analysts suggest that non-discriminatory conditions (compared with those of foreign competitors) should be introduced in documenting transit shipments. Up to now, the relatively poor standards and high cost of services provided by other operators in the transit chain (shipping companies, port services, railway administration in transit countries) have resulted in a continual increase in transit tariffs.

Deficiencies in container freight infrastructure also serve to alienate transit operators. There are few terminals capable of handling large containers; specialist transshipping equipment is in short supply; vehicle access to terminals located within cities is problematic; and the network of container depots has become smaller in recent years. Transshipment of containers between different modes of transport causes significant time delays, and

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there is a permanent shortage of flat container trailers and vehicles and of large containers themselves. Protracted customs procedures at border crossings, inconsistent investment in different sectors on the transport chain and the sometimes poor state of major roads conspire to prevent this sector offering an integrated and high-quality logistics service to its potential customers.

4.

SHORT CONCLUSION

1. Practically all national transport strategies examined in report contain transit issues. EurAsEC has a well determined aims to promote transit transportation of passenger and cargo.

2. In order to maximize 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 utilized.

3. China continues to promote their plans to develop transport links with Europe using land transport routes via Russia and Kazakhstan.

4. Russia and Kazakhstan tries to make big investments in development of transit. Russia spent a lot of money to consolidate its position on Baltic Sea and in the region in transport sphere and above mentioned amounts consumed attest it. Russia also consolidates its position in Barents Region via construction and reconstruction of maritime ports and road/rail access.

5. Existing transport routes are not real transport corridors because there are no common transport space and it's impossible to use a single cargo document to promote a real intermodal transportation technology.

6. The experience attests that international transport corridors linked several countries with non-harmonized custom and legal rules, tariff systems etc. and several transshipments in maritime ports "cannot work with high efficiency". Ex. – TRACECA, North-South International Transport Corridor.

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