

TURKPA

PARLIAMENTARY ASSEMBLY OF TURKIC-SPEAKING COUNTRIES

**MEETING OF THE COMMISSION ON ECONOMIC, TRADE AND FINANCIAL
AFFAIRS**

REPORT

ON ROLE OF TRANSPORT COMMUNICATIONS IN ECONOMIC COOPERATION

I. INTRODUCTION

1. The second meeting of Commission on Economic, Trade and Financial affairs, held in Ankara on 5 April 2013 decided to take up the subject of “ **Role of transport communications in economic cooperation**” as the main item of the agenda of the Third Meeting in Baku.

2. A transport system plays an important role in the progress of economic development in the region and is a key factor in promoting closer interaction among the TURKPA member-states. Given the growing role of the region in the global economy, the TURKPA member countries have to use their own resources and individual capacities to restore the old and establish the new transport connections.

3. Taking into account the vital role of transport in ensuring sustainable development in the region, and in the light of the activities and projects undertaken by the Turkic Council in the field of transportation, TURKPA has placed a special emphasis on a large-scale infra-structural and institutional rehabilitation of transport system in the region and the development of appropriate links among member-countries. On the other hand, TURKPA reaffirms its commitment to provide legislative support to the Turkic Councils initiatives in developing transport infrastructure.

4. Report is based on Declaration of Turkic Council signed by Heads of Turkic-speaking states in Gabala on 16 August 2013, other official documentations and publications of Turkic Council and government agencies of TurkPA member-countries as well as organizations dealing with transport sector.

II. STRATEGIES

5. Since the establishment of the cooperation among the Turkic speaking countries transport sector has been identified as a matter of high priority, which could deeply stimulate the economic and commercial links. At the the Third Summit of Turkic Council, Heads of member-states stressed the importance of further strengthening of regional cooperation in the field of transport and the increasing of efficiency of regional infrastructural networks aimed at facilitation of regional trade flows.

6. According to the above mentioned, it is considered that the main directions for cooperation of the member-states in the field of transport are the following:

- elaboration of concrete measures for the implementation of priority projects aimed at the development of the international infrastructure in the TURKPA members-states;
- creation of favourable investment climate which could facilitate the participation of the private sector in the construction and operation of modern transport infrastructure;
- development and harmonization of the legislation in the field of transport and cross-border regime;
- coordination of measures for the operation and interaction of different modes of transportation;
- increase transportation security and cargo safety;
- introduction of new technologies promoting transportation of cargo and acceleration of their delivery
- activation of procedures on simplification of passenger and freight traffic, and increase of transit capacity.
- development of mechanisms on facilitation of transit procedures and data exchange, based on modern information technologies between the customs authorities of member states;

7. Activities of Turkic-speaking countries on development of transport infrastructure enshrined in a number of the ministerial meetings: First Meeting of the Heads of Customs Administratives of the Turkic Council (Nakhichevan, October 2012), Kazakhstan-Azerbaijan Bilateral Meeting on transport (Aktau, May 2013), Second Meeting of the Heads of Customs Administratives of the Turkic Council (Istanbul, June 2013) and First Meeting of ministers of transport (Baku, July 2013), and other relevant international conferences and meetings.

8. According to the Protocol on Joint cooperation in the field of transport development in Turkic-speaking states signed at the First Meeting of the Ministers of Transport held on 3 July 2013 in Baku, ministers stressed the intention to intensify joint efforts for promotion of efficient, environmentally-sound, safe, secure integrated and sustainable transport systems among the member-states which will, in turn, result in achieving more efficient use of trade opportunities and accelerating regional transport cooperation. Also they invited member-states to develop joint tangible transport projects, in collaboration with other states, to serve the whole region, with the purpose of enhancing interconnectivity and interoperability of transport activities.

9. Memorandum of understanding on Turkic sister ports among Baku, Aktau and Samsun international seaports adopted at the same Meeting in Baku

determines the main directions on transport cooperation between the TURKPA Member States in order to create a highly efficient regional transport system, which combines the national transport programs with the development plans of the transport corridors among member-states.

10. Activities of Turkic speaking countries in framework of TRACECA projects also contribute to the development of transport infrastructure in the region. On 28 November 2012, in Izmir, (Turkey) the Ministers of transport of Azerbaijan, Kazakhstan, Turkey and Georgia signed the “Memorandum of Understanding on the principles of joint activity on the development of transport networks and organization of cargo transportation”. The signed document determines the intentions of the Parties – Azerbaijan, Georgia, Kazakhstan and Turkey regarding the "Silk Wind" project, implementation of which is related to the creation of the block train in multimodal transport with preliminary information exchange system between customs services and railway operators of the Project participating countries. It is assumed that the Project would provide a full complex of logistic services in the countries situated along the route directed towards the facilitation and the potential's rise of the TRACECA transport corridor as well as the expansion of multimodal transport volumes in the region.

Baku-Tbilisi-Kars railway which is under construction and will be finalized in 2014 is also a part of the European-Caucasian-Asian transport corridor (TRACECA). Baku-Tbilisi-Kars railway is to connect Europe with Asia. This railway will link continents and become important geopolitical and geo-economic project, a project of cooperation reviving the historic Silk Road.

11. In May 2013 at the Bishkek summit of CSTO President of the Kyrgyz Republic H.E. Mr. Almaz Atambaev voiced an idea of building the railway “Russia-Kazakhstan-Kyrgyzstan-Tajikistan”. Proposal was supported by other presidents of the CSTO member-states. Under the project, the main construction of the railway will be held on the territory of Tajikistan and Kyrgyzstan, with a view to connect it to the existing road in Russia and Kazakhstan. This project will further ensure access to the markets of the Persian Gulf and open wide prospects of transport potential of Kyrgyzstan and Kazakhstan.

12. In its work TURKPA members pay close attention to the cooperation with other initiatives and programmes active in region. Despite the fact that some regional initiatives, in particular BSEC and TRACECA are being developed outside of the TURKPA and Turkic Council's framework, they inevitably are an integral part of common efforts to establish comprehensive and effective Euro-Asian transport network with the deep involvement of the TURKPA member-states. One should note that the Third Summit of Turkic Council held in Gabala (Azerbaijan)

drew special attention to the need of coordination of the common efforts for the achievement of better operation of international transport communications.

III. TRANSPORT INFRASTRUCTURE IN THE TURKPA MEMBER-STATES

13. *Azerbaijan* simultaneously located at the intersection of TRACECA and North-South transport corridors. The Ministry of Transport has elaborated two programmes – on development of transport infrastructure and on development and reconstruction of highway network. Participation in North-South international corridor gives Azerbaijan a new opportunity for cooperation with countries of Persian Gulf and Indian Ocean. In road transport the main highways for the international traffic are Baku – Alyat – Ganja – Kazakh – Georgian border (Azerbaijani sector of TRACECA corridor) with length of 503 km and Russian border – Baku – Astara – Iranian border (North-South Corridor) with the length of 521 km. Other large-scaled realised projects were the freight terminal in Baku international airport, reconstruction of an airport in Ganja, building of the international bus terminal in Baku.

One of the major mode of transportation along TRACECA is rail transport. There are two TRACECA rail routes in the South Caucasus linking Europe, the Caucasus, Central Asia and China: the Baku-Tbilisi-Batumi rail link, and Baku-Tbilisi-Poti rail link. The Baku-Tbilisi-Batumi/Poti railway is connected to the European rail networks via the Black Sea rail ferry service in the west (i.e. Romania, Bulgaria and Ukraine), and the Kazakh and Turkmen rail networks to the east.

By creating a new transport infrastructure, the Turkic world will be united also through the transport network. On the work done in Azerbaijan in this direction the port being constructed by Azerbaijan on the Caspian Sea will be the largest seaport in the region. Its capacity will be gradually increased from 10 million to 20 million tons. The Alyat port will be located on a 400 hectare plot, near the coast of Alyat, about 70 km south of Baku. The construction work is planned over three phases, and the initial phase (Phase I) has already begun. When the Phase III is finished, Alyat will be the largest non-oil cargo processing port in the region, capable of handling about 25 million tons of freight annually.

The construction of the Baku-Tbilisi-Kars railway and the port in Baku is carried out in a coordinated manner. Thus, it will lead to an increase in freight traffic across the Caspian Sea.

Since Azerbaijan does not have a land border with any of the Central Asian states, maritime transportation via the Caspian is of key strategic importance. Azerbaijan is also a landlocked state and its access to the Caspian Sea makes it necessary to develop intermodal transport infrastructure integrating sea and land transport models. Maritime transportation via the Caspian Sea affects the entire Euro-Asian supply chain via Azerbaijan. Caspian Sea shipping is done by fleets from each of the

five littoral states. The Caspian Shipping Company of Azerbaijan Republic (CASPAR) is the dominant shipping operator. As of January 2011, CASPAR's fleet consisted of 80 vessels, including 43 tankers, 9 ferries, 2 RO-RO type vessels, and 26 dry cargo ships.

Air transportation is the fastest alternative, albeit the most expensive one, to the maritime bulk transport between Europe and Asia. The country is situated in an ideal location in terms of the international air traffic network, and is in a particularly attractive position for air shipments between Europe and Asia. It is within ½ - hour flight of about 45 countries.

Transport projects in Azerbaijan are funded by different international financial institutions (Islamic Bank of Development, World Bank, EBRD etc.)

14. Kazakhstan

Economic and geographic features of Kazakhstan (its vast territory, land-locked position, uneven spatial distribution of population clusters and of natural resources) make the transport component of the economy one of the most sizeable in the world and determine high dependence of the economy on the transport networks.

22 airports operate in Kazakhstan and five of them (Astana, Almaty, Aktobe, Atyrau and Karaganda) comply with international standards equipped for heavy aircraft landing

In the Caspian region, Kazakhstan has International Sea port Aktau, which complies with international quality and technology standards of provided services.

Being sandwiched between Europe and Asia, Kazakhstan boasts of a great transit potential, as there is no alternatives for Asian states to link to Russia and Europe.

Relatively diverse landscape and availability of natural stone reserves allow unrestricted development of railways and automobile routes.

Automobile and railways routes account for a major share of the total above-ground transport routes (about 88.4 и 14 thousand km respectively). Total length of navigable waterways makes up 3.9 thousand km, and the total of air routes makes up 61 thousand km. Density per every 1000 km² stands at 5,1 km for railways, at 32,4 km for automobile routes with hard surface, and at 1,5 km for in-land navigable waterways.

At the current stage, there is a problem of poor condition of the transport sector fixed assets, obsolete infrastructure and technology.

The share of transportation costs in the final cost of the goods makes up 8% and 11% for in-land railways and automobile traffic respectively, while in industrialized countries these indicators normally make up 4-4,5%. As a result, the transport burden on the economy exceeds that on the major industrialized nations

twice on average. By cargo intensity index Kazakhstan's economy is about five times less efficient, as transport component of every 1 USD of GDP makes no less than 9 ton-km, while in EU cargo intensity is less than 1 ton-km/dollar of GDP.

4 international transport corridors cross the territory of Kazakhstan and are formed on the basis of transport infrastructure existing in the country. They are

- 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).
- 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.

Besides routes included in the transcontinental mains, Central Corridor of TARM should also be mentioned, as it is of great significance for regional transit in the direction Saryagash – Arys – Kandagach – Ozinki.

Corridors help significantly decrease distances in East-West connection, as well as cut down time of cargo delivery.

Robust growth of China's economy, in particularly of its western regions, boosts the demand for deliveries of a large spectre of goods to global markets even today.

At the same time, according to experts, current transit in Kazakhstan doesn't fully employ the potential of the sector and that of the republic in general.

Therefore, Kazakhstan is currently implementing a number of large-scale projects. In the next two years the Kazakh section of the international Western China – Western Europe motorway line will be completed, Kazakhstan has already commissioned Qorghas – Jetigen and Western Kazakhstan – border with Turkmenistan railway links and it is building an extensive railway line that connects the Central Kazakhstan with the Western Kazakhstan.

Sources of funding:

Participation of private sector in different segments of transportation sector will be promoted, including conclusion of long-term concession agreements under which infrastructure in the final end is returned back to the state.

Besides state funding of transport infrastructure units, institutes of development (such Bank for Kazakhstan Development, Innovation Fund), other domestic and

foreign financial institutions (EBRD, ADB, World Bank, IDB and others) are going to be attracted. Creation of favourable climate for development of private industry will be achieved through rendering tax allowances and preferences stimulating renewal of fixed assets. So, the projects will be funded from budgets of all levels, through attraction of investments and on commercial basis: through state-private partnerships, concessions, creation of joint ventures.

15. *Kyrgyzstan*

The Kyrgyz Republic is a country located in the heart of Central Asia. It has a favourable location to become a transportation hub between Europe and East Asia.

The transport complex of the Kyrgyz Republic is actively connected to the international conventions and agreements on the development of international transport.

Most of the infrastructure development projects are focusing on improvement of international highways and railroads. The Kyrgyz government works with different international partners to implement these projects. Among them are Islamic Development Bank, Asian Development Bank, World Bank and others.

The primary mean of transportation remains road transport. Road transport represents about 85 % of passenger traffic and 97 % of all cargo turnover in the country. Total length of roads in the Kyrgyz Republic is about 34,000 km.

Kyrgyzstan is financing its transport-infrastructure projects with government funds as well as with the support of international organisations and investors. Kyrgyzstan launched several transport-infrastructure projects; one of them is rehabilitation of the Bishkek-Naryn-Torugart road, connecting Central Asia with China.

Rehabilitation of Osh-Batken-Isfana road which starts from Osh city and goes up to the southwest and ends at Isfana near the border with Tajikistan, will ensure significantly improved access to the Southern Asia trade markets.

Total length of the railroad system in the Kyrgyz Republic is 424.6 km. The Kyrgyz railway system consists of two unconnected lines; a "Southern" line - 323.4 km and a "Northern" line - 101.2 km, which are both branches of the Trans-Asian corridor. The route Osh - Jalal-Abad - Kok-Yangak and the route Balykchy - Bishkek - Lugovoe (Kazakhstan) connect with Russia through Uzbekistan and Kazakhstan, respectively. It is expected that they will be connected to the Eurasian rail corridor joining Europe, Central Asia and China.

Construction of the railway: "China-Kyrgyzstan -Uzbekistan". The aim project is to develop Southern corridor of the Eurasian transcontinental railway, which will

pass through the territory of Kyrgyzstan and connect Pacific seaports of the Persian Gulf with Mediterranean.

With the realization of this project, the path length from East Asia to the Middle East and Southern Europe will be reduced by 900 km, and shipping time by 7-8 days;

Central Asian countries will gain a new impetus to the development of transport infrastructure and a new easy access to the seaports of the Persian Gulf and the Pacific;

This project will encourage development of the rich natural resources of transit countries, strengthen the international trade, tourism and economic cooperation in the region.

Construction of transnational railway "Russia-Kazakhstan-Kyrgyzstan-Tajikistan". Within the framework of this project it is planned to build a railway route "Balykchi-Kochkor-Karamyk" which goes to Kyrgyz-Tajik border. Implementation of the project will connect the northern and southern branches of the country's rail road and further provide a route to the Persian Gulf countries.

Another proposed project is the electrification of 322.7 km of railway between Lugovoe (Kazakhstan) and Balykchy (Kyrgyzstan). The Kyrgyz Republic has not big diesel fuel production. Its potential for hydroelectric power production is extensive, thus the desirability to convert the Lugovoe - Balykchy Railway section. Electrification will not only solve economic issue, but also will have a positive impact on ecological condition.

There are 12 airports in the Kyrgyz Republic. Three of them have international flight processing capacity. Manas International Airport in Bishkek is the largest and best equipped airport in the country and is equipped for heavy aircrafts landing. Manas Management Company handles all airfreight. It also manages modern warehouse space with temperature control and other features.

Another airport in the South of Kyrgyzstan – Osh, has air routes to United Arab Emirates, Turkey, China and Russia. Though not as equipped as Manas International Airport, it is the second largest airport in the Kyrgyz Republic. Improvement of Osh Airport features will enable to enlarge the interaction net of Fergana Valley States with other countries. Freight and passenger flows through the port will directly connect the isolated and surrounded by mountains Fergana Valley with Europe, Near East, and the States of South-Eastern Asia. It is necessary to point that geographical conditions of Fergana Valley, its location surrounded by mountain chains make development of air transportation most promising and attractive. It is easier, faster and safer to deliver the goods via air transportation than by automobile transportation through the serpentine of high mountain roads.

The third airport, which is currently in the phase of reconstruction and modernization, is the airport in Tamchi resort area of the Kyrgyz Republic. It is located on the northern side of lake Issyk-kul. Kyrgyz Government plans to make this airport a direct tourist receiving point and a reserve hub for emergency situations when Manas International airport is overloaded or unable to handle planes for whatever circumstances.

16. Turkey

Turkey's geopolitical position as link between the East and West makes the transport sector crucial for the economic development of the region. Turkey is a major player both as a transit country and as an origin and destination of freight. External developments with regard to the preparations for EU accession talks and the growing role of Turkey in trade between Central Asia and the South Caucasus make the focus on transport even more important. Taking to view the EU negotiations agenda Turkish government defines following priority issues in development of transport infrastructure: harmonization of infrastructure, vehicles, environmental standards, the development of logistic networks, the improvement of border crossings and trade facilitation policies (modernization of customs etc.). Adoption of a programme for transposition and implementation of the EU *acquis* is stipulated in road, rail, air and maritime transport. The Turkish Government puts a special emphasis on the more widely participation of private sector in transport field. Thus the numbers of private domestic airlines, standards of their fleets and their market shares have substantially been increased. In transport strategy of government priority is given to the investments aiming at upgrading and effectively utilising the existing infrastructure as well as to the ongoing projects that are due to be completed and contribute to the sector within a relatively short period of time. Ongoing projects, which have recently been initiated and are continuing up to day, include: renovation, electrification and standardisation activities of the railway network, modernization and pavement rehabilitation of provincial roads connecting them to main axes of highways and railways, reforms in maritime sector, especially changing harbour management with the view to be in harmony with developments in national and international trade.

One of the most challenging infrastructure projects in Turkey, the Marmaray Rail Tube Tunnel and Commuter Rail Mass Transit System. In October 2013 Prime Minister of Turkey Mr.Tayip Erdoganhas opened the world's first underwater rail link between two continents.

Railway tracks in both sides of Istanbul Strait connected to each other through a railway tunnel connection under the Istanbul Strait. The line goes underground at Yedikule, continues through the Yenikapı and Sirkeci new underground stations,

passes under the Istanbul Strait, connects to the Üsküdar new underground station and emerges at Söğütluçesme.

This Project is one of the major transportation infrastructure projects in the world at present. The entire upgraded and new railway system is approximately 76 km long. The main structures and systems; include the immersed tube tunnel, bored tunnels, cut-and-cover tunnels, at - grade structures, three new underground stations, 37 surface stations (renovation and upgrading), operations control centre, yards, workshops, maintenance facilities, upgrading of existing tracks including a new third track on ground, completely new electrical and mechanical systems and procurement of modern railway vehicles.

Another large-scale project which will be implemented in 2014 is Ankara-Istanbul high-speed rail railway. Construction of the route is taking place in two phases. The first phase is a 251 kilometres, \$747 million route between Sincan (a district of Ankara) and İnönü, for which construction began in 2003 on a segment between Esenkent and Eskisehir; this segment was completed in 2007. Regular service between Ankara and Eskisehir began on 13 March 2009. Two shorter lines complete the first phase: a line between Eskisehir and Inonu began construction in 2008 and was completed in 2010, while a line between Sincan and Esenkent was built in 2008.

The second phase, between İnönü and Gebze, is about 214 kilometres long, and costs \$2.27 billion. The substantially higher price of the second phase is due to more challenging terrain than the first, including 33 bridges and 39 tunnels. This phase was partially completed by 2010.

Construction is partially financed through foreign sources, including €1.25 billion from the European Investment Bank and €120 million from the European Union.

IV. CONCLUSIONS

17. Globalization of the modern economy has led to impetuous growth of the trans-national transport flows, as well as the new requirements raised on efficiency of the international transportation. All these factors require strengthening of integration of the national transport systems, combined adoption of appropriate decisions on their development and activity's optimization in the region.

18. The prosperity and intensive economic development in the member-states depends on situation in transport infrastructure. It is obvious that there are positive tendencies in development of transport infrastructure over last decades. Turkic official structures deal with promoting interstate transport projects. However, such processes initiated both at different levels has to be promoted more effectively in future perspective.

19. In perspective joint activities of the TURKPA member-states should also be directed to the following spheres:

a) application of the logistic systems on cargo delivery and improvement of the information systems. Application of logistic technologies is possible after creation of the informational basis. Level of informatization of the transport systems in the region does not meet modern requirements. Therefore establishment of the informational systems for all member-states is the most important objective.

b) development of the combined transportation. Lag in this field is decreasing competitive capacity of the TURKPA member-states at the world market of transport services. Consequently application of progressive technologies is a vital task.

c) effective cooperation on the protection of environment from transport activity. Partial transfer of the cargo flows into the more ecologically pure railway and water transport is an essential factor here.

20. It should be noted that role of TRACECA in the region is increasing and it is the result of effective cooperation between the member-states in transport field. TRACECA also plays important role in transportation of oil and gas from Caspian Sea to the Western European markets. Stimulation of mutually beneficial economic cooperation between all countries is priority task for TURKPA, signing of a Memorandum of understanding for the development of cooperation between sea ports of Aktau, Baku and Samsun can serve as an example for realization of this principle.

21. The efforts of the member-states in development of transport infrastructure must include modernization and harmonization of the legal, fiscal, technical and institutional frameworks, because these aspects are the core point of transportation. In this respect cooperation with the international financial institutions is a necessary factor, as well as application of international experience in this direction is useful aspect here.

22. From the point of view of economic development the transport infrastructure in future will contribute to effective business competitiveness of the Turkic world in the world markets. This development is directly related to the stability, welfare and prosperity of every nation in the region.