

THE IMPLEMENTATION OF THE NELTI PROJECT AND POSSIBLE CROSS-OVER BENEFITS FOR THE DEVELOPMENT OF THE CAREC TRANSPORTATION CORRIDORS

**Conclusions of a report presented to the CAREC meeting
23rd-24th February, 2009 in Guangzhou, China.**

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On behalf of the International Road Transport Union (IRU), please allow me to extend greetings to all the delegates present.

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The IRU is a multi-faceted non-government organisation, which was founded in Geneva in 1948. Its membership is comprised of 180 national road haulage associations from 74 countries, located on all five continents. The principal activities of the IRU involve offering international support to the road haulage industry, removing obstacles to international road shipments, and assisting in increasing levels of safety and security. On behalf of UNECE, the IRU administers the TIR – international customs transit system in accordance with the 1975 TIR Convention.

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To manage and make more efficient the role of the road transport industry the IRU has a very specific structure.

In 1948

In 1973

And since 1998 we have the IRU Permanent Delegation for the CIS region , which I have the honour to head.

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Today I was invited to speak on one important issue for our organisation – facilitation of Eurasian road transport linkages, or, to put it simple, revitalisation of the Silk Road.

Just for the beginning I'd like to remind you some figures,

In recent years the Asiatic region as a whole, and especially the People's Republic of China, has attracted the steadfast attention of the international business community and of international transportation organisations in particular. The sharp rise in China's external trade figures – a more than five-fold increase for the first 9 years of the 21st Century (from 2000 to 2008) – has been even more impressive than the growth in China's GDP (three-fold for the same period).

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Exports to European countries have regularly made up more than 20% of China's overseas sales.

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It is also worth citing another example. For European consumers, goods manufactured in China are gradually replacing similar goods manufactured in Japan. This can be

seen over a wide spectrum of products. Figures from the World Trade Organisation (WTO) for 2007 showed that at that point Chinese goods made up 47% of Asian exports to Europe, as compared with 22% in 2002, while the proportion of Japanese goods for the same period shrank from 25% to 15%.

The majority of European and American companies with a significant stake in the European market have all opened production facilities in China and have made multi-million dollar investments in the Chinese economy. A specific feature of this process has been the opening of production facilities in previously untapped regions of China, in particular in the West of the country, such as the Xinjiang Uygur Autonomous Region.

All these factors have contributed to an increased interest in the revitalisation of the Great Silk Road – a project which can offer overland options for delivering Chinese shipments to Europe as an alternative to the traditional maritime routes.

For the last several decades, the IRU has been involved in the development of Eurasian transportation links and the revitalisation of the Great Silk Road. A number of research studies have been undertaken, including several with the participation of the US Chamber of Commerce, devoted to the prospects for developing road transportation links between Europe and Asia. In addition, three road caravans have been organised along the following routes: Lisbon – Vladivostok (2002), Beijing – Brussels (2005) and the Black Sea Ring Highway (2007).

As a result of these initiatives, it has become clear that as of today the road infrastructure is fully sufficient to develop mass road haulage between China and the countries of Central Asia and Europe. As for the existing obstacles, they are primarily linked to border crossing procedures and can easily be resolved with the necessary political will.

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It has become clear that in order to start the process of regular shipments from Asia to Europe all that is required is an initial impetus. **The New Eurasian Land Transport Initiative (NELTI) Project, developed by the IRU has become this impetus.** The Project had its official start on 16th September 2008 in Tashkent.

The aim of the Project is to facilitate shipments from the Chinese border and from points in the Central Asian republics to states in Europe along three routes. The Northern Route runs through Kazakhstan and Russia; the Central Route runs through the Caucasus and the Southern Route runs through Iran and Turkey. Shipments under the NELTI Project cover a huge geographical region, stretching over the territories of 16 states from the borders of the People's Republic of China with Kazakhstan, Uzbekistan and Kyrgyzstan in the east to Germany in the west, and from the Baltic ports in the north to the cities of Iran and Turkey in the south.

From the point of view of the CAREC Programme, shipments undertaken under the aegis of the NELTI Project are being made along four of the six CAREC corridors, and follow Corridors 1, 2 and 3 virtually in their entirety.

The NELTI Project has attracted a broad spectrum of interest from the road haulage industry: nine road haulage companies from 7 European and Asian countries are actively participating in making shipments. The type of goods shipped is extremely

varied, from food products (confectionary, capers, sugar, fruit and vegetables) and semi-manufactured goods (wool, yarns, rubber etc.) to diplomatic and military cargoes, consumer goods and electronics.

The Project has received support from a wide range of international organisations, such as UN regional commissions (including ESCAP), the World Customs Organisation (WCO), the Organisation for Security and Co-operation in Europe (OSCE) as well as regional trade pacts such as the Organisation for Democracy and Economic Development (GUAM), the Eurasian Economic Association (EurAsEC), the Shanghai Co-operation Organisation (SCO), the CIS Co-ordinating Transport Council (CIS CTC) and others.

Of crucial importance to the Project has been the support it has received from governments of both European and Asian states. In supporting the NELTI Project, governments have confirmed their commitment to facilitate the development of Eurasian transportation links and transit shipments, to remove obstacles to international transportation and facilitate the development of the road haulage business.

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One of the ways in which governments have been supporting the NELTI Project is by setting up national Co-ordination Centres. These centres are currently in operation in 12 countries and they are manned by representatives of international road transport associations, as well as designated specialists from transportation bodies, customs services and departments for internal affairs. The Co-ordination Centres offer informational and other support to road hauliers participating in the NELTI Project, as well as providing the necessary assistance in resolving problems as they arise. NELTI hauliers have remarked that they have received invaluable assistance from the Co-ordination Centres, particularly in Belarus, Kazakhstan, Kyrgyzstan and the Russian Federation.

Another way in which governments have shown their support for the NELTI Project has been in signing Memoranda of Understanding with the IRU. One such memorandum was signed by the Government of the Republic of Uzbekistan. A similar memorandum has been agreed upon and will be signed with the Government of the Republic of Kyrgyzstan in the near future.

It is important to note that both agreements contain positive moves to involve the People's Republic of China in the system of road shipments to Europe. Specifically, by the end of the first quarter of 2009, through the mediation of the IRU, consultations between the governments of Uzbekistan and Kyrgyzstan should be resumed with China on the implementation of a previously signed three-way agreement to create a road route between Western China – Kyrgyzstan – Uzbekistan. This forms part of CAREC Corridor No. 1. In addition to the road route, the resulting logistical infrastructure will also be implemented. This route will in future become one of the principal road corridors between China, Central Asia and Europe, which is one of the main aims of the IRU's NELTI Project and is mirrored by those of many other international organisations.

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An important element of the NELTI Project is the monitoring of shipments undertaken under the aegis of the project. The monitoring process is based on UNESCAP methods,

adapted for the international road transportation sector. Drivers' logs and observers' journals have been developed, which enable drivers and other participants in the NELTI Project to note down data on travel movements, border crossings, enforced halts, road conditions and the state of auxiliary infrastructure, and official and unofficial payments exacted, as well as problems and infringements arising. Once the logs have been compiled, they are sent to the CIS Delegation of the IRU, where they are analysed and processed statistically.

Another element of the monitoring process is the circulation of questionnaires on existing obstacles in the countries through which shipments transit. This means that additional information can be obtained about the status of the international road transportation market and existing problems on Asia-Europe routes.

The results of the analysis of drivers' logs, observers' journals and questionnaires will be used in preparing a Final Report on the NELTI Project and a Road Map for the development of Eurasian road links in the region.

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Selected current results from a number of indicators, received from analysing the logs are posted on the NELTI Project website (www.IRU-NElti.org), which also forms one of the elements of the monitoring system.

The site is comprised of 42 pages in English and an equal number in Russian (84 pages in total), under such headings as "The History of the Great Silk Road", "Efforts of International Organisations", "IRU activities on the Revitalisation of the Great Silk Road", "IRU Caravans", "Practical Aspects concerning transportation on the Great Silk Road", "News from NELTI routers and statistics", "Publications", "Useful links" etc.

Visitors can follow the movements of shipments under the NELTI Project, find information on shipping procedures and legal requirements in each of the transit countries, keep abreast of all the most interesting and important events in the transportation world which affect the NELTI Project and also find publications about the NELTI Project appearing in other mass media.

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Data from the monitoring of shipments by route and by haulier are also posted on the site, compiled from the analysis of drivers' logs and observers' journals. The following factors are also shown graphically: overall distance covered, fuel expended, number of borders crossed, overall time on the road, drivers' working hours, volume of official and unofficial dues paid by drivers etc.

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On this slide you can see preliminary aggregated results of the main parameters. The drivers covered more than 1 mln kilometres, crossed borders 714 times, carried 3270 tonnes cargo etc.

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To date, the site has received approximately 100,000 hits.

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Here you can see split of IRU NELTI web site by countries.

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And now I would like to concentrate for a moment on the practical results of the NELTI Project.

The most obvious practical result of the Project is that more than 80 round-trips have already been undertaken between Europe and Asia and by the completion of the Pilot phase at the end of April 2009, we anticipate there will have been more than 100 round trips. Hauliers have covered a total distance of over 1 mln km and have transported more than 3,200 tonnes of cargo. This has involved a total of more than 700 border crossings. By the end of the project, these figures will, of course, have increased.

We can state with confidence that the volume of shipments has outstripped all expectations. However, the political results of the NELTI Project are no less impressive.

1. Road transport haulage in demand

What happens for the first time in modern history is that within the framework of just one project and despite the economic crisis and a decline in trade, commercial freight haulage has continued in the course of six months uninterrupted and on a regular basis along the directions of the Chinese border - Central Asia - Europe. **It has thereby been proved that these haulage operations are in great demand and economically efficient.**

2. The vast geography and range of freights in the haulage

The haulage within the NELTI Project covers vast geographic expanses, and follows the routes that had not been imposed by anyone but were chosen by road transport operators themselves. It has been confirmed in practice that international organisations were right in their assessments concerning the three main routes existing between Europe and China with their multiple offshoots: the Northern (across Kazakhstan and Russia), Central (across Central Asia and the Caucasus), and Southern (across Central Asia, Iran and Turkey). The range of freights carried proved to be extremely broad - from diplomatic cargo to capers.

3. Political backing

There was no green corridor or any other kind of "special treat" provided for the companies participating in the NELTI Project. At the same time, the Project received a very high level of political support in most of the transit countries. This is an indication that the governments of these transit countries are aware of the good prospects that the project offers, and are prepared to take practical measures for development of transport communications between Europe and Asia. The unprecedented support by the international community, the governments of individual countries, and by the business community is evidence of the significant role that road transport haulage between Asia

and Europe has to play in meeting the trade, political, socio-economic and geostrategic challenges in the countries of the region.

4. Promoting the processes of interregional integration

In the course of implementation of the NELTI Project, the interest of the Central Asian states in international freight haulage has considerably increased. In this context, consultations are planned upon the request of several states, with participation of China and mediation of the IRU. In the course of these consultations, work is to be stepped up to map out road transport routes and logistic infrastructures with the aim to develop road transport communications between China and the Central Asian states and between China and Europe. The NELTI Project has thus contributed to the processes of interregional integration vital for development of trade relations and consolidation of peace and stability in the region.

5. Problems

The results of the NELTI Project demonstrate that most of the problems arising in the area of international road transport haulage are of institutional and regulatory nature, ranging from downtime at the borders to solicitations and extortions on the road. However, all of these problems can be solved, and this requires political will. The mainstream in solving these problems is bringing national legislations into accord with international provisions and standards, above all those recorded in the system of international agreements and conventions of the UN. The implementation of the NELTI Project should provide a powerful impetus to the legal harmonization process along the routes of the Great Silk Road.

6. Secure and safe

Over the six months of the NELTI Project's implementation, not a single attack on the drivers or vehicles has been reported, nor has there been a single incident in border crossing that could evidence lack of security. There has been not a single road accident involving road transport vehicles participating in the project. All combined, this leads to the conclusion that any security or safety problems in freight haulage from Asia to Europe are a gross and unfounded myth.

7. Future

The implementation of the NELTI Project has demonstrated that there are good prospects for the development of road transport haulage between Europe and Asia. These prospects should be considered within the context of global economic processes that we are witness to today. The decline in the volumes of exports, including those from Asia to Europe, cannot but have an impact on the global logistic delivery chains. As the crisis develops, there will be a reappraisal of the current approaches, with the priority factor in choosing the means of freight deliveries shifting from the minimum tariff criterion to the quality of the service provided. And in this new global logistic system, the role of road transport will increase as a means of faster and more secure goods delivery to the customer's door.

From the point of view of the consequences of the global crisis, road transport should emerge winner, including also in long distance haulage. It is highly important that these shifts in emphases coincide in time with the aforementioned process of legal harmonization. This process may also cover accession to the WTO by the transit

countries not yet party to it, and coming into force of a number of regional agreements that will create favorable conditions for road transport transit, such as the multilateral SCO Agreement on International Road Transport Communications, the trilateral agreement between the Kyrgyz Republic, Uzbekistan and China, and others.

In conclusion, I would like to express the IRU's support for the CAREC initiatives on the development of transportation links in Asia. The IRU looks forward to an active partnership and is prepared to share its experience in implementing and monitoring the NELTI Project. I hope that our joint efforts will lead to the launch of a system of mass road shipments from China to Europe via Central Asia. These shipments will be the embodiment of profitable international co-operation and will be of benefit for both the businesses and peoples of the countries of Asia. This benefit can be defined in two important words – prosperity and stability. This is precisely the end to which the IRU is striving, since in working together we will be bringing about a better future.

Thank you for your attention.