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Dear Ladies and Gentlemen,

First of all, I would like to thank once again the Asian Development Bank and the Government of Kazakhstan on behalf of the Ministry of Infrastructure of Mongolia for the assistance in organizing this meeting where the issue of the strategic priorities and development of transport and road network of Central Asia will be considered.

Mongolia has a vast territory (one thousand and five-tens ml sq km), scarce population of about two and a half ml people. It is a landlocked country and is located between two countries which have rather vast territories. All this has an impact on increasing the transit transport costs and makes the transportation time longer. That is why the shortest transport corridor is especially important for Mongolia. My presentation will be based on this consideration.

We believe that cargo shipments are especially costly for developing landlocked countries. For example, those countries have to spend on the average twice as much of their export earnings than other developing countries on shipments and insurance of their goods. The recent studies show that while transit expenses of landlocked countries on the average fluctuate within fourteen and fifteen percent of their total export earnings, in some countries of this group those figures reach forty percent. This fact, and the fact that transit shipments from those countries are related to exclusively long time periods, make landlocked countries' products unattractive at the market.

Presently the total length of the Mongolian railway is over one thousand eight hundred km, the rail width is one thousand five hundred and twenty mm, and the cargo shipments make almost eighty percent. Transit cargo is delivered to the European countries through the Trans-Siberian Railway, and to Asia and America – through the Chinese Railway.

In the past years the cargo transit shipments from the Russian Federation and China going through Mongolia and cargo shipments from South-East Asia on the Chinese Railway have sharply increased. That is why the railway transport capacity should be increased.

We are developing a master plan for developing the Mongolian Railway up to the year 2021 and implementing stage by stage the following measures:

- to increase the road capacity and infrastructure
- to construct a new junction and railway link for the purpose of improving the shipments transit capacity
- to improve the transport information management system

Every year we organize an international Meeting of boundary railways where we resolve urgent issues and coordinate the scope of shipments. In addition we provide certain privileges for transport tariffs in the direction South-North.

In order to implement this Memorandum signed by the countries in November 2001 in Seoul, from March 2003 the Mongolian party started operations of the "Mongolian Vector" international speed container train with the help of the railway personnel of Russia and Belarus, for the purpose of delivering cargo from Europe during the shortest time possible which has significantly contributed to developing the Euro-Asian Northern transport corridor.

I would also like to inform you that several days ago under the auspices of ESCATO the 55th transportation by the express train during 8 days and 15 hours took place. The "Mongolian Vector" express train will not only transport Mongolian cargo but will ship in the future China's and South-Eastern countries' cargo which would promote an increase of transit shipments and may become a land bridge linking Europe with Asia.

The "Silk Road" International Symposium that took place not long ago in Seoul, the Republic of Korea, attached great importance to creating a land bridge linking Asia with Europe. I believe that it is necessary to select corridors linking Asia with Europe in line with one's own interests and requirements, jointly finance and invest them, standardize the rail width, develop an automatic system to transfer cargo from one rail to another one, simplify border and customs processing procedures in the framework of international cooperation which corresponds to our common interests.

Dear Ladies and Gentlemen,

Mongolia has got limited railroad, air and water transportation capacity, road transport plays an important role, and this situation is likely to continue.

The whole road network is 49,250 km, and out of that 1,714.9 km have a hard cover, 1,946.3 km have a gravel cover, and 1,923.6 km – an improved ground cover.

The Government of Mongolia is implementing the Millennium Road Project which is important to develop the regions, set up links with the neighboring country roads, and reduce transport costs.

Under this project we planned to link the western and eastern parts of Mongolia through the horizontal direction by a road with a hard cover with the length of 2,660 km and link Mongolia through five vertical directions with the boundaries of Russia and China.

Under the Millennium Road Project, in 2000-2003 we constructed and improved a 1,000 km road with a hard cover and gravel cover, including commissioning bridges with the length of about 2,000 km funded from the government budget, by international financial organizations, donor countries and private sectors.

The road network development issue is important not only for our economic and social development but it has a regional importance.

On the initiative and with the support of the UN Social-Economic Commission of Asian and Pacific Region, and with the assistance and efforts of the Asia and Pacific region countries, the Governments of respective countries have approved a single road network of Asia during the 60th Asia and Pacific region Social-Economic Commission Session that took place in Shanghai in April this year.

The roads in the direction of AH-3, AH-4, and AH-32 making part of the single road network go through Mongolia and in the future will ensure conditions for international transit shipments and function as a road corridor. To improve the status of those roads we have been implementing the following work:

- In the direction of AH-3 (the Altanbulat-Sukhbaatar-Darkhan-Ulaanbaatar-Choir-Sainshand-Zamyn-Uud 1,031 km road) in 2000 we commissioned the road from Ulaanbaatar to Altanbulag with the length of 345 km. Upgrading and repairs were implemented with the ADB loan under the Road Development Project. Under the ADB II phase loan, construction of a road with a hard cover was also started in the direction of Ulaanbaatar-Nalaykh-Choir, with the length of 200 km which is planned to be completed in 2004.

As a continuation of this project we ensure preparation for the construction of a road in the direction of Choir-Sainshand-Zamyn-Uud with the length of 430 km, funded by the ADB and South Korea loan under the Regional Road Development Project.

When we commission this part of the road in 2009, we shall have a road with a hard cover linking neighboring countries through Mongolia, and as result a great opportunity to increase transit shipments would emerge.

- The Asia and Pacific region Economic-Social Commission (ESCATO) has informed that a respective RF institute has carried out a preliminary feasibility study of the road in the direction of AH-4 (Ulaanbaishint-Yolgii-Khovd-Bulgan-Yarantay), with the length of 725 km. The ADB has also advised ESCATO and the Government of Mongolia that it is interested in construction of this road and has an opportunity to assist in this study. Construction of the road in the direction of Ulgii-Ulaanbaishint, Khovd-Ulgii, from Bulgan somon, Khovd aimak to the Yarantay boundary point has been started.
- In 2003 a road from Erdene to Baganuur in the direction of AH-32 (state boundary-Choibalsan-Undurkhaan-Ulaanbaatar-Kharkhorin-Tzetzeleg-Yliastay-Khovd), with the length of 2,500 km has been commissioned. Construction of the road from Baganuur to Undurkhaan with the help of foreign country private sector investments and the Government of Japan has been started. At the difficult parts of the road iron-concrete bridges have been constructed, old roads with a cover have been repaired and upgraded under the World Bank Project.

Property transformation which has become private is one of the big reforms in the road transport. 13.1 percent of the whole country auto fleet belongs to the state and the remaining part of the property – to the private sector. All road transport organizations have been privatized, except the bus transport and electric transport companies.

In the past years the number of vehicles has substantially increased and only in 2000 against 1990 it has increased by 2,8 times. With this regard in large central settled areas numerous vehicles have been used and it has a hazardous impact on the environment and human health.

For the purpose of reducing the negative impact we have been implementing the Diagnostics Station, Vehicles Control, and Setting Up a Single Registration Network Project jointly with the World Bank and the Nordiki Development Fund. Under this project we have constructed diagnostics stations in the capital Ulaanbaatar and centers of all aimaks, and the final phase of their uniting into a single computer network is being completed.

I believe that with the implementation of this project the following prospects would emerge:

- to reduce the damage due to road accidents
- to control the level of carbon monoxide and status of vehicles
- to study the reasons of road accidents and take respective measures
- to ensure road traffic safety
- to create favorable conditions for continuous technical control of vehicles during a year
- to create an opportunity for the registration system and vehicles diagnostics according to international standards

Mongolia has joined the TIR Convention and as a result of diligent work on implementing the TIR system with a simplified customs regime for international transit road shipments, Mongolia has become a country which has the right to operate according to the TIR regime and has started road shipments according to international standards.

The Russian Federation has joined the TIR Convention earlier and implements transportation between Europe and Asia on a regular basis.

As you know the SOM Meeting paper on the Central Asia Economic Cooperation held in April 2004 considered supporting the TIR Convention accession by China. I believe that if China joins the TIR Convention an opportunity to have an international shipment route through Mongolia would emerge and a new corridor will be set up.

Mongolia understands the importance of regional cooperation in transit shipments. From May 2000 5 negotiation rounds on the Framework Agreement Project on transit shipments between China, Mongolia and the Russian Federation were held with the support of UNCTAD and UNDP. We hope that when this agreement is signed three

countries will achieve standardization and simplification of customs and administrative procedures and free transit of all types of vehicles carrying both cargo and passengers.

We are planning to organize the final 6th meeting of the above mentioned Agreement in Geneva at the end of this year. We hope that the UN organizations and the Asian Development Bank will give assistance in funding and organizing this meeting.

Dear Ladies and Gentlemen,

I am happy to note that the shortest air routes joining Europe, Northern America with Asia and Eastern Asian go through Mongolia.

We have signed a contract with more than 20 countries on rendering air-navigation services during flights over Mongolia.

The flights have been systematized under the Air Navigation Development Project in line with the Communication, Navigation, Air Movement Observation/Management Concept based on wide utilization of satellite technologies put forward by the International Civil Aviation Organization (ICAO) which has resulted in the improvement of flights safety control and quality of services.

In the past 5 years the number of aircrafts flying over Mongolia has increased approximately by 1.5 times and reached 30,482. This number will continue to increase.

Presently there are 8 air routes over Mongolia. After establishing polar air routes in 2002 there have been Polar-2, Polar-3 air routes over Mongolia. Those routes will service flights in the direction from Bangkok, Singapore and Kuala Lumpur to the eastern coastal cities of Northern America.

Early this year Mongolia has joined the International Air Transit Agreement uniting more than 100 states which has a great significance for creating a favorable legal framework for implementing flights over Mongolia and non-commercial flights, and rendering similar services to air carriers implementing regular flights over Mongolia.

At the end of my presentation I would like to confirm the commitment of the Government of Mongolia to jointly organize with all interested parties various arrangements aimed at developing any transit transport corridor going through Mongolia, reducing the transportation time and improving the transport services quality.

Thank you for your attention.

