Council of Ministers

GLOBALISATION: EUROPE-ASIA LINKS

ROLE OF INLAND TRANSPORT MODES
Contributions of the IRU and the UIC

This document relates to item 3.1 "Globalisation: Europe-Asia Links" of the draft Agenda for the Moscow Council of Ministers.

It is submitted to Ministers as a reference document.
GLOBALISATION: EUROPE-ASIA LINKS

ROLE OF INLAND TRANSPORT MODES

CONTRIBUTION OF THE IRU
THE IMPORTANCE OF THE EURO-ASIAN ROAD TRANSPORT CONNECTION

Contribution of the IRU

1. Background

Foreign trade is a key contributor to the creation of social and economic wealth. Social wealth, including sustainable development and economic growth relies on an efficient freight transport system. When logistic systems are efficient, they provide economic-social opportunities and benefits that can impact the economy as a whole. When transport systems are deficient, they can have an economic cost in terms of reduced or missed opportunities. Road transport, which has grown into the principal mode of transport worldwide, plays an exceptional role in international trade development. As such, the development of goods transport by road between Asia and Europe has become a hot topic over the last couple of years.

The Far-East, China in particular, has a long history of economic, cultural and trade links with Central Asia and Europe, which can be traced back to the Silk Road Era of more than 2000 years ago. Today, both European and Asian countries are interested in reconstructing the Silk Road in order to boost economic, cultural and trade exchanges between countries and continents.

Over the past two decades, China, as the fastest developing nation in Asia, has enjoyed rapid annual economic growth. The road transport industry has been instrumental in this growth, providing a major tool for people’s mobility and supply chain management in a country of one fifth of the planet’s population.

With this in mind, the Chinese Government has taken important measures to actively improve the road network. The 12 freeways (motorways) of a planned length of 35'000 kilometres will form the core of the Chinese road network and it will be built according to international construction standards. After ten years of efforts, 83% (!) of this huge project has already been completed and more than 20'000 kilometres of newly built motorways have been open to traffic. More and more attention is being paid to opening China to international road transport connections.

Maritime transport is relatively inexpensive but a container to reach Europe from China takes on average 4-6 weeks (although it can exceed 2 months) and inevitably incurs expensive freight handling charges in ports. Although huge sums have been invested in port infrastructure in China and elsewhere in the Far-East, as well as in merchant fleets, ports are currently working at full capacity and in recent years they have been struggling to cope with the increasing volumes of traffic. Despite growing difficulties, maritime routes are still viewed as the principal and practically only method of transportation for shipments between South-East Asia and Europe.

1 The cost of transporting a 40’ container by sea is approximately $3,000 from a Chinese port to a European one.
Road transport between Asia and Europe however can reduce the journey time to about 2 weeks, i.e. by 2-4 times, and the cargo transported on the road can be delivered door-to-door, thereby ensuring high security and quality requirements.

2. **IRU Strategy for Cooperation between Asia and Europe**

Asia has been a strategic area for the IRU’s activities. The reason is simple: Asia is one of the world’s most significant product and energy suppliers for Europe. Europe will export more and more technology and know-how to Asia while Asia will export more and more natural resources and manufactured goods to Europe, thereby generating prosperity and triggering an intensive growth spiral of trade exchanges.

*When trade grows, road transport and logistic activities follow.* For this reason, the IRU is intensifying its focus on Asia and the Far-East, and it is contributing to multilateral, regional and inter-regional cooperation and development in road transport.

*For the road transport industry, further progress in international road transport relations in the Far-East should strictly be based on existing and proven multilateral UN Conventions* like e.g. those listed in the resolution No. 48/11 of the UN Economic and Social Commission for Asia and the Pacific dated 23 April 1992: Convention on Road Traffic and Convention on Road Signs and Signals (both of 1968), TIR Convention (1975), Customs Convention on the Temporary Importation of Commercial vehicles (1956), Customs Convention on Containers (1972), International Convention of the Harmonisation of Frontier Control of Goods (1982), Convention on the Contract for the International Carriage of Goods by Road (CMR, 1956). It would furthermore be recommendable to join ADR (dangerous goods transport by road) and AETR (social regulations for drivers of commercial vehicles, driving and rest time).

3. **IRU Member Associations in Asia – a Strong Network**

The IRU can think globally and act locally with more than 160 member organisations in almost 70 countries, which add know-how, experience, insight and political weight to this network.

National road transport organisations in many Asian countries are IRU member associations (*Table One*).
Table 1: IRU Member Associations in Asia

<table>
<thead>
<tr>
<th>Association</th>
<th>Association's full name</th>
<th>Country</th>
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<tbody>
<tr>
<td>CRTA</td>
<td>China Road Transport Association (CRTA)</td>
<td>CN</td>
</tr>
<tr>
<td>JTA</td>
<td>Japan Trucking Association (JTA)</td>
<td>JP</td>
</tr>
<tr>
<td>KCCI</td>
<td>The Korea Chamber of Commerce and Industry (KCCI)</td>
<td>KR</td>
</tr>
<tr>
<td>KAZATO</td>
<td>Union of International Road Carriers of the Republic of Kazakhstan (KAZATO)</td>
<td>KZ</td>
</tr>
<tr>
<td>NARTAM</td>
<td>The National Road Transport Association of Mongolia (NARTAM)</td>
<td>MGA</td>
</tr>
<tr>
<td>ASMAP</td>
<td>Association of International Road Hauliers (ASMAP)</td>
<td>RU</td>
</tr>
<tr>
<td>ABBAT</td>
<td>Tajik Association of Road Transport Operators (ABBAT)</td>
<td>TJ</td>
</tr>
<tr>
<td>IATC</td>
<td>International Automobile and Touring Club (IATC)</td>
<td>UAE</td>
</tr>
<tr>
<td>DHL</td>
<td>DHL International E.C.</td>
<td>BH</td>
</tr>
<tr>
<td>IRTB</td>
<td>Israel Road Transport Board (IRTB)</td>
<td>IL</td>
</tr>
<tr>
<td>ICCIM</td>
<td>Iran Chamber of Commerce Industries and Mines (ICCIM)</td>
<td>IR</td>
</tr>
<tr>
<td>KYRGYZ AIA</td>
<td>Association of International Road Carriers of the Kyrgyz Republic (KYRGYZ AIA)</td>
<td>KG</td>
</tr>
<tr>
<td>KATC</td>
<td>Kuwait Automobile and Touring Club</td>
<td>KW</td>
</tr>
<tr>
<td>CCIAB</td>
<td>Chambre de Commerce, d'Industrie &amp; d'Agriculture de Beyrouth et du Mont Liban (CCIAB)</td>
<td>LB</td>
</tr>
<tr>
<td>SNC ICC</td>
<td>Syrian National Committee International Chamber of Commerce</td>
<td>SY</td>
</tr>
<tr>
<td>THADA</td>
<td>Turkmen Association of International Road Carriers (THADA)</td>
<td>TM</td>
</tr>
<tr>
<td>UATOD</td>
<td>International Anatolia and Thrace Bus Operators Society (UATOD)</td>
<td>TR</td>
</tr>
<tr>
<td>UCCET</td>
<td>Union of Chambers and Commodity Exchanges of Turkey (UCCET)</td>
<td>TR</td>
</tr>
<tr>
<td>UND</td>
<td>International Transporters Association (UND)</td>
<td>TR</td>
</tr>
<tr>
<td>AIRCUZ</td>
<td>Association of International Road Carriers of Uzbekistan (AIRCUZ)</td>
<td>UZ</td>
</tr>
</tbody>
</table>

Source: IRU, March 2005

Applications for IRU membership from India and Pakistan are being processed.
4. IRU Euro-Asian Transport Conferences and their Main Messages

In line with its strategy for cooperation between Asia and Europe, the IRU has organised two Euro-Asian Transport Conferences to discuss the problems and prospects of road transport between Europe and Asia cooperation. The third event in the same series will be held in Beijing in September 2005 and it will be entitled: Road Transport – Bridging Asia and Europe.

- The 1st Euro-Asian Road Transport Conference

The 1st IRU Euro-Asian Road Transport Conference was held in Irkutsk, on 13-14 September 2001. The purpose of this meeting was to develop a short, medium and long-term strategy in order to reduce barriers to road transport in the Euro-Asian region, in particular at borders.

The following important issues of cooperation between Europe and Asia were discussed:

- The road transport operator is faced with immense challenges in moving goods on the Euro-Asian landmass, resulting from recent profound geopolitical and economic changes. Land transport in Asia is administratively cumbersome, particularly in comparison with Europe.

- The Asian continent has a large number of land-locked countries which are struggling with development issues specific to their circumstances – in particular, exorbitant transport costs incurred for import and export products. This puts them at a natural disadvantage compared with countries enjoying the advantage of having a direct access to the sea.

- Carriers of foreign trade goods suffer losses as a result of barriers to transport activities at borders. The problems result in important delays caused by bureaucracy as to visa issuance and control, inspection of vehicles’ technical standards as well as transport permits and other transport, customs and trade documents. Cooperation between countries and national authorities should lead to harmonised cross-border procedures as soon as possible. One should never forget that according to research results, direct losses to trade and transport due to idling at borders are doubled if indirect costs of lost economic opportunities are also taken into account.

- An expansion of the TIR system and the implementation of other UN facilitation instruments would simplify procedures and reduce border waiting times. However, only a few UNESCAP member states have so far acceded to international transport conventions on trade and transport (transit) facilitation such as the TIR Convention and other legal instruments.

  Each country sets its own rules and interpretations; there is no harmonised method for carrying out border inspections, etc.

- The road transport industry has witnessed soaring growth since China opened its doors to the world and its national economy started on a fast track. With the entry of China into the WTO, China has started establishing trade and industrial regulations in line with WTO conventions. It has improved its legal system and started to build a policy framework for the Chinese road transport sector.
However, a lot is still to be done in this respect, since though being signatories to the GATT, China and its neighbours (eight of them are WTO members) do not apply yet such a basic provision of GATT like its Article V. (!) on the freedom of transit which involves unrestricted transit movement of road vehicles across the territory of all contracting parties.

- **The 2\textsuperscript{nd} Euro-Asian Road Transport Conference**

  The IRU held the 2\textsuperscript{nd} Euro-Asian Road Transport Conference in Tehran, on 6-7 October 2003. This conference identified challenges and opportunities in developing trade and road transport along the Silk Road:

  - Trade in Asia is expected to thrive when trade barriers are dismantled under the globalised trading system and, inevitably, this will create greater demand for transport. However, the lack of proper interregional transport links in physical, legislative and institutional sense between Asia and Europe, as well as Asia and Africa, represents an immediate challenge in the context of globalisation.

  - Transport conditions and procedures are unsatisfactory even in certain developed Asian countries, which still lack a well-defined and comprehensive transport policy and sub-sectoral policies on road, (railway, waterway and maritime) transport. The state of roads and, in particular, of those leading to border points between neighbouring countries, is poor. Inter-regional connections are less developed than national road networks.

  - Protectionist policies do not allow even a partial liberalisation of the access to the international road transport market. Certain countries fear that the facilitation of border crossing and the harmonisation of transport regulations would hurt national trade and transport interests while the opposite is true.

  - TRACECA is a useful EU development programme, but some countries suffer from the lack of proper bilateral and multilateral cooperation frameworks that restrict the full exploitation of the results of development projects.

  - In general, there are just a few bilateral or multilateral agreements that guide road transport of passengers and goods between neighbouring countries in Asia and even fewer countries have acceded to and apply international transit conventions, despite the fact that some countries would have a considerable volume of this type of traffic.

  - At this conference, the possibility of transiting goods by road from China to Europe was discussed. At present, more than 95\% of Chinese goods are carried to European countries by sea. China has not acceded to the TIR Convention, but Kazakh operators have carried out successful transit operations carrying Chinese goods to Ukraine, Russia, Belarus and the Baltic countries, opening TIR carnets at customs warehouses on the Kazakh side near the Chinese border.

  The State Customs Committee of Russia, however, issued an order (No. 888) that virtually paralyzed this traffic in its entirety. According to experts, the volume of transit goods by road from China could rise to between 500 and 600 million tonnes per year. So, this volume of trade would be facilitated by the accession of China to the international customs transit convention TIR and other basic UN conventions on road transport.

  - Delegates called for a fast introduction by transport operators of best available transport technologies and practices and the creation of an infrastructure satisfying free-flowing traffic by removing bottlenecks and constructing missing links in the Euro-Asian transport corridors, as well as the fullest use of existing road capacities.
5. The Lisbon-Vladivostok Caravan – The Proof of the Pudding is in the Eating

In order to promote road transport between Asia and Europe, an HGV-Caravan travelled from Lisbon (P) to Vladivostok (RF) in May 2004. The project was conceived by the Ministry of Transport of the Russian Federation, and it was organised by the IRU’s Russian Member Association, ASMAP, in partnership with the IRU.

The Lisbon-Vladivostok Caravan undertook a 15,000-kilometre journey across Europe and Asia via Brussels and Moscow, to celebrate the completion of the Trans-Siberian Highway. It provided spectacular proof of the significance and the usability of one of the “branches” of the Silk Road.

The Caravan’s epic journey across the entire Eurasian landmass shows that road transport can link production and distribution centres anywhere from the Atlantic to the Pacific, thus allowing the integration of previously remote regions into the modern, global economy.

6. Security

To ensure physical security for long-distance road transport, vehicles should be fitted with GPS and other on-board IT equipment giving not only a location and providing a link with the dispatcher to reflect the route, but in case of an emergency transmitting a special signal, so that further distress measures could be taken.

Customs security lies in the use of the TIR system. The use of modern computer systems (SafeTIR, CuteWise) creates the conditions to move to on-line systems of data transfer about cargo movement, which makes any uncontrolled interference difficult.

7. Infrastructure

The Euro-Asian Trans-Continental Land Bridge is substantially shorter, by some 6,000 kilometres, than maritime connections and therefore potentially more economic.

For the newly land-locked Central Asian republics, economic and social welfare is highly dependent on transport corridor efficiency. Consequently, high-performing transport, handling and warehousing facilities in such corridors should have priority if economic and social progress is to achieved.

The Silk Road encompasses parts of the Asian Highway Network which links Asian capitals, industrial centres and important ports. It is a complementary road network supported by UNECE and UNESCAP to link the European and Asian highway systems. International financial institutions have increased their investments in this network by offering financial means to several countries concerned.

8. The Legal Framework

- World Trade Organization (WTO)

China’s and other Asian countries’ entry into the WTO represents a historic opportunity to boost its road transport sector, since WTO membership, beyond its requirements for free transit traffic (see above) and liberalised bilateral transports, will facilitate direct capital investment, as well as the international transfer of advanced foreign management concepts, logistic solutions, technologies, know-how and operational experience in the transport sector.

China will become a more transparent and easier market for foreign investors and sellers/buyers of goods and services to navigate.
- **Major United Nations Transport Conventions**
  
  See above.

- **Bilateral and Regional Governmental Road Transport Agreements between China and Asian Neighbouring Countries**

  Bilateral and regional agreements on road transport market access may be useful in a first phase of development. Several Asian countries have signed such agreements among themselves and with a number of European countries.

  In a more advance stage, however, Asian countries should consider joining global UN conventions and agreements on regulating international road transport in general and market access for their road transport operators in particular.

9. **Conclusions**

  Road transport is the mode of transport which can offer an unbroken door-to-door service between Asia and Europe. It can significantly contribute to general economic and social development and the distribution of wealth on the two Continents.

  Development prospects of road transport between China, its Asian neighbouring countries and further on to Europe are promising.

  The strategy of the IRU, the organisation representing road transport interests worldwide, is to focus much attention on Asia with special emphasis on multilateral forms cooperation and development.

  The necessary international legal framework already exists in the form of United Nations’ Transport Conventions aimed at promoting international road transport through such vital agreements as TIR, CMR, ADR and others. There is **NO** need to reinvent the wheel in this respect and develop parallel regional systems in contradiction with real requirements of globalisation in trade and supply chain management systems.

  Unfortunately, there are signs of such intentions erroneously supported by a few respectful organisations like the Asian Development Bank to the detriment of a real integration of Euro-Asian transport systems.

  Both Asian and European countries are interested in infrastructure development projects and highway construction, in particular, to link Europe and Asia. The European (“E” network of UNECE) and the Asian highway networks (“A” network of UNESCAP) have been conceptualised and built to a large extent and they are continuously being improved.

  The new Silk Road is also under construction. The EU concept and development programmes to link European and Asian transport corridors perfectly complement these efforts. China, which holds a key to progress in Asia, has already made substantial steps forward in the construction and rehabilitation of road links in its own territory. It has taken also some pragmatic measures to develop road transport operations between China as well as Central and Western Asian countries. The proven concept of a multilateral cooperation in the field of road transport is gaining ground among Chinese governmental institutions.

  Despite these encouraging developments in road transport between China, its neighbouring countries and Europe, there are still too many artificial obstacles in the way of further progress. The conditions of the Euro-Asian road transport systems must be improved significantly in the interest of world trade and economy.
GLOBALISATION: EUROPE-ASIA LINKS

ROLE OF INLAND TRANSPORT MODES

CONTRIBUTION OF THE UIC
THE ROLE OF RAIL IN DEVELOPING EUROPE-ASIA TRANSPORT CORRIDORS

Contribution of the UIC

International Union of Railways (UIC), a world wide organisation for railways has been consistently involved in the development of rail transport at global level, through its world wide members.

Primary objective is to achieve a larger market share for rail transport and to support the sustainable development of the society.

One of the key strategic projects of UIC is to commercialise its concept of linking major global economic centres through efficient multi modal transport links with rail transport playing a major role on the surface transport links.

As part of this strategy UIC has launched N.E.W corridor project linking North East American economy West Chinese economy and also to serve Europe-Asia route (see Annex).

Principle goals of this project are as follow:

i) To achieve at global level a common inter-operable legal and commercial procedures across different modes in particular rail and shipping

ii) To utilise major investments made by UIC members in developing physical links between China – Central Asia and Europe, to their full potential

iii) To provide transport security to global trade by creating efficient alternative to existing routes.

iv) To reduce congestion by utilising to a large extent rail networks in less populated regions in Central Asia and Northern Europe.

v) To link three/four mega transport / logistic hubs in Europe with corresponding hubs in China by dedicated block container trains, which will run on specific schedules.

vi) To ensure that by 2010 at least 10% of the existing transport between North East America and West China, and between Europe and China is moved on rail transport.
To achieve these realisable goals UIC is actively working at professional levels with the railways of China, Kazakhstan, Russia, Finland, Sweden, Norway and Poland along with other concerned railway in Europe; ports of Northern Europe, North East America, shipping lines serving Atlantic crossing and with respective Ministries from above countries.

In addition it is also actively working with world customs organisation, United States Dept of Transport (US DOT), United States Homeland Security Department and of course with major customers like Mitsui, Ikea, Walmart, Sinotrans and others to ensure that a market based product is developed.

At current stage these projects are at various stages of development including the trial run over a period of six months.

An analysis of the work done so far has indicated the need for key political support and policy issues which are considered essential to exploit full potential of Euro-Asia transport, which alone will result in considerable increase in the rail market share on European Railway networks, which is currently struggling to retain its current share.

**This includes political directives and support as follow:**

i) Creation of three/four major logistic inland hubs in Europe with dedicated container block trains between Europe & China (UIC is in the final stages of completion of a study on possible locations in Europe and China for these hubs).

ii) Treating these container block trains as free trade zones for the customs procedures and local taxes point of view

iii) Adopt results of UIC trial runs for container security and tracing systems plus concept of using electronic way bill as the only document to be utilised for customs as well as transport law.

iv) Support European investment in developing smooth border crossing facilities on the routes, as well as in multi gauge rolling stock for seamless transport between China and Europe.

v) Support UIC projects of various trial runs as well as initiative of providing training to the concerned staff of various railways, ports, organisations connected with this development process.
ANNEX

THE NORTHERN EAST WEST (N.E.W.) FREIGHT CORRIDOR

This Annex may be read in its entirety on the following Internet website: