



**EUROPEAN CONFERENCE OF MINISTERS OF TRANSPORT
COUNCIL OF MINISTERS**

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Council of Ministers

GLOBALISATION: EUROPE-ASIA LINKS

SYNTHESIS REPORT AND POLITICAL DECISIONS REQUIRED

This document will be examined under item 3.1 "Globalisation: Europe-Asia Links" of the Draft Agenda for the Moscow Council of Ministers.

Ministers are invited to take note of the Synthesis Report and to approve the recommended Actions.

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EUROPE–ASIA LINKS

SYNTHESIS REPORT AND POLITICAL DECISIONS REQUIRED

1. THE GROWTH IN TRADE BETWEEN EUROPE AND ASIA AND THE CONSEQUENCES FOR TRANSPORT

ECMT report CEMT/CM(2005)13 on trends in trade between Europe and Asia and the consequences for transport very clearly shows that trade between the two continents has accelerated sharply in recent years, partly as a result of the development of Eastern Asian countries, chiefly China, but also as a result of the emergence of the economies of Russia and the countries of Central Asia. This has engendered a wider geographical dispersal of trade flows, a phenomenon that is crucially important for defining the main routes for international trade between Asia and Europe and not just for trade between either extremity of the two continents, but also for trade between major centres in the interior of the continent of Eurasia.

The observed growth in trade has been seen equally in energy products (gas and oil), which play a key role in exports by CIS countries, raw materials and intermediate products (cement, steel, timber) boosted by major construction programmes, manufactured products and assembly parts (traffic associated with the delocalisation of assembly plants). It has produced strong, highly diversified and in many cases sophisticated demand for international transport, with heavy logistical constraints.

The available projections suggest that the trends recorded since the early 2000s could continue over a 15 to 20-year timeframe, even if some of them may decline a little. Against an overall backdrop of internationalisation and globalisation, the fact that trade flows between Europe and Asia include energy products, raw materials and intermediate products as well as high value-added products means that the possibility of even stronger demand on the major routes linking the two continents should not be ruled out. China's share in world oil consumption looks set to increase fourfold in 20 years, at a time when major shifts in the geographical distribution of oil production are expected, with the Caspian Sea forecast to play a larger role. It is therefore essential that the transport required to meet these trade needs be provided under satisfactory conditions and that solutions be found to the problems that are apparent in this sector even today.

One of the main effects of the development of trade between Europe and Asia has been the faster growth of maritime container traffic, at rates of the order of 6 % per year. This phenomenon has been accompanied by the use of steadily larger vessels and by rates that have fallen to extremely low levels (less than USD 700 per TEU from Europe

to Asia). The available estimates put the number of containers that will depart from ports in Eastern Asia for Europe in 2005 at more than 3 million. Two billion tonnes of freight passed through ports in China alone in 2002, representing an increase of more than 20% on the previous year.

The growth in maritime transport, which has carried the bulk of Europe-Asia trade flows to date (for the purposes of comparison, container traffic carried by Trans-Siberian rail, which reached record levels in 2004 still accounted for only 155 000 TEU), has been becoming increasingly concentrated in both Europe and Asia on just a few major maritime hubs, partly because of the increase in vessel size. For the future, although experts are generally optimistic about the capacity of these ports to accommodate ships and about the development of associated services on the major maritime routes, they are concerned about the problems of congestion and saturation that are becoming steadily more apparent with land access to ports, despite the fact that transshipment to « feeder ships » seems to be quite efficient.

Overall, an analysis of the current features of Europe-Asia trade points to two factors that militate in favour of the diversification of routes and the opening up of new land routes between Europe and Asia or, in some cases, the revival of old trade routes such as the Silk Road and the Trans-Siberian route:

- Maritime transport's virtual monopoly on trade between Europe and Asia is causing increasing problems with land access to sea ports, all the more so since the push for productivity gains tends to reduce the number of such ports. As well as this, the concentration of maritime traffic along with obligatory points of passage on routes between maritime hubs where shipping traffic concentrates pose both a serious safety problem (risk of pollution following accidents) and a serious security problem (vulnerability to attack);
- The growth in traffic between continental countries, particularly in Central Asia, all along the Europe-Asia land routes. Besides trade along all the Europe-Asia corridors, trade within the region itself is beginning to develop rapidly, strengthening the case for improving these corridors as a source of development for the countries concerned. For example, it is worth noting that imports to China from other Asian economies accounted for more than half of the former country's total imports in 2003.

For the ECMT, which now has a scope of coverage that extends over much of the area stretching from Europe to Asia, this poses challenges on both land and sea with, on the one hand, the continuing very rapid growth in traffic on the major sea routes and in major ports, to which land access is increasingly problematic and, on the other, the revival of the great land routes over very long distances opening up new opportunities for all modes of transport, particularly rail.

2. LAND HAULAGE: AN ALTERNATIVE SOLUTION

Economic analyses would appear to prove that the land haulage alternative is viable and could well free up significant capacity (several million TEU) at competitive costs on a large number of links between Europe and Asia. The first point to bear in mind is that distances by land between Europe and Asia are generally shorter than distances by sea, especially if the origin/destination points on both continents are inland (by as much as half the distance, in some cases). While on the Trans-Siberian route, transport between Europe and the Pacific can take 9 to 10 days, potentially, rail services could be provided that would take no more than 20 or so days from China to Europe via central Asia rather than the 6 weeks and more that transport by ship would take. The road transport sector, for its part, estimates that it could do Europe-Asia hauls in two weeks. The only real economic barrier to developing the land transport alternative is the price of these services, which would probably be of the order of two to three times higher than container transport by sea, which is now at particularly low levels. However, it should be noted that port approach costs could wipe out the advantage of maritime transport since the costs of the end-haul by land transport is in any case likely to be a determining factor in weighing up land and maritime routes. As well as this, the future may well bring a very substantial reduction in rail costs, especially for long-haul rail transport, as operating conditions improve (longer trains, better utilisation of rolling stock and personnel, etc.). Without claiming that overland haulage through Asia is the definitive answer to the problem of land access to ports in Europe and Asia, it could certainly improve access to a large number of inland regions and absorb a substantial portion of the growing number of containers shipped between Europe and Asia, which is expected to top 10 million in 10 years time.

In the bid to find new long-haul land routes that meet not only transit needs but the also the accessibility requirements of the countries they pass through, rail transport -- with inland waterway mode playing a role on the Volga in the West and the Yangtze in the East -- is in a strong position, all the more so since the distances to be covered are long, often several thousand kilometres, and the flows concerned are relatively concentrated in countries that have quite adequate rail infrastructure, although it is true that some missing links still have to be built. The main trans-Asia continental routes are first and foremost major rail routes and the Declarations produced by the St. Petersburg Conferences have already identified at least four of them: the Trans-Siberian, the TRACECA corridor, the Southern route via Turkey and Iran, the North-South link providing maritime access to Central Asia through Iran.

Road also has a key role to play, in particular by providing denser coverage to link main towns. Furthermore, in the South, physical geography poses greater difficulties for rail than for road, which explains the growth in very long distance road haulage in this area, as seen with Turkish haulage services to Central Asia, for instance.

This said, the intermodal transport solution undoubtedly seems to offer one of the most promising prospects for land haulage on Europe-Asia links because of its ability to combine the performances of road, rail and maritime modes to best advantage and ensure high-quality coverage for all the countries of Asia and Central Europe. This was what the Kiev Seminar on Intermodal Transport between Europe and Asia, held jointly by the ECMT and UNECE on 27 and 28 September 2004, so clearly demonstrated.

3. RECOMMENDED POLICY ACTION

Whatever the effort to develop efficient land links, maritime transport will remain a key player in the Europe-Asia transport market. While shipping companies and ports may be able to cope with the expected increase in maritime traffic, particularly container traffic, inland transport modes for hauls between ports and their hinterlands are not. The risks of saturation on road networks to these ports are high, while rail and inland waterway often have insufficient capacity. It is therefore crucial that Governments take the necessary action, particularly on infrastructure, to improve land access to sea ports; for instance, by developing appropriate rail or inland waterway links and facilitating intermodal transfer between inland and waterway modes.

The Council of Ministers of the ECMT is invited to foster all measures with the potential to improve land access to sea ports and interfaces between sea transport and inland transport.

Other policy action is also crucial for the development of inland transport services on Europe-Asia links as a complement to sea transport. It must be said that the development of any genuine inter-regional links along Europe-Asia routes, whether from a practical, legal or institutional standpoint, is still severely hampered even today. Establishing land transport links between Europe and Asia raises a number of problems that can only be overcome by the appropriate policy decisions. These – and they are undeniably a challenge in today's context of globalisation and internationalisation – chiefly concern:

- Adapting capacity and making adequate infrastructure available;
- Opening and operating networks that are interoperable, which requires, among other things, the regulation of transport markets and an appropriate regulatory framework;
- Reforming the railways in order to increase productivity;
- Facilitating border crossings;
- Safety and crime prevention.

3.1 Adapting capacity and making adequate infrastructure available

The provision of good-quality land links between Europe and Asia requires investment in order to bring existing infrastructure up to standard and to build missing links, chiefly in border areas in view of the fact that links between neighbouring countries often seem to be less well developed than national networks. The limited resources available and the need to ensure good co-ordination between projects will entail the

development of a planning process on an international scale and the selection of projects after an in-depth review of their suitability.

In accordance with the strategy defined in the Declaration on transport infrastructure planning in a wider Europe that was adopted by the ECMT Council of Ministers in Ljubljana in May 2004, priority should be given to an approach based on the major corridors between Europe and Asia as this seems to be the only one that would facilitate the provision of genuinely efficient services for long haul transport.

As stated in the Ljubljana Declaration, it is important that the definition of these corridors and the associated investment projects be based on real needs and on well-defined criteria. It is also crucial that they be viewed from a multimodal perspective and be consistent with local and regional projects and national networks so that the countries they pass through will derive maximum benefit from them and so that network continuity will be ensured, thus facilitating the operation of international services. A number of initiatives in this area have already been launched both by international governmental bodies and by industry organisations. A strong policy signal from the Ministers of Transport of the ECMT is therefore necessary to secure good co-ordination and genuine convergence of all of these initiatives.

In order to ensure the coherent development of land transport infrastructure between Europe and Asia, the Council of Ministers of the ECMT is requested to:

- Support the continuation of the UNECE and ESCAP programme [see document CEMT/CM(2005)14] to develop Europe-Asia transport links so that the choice of main land routes to be developed between Europe and Asia can be finalised before the end of 2005 on the basis of the draft agreement reached at the meeting of experts in Odessa from 3 to 5 November 2004, and then implemented;
- Invite the European Commission and the UNECE/ESCAP to work together rapidly on ensuring good co-ordination between the work of the High-Level Group on extension of the major trans-European transport axes to the neighbouring countries and regions and that of the UNECE/ESCAP programme on the development of Europe-Asia transport links, the aim being to avoid any gaps in continuity between the five to seven axes to be selected by the High-Level Group and the eight to ten routes adopted at the Odessa meeting;
- To stress the need to adopt a multimodal perspective in defining the main corridors between Europe and Asia in order to facilitate the development of intermodal transport along these corridors and to that end:
 - between Europe and Asia [document CEMT/CM(2005)2] and the Action Plan proposed;

- West Freight Corridor (NEW) and to ensure that it is fully consistent with overall planning of the Europe-Asia Corridors [document CEMT/CM(2005)15], to conduct trial runs so that container block-trains can operate on this corridor and to create a few major hubs in Europe and Asia with a view to consolidating container block-train traffic between the two continents;
- Work to ensure the rapid development of a method for identifying priority investments for Europe-Asia corridors, based on an inventory of the main physical barriers, in accordance with the criteria proposed by the UNECE/ESCAP at the Odessa meeting drawn from experience with the TEM and TER Master Plans while at the same time ensuring that they are compatible with those selected by the Commission's High-Level Group;
- Invite the countries concerned to make a firm commitment to implement the projects selected, propose realistic finance schemes and provide for completion of the work by 2020 at the latest, the same target date adopted by the EU High-Level Group.

3.2 Removing barriers to the provision of efficient transport services

Creating Europe-Asia corridors by building the appropriate infrastructure makes sense only if the transport services that can be provided on them are not hampered by a series of barriers that restrict operating conditions and make those services less competitive than maritime transport. Among the main barriers identified in report CEMT/CM(2005)13 on trends in trade and at the Kiev Seminar on intermodal transport between Europe and Asia [document CEMT/CM(2005)2] are the lack of harmonisation of regulatory provisions for the transport market, the inefficiency of rail, difficulties at border crossings, the use of obsolete transport and information technologies, lack of safety and illegal practices.

From the standpoint of harmonising market regulation, it is seen as crucial that any solutions sought be based on existing international agreements, particularly the United Nations Conventions. There could be nothing worse for Europe-Asia links -- as some recent initiatives give grounds for fearing -- than the parallel development of regional legal systems in total disregard of the international agreements already in force in many countries involved in these links. Development of this sort could in no way meet the requirements of globalisation of trade or the needs of logistics supply chains. Efforts by the Council of Ministers of the ECMT to promote multilateral co-operation among all the countries and organisations concerned on the genuine integration of Europe-Asia transport systems are therefore warranted.

However, the main weaknesses mentioned as a barrier to the real growth of land transport between Europe and Asia today are undoubtedly the recurrent problems encountered at border crossings and the facilitation of procedures currently in force is a real priority.

In order to enable truly competitive operation of the various modes of land transport on Europe-Asia links, the ECMT Council of Ministers is invited to take action to see that there is an effective follow-up to the Declarations issued at the St. Petersburg Conferences on transport between Europe and Asia.

To this end, the Council of Ministers of the ECMT is invited to take all appropriate steps with all of the countries and organisations involved in the Europe-Asia links to:

- convergence of national regulations and harmonising the legal and regulatory framework governing the conditions for the provision of transport on the basis of international agreements, ECMT Resolutions, UNECE conventions and the legislation and transport policy guidelines of the European Union;
- with Europe-Asia links to implement the United Nations conventions listed in UNESCAP Resolution No. 48/11 on the facilitation of road and rail transport as well as other key agreements and conventions such as the ADR or the AETR Agreements [see document CEMT/CM(2005)15];
- links, for which protectionist considerations are often the only justification;
- transport in particular and, to this end, draft an inventory of these charges along the lines of the inventory produced for ECMT countries [document CEMT/CM(2005)17];
- ECMT Resolution 2002/1 in order to:
 - of rolling stock and staff;
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- - inland waterway transport by the countries of Eastern Europe, the Caucasus and Central Asia;

- promoting measures designed to improve train running conditions at locations where there are changes in gauge and to develop rolling stock to make transshipment unnecessary at such locations;
- a network of logistics centres based on a limited number of well-equipped hubs; and,
- conclusions of the Kiev Seminar on intermodal transport between Europe and Asia [see document CEMT/CM(2005)2];

– technologies in the countries of Europe and Asia with a view to facilitating the exchange of data and freight flow monitoring while increasing transport security;

- ordination between the transport, customs and controlling authorities responsible;
- No. 99/2 and 2002/3 and in the Recommendations adopted by ECMT Ministers in Ljubljana [see document CEMT/CM(2004)7];
- Harmonization of Frontier Controls of Goods;
- extending its scope of application to countries that have not yet ratified it, particularly ESCAP countries, not least China [see document CEMT/CM(2005)15];
- to be presented to customs or transport authorities [see document CEMT/CS(2005)15];

– transport, ECMT Recommendations on the security of intermodal container transport [see document CEMT/CM(2004)6] together with the provisions contained in the Ministerial Declarations of 2002 and 2004 on the prevention of terrorism;

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3.3 Final provisions

For the purposes of bringing these actions into practical effect and monitoring their implementation,

The Council of Ministers may wish to:

- that is essential for developing transport links between Europe and Asia be secured, particularly as pertains to ECMT co-operation in its relations with international intergovernmental institutions that are active in this field, such as the European Union, UNECE, ESCAP and the CTM/CIS;
- necessary steps to implement the actions outlined above and to strengthen regional co-operation on transport;
- - Europe and Asia for the organisation of transport and infrastructure in ECMT Member countries;
 - between Europe and Asia and the measures implemented to overcome barriers likely to hamper the establishment of efficient transport services on these links;
 - countries that are not ECMT Member countries but are concerned with the development of Europe-Asia transport links so that the recommended action can be implemented and consultations with the ECMT arranged to this end.