



**FOURTH ANNUAL MEETING  
OF THE INTERGOVERNMENTAL COMMISSION TRACECA**  
Baku / Republic of Azerbaijan, April 21-22, 2005

**ЧЕТВЕРТОЕ ЕЖЕГОДНОЕ ЗАСЕДАНИЕ  
МЕЖПРАВИТЕЛЬСТВЕННОЙ КОМИССИИ ТРАСЕКА**  
г. Баку / Азербайджанская Республика, 21-22 апреля 2005 г.

**Strategy of the Intergovernmental Commission of TRACECA for development of the international transport corridor “Europe-the Caucasus-Asia” (TRACECA) for 2005-2010**

The analysis of forecasting the main lines of world economy development evidences that major financial, commodity and information flows of the XXI century will be focused in the triangle of the USA-Europe-Asia.

In this context the most important task of the countries, who signed the Basic Multilateral Agreement on international transport for development of the transport corridor Europe-the Caucasus-Asia (the Basic Agreement) on September 8, 1998 at the historic summit in Baku, consists in taking advantage in full measure of their geopolitical locations and economic opportunities through the development of transport networks across the international transport corridor Europe-the Caucasus-Asia (TRACECA) that has been officially acknowledged by the leading international institutions (European Commission, EEC UN, ESCAP UN and ECMT) as the natural transit bridge between Europe and Asia.

Today the trade turnover between Asia and Europe exceeds 3 trillion US Dollars a year and the share of transport expenses in this turnover is more than 200 billion US Dollars.

This fact shows that the existing trade triangle of the USA-Europe-Asia is not a virtual reality, and states-participants to the Basic Agreement are actually situated on the high road linking Europe and Asia.

Taking into account the geopolitical situation of TRACECA countries in the context of trade relations development between Europe and Asia, and also the location of major manufacturers of goods in Asia and consumers in Europe, the rise of freight flows on the one hand and logical reverse freight flow on the other hand we can make practically logical conclusion – freight movement (delivery) through international transport corridor Europe-the Caucasus-Asia (East-West-East) looks much more attractive in comparison with any other existing alternative routes.

After signature of the Basic Agreement the legal basis for the organization of international transit traffic on a more improved level was created.

Of great importance is the fact that the TRACECA transport networks pass along the territories of countries that are rich in mineral resources and energy supplies with further prospective development. These regions have not so far lost well-trained competent human resources. Transit development in these countries will undoubtedly contribute to the growth of production, population employment in the regions. Whichever political, economic changes would happen the chosen, developed and tested by experience transport corridor Europe – the Caucasus - Asia with its wide network will remain a stabilizing long-term factor, creating favourable investment climate and positively influencing regional and interregional integration processes.

As proven fact of the above mentioned, in August 2003 the Governments of the Islamic Republic of Iran and Afghanistan and in January 2004 – Pakistan, submitted official applications to the Ministry of Foreign Affairs of Azerbaijan, as the depository of the Basic Agreement. The notes of these countries were officially presented during the meeting of the Intergovernmental Commission of TRACECA in Yerevan on October 9-10, 2003. The participants of the Third IGC TRACECA meeting unanimously supported the initiation of the Governments of Iran and Afghanistan. This fact once more proves that the transport corridor Europe – the Caucasus - Asia with its broad transport network exists, functions and widens.

Taking into account fast development of telecommunication and information processes in the XXI century which at the same time brings about electronic trade development through the world-wide Internet it should be pointed out that in this context the role of transport sharply grows. But there is another factor that could play an important role: due to the electronic sales growth there will arise the problem of increasing the rates and improving service of the ordered goods and freight delivery. The demands for high-speed technologies of freight deliveries will most likely be satisfied by air, road and railway transport. In this respect we will have to examine a great number of factors: freight delivery rates, the distance that a carrier (operator) should

cover, modes of transport. It should be stressed that in the market of transport services there will be brought to the forefront a transit aspect, new shorter transport routes, corresponding level of transit transportation and an attractive competitive tariff, i.e. the "commercial triangle" well-known in transit transportation (Time-Service-Tariff). Nevertheless, sea transport will prospectively keep its positions on the transoceanic routes. Moreover, it should be pointed out that some trans-national shipping companies are carrying out the investigations and negotiating with the shipbuilders on the issues of container vessels construction of new generation (10 000-12 000 TEU and more).

The creation and development of any transport corridor with relevant transport links does not mean the efforts of one separate country transport specialists only. Allocation and movement of transit freight flows in the international transport corridor are organized and performed in multifactor systems of coordinates.

The establishment and development of the international transit corridor Europe – the Caucasus - Asia with its transport networks is on the one hand necessary to protect the newly independent states in the region from domination over communicational and transport flows by any country, on the other hand – to provide a guaranteed continuous outlet of the energy supplies of the Caspian Sea and the Caspian region on the whole into the international markets.

It is important to note that the main political and economic factors with utmost key influence on the regional contouring of the Parties to the Basic Agreement during integration processes of globalisation of the modern world are the following:

- Maintaining stable economic growth of GDP not less than 5-10% per year.
- Increasing investments into the economy because reinvestments and the inflow of foreign investments are very small and do not correspond to the demands of these countries.
- Suspending the outflow of capital from the countries, because shortage of capital does not allow countries to pursue concentrated investment policy.
- Building-up science-intensive technology sphere.
- Conducting coordinated policy between governmental structures of the states-participants to the Basic Agreement and IGC TRACECA for the purposes of harmonization of the legal basis for the functioning of the international transport corridor Europe – the Caucasus – Asia.

For the purpose of achievement of this large-scale task solution, which means attraction of additional freight flows to the TRACECA transport network, considerable modernization of transport complexes will be required.

With a view to create attractive investment environment by decreasing at the maximum any non-commercial risks or non-calculated risks, it is necessary to find common approach, in particular, common legal formula, finding solutions for the questions of the legal basis in force and the investments guarantees needed for further development of the international transport corridor Europe-the Caucasus-Asia.

The estimated volume of investments for the TACIS countries needed for stage-wise modernization and development of transport infrastructures and complexes will approximately exceed 50 billion US Dollars. For comparison, with a view to solve the similar tasks China has spent more than 30 billion US Dollars for the last eight years.

At the same time the history of the TRACECA countries shows that it is too difficult to carry out large-scale modernization of transport infrastructure using only internal financial resources and loans of International Financial Institutions.

Taking into account the above said, considering the problems of infrastructure modernization in these countries on the whole and not only the problem of one transport mode or several related modes in a separate country, solution of which will directly proportionally result in the increase of competitiveness and transit transportation, it is necessary for the TRACECA Intergovernmental Commission to define the important tasks for the near future (2005 - 2010), which are required for the development of transport networks of international transport corridor Europe-the Caucasus-Asia. These tasks should be in line with the Ministerial Declaration concluded at the Baku Ministerial Transport Conference on 14<sup>th</sup> November 2004:

1. Active participation of the TRACECA Member countries in the Working Groups following the Baku Transport Ministerial Conference, which aim at intensifying regional cooperation in the areas of aviation, security in all modes of transport, road and rail transport and transport infrastructure.
2. Following the outcome of the High Level Group on the extension of the major trans-European transport axes to the neighbouring countries and regions, creation of appropriate links between the extended Trans-European Networks, the Pan-European Corridors and the TRACECA networks.

3. Inclusion of the transit program into the national priorities and creation of its legal basis with the aim to implement coordinated state transit policy.
4. Creation and development, in close cooperation with IGC TRACECA and relevant state structures and bodies of states-participants to the Basic Agreement, of a coordinated program (action plan) for the development of transport corridor Europe-the Caucasus-Asia and its transport networks the main of which will be trade and transport facilitation as well as development and deepening of regional and interregional cooperation<sup>i</sup>;
5. Introduction of the new EU concept of the "Motorways of the Sea" in the Black Sea and the Caspian Sea areas;
6. By 2010, global satellite navigation system applications based on GALILEO for transport operations to be introduced;
7. Opening up of the regional aviation market in the overall context of the globalisation of air transport;
8. Closer regional cooperation in the railways sector in order to further facilitate the transit of goods;
9. Reduction of the tax burden on the transport infrastructure development projects being of strategic importance for the states-participants to the Basic Agreement, if it does not contradict their state policy, first of all regarding the value-added tax and customs fees<sup>ii</sup>;
10. Allocation of investments and proceeds from international grants, loans for the development and reconstruction of transport and communication infrastructures;
11. Advice to concerned transport companies, ship owners, ports, railways and other objects of transport infrastructure participating in transit transportation process;
12. Implementation and improvement of modern and more flexible form of investment attraction by creation and development, such as:
  - Modern forms of concession of the transport infrastructure objects with active participation of private investors;
  - Free/special economic zones for better regional cooperation and trade and transport facilitation<sup>ii</sup>;
  - Transport logistic centres (modules) to decrease costs of transportation by organizing transportation with optimum ways;
  - TRACECA Guarantee Trust Fund to mitigate non-calculated risks for any transport investment or transportation;
  - TRACECA Economic Interest Grouping to create and develop legal framework of implementing investment and/or transport projects;
  - TRACECA Industrial Advisory Forum (Panel) bringing the industries next to the IGC TRACECA for realization of common tasks taking an advantage from world wide experience;
  - Settlement of Disputes to solve any potential dispute between the transport players according to the requirements of market heading toward globalisation.
13. Creation and development of the basis for the insurance of freight and carriers, operators and stevedore companies' liability.
14. Creation and elaboration of a concept of Common Transit System of TRACECA with the purpose of creation of conditions for free movement of goods, capitals, services and labour, - for better economic regional cooperation;
15. Development of international cooperation in the field of transit transport first with the countries, which due to their geopolitical position prefer the transit traffic through Europe-the Caucasus-Asia corridor.
16. Implementation of active and adequate PR activity in the area of trade and transport facilitation in order to reach more transparency concerning the safety of transit freights in states-participants to the Basic Agreement.

Pragmatic attitude and rational realization of these tasks will drastically influence the geopolitical activity of states-participants to the Basic Agreement and will stand a good chance to become one of the factors stimulating the development of not only trade and transport but also globalisation of regional and interregional integration processes for the purpose of achieving long-term political stability.

<sup>i</sup> «VAT» and «customs duties» in respect of Romania shall correspond to the Customs policy of EC

<sup>ii</sup> «Free/special economic zones» in respect of Romania will be interpreted as «Zones with special economic status in accordance with EC legislation».