

## Problems and directions of integration of Russia into international transport systems

In the conditions of modern globalization, feasibility of country development in many aspects depends on the number of competitive advantages, which the national economy possesses. Absence or low level of competitive advantages will facilitate strengthening of the peripheral model of economy. Therefore, the issue of feasibility and competitive ability of the country is of vital importance. The ability of various sectors of economy to integrate into global community is one of such competitive advantages.

Due to the natural geographic factors, the Russian transport is one of the system building sectors of economy, providing territorial integrity of the state and uniformity of economic space of the country. Integration of Russia into international transport space requires active development of international cooperation in the field of transport and forwarding, which is the tool of realization of national interests of the Russian Federation, providing its stable and consecutive integration into the global economic system. At this, one should not forget about other purposes of transport systems. Development of traffic arteries forms economic activity of depressive regions. At this, such activity often has significant foreign economic constituent part, say nothing of social importance and urban building component. For example, construction of the Baikal-Amur Mainline (BAM) in 70s of the 20th century was taken as construction of a way from Europe to the Russia's Far East, which was the only alternative to the existing Trans-Siberian Railway. Nowadays, supplemented with meridional Yakut railway branch, BAM became the export oriented way of delivery of Neryungri coals abroad, and the new artery itself became the basis of the project of Russian unification of American Alaska and China as a land transport bridge.

International cooperation in the field of transport shall promote Russian goods and services on the global markets and facilitate simplification of procedures of border crossing. This,

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in its turn, should facilitate growth of prestige of the Russian Federation in international organizations, including expansion of its impact on decisions made in such organizations.

We should highlight the following among the number of primary tasks of integration into the global transport space and realization of transit potential of the country:

- ▶ increase of competitiveness of Russian suppliers of transport services on global markets and growth of export of transport services;
- ▶ participation in international projects and programs, aimed at development of interregional, including Euro-Asian transport relations, development of international transport corridors and increase of the scale of transiting;
- ▶ expansion of Russia's participation in the system of international agreement and conventions in the field of transport;
- ▶ protection of Russian interests in the frameworks of cooperation in the activity of international organizations;
- ▶ expansion of bilateral cooperation in the field of transportation between Russia and foreign states;
- ▶ Regional transport integration is one of the spheres determining dynamics and results of regional economic integration within the frameworks of CIS, Eurasian Economic Community (EurAsEC) and Shanghai Cooperation Organization (SCO), including development of container bridges, as well as unification and simplification of customs procedures.

Formation of a full-scale transport union and unified transport space within the frameworks of EurAsEC will be the core direction of regional transport integration. The following will be of high importance in the number of measures on formation of uniform transport space of EurAsEC:

- ▶ harmonization of standard and legal regulation of transport activity, unification of technical standards and transport technologies in the member countries of EurAsEC;
- ▶ elimination of any discrimination of transport services suppliers from one member states of EurAsEC to other member states of EurAsEC, as well as in the sphere of licensing and certification at their establishment of transport companies, their affiliates and representative offices, joint enterprises in the whole territory of the uniform transport space, i.e. provision of them with national regimen;
- ▶ provision of free transit of passengers and cargos for the purpose of maximum efficient use of transit and transport potential of member states of EurAsEC;
- ▶ Within the frameworks of EurAsEC and SCO, transfer to conclusion of multilateral air service agreements (open sky), international road service and inland water transport agreements and other international acts would be the most logic. In this connection, maximum use of positive experience of transport system integration, accumulated in member states of the CIS, especially in the part of railway transport, as well as in the sphere of civil aviation and use of air space, would be reasonable.

Within the frameworks of regional transport integration, creation of mechanisms of constantly operating consultations involved in agreement of foreign economic policy in the field of transport, unification of principles of creation of tariff policy and conditions of compulsory insurance of civil responsibility of transferors to the passengers of air crafts and owners of vehicles to the third parties, is necessary.

In the conditions of modern political and economic environment, the necessity of the uniform policy in such fields as provision of decrease of negative impact of transport on the environment, transport safety and transfer safety - becomes the primary need. In this connection we should highlight the primary need in creation of efficient mechanism of fighting against international drug traffic, it is no secret that international drug cartels have been actively using the system of international cargo transit in their interests for many years.

Provision of uninterrupted cargo and passenger transit through the territory of the state is a powerful integration tool. Transit potential of the Russian Federation is high, though, in opinion of UNCTAD experts, it is used for less than 26%, i.e. a quarter<sup>1</sup>. For the purpose of realization of transit potential of the Russian Federation, first of all, the following is necessary: improvement of standard and legal basis, active state support of transit projects of Russia at the international level, formation of international alliances beneficial for Russia; further development of transport and customs technologies and information systems.

Transport infrastructure is a material basis of integration into global economic relations. Since the end of the 20<sup>th</sup> century, global transport arteries have been called International Transportation Corridors (ITC). In 1994, the structure and directions of primary European transport arteries were determined at Crete at the Second Pan-European Conference on Transport. The purpose of ITC creation was the core network of transport communications, connecting the post-social states transformed by democratic processes with the primary transport infrastructure of Central and Western European countries.

The second Cretan corridor in its European part goes through Berlin, Poznan, Warsaw, Brest, Minsk, Smolensk, Moscow and Nizhny Novgorod. This ITC has a real loading with transportation of foreign trade and transit cargos in our country. It is called "East-West" in Russia. In its Western part, it comes to the infrastructure of the second Pan-European corridor. In the East it begins from the sea ports of Nakhodka and Vladivostok, from border checkpoints with China and Democratic People's Republic of Korea.

Integration force of the "East-West" ITC lies in the fact, that there was created a complex multimodal transport system with neighboring countries, that not only supports foreign economic relations, but also provides all significant currency inflows from export of transport services. Companies of all types of vehicles are engaged in ITC, though Russian Railways LLC, that bears over 80% of the volume of international operations in this ITC, plays a leading role.

<sup>1</sup> Review of Maritime Transport 2010. Report by the UNCTAD Secretariat. – UN Publication /UNCTAD/RMT/2010



Trans-Siberian Railway, being over 10 thousand km long, lies in the basis of the “East-West” ITC. Technical capacities of Trans-Siberian Railway allow transferring of up to 100 million tons of international cargoes per year, including up to 200 thousand containers of international transit in twenty-foot equivalent unit (TEU).<sup>2</sup> Fifteen regular routes, connecting our Far East with Germany, Poland, Hungary, Finland, Slovakia, CIS and Baltic countries, are organized. In the eastern direction, cargoes go to Mongolia, China, Korea and other Asian states.

Record-low transit time of the route is the undeniable advantage of the Trans-Siberian route for international cargo transfer. Accelerated container trains run with the speed of 1200 km per days, which is 3 times faster than the established international rates.<sup>3</sup> A simplified order of customs registration of cargoes at the borders exists, which significantly reduces time outs at border from 3-5 days to several hours. The term of container storage in Far Eastern ports is no more than one day, transit time of transfers is reduced to the minimum possible technological time. Containers go to Brest no more than 12.5 days, to Berlin – 14.5 days, to the Finnish border – no more than 11.5 days, to the Hungarian border – 13.5 days. For comparison: use of sea route or delivery of containers from ports of Asian-Pacific Region (APR) countries to Berlin gives an average transfer time of 30 days.

The only serious problem of achievement of higher results is insufficiently performed organizational interaction of all participants of the Trans-Siberian route. At the absence of state management and regulation of processes of interaction of structures of various types of vehicles, the solution of problems is imposed on the international non-commercial non-state organization - Coordinating Council on Trans-Siberian Transportation. However, it still cannot manage the problems of price optimization of the cost of international operations according to the Russian land bridge. Apart from this, international activity of the “East-West” ITC lacks legal basis.

One more Pan-European transport corridor – the ninth – goes through the territory of Russia. Its geography covers meridional direction of international transfers from Finland through Vyborg, Saint Petersburg, Pskov and Moscow to the South of Europe. The importance of this international corridor for our country is acquired in the direction of transfers to the countries of Middle East. In Russia, this ITC is called “North-South”. On September 12, 2000, the Intergovernmental agreement “On International Transport Corridor “North-South” was signed in Saint Petersburg. In May 2002, the ministers of transport of the member states also signed a protocol of official opening of this ITC. Russia, Iran, India, Oman primarily participated in the agreement. Later on they were joined by Azerbaijan, Armenia, Belarus, Kazakhstan and Syria.

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<sup>2</sup> According to materials of [www.transsibcouncil.com](http://www.transsibcouncil.com)

<sup>3</sup> Agreement on International Goods Transport by Rail (AIGTR). Article 14. In edition dated July 01, 2011

In comparison to the “East-West” ITC, the primary purpose of the “North-South” ITC lies not in the sphere of development of transit potential of Russia, but in export of transportation services due to realization of foreign trade transfers, mainly delivery of goods of Russian export to the Middle East countries. The main purpose is transportation to Iran and Afghanistan.

Almost all types of vehicles - marine, inland water, railway and motor vehicles – participate in the ITC routes. Very often transportations are registered as multimodal, i.e. under one transfer agreement for the whole itinerary. Land part of the route from the Finnish border to the Caspian ports (Astrakhan, Olya, Makhachkala) equals to 2.5 thousand km in the territory of Russia.

Main advantages of the “North-South” ITC lie in more than double saving of the term of cargo delivery from the Middle-East countries to Finland and Central Europe in comparison to maritime transportation through the Suez canal, at this the cost of cargo transportation is significantly lower. Transportation may be realized in three alternative directions: trans-Caspian (through Russian ports to Iranian ports Enzeli, Amirabad), West-Caspian (by transit through Azerbaijan with exit to border stations of Astar and Julfa) and East-Caspian (by transit through Kazakhstan and Turkmenistan with exit to the border crossing Tejen-Serakhs). The main Russian transferor in all routes - Russian Railways LLC - estimates the volume of transfers in this ITC as equal to 25 million tons.<sup>4</sup>

The primary problem of real functioning of the ITC in the territory of Russia is the absence of institutional basis. Actually, the number of participants, engaged in each ITC, is indefinite. For customers and consumers of international transport services in the country and abroad it is unclear who of transporters, forwarders, multimodal operators etc. can be entrusted with the responsible process of cargo delivery. As the dominating position of corridors in the Russian parts is kept by the Russian Railways LLC, this very natural monopoly makes choice of its partners of transport business. Such subjective approach does not facilitate increase of the quality of services. It would be reasonable for both the “East-West” ITC and the “North-South” ITC to form pools of fair participants of due goods circulation and processing of goods traffic.

It is also necessary to say a couple of words about the new transport project, related to creation of international arctic transport corridor. In the opinion of initiators of this project, the distance of goods delivery of international transit from APR ports to European ports will be reduced at least two or three times in comparison to traditional ways around Asia or Africa. The economy of this project has not been thoroughly calculated yet, so it is early to make any certain conclusions. First of all, they talk about Arctic transport corridor, because the state is ready to invest multibillion funds in its development. As of today, the efficiency of the project is doubtful. Arctic coast of Russia is departed from the rest of the country, it is not connected with the mainland by either rail or motor ways,

<sup>4</sup> Data from [www.cargo.rzd.ru](http://www.cargo.rzd.ru)



arctic ports are shallow, there is no bunkering there, there are no professional personnel for servicing of water crafts in winter, and that is more than half a year per each season. It is also hard to understand, what may happen to the condition and quality of goods in extreme subzero temperatures, and how foreign cargo owners would react to this.

Expansion of participation of Russia in the system of international agreements and conventions in the field of transport is a tool of integration of Russia into global transport system, increase of competitiveness of Russian transferors, unification of technical and technological standards in the transport sphere, as well as harmonization of Russian legislation in the field of transport with generally accepted global practice.

We should do a great job on joining to a number of agreements and conventions, which mostly determine the modern image of safe and efficient global transport system. It's no secret that the active Russian transport legislation for the most types of vehicles principally differs from the standards of international law. Non-participation in them threatens by isolation and reduction of competitiveness of the Russian transport communications and transferring companies at the global market of transportation services.

Protection of the Russian interests within the frameworks of participation in the activity of international organizations and multilateral collaboration are the most efficient tools in the sphere of problem solution and development of appropriate policy in the field of transport at international level. Within the frameworks of international organizations, multilateral collaboration in the field of transportation is formed and realized, international agreements and conventions are developed and adopted, thus the role of Russia in these organizations allows defending and forwarding of interests of the national transportation system and Russian carriers in the most efficient way.

In the conditions of Russia's integration into international transport space, expansion of export of the Russian transportation services will have a significant importance. Development of transportation services export is as important constituent part of the national product of Russia, as export of goods. Transportation strategy of Russia<sup>5</sup> supposes that by 2030 the export of transportation services in terms of value should have increased 6.8 times (up to 80 billion USD) in comparison to 2007.

Transportation systems in international trade of goods and services play a special role. Integration principle of economic interaction of states and regions is based not only on ideas of mutual benefit, but on the principles of maximum use of geographical position and possibility of laying of communication trade routes as well. Thus, the problem of Russia' integration into the global economic space is mostly the problem of creation of efficient transportation systems. For our country, the connecting role of transport is

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<sup>5</sup> Approved by the Order of the Government of the Russian Federation dated November 22, 2008 No 1734-p

determined by the fact that Russia is both European and Asian country, i.e. it is situated between two global centers of international trade.

Policy, aimed at growth of competitiveness of the Russian carriers and boost of export of transportation services, should be grounded on the principle of non-discrimination and may be performed, for example, in the following directions:

- ▶ creation and maintenance of favourable conditions for the Russian exporters of transportation services within the frameworks of trade and transportation policy of the state;

- ▶ facilitation of realization of interests of the Russian carriers on the global market of transportation services;

creation of conditions for acquisition of modern transportation equipment by the Russian carriers, providing not only competitiveness on the global markets, but principal availability of these markets for the Russian operators as well;

- ▶ improvement of the system of state control in the segments of market of international transportation, where bilateral solution system exists.

We should also note that development of mechanisms of prompt adoption of responsive measures in cases when Russian carriers are discriminated abroad is of high importance. In this relation, active participation of Russia in operation of such international organizations, as Inland Transport Committee of the UN Economic Commission for Europe, Economic and Social Committee of UN for Asia and Pacific, International Organization of Civil Aviation, International Maritime Organization, International Transport Forum – organ of Organization of Economic Cooperation and Development, Organization of Collaboration of Railways, Intergovernmental Union of Road Builders of the CIS countries, becomes of vital importance.

Russian transport companies and professional associations participate in the work of international organizations, so such facilities serve for realization of strategy of expansion of Russian carriers and forwarders to the global markets and growth of export potential. From this point of view, international association of air transport, international council of airports, International council of motor transport, International council of railways, International Federation of Freight Forwarders Associations (FIATA) and a number of other international non-governmental organizations will be of high importance for the Russian Federation.

In the conditions of globalization, without inclusion of Russian transport complex into international transport system, it is under the danger of weakening of foreign economic relations, economic underrun and political isolation. In this relation, internationalization of transport infrastructure relates to the priority tasks of state and business, it should provide with favourable conditions for Russia's integration into international production, information, transportation and trade community.



Both state and private investors willingly invest their funds into creation of transport infrastructure, realizing future income and profit in the upcoming periods. Russian Railways LLC is also the leader here.

Affiliate companies of the railway holding actively participate in construction of railway plots abroad at the most prospective directions of international multimodal routes. For example, for the purpose of development of the “North-South” ITC, “ZarubezhStroyTekhnologii” CJSC constructs railways in Iran, and Russian Railways LLC transfers the relevant rolling stock to the Iranian party.

In general, the primary task of the Russian transport, oriented at international relations and national export of transportation services, is development of fair rules for operation of the market of transportation services. It should be a market, which, securing interests of Russia, would be, nevertheless, an integral and compulsory part of the global international transportation systems.

