

tepaav

turkish economic policy research foundation

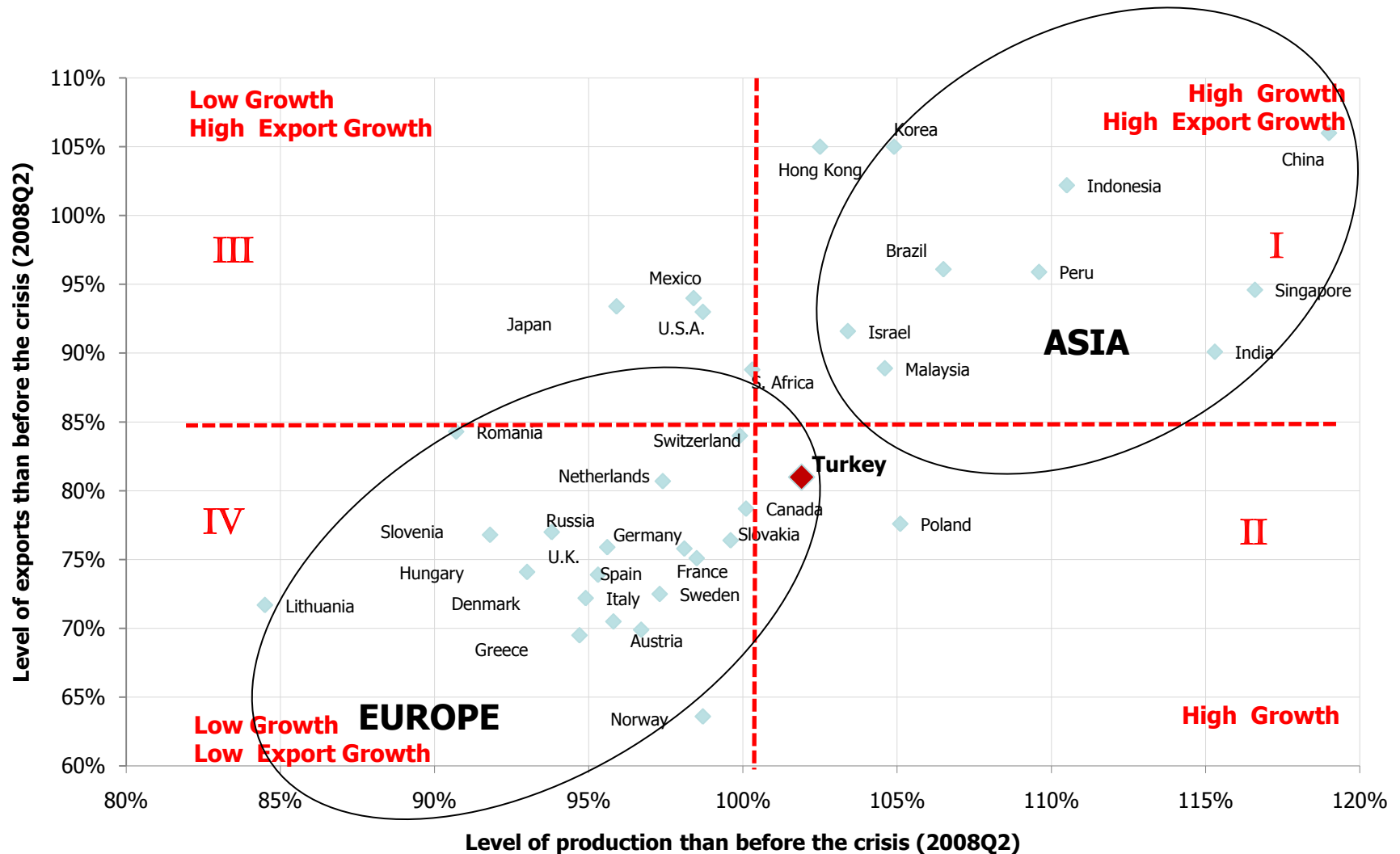
Connecting Europe to Asia: A win-win solution

Guven Sak
25th CACCI Conference
Istanbul, 8th March 2011

Taking it from 'shifting paradigms'

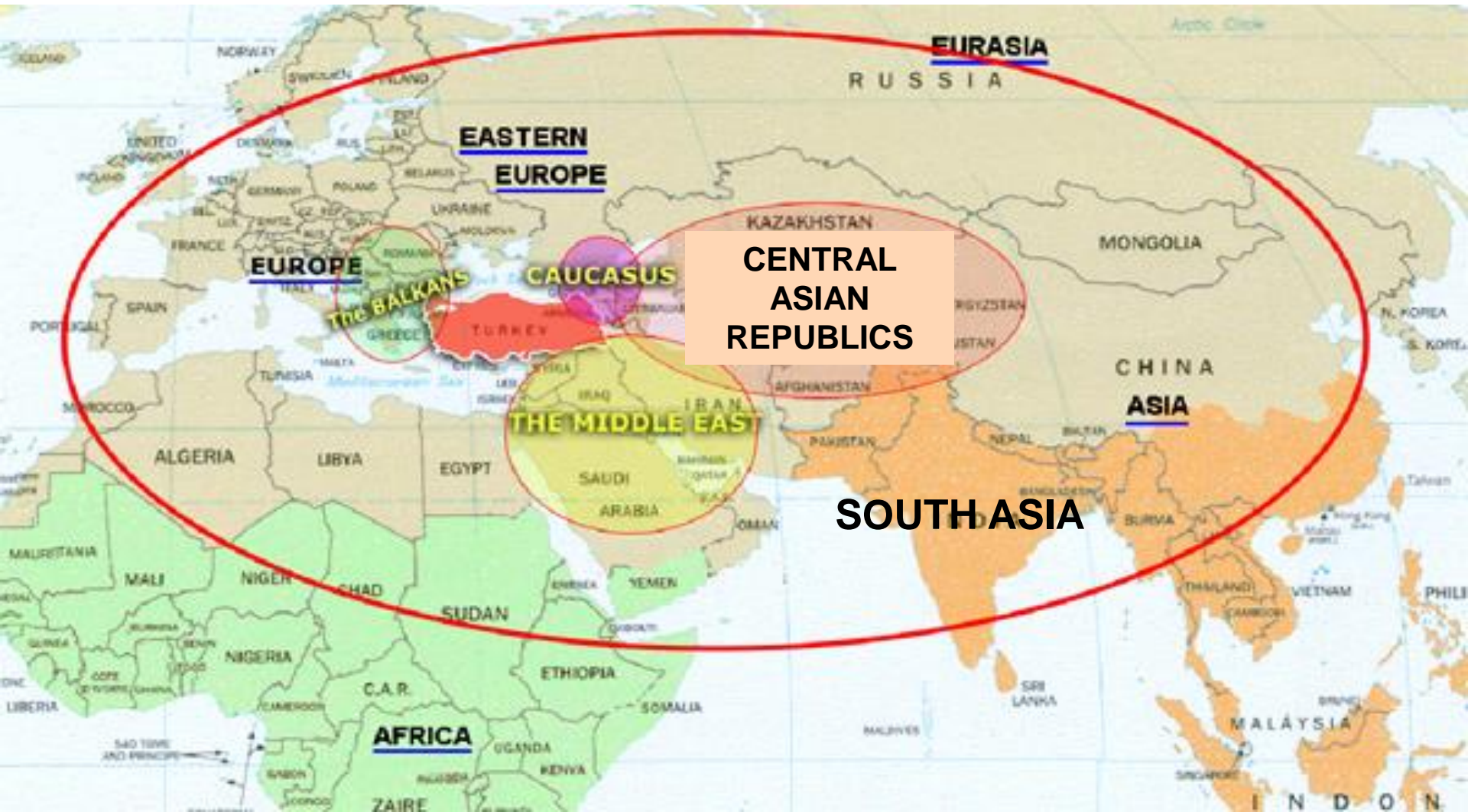
- Turkey is becoming the industrial hub of its region
- Next steps:
 - Regional integration
 - Diversify the value chains to the region
 - Regional integration requires
 - Increased connectivity
- Increased connectivity will
 - foster intra-regional trade
 - create spillovers from economies with large industrial bases to their neighbors
- General principles for a connected Asia:
 - Holistic approach to regional / sub-regional policy
 - Step-by-step approach to prioritize bankable projects targeted at bottlenecks

Recent divergence at the two edges of Eurasia



Sources: TEPAV calculations, WTO, Eurostat, EIU, BEA, Statistics Canada, Bank of Israel, Banco de Brasil, tradingeconomics.com

Intra-regional trade is increasingly more important



Big picture in fostering connectivity: How to grasp the potential in intra-regional trade?

- Increasing role for private-public partnerships
 - Increased connectivity is a public good for the business world
 - Larger role for the business world in design & financing of transport infrastructure
- Cross-border border cooperation in design & finance infrastructure investments
 - 'A network is only as good as its weakest link': cross-border spillovers
 - Inter-governmental cooperation on the passage for goods & vehicles
 - Cross-border cooperation in provision of finance
- Three concrete projects
 - TOBB-GTI border gate modernizations: PPP
 - Caucasus Transport Corridors Management Agency: cross-border coordination
 - Istanbul – Islamabad Railway: cross-border financing

Standardized border crossings are crucial for connecting China to Europe

The middle corridor involves many border crossings



A PPP model:

TOBB-GTI border gate modernizations

- TOBB / GTI has modernized customs gates with a private-public partnership model
 - Easing bottlenecks at the gates
 - No cost to the government with the BOT model
 - First project completed in 2003
 - Now 8 gates: İpsala, Habur, Cilvegözü, Kapıkule, Sarp, Dereköy, Hamzabeyli, Nusaybin
- What is in the new gate model?
 - Effective daily management
 - User-friendly architecture
 - Facilitation of customs formalities
 - A high level of ICT use

TOBB-GTI border gate modernizations

■ İpsala to Greece



TOBB-GTI border gate modernizations

■ Habur to Iraq



TOBB-GTI border gate modernizations

■ Cilvegözü to Syria



TOBB-GTI: private management is accomplished, next step is to facilitate the public part

■ What is in the new gate model?

→ Effective daily management

→ User-friendly architecture

→ Facilitation of customs formalities

→ A high level of ICT use

} Private sector control

} Public control

■ Next step: facilitate the public part

→ Multiple public agency involvement

→ Feedback-based approach (surveys of private logistics companies)

→ Shorten the time & reduce cost in each step, starting from the longest

→ Target: full integration of all public agencies involved

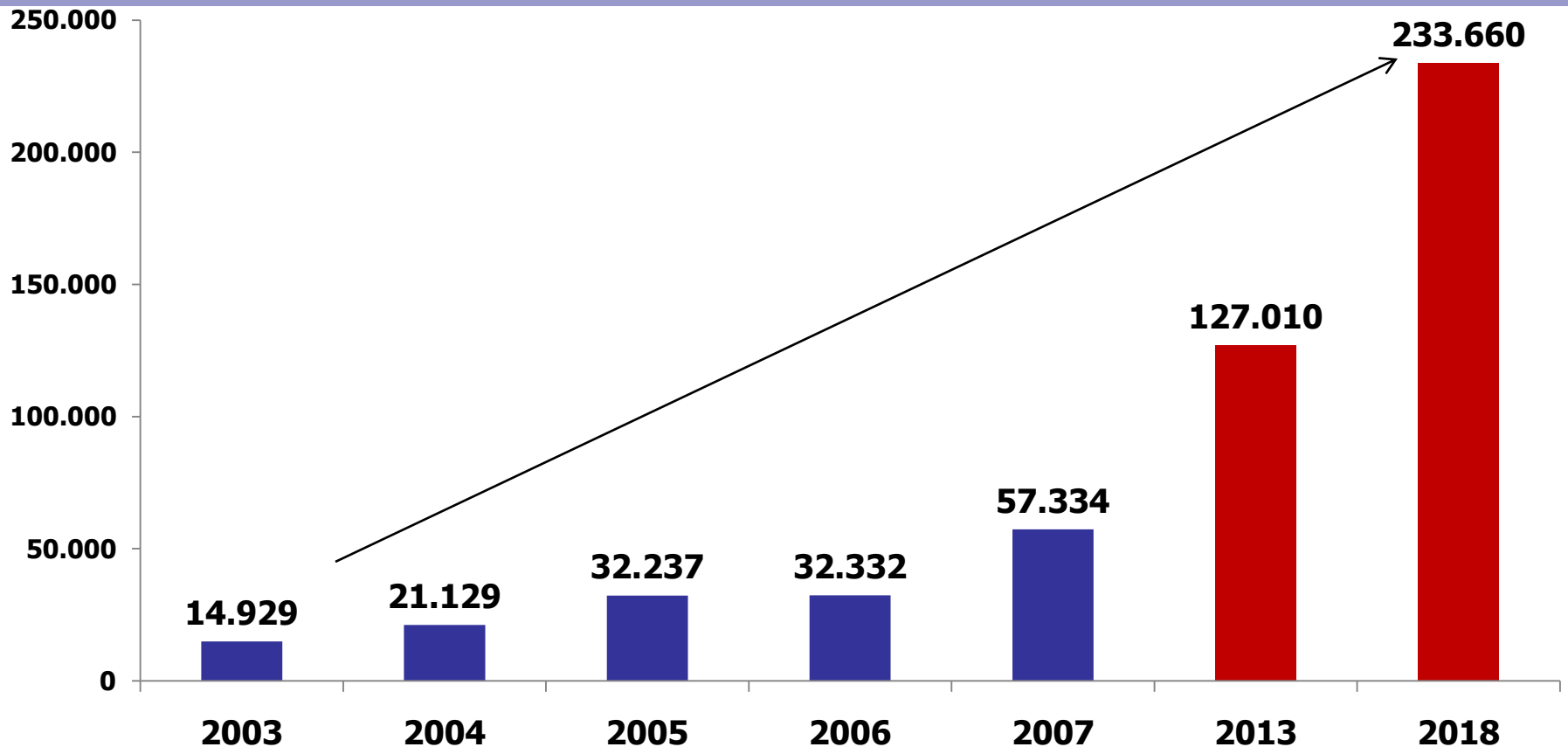
■ Ultimate target: Fully integrated border management

→ One-window for controls of both countries

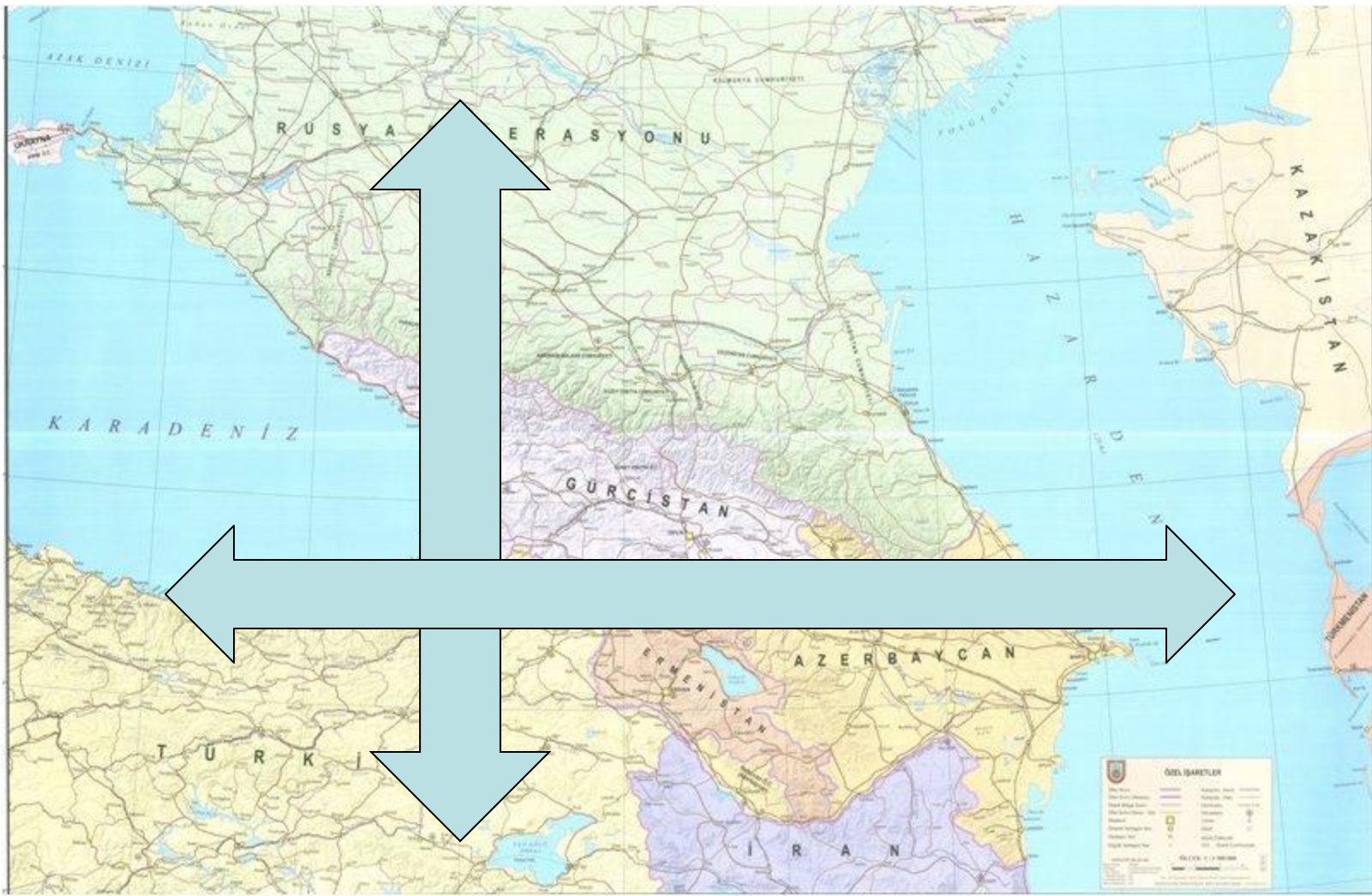
→ First pilot: Sarp – Sarpi crossing to Georgia

Integrated border gate to Georgia: we cannot enlarge the gate, but we can facilitate the process

Increase in traffic at Sarp – Sarpi crossing

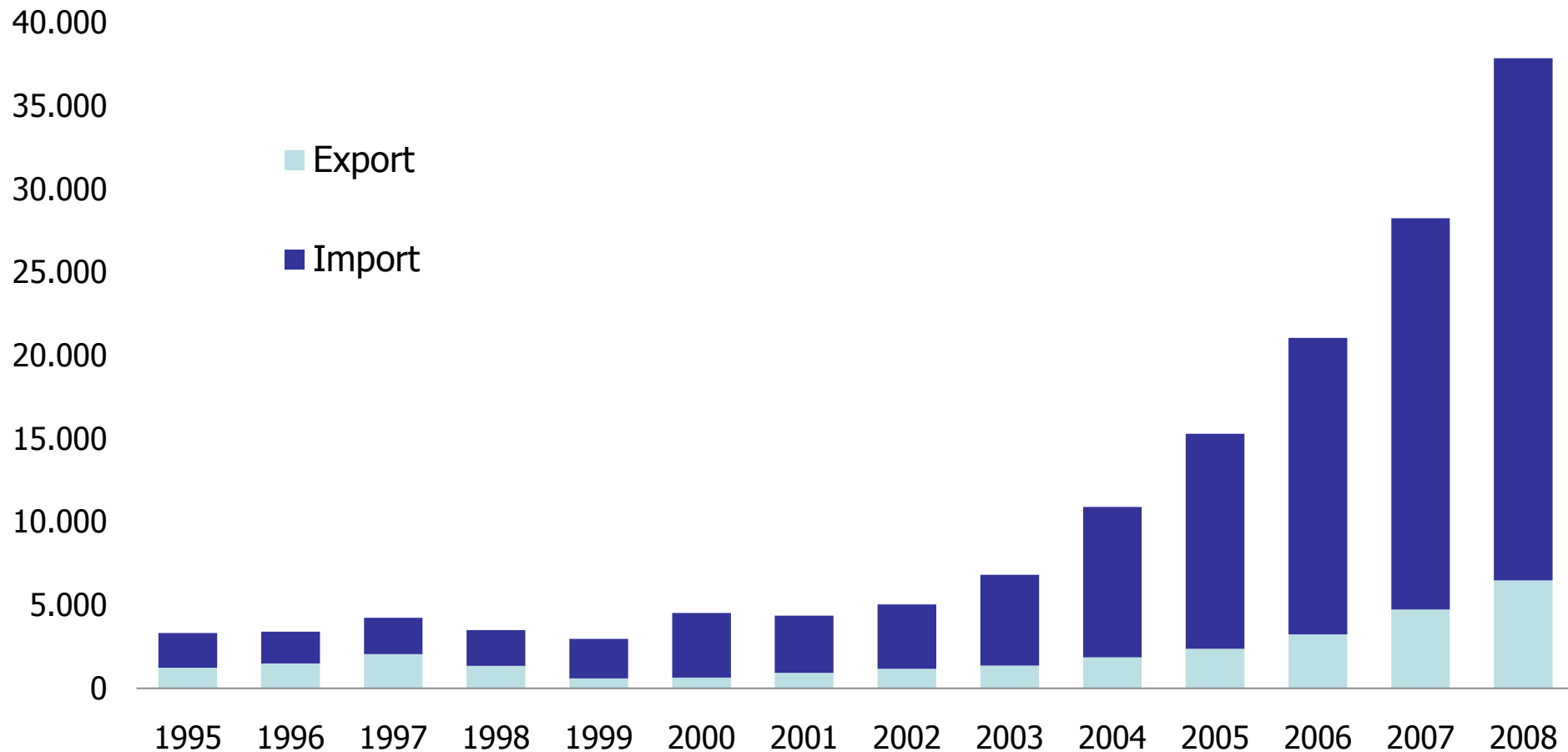


Caucases Transport Corridor Management Agency: a first step to establish fully integrated corridors



Fast and reliable transport in Caucuses is a common priority for Russia and Turkey

Turkey's Trade Relations with Russia, US m\$



Source: UN Comtrade

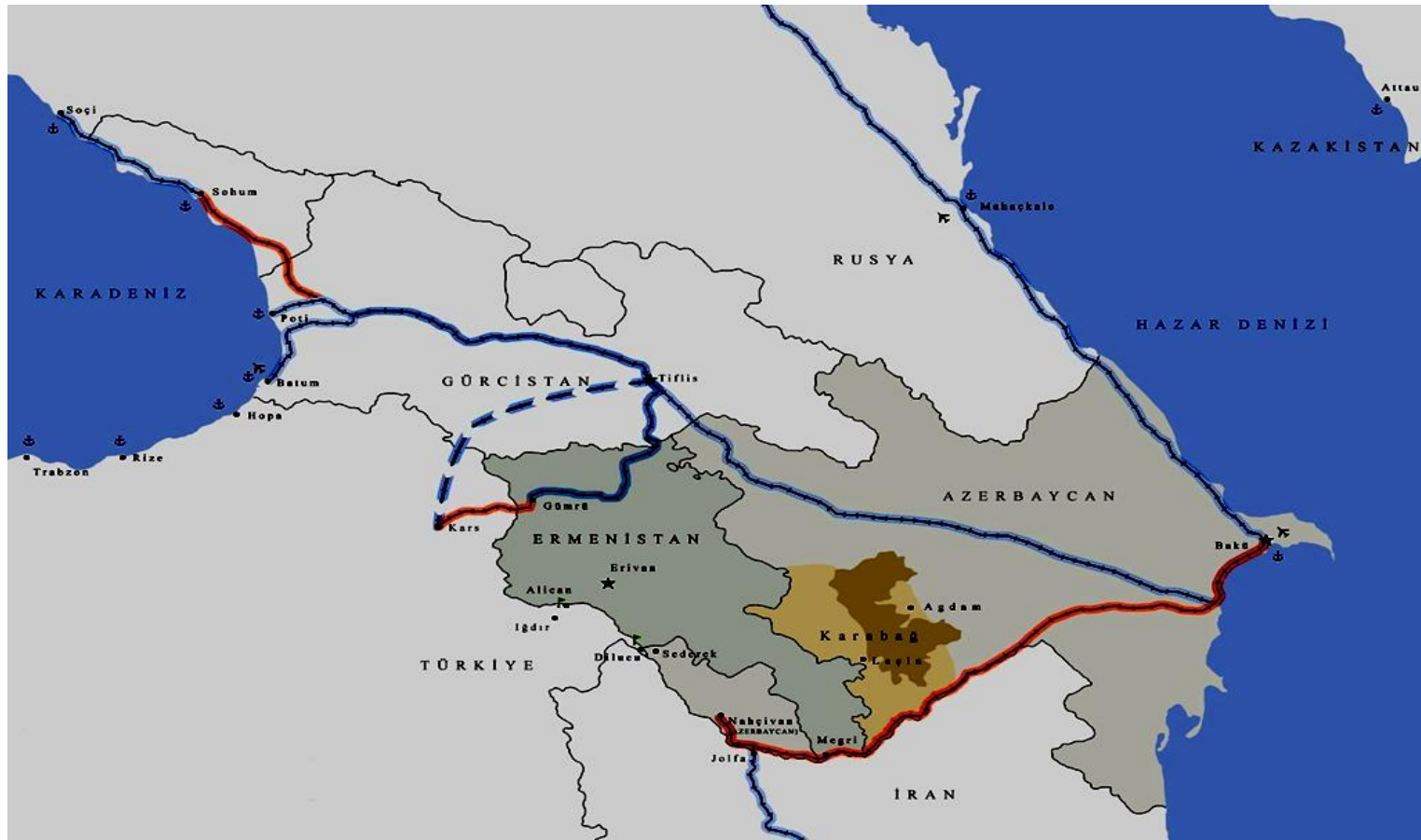
Functions of the Caucasus Transport Corridor Management Agency

- Easing transport bottlenecks in Caucasus
 - A sub-regional approach!
 - Project design
 - Infrastructure
 - Border management
 - Road standards and regulations
 - Coordination of national projects & policies
- Financing
 - Provision of finance
 - Donor and multilateral coordination
- Bringing conflicting parties around a table on technical issues

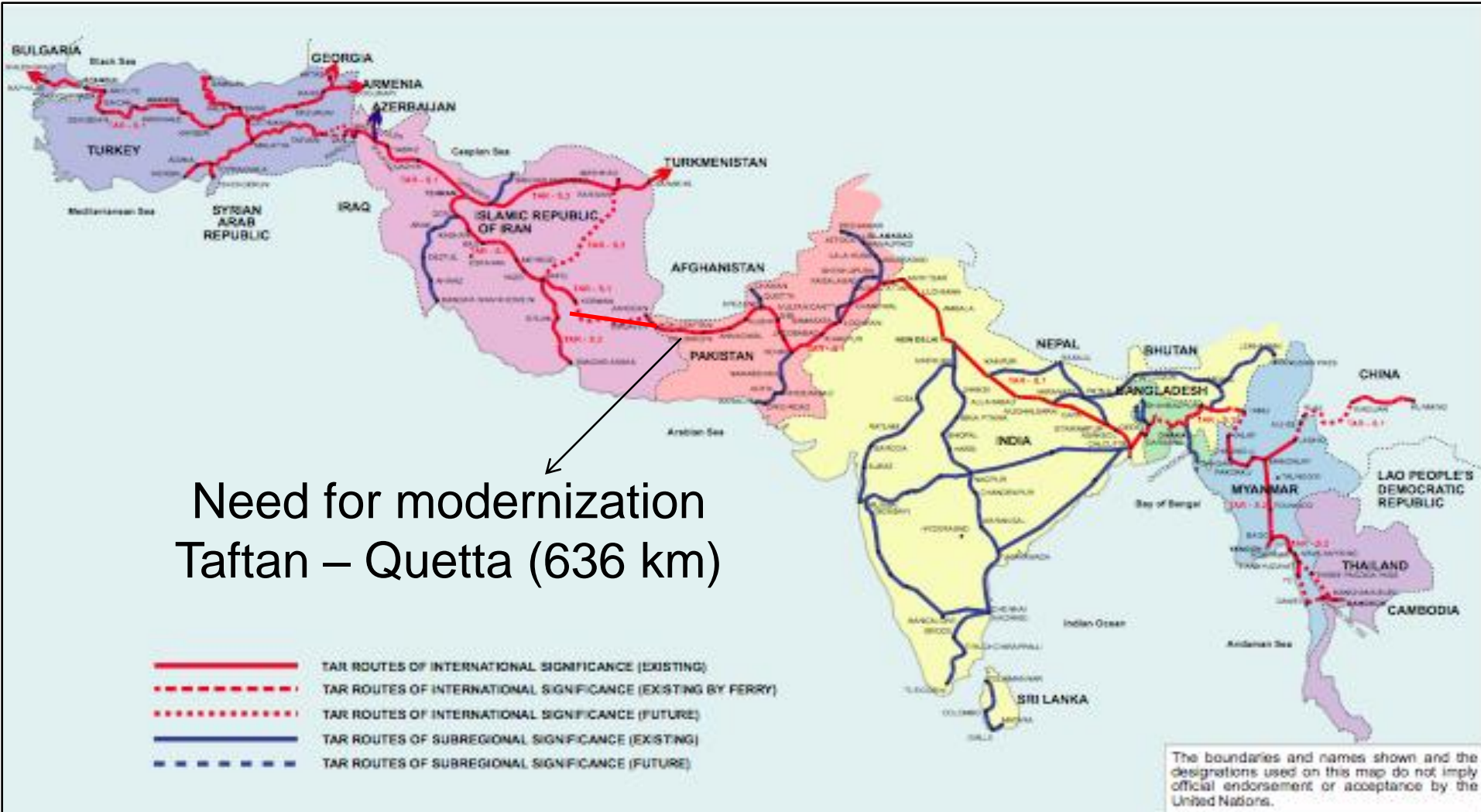
Border blockades hinder operation of key corridors!

Major railroad corridors in Caucasus

- non-operational
- operational
- under construction

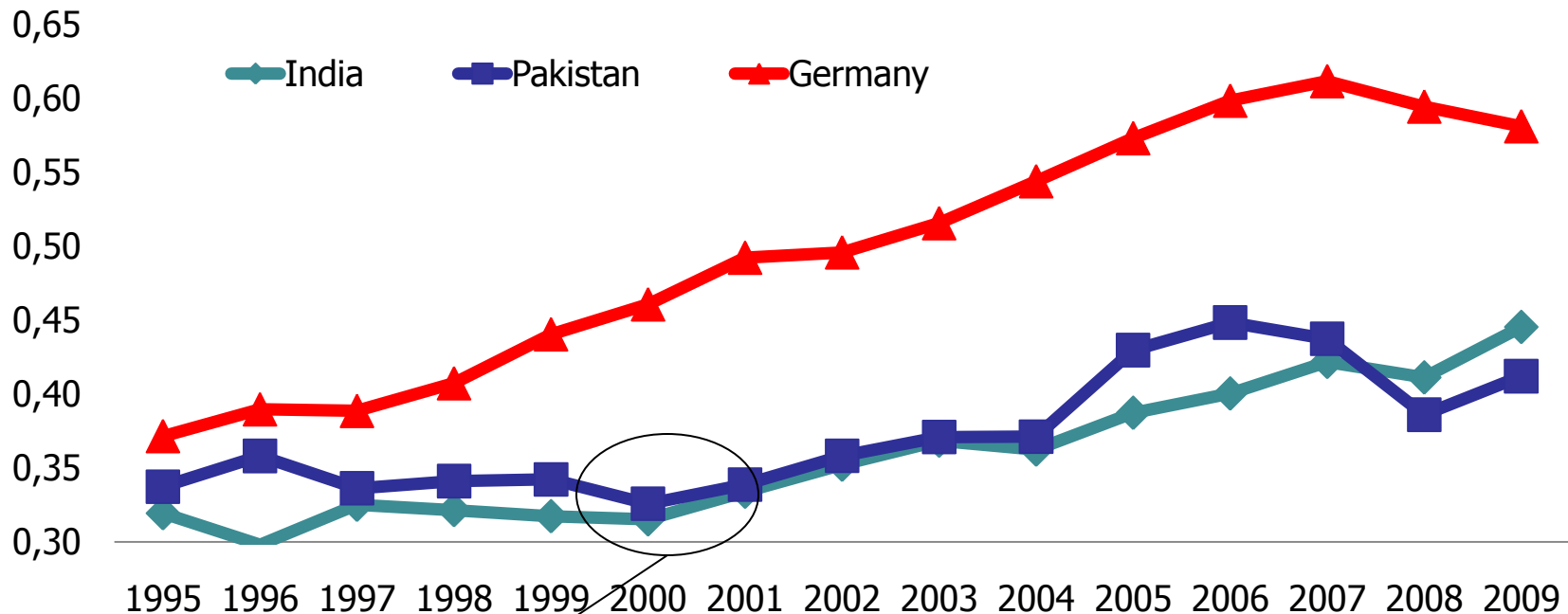


Modernization of Taftan – Quetta railway: Turkey's gateway to India



South Asia provides new export opportunities: India & Pakistan are ready for Turkish exports

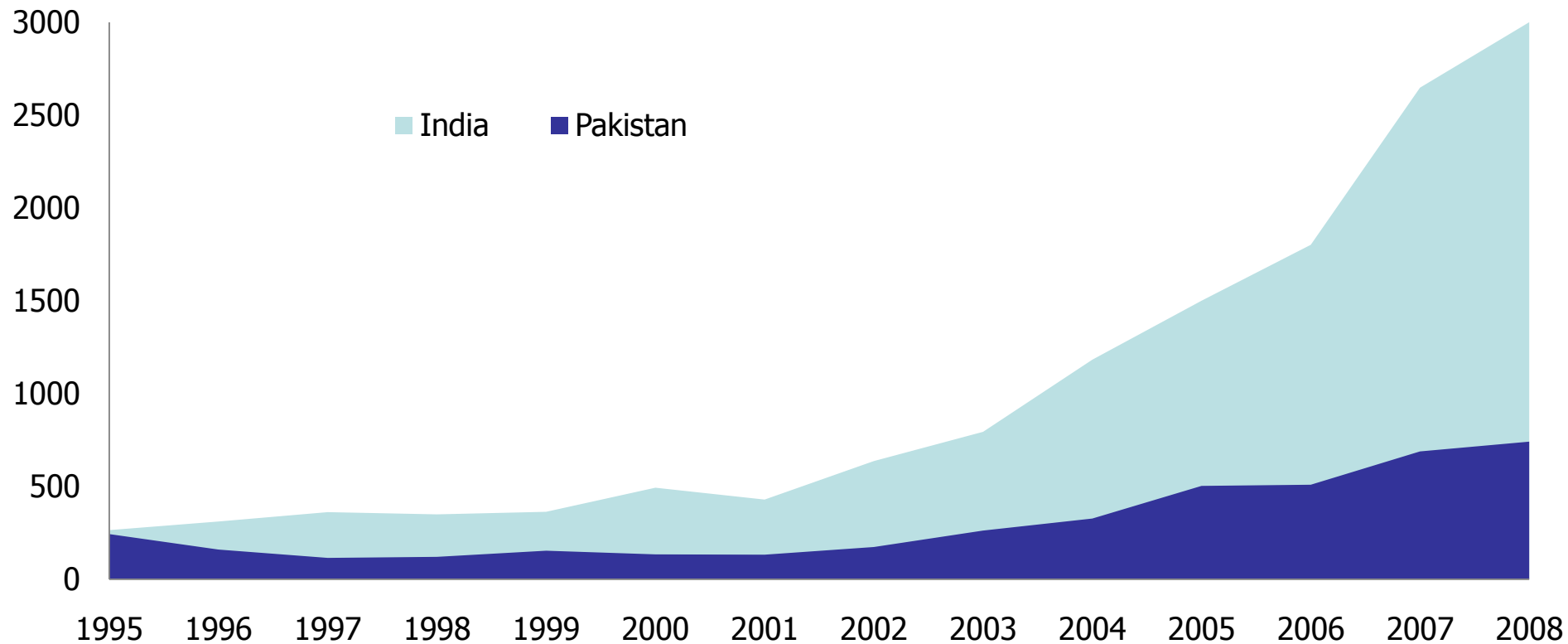
Complementarity between Turkey's export to the world and country's imports [-1,1]



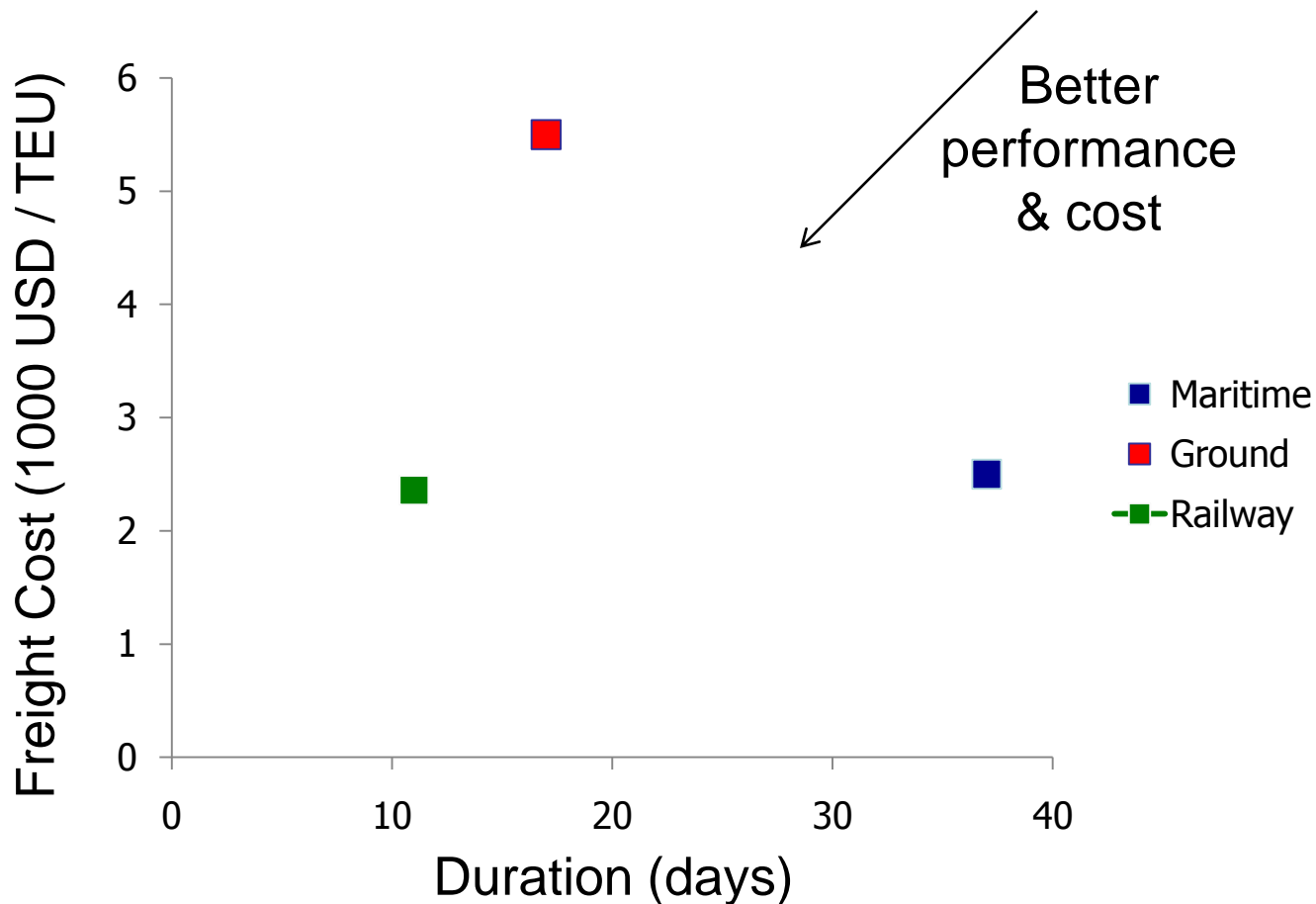
Start of economic transformation

Opportunities are demonstrated with already-increasing trade volumes

Trade Volume with Turkey, US m\$



Islamabad – Istanbul: Railway is the fastest & cheapest transport option



Istanbul – Islamabad Railway

- A product of **Istanbul Forum** between Pakistan, Afghanistan and Turkey
- A concrete project targeted at a bottleneck
- A direct link to Pakistan & India
- A model of PPP that may involve IPOs for financing
- Total capital cost:
 - ➔ 650 million USD



Takeaways

- It is not only national
 - Easing bottlenecks have cross-border spillovers
- It is not only public sector
 - Critical role of private sector in design and financing
- It is not only demand-driven
 - Projects to create access to new markets
- It is not only economic
 - Transport issues as a vehicle to bring conflicting parties together