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PABSEC

ECONOMIC, COMMERCIAL, TECHNOLOGICAL AND ENVIRONMENTAL AFFAIRS

COMMITTEE

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REPORT

ON

**"COOPERATION IN TRANSPORTATION
AMONG THE BSEC MEMBER
COUNTRIES"**

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INTRODUCTION

According to the decision made at the Fifth Meeting of the Economic, Commercial, Technological and Environmental Affairs Committee held in Antalya on 3-4 October 1995, a *Report*, which follows has been drafted on "*Cooperation in Transport among the BSEC Member Countries.*"

Among the PABSEC Member Delegations, *Armenia, Azerbaijan, Greece, Turkey and Ukraine* have responded and provided relevant information for the preparation of this *Report*. The International Secretariat has also acquired substantial information from various sources, mainly from the *BSEC* and *BSEC Council* and previous documents provided by the *Delegation of Ukraine* as well as through relevant literature in order for the materialization of this *Report*.

Taking into consideration the development of *Transport* as one of the primary objectives of the Black Sea Economic Cooperation in order for the improvement of socio-economic relations in the region, this *Report* has been assembled to serve the purpose of outlining the activities and projects underway, progress made, problems encountered and, finally, the possible remedies to overcome the existing problems through providing specific recommendations.

In addition, being the *first delegation* to propose tackling the issue of *Transportation* in the PABSEC platform, *Ukraine* has provided a *Draft Report with Recommendations on "Cooperation in the Field of Transport among the BSEC Participating States"* which was received by the International Secretariat on 5 January 1996. This document comprises valuable information as well as insight as a reference for the development of *Transportation* in the BSEC region (***Draft Report prepared by the Delegation of Ukraine: Annex 1).***

ACTIVITIES, PROJECTS AND PROSPECTS

The improvement of transport conditions, the harmonization of border crossing formalities, the development of transport infrastructure, the rehabilitation of legislative, procedural and institutional framework, the reduction of operating costs and provision of financial resources for project implementation, and above all, the development of overall cooperation in all aspects of *Transportation* are the main parameters in order to achieve the best results in transport coordination among the BSEC Member Countries.

In this respect, BSEC Member Countries have initiated a concrete and substantial cooperation medium with the full understanding that they would work together in order to create the necessary background for transport development in the Black Sea Economic Cooperation region.

Again, during the *High Level Meeting of the BSEC Participating States* held in Bucharest on 30 June 1995, it was unanimously recognized that the development of transport cooperation in the framework of the BSEC area should take into consideration the necessity of interaction with neighboring regions such as *Central Europe*, the *Baltic Sea* and *Northern Europe*, the *Mediterranean Sea*, the *Middle East* and *Central Asia*.

The BSEC has accomplished six Working Group and two Group of Experts Meetings in Transport since 1992. The following are the interest areas in Transport that have been so far tackled by the BSEC:

- The Black Sea Network Plan and the Ring Corridor Concept.
- The existing and planned transportation networks in connection with the Black Sea ring. The inclusion of links in existing and new transport corridors.
- Freight and passenger travel demand and the traffic flows.
- Promotion of the developments in the shipping and inland waterways policy of the BSEC

- Participating States towards a market-oriented shipping environment.
- Exchange of information on the shipping and inland waterways legislation of the BSEC Participating States.
 - Development of bilateral shipping agreements between BSEC Participating States including the "Avoidance of Double Taxation" of ship revenues. Cooperation in the shipbuilding/ship repairing sectors.
 - Practical problems faced by the ships of the BSEC Participating States in each other's ports
 - Exchange of information on existing and planned ferry lines in the Black Sea.
 - Cooperation of the private sectors for the materialization of maritime projects.
 - Institutional transforming of the transportation service systems to the relevant system of the Trans-European Transport.
 - Determination of development priorities of the transport infrastructure and establishment of a common program of interventions to be supported by the BSEC and other international funding organizations.
 - Harmonization of the Border Crossing Formalities.
 - Creation of a "Data Bank" for the collection of information on transport issues in collaboration with the *BSEC Coordination Center for the Exchange of Statistical Data and Economic Information*.
 - Elaboration of a comprehensive "Map" by Romania on existing transport infrastructure and transport service features of each BSEC Participating State. Seeking possible assistance from the *United Nations Economic Commission for Europe* in the preparation of the Map.

PROBLEMS CONCERNING TRANSPORT IN THE BLACK SEA ECONOMIC COOPERATION REGION

PROCEDURAL, LEGISLATIVE AND ORGANIZATIONAL PROBLEMS

- The existing legislative and statutory structures for transport as well as legislation regulating border crossings present vast differences from each other among the BSEC Member Countries.
- Lack of standardization of transport operations, border crossings and customs procedures cause serious complications.
- Different tariff rates are applied for ships bearing different flags.
- Transport tariffs change very frequently.
- There are delays and difficulties in transit permits.
- Allocation of rolling stock is done arbitrarily.
- Service fees are considerably high.
- There are difficulties in finding officials who will issue reports in accident cases of TIR transportation.
- Insurance conditions do not apply in case of an accident as police do not take records immediately.
- Serious difficulties are being experienced during receipt of insurance values.
- Representatives of the private sector dock-yards face guarantee problems.
- It takes at least six weeks to obtain permission for transport to third countries.
- Handling services are rendered in an undisciplined manner.
- Security problems exist for the products transported. Robberies occur at border crossings.

INSTITUTIONAL PROBLEMS

- Shipowners and trading companies complain about the lack of official institutions to provide updated information on transport regulations in the BSEC Member Countries. Many problems

arise from having insufficient knowledge about bureaucratic formalities that are implemented differently by each port authority.

- There are difficulties encountered when making transport contracts. The two sides usually cannot agree through negotiations due to lack of an institution reconciling minor problems.

BUREAUCRATIC PROBLEMS

- The major reason for delay in the delivery of goods is stemming from the bureaucratic procedures which vary from country to country and are subject to changes through differences in application.
- There is the possibility to reach the *Caspian Sea* and the *Central Asian* countries through channels. These channels may be passed by ships with 3000-6000 tons capacity. However, due to bureaucratic reasons, this type of transportation could not have been used up to now.

VISA PROBLEMS

- A problem reported by the representatives of land transport companies is the short term visa issued for truck drivers. By the time a truck disembarks its cargo and waits for new cargo to transport back, the visa expires causing the truck drivers return without cargo, which is one of the major reasons for increase in costs.

INFRASTRUCTURAL, TECHNICAL AND OPERATIONAL PROBLEMS

- The transport infrastructures are not well-developed in most of the BSEC Member Countries.
- Most of the ports of the Black Sea littoral countries need rehabilitation and capacity expansion. The necessity to modernize these ports is reflected not only by shipping companies, but by trading companies as well, whose exports do not reach their final destinations due to long delays as a result of insufficient marine-rail transshipment facilities.
- There are fuel shortages and lack of pumping facilities.
- Not only are the docks and storage capacities of ports insufficient but there are communication problems as well.
- Lack of proper signalization is also an issue that increases the risk of accidents.
- Various types of road and railway networks are in poor condition.
- Standards of weights and dimensions are vastly differing from each other in most of the BSEC Member Countries.
- There are different gauges in rail networks.
- Terminals for rail lorries are insufficient.
- There is a lack of special equipment (or in some cases, available equipment is not operating).
- Electrification, signaling and telecommunication railway systems are differing substantially from each other in most of the BSEC Member Countries.
- Some of the rail networks are considerably disorganized.
- There is a lack of suitable handling and storage equipment at main stations of the rail networks.
- The capacity in certain sections of the networks are not adequate.
- There is a lack of trained and qualified personnel.
- Interchange agreements for cars (wagons) and other special equipment are needed.

FINANCIAL PROBLEMS

- There is inadequate financing for project and program implementation in every field of transportation.

- Financial opportunities are very rare to upgrade and/or build new maritime ships in most of the BSEC Member Countries.
- There is a need for effective cooperation in the ship repairing sector and, therefore, calls for urgent financing.
- The *Ukrainian Fleet* consists of old ships requiring maintenance and repair. With *Ukraine* the leading country, repairing and docking works are usually taken from *Bulgaria*, *Georgia*, the *Russian Federation* and *Romania*. However, these efforts do not seem to be satisfactory.

POLITICAL PROBLEMS

- The closing of *Georgian* and *Azerbaijan* borders from time to time causes troubles for 777? transportation and thus only leaves one alternative, that is, going north of the Black Sea over *Bulgaria*.
- Temporary overloading on the alternative corridors to the main *Trans-European Corridor* due to the problems in the former *Yugoslavia* creates serious problems on occasion for a number of BSEC Member Countries.

SOCIAL AND ETHICAL PROBLEMS

- There are constant difficulties faced while loading and unloading the goods at the harbors due to corruption and the lack of organization.
- Language problems cause major difficulties in communicating with port officials.
- Notices are in *Cyrillic* alphabet which creates misunderstandings and confusion.

TYPES OF TRANSPORTATION IN THE BSEC REGION. CONCEPTS, FACTS AND PROSPECTS

INLAND TRANSPORTATION

THE BLACK SEA TRANSPORTATION SYSTEM NETWORK AND RING CORRIDOR CONCEPT

These concepts were first introduced by *Greece* which would constitute a large scale multi-modal *Transportation Network Plan* in the BSEC region. The *Transport Network* is planned to be established through the creation of a *Ring Corridor* along the coast of the Black Sea which will comprise the amelioration of the existing road and rail transportation systems encircling the Black Sea. There will be more transport nodes as well as a radial network emerging to the *Ring Corridor* from all different orientations (*Northern Europe*, *Middle Asia*, the *Middle East* and the *Far East*). The whole system will comprise infrastructures and services of all transportation modes, i.e., roads, railways, ports and inland navigation. Also, this intermodal approach is expected to serve all present and potential traffic flows together with the development needs of the region.

The completion of this *Transportation Network Plan* requires the preparation of an inventory of the existing and/or planned transport corridors. With this understanding, the *BSEC Working Group on Transport* decided in its *Third Meeting* that the BSEC Participating States would introduce their national transport networks in relation to the *Black Sea Network Plan* in order to determine which transport corridor has priority over the other.

To make any evaluation regarding the potential of any given transport network or corridor, it is imperative to have at hand the figures for freight demand in connection with the network or corridor in question (Assessment of Data on Travel Demand). At the same time, there have been studies on the current data concerning freight and passenger travel demand along with traffic flows.

The following are the Priority Transport Corridors being examined in the meetings of the BSEC Working Group on Transport:

- *The Pan-European Corridors 4,7,8,9.*
- *The Trans-European Network.*
- *The Baltic Sea - Center of Russia - the Azov and Black Seas.*

It was emphasized that the *Ring Corridor Concept* should be based on the existing road and railroad networks in the Black Sea region, *Crete* transport corridors and *Trans-European* networks. It is also believed that the completion of the corridor *Greek - Turkish border/Greek - Bulgarian border - Alexandroupolis - Thessaloniki - Albania/Igoumenitsa* will help towards the connection of the *Black Sea* with the *Adriatic Sea*.

The *Greek Delegation* presented a list of criteria that could be taken into account for the inclusion of existing links or in the new transport corridors to serve BSEC Member Countries.

These criteria were discussed and accepted during the *Meeting of the BSEC Working Group on Transport* held in Athens on 24 November 1993 as with amendments (*Annex 2*).

- ***Guidelines of the Ad Hoc Group of Experts on Transport Network in the BSEC Participating States (Annex 3).***
- *The Proposals of the Delegation of Romania related to the follow-up road activities to be carried out at a national level as agreed within the BSEC Meeting of the Ad Hoc Group of Experts on Transport Network in Kyiv on 15-16 October 1995 and of the Working Group on Transport in Anapa on 18-19 October 1995 (Annex 4).*

STUDY OF THE PLANNING OF AN OVERALL BSEC TRANSPORT NETWORK

During the *Meeting of the BSEC Working Group on Transport* held in Athens on 23-24 November 1993, the *Delegation of Ukraine* proposed to undertake a study regarding the planning of an overall *BSEC Transport Network*.

The Principles of the BSEC Transport Network Concept proposed by the Delegation of Ukraine can be summarized as follows:

- * Careful preservation, rehabilitation and utilization of the existing transport systems which would increase transport flows, capital investments, the establishment of information systems and international transshipment.
- * Introduction of minimum rehabilitation in national systems.
- * Effective utilization of systems through an *engineering-system* approach.
- * Effective utilization of methods creating transport rings and corridors.
- * Treatment of the BSEC Transport System as one large system.
- * Taking effective measures towards the expansion of cargo and passenger flows.
- * Observation of the principle of economic efficiency and self-repayment of expenditures.

It is believed by the *Delegation of Ukraine* that the establishment of a *Transport Ring* around the Black Sea would particularly serve the Member Countries for their expansion of tourism activities. This *Ring* is planned to be enriched by railways, motor, sea and aviation transport. Also, international

river routes are suggested to be integrated to the system such as the route *Main - Rhine - Danube - the Black Sea - Dnieper or Don or Volga*.

It is expected that this concept will attract shipping companies and passengers for travel which would lead to a gradual growth of the flows of cargo and passenger transportation as well as meet the growing demand for transport services.

Finally, this project is expected to have positive impact on the stabilization of economies and, thus, will lead to gradual liquidation of political and military discords in the area of the *Caucasus*.

- * ***For more comprehensive information of an Overall BSEC Transport Network proposed by the Delegation of Ukraine, please refer to Annex 1: Draft Report on Cooperation in the Field of Transport among the BSEC Participating States prepared by the Delegation of Ukraine.***

THE EUROPEAN TRANSPORTATION SYSTEMS

The necessity of interconnecting the projects in the field of the *BSEC Transport Network* with the *European Transportation Systems* has been emphasized on several occasions in the *BSEC Ad hoc Group of Experts on Transport Network* and *BSEC Working Group on Transport*.

RAIL TRANSPORTATION

Today, the railways, the communication facilities and the system management are rather old and insufficient in a substantial part of the countries of the Black Sea region. There is a need for renovation and modernization of the rails, rolling stock, maintenance and repairing workshops as well as communication and signalization.

The delays in the railway systems are constantly increasing and reaching alarming dimensions, thus, both local and foreign trade are being negatively influenced.

There appears to be a problem of incompatibility in connections with the *European* railways, related with the standard gauge and broad gauge rails.

The *Trans-Asian* and *Trans-European (TER)* railway connections bear great importance from the point of view of trade between the countries in the region and the ones outside the region.

GROUND TRANSPORTATION

Ground Transportation introduces the question of load sharing among different national carriers. BSEC Participating States are not willing to issue as many permits as required by carriers of the other states with a view to protecting their own carriers. This may sound a reasonable argument at first; however, it overlooks the fact that more trade would generate additional freight for all carriers, BSEC Participating States would benefit by the introduction of freer rules for the passage of their respective carriers, including an environment where a "foreign" (of another Participating State) carrier would be encouraged to collect freight to outside destinations, provided that harmonization of technical and social provisions is achieved. *Myoptry* should not be permitted to damage long-term common gains that go beyond mere transportation income.

RIVER TRANSPORTATION

River transportation is particularly important in the BSEC region, and its relation to markets of *Central and Eastern Europe*. What is said about *Ground Transportation* is equally valid for *River Transportation* by barges. Given the difficulty and inefficiency of shifting goods from "foreign" to "national flag" barges, systems and models should be designed to enable close cooperation among the

BSEC Participating States and their private companies, to enable and to ensure rapid and cost effective shipment of goods to their final destinations.

MARITIME TRANSPORTATION

The BSEC Working Group on Transport has been working on and advocating active cooperation on the following interest areas in the field of Maritime Transportation:

- Compilation studies and assessment of measures are being conducted of the shipping policies of the BSEC Participating States with a view to establishing their common denominators towards a market-oriented maritime environment.
- The BSEC Participating States acknowledged that they should take part in the *GATT Negotiating Group* on the liberalization of *Maritime Transport* services and agreed to apply the principles contained in the memorandum of understanding concluded between the *OECD* and *NIS-CEEC* (*Newly Independent States-Central Eastern European Countries*) countries.
- Promotion of bilateral shipping agreements based on the principle of free and fair competition in international *Maritime Transport* among the BSEC Member Countries.
- Shipping agreements on the facilitating of ships and their crew when calling at ports.
- "Avoidance of Double Taxation" of ship revenues.
- Application of the principle of free and fair competition to the inland waterway transport.
- Further promotion of cooperation in the fields of shipbuilding/ship repairing and port infrastructure.
- Possibilities of establishing ferry lines between ports in the Black Sea.
- Exchange of information on existing and planned ferry lines in the Black Sea.
- Prevention of the emergence of overcapacity in the shipbuilding industry.
- Seeking solutions for any practical problems faced by vessels and shipping companies.
- Facilitating the needs for merchant vessels and their crews.
- Finding ways and means of attracting the interest of the private sector to the broad opportunities of collaboration existing in the field of *Maritime Transportation* and ensuring access to a data bank of information, with the full understanding that within a market-oriented *Maritime Transport* environment, the main burden for the materialization of transport projects lies with the private sector.
- Establishment of interaction between inland and sea transport.

STRAITS

At the Fourth Meeting of the BSEC Working Group on Transport held in Istanbul on 2-3 June 1994, the following statements were recognized:

- *The Working Group*, noting the *Turkish* concerns on the safety of navigation and the protection of the environment in the *Straits*, agreed that these problems should be addressed through international cooperation within the *IMO* (International Maritime Organization), with due respect to the *Montreaux Convention* and relevant international law.
- *The Working Group* agreed that any national rules promulgated by the *Coastal State*, should respect the special regime of the *Straits* under the *Montreaux Convention* and be in total conformity with the rules and recommendations adopted by the *IMO Maritime Safety Committee* in May 1994.

The 19th session of the *IMO Assembly* confirmed the *IMO* rules and recommendations and pointed

out that they are established purely for the purpose of safety of navigation and environmental protection and are not intended in any way to affect or prejudice the rights of any ship using the *Straits* under international law, including the *1936 Montreaux Convention*, and that national regulations promulgated by the *Coastal State* should be in total conformity with the said rules and recommendations.

In its decision, the *IMO Assembly* also requested the *Maritime Safety Committee* to review the operation of the *IMO* rules and recommendations and the conditions in the *Straits*, to consider, as appropriate, any suggestions for changes in the said rules and recommendations and to report on these matters to the next session of the *Assembly* in 1997.

- **Background Note on the Regulations for the Turkish Straits submitted by the Delegation of Turkey (Annex 5).**
- **Background Note on the Navigation in the Straits of the Bosphorus, the Dardanelles and the Marmara Sea submitted by the Delegation of the Russian Federation (Annex 6).**

PORTS IN THE BLACK SEA REGION

The proper function of *Ports* is strictly connected with the increase of international and regional trade. In addition, the development of *Ports* depends to a greater extent on the prospective freight flows in the region. Therefore, more efforts should be put for the rationalization and increasing of the effectiveness of *Sea and River Ports*.

It is advisable that the BSEC Member Countries inform each other about the practical problems faced by ships when they call in their *Ports*. In spite of the progress made up to today, there are still substantial problems to be solved.

These problems can be summarized as follows:

- * Increase of calling of ships at ports.
- * Undue delays.
- * Ship supplies (food, spare parts).
- * Seafarers' correspondence.
- * Change of crews
- * Disbursements.
- * Delayed payment of freight rates.
- * Lack of oil reception and pumping facilities.
- * Discrimination on port charges, passage fees and freight taxes.

Some of the activities underway and progress achieved concerning the development and rehabilitation of Ports in the BSEC region are as follows:

- * The conditions of the *Ports* of *Odessa*, *Novorissyisk*, *Batumi*, *Poti*, *Sochi*, *Constanta*, *Rostov*, *Tuapse*, *Varna*, *Samsun* and *Trabzon* should be improved, in particular.
- * Rehabilitation projects concerning some of these *Ports* are being conducted by the *World Bank*, the *European Community* and the *EBRD*. Also, it is suggested that the waste treatment projects for these *Ports* should be put into effect in collaboration with other efforts.
- * The *BSEC Council* has been collaborating closely with the *EBRD* for securing the financing of two port rehabilitation-expansion projects on the *Azov Sea* in the *Russian Federation*. Another project in hand is the multi-modal transportation system which is envisaged to connect the *Durres Port* in *Albania* to *Varna* on the *Black Sea* coast of *Bulgaria* via road and rail connections and to *Ukrainian*, *Russian* and *Georgian Ports* via *ferry* and *Ro-Ro* transportation facilities.
- * Prior to the *BSEC Summit Declaration* and the circumstances surrounding it, the *Black Sea* had a

relatively small role in serving to the limited amount of trade originating from the former *USSR*. The principal *Ports* at *Novorissyisk* and *Odessa* were more important for military purposes. *Ports* on the coasts of *Romania* and *Bulgaria* carried more weight as trading *Ports*. Presently, there is a need for rapid rehabilitation, modernization, expansion of these *Porte*.

- * Effective achievement of these objectives and the possibility of financing them require not only that they are efficient as such, but also that they are competitively managed. It is also not desirable that *Port Rates* are determined on a non-competitive basis. *Privatization* is difficult when *Ports* are discussed, particularly where military considerations ruled previously. However, it is now necessary that a new approach is adopted. For example, telecommunication investments at *Ports* with a previous military role or at those which may in time assume such a role are presently questioned because of the possibility that states may intervene with their defence priorities, hence limiting their commercial efficiency.

CARGO TRANSPORTATION

The BSEC Working Group on Transport has noted the following issues on Cargo Transportation during the meeting held in Anapa on 18-19 October 1995:

- *The Working Group* held an extensive exchange on existing and prospective volumes and directions of international *Cargo Transportation* by all kinds of *Transport* in the BSEC region including *Cargo Transportation* by *river-sea ships* (interregional, regional, local) by *ferries*, etc.
- *The Working Group* recommended to study the possibility for extending the *Ro-Ro Ferry Systems* to other *Ports* of the *Black Sea* and *Azov Sea* in addition to the lines already in operation including the ones which have recently started operating between the *Ports* of *Varna (Bulgaria)* and *Poll (Georgia)* as well as *Burgas (Bulgaria) - Poti Ro-Ro line* and the *Constanta (Romania) - Samsun (Turkey) ferry line* which will be introduced in the very near future.

AIR TRANSPORTATION

SEMINAR ORGANIZED BY THE CONSULATE GENERAL OF ROMANIA IN COOPERATION WITH THE BSEC

On 24 November 1995, the *Consulate General of Romania* in *Istanbul* organized a *Seminar* in cooperation with the *Permanent International Secretariat of the BSEC*. The *Seminar*, held in accordance with the *BSEC Plan of Actions* for the implementation of the provisions of the *Bucharest Statement*, was attended by the representatives of the *Consulates General*, airline companies and national travel offices of the *BSEC Participating and Observer States* in *Istanbul*, as well as of the *BSEC Council* and the *Black Sea Environmental Program*. Constructive views regarding the prospects for developing tourism activities in the BSEC region and the concrete contribution which could be provided by airline and travel companies in this direction were exchanged. The participants emphasized the importance of concerted efforts for increasing tourism - which has direct correlation with the issues of *Transport* - within the BSEC area, including unilateral initiatives or bilateral and multilateral agreements and arrangements with the view to simplifying the formalities governing the issuance of passports, visas and other supporting documents, especially for groups from the BSEC countries traveling in organized tours.

- * **Proposals made by the Delegation of Romania during the First Meeting of the BSEC Working Group on Transport and Communications held in Bucharest on 15-16 December 1992 regarding the Actions to be taken for the Air Transport Cooperation and Development among the Countries within the Black Sea Area (Annex 7).**

HARMONIZATION OF THE BORDER CROSSING FORMALITIES

The Border Crossing Formalities constitute an important factor in the smooth functioning of commercial activities. In that respect, the harmonization of these formalities should be conceived as a continuous process rather than an exercise which can be achieved within a short period of time.

By definition, *Border Crossing Formalities* mean all formalities that have to be complied with in order for an individual or a cargo to cross a border. These *formalities* include: Commercial cargo, cargo accompanying a passenger, vehicles transporting commercial cargo, vehicles driven by travelers and border crossing of individuals without any cargo.

PROBLEMS

- * Although all *Border Crossing Formalities* are introduced at a time when they are absolutely necessary, a substantial part of them remain in force for various reasons, long after their justification ceases to exist. The first reason for this is because, those who have to comply with *such formalities* are usually the foreigners and they are not expected to question the appropriateness of a specific *formality* introduced by the *Government of a Member Country*. The second reason is that the national authorities may not have a periodic review mechanism for the evaluation of the appropriateness *of the formalities* in force. As a result of these, no action is initiated to abrogate such *formalities* even if they become unnecessary.
- * In some cases, during a long period of time that may have elapsed since the introduction of a *specific formality*, due to the changes in conditions, such a *particular formality* may not justify any longer the effort needed to comply with or enforce the required situation.
- * It is very common to see long queues formed at the borders by trucks, cars or passengers due to *unnecessary formalities*.
- * In some cases, easily dispensable *formalities* may be the reason for the increased cost of *Cargo Transportation*. Delays in *Cargo Transport* resulting from *formalities* at the borders are inevitably reflected as an increase in the cost and, consequently, the price of the commodity rises which is to be paid by the consumer.
- * Delays faced by individual travelers at the borders may cause a loss of their labor for the national economy.

REMEDIES

- * In several cases, some objectives set by the national authorities may be attained more easily not by introducing a *specific formality*, but through closer cooperation among the BSEC Participating States.
- * The harmonization practices should help eliminate both *the formalities* which become unnecessary and obsolescent.
- * The harmonization *of formalities* should be regarded as a long process that should be conducted smoothly. No BSEC Participating State should be forced to *adopt formalities that are* not yet ready to be implemented.
- * The harmonization process may start by recording stock of present rules governing the *Border Crossing Formalities* of the BSEC Participating States.
- * If, upon the completion of the stock taking exercise, it is observed that there are *formalities* common to all BSEC Participating States, harmonizing practice may be applied immediately for

such formalities.

- * *Formalities* which resemble each other should be given special effort to be harmonized.
- * In harmonizing *formalities*, international practices should be given priority with a view to improving the common standards of the BSEC Participating States rather than modifying the existing ones towards poorer standards.
- * The harmonization exercise may also be extended to other practices which may vary considerably from one BSEC Participating State to the other. However, this process may take a longer period of time.
- * *Information on Transportation in BSEC provided by the Delegation of Armenia (Annex 8).*
- * *Information on Transport Connections in the BSEC Member Countries provided by the Delegation of Azerbaijan (Annex 9).*
- * *The Views of the Delegation of Turkey on the Black Sea Ring Corridor and Related Transportation Network (Annex 10).*

GENERAL RECOMMENDATIONS

- Provision of an effective, speedy, modern and reliable transport services operating within the framework of an adequate infrastructure should be the principal objective of the cooperation.
- Improvement and development of transportation links and any legislative action for the facilitation of transit transportation among the BSEC Member Countries.
- Comparison of the present legal arrangements by the Member Countries of the Black Sea Economic Cooperation and on the basis of servicing sectors by providing them and taken into attention the national laws and international bilateral and multilateral treaties.
- Analysis of the data concerning transport possibilities in the region in order to determine the most efficient transport links.
- Preparation of proposals on technical cooperation programs, as well as proposals for the standardization of customs documents and procedures within the context of a multilateral transport agreements.
- Determination of the differences in technical standards with the *Western* ones in order for upgrading them to the levels of *Western* standards.
- Development and adoption of common administrative rules that have been already established by international organizations (i.e., *U.L.C.*, or *OTIF* for rail transport) in order to resolve many of the serious problems encountered today.
- Promotion of bilateral and multilateral agreements in all modes of *Transportation* and transit flows.
- Development in the inland waterways policies of the BSEC Participating States towards a market-oriented environment. Exchange of information on the inland waterways legislation of the BSEC Member Countries.

- Prevention of the emergence of overcapacity in the shipbuilding industry. It is recommended that this problem should be resolved on a multilateral basis and on the basis of the rules of free competition and not be disturbed by unfair supporting measures.
- Provision of ship construction credit pursuant to *OECD* terms (long term/low interest) from international financing units.
- Exchange of know-how on ship construction and ship repairing while practicing barter transactions for offsetting debts among the BSEC Member Countries.
- Ensuring the close attention and active involvement of private sector on investments regarding diversified fields of *Transportation*.
- Initiation of the preparation of a reference list of existing and prospective investment projects in the field of *Transport* which require *Foreign Direct Investment* (FDI).
- Exploration of possible ways of cooperation by the establishment of joint ventures among the BSEC Member Countries within the principles of free and fair competition. Also, ocean-going ships that are engaged in such transport should be facilitated.
- Seeking collaboration with respective national authorities among the BSEC Member Countries in projects concerning the *Transportation* sector, namely modernization, enlargement, effective management and construction of new ports as well as railways.
- Forming a list by studying the physical and operational possibilities and practicalities of the ports of the BSEC Member Countries having coasts in the Black Sea
- Efforts should not be spared to ensure the presence of clear and efficient conditions at points where goods are handled, stored and shipped to their final destinations with maximum security measures, efficient telecommunications and financial services.
- Improvement and modernization of the' *Odessa, Novorissysk, Batumi-Poti, Sochi, Constanta, Rostov, Tuapse, Varna, Samsun* and *Trabzon* ports for their rehabilitation, and effective management. Available information technology systems for this purpose should be carefully examined. Telecommunication and storage facilities as well as financial services should be developed with urgency.
- Urgent rehabilitation of the railways within a short and medium-term development plan in almost all the BSEC Member Countries.
- Development of common standards in rail transportation.
- Possibility of smooth privatization of railway operations.
- The *Eastern Black Sea* countries have very important connections with the *Tram-Asian* railways. Therefore, a comprehensive feasibility study could be conducted for the betterment of this railway connection in favor of the Black Sea region countries.
- Provision of conformity is required with the *Trans-European Railway* (TER) in order to improve substructure standards of the railways of the region between *East* and *Central Europe* countries. Improvement and modernization of these links bear great significance in the *TER* transportation

system.

- Active cooperation and expedition of current efforts on the harmonization of *Border Crossing Formalities* which should be regarded to be achieved in the long run among the BSEC Member Countries.
- **Storage**
Storage is one of the major dynamics of transportation. Effective *storage* facilities constitute a critical element for sellers of natural resources, bulk material as well as finished products in obtaining best prices. Investment efforts towards those facilities should, therefore, be appraised within a spectrum of gaining "indirect benefits."
- **Free Zones in the Black Sea Region**
Free Zones should be considered as significant means contributing substantially to intra-regional trade. These *zones* could be improved through the creation of sound processing, re-processing, packaging and transshipment facilities. These initiatives can be best achieved through joint ventures and/or enterprises managed jointly by individuals and/or joint stock companies from the BSEC Member Countries.
- **High Speed On-Ground Transportation**
Further advancement of *high speed on-ground transportation* modes, such as high speed passenger and cargo trains, container and trailer transportation as well as tourist, mail and luggage transportation. In this respect, the reconstruction of the existing routes within the technical possibilities as well as the construction of new railways which would provide the maximum velocities compatible with world standards should be taken into consideration.
- **Proposals of the Delegation of Armenia on Transportation in BSEC (Annex 11).**
- **Proposals of the Delegation of Greece on Transportation in BSEC (Annex 12).**
- **Proposals of the Delegation of Turkey on the Black Sea Transportation Network Concept (Annex 13).**
- **Recommendations of the Delegation of Ukraine on the Legislative and Juridical Bases of the BSEC Transport System (Annex 14).**

CONCLUSION

The effective, secure and efficient means of *Transportation* are the major elements in order for sound trade activities and international investments to take place. The Black Sea Economic Cooperation is particularly important in this regard, because the region is promising not only as a potential of globally competitive industrial activities, but also as the critical outlet of agricultural and industrial production of its own as well as of the Republics of Central Asia. It is, therefore, mandatory that not only efficient multi-modal means of *Transportation* be made available in the region, but also port, storage, telecommunications, finance, insurance and other infrastructure be installed throughout the region. In this respect, *Governments* and *Parliaments* of the BSEC Member Countries should exercise their authority over international financial institutions towards the adoption and development of criteria conducive to and encouraging for investments towards these objectives.

However, it is a fact that international financial organizations are usually not willing to support the construction of new transportation infrastructure, but favor the rehabilitation and modernization of existing facilities. It is, therefore, desirable that a *masterplan* of *Multi-Modal Transportation* be designed. Although there is very little information available on the actual amount of trade that is going through the BSEC region, it would not be unrealistic to expect a multiplication of this traffic in accordance with the re-activation of industry in the region. The often cited emergence of trade originating from the *Republics of Central Asia* including oil, oil products, other bulk material as well as industrial products should be taken into consideration in such a *masterplan*.

Again, all modes of *Transportation* should be accounted for as the fundamental parts of infrastructural development necessary for the improvement of socio-economic and trade relations among the BSEC Member Countries in the region.

In addition to all interest areas for the BSEC region that have so far been tackled in the field of Transportation in this Report, the following prospects can be considered as the complementary reinforcing components to the Report:

- * The study of *road-railway* combined transportation possibilities so as to maximize the benefits of the existing railroad systems in the region, and of *rail-sea* combined transport modalities between and among the *BSEC Member Countries*, *Eastern European Countries* and the *European Union* would be elaborated by experts in line with the deliberations of national authorities.
- * Active cooperation on the development and modernization of *ports* should be recognized as one of the fundamental means of increasing trade potential in the BSEC region. Also, it would be wise to look for further opportunities for possible *Ro-Ro* and *rail-ferry line* connections.
- * The development of *storage facilities*, *transshipment points*, *free zones* and *high speed on-ground transportation modes* are other significant areas where experts could search for and examine possibilities of cooperation.
- * Finally, the *simplification of customs procedures and provision of common port tariffs* are other major cooperation areas among the BSEC Member Countries bearing great importance for the rapid economic development of the region. In this respect, more active cooperation and further analysis of the issues in all aspects of *Transportation* should be maintained through a collaborative approach in order to achieve common standards in the Black Sea Economic Cooperation region.