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THE TWENTY SIXTH PLENARY SESSION OF THE PABSEC
GENERAL ASSEMBLY

**Meeting of the Economic, Commercial, Technological and
Environmental Affairs Committee**

REPORT*

**“Development of transport infrastructure in the Black Sea
region”**

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I. INTRODUCTION

1. The Twenty Fourth Meeting of the Economic, Commercial, Technological and Environmental Affairs Committee, held in Donetsk on 16-17 March 2005 decided to take up the subject of **“Development of transport infrastructure in the Black Sea Region”** as the main item of the agenda of the Twenty Fifth Meeting in Chisinau on 21--22 September 2005.

2. A transport system plays an important role in the progress of economical development in the region and is a key factor in promoting closer interaction among the BSEC member-states. Given the growing role of the Black Sea region in the global economy the BSEC member countries have to use their own resources and individual capacities to restore the old and establish the new transport connections.

3. Taking into account the vital role of transport in ensuring sustainable development in the Black Sea region, and in the light of the activities and projects undertaken by the BSEC in the field of transportation, PABSEC has placed a special emphasis on a large-scale infra-structural and institutional rehabilitation of transport system in the region and the development of appropriate links to the Trans-European and Pan-European Networks, as well as to the Central Asian countries. On the other hand, PABSEC reaffirms its commitment to provide legislative support to the BSEC initiatives in developing transport infrastructure.

4. The PABSEC in its activity has repeatedly considered issues connected with transport sector in the region. In 1996 the Assembly adopted Report and Recommendation 13/1996 on “Cooperation in transportation among the BSEC member-states”. In 1998 the Assembly debated on “Transport in the Black Sea region” and adopted Report and Recommendation 29/1998. In 1998 the issue was tackled by the members of the Legal and Political Affairs Committee and Report “On legal and political aspects of the transport systems integration process in the Black Sea region” and Recommendation 40/1999 on it has been adopted by the PABSEC.

5. Besides this the Assembly at its 24th Plenary Session in Antalya (Turkey) on November 24 2004 adopted Report on “Facilitating the movement of people and goods across borders”. In this Report members of the Assembly touched upon the problems related to the interconnection and integration of transport networks, development and harmonization of legislation in the field of transport and cross-border regime.

6. Report is based on materials from different internet sources, documentation of organizations dealing with transport sector, official publications of the BSEC, as well as other organizations, particular European Union.

II. BSEC STRATEGIES

7. Since the birth of the BSEC transport cooperation has been identified as a matter of high priority, which could deeply stimulate the economic and commercial links. "The BSEC Economic Agenda for the Future" states that the strengthening of regional cooperation in the field of transport and the establishment of regional infrastructural networks aimed at facilitating intra-Black Sea region trade flows are strongly recommended in order to create an efficient regional transport system.

8. According to "The BSEC Economic Agenda for the Future" the main directions for cooperation of the Member-States in the field of transport are the following:

- elaboration of concrete measures for the implementation of priority projects aimed at the development of the international infrastructure in the BSEC region;
- creation of favourable investments conditions which could facilitate the participation of the private sector in the construction and operation of modern transport infrastructure;
- development and harmonization of the legislation in the field of transport and cross-border regime;
- coordination of measures for the operation and interaction of different modes of transportation;
- increase transportation security and cargo safety;
- introduction of new technologies promoting transportation of cargoes and acceleration of their delivery

9. BSEC activities on development of transport infrastructure enshrined in a number of the ministerial meetings: Conference of the Ministers of Transport of the BSEC and Central European Initiative (CEI) countries (Sofia, 1996), TRACECA-BSEC Transport Conference (Tbilisi, 1997), Conferences of the Ministers of Transport of the Black Sea region (Kyiv, 1997 and 2002) and other relevant international conferences and meetings. Moreover the outcome of these meetings was the joint proposals presented by the BSEC countries to the rest of Europe.

10. According to the Joint Statement of the Ministers of Transport of the BSEC Member-States adopted on 30 March 2001 in Sochi (Russia) with the entry into force of the BSEC Charter and the transformation of BSEC into full-fledged regional organization Member-States have received important instrument for enhancing cooperation in the transport field and raising it on a qualitatively higher level to meet the needs of the BSEC region. The Ministers also emphasized that joint efforts should be made in order to take measures to promote sustainable transport systems, including multimodal transport networks in the BSEC Member-States, help reduce regional disparities and to connect the BSEC region transport infrastructure to the European and Asian transport infrastructure networks.

11. Transport Action Plan for the BSEC member-states (for five-year period) adopted at the same conference in Sochi determines the main directions on transport cooperation between the BSEC Member States in order to create a highly efficient regional transport system, which combines the national transport programs with the development plans of the Pan-European transport corridors.

12. Following the Transport Action Plan the BSEC Working Group on Transport worked out the Draft Memorandum of Understanding (MoU) on the Facilitation of the Road Transport of Goods in the BSEC region, which was signed by eight member-states on March 6 2002 in Kyiv. The MoU is aimed at enhancing cooperation among the governments of the BSEC member-states towards the harmonization of certain key-elements concerning international road transport of goods in the region, *inter alia* by simplifying and harmonizing cross-border procedures, formalities and documentation.

13. Baku Declaration on the Development of Transport Cooperation in the Black and Caspian Sea Region (3 October 2003) states that participants of the conference agreed: to follow the principles of transport cooperation set out in the Helsinki Declaration of 25 June 1997; to enhance the facilitation and harmonization of border-crossing procedures within the competence of transport authorities; to contribute to the elimination of administrative barriers towards the establishment of a favorable business and investment environment across the region; to encourage Public-Private Partnership (PPP) schemes such as Build-Operate-Transfer (BOT), in order to attract private investments for the development and operation of transport infrastructure and services; to ameliorate transport passenger services with a view to promote tourism between Europe and Asia; to assist in the establishment of electronic database, aiming to facilitate transport processes; to cooperate towards ensuring the security and safety of transportation.

14. Joint Declaration "On the Connection of the Black Sea Transport Network with Trans-European Transport Network within the framework of the Euro-Asian Transport Links" adopted at the meeting of the Ministers of Transport of the BSEC member-states on 28 January 2005 in Thessaloniki determines the further strategy of the BSEC in this field. Particular it fixes major directions for the development of transport axes connecting the Trans-European Transport Network with the Black Sea infrastructure transport network.

15. Among the important directions of the BSEC is development of the *BSEC Transport Ring Corridor*, which implies a combination of important arteries of roads, railroads and ports of the littoral states of the Black Sea as well as other BSEC member-states located on Pan-European Corridors and TRACECA (Transport Corridor Europe - Caucasus - Asia). One of the important initiatives is the Creation of Unified System of Voluntary Satellite Monitoring

of Ships Sailing in the Black Sea aimed at tracking locations of ships in the sea and providing operative information for maritime rescue coordination centers, relevant state bodies and ship-owners on the round-the-clock basis.

16. In its work the BSEC pays close attention to the cooperation with other initiatives and programmes active in region. Despite the fact that some regional initiatives, in particular Black Sea Pan-European Transport Areas (PETRA), South-European Cooperative Initiative (SECI) and TRACECA are being developed outside of the BSEC framework, they inevitably are an integral part of common efforts to establish comprehensive and effective Euro-Asian transport network with the deep involvement of the BSEC member-states. One should note that the aforementioned Second Black Sea Transport Conference held in Kyiv drew special attention to the need of coordination of the common efforts for the achievement of better operation of international transport communications.

17. Significant role in transport processes belongs to the non-governmental transport organizations of the region. Sectoral dialogue partnership in the BSEC was received by such transport associations and unions as the Black Sea Region Association of Ship-builders and Ship-repairers (BRASS), Black Sea International Ship-owners Association (BINSIA), Black and Azov Seas Ports Associations (BASPA), Union of Road Transport Associations in the BSEC region (BSEC-URTA). BRASS and BINSIA initiated consideration of the problems in ship-building, ship-repairing and shipping in the BSEC, BASPA proposed drafting of a multilateral agreement on inter-modal transport in the region, BSEC-URTA made a proposal to start the BSEC project on the Visa for Professional Drivers.

18. The BSEC Working Group on Transport is focused on activity to create along with the Pan-European transport network, a Trans-Eurasian transport system over a long-term bridging core transport regions of Europe, Caucasus and Central Asia in a far-reaching new transport vision.

III. EUROPEAN UNION'S TRANSPORT POLICY TOWARDS THE REGION

19. Fundamental basis of the Union's transport policy is the concept of the Pan-European Transport Corridors and Areas established at the Crete and Helsinki Pan-European Transport Conferences. The ten multimodal transport Corridors and the four PETRA that have been defined, provide an important focus for investment by the international financial institutions. These transport Corridors and Areas are of transnational character and play important role in the Black Sea transport integration. There is not only the infrastructure linkage between regions, but also interoperable operational-institutional framework along these arteries that help to bring together the various economies and societies.

20. In 1996 (in 2004 were revised) the European Parliament adopted the Guidelines for the development of the Trans-European transport network (TEN-T). They include a list of 30 priority projects, which are located on major Trans-European axes. Adoption of this document was a very important factor in the context of the EU's further enlargement. The Guidelines are aimed at better integration processes of the EU with its neighbors in transport sector.

21. The High Level Group is a structure, which has been assigned the task to examine how to connect better the TEN-T with the neighboring countries. The objective of the group is to advise the European Commission that is given in the form of proposals on a limited number of priority axes connecting the major Trans-European axes and the Union with its neighboring countries. After definition of the priority axes the Group will then propose a series of projects, including motorways-of-the-sea projects that are of great importance to EU and neighboring regions. In parallel to infrastructure projects, the Group will make recommendations on what is called "horizontal measures", which include a wide range of activities with the aim of making transport movement smoother along the axes. Such measures refer to the interoperability of railway systems, smothering of border crossing procedures, transport safety and security.

22. The Black Sea itself is becoming increasingly important for the European Union as a means of transportation and communication and in the near future this trend will definitely increase. Because of its strategic location it constitutes a unique link between Europe and Asia with a very important role to world trade. The advantages of its location have been reinforced by the accessibility offered by four of the Pan-European Corridors:

- Corridor IV, which can be seen as the backbone of the future Trans-European Transport network, consists of more than 3285 km of road and railways. It is one of the most important East-West corridors, passing over from Germany to Romania, Greece and Turkey, via Czech Republic, Slovakia, Hungary, Austria and Bulgaria.

- Corridor VII, the Danube, passes through 11 countries and the synergy effects of using its route together with upgraded transport via Black Sea ports can be significant

- Corridor VIII is an important link between the Black Sea and the Adriatic. Its development will be an important factor for economic development of the involved countries and the very significant social and political benefits the Corridor's completion can bring. The development of this Corridor is strongly linked with the development of the two main ports of the Black Sea - Bourgas and Varna. The parallel development of Corridor and ports can have significant effects in the international East-West traffic.

- Corridor IX, the longest of the Pan European Transport Corridors from Finland (Helsinki) to Bulgaria and Greece, with a branch to Odessa (Ukraine), is a historic European Corridor, traditionally serving high freight flows, in an

north-south direction, serving both the Mediterranean and the Black Sea basins.

23. The PETRA is a link connecting the littoral countries of the Black Sea with each other, the Central and Eastern European countries through the Pan-European Transport Corridors, the Caucasian Isthmus, towards Central Asia through TRACECA and the Mediterranean Pan-European Transport Area. A Memorandum of Understanding (MoU) on the development of the Black Sea PETRA has been signed at the Helsinki Conference. It designed to promote the international transport of passengers and goods in a regionally integrated multi-modal transport network.

24. The main agency of the European Union that engaged in development of regional transport policy is the Steering Committee of the Black Sea PETRA (SC BS PETRA). Basic consideration of SC BS PETRA is developing transport routes within the range Europe-Asia, i.e West-East.

25. Apart from the SC BS PETRA two specialized committees are involved in elaboration of the Black Sea region's network: Steering Sub-Committee (SSC) of Corridor IX southern section and Steering Committee of Corridor VII. SSC activity focuses on development of Trans-Balkan routes in the North-East – South-West range, from the towns of Lyubashevka and Rozdilna in Ukraine to Alexandroupoulos in Greece. One of the objectives of that route is to attract the most economically profitable Russian and Ukraine cargo flows from national sea access through their own ports, to sharpen competition in the port and feeder services sectors in the Black Sea basin, thereby decreasing shipper's expenditures.

26. Aims of the SC of Corridor VII are to realize concerted policies in development of Danubian traffic. The great importance of that transport route can be seen already by the speed with which port Constantza (Romania) has turned into the largest Black Sea port and joined the 15 most mighty and loaded ports of Europe. Its cargo turnover in 2001 reached 42 million tons, which included 28 million tones of dry cargoes. The keenest task faced by SC is to solve the matter of reviving the Ukrainian section of Corridor VII, i.e the northern exit from the Danube to the Black Sea.

27. Also of significant importance for the global economic community with respect to transit development is the Caucasus region and the Black Sea - Caspian ports servicing transportation in the range Europe – Central Asia. To develop these sections of global transit routes the EU is assigning funds, both as grants and credits.

28. The TRACECA Programme was launched at a conference in Brussels in May 1993 which brought together trade and transport ministers from the original eight TRACECA countries (five Central Asian republics and three Caucasian republics), where it was agreed to implement a programme of

European Union (EU) funded technical assistance (TA) to develop a transport corridor on a west - east axis from Europe, across the Black Sea, through the Caucasus and the Caspian Sea to Central Asia.

29. To date the TRACECA programme has financed 39 Technical Assistance projects (57,705,000 EURO) and 14 investment projects for the rehabilitation of infrastructure (52,300,000 EURO). After establishment in 1993 three significant conferences were held with participation of high officials, sectoral experts and different international financial institutions. These are TRACECA-BSEC conference (Tbilisi, 8-9 April 1997), "TRACECA-Restoration of the Historic Silk Route" conference (Baku, 8 September 1998) and 1st Inter-Governmental Commission Conference on Transport Corridor Europe - Caucasus - Asia (Tbilisi, 10 March 2000).

30. EU private investors are engaged in joint cooperation with Caucasian and Central Asian transport companies. The Union is supporting projects on further enhancement of regional cooperation and economic sustainability such as the Southern Ring Air Routes project and the Oil and Gas Pipeline project (INOGATE). This program aims to promote the regional integration of the pipeline systems and facilitate the transport of oil and gas within the wider Black Sea region and towards the export markets of Europe.

31. Another large project in railway sector, which was initiated as one of the TRACECA corridors, is the construction of Kars - Akhalkalaki - Tbilisi - Baku railway corridor. The project foreseeing the construction of a 98-kilometer railway between the Turkish city of Kars and the Georgian city of Akhalkalaki will enable to transport cargoes between Asia and Europe by-passing straits of Bosphorus and Dardanelles. Its implementation will allow transporting three million tons of cargoes in first years, mainly oil, a year with gradual rising up to five-eight million tons a year. At present, oil is transported via Azerbaijan from Kazakhstan and Turkmenistan to Georgia's Black Sea ports.

32. In the framework of TRACECA the following investment projects have been implemented:

- **Rehabilitation of the Caucasian Railways.** Repair of rail track in Georgia, reconstruction and rehabilitation of rolling stock workshops in Armenia and reconstruction of a 213 m rail bridge at Poyle in Azerbaijan
- **Rehabilitation of the Red Bridge and Construction of the TRACECA Bridge (Georgian border with Azerbaijan).** Road bridges and customs facilities at the Georgia/Azerbaijan border; upgrading to double track of the nearby Taus rail bridge in Azerbaijan.
- **Establishment of a Rail Ferry Link on the Black Sea**
- 1. Construction of a rail ferry ramp in Poti, Georgia;

- 2. Rehabilitation of an existing rail ferry ramp in Ilyichevsk, Ukraine;
- 3. Procurement of computers and communication equipment to the ports of Poti and Illyichevsk;
- **Cargo and Container Handling Equipment for the Seaports of Baku (Azerbaijan), Poti (Georgia) and Illyichevsk (Ukraine).** Procurement of equipment to inland and port container terminals
- **Rail Tank Wagon Cleaning Boilers, Baku (Azerbaijan).** Procurement and installation of two rail tank wagon cleaning boilers to the Balajari wagon washing plant .
- **Intermodal/Terminal Equipment.** Procurement of cargo and container handling equipment to container terminal in Karmir Belur (Armenia).
- **Supply of an Optical Cable System for Communication and Signalling to the Railways of Armenia, Azerbaijan and Georgia.** Procurement and installation of a transmission network connecting the Black Sea ports in Georgia to Baku and Yerevan.

IV. TRANSPORT INFRASTRUCTURE IN THE BSEC MEMBER-STATES

33. *Albania.* Over the last several years the government has invested in national highways running West-East and North-South. It agrees that a more modern transport system is needed in order to sustain economic expansion and domestic and foreign investment. First priority is to promote investment in the East-West Trans-European Transport network, involving road, rail and pipelines, linking the Adriatic and the Black Sea (Corridor VIII). The government has also made some limited improvements to the North-South railway. State strategy includes the following objectives: a) establishing a modern infrastructure network for an effective transport system to facilitate growth; b) increasing efficiency of coast recovery in transport operations by reducing the demand on the state budget; c) streamlining of transport operations with the aim of increasing economic efficiency, road safety and environmental protection; d) promoting cooperation with the private sector and the development in the context of the Stability Pact. The measures and policies that the government foresees to achieve these strategic objectives include: i) reforming the administration; ii) improvement of the road transport system; iii) improvement of the maritime transport system; iv) improvement of the railway transport system; v) improvement of civil aviation transport.

34. *Armenia* is carrying out its transport policy in accordance with following tasks: development of informational, transport-dispatching and logistic infrastructure and their integration with principal communication system. With assistance of the World Bank and EBDR the government started the programme of rehabilitation of road trunks, which provide connection with Georgia and Iran. At the same time the national programme on safety of these trunks has been elaborated. The main project here is Yerevan – Gyumri –

Hepoty highway, which has northern direction and outlet for Batumi port in Georgia. This route gives the possibility for creation of motor transportation links between the Black Sea and Persian Gulf. Another large project in railway sector, as one of the TRACECA corridors, can be renewal of the Kars-Gyumri-Tbilisi-Baku railway communication, which will allow to transport millions tons of cargoes a year from Asia to Europe and in opposite direction. The Kars-Gyumri-Tbilisi-Baku railway passes through territory of all four states of the BSEC region. Especially it is necessary to note that realization of this programme will not demand new capital investments. Construction and upgrading of railway lines and installation of related combined transportation and harmonization of customs procedures across borders is another priority of government's policy.

35. *Azerbaijan* simultaneously located at the intersection of TRACECA and North-South transport corridors. The Ministry of Transport has elaborated two programmes - on development of transport infrastructure and on development and reconstruction of highway network. Participation in North-South international corridor will give Azerbaijan a new opportunity for cooperation with countries of Persian Gulf and Indian Ocean. In road transport the main highways for the international traffic are Baku - Alyat - Ganja - Kazakh - Georgian border (Azerbaijani sector of TRACECA corridor) with length of 503 km and Russian border - Baku - Astar - Iranian border (North-South Corridor) with the length of 521 km. Other large-scaled projects are construction of the freight terminal in Baku international airport (completed this year), reconstruction of the airport in Ganja city, building of the international bus terminal in Baku. Transport projects in Azerbaijan are funded by different international financial institutions (Islamic Bank of Development, World Bank, EBRD etc.)

36. *Bulgaria* is bringing its transport infrastructure into compliance with the EU's recommendations. Road and rail transport are the two most important modes of transport. In air transport the strategy for the privatization of the national Bulgarian Air company is also being developed. It concerns, among others, the Bulgarian seaports, Varna and Burgas, which are state-owned enterprises. The intent of changes begun in 2001 is liberalization of port activities, so as to involve private companies and attract investments. Bulgarian legislation provides for specific law on the waters, inland waterways and ports, which envisages the establishment of a new, national, state-run company with branches in the ports. It is entitled to let out port complexes and terminals as concessions to operators and grant permits to diverse firms for business activities within the ports.

- Port *Burgas* is the largest Bulgarian port in terms of cargo turnover, and services the southern Balkans industrial centres. It handles most of the cargo transit going to or coming from the Former Yugoslav Republic of Macedonia, Serbia and Montenegro and Central European countries. The Port locks into the 8th Pan-European Transport Corridor connecting Italy via Albania and Former Yugoslav Republic of Macedonia with Central Asia. The Port's

General Development Plan, till 2015, includes constructing new berths, which will accommodate four specialized terminals. This Plan also envisages construction of a terminal for general and liquid cargoes, as well as building a terminal for Ro-Ro vessels and ferryboats.

- Port *Varna* consists of three areas: Varna East (the old port), Varna West and Balchik, operated by the commercial enterprise Varna Port. In accordance with General Development Plan of the Port a chemical terminal was constructed in the Varna East sector. Plan includes construction of cement and slag terminal in Varna East, and a new grain terminal on the northern shore of Lake Varna. Construction of a Ro-Ro vessels terminal is planned for the same area whose first phase envisages a berth with throughput capacity of 40.000 trucks a year.

37. *Georgia's* strategic geopolitical location links Europe to Asia (East-West) and Russia to Armenia, Turkey and Iran (North-South). Georgia is promoting itself as an international transit corridor, focusing initially on the currently more politically stable East-West corridor. The two main components of the national transport strategy are the East-West Energy Corridor (Baku-Supsa and Baku-Tbilisi-Ceyhan pipelines) and the TRACECA, which consists of road, rail and port sectors. Georgia's fully electrified railway network covers 1,583 kilometres of track. The main route runs across the country, starting from Baku in Azerbaijan, via Tbilisi to Samtredia and then on to Batumi and Poti ports, as well as into Russia via Sukhumi. A Transport Policy Concept of Georgian Government defines the role of the state as securing conditions of sustainable development in the transport sector, providing integration into the international transport system, and ensuring the safety of citizens and the safe carriage of goods.

38. Transport strategy of *Greece* is carried out on the base of latter's transport policy. In this field in 2004 important decisions have been taken in Brussels concerning inter-European networks. Priority projects adopted in that time includes 3 projects, which are directly related to the development of transport infrastructure in Greece. These are the Western Rail Axis, the Thessaloniki - Sofia - Kalafat road and railway line and the Ionian - Adriatic - Cyprus - Aegean Sea route. The Western Rail Axis is a project of immense importance for Greece in the light of the horizontal connection of the country with the rest of Europe and with countries to the east. The Ionian -Adriatic - Cyprus - Aegean sea route will connect Greece with Italy and Cyprus together with corresponding infrastructure. The adoption by the European Union of this project will ensure financing for infrastructure for combined transport and give the Greek ports at Igoumenitsa, Astakos and Patras the opportunity to become transit junctions. Furthermore, the upgrading of the road and rail routes from Thessaloniki - Sofia - Kalafat offers a great prospect for passenger and freight transport in Greece.

39. In perspective *Moldova* will become increasingly important as a future border between the EU and Eastern Europe once Romania joins the EU. The

Pan European Corridor IX (Moscow – Kyiv – Bucharest) crosses Moldova from East to West, traversing the capital city Chisinau. Moldova's economy is largely based on agriculture and agro-industry. It is therefore highly dependent on a well-functioning transport and solid transport infrastructure to enable farmers' access to markets. Road and rail transport are the two most important modes of transport. The roads carry more than 70 % of the total volume of goods. They form a key element of the potential of the national economy. The main international roads are Cernovtsy – Balti – Chisinau and Iasi – Sculeni – Balti – Soroca. The country has made good progress restructuring civil aviation. The airports are now legally separate from the national airline which has been partly privatized. The Chisinau airport terminal was renovated with assistance of the European Bank of Reconstruction and Development. The total passenger volume was increased by about 12% over the past three years. Important project was resumed in February 2005, when Azerbaijan's "AzPetrol Moldova" Company purchased the unfinished Giurgiulesti Oil Terminal in southern Moldova on the Danube River. Plans include the construction of a sea/river port and another oil refinery for completion within seven years.

40. *Romania* is one of the major crossroads for international economic exchange in Europe. According to the strategy of government the transport infrastructure is being improved through institutional strengthening, investment and rehabilitation policy. At the same time development of national infrastructure is ongoing in accordance with the European Union's standards. During the period of 2000-2005 Romania has made a progress in privatization of transport sector and harmonizing its legal framework, in particular in the field of road transport, and has started to reorganize the institutions responsible for inland waterways and maritime transport in order to improve their efficiency. Regarding Trans-European Transport Networks, Romania is implementing its long-term rehabilitation plan. Special emphasis is to be given to regulation of the necessary administrative capacity with the view to prepare for the significant investments that will be needed in road and rail infrastructure.

41. Transport strategy of *Russia* (adopted in 2003 by the State Council) is based on the factor that heterogeneity historically formed on the social-economical area of the country affects a functioning of the transport system. Correct consideration of these differences is a necessary requirement for development of transport infrastructure and ensuring of national security. According to the strategy a development of the system of transport management should be stimulated by elaboration of different transport projects in federal districts (okrugs) and by coordination of infrastructural projects in subjects of Federation. As it fixed in strategy the south of the country (administratively South Federal okrug) forms integral part of the Black Sea Economic Cooperation and development of transport infrastructure is connected with creation of the all-Russian inter-regional commodity market. Basing on this factor special importance is to be given to the North

Caucasus region, especially technical rehabilitation and development of air transport. Northern direction (Siberian Federal okrug) and east direction (the Far East Federal okrug) meets necessary requirements, because Trans-Sib and Northern seaway routes are crossing through this region. Priority projects related to reconstruction of road transport. In road transport basic objective of government is the formation of basic trunk network. The Far East region has direct outlet for sea and development of sea transport is the main task in the context of convenient links with the countries of Asian-Pacific region. Another essential part of the state strategy is the international transport corridor North-South. In 2001 Russia concluded agreement on establishment of the corridor with governments of Iran and India. A number of countries are being joined to the agreement.

42. In *Serbia and Montenegro* reforms in transport sector are focused on the following four areas: a) increased funding of maintenance and rehabilitation of transport infrastructure; b) institutional reforming and institution building; c) improvement of the legal and regulatory framework; d) private sector development and participation. Country has a well developed intercity road network comparable in terms of density and pavement type to that of the most advanced Central and East European countries. There is a well-developed construction industry in Serbia and Montenegro, which was successful in international markets last decades, as well as a dynamic and entrepreneurial road transport industry with extensive experience and know-how. Presently the main objective of the governments in Serbia and Montenegro in the road transportation is to increase considerably the funding available for road maintenance and rehabilitation to address bottlenecks and to stop the premature deterioration of the network. Specific near-term and medium-term objectives in the railways sector of the governments include: - to address the most serious operational constraints on the republican railways through a targeted program of investments; - to put the railways on a sound financial footing through financial restructuring efforts; - to reorganize the republican railways into autonomous enterprises capable of competing on the internal transport market. Country is endowed with 1300 km of rivers and canals accepting up to 1,500 tons of vessels. The Danube, which carries most of this traffic, is a major transit corridor connecting Black Sea with the North Sea through the Main and Rhine rivers. In near-term the government's strategy consists of restoring safe navigation on the Danube and Sava River, and allowing the privatization of ports and the river fleet under sound conditions. In the medium-term, the strategy is focused on upgrading navigability and adapting waterways to new international standards.

43. *Turkey's* geopolitical position as link between the East and West makes the transport sector crucial for the economic development of the region. Turkey is a major player both as a transit country and as an origin and destination of freight. External developments with regard to the preparations for EU accession talks and the growing role of Turkey in trade between Central Asia and the South Caucasus make the focus on transport even more important.

Taking to view the EU negotiations agenda Turkish government defines following priority issues in development of transport infrastructure: harmonization of infrastructure, vehicles, environmental standards, the development of logistic networks, the improvement of border crossings and trade facilitation policies (modernization of customs etc.). Adoption of a programme for transposition and implementation of the EU *acquis* is stipulated in road, rail, air and maritime transport. The Turkish Government puts a special emphasis on the more widely participation of private sector in transport field. Thus the numbers of private domestic airlines, standards of their fleets and their market shares have substantially been increased. In transport strategy of government priority is given to the investments aiming at upgrading and effectively utilising the existing infrastructure as well as to the ongoing projects that are due to be completed and contribute to the sector within a relatively short period of time. Ongoing projects, which have recently been initiated and are continuing up to day, include: renovation, electrification and standardisation activities of the railway network, modernization and pavement rehabilitation of provincial roads connecting them to main axes of highways and railways, reforms in maritime sector, especially changing harbour management with the view to be in harmony with developments in national and international trade.

44. *Ukraine's* transportation network plays an important role in the region. It includes 22,300 km of railroads, 167,000 km of highways, about 3,000 km of inland waterways, 19 sea and 10 river ports and 36 airports. The international transportation routes that cross Ukraine are the four Cretan Corridors N 3, 5, 7 and 9; the TRACECA; the Baltic Sea - Black Sea corridor, which runs from Gdynia and Gdansk in Poland to Odessa and Ilyichevsk in Ukraine. In recent years Ukraine has witnessed a noticeable rise in demand for cargo and other transportation services. Thus, a continued yearly increase of 4-5 % is expected, with international transportation taking the lead. The government of Ukraine has approved a programme for developing and operating its national transportation network as a part of the system of international transport corridors. Reconstruction processes of highways and railway lines, railroad electrification, and the installation of traffic-control informational systems have been performed in accordance with this programme. Significant role of the country, as transit territory, connected with transportation of the energy resources from Russia to Europe. 90 % of natural gas of Russia is transported to Europe through Ukraine. Therefore modernization of oil and gas transport systems is an urgent task for Ukrainian government.

V. CONCLUSIONS

45. Globalization of the modern economy has led to impetuous growth of the trans-national transport flows, as well as the new requirements raised on efficiency of the international transportation. According to the prognoses of experts, capacity of the transit traffic only through the axis Europe-Asia

extending through the Black Sea region will increase 35-40% by the year 2010. On this period the containerized traffic will be increased in 15 million containers per year (in 2000 - 7,6 million). All these factors require strengthening of integration of the national transport systems, combined adoption of appropriate decisions on their development and activity's optimization in the region.

46. The prosperity and intensive economic development in the Black Sea region depends on situation in transport infrastructure. It is obvious that there are positive tendencies in development of transport infrastructure over last decades. BSEC has made a huge work in progressing transport policy in the region. However, such processes initiated both at different levels has to be promoted more effectively in future perspective.

47. 21st century is a century of united and economically integrated Europe. Enlargement of the European Union is the basic indicator of this process. Facing new challenges transport system in the Black Sea region must be developed and improved in accordance with proper and adequate concepts.

48. The BSEC member-states should continue their efforts to interconnect the Black Sea region with the Trans-European Network and Pan-European Network, and also with the countries of Central Asia. Active participation of member-states in North-South corridor will give great impetus to closer cooperation with the countries of the Middle and South Asia region.

49. In perspective joint activities of the BSEC member-states should also be directed to the following spheres:

a) application of the logistic systems on cargo delivery and improvement of the information systems. Application of logistic technologies is possible after creation of the informational basis. Level of informatization of the transport systems in the region does not meet modern requirements. Therefore establishment of the informational systems for all member-states is the most important objective.

b) development of the combined transportation. Lag in this field is decreasing competitive capacity of the BSEC member-states at the world market of transport services. Consequently application of progressive technologies is a vital task. This work firstly should be realized in the sphere of improvement of the roll-stocks and terminals.

c) effective cooperation on the protection of environment from transport activity. Partial transfer of the cargo flows into the more ecologically pure railway and water transport is an essential factor here. For achievement of this aim it is necessary to improve utilization of river and water main-line arteries of the region. These arteries have transport links with the countries of the South-West and Central Europe, Baltic region and Caspian Sea region through the Rhine-Maine-Danube and Volga-Don channels.

50. It should be noted that role of TRACECA in the region is increasing. Involvement of TRACECA to BSEC processes is the result of effective cooperation between the member-states in transport field. TRACECA also plays important role in transportation of oil and gas from Caspian Sea to the Black Sea region and their further outlet for the Western European markets. Stimulation of mutually beneficial economic cooperation between all countries of the Black Sea region is one of the BSEC's priority tasks. Renewal of the Kars-Gyumri-Tbilisi-Baku railway communication can serve as an example for realization of this principle. Problems existing between countries in the region should be resolved by means of mutual contacts.

51. The efforts of the Black Sea countries in development of transport infrastructure must include modernization and harmonization of the legal, fiscal, technical and institutional frameworks, because these aspects are the core point of transportation. In this respect cooperation with the international financial institutions is a necessary factor, as well as application of international experience in this direction is useful aspect here.

52. From the point of view of economic development the transport infrastructure in future will contribute to effective business competitiveness of the Black Sea region in the European and world markets. This development is directly related to the stability, welfare and prosperity of every nation in the region.