

THE EXPANSION OF ROAD HAULAGE TO AFGHANISTAN PROBLEMS AND SOLUTIONS

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(2nd February, 2010; Vienna, Austria)

Slide 1 (Title)

Ladies and gentlemen,

The international community has recently been devoting increasing attention to the developing situation in Afghanistan. This topic has taken on particular significance with the inauguration of the new US Administration and the adoption of an action plan for Afghanistan at the end of last year. The essential aim of this plan is not just to increase the size of the military contingent, but also to implement thorough economic and social reform and to improve governance within the country. This strategy is aimed on the one hand at protecting the world from the terrorist threat and on the other hand at improving and raising the quality of life of the Afghan people, whilst ensuring the gradual integration of Afghanistan into the system of regional and international economic and trade relations.

It is not incidental that the IRU has an interest in the problems raised by the Afghan situation. The International Road Transport Union is a multi-lateral non-governmental organisation, which was founded in Geneva in 1948. The IRU's principal fields of activity include providing worldwide support for the road haulage industry, working to remove obstacles to international road haulage and increasing the safety and security of road haulage. These aims are implemented with the assistance of the IRU's 180 members, taken from international road haulage associations in 74 countries throughout the world.

Recently, our organisation has invested huge efforts to expand Eurasian road haulage links and to revitalise the routes of the Great Silk Road. Over the last five years, we have conducted several research studies on this topic (including one in conjunction with the US Chamber of Commerce) and organised four road caravans along routes linking China to Europe. 2008 saw the start of a project to monitor the routes of the Great Silk Road (the New Eurasian Land Transport Initiative or IRU NELTI Project), which entered its second – advanced – phase in the Summer of 2009 and at present is being jointly conducted with the Asian Development Bank.

It is therefore far from incidental that the US Government expressed an interest in our work as part of its own initiative to set up what is generally known as the Northern Distribution Network (NDN). For those who are not familiar with the details of this project, I would note that at present, cargoes for the peace-keeping forces in Afghanistan are mainly directed through the Pakistani port of Karachi and then transported onwards through the territory of that country. However, the situation in Pakistan is in itself somewhat inflammatory and military convoys are becoming increasingly frequent targets for attack by militants. This is why the NDN project envisages the development of alternative delivery routes: via the territory of the Russian Federation, Kazakhstan and Central Asia. Currently, these shipments are being undertaken principally by rail, although increasing interest is recently being turned to the search for alternative shipment routes, focussing on road transport via the Caucasus and the Caspian Sea.

In April 2009, we were invited to a meeting of the Working Group on the Problems of Iraq and Afghanistan at the US Department of Transportation and we were asked to provide details on IRU initiatives linked to the expansion of Eurasian road transportation links. After I had given my report, US Federal authorities expressed an interest in the activities of the IRU, as a result of which a Seminar on Afghan Transit was arranged in Tbilisi in July 2009. The IRU and the US Department of Commerce were the joint organisers of this seminar.

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As a result of this Seminar, the decision was taken to form a Working Group on the expansion of road haulage to Afghanistan. At the invitation of the Ministry of Transport and Communications of Tajikistan, the first meeting of this Working Group took place in Dushanbe from 19th – 20th October, 2009. At this meeting, the participants were briefed on existing transportation and logistical projects undertaken in the Central Asian region, on routes from East to West. They likewise discussed possible practical steps to expand road haulage to Afghanistan. In particular, a proposal was tabled to run a pilot commercial road caravan from Europe to Afghanistan, setting up a “model section” of road on one of the routes, which would afford the most advantageous conditions for road haulage, including those border crossings. The delegates also visited the Nizhniy Panj border crossing point into Afghanistan and even crossed the borders of both countries, thereby gaining the opportunity of meeting with representatives of the Afghan customs and border crossing authorities. The next meeting of the Working Group is scheduled to be held in Baku (Azerbaijan) in March of this year at the invitation of the Azerbaijani Government.

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At the meeting in Dushanbe, we presented a **Report on the prospects for expanding international road haulage to Afghanistan**, which formed the basis for discussion. (It is shown here on the screen and if anyone is interested in its detailed contents, I have a few copies here with me).

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I would now like to bring to your attention the principal results of our work and to share with you our plans and the plans of the Working Group on Afghan Transit.

Any outline of the potential for transporting cargoes by road from Europe and China to Afghanistan needs to start with an explanation of the geographical conditions. This, in turn, involves examining the principal directions and the specificities of existing and possible routes.

As of today, there are two routes which link Europe and Afghanistan via the Caucasus and Central Asia: the first runs through Kazakhstan and Uzbekistan (a longer route via Kazakhstan, Kyrgyzstan and Tajikistan is also theoretically possible); the second runs through Turkmenistan. Both routes involve the use of ferry crossings over the Black and Caspian Seas.

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As far as the shipment of cargoes from China is concerned, there are three possible routes: via Tajikistan, Kyrgyzstan and Uzbekistan. There is also a possible route via Kazakhstan and Uzbekistan. All these routes, as you can see from the table shown on the slide, extend over 3 – 4 thousand kilometres, depending on choice, and delivery times from - for example - Europe to Afghanistan, range from between 8-12 days. The delivery times from China are significantly less. It should be noted that all these routes have been monitored over the last two years as part of the IRU NELTI Project.

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What, then, are the principal characteristics and advantages of these routes?

Road infrastructure: As part of the implementation process for the NELTI Project, it became clear that the myth concerning the lack of road infrastructure in the region was completely unfounded. I personally have travelled over several thousand kilometres of roads in Central Asia and China and I can vouch for the fact that there are no insuperable barriers in this region, as far as road infrastructure is concerned.

Vehicles: Over the last fifteen years, the transit countries have developed their own road haulage sector, which is now represented by first class companies, with contemporary fleets of vehicles.

Competitive pricing: Over the course of the NELTI Project, which I have alluded to several times already, we established that the average haulage tariff for a 20' container from the Chinese borders to Central Asia and Europe was between \$5,000 - \$8,000 (depending upon the route chosen). This is fully in line with the rail freight charge, particularly when taking into consideration the relatively rapid delivery times and the availability of door-to-door delivery.

Legal framework: In recent years many transit countries have signed up to the principal UN Conventions, thereby expressing a willingness to conform to multi-lateral legal regulation. This sets up the conditions for the gradual standardisation of border crossing and other procedures, all of which affect international road haulage.

Practical experience: Finally, it is of no little importance that an inner circle of companies already has practical experience of shipping cargoes under contracts covered by NATO, the USA (as represented by the military base in Manas) and the International Red Cross.

Naturally, a further positive factor is the conclusion of bi-lateral transit agreements between the US Government and the Governments of all the transit countries, with the exception of Turkmenistan. These agreements set down favourable political and legal conditions for the expansion of regular transit cargo shipments to Afghanistan.

However, they fail to resolve the numerous problems which inevitably arise during the shipping of cargoes to Afghanistan along these routes. These problems are principally associated with the relations between the transit countries. Frequently they are not of an economic nature and have their roots in history.

These problems are well known to the IRU. We have come up against many of them during the implementation of the NELTI Project. I would like to give a brief outline of them.

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Firstly: the two ferry crossings over the Black and Caspian Seas, as well as the clear focus being given to the shipment of oil products and raw materials in rail containers. Should there be a significant increase in the numbers of vehicles on routes between the Caucasus and Afghanistan the through-put of the existing ferry services would be insufficient. In this case, either the existing ferries would need to make more frequent crossings or their numbers would need to be increased, which would involve additional investment.

Secondly: the “trans-border” problem.

Problems of **customs procedures** are particularly serious. They have their root in differing procedures for customs regulation, the use of outdated data systems, the absence of joint customs controls (using the one window principal) etc.

These problems are particularly acute on the Afghan border, since Afghanistan is not a signatory to the 1975 TIR Convention or the 1982 Convention on the harmonization of frontier controls of goods.

The above-mentioned problems lead to a significant increase in **vehicle waiting times at border crossing points** and other negative factors.

Waiting times at border crossing points can comprise up to 40% of the overall journey time on routes between Asia and Europe. In addition, the financial costs to hauliers at border crossings are very great and can comprise one third of the freight costs.

Thirdly: regulatory problems.

Regulatory problems in the transit countries, as well as in Afghanistan and China, arise from the lack of standardisation and outdated legal systems. Unfortunately, freedom of transit is not afforded everywhere. This is hardly surprising, since of all the transit countries in the region, only Georgia and Kyrgyzstan are members of the WTO.

The fourth group of problems can be summarised by the poor state of the ancillary infrastructure.

Despite a relatively well developed road infrastructure, the weak link on routes between Europe (or China) and Afghanistan is the insufficient development of logistical centres, vehicle parks, refuelling stations, motel and other ancillary infrastructural sites.

Finally, the last group of problems, but by no means the least in terms of significance, **relate to corruption.**

Corruption takes many forms. It may come in the form of extortion of drivers under the cloak of speeding up border crossing procedures; it may come as threats of “far-from impartial” searches for narcotics or unfounded objections to cargoes or accompanying documentation.

The levels of corruption differ significantly in the transit countries and in general increase as one travels from West to East.

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Having considered the possible delivery routes for shipments to Afghanistan and a whole plethora of existing problems, I would like to concentrate now on a few basic criteria, which must be observed when shipping cargoes to Afghanistan.

Road freight to Afghanistan must provide:

1. **High safety and security standards** (for cargoes, drivers and vehicles). There needs to be a secure and standardised system of customs control and road safety, offering security from illegal intervention and the prevention of the illegal trafficking in drugs.
2. **Efficiency and competitiveness.** The use of road transport must assist in the diversification of delivery routes and the reduction of governmental expenses in supplying the peace-keeping contingent in Afghanistan.
3. **Transparent delivery routes** – are a method of preventing corruption, the inefficient use of resources and the use of uneconomic means of delivering international humanitarian cargoes under the aegis of peace-keeping missions, particularly those methods which have been previously rejected because of negative experience on other similar projects.
4. **The establishing of “development corridors”** along the newly-created transportation routes should encourage processes of regional economic integration in Central Asia and

the integration of Afghanistan into the system of international trade and international shipments.

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Let us now turn our attention to the practical steps which need to be taken at an international level in order to ensure the real “launch” of a new transport corridor:

1. The establishing of a system to guarantee the security of shipments and the delivery of cargoes

The safe and up to date delivery of cargoes is, undoubtedly, the most important factor in the proposed system of measures. From our point of view, the means of ensuring the security of cargo shipments to Afghanistan should be:

- The use of the TIR system and its modern applications (such as SafeTIR and CuteWISE) in the field of **customs security**;
- The system of convoys of road caravans, GPS monitoring using mandatory GPS transmitters in driver cabs to ensure **physical safety**;
- **Insurance** of cargoes, drivers, vehicles, using one of the reliable international insurance companies;
- **Protection from the drug trade** by implementing fundamentally new methods of technical control at vehicle border crossing points (first and foremost on the border with Afghanistan), particularly aimed at detecting narcotic and psychotropic substances, weapons, illegal migrants and counterfeit goods;
- **Exchange of information** on threats arising during shipments to Afghanistan.

2. The creation of a competitive environment

The decision to increase the US military contingent in Afghanistan quite naturally places budgetary questions to the fore. For this reason, savings on transport costs are one of the defining criteria for selecting routes and the means of delivering cargoes. There is a relatively wide range of means available: from the development of special programmes (Internet applications) for exchanging information on the type and quantity of shipments, distances, delivery schedules etc. to the creation of electronic platforms.

3. Transparency in cargo delivery schedules

Only professional companies with experience of undertaking long-haul deliveries should be allowed to participate in the system of shipments to Afghanistan. An obvious selection criterion for the most reliable road haulage companies could be access to international shipments using the TIR system. This would mean that road hauliers must meet the requirements set out in Appendix 9 of the 1975 TIR Convention.

Among the other selection criteria, I should like to suggest the following:

- significant experience on the international road haulage market;
- a lack of serious breaches of customs or other regulations;
- a modern vehicle fleet.

4. The monitoring of road shipments to Afghanistan

Companies that send cargoes to Afghanistan need to be provided with current information on the location of vehicles and cargoes. This means that any problems that arise during the journey can be resolved speedily.

Monitoring needs to be conducted both by means of automatic control (using GPS transmitters in vehicles), as well as by using monitoring methods on the territories of the transit countries (including the Co-ordination Centres, set up as part of the NELTI Project).

The results of monitoring will afford the opportunity to define the next steps to improve the quality of shipments and to remove existing obstacles.

5. **The harmonisation and simplification of trans-border procedures**

This series of recommendations is based on initiatives, which have recently been put forward by the IRU during negotiations with a number of Central Asian countries and are aimed at developing and implementing a Code of Best Practices. The following points are envisaged:

- **A simplification of visa procedures, by issuing multi-entry visas for drivers**, who are taking part in Afghan transit shipments;
- **The introduction of “TIR Green Channels” and “one window” techniques** at key border crossing points, which would enable border crossing and customs clearance procedures to be speeded up for both goods and vehicles;
- **The introduction of joint border crossing controls** in accordance with the conditions of the new Appendix 8 of the 1982 UN Convention on the harmonization of frontier controls of goods;
- **The use of electronic pre-declaration of cargoes, in accordance with TIR procedures (IRU TIR-EPD).**

6. **The increase in the potential of vehicular ferry crossings over the Caspian and Black Seas**

The growth in volumes of shipments to Afghanistan will require an increase in the through-put of the ferry lines and an increase in the levels of co-ordination between road and maritime transport. In order to achieve this, the following factors must be implemented:

- regular ferry crossings, in strict adherence to published timetables;
- non-discrimination with regard to the formation of waiting lists for embarkation on board ferries in port;
- the introduction of additional ferries in case of a significant increase in the volumes of shipments to Afghanistan.

7. **The creation of ancillary infrastructure along routes**

The modernisation and expansion of ancillary and border infrastructure, the implementation of new technologies and equipment in the transit countries and most particularly in Afghanistan can be facilitated by attracting funds from external sources.

With this in mind, a proposal may be set before government and financial institutions to set up a joint investment fund with the aim of financing infrastructure projects in the region. This would require the financial participation of both governments and financial organisations, as well as business structures.

And finally:

8. **Providing an institutional framework**

An institutional framework is crucial for providing the effective co-ordination of actions between international organisations, governments in transit countries and all the members of the international community interested in the expansion of shipments to Afghanistan.

To a certain extent, the Working Group on Afghan Transit provides just such an institutional framework. The first meeting of the Working Group took place in October 2009, in Dushanbe.

All the recommendations that I have set out in this presentation are of a multi-lateral nature and the success of the expansion of road haulage to Afghanistan will to a great extent depend on the levels of their implementation and the resolution of the problems of each individual country. With this in mind, it should be noted that by the time of the next meeting of the Working Group on Afghan Transit in March 2010 in Baku, we will already have formulated the second part of the IRU report, which will include recommendations for each of the transit countries.

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These are our proposals to the international community to set up a permanent, effective land bridge from Europe to Afghanistan via the Southern Caucasus. The implementation of these proposals will depend on the willingness of leading international organisations, financial and credit institutions and business representatives to work together in a co-ordinated fashion. Much will also depend on the readiness of the transit countries in the Southern Caucasus and in Central Asia to offer the requisite political, organisational and legal support for these efforts and to motivate national business within the framework of a public-private partnership.

In general, the measures outlined above would afford the following immediate results:

- **the promotion of the harmonisation of the legal framework in the transit countries** in line with internationally accepted norms and standards, the removal of existing obstacles and the integration of national transport into the international transport system.
- the formulation of **an additional stimulus for undertaking institutional reform**, the modernisation of outmoded systems of customs regulation and visa facilities, which would lead to the freedom of transit and the reduction of corruption.
- the creation of a **“hedge” option** in case there should be interruptions to the functioning of existing air or rail shipments to Afghanistan.
- **the diversification of shipment routes**, both in terms of routings, timetables and pricing.
- Finally, one important prospective aim would be the **integration of Afghanistan into the system of international trade and shipments**, thereby providing non-discriminatory access of goods to the Afghan market. At present, it is clear that if this aim is not achieved then there can be no hope of achieving a long-term strategy for Afghanistan.

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In conclusion I would like to thank the Organization for Security and Co-operation in Europe for the invitation to participate in this important Forum. We, in IRU, highly appreciate our cooperation with OSCE in many areas: from elimination of administrative barriers to the activities of the Working Group on Afghan Transit. We hope that as OSCE begins its work under the Chairmanship of Kazakhstan the issues of transport and transit development will gain even more significance, especially in the Eurasian region which might become the heart of continental trade spanning across the entire region.

Thank you for your attention.