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transport development to enhance regional economic co-operation and stability”**

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Review of the implementation of OSCE commitments in the economic and
environmental dimension

TRANSPORT

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Excellencies, Distinguished Delegates, Ladies and Gentlemen,

The purpose of this session is to review the implementation of OSCE commitments in the field of transport. The UNECE Transport Division has prepared for this occasion a report. I hope many of you have had a chance to read it. For those who have not, copies of the report have been made available by the organizers. I am very pleased and honoured to present this report to you and to highlight its main findings.

Some of you may not be familiar with the work of the UNECE in the field of transport. As Mr. Belka -in his opening statement yesterday- pointed out, the UNECE houses 56 transport conventions and agreements. They deal with infrastructure, technical regulations for the construction and approval of motor vehicles, road traffic and road safety rules, customs procedures, transport of dangerous goods and other aspects of inland transport. In addition, the UNECE promotes sub-regional co-operation of governments for the coordinated development of their transport systems and infrastructure. This is why the UNECE is a suitable expert organization to take part in today's exercise.

Last year, the government of Belgium – the OSCE Chair-in-Office for 2006 – after consultations with other participating States, proposed that the theme of the OSCE Economic and Environmental Dimension in 2006 be **transport**. As Director of the UNECE Transport Division, I am pleased and proud of this choice.

Subsequently, the OSCE Permanent Council, in its Decision No. 684, declared that: the Economic Forum will review the implementation of commitments in the economic and environmental dimension. The review will address transport-related commitments.

What is particularly interesting about this Decision is the Permanent Council's focus on (and I quote): "how the OSCE could promote wider acceptance and implementation" of international legal instruments in the area of transport.

To help OSCE with this part of the Permanent Council decision, the UNECE has prepared a list of the main UNECE transport conventions, which the OSCE could encourage participating States to accede to and implement. This list is contained in Annex 1 of the review report. We have also prepared three project proposals, which the OSCE may wish to consider, and which, in my view, are worth being supported. These proposals are contained in Annexes 2, 3 and 4 of the review report and I will describe them briefly at the end of my presentation.

The main elements of the OSCE commitment, as stated in the OSCE Strategy Document signed in Maastricht in 2003, are basically: transport infrastructure, safety, efficiency of operations and the impacts on the environment. These elements, or key aspects of these elements, are addressed in my presentation today and, of course, in the report on which my presentation is based.

Before I start discussing the substantive issues related to transport, let me first say that the report is not a comprehensive review of all transport issues in all UNECE member countries. The review focuses on international legal instruments in the transport area – as stipulated by the Permanent Council. In addition, the UNECE does not work in air transport or sea shipping and that is why the report covers inland transport only.

An efficient, well functioning transport system plays a crucial role in national economies. We tend to take transport for granted but it is a key element of production, distribution and international trade. Today international trade has become a major driving force behind the growth of national economies. Therefore, national economies depend on international transport more than ever before. Transport is also an important economic sector on its own, accounting for a large share of GDP and employment.

How does inefficient transport impact on economic growth? Negatively, of course! Inefficient transport increases transaction costs. The higher the transaction costs, the lower the volumes traded, and, therefore, the slower national economies grow.

How can transport costs be reduced? Transport costs are determined mainly by the physical infrastructure such as roads and railways. In developing countries, for example, transport costs are estimated to be 70 per cent higher due to inadequate physical transport infrastructure. However, the regulatory framework that supports the physical infrastructure also influence transport costs.

Transport costs can be reduced by properly addressing various obstacles and challenges that the transport sector faces. Inexistent or inadequate infrastructure is one of them. Capacity and quality of road infrastructure, in many UNECE members, is deficient while the rail sector is not fully inter-operable, even within the EU. Long border crossing times as well as transport rules and regulations that diverge from one country to another, road accidents and negative impacts on health and environments are also transport challenges.

I will review these challenges by highlighting a few statistics and indicators from the review report. Let me say that, although some statistics may indicate that some countries or groupings of countries may appear as not performing very well, this in no way implies from my side any sort of criticism. My intention is rather to underline that these countries or groupings of countries need assistance, need help.

Efficient, coherent and integrated transport networks are essential for economic growth and welfare of citizens. However, in Europe, transport networks, particularly

at pan-European or Euro-Asian level, are far from being efficient, coherent and integrated.

Let's consider **motorways**. In absolute terms, in 2003 there were many more motorways – by length in kilometres - in the EU-15 countries and the United States than elsewhere in the UNECE region. The discrepancies among the sub-regions are quite large.

Between 1995 and 2003, the greatest progress in building additional road infrastructure took place in the EU-15 where about 10,000 km of new motorways were built. That was more than the overall length of motorways elsewhere in Europe in 2003. The overall length of motorways increased by over 20 per cent in the EU-15, with France, Germany and Spain accounting for most of this increase.

In the EU-10 and SEE, the length of motorways went up by roughly 40 per cent during the same period, but the increases were from much smaller bases.

The **length of motorways per million individuals** allows for more meaningful comparisons among the various UNECE sub-regions. Here the United States and EU-15 are still ahead of other sub-regions. However, “Other Europe”, mainly Switzerland and Norway, appear not far behind the EU-15.

In 2003, in the United States, there were over 300 km of motorways per million population. In the EU-15 there were about half of that. This indicator – relative to the EU-15 - was almost four times lower in the EU-10; and five times lower in South Eastern Europe. I should note that the **quality** of existing roads in non-EU-15 European countries is also much lower.

Overall, the main conclusion I would like to draw from these considerations is that both the EU-10 and SEE populations appear to be “underserved” by the existing road infrastructure networks both in terms of length and in term of quality of road networks (and this is regardless of the indicator used to draw this conclusion). This is mainly related to the fact that roads were not high priority of central planners in many EU-10 and SEE countries in the past.

Let's now move on to railways and consider the share of double track rail lines in each UNECE sub-region. As it was the case with road infrastructure, clear disparities across Europe exist.

In 2004, the share of **double-track rail lines in the total rail network** was much lower in the EU-10 and in SEE. The EECCA sub-region apparently performs well here. However, as for roads, railway standards and the quality of rail services in this sub-region are much lower than in the EU-15.

I would add that international rail transport faces specific technical barriers everywhere. The rail sector is not fully inter-operable (even within the EU-15) as track gauges, electric traction voltages, platform lengths at stations and other technical standards often differ from one country to another.

Let me move to another challenge that transport is confronted with: border crossing. Transport costs are influenced by the amount of time it takes to ship goods. That is why time spent at border crossings should be reduced to the minimum.

There are a few structural factors that have influenced border crossing in Europe recently. First, many new borders have been created, due to the break-up of large countries. Second, there has been the EU enlargement and the extending of the Schengen Agreement. Third, security factors related to smuggling, terrorism, illegal trade and immigration play a major role in determining the efficiency of border crossing.

Border crossing often takes too long for a number of reasons. First, **controls and procedures** are often inefficient. They are a major obstacle to free-flowing traffic. They are often complex and sometimes changed without prior notice. There is also lack of co-operation among control agencies at national level and, all too often, between the agencies of a country and those of its neighbour.

Second, **inadequate border infrastructure**, such as insufficient systems for communicating and transmitting data between all players at border crossings, also hamper international transport. This is especially true between different countries' control agencies and rail operators. Railway equipment (and personnel) is not interoperable, meaning that in almost all cases locomotives and crews have to be changed at borders.

Finally, **personnel** at some border crossings are often low skilled and unmotivated, sometimes featuring questionable ethical conduct.

In order to give you a sense of the complexity and length of procedures and controls in international trade, I will use World Bank data on the **number of documents required for exports** of a standardized cargo of goods, which also illustrate the disparities in “trade or customs” facilitation performance across the UNECE area.

The greatest number of documents is demanded in some EECCA and SEE countries. The top ten countries requiring the fewest number of documents are EU members and Norway (between 3 and 5). Some EU-10 members (Latvia, Slovakia and Slovenia) however require twice as many documents as some other EU members (they are in the bottom ten).

The data on **number of documents required for imports** shows a similar pattern as the previous slide. EU members, Norway and the United States demand the fewest number of documents for imports while the EECCA and SEE countries as well as France and Romania the greatest.

The length of **time needed to export or import goods** reflects, in part, the number of documents (and signatures) needed to proceed with an international trade transaction. According to the World Bank, exporting a container load takes between 5-9 days in many EU members, Norway and the United States while it takes about one month in countries such as Greece, Republic of Moldova, Armenia and Croatia.

In case you are wondering why I am describing these border crossing issues, let me recall the relevant border crossing commitment from the OSCE Document of the Bonn Conference on Economic Co-operation. The commitment states: “expeditious process/treatment of goods and persons at international borders stimulates international trade”.

In this context let me present some examples how the UNECE work facilitates border crossing. The UNECE Conventions in the area of border crossing facilitation aim at facilitating and developing international transport through simplification and harmonization of procedures at border crossings, be it customs or other required inspections. The International Convention on the Harmonization of Frontier Controls of Goods and the so-called TIR Convention are good examples of the UNECE work in this area.

The Harmonization Convention contains the necessary provisions to make border controls more efficient, be they police or customs controls, veterinary, medico-sanitary or phyto-sanitary inspections, or compliance with technical standards. The Convention also provides for co-ordination among the various national services and for co-operation and co-ordination between the services of the adjacent countries, including joint controls, same opening hours and same services at both sides of the border. I should note that the implementation of this Convention does not require large financial outlays, but mainly organizational measures and, of course, political will to adopt them. This is why this Convention has been selected as a pilot convention for strengthening its implementation and I will revert to this later on.

Another important legal instrument that the UNECE promotes in the area of border crossing is its TIR Convention. The TIR Convention provides for very precise and well-defined procedures to facilitate and secure international transit transport of goods through as many borders as necessary. In principle, neither controls at intermediate borders are required nor is a financial guarantee at each border to be provided.

The TIR Convention has contributed for many years to facilitation of international transport and trade in the UNECE region, particularly between EU and non-EU countries as well as among non-EU countries. This is demonstrated by the increasing number of TIR Carnets issued in the SEE and EECCA sub-regions since 1987. The existence within the EU of a different transit system has limited the use of TIR carnets.

Let us move to the next section, which addresses another important challenge that transport is facing: **heterogeneous transport and traffic rules and regulations.**

The movement of people and goods across borders is not only about infrastructure and border procedures. It also involves a variety of non-physical obstacles such as transport and traffic rules, road signs and signals – all of which may be considerably different among countries. These divergences in transport regulations represent significant barriers to trade. It is, therefore, crucial for transport and traffic regulations and traffic signs and signals to be harmonized internationally.

The main UNECE transport conventions are listed in Annex 1 to the review report. They include the Vienna Conventions on Road Traffic and on Road Signs and Signals, and the European Agreements supplementing them, which provide the legal framework and technical rules for the development of a consistent and harmonized system of European road transport and traffic regulations.

They also include the AETR, which regulates the driving and rest periods of professional drivers in international road transport, and the ADR, which provides for safe and secure international transport of dangerous goods.

Wherever harmonized, these traffic rules and regulations have facilitated international road traffic and contributed to improving road safety. The implementation of these legal instruments, in countries that have not yet done so, could greatly contribute to integrating them into the European transport system.

Let me underline in this respect that these UNECE transport conventions are broadly in line with the relevant EU legislation and, therefore, provide both EU and non-EU countries with a common platform for the development of international transport and trade between them.

Road traffic accidents - through death and injuries - cause a tremendous human suffering. In addition, the economic cost of road crashes is very high reaching about 2 per cent of GDP.

Legislation on all road traffic components, namely the road, the vehicle and the road user, is always the first and necessary condition for improving road safety. The UNECE has developed international legal instruments in all three traffic components.

But considering that many studies have shown that human error is the cause of over 90 per cent of all road crashes, attention to driver behaviour has the greatest potential to save lives and reduce injuries.

Legislation alone has proved insufficient to improve drivers' behaviour. It should be enforced effectively and coupled with information campaigns and education.

Over the period 2001-2004, the number of persons killed in road accidents remained practically unchanged in North America, the EU-10 and SEE sub-regions and fell in the EU-15. However, the number of people killed on roads increased significantly in the EECCA.

Data on road fatalities relative to the number of passenger cars shows significant improvements in all UNECE sub-regions except in the EECCA.

The fatality rate per million cars in the EU-15 is slightly below that of North America while the EU-10 and SEE countries seem to be converging to similar levels. In the SEE and, more noticeably, in the EECCA, this indicator remains at a comparatively high level.

Let's move on to **air pollution**. Globally, local air pollution contributes to the premature death of hundreds of thousands of people each year, imposing an economic cost of roughly 2 per cent of GDP. Transport typically causes about a quarter of this impact.

Moreover, transport contributes about a third of total emissions of the carbon-based gases, which are believed to contribute to global warming. Due to the world's high growth in transport demand, transport is the only sector from which the emissions of CO₂ gases are still expected to increase

Over time, the introduction of cleaner vehicles and fuels has proved to be effective in reducing air pollution from transport, in particular in Western Europe and North America. Gradual phase-out of leaded petrol was completed in the EU in 2002 and should become and/or remain a top priority in all EECCA countries.

Air pollution from transport in many countries is the result of very old and slowly changing vehicle stock, slow phasing out of leaded petrol and often-ineffective vehicle and fuel maintenance controls.

To combat air pollution, local or individual solutions alone cannot produce the desired effects. In this context, the UNECE World Forum for Harmonization of Vehicle Regulations has played a key role. UNECE Regulations have delivered spectacular results by reducing vehicle emission limits drastically in the last 35 years. Similar abatements of emission levels have been introduced in North America. And a similar level of reduction has been accomplished for trucks.

Let me now summarize and present our **proposals for cooperation**.

In Europe, road and rail networks are not yet efficient, coherent and integrated. Capacity and quality of road infrastructure, in many UNECE members, is deficient. Rail transport is not fully inter-operable, not even within the EU countries.

Given these conclusions, the UNECE infrastructure agreements, the TEM and TER projects and the Euro-Asian transport links project provide ready to use tools to address inland transport infrastructure challenges. In the review paper, the UNECE has proposed initiating or continuing two infrastructure related projects. Let me briefly describe them.

The first project proposal is “Facilitation of the implementation of the TEM and TER Master Plan”. This project proposal is described in Annex 2 to the review report. The TEM-TER Master Plan has so far achieved tangible results with slim resources. It has identified the backbone road and rail networks in 21 Central, East and South-East European countries, and, on the basis of a commonly agreed methodology, has evaluated and prioritized 491 projects (319 for roads and 172 for

rail) with an aggregate estimated cost of €102 billion, of which, €49.5 billion for roads and €52.5 billion for rail. Copies of the TEM and TER Master Plan Final Report have been distributed to you this morning.

The next steps are the implementation of the TEM and TER Master Plan and its monitoring, including collection of additional data; evaluation and prioritization of additional projects; regular updates of the identified Backbone Networks and of the relevant data; and the presentation of projects to international financial institutions for possible implementation funding. This will require cooperation of the governments concerned. Ensuring financial resources for the implementation of this project over the period 2007-2008 is essential. We are not talking here about resources for developing infrastructure. This is the role of financial institutions. We simply aim to secure participation of some UNECE members in this project. The OSCE may wish to consider contributing.

The second project proposal is “Implementation of Phase II of the joint UNECE-UNESCAP project on the development of Euro-Asian transport links”. This project proposal is described in detail in Annex 3 of the review report. The objective of this project proposal is to assist countries to develop efficient, safe, sustainable and secure Euro-Asian transport links.

The UNECE views the development of efficient, well-functioning Euro-Asian inland transport links not just as an alternative (or a complement) to maritime transport, but mainly as a means of promoting the economic development and integration of the countries in the Euro-Asian region.

In this context, in 2003, the UNECE and UNESCAP invited 18 governments from the Euro-Asian region to participate. To date, government representatives from participating countries have agreed on the main road, rail and inland water transport routes linking Europe to Asia. They have also identified main transshipment points and agreed to analyze the main physical and non-physical obstacles along the selected routes, including border crossings. Furthermore, they have agreed on a methodology for the evaluation and prioritization of projects along the selected routes, and, on the basis of this methodology, the evaluation and prioritization of projects is under way. This has been Phase I of the project, which is expected to be finalized by end of 2006.

Now the UNECE, UNESCAP and the participating countries believe that Phase II of the project should start in 2007 and until 2010. During this phase we plan to:

- Consolidate the existing cooperation framework as a permanent mechanism for coordination, implementation and monitoring of the Euro-Asian transport links
- Continue ongoing work on evaluation and prioritization of transport infrastructure projects along the main Euro-Asian transport routes
- Further develop the existing GIS database created in Phase I

- Provide further support to the international harmonization of transport legislation and procedures
- Improve border crossing along the main Euro-Asian routes
- Strengthen capacity of national officials dealing with transport and border crossing issues.

The performance of these tasks will require some financial resources, the detail of which is in Annex 3 to the review report. If no funds are raised, the project will lapse and, with it, the strong momentum it has created and its useful results. Ensuring financial resources for Phase II of the Project for the period 2007-2010 is essential. The OSCE may wish to consider contributing to this worthwhile initiative.

Crossing times – by truck or train – are often too long. The main barriers to expeditious border crossings are complex control and procedures, inadequate infrastructure and low skilled personnel.

The UNECE border crossing facilitation conventions and, in particular, the TIR Convention and “The International Convention on the Harmonization of Frontier Controls of Goods”, provide the adequate basis to begin to rectify this unsatisfactory and costly situation.

The third project proposal aims at “**Strengthening the implementation of the Harmonization Convention**”. This project proposal is described in detail in Annex 4 to the review report. The UNECE has prepared and circulated a questionnaire on how the facilitation measures foreseen in the Convention are implemented in the various countries. Countries have been invited to reply to this questionnaire on a voluntary basis. The UNECE Transport Division will analyze the replies and prepare a short report on the findings. Based on these findings, it is proposed to organize, in countries that have requested them, training or capacity building workshops aimed at addressing the technical problems encountered in the implementation of the Convention. The OSCE could provide the necessary organizational and financial support for these capacity building activities.

To date, five countries have replied to the questionnaire, of which four EU Member States and Norway. Two of those EU countries have external EU borders. In its reply, Sweden states that it has applied the Harmonization Convention in making border arrangements with Norway. None of the countries has requested capacity building or training activities in relation to the implementation of the Convention. However, we have received a request for assistance from Ukraine in the context of its efforts to become WTO member.

Transport legislation, norms and regulations still diverges from one country to another, adding yet other non-physical barriers to international transport and trade. The full list of UNECE transport conventions and agreements, which is attached as Annex 1 to the review report, provide ready to use tools to remove these barriers.

Although not presented formally as a project proposal in the review report, I would like to propose that **the list of main UNECE transport conventions and agreements be added to a possible Ministerial Decision** encouraging countries that have not yet done so to accede to and implement those legal instruments.

Regrettably, there are still too many road traffic deaths and injuries in the UNECE region. Many EU-10, SEE and EECCA countries are not improving their road safety records. The UNECE transport safety conventions and agreements provide a solid basis for lowering the number of road accidents and fatalities. Effective implementation by contracting parties will result in improved road safety performance.

Finally, cleaner vehicles and fuels – are reality - and they have reduced air pollution in many UNECE countries. More progress is needed, however, in many other countries. The progress in reducing air pollution has been largely due to the UNECE World Forum for Harmonization of Vehicle Regulations, which has been extremely effective in minimizing the harmful environmental and health effects of new road vehicles.

Dear Ministers, Excellencies, Ladies and Gentlemen,

In my presentation this morning, I have underlined the importance of transport for national economies and for everyday life of people and highlighted the challenges, insufficiencies and inadequacies that the transport sector is facing in many countries.

I have described the existing UNECE legal instruments as well as cooperation frameworks and made specific proposals that, in my opinion, would to begin to rectify these problems and help countries implement their OSCE transport commitments.

We, in the UNECE secretariat, are fully committed to push these proposals forward.

For this to happen, we need your support. Allow me, therefore, to conclude with these simple words: “Help us to help them”.

Thank you for attention.