

## TRANSIT TRANSPORT, IRAN AND ITS NEIGHBOURING COUNTRIES

### Gist of the news

According to *Bloomberg.com* on November 4, 2014:

China plans a \$16.3 billion fund to finance construction of infrastructure linking its markets to three continents as President Xi Jinping pushes forward with his plans to revive the centuries-old Silk Road trading route.

The fund, overseen by Chinese policy banks, will be used to build and expand railways, roads and pipelines in Chinese provinces that are part of the strategy to facilitate trade over land and shipping routes, according to government officials who participated in drafting the plan.

More policies will be rolled out soon to encourage Chinese lenders to finance infrastructure in countries along the route connecting China to Europe, the officials said. They asked not to be identified as they weren't authorized to speak publicly about the plans. Chinese companies will also be urged to invest in the countries and bid for contracts, the officials said.

The New Silk Road plan, comprising a land-based belt and a maritime route, has been referred to as a Chinese national strategy after Xi first proposed the idea in Kazakhstan a year ago. It envisions an economic cooperation bloc through to the Mediterranean that revives the old Silk Road, where trade helped developed civilizations along the route.

"Previously, China focused on attracting foreign investment, but now the shift is being made -- China's more and more encouraging its capital to go abroad," said Feng Yujun, senior researcher at the China Institutes of Contemporary International Relations in Beijing.

*Businessweek.com* on November 6, 2014 adds that:

In the latest sign of its growing economic ties with the region, China is planning a \$16.3 billion fund to finance railways, roads, and pipelines across Central Asia, reviving the centuries-old Silk Road trade route between China and Europe. President Xi Jinping first proposed the idea last year during a visit to Kazakhstan, the region's wealthiest country.

Beijing has plenty of reasons to spend big in Central Asia. Improved infrastructure would help link China to European markets and give China increased access to the region's rich natural resources. Kazakhstan is a major **oil producer**, while neighboring Kyrgyzstan has large **mineral deposits** and Turkmenistan produces **natural gas**.

In this N&A we will discuss the following issues:

1. Why China is initiating the New Silk Road plan?
2. Is there any link between the New Silk Road plan and the Bolashak - Serhetyaka Railway?

3. What is the role of the Bafq-Mashad railway in this regional plan?
4. How does TRACECA fit into this plan?

### **New Silk Road plan**

The first question is that why China is trying to establish a New Silk Road plan? The *economist.com* responds to this question on its report of November 15, 2014:

As Chinese manufacturers move inland, getting their products to European markets has become more complicated. The journey back to the coast and halfway around the world by sea takes up to 60 days—an eternity for the latest iPads and other “fast fashion” products. Kazakhstan offers a backdoor route. Trains from Chongqing in south-west China to Duisburg in Germany, 10,800 kilometres (6,700 miles) via Kazakhstan, Russia, Belarus and Poland, supposedly take just 14 days.

Rustan Dzhenalinov, the Development Director of the transport logistics of “Kazakhstan temir zholy” states on the website of *railway.kz* that the New Silk Road plan shall have the following benefits for his country :

- To position Kazakhstan as a transcontinental bridge, a short land route between Asia and Europe.
- The regular container train “Chongqing – Duisburg” which runs 1 day a week takes 15 days to go from China to Germany. By sea this journey takes 30-60 days. This means that the delivery period has been shortened by half or by one-fourth.

As to the future plans of Kazakhstan, he adds that:

- At present three terminals are being used for cargo handling at the border of Kazakhstan and China. The number of terminals will increase to over 10.
- Today the transit through Kazakhstan is 17-18 million tons of cargo a year. The goods delivered from China to Europe amounts to 117 million tons. By 2020 about 36 million tons of transit cargo will be sent via Kazakhstan. Profit thus can increase from \$ 1 billion today to 2.8 billion by 2020.

Apart from China only four countries - namely Kazakhstan, Russia, Belarus and Poland - will be involved in the New Silk Road plan. Kazakhstan is a neighboring country to Turkmenistan that neighbors Iran. How would it be possible for Iran to benefit from this New Silk Road plan? What is the next linking part of the plan?

### **Bolashak - Serhetyaka Railway**

The last part of Rustan Dzhenalinov’s statement on the website of *railways.kz* is of interest to Iran:

Only a portion of Bolashak - Serhetyaka connecting Kazakhstan and Turkmenistan in the future be able to allow up to 20 million tons of cargo a year in the Gulf region.

More interesting explanations about this subject could be found on the website of *inform.kz*.

The "Bolashak-Serhetyaka" line section is a part of the transnational railway corridor that will connect **Kazakhstan, Turkmenistan and Iran**. It will provide land flow of cargo access to the sea routes in the Persian Gulf region.

In the structure of cargo flow on an open railway crossing, as it was announced at the meeting of the heads of the states, grain, oil and oil products will prevail. The railway section capacity is 10 million tons per year.

The following map that appears on the website of *railnews.co.in* helps us to have a more clear image of the project:



The website of *inform.kz* provides us with more information about involvement of Iran in this project:

The project implementation in Iran relating to the new railway called "Bafq-Meshhed" will reduce the range of freight traffic between the Persian Gulf and the Far East for 1300 km.

At present, according to the existing Agreement between the three countries the interstate project is in the final stage of implementation.

## Railway of Bafq-Mashad

According to the website of *Parsconsulting.ir*:

Mashhad-Bafgh Railway with a length of 1,000km, connected to Bafgh-Bandar Abbas Railway and the Persian Gulf from one side and extended to Mashhad-Sarakhs Railway and Central Asia from the other side, shortens the rail path between Central Asia to Persian Gulf by more than 800km. The importance of this project has been frequently emphasized by the international and regional organizations such as UIC, ESCAP, and ECO.

*Railwaygazette.com* adds that:

Three passenger trains a week operate between the port of Bandar Abbas on the Gulf of Hormuz and Mashhad in northeastern Iran, but most trains over the line are carrying freight. Providing a direct link between the Turkmenistan border and the sea, the line handles considerable quantities of bulk liquids, mainly **oil, petroleum and other oil derivatives**. Compressed gases, aggregates, sulphur and steel coils are also moving over the line, with much of the traffic bound to or from the Central Asian republics. While most traffic is carried in bulk cargo wagons, there is evidence of a considerable volume of container business.

The Railway of Iran-Turkmenistan-Kazakhstan is also a part of TRACECA. The next issue, therefore, is to find a way to put the New Silk Road plan in the overall map of corridors that connect Iran to its neighboring countries in the north.

## TRACECA

What is TRACECA? *Traceca.org* is the best available source for responding to this question:

International Transport Corridor Europe-Caucasus-Asia (TRACECA) is a complex multi-modal transport system in countries of the region, which aims to develop economic and trade relations and transportation links between countries and regions that is a significant contribution to the revival of one of the most famous historical routes of the Silk way.

In September 1998, at a historic summit in Baku, Azerbaijan Republic, 12 TRACECA countries signed the "Basic Multilateral Agreement on International Transport for Development Corridor Europe-Caucasus-Asia (MLA)" in order to take full advantage of its geopolitical and economic opportunities. MLA became a logical continuation of inter-regional program of the European Union's TRACECA and at the same time the only legal basis for its effective implementation. After the signing of this Agreement and the establishment of the Intergovernmental Commission (IGC) and its TRACECA Permanent Secretariat have new legal framework for the development and implementation of international transit traffic at a better level.

According to Wikipedia Iran formally joined TRACECA in 2009:

In September 2009, Iran formally joined the Transport Corridor Europe – Caucasus – Asia (TRACECA) programme, also known as the "new Silk Road." TRACECA was founded in 1998 with the aim of promoting economic relations, trade and transport communications between Europe, the Caucasus and Asia. This programme consists of the EU and 14 member states

(including Iran) from Eastern Europe and the Caucasus. Iran's strategic location means that it is a key transport corridor between Europe and Central Asia.

The next development took place in the year 2010:

In August 2010, Iran declared that it "did not sign on to TRACECA project" and said it has been fostering improved transport links through a series of bilateral agreements with neighboring states instead. According to Iran's first Vice-President Mohammad-Reza Rahimi "If all the potential of the country's transit sector is tapped, it can bring in as much revenues as [the] oil [industry]". He also announced that Iran will join China and Europe by rail in the near future.

The website of the Iran's Embassy in Dushanbe, however, reports that the Deputy Minister of Roads and Urbanization of Iran, Mr. Afandizadeh, participated in the 10<sup>th</sup> International Conference of TRACECA. In his speech, Mr. Afandizadeh explained about investment and involvement of Iran in infrastructural transport projects both inside and outside Iran. He referred to projects such as construction of the railway from Gazvin to Astará (370 Kilometers), and the railway of Iran-Turkmenistan-Kazakhstan (900 Kilometers). After their completion, these two projects will enable Azerbaijan Republic, Georgia and Russia to be connected to Turkey, Europe and Persian Gulf through Iran.

## Conclusion

The strategic position of Iran enables this country to benefit from transit of goods from countries in the North to Persian Gulf and Oman Sea. As if in an effort to make dream of Peter the Great come true, major countries of the region including China, Kazakhstan, Kirgizstan, Turkmenistan and Iran have come together to establish their part of the network connecting all of them to Russia, China and the EU. The New Silk Road plan connects China, Kazakhstan and Kirgizstan. The Bolashak-Serhetyaka Railway connects Kazakhstan and Turkmenistan. Finally the Railway of Bafq-Mashad completes the railway connection between the Persian Gulf and the above two railways. As a result, the goods that are disembarked from the ships in the Persian Gulf ports of Iran can be transported by rail to Turkmenistan, Kazakhstan, Kirgizstan, China, Poland, Russia, Turkey and all the EU countries. What are the goods that need to be transported to any of these countries? What are the fees and charges to be paid by the owners of these goods from the moment that they arrive at the Persian Gulf ports of Iran until the moment that they are delivered at their destination? What are the future plans to further develop the existing transport corridors? These are the questions that we will look into their responses in our future News and Analysis reports based on the developments that are taking place regionally and at the international level.

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