

tepav

Türkiye Ekonomi Politikaları Araştırma Vakfı

Enhancing development through trade connectivity along the Eurasian Continent

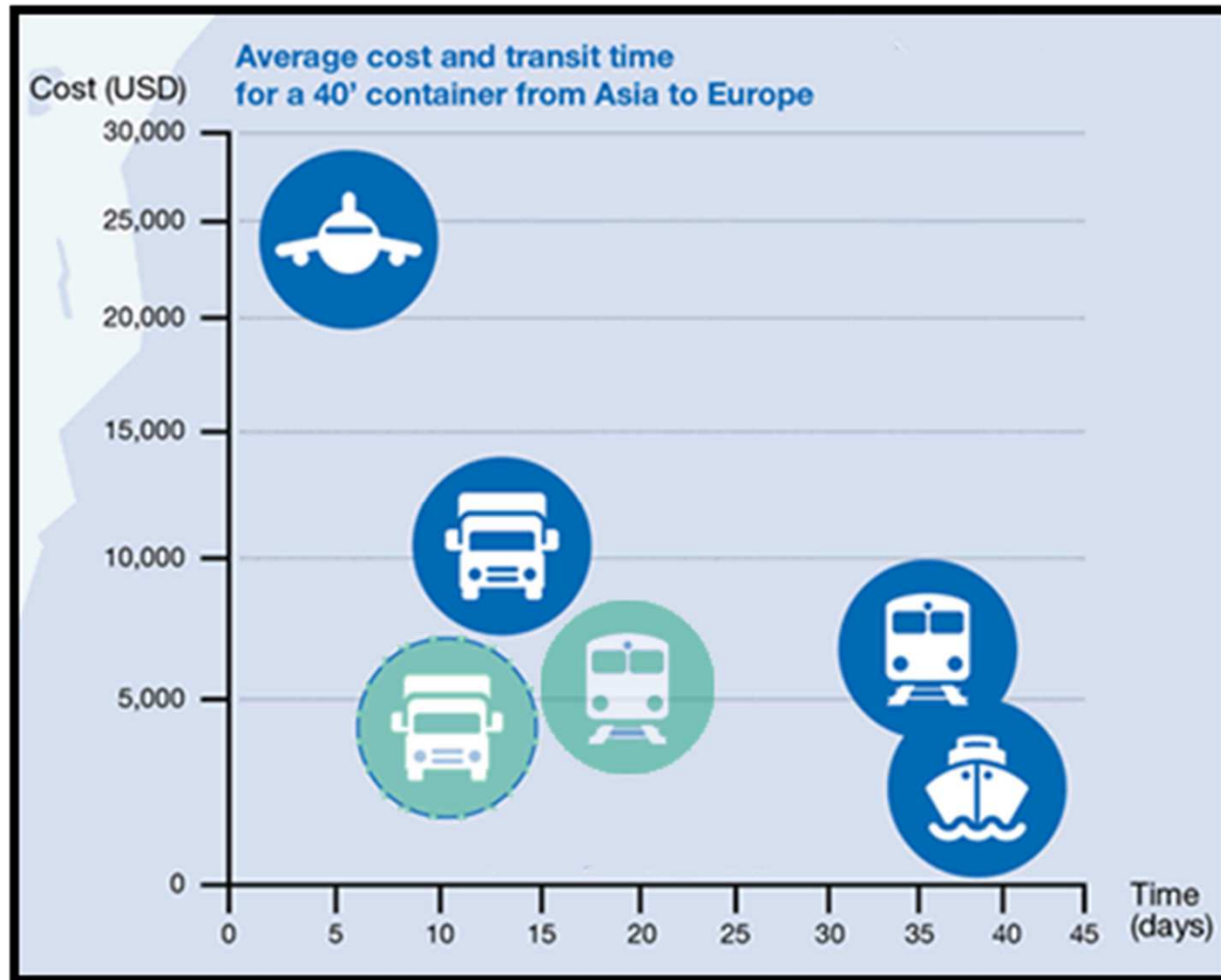
Beijing

3 November, 2015

Framework

- Connectivity enhancing infrastructure
 - Proximity and connectivity are essential for diffusion of global value chains
 - Integration of the Central Asia and the South Caucasus into Eurasian continent, to the global economy
 - Physical vs Regulatory/Hardware vs Software issues
- Major corridors
 - Northern is operational through Russia
 - What about the middle corridor?
 - Meanwhile in the lower south
 - İstanbul-Islamabad railway

Land routes are far more optimal from China to Europe



However, sea and air are dominating

62% of all EU-China trade is by sea, 23% is by air

Modes of transport for China-EU trade, (2012)

| | Volume | Weight |
|-------------|-------------------------|--------|
| Sea | € 268 billion (%62) | 94,3% |
| Air | € 99,8 billion (%23) | 1,6% |
| Road | € 31 billion (%7) | 3,7% |
| Rail | € 1,7 billion (%0,4) | 0,4% |
| | €434 billion | %100 |

Why?

Issues of “hardware” and “software”

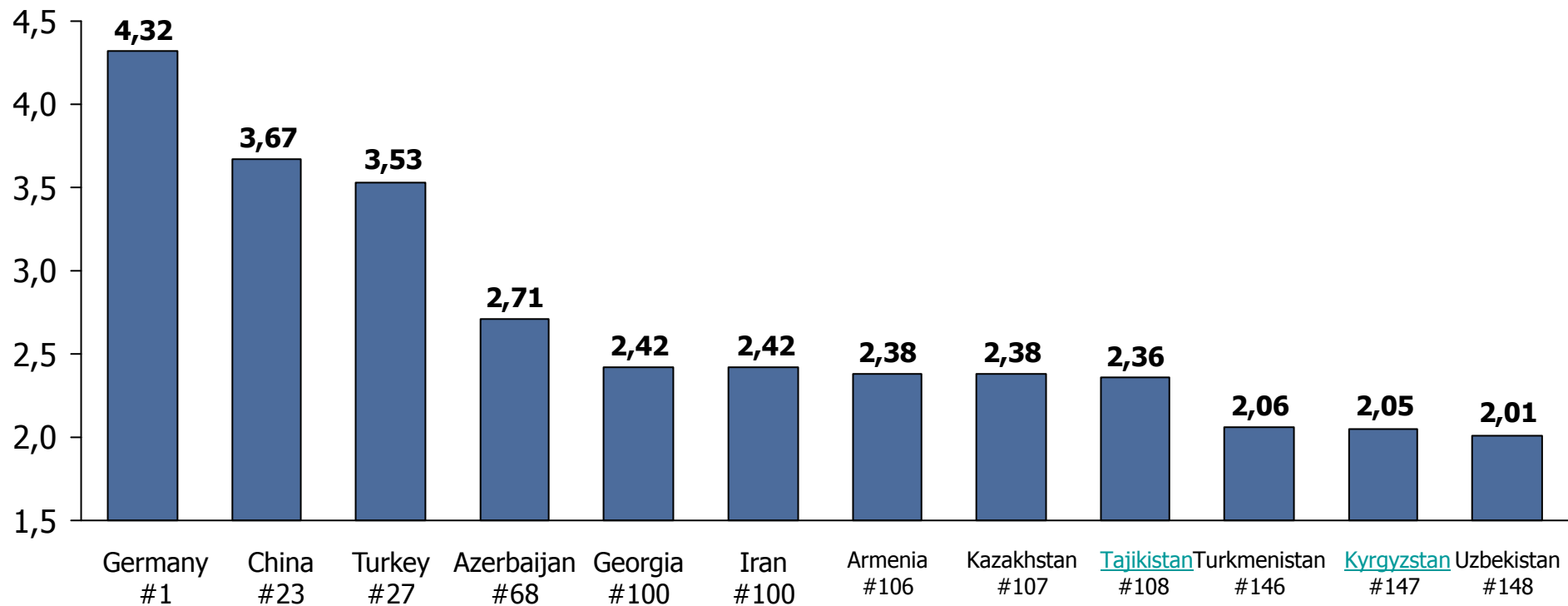
Transport time and distance accross Central Asia (2010-2013)

| | 2010 | 2012 | 2013 |
|--|------|------|------|
| Time taken to clear a border crossing <i>*Hours</i> | 8,7 | 10,9 | 10 |
| Costs incurred at a border-crossing <i>*\$</i> | 186 | 157 | 235 |
| Speed of travel <i>*500 km CAREC corridor</i> | 24 | 23 | 20 |
| Costs incurred transporting goods <i>*\$, per 500km, per 20-ton load</i> | 712 | 999 | 1482 |

“Hardware” issues

Infrastructure connecting China to Turkey is inadequate

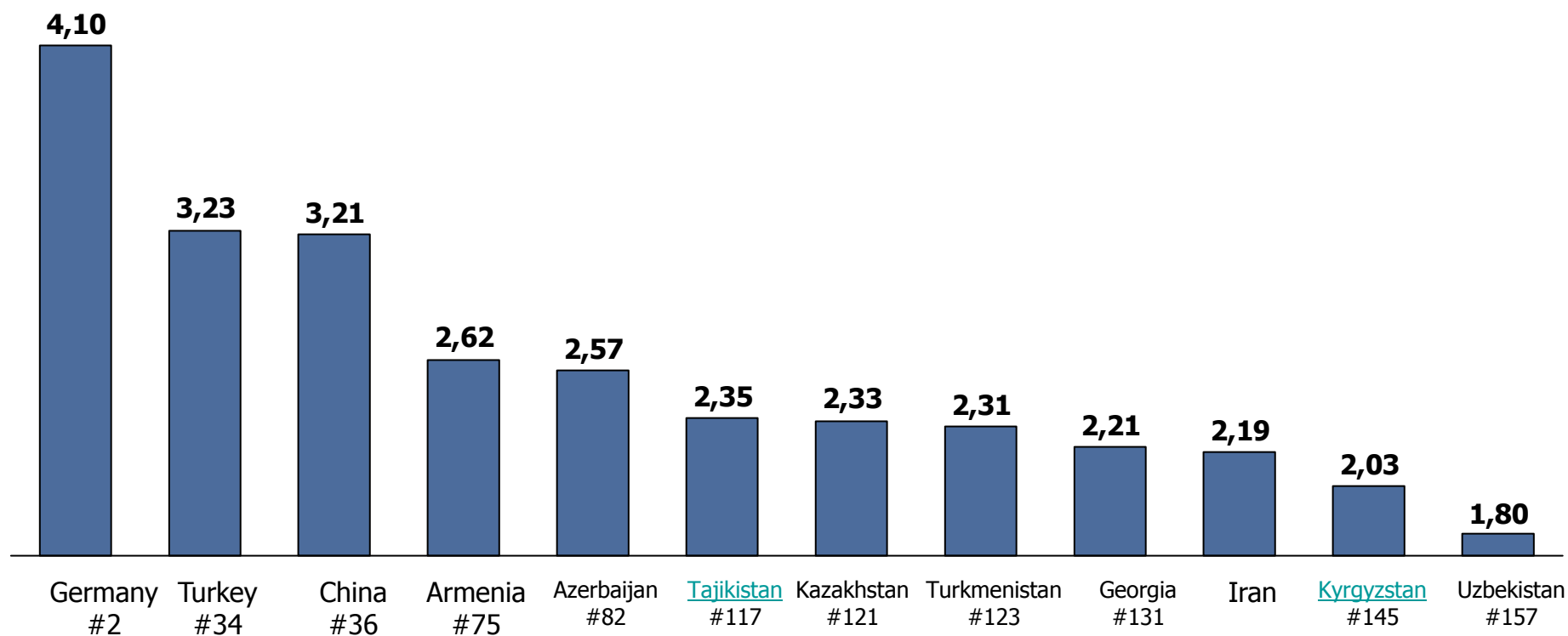
Silk Road countries' quality of trade and transport infrastructure (2014)



“Software” issues

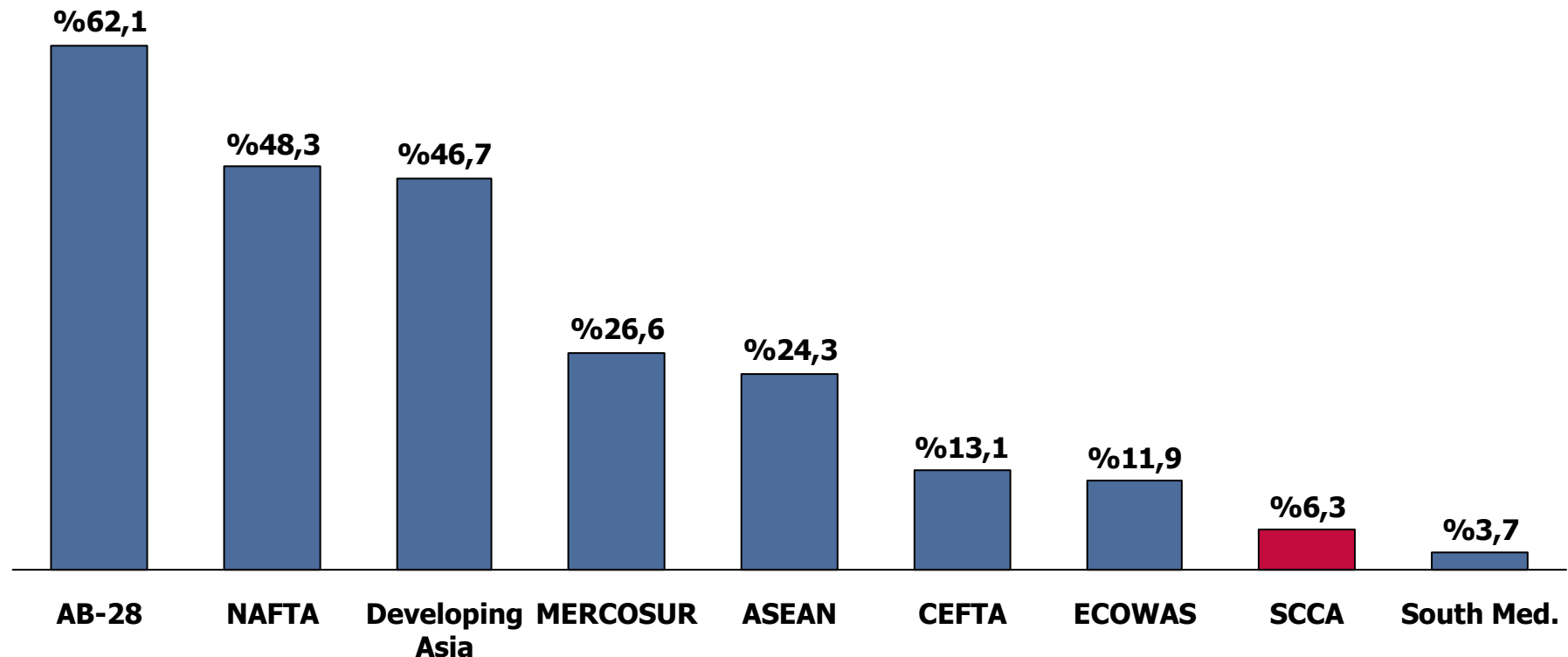
Trade facilitation is a must

Efficiency of customs and border management(2014)



Level of regional economic integration is even lower than Sub-Saharan Africa

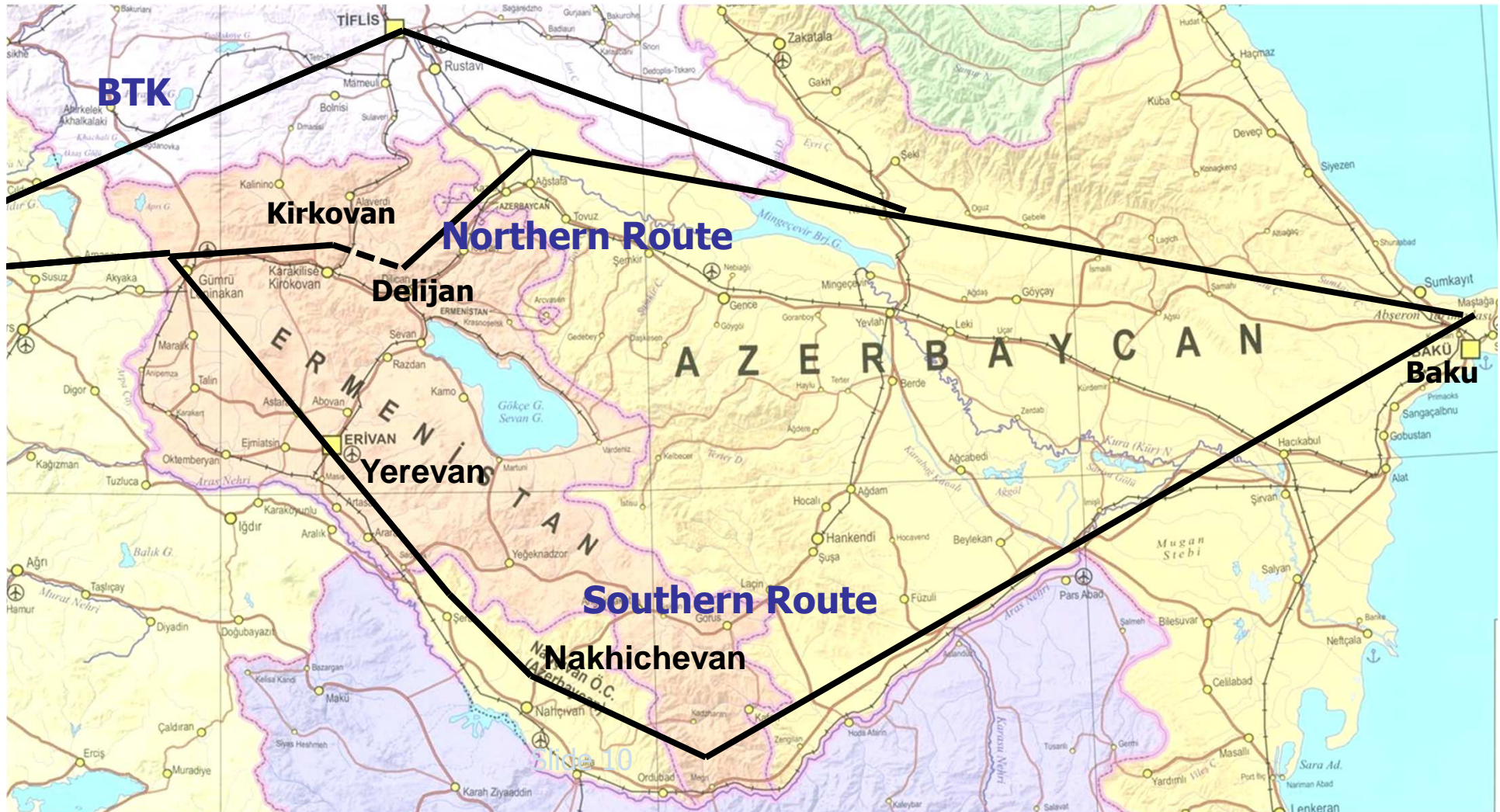
Share of intra-regional trade in total trade, 2013



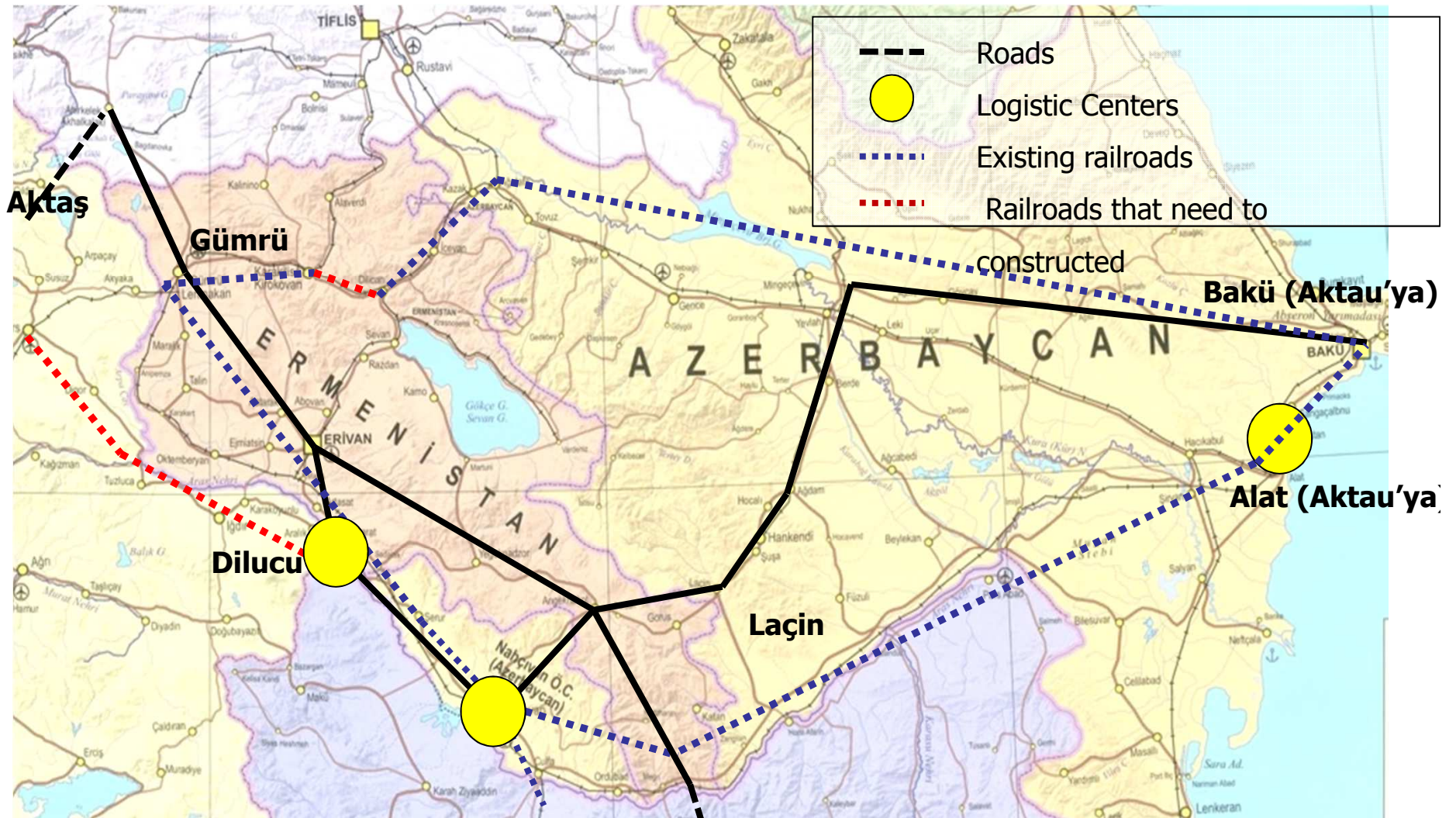
Alternative routes



Routes over the South Caucasus in the Middle Corridor



Routes over the South Caucasus in the Middle Corridor



Towards Istanbul-Tehran-Islamabad—Delhi-Kolkata-Dhaka (ITI-DKD) Train



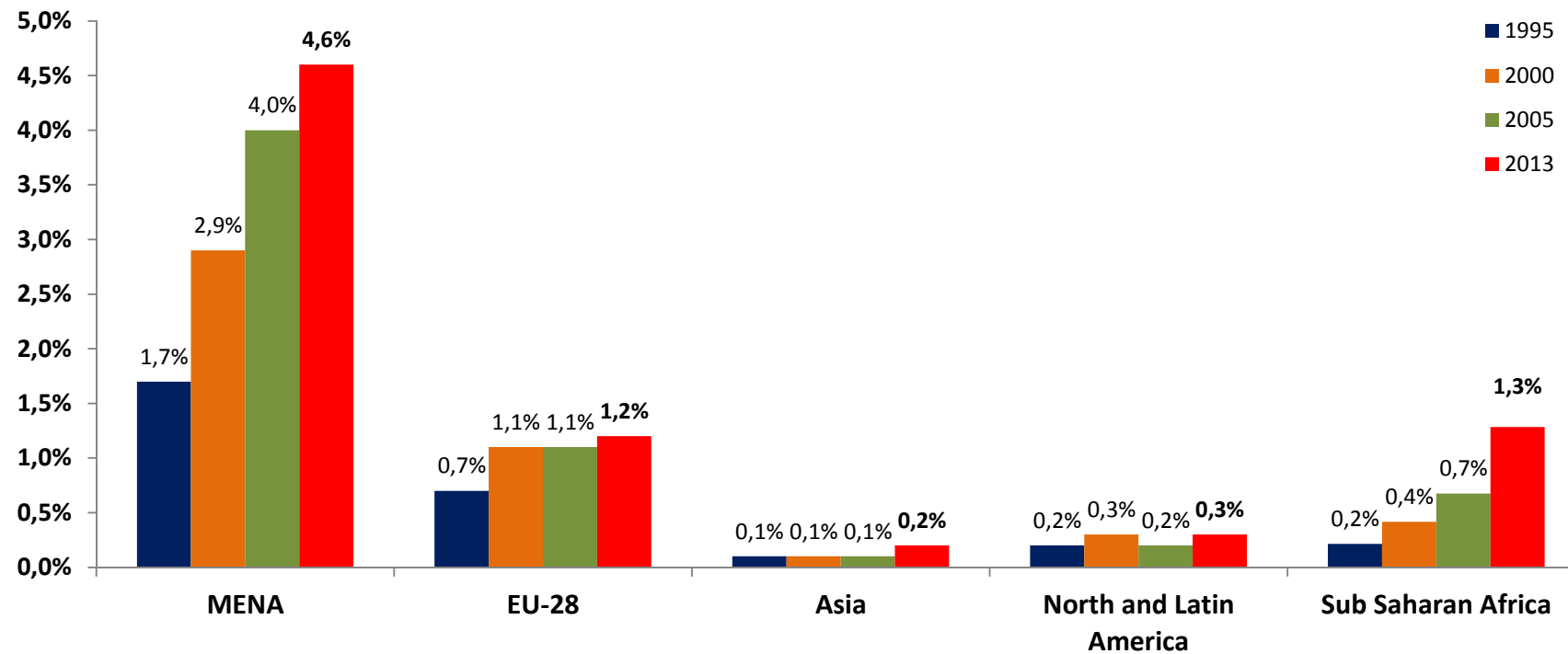
Concluding comments

- “Transport corridor approach”
 - Intermodality
 - Construction of dry ports and logistics centers
- Tackle the weakest link
 - Border crossings, inter-modal ports, conflict zones, or in areas where infrastructure is weak or non-existent.
 - G20 country-specific investment strategies are important, but also they should be coordinated
- Engaging the private sector from the onset
- Financing: Cross-border public-private partnerships (PPPs) , the role of aid cooperation
- New regulatory issues
 - The impact of e –commerce on cross border trade
- Cooperation possibilities
 - Middle corridor?

Why is Silk Road important for us?

1. Market diversification & access to Asia

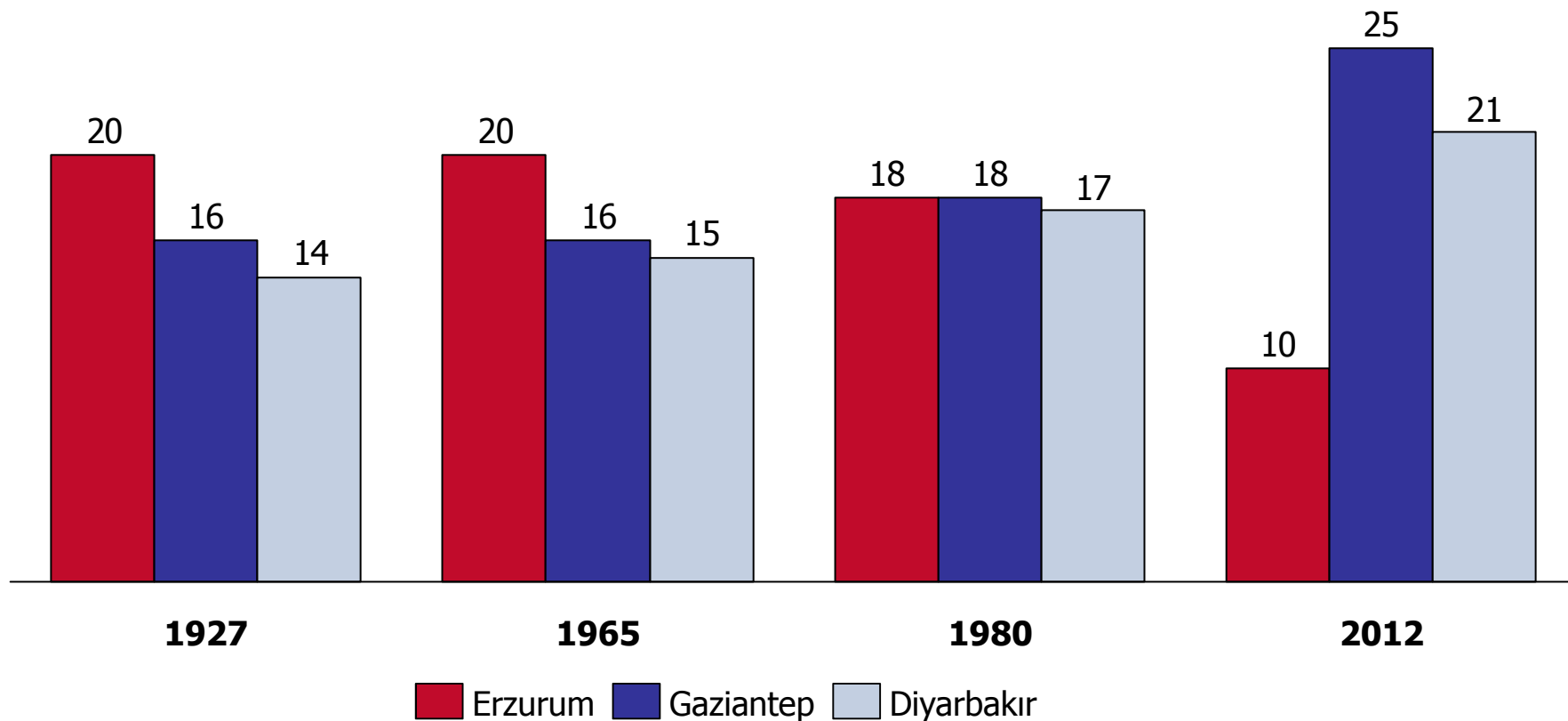
Share of Turkish exports in global markets, 1995-2013, %



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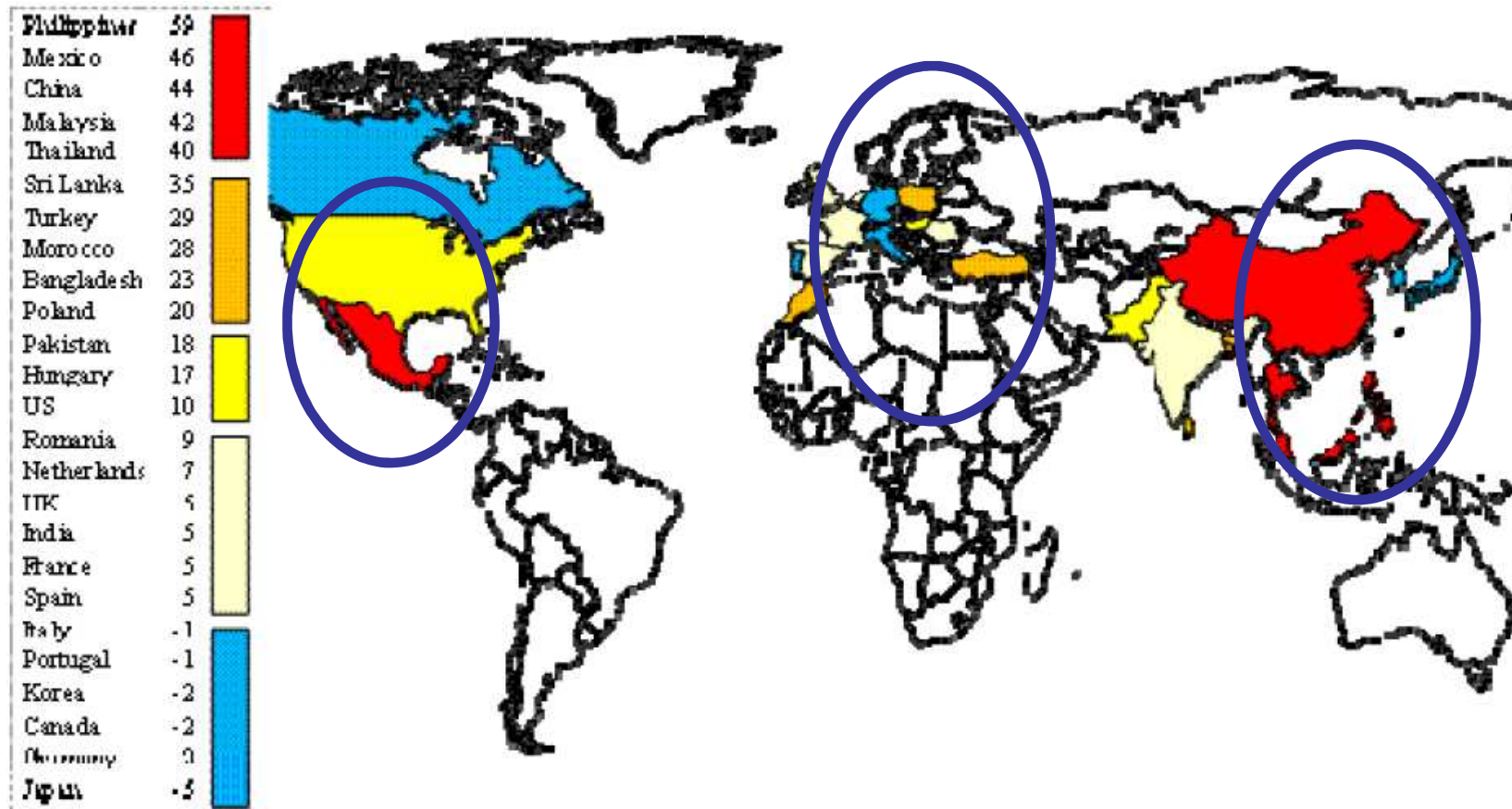
2. Reducing regional disparities

Erzurum, Gaziantep and Diyarbakır' s share of total population throughout history, 1927-2012, per 1000 people



Proximity and connectivity are essential for diffusion of global value chains

Change in national export manufacturing shares , 1980s to 2007-2008



Baldwin (2011)

The tight geographical clustering of manufactures export swings.

Note: Data for all nations with 1) population over 10 million, 2) manufacturing export share over 50% in 2007-08, 3) at least 90% data coverage 1985 to 2008. Source: Author's calculations on World Bank data.



Baldwin (2011)

The tight geographical clustering of manufactures export swings.