



Land Transport, the Glue that Links Economies:
Security, Land Transport and Central Asia --- the Modern Silk Road

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Land transport, especially across the Eurasian continent(s), whether from Berlin to Beijing, Budapest to Tashkent or Venice to the steppes of Mongolia, the ancient home of the fabled Khans, reignites the lure of the old mythical Silk Road popularized by the inveterate explorer Marco Polo. His travels have become legends and his journeys continue to inspire young and old alike. But the historical Silk Road that tied China to Europe, Asia to the Mediterranean, and Central Asia to the East and West, was not without challenges; security was a concern then as it is now, as bandits were certainly not unheard of—in fact, they were everywhere. But Marco Polo not only lived to tell his tales but returned a rich man. The benefits of trade have clearly always been with us. Today, there is considerable interest in reviving and expanding this historical land route and realizing the benefits of expanded trade.

Former President Shevardnadze of Georgia envisioned Georgia as the hub of a new Silk Road connecting Russia and Central Asia to southern Europe; and he published a book to support his dream. But a successful modern revival of the ancient Silk Road clearly needs to meet the demands of a globalized world, especially its heightened and intensified concern for security. Economic integration into a globalized economy demands safety, especially as more and more products from around the world are integrated into a complex supply chain. This demand can only be satisfied and achieved by the adoption of internationally accepted standards and procedures governing customs and transport, including land transport, that create reliability and result in universal acceptance. And the nations of Central Asia and the Caucasus need to be part of this globalizing system to ensure the region's stability as well as its prosperity.

How to achieve the needed security for the new Silk Road across Central Asia, as well for all nations, has been addressed in a study (dated April 2, 2008) entitled “Balancing Security and Trade Facilitation in the 21st Century Global Supply Chain: A Study Evaluating International Agreements to Implement The SAFE Framework of Standards” (the “SAFE Study”) that was prepared for the U.S. Chamber of Commerce. The Safe Framework of Standards, which is still a voluntary set of principles, “is based on a two pillar approach: Customs-to -Customs network arrangements and Customs-to-Business partnerships. The Customs-to-Customs pillar promotes cooperation between different countries’ customs administrations by using advanced electronic information and modern technology equipment to identify high risk items.

The Customs-to-Business pillar encourages the establishment of partnerships between customs administrations and businesses who have validated and maintained high level of security guarantees” (SAFE Study, p.2). When implemented, the net result will be increased commercial engagement and trade. A valuable by-product will be the creation of a multi-national body of customs officials through the capacity building program that is a necessary supplement to the establishment of such standards. This body will come to speak the same professional language, have the same professional standards, and have the ability to easily interact with colleagues throughout the world. The professionalization of customs officials throughout the world is a worthwhile objective in and of itself. Still, one cannot readily appreciate the true importance of the SAFE Study and its conclusions and recommendations unless one understands the unique value of land transport (as distinguished from air and sea transport) to commerce, as well as to regional and international relations.

Land transport, namely road and rail, is the mainstay of most economies. Land transport creates ties that bind. One needs only to recall that wisdom of the adage “all roads lead to Rome.” The Roman road system stretched over 50,000 miles of paved roads and was the engineering marvel of its day, leading to, and binding the people of the empire to, the center, namely Rome, and that expansive system buttressed the fabled centuries long “Pax Roma.” It is not an exaggeration to state that trans-border/international land transport is a “sine qua non” condition for the maintenance and furtherance of international regional stability and peace, itself a necessary condition for trade and commerce, certainly for its expansion. Simply put, the more international commercial engagement, the more there is mutual interdependency and cooperation, although, of course, it is not a panacea.

Still, the question remains what makes land transport special or different from other forms of transport, what makes land transport especially significant? Air transport has glamour and speed and sparks the imagination. It certainly provides a quick, even if expensive, means for delivering high value goods, emergency materials and critical just-in-time supplies. Air transport safety has accordingly received significant attention with the result that a host of international agreements are in effect.

Sea transport has always been with us and has historically been the bridge that connects distant peoples and nations. And in today’s world, it is an economical way to transport large volume goods over great distances, although sea transport, like air transport, has to rely on land transport for delivery of goods to and from ports. Sea transport has recently been receiving increased national (US) and international attention as port security has come to be considered a weak link in international commerce.

But it is land transport that escapes concerted attention, notwithstanding the considerable contributions land transport makes to international commerce. It is land transport, and in particular road transport, that permits ready contact between neighboring nations and neighboring people. It also permits small entrepreneurs to easily engage in business across a border and thereby expand their business scope. It permits small volume transactions to take place quickly and cheaply. It permits large volume goods from inland regions and nations to access other regions and the sea. Specifically, it gives international access to landlocked nations permitting them to become part of the worldwide supply chain. And land transport, especially

truck transportation, can provide direct door-to-door delivery, which saves on costs. Still land transport is an issue that falls underneath the multi-national or global radar, an issue today frequently left to bilateral state agreements.

It is now forgotten that the EEC, the predecessor of the EU, relied extensively on land transport, both rail and road, to begin and affect the process of economic integration among its members, many of which, especially France and Germany, had been historical adversaries. Mercosur, the answer of Argentina, Brazil and other southern South American nations to the EU, promotes economic integration through increased trade, most of which crosses land borders by truck. In both cases, the easing and standardization of customs formalities was a hand maiden of expanded land transport.

The longest peaceful border in the world, that between Canada and the US, sees thousands of trucks cross every day with the result that the two nations share the largest exchange of goods between any two nations and are economically seamlessly intertwined. The secret to the growth of the Indian domestic market is land transport with trucks crossing the entire subcontinent. It was as recently as 1948 that India was divided into a mixture of English controlled areas and independent princely states. And, not surprising, land transport between India and Pakistan, two arch foes, is almost non-existent. And African nations have more economic engagement with nations from other continents than with each other. The low volume of land transport in Africa underscores the lack of its economic and political integration, although the East African Community (EAC) has begun to change that with its common customs union among five nations, Kenya, Tanzania, Uganda, Rwanda and Burundi.

But it is China today that truly appreciates the value of land transport as it is glamorizing it with its multi-billion dollar land transport investment program. China is building a national system of highways and roads, connected by marvelously engineered bridges crossing one of the world's longest rivers, the Yangtze River. The road system is supported by an expansive and expensive national high speed or bullet train system, the most innovative and modern in the world, that will interconnect the entire nation and ultimately make all of China one integrated seamless market. Plans are either already underway or being discussed to connect this 21st century road and rail system to the nations of the southern cone of the Eurasian continent, namely India, Pakistan and Afghanistan, ultimately bringing, at some date, all of these nations into one economic supply chain system. (It is of note that the famed investor, Warren Buffett, has a similar vision and has invested billions in the US Burlington Northern Santa Fe railroad, which stretches across western and central US and feeds into the Canadian rail system, on the theory that increased cargo will be transported by rail on the North America continent.)

In addition, the Chinese focus on transportation is now reflected in the agenda of the Shanghai Cooperation Organization (the SCO), of which China, and a number of the nations of Central Asia and Russia, are members. India, Iran and Pakistan, among others, are observers. The result is that this grouping of nations covers about 50% of the world's population. The SCO has for a number of years discussed how to improve trans-regional overland connections among its member and observer nations and the transport ministries from these nations are now in regular discussions, although there has been no discernable progress on the nuts-and-bolts issue of

border crossing procedures or how to make them seamless and, therefore, more efficient and effective.

But on the northern Eurasian landmass, intra-regional/international land transport is still limited as shown in “Land Transport Options between Europe and Asia: Commercial Feasibility Study” (the “Eurasian Commercial Feasibility Study”). The trans-Siberian is the only rail route of note. The dream of Estonia to be the end-stop for a land route from China is still a dream, although steps toward realizing this dream have now taken place with the 2009 inauguration of a project entitled “Asia Europe Land Bridge.” Although most of the Eurasian landmass was until recently an integrated market, new post-Soviet borders have created obstacles to commerce. There are extensive new custom formalities and long inspections that must be complied with. This is compounded by the fact that no uniform or common customs regulations have been adopted by the successor Soviet states of Central Asia, Caucasus and Ukraine. And, as noted in the “Am Cham Survey, Investment Climate, Transport & Trade Facilitation” (February 2008), a study prepared for the US Chamber of Commerce, corruption at borders is quite prevalent and that also constitutes an additional and significant hindrance/obstacle to commerce. Crossing those borders is anything but seamless and corruption adds a degree of unpredictability. Without standard and accepted customs operating procedures, custom officials, often poorly trained, have considerable decision-making discretion and corruption accordingly finds fertile ground. It has been proven in study-after-study that corruption is more rampant in developing nations where officials have considerable discretion in issuing license and permissions and rules and regulations are not clear, let alone exact; and customs clearance, as noted in the Am Cham Survey, is a prime example of that problem. It is of note that the Am Cham Survey showed that customs procedures are not an obstacle in Georgia. This is result of Georgia’s concerted efforts on tackling customs corruption and successfully stream lining customs procedures about five years ago. And, as a consequence, there is now thriving trans-border land traffic with Turkey. The importance of the Eurasian Commercial Feasibility Study is that it highlights the economic potential or possibilities that land transport can bring to the Eurasian region. This study does not, however, note the geo-political prospects and impact of land transport if, for no other reason, than for the fact that geo-political issues were not within the scope of the study. But this is a very critical factor, as noted above and expanded on below.

The Eurasian nations of the former Soviet Union are defined by one fundamental geographic feature that cannot be overlooked, ignored or forgotten. The nations of Central Asia, as well as Azerbaijan, are land-locked and their sustainable political independence and stability is confronted by the need to overcome this challenge.

In addition, Afghanistan, a land now synonymous with incessant wars, terrorism and Al Qaida, is also a landlocked nation; and it cannot develop economically, and stabilize politically, unless it has economic growth, which for a historically closed society requires openness, including access to export markets and diversified exit land routes. Neighboring nations are naturally the prime export markets of any nation. In the case of Afghanistan, this means not just Iran and Pakistan but also the nations of Central Asia, which accounts for only ten percent of Afghanistan’s overland traffic as that region has been neglected if for no other reason than that land transport to Central Asia is at best cumbersome and time consuming and lacks bridges and the other necessary infrastructure. And stability also comes from having perspectives of a better

tomorrow, that life can improve, which expanding markets can provide. This obvious conclusion that Afghanistan and Central Asia are in fact one economic region and one that needs to trade via land routes with its coastal neighbors, Iran and Pakistan, was noted recently by “the” expert on this region, Ahmed Rashid, a Pakistani journalist.

Sea transport is obviously not an option for the land-locked nations of the central Eurasian region, including Afghanistan. Moreover, air transport is not a viable option as none of the products produced in that region are so critical or so valuable that speed, with its attendant increased cost, is a necessity. This leaves land routes as the only option. Such routes are the only feasible means for the economies of landlocked nations to become part of the ever expanding world supply chain. Reliable land routes will open up economic opportunities that can hardly be envisioned, including by policy makers who are not the on-the-ground decision-makers. Behavioral scientists know that people need to be incentivized and motivated, and, applying more colloquial expressions, people need to be energized and inspired --- and the possibilities presented by new or expanded markets does spark a businessman’s imagination. But it will not energize him unless border crossings are made seamless. It is too often forgotten by policy makers that micro-economics is lived at the ground level by ordinary business men making day-to-day business decisions and judgments. And roads bring growth with them, if of no other reason than that they open new possibilities for those who have to make business decisions and expansion plans and live and overcome the obstacles and challenges of day-to-day life. The nations of Central Asia and Azerbaijan, the heartland of the Eurasian space, are not just politically and economically landlocked, they are on the whole resource dependent, excessively so. Oil and gas is the mainstay of the economies of Kazakhstan, Turkmenistan and Azerbaijan. Mining is central to Kirghizstan. Uzbekistan is a mixture of energy, mining and bulk product cotton. Even Afghanistan is now finding opportunity in copper mines with copper to be exported overland to China. Moreover, China in securing the mining rights agreed to build a national Afghan rail system. All of these nations of Central Asia are challenged in trying to diversity their economics, which can only be made possible by expanded market possibilities and integration into the world supply chain. And trade will, by definition, bring more political interchange. While commerce itself does not create peace, it certainly helps nurture and sustain it.

What is required to help bring this about on the Eurasian continent, as well as in the rest of the world, is surprisingly simple: standardized customs administration and operating procedures. These procedures would have the added benefit of lessening corruption as above noted in the case of Georgia. Of course, any such procedures, as already noted above and in the SAFE Study, need to take account of the necessary concern for security and safety. And the SAFE Study with its focus on establishment of internationally accepted principles for customs inspection and operation procedures has set forth an effective and acceptable path forward with its recommendation that the internationally accepted TIR Convention be amended to implement the SAFE Framework of Standards as adopted by the World Customs Organization. As this is a multilateral or international approach, it will provide an institutionalized system of judging a nation’s “compliance” with such standards, effectively creating a multitude of eyes and watchdogs to review compliance, and it will have the benefit of having international acceptance, reliability and impact. This is for the obvious reason that international agreements have a way of developing independent “lives” of their own --- lives that are commented on, judged and

evaluated by those parties who are impacted by the application and enforcement of the standards that the agreements contain. In short, international agreements, even imperfect ones, create an objective system of checks and balances.

In conclusion, the SAFE Study in essence confirms for the Eurasian nations, among others, what has already been confirmed by the EU member nations, Mercosur and the EAC, as well as the US-Canada partnership, that regional economic progress and sustained peaceful relations assume reliable and efficient trans-border land transportation. Accordingly, the faster the SAFE Study recommendations can be implemented, made effective and made internationally mandatory, the quicker economic possibilities will become self-evident and increased economic growth can be realized, especially for the many large landlocked Eurasian nations and regions. This is particularly important for them if natural resource dependency is to be decreased and more diversified and balanced economies are to be achieved. This, as noted, in turn can well help stabilize the entire Eurasian region, admittedly over time, and it may have the added benefit of decreasing corruption which itself will promote stabilization and progress. Seamless border crossings, albeit with the necessary security safeguards as noted in the SAFE Study, together with the inevitable risk management strategies that will develop, should and need to be the goal. Seamless crossing not only decreases costs but also serves as a motivator and incentive just by making things standard and therefore routine. This goal, however, can only become a reality if the SAFE Study calling for the incorporation of the SAFE standards, as adopted by the 176 customs administrations of the World Customs Organization, into an existing binding international framework, preferably the TIR Convention, is first implemented. And, as noted, in the SAFE Study, it is easier and more effective to do so by incorporating the Safe standards into a “functioning multilateral customs transit system [that is] already applicable to multimodal transport [as then the existing agreement] could be used as a global multilateral legal instrument to provide mutual recognition of the security requirements” (SAFE Study, p. 25). By doing so, one would not have to reinvent the wheel as it would be built on accepted and tried precedent. But implementation will still require non-glamorous intensive administrative and legal work on a multi-lateral basis so that the details, the life of any agreement, are right and clearly and accurately expressed. But that is the normal process of how binding agreements, especially international ones involving many parties, are reached and drafted and, in the end, implemented. A new, modern and expanded Silk Road can and will then become a reality.