

Development of the Cross-Border Transport Infrastructure

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Overview

Growing economic interdependency creates enormous demand for connectivity at international level. Goods and people move across borders and the level of efficiency of this process has a deep impact on economic development on the both sides of the border. The part of transport infrastructure that is used for international delivery and travel is referred to as cross-border transport infrastructure. This can be roads, railways and bridges that pass through the border, and ports (sea, river, lakes) that are entry points for international freight and passengers.

Apart from usual transport planning, technical and financial aspects, development of such cross-border infrastructure requires international agreement to establish a border crossing point (BCP) and set its management rules and operations schedule; construction of facilities to allow for customs, quarantine, and immigration checks; and adjustment/creation of the transport and cross-border movement domestic regulations to facilitate transport movement.



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The first point is quite straightforward and in practice it might mean additional agreements or amendments to the existing ones on border management. Examples from Northeast Asia would be

- 1) addition of the four new BCPs (Ceke - Shivee Khuren, Arxan – Sumber, Mandal – Hangi, Ebuduge - Bayan Hushuu) to the China-Mongolia Agreement on China-Mongolia border crossing points and their management system in 2004 that replaced the previous one of 1991;
- 2) separate China – Russia Agreement on joint construction, operation, maintaining and management of railway border crossing bridge over Amur river (Heilongjiang) at the

section of Russia - China state border in the vicinity of settlement Nizhneleninskoe of Jewish Autonomous Oblast (Russia) and Tongjiang city of the Heilongjiang province (China) of 2008.

The way in which the countries agree on the BCPs depends on their previous practices. Domestic regulations also have to be adjusted to accommodate budget expenses on the new BCPs, their staffing requirements and to guarantee the opening of the new passage.

The second point means that apart from construction of a road, railway, ferry berth, or bridge and installation of respective equipment, a border crossing requires the design and building of inspection facilities, storages facilities, loading/unloading complexes depending on what are differences in technical standards on both sides of the border, and what transport and custom facilitation measures are adopted by the proponent governments. For example, whether paperless trade procedures are adopted, whether single window technologies are available, and what share of the vehicles or containers are subjected to control by the risk management standards, and so on. Decisions to implement joint customs control (such as Zamyn Uud (Mongolia)-Erenhot (China), Kalzhat (Kazakhstan) – Dulaty (China) implemented in Central Asian Regional Economic Cooperation) or single stop inspection (Lao-Bao (Laos) – Dansavanh (Vietnam) under Greater Mekong Sub-region) would influence both design and construction costs and their division as well.



Source: GTI Secretariat, <http://www.tumenprogramme.org/>

The last point is that transport facilitation is an important part of cross-border transport development: regulations and “soft” infrastructure are no less important than the facilities themselves. For instance, when opening a new BCP, relevant authorities of bordering countries should ensure that the road is within the list of the routes allowed for bilateral vehicle access in case the other country vehicle is not allowed to travel along the whole domestic network but only on agreed routes (situation on China-Russia border). In case if joint custom control or single window is agreed to be implemented, the national legislation

should allow their usage as well as access of the other party's inspection staff on a daily basis. As a rule, for any measure of an international (bilateral or multilateral) agreement respective domestic legislation should be amended to put it into force.

Different approaches to the cross-border investments exist: setting up a joint company that carries out the work after being capitalised by both parties; or setting up two companies and task each with constructing up to an agreed point between the borders, capitalized again either by proponent governments or public companies in the sector. There are a number of public-private partnership forms available for these cases: for instance, build, operate, transfer (BOT); design, build, finance and operate (BDFO). As a side note, in all the cases, these companies are concentrated on transport facilities per se; separate domestic discussions are on-going on how to finance related inspection facilities. Normally, it is a task for customs and border authorities and strong commitment of the governments is needed to ensure timely construction of such inspection facilities. Next, driving forces that push cross-border connections into existence might originate from 1) purely bilateral trade, tourism and business needs and/or 2) from the prospective of international freight and passenger flows.

In the first case, the cross-border link might be in the interest of the countries as a whole or in the interest of the bordering regions (provinces, municipalities, etc.) from both sides of the border. Careful planning and thorough analysis of the existing networks is required before actual investments to decide on desirable capacity and junction points to wider networks for optimal balance of local and central benefits and costs. An example is the length of discussion between China and Russia on the number of bridge border crossings to be constructed in Heilongjiang province (China)/Amurskaya oblast and Jewish Autonomous Oblast (Russia): the discussion has continued since early 1990.

The second case is when cross-border facilities construction follows international arrangements, such as those reached under the auspices of UN ESCAP Asian Highway Network Agreement, 2003, Intergovernmental Agreement on the Trans-Asian Railway Network, 2006, Intergovernmental Agreement on Dry Ports, 2013, or agreements on establishment and development of particular international transport corridors.

There are multiple examples of transport corridors initiatives in different regions of the World. They might be focused on single corridor, such as Maputo Corridor (South Africa – Mozambique) or TRACECA (Transport Corridor Europe-Caucasus-Asia) or a regional grouping might promote creation of a network of regional corridors, as it is done by European Union, Greater Mekong Subregion (GMS), Central Asian Regional Economic Cooperation (CAREC) and Greater Tumen Initiative (GTI).

A multilateral approach provides certain benefits to participating countries:

- 1) Shared access to information on prospective freight and passenger flows, projects and developments that will have an impact on the flows size and directions for the whole region. This allows the parties to take into account the wider picture while planning domestic transport networks and its cross-border connections.
- 2) Coordination in planning of the corridors, including routing, modes, technical standards and timing that makes room for the increase of the efficiency of the cross-border and domestic investments in participating countries.
- 3) Creation of a multilateral commitment to transport facilitation and conditions for the respective measures to be implemented along the corridor in time to allow smooth movement of freight and people as soon as possible after the transport corridor was agreed upon.
- 4) The presence of multilateral commitment also attracts international donors and their consortiums as well as creates conditions for the private sector to invest in the transport facilities (logistic terminals, loading facilities, storages, etc.). This commitment has several aspects: from financial (guarantees on investments, preferential loans) to business (ensuring certain cargo base and respective investment in creation of one if needed) and regulative (companies are able to count on transport and custom facilitation that will reduce their transaction and operation costs).

The multilateral approach is not the opposite to the bilateral though: coming to the particular points along the corridors approved for development by several partner countries, the construction projects themselves still becomes domestic or bilateral issues. This is the unavoidable technical aspect of the development of the cross-border transport infrastructure.

The above benefits are strong enough to bring countries together to discuss transport issues even in the face of apparent individual costs of cross-border construction. This is true for regional groupings heavily supported by international donors where the financial aid and technical assistance are apparent benefits, such as GMS and CAREC. These are supported by a team of donors including Asian Development Bank, the European Bank for Reconstruction and Development, the International Monetary Fund, the Islamic Development Bank, the United Nations Development Programme, and the World Bank. GTI is a good example of regional cooperation induced by inner regional forces.

GTI example

GTI member countries, China, Mongolia, Republic of Korea (ROK) and Russia, whose cooperation stems from 1995 agreement promoted by United Nations Development Programme, deem creation of a fully operational and efficient transport network with wide coverage in Northeast Asia (NEA) as the backbone for overall regional economic prosperity. This vision led them to increase the scope of cooperation from a narrow area at the borders of China, Democratic People's Republic of Korea (DPRK) and Russia to the current one that includes eastern Mongolia, Northeast China, ROK, and Russian Primorsky Territory; in the same time, DPRK is still considered as important prospective partner in NEA for transport network development.



Source: GTI Secretariat, <http://www.tumenprogramme.org/>

Cooperation between the four countries allows them to take a comprehensive approach when designing their domestic railways, roads and ports, making bilateral arrangements on border crossing connections, taking into consideration not only bilateral flows, but potential regional ones. One important factor is the development of the mining sector in Mongolia (Tavan Tolgoi coal, Oyu Tolgoi copper, etc.) and the respective generated freight. For instance, these flows are the strategic justification of development of Mongolia (Ulaanbaatar – Baruun Urt – Khuut – Sumber) – China (Arxan – Ulan Hot – Changchun – Hunchun) – Russia (Makhalino – Zarubino) transport corridor (Tumen Transport Corridor). To have a clearer picture on the regional freight flows and their prospects, member countries jointly carried out the Integrated Transport Infrastructure and Cross-Border Facilitation Study for the Trans-GTR Transport Corridors²⁶ and based on the results developed GTI Regional Transport Strategy. Since GTI is not backed by a financial

²⁶ Available at GTI web-site: <http://www.tumenprogramme.org/?info-584-1.html>.

institute and, apart from Mongolia and China, other parties are not eligible for aid financing by donors, member countries are accepting that they are fully responsible for the implementation. The work is under way:

- China and Russia are in active cooperation and negotiations on Tongjiang (China) – Nizhneleninskoe (Russia) bridge BCP, Heihe (China) – Blagoveschensk (Russia) bridge BCP with a number of agreements signed and construction companies set up;
- Russian Railways completed modernization of Russian part of Hunchun (China) – Makhhalino (Russia) railway;
- Russian Railways in cooperation with Rajin Port are working on modernization of Rajin (DPRK) – Khasan (Russia) Railway and Rajin port modernization.
- Hunchun (China) – Makhhalino (Russia) railway was reopened for regular traffic in December 2013.

In 2013, GTI member countries established a unique mechanism that allows coordinated financing in all GTI countries: Association of NEA EXIM Banks Association. This flexible mechanism is formalised at the moment via a memorandum of understanding signed in 2012-2013 by Export-Import Bank of China, Development Bank of Mongolia, Export-Import Bank of Korea, Vnesheconombank (Russia). The Association principles are: equal access to the information on available projects, independence in loan applications appraisal and approval and a focus on hard infrastructure projects in GTI covered area. Members of the association are now discussing the projects that might be financed under the Association framework, based on Regional Transport Strategy and GTI member governments' proposals.

Railways and roads are the most common cross-border infrastructure



Source: GTI Secretariat, <http://www.tumenprogramme.org/>