

**THE EURASIAN  
ECONOMIC  
COMMUNITY IS A  
NEW OPPORTUNITY  
TO DEVELOP TRANSIT  
POTENTIAL OF  
KAZAKHSTAN**

When the Republic of Kazakhstan became independent, the one of the main goals was to develop transport system of the county, but in the present circumstances the infrastructure of transport system should be a catalyst for social and economic development of Kazakhstan for the long term, providing an interregional link and integrate the country's economy in the Eurasian Economic cooperation, meet the criteria of modernity, quality and safety.

The transport infrastructure of Kazakhstan includes pipelines, railways, aerial routes, water transport routes, highways.

In recent years, the transport and transit complex has accounted for 9-10% of the national GDP.

For Kazakhstan, the transport and transit sector has a large impact upon the effective-ness of market transformations in the economy of Kazakhstan. Indeed, the growth in economic production, as a whole, in many respects depends on its level of development and efficient utilization. The low population density (6.1 people per 1 sq. km.) within Kazakhstan, the dispersion of natural resources and centers of economic activity and the remoteness from non-CIS country markets are determining factors in infrastructure development. They make the transport sector a most important sector for the well-being of the national economy.

Today Kazakhstan, in view of the priority given to issues relating to an effective transport network with exterior links for exports, puts great importance on programs aimed at improving transport routes and creating effective transport corridors to external markets. Creating legal, organizational and technical conditions for setting up international carriage operations is also important in this light. 55 bilateral and multilateral international carriage agreements have already been signed between Kazakhstan and other countries. Lately, Kazakhstan has joined 7 conventions in the field of road transportation, 9 marine and interior water transport conventions and 8 civil aircraft ones.

However, the transport and communication complex of Kazakhstan is facing a series of basic strategic challenges in order to become even more efficient.

These include the:

-Creation of a rational sovereign transport web integrated into the world transport system and providing Kazakhstan with access to seas;

- Modernizing of existing rail and highways, waterways, ports, airports, and air navigation complexes;

- Creation of its own factory and repair stations for rolling stock of all types of transport;

- Building of an industry relating to the provision of modern communication facilities;

- Improvement of the control system and the normative and legal basis for the transport and communication complex.

The discharge of these tasks requires considerable funds. The total required investment, up to 2030, is estimated to be more than \$25 billion. Of this total investment about 40% is required for the development of railway transportation, 23% for highways and motor transport, 25% for telecommunications and 12% for air and water transport system [1].

In an effort to create favorable conditions for foreign and domestic investors, goal-oriented and consistent investment, policies are pursued within the transport and communication complex. Today, as well as in the long term, preference is given to the attraction of direct investment, which has a series of advantages over any other forms of economic aid.

The Agreement on the Eurasian Economic Union, signed in Astana, the capital of Kazakhstan, came into force on the Customs Union territory on January 1, 2015. The Agreement guarantees its parties the free movement of goods, services, capital and work force within the Union borders. It also provides for a coordinated policy in some of the key sectors, like energy, industry, agriculture and transport. Eurasian Economic Union is a powerful and attractive center of economic development, a major regional market bringing together over 170 million people.

This year, in June Armenia is going to enter into the Eurasian Economic Union. Maybe this year or next year Kyrgyzstan will enter this Eurasian Economic Union. I believe that the number of members in this integration project will increase in the future.

The successful integration of Kazakhstan's economy into the Eurasian Economic Community gives an excellent opportunity for the effective development of the transit and transport capacity through the use of its territory. Geographic location of Kazakhstan has the advantage of unimpeded transit location between Asia-Pacific States and the European Union, allows it to be a bridge for transit of goods and passengers between Southeast Asia and Europe.

Agreement on the Eurasian Economic Community, which was signed in Astana, creating a single transport system, thereby giving a great opportunity

for the development of Kazakhstan's economy. For citizens and businesses of our country, changes are expressed in the absence of customs barriers and the development of private transport companies.

The geographical position of the Republic of Kazakhstan allows us to create not only regional transport, logistics routes but also global, allows to tie themselves ambitious trade flows in Europe and Asia. Forming the largest market in the CIS with a huge industrial, scientific and technological potential, Kazakhstan acts as a key link in this market, because transit and transportation systems are a major aspect of the economy.

Transport infrastructure is at the heart of industrial economy and society, it is impossible to reach the level of a developed country without modern high-quality highways. As we are located between Europe and Asia, between the North and the South, transportation remains of great importance to Kazakhstan. To set up a network of internal roads, Kazakhstan have initiated construction of highways «Astana-Karaganda-Almaty», «Astana-Pavlodar-Ust'-Kamenogorsk», «Almaty-Kapchagay-Ust-Kamenogorsk». These routes are already used by trains that are twice as fast.

Our Republic needs to develop the logistics services sector. First of all, it is a question of the maximum use of the Customs Union territory for transportation of our goods. The construction works of the «Western Europe – Western China» corridor are coming to an end. Kazakhstan has built a new railway to Turkmenistan and Iran with an access to the Persian Gulf. In the future, Kazakhstan must invest in the creation of logistics centers in countries with access to the sea. It is necessary to reduce the customs clearance time for goods, increase the capacity of border checkpoints, strengthen the efficiency of the Aktau seaport, and simplify exporting and importing procedures. The new 1200 km long railway Zhezkazghan – Shalkar – Beineu is being constructed. This railway will connect the country's west and east, reviving activities in the regional centers. This grand construction is to be completed in 2015. These routes will enable us, through the Caspian Sea and the Caucasus, to reach Europe and, in the East, the Lianyungang seaport bordering the Pacific Ocean, upon which there is an agreement with the People's Republic of China [2].

Kazakhstan will play an important role in ensuring the delivery of goods and passengers, and will also have a great income in the economy.

In Kazakhstan rail transport is the foundation of the transport complex. In the integration process of the economy and politics of the Republic of

Kazakhstan railway transport in conjunction with other modes of transport should provide all the needs of the population in transportation timely and accurately. Of stable and reliable operation of rail transport depends the economic situation not only in our country, but also in the countries of the European Economic Community.

Today there are four international transport corridors on the territory of Kazakhstan:

- Northern Corridor of Trans-Asian Railway: Western Europe, China, Korea and Japan through Russia and Kazakhstan;

- Southern Corridor: South-Eastern Europe – China and South-East Asia through Turkey, Iran, Central Asia and Kazakhstan;

- Eastern Europe – Central Asia via the Black Sea, the Caucasus and the Caspian Sea;

Thus, the European Economic Community will give an opportunity to develop transport and transit corridors, which in turn will increase the transit potential of the country.

It is believed that the location of our state between the area of the Asia-Pacific region and Europe will help to make a lot more money than it takes place to be right now. This is a way to overcome isolation, since the main transit route from Asia to Europe while going by sea. Moreover, it is projected that the momentum will get the investment attractiveness of Kazakhstan, Russia and Belarus.

Lower transport costs, transit advantages of each of the countries of the Community, de-bureaucratization of procedures, the development of logistics base, the ability to have equal access to the Russian ports on the Baltic Sea, pipelines and other bonuses EAEC repeatedly voiced from the highest bleachers. Indeed, in most countries – logistics is a lucrative segment of the economy. World's transport market is estimated at about 3 trillion US dollars (7% of world GDP). In some countries, logistics plays an important role, exceeding 20% of GDP.

Using integration capabilities within the Customs Union and the Common Economic Space (CES) has expanded transit potential, gradually rising to a new level of transport and logistics complex, reducing losses during transportation and reducing transportation time.

An important milestone in addressing these issues was the work on tariff policy, as the logistics business, the bulk of an international character. There are no transit fare between the countries of EEA from 1 January 2013, instead of which has been applied a uniform rate of each state. Recently, the Eurasian Economic Commission drafted Guidelines for the economic development of the Member

States EAEC. The document to be adopted in 2015 should be a comprehensive economic program to implement the integration potential through 2030. One of the definitions in it nine areas – is infrastructural development, including realization of transit potential.

The way of «Toyota» cars from to China to Finland by sea is 60 days. Transit through Kazakhstan this car will take 15 to 20 days. Or here is an example of a demonstration. We are talking about cross-border transport of products the company Hewlett-Packard – various printers, scanners, etc., which are collected in China and shipped to Europe. Maritime transport to deliver them there for 35-40 days and in the summer through Kazakhstan – 16 days.

Nowadays electronic products are developing and updating very fast, becoming obsolete or out of fashion, there are always new models of smartphones, TVs. In this sense, even weekly or two-week delay due to maritime transport can badly damage the prospects for new items. So it is no coincidence Hewlett-Packard filed thus an example. Therefore, the development of e-commerce, which will increase every year, includes growing momentum of Chinese online stores («Taobao», etc.). So the prospects for the explosive growth of the transit of parcels through Kazakhstan quite substantial.

EAEC also will affect for the development of air transport, because every year the number of tourists from Western Europe to South-East Asia is increasing. A significant part of the flight is still carried out on the territory of Kazakhstan. In the countries of the EAEC, however, not all airports comply with the requirements of ICAO, although they say that it will happen in the near future.

The Kazakhstan airline company Air Astana demonstrates a good example of transit potential and integration, because has recently opened a number of regular flights to nearby cities and countries. Now, for example, residents of Samara and Kazan can flight through Almaty to several countries in Southeast Asia.

Our government should develop its transit corridors, providing through rate, speed of delivery, the safety of goods, information support and lack of administrative barriers from the border and custom services, preventing the flow of transit traffic, because of further growth of transit through the territory of the Republic of Kazakhstan. Kazakhstan focuses special attention on the development of transport and transit potential and this should give new impetus to the development of our national economy. Experts predict that by 2020 the volume of trade between Europe and China will reach

about \$ 800 billion. Naturally, the growth of trade, trade between the two largest markets gives us new opportunities to increase transit flows through our country. It also aims not only to increase the transit flows, but also to create a powerful system service, logistics. That is the key idea of the strategy is the transformation of Kazakhstan into a powerful Eurasian transit transport and logistics country. This task is quite feasible, especially taking into account the already implemented projects and those that are under implementation.

From the very beginning, Kazakhstan wanted the Eurasian Union to be purely economic, without any political dimension. On Astana's initiative, the EEU's basic principles contain a point on respecting each member state's political system, which means that members do not have to make political changes because of closer integration.

Kazakhstan sees the creation of the EEU as a way to strengthen its position in an increasingly competitive global environment. The EEU is officially seen as a way of achieving important economic goals. Kazakh businesses are to have access to the EEU market, with a population of 170 million, and cross-border trade is to be increased with the 12 Russian regions bordering Kazakhstan, which have a population of 27 million. Kazakhstan should be more attractive to investors who also want to operate in the Russian and Belarusian markets. The Russian and Belarusian state procurement markets, valued at \$198 billion a year, will be opened to Kazakh businesses. Transport routes linking up European and Asian trade flows through Kazakhstan are to be created and landlocked Kazakhstan's high transport costs should be lowered through equal access to the Russian and Belarusian railway networks. A single space will be created for the free flow of capital, services, and labor, and a single financial market is to be instated by 2025. Moreover, Kazakhstan will gain access to energy infrastructure by 2025 on the basis of the EEU's single market for oil and gas.

Eurasian Economic Union is able to provide efficient development of Kazakhstan's transit and transport potential due to maximizing the use of its territory. The possibility of organizing unhampered transit to be one of the main advantages of the republic. Transit potential is one of the most powerful economic tools, it is often considered a key strategic issue, which in the framework of the EAEC can be solved by our countries thanks to the excellent opportunity to enter the global market [3].

It is considered that the location between Asia-Pacific zone or South-East Asia and the European Union will provide an opportunity to earn much more money than at present. This is one of the most

effective ways to overcome the isolation of the region. According to forecasts under the EAEC, the investment attractiveness of the member countries of the organization – Russia, Kazakhstan and Belarus will also receive further impetus. The expert recalled that existing transit routes and new transportation routes, including those under construction, as well as the railroad are not fully loaded.

The fact that transport prospects included Kyrgyzstan, which also passes through the flow of goods, mainly on the Dordoy market, and from there it, is distributed to different directions. In connection with Kyrgyzstan's entry into EAEC, it gets a good chance to promote its exports of light industry and agricultural products as a unified transport tariffs that Belarus, Russia and Kazakhstan offer, greatly simplify the logistical problems.

Kazakhstan also develop cooperation in transport and transit sector with other countries, for example on October 21, 2014 in Kuala Lumpur, Ambassador of Kazakhstan to Malaysia Daniyar Sarekenov held a meeting with Deputy Minister of Transport of Malaysia Datuk Aziz Kaprawi to discuss the perspectives of bilateral cooperation in the transport sector.

Kazakhstan diplomat briefed Deputy Minister on vast transport and transit potential of the country, informed about the main activities of Kazakhstan Government in the development of the transport and logistics industry, diversification of ground based and air routes in all directions. Particular attention was paid to the plans of Kazakhstan on the exploitation of the international transport corridor «Western China – Western Europe», as well as the establishing of production and transport-logistics facilities outside the country.

In the light of the Official Visit of the Honourable Dato' Sri Mohd Najib Tun Abdul Razak, Prime Minister of Malaysia to the Republic of Kazakhstan on May 22-24, 2014, Ambassador Sarekenov mentioned about the agreement reached during the high level talks to explore the possibility of increasing the frequency of flights between Almaty and Kuala Lumpur.

Deputy Minister has informed Kazakhstan Ambassador on readiness of the Malaysian side to allow Kazakhstan's national air carrier to increase the frequency of scheduled flights up to operations on a daily basis. The parties agreed that such steps would positively affect the further expansion of business contacts, tourism, cultural and humanitarian exchanges between Kazakhstan and Malaysia.

Parties have reached an agreement on arranging of working consultations between the aviation authorities of the two countries in the near future.



The Government of Kazakhstan has adopted the state program of transport infrastructure development till 2020. It is planned to allot about 5 trillion tenge for its implementation over seven years, while 400 billion – private funds. The main priority of the program is given to the development of transport logistics and increase of transit through the Republic. Around 30 thousand kilometers of roads will be repaired, over 800 thousand railway tracks. It is planned to make standards for all auto and railway stations, 100% loading for Aktau seaport. Also, airports of Astana and Almaty, Semey, Zheskazgan will comply with ICAO standards. In addition, 2020 is expected to further open 75 new international air services within the country and run 300 routes in all settlements of the republic bus service.

At fact, the government began to work on the systematic and large-scale renewal of national highways. It is planned that this process will take a few years, but eventually Kazakhstan will open new transit corridors, both of international importance and running inside the country. Kazakhstan has never seen major road repairs across the country. Taking a course to expand its own transit facilities the country has begun to modernize highways. In fact, the development program of the Ministry of Transport and Communications is designed to carry out a radical reform of the road transport sector. However, to deal with all the tasks it is necessary to create a strong base – modern, high quality and comfortable highways.

Kazakhstan is implementing a number of large national infrastructure projects, which should result in a twofold increase in transit through Kazakhstan's territory by 2020. By 2050 this figure is expected to increase 10 times.

The pace of road construction is thousands of kilometers. Repair works have been launched in several directions. This year, the total budget of this sector is 310 billion tenge. Works are covering six thousand kilometers. 235.3 billion tenge of the total amount has been allocated for the development of 3.5 thousand kilometers of national road networks. By the end of the year, it is planned to put into operation two thousand kilometers of roads[3].

Repair works have already begun at two sections of Astana-Pavlodar road. Before, the road was divided in 12 sections. The rest 10 sections will be repaired next year. Two other projects, Astana-Karaganda and Astana-Kapshagai roads are expected to link the central part of the country with its eastern, western and southern regions.

The next point is the quality of repair and construction works. Conceptually, one of the main results of the road sector reform should be the establishment of a national operator of the roads of national importance. The Transport Ministry plans to retain only the functions of strategic planning, regulatory and scientific support. In general, it is planned to complete the reconstruction of the entire network of international transport corridors, including the implementation of four projects in the framework of preparation for EXPO 2017; introduction of a toll on 3.5 thousand kilometers of roads (annual fees will make 90 billion tenge); renovation of 38 thousand kilometers of public roads linked to the five areas of the tourism cluster; reforming the management of the road sector, creation of the national operator and introduction of new methods for the implementation of projects under the terms of international standards.

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