

Seminar “Development of the BSR integrated multimodal transport links with the third countries”

8th October 2018

CONCLUDING REMARKS

Introduction

Seminar on the subject „Development of the Baltic Sea Region (BSR) integrated multimodal transport links with third countries“ was held in Vilnius on 8 October with the aim to facilitate implementation of actions anticipated in the EUSBSR Policy Area Transport Action Plan on the improvement of transport cooperation with the third countries. During the Seminar two dominant topics were discussed, namely:

- ongoing transport projects serving global trade flows Asia-Europe (with focus on the BSR), including the deployment of innovative intermodal supply chain solutions and transport green technologies;
- improvement of cooperation with the EU Eastern Partnership countries (EaP) for better convergence of transport planning, management and integrity of logistics patterns (leading to possible joint projects).

Welcome speeches of the Seminar were delivered by **professor Antanas Čenys**, Vice Rector of Vilnius Gediminas Technical University and **Ambassador Nijolė Žambaitė**, EUSBSR National Coordinator. The Seminar was attended by 32 participants from China, Denmark, Latvia, Lithuania, Poland, Sweden, Germany and Ukraine.

Before starting the first Session of the Seminar, **dr. Algirdas Šakalys**, President of East-West transport corridor Association, Coordinator EUSBSR Policy Area Transport, in his introductory speech, noted that at present we live in a very dynamic world which is full of challenges, and where development of global transport connections between separate macro-regions acquires greater importance. Major World economies and powers are forming their politics in this sphere. Among them, China is developing One Belt One Road Strategy, and has already received approval and favourable evaluations from more than 50 countries. Whereas European Union designs and develops the main trans-European transport networks (including TEN-T “core” network corridors) having significant importance on the economies of 28 (currently) EU Member States. Therefore it is very important to achieve optimal interoperability of the above mentioned transport corridors and their development Strategies. It is especially important for the BSR, which is at the crossroad of these networks (corridors).

In view of this, the Seminar was dedicated to exchange views (first of all, among transport researchers and interested representatives of business) about the possibilities to form the network of partners interested in cooperation in developing transport connections China – Europe via the BSR.

First session

Mr. Liu Xuede, Secretary General of China International Forwarders Association (CIFA) in his presentation titled “ One Belt One Road connecting China with Europe (via Baltics) - current situation and perspectives” highlighted that during the recent 7 years the volumes of China-Europe block train have increased steadily and rapidly, namely, from 17 block trains in 2011 to 3673 trains in 2017. Moreover, he noted that volumes of block trains in 2017 were 1,24 times higher than the total volume of six years. While speaking about the factors of such a rapid growth, Mr.Liu emphasized that first of all this was determined by a long-term stable development of trading between China and Europe.

Another important factor is continuous optimization of operational quality, efficiency and costs. Comparing the transportation time and costs of shipping, railway and aviation transportation between China and Europe and China –Europe block trains have been increasingly selected by high value-added and time sensitive goods, as well as the geographically-oriented commodities. Mr.Liu noted that China-Europe block trains are becoming an important component of China – EU trading logistics system.



Presentation by Mr. Liu Xuede, Secretary General of China International Forwarders Association (CIFA)

According to information provided by Mr.Liu, at present China – Europe block trains are operating in 48 cities in China and their destinations are reaching 42 cities in 14 European countries. At the same time Mr.Liu noted that there is a huge potential to develop transportation links between China on the one hand, and Central and Eastern Europe and Northern Europe on the other hand. The matter is that trade volumes between China and these regions are constantly increasing and have reached large amounts. According to Mr.Liu, in order to serve these flows, Latvia has signed the block train agreements with China. Having in mind that Lithuania has similar transportation resources on the Baltic coast, Mr.Liu suggests to enhance the existing cooperation relations between China and Lithuanian forwarders/logistics companies in order to open the China – Lithuania block train.

In the presentation he also highlighted that development of the regional transportation hubs (with functions of dissemination and consolidation of freight) can also be an important factor attracting more cargo coming to the BSR region from Asia.

At the end of his presentation Mr.Liu suggested to jointly plan the use of combination of market resources to select cities (transport hubs) in China and the BSR which can held direct block train services.

A very interesting presentation titled „Exploring Key Success Factors of the One Belt One Road Connecting China with Europe“ was delivered by **professor Paul Tae-Woo Lee**, Director of Maritime Logistics and Free Trade Islands Research Center Ocean College, Zhejiang University (China). He noted the following three aims of his presentation: to identify possible routes to connect China to Europe in the context of the Belt and Road Initiative; to present key success factors (KSF) affecting viable and commercial aspects of the routes; and to propose policy recommendations for the improved connectivity. Prof. Paul Tae – Woo Lee provided a very wide panorama of possible routes connecting China to Europe, finalized by a new One Belt One Road Initiative (BRI) concept (version), which schematically can be reflected as follows: The Silk Road Economic Belt + 21st century Maritime Silk Road + Polar Silk Road = BRI 2.0.

When speaking about KSF (for better connectivity), he especially emphasized the importance of formation of the vision of an integrated transportation and logistics system at global and national level. According to him, the following issues are of utmost importance: to maximize impacts of the Integrated Logistics (Logistics Hub+Sea&Airport Hub +Free Trade Zone) on national and regional economy; to accommodate green factors for Logistics and Transport (Green Growth + Sustainable growth); to develop an efficient government system for the logistics industry (e.g Single window system); to apply Fusion Technology (e-Logistics& e-Transportation Platform Formation), and to build manpower for Logistics Industry.

In conclusion, Prof.Paul Tae-Woo Lee noted that specific consideration of the BSR connectivity with the OBOR networks will be possible only after the execution of a specific scientific research with the solid data, as well as after evaluating: the current status of transport and logistics system in the BSR; the significance of three possible routes (Economic Silk Belt, Maritime Silk Road, and Polar Silk Road) to the BSR, and after providing the answer to the question: what is the OBOR for the BSR?

During the Seminar representative of transport business of the Baltic Sea Region, namely **Mr. Tomas Garuolis**, Secretary of Transport Policy of the Lithuanian National Carriers Association (LINAFA) shared his insights on the perspectives of further cooperation with partners from China. Mr. Garuolis in the presentation titled „What makes Lithuanian road transport effective: the potential of Lithuania to become a distribution center of Chinese goods in the EU“ noted that Lithuania, being the leading country of the European Union in GDP share from transport (11,7%, 2015); being among the top 10 EU countries in overall turnover of international road freight transport; having perfect location (on crossroads of goods flows from Europe to Asia and vice versa), and being the leader in Europe in expanding and modernizing the truck fleet, can effectively facilitate formation of Chinese goods distribution centres (to the continental and Northern Europe) in the Baltic Sea Region.

In the presentation via Skype, **professor Johan Woxenius**, Maritime Transport Management and Logistics at University of Gothenburg, presented the Transnational Transport Corridors research executed in this university (starting from the definitions and applied methodologies and finishing with the main outcomes). It is interesting to note that evaluating the corridor performance professor Woxenius specified the following four dimensions, namely: Volumes (by corridor modes and nodes and by trade types); Time&Uncertainties (processing time, distribution delays); Prices&Costs (cost factor of operators and total costs to the trader); Services&Infrastructure (quality, capacity, efficiency and capability). The Corridor Evaluation Criteria identified in the final part of presentation could be adapted in evaluating global transport links China-Europe via the BSR.

Professor Harilaos N. Psarftis, Department of Management Engineering at Technical University of Denmark also delivered his presentation via Skype. He focused on presentation of the outcomes of the EU SuperGreen Project (full title: Supporting EU's Freight Transport Logistics Action Plan on Green Corridors Issues), which at the EU level have been recognized as highly successful in supporting the EU policy.

The main project objectives were: benchmark green corridors; encourage co-modality; undertake networking activities between stakeholders and deliver policy recommendations. The research sampled 9 international transport corridors, from them one (Shanghai-Le Havre/Rotterdam –Hamburg –Gdansk- Baltic ports –Russia with branch: Beijing-Mongolia- Russia-Belarus-Poland-Hamburg) belongs to the network of a new Silk Road. During the project an in-depth analysis of the corridor Key Performance Indicators (KPI) was carried out. Out of 17 KPIs initial list 6 main KPIs were selected, (namely: relative transport cost (Euro/ton-km; transport time or speed (hours or km/h; Reliability (on time delivery, % of shipments); frequency of service (number per year); CO₂ –eg emissions (g/ton-km); SO_x emission(g/ton-km), determining perspectives of development of the international (global) green transport corridors.

Discussion

The first session was completed with the debate. Besides the main speakers, other members of the Seminar (**Mao Cong** (China), **Maciej Brzozowski** (Poland), **Henrik Armbrecht** (Germany) etc.) have also actively contributed to the discussions.

The audience was attracted by information provided by Mr. Mao Cong about the progress in developing China Merchants Sino-Belarus Commerce and Trade Logistics Park, which occupies the land area of 94,4 hectares near Minsk and which is considered as an important commercial, trade and logistics hub on the Silk Road Economic Belt leading to the BSR.

Yet the prevailing topic of the discussion was related to Global (Asia-Europe) supply chain barriers. Both, representatives of transport business and researchers were of the opinion that transportation between Asia and Europe is obstructed not only by physical bottlenecks related to geographical constraints and poor infrastructure but also by non-physical obstacles which cause significant delays, increase transport and logistics costs and have negative impact on visibility and reliability of the Global transport chain or corridor. During the debate, the following reasons determining non-physical barriers were identified: lack of cross-border harmonization and collaboration; non-application of trade facilitation standards and practices; organizational inefficiencies; lack of trained human resources; complicated national legislation and regulations, and insufficient investment in modern IT equipment for processing and data exchange.

In order to overcome the above mentioned physical and non-physical barriers, joint efforts of European and Chinese potential partners (from academia and business) as well as of other countries are necessary.



By the end of the discussion, dr. A. Šakalys once again emphasized the aim of the Seminar - to take the first steps in starting a dialogue on cooperation between research and business representatives of BSR and third countries in developing transregional transport connections. According to him, Seminar in Vilnius provided a good opportunity to share the views on joint research the scope of which could consist of: preliminary assessment on what countries, as well as the entire BSR will gain from the development of new Silk Road routes to /along the macro-region; identification of the additional interfaces needed between the new Silk Road routes and internal transport network of the BSR, including the TEN-T core network corridors; preparation and suggestion of models and decision support systems aimed at helping public authorities and private companies to ensure and promote high level collaboration and trust between different stakeholders and main hubs along global transport corridors/ open type supply chain; as well as preparation of proposals on solutions enabling peripheral regions of the BSR to have adequate accessibility to international (global) trade.



This could be considered as a homework for the participants of the Seminar: upon the return home, to discuss with the colleagues the interest and possibilities to participate in the research on the above topic and, following the decisions made, to contribute to the formation of the partner network. In view of this, one of the practical tools (or examples) for such a cooperation could be joint preparation of a proposal for the project MG -2-9-2019 of the EU H2020 programme. On the other hand, the above project should not be considered as the sole source of research financing of above mentioned topics.

Second session

The second session titled "Improving cooperation with EU Eastern Partnership Countries" started with the presentation "Closer transport/logistics market integration through interoperability between the TEN-T Core network corridors and the transport networks of the EU Eastern Partnership countries". The presentation prepared on the basis of interim outcomes of the flagship TENTacle project, was delivered by **dr. Laima Greičiūnė** and **Mr. Raimondas Šakalys** (both VGTU researchers).

In the framework of TENTacle project a specific thematic study was carried out in order to find solutions to ensure seamless traffic flows, enhance economic growth and competitiveness through interconnected subsets of transport networks (CNCs vs. EaP), and to identify priority action areas to achieve time and resource reduction for transport operations.

The thematic study has shown that service quality (transport time, service and waiting time, handling time, working hours, reliability, and frequency of services, cargo safety and security) is the most important indicator (criterion) impacting synchronomodality. During the following stages of research, service quality and efficiency indicators will be used to create models describing synchronization of the activities of transport hubs along the specific transport corridors. On the basis of synchronomodality it is possible to establish innovative transportation and logistics services through developing cooperation between intermodal terminals along a specific transport corridor, including the East- West transport corridor (in the BSR) branch to the EaP countries.

Dr. Mariia Hrygorak and **Ms. Kateryna Zhurbas** (both representing National Aviation University of Ukraine) delivered the presentation "Ukrainian initiatives for the development of multimodal transportation and logistics". They highlighted that Ukraine is taking all efforts to become a powerful logistics hub between Europe and Asia, including active participation in the realization of the Chinese OBOR initiative.

Moreover, Ukraine gives particular attention to implementation of the EU-Ukrainian Association Agreement. Regarding the transport sector, they emphasized the following ongoing major activities: the developed Transport Strategy of Ukraine until 2030; and public discussion on the Draft National

Logistics Strategy. Besides, supported by the European and World Bank experts, an Action plan is being prepared that envisages development of transport infrastructure. These activities will face considerable challenges - the speakers noted a sum of 17-22 billion Euro which will have to be allocated to transport industry in Ukraine.

It must be noted that during the discussion Ukrainian representatives expressed their interest in the cooperation within the framework of the Transport Action Plan of the Baltic Sea Region Strategy, specifically, in implementing Action 2 (development of BSR transport links with the third countries).

Closing remarks

In conclusion, dr. Algirdas Šakalys emphasized that it was a very important and promising event in implementing the EUSBSR Transport Action Plan, namely Action 2 (development of BSR transport links with the third countries), since it was attended by major actors of global logistics market and famous researchers from Europe and China.

With growing trade flows between Asia and Europe, the BSR transport system has huge potential opportunities to increase the segment of served market. However, both, representatives of transport industry and transport research identified the main barriers preventing from successful development of transport links (especially the land transport) between the BSR and third countries. This is a big challenge first of all to transport researchers who should suggest innovative solutions and proposals which would allow to overcome these barriers.

In view of this joint efforts are necessary to solve the issues of relevance like the achievement of optimal interoperability between the OBOR branch (leading to the BSR) and TEN-T network of the BSR.

We believe that during this Seminar we did take the first step toward this direction.

Editorial group of the Seminar:

Dr. Algirdas Šakalys, Coordinator EUSBSR Policy Area Transport,

Dr. Laima Greičiūnė, Researcher at VGTU,

Dr. Viktor Skrickij, VGTU