

Logistics Processes and Motorways of the Sea II

LOGMOS Master Plan – Annex 9.1

Country Profile

UZBEKISTAN

October 2013



This project is funded by
the European Union



A project implemented by
Egis International / Dornier Consulting



TABLE OF CONTENTS

1	INTRODUCTION	3
2	NATIONAL TRANSPORT POLICY	5
3	LEGAL ENVIRONMENT IN THE FIELD OF TRANSPORT	7
4	NATIONAL POLICY AND LEGISLATION IN TRADE AND TRANSIT	10
5	INVESTMENTS IN TRANSPORT AND LOGISTICS SECTOR IN UZBEKISTAN.....	12
6	STRATEGIC CHALLENGES	14
6.1	MARKET CHALLENGES	14
6.1.1	<i>National Trade: Exports and Imports</i>	<i>14</i>
6.1.2	<i>Regional TRACECA Trade</i>	<i>18</i>
6.2	INTERMODAL MARITIME BASED TRANSPORT CHALLENGES	23
6.2.1	<i>Port System and Maritime Links</i>	<i>23</i>
6.2.2	<i>Inland Transport Mode: Railways</i>	<i>29</i>
6.2.3	<i>Inland Transport Mode: Roads</i>	<i>32</i>
6.3	TRADE AND TRANSIT FACILITATION	34
6.3.1	<i>General Presentation</i>	<i>34</i>
6.3.2	<i>SWOT Analysis</i>	<i>36</i>
7	PILOT PROJECTS SELECTED FOR MOS I AND ILC PROJECTS	38

LIST OF TABLES

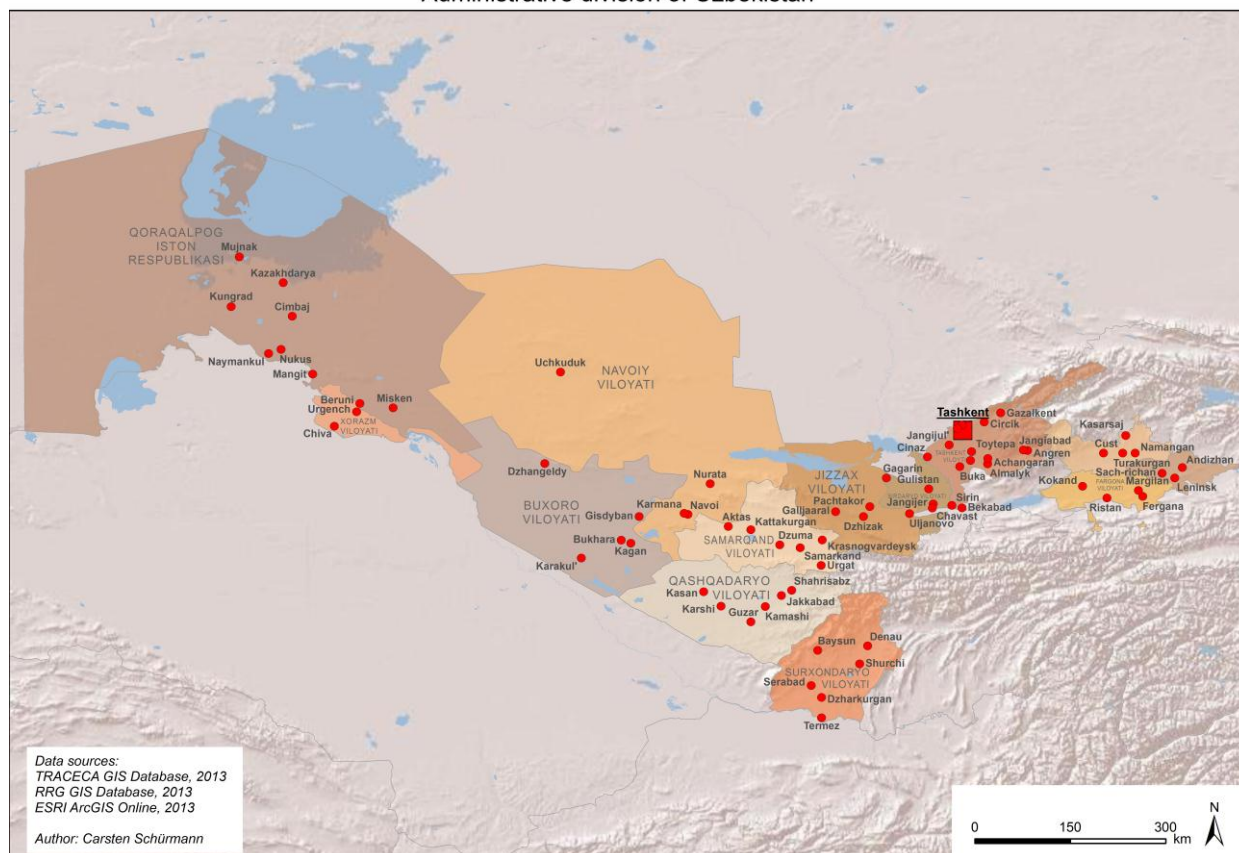
Table 1: Bilateral Agreements with LOGMOS Beneficiary Countries.....	8
Table 2: Multilateral Agreements with LOGMOS Beneficiary Countries	9
Table 3: IFI Supported Projects in Uzbekistan	12
Table 4: Distribution of Uzbekistan Potential Trade Partners	15
Table 5: Uzbekistan Potential Trade with TRACECA Countries and Europe.....	16
Table 6: Potential Trade with TRACECA Region – Commodity Structure of Imports to Uzbekistan	20
Table 7: Potential Trade with TRACECA Region – Commodity Structure of Exports from Uzbekistan	22
Table 8: List of International Motorways Passing through Uzbekistan	33
Table 9: SWOT Analysis in Trade and Transit Facilitation Procedures.....	36
Table 10: Selected Pilot Projects in Uzbekistan	38

LIST OF FIGURES

Figure 1: Political Map of Uzbekistan.....	2
Figure 2: Uzbekistan Trade Partners	14
Figure 3: Uzbekistan Trade Partners, Potential Trade	15
Figure 4: Uzbekistan Potential Trade with TRACECA Countries and Europe	17
Figure 5: Potential Trade with TRACECA Region – Commodity Structure of Imports to Uzbekistan	19
Figure 6: Potential Trade with TRACECA Region – Commodity Structure of Exports from Uzbekistan.....	21
Figure 7: Navoi ILC	24
Figure 8: Main regional markets reachable from Navoi ILC	25
Figure 9: Location of Navoi ILC at the centre of international railways corridor	26
Figure 10: Uzbekistan Railway Map	29
Figure 11: Uzbekistan Road Map	32

Figure 1: Political Map of Uzbekistan

Administrative division of Uzbekistan



Source: TRACECA (2013)



1 INTRODUCTION

Uzbekistan is one of the biggest markets in Central Asia and one of the most advanced economies in Eastern TRACECA region. Uzbekistan shares common borders with Afghanistan, Kazakhstan, Kyrgyzstan, Tajikistan and Turkmenistan.

Uzbekistan has a unique situation as it is the only doubly landlocked country in Central Asia¹ whereby cargo must cross the borders of at least two countries to reach open seas:

- East – via Kazakhstan to China or Russia
- South East – via Afghanistan to Pakistan (but there is no crossing railway or safe motorway)
- South – via Turkmenistan to Iran
- West – via Turkmenistan to Caspian Sea and further, across two Caucasian countries to Black Sea
- North – via Kazakhstan to Russia, Baltic States, Europe.

Due to its geographical location Uzbekistan faces a major problem in maintaining its transport and therefore trade independence.

However, this very same position implies it is a crossroad for a number of international transport corridors:

- 3 rail OSJD corridors (No 1,8, 10)
- The multimodal Transport Corridor Europe-Caucasus - Asia (TRACECA)
- 2 European roads (E40 and E60)
- 3 CAREC corridors (No 2,3a, 6)

Uzbekistan transport network includes 6,020 km of railways, 44,800 km of roads and 1 river port. The existing capacity allows the handling of 1 billion tonnes of cargo by rail.

The main problems identified in connection with the network are:

- for road transport: the insufficient availability of roads in good technical conditions, generating sub-standard speeds and long transit-times;
- for rail transport: an obsolete rolling stock and frequent shortages of suitable rail cars in sufficient quantity due to inappropriate use / delayed, untimely return by users, the limited capacity of access roads and rail tracks, slow renewal of infrastructure, low container turnover due to lack of back-load traffic.

TRACECA Framework

Uzbekistan has been an active member of TRACECA since the Brussels Conference in May 1993 which gave birth to the TRACECA program.

The ten direct beneficiary countries under review by LOGMOS Project share a globally common legal and regulatory background for the transport sector, but also have different laws and rules resulting from different contexts and policies.

¹ The only other one example in the world being Liechtenstein.



International Conventions and regional or bilateral agreements are completing the framework, and there are expected moves at both national and regional (TRACECA and other groups) levels.

The approach of legal issues related to the LOGMOS Project is focusing on the transport laws and regulations as well as on the afore-mentioned national, international, regional and bilateral conventions and agreements which have a direct or indirect impact on surface transport modes with a priority for maritime and intermodal transport².

The TRACECA program started in Brussels in 1993 as one of the components of the intergovernmental TACIS program. In September 1998, in the city of Baku was signed, under the initiative of the European Commission as well as the organisation and the active participation of Uzbekistan at the International Conference “TRACECA – Restoration of the Historic Silk Route”, the Basic Multilateral Agreement (MLA) on the development of the transport corridor Europe – Caucasus – Asia between the Head of State of 12 countries (Armenia, Azerbaijan, Bulgaria, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan, Turkey, Ukraine and Uzbekistan).

After the Intergovernmental Committee and Permanent Secretariat of TRACECA were established in 2000, Uzbekistan set up a TRACECA National Commission headed by the deputy Prime Minister of the Government and the National Secretariat of TRACECA (Permanent Representative), headed by a national secretary.

Uzbek representatives take an active part in all conferences and Working group’s meetings organized by IGC TRACECA.

² More detailed information can be found on the separate [legal report of the LOGMOS Master Plan](#)



2 NATIONAL TRANSPORT POLICY

The policy of Uzbekistan in the field of transport is defined in the following documents:

- The Program of “Speed-up of development of infrastructure, transport and communication construction in 2011 – 2015”, which has been adopted on December 21, 2010.

It determines the development and the construction of transport communications by attracting foreign and local investments, modern technologies and renewal of industrial capacities:

- Further development of Uzbek National Motorway;
 - Modernization of railways, electrification, supplying with locomotives and waggons;
 - Introduction and further development of multimodal transport;
 - Creation of new transport corridors, increase of transit;
 - Creation and reconstruction of modern infrastructure alongside National Motorway and international railway routes;
 - Imports of road bulding machines, modern cost saving technologies and materials.
- “Conception of Auto Roads Development” from March 3, 2006.

The main task of this concept is to provide a defensive and economically sound network of roads on the territory of Uzbekistan, reducing the dependence upon any of the access transit countries by offering a multichoice of road alternatives.

It also includes provisions regarding intensification of cooperation with international organizations and regional integration structures (TRACECA, Trans Afghan transport corridor, ESCAP, CAREC and others), attracting international financial institutions into investments of road construction projects.

- “Conception of reliability growth of bridges on the motorways in 2008-2015”
- “Schedule of rail transport communications untill 2020”

As far as the LOGMOS Project is concerned, the most relevant provisions of the Program and concept pertain to the following issues:

- Development of transport infrastructure by means of expanding road network and constructing of by-pass roads, increasing capacity of railways and terminals (“dry port” type);
- Renewal of rolling stock;
- Improvement of investment climate by means of implementing public-private partnerships;
- Availability and quality of transport services by means of developing international transport corridors, widening the implementation of container and piggy-train techniques, reducing delivery time and time spent at border crossing points, introducing electronic document exchange.

The specific priorities are:

- in rail transport the rehabilitation of infrastructure along international transport corridors, the expansion of the capacity of railway stations, the increase in train



cruising speed, the reduction of delivery time and the widening of logistics centres network;

- in road transport: the widening of the road network and improvement of road transport technology;
- an effective transport support to foreign trade and increase in transit cargo flows;
- the joint elaboration and implementation of transit transport technologies and through rates with neighbouring countries;
- the support to intermodal transport and opening of new container transport routes;
- the establishment of logistics centres for transport, handling and storage, etc.

Less Afghanistan (that has not until now any sound transit capacity), all other countries surrounding Uzbekistan are CIS States and all transport corridors pass 1-3 borders of former USSR. This issue places Uzbekistan in position to support all CIS transport agreements (tariff policy, administration etc.)

Uzbekistan signed over 40 international conventions (e.g. Brussels, 1950, 1983, 1986, Vienna 1968, Geneva, 1956, 1970, 1972, 1975, 1978, 1982, 1994, New-York, 1975, Roma, 1988), as well as multinational and bilateral agreements (over 100).

Uzbekistan holds membership in several international organizations which strive to improve transport and trade facilitation in the region: CAREC, CIS, ECO, EVRAZES, OSJD, PIARC, SCO, UNECE and UNESCAP.

In the LOGMOS perspective the Agreements for Coordination of railway transport and Regulation of transit transportation between Azerbaijan, Georgia, Turkmenistan and Uzbekistan (Sarakhs, May 13, 1996) could be very important. But various infrastructure problems (return of empty waggons via Caspian Sea, low capacity of Georgian ports and other) as well as different political issues came to almost naught this perspective transport corridor.



3 LEGAL ENVIRONMENT IN THE FIELD OF TRANSPORT

Since 1991, the country's legal bases are undergoing changes. The national legislation covers currently all transport fields and includes following acts of law:

- Air Code of the Republic of Uzbekistan from May 7, 1993;
- Charter of inland water transport of the Republic of Uzbekistan approved by Cabinet of Ministers on February 25, 1997;
- Law of the Republic of Uzbekistan from August 29, 1998 "On Automobile Transport";
- Law of the Republic of Uzbekistan from April 15, 1999, "On Railway Transport";
- Decree of Cabinet of Ministers from September 9, 2000 entered into force "Regulation of freight-forwarding enterprises and order of freight forwarding services". It regulates relations between customers, forwarders and carriers, both public and private as well as their rights, obligations and responsibilities;
- Law of the Republic of Uzbekistan from October 3, 2007 "On Automobile Roads";
- Charter of the Railways of the Republic of Uzbekistan approved by Cabinet of Ministers on October 23, 2008.

Besides, there is a special commission of the Cabinet of Ministers of Uzbekistan for transport and transport communications. Its creation was approved by Decree of Cabinet of Ministers from March 6, 2009. Its main tasks are optimization, enhancement of efficiency and improvement of cargo and passenger transportation, sustainable development of transport system and transport communications, expanding of international cooperation in the area of transportation and development of transnational transport corridors.

The Commission consists in representatives of Ministries and other governmental agencies related to transport and non-governmental associations of carriers, forwarders and logistics. It:

- Coordinates the development of rail, auto, river and air transport by elaboration and realization of integrated conceptions of perspective development of United Transport System of the country;
- Considers proposals and expertizes projects for development of transport network and logistic systems, construction of new transport communications, increasing their carrying capacity and effective use;
- Assists in attracting investments including from foreign origin into construction, reconstruction and modernization of transport communications, renewal of rolling stock and also monitors investment projects realization;
- Participates in negotiations and activities with other countries at bilateral and multinational level for effective development on international network of transport corridors.

In general the legislation of Uzbekistan in the transport field is well adapted to the requirements of international law and meets international conventions.

Uzbekistan conforms to UNECE transport documents and is part in 17 of them, including AGTC, AETR, ATP, Convention CMR, TIR Convention, and International Convention on harmonization of goods' border-crossing inspections and Customs Convention on containers.

During the next years it is planned to adopt the national Law of Uzbekistan "On Transit".



In addition to the national transport legislation, Uzbekistan has established bilateral relations (see Table 1) and multilateral agreements (see Table 2) with LOGMOS beneficiary countries

Table 1: Bilateral Agreements with LOGMOS Beneficiary Countries

Countries	Transport issues				Customs
	Maritime	Road	Railway	General	
Armenia		On international road transport 20.08.1992			
Azerbaijan		On international road transport 27.05.1996	On cooperation in the field of international railway communication 27.05.1996		On cooperation and mutual assistance in customs issues 27.05.1996
Bulgaria		On international road transport of passengers and goods 24.06.1998			
Georgia		On international road transport 04.09.1995			
Kazakhstan		On international road transport 20.03.2006	On cooperation in the field of railway transport 02.06.1997	On transit of people, goods, bagages, their security via roads and railways links between Kazakhstan and Uzbekistan 27.03.1998	On cooperation on customs issues 31.10.1998
Kyrgyzstan		On international road transport 04.09.1996			
Moldova		On international road transport 21.11.1995			On cooperation and recognition of customs documents and customs duties 30.03.1995
Romania		On cooperation in the field of			



Logistics Processes and Motorways of the Sea II

		road transit transport 06.06.1996			
Tajikistan					
Turkey		On international road transport 28.04.1992			
Turkmenistan	On international river communication for passengers and goods 27.11.1996	On international road transport of passengers and goods 16.01.1996	On cooperation in the field of international railway transport 16.01.1996 On cooperation in the field of regular transit railway transport 21.09.2000	On general principles of cooperation in the field of transport and communication 14.04.1993	On general customs relations 28.08.1993 On cooperation and mutual assistance in the field of customs 16.01.1996
Ukraine		On international road transport 20.02.1993	On cooperation in the field of railway transport 20.02.1993	On cooperation in the field of transport 20.02.1993 On cooperation in the field of goods transport 30.02.1994	On cooperation on customs issues 05.12.1996

Table 2: Multilateral Agreements with LOGMOS Beneficiary Countries

Signatory countries	Title of the agreement	Place and date of signature
Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan	On Principles of Cooperation and Terms of Relations in Transport Area	Bishkek, 23.04.1992
Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan	On Coordination of the Activity of Railway Transport	Bishkek, 23.04.1992
Azerbaijan, Georgia, Turkmenistan, Uzbekistan	On Coordination of the Activity of Railway Transport	Sarakhs, 13.05.1996
Azerbaijan, Georgia, Turkmenistan, Uzbekistan	On Cooperation in the Area of Transit Transportation	Sarakhs, 13.05.1996

Uzbekistan is also a member country of Agreement on Network of Trans Asian Railways (Pusan, Republic of Korea, 10.11.2006)



4 NATIONAL POLICY AND LEGISLATION IN TRADE AND TRANSIT

The key document regulating trade and transit operations in Uzbekistan is the Customs Code of Uzbekistan. The Law of Uzbekistan "On Transit" is under elaboration and consideration. Until its adoption provisions of Customs regulation of the transit prepared by Customs Committee of Uzbekistan and registered by Ministry of Justice are applicable.

In addition to this, in order to support country's intention to attract additional transit cargo flows to pass through its territory, several legal acts were issued for rail, road, air and river transports.

However, in spite of these efforts, many operators report prevailing discrepancies in Customs formalities, e.g. between the provisions of TIR Convention and effective rules and regulations, which they need to follow even though creating additional "paper work". Taking into account the number of border-crossing checks (e.g., phytosanitary, veterinary and/or radiological services), delays and duplication of Customs inspections (cargo is usually checked both at the border crossing point and inland Customs office) there is an obvious need to simplify existing procedures and regulations.

However monitoring delay cases usually evidences that consignors or even drivers are often responsible (not enough copies of documents, mistakes in documentation, etc.)

Uzbekistan has embarked on a comprehensive reform and modernization process. The President of the Republic of Uzbekistan issued a Presidential Resolution on August 10, 2011 No. PP-1595 "About measures for further improvement and increase of efficiency of the public customs services activities" addressing, amongst others further efficiency gains in the activities of customs, easy of payment modalities, further improvement of the customs systems by introduction of modern technologies, risk management, crime prevention and introduction of personal performance targets and review mechanism.

A new revision of the Customs Code of the Republic of Uzbekistan is under currently consideration in legislature of Uzbekistan the "Oly Mazhlis". The new Customs Code will serve as a solid legal basis for the modernization of the Uzbek customs system. Modern tools are reflected, such as electronic risk analysis and risk assessment, re-allocation and streamlining of functions and competencies of the various customs bodies and authorities. Other important legislative changes in the Republic of Uzbekistan were the Resolution "About measures for the introduction of the export operations and implementation mechanism by the principle "single window" No. 305/2011" which introduces the single window concept. On a more general level, Uzbekistan adopted in August 2011 Resolution No. PP-1604 "On measures for elimination of bureaucratic barriers and further increase of business activity" aiming to further streamline administration and to reduce bureaucratic burdens.

The adaptation and implementation of international Customs conventions is a core issue for Uzbekistan. The list of key international conventions for Uzbekistan includes now:

- On Establishing a Customs Co-Operation Council, (dated 15.12.1950 Brussels, joined 28.07.1992);
- On road traffic (dated 08.11.1968, Vienna, joined 28.12.1994)
- On road signs and signals (dated 08.11.1968, Vienna, joined 28.12.1994)
- On the International Transport of Goods Under Cover of TIR Carnets (TIR Convention) (dated 14.11.1975, Geneva, joined 31.08.1995)
- On the Contract for the International Carriage of Goods by Road (CMR), (dated 19.05.1956, Geneva, joined 31.08.1995)



Logistics Processes and Motorways of the Sea II

- On Transit Trade of Landlocked States (dated 08.07.1965, New-York, joined 22.12.1996)
- Protocol to the CMR (dated 05.07.1978, Geneva, joined 30.08.1996)
- On the Harmonization of Frontier Controls of Goods (dated 21.10.1982, Geneva, joined 30.08.1996)
- On containers (dated 02.12.1972, Geneva, joined 30.08.1996)
- On Customs Treatment of Pool Containers (dated 21.01.1994, Geneva, joined 30.08.1996)
- On the Harmonized Commodity Description and Coding System (dated 24.06.1986, Brussels, joined 28.08.1998)
- European Agreement Concerning the Work of Crews of Transport Means Going on International Routes (AETR), (dated 01.07.1970, Geneva, joined 29.08.1998)
- On the Taxation of Road Vehicles Engaged in International Goods Transport (dated 14.12.1956, Geneva, joined 29.08.1998)
- On the temporary importation of commercial road vehicles (dated 18.05.1956, Geneva, joined 25.12.1998)
- Agreement on the international carriage of Perishable Foodstuffs and on the special Equipment to be used for such carriage (ATP) (dated 01.09.1970, Geneva, joined 25.12.1998).

Other related international conventions are under consideration and the issue is to bring the national norms and regulations in line with the international ones.

Introducing electronic data exchange at Customs will be considered in the future. In 2011 the Government of Uzbekistan approved the law stipulating that particular imported goods (electronics, home equipment, etc) must be marked with barcode at Customs during clearing. This system should be put into operations during 2013. At present, it is under probe by potential users in order to uncover its potential technical malfunctions. This system should help speed up clearance procedures at the border eliminate possible mistakes while filling-in Customs declarations, etc. However importers feel that the system is mainly directed at preventing smuggling as borders are still pretty porous.

The bilateral relations of Uzbekistan in the field of Customs cooperation are presented in Table 1 above.



5 INVESTMENTS IN TRANSPORT AND LOGISTICS SECTOR IN UZBEKISTAN

IGC TRACECA recognizes the trade and transit potential of Uzbekistan and actively supports the ongoing Donors and international organizations' initiatives

International financial institutions invest into development of transport and logistics infrastructure in Uzbekistan and the following investment projects have been successfully realized during previous years.

Table 3: IFI Supported Projects in Uzbekistan

Title of project	Year of approval	Sub-sector	Total project cost	IFI funding
CAREC Corridor 2 Road Investment Program II – Tranche 2	2012	Road	USD 265 M	USD 220 M (ADB)
CAREC Corridor 2 Road Investment Program III	2012	Road	USD 117 M	USD 100 M (ADB)
CAREC Corridor 6 (Marakand-Karshi) Railway Electrification Project	2011	Railway	USD 176 M	USD 100 M (ADB)
CAREC Corridor 2 Road Investment Program II	2011	Road	USD 160 M	USD 130 M (ADB)
CAREC Corridor 2 Road Investment Program, Project 2	2011	Road	USD 289 M	USD 240 M (ADB)
CAREC Corridor 2 Road Investment Program, Project 1	2010	Road	USD 146 M	USD 115 M (ADB)
CAREC Regional Road Project	2007	Road	USD 173.5 M	USD 75.3 M (ADB)
Tashguzar – Kumkurgan New Railway Construction Project	2004	Railway	JPY 16.4 M	JPY 16.4 M (JBIC)
Locomotive Re-Powering Project	2001	Railway	USD 68 M	USD 68 M (EBRD)
Railway Modernization Project	2000	Railway	USD 155 M	USD 70 M (ADB) USD 5 M (OPEC)
Uzbek Railways Freight Traction Renewal and Management Project	1999	Railway	USD 40 M	USD 40 M (EBRD)



Logistics Processes and Motorways of the Sea II

Road Rehabilitation	1998	Road	USD 83.5 M	USD 50 M (ADB)
Railway Rehabilitation	1998	Railway	USD 100 M	USD 55.6 M (ADB)

6 STRATEGIC CHALLENGES

6.1 Market Challenges

6.1.1 National Trade: Exports and Imports

World Trade Partners

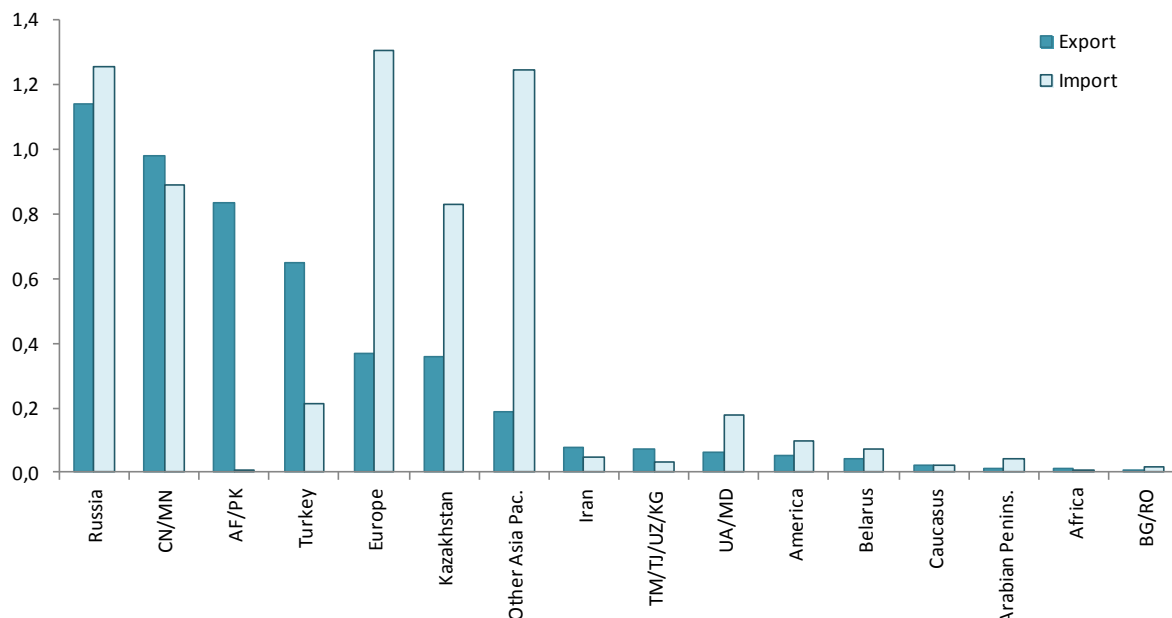
Uzbekistan is an important trading country in Central Asia. It trades with a number of partners in Asia, Europe, Pacific and Middle East. Besides, it holds a visible share in TRACECA trade.

For the purpose of this analysis, it was decided to use UN Comtrade and Eurostat as a reference source of data. As discovered, Uzbekistan does not report to UN Comtrade in a systematic way. Therefore, in this analysis the volumes of its exports and imports have been approximated based on “mirror data” obtained from trade partners of Uzbekistan.

As other landlocked countries of Central Asia, Uzbekistan trades a lot with its close neighbors: Russia (22%), Kazakhstan (11%) as well as China-Mongolia (17%), Europe (15%) and the Pacific region (13%). In 2010 the total trade exchange of Uzbekistan amounted to 11.1 bn euro; the volumes of its imports exceeded that of exports yielding a negative trade balance negative of EUR 1.4 bn.

Imports to and exports from Uzbekistan differ in their origins and destinations (see Figures 2 and 3). In 2010 the majority of Uzbek exports (74%) were directed to the Russian, Chinese/Mongolian, Afghan/Pakistan and Turkish markets. At the same time, while the imports from Russia, China/Mongolia constituted about 34% of the total a considerable share of imports (54%) originated from Europe, Pacific region and Kazakhstan.

Figure 2: Uzbekistan Trade Partners, 2010, bn EUR



Source: Computation based on Eurostat and UN Comtrade databases

If to concentrate only on non-bulk commodity trade (Figure 3), one could conclude on the following perspectives for LOGMOS development in Uzbekistan:

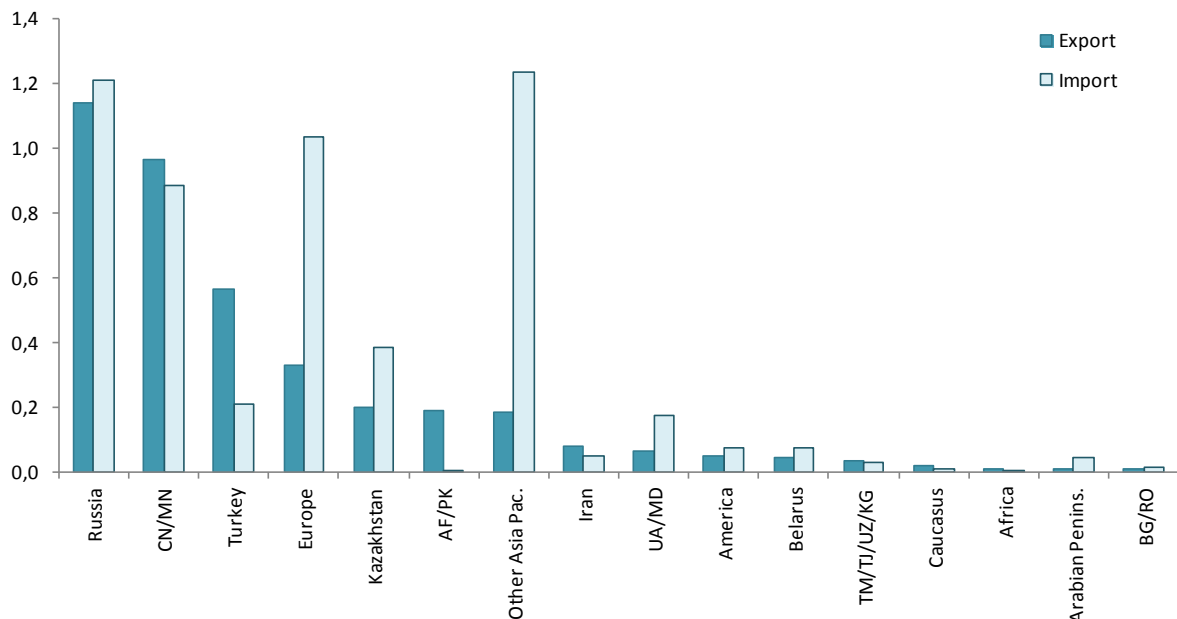


Logistics Processes and Motorways of the Sea II

- Uzbekistan extensively trades containerizable goods. Their share varies from about 80% to slightly above 86% in total Uzbek exports and imports, respectively;
- a considerable share of Uzbek trade in non-bulk goods is with Russia (25% of trade exchange), China/Mongolia (20%) and Pacific (15%). Although the trade with Russia and China/Mongolia is balanced both in exports and imports, the trade of Uzbekistan with Pacific region is mainly export oriented.

The trade of potentially containerizable goods along TRACECA amounts up to 26% of trade exchange and could serve as a core for LOGMOS project.

Figure 3: Uzbekistan Trade Partners, Potential Trade, 2010, bn euros



Source: Computation based on Eurostat and UN Comtrade databases

Table 4: Distribution of Uzbekistan Potential Trade Partners, 2010, % in trade value

Zones	All products		Total all products	No min. fuel & ores		Total no min. fuel & ores
	Import	Export		Import	Export	
Afghanistan-Pakistan	17%	0%	8%	5%	0%	2%
Africa	0%	0%	0%	0%	0%	0%
America	1%	2%	1%	1%	1%	1%
Arabian Peninsula	0%	1%	0%	0%	1%	1%
Area Nes						
Belarus	1%	1%	1%	1%	1%	1%
Bulgaria-Romania	0%	0%	0%	0%	0%	0%
Caucasus	0%	0%	0%	1%	0%	0%
China-Mongolia	20%	14%	17%	25%	16%	20%
Europe	8%	21%	15%	8%	19%	15%
Iran	2%	1%	1%	2%	1%	1%
Kazakhstan	7%	13%	11%	5%	7%	6%
KY-TJ-TM	1%	0%	1%	1%	0%	1%
Other Asia Pacific	4%	20%	13%	5%	23%	15%
Russia	23%	20%	22%	29%	22%	25%



Logistics Processes and Motorways of the Sea II

Syria-Iraq						
Turkey	13%	3%	8%	15%	4%	8%
Ukraine-Moldova	1%	3%	2%	2%	3%	3%
Total	100%	100%	100%	100%	100%	100%

Source: Computation based on Eurostat and UN Comtrade databases

To complete this analysis, it is necessary to take into account the related tonnage of exported and imported goods from/to Uzbekistan (see Table 5 below). Figures show that:

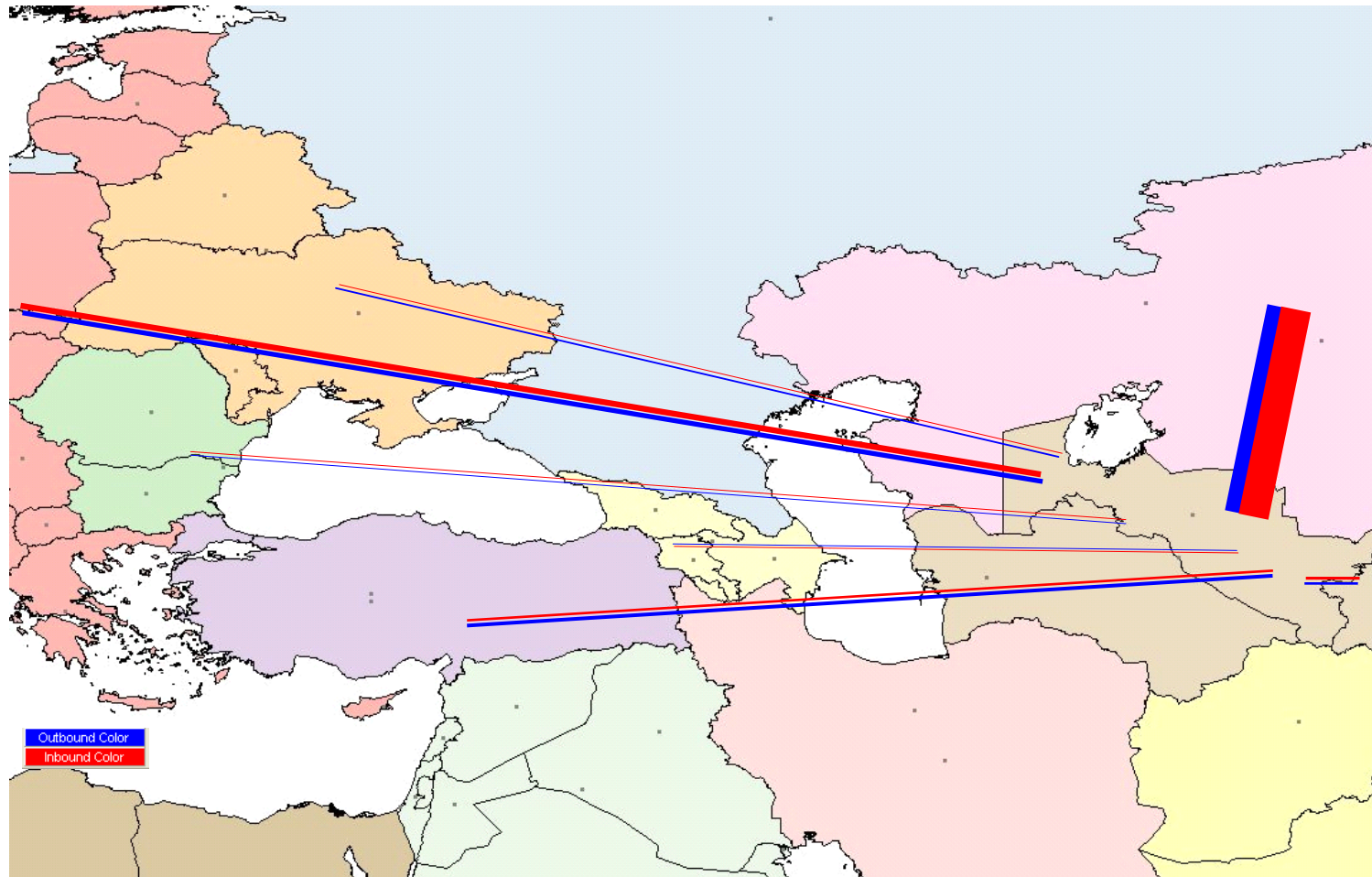
- the most significant trade exchange of Uzbekistan (more than 55% of exports and imports) is with Kazakhstan (see Figure 4). A considerable share of this trade, most probably, passes along a North-South corridor, which is outside of TRACECA;
- the trade with Europe and Turkey (20%) is quite balanced and could be considered as belonging to the core of the future LOGMOS network;
- trade exchange of Uzbekistan with Caucasus and West TRACECA (Bulgaria and Romania) is negligible, but has a potential to develop further.

Table 5: Uzbekistan Potential Trade with TRACECA Countries and Europe, 2010, in Tonnes and %

Zones	Tonnage		Share in trade with TRACECA countries and Europe	
	Export	Import	Export	Import
Bulgaria-Romania	26,295,4	6,142,7	2%	0%
Caucasus	31,570,2	1,129,4	2%	0%
Europe	196,021,8	240,657,0	14%	12%
Kazakhstan	613,611,4	1,240,266,2	44%	63%
KY-TJ-TM	99,827,5	112,906,0	7%	6%
Turkey	147,628,1	100,445,3	10%	5%
Ukraine-Moldova	77,067,1	152,087,0	5%	8%
Total	1,409,472,1	1,959,305,1	100%	100%

Source: Computation based on Eurostat and UN Comtrade databases

Figure 4: Uzbekistan Potential Trade with TRACECA Countries and Europe, 2010, in Tonnes



Source: Computation based on Eurostat and UN Comtrade databases



6.1.2 Regional TRACECA Trade

The trade of Uzbekistan with TRACECA countries in non-bulk goods is close to balance. Namely, according to project estimates, in 2010 Uzbek imports of completely and partially containerizable goods constituted up to 1.9 M tonnes (see Figure 5 and Table 6 below) and covered the following categories:

- vegetables (39%). This commodity group included malt, starch and milling products imported from Kazakhstan, but also cereals;
- various minerals (21%), which are imported mainly from Central Asian countries;
- base metals and equipment (13%) consisting in iron ore and products imported from Kazakhstan and Ukraine.

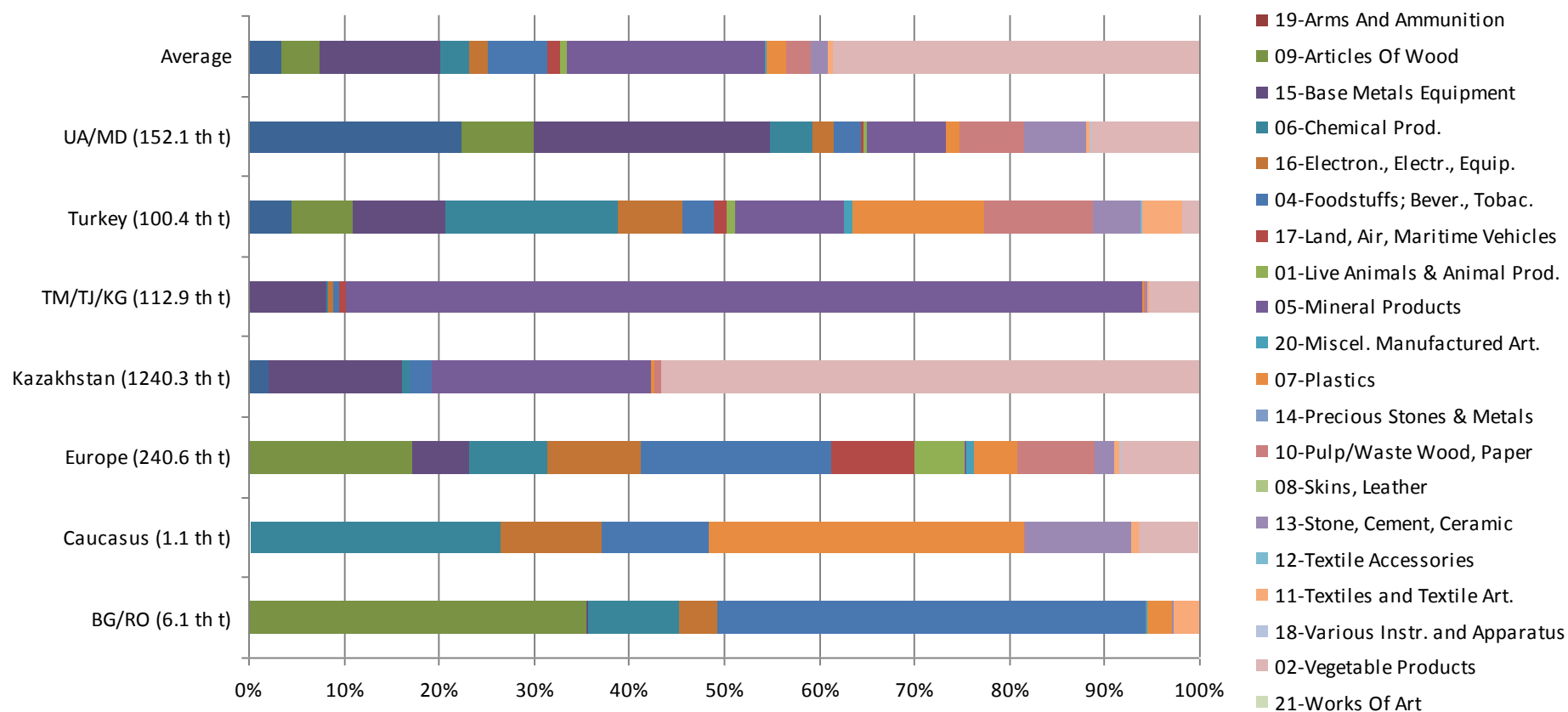
In 2010, Uzbek exports reached up to 1.2 M tonnes, which constituted about 40% of total trade exchange. The commodity structure of exports (see Figure 6 and Table 7 below) included four broad categories of goods:

- chemical products (36%) i.e. fertilizers to Europe, Ukraine and Central Asia;
- minerals (30%), in particular, salt, sulphur and other mineral products exported from Uzbekistan to Kazakhstan and other Central Asian countries;
- vegetables (14%), mainly cereals exported to Iran and Caucasus; and
- base metals and equipment (9%), which are important with respect to copper and copper articles meant for the Turkish market.



Logistics Processes and Motorways of the Sea II

Figure 5: Potential Trade with TRACECA Region – Commodity Structure of Imports to Uzbekistan, 2010, in Tonnes and %



Source: Computation based on Eurostat and UN Comtrade databases



Logistics Processes and Motorways of the Sea II

Table 6: Potential Trade with TRACECA Region – Commodity Structure of Imports to Uzbekistan, 2010, in Tonnes

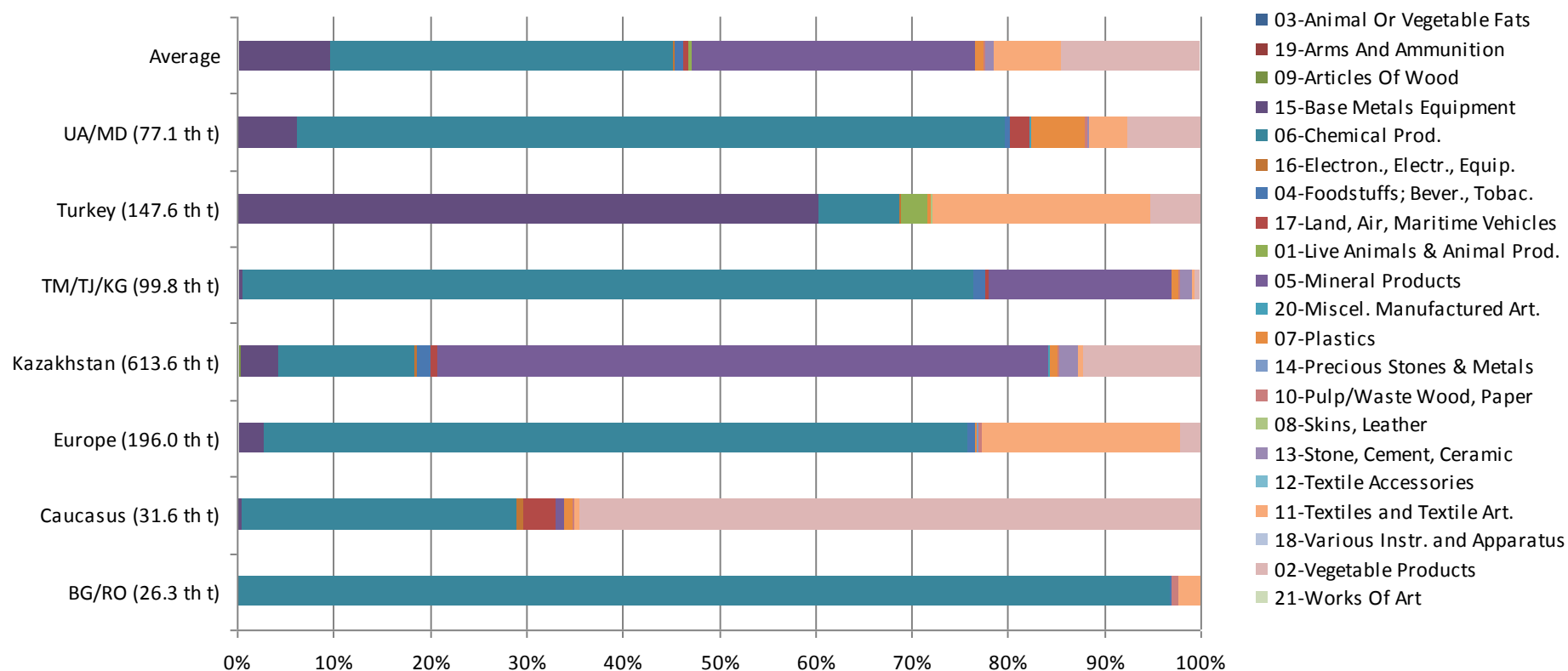
Commodity Groups	Bulgaria-Romania	Caucasus	Europe	Kazakhstan	KY-TJ-TM	Turkey	Ukraine-Moldova
Animal Or Vegetable Fats	0,1	n/a	190,0	26,307,7	0,2	4,569,9	34,128,1
Arms And Ammunition	n/a	n/a	0,1	n/a	n/a	1,2	n/a
Articles Of Wood	2,189,2	n/a	41,367,1	552,8	148,7	6,395,5	11,655,4
Base Metals Equipment	2,4	2,3	14,511,5	172,550,7	9,054,3	9,761,3	37,657,8
Chemical Prod.	589,4	297,8	19,580,0	10,538,3	222,1	18,307,9	6,981,6
Electron., Electr., Equip.	244,4	120,3	23,659,4	672,4	577,1	6,765,6	3,346,8
Foodstuffs; Bever., Tobac.	2,773,7	126,4	48,115,3	28,442,2	810,9	3,331,2	4,111,0
Land, Air, Maritime Vehicles	n/a	n/a	21,348,5	943,6	728,6	1,381,1	686,9
Live Animals & Animal Prod.	n/a	n/a	12,660,5	19,2	19,7	849,3	510,5
Mineral Products	n/a	n/a	405,4	285,808,9	94,689,1	11,565,4	12,597,7
Miscel. Manufactured Art.	13,3	0,0	2,089,3	20,1	34,5	953,1	86,8
Plastics	157,5	374,9	10,688,6	3,863,2	171,9	13,808,1	1,931,7
Precious Stones & Metals	n/a	n/a	2,7	n/a	n/a	3,8	n/a
Pulp/Waste Wood, Paper	0,5	2,4	19,668,5	7,526,7	85,2	11,645,0	10,414,0
Skins, Leather	n/a	n/a	46,4	0,6	4,7	22,5	0,1
Stone, Cement, Ceramic	7,9	124,1	5,184,9	1,569,7	235,2	5,052,2	10,076,3
Textile Accessories	n/a	0,0	29,9	0,0	7,5	68,0	37,3
Textiles and Textile Art.	163,0	10,4	1,051,4	493,0	198,0	4,289,3	516,2
Various Instr. and Apparatus	1,2	1,0	454,9	8,7	0,0	12,7	59,4
Vegetable Products	0,1	69,9	19,600,7	700,947,5	5,918,2	1,661,9	17,289,2
Works Of Art	n/a	n/a	1,9	0,8	n/a	n/a	n/a
Total imports	6,142,7	1,129,4	240,657,0	1,240,266,2	112,906,0	100,445,3	152,087,0

Source: Computation based on Eurostat and UN Comtrade databases



Logistics Processes and Motorways of the Sea II

Figure 6: Potential Trade with TRACECA Region – Commodity Structure of Exports from Uzbekistan, 2010, in Tonnes and %



Source: Computation based on Eurostat and UN Comtrade databases



Logistics Processes and Motorways of the Sea II

Table 7: Potential Trade with TRACECA Region – Commodity Structure of Exports from Uzbekistan, 2010, in Tonnes

Commodity Groups	Bulgaria-Romania	Caucasus	Europe	Kazakhstan	KY-TJ-TM	Turkey	Ukraine-Moldova
Animal Or Vegetable Fats	n/a	n/a	n/a	1,478,5	8,7	n/a	n/a
Arms And Ammunition	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Articles Of Wood	n/a	0,1	179,4	562,1	141,5	88,9	0,7
Base Metals Equipment	n/a	169,4	5,081,2	24,291,8	383,3	89,109,3	4,731,1
Chemical Prod.	25,470,6	8,969,3	143,423,4	86,761,6	75,836,5	12,441,4	56,672,4
Electron., Electr., Equip.	0,0	208,4	58,5	1,367,0	40,2	132,2	32,5
Foodstuffs; Bever., Tobac.	76,5	8,4	1,605,3	8,819,8	1,235,8	8,6	404,0
Land, Air, Maritime Vehicles	0,4	1,105,4	14,5	3,920,9	331,6	n/a	1,658,8
Live Animals & Animal Prod.	2,0	n/a	1,5	104,8	n/a	3,945,6	10,1
Mineral Products	n/a	257,8	78,0	389,823,2	18,976,0	n/a	n/a
Miscel. Manufactured Art.	n/a	9,4	1,1	297,6	26,1	n/a	12,3
Plastics	n/a	269,2	349,6	6,154,1	635,9	522,6	4,241,5
Precious Stones & Metals	n/a	0,0	82,9	n/a	n/a	n/a	n/a
Pulp/Waste Wood, Paper	147,2	52,4	814,5	714,3	204,1	19,4	342,5
Skins, Leather	n/a	0,0	18,2	1,2	0,1	315,4	0,0
Stone, Cement, Ceramic	n/a	21,0	54,1	11,386,6	1,070,9	n/a	108,0
Textile Accessories	n/a	0,0	0,0	51,3	45,2	0,0	n/a
Textiles and Textile Art.	598,7	146,3	40,367,8	2,722,1	439,2	33,373,6	2,990,7
Various Instr. and Apparatus	n/a	0,7	3,6	0,1	0,0	0,0	0,0
Vegetable Products	n/a	20,352,7	3,888,3	75,154,4	452,3	7,671,0	5,862,4
Works Of Art	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total exports	26,295,4	31,570,2	196,021,8	613,611,4	99,827,5	147,628,1	77,067,1

Source: Computation based on Eurostat and UN Comtrade databases



Based on above observations, it can be assumed that:

- Uzbekistan is an important value-added generator in Central Asia. A considerable share of Uzbek trade (over 80%) is in non-bulk commodities;
- key trade partners of Uzbekistan – Russia, China and Mongolia, Pacific region – are partly outside of TRACECA. In the TRACECA region Kazakhstan is one of the most significant trade partners (about 10% in total trade exchange), but this trade, most probably, flows along a North-South corridor;
- Uzbek trade with European and TRACECA countries represents up to 26% of the country total trade. Most of these goods are partially or completely containerizable and can serve as a basis for future LOGMOS projects in the region;
- potential trade of Uzbekistan with Europe and TRACECA is close to balance. In 2010 exports exceeded 668 th tonnes and imports almost reached 685 th tonnes (excluding Kazakhstan, for which bulk goods dominated the trade).

6.2 Intermodal Maritime Based Transport Challenges

LOGMOS aiming at developing seamless door-to-door intermodal services, all components of the transport chain may be considered as possible segments of LOGMOS projects, depending on their relevance for potential LOGMOS trade flows.

Port interfaces for operations, services, procedures etc. between land and sea are among the most critical points.

6.2.1 Port System and Maritime Links

As a landlocked country, Uzbekistan focuses on the development of logistic facilities, free economic zone and efficient transport connections to reach international markets. The main logistic centres are :

Free Industrial Economic Zone and Multimodal Hub “Navoi”

It was created on December 2, 2008.

The FIEZ “Navoi” is located in an area of 564 hectares near the city of Navoi, one the main industrial cities of Uzbekistan and about 100 and 175 km far from Samarkand and Bukhara respectively, both big cities and industrial centers of Uzbekistan.

A special legal statute is governing the territory of FIEZ, covering taxes and currency matters and Customs regime, simplified order of entry , stay and leaving of physical persons and legal entities, licensing for business activity for non-residents. Widely preferential tariffs are applied for taxes, Customs and other compulsory payments. All measures are implemented for a period of 30 years with a right for prolongation.

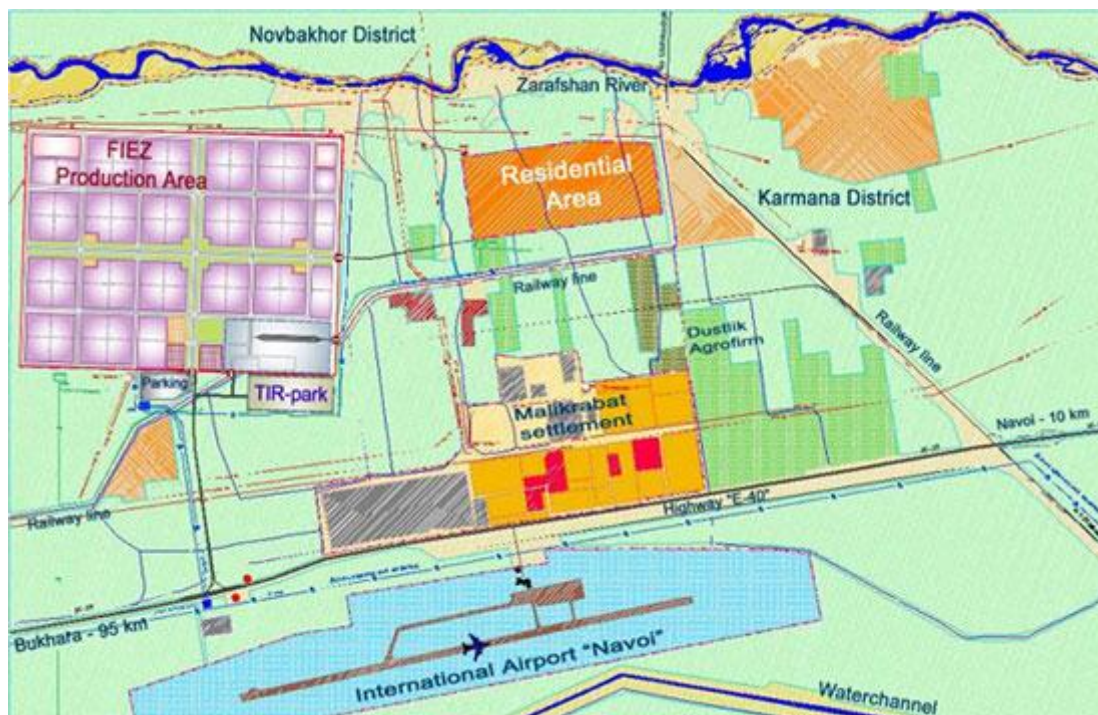
Land plots are leased free or at minimal renting charges against investment obligations.

Though the industrial priorities are identified in respective governmental decisions (high-tech, electronics, pharmacy, etc.) it remains unclear which type of goods and services are actually manufactured/produced inside the zone and the identity of the investors and manufacturers is equally unclear. It looks more like a regular step taken within the frame of the country’s overall import substitution policy.

To ensure a maximal access to multimodal transport, the Navoi FIEZ is located just near an international airport, the E-40 Motorway and an important railway line.

The geographical location of Navoi, just in the middle of the Eurasian Continent favors the effective use of air transport corridors. The distance between South East Asia and Europe via Navoi is 1,000 km less than via Dubai (UAE), the flying time is 1.5 hours shorter and the economy of the fuel is 15 tonnes for a cargo Jumbo B-747.

Figure 7: Navoi ILC



These facts constituted the reasons for the long term agreement between Uzbekistan and Korean Air to create an international transport hub at Navoi Airport.

The E-40 Motorway is close to the FIEZ. This is the shortest road way between Europe and China. This motorway between China and Europe is 1,000 km shorter than the one running through the Chinese – Russian border and the driving/travelling expenses are USD 800 less per truck.

The railway gives, in theory, the opportunity to reach the markets of Central Asia, CIS States, Europe, Middle East and Persian Gulf.

Figure 8: Main regional markets reachable from Navoi ILC



Container trains move from Tashkent to Teheran in 7 days and from Tashkent via Teheran to Istanbul in 10 days. All regional rail tracks leading to ports of Turkey and Iran in the South and to ports of Black and Baltic Seas in the North pass through Navoi. The shortest railway connection between China and Europe also runs through Navoi. The Guzar – Baysun - Kumkurgan railway line (9.8 km of the railway line “Termez-Khairaton” were built with a EUR 2 M grant of the EU) allows the shortest transit to Afghanistan, Pakistan and India.

The FIEZ is connected to E-40 Motorway by dual-dual road (2 km) and international railway (4.7 km). There are 26 km of roads inside the FIEZ providing a direct access to the manufacturing facilities is available. Two 5 hectares TIR parking are available alongside the road of the cargo terminal.

380 hectares are reserved for industrial enterprises and 14 hectares for administration, Customs clearing, certificates of conformance, country of origin, banking and other services.

The logistics of the FIEZ is mainly provided by the international intermodal cargo hub of the Navoi Airport. Since August 2008 Korean Air is flying Seoul - Navoi – Milan weekly and Uzbekistan Airways (jointly with Russian Moscovia air company) Navoi – Tashkent – Moscow.

The land transit potential is also prospective. The railway represents the most efficient / safest solution for NATO’s Northern Distribution Network and the E-40 Motorway holds a great potential for the cargo flow between Europe and China via the border-crossing point at Dostyk (Druzhba), Kazakhstan.

Figure 9: Location of Navoi ILC at the centre of international railways corridor



International Logistic Centre of Tashkent

The logistics services providing company “Uzvneshtrans” is in charge of the construction of the logistic center in Tashkent that is due for start of exploitation at the end of 2014.

The ILC Tashkent will provide full range of services for handling, storage, Customs clearance and transportation including on “door-to-door” terms.

The general parameters of the Project are:

- A total area of 184,000 sq m on which the following infrastructure will be located:
- 4 closed warehouses
- 2 container areas
- 3 parking places for cars and 4 parking places for trucks
- A fire station
- A storage place for handling equipment
- Water pump and energy stations
- Railway connections

The ILC is situated in the Sergeli district of Tashkent City which is considered optimal as beside availability of transport communications, the potential of the district itself is significant as it is well positioned for serving both Tashkent city and Tashkent region.

In the surroundings there is an industrial zone where big enterprises are actively involved into export and import operations.

Free areas are available for establishment of new enterprises and construction of new buildings.



The ILC is well connected: the railway station Serglei is only 2 km away the Tashkent main ring road is 3 km far, Tashkent International Airport is at 7 km and the railway station Keles on the Northern border with Kazakhstan is distant by only 43 km.

The main facilities available at the ILC Tashkent are:

- 10,8000 sq m consumer goods warehouse for storage on pallets,
- 7,200 sq m refrigerator with different chambers (from +10 to -40°C) for goods requiring temperature controlled storage (food, medicines, etc),
- a 10,800 sq m cotton warehouse for cotton products including yarn and other products in bales,
- a 10,800 sq m canopy warehouse with electric traveling crane of 10 tonnes capacity for long-length/oversized metal products, timber, special equipment, hard constructions and assemblies,
- a 11,200 sq m container area for handling and storage of full and empty containers of any type

The idea of building this ILC is not new. Uzneshtrans was working on the project since 1997. At that time Dornier Consulting (Germany) was preparing a feasibility study. However at the conference of investors held in 2000, foreign and local companies did not display sufficient interest to pursue and invest into the project. Since that time the location has been changed, and the parameters of the new ILC Project are adequately smaller.

Logistics Center of Angren

It was created in 2009 and up to now is the biggest hub in Uzbekistan. Shareholders are “Uzavtosanoat” (Uzbekistan Auto Industry Company), “Uzbekistan Temir Yullari” (State Railway Company), “Uzbekneftegas” (Uzbekistan Oil & Gas National Company), “Uzkimesanoat” (Uzbekistan State Company of Chemical Industry), “Uzpromstroy materialy” (Uzbekistan Construction Materials Company) and Association of Food and Butter-Oil Industry, each possessing 16.66% of the shares.

Operations at LC Angren started in 2010 relying on railway services provided by the railway station “Ablyk”. The main business carried out at the LC is handling and delivery of any type of cargo to/from Fergana Valley (enclave part of Uzbekistan) by trucks. 4.1 M tonnes of cargo were transported in 2010, mainly components for cars and cars of General Motors Uzbekistan, oil products of Fergana Oil Refinery and chemical products from the factories located in the region.

The main reason for the creation of LC Angren is that the railway track between Fergana, Namangan and Andizhan regions and central parts of Uzbekistan passes the territory of Tajikistan where delays often occur.

Currently LC Angren has warehouses, switching area, combine terminal, Customs zone, a motel and all the related infrastructure. The total transit area of the cargo terminal spans over 8.6 hectares. It is equipped for handling up to 22 containers at the same time, storing of up to 60 containers and processing of up to 1,500 tonnes at the warehouses.

During 2011 – 2012 USD 30 M was planned to be invested into enhancing the capacity of the LC. In the first stage USD 4.3 M was planned to be invested into container facilities on 7.2 hectares to increase capacity of handling up to 51 thousand containers annually.

This is linked with the increase in car component deliveries to GM Uzbekistan. Under a contract with German - Uzbek JV MAN Auto – Uzbekistan, LC Angren is buying 440 container-carrying trucks.



In 2005 KFW Bank (Germany) and Kuwait Fund of Arab Economic Development invested USD 79.395 M in electrification of Tashkent – Angren railway. Uzbekistan Railway Administration quotes 50% discount to tariffs from any point of the country to “Ablyk” railway station.

Plans to construct a railway track Angren – Pap (Namangan region of Fergana Valley) face serious difficulties:

- Mountains divide Angren from the Fergana Valley so the investments will be considerable (about USD 2 bn)
- Though ADB expressed readiness to look over investing into the project, the policy of Kyrgyzstan regarding the construction of the railway line that will connect Fergana Valley with China (Kashgar) remains unclear (China already completed its part of the works).

In all cases the import flow of containers (GM Uzbekistan imports) and presence of export containerizable cargo (yarn, cotton, dry fruits etc.) make LC Angren prospective as a container terminal for export and transit.

Termez River Port

The only international river port in Central Asia on the Amudarya river, Termez, provides access by river to Afghanistan.

Under special arrangements with UN structures (World Food Program) it has been used when the border between Uzbekistan and Afghanistan was closed.

In 2001 Uzbekistan allowed to ship non-military cargo through the port while the single rail bridge over Amudarya, also located in Termez, was still closed.

According to the US Department of Defense 98% of cargo for North Distribution Network to Afghanistan (NDN) passes Uzbekistan.

Monthly 16 th tonnes go by barges from Termez to Hayraton (Afghanistan) and the port infrastructure plays the role of a distribution center for railways shipments as well.

NDN gives good opportunities to TRACECA countries to increase trade with Afghanistan. The Agreement for Transit Trade concluded between Afghanistan and Pakistan in 2011 may open new corridor between TRACECA countries and South Asia.

Cotton Terminals

There are over 20 cotton terminals in Uzbekistan.

Their activity includes acceptance of cotton from gins³, quantity and quality control, storage and shipment in accordance with seller/buyer's order depending upon the terms of contract.

Though one of these terminals – Bukhara Transit Terminal - received grant from TRACECA equivalent to EUR 2 M back in 1998 for acquiring handling equipment (including a Kalmar heavy forklift), the potential of these terminals for LOGMOS Project is poor (the grant was allocated under a general program of containerization of Uzbekistan exports and imports).

This is not related only with the limited area of each cotton terminal but also with the fact that shipping cotton in bulk in waggons remains still cheaper than in containers. And even when the

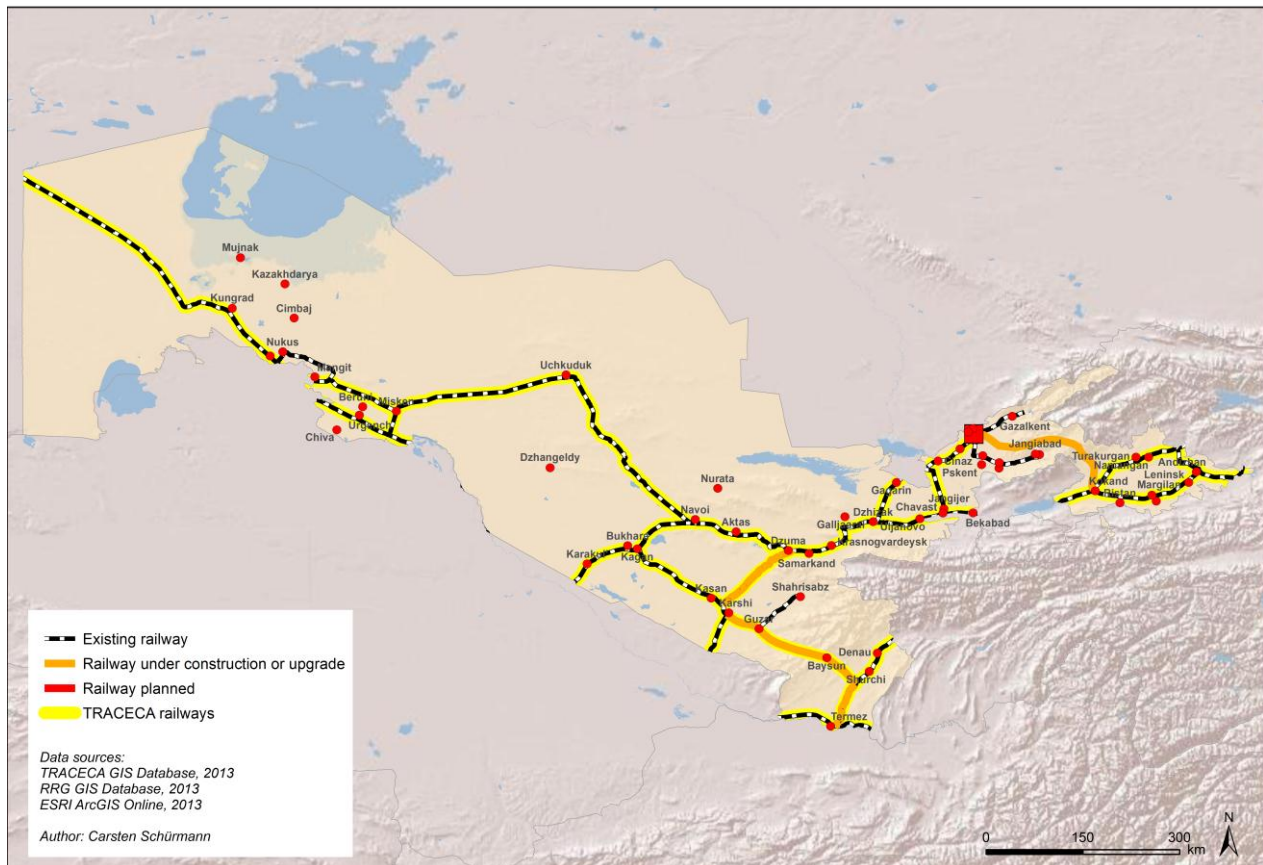
³ A cotton gin (short for cotton engine) is a machine that quickly and easily separates cotton fibers from their seeds.

buyer distinctly knows the destination of the cotton he would rather use trucks because of timing.

6.2.2 Inland Transport Mode: Railways⁴

Figure 10: Uzbekistan Railway Map

Railway network of Uzbekistan
(main lines and TRACECA routes)



Source: TRACECA (2013)

The total length of the 1,520 mm Russian-gauge railway network is 6,020 km⁵ and main railway lines represent 3,645 km. Railways have a share of 90% in the total cargo transportation of the country.

All Uzbekistan's 5 neighbors also have 1,520 mm gauge lines. At cross-border points, freight is transshipped to standard (1,435 mm) gauge when it passes to and from Belarus (Brest) and Ukraine (Chop) to Poland and Hungary, and to and from Sarakhs (Turkmenistan) to Iran as well as at Druzhba (Kazakhstan) to and from China.

Railway density (length of the railway infrastructure in meters per 1,000 inhabitants) of Uzbekistan is the highest in Central Asia, one of the highest among other CIS countries and is close to Portugal or Turkey.

⁴ More detailed information on the railway sector of Uzbekistan, figures and state of projects can be found in the separate [railway report of the LOGMOS Master Plan](#)

⁵ Out of which 735.4 km are electrified and 804.7 km are double track.



640 km of new railway tracks were laid during the last 10 years, including Navoi, Uchkuduk, Nukus and Toshguzar, Boysun, Kumkurgon (37 bridges and tunnels). The tracks between Tashkent and Samarkand, Tashkent and Hodjикent and Tukimachi and Angren are electrified.

Continuous transit problems with Turkmenistan resulted in construction of Toshguzar – Boysun – Kumkurgon railway bypassing Turkmen territory (cost USD 2 bn). The same issue with Tajikistan led to the creation of the Logistics Center in Angren with the purpose of decreasing the rail transit via Tajikistan to minimum and finally to stop it at all.

The State Joint Stock Railway Company “Uzbekistan Temir Yullari” (UTY) was founded in 1994 on the basis of the Central Asian Railways that was located on the territory of Uzbekistan. Local or foreign private rail freight forwarders are working only via appropriate divisions of UTY specializing in the transportation of all kinds of bulk (solid and liquid) or packed cargoes including containers.

UTY is subordinated to the Cabinet of Ministers of Uzbekistan and its general director is appointed by the President of the Country. It is headquartered in Tashkent and employs 55,000 people.

Since 1993 UTY is a member of OSJD. The company has close relations with the International Union of railways, ESCAP, TACIS, CAREC and is actively involved in all TRACECA programmes.

There is no separation between freight and passenger transport operations and management of infrastructure, a step long ago requested by Donors.

Political considerations have led to an unclear priority setting and the involvement of UTY in the financing and implementation of public non-railway-related projects over the past years not always and fully conducted based on commercial prospects. This largely erased the benefits of substantial structural changes.

Freight transportation is still able to cross-subsidize the passenger traffic (tariffs are regulated by the government), while the maintenance of the network including its seldom used segments brings about a serious financial burden depriving UTY of flexibility in their tariff-policy.

However during the last 5 years growth reached 45% (38% for cargo and 52% for transit). 76.5 M tonnes of cargo were transported in 2010.

The goods transported today are mainly bulk commodities: cotton, yarn, wheat, construction materials. There is also a sizeable volume of liquids (mainly oil and oil products), cars and auto components. Containers constitute less than 5% of transit volume.

A legal framework for privatization is still under elaboration and in general as a state-owned company UTY has been exempted from privatization.

UTY intends to purchase 28 units of mainline electric, passenger and yard locomotives. Orders have been placed for the acquisition of 7 locomotives by the end of 2011, then for 3 - 9 units annually. Besides, 259 locomotives will be modernized and rehabilitated.

The importance of Uzbekistan railways has increasing since the construction of the Hayraton – Mazari Sharif (Afghanistan) branch line. A 3-year contract was signed between UTY and the Afghan administration for its operation. This corridor is actively used by the US Department of Defense (North Distribution Network).

The development of the railway system is regulated by the 5- year Program of “Speed-up of development of infrastructure, transport and communication construction in 2011 – 2015” and “Integrated program of development and modernization of railway industry in 2009 – 2013”.

Priorities of the development are:



Logistics Processes and Motorways of the Sea II

- Construction of a new railway Angren-Pap (125 km) to link the Ferghana Valley with the rest of the country, bypassing Tajikistan. The line is expected to be completed in 2015;
- Speed-up of cargo movement;
- Rehabilitation of 1,030 km of tracks until 2015, reconstruction of stations and junctions;
- Acquisition of 10 new electric locomotives (for freight trains) and rolling stock and modernization of current stock;
- Electrification of the network (in February 2012 ADB signed a USD 100 M loan for the 140.8 km section from Marakand to Karshi and JICA a 30-year development assistance loan providing USD 221 M for the 325 km section from Karshi to Termez);
- Improvement of communication channels by fiber optic lines;
- Enhancement of containerized transportation;
- Overhaul of the railways, manufacture of the elements of crest structure, components, spare parts.

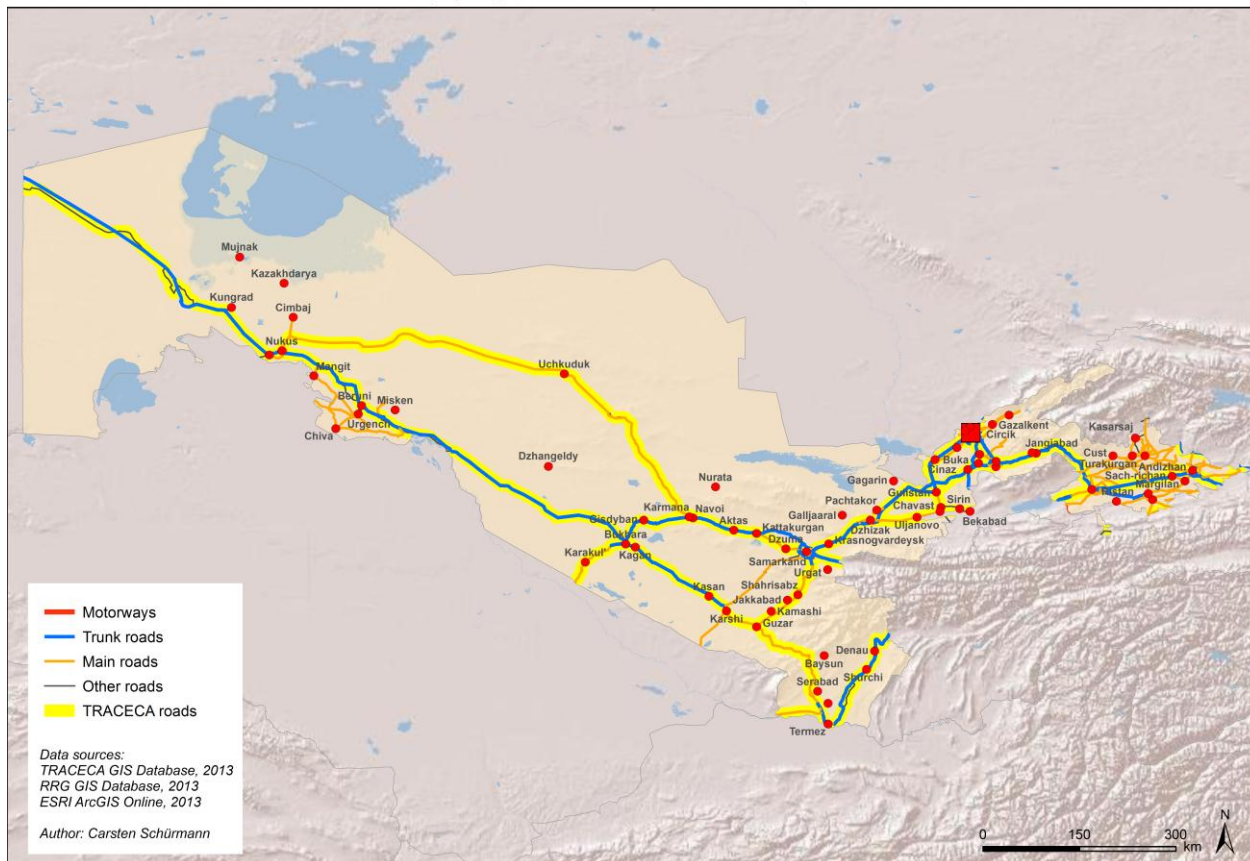
USD 1.73 bn are to be invested into further development of the railway system until 2015. The renewal of an ageing and diminishing fleet of waggons and locos is one of UTY main challenges, especially container platforms (for which there is a big shortage). 2,550 cargo waggons will be produced and 7,110 waggons will be rehabilitated in 2011 – 2015. The wagon service life will be extended. All the construction and rehabilitation works are carried out by local plants and factories belonging to UTY.

Once the construction of the Angren – Pap section finished, the railway map of Uzbekistan will be logically finished, complete and united. Uzbekistan's rail traffic could significantly increase with the construction of the Western China – Kyrgyzstan – Uzbekistan railway line, which would link Kashkar to Osh (Kyrgyzstan) and Andizhan (Uzbekistan). It is forecasted the railway could carry up to 5 Mt of freight during its first year of operation, and 15 Mt when the line is fully operational. The project is highly supported by China and Uzbekistan but the Kyrgyz authorities have expressed some reluctance. Currently, the project is frozen.

6.2.3 Inland Transport Mode: Roads⁶

Figure 11: Uzbekistan Road Map

Road network of Uzbekistan
(highways, main roads and TRACECA routes)



Source: TRACECA (2013)

The network is composed of 5,920 km of international roads, 16,909 km of state roads and 21,995 km of local roads. International roads are those that connect the capitals of the sovereign countries and those that are included into international road network under transnational agreements. According to the official road classification, the length of the roads of the highest category in Uzbekistan ("interstate and republican roads") is 3,626 km. Uzbekistan has already developed a significant motorway or dual carriageway road network: a recent road survey has shown that the total length of CAREC corridors with dual carriageways (with a median strip or barrier) is about 3,500 km in Uzbekistan.

The following five main TRACECA road corridors can be identified in Uzbekistan.

- The North-East (NE) corridor linking the border with Kyrgyzstan, near Osh to Tashkent).
- The North – South (NS) corridor between the border with Kazakhstan, at Chernyavka near Tashkent, to the border with Turkmenistan, at Alat.
- The Southeast / Northwest (SE/NW) corridor linking Guzar on the Southern branch to Afghanistan of the NS corridor (see above) to the border with Kazakhstan at Daut Ata.

⁶ More detailed information on the road sector of Uzbekistan, figures and state of projects can be found in the separate [road report of the LOGMOS Master Plan](#)



Logistics Processes and Motorways of the Sea II

- The Central corridor linking Penjikent at the border with Tajikistan to the SE/NW corridor at Nukus;
- And finally, the South-Eastern (SE) corridor linking Tursunzade at the border with Tajikistan, Termez.

The total length of the TRACECA road corridors in Uzbekistan is about 3,790 km. Out of this total, 73% (2,780 km) are Asian Highways and 78% (2,970 km) are CAREC corridors.

Table 8: List of International Motorways Passing through Uzbekistan

Number of the Motorway	Route	Distance (km)
M-34	Tashkent – Dushanbe (Tajikistan)	160
M-37	Samarkand – Ashgabat – Turkmenbashi (Turkmenistan)	365
M-39	Almaty (Kazakhstan) – Bishkek (Kyrgyzstan) – Tashkent – Termez	628
	Exit to Hayraton (Afghanistan)	30
	Total	658
M-41	Bishkek (Kyrgyzstan) – Dushanbe (Tajikistan) - Termez	191
A-373	Tashkent – Osh (Kyrgyzstan)	399
	Exit to Sergeli Airport	5
	Total	404
A-376	Kokand via Tajikistan to Jizzah	168
A-377	Samarkand – Ayniy (Tajikistan)	37
A-378	Samarkand – Karshi	138
A-379	Navoi – Uchkuduk	289
A-380	Guzar – Nukus – Beyneu (Kazakhstan)	1,204
A-381	Hujayli – Tashauz (Turkmenistan)	12
	Total of International Motorways	3,626

Since 1993 the State Joint Stock Company “Uzavtodor” is responsible for the maintenance and development of auto roads in Uzbekistan and until 2003 the Republican Road Fund was a department of Uzavtodor. All other numerous road funds have been liquidated.

The company works under the Uzbek Government decree “Regulations of auto roads design, construction, maintain and reconstruction”. It has specialized road repair and maintenance enterprises as well as enterprises for bridge support.



Since October 3, 2007 the law of “Auto Roads” entered into force. Beside road classification and provisions for financing of construction, maintenance and rehabilitation of the roads depending to its class, it includes the legal regulation for turnpikes.

The 5-year Programme of “Speed-up of development of infrastructure, transport and communication construction in 2011 – 2015” was adopted on December 21, 2010.

It contains provisions concerning not only the development of Uzbek National Motorway (such as 648 km of dual-dual carriage bituminous concrete roads) but also combinations with rail and air transport aiming at the creation of a united communication system.

In 2011 – 2015 the Programme foresees the construction and revamping of 2,306 km of motorways (1,410 dual-dual and 288 km dual carriage). 1,910 m of bridges and overpasses will be constructed at 7 points.

The Beyneu (Kazakhstan) – Kungrad – Bukhara – Navoi – Samarkand – Tashkent – Andizhan should be the most important axis for TRACECA as it will result in an effective road connection between Uzbekistan and Kyrgyzstan and further to Western China.

At whole 1,008 km of this motorway will be constructed and reconstructed including all necessary modern road interchanges (2 bridges over Syrdarya River, overpasses, etc). 548 km of the motorway will be upgraded to 13 tonnes axle load (10 tonnes only now). The 190 km motorway Bukhara – Karshi – Guzar – Termez will not only improve road connections between Kazakhstan, Kyrgyzstan and Uzbekistan as it is part of Almaty – Bishkek – Tashkent – Termez motorway, it will also create an effective road communication with Afghanistan.

Other projects include:

- 73 km of Samarkand – Guzar motorway;
- 100 km of Tashkent – Osh (Kyrgyzstan) motorway reconstruction; as it goes through Kamchik Pass two tunnels will be modernized.
- 22 km of Tashkent Ring Road;
- 16 km motorway and bridge over Amudarya River on Guzar – Bukhara – Nukus – Beyneu motorway.

The reasons for all these measures are as follows:

- The extremely rough continental climate with annual fluctuations in temperature of up to 80°C requires bituminous concrete paving;
- The continuous growth of national auto production (GM Uzbekistan passenger cars, Sam Auto (Isuzu) compact buses, JV MAN Auto – Uzbekistan trucks) and comparatively cheap fuel;
- The growth of the demand of neighboring countries in transit capacity of Uzbekistan in both directions, i.e. North - South to/from Persian Gulf and Afghanistan and East – West from/to Europe – Far East.

6.3 Trade and Transit Facilitation

6.3.1 General Presentation

- **Procedures and formalities** are among the **main barriers** that hamper the development of Motorways of the Sea:



- Several **border points** must be crossed, mostly in ports but also on land routes e.g. along the central land corridors. There is a minimum of two points in a single/one sea service, up to 5 points in inter-seas services that link western Black Sea Countries and Eastern Caspian Sea countries, and possibly more in the case of longer multicountry transit and transshipments trades.
- Several physical mode transfers, handling movements and intermediate storage take place along the sea based transport chains: most commonly 3 transfers and a minimum of 6 handling plus 2 storages in the case of a single sea leg, and several more handling operations in the inter-seas services
- Previous and ongoing experience of Motorways of the Sea in other regions as well as the global worldwide transport system of containers have demonstrated that the resolution of difficulties in this field is an essential factor in finding success.
- The procedural process in ports and at other border crossing points are **dominantly related to Trade Laws and Regulations**, but actors of the transport and transit chain are responsible for their fulfilment. A significant part of their activities is dealing with these complex issues and drawing the corresponding revenues out of their resources. Relationships between institutions on one side (Customs first, but also other Ministries and inspection bodies) operators and users on the other, are affected by these functions which mix with the physical transit and transport operations.
- The **impacts of administrative and regulatory barriers** are generally more important when there is a sea leg, because:
 - Maritime transport and port transits require more formalities than land transport modes, including specific exchange of information, paper documentation etc. which are rightly perceived as a factor of complexity.
 - This adds to the weakness of intermodal sea based transport, particularly when compared to the most simple unimodal road transport.
 - Transit times are increased if and when formalities and operations are mismatched, e.g. when the transport means of one mode is not coordinated with those of the next mode, which is a frequent situation between the maritime and railways legs in the TRACECA Region
 - Costs are not only direct but also indirect, and not only formal but also informal, and unofficial transit levies and other transaction costs add to the sum of official tariffs, taxes and dues.
- **Common weaknesses/barriers** have been identified in all LOGMOS project countries to various extents and at different degrees. This diagnosis has been shared under the key word "Facilitation" by country stakeholders and at bilateral and regional levels. Barriers in this field are referred to in the "W" (Weaknesses) list of the various SWOT analyses summarised in the following project documents:
 - Country profiles, as synthesised hereafter
 - Presentations for workshops and meetings
- Among the **solutions** discussed in the diagnosis phase, the following is a series of common **recommendations and targets** that are partly implemented, planned, or contemplated for the future LOGMOS projects and more generally for the development of intermodal transport including port / border crossing points:



- I.T. systems and solutions electronic solutions / EDI for:
 - information (for users and operators)
 - declarations
 - pre-alert (for Customs and other)
 - duties, taxes and fees
- One stop scheme and extension to Single Window System (SWS)
- Risk management system and methods
- IT interchange solutions between MoS port/communities
- Tracking and Tracing (in coordination with operators)
- Upgrading/redesigning border points layouts
- Training (management, IT organisation etc...)

6.3.2 SWOT Analysis

The following table summarises key-findings for national SWOT analysis in trade and transit facilitation procedures that have been adopted in Uzbekistan.

Table 9: SWOT Analysis in Trade and Transit Facilitation Procedures

STRENGTHS	<ul style="list-style-type: none"> • A great amount of international corridors pass through the territory of Uzbekistan; • Clearly demonstrated political will for accelerated development and harmonization of the transport system and funding availability; • Proven experience in transportation alongside TRACECA corridor as during previous years million tonnes of cargo have been moved from and to Uzbekistan through the Caspian Sea and via the Caucasus to/from Poti, Batumi (Georgia) as well as through Turkmenistan and from and to the port of Lianyungang, China (formerly selected by car-manufacturer Daewoo) via Kazakhstan to Uzbekistan; • Border crossing points are comparatively well designed for high volume traffic flows, which may facilitate selectivity based on risk management by Customs and other border crossing agencies; • Several Technical and Financial Assistance programs support the Government's policy
WEAKNESSES (BARRIERS)	<ul style="list-style-type: none"> • Not WTO member (unclear perspectives of joining); • Continuous import substitution policy; • Absence of hard currency exchange (multiple exchange rates); • Prohibitive import duties; • Perceived uncertainties with commitment to Customs and trade facilitation reform and modernization; • Mistrust between Customs and trade facilitation agencies on one hand and private industry on the other hand because of integrity issues and lack of complete Customs and trade facilitation procedures;



Logistics Processes and Motorways of the Sea II

	<ul style="list-style-type: none"> • Lack of electronic pre alert import and export declaration; • Lack of a facilitation "Producer-Responsibility-Organization".
OPPORTUNITIES	<ul style="list-style-type: none"> • Law on Transit under preparation; • Proposal to Afghan Government to join TRACECA agreements; • Joining the following conventions will bring the national norms and regulations in line with the international ones: <ul style="list-style-type: none"> ○ On temporary import regime from 26th June 1990 ○ On simplification and harmonization of Customs procedures from 18 May, 1973 ○ On simplification of formalities in trading goods from 25t March, 2003 ○ On joint transit procedure from 20 May, 1987. • Continue negotiating to join WTO, free imports; • Introduce Customs electronic import and transit pre-arrival notification; • Initiate "One Stop Shop" system at border crossing points reducing procedure delays; • Start developing a trade facilitation strategy; • Need for a Customs policy to reduce time to get goods to market and number of documents with: <ul style="list-style-type: none"> ○ Pilot electronic Single Window System (SWS) ○ Pilot integrated border management / combined border management projects ○ Pilot Customs low risk due diligence program.
THREATS	<ul style="list-style-type: none"> • Change of political balance in Afghanistan and further expansion of extremism in Central Asia; • Continued delays and costs owing to inconsistent Customs and other border crossing agency decisions and integrity issues; • Delays in implementation of transit / transshipment procedural improvements.



7 PILOT PROJECTS SELECTED FOR MOS I AND ILC PROJECTS

To address the existing challenges for MOS and ILC promotion, two TRACECA projects ran a pre-screening for potential pilot projects. The pre-screening was based on the multi criteria analysis of proposed pilot, which helped to narrow down the pilot projects list.

The list of retained pilot included the following project:

Table 10: Selected Pilot Projects in Uzbekistan

Pilot project	Service proposed	Countries involved directly	Concerned TRACECA project
Navoi Airport ILC	Cargo Facilities, warehousing, Customs terminal and other logistics related investment	Uzbekistan	ILC project

As a result of the first phase of MOS I and ILC implementation, for the above mentioned pilot project, a feasibility study was elaborated. Short summary of this project can be found [here](#).