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**STATEMENT BY MR. TAHIR ALIYEV,
DEPUTY DIRECTOR OF THE DEPARTMENT FOR TRANSPORT OF
THE MINISTRY OF FOREIGN ECONOMIC RELATIONS,
INVESTMENT AND TRADE OF THE REPUBLIC OF UZBEKISTAN,
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**Promoting good governance at border crossings, improving the security of
land transportation and facilitating international transport by road and
rail in the OSCE region**

**Plenary Session IV: Transport facilitation and security in
Central Asia and with Afghanistan**

Distinguished Forum participants,
Ladies and gentlemen,

As you are aware, Uzbekistan is a dynamically developing country and the continuing growth of the Republic's economy calls for the ongoing development of the country's transport and communications system.

The main aims of Uzbekistan's transport policy are integration in the international transport system, the development of effective international routes for the transport of export and transit freight, the modernization of the transport system and improvement of transit potential.

Railways play a special role in Uzbekistan's transport system. Each year around 70 million tons of freight are transported by rail, with export-import and transit freight accounting for more than 35 per cent of that figure.

There are more than 7,000 kilometres of railways in total, 4,600 kilometres of which are mainline railways. With the aim of further developing the railway network, new railway sections are gradually being built, existing sections modernized, railway lines electrified and rolling stock replaced.

The last few years have seen the gradual implementation of construction projects for the 341-kilometre-long Navoi-Uchkuduk-Sultanuizdag-Nukus railway line and the 220-kilometre-long Toshguzar-Baysun-Kumkurgan railway line ensuring an uninterrupted

rail link between the north, south and central regions of the country, while the Toshguzar-Baysun-Kumkurgan line has also provided direct rail access to Afghanistan.

I might mention at this point that the stabilization of the situation in Afghanistan will create a realistic basis for a completely new trans-Afghan transport corridor with access to the Iranian ports of Bandar-Abbas and Chabahar and also to the Pakistani port of Gwadar. The State railway company Uzbekistan Railways is currently working, in co-operation with the Afghan Government and with the support of the Asian Development Bank, on a project to build a new 75 kilometre railway line between Hayraton and Mazar-e-Sharif, which will be the first railway line on the territory of Afghanistan.

Once this railway segment of the trans-Afghan corridor becomes operational, it will be possible to considerably increase trade by Afghanistan not only with the countries of Central Asia but also with other States on the Eurasian continent. This will provide thousands of Afghan citizens with jobs. These and other factors connected with the railway becoming operational will certainly promote economic growth and stability in Afghanistan.

Furthermore, the new railway will help to relieve the burden on Hayraton station considerably. That station's limitations currently result in freight cars frequently standing idle on Uzbek border territory.

All the construction projects are being carried out by specialists and workers employed by Uzbekistan Railways. All the specialist construction equipment used in the project also belongs to the company. More than 300 workers and 100 construction and specialist machinery units are currently involved in the project.

The Republic's highway infrastructure is also being gradually developed. The total length of Uzbekistan's highways currently stands at 183,000 kilometres, of which 42,500 kilometres are trunk roads and 3,200 kilometres are international highways.

Around 10 per cent of foreign freight and 88 per cent of internal passenger and freight transport is by road. Road transport and haulage services are increasing at an annual rate of 20 per cent.

With a view to creating a single national transport system through the construction and restoration of highways in line with international standards and requirements, implementation of the programme for the construction and restoration of Uzbek national highways for the period 2009 to 2014 began this year.

As part of the large-scale programme for the construction of a national highway, it is planned to redevelop and build a highway totalling 1,501 kilometres in length, including the Uzbek segment of the E-40 European route linking Beyneu, Kungrad, Bukhara, Navoi, Samarkand, Tashkent and Andijan over a length of 1,139 kilometres.

Distinguished Forum participants,

As a result of the transport route diversification policy, export freight can currently be transported to foreign markets along the following main transport corridors:

- Corridor 1 – towards the Baltic ports of Klaipeda (Lithuania), Riga, Liepaja and Ventspils (Latvia), and Tallinn (Estonia);
- Corridor 2 – towards the border crossings at Brest (Belarus) and Chop (Ukraine), and on into Europe;
- Corridor 3 – towards the Ukrainian ports of Ilichevsk and Odessa with access to the Black Sea;
- Corridor 4 – towards the Georgian ports of Poti and Batumi along the Transport Corridor Europe-Caucasus-Asia (TRACECA);
- Corridor 5 – towards the Iranian port of Bandar-Abbas with access to the Persian Gulf;
- Corridor 6 – towards the Far-Eastern ports of Nakhodka and Vladivostok (Russia);
- Corridor 7 – towards the Kazakh-Chinese border crossing at Dostyk-Alashankou, and on into China.

Uzbekistan is located at the centre of five of the largest and most dynamically growing markets in the world – the Commonwealth of Independent States (CIS), southern Asia, the Middle East, and central and eastern Europe.

The Republic's advantageous geographical position at the crossroads of trade routes between the aforementioned regions and the development of a multimodal network covering markets far beyond the borders of Central Asia, including the eastern part of the Middle East, northern India and western China, is an important competitive advantage, which will make it possible to considerably reduce the time and costs of freight transit via Uzbekistan.

This factor was one of the main reasons behind the project to create a major hub with an international intermodal logistics centre at Navoi Airport.

Located in the very centre of the Republic at the crossroads of the international north-south and east-west land and air transport corridors, Navoi Airport is the ideal regional centre for international freight management.

Within a 2,000 kilometre radius of Navoi Airport, there are ten different capital cities with a total population of 90 million people. This location, which provides ideal access to customers and partners and is equidistant from the major airports of the region, means that Navoi Airport could become a major regional centre for international freight transport.

This is clearly an attainable goal. According to forecasts, the volume of freight traffic within the Eurasian area will increase 2.4-fold by 2015 in comparison to 2006, while freight transit will quadruple.

Between 2001 and 2006, three million tons of freight was transported annually along the Eurasian air route, 17 per cent of this figure being accounted for by international air freight and 6 per cent (30 million persons) by international passenger transport. An increase of just 5 per cent in freight traffic between Europe and Asia at Navoi Airport could turn it

into a subregional hub, opening up the prospect of handling between 100,000 and 200,000 tons of freight annually.

The use of air corridors with the possibility of landing at Navoi will also provide equally tangible savings in terms of time and costs for freight transportation. For example, a flight from South-East Asia to Europe via Navoi will be 1,000 kilometres shorter than via Dubai. This represents a saving of one and a half hours and 15 tons of fuel for each airliner.

Japan, South Korea, Vietnam, Indonesia, Malaysia, Singapore, Thailand and southern China, along with the United Kingdom, Germany, Italy, France and other European countries, will have the most to gain from using the airport.

In addition to air transport via Navoi, the road network is being integrated into the international transport system and is a key link in the Central Asian and CIS transportation system. The following international transport corridors are in the immediate vicinity of the airport: the E-40 trans-European motorway linking Paris and Beijing, the railway with access via Turkmenistan to the west and the markets of the Middle East, the Caucasus and Europe, access via Kazakhstan and Russia to the east and China and other countries of South-East Asia, access via Russia to the north and the countries of Europe, and access via Afghanistan to the south and Pakistan and India.

The national airline Uzbekistan Airways currently has three freight flights a week out of Navoi Airport to Bangkok (Thailand), Delhi and Mumbai (India), and Dakar (Bangladesh). The Navoi-Frankfurt freight route started operation on 10 March 2010. Korean Air also operates freight flights to this airport three times a week using the route Seoul-Navoi-Brussels and back and twice a week using the route Seoul-Navoi-Milan and back.

Effective marketing and a flexible pricing policy are helping to attract freight bound for Europe and Asia.

The creation of an intermodal logistics centre at Navoi Airport is a practical example of the organization of an effective mechanism for freight distribution and services for the region on the basis of international best practices.

Another advantage of having an international intermodal logistics centre at Navoi International Airport is that the Navoi Free Industrial Economic Zone (FIEZ) is currently being established in the immediate vicinity of the airport. Companies producing high technology products, electronics, pharmaceuticals and other products with a high added value are to be located here and a significant volume of goods will be distributed using various forms of transport via the Navoi international logistics centre.

The 564 hectare FIEZ is to be located in the immediate vicinity of the international airport, the E-40 motorway and railways of international importance so as to make the most effective use of the advantages of the multimodal logistics centre at Navoi.

In selecting Navoi as the site for the FIEZ, account was also taken of such factors as the existing infrastructure for reliable electricity, water and gas supply, the proximity to population centres as source of labour along with a favourable ecosystem offering a comfortable working and living environment for the occupants of the Navoi FIEZ.

With a view to creating an ideal logistics system from the supplier to the consumer, construction is nearing completion on railway sidings and a four-lane carriageway for the E-40 international motorway.

The FIEZ will also have a 40 hectare railway container freight terminal. A total of 26 kilometres of highway will also be built within the territory of the FIEZ to access the production facilities. This will make it possible to ensure the supply of equipment and building materials for the facilities under construction as well as raw materials necessary for the future manufacturing workshops.

A car park and a TIR (international road transport) park for heavy goods vehicles, both covering an area of five hectares, are located at the entrance to the FIEZ site by the cargo terminal on both sides of the highway.

At the entrance to the FIEZ, there will be two administrative and financial zones covering a total space of 14 hectares for customs clearance, the processing of certificates of conformity and country of origin, and the provision of banking, financial, administrative and other related services.

Service facilities, including a fire station and public utilities, will cover an area of 12 hectares.

Industrial enterprises within the FIEZ will cover an area of 380 hectares, with companies having between 3 and 25 or more hectares of space. Given the Republic's existing raw materials potential, the enterprises operating within the Navoi FIEZ will be able to produce a wide range of products for export with a high added value and a localization level of no less than 30 per cent.

Industrial complexes covering the full production cycle from raw materials to finished products in all the branches of industry can be established within the Navoi FIEZ.

In particular, basic branches like mining and metallurgy, oil and gas, chemicals and gas chemicals, energy, automobiles, electronics, light industry and food production are highly developed and it should be possible for companies within the Navoi FIEZ to produce the necessary equipment, including various instruments, different kinds of machinery, vehicles and units.

Priority at the FIEZ will be given to investors establishing enterprises meeting international standards in terms of sustainable environmental and social development and ensuring that favourable conditions for the natural environment of the beautiful Zaravshan river basin are preserved.

Unprecedented privileges and preferences under a presidential decree for the occupants of the FIEZ should also attract considerable investment for its development. These include virtually tax-free, duty-free customs and privileged currency regimes, and a simplified procedure for residency and labour recruitment.

Depending on the level of direct investment, businesses registered in the Navoi FIEZ are exempt from land tax, property tax, profit and development tax, and the development of

social infrastructure, the single mandatory payment into the national highway and education funds.

- Between three and ten million euros – for seven years;
- Between 10 and 30 million euros – for ten years, with a 50 per cent reduction for the next five years of profit tax and single payments;
- Over 30 million euros – for 15 years, with a 50 per cent reduction for the next ten years of the aforementioned payments.

Businesses registered in the FIEZ are exempt from customs fees for imported equipment, raw materials, and other materials required for their export production.

Invoices and payments in the Navoi FIEZ may be settled in a foreign currency. Payment for goods, work and services provided by Uzbek enterprises may be settled in a freely convertible currency.

More than 30 agreements have already been signed with companies from South Korea, Singapore, China, India, the United Arab Emirates, Germany, Austria and Italy on the establishment in the Navoi FIEZ of enterprises for the production of equipment for the oil, gas and chemicals industry, components for automobile construction, information technology, electronics, electrical engineering, pharmaceuticals, textiles, leather production and a wide range of construction and finishing materials as well as the food industry.

There is no doubt that the creation of a transport and distribution centre at Navoi Airport and a special economic area will make a significant contribution to the sustainable development of Uzbekistan and the Central Asian region as a whole.

In co-operation with the United Nations Economic Commission for Europe (UNECE), an international conference on the Navoi international logistics centre will be held this November in Tashkent and Navoi, as part of the UNECE project on Eurasian transport links, during which more detailed information will be provided on the Navoi international logistics centre, the FIEZ and its possibilities.

Thank you for your attention.