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**EATL PHASE II: STUDIES TO IDENTIFY AND ANALYSE
INLAND TRANSPORT OPTIONS, EXAMINE NON-PHYSICAL OBSTACLES TO
TRANSPORT AND COLLECTION OF DATA ON TRANSPORT FLOWS**

**Developing EATL
Strengths–Weaknesses–Opportunities-Threats (SWOT) Analysis**

(Note by the secretariat)

The work plan of activities of the Group of Experts on Euro-Asian Transport Links contains, under action 2.2 (i), the elaboration of a SWOT analysis for EATL inland transport connections with inputs from the members of the Expert Group.

The present document, prepared by the secretariat, is the final version of the same presented as Informal Document No. 2 at the second session of the group, held on 7 September 2009, in Geneva. It is based on the findings of ECE-ESCAP EATL project “EATL Phase I” and its related study, on elements contained in a number of other relevant studies and sources and on inputs provided by the members of the group.

The Expert Group may wish to consider this document and endorse it.

I. INTRODUCTION OF SWOT ANALYSIS

1. A SWOT analysis stands for: Strengths, Weaknesses, Opportunities, and Threats. It is a quick and simple tool to understand the overall big picture of a project, business or initiative. It helps focusing and analyzing strengths, minimize threats, and take the greatest possible advantage of opportunities. SWOT analysis can be used for decision-making enabling proactive thinking, rather than relying on habitual or instinctive reactions. It is, therefore, the starting point of strategic planning.

2. SWOT analysis could be a useful tool for better understanding a project's status and potential. Carrying out this analysis may be illuminating – both in terms of pointing out what needs to be done, and in putting problems into perspective. However, SWOT analysis can be very subjective. Therefore, it is recommended to use SWOT as guide and not a prescription.

3. Strengths and weaknesses look internally. They help identifying what a project can do. Many projects are great at looking inward but fail to look outside their area. Threats and opportunities are external, focusing on the conditions of the real-world. This is where a SWOT analysis is most helpful. They help seeing beyond the project walls and determine what opportunities are open for it and how to capitalize on project's strengths.

4. **Strengths** should be seen in relation to “competitors” and from “customers' perspective”. Anything the market needs that the project can provide and the “competitor” doesn't, can be a possible strength.

5. **Weaknesses** may include any existing limitation, including high cost of operation or production, human resources and staff, products or service similar or of less quality to competitors'.

6. **Opportunities**, every project or business is influenced by the external environment, such as: legal, political, technological, and cultural factors. Considering what can make your project obsolete, and what will replace it may help act proactively. Threats can become opportunities or vice versa. These may include government regulation softening; development of new technologies; growing trend; and customer base.

7. **Threats** may include new substitute services or products emerging; price competition; and economic pressure.

II. ELABORATION OF SWOT ANALYSIS FOR EATL INLAND TRANSPORT CONNECTIONS

Strengths

8. The following points are considered as the EATL inland transport connections strengths:

- a. EATL inland transport routes in terms of distance are up to three times **shorter** and often **quicker** than maritime routes for the transport of goods between the two mega-regions (the EU and the Asian-Pacific) ¹;

¹ Shorter delivery time is critical factor for certain cargoes (perishable goods or urgent door-to-door shipments). In addition, faster delivery means shortened transaction times, thus quicker settlement of payment and less capital investment for trade

- b. EATL inland transport routes are an **important transport option** for EATL LLDCs in the region for their access to the international markets and their participation in globalization²;
- c. The main EATL **priority routes and projects** along these routes have been identified³;
- d. There are **unutilized capacities** along some parts of the EATL road and railway routes running east-west and north-south;
- e. New transport **infrastructure is being constructed** in some parts of the inland EATL routes;
- f. Some EATL routes are currently the **most preferable and most economic** ways for some countries spanning along the EATL to reach their major trade partners;
- g. EATL routes are **integral part and physical extensions** of the TEN-T, pan-European Corridors, AGR, AGC, AGTC, AH,TAR, TEM, TER, TRACECA, and other related corridors and networks of high significance for Europe and Asia;
- h. There is a **high political commitment** for the development of EATL inland transport routes by concerned governments⁴ and various international and sub-regional organizations promoting relevant initiatives⁵;
- i. **Partnerships are being developed** along the inland EATL routes among key players, including non-governmental organizations and bodies.
- j. Since a good part of EATL routes are in the planning and design phase **environmental risks can be better integrated** by some EATL countries.

Weaknesses

9. The following points are considered as the EATL inland transport connections weaknesses:
- a. **Costs of goods transport** by inland EATL is too high compared with maritime. International shipping companies with extensive and cost-efficient fleet can keep their freight rates and port charges low⁶;
 - b. **Quality of services** by inland EATL transport of goods is low compared with maritime. Moreover, maritime transport offers additional quality advantages to shippers, including cargo tracking and tracing, sophisticated logistics networks and guarantees of on-time and secure delivery;
 - c. Not adequately developed **multimodal transport and logistics** along inland EATL routes, seen from the end-to-end cost efficiency aspect, functioning in a complementary way among different transport modes and potential EATL itineraries,

² The other option being the airfreight transport which is growing rapidly in the course of the last years.

³ Under EATL Phase I. However, given Russia's lack of participation and rather limited participation of China in the EATL project evaluation exercise, we may assume that less than one half of such projects have been identified in EATL Phase I.

⁴ Joint statement of ministers of transport of 19 countries- support by the Inland Transport Committee - Almaty programme of Action, etc.

⁵ including, EU and TRACECA, BSEC, EurAsEC, TEM and TER, SPECA, IRU, UIC, OSJhD, Shanghai Cooperation, Hinterland Connection of Seaports, etc.,

⁶ Maritime transport offer extremely competitive unit cost compared with that of inland transport. In many cases, transport cost is the main consideration for consignors as they strive to minimise transportation component of the price of their products.

using seaports/Logistic Centres/Freight Villages and being parts of main EATL supply chains,⁷;

- d. **Imbalance of trade flows** (westbound-eastbound) poses more problems to inland transport modes that to maritime, since unit cost of returning empty wagons, trucks, and containers is higher;
- e. **Many physical and non-physical barriers** along the inland EATL render transport operations difficult, costly, time consuming, unpredictable and uncertain. These include:
 - Inadequate, underdeveloped and poorly maintained road and rail networks, and bottlenecks and missing links;
 - Long delays at borders, cumbersome and inefficient controls, together with mandatory transit convoys, multiple cargo checks en route, numerous agencies at borders have to approve documentation and numerous fiscal charges payable in some parts of the routes;
- f. Absence of a harmonized **customs transit regime** along all EATL road routes poses serious problems to EATL road transport⁸;
- g. **High transit tariffs**, fees and fiscal charges that add unnecessary transport costs in some parts of the inland EATL routes⁹;
- h. **Transport restrictions**, rules and procedures that are frequently changed without notice;
- i. There is a wide spread **corruption** along some EATL road routes forcing international operators to illegal payments;
- j. There are **safety** concerns in some parts of the EATL road routes and **lack of security** to international operators;
- k. Many border posts are **poorly equipped** and some are closed;
- l. International **road permit quotas** that reduce competition are adopted along EATL, while granting of visas to professional drivers is cumbersome and costly;
- m. In some parts of EATL **rail rates are not competitive**, not published, and have to be negotiated separately. Moreover there are even hidden charges and lack of common through tariffs for container transport;
- n. Although many truck hauliers along EATL countries are now private, **transport monopolies** (public or private) are still in place in some counties operating under high tariffs and inadequate level of services;
- o. Due to the high number of transit countries involved in inland EATL routes and many border crossings, **heterogeneous transport and transit** rules and regulations are real barriers to international transport and trade;
- p. The heterogeneity of existing transport and transit rules and regulations along the inland EATL routes, makes the **collection, consolidation and update of relevant data** more difficult;
- q. Limited institutional and human resource **capacities**;
- r. **Inaction, lack of coordinated action or insufficient action** in addressing non physical obstacles persisting in many parts of the inland EATL routes resulting to unnecessary border crossing delays, undue increase of transport costs, prolonged and uncertain time-delivery that discouraging shippers to use inland EATL routes;

⁷ Focusing into the development of multimodal transport of goods options (from their production point to their final destination) seems the most suitable approach in developing inland EATL transport.

⁸ China and some other EATL countries are not TIR members yet.

⁹ The accuracy of all points (from g to n) needs to be verified with the help of the EATL National Focal Points.

- s. Non devotion of the **necessary investment** in developing priority transport infrastructure by EATL countries, aggravated by lack of sufficient funds due to other competing urgent needs in a number of EATL countries (health, education, housing, etc.);
- t. A **weak part or missing link** in one country can render a whole EATL route economically unviable for international transport;

Opportunities¹⁰

10. The following points are considered as the EATL inland transport connections opportunities:

- a. Globalization **increase transport** of goods between Europe and Asia -Further rapid growth of China & India generates more transport demand, thus new opportunities for inland EATL;
- b. The trade between European Union and Asian-Pacific regions is expected to resume **growth**¹¹;
- c. A proportion of **“time sensitive”** transit can be redirected through inland EATL routes¹²;
- d. The startup of **China’s “Go West: The Xinjiang Uigur Autonomous Region (XUAR) development programme”**, which is designed to increase the manufacture of goods for export to Europe, potentially using inland EATL routes;
- e. **Congestion of main ports and hinterland routes** particularly in Western Europe, offer new openings for increased participation of inland EATL in absorbing higher parts of future transport needs¹³;
- f. Creation of the **Customs Union** between Russia, Belarus and Kazakhstan and consequently the expected removal of the internal borders among these countries would offer new opportunities for EATL inland transport along the North EATL routes¹⁴;
- g. Accession of **Russia and Kazakhstan in TWO** would also facilitate transit along EATL routes;
- h. Further **expanding the coverage of the CIM/SMGS** consignment note along EATL railway routes would facilitate rail EATL transport;
- i. Container shipment via **Suez Canal is limited** and soon will reach its maximum capacity for container vessels, while the Cape of Good Hope alternative maritime route will increase ships’ operating costs and transit time;

¹⁰ Careful consideration of the elements contained here suggests that these should be seen in the long-term perspective.

¹¹ According to Eurasian Development Bank sector report on EurAsEC Transport Corridors, of March 2009, the trade between European Union and Asian-Pacific regions reached US \$ 700 billion in 2007 and it is expected to raise to US \$ 1 trillion by 2013-2015. 17.7 million TEU were transported from Asia to Europe, and 10 million from Europe to Asia, in 2007. By 2015 containerized transportation from Asia to Europe is expected to reach 26.1 million TEU and from Europe to Asia 17.7 million, suggesting enormous transit potential along inland EATL routes.

¹² Some 16 million tones annually according to most conservative estimates. This include: Westbound: Chemicals, foodstuffs, instrumentation, stereo, video and audio systems, mobile communication equipments, TV sets, electrical goods, electric cables, furniture, cloths and shoes, cosmetics. Eastbound: Industrial and agricultural equipment, metals, integrated circuits, various fine chemical products and polymers, consumer goods, foodstuff (meat).

¹³ Currently not that serious due to the reduction of freight following the global economic crisis.

¹⁴ This is expected to be realized in the near future.

- j. Increased **security concerns** along existing EATL maritime routes offer new opportunities for inland transport options¹⁵;
- k. Developing inland EATL is an important **tool for socio-economic development**, integration into global economy and prosperity of EATL countries, in particular LLDCs and their transit developing neighbors;
- l. **Development of trade amongst EATL countries**, in particular LLDC their transit developing neighbours offer new opportunities;
- m. Increased efforts and progress in **regional co-operation and integration** amongst countries offer new opportunities for addressing existing challenges in a coordinated way.

Threats

- 11. The following points are considered as the EATL inland transport connections threats:
 - a. Continued offer of **competitive transport costs by maritime** would keep maritime routes as the most attractive transport option to consignors for goods coming from the most important origins of Euro-Asian trade, i.e. the eastern and southern provinces of China and other Southeast Asian countries to European destinations and vice versa;
 - b. The recent economic crisis and the consequent **call for more efficient transport** systems may be an additional threat to inland EATL transport¹⁶;
 - c. The global warming and the expected **opening of the Arctic North-West passage** for container traffic may offer even more competitive maritime routes¹⁷
 - d. Cost-reducing **innovation in the air transport** sector;
 - e. Increasing trend of **economic nationalism, persisting conflicts and political instability** in some parts of the EATL routes.

III. CONCLUSIONS

- 12. The SWOT analysis for EATL inland transport connections has provided useful information in identifying the strong and weak points of the EATL inland transport connection, their existing potential for further development and their potential threats.
- 13. It has also verified that the recommendations contained in the UNECE-UNESCAP Study on Developing Euro-Asian Transport Links, being the outcome of the 5 years work of the concerned countries together with UNECE and UNESCAP secretariat and other bodies involved, are still valid and should be intensively pursued.
- 14. It has also confirmed the usefulness of establishment of the Group of Experts on Euro-Asian Transport Links and its work plan of activities, focusing on an enhanced cooperation in the region, a coordinated development of priority transport infrastructure, as well as on intensive efforts for transport and transit facilitation. In order to stress the need for enhanced coordination and cooperation among all countries

¹⁵ Pirate attacks on ships in Somalia, Strait o Malacca, etc.

¹⁶ Some believe that it may be also an opportunity to EATL, through better integration of some EATL routes into the global supply chains and more efficient and effective use of EATL intermodal options.

¹⁷ Some scientists and experts argue that in spite the enthusiasm it seems unlikely that the Arctic North-West passage can be utilized for transit of international container ships for various reasons, including technical, commercial and political, while transport insurance coverage aspects remain still unclear. Further information on the subject might be necessary.

along the EATL routes, it is enough to highlight the point (s) of the weaknesses mentioned above, “*A weak part or missing link in one country can render a whole EATL route economically unviable for international transport*”.

15. Finally, SWOT analysis has made it clear that the real development potential of EATL inland transport connections lies upon their capacity to become parts of the main EATL supply chains, functioning complementary among various transport modes, focusing on the end-to-end transportation cost-and-time efficiency and reliability and on urgent facilitation and cost/time-reducing transportation measures and reforms that need to be undertaken in the EATL transitions economies involved.
16. The aggregated table of the SWOT analysis for EATL inland transport connections is illustrated in the annex.

TABLE of SWOT ANALYSIS FOR EATL INLAND TRANSPORT CONNECTIONS**Strengths**

- a. Shorter in distance and often quicker than maritime between EU and the Asian-Pacific;
- b. Important transport option for LLDCs in the region;
- c. Main EATL priority routes and projects have been identified;
- d. Unutilized capacities in some parts of EATL road and railway routes;
- e. New transport infrastructure is being constructed in some EATL parts;
- f. Some inland routes are the most preferable and most economic;
- g. EATL routes integral part and physical extensions of important corridors and networks;
- h. High political commitment for the inland EATL development;
- i. Partnerships are being developed among key players;
- j. Environmental risks can be better integrated in some EATL parts.

Weaknesses

- a. Costs of goods transport by inland EATL is too high compared with maritime;
- b. The quality of services by EATL transport of goods is low compared with maritime;
- c. Not adequately developed multimodal transport and logistics being parts of main EATL supply chains;
- d. Imbalance of trade flows (westbound-east eastbound) poses more problems to inland transport modes, that to maritime;
- e. Many physical and non-physical barriers render transport operations difficult, costly, time consuming, unpredictable and uncertain. These include: Inadequate, underdeveloped and poorly maintained road and rail networks, and bottlenecks and missing links- Long delays at borders, cumbersome and inefficient controls, mandatory transit convoys, multiple cargo checks en route;
- f. Absence of harmonized customs transit regime creates problems to road transport;
- g. High transit tariffs, fees and fiscal charges;
- h. Transport restrictions, rules and procedures changed without notice;
- i. Wide spread of corruption;
- j. Safety concerns and lack of security to international operators;
- k. Some border posts poorly equipped and some closed;
- l. Road permit quotas reducing competition- cumbersome and costly visas;
- m. Not competitive rail rates;
- n. Transport monopolies still in place;
- o. Heterogeneous transport and transit rules and regulations;
- p. Difficulty in collection and updating existing rules along the inland EATL routes;
- q. Limited institutional and human resource capacities;
- r. Inaction, non coordination or insufficient action in addressing non physical obstacles;
- s. Non devotion necessary investment in developing priority transport infrastructure;
- t. Weak part in one country render a whole route economically unviable.

Opportunities

- a. Globalization increase transport of goods between Europe and Asia - Further rapid growth of China & India offer new opportunities for EATL;
- b. European Union - Asian-Pacific regions expected resume growth;
- c. Time sensitive transit can be redirected through inland EATL routes;
- d. Go West: The Xinjiang Uigur Autonomous Region (XUAR) development programme, designed to use inland EATL routes;
- e. Congestion of main ports and hinterland routes, offer new openings for inland EATL;
- f. Creation of the Customs Union between Russia, Belarus and Kazakhstan and the expected removal of the internal borders;
- g. Accession of Russia and Kazakhstan in TWO;
- h. Expanding the CIM/SMGS consignment note along EATL routes;
- i. Container shipment via Suez Canal will reach its maximum capacity - alternative maritime route increase ships costs and transit time;
- j. Increased security concerns along existing EATL maritime routes;
- k. Important tool for socio-economic development of EATL countries;
- l. Development of trade amongst EATL countries, offer new opportunities;
- m. Increased progress in regional co-operation and integration;

Threats

- a. Continued offer of competitive transport costs by maritime;
- b. Call for more efficient transport systems due to recent economic crisis;
- c. The expected opening of the Arctic North-West passage for container traffic;
- d. Cost-reducing innovation in the air transport sector;
- e. Increasing economic nationalism, conflicts and political instability.