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# Infrastructure factor of the eurasian integration

**Abstract.** World political processes in the 21st century are in many respects formed under the influence of development of transport and logistics potential. The geographical position of the Eurasian Economic Union facilitates construction of transport and logistics routes of both regional and global significance. This is a key factor for mutual competitiveness and dynamic economic growth in a rapidly changing and complex world. That's why article is devoted to the transport infrastructure development within the Eurasian space. The aim of the article is to provide complex analysis of the key factors affecting transport integration within the Eurasian space and identifying priorities for the Eurasian transportation potential development. The methodological base includes systems analysis, historical and comparative methods of research, institutional, structural and functional approaches. Results of research have theoretical and practical value for foreign policy and economic departments. Its conclusions can be used for predicting of tendencies in the sphere of development of the international transport corridors within the Eurasian space.
**Key words:** transport infrastructure, Eurasian integration, the Eurasian Economic Union, Silk Road.

**Аңдатпа.** XXI ғасырдағы әлемдік саяси үдерістер көліктік-логистикалық әлеуетті дамыту арқылы қалыптасады. Еуразиялық экономикалық одақтың географиялық жағдайы өңірлік және жаһандық маңызы бар көліктік-логистикалық бағыттардың құрылысын жеңілдетеді. Бұл тез өзгеретін және күрделі әлемдегі өзара бәсекеге қабілеттілік пен серпінді экономикалық өсудің басты факторы. Мақала Еуразиялық кеңістіктегі көлік инфрақұрылымының дамуын қарастыруға арналған. Осы мақаланың мақсаты еуразиялық кеңістіктегі көлік интеграциясына әсер ететін негізгі факторлардың кешенді талдауы және еуразиялық көлік әлеуетін дамытудың басымдықтарын айқындау.
Еуразиялық экономикалық одақтың маңызды қызметі Еуразиялық экономикалық одақ пен көлік және инфрақұрылым саласындағы «Жібек жолы экономикалық белдеудің» жобасы бойынша бірлескен серіктестікке қатысты мемлекеттер басшыларының қойған мақсаттарын жүзеге асыру болып табылады. «Еуразия трансқұрлықтық дәлізі», аралас көліктің жаңа жылдамдығы жоғары көлік жаңартылған Жібек жолының басты элементы болуы керек. Бұл жоба Қазақстан Республикасының Президенті Н.Ә.Назарбаев жариялаған «Нұрлы жол» жаңа экономикалық саясатының аясында құрылады деп күтілуде.
Әдістемелік негізіне жүйелік талдау, тарихи және салыстырмалы зерттеу әдістері, институционалдық, құрылымдық және функционалдық тәсілдер кіреді.
**Түйін сөздер:** көлік инфрақұрылымы, еуразиялық интеграция, Еуразиялық экономикалық одақ, Жібек жолы.

**Аннотация.** Мировые политические процессы в XXI веке во многом сформированы под влиянием развития транспортного и логистического потенциала. Географическое положение Евразийского экономического союза облегчает строительство транспортных и логистических маршрутов как регионального, так и глобального значения. Это ключевой фактор взаимной конкурентоспособности и

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динамичного экономического роста в быстро меняющемся и сложном мире. Статья посвящена развитию транспортной инфраструктуры в евразийском пространстве. Целью данной статьи является комплексный анализ ключевых факторов, влияющих на транспортную интеграцию в евразийском пространстве, и определение приоритетов развития евразийского транспортного потенциала.
Важнейшей деятельностью ЕЭУ будет реализация целей, поставленных лидерами государств в отношении совместного партнерства между Евразийским экономическим союзом и проектом «Экономический пояс Шелкового пути» в области транспорта и инфраструктуры. «Евразийский трансконтинентальный коридор», новый скоростной транспорт смешанного транспорта, должен стать ключевым элементом возрожденного Шелкового пути. Ожидается, что этот проект будет создан в рамках новой экономической политики «Нурлы Жол».
Методологическая база включает системный анализ, исторические и сравнительные методы исследований, институциональные, структурные и функциональные подходы.
**Ключевые слова**: транспортная инфраструктура, евразийская интеграция, Евразийский экономический союз, Шелковый путь.

## Introduction

There are two processes characterizing contemporary international relations: globalization and regionalization. Under the impact of these two trends countries unite and protect their economic interests through regional organizations. The vivid example of such organizations is the Eurasian Economic Union, which has been a result of continuous process of the Eurasian integration.

The EEU Member states are building the substantial centre for economic development. The EEU geographical position facilitates construction of transport and logistics routes of both regional and global significance. This is a key factor for mutual competitiveness and dynamic economic growth in a rapidly changing and complex world.

Actually transport infrastructure as a key instrument plays great role in the country's economy. On the one hand, it provides mobility of goods and resources. On the other hand, it facilitates accessibility of territories and gives opportunity for freedom of movement of freights and passengers. The unsatisfactory condition of transport infrastructure leads to essential restriction of social and economic development of the country. Moreover, control of the markets and routes of goods delivery determines the political weight of the state and its economic development.

The fact that such world leaders as China, the USA and the EU direct much effort towards creating of the overland international transport corridors connecting Europe and Asia says about the growing political value of transport communications. China advances construction of international transport corridors within the "Silk Road Economic Belt" project. The European countries develop cooperation on international transport program TRACECA. The USA embodies the interests through implementation of the "New Silk Road" strategy across the territory of Afghanistan.

In light of current events the EEU is becoming a key element in the revitalization of the Great Silk Road – a new milestone in the development of the mutually reinforcing partnership between West and East. Therefore international transport corridors through the EEU are considered as a way of integration into world transport system and in world logistic space. Owing to availability of transport communications Member states will be able to provide transit of freights from the Asian-Pacific region to Europe. As a consequence, it will positively affect economic development of the Eurasian region.

The object of research includes transport integration of the Eurasian Economic Union and its growing role with strengthening of political, economic and military value of transport international corridors.

The subject of research is transport and logistics potential of the Eurasian Economic Union and opportunities for its development.

The aim of research is to give complex analysis of the key factors affecting transport integration within the Eurasian space and identifying priorities for the Eurasian transportation potential development. According to the aim of research the following tasks have been set:

(1) to study the process of transport integration within the Eurasian space;

(2) to determine key issues affecting transit and logistics potential of the Eurasian Economic Union;

(3) to identify challenges and perspectives for the Eurasian transportation potential development.

The methodological base of research includes systems analysis, historical and comparative methods of research, structural and functional approaches.

The role of international transport corridors is studied by the whole complex of disciplines: political, economic and sociological. Russian experts Babynina L.O. (Babynina, 2009: 123-144), Vinokurov E.Yu. (Vinokurov, 2009) and Yakunin V.I. (Yakunin, 2006) devoted their scientific works to the problems of interrelation between development of transport corridors and integration processes within the Eurasian space. Eurasian transport issues are reflected in the researches of Goncharenko S.S. (Goncharenko, 2004), Rezer S.M. (Rezer, 2010) and Ryskulov D.M. (Ryskulov, 2012). They investigated problems with Eurasian transport corridors development, transport policy of Kazakhstan and Russia and prospects of the Great Silk Way revitalization. However, the rivalry between various projects of international transport corridors in Eurasia was not considered.

Much attention to the importance of international transport corridors in world politics was paid in works of such foreign scientists as J. Hibbs (Hibbs, 2003) and H. Karrar (Karrar, 2012: 99-113).

The scientific novelty of research is defined by the fact that research is devoted to consideration of international and political aspects of development of various international transport corridors passing across the territory of the Eurasian Economic Union. Complex analysis of the importance of international transport corridors from the point of view of economy, geopolitics and world politics is made. The significant intellectual challenge seems to be in need of comprehensive investigation of modern problems of transport development in its connection with development of integration processes in the world.

**1. The process of transport integration within the Eurasian space**

On May 29, 2014 the Heads of states of the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation signed the Treaty on the Eurasian Economic Union.On October 10, 2014 Armenia acceded to the Treaty. On January 1, 2015 the Union of four Member States made its first steps. On May 8, 2015 the Kyrgyz Republic acceded to the Treaty on the EEU (Eurasian Economic Commission, 2015).

On the territory of the Eurasian Economic Union of more than 20 million km$^2$ with the population of over 182 million there are:

– 1.6 million km of roads;
– 108 thousand km of railways (46% electrified);
– 107.5 thousand km of inland waterways in use;
– 793.5 thousand km of air routes (Eurasian Economic Commission, 2015).

Actual achievements in transport integration are:

– transport (road transport) control has been transferred to the external border of the Union;
– unified (domestic) cargo railway tariffs of Member states and conditions for their application in transit have been enacted;
– cargo railway tariffs ranges have been enacted;
– principles of access to railway infrastructure of Member states have been defined;
– international carriage of goods by road (between the Member state of registration and another Member state, in transit, between other Member states) functions on a permit basis.

The establishment of the "Western Europe – Western China" international road corridor, alongside the launch of the United Transport and Logistics Company would create a land link connecting Europe and Asia and providing full range of competitive transport and logistics services.

The most important direction of the EEU further activities will be the implementation of objectives set by Heads of states concerning the joint partnership between the Eurasian Economic Union and the "Silk Road Economic Belt" project in the field of transport and infrastructure.

*"Eurasian Transcontinental Corridor"*, a new high-speed multimodal transport route, is to become a key element of the revived Silk Road. This project is expected to be established in performance of the "Nurly Zhol" New Economic Policy which was declared by President of the Republic of Kazakhstan, Nursultan Nazarbayev. The fulfillment of the project would be based on the following principles: higher speed, better service, lower costs, safety and stability.

It is very significant to analyze the Treaty on the Eurasian Economic Union which establishes new long-term priorities of transport policy in the territory of the Eurasian Economic Union. One of the key elements of the Treaty on the Eurasian Economic Union is Section XXI "Transport". Transport is the driving force of our daily life; therefore its development, safety and security determine the level of country's economic development, living and social standards.

Section "Transport" includes articles 86 and 87 governing the following:

– principles, objectives and priorities of the Coordinated (Agreed) Transport Policy;
– objective and priorities of the Main Directions and Implementation Stages of the Coordinated (Agreed) Transport Policy of the Eurasian Economic Union;
– application of the provisions of the Treaty on the EEU regarding different transport modes;

– cooperation of the Member States in the field of transport (Eurasian Economic Commission, 2015).

According to the Treaty on the EEU, the Union will conduct coordinated (agreed) transport policy aimed at economic integration, consistent and gradual establishment of a Common Transport Area. Common Transport Area means a range of transport systems of Member States providing for free movement of vehicles, passengers and cargo as well as vehicle compatibility based on the harmonized transport legislation of Member States.

There are six main principles of the coordinated (agreed) transport policy conducted by the EEU: competitiveness, transparency, security, reliability, accessibility, and green technology. Among the objectives of the coordinated (agreed) transport policy are the following:

– establishment of Common Market of Transportation Services;

– adoption of agreed measures ensuring mutually beneficial conditions and introduction of best practices in transport;

– integration of transport systems of Member States into the global transport system;

– efficient use of transit potential of Member States;

– improvement of transport services quality;

– transport safety;

– reduction of negative effects of transport on the environment and human health;

– attraction of foreign investments.

As for the priorities of the coordinated (agreed) transport policy of the EEU, they are:

– formation of a Common Transport Area;

– establishment and development of Eurasian Transport Corridors;

– fulfillment and development of the Union transit potential;

– coordination of transport infrastructure development;

– establishment of logistics centers and transport organizations ensuring optimization of carriage;

– attraction of the Member States workforce;

– science and innovation in transport.

Implementation of the coordinated (agreed) transport policy would ensure reduce of delivery time and transport costs, increase of mobility and transport accessibility, elimination of "bottlenecks", and facilitation of economic attractiveness of the Union for transit flows.

Specific attention to road transport of the EEU is caused by the role which it plays in a chain of cargo delivery. Actually economic relations between Member states are facilitated with all means of transport. However, road transport provides more than 80 percent of total amount of transportation of goods in Member states, serving almost all branches of economy. Advantages of road transport are high operational and commercial maneuverability, technological adaptability and possibility of door-to-door service when compared to other means of transport.

Road transport is one of the key elements of business development, especially small and medium business, which is most interested in sending freights by small parties. In this regard, on May 8, 2015 the Heads of Member States of the Union approved the Program of Gradual Liberalization of Cargo Transportation Carried out by Carriers Registered on the Territory of one of the EEU Member States between Points Located on the Territory of Another EEU Member State for the Period from 2016 to 2025. The aim of the program is to facilitate the access for the EEU road freight transport to the Common Transport Market, regardless of nationality or the state of registration. The objective of the program is to establish a roadmap for the Member States to gradually remove restrictions in road freight cabotage (Decision No. 13 of the Supreme Eurasian Economic Council, 2015). Performance of the program is expected to reduce transport share in consumer costs, cut down the number and distance of empty runs and promote fair competition on the EEU Common Transport Market. In addition its implementation allows opening access to the internal cargo market.

Member States along with the Eurasian Economic Commission would annually assess the functioning of the Common Transport Market and consider the possibility of opening domestic transport markets, including road freight cabotage. In case of negative effects of road freight cabotage in the regions of operation the Commission and Member States would hold consultations on the adoption of protection measures.

## 2. Factors affecting transit and logistics potential of the Eurasian Economic Union

Despite the transit potential of the EEU member countries (primarily, Russia, Kazakhstan and Belarus), and the existence of a system of international transport corridors (including railways and motorways), the fact remains that transit is not taking off. Since total potential capacity is expected to double by 2020, the most urgent question is whether or not the EEU will be able to exploit this opportunity properly. What are the real causes of the huge gap between current usage and full capacity?

The competitiveness of any freight route is commonly calculated using the "trio" of commercial indicators: "time-service-tariff". The key reason for the failure to attract transit business to overland Eurasian corridors is the undeniable commercial benefits of using sea freight from the eastern and southern provinces of China and other Southeast Asian countries. The main competitive advantages that sea transit routes have over overland routes are:

1) Cheaper tariffs: international shipping companies with an extensive and cost-efficient fleet at their disposal can keep their port charges and freight rates low (over the past decade, sea freight volumes have increased by half). In many cases, shipping cost is the main consideration for consignors as they strive to minimize the transportation component of the price of commodities in order to keep them competitive in the destination country. Following the recent 90% drop in the Baltic Dry Index, which is used in pricing raw material ocean freight rates (oil, metals, grains, etc.), the tariffs charged by shipping companies, at least in the near future, will be much more competitive than other modes of transport.

However, the above appears to be true only for east-west transit. For north-south traffic, which is the other main direction for transit through Eurasian countries, analysts believe that overland transportation costs can compete with sea freight. According to estimates, it costs $3500 to deliver one tone of cargo from Germany to India through the Suez Canal, and takes 40 days. Container freight along the North-South international transport corridor will cost $2500 and take 15-20 days.

2) Customer service and compliance with international quality standards: in addition to their competitive rates, sea shipping companies offer a high standard of service, including cargo tracking, sophisticated logistics networks and guarantees of on-time and secure delivery. They use state-of-the-art technology, offer discounts to regular customers, etc.

However, overland transit has an important competitive advantage – it reduces delivery times. The shortest cargo delivery time from eastern China and other Southeast Asian countries to Western Europe by railway or motorway via Eurasian countries is 2 to 2.5 times shorter than sea shipment via the Suez Canal. This advantage is less apparent, however, where delivery time is calculated on a cumulative basis for large shipments. For example, the average container capacity of vessels working on Asia-Europe routes increased by 30% to 7100 TEU between 2004 and 2007. According to Kaztransservice, in 2007, an average container train was able to carry up to 270 TEU (SPECA, 2008).

However, simple calculations alone are not sufficient in demonstrating the advantages of overland transit. Shorter delivery time is a critical factor for certain cargoes (perishable goods or urgent door-to-door shipments). In addition, faster delivery means quicker receipt of cash from the bank, shortening transaction times. In certain cases, each day that payment is delayed is critical, and consignors prefer shorter delivery time to lower shipping cost. Expediting delivery releases considerable financial resources, which are effectively frozen throughout the cargo's journey time. Therefore, we view the time factor as an unquestionable competitive advantage that overland routes can offer for certain commodities, customers and even regions (e.g., China's rapidly developing XUAR, which has no viable alternative to rail and road transit).

Given their geographic location and national economic interests, Russia, Kazakhstan and their neighbours have a direct interest in the Eurasian integration process extending beyond the boundaries of the post-Soviet space and involving the most important countries in the region. Projects being implemented in certain economic sectors provide solid foundations for regional economic integration, which begins in key sectors and eventually extends outwards to the institutional level. For this reason, the electricity and transport industries must be considered as economic priorities.

Increasing the volume of freight transit using Eurasian international transport corridors is made difficult in a number of ways. However, the issues are different for each mode of transport used in transit operations. The main impediments to the full-scale integration of road and rail transport in the EEU member countries are either physical or non-physical, with the following identified as the most acute:

1) Non-physical barriers are those non-technical barriers to trade, which, to a large degree, are "manmade"; these are:

– protracted customs procedures at border crossing points, which significantly increase waiting times for vehicles and rolling stock;

– random inspections, often requiring sealed transit containers to be opened;

– non-harmonized transit tariffs across the CIS – despite the signing of international agreements, transit tariffs still vary from country to country;

– migration rules – the time drivers are allowed to stay in the EEU differs from country to country.

2) Physical barriers include:

– obsolescence and shortages of rail cars, containers and locomotives;

– non-compliance of existing infrastructure and technology with international quality standards (route handling capacities, etc.);

– inadequate processing capacity at border crossing points;

– poorly developed logistic and communications networks and motorway service facilities;

– different rail gauges – throughout the CIS, the 1,520-mm gauge is used, whereas in Europe and Asia (China, Iran, Southeast Asia, etc.) the gauge is 1,435 mm. This poses additional problems which compound the shortage of transshipment centers and insufficient handling capacity at border crossing points;

– insufficient capacity for cargo handling, consolidation and deconsolidation.

It is also important to highlight developments that have had a positive impact in creating a unified transport system and encouraging transit:

– the full-scale commercialization of the road transport sector, which is now dominated by private owners;

– equal access to domestic freight services markets for private and public carriers;

– unrestricted (or almost unrestricted) access to foreign cargo facilities (notably, however, each member country bans foreign operators from engaging in coastal freight transport);

– the freedom to select a carrier for the purposes of export and import contracts;

– the absence of legal restrictions on foreign ownership of road transport companies;

– the abolition of permits for return journeys between certain member countries.

In general transport cooperation could become a catalyst for interconnecting various initiatives like the Eurasian Economic Union, the Silk Road Economic Belt and the New Silk Road Strategy. The implementation of these recently announced projects would greatly benefit the Eurasian region.

At present, the Chinese initiative of the Silk Road Economic Belt is the only international project aimed at the development of the transit potential of Central Asia. It will play a key role in Kazakhstan, as the new routes will pass through its territory. It should also be emphasized that Kazakhstan, which has no sea outlet, is interested, in one way or another, in the implementation of transport corridors construction projects. In this case, Kazakhstan has the opportunity to become a hub of transit routes both in the "North-South" and "East-West" directions. In the future, the Silk Road project can make economic growth in Kazakhstan possible, if natural resources cease to be a source of funding. Most importantly, the extensive transport corridors system significantly reduces the level of geopolitical tensions in the region. The Eurasian economic development and the ongoing geopolitical challenges requires a balanced foreign economy policy and considering opportunities for new transport routes. The continental power and trade system is becoming multipolar not only in terms of geopolitics but in terms of economics and trade and "not every road leads to Moscow anymore".

Apart from the Silk Road Economic Belt project, the United States also has its vision for Central Asia's transport strategy. The project named "New Silk Road" seeks to link the region to global markets via North-South routes. It is assumed that developing a highway – and possibly creating a rail link between Central Asia and India through Afghanistan and Pakistan – will help stabilize the region and bring Central Asian products to the world market via the Indian Ocean coastline. However, the very issue to be addressed will be the further interconnection of the region with Afghanistan and the stability threats which could arise for Central Asia from a better connectivity with the country.

### 3. Challenges and opportunities for the Eurasian transportation potential improvement

The five Central Asian states, as well as two of the three post-soviet Caucasus Republics (Georgia being the exception) share a common geographic constrain: being landlocked. Their integration in the world market has been the most relevant issue for the governments in the 25 years after independence. Today, the booming Sino-European trade exchange, the Chinese economic growth and China's political-economic re-balancing act toward the "inner Asian frontier" seems to offer for the first time after centuries a concrete possibility for the central Asian countries to play the card of Transport and Trade Bridge between the two poles. In this process Kazakhstan has profiled itself as the most active and successful actor. In recent years, however, the unprecedented growth of Turkey, the rising interest of Iran for the Asian vector, the renewed interest of Russia for trade and economic integration with some Central Asian states and the increasingly trade interaction between the Arabian Peninsula and East Africa with the Asian Pacific Region and India have marked the re-emergency of long dormant Inner-Asian connections which, expanding well behind energy, seems able to shape more deeply and more durably the geopolitical and geo-economic settings of the continent.

At the center of these trends lies the key issue of the further supranational integration of national

transport infrastructure systems (rail roads, ports, dry ports and airports) and logistics (new services and products). For Central Asia and the Caucasus, which have been until now excluded from this development and where high transportation costs among others still pose a crucial barrier to trade and commercial integration, a reopening of intra-continental trade represents a chance which cannot be missed.

Fostered by China's, Russia's and Kazakhstan's initiatives, the issue of the transport integration of the Eurasian space (as comprehending but transcending the simple post-soviet space) remains however a challenging task. For instance, some business representatives and experts are more skeptical about the transit potential along Eurasian transportation corridors and their ability of catching traffic from Asia to Europe pointing out to the important technical and economic constraints related to these projects, including the Eurasian Economic Union. This is seen more as a project to better integrate its members within each other than with the rest of the continent. Otherwise, others are more optimistic and ready to tackle the still open issues in order to catch up with the rapidly integrating Eurasian continent. In their view, this process involves every country on the continent and, as it has been already the case in the past, no one will be able to exclusively control this process. Therefore, the Eurasian Union could become one valuable instrument toward creating an open common transport space and facilitator of transport and transit across Eurasia.

The pacifying effect of bilateral or multilateral trade is widely known in contemporary international relations. Besides, the projects on the development of transport infrastructure and mutual trade will also promote exchange of ideas and strengthening of contacts between people through borders. It is necessary to understand that although at first increase of transnational mobility can cause concern about safety in certain states, it will be useful for regional cooperation, prosperity and safety in the long term. Doubtless, realization of all above mentioned initiatives is important for the Eurasian people as great regional integration, cooperation and interdependence have to reduce negative potential of the global rivalry which threatens peace and safety within the Eurasian space.

On the whole, the geopolitical future of Eurasia depends on four main global variables: revaluation of the US attitude in relation to the New Silk Way strategy as a result of strategic reorientation to Asian region; development of political, economic and social approaches of the People's Republic of China relating to the region; the Russian-American and Russian-European relations in connection with tensions caused by Ukrainian events after the Crimean crisis and the future of the Russian-Chinese relations.

However, according to Wu Wenhua, Vice President of the Institute of Comprehensive Transportation, NDRC, being land-locked, the Central Eurasian Region is labeled as the "collapse zone" of Eurasian economy, where poor transport infrastructure interconnection greatly affects weak economic performance and wealth in terms of GDP. The region will therefore greatly benefit from the structural transformations affecting the Chinese economic geography and form the Silk Road Economic Belt Project. Mr. Wenhua emphasizes role of the three main routes China will prioritize in developing its project (Wenhua, 2014). Among them, while the northern corridor through Russia is the more straightway and the route is comparatively clear, the southern and the middle corridors present the biggest challenges. Specifically, in the Chinese view, those corridors, while still ignoring Afghanistan, involve Turkmenistan, Iran, Turkey, Georgia and partially Russia, and might include the Caspian Sea-Caucasus route as an alternative to the trans-Iranian route. This is going to happen once the necessary infrastructure will be in place, or will be updated. It seems that the Chinese, while not directly investing in the route, will be keen to use it as far as the missing links along the routes will be built.

In general, there are four routes of transportation of goods from Europe to East Asia and back. They include traditional sea route and three alternatives: the one coinciding with the ancient Great Silk Road through Central Asia, the Trans-Siberian Railway laid through the territory of Russia and the Northern Sea Route lying along coasts of Russia. Unfortunately, since the 16th century only one of them has been intensively used. It is sea route through the Indian Ocean which geographically is the longest. This way was significantly reduced after creation of the Suez Canal in the 19th century, but it is still the longest of all alternatives. This tendency has developed since the time of Great geographical discoveries. Lack of the expenses existing when crossing of state borders was among the advantages of this way. The main prospects of the transit development through the Central Asian countries are connected with the possibility of return of some significant part of goods transportation from the Southern sea way to the overland ways, in particular, to the Silk Road. The possibility of this transition is connected with the followings: a) the overland way is significantly shorter; b) essential growth of both nonconventional

threats to security and geopolitical controversy between great powers on the sea way is observed (Kazancev, 2015).

As a consequence, the task to identify the most efficient international transport corridor routes within the Eurasian space is necessary because the construction and modernization of transport infrastructure are very capital-intensive, and the region must therefore focus its efforts on the most effective and therefore potentially profitable routes.

The criteria for selecting the best potential international transport corridors in the EEU are:

(1) the time factor – selecting the shortest distance between the main points of loading (China and Southeast Asia) and freight destinations (Western European cities) will maximize the key competitive advantage of overland routes, i.e., speed of delivery. Speed of transit via international transport corridors depends on their state of repair, and, just as importantly, the number of border crossing points;

(2) the positive, cumulative integration effect – ITCs should preferably pass through the territories of the EEU member countries; this will greatly reduce the non-physical restrictions upon commercial transport and could, in the foreseeable future, remove them altogether (by reducing tariffs, thereby reducing transport costs and increasing the competitiveness of overland Eurasian transit routes). Countries must invest jointly in the renovation of transport infrastructure and the construction of service stations and logistics centers.

Even though the route maps are still under discussion, there are at least three main areas, which in the future, should link China and the EU via Central Asia. First is the Northern route which goes through the territory of Kazakhstan and Russia. The starting point could either be Urumqi, the administrative capital of the Xinjiang Uygur Autonomous Region, or the port city of Lianyungang on the coast of the East China Sea (Jiangsu). Another route goes through Kazakhstan to Omsk, and then onto Moscow and the EU (either by rail through Belarus or via the Baltic states). Currently, test runs are being conducted from the cities of Lianyungang and Lodz. Additionally, sections of an automobile highway are being constructed from Western Kazakhstan to Western China, with the help of international development institutions. In September 2015, the China Development Bank and Russia's Federal Road Agency Rosavtodor signed a memorandum on continuing the construction of this route within Russia, in the EU direction.

The second route – the middle one – runs through Kazakhstan to the port of Aktau and onto Baku. From there the goods will be transported to Georgia and enter the EU, either through Turkey or via the Black Sea. The realization of this route will require significant investment for developing port infrastructures in the Caspian Sea and the Black Sea. There is also a hypothetical project to build a giant bridge across the Caspian Sea, which would be the foundation of the Trans-Caspian oil and gas pipeline.

Finally, the third route of the Silk Road would send goods through Kazakhstan and Turkmenistan to Iran, and onto Turkey. The construction of a separate railway branch could be considered through Kyrgyzstan, Tajikistan, and Uzbekistan, ending in Iran and Turkey.

Given these criteria, the priority transit routes for the EEU are the Northern corridor of the Trans-Asian railway (connecting with the Trans-Siberian Railway) and the Western Europe – Western China motorway which is nearly 10,000 km long. In addition, the North-South ITC should also be considered as the EEU's best potential route to South Asia. This is in no way to suggest that alternative international routes should no longer be considered. Additional ITCs will be instrumental in realizing the region's transit potential and diversifying cargo flows, i.e., serving more loading and destination points.

In this regard, the main objective is to try to reorient the states of the Central Eurasia from the competition between different options of an overland route on collective policy of the overland route development as alternative to the sea one. In other words, the states of the Central Eurasia have a chance to pass to the "win-win" scenario, namely "the game with the positive sum" in fulfillment of the collective task. Certainly, the process of realization of this task is rather difficult because of geopolitical contradictions and some other factors, but it is feasible in the long-term perspective.

As the world practice shows, the rapid technological progress during scientific and technical revolution of the 1960-1970s had the defining value for the transport complex development in the second half of the 20th century. It became widely known as "transport revolution". So far, this factor facilitates the development of all transport modes. It is supposed that in the nearest future in the field of interaction of different transport modes new means for delivery without overload on a formula "door-to-door" will be constantly created and improved. Furthermore, "transport revolution" will lead to the extension of container cargo transportation, joining of computer information systems of all types of transport services, and creation of the general systems of different transport modes, etc. Such innovations will allow

to include transport in a network of the international commercial backgrounds.

Therefore, innovative development of transport complex is represented as vital condition for ensuring sustainable economic growth. Considering the importance of integration processes within the Eurasian space, creation of innovative transport system is the pressing problem in the Eurasian region in general. For Russia and other countries of the EEU its development is extremely important. In this regard one more factor plays significant role: the share of transport expenses in the internal regional product is rather high because of the big extent of the territory.

The concept of the EEU transport policy which besides has to consider the possibility of creation of the Common Economic Space of the EU and the EEU is essential for the answer to the arising challenges. Russian President Vladimir Putin wrote about this possibility in 2011 (Izvestiya, 2011). Development of transport communications between the EU and the EEU is very perspective direction under a condition of minimization of geopolitical risks.

The Eurasian Economic Commission is hardly working on these matters as it is impossible to provide the full-scale functioning of the EEU without appropriate solutions. In May, 2014 the member of Board (Minister on energy and infrastructure of the Eurasian Economic Commission) D. Akhmetov during his speech at the IX International conference on transport transit potential "TransEurasia – 2014" in Astana on the platform of the VII Astana economic forum determined the main directions of transport policy of the EEU. In particular, he noted that conducting coordinated transport policy will be the key element of infrastructure development of the EEU, and creation of common market of transport services will be one of its main priorities. Then he underscored the fact that in the long term the essential growth of transit appeal of the EEU countries will be promoted by creation of the United Transport and Logistics Company (UTLC) by the railroads of Belarus, Kazakhstan and Russia. According to the Concept and business plan of the UTLC creation, benefits from infrastructure improvement are: the income will make 1.6 bln. dollars, and the cumulative contribution to GDP of the EEU countries will be of 11.1 bln. dollars by 2020. Moreover, more than 43 thousand new workplaces will be created, the goods turnover will exceed to 4 mln. containers (Luk'yanovich, 2014).

Indeed, while huge problems are still existing, transport and trade integration in Eurasia and specifically in the Central Eurasian "collapse zone", seems to be a "century project", the most daunting but crucial issue of 21st century for Eurasia.

**Conclusion**

Commercial benefits from using sea route are the key factor for the failure to attract transit to overland Eurasian corridors. They are cheaper tariffs, customer service and compliance with international quality standards. However, overland transit has an important competitive advantage – it reduces delivery time. Faster delivery time is a critical factor for certain types of cargo (perishable goods or urgent door-to-door service). Moreover, it allows to shorten transaction time. Therefore, the time factor is an unquestionable competitive advantage that overland routes can offer for certain commodities, customers and even regions.

The Eurasian Economic Union will take many advantages supporting construction of new international transport corridors through the territory of its Member states. Firstly, creating the necessary infrastructure for new railways and roads will spur economic development. Secondly, the countries of the region will be able to collect transit revenues. Thirdly, the creation of new land routes will help Central Asia overcome its continental isolation, making its products more competitive in global markets. Furthermore, transport connectivity in the region will increase the mobility of the population both inside countries and across borders. Finally, the major infrastructure products linking several countries are important for the global economy and can improve difficult political relations between states, as they become stakeholders.

There is a strong need to identify the most beneficial international transport corridors within the Eurasian space as construction and modernization of transport infrastructure are very capital-intensive. The criteria for identifying the priority transit routes in the EEU are the time factor and the positive cumulative integration effect.

Given these criteria, the best potential routes for the EEU are the Northern corridor of the Trans-Asian railway and the Western Europe – Western China motorway as they can be used for transit in two directions: "North-South" and "East-West". By the way, additional international transport routes will be instrumental in realizing the region's transit potential and diversifying cargo flows.

Therefore, the Eurasian Economic Union can act as a key instrument toward creating an open common transport space and attracting transit from the sea to the overland routes.

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