



# COMCEC MINISTERIAL WORKING SESSION

## Transport: Global Trends, Challenges and Opportunities

Dr. Walid Abdelwahab  
Director, Infrastructure

**The Islamic Development Bank Group**



**1**

**Introduction**

**2**

**Global trends and challenges**

**3**

**Transport in OIC countries**

**4**

**Facing the Challenge**

**5**

**Role of IDB**



**1**

# Introduction

- 27 X growth of manufacturing goods trade in 50 years
- Freight transport to reach 14 trillion tons by 2020
- Outsourcing, off-shoring and supply chaining have radically changed global trade and transport

## Manufacturing Era

## Factory China

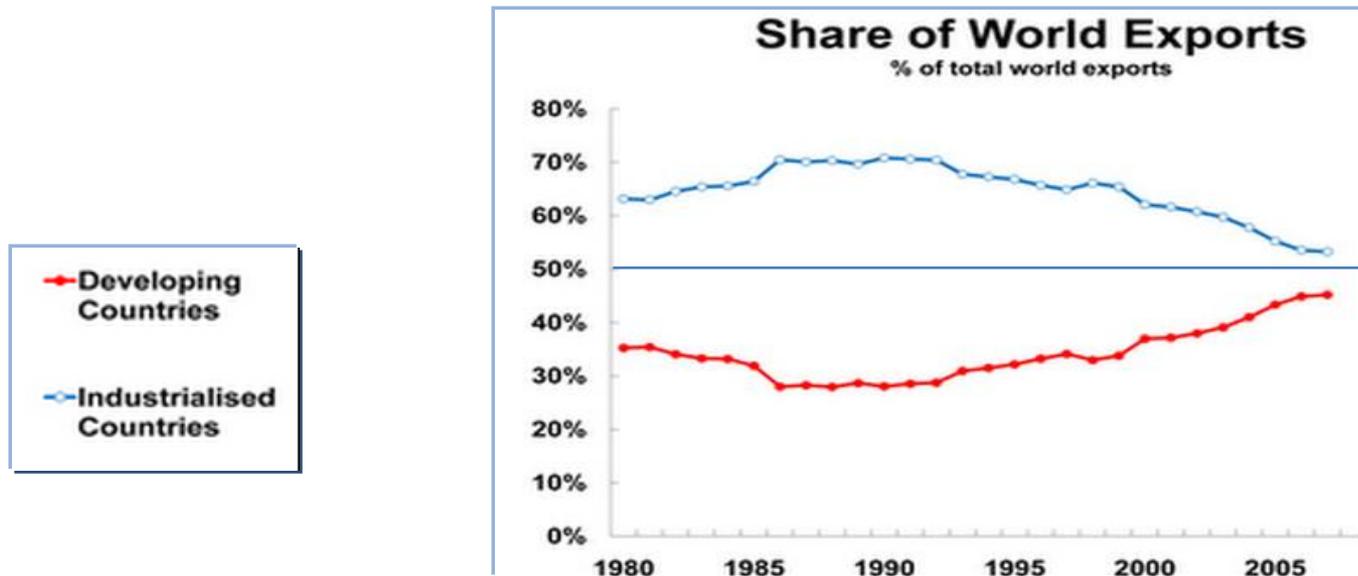
- Growth rate of 10% over 30 years
- Largest exporter and 2<sup>nd</sup> largest importer today
- China's foreign trade: \$100 b ('88), \$200 b ('94), \$500 b ('01), >2 t ('10) and ~4 t by 2015. 2<sup>ND</sup> biggest exporter Germany ~1.5 t

- Government-led globalization (Globalization 1.0). Multinational companies dominance (G 2.0). Now entering Globalization 3.0 in the digital era where anybody can take advantage of networks, outsourcing, to become a global player.
- The world is flat? Level playing field in terms of commerce

## Globalization 3.0

International trade is an **engine for development**, UN Monterrey consensus

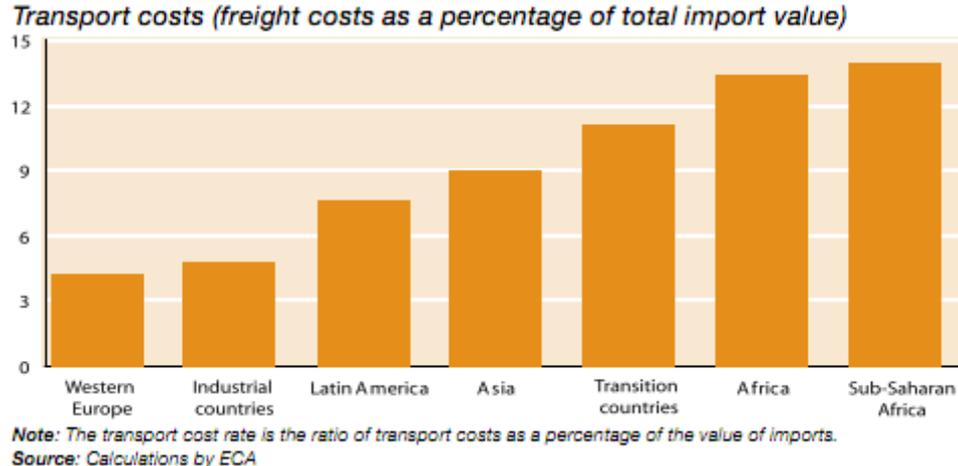
- ❑ By 2007, international trade surpassed for the first time [50% of global GDP](#), a 2-fold increase since 1950
- ❑ Low income countries hold 40% of world's population, but receive only 3 % of the world's income from trade.
- ❑ Developing countries highly depend on trade: 81% of GDP for LICs (vs. 57% for HICs)
- ❑ By increasing their share in global trade, developing countries are meeting their **development goals** UNCTAD



Trade and transport are inextricably linked. Transport costs are a key determinant of international trade competitiveness, UN Almaty declaration

❑ A 10% drop in transport cost increases trade by 25%, Limao and Venables 2001

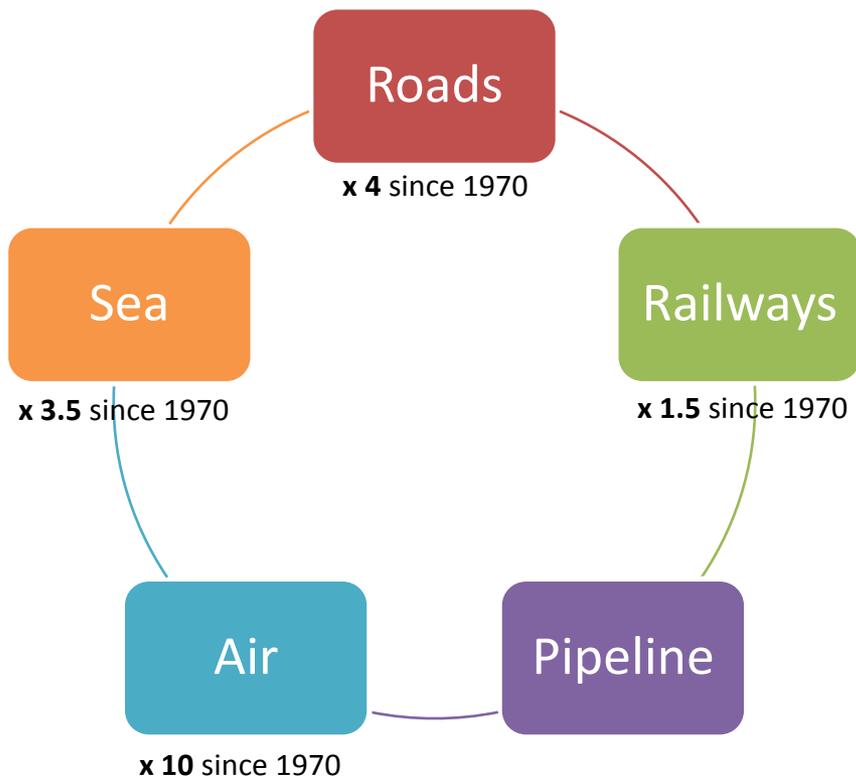
❑ Developing countries face much higher transport costs than developed countries



❑ Landlocked developing countries suffer most from high transport costs which can be three times more than the tariffs imposed on goods, UNDP 2008

2

# Global trends and challenges



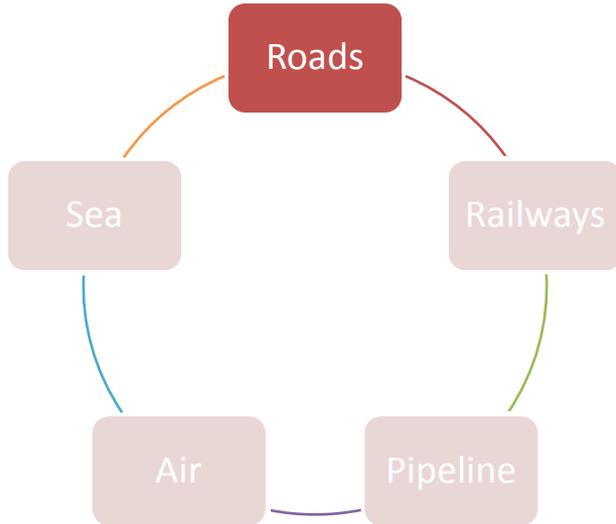
Transportation accounts on average:

**6% - 12% of the GDP**

**10% - 15% of Household expenditure**

**4% of unit cost of manufactured goods**

At each stage of human societal development, a particular transport mode has been developed or adapted, Rodrigue *et al.*, 2010



### **Roads: still the backbone of the economy**

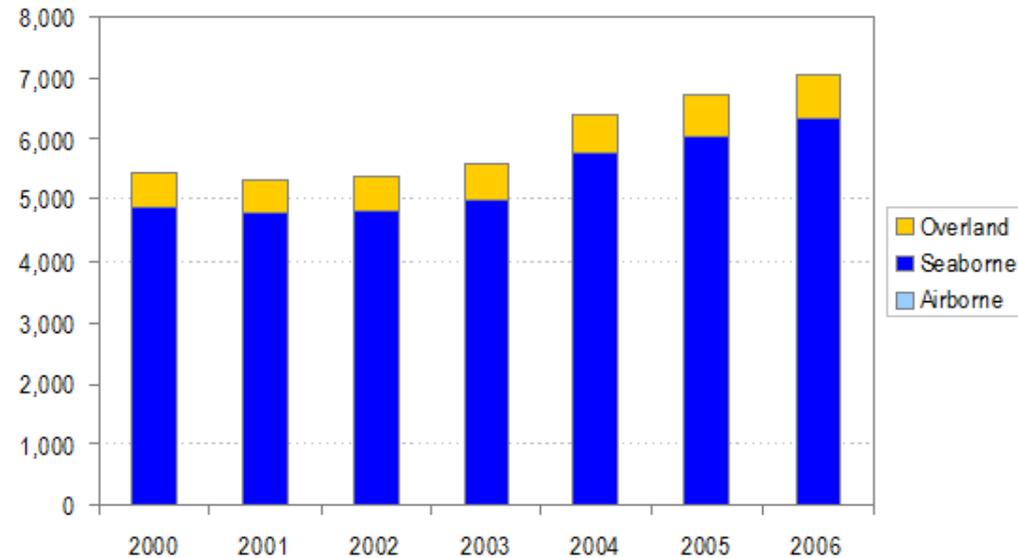
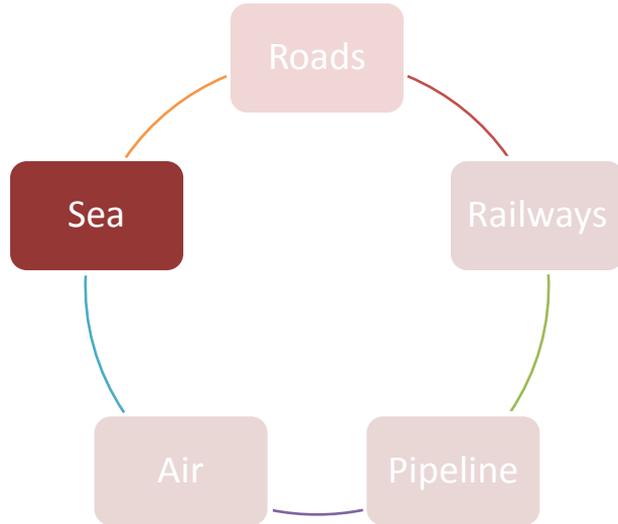
Around 80% of passenger-km and over 50% of freight-ton km.

**Challenge** : Closing the infrastructure gap

### **Trends**:

- Private sector participation (PPPs), Road user Charge, New institutional structures (road funds, highway agencies),
- Focus shifting from highways and expressways to rural roads (inclusion) and urban transportation





Source: GlobalInsight. Not including intra-European Union trade.

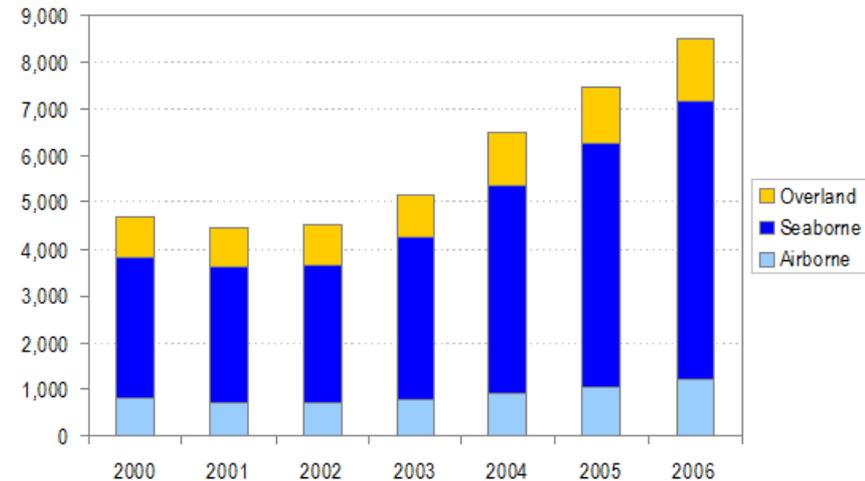
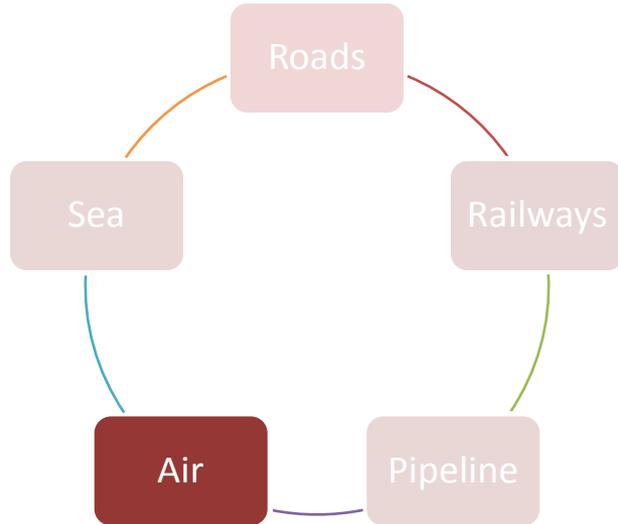
**Modal Split of International Trade in Goods (million metric tons) 2000-2006**

**Shipping: largely used for freight transport (> 90%)**

**Challenge:** Balancing supply and demand

- Trends:**
- “Terminalization of supply “ has radically changed the sector
  - Market concentration (super hubs, leading shipping lines),
  - Vertical and horizontal integration (global supply chains, integrated shipping networks)
  - Intermodality, and enhanced competition in cost, time, frequency, and reliability





Source: GlobalInsight. Not including intra-European Union trade.  
**Modal Split of International Trade in Goods (\$ billion) 2000-2006**

## Air freight: fastest-growing segment in value

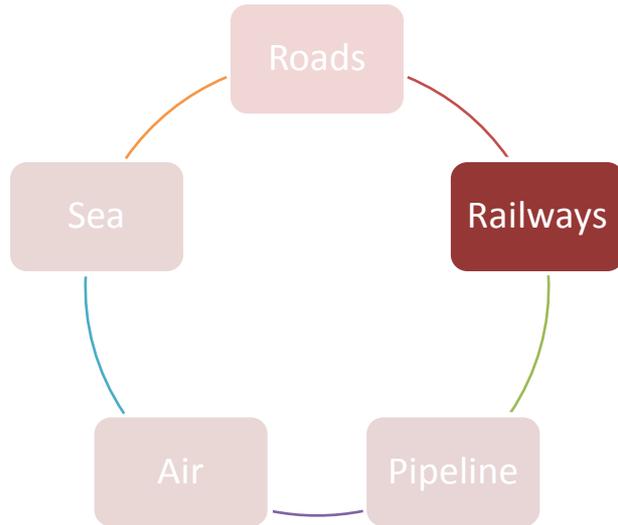
Now vital transport mode for **tourism-based economies** and high value products. New airlines have emerged as global players

**Challenge:** Adaptability and flexibility in a fast-changing environment

### Trends:

- Generalization of open skies policies
- Demise of inefficient “flag carriers”
- Low cost revolution
- Cartelization of supply (alliances)
- Generalization of hub and spoke model





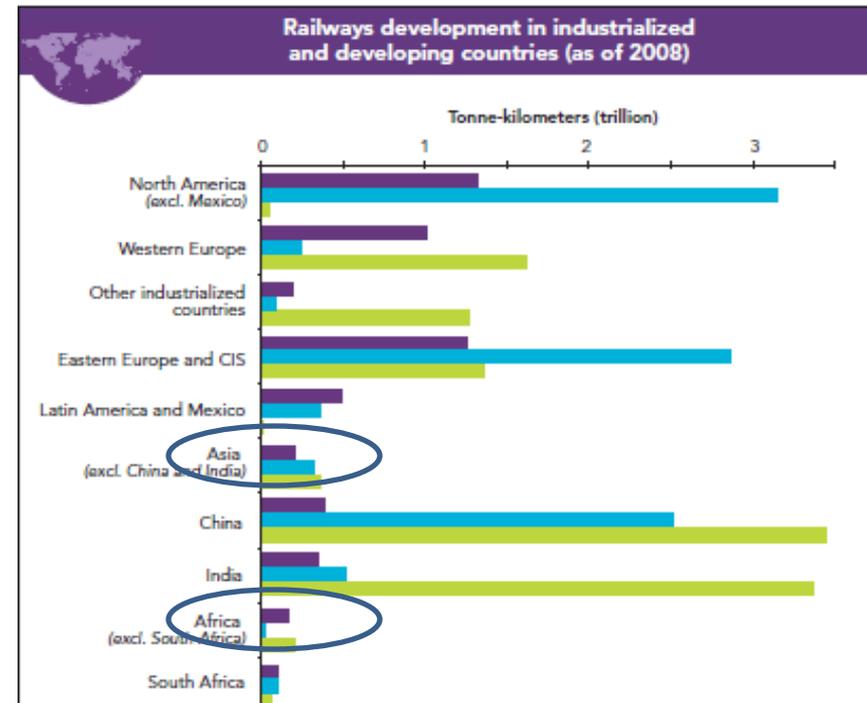
## The great comeback of rail transport

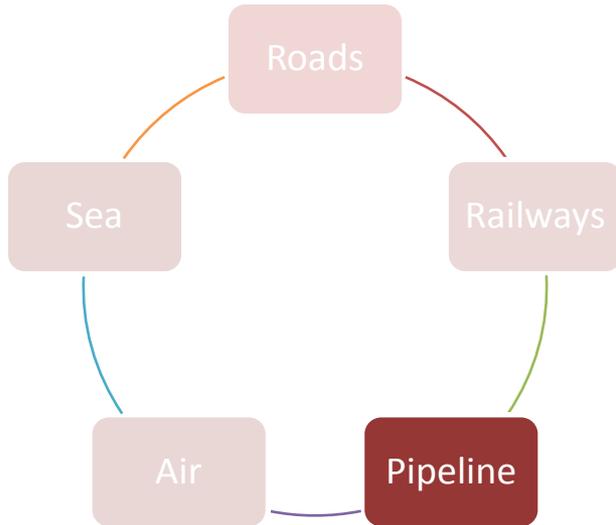
A long-forgotten sector coming back thanks to massive public investments

**Challenge:** - Standardization of technology!

### **Trends:**

- high-speed revolution (China, MENA, etc.)
- Euro-Asia trade (direct service Germany-China)
- Private sector participation (turnkey PPP)
- Electrification of railway networks





## Pipeline industry: fast expansion but uncertainty remains

### Trends:

Surge in investments (USD 193 billion by 2015).

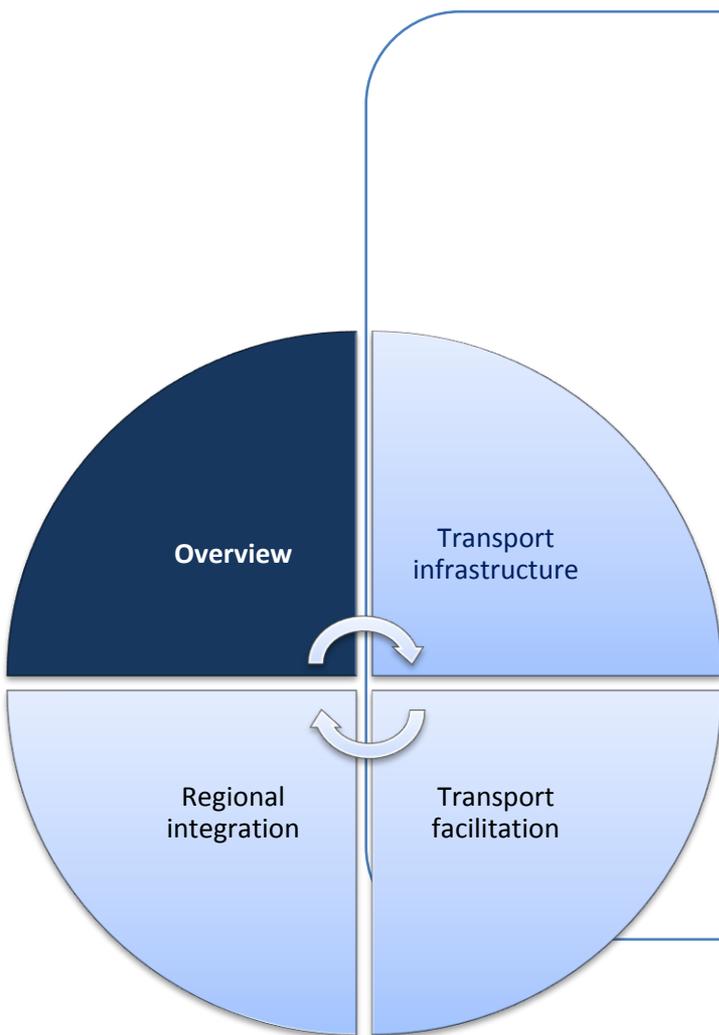
Midstream operators develop capacity to transport natural gas

### Challenges:

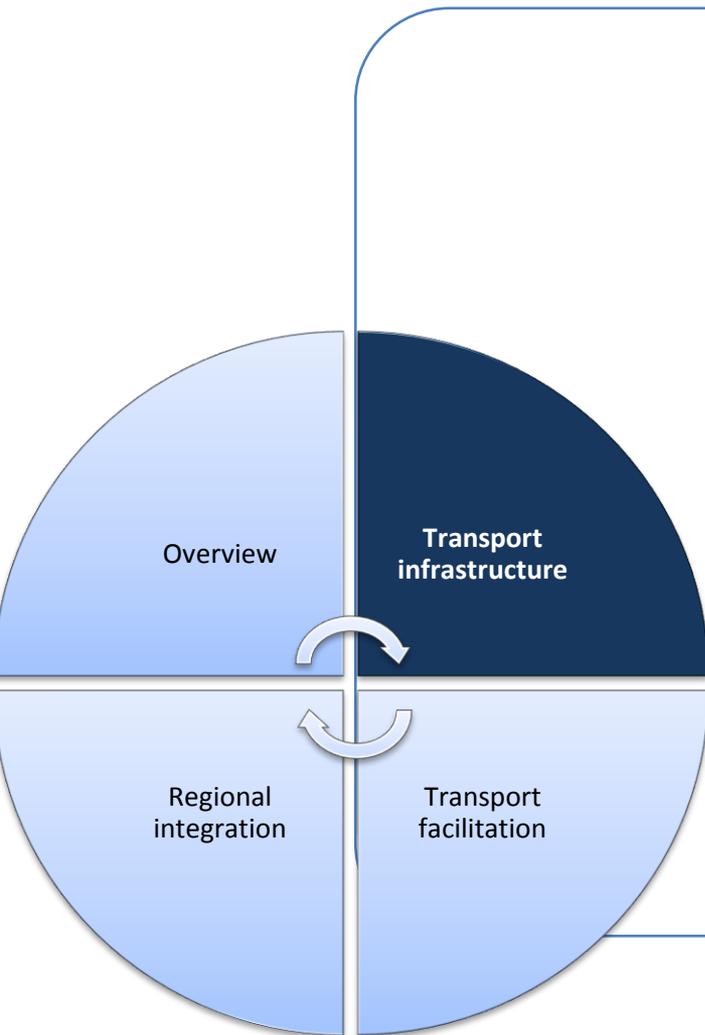
Geopolitical and operational issues: Nabucco pipeline, India-Pakistan-Iran pipeline, Turkmenistan-Afghanistan-Pakistan-India (TAPI) Gas pipeline, etc. all delayed.

3

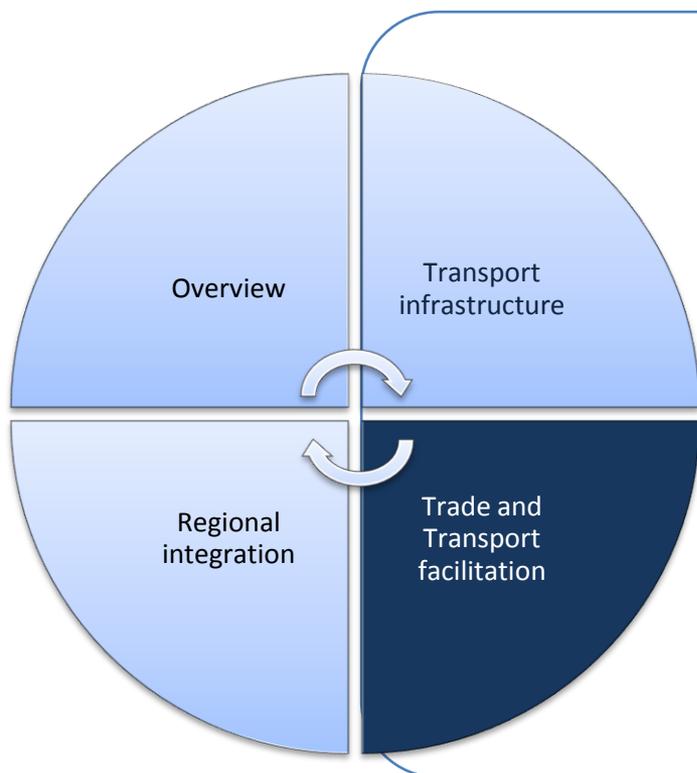
# Transport in OIC countries



- Heterogeneous **geography** and **climate** , one sixth of the world land area
- **Demographics:** 1.51 billion total (34.2% of global pop), mostly young, diverse education, agriculture still main job provider (38% of total jobs, decreasing)
- **Output:** Mostly low-income (22) and middle-income (28) countries, about US\$ 10 trillion combined GDP (+4.6% in 2010, but only 7.2% of global GDP), dominance of services (52%) and declining share of agriculture (9.5% in 2008)
- **Trade:** heavily concentrated (top 10 = 73.5% of merchandise exports), heavy dependence on commodities, increasing share in world trade (10.4%), increasing intra OIC trade (~17% in 2010)



- **Fast development of road infrastructure:** total road network of 3.6 million km in 2007, vs. 2.8 million in 1999 (+28%), but significant infrastructure gap in some regions (e.g. in SSA).
- **Roads are still mostly unpaved:** about 60% of roads still unpaved, but decreasing fast
- **Rail network developing fast** (GCC network, Turkey, Central Asia, North Africa, etc.) but still less developed than world average (only 9% of total world rail lines)
- Intensive investment in **ports** and **airports:** super hubs mushrooming in OIC countries, some countries positioning themselves as global transport hubs (e.g. 300% growth in UAE in 10y), but no global shipping lines emerging
- **Emergence** of global players in airline industry, but low penetration rate of low cost carriers, and dependence on global manufacturers for transport equipment supply



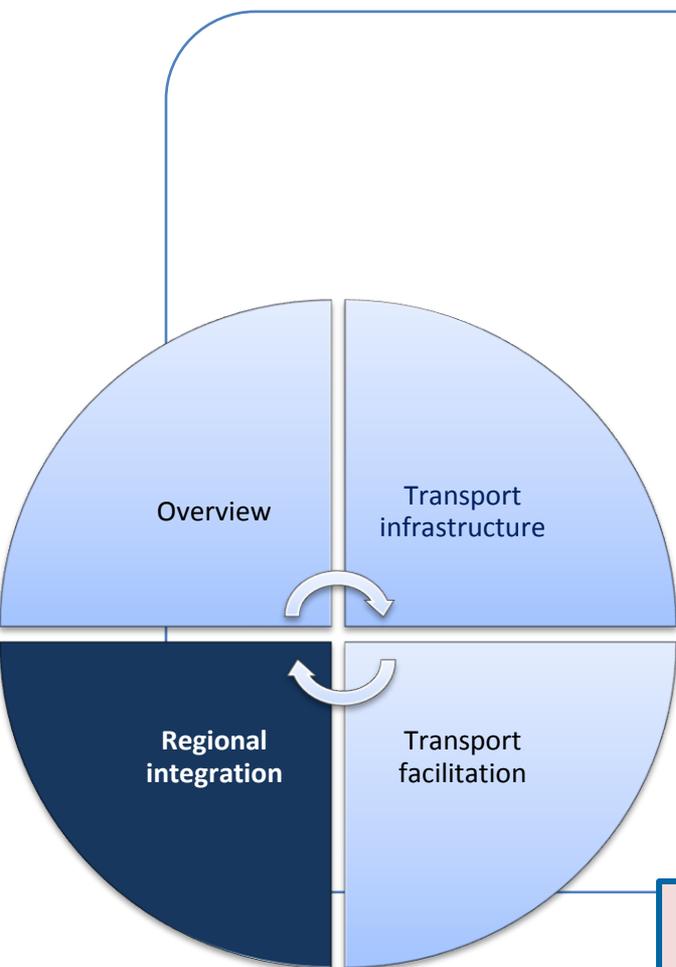
- **Good progress in trade liberalization:** number of countries with average tariffs > 20 % has dropped sharply (from 64% in 1995 to 38% in 2005)
- Draft Protocol on the Preferential Tariff Scheme for the TPS/OIC (**PRETAS**) entered into force in Feb 2010, complements the Framework Agreement on Trade Preferential System among the OIC Member States (**TPC-OIC**). Slow progress in the signature and ratification of the agreements by some Member Countries
- **Slow progress in the signature, ratification and implementation** of international transport conventions. Need for simplification, harmonization and standardization of transport documents and procedures
- **Significant non-physical barriers** to trade in OIC countries that need to be urgently tackled: delays at ports and borders, roadblocks, inefficient Customs procedures, complexity and redundancy of clearance procedures, absence of standard documents, etc.

13 days + gap with developed countries

10 days + gap with developed countries

Region	Time to import	Time to export
South Asia	32.5	32.3
Eastern Europe & Central Asia	28.1	26.7
Middle East & North Africa	24.2	20.4
East Asia & Pacific	24.1	22.7
OECD	11.4	10.9

Source: doing business



- **Transport as a driver of intra-regional trade:**

ex: EU-27, most integrated regional transport network (TER for railways, TEM for motorways, regional transport agreements AGR, AGTC, AGN...) => intra-trade very developed (intra-regional exports= 74% of total)

- **Transport as a means to support regional economic integration**

ex: ASEAN Transport Action Plan 2005-2010 designed to “strengthen the transport infrastructure and logistics systems to support the single market and production base under the AEC”

- **Regional integration and economic cooperation as a priority area for regional development**

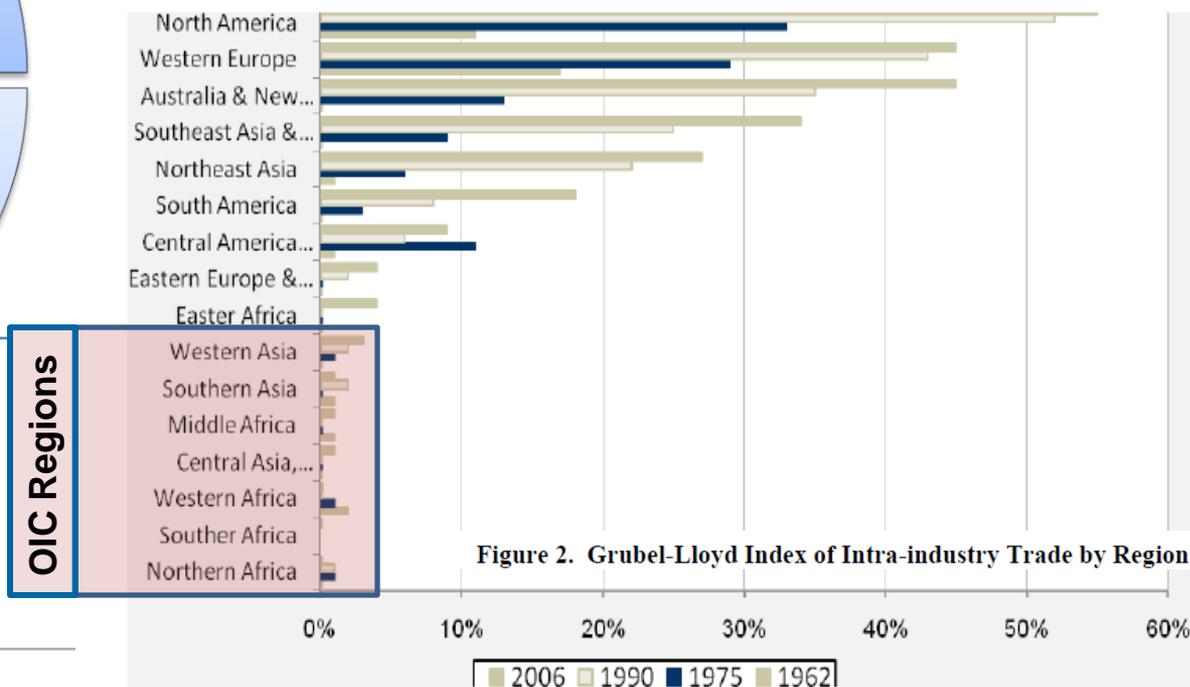


Figure 2. Grubel-Lloyd Index of Intra-industry Trade by Region

# 4 Facing the challenges

## ACHIEVEMENTS

Unprecedented **growth** in the last two decades

**Resilience** to the global crisis

OIC **Intra-trade** meeting expectations

**Landmark** transport infrastructure developed in our countries (ports, airports, railways, highways)



## CHALLENGES

### How to:

**Strengthen cooperation** and solidarity to bridge the infrastructure gap

**Facilitate** transport and trade and implement TTF agreements

**Integrate transport networks**, connect regions and avoid oversupply (e.g. port terminals and airports)

**Promote intra-OIC products and services** and develop endogenous transport industries and technologies

**THINK “SUSTAINABLE”**: minimize environmental impact, sustainable land-use planning (especially in big cities), plan for next generations

## Cooperate!

### Cooperation Modalities:

1. Develop comprehensive **national transport plans**
2. Develop **national logistics strategies**
3. Accelerate joining relevant international **transport agreements/conventions** and implement them!
4. Develop simplified and **harmonized national standards** and regulations
5. Develop or Revive National **trade and transport facilitation Committees (NTTFC)**, involving public and private sector
6. Focus on the development of priority **regional transport corridors** to support trade
7. Launch an OIC-level **TTF Program**
- 8. Balance trade facilitation and transport facilitation efforts**
9. Make **trade more inclusive**

5

## **Role of Islamic Development Bank Group**

## IDB's approach to trade and transport development

**Strategic  
approach**

**Operational  
approach**

**Institutional  
approach**

Strategic approach

Operational approach

Institutional approach

- \$6.4 Bn in 389 projects since inception
- About 25% of IDB portfolio
- 10 to 15% growth every year
- Finance infrastructure projects and technical assistance
- Focus on regional transport projects
- Transport projects through PPP

Transport



- \$2.5 billion every year
- total approvals in excess of \$ 36 Bn
- unique trade finance institution
- Trade Cooperation and Promotion Program

Regional integration



Trade



- Cross-border investments
- Special economic zones
- Establishment of financial institutions



- export insurance tools

Strategic approach

Operational  
approach

Institutional approach

**IDBG Vision:** Facilitate economic integration of IDB Member Countries**Key Thrust: Infrastructure Development**

Road

Railways

Gateways  
and  
platformsBorder Gate  
ModernizationSpecial  
Economic  
Zones / private  
sector dvpt

Strategic approach

Operational approach

Institutional approach

- With other MDBs



...

- With bilateral institutions

- With regional and international organizations



...

Examples of agreements: IDB-UNECE-ECO, IDB-UNCTAD-ECO ...

- Flagship initiatives

- Great Silk Road, CAREC, TRACECA, NELTI, Mashreq

**COMCEC and other OIC institutions as key partners**



Organisation of Islamic Cooperation

ISLAMIC DEVELOPMENT BANK



- **Transport for development :**

Trade is an **engine for development** and transport is a key determinant of trade competitiveness.

- **Transport networks in OIC countries: fast-developing but many challenges ahead**

We need to cooperate to address **together** our main challenges:

- infrastructure gaps
- non-physical barriers (trade and transport facilitation)
- transport network integration
- industrial and technological development in transport sector
- safety and environmental **sustainability**

- **IDB Group is your partner in facing these challenges**



**Islamic Development Bank Group**

Together We Build A Better Future

# Thank you

**Walid Abdelwahab**

Director, Infrastructure, IDB

**wabdelwahab@isdb.org**



**Islamic Development Bank Group**

Together We Build A Better Future