



**TRANSPORTATION NETWORKS
IN THE OIC MEMBER COUNTRIES
IMPACT ON TRADE AND TOURISM**



**21 November 2012
Dubai, UAE**

INTRODUCTION

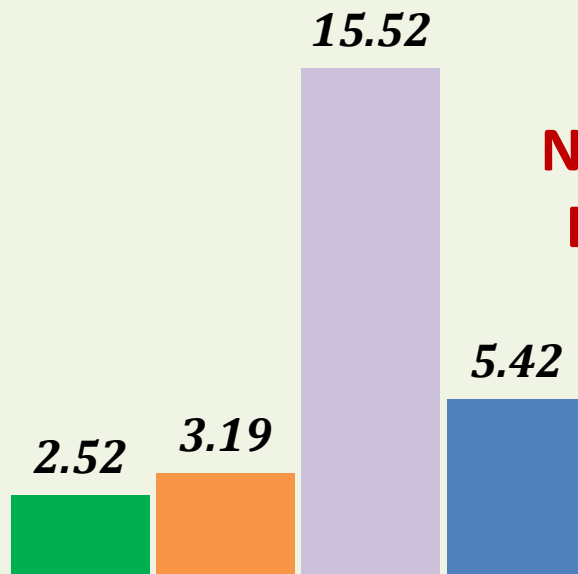
- ✓ Transportation is an indispensable element in any economic activity.
 - Without physical access to resources and markets, economic growth and development cannot be possible.
 - An efficient multimodal transportation system is, therefore, a fundamental element in sustainable economic development.
- ✓ The contraction in both the international merchandise trade and tourism activities during the crisis period has changed the landscape for the transportation industry dramatically.
 - But the OIC economies have their own way for a swift pick-up and a sustainable growth thereafter through improving their relatively immature transportation infrastructure.
- ✓ A comparative overview at the capacity of the OIC countries in different modes of modern transport reveals some key challenges ahead of intra-OIC cooperation in trade.

ROAD TRANSPORT

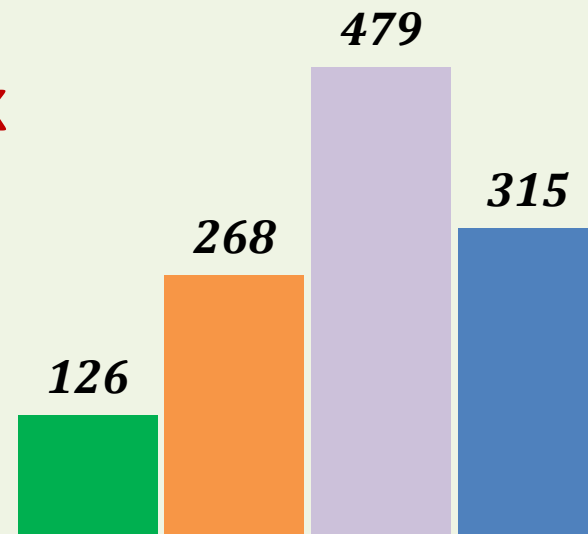
Road network length, when standardized on a per capita basis, is considered as a proxy for measuring the extent to which every person in any given country or region is served by roads.

■ OIC Countries ■ Other Developing Countries ■ Developed Countries ■ World

Road Length (km)
per 1000 people



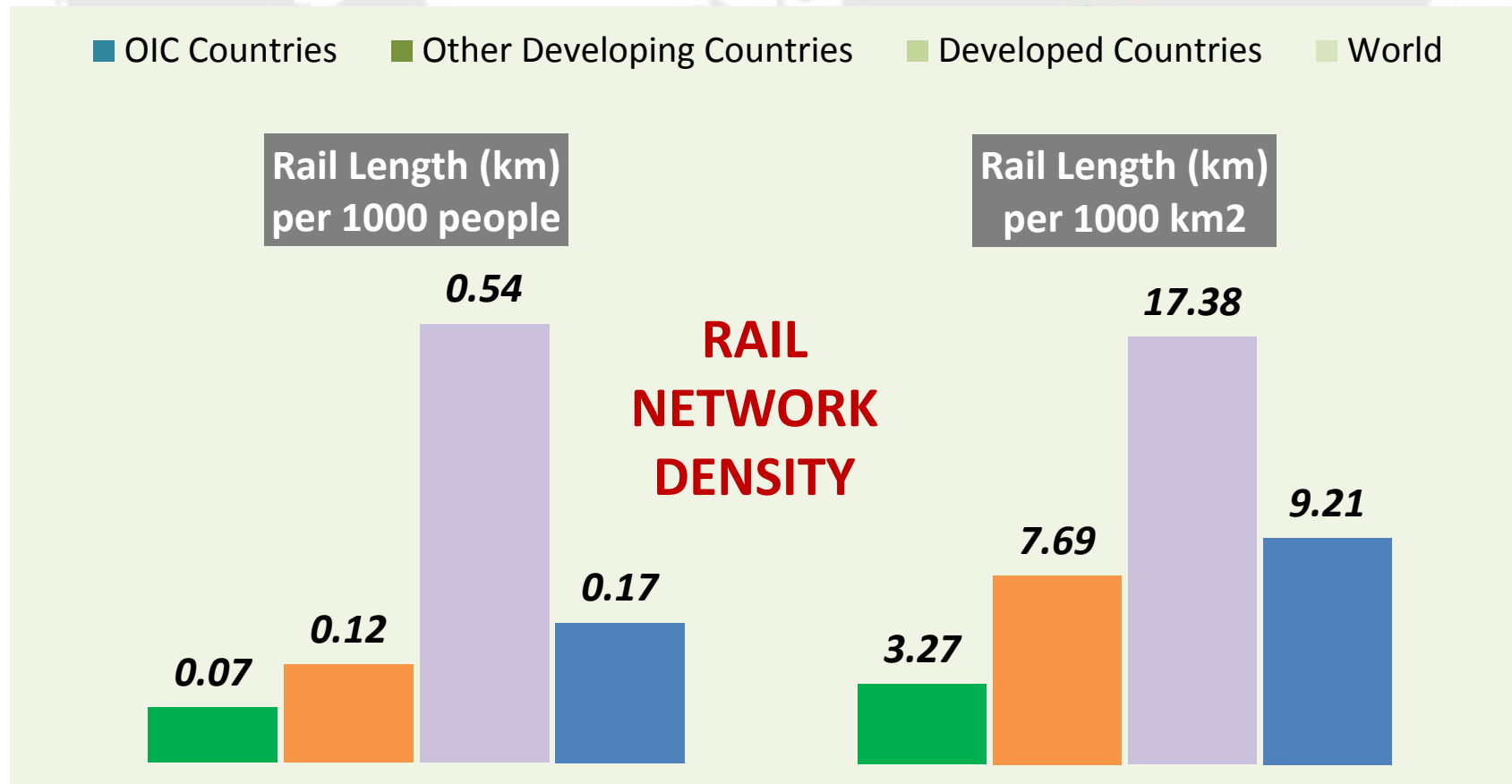
Road Length (km)
per 1000 km²



**ROAD
NETWORK
DENSITY**

RAIL TRANSPORT

Heavy industries are traditionally linked to the rail transport systems and the containerization improves the flexibility of rail transportation by linking it with road and maritime modes.

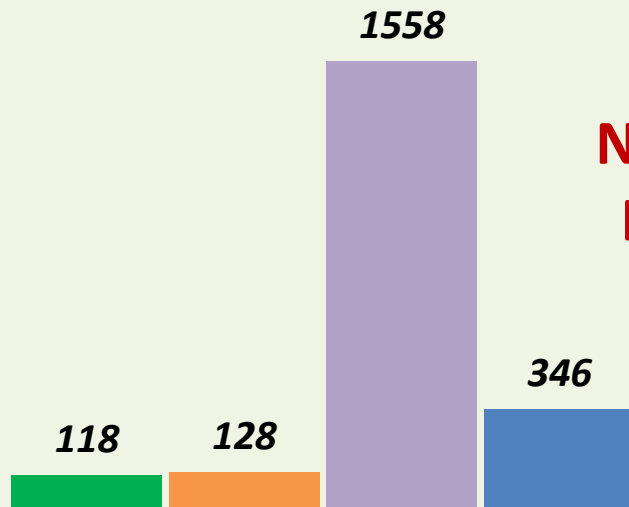


AIR TRANSPORT

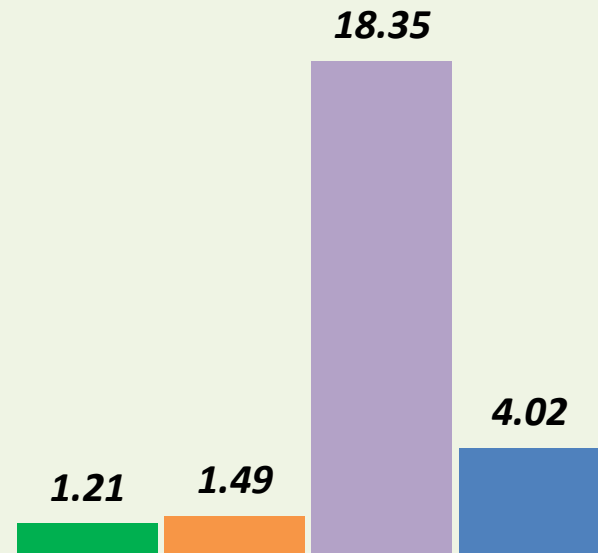
Air transport has become an essential economic and social conduit throughout the world. It is the primary mode of transport for tourism activities. Beyond the benefits of fast and convenient transcontinental travel, air transport also is now a vital mode for shipping high value goods that need to come to market quickly.

■ OIC Countries ■ Other Developing Countries ■ Developed Countries ■ World

Passengers per 1000 people



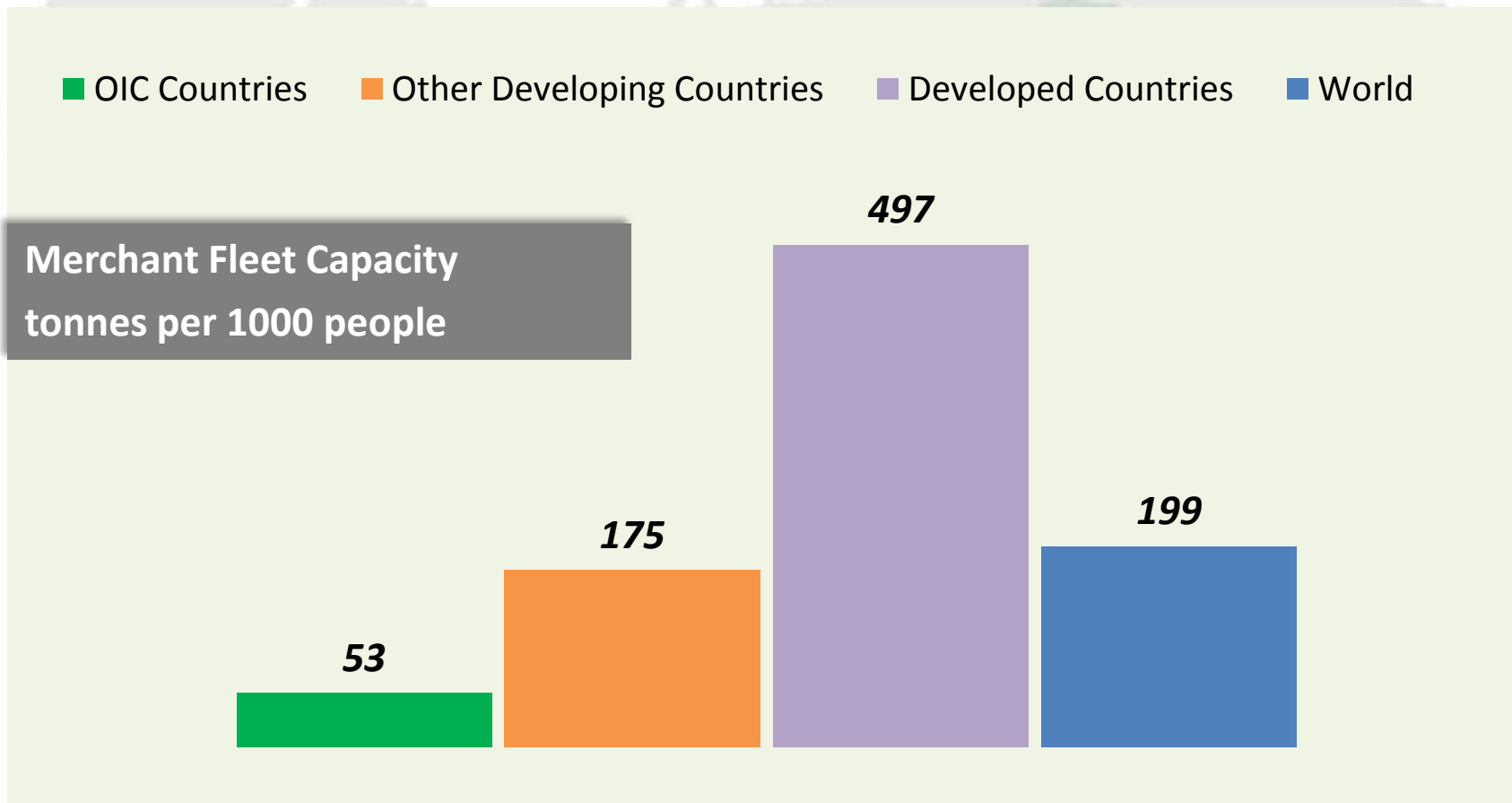
Departures per 1000 people



**AIR
NETWORK
DENSITY**

SEA TRANSPORT

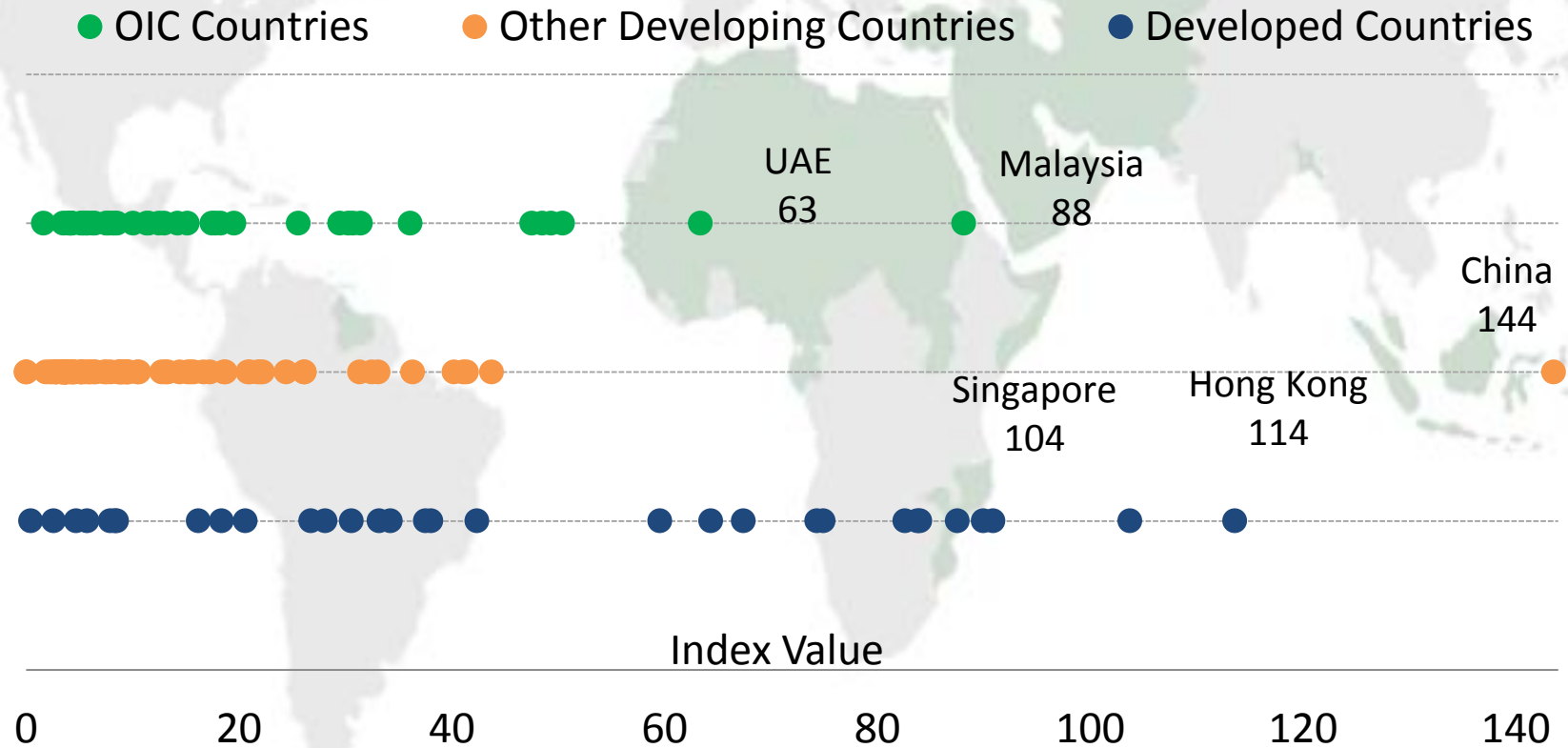
With more than 100,000 km of total coastline, OIC countries possess significant potential for maritime trade. Yet, the current level of merchant fleet capacity – expressed in tonnes per 1000 people – in the group of OIC MCs is far from enabling the group to fully utilize this potential.



SEA TRANSPORT

Liner Shipping Connectivity Index of UNCTAD aims at capturing a country's integration level into global liner shipping networks.

The index is generated from five components, which are mainly related to the maritime capacity of the country: number of ships, total container carrying capacity, max. vessel size, number of services and number of container shipping companies.



PERFORMANCE of THE OIC COUNTRIES in VARIOUS MODES of TRANSPORT

- ✓ The modest transport development figures in various transport modes indicate that transportation infrastructure in the OIC countries is incompetent and the transportation system as a whole indicates lack of connectivity, which is an essential ingredient of enhanced trade and tourism cooperation among the member states.
- ✓ An approximate of 20 MCs have only one international airport in operation while the rest suffer inadequate direct air links to other MCs. Even the busiest airports in the OIC member countries, such as Jakarta and Kuala Lumpur International Airports, have direct flights to only a few OIC countries.
- ✓ Additionally, although the group of OIC countries comprises mainly of countries that are adjacent to each other, the poor rail connectivity among neighbour OIC member countries undermines the prospects for building efficient trade corridors.
- ✓ Thus, apart from the negative impacts of the poor transport development on *overall* OIC trade and tourism volume, the poor transportation connectivity among the member countries pose additional challenges to creating a stronger *intra*-OIC cooperation in tourism and bulk trade.

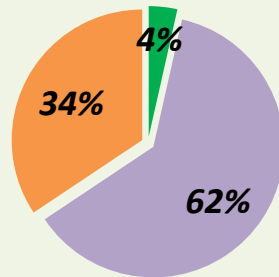
PERFORMANCE of THE OIC COUNTRIES in VARIOUS MODES of TRANSPORT



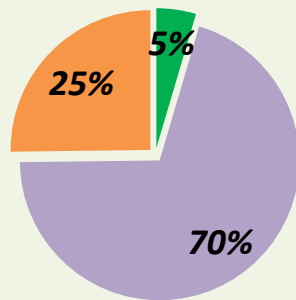
Poor rail connectivity among adjacent MCs undermines the prospects for building efficient trade corridors

■ OIC Countries ■ Other Developing Countries ■ Developed Countries

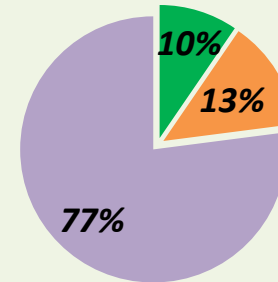
Rail-Good Transported, million ton-km



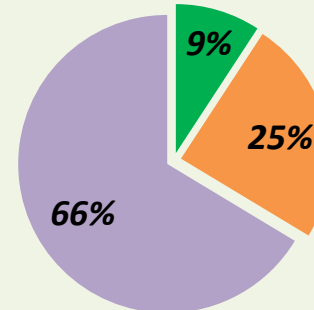
Rail-People Transported, passenger-km



Air-Freight Transported, million ton-km



Air-People Transported, passenger-km



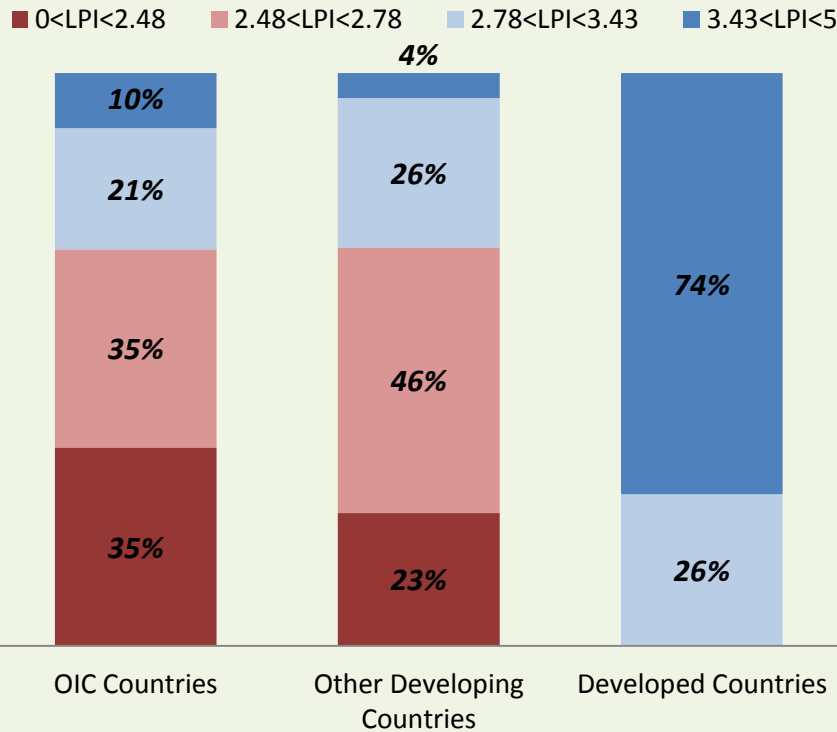
An approximate of 20 MCs have only one international airport in operation while the rest suffer inadequate direct air links to other MCs

MCs as a group accounted for **only 4 and 5 per cent of the total goods and people transported through the rail networks** in the world during 2009, respectively which is the backbone of trade.

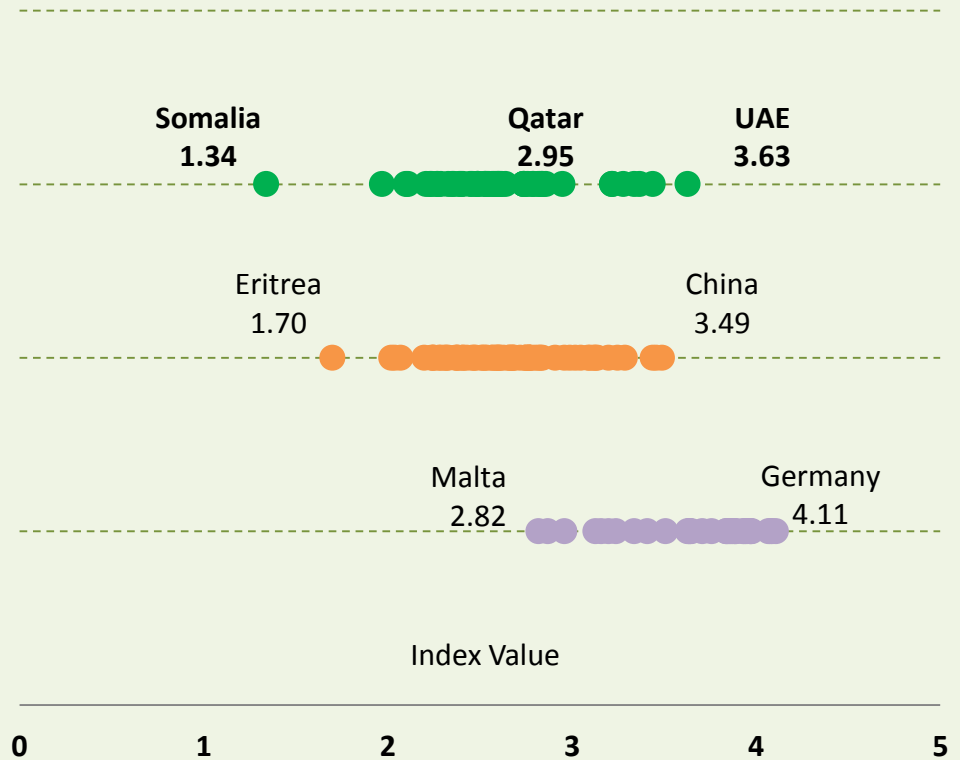
MCs as a group had slightly better figures in **air transport** with shares of **10 and 9 per cent in total air freight and passengers carried on planes** during the same year, respectively.

PERFORMANCE of THE OIC COUNTRIES in VARIOUS MODES of TRANSPORT

% of Countries by LPI Value*



● OIC Countries ● Other Developing Countries ● Developed Countries



- ✓ Clearly, the poor average transport capacity figures observed in the group of OIC MCs can be translated into **incompetency in logistics**, which is the backbone of trade.
- ✓ **Logistics Performance Index** measures the performance of a country along its logistics supply chain and provides qualitative evaluations of that country in six areas, four of them being directly linked to the level of transport development, which are infrastructure, international shipments, logistics competence and timeliness.

TRANSPORTATION and TRADE LINKAGE

From an economic development point of view, efficient transportation system can positively affect the pace of growth and development of trade and tourism activities through at least four ways (Weisbrod, 2008):

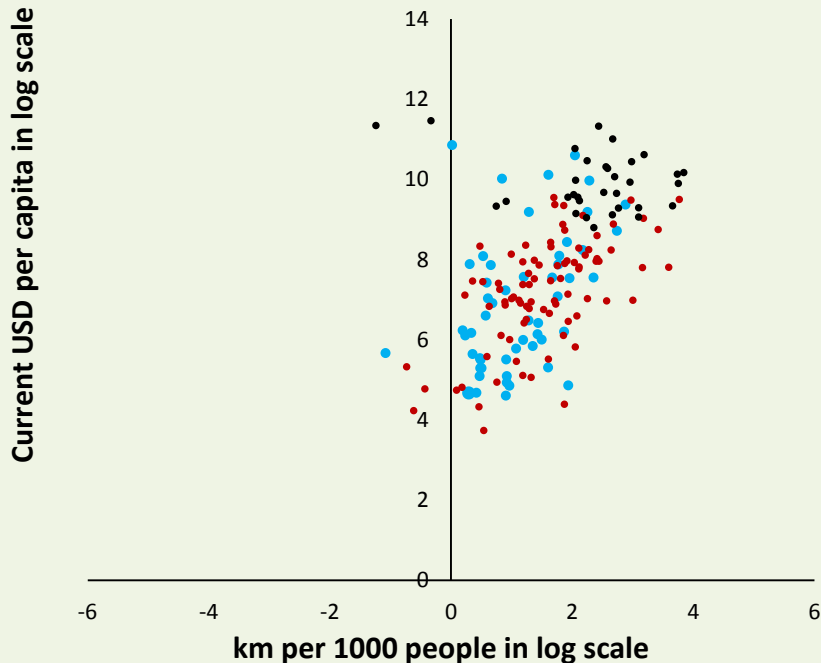
- ✓ by enabling *new forms of trade* among industries and locations;
- ✓ by reducing *carrying cost* and enhancing *reliability* of existing trade and tourism movements;
- ✓ by expanding the *size of markets* and enabling *economies of scale* in production and efficient distribution of goods and services; and
- ✓ by increasing *productivity* through access to more diverse and specialized labor, supply and buyer markets.

The relationship between the key transport indicators and per capita trade is almost linear, implying that the increase in trade volume is linked to the growth in transport network density on a constant scale

TRANSPORTATION and TRADE LINKAGE

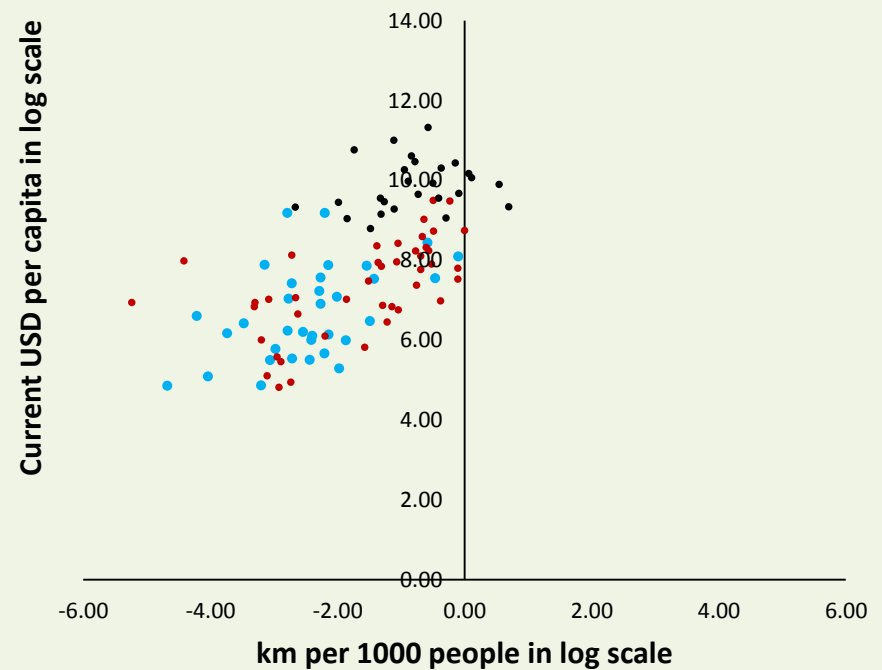
Trade Volume and Road Network Density

• OIC Countries • Other Developing Countries • Developed Countries



Tourism Volume and Road Network Density

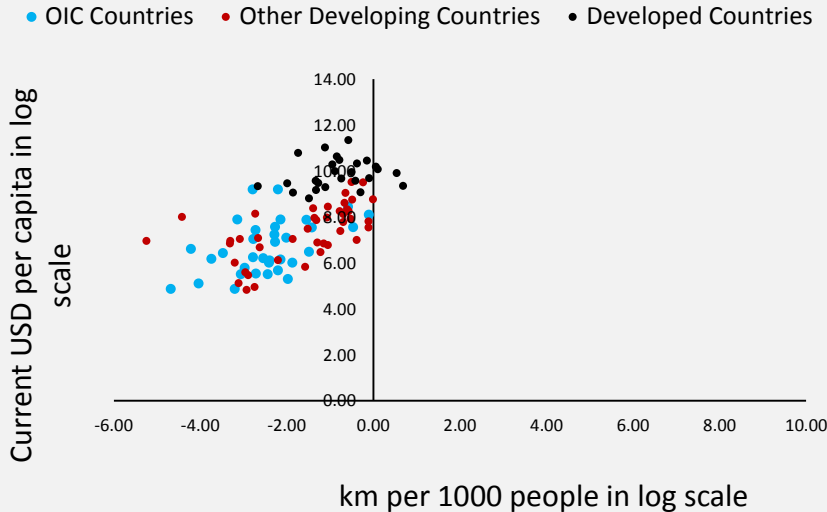
• OIC Countries • Other Developing Countries • Developed Countries



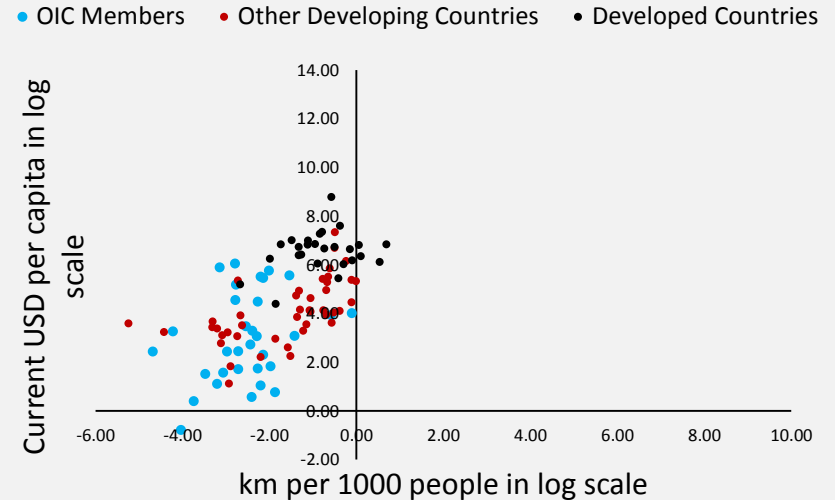
• The relationship between the two indicators is almost linear, implying that the growth in the per capita road network is strongly linked to the increase in trade and tourism volume on a constant scale.

TRANSPORTATION and TRADE LINKAGE

Trade Volume and Rail Network Density



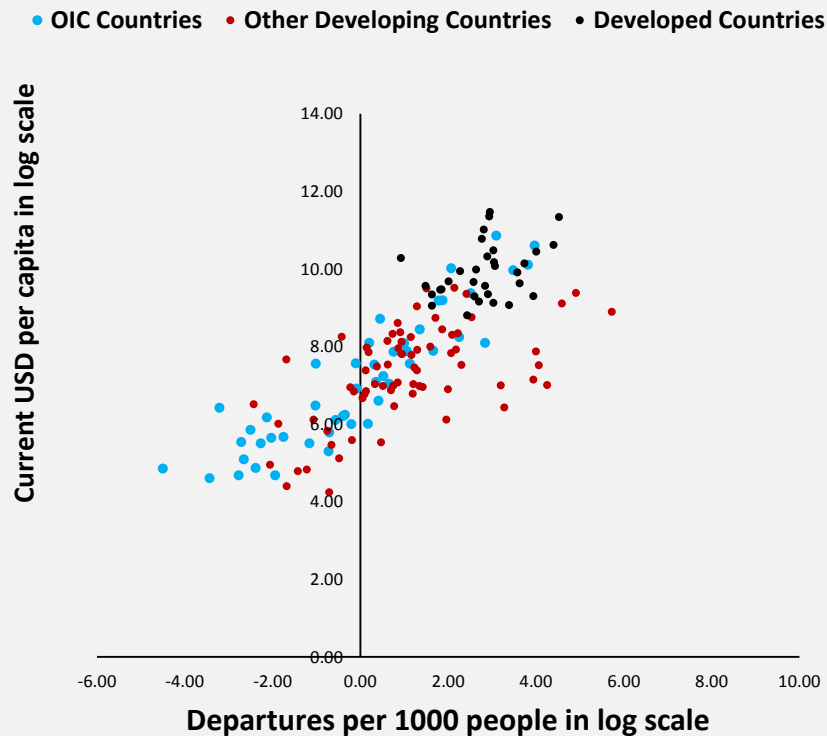
Tourism Volume and Rail Network Density



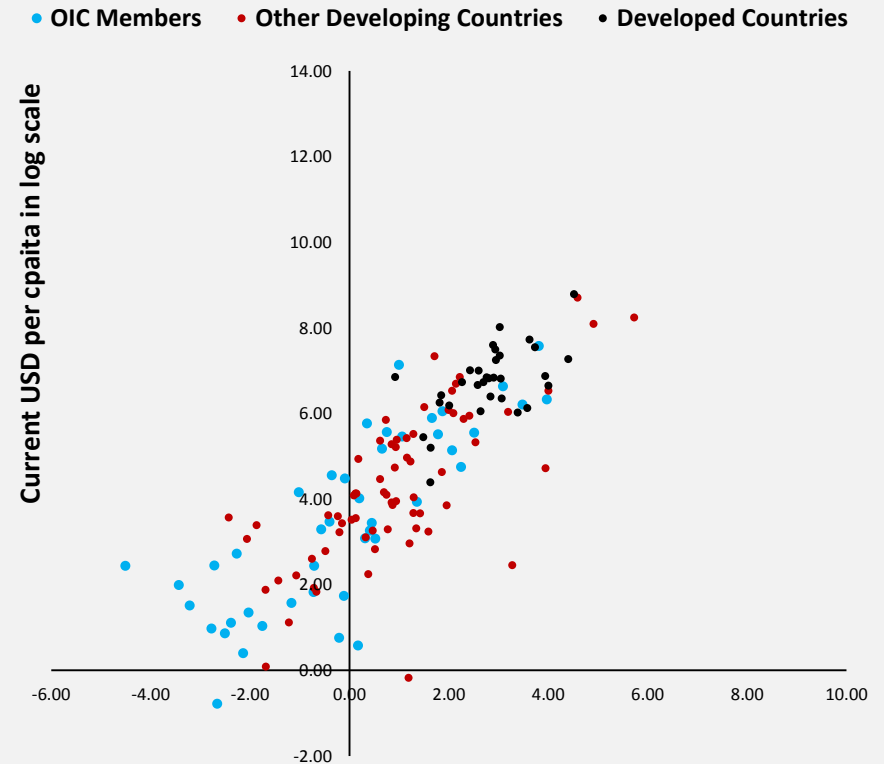
- A similar result is observed in the case of rail network. The figures reveal significant mutual relationships between the rail per capita growth and the growth in per capita trade and tourism volumes.
- Again, the OIC countries appear mainly in the low trade (tourism) volume-low rail per capita region and the positive linear relationship between the indicators are preserved in each country sub-group included in the figure.
- The strong correlation between rail transport capability and trade performance offers a motivation for the OIC MCs with underdeveloped rail infrastructures to extend their rail networks.

TRANSPORTATION and TRADE LINKAGE

Trade Volume and Air Network Density

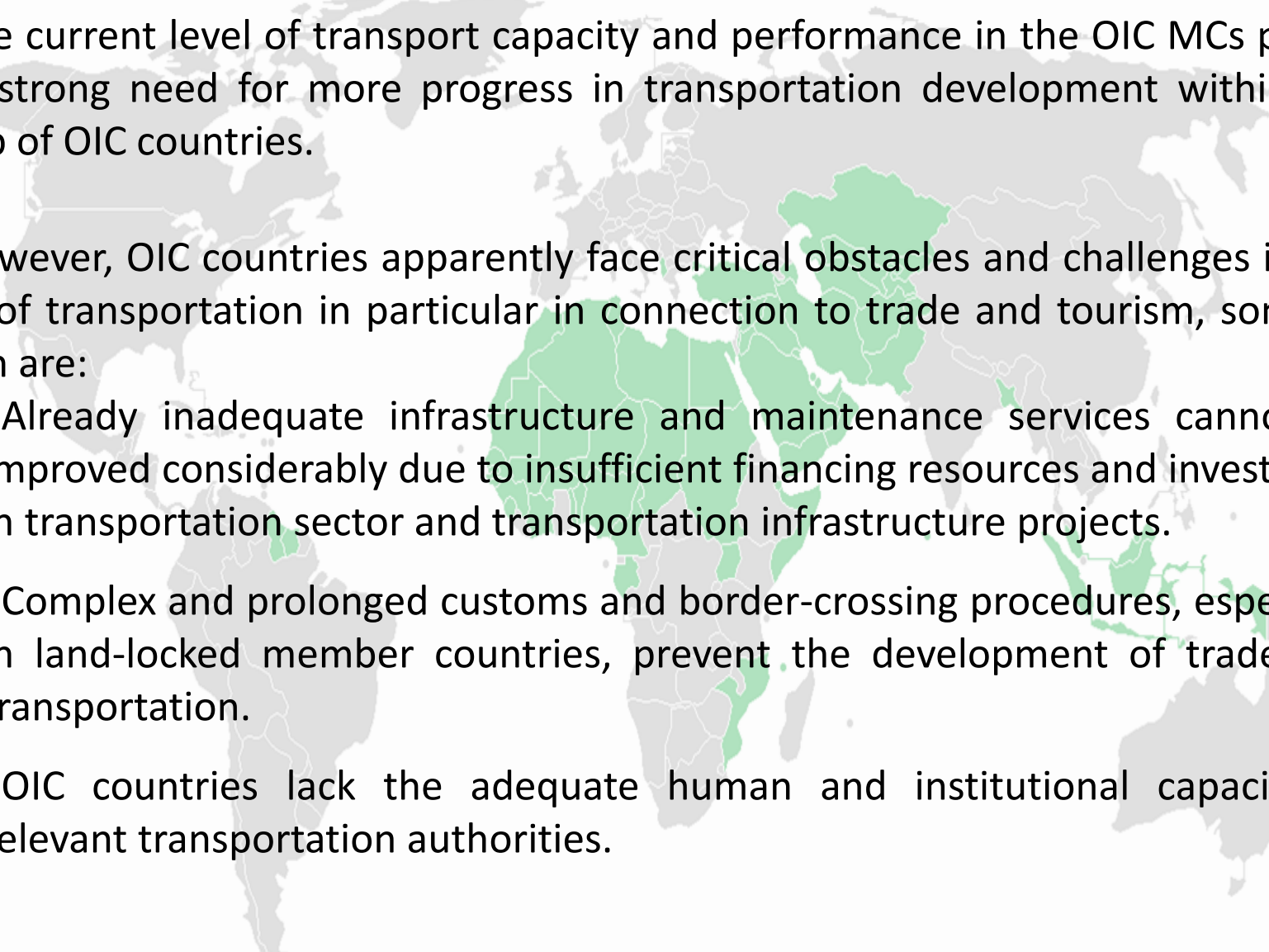


Tourism Volume and Air Network Density



• Despite the considerably varied air transport capabilities in OIC countries, the structural link between the development of air transport and trade and tourism levels is much more clear.

CONCLUDING REMARKS

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- A world map with the countries of the Organization of Islamic Cooperation (OIC) highlighted in green. The highlighted countries include Turkey, Azerbaijan, Kazakhstan, Kyrgyzstan, Uzbekistan, Afghanistan, Pakistan, India, Bangladesh, Nepal, Bhutan, Sri Lanka, Indonesia, Malaysia, Brunei, Philippines, Thailand, Cambodia, Laos, Vietnam, Myanmar, Timor-Leste, and several countries in Africa and the Middle East.
- ✓ The current level of transport capacity and performance in the OIC MCs points to a strong need for more progress in transportation development within the group of OIC countries.
 - ✓ However, OIC countries apparently face critical obstacles and challenges in the field of transportation in particular in connection to trade and tourism, some of which are:
 - Already inadequate infrastructure and maintenance services cannot be improved considerably due to insufficient financing resources and investment in transportation sector and transportation infrastructure projects.
 - Complex and prolonged customs and border-crossing procedures, especially in land-locked member countries, prevent the development of trade and transportation.
 - OIC countries lack the adequate human and institutional capacity of relevant transportation authorities.

WHAT CAN BE DONE?

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- ✓ Due to the significant diversity of OIC member countries in terms of population, land size, economic development, the potential solutions to poor transport development should be tailored according to the challenges faced by each individual country.
 - ✓ The use of Information and Communication Technologies (ICT) in the area of transport should be increased. ICT tools should be developed for knowledge-sharing on best practices of tourism, trade and transport facilitation in cooperation with relevant regional and international organizations.
 - ✓ Apparently, more attention from private investors should be attracted through rational incentives. Private investments via Public-Private Partnership (P3) scheme have recently become popular around the world as a tool for improving transport infrastructure.
 - ✓ Transport sector reform has to be set in the context of general reform of public institutions and transport development plans should be integrated into their national strategies considering regional initiatives.
 - ✓ National Trade and Transport Facilitation Committees (NTTFC) can be established for better coordination among private and public sectors institutions. This can help to identify the major transport related obstacles in the MCs by increasing coordination among the Ministries of Trade, Tourism and Transport.

A world map with a light gray background. Several regions are highlighted in a medium green color. These regions include parts of North America (Canada and the United States), Mexico, Central America, the Caribbean, South America (Colombia, Venezuela, and Ecuador), Africa (Algeria, Tunisia, Libya, Egypt, Sudan, Ethiopia, Kenya, Tanzania, Uganda, Rwanda, Burundi, DRC, Congo, Gabon, Equatorial Guinea, and Sierra Leone), Europe (Poland, Czech Republic, Slovakia, Hungary, Austria, and Switzerland), the Middle East (Iraq, Syria, Jordan, Lebanon, and Israel), and Southeast Asia (Thailand, Laos, Vietnam, Cambodia, Laos, and Indonesia).

Thank You!