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The EU and its neighbouring regions: A renewed approach to transport cooperation

1. INTRODUCTION

Objective

Transport contributes significantly to Europe's prosperity. It enables goods to be distributed efficiently and citizens to travel freely. The EU is a major political and economic partner of countries in neighbouring regions. Strengthened cooperation in the transport sector can make a difference in helping our neighbours to become economically stronger and politically more stable. Citizens and businesses in the EU and in neighbouring regions are the direct beneficiaries of improved transport cooperation, which aims to reduce the time and resources spent on transportation of goods and passengers. Closer market integration can also help to open up new market opportunities for businesses both in the EU and the neighbouring regions.

The present Communication sets out a renewed transport policy cooperation with the EU's neighbouring regions, building on the 2007 Commission Communication¹, which focused on infrastructure aspects. It covers both the European Neighbourhood Policy (ENP)² and the enlargement countries³, with primary emphasis on the ENP countries. The high level of transport cooperation already attained with enlargement countries can be a model for improving transport connections with other neighbouring regions.⁴

The Commission has recently reviewed the ENP, the single policy framework for the EU's relations with its neighbouring partner countries⁵ and proposed **a new response to a changing neighbourhood**. In line with this response, transport cooperation will be tailored to the needs of each sub-region. The EU will apply a higher level of differentiation in the transport sector depending on each country's ambition and readiness to integrate more closely with the EU. EU support, in the shape either of financing for infrastructure connections or of greater market access, will be conditional on progress in the neighbouring countries.

Policy context

With the entry into force of the **Lisbon Treaty**, the EU has committed itself to developing a special relationship with neighbouring countries (Article 8 TEU). The Treaty also provides that the Union may decide to cooperate with third countries to promote projects of mutual interest and to ensure the interoperability of networks (Article 171, par. 3 TFEU).

The **Europe 2020 Strategy** attaches importance to deploying external aspects of our internal policies for fostering EU economic growth. This is particularly true of transport policy, as efficient border crossings, shorter and faster connections and liberalisation of markets facilitate the flow of goods and people across the EU's borders.

¹ Extension of the major trans-European transport axes to the neighbouring countries, COM(2007) 32, 31.1.2007

² ENP East: Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine; ENP South: Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Occupied Palestinian Territory, Syria, Tunisia.

³ Candidate countries: Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Turkey. Potential candidates: Albania, Bosnia and Herzegovina, Serbia, Kosovo (under UNSCR 1244/99).

⁴ Iceland, Norway, Russia and Switzerland are not covered by this Communication

⁵ COM(2011) 303, 25.05.2011

In March 2011, the Commission adopted a **Roadmap to a Single European Transport Area – Towards a competitive and resource-efficient transport system**⁶ for increasing mobility and fuelling growth and employment. In this roadmap, the Commission proposed extending the EU's transport and infrastructure policy to our immediate neighbours and opening up third country markets in transport services.

The Commission is currently **reviewing the TEN-T policy**. This policy also aims at better connecting the TEN-T with the infrastructure networks of neighbouring countries.

Also, the EU has put in place **macro-regional strategies**, such as the EU Strategy for the Danube Region⁷, that seek to improve mobility between the regions and include some of the countries in neighbouring regions.

2. CLOSER MARKET INTEGRATION FOR FASTER AND CHEAPER CONNECTIONS

Closer integration between the transport markets of the EU and those of the enlargement and ENP countries can **make transport connections faster, cheaper and more efficient**, to the advantage of citizens and businesses. Prospects for closer market integration will rely on the ability and readiness of neighbouring countries to move towards standards equivalent to those applied in the EU in areas like safety, security, environmental protection and worker health and safety. This Communication outlines short and long term measures in all transport modes – road, rail, aviation, maritime and inland navigation – to link the transport systems of the EU and of its neighbours.

Work on closer integration of the transport market has started as part of the ongoing negotiations on Association Agreements with the Eastern Partnership countries.⁸ These Agreements aim at the establishment of a free trade area with the EU. In the EU's Southern neighbourhood, the longer term objective is to complete the Euro-Mediterranean Free Trade Area. As part of the enlargement strategy and in the context of accession negotiations, the EU assists the enlargement countries in their alignment with the EU *acquis* to create appropriate conditions for transport market integration. For example, the draft Transport Community Treaty with the Western Balkans envisages progressive market integration on the basis of the EU *acquis* in the areas of safety, security, environment and social matters.

2.1. Aviation

In the aviation sector, closer integration with the EU's neighbours is driven by the objective of creating a wider **European Common Aviation Area (ECAA)** covering 1 billion people in the EU and all neighbouring countries on its southern and eastern borders⁹. As most of the ENP countries lie across the sea from the EU or within a considerable distance away from EU capitals, air travel plays a key role in passenger transport. The annual growth in the number of air passengers between the EU and the Southern neighbouring countries has been 6.7% on average and 11.6% between the EU and Eastern neighbouring countries in the period 2004-

⁶ Roadmap to a Single European Transport Area, COM(2011) 144, 28.3.2011

⁷ Objectives of the strategy include improving interconnections between eight Member States and six neighbouring countries (Bosnia and Herzegovina, Croatia, Moldova, Montenegro, Serbia, Ukraine), COM(2010) 715, 8.12.2010

⁸ Negotiations are not ongoing with Belarus. Eastern Partnership was launched in 2009 to deepen the EU's relations with Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine.

⁹ Roadmap to a Single European Transport Area

2009. In the South, Morocco is already part of the European Common Aviation Area and has an average annual growth of 14.6% in air passenger transport to and from the EU. In the East, most passengers were carried between Ukraine and the EU (2.7 million out of 3.5 million passengers in 2009).¹⁰

ECAA policy has been designed to allow gradual market opening between the EU and its neighbours linked to regulatory convergence through gradual implementation of EU rules to offer new opportunities for operators and wider choice for consumers. The process of market opening and regulatory convergence take place in parallel in order to promote fair competition and the EU's safety, security, environmental and other standards. ECAA is implemented through **comprehensive air services agreements** that promote the overall economic, trade and tourism relations.

Negotiations on a comprehensive aviation agreement can start once the neighbouring country has demonstrated its understanding of the conditions and a clear commitment to undertake the obligations related to joining the ECAA.

The EU has concluded such agreements with the Western Balkans, Georgia, Jordan and Morocco. Similar agreements are being negotiated with Israel, Lebanon and Ukraine negotiations are expected with Tunisia in the near future. The Commission also has a mandate to negotiate a similar agreement with Algeria. The Commission has proposed a mandate to negotiate with Moldova and intends to do so for Azerbaijan. Depending on the interest and preparedness of the remaining neighbouring countries, the Commission will propose the negotiation of similar agreements.

The agreements concluded with the ENP countries are bilateral, whereas the agreement with the Western Balkans is multi-lateral. This multi-lateral agreement goes further than the bilateral ones, for example by direct application in these countries of the judgements of the European Court of Justice which are relevant to aviation.

With a view to increasing regional integration the next step is to develop one multilateral agreement for ENP South and another for ENP East. Ultimately, the longer term goal is to integrate all regions and the EU into a single ECAA.

The **Single European Sky**, currently under construction, will also be extended to include the EU's neighbours. The recognition of EU law and the principle of EU designation is a minimum precondition for this. The Single European Sky will improve safety and reduce delays, costs and emissions. As part of the gradual approach to establishing a Single European Sky, the EU's neighbouring countries are seeking to form or join functional airspace blocks (FABs) with EU Member States. By December 2012, EU Member States should have established nine functional airspace blocks, thereby collectively designing and rationalising their airspace and air routes in order better to respond to air traffic needs.

In the Western Balkans, Bosnia and Herzegovina and Croatia are part of the FAB Central Europe initiative (FABCE). As for the other countries concerned, Albania, Egypt and Tunisia have associated partner status, and Jordan and Lebanon are observer states in the context of the BLUE MED FAB initiative. Other neighbouring countries are expected to join similar functional airspace blocks to complete the Single European Sky.

¹⁰ Eurostat

Several neighbouring countries are already contracting parties to **the European Organisation for the Safety of Air Navigation** (Eurocontrol).¹¹ They participate in the work of Eurocontrol and as such benefit from its services. Non-members can benefit from a number of Eurocontrol services on the basis of requests and agreements with this organisation.¹² Cooperation with the EU's neighbours is aimed at adopting positions in Eurocontrol in line with those developed by the EU.

Several ENP countries are already beneficiaries under the **Single European Sky Air Traffic Management** Research Programme (SESAR) which seeks to modernise the air traffic control infrastructure in Europe. The EU can also make the assistance available to other ENP countries that are seeking to modernise their air traffic management systems.

Improving the effectiveness of **air transport security** in neighbouring regions is of key importance to the EU. The international standards in aviation security laid down by the International Civil Aviation Organisation (ICAO) should be fully implemented.¹³ The EU is already working with neighbouring countries to increase their ability to fulfil those international obligations. The EU can assist in achieving compliance through the sharing of information on developing national civil aviation security programmes and the sharing of best practices in the implementation and quality control of aviation security measures. Regulatory convergence in the region, over and above international standards, can be facilitated by improving knowledge and implementation of the aviation security provisions of the European Civil Aviation Conference (ECAC) and the principles laid down in the primary legislation of the EU.

Ensuring a high level of **aviation safety** is a key priority for the EU's transport policy. Neighbouring countries that have signed comprehensive air services agreements with the EU can also participate in the work of the European Aviation Safety Agency (EASA). In addition, any European ICAO signatory state can participate in the work of EASA on the basis of a specific agreement whereby it adopts and implements the EU aviation safety rules¹⁴.

The Commission and EASA have recently proposed the creation of a cell within EASA to cooperate with some southern neighbourhood countries (Israel, Jordan, Lebanon, Morocco and Tunisia). This seeks to harmonise the standards and procedures of air safety between the EU and those countries. Provision will be made for similar cooperation in order to increase aviation safety in the Eastern ENP countries.

Proposed actions

Short term (until 2013)

- Complete ongoing negotiations for comprehensive air services agreements and extend negotiations on such agreements to other neighbouring countries which are interested, once they are ready
- Continue assistance to neighbouring countries for modernisation of their air traffic

¹¹ Albania, Armenia, Bosnia and Herzegovina, Croatia, , the former Yugoslav Republic of Macedonia, Moldova, Montenegro, Turkey, Serbia, Ukraine

¹² i.e. the Central Route Charges Office (CRCO), the Central Flow Management Unit (CFMU) and the European Air Traffic Management Database (EAD) initiatives.

¹³ Annex 17 on Security to the Chicago Convention

¹⁴ Regulation 216/2008 article 66

management systems (SESAR) and make it available for other interested countries

- Provide information, guidance and technical assistance to neighbouring countries for joining one of the European functional airspace blocks (FAB)
- Assistance to neighbouring countries for achieving compliance with international and European aviation security standards
- Cooperate with the EU's neighbours with the aim of adopting positions in Eurocontrol in line with those developed by the EU
- Assist neighbouring countries in achieving EU and international levels of aviation safety

Longer term

- Consolidate aviation agreements with the Eastern ENP countries and Southern ENP countries respectively with a view to completing the ECAA
- Extend aviation safety cooperation under EASA to Eastern ENP countries and remaining Southern ENP countries
- Full integration of neighbouring countries into the Single European Sky

2.2. Maritime and inland navigation

In terms of tonnage, 90% of freight movements between the EU and the rest of the world are seaborne. The vision for maritime transport is one of quality shipping that is competitive and demonstrates a good environmental, safety and security performance. This is a common interest of the EU and of its neighbouring countries, which have regional seas in common.

In the Western Balkans, the draft Transport Community Treaty provides for cooperation to ensure convergence towards the EU's maritime standards and policies. The EU will continue to promote **liberalisation** of maritime transport services in order to create a level playing field with neighbouring countries. This applies in particular to the ongoing efforts to create a free trade area in the Mediterranean, including the freedom to provide maritime transport services.

The EU promotes its own and international requirements in **maritime safety, security and environmental protection**. To ensure a level playing field in the seas bordering the EU, it is important that the EU's neighbouring countries ratify and properly implement international conventions regarding maritime safety and security, as well as social and environmental conditions, and align with EU standards. For this purpose the Commission provides technical assistance. The EU also seeks active cooperation with neighbouring countries under the auspices of the International Maritime Organisation (IMO).

Lower levels of safety, security and environmental and social rules, fiscal dumping and discriminatory charging practices for the use of hinterland connections in the neighbouring countries can distort fair competition. The purpose of cooperation with the neighbouring countries is to avoid this potential distortion by establishing similar rules. EU companies benefit directly from this approach.

In order to enhance **maritime safety and security**, as well as protection of the environment, the EU will continue technical assistance to the neighbours under regional projects SAFEMED in the South and SASEPOL in the East. In addition, the EU is discussing a Commission proposal to extend the mandate of the European Maritime Safety Agency (EMSA) to provide technical assistance to ENP countries.

To further improve maritime safety and security and the response to incidents at sea, the Commission will promote the participation of the neighbouring countries in the EMSA-operated vessel traffic monitoring system SafeSeaNet and the acquisition by these countries of the maritime surveillance infrastructure which is needed for participation. In addition, to better respond to illegal discharges from ships and identify polluters in the waters, the Commission will promote the participation of the neighbouring countries in the CleanSeaNet satellite service operated by EMSA. CleanSeaNet already offers all EU coastal Member States and candidate countries, as well as Iceland and Norway, a near real-time marine oil spill service by analysing satellite pictures.

Generally speaking, the EU's neighbouring countries are under-performing in their role as **Flag States**. Under the terms of the Paris Memorandum of Understanding on Port State Control, which is the most important index for flag state performance, Azerbaijan, Algeria, Tunisia and Morocco are on the grey list, and Ukraine, Georgia, Moldova, Albania, Lebanon, Libya, Syria and Egypt are on the black list.

In order to improve their implementation of Flag State responsibilities, the blacklisted neighbouring countries are encouraged to consider the benefits of applying for the IMO Member State Audit Scheme. IMO audit is currently voluntary, but will become mandatory from 2014. The EU will continue its assistance to the neighbours to improve their Flag State performance.

The **European Maritime Transport Space** without barriers will, in the longer term, be developed into a "**Blue Belt**" of free maritime movement in and around Europe. The aim is to simplify formalities for ships travelling between EU ports. That includes putting in place electronic systems for data exchanges between ship and shore. In line with the "Blue Belt" concept, cooperation with the neighbouring countries aims to simplify administrative procedures for **short sea shipping**, establish an administrative single window for port formalities and ensure inter-operability of information systems.

Seafarers of the neighbouring countries that comply with the applicable international standards (International Convention on Standards of Training, Certification and Watchkeeping for Seafarers) may work on EU ships. At the request of EU Member States and with the support of EMSA, the Commission assesses seafarer certification procedures and training establishments in the neighbouring countries. The EU has recognised most of the neighbouring countries.¹⁵ The Commission will continue to provide technical assistance to neighbouring countries to improve the training of seafarers.

As a contribution [to a more strategic approach to maritime affairs in cooperation across all sectors including transport](#) in the Mediterranean, the Commission together with the IMO and the EIB has launched a project to identify pilot actions to improve cooperation between

¹⁵ The EU has already recognised Algeria, Croatia, Iran, Israel, Tunisia, Turkey and Ukraine. A number of other countries are under assessment, notably Azerbaijan, Egypt, Jordan and Morocco. The recognition of Georgia was withdrawn in 2010.

maritime actors in the areas of maritime safety and surveillance, social aspects and training and investments in maritime infrastructure.

The aim of the EU's **inland navigation** policy is to achieve efficient and sustainable waterway transport. It is important that the EU's neighbouring countries apply relevant international conventions to ensure equivalence with the EU levels of inland navigation safety as well as environmental and social conditions. The Commission will assist neighbouring countries in achieving these objectives.

In order to promote safety, efficiency and data exchange, the Commission will cooperate with the relevant neighbouring countries under the **River Information Services**.

As regards navigation on the Danube, the **EU Strategy for the Danube Region** proposes actions to exploit fully the market potential of inland navigation in the region that involves five neighbouring countries, Bosnia and Herzegovina, Croatia, Moldova, Serbia and Ukraine. The Commission supports the modernisation of the Danube Commission as part of the revised Belgrade Convention. The text of that Convention, to which the Commission has negotiated the EU's accession, has been agreed, but signature is still pending. The Commission encourages the two signatory States to resolve the dispute.

Proposed actions

Short term (until 2013)

- Help the neighbouring countries to improve their Flag State performance and comply with safety, security and social standards
- Extend the mandate of EMSA in order to provide technical assistance to the neighbouring countries
- Promote the participation of neighbouring countries in SafeSeaNet and CleanSeaNet
- Work together with the neighbouring countries with a view to simplifying procedures for short sea shipping in line with the European Maritime Transport Space and the "Blue Belt" concept
- Assist neighbouring countries in achieving EU and international standards in inland navigation
- Actively engage with a view to re-launching the process of modernising the Danube Commission

Longer term

- Promote closer integration of the neighbouring countries to the "Blue Belt" of free maritime movement in and around Europe

2.3. Road

Road transport plays a key role in trade flows with those neighbouring countries with which the EU shares a land border. However, cumbersome administrative procedures at **border crossings** remain an obstacle to the efficient flow of goods between the EU and its neighbours in the East. On average, 40% of total transportation time¹⁶ is lost at the borders due to

¹⁶ Assessment by International Road Transport Union

discrepancies in administrative procedures. Facilitation of border crossing procedures is therefore of key importance in stimulating trade by cutting time and costs.

The Commission has planned strategic frameworks for **customs cooperation** with Belarus, Moldova and Ukraine to ensure trade facilitation, combined with the protection of citizens at the EU's Eastern border, by means of a set of priority actions. These include safe and fluid trade lanes, risk management and combating fraud, as well as support for the modernisation of customs infrastructure and procedures.

Low levels of **road safety** in the neighbouring countries are an issue of direct concern for the EU. Improvement of road safety through training, sharing of best practices, awareness raising and promoting safer road infrastructure, including secure parking, constitute a priority for the EU's cooperation with the neighbouring regions. The Commission will investigate the possibility of extending common EU-wide intelligent transport systems services (e.g., eCall¹⁷) to neighbouring countries. Mortality due to road traffic injuries is considerably higher in most Eastern Partnership countries (21.5 per 100,000 persons in Ukraine, 16.8 in Georgia, 15.1 in Moldova) than on average in Europe (6.1 per 100,000 persons).¹⁸ The same applies to Southern ENP countries.

To ensure a level playing field on the global automotive market, it is important that the neighbouring countries ratify and apply the EU and international standards on **vehicle safety** and **environmental performance**¹⁹. The EU seeks active cooperation with neighbouring countries on this in UNECE.

Road transport services remain important in ensuring an effective cross-border manufacturing supply chain, especially on shorter distances. Unlike in the aviation sector, where the EU and its neighbouring countries have moved towards market opening, only modest steps have been taken in liberalising mutual road market access. Most EU Member States have bilateral road transport agreements with neighbouring third countries. Those agreements ensure mutual market access based on quotas. At multilateral level, quotas are also allocated by the International Transport Forum (ex-ECMT), but these account for only 5% of total operations.

Several neighbouring countries have expressed interest in increased **road market access** with the EU. The Union should exercise its external competence in this field with a view to further market integration with these countries and also taking equal account of the relevant safety, security, environmental and social aspects. The main objective of such an initiative would be gradually to remove quantitative restrictions in exchange for the implementation of standards that guarantee the quality of road transport services between the Union and the neighbouring countries, which is a concept not included in the current bilateral regimes. The draft Transport Community Treaty with the Western Balkans provides for a number of Community permits allowing road market access for trucks.

¹⁷ "Bringing eCall back on track - Action Plan (3rd eSafety Communication)", COM(2006)0723

¹⁸ Data on ENP countries from World Bank Report Confronting "Death on Wheels" Making Roads Safe in Europe and Central Asia (No. 51667-ECA, November 2009), data on Member States from CARE European Road Accident Database

¹⁹ Laid down by the World Forum for Harmonisation of Vehicle regulations of the United Nations Economic Commission for Europe (UNECE)

To ensure that similar standards relating to road transport are followed in the EU and neighbouring countries, it is important that the implementation of the digital tachograph in neighbouring countries is in line with the requirements of the UN Agreement on driving time and rest period rules in international road transport (AETR²⁰). All non-EU AETR contracting parties (all Eastern Partnership countries except Georgia), were legally bound to introduce the digital tachograph in newly registered vehicles as of 2010. The EU has assisted Eastern ENP countries in the deployment of digital tachographs. In order to bring the provisions of AETR fully into line with the EU's social rules in the road transport sector, the Commission intends to seek a mandate for the EU to become a contracting party to the AETR.

Passenger services by road contribute to the mobility of European citizens and to the flow of tourists. Cooperation with neighbours in the road sector can facilitate passenger transport by bus and coach by simplifying the authorisation of bus and coach lines and harmonising the level of service quality and safety.

In this respect, the scope of the Interbus agreement²¹ should be enlarged to cover not only occasional carriage international passengers by coach and bus, but also regular carriage and extended to neighbouring countries that are interested and ready to join.

Proposed actions

Short term (until 2013)

- Assist AETR contracting parties in digital tachograph deployment
- Help the neighbouring countries to develop and implement actions that increase road safety
- Study the impact of gradual road market opening with selected neighbouring countries
- Strengthen customs cooperation with Belarus, Moldova and Ukraine to facilitate border crossings
- Seek a mandate for the EU to become a contracting party to the AETR

Longer term

- Enlarge the scope of Interbus Agreement to include international regular carriage of passengers by coach and bus and extend it to cover ENP countries

2.4. Rail

The most significant rail freight flows between the EU and its neighbouring countries are East-West. In the last decade, there has been a 7% increase in the volume of rail freight between the EU and its immediate neighbours in the East (Belarus, Moldova, Ukraine). Growth of up to 40% in rail freight demand with the EU's Eastern Neighbours is forecast by 2020.²²

²⁰ Agreement Concerning the Work of Crews of Vehicles Engaged in International Road Transport

²¹ Agreement on the international occasional carriage of passengers by coach and bus

²² Report on "Situation and perspectives of the rail market" conducted for the Commission in 2010

In the EU, the market has been completely opened since 2007 for rail freight, and since January 2010 for international passenger services. Opening of the rail freight market has enabled new companies to enter the market, lowered the prices and initially increased volumes despite the effects of the economic crisis. A further boost could be given to the railway sector by strengthening cooperation with the EU's neighbouring countries on rail transport.

Rail freight could have a competitive advantage over other transport modes on long Euro-Asian corridors, but this is adversely affected by physical and non-physical barriers. Even though cargo flows between the EU and Belarus, Ukraine and Moldova have increased in recent years, it will remain important to focus future cooperation on key issues such as improving infrastructure and border crossing procedures, which without further development might endanger future growth in cargo volumes. Fair, non-discriminatory, transparent and efficient charging systems for the use of railway infrastructure along the corridors between the EU, its Eastern neighbours and Asia are necessary to exploit the full potential of rail freight traffic. The Commission encourages regional cooperation on this issue. Physical barriers to trade and freight growth also include the lack of interoperable rail systems, insufficient technology and rolling stock in poor condition. The efficiency of **passenger transport** by rail can be increased through better cooperation on border crossings, without requiring considerable infrastructure investments.

Action is needed to minimise the effects of a major **technical barrier** to trade, namely the difference between the gauges used in Belarus, Moldova and Ukraine (1520 mm) and the standard gauge used in most of the EU (1435 mm). The difference is time consuming and slows down freight and passenger transport flows. As a first step, the 1520/1524 mm track gauge system should be specified in the standards developed by the European Railway Agency (ERA). This would create a suitable basis for the whole of industry to supply systems and products in conformity with those standards. To enable this, the EU will further pursue technical cooperation with OSJD countries²³ through the ERA. To strengthen cooperation with the southern neighbourhood countries, ERA is involving independent experts from Algeria, Morocco and Tunisia to work on interoperability issues.

A second step would be to study **trans-shipment** (from 1520 mm to 1435 mm and vice versa) practices and try to improve them including through research. For this purpose, different formats of cooperation can be used to assist the neighbouring countries to comply with EU standards. Closer cooperation will help to increase interoperability, ensure a level playing field in terms of safety, and prepare the ground for possible market opening in the future. The negotiated draft Transport Community Treaty with the Western Balkans provides for the opening of the rail market for passenger or freight services for operators both in the EU and in South East Europe.

To ensure interoperability and safety of railway networks in the EU and its neighbouring countries, the EU is also promoting the deployment of the **European Rail Traffic Management System** (ERTMS) in its neighbourhood. Besides providing a system that ensures smooth rail traffic with fewer costs, an additional advantage of ERTMS is the

²³ Out of ENP countries, Azerbaijan, Belarus, Georgia, Moldova and Ukraine are members of OSJD. Out of EU MSs Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Romania are members of OSJD.

availability of a wider range of product suppliers, bringing a wider choice for governments, rail operators and infrastructure managers.

Reforms that seek to bring the rail sector of neighbouring countries closer to the EU's **standards** (safety, security, environmental, social and interoperability) should continue in the EU's neighbouring countries. This would not only benefit passenger and freight transport, but would also attract more investment to the rail sector. For EU companies, the high demand for rolling stock modernisation in neighbouring countries creates new market opportunities. Reforms are also a pre-condition for any market opening in the future.

Despite the relatively large market share of rail in Ukraine, Belarus and Moldova the rail **freight market** has not yet been liberalised. All the Western Balkan countries and Turkey have already initiated the reform process. The Commission encourages the Southern ENP countries to continue their railway reforms.

Proposed actions

Short term (until 2013)

- Specify the 1520/1524 mm track gauge system in the standards (technical specifications for interoperability) developed by the ERA.
- Promote the deployment of the European Rail Traffic Management System (ERTMS) in neighbouring countries.
- Promote the participation of enlargement and neighbouring countries in the activities of the ERA

Longer term

- Study trans-shipment (from 1520 mm to 1435 mm and vice versa) practices at connecting points and try to improve them, including via research activities
- Explore the possibility of an opening of the rail market with the ENP countries

3. INFRASTRUCTURE CONNECTIONS

To improve and promote infrastructure connections, the Commission will focus on three key elements: defining the networks, prioritising projects and mobilising financing.

Networks

As a first step in promoting infrastructure connections, the strategic transport **networks** of the neighbouring regions need to be defined. These regional networks will be the basis for the EU's renewed cooperation on transport infrastructure with neighbouring countries. They will serve as an extension of the revised Trans-European Transport network (TEN-T) beyond the EU's border and connect countries in the region. Those networks should promote the regional integration between the countries and reflect future traffic flows.

Work in the Western Balkans, Turkey and in the EU's Southern neighbourhood is at an advanced stage. The Commission has cooperated with these neighbouring countries in identifying transport infrastructure networks covered by transnational axes. Cooperation in the

Western Balkan region has led to the development of the South East Europe Comprehensive Regional Transport Network. The draft Transport Community Treaty envisages further development of this network. Turkey is developing a transport network in cooperation with the Commission. In the Southern neighbourhood, Euro-Mediterranean transport cooperation has led to the definition of the Trans-Mediterranean Transport Network.

The Commission will work with the neighbouring countries in the East to define a regional transport network, building on the 2007 Commission Communication²⁴, TRACECA²⁵ corridors and negotiations on Association Agreements that include a transport chapter. Regional transport networks in the East that connect with TEN-T and networks of the neighbours of the neighbours in Central Asia are particularly important for facilitating alternative connections between Europe and Asia.

To ensure efficient planning and monitoring of TEN-T, the Commission has developed the TENtec Information system that includes traffic data monitoring and forecasts from the Member States as well as Croatia and Turkey. The Commission is now enlarging the scope of TENtec to include transport infrastructure data in the ENP and other Western Balkan countries. This will enable TENtec to be used as a tool for planning the extension of TEN-T beyond the borders of the EU.

The Motorways of the Sea concept represents the maritime dimension of the Trans-European transport network. The EU uses this concept in developing maritime based intermodal freight transport connections with the neighbouring countries. The Motorways of the Sea concept also promotes regional integration, thereby creating better connections between the neighbouring countries themselves.

Several technical assistance projects have been pioneered in the Mediterranean, Black Sea and Caspian Sea regions for this purpose. Pilot links in the Mediterranean have already contributed to the introduction of the benefits of efficient short sea shipping between the EU's Southern Member States and the Mediterranean partner countries in the form of reduced transport time and costs. With the key objective of facilitating trade, those connections will be developed in both the Southern and Eastern neighbourhood with continued technical assistance from the EU.

Projects

As a second step, **priority projects** of regional and EU interest need to be identified on the regional transport networks. Priority projects have been identified in the Western Balkan and Southern Neighbourhood regions by using a number of selection criteria.

In the Eastern neighbourhood, a similar project prioritisation process has been launched both in the context of the TRACECA programme and in consultations held with the neighbouring countries in preparing this Communication. The same selection criteria as those for projects in the Western Balkan and Southern neighbourhood regions have been used.

²⁴ COM(2007) 32, 31.1.2007

²⁵ Originally a Community programme, but regulated since 1998 by a multilateral agreement with intergovernmental structures. It has played a key role in developing transport corridors between Europe and Asia and includes Armenia, Azerbaijan, Bulgaria, Georgia, Iran, Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan, Turkey, Ukraine, and Uzbekistan as members. Iran does not benefit from EU funding.

In the renewed approach, projects should have a regional and EU interest, be located on a regional network, benefit from a firm commitment by the neighbouring countries, aim to alleviate bottlenecks for international traffic such as on border crossings, and improve connections between the revised TEN-T and the regional network. The projects should also help to increase integration and interoperability between the transport systems of the EU and its neighbours, lead to reduced transport costs and time, facilitate international freight flows and increase safety, security and protection of the environment.

The Commission, together with the International Financial Institutions, will screen projects submitted by neighbouring countries by using these criteria. As a result of this work, a pipeline of priority projects that can be considered for implementation by the Commission and the International Financial Institutions will be gradually established.

Financing

As a third and last step in building the actual interconnections, **financing for mature priority projects** needs to be made available.

The transport infrastructure financing needs in the EU's neighbouring regions are higher than what the EU, other donors, neighbouring countries or the IFIs can finance alone. To alleviate the funding gap, cooperation between all these partners needs to be enhanced, including through better use of existing innovative financing instruments that the EU has put in place for its neighbouring regions. Increased use of EU programmes should be considered for improving transport connections with the neighbouring countries.

The Commission's recent Communication²⁶ on a Budget for Europe 2020 suggests that infrastructure projects of EU interest that pass through neighbourhood and pre-accession countries could in the future be linked and financed through the new Connecting Europe facility, allowing financing from different headings of the EU budget under one integrated set of rules. In the Western Balkan region, the Western Balkans Investments Framework (WBIF) combines grants from multiple sources with loans to co-finance environment, energy and transport infrastructure projects. The Commission will consider giving priority to the financing of projects that help to develop the South East Europe Comprehensive Regional Transport Network. The WBIF has already approved 22 transport projects for which the allocated EUR 37 million of grants could potentially mobilise a considerable amount of investments. In addition, the Instrument for Pre-Accession Assistance (IPA) provides financing for projects that help to link the regional transport network in the Western Balkans and the TEN-T.

In the Southern and Eastern neighbourhood regions, the Neighbourhood Investment Facility (NIF) combines grants from the EU budget and loans from international financial institutions to provide financing to key infrastructure projects in the transport, energy, social and environment sector as well as for private sector development. To date, around 25% of the EUR 745 million available under the NIF in the current financial perspective has been allocated for transport infrastructure projects. Until 2013, the NIF still has EUR 465 million uncommitted. The Commission will work together with the IFIs and the neighbouring countries to enhance the submission of transport projects for financing by the NIF.

²⁶ COM(2011) 500, 29.06.2011

Priority infrastructure projects that are considered mature by the Commission and the international financial institutions will be submitted to the NIF. This will allow the NIF to focus more closely on key interconnection projects. The Commission will also seek the wider involvement of international financial institutions in the work of the NIF.

In March 2011, the Commission, the European Investment Bank and the European Bank for Reconstruction and Development signed a Memorandum of Understanding on cooperation outside the EU, which includes the extension of TEN-T as one of the actions. The Commission will also seek closer cooperation with the World Bank and other interested IFIs on transport issues outside the EU. Closer cooperation with the IFIs will involve sharing of expertise and information on financial resources in the transport sector, screening of projects and preparing project pipelines. The Commission and the Banks will also support neighbouring countries in developing transport strategies, help them to identify priority infrastructure projects and prepare project proposals. The Commission's political leverage in the region combined with the financial capacity of the banks can give a boost to transport project financing in the neighbouring countries.

The Commission will also promote interconnections with its neighbouring countries through other existing instruments, under the bilateral and regional support to neighbouring countries from the European Neighbourhood Policy Instrument. Those include TAIEX, Twinning and ENPI cross-border cooperation.

Proposed actions

Short term (until 2013)

- Define strategic transport networks in the Eastern Partnership region with connectivity to revised TEN-T
- Adapt the planning of future Trans-Mediterranean transport network to the context of the revised TEN-T policy
- Prepare a potential pipeline of transport projects of European interest in the Eastern Neighbourhood countries prioritising projects that connect the neighbouring countries with the EU
- Strengthen the Commission's cooperation with the International Financial Institutions in the Eastern and Southern ENP
- Increase the uptake of transport interconnection projects by the Neighbourhood Investment Facility and start financing of mature projects
- In the Western Balkans, give priority to financing projects that help to develop the South East Europe Comprehensive Regional Transport Network
- Enlarge the scope of the TENtec Information System to cover all countries in the neighbouring regions
- Developing further maritime based connections through the Motorways of the Sea concept

Longer term

- Continue developing the pipeline of priority projects, by placing emphasis on projects that promote regional integration and better connections with the EU

4. FRAMEWORK FOR IMPLEMENTING POLICY AND INFRASTRUCTURE COOPERATION

A framework for following up the implementation of this Communication together with the neighbouring countries, both as regards planning of transport infrastructure and policy cooperation, needs to be defined for all regions concerned. Such a framework has already been established in both the Western Balkan and southern neighbourhood regions.

In the Western Balkans, regional transport cooperation is dealt with within the framework of the South East Europe Transport Observatory (SEETO). SEETO has defined a regional transport network, and it identifies priority projects of regional interest in a multi annual plan on a rolling basis (38 priority projects identified for 2011-2015) and follows up transport policy measures. The draft Transport Community Treaty also provides for identification of priority projects of regional interest. The work of SEETO can contribute to the implementation of the EU Strategy for the Danube Region.

In the Southern Neighbourhood, transport cooperation is guided by the Regional Transport Action Plan for the Mediterranean region 2007-2013 within the Euromed framework. In Euromed, participant countries plan their transport cooperation together and develop the Trans-Mediterranean Transport network with the help of the Commission and International Financial Institutions. This has already led to the identification of 18 priority projects. The Euromed framework also follows up cooperation on transport policy measures. In addition, cooperation in implementing the recent EU offer for Partnership for Democracy and Shared Prosperity with the Southern Mediterranean will be deepened.²⁷

As regards the Eastern Partnership countries, a number of initiatives have been launched. The TRACECA programme covers, amongst others, Azerbaijan, Armenia, Georgia, Moldova and Ukraine, while Belarus is covered by the Northern Dimension Partnership on Transportation and Logistics (NDPTL). Following the best practice of planning frameworks in the Western Balkans and Southern Neighbourhood regions, there is a need for a similar framework to plan transport infrastructure cooperation which is specific to the six Eastern Partnership countries.

The Eastern Partnership was established in 2009 with four thematic platforms to deepen the EU's relations with its neighbours in the East. Transport cooperation has so far been part of a platform dedicated to economic cooperation. In view of the identified need to putting in place a framework for planning transport cooperation that is specific to the Eastern Partnership countries, the Commission will establish an **Eastern Partnership Transport Panel**. This transport panel will bring together the European Commission, the neighbouring countries, the Member States and the IFIs to discuss reforms that are needed for closer market integration, planning of transport networks and preparing the pipeline of infrastructure projects. It will also coordinate and streamline the technical working groups of the relevant existing frameworks.

The work of the Eastern Partnership Transport Panel will lead transport cooperation with the Eastern Partnership countries and will receive input from other existing transport initiatives in the region, such as TRACECA programme and the EU Strategy for the Danube Region. As regional cooperation has been carried out under various initiatives that have been running in

²⁷ COM(2011) 200, 8.03.2011

parallel until now, the Eastern Partnership Transport Panel will set out a new approach for cooperating in a coordinated manner on all transport issues relating to the eastern neighbourhood countries.

Proposed actions

Short term (until 2013)

- Create a Transport Panel under the Eastern Partnership to lead both policy cooperation and transport infrastructure planning
- Sign the Transport Community Treaty with the Western Balkans

5. CONCLUSIONS

This Communication outlines the Commission's renewed approach to transport cooperation with the ENP countries in the wider context of a strengthened ENP policy and taking elements from the enlargement process as a model. It also identifies actions to improve cooperation with the enlargement countries.

The Commission will closely follow up the implementation of the actions identified in this Communication with the enlargement and ENP countries under the enlargement policy, Eastern Partnership and Euromed frameworks. It will do so in close cooperation with the ENP and the enlargement countries, as well as the Member States and IFIs. In line with the Roadmap to a Single European Transport Area, cooperation with the neighbouring regions will focus on removing the barriers to transport and on operating a transport system with high safety, security, social and environmental standards, as regards both infrastructure and market integration aspects.