

INSTITUTIONAL AND ORGANIZATIONAL FEATURES OF CROSS-BORDER CARGO TRAFFIC IN THE POST-SOVIET SPACE INTEGRATION TERMS. PART II

The article covers the technical, technological, institutional, and organizational barriers of cross-border transportation of cargo. The study uses an institutional approach as a methodological alternative to other approaches. The study touches on institutional and organizational problems of border crossing checkpoints arrangement, the consequences of the application of unified transport documents and the introduction of electronic communication forms. Particular attention is paid to the analysis of demonstrative actions and the daily practice of reducing the time of customs procedures and reducing transaction costs of cross-border cargo traffic. Herewith it is indicated that the most effective way to improve the efficiency of cross-border transportation of cargo suggests the simultaneous implementation of technical and institutional innovations.

Emphasis is placed on identifying the institutional and organizational features of the international road transportation of cargo, in particular, the problems of the evolution of the guaranteed customs duties payment institute, the permission system in the implementation of cross-border cargo traffic. The fact that the state support of national entrepreneurs requires a mechanism to ensure the parity of Russian and foreign carriers, at least in the field of cargo transportation for state needs, with the involvement of credit resources of government-linked banks is highlighted. It is underlined that the first step towards improving the institutional environment of international road transportation should envisage the elimination of all informal (shadow) relations in this sphere.

The article identifies institutional features of cargo transportation in specific areas such as deliveries by road to China through Kazakhstan, and the challenges and prospects for the use and development of transit potential of Kaliningrad Region. The article shows institutional and organizational characteristics of combined transportation in cross-border traffic.

The article concludes that the development of cross-border transportation of cargo and the implementation of transport and transit potential of EAEU member states may and should become a powerful source of income for business entities, budgets of all levels and households, as well as the driving force of industrial and technological upgrading and institutional and organizational evolution of economic systems of the countries and integration associations.

Keywords: institutions and organizations, customs operations, the Eurasian Economic Union, railway transportation, road transport, advance notification, e-declaration, transport-transit potential

8.2. Authorization System Functioning for Cross-Border Cargo Transportation under Bilateral and Multilateral Intergovernmental Agreements on International Road Transport. In most part of the post-Soviet economic space, a system of bilateral authorization is integrated — that is, a system in which the carrier receives a document called “Authorization for Truck to Enter” (transit license). Such permits are issued by the Ministry of Transport of the country where the cargo is transported to. In Russia, the organization of bilateral permit (transit licenses) distributions is carried out by a special commission of the Ministry of Transport of Russia, while the Association of International Road Carriers (AIRC) issues the documents.¹

The AIRC is making efforts to provide Russian foreign carriers with foreign permits for those areas where there was an increased demand. Thus in 2013, in collaboration with the Ministry of Transport of the Russian Federation, an agreement was reached with the relevant authorities of a number of countries for additional issuance of over 34 thousand foreign permits, including those from France, Czech Republic, Romania, Latvia, and other countries. For the first time in many years, permits were exchanged with Georgia and Turkmenistan.²

¹ Avtomobilnyye gruzoperevozki. Razreshenie na vezd 19 yanvarya 2014 [Road transport. Permission to enter on January 19, 2014]. Retrieved from: <http://avtonovostidnya.ru/drugoe/avtomobilnyie-gruzoperevozki-razresheniya-vezd> (date of access: 15.03.2015).

² Vmeste dlya luchshego budushchego [Together for better future]. (2014). Mezhdunarodnyye avtomobilnyye perevozki [International road transport], 3. Retrieved from: [http://www.map.asmap.ru/3\(115\)_14/index2.html](http://www.map.asmap.ru/3(115)_14/index2.html) (date of access: 15.03.2015).

However, it is not enough just to issue authorizations, it is also necessary to monitor the opportunistic behavior of economic agents. First, it concerns foreign trucking companies working in Russia without transit licenses, relying on feeble monitoring of permit issuances, small fines, and corrupted control officials.

According to opinions expressed as early as in 2013 by the head of Mertrans, LLC (international freight traffic organizer) B. Khaleyev, “the authorization system designed to prevent the occupation of the Russian market by foreign carriers is failing. Thanks to that, Polish (more than 160 thousand trucks are ready for international traffic in that country) and Baltic trucks, as well as trucks of other countries get to Russia almost unchecked.”³

The organization issuing permits to foreign carriers and controlling their presence protects Russian trucking companies, a factor ensuring balance in the transport market. However, regulations required for the efficient transport control over foreign companies have been insufficient for a long time. Fines for not having transit licenses for foreign carriers were extremely small (2 thousand rubles).⁴

To improve the efficiency of transport control, in May 2014, in the second reading, amendments were adopted to Federal Law No. 127, empowering the Federal Service for Transport Supervision with additional powers related to control over permit usage by foreign carriers. The fines are to be increased as well.

The most active advocate for the evolutionary development of transit licenses institution and for the strengthening of control over the opportunistic behavior of foreign carriers is the AIRC. In addition to lobbying in the government, the organization and its members together with the regulatory authorities carry out actions to identify trucks from other countries that do not have permits for transportation through the Russian territory and make their drivers and owners accountable.

To develop transit transportation of cargo, it is necessary to intensify the practice of conclusion of multilateral agreements on international road transportation and to make efforts to expand the practice of obtainment of multilateral transport permits, valid in all the countries-participants of the European Conference of Ministers of Transport (ECMT). To obtain such permits, it is necessary for the country to have trucking companies equipped with the latest technology, the establishment of which is impossible without state support.

8.3. Control over Size and Weight Parameters of Vehicles. Improving the institutional environment of market economics requires the introduction and development of the institute of fare payments for trucks in accordance with the needs of the road sector, compensating all expenses on construction, reconstruction, repair, and maintenance of highways. The elements of this institution are:

- fare payments for traveling on federal and regional highways in accordance with a traveled distance at differentiation of fare in the context of routes and types of vehicles
- development of a toll roads institution (roads providing carriers with competitive advantages and additional services)
- compensation costs for road maintenance in accordance with tax laws
- control over weight and dimensional standards and regulations while traveling on highways

Liquidation of (decrease in) infrastructural inequalities will facilitate the transition of mass cargoes to railway and water transport. However, competitive advantages of trucking companies are determined not only by infrastructural inequality compared with other modes of transport. For freight transportation using vehicles for “door to door,” transaction costs are significantly lower than when using rail transport, especially in the transport of general cargo for distances up to 1,000 km.

The imperfection of the institutional environment makes the transportation of mass cargoes for distances of up to 12 thousand km profitable. Low barriers for entry to the market and imperfect monitoring of existing legislation enforcement lead to the mass appearance of illegal carriers. As

³ Lyubaya rabota — eto sozidanie. Intervyu s rukovoditelem kompanii mezhdunarodnykh gruzovykh perevozkov OOO «Mertrans» V. Khaleyevym [Any work is a creation. Interview with the head of Mertrans, LLC (international freight traffic organizer) — B. Khaleyev]. (2013). *Mezhdunarodnyye avtomobilnyye perevozki* [International road transport], 3. Retrieved from: [http://www.map.asmap.ru/3\(109\)_13/index2.html](http://www.map.asmap.ru/3(109)_13/index2.html) (date of access: 15.03.2015).

⁴ Biznes po-zapadnomu. Intervyu s generalnym direktorom kompanii «Avtoza-padtrans» M. Poluyanovym [Occidental business. Interview with General Director of Autozapadtrans, LLC — M. Poluyanov]. (2013). *Mezhdunarodnyye avtomobilnyye perevozki* [International road transport], 6. Retrieved from: [http://www.map.asmap.ru/6\(112\)_13/index2.html](http://www.map.asmap.ru/6(112)_13/index2.html) (date of access: 15.03.2015).

estimated, an annual amount of damage to the Russian roads caused by overloaded trucks reaches 3 percent of annual GDP.⁵

According to K. Ugarov, director of Rosdormonitoring, Federal Governmental Institution, “every third cargo transportation in Russia, or about 35 percent of cargo traffic, is carried in excess of established standards. The average surcharge is 40–45 percent. The total damage caused by such transportation to the state through the damage to roads of all categories is estimated at a colossal amount, about 2.5 trillion rubles per year.⁶ Tougher penalties and improved methods of control over legal entities and individuals activities are required.

To eliminate infrastructural discrimination within the federal roads network, a fares system charging vehicles with carrying a capacity exceeding 12 tons and a network of automated weight and dimensional control checkpoints are created. A positive aspect is that in the case of an automatic indication of the surcharge, the liabilities are to be borne by the vehicle owner not by the driver. This will lead to the more effective punishment of economic agents for noncompliance with established regulations and requirements. In addition, the automation of weight control will eliminate cases of abuse and extortion on the part of controlling officials, common for the natural state operation.

However, due to lobbying activities of the AIRC, the Russian Ministry of Transport has decided to postpone the introduction of fare payments for vehicles traveling through federal highways with carrying capacity over 12 tons till November 2015. Furthermore, a possibility appeared of cargo transportation with an excess of weight by 2 percent without any special permits, while maximum permissible axle loads shall be established not for a separate axis but for a set of axes.

8.4. Institutionalization of Consignor, Consignee, and Carrier Relations. Types of rolling stock, traffic routes, transportations features, and methods of payment for transport services are fixed both in contracts on goods supply concluded between consignors, consignees, and truck companies and in international agreements. Moreover, the practice of individual transport routes development is in full operation.

Interstate agreements govern the implementation of cross-border (including transit) road transportations only on routes, roads (road sections) preapproved by parties. For example, during the Soviet period, Soviet cars were not allowed to enter Denmark, while the USSR allowed foreign cars to enter its territory according to existing list of “open” roads.

At the moment, Chinese authorities refuse to give access to Russian carriers to its territory, referring to the absence of agreement on roads on both Chinese and Russian sides for mutual passage of vehicles of the two countries after their transit through the territory of Kazakhstan, what was provided by relevant intergovernmental agreements.⁷

8.5. In-House Formal and Informal Rules of Cross-Border Traffic Organization, Control over Work and Rest of Drivers. Quite often, long queues at border crossings are formed not only due to their low throughput capability but also due to the imperfection of the institutional environment. When one checkpoint is overloaded, customs authorities recommend carriers to choose other routes. However, drivers do not follow these recommendations, as they have fuel consumption restrictions set by the heads of trucking companies.⁸ In addition, going to a free crossing checkpoint, the driver can face labor period limitations prescribing him to stay for rest and not to drive forward.

Quite often, informal in-house rules require truck drivers to work hard without rest that leads to road safety decrease. The efforts of public authorities are aimed at controlling over work and rest of drivers by equipping them with tachographs sending a stop signal after the expiration of the set norm of a driver being behind the wheel.

⁵ Perevozki podorozhayut [Transportation services are getting more expensive]. (2015, January 29). Transport Rossii [Transport of Russia], 5. Retrieved from: <http://www.transportrussia.ru/avtomobilnye-dorogi/perevozki-podorozhayut.html> (date of access: 15.03.2015).

⁶ Summarnyy uron [Total damage]. (2015, February 19). Transport Rossii [Transport of Russia], 8. Retrieved from: <http://www.transportrussia.ru/bezopasnost/summarnyy-uron.html> (date of access: 15.03.2015).

⁷ Na obochine Shelkovogo puti [On the sidelines of the Silk Road]. (2014). Mezhdunarodnyye avtomobilnyye perevozki [International road transport], 1. Retrieved from: [http://www.map.asmap.ru/1\(113\)_14/index2.html](http://www.map.asmap.ru/1(113)_14/index2.html) (date of access: 15.03.2015).

⁸ Soglasno issledovaniyam vedushchikh avtoproizvoditeley, 70 % ekonomii topliva zavisit ot kachestva mashiny, a 30 % — ot professionalizma voditelya. Sm. ot dveri do dve-ri. Intervyu s generalnym direktorom SP ZAO «Baltkom Laynz» S. Andrusom [According to research of leading car manufacturers, 70 percent of fuel savings depend on the quality of a car, while 30 percent, on the professionalism of its driver. See: From door to door. Interview with S. Andrus, General Director of JV Baltkom Lines, JSC]. (2013). Mezhdunarodnyye avtomobilnyye perevozki [International road transport], 4. Retrieved from: [http://www.map.asmap.ru/4\(110\)_13/index2.html](http://www.map.asmap.ru/4(110)_13/index2.html) (date of access: 15.03.2015).

The introduction of tachographs is resisted by participants of the road transport market mostly not because of the introduction itself but due to a short period of time dedicated to its implementation, shortage of certified manufacturers of devices, their high cost, lack of areas for rolling stock resting, and poor road service. At the same time, international carriers are sympathetic to this step, simply because it is impossible to travel on the EU roads without control over work and rest of drivers, especially after 2018, when such a system will be introduced everywhere in the EU.

8.6. Features of Competitive Procedures for Cargo Carriers Selection. Russian companies lose the competition to foreign companies in the field of cross-border freight transportation. Thus, trucking companies of Lithuania, Latvia, Moldova, Poland, Ukraine and Belarus offer rates for goods transportation by 10–20 percent (maybe even by 30 percent) less than prices of Russian companies. Regional leaders of cargo transportation in southern Russia are foreign companies thus far, mainly from the EU, Turkey, Iran, Azerbaijan, Kazakhstan (the ratio between them and domestic players is 60 to 40 percent).⁹

The devaluation of the Russian ruble will somehow help remedy the situation; however, a new negative factor was the introduction of mutual economic sanctions by Russia and the EU countries. A nontariff barrier for the development of international road transportation is an introduction of a utilization fee in 2012. It increases the financial burden on road transport companies along with high loan and leasing interest rates.

The Russian cargo base of trunk companies is being reduced, in particular, through the functioning of such an institution as a selection of cross-border carriers on a competitive basis. When choosing a transportation company, a foreign freight forwarder arranges a tender for the lowest transportation cost. Russian companies lose this fight under unequal competitive conditions. It should be noted that the same procedure is also applied for the transportation of goods for the needs of the Russian state and with the use of credit resources of banks with state participation.

To address this issue, S. Aleynikov, general director of Vybor Intrans, LLC, a board member of the AIRC offers “to ban the conclusion of such contracts without organization of tenders by Russian consignees for the provision of international road services among domestic carriers at the location of the consignees within Russia. Or right from the start to indicate that participation of Russian carriers shall amount to, for example, 50 or 70 percent.”¹⁰

Another solution is to attract foreign cofounders and a complete or partial withdrawal of a transport company from under Russian jurisdiction. Thus, according to S. Andrus, general director of JV Baltkom Lines, JSC, his company is a part of an international network of ULS GLOBAL (Universal Logistics Systems) that unites transportation, freight forwarding, and logistics companies in Russia, Italy, Germany, Spain, Turkey, Estonia, Finland, Kazakhstan, China, and the USA. Due to the fact that the founder of the joint venture is a foreign company, the company has the opportunity to lease vehicles on European interest rates. In addition, the membership in ULS GLOBAL holding allowed the company to enter into a long-term agreement with a ferry line en route to Estonia – Russia, thus allowing avoiding delays at the border waiting on the customs control.¹¹

9. Institutional Aspects of Cargo Transportation on Separate Destinations

9.1. Aspects of Cargo Transportation by Road to China, including through the Territory of Kazakhstan. Problems of Institutional Fixation of Mutual Interests. Despite the beginning of the Eurasian Economic Union operation from January 1, 2015, the institutional fixation of a single transport space of participating countries is viewed poorly. Moreover, there are contradictions associated with the pursuit of national interests of individual states-members of the integration association. First, we are talking about the realization of a transit potential of “Europe – Western China” international transport corridor passing through the territory of Russia and Kazakhstan.

⁹ Sanktsionny obyezd [Sanctions detour]. (2014, October 13–26). Ekspert-Yug [Expert South], 41–42 (331). Retrieved from: http://expert.ru/south/2014/42/sanktsionnyj-ob_ezd/ (date of access: 15.03.2015).

¹⁰ Logistika, obedinyayushchaya strany. Intervyu s direktorom po prodazham OAO «RZhD Logistika» P. Lagovym [Logistics, Uniting Countries. Interview with Lagov P., director for sales of RZD-Logistics, JSC]. (2015, January 20). RZhD-Partner [RZD-Partner]. Retrieved from: <http://www.rzd-partner.ru/interviews/interview/logistika--obediniayushchaia-strany/> (date of access: 15.03.2015).

¹¹ Ot dveri do dveri. Intervyu s generalnym direktorom SP ZAO «Baltkom Laynz» S. Andrusom [From door to door. Interview with S. Andrus, general director of JV Baltkom Lines, JSC]. (2013). Mezhdunarodnyye avtomobilnyye perevozki [International road transport], 4. Retrieved from: [http://www.map.asmap.ru/4\(110\)_13/index2.html](http://www.map.asmap.ru/4(110)_13/index2.html) (date of access: 15.03.2015).

The desire of the government of Kazakhstan to use the transport and transit potential of the country to its maximum has led to the introduction of policy on entering the market of international road transport by replacing foreign (including Russian) companies from the market.

The constituent elements of the protectionist policy are:

- 1) Cancellation of transit permit sales to foreign carriers
- 2) Increasing control over travel of foreign vehicles through the territory of the republic
- 3) State support for domestic transport companies

The policy of Kazakhstan is enforced by the efforts of the Chinese government on provision of Chinese goods transportation to Europe by Chinese shipping companies through the establishment of enterprises in Kazakhstan, working according to TIR system and controlled by Chinese businessmen.¹²

In July 2013, as a result of the joint activity of these forces, the administration of Xinjiang Uygur Autonomous Region (XUAR) of China decided to close the entrance for Russian carriers to the territory of XUAR from the territory of Kazakhstan.¹³ As a result of customer and cargo base reduction, many Russian transport companies (especially from Siberia) are on the verge of bankruptcy.

According to the leaders of Russian companies, it is hardly possible to solve the problem within the framework of a three-party agreement between China, Kazakhstan, and Russia, because China does not provide the right of transit transportation through its territory to any foreign transporters.¹⁴

9.2. Usage and Development of Transit Potential of Kaliningrad Region: Problems and Prospects. 2K Program Resuscitation. The improvement of the institutional and organizational environment of cross-border transportation of cargo is especially important for the Russian semi-exclave, Kaliningrad region. In the future, it is the support of transport communications that will be a key factor for the development of the region within the Russian Federation.

The fact that on April 1, 2016, the period when companies of the Kaliningrad Special Economic Zone (SEZ) were to be exempt from customs duties to supply the market of the Customs Union of products manufactured using imported components will be ending. Methods of state support should be consistent with WTO rules. Transport system development is one of the areas of regional economy adaptation to the new conditions.

The devaluation of the Russian ruble has strengthened competitive advantages of the Ust-Luga—Baltiysk ferry line, whose tariffs for services are formed in rubles (unlike railway tariffs for cargo transportation through the territory of Lithuania). At the moment, the State Duma of the Russian Federation is considering the draft law “On Amendments to the Federal Law “On the Special Economic Zone in the Kaliningrad Region” and on Amendments to some Legislative Acts of the Russian Federation.” One of the clauses of the draft law provides for the establishment of a separate procedure of customs operations in respect of goods of the Customs Union transported by sea between road-rail-ferry terminal in Kaliningrad seaport in Baltiysk and Ust-Luga seaport.¹⁵

In May 2010, Lithuanian Railways, JSC and Russian Railways, JSC signed an agreement on cooperation in intermodal railway transportations in Klaipeda/Kaliningrad—Moscow direction (2K Project). Coordinated tariff policy was to consolidate the two ports into one transport corridor. However, the goal was not achieved, first off, due to the fact that the Lithuanian side was not interested in the development of the 2K Project, seeking to redirect cargoes to its own ports.

The 2K Project can also be realized through the initiatives of private companies. Thus, the joint plans of Freight One, JSC (Russia) and Lietuvos Gelezinkeliai (LG, Lithuania) for 2015 imply to attract an additional cargo base. For that purpose, the terms of maintenance and repair of Freight One's rolling stock in Lithuania were agreed; the volume of transit cargo transportation of main Freight One's clients via LG was approved; and a bilateral agreement on comprehensive forwarding services in Lithuania was prepared. According to O. Bukin, general director of Freight One, JSC, the collaboration

¹² Vmeste dlya luchshego budushchego [Together for better future]. (2014). *Mezhdunarodnyye avtomobilnyye perevozki* [International road transport], 3. Retrieved from: [http://www.map.asmap.ru/3\(115\)_14/index2.html](http://www.map.asmap.ru/3(115)_14/index2.html) (date of access: 15.03.2015).

¹³ Until July 2013, Russian transport companies could enter the territory of China, though it was faced with some difficulties, delivering the cargo and getting the backload at such crossing checkpoints as Zimunai — Maikapchagai, Tacheng — Bakhty.

¹⁴ Na obochine Shelkovogo puti [On the sidelines of the Silk Road]. (2014). *Mezhdunarodnyye avtomobilnyye perevozki* [International road transport], 1. Retrieved from: [http://www.map.asmap.ru/1\(113\)_14/index2.html](http://www.map.asmap.ru/1(113)_14/index2.html) (date of access: 15.03.2015).

¹⁵ Pereprava luchshe tranzita [Crossing is better than transit]. (2015, February 11). Gudok [Horn]. Retrieved from: <http://www.gudok.ru/newspaper/?ID=1254203&archive=2015.02.11> (date of access: 15.03.2015).

between the two companies will provide an opportunity to develop long-term trends to the ports of Kaliningrad and Klaipeda.¹⁶

The increasing complexity of customs procedures can be implicitly conditioned by political motives. Thus, from September 11, 2013, FCS of Russia toughened inspections for Lithuanian cargoes. Cargoes transported by vehicles with Lithuanian plates are now inspected on domestic Russian customs checkpoints with full cargo uploading, all products inspection, as well as with samples taking for examination. Such toughening of customs procedures may be a response to the failure of 2K Project, which implied the unification of railway tariffs in the territory of Lithuania for the transportation of goods from Russia, Belarus, and Kazakhstan to Klaipeda and Kaliningrad ports.¹⁷

The region development as a transit area will be enforced by the resolution of the Ministry of Transport of the Russian Federation on lifting restrictions for the airport of Kaliningrad on flights of the fifth degree of freedom. It will allow Russian and foreign airlines to use Kaliningrad as a transit hub, including for the transportation of valuable cargoes.

10. Problems and Prospects of Creation of Interconnected Customs System of EAEC and EU Countries for Development of Cross-Border Transportation of Cargo

The dual Russian customs system operating with the European Union implies the implementation of a three-year program "Creation of a Unified Automated Information System for Customs Transit Control States-Members of the Eurasian Economic Community" associated with the New Computerized Transit System (NCTS) used by the EU countries.

Adopted in November 2010, the resolution of the Interstate Council of the Eurasian Economic Community "On Interstate Target Program 'Creation of Unified Automated Information System for Customs Transit Control of States-Members of the Eurasian Economic Community'" resulted in the allocation of 212.8 million rubles to the system creation. As of the middle of 2014, the Program was not implemented in full, including due to the operational inconsistency of the Russian state agencies and unreadiness of their information systems to integrate with each other.

According to A. Belyaninov, head of the Federal Customs Service of Russia, the European Union and the Customs Union are trying to reconcile the system of customs clearance for transit goods, but they will not be able to unify them completely, as "our requirements for completing so-called information fields are somewhat broader than in the European Union."¹⁸

Another example of interconnected institutional environment formation is the intention to use the harmonized system designed to ensure that the names of transported cargo correspond with the International Standard Commodity Classification for the transportation of goods through the border of Russia and Finland.

Main Conclusions and Recommendations

Identifying institutional and organizational features of cross-border transportation of cargo in the post-Soviet economic space and communicating with neighboring countries and integration associations allow the following conclusions and recommendations to be made on directions of institutional evolution in this area.

1. The development of cross-border transportation of cargo and the implementation of transport and transit potential of Russia and other EAEU member-states may and should become a powerful source of income for business entities, budgets of all levels, and households, as well as the driving force of industrial and technological upgrading and institutional and organizational evolution of economic systems of the countries and integration associations.

2. The most important direction of institutional evolution for simplification of cross-border transportation of cargo is an introduction of impersonal forms of border and customs control with the use of information technologies.

¹⁶ PGK i Litva obsudili novyy plan [Freight one and lithuania discussed new plan]. (2015, February 18). Gudok [Horn]. Retrieved from: <http://www.gudok.ru/newspaper/?ID=1255417&archive=2015.02.18> (date of access: 15.03.2015).

¹⁷ Litovskiy bred pro nekiy gruz. 18.09.13. [Lithuanian nonsense about some cargo. 18.09.13]. Retrieved from: <http://infranews.ru/novosti/politika/34862-litovskij-bred-pro-nekiy-gruz/> (date of access: 15.03.2015).

¹⁸ ES i TS ne smogut polnostyu unifitsirovat tranzitnye sistemy — glava FTS [EU and CU will not be able to fully unify transit systems — the head of the Federal Customs Service]. (2014, January 15). RZhD-Partner [RZD-Partner]. Retrieved from: <http://www.rzd-partner.ru/news/tamozhnia/es-i-ts-ne-smogut-polnost'iu-unifitsirovat'-tranzitnye-sistemy---glava-fts/> (date of access: 15.03.2015).

3. The signs of natural state observed in Russia determine a significant meaning for international traffic of large-scale transport companies with close ties to the state, such as Russian Railways (JSC), TransContainer (PJSC), RZD-Logistics (JSC), UTLC, and others. It appears that at this stage only such companies can compete with global sea container services at cargo transportation en route to Asia—Europe. It is possible that the fuller implementation of a transport and transit potential of Russia and the EAEC countries will require the creation of an even larger company with state participation.

4. An effective way to reduce transaction and transformation costs of a transportation process is acquisition (creation) of subsidiaries in the EU countries and other states. An example of such activity is the acquisition by Russian Railways, JSC of Gefco logistics group (France), as well as the interest of TransContainer, PJSC to overseas transport and logistics assets.

5. Overcoming differences in railroad gauge width and compliance with requirements to trains specifications determine the conclusion of additional agreements (i.e., lead to increased transaction costs for international traffic organization). In relation to transport links between the EAEC and the EU countries, it is necessary to strive for the unification of procedures of trains processing and synchronization of requirements to the minimum length of a container train in such a way that the number of containers in European and Russian trains match each other. It will allow avoiding costs on freight accumulation and cargoes resorting (to fulfill requirements to a conditional length of trains).¹⁹ The solution to this problem may be one of the points of the EU-EAEC “mega deal.”²⁰

6. The Chinese approach to the institution of governmental subsidization of cross-border transportation of cargo by railway is interesting and indicative. For example, the traffic through Grodekovo—Suifenhe railway checkpoint is developed with active participation of Chinese railways and shippers, as well as the Municipality of Suifenhe city. Chinese authorities are ready to encourage the transit shipping through Primorye-1 international transport corridor due to tax benefits and other preferences. In addition, the Chinese government subsidizes railway transportation en route Zhengzhou—Dostyk—Brest—Hamburg for its shippers (Russian RZD-Logistics, JSC participates in the transportation organization).²¹

7. The most effective way to improve the efficiency of cross-border transportation of cargo suggests the simultaneous implementation of technical and institutional innovations. It is also necessary to consider the experience of China whose governmental and commercial organizations are actively investing their funds to the transport infrastructure renewal in other countries. Thus, in January 2015, a three-party plan of cooperation of state bodies of Serbia and Hungary with the National Development and Reform Commission (NDRC) of China was signed, which provides for the development of feasibility study for the construction and modernization of Belgrade—Budapest railway. Modernization of this railway, which will be used both for a passenger and for a freight traffic, will allow improving communication between China and the EU and increasing in the transported cargo traffic. China also plans to create an investment fund of 3 billion USD for the countries of Central and Eastern Europe.²²

We also should mention that Russian Railways, JSC is also actively involved in the railway infrastructure renewal of a number of countries in the Central and Eastern Europe as well as in Asia.

8. The improvement of the institutional and organizational environment of the cross-border transportation of cargo is especially important under the conditions of the Russian state budget expenditures reduction influenced by the crisis phenomena in economics. For example, in the draft decree “On Introduction of Amendments to Federal Target Program “Development of Transport System of Russia (2010–2020)” in 2015–2018” published by the Ministry of Transport of the Russian Federation, a reduction of the amount of public funding for Program “Measures for Comprehensive Development of “Europe—Western China” International Transport Corridor in the Russian Federation

¹⁹ Logistike — novyy uroven [A new level of logistics]. (2014, June 5). Transport Rossii [Transport of Russia], 23. Retrieved from: <http://www.transportrussia.ru/logistika/logistike-novyy-uroven.html> (date of access: 15.03.2015).

²⁰ Vinokurov, E. (2014, October 2). Megadelka dvukh soyuzov [A mega-deal of two unions]. Izvestia [News]. Retrieved from: <http://izvestia.ru/news/577439> (date of access: 15.03.2015).

²¹ Logistika, obedinyayushchaya strany. Intervyu s direktorom po prodazham OAO «RZhD Logistika» P. Lagovym [Logistics, Uniting Countries. Interview with Lagov P., director for sales of RZD-Logistics, JSC]. (2015, January 20). RZhD-Partner [RZD-Partner]. Retrieved from: <http://www.rzd-partner.ru/interviews/interview/logistika--obediniaushchaia-strany/> (date of access: 15.03.2015).

²² Pervyy proekt fonda [First project of foundation]. (2015, January 4). Gudok [Horn]. Retrieved from: <http://www.gudok.ru/newspaper/?ID=1253051&archive=2015.02.04>. (date of access: 15.03.2015).

(within section Saint Petersburg — Kazan — Orenburg — to the border with the Republic of Kazakhstan)” is suggested. The decision can be explained by continued uncertainty of the Corridor route.²³

9. In the area of institutional formation of the market of cargoes road transportation, there are two opposing trends present. The development of market relations will be contributed by the organization of road transportation services exchange for international routes or use of exchange rules when choosing a carrier. But for the effective work of this institution, the alignment of competitive positions of Russian and foreign companies is required.

On the other hand, the state support of national entrepreneurs requires a mechanism to ensure the parity of Russian and foreign carriers, at least in the field of transportation of cargo for state needs, with the involvement of credit resources of government-linked banks. It is assumed that the first step toward improving the institutional environment of international road transportation should envisage elimination of all informal (shadow) relations in this sphere.

10. In general, it can be noted that the institutional and organizational support of effective cross-border procedures (especially customs ones) is important both for the implementation of transport and transit potential of Russia and the EAEC countries and for the generation of additional income by countries, economic entities, and population from transit transportation of cargo between Europe and Asia. The key factor here is not the decrease (nulling) in customs duties but the increase in competitive advantages (strengths) of “East — West” and “North — South” transport directions, both in terms of technical modernization of the transportation process and through the creation of an attractive institutional environment.

As was noted by M. Kholosha, “transit availability is an indication of transport systems compatibility, the effectiveness of other types of transportation (domestic, export, and import) and the transport system as a whole, competitiveness of transportations on common routes, which is especially important for the open market” [1]. Transit reflects the transport attractiveness of the Russian Federation and the level of its integration into the international transport. The author states that “it is just necessary not to “scare away” the transit and to let it go where it “wants to go.” That is all you need! Then it will go itself.” At the same time, the competitiveness of cross-border procedures has a “much stronger impact on merchandising than those opportunities that sailors, dockworkers, railway workers, and truckers have together” [1].

Unfortunately, we cannot disagree with E. Reinert, who writes: “According to scientists, who studied the phenomenon of Holland and Venice in times of the Renaissance and the Enlightenment (today we would expand the list with Japan and Switzerland), in the resources lottery, those are lucky who have no resources. The country is forced to find a man-made comparative advantage rather than to use advantages of natural origin, which usually bring diminishing returns” [2, p. 218]. “The more serious geographical and climatic disadvantages are, the more the country's industry is in need of protective barriers. Distance from other countries and the expensiveness of transportation services were the needed natural protection for the industry” [2, p. 267].

In conclusion, I would like to come back to the thesis that “in a natural state, all big economic institutions are necessarily political organizations as well” [3, p. 445]. We cannot disagree with the statement that “in terms of norms and values of open access orders, natural states can be considered corrupt; however, this corruption is an essential part of the social order” [3, p. 446].

We can state with regret that “natural states, in which the ruling coalition constantly shuffles rents and privileges as circumstances change, by definition, are not able to establish the rule of law” [3, p. 414].

The performed study allows suggesting that the mechanisms of a natural state functioning allow generating and assigning income (rents) from the provision of services on cross-border (including transit) cargo transportation. It is quite possible that in the nearest future it will be even more necessary to use competitive advantages of large-scale transport companies established with the participation of the state and closely associated with elite groups holding powers. But in the course of economic development and the transition to systems with public access, the issues of ownership, sizes, and business strategies of the transportation process participants must be resolved primarily by market signals [4–8].

²³ Sredstva iz federalnogo byudzheta zanovo raspredelili v gosprogramme [Funds from Federal Budget Are Redistributed in State Program]. (2015, February 4). Gudok [Horn]. Retrieved from: <http://www.gudok.ru/newspaper/?ID=1253053&archive=2015.02.04> (date of access: 15.03.2015).

Acknowledgments

The article has been prepared with the financial support of the Russian Foundation for Basic Research (Project № 15–06–06939 a "Modelling the cyclical evolution of mutual influence of the national transport system and the state of the markets of goods (services), labor and capital in terms of integration and global instability").

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Authors

Tsvetkov Valery Anatolevich — Corresponding Member of RAS, Doctor of Economics, Professor, Head of the Institute of Market Problems of RAS (47, Nakhimovsky Ave., Moscow, 117418, Russian Federation; e-mail: tsvetkov@ipr-ras.ru).

Zoidov Kobilzhon Khodzhievich — PhD in Physics and Mathematics, Associate Professor, Head of Laboratory, Institute of Market Problems of RAS (47, Nakhimovsky Ave., Moscow, 117418, Russian Federation; e-mail: kobiljonz@mail.ru).

Medkov Alexey Anatolevich — PhD in Economics, Leading Research Associate, Institute of Market Problems of RAS (47, Nakhimovsky Ave., Moscow, 117418, Russian Federation; e-mail: medkov71@mail.ru).

Ionicheva Valentina Nikolaevna — PhD in Economics, Senior Research Associate, Institute of Market Problems of RAS (47, Nakhimovsky Ave., Moscow, 117418, Russian Federation; e-mail: develop05@gmail.com).