

Sustainable silk roads: a supply chain perspective

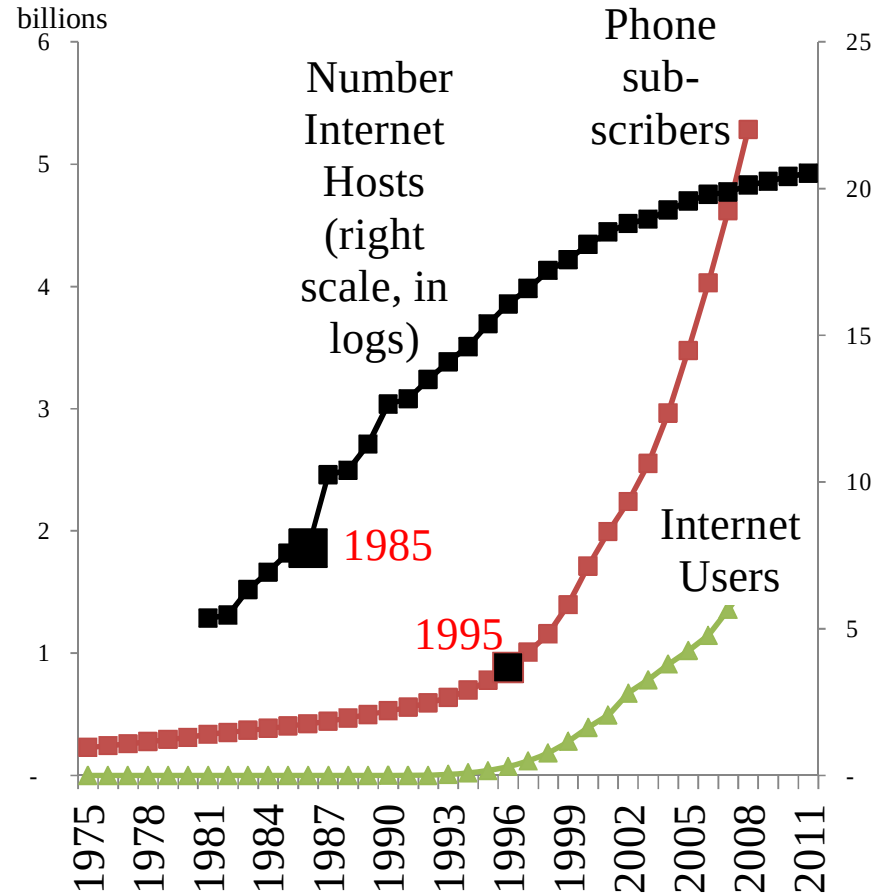
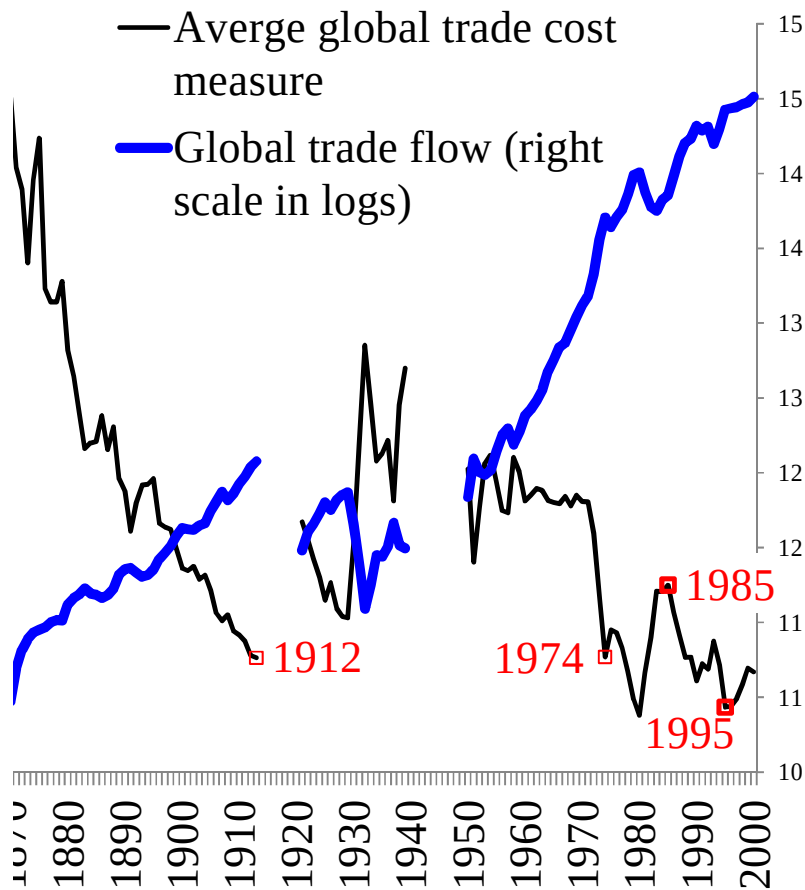
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12 December 2014

Agenda

- Evolution of global supply chains
 - Drivers, Conditions, Outcomes
- Supply chain connectivity over the Modern Silk Road
 - “Hardware’ vs “software”
- Public – private partnerships
 - Istanbul – Tehran – Islamabad Train
 - BALO project
- Security risks
 - Iskenderun – Haifa – Amman corridor
- Road-map
 - G20: Turkey in 2015 & China in 2016

Falling transport and ICT costs triggered the revolution of global value chains



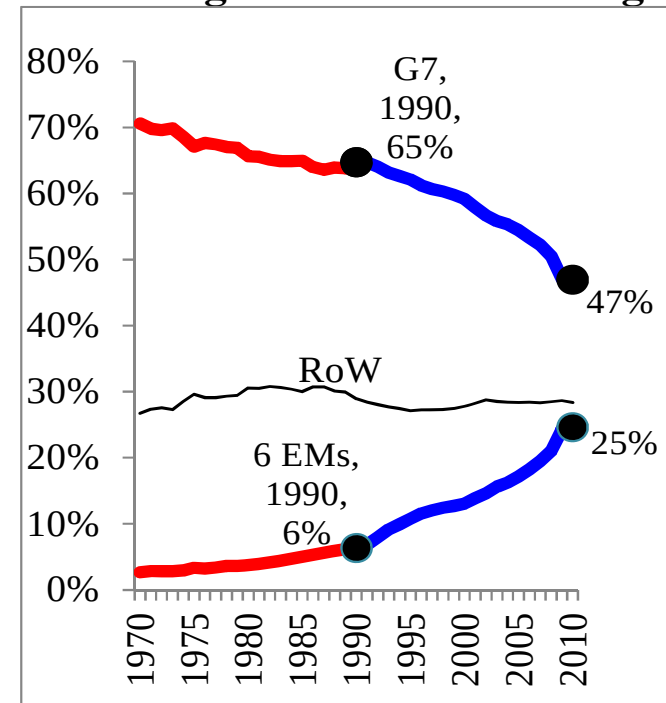
Global value chains led manufacturing industry move to emerging economies



World exports & manufacturing

Source: UNSTAT online database.

Share of global manufacturing GDP



Source: unstat.un.org, 2005 prices; 6Ems = China, India, Indonesia, Thailand, Turkey and Poland; Korea (which gained 3 points) is in RoW.

Proximity and connectivity are essential for diffusion of global value chains

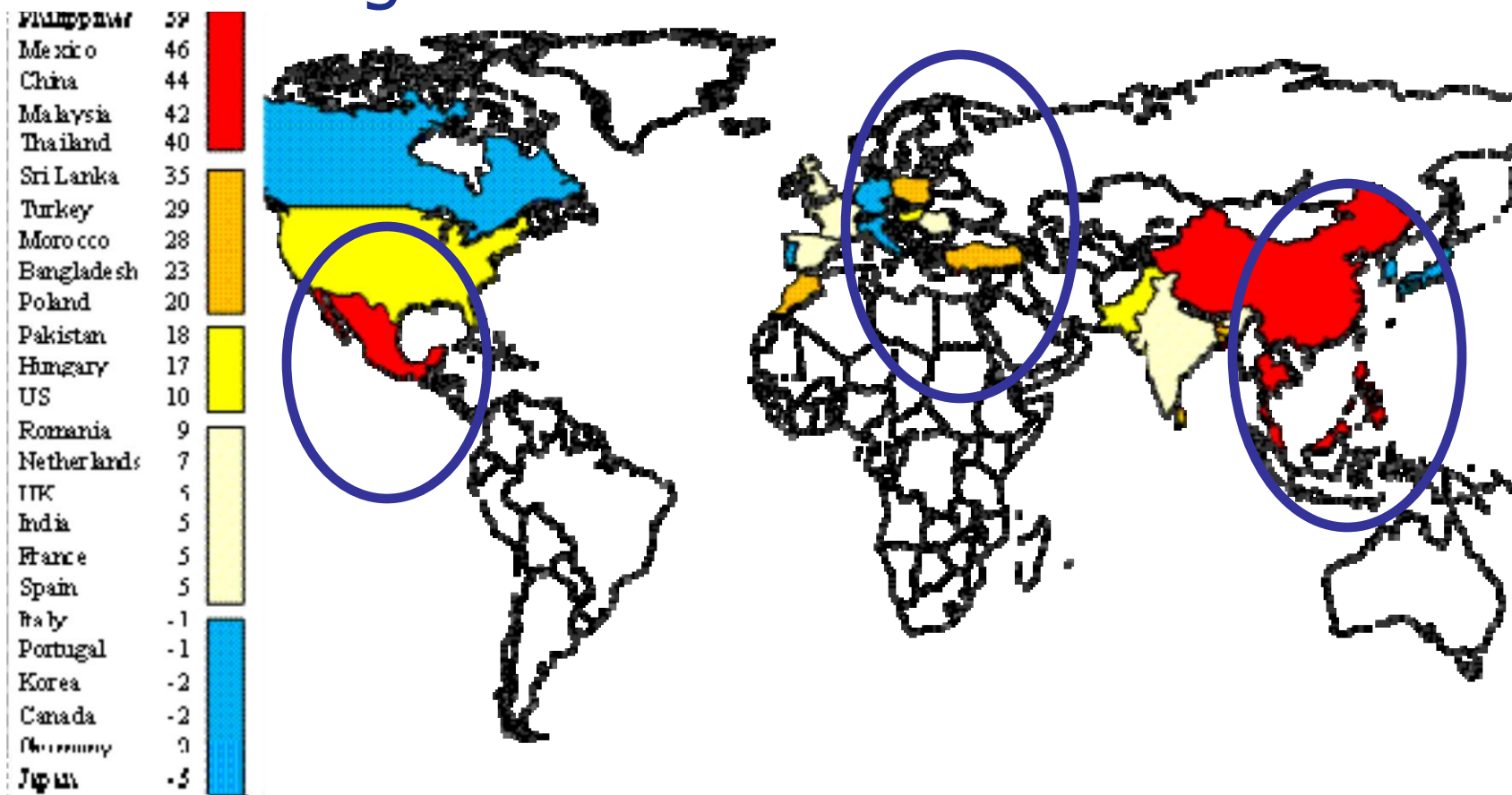
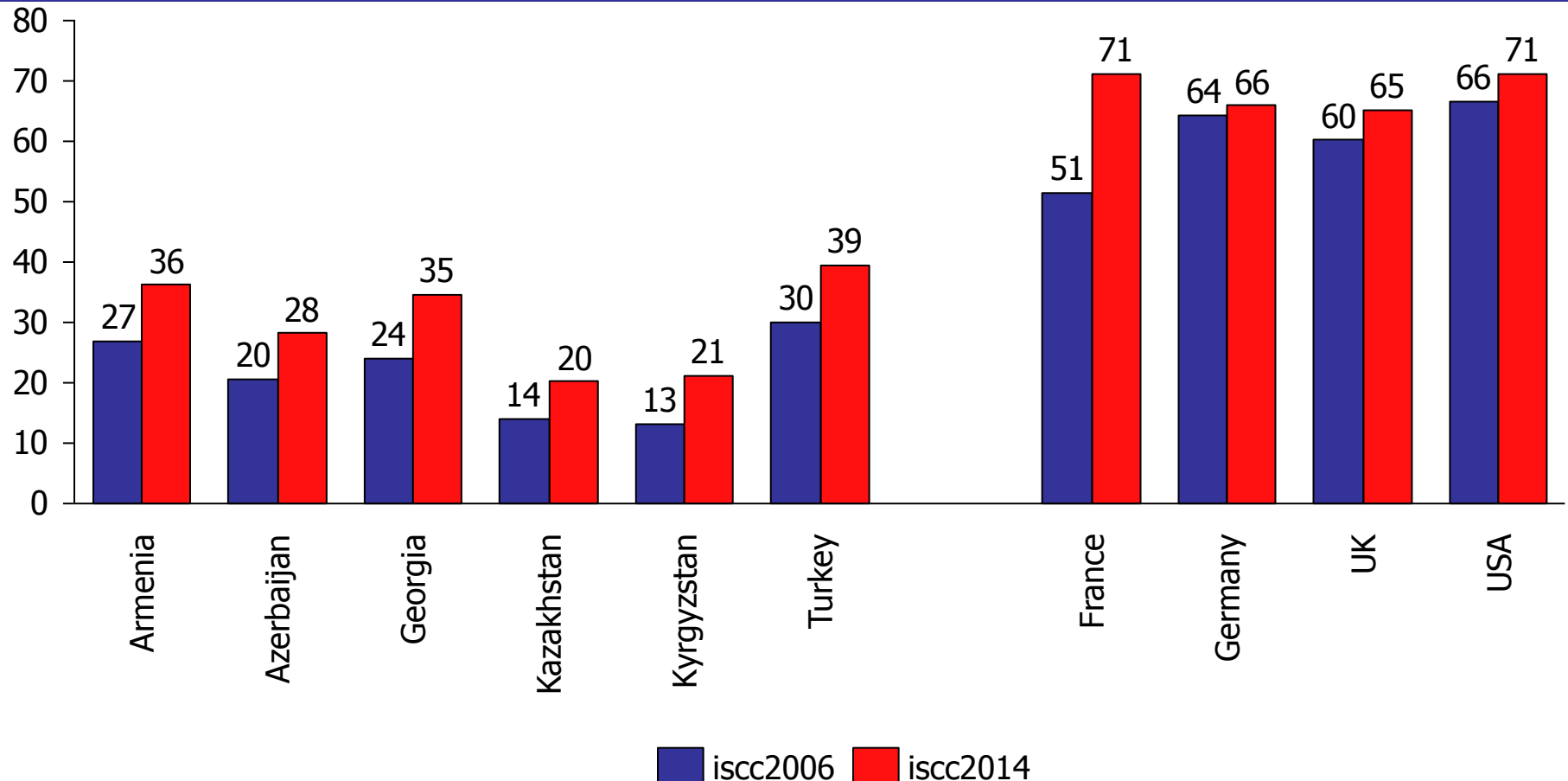


Figure 4: The tight geographical clustering of manufactures export swings.

Note: Data for all nations with 1) population over 10 million, 2) manufacturing export share over 50% in 2007-

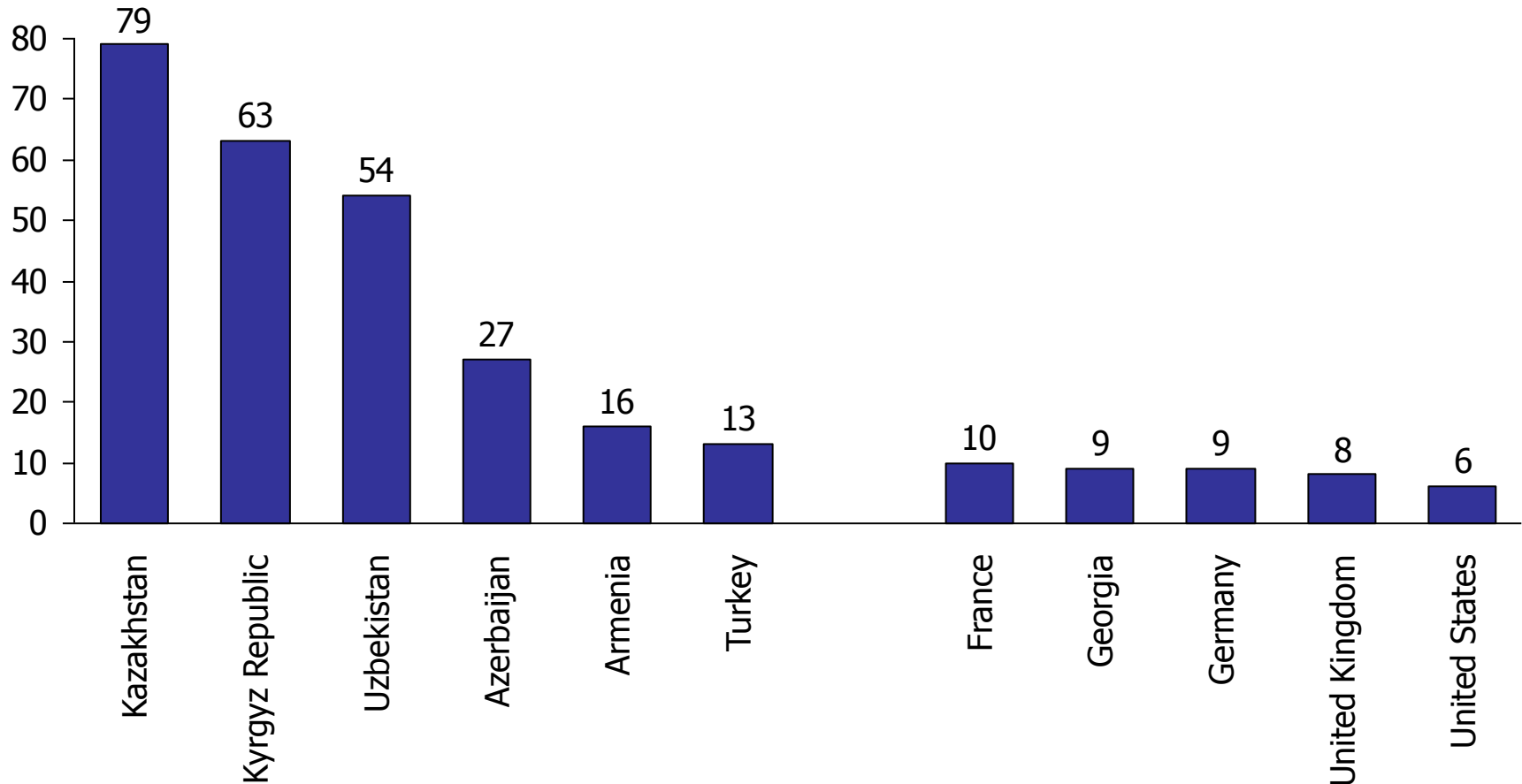
How connected are the Silk Road Countries?

UNESCAP International Supply Chain Connectivity (ISCCI) Index,
annual 2006 and 2012



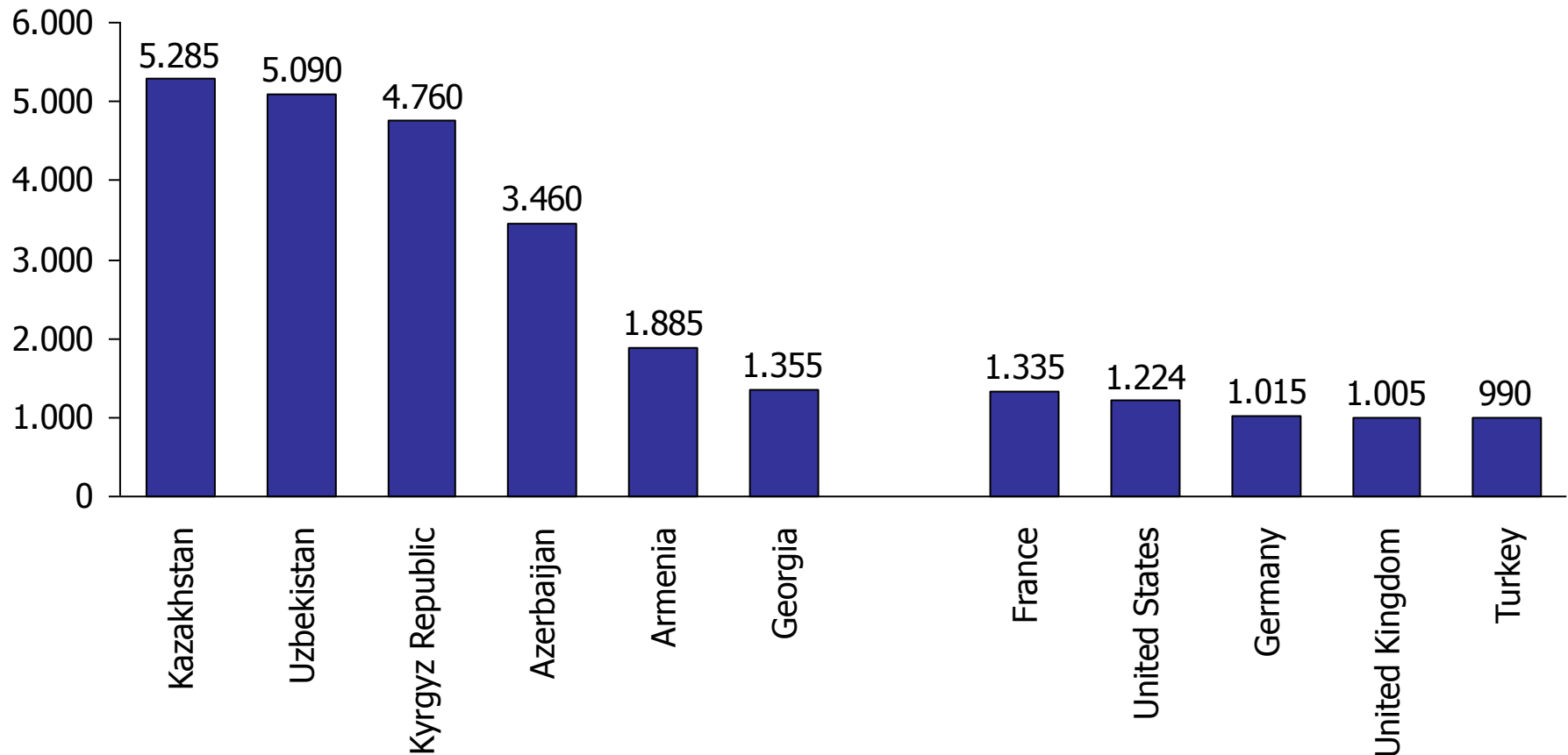
“Software” is as important as “hardware”

Time to export (days)



“Software” is as important as “hardware”

Cost to export (US\$ per container)

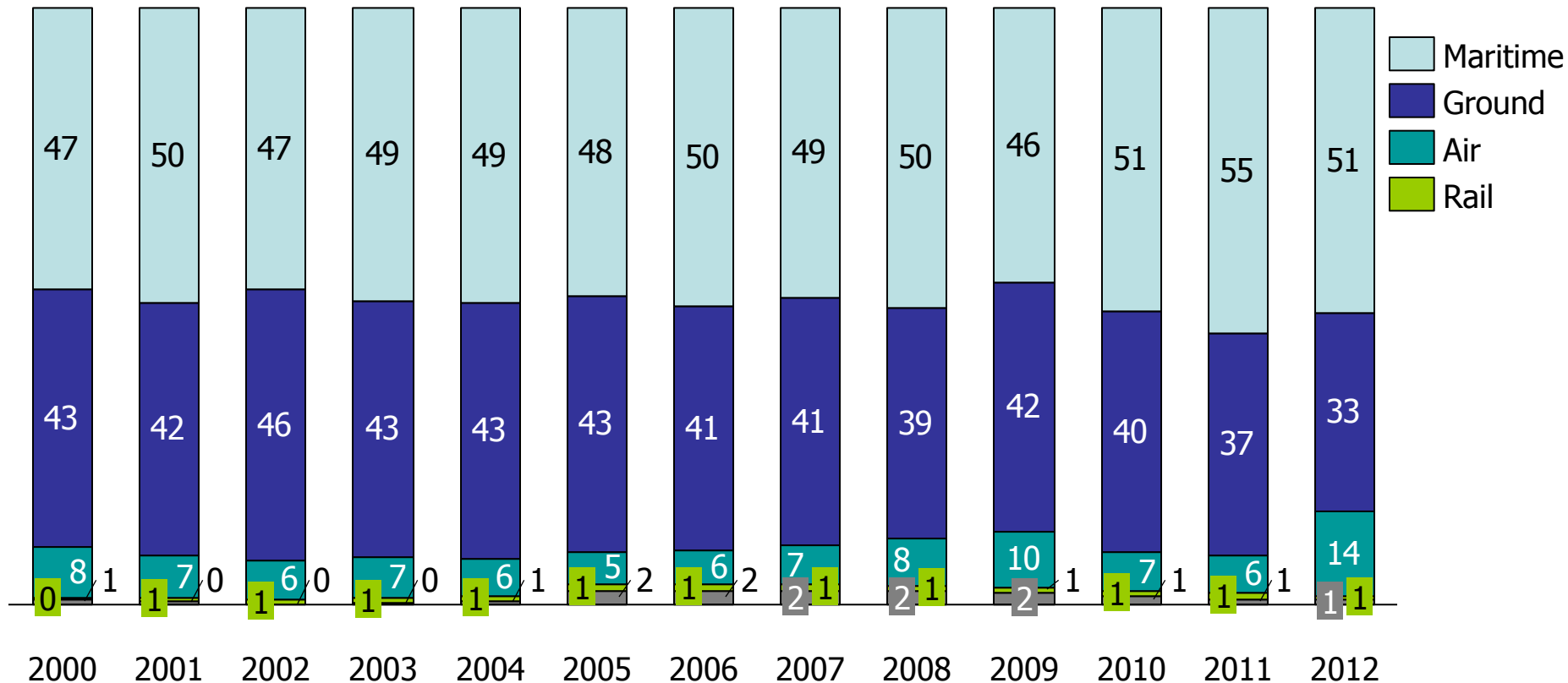


An example of a software failure: How would you ship your cargo from Istanbul to Karachi or Mumbai?

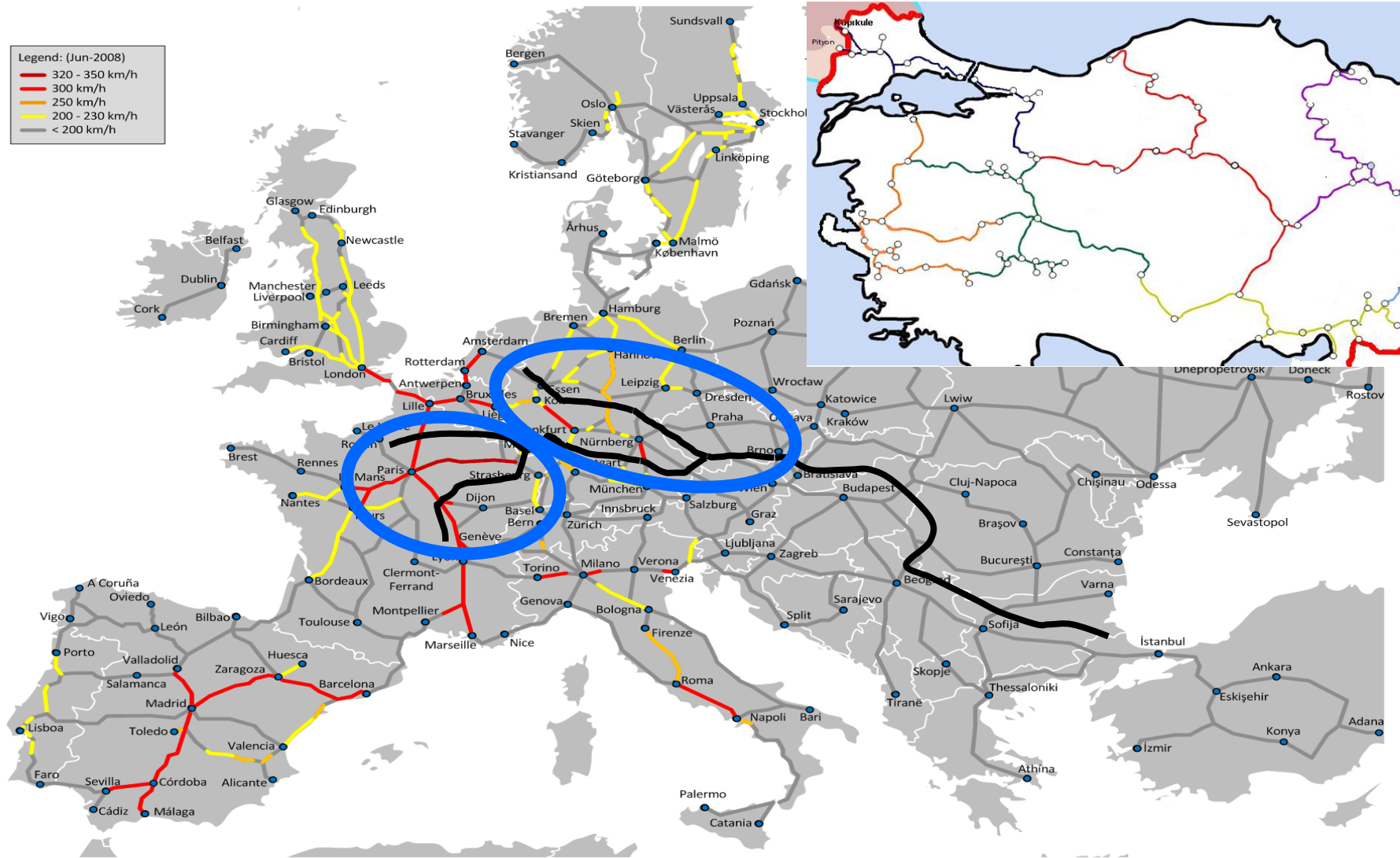
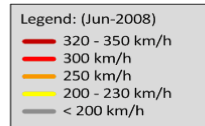


Railroads have negligible share as a mode for Turkey's exports

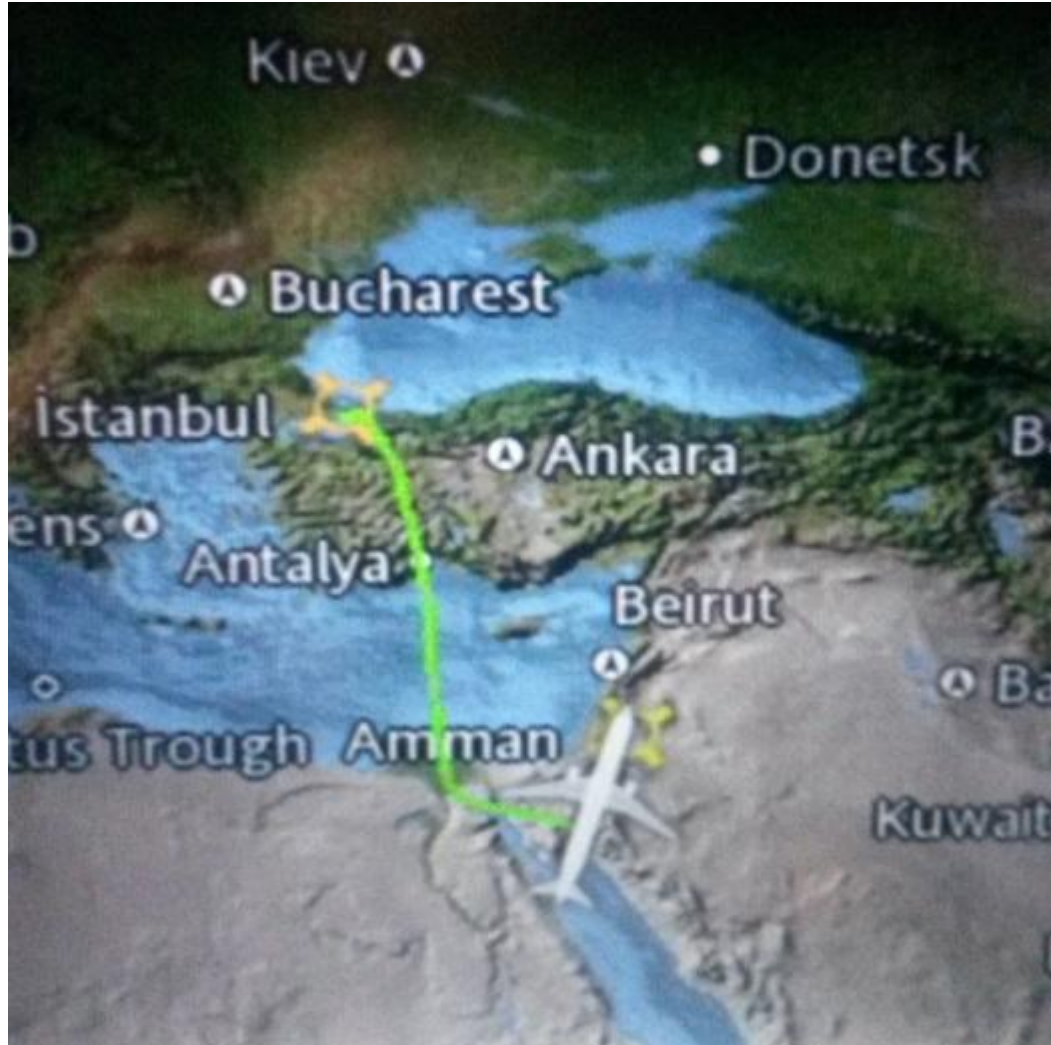
Turkey's exports according to transport modes, %



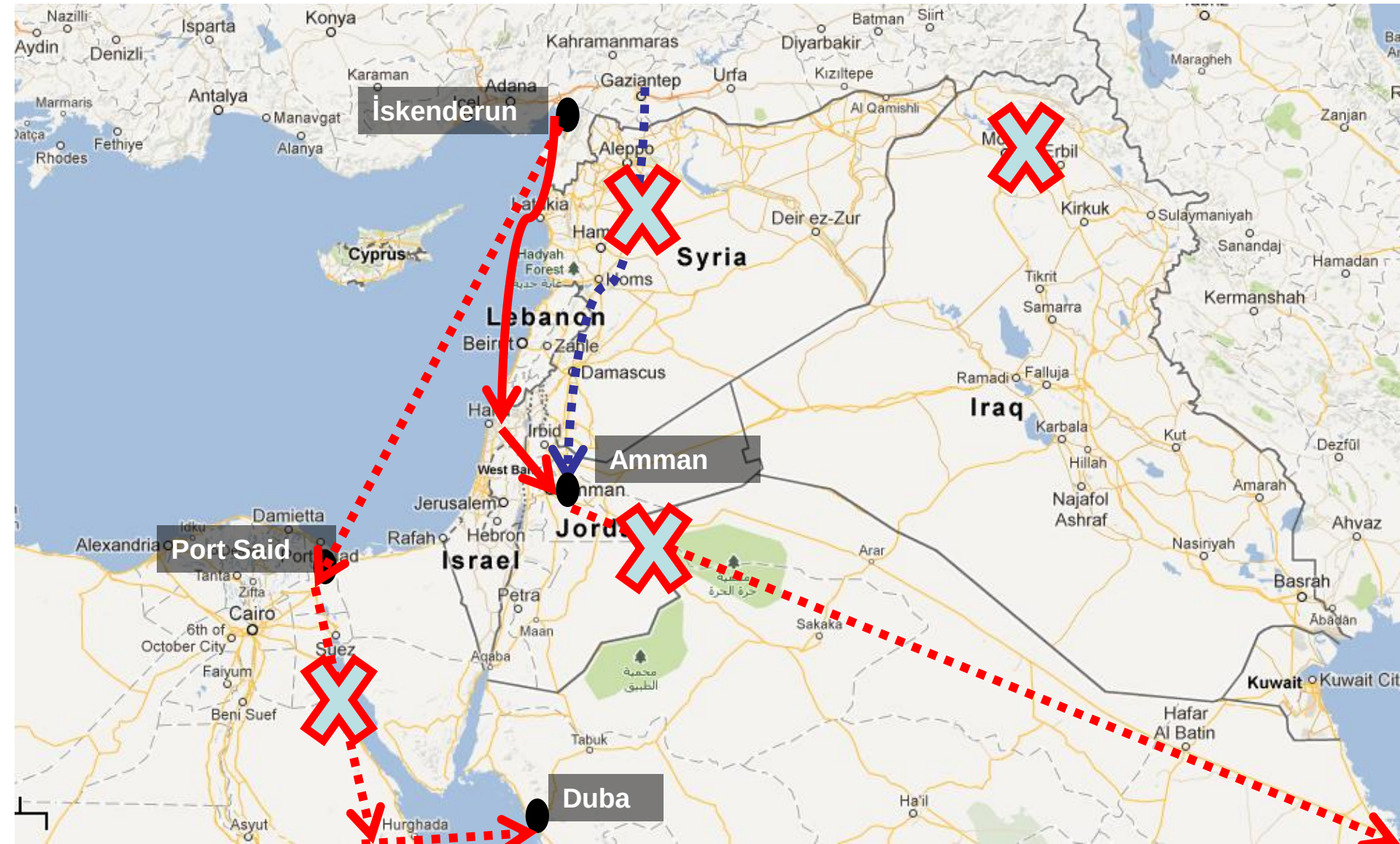
Public – private partnerships for innovative transport corridor solutions: The case of TOBB/BALO



Security risks: How would you fly from Istanbul to Amman?



Security risks: How can Turkish products go to the Gulf?



Towards a road-map

- Engage all actors in a coherent dialogue framework
 - ➔ But let the private sector lead from the outset
- Prioritize projects by assessing the bottlenecks
 - ➔ Avoid misinformation
- Supporting policies
 - ➔ Special economic zones
- Build institutions: a corridor facilitation/management agency
 - ➔ Market readiness: regulatory cohesion, institution building, feasibility studies,
 - ➔ Securitization & political risk insurance
 - ➔ Investment facilitation: seed fund and catalyzing private financing
- Role of G20