

LATVIAN MARITIME TRANSPORT SECTOR: OPPORTUNITIES FOR LATVIAN-TURKISH COOPERATION

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Abstract

Successful overcoming of Latvian economy from the consequences of financial and economic world crises is closely related to the enhancement of national export potential and further development of national business activities on the domestic and foreign markets.

In the context mentioned Turkey as associate member of European Union and the country with great production potential should be considered as an attractive business partner in the field of economic, transport and trade cooperation. In the present article the experience of Latvian transport companies cooperating with Turkish entrepreneurs is analysed. The main factors encouraging and impeding further economic cooperation of both countries in the sphere of transport and transit are qualitatively assessed on the basis of the survey carried out among Latvian transport companies.

Keywords: Latvian-Turkish cooperation, maritime transport sector, EU transport policy, EU accession.

Introduction

Success in overcoming the consequences of the financial and economic crisis in the Latvian economy depends on the increase of national export potential and further development of trade relations, both with EU partners, and with other countries. The geographical location of Latvia and the improvement in transport infrastructure play an important role in the development of national business activities on domestic and foreign markets. Therefore the necessary conditions for further economic development of the Latvian economy are the development of foreign trade relations, attraction of new economic and trade partners, and also the increase of transit through Latvia.

In this connection, Turkey, the country having large industrial potential and striving to join the European community, can be regarded as an attractive partner in the field of trade and economic cooperation not only for Latvia, but also for the Baltic region.

The present article was written within the framework of the scientific project "Potentials for Latvian – Turkish cooperation in the fields of economic development and trade: feasibility of transport routes and Latvian transit capability", financed by the Turkish Institute of Business, Commerce and Culture (TBCCI).

Within the project research the qualitative analysis of Latvian maritime transport sector carried out with **the aim** to estimate the directions of the further cooperation of Latvia and Turkey on the basis of priorities and tasks of the transport policy of the EU and Latvia and to reveal existing obstacles and possibilities for Latvian - Turkish cooperation on the basis of results of the survey of representatives of Latvian transport companies delivering goods from/to Turkish by sea.

For the analysis of Latvian maritime transport sector **qualitative methods** of data analysis based on a questionnaire were used. The special questionnaire was developed for the assessment of obstacles and potential possibilities of Latvian-Turkish cooperation in maritime transport sector. Face-to-face interviews with the representatives of selected enterprises were conducted.

Current Latvian-Turkish cooperation in the field of sea transportation

Cooperation in the field of transport and logistics is defined not only by the foreign trade relations between Latvia and Turkey, but also by Turkey's desire to integrate into the Common European Transport network (Republic of Turkey Prime Ministry, 2010).

Latvia, in turn, has already integrated into the European transport system and provides transit services in transportation of passengers and cargoes (Ministry of Transport of Latvia, 2011).

Analysing the results of cooperation of both countries in the field of transport for the last three years, one can notice that the most active cooperation has developed in the areas of transportation by sea and air. In 2010 there was a substantial growth of sea transportation to Turkey, which increased more than 7 times or by 1586 thousand LVL (2257 thousand EUR) from 2009 to 2010.

In 2010, according to CSB data, there were 29 companies in Latvia conducting activity in sea and coastal freight transportation sector (NACE code - 50.20). While the wide list of companies dealing with overseas transportation in Latvia, only a few shipping companies cooperate with Turkey, carrying out cargo transportation. The main ones are MSC Latvia Ltd., Maersk Ltd., CMA-CGM Latvia Ltd., and Containerships Ltd. These are large international companies having representative offices in Latvia, carrying out forwarding and other types of services.

The two large shipping companies - MSC Latvia and Maersk cooperate with Turkey most actively and mainly dominate in this market of services.

Usually peat and wood processing products are exported from Latvia to Turkey by sea. At the same time such goods as fruit, sanitary production, building materials, clothes and textiles, industrial equipment are also imported from Turkey to Latvia by sea. Imported production is not always intended for Latvia. In many cases the cargo, which passes through the Freeport of Riga, goes further to Russia.

Transportation of cargoes from/to Latvia is carried out mainly through Turkish ports such as Istanbul, Izmir, Gemlik and Tuzla.

In Latvia cargo transportation is carried out basically through the Freeport of Riga.

It is necessary to point out that cargoes are not delivered directly from Turkish ports to Latvia. Cargoes usually pass through large European ports, such as Rotterdam, Hamburg, Bremerhaven or Antwerp, where cargo is taken from large ships to feeder ships, and then proceeds to Latvia.

Transportation of cargoes between Latvia and Turkey is basically carried out by containers. It is necessary to specify that transportation by containers develops very fast both in Turkey and in Latvia (see Figure 1). According to the World Bank, the volume of container transportation grew rapidly in the ports of Turkey until 2008 and, despite recession, grew by 13,3% in 2009, when the number of containers transported reached more than 4,5 mln TEU.

In Latvia, according to the data from the Ministry of Transport and Communications, the volume of cargo transported in containers also increased during the period 2000 to 2010 and reached 116 thousand TEU in 2010, which was 187 % more than in 2000 (Ministry of Transport of Latvia, 2011).

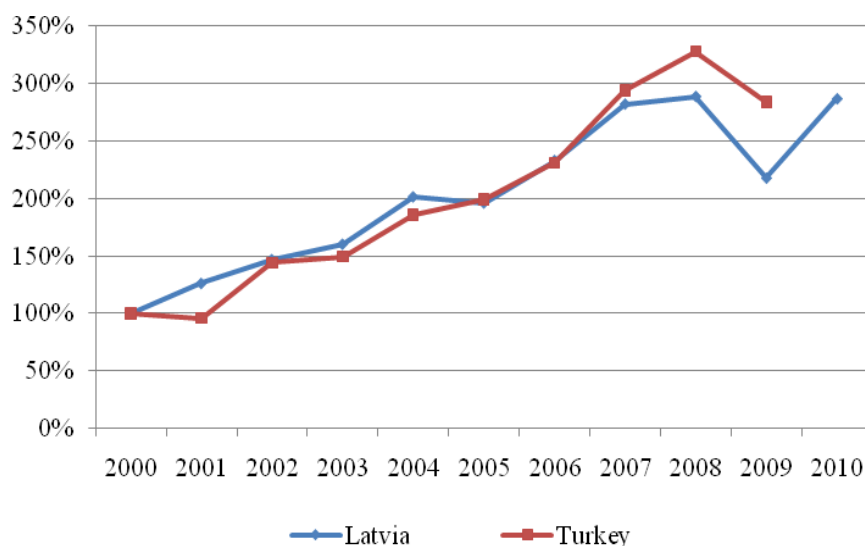


Figure 1. Growth in container port traffic in Turkey and Latvia, TEU (2000=100%)

Source: World Bank data, 2011; Ministry of Transport of Latvia, 2011

It is necessary to mention that sea cargo transportation is the basic mode of export and import of cargo in Turkey. According to the Turkish Institute of Statistics, in 2010 the shares of exported and imported cargoes by sea accounted for 52% and 61% in the total amounts of export and import. In terms of value, the imported and exported cargoes transported by sea increased more than 4 times compared with 2000 (Turkish Statistical Institute, 2011).

The general development of foreign trade communications, the desire of Turkey to increase volumes of export to EU and Scandinavian countries, and a number of advantages in trade with Latvia can promote further cooperation between Latvia and Turkey in the field of sea transportation.

Latvia has three main twelve month ice-free ports as Ventspils, Riga and Liepaja. Besides, Latvia has a well-developed transport infrastructure and the necessary equipment for processing various types of cargo (Webpage "Transit Latvia", 2011). The desire to cooperate with Latvia stresses also the fact that during their visit to Latvia (May, 2011) the Turkish delegation led by Vice State Secretary of the Ministry of Transport and Communications of Turkey, visited the Freeport of Riga. They noted that there is great opportunity for cooperation between Turkey and the Freeport of Riga and agreed to work out a specific plan of cooperation (Freeport of Riga, 2011).

Involvement of Turkey in implementation of EU Maritime transport policy

Development of the transport sector contributes significantly to the development of every national economy. However strengthening cooperation between different countries in the transport sector can make them economically stronger and politically more stable. It would also help them to align differences in the economic costs, competitiveness and the social agenda (EC White Paper, 2011). The transport industry itself represents an important part of the economy: in the EU it directly employs around 10 million people and accounts for about 5% of GDP.

The present EU transport policy fosters the further cooperation between EU member states and EU enlargement countries (such as Turkey, Croatia, Macedonia and Montenegro) in EU's neighbouring regions, focusing on the creation of a Single European Transport Area having the aim of "reducing the time and resources spent on transportation of goods and services" (EC "The EU and its neighboring regions...", 2011).

New transport patterns must emerge by which larger volumes of freight can be carried jointly to their destination by the most efficient combination of transport modes. This implies greater use of road, rail and air transport for freight, developing multi-modal solutions relying on waterborne and rail modes for long-hauls.

It is important to stress that closer integration between the transport markets of the EU and those of the enlargement and neighbouring countries can make transport connections faster, cheaper and more efficient. Prospects for closer market integration will rely on the ability and readiness of neighbouring and enlargement countries to move towards standards equivalent to those applied in the EU in areas, like safety, security, environmental protection and worker health and safety.

At the same time further integration will be carried out 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 the integration of transport markets.

The EU will continue to promote liberalisation of maritime transports services. A "Blue Belt" in the seas around Europe shall simplify the formalities for ships travelling between EU ports. This applies in particular to ongoing efforts to create a free trade area in the Mediterranean, including the freedom to provide maritime transport services.

Cooperation with the neighbouring and enlargement countries should avoid potential distortions related to the maintenance of EU and international requirements in maritime safety, security and environmental protection. For this purpose the countries should ratify and properly implement international convention in the fields mentioned as well as cooperate actively in the International Maritime Organisation (IMO). For instance, Turkey has been a member of the IMO since 1958, but Latvia joined only in 1993.

Turkey as an IMO member and one of the five major ship recycling nations in the world, has signed, subject to ratification, the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships in 2009. The Convention is aimed at ensuring that ships, when being recycled after reaching the end of their operational lives; do not pose any unnecessary risk to human health and safety or to the environment (International Maritime Organisation, 2009).

In order to enhance maritime safety, security and protection of the environment the EU will continue technical assistance to the neighbour countries through the regional project SAFEMED and extend the mandate of European Maritime Safety Agency (ESMA) to provide different types of technical assistance.

Currently Turkey is one of the seven beneficiary countries of such support. Support actions include trainings on issues related to EU maritime legislation, information days in participating countries, exchange of expertise, expert visits and other technical assistance activities based on requests of the beneficiary countries.

There are no fees associated with the participation at EMSA training courses and the number of participants who are fully reimbursed by EMSA varies from country to country depending on their different interests in the maritime sector.

Further ad hoc assistance is provided by the European Commission in the implementation and monitoring of specific EU funded projects for EU neighbouring countries, such as SAFEMED II on the development of Euro-Mediterranean co-operation in the field of maritime safety and security, prevention of pollution from ships and marine environmental issues.

Between September and November 2010, the SAFEMED II Project organised three national training sessions for Port State Control Officers (PSCOs, who are dealing with the inspection of foreign-flagged ships in the ports of a State) from Egypt, Morocco and Turkey. These training sessions were delivered again by EMSA.

The three Mediterranean countries were eligible for this training as during the last few years they benefited from an EU-financed twinning program. During these training sessions, national PSCOs carried out several PSC inspections on board ships in Alexandria, Casablanca and Izmir respectively, led by EMSA officers and PSCO tutors from Cyprus, France, Italy and Malta.

Following this training, PSCOs in the three countries are in a better position to target sub-standard ships and improve the efficiency of PSC inspections. This will enhance maritime safety and security, prevent marine pollution by ships, and ensure that the working and living conditions on board ships adhere to minimum standards (Webpage of Safemed project, 2010).

In order to improve implementation of Flag State responsibilities in neighbouring countries, the blacklisted countries (listed by the Paris Memorandum of Understanding on Port State Control, MoU) should be encouraged to get benefits by applying for the IMO Member State Audit Scheme. The IMO audit is currently voluntary, but will become mandatory from 2014.

Since 2010 the EU-funded project SAFEMED II has delivered national workshops on the Voluntary IMO Member State Audit Scheme (VIMSAS) in three states: Jordan, Israel and Turkey (Webpage of Safemed project, 2010).

In 2007 Turkey moved from the "Black List" to the "Grey List". The statistics of the Paris MoU, which aims at eliminating the operation of sub-standard ships through a harmonised system of Port State Control, highlighted the significant outcomes achieved by the project. According to the statistics, in 2001, about 25% of the Turkish fleet (211 ships) were detained at European ports, while in 2006 the share of detained Turkish ships was reduced to 7% (43 ships) (Webpage of "Turkish Maritime", 2006). But according to commission staff working document "Turkey 2010, progress report" (EC Turkey Progress report, 2010) the detention rate of Turkish vessels was 4,2% in 2009 (5,6% during the first half of 2010) compared to 2,2% for the EU average in 2009.

Turkey has been on the white list of the Paris Memorandum of Understanding since 2009. Alignment in the maritime safety area is at a good level but the third EU Maritime Package adopted on March 11, 2009 amends some of the legislation with which Turkey has already aligned.

Seafarers of the neighbouring countries that comply with the applicable international standards (International Convention on Standards of Training, Certification and Watch keeping, STCW, for Seafarers) may work on EU ships. At the request of EU Member States and with support of EMSA, the Commission assesses seafarer certification procedures and training establishments in the neighbouring countries. Turkish regulation on seafarers was amended on 28 May 2010: graduates of the military navy schools are required to complete training and take the seafarer exam in accordance with the Convention on STCW (EC Turkey Progress report, 2010).

In the field of Turkish maritime transport according to commission staff working document (EC Turkey Progress report, 2010), some progress can be noticed, particularly in the strengthening of institutional capacity.

The under-secretariat for maritime affairs (UMA - the only institution dealing with issues related with maritime affairs in Turkey) has prepared a pre-accession sector strategy and identified priority policy areas for short-term actions.

The directorate general for coastal safety and salvage operations established a long-range identification and tracking system (LRIT) and the Turkish national LRIT data centre integrated with the International Maritime Organisation (IMO) and the International Mobile Satellite Organisation (IMSO).

Also a national assistance level, search and rescue automation system called Yakamos was put into operation in October 2009. These investments substantially enhanced UMA's technical capacity for monitoring, pollution estimation and integrated planning in coastal zones.

Vessel traffic monitoring information systems (VTMIS) for the ports of Izmit, Izmir, Mersin and Iskenderun are being installed. UMA also initiated a comprehensive annual training programme on oil

pollution preparedness and emergency response. However, the actual physical capacity for pollution prevention and emergency response is limited.

The regulation on reception of waste from ships and waste control was amended and specific references to Marpol Annexes (International Convention for the Prevention of Pollution From Ships, 1973 as modified by the Protocol of 1978) were made in relation to the definition of waste. Turkey became a party to protocol on limitation of liability for maritime claims (LLMC 1996). The UMA issued an administrative instruction to comply with the anti-fouling systems convention while the ratification process is ongoing.

However there was no progress in becoming a party to SOLAS-78 and SOLAS-88 (International Convention for the Safety of Life at Sea), the Convention on facilitation of international maritime traffic (FAL), the International Convention on the control of harmful anti-fouling systems on ships (AFS) and Marpol Annexes III (Regulations for the Prevention by Harmful Substances Carried by Sea in Packaged Form) and IV (Regulations for the Prevention of Pollution by Sewage from Ships).

No particular development in the area of combined transport and satellite navigation can be reported (EC Turkey Progress report, 2010).

In conclusion it is important to stress that while legislative alignment of the Turkish maritime sector has reached an advanced level, no progress has been made on becoming a party to international conventions. The implementation capacity is limited, particularly for prevention of pollution and emergency response in the maritime area.

Latvian maritime transport policies relevant to Latvian-Turkish cooperation

The transport policy of Latvia defines the prospect of development of transport sector and is developed according to the European transport policy.

The overall objective of the national transport policy formulated in the Transport Development Guidelines for 2007-2013, is the creation of a qualitative and competitive transport infrastructure integrated into the transport system of Eurasia, environment for commercial activity, providing safety of transport and accessibility services of transit, logistics and public transport.

The overall objective is divided into sub-objectives each of which specifies main objective and shows the main directions of development of railway, air, sea, road transport of Latvia (Transport Development Guidelines 2007-2013, 2011).

The characteristic of directions of development of Latvian sea transport sectors and ports as well as the evaluation of possible cooperation between Latvia and Turkey in the frames of implementation of national maritime transport policy are presented below.

Development policy of sea transport of Latvia, is based on the International Maritime Organisation principles (IMO) and worked out regarding the international requirements for navigation and the EU Transport policy (Ministry of Transport of Latvia, 2011).

The main principles of development of transport for 2007-2013 (elaborated in Transport Development Guidelines for 2007-2013) comprise the following goals and objectives connected with sea transportation and the activities of ports:

- Safety of sea transport according to the requirements of international standards;
- Increase in exports of transport services and logistics to achieve more intensive growth of goods turnover in comparison with other ports in competing countries;
- Providing carrying capacity of ports corresponding to demand, as well as rendering competitive services in ports and at stages of cargo transportation to ports (in a whole transport chain).

The Maritime Department of the Ministry of Transport and Communication works out and coordinates implementation of the policy and legislative acts in the field of sea transportation. It also cooperates with the state joint stock company "Maritime Administration of Latvia" whose aim is to promote solutions for state objectives, as well as the safety of navigation and protection of the environment.

State policy in the field of development of ports and port activity is coordinated by the Council of ports, transit and logistics of Latvia. On December 17th, 2008, it confirmed the Program of Development of Latvian Ports (2008-2013). The goal of the document is the creation of developed ports fitting to international standards, the ports which could enter the system of united transcontinental multimodal transport corridors, offering services with high additional cost and dynamically increasing volumes of processed cargoes, providing top-quality service to passengers. Implementation of the goal is provided by the Ministry of Transport as well as State joint stock companies "Latvian Railway" and "Latvian State Roads", which perform the necessary work for improvement of the infrastructure and build new projects for the railway and motorways. The partners of implementation of the goals defined by the policy of development of ports and their activity are the following:

- Local and regional government which works out development programs and planning of territories, including development of territories of existing ports as well as the needs of sea passenger transport;
- Councils of ports which provide conditions for commercial activity in ports, effective and safe processing of cargoes and highly skilled service of passengers, and also manage the appropriate European Union funds;
- Investors (legal and private persons), investment companies which actively participate in creation of the infrastructure of ports.

The main lines of activity for the achievement of goals and objectives defined by development policy of sea transport and ports, are presented in Table 1.

Development of relations with Turkey in the development of transport policy in the field of sea transportations can be carried out in the following directions:

- Increase of goods turnover of container transportations and transportations of the RO-RO type in Latvian ports presumably at the expense of volumes growth of transportations in/from Turkey.
- Increase of Latvian exports attractive to the Turkish commodity market, for example, soya oil, soft drinks, pharmaceuticals, bio-cosmetics etc. that will facilitate a balance of the structure of cargoes transported through Latvian ports, at the expense of share reduction of raw materials export (Webpage of "Dienas Business", 2010).
- Creation of logistics and a distribution centre, for example, at the Riga port. It could involve Turkish entrepreneurs interested in export of production to European countries as well as allowing increasing the volume of cargoes. The above mentioned could increase the total amount of export of both countries.
- The desire of Latvia to enter "the white" list of the Paris memorandum on ship control, can require modernisation of the shipyards which might involve experienced Turkish experts in the sphere of shipbuilding (Riga Free Port, 2011).

Table 1

Objectives and measures currently applicable within the Latvian policy of sea transport and ports

Policy directions (objectives)	Policy measures
1.Improvement of infrastructure quality	- Modernisation of ports; - Development of the necessary infrastructure for the Riga port, using free territories (including Kundziņsala and Krievu sala); - Reconstruction of the general hydraulic engineering works in large ports and transshipment ports of local importance, which are in critical technical condition; - Support and financing of small transport ports (Salatsgrīva, Skulte, Mersrags, Roja); - Setting up logistics and a distribution centre for the Riga port; - Building of a modern port complex and cargo terminals having developed road infrastructure facilitating access to Latvian ports .
2. Increase of the level of traffic safety	- Development of Latvian ports according to the EU safety requirements and protection of environment; - Preparation of legislation acts necessary for assistance to register ships sailing under the Latvian flag, reduce bureaucracy connected with registration; - According to requirements of the EU and IMO introduction of information systems of coastal automatic identification system (AIS), united Safe Sea Net and systems of identification of ships on big distances; - Inclusion of Latvia in "the white" list of the Paris memorandum on ship control; - Introduction of the seamen identification of card with personal biometric data, corresponding to the international requirements.
3. Granting of accessible and qualitative services in transportation of passengers and cargoes	- Working out of new passenger lines and increasing the transportation of passengers between the Latvian ports and other ports of the Baltic sea; - Building of the passenger terminal for cruise ships and necessary underwater ways in the Riga port.
4. Coordination with other Ministries in the sphere of education and research	- Professional skills improvement of logistics experts; - Preparation of qualified experts, who are required in the field of navigation ; - Conducting market research to reveal the possibility of creating new transport and logistical services and working out offers for their use; - Cooperation of state, private, educational and scientific institutions in the field of use of new transport services and logistics, development of new markets;

	- Providing continuing access to information on the Latvian state legislation acts; - Providing continuing access to information on the development of acts of international legislation acts, political documents, which protect the interests of Latvia; - Providing information on the possibility of financial support.
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Source: Transport Development Guidelines 2007-2013, Ministry of Transport, 2009; Program of Development of Latvian Ports (2008-2013)

Methodology applied in the research

In view of the lack of information characterising real cooperation between Latvia and Turkey on the fields of transport, transit, and logistics the method of surveying experts was used developing the questionnaire for the face-to-face interviews.

The primary selection of potential respondents in the maritime transport sector occurred on the basis of unpublished data of the Central Statistical Bureau of Latvia, specially prepared for the research. The information showed the total number of Latvian enterprises conducting sea transportation. As not all the enterprises specified by CSB, made transportation to Turkey, the final list of respondents was formed directly through a poll of representatives enterprises, who agreed to participate in the survey. Finally four transportation companies have agreed to participate in the detail interviews: "MSC Latvia" Ltd., „CMA- CGM Latvia" Ltd., „DSV Transport" Ltd., and "Containerships" Ltd. Senior executives and managers mainly participated in the interviews.

For revealing the factors influencing Latvian-Turkish cooperation in the sphere of transportation of cargoes and transit, a survey of experts was made concentrating on the following questions: 1) presence of existing modes of transportation of cargoes between Latvia and Turkey; 2) specificity and cost of cargoes deliveries; 3) possibilities for expansion of transit deliveries through Latvia; 4) identification of obstacles and opportunities for cooperative development between the two countries.

Analysis of main factors impacting Latvian-Turkish cooperation in the field of sea freight transportation

According to the data from the Central Statistical Bureau of Latvia, in 2010, 39 % of all cargoes were transported by sea, which in absolute terms made 61160 thousand tons.

According to experts participating in the survey, the greatest volume of cargoes between Latvia and Turkey were transported by sea. Figure 2 depicts the general scheme of a transportation route of cargos from Latvia to Turkey, specified by the representatives of transport companies who were interviewed.

The vessels of such large international companies as MSC Latvia Ltd., Maersk, CMA- CGM Latvia Ltd. and Containerships Ltd. actively make transportation in the direction specified in Figure 2. All these companies carry cargoes according to certain schedules and, as a rule, on the fixed routes. The frequency of sailings is defined by demand. Shipments are either made by carriers (the above mentioned companies), or by delivery of cargoes ordered by the companies-forwarding agents (for example in case of DSV Transport Ltd.).

The majority of these companies offer a full spectrum of services, including delivery, cargo handling works in ports, and also logistical services. Representatives of the company "Containerships" Ltd stated that in order to deliver cargoes to port or from port, as well as to perform cargo handling works, carriers can cooperate with other companies. Large forwarding companies have their own trucks that allow them to make DDU ("from door to door") and DDP transportation ("with customs control and insurance").

In characterising cargo transportation from Latvia to Turkey, respondents specified that at the Port of Riga, cargo is loaded on feeder vessels, having load-carrying capacity up to 3 000 TEU, which then proceed to one of large European ports (Rotterdam, Hamburg, Antwerp, or Bremerhaven). There the cargo is transferred to big container vessels (vessel line) which, in turn, go to Turkey, taking along the way, cargo from other ports. The return route of ships moving from Turkey to Europe/Latvia is similar.

Respondents of all companies stressed that mainly peat and wood are exported by sea transport from Latvia to Turkey and peat makes up the bulk of the export deliveries. Dried fruit and nuts, vegetables and fruit (frequently already processed), plumbing production and building materials, industrial equipment, furniture and textiles are imported from Turkey. It is necessary to point out that frequently each transport company specialises in transport of particular goods connected with needs of specific customers. Thus, the company MSC Latvia Ltd. delivers from Turkey, electrical equipment (including wires and cables), building materials (decorative tile and other floor coverings), food products and textiles. The company "Containerships" Ltd. imports plumbing production, building materials, agricultural machinery and fruits. The company "CMA- CGM Latvia" Ltd. imports textiles, decorative building tile and plumbing fixtures.

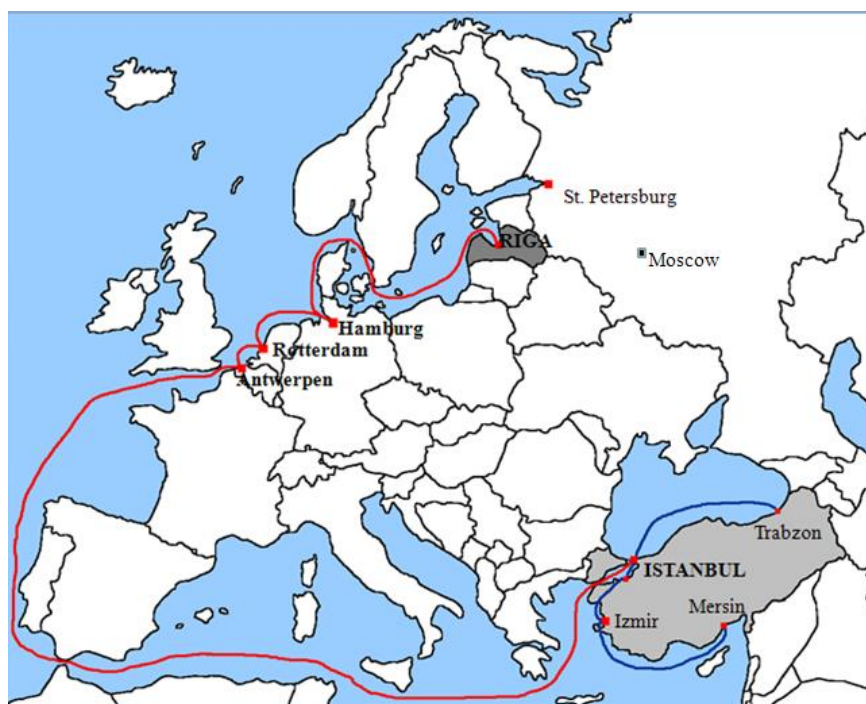


Figure 2. Latvian-Turkish sea transport shipping route scheme
Source: results of the research

According to information provided by the experts, sea cargo from Latvia to Turkey is delivered within 21-25 days. The number of port calls, seasonality and sailing schedule significantly influence duration of transportation. All respondents pointed out, that sea transport is the cheapest when compared with other types of transport, despite rather long durations of cargo delivery. Thus, the cost of transportation of a 20-foot container from Latvia to Turkey with delivery of goods "from port to port", plus additional costs for delivery - "door to door" is 1100 - 1200 EUR.

The cost of road transportation can be twice as much as sea transportation. As clarified by one of interviewer, freight cost depends on the season. For example, the total cost of delivery "from door to door" from Riga to Istanbul of one TEU peat in January will cost about 2500 EUR, and in May, it will cost less than 900 EUR. Each company has its own structure for the cost of transportation of goods, but the main components of transport costs and their approximate structure are presented in Table 2.

Table 2

Structure of expenses of cargo transportation by sea

No.	Item of expenses	Share
1.	Fuel	55-60%
2.	Expenses at terminals (cargo handling works) and accompanying transport (road transport or railway)	30%
3.	Fees of ports and expenses for freight	5-9 %
4.	Administrative expenses	5-6%

Source: based on the survey results

Expenses in road and rail transportation are included in the list of expenses of delivery since the majority of the shipping companies specified that they render a necessary spectrum of services to the client, including DDU and DDP transportation. Expenses in railway or road transport, and also cargo handling works, according to experts, can be 30% of the total cost of transportation. The greatest share of cost of transportation is expenses on fuel for the ships, accounting for about 55-60%.

The representative of the company "CMA-CGM Latvia" Ltd. pointed out that regarding compensation for fluctuation (instability) of fuel prices, an additional payment, the so-called BAF (Bunker Adjustment Factor), which varies in size, is taken from the consignor. Till 2008 the size BAF was defined by the Conference of carriers. Since 2008 the carriers themselves can establish BAF for each route; however their decisions are strictly supervised by the European Commission in order to avoid tacit collusions in the market of transport services.

Estimating transit transportation through Latvian ports, respondents stressed that at the moment, transit accounts for about 90% of all sea transportation. Approximately 10% of transported cargoes are destined for the internal market, and the bulk of cargo comes from the CIS countries, mostly from Russia.

A number of respondents specified that transit shipments from Turkey through Latvia were destined mainly for Russia. The Port of Riga forwards part of Turkish cargoes to Moscow and other cities of Russia such as the Port of St.-Petersburg which has limited possibilities for further expansion, and its transport infrastructure does not allow the processing of the whole volume of cargoes arriving. This fact often leads to the demurrage of vessels and, hence, increases the total cost of transportation. Delivery of Turkish cargoes from the Port of Riga is conducted by road or rail transport, depending on the type of cargo and the destination.

The representative of the company "CMA-CGM Latvia" Ltd expressed the opinion that in future, Latvia could essentially increase transit at the expense of trade between Turkey and Russia. At the same time some experts don't see a real possibility of increase in transit for the further development of trade of Turkey with Scandinavian countries as the cargoes delivered from Turkey to large ports of Europe go further to their direct destinations without calling in at the Latvian ports. Now they do not see the economic preconditions for changing this practice.

According to respondents, despite the wide use of international sea transport, the transportation of cargoes between Latvia and Turkey is complicated by a number of factors.

One of the factors that makes cooperation in sea transportation complicated is the fairly extended sea route between countries, due to the geographical location of the countries which increases time and cost of delivery of cargoes.

Also, technical characteristics of moorings in the Riga Free port, limiting the sizes of vessels, which can call in the port, makes direct deliveries on such vessels from Latvia to Turkey economically unviable (vessels maximum draft at mooring – 12,5 meters, maximum permeable length of vessels coming into the water area is 298 meters, width - 33 meters).

Characterising obstacles to development of cooperation and trade relations between Latvia and Turkey, all respondents specified the limited capacity of the Latvian market, which has low demand for the Turkish goods (and, as consequence, for sea transportation) and on the necessity of using containers for general cargoes, especially, from Turkey to Latvia.

A number of respondents pointed out the strong competition among companies which carry out sea transportation. Due to such strong competition, it is frequently difficult to define precisely the market share of sea transportation for each company as the market share can essentially vary in the frames of a small period of time (a month or even a week) depending on volumes of orders and the number of clients.

Respondents also stressed the problems of conducting business on the territory of the Free Port of Riga. For example, the introduction of unplanned restrictions in the use of infrastructure of the port and rendering services, refusal to sign new contracts with new companies, which have the intention to render various services in the port, the desire of port management to control the business of others, and, at times, the wish of port management to participate in their business activities not only reduces the efficiency of the performance of the Port of Riga as a whole, but also blocks its development. However, through the Port of Riga, the main traffic of goods between Latvia and Turkey goes, the above mentioned problems can interfere in further development of trade relations between the two countries.

Another factor negatively influencing development of cooperation which a number of respondents pointed out, is the instability of the tax system of Latvia, and, especially tax rate increases, which cause price rises in services, cost of transport and logistical companies and, hence, reduces their competitiveness in comparison, for example, with Lithuanian business.

As a deterrent many respondents pointed out the insufficient exchange of information between actors of the market of sea transportation and the organisations, regulating this market. The majority of respondents stressed the absence of any real cooperation with the Latvian Ministry of Transport, or other national ministries and professional associations.

In the interview respondents of the companies also evaluated the prospects and possibilities of stimulation of further cooperation with Turkey.

The representative of the forwarding company "DSV Transport" Ltd. specified the necessity of active participation in international exhibitions and business forums, for the purpose of carrying out advertising actions by enterprises involved in Latvian-Turkish cooperation for promotion of goods in the markets of both countries and the expansion of demand.

Many respondents pointed out that growth of efficiency of sea transportation and logistical services including the companies, which provide delivery of cargoes to Turkey, depends on the harmonious organisation of management of ports, improvement in infrastructure of ports and development of business

accompanying sea transportation. The necessity of change in the attitude of port management to the companies working on its territory, namely providing favourable conditions for business activities and creation of real competitive environment was specified.

In the opinion of experts a real-life possibility of development of relations between Latvia and Turkey is the expansion of transit deliveries through the territory of Latvia from Turkey to the Russian market. In comparison with demand of the Latvian market, the volumes of the Russian - Turkish commodity turnover are very large. For example, in 2010, Russia took 2nd place in the volume of imports to Turkey (Ls 11,4 bln or 16,3 bln EUR), and on export volume – 3rd place (Ls 2,5 bln or 3,5 bln EUR) (Eurostat, 2011).

In the opinion of respondents, part of the Russian cargoes already goes through the Latvian ports. Therefore in increasing volumes of trade between Russia and Turkey, there is a possibility of growth in transit deliveries through Latvia as well.

Experts expressed opinions on possibility of increasing transit through Latvian ports, and implementing the projects connected with multimodal transportations. However such projects should be carried out at the state and interstate levels, under conditions of real integration of large Latvian ports into the general transport system of the country (Дубков, 2011). Now, experts also stress sufficient apartness of each Latvian port and competition among them. Therefore coordination of major directions of port development will create conditions for development of multimodal systems of cargo transportation which will also involve trade flows between Latvia and Turkey.

Conclusions

The results of the research provide an opportunity to draw the following conclusions:

1. The largest share of export and import deliveries between Latvia and Turkey is held by sea transport that might be attributed to lower delivery costs (compared with other transportation modes - road, rail or air) and the ability to tranship large amounts of cargos. Transshipment of goods between Latvia and Turkey is mainly carried out by means of container carriage. The main enterprises specialising in transportation of goods between Latvia and Turkey are the major international shipping companies such as Maersk, MSC, CMA-CGM and Containership Ltd. that have representative bodies in Latvia. Other transportation companies of Latvia provide mainly freight forwarding and related services in the field of maritime transport.

2. Practical implementation of European transport policy provides conditions for strengthening of cooperation between Latvia and Turkey in the sphere of cargo transportation and trade, as it facilitates the creation of a Single European Transport Space with enlargement countries and the EU's neighbouring countries and regions with the aim to eliminate barriers and reduce the time and resources required for transportation of goods and services. In this regard, particular attention should be paid to the development of transport infrastructure and efficient combination of different transport modes. This implies greater use of road, rail and air transport for freight, developing the multimodal solutions relying on waterborne and rail modes for long-hauls.

3. Closer integration of transport markets should be based on the ability and willingness of the enlargement countries (particularly Turkey) to follow European standards of safety, security, environmental protection and worker health and safety. Moreover, further integration with enlargement countries should be implemented 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. Turkey has made essential progress in aligning its legislative differences to the acquis requirements within the chapter "Transport policy", in order to be the integrated part of a Single European Transport Area. However, negotiations on Turkey's EU accession in the mentioned part (chapter "Transport policy") have not been opened yet.

4. Further development of relations between Latvia and Turkey in the field of transport will depend on the demand for goods and services within both countries. Development of transport sector is largely determined by the capacity of the domestic market, the level of business activity and demand for transit services. Limited capacity of Latvian national market in terms of volumes of the consumed goods and services, as well as the availability of economically viable alternative transport routes (bypassing Latvia) for cargo transportation to Nordic countries and Russia, does not foster an increase in cargo traffic between Latvia and Turkey in future. However, business activity growth in the post-crisis period may significantly increase the freight turnover between the two countries.

5. According to experts, stability of Latvia's fiscal policy, tax rebates, promotion of Latvian goods in Turkey and the development of trade of goods with high added value might facilitate cargo flow growth. Specifically, the Ministry of Transport of Latvia should coordinate the operation of transport sector with the aim to implement an integrated approach to development of transport system based on coordination of

activities of various organisations and government bodies. Establishment of the international distribution centre for packaging and redistribution of goods in the territory of Latvia, as well as the development of overall national transport concept based on the principle "The whole territory of Latvia – a single logistics centre" would significantly increase the efficiency of the entire national transport system and the specific modes of transportation, including the ones of Turkish route.

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