POTENTIAL FOR THE LATVIAN-TURKISH ECONOMIC COOPERATION: THE CASE STUDY OF ROAD HAULAGE SECTOR

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Abstract

Purpose – Success in overcoming the consequences of the financial and economic crisis in the Latvian economy depends on further development of trade relations, both with EU partners, and with other countries. 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. Therefore it is important to identify the obstacles and possible solutions for development of cargo shipment between Latvia and Turkey as well as to assess the suitability of haulages for different types of cargos transported from Turkey to/via Latvia.

Design/methodology/approach – For the purpose of research qualitative methods of data acquisition and analysis on the base of questionnaire and results of the sampling were used.

Findings -- The experience of Latvian transport companies cooperating with Turkish entrepreneurs is studied. Moreover analysis the Latvian-Turkish cooperation on the fields of road haulages was carried out.

Originality/value – The main factors encouraging and impeding further economic cooperation of both countries in the sphere of transport and transit are qualitatively assessed on the base of unique survey carried out among Latvian transport companies.

Keywords: Latvian-Turkish cooperation, Road haulage transport sector, Transport policy, Transit, EU accession

1. 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 the 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 transport flows 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 preset article was written within the framework of the scientific project "Potential for Latvian – Turkish Cooperation in the Fields of Economic Development and Trade: Feasibility of Transport routes and Latvian transit capability", requested by the Turkish Institute of Business, Commerce and Culture (TBCCI) in 2010.

During the study made within the project research the analysis of Latvian-Turkish cooperation was carried out with the aim to identify the obstacles and possible solutions for development of cargo shipment between Latvia and Turkey as well as to assess the suitability of haulages for different types of cargos transported from Turkey to/via Latvia.

For the purpose of research qualitative methods of data acquisition and analysis on the base of questionnaire and results of the sampling were used. The special questionnaire was developed for the gathering of more reliable and specific information about Latvian-Turkish cooperation in road haulage sector. Face-to-face interviews with the representatives of Latvian enterprises were conducted.

2. SCOPE OF TRANSPORTATION ECONOMIES AND TRANSPORT SYSTEM

According to Heldmann H. (1973) transport is a tool that promotes greater diversification and integration of economic systems, therefore, it guarantees equal distribution of production and consumption that boosts competition that consequently, have an effect on balanced prices, price stability and prevention on monopoly prices. Wood D.F. (2011) defines transportation economics as "the study of the allocation of transportation resources in order to meet the needs of a society", therefore effective transportation system enables efficient allocation process since it widens the market for suppliers and buyers.

Birzietis G., Truslis V. (2008) highlights various advantages of developed transportation system for countries. With the help of transport system, country can ensure stable communication between territories; it enables efficient usage of human and natural resources and contributes in regional development. In addition, transport is a factor that enhances social and economic structure, and has significant impact on foreign policy and finally can even influence cultural development.

Economists define transportation sector and economy growth correlation by using 3 arguments – macroeconomic perspective, microeconomic perspective and equilibrium model (Rodrigiue J-P, Comtois C., Slack B., 2009).

The macroeconomic point of view regards transportation as a component of productivity of national economy, therefore it can be stated that all investments made for the transport sector result in enhanced productivity and competitiveness which in turn causes economic growth and increases GDP (Birzietis, Truslis V., 2008). Whereas improvements in nation's productivity have positive effects on the prices paid for goods and services, the balance of national payments, currency valuation, the ability to compete more effectively in global markets, industry profits, the availability of investment capital and higher level of employment (Lambert D.M., Stock J.R., 1992). This approach seems justified when analyzing GDP and transport sector correlation in recent years.

On the other hand, microeconomic perspective considers actions of specific companies in response to improvements in transportation, namely, investments in transportation infrastructure results in increased productivity of transport companies since they are able to provide cheaper and more efficient freight services (Bowersox D.J., Closs D. (1996); J, Khisty and Lall, 2002). In addition, developed transportation system enables company to use just-in-time management that significantly reduces inventory costs for the business (Ballou, R.H., 2004). Khisty and Lall (2002) analysis transportation economics by stipulating that the demand for transport is not direct but derived, the consumption of each transportation activity is to be regarded as unique in terms of time and space and claims that competitive advantage might be reached by technological differences and economies of scale.

Transport companies specifics distinguish two major activity scopes – forwarding companies that usually do not own their vehicles and transportation enterprises possessing their trucks, though dealing particularly with transportation activities. Besides, transportation system involves other services that are aimed to facilitate transportation process (Praude V., Belcikovs J., 2003). Wang Y. Rong (2008), stipulates that efficiency of freight transport is highly dependent on transport chain. Successful cooperation with freight forwarders, agents and terminal operators can result in high efficiency of transportation service and synergy.

Forwarding companies

Freight forwarder is the intermediary service that facilitates movement of cargos, used by companies that deal in multinational or international import export. Freight forwarding companies ensures that products will

get to the proper destination by an agreed upon date, and in good condition, though it also guarantees that the goods are properly packed and labelled and documentation requirements are met. (Belay S, 2009) In addition, warehousing, risk assessment and management, cargo loading and unloading, cargo insurance as well as methods of international payment are also commonly provided to by the freight forwarders (Birzietis, 2008).

Carriers

Carriers are transportation companies that own vehicles that can transport cargos to/from requested place and offers their services either to individuals or forwarding companies. Cost allocation is one of the primary carriers concern. What is more, carriers exercise the standard of care as required by contract or regulatory bodies' requirements and established industry common practices. Commonly, carriers are increasingly leaning towards subcontracted – based relationships with freight forwarders since it facilitates relationships, ensures stable customer pool. (Sprancmanis N., 2001)

Transport company's effectiveness depend on the vehicles loading capacity, utilized capacity as well as vehicle mileage, operation ratio to vehicle idle time and speed rates, availability and performance of running gear. Whereas vehicle running gear quantitative parameters are characterised by following measures such as total inventory i.e. amount of vehicles, amount of vehicles in the operation, amount of vehicles in acceptable technical condition, number of vehicles not used to due to repair works and quantity of vehicles in idle time (Birzietis, 2008)

Bowersox D.J., Closs D.J. (1996) highlights the importance of evaluation process of individual carriers due to the significant amount of market players that has lead to increased offerings and capabilities. Carrier evaluation platform offered by Bowersox D.J., Closs D.J. (1996) suggests that carriers are to be evaluated in terms of cost, transit time length and reliability, capability, accessibility, and security.

Shippers Associations

Shippers associations are non-operating third parties that are involved in transportation processes. Those intermediaries perform in the interests of freight forwarders and transportation companies therefore enable them to cooperate on the national and international level. A shippers association can be defined as a non-profit authority that facilitates the organization of freight conveyances implying areas of customer relationship and assistance in preparation in normative and legislative acts. Associations might be local – created to protect interest on the national level (LAFF) or international - covering interests of logistics firms worldwide (FIATA). (Lambert, Stock, 1992)

Transport Terminals

Rodrigue J-P., Comtois C., and Slack B. (2009) define terminal as „Any location where freight either originates, terminates, or is handled in the transportation process." Terminals can be central or intermediate locations in the movements of freight. It should possess high level of accessibility to local, regional and global markets, convenient location to serve wide market pool and are to be equipped with equipments and facilities that should facilitate cargo handling (Praude V., Belcikovs J., 2003; Rodrigue J-P., Comtois C., and Slack B, 2009). Truslis and Birzietis (2008) highlights main functions of transport terminals – providing accessibility for vehicles, enabling convenient exchange with vehicles and a convergence cargo flow.

3. THE MAIN CHARACTERISTICS OF ROAD TRANSPORTATION SECTORS IN LATVIA AND TURKEY

An important role in the Latvian transport system is played by motor roads. According to data of Central Statistic Bureau of Latvia (CSB), in 2011 road transport carried out 53936 thousand tons of cargo that makes up 36 % of all cargoes transported in Latvia. According to the data of 2011, it is necessary to point out that a considerable share of all road transportation consists of internal transportation - 83 %. At the same time, international transportation accounted for only 17% of cargoes (see Figure 1). According to data of Latvian road carriers Association "Latvijas Auto", 77 % of international transportation is carried out by rather small firms, which have fewer than 5 vehicles. Another 23% of international transportation movements are made by firms which have more than 6 vehicles, and only 3% are made by transport companies having more than 20 transport vehicles.

There are two main directions (or corridors) of cargo transportation functioned intensively trough the territory of Latvia. The most significant transport corridor traversing Latvia in North-South direction is "Via Baltica". The "Via Baltica" is the first transport corridor of Latvia (among the Helsinki corridors identified during Pan-European Transport Conference taken place in 1997), also known as the motor road E67

providing links between such European cities as Helsinki – Tallinn – Riga – Kaunas – Warsaw, including motorway E77, connecting Riga, Kaliningrad and Gdansk (Ministry of Transport of Latvia, 2011).

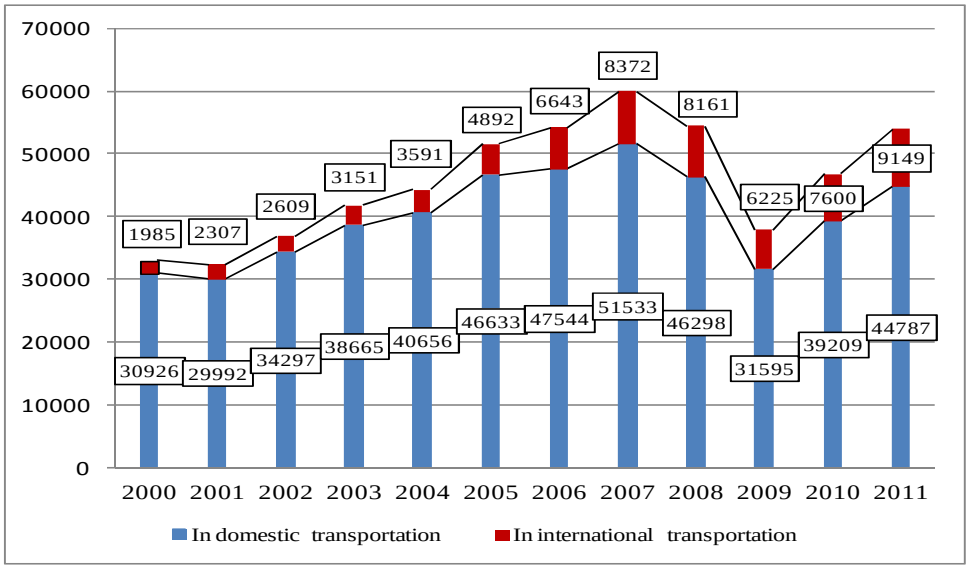

Figure 1. The dynamics of domestic and international road freight transportation in Latvia from 2000 to 2011, thousand tons

Source: CSB data base

Another important transport corridor traversing Latvia in West-East direction could be given to the motor road of European importance E22. It starts in Great Britain and runs into the central region of Russia in its way crossing Holyhead, Manchester, Leeds, Grimsby (Great Britain), Amsterdam, Groningen, (Netherlands), Hamburg, Luebeck, Rostock, Sasnitz (Germany), Trelleborg, Helsingborg, Norkoping (Sweden), and continuing its course from Latvian port Ventspils to Riga and finally reaching Russian cities such as Moscow, Kazan, Elabug, Perm, Yekaterinburg, Tumen and Ishim.

With becoming a member state of the European Union, opportunities have broadened for Latvian road hauliers to use the advantages of a free road transport service market of the European Union. On the whole licenses are no longer needed to transport cargo between EU member states bilateral areas of the EU.

At the same time transportation to countries which are not EU member states will have to be executed in accordance with respective bilateral agreements. Such an agreement with Turkey was signed by Latvia in 1996. According to the International Road Transport Agreement between Turkey and Latvia, in 2011 the quota for the number of permits issued by Turkey to Latvian road haulers was 700 transit permits (bilateral transit permissions enabled to arrive to Turkey only with the freight by trailer registered in Latvia) and 400 transit permits to third countries (bilateral transit permissions enabled to arrive to Turkey even without freight by trailer registered in Latvia). However in the same year the number of permits actually used by Latvian haulers was only 26 and 243 correspondently. This fact characterises relatively low activity among Latvian entrepreneurs and road transport operators regarding the Turkish market in comparison to Russia or Belarus, for instance, where the number of available and required permits was correspondently 9000 and 8012 - in case of Belarus and 56000 and 55995 - in case of Russia (Road Transport Administration of Latvia, 2011).

At the same time since 2007 the size of quota and permits requested transportation to Turkey continuously increases (see Table 1).

In 2010 according to CSB data 2490 companies were registered under the NACE code 49.41, operating in the sector of freight transportation by road, and 379 enterprises - under the NACE code 52.21, operating in the sector of service activities for land transportation.

However road carriers of Latvia specialise basically in transportation from West to East, and only a small part of them works with Turkey. Mainly they are the large companies, doing various types of transportations and logistical services.

Table 1

Size of Turkish quotas established for Latvian road hauliers since 2007, number of permits

Type of licence	2007		2008		2009		2010		2011	
	Quota	Number of licences	Quota	Number of licences	Quota	Number of licences	Quota	Number of licences	Quota	Number of licences
Bilateral +Transit+ from/to third countries	150	54	150	12	500	30	700	24	700	26
Bilateral +Transit+ from/to third countries (arrived without freight)	100	3	150	144	300	290	400	243	400	243

Source: Data of Road Transport Administration of Latvia
http://www.atd.lv/lat/kravuparvadajumi/starptautiskie%20parvadajumi/vienreizejas%20atlaujas/?doc=1555)

It is necessary to point out that as the transport companies often conduct their activity in various directions (not necessarily dealing with only to road haulage), they are not frequently included in the list of enterprises dealing with transportation services (particular within the sectors of code 49.41 and 52.21) by NACE classification.

By road haulage mainly peat, wooden materials, fibre glass and cosmetics are exported to Turkey. At the same time food products (mostly fruits and vegetables), textiles, clothes, cosmetics and electrical devices are imported by road transportation from Turkey to Latvia.

It is essential to specify that in Turkey, road transport is the main type of transportation within the country and the second - for international transportation. According to the Turkish Institute of Statistics, the shares of road transportation in export and import were 40 % and 23 % in 2010.

At present there are 1200 international motor transport companies in Turkey, 250 forwarding agents and 200 customs warehouses, which offer logistics services for international trading companies ("Transportation and logistics" industry report, 2011).

The legislative system of Turkey, regulating the international road transportation after introduction of legislative reforms works mainly according to the EU policy objectives and priorities. This fact facilitates cooperation of Turkey with Member States in the sphere road haulage. Cooperation between Latvia and Turkey in the field of road transportation and logistics could develop increasing volumes of goods turnover, developing further multimodal transport systems and intermodal transportation.

4. THE INVOLVEMENT OF TURKEY IN IMPLEMENTATION OF EU ROAD 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 the countries' differences in the economic costs, competitiveness and the social agenda. The transport industry in 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 (White Paper, EC 2011).

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" (The EU and its neighbouring regions, EC 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.

The EU Commission outlines policy measures in all transport modes – road, rail, aviation and maritime – to link the transport systems of the EU and its neighbours.

At the same time further integration will be carried out as a 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.

Road transport plays a key role in trade flows with those neighbouring countries with which the EU shares a land border (The EU and its neighboring regions, EC 2011). However, cumbersome administrative procedures at border crossings remain an obstacle to the efficient flow of goods between the EU and other countries. Therefore the facilitation of border crossing procedures is of key importance in stimulating trade by cutting time and costs.

Since 1995, when the EU Customs Union with Turkey was established, the volume of trade between Turkey and EU member states has significantly increased. Today, more than half of Turkey's trade is with the EU countries.

Moreover according to EC Progress report about Turkey 2010, accompanying the communication from the commission to the European parliament and the Council enlargement strategy and main challenges 2010-2011, essential progress has been made by Turkey in the area of transport networks. The Ministry of Transport finalised a technical document on the future Trans-European Transport Network (TEN-T) in Turkey and the priority projects of European interest on the TEN-T Network. In the meantime, Turkey has effectively utilised pre-accession assistance to continue technical preparations for transport infrastructure projects on the core transport network including the usage of auto transport.

One of the priorities for the EU's cooperation with neighbouring regions is a improvement of road safety through training, sharing best practices, awareness raising and promoting safer road infrastructure, including secure parking. The community will investigate the possibility of extending common EU-wide intelligent transport systems (ITS) services to the neighbouring countries as well. Examples of ITS applications include electronic tolling systems on motorways, GPS and traffic supervision systems, and warning systems such as the automatic "e-call" which alerts emergency services if the driver is unconscious after an accident. ITS systems can be applied to both passenger and freight transport, in every transport mode including road.

In most neighbouring countries the mortality due to the road traffic injuries is considerably higher. In case of Turkey the number of deaths per million inhabitants was relatively low - 58 comparing to 70 as average indicator in the EU27 in 2009. At the same time Turkey as a country with a small vehicle population may show a low fatality rate per million inhabitants but a high fatality rate per million vehicles. In 2009 fatality rate per million vehicles was 510 in Turkey, comparing to OECD average – 124 for the same year (OECD Factbook, 2011).

It is also important for neighbouring countries to ratify and apply EU and international standards on vehicle safety and environmental performance. In this respect Turkey became a party to the European Agreement on the international carriage of dangerous goods by road (ADR) on February 22nd, 2010. However, the institutional and technical capacity of the Directorate General for land transport (DGLT) for implementing the ADR remains limited.

26 additional inspection stations for the weight and dimensions of commercial vehicles were built in 2010.

Regarding access to markets, only modest steps have been taken in liberalising mutual road market access. Most EU member states have bilateral road transport agreements with neighbouring third countries. Those agreements ensure mutual market access based on quotas (the number of permits issued annually by the competent authorities of the each country's-Contracting Party). A similar International Road Transport agreement between Latvia and Turkey was signed in 1996. At the multilateral level, quotas are also allocated by the International Transport Forum.

Several neighbouring countries have expressed interest in increased road market access with the EU. The main objective of such an initiative would be gradually to remove quantitative restrictions exchange them for implementation of the standards that guarantee the quality of road transport services between the EU and neighbouring countries, which is a concept not included in the current bilateral regimes. As around 92 % of freight is transported by road in Turkey (according to the information of International Transport Forum), such dependence on road transport creates vulnerabilities. Indications such as congestion, environmental downsides, border-crossing problems, road taxation, restrictions on road traffic, permit shortages and customs constraints are some examples.

In order to overcome this vulnerability and to become more sustainable, Turkey is undertaking initiatives to develop inter-modal transport solutions that can rapidly yield results without losing the advantages of its competitive road transport system. International road transport operators have adapted to the international context by implementing innovative solutions which combine road, sea and Roll-on Roll-off (RO-RO) transport.

To ensure that similar standards relating to road transport are followed in the EU and neighbouring countries, it is important that the implementation of the digital tachograph in neighbouring countries is in line with the requirements of the UN Agreement on driving time/rest period rules in international road transport (AETR)

In January 2010, Turkey appointed the Ministry of Transport (MoT) as the national authority charged with establishing a digital tachograph system (DTS). The MoT has delegated its tasks to the Union of Chambers of Commerce (TOBB) via a protocol. The implementing legislation concerning the use of tachograph devices on vehicles providing international transport services entered into force on 21 May 2010 and first user card was issued in September 2010. The Turkish regulation is in line with Council Regulation 3821/85/EEC "On recording equipment in road transport" and the European Agreement concerning the work of crews of vehicles engaged in international road transport (AETR).

However on road transport, legislative alignment regarding driving and rest hours of drivers by the Ministry of Labour and Social Security is slow. Further work is required, especially in order to align with the new legislative packages adopted by the European Union after 2007.

5. DEVELOPMENT OF ROAD HAULAGE SECTOR IN LATVIA

Latvia has successfully met the EU requirements in road transportation and introduced in the legislation main conditions regarding access to the market of passenger and cargo transportation, driving and resting regimens of professional drivers, technical parameters of road transport vehicles and traffic security conditions, organisation of dangerous cargo road transportation, control in road transportation and other requirements related to road transportation.

However as it is stressed in "Transport Development Guidelines 2007-2013" since 2001 the following negative tendencies were noticed in the Latvian road transport sector:

- the condition of motor roads continued to deteriorate;
- the number of road vehicles rapidly increased, substantially increasing the load on motor roads;
- the number of road accident fatalities was still very high in comparison with other European countries.

Therefore the main aim of Latvian transport policy in the fields of road haulage was to succeed with comfortable and safe traffic within State motor road network, which conforms to the demand and the financial possibilities.

Table 2

Policy measures currently applicable within the Latvian road transport policy

Policy directions (objectives)	Policy measures
1. Improvement of quality of the infrastructure	- Maintenance and development of motor roads; - Reconstruction of transit cities' streets; -Keeping coach (inter-city) transport network in fair condition; - Keeping the regional motor roads in the fair conditions; - Development of access roads as a part of ports' infrastructure; - Improvement of large cities' infrastructure for the link with TEN-T; - Construction and reconstruction of TEN-T motor roads (major State roads); - Application of engineering and technical measures within Road Traffic Safety Program: - Improvement of Stationary lightening systems for populated and dangerous places on the road; - Consolation of traffic in urban areas; - Elimination of pedestrian walkways in dangerous places; construction of tunnels, bikeways, protection barriers, the speed thresholds, and safety islets; - Speed elimination measures in dangerous places on the roads; - Strengthening of the driving speed control and alcohol intoxication controls on the roads;

	-To specify the populated areas by installation of road signs.
2. Raising the level of road safety, specified in details by Road Traffic Safety Program: -Safety guaranties on less protected roads - Raise of child security on road; - Safe movement of carriers, complying the speed regimes ; - Extermination of driving in alcoholic intoxication; - Decrease of driving in tiredness conditions, complying the driving and repose regimes); - The decrease of hardness degree of road accidents; - Encouraging the involvement of society in solving the problems related to road safety; - Continuous implementation of measures directed to normal regime of road traffic according to road safety requirements.	- Keeping the regional motor roads in the fair conditions; - Improvement of urban traffic safety; -Increase of road traffic safety; - Reduction of the number of road accident's fatalities; Within the Road Traffic Safety Program 7 main measures have justified for each objective considered in the Program: - Improvement/amendments in the legal basis regulating road safety policy; - Control of behaviour of road users; - Development of consciousness of road users; - Application of engineering and technical measures for road and street 's network improvement (see also Policy measures referred to Improvement of quality of the infrastructure); - Education and training of road traffic users; - Increase of effectiveness of Lifesaver Services and Urgent Medical Aid Service; - Making the research on the fields of road traffic safety (including provision of control of drivers' working regimes, Improvement of Fire Safety and Protection services).
3. Coordination of efforts between the Ministries and other state institutions on the fields of transport policy application (including education and research)	- Co-ordination of safe circulation of dangerous goods; - Raising of qualification of specialists ; - Co-ordination of the road traffic safety measures; - Development of education systems for pedagogues, teaching road safety issues in the schools; - Issuing the study guides for teaching of road safety and road traffic regulations; - To create the Educational Road Safety Centre, Interest clubs, exhibition centres, etc. - To create interactive road safety webpage (E-education) and application of computer games in the teaching process; - Creation of common and successive road safety education system through preschool, primary, secondary and high school levels; - Making the research on the fields of road traffic safety (including provision of control of drivers' working regimes, improvement of Fire Safety and Protection services, the impact analysis between drivers' tiredness and the level of road safety etc.)

Source: Transport Development Guidelines 2007-2013 (http://www.likumi.lv/doc.php?id=139865); Latvian Road Traffic Safety Program for 2007-2013 (http://www.likumi.lv/doc.php?id=155901), The Strategy for the Daily Maintenance of State Motor Roads (2007-2014)

Taking into account that the road network is the integrated part of whole national transport system, the important objectives for the development of International road haulage and Latvian transit sector are: 1) to increase quality of motor roads, including current maintenance and development of State motor roads 2) to raise the level of road safety 3) to develop the infrastructure of road network as well as 4) to provide effective coordination of transport policy measures applicable by different state institutions, including measures on the field education and research making. The policy measures currently applied in order to succeed in achieving the main objectives of Latvian road-transport sector are shown in Table 2.

According to legislative acts applicable currently in road haulage sphere, the most important priority for the further development of Latvian transport policy is significant rising of the level of road safety, including "safe movement of highly qualified drivers on the safe roads by technically approved vehicles" (Ministry of Transport of Latvia, 2011). For this purpose Latvian Road Traffic Safety Program was elaborated and currently is carried out. During the years from 2007 to 2013 within the Programme mentioned it was assumed to spend more than 142 million Ls (203 million EUR) on the implementation of the whole package of road safety measures. Almost 52% of total funding was going to be used on increase of effectiveness of Lifesaver and Urgent Medical Aid Services. Around 32% of funding went to application of engineering and technical measures, including improvements of road infrastructure. But 13% of Programme finances assumed to spend on measures related to strengthening the control of behaviour of road users, including international carriers as well.

According to EU transport policy objectives during the decade from 2001 to 2010 it was necessary to succeed the double decrease in the number of deaths in traffic accidents in Latvia. That means that yearly number of victims of road accidents should not exceed 280 – in 2010.

However, according to the data of Ministry of Transport, such policy objective was even left behind due to effectively applicable Road Safety Policy in Latvia during several recent years.

Since 2001 number of deaths on Latvian roads was decreased by 60.9%. This was the best achievement among all EU countries. While successful following to the policy objectives in the field of road safety, Latvia is still behind of many other countries in terms of mortality level in traffic accidents. For instance, in 2010 the number of deaths per million inhabitants was 97 in Latvia, comparing to 62 as average indicator in the EU27 (according to data of European Commission). According to provisional estimations of Latvian Ministry of Transport in 2011 the number of deaths in traffic accidents has decrease by 19.3% in comparison to 2010, showing the lowest number of fatalities in Latvia – 176, since the registration started by accident statistics.

Another essential priority of Latvian road-transport policy is the maintenance and development of motor roads as well as keeping them in acceptable condition. The technical condition of motorways is one of the factors, which has essential impact on level of road safety and intensity of use for international haulages. According to information published in "State motorways 2010" yearbook, the condition of Latvian motor roads continued to deteriorate. One half of asphalt roads and one third of dirt roads were classified as destroyed in 2010. In case of 39 bridges the different types of traffic limitations were introduced for freight haulage crossing them.

Continued lack of state financing to road system was mentioned as the main reason for the poor condition of Latvian roads. Therefore large-scale road construction projects have been carried out within the framework of co–financing measures applied by Cohesion Fund and European Regional Development Fund. For instance, applying the joint financing in cooperation of the European Regional Development Fund, the reconstruction of roads was completed on six different regional road segments, connecting regional centres and providing convenient access to main state motorways in 2010.

As already mentioned the "Via Baltica" is an important transport corridor, which runs in the North-South direction through Latvia. The most significant investment in the development of the "Via Baltica" motorway was made by using the European Union pre-accession financial instruments of PHARE and ISPA. Within the "Reconstruction Programme of Main State Roads Surfacing for 2011 – 2012" it is also planned to renovate certain segments of E67 motorway. Traditionally the most congested part of Latvian motorway network is observed to be on the segment of route E67 close to Riga. In 2010 compared with the previous year, the traffic load on "Via Baltica" road around Riga city rose by 11%, which can be considered as an indication of growth of entrepreneurial activity following the economic slowdown. The congested segment of E67 motorway is used by transportation of freights from Central-Eastern parts of Europe and from Southern direction of road haulages coming from The Ukraine, Bulgaria, Romania and Turkey.

Among the policy measures essentially affecting road traffic safety there are legislative restrictions and incentives regulating the process of transportation of dangerous goods. As the majority of dangerous goods is internationally transported, the negative consequences of possible accidents can be concerned for the number of countries. That is why the common international system for safe circulation of dangerous goods was created. The safe circulation of such type of goods implies precise international compliances according to regulatory basis referred to strict classification of goods/freights, packaging, labelling, and handling procedures, transportation orders and technical requirements to the transport facilities and its maintenance, staff training and certification. However in Latvia the majority of all requirements are managed by a lot of different institutions, whose obligations are not coordinated properly. For instance, five different Ministries and two state institutions are responsible for different aspects of circulation of dangerous goods on Latvian territory. Therefore, since 2005 different organisational schemes were considered for the process of coordination and safe carriage of dangerous goods. However there is no effective coordination scheme elaborated and introduced for the circulation of dangerous goods up to the present in Latvia.

On the basis of the Latvian national road transport policy currently implemented and anticipated to develop in the future (at least until 2013) Latvian -Turkish cooperation can be considered in the following directions:

- Usage of currently exited traffic routes (for instance "Via Baltica" or other motorways connecting Latvian border crossing points with Latvian ports) for export/import of goods or making transit through Latvian territory from Turkey to Scandinavian countries or to Latvian ports. However for these purposes the quality of the road network should be essentially improved by renovation of road surfacing, developing the infrastructure for international road carriers (for instance construction of parking lots on Latvian territory) and further improvement of traffic safety.
- Construction of a modern distribution and logistics centre in Latvia providing a wide range of services such as warehousing, loading and discharging of cargos, handling, completion of custom formalities, etc. will be able to attract foreign entrepreneurs by opening additional opportunities and

market niches for packaged freight handled on Latvian territory and further transported to the eastern and northern destinations.

6. METHODOLOGY APPLIED IN THE RESEARCH

The application of qualitative methods of analysis were based on organization and conducting surveys among the experts and representatives of Latvian transport companies specialising on road carries between Turkey and Latvia .

In view of the lack of information characterizing real cooperation between Latvia and Turkey on the fields of transport and logistics the method of surveying experts was used developing the questionnaires for the interviews.

The primary selection of potential respondents in the road transport sector occurred on the basis of unpublished data of the Central Statistical Bureau of Latvia (CSB), especially requested for the present research. The information showed the total number of Latvian enterprises conducting road 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. They were: SONORA Ltd., DB Schenker Ltd., DSV Ltd., Bats, Ltd., Association "Latvijas Auto", and AWT Ltd.

To identify the enterprises working with Turkey was possible with the help of the Latvian Road Transport Administration which gives permission for international transportation. Senior executives and managers of transport, trade, logistical companies and representatives of professional associations mainly participated in the interviews.

7. ANALYSIS OF MAIN FACTORS IMPACTING THE LATVIAN-TURKISH COOPERATION IN THE FIELD OF ROAD HAULAGE

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) suitability of given transportation mode for cargoes deliveries 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.

Road transportation of cargoes to/from Turkey involve both proprietors of motor transport, and the forwarding companies (for example, "SONORA RW" Ltd, "DSV Transport", "DB Schenker", etc.), acting as intermediaries between road transport companies and sellers of goods.

The route of road transportation of cargoes from Turkey to Latvia, Estonia, the Scandinavian and other EU countries is shown in Figure 2.

As one can see in Figure 2 delivery of cargoes from Turkey to the EU countries is carried out in EU territory to avoid rises in the price of transportation connected with crossing third countries borders. As respondents pointed out, cargo from Latvia to Turkey is usually transported through Lithuania, Poland, Slovakia, Hungary, Romania and Bulgaria and it is about 2.7 thousand kilometres long distance for transportation.

Among the exported cargoes transported by motor transport from Latvia to Turkey, respondents specified peat, fibre glass, materials from wood materials, cosmetics.

Food products, citron, dried fruits, nuts, plumbing production, building materials, textiles, clothes and, the electric goods are more often imported.

Among the interviewed companies, there are companies which specialize only in import deliveries of production from Turkey, for example, "SONORA RW" Ltd and "Bats" Ltd. Each of the companies specializes in different categories of goods. So "Bats" Ltd imports citrus, dried fruits and nuts, with the subsequent export of the bigger part of the products to Russia.

The company "SONORA RW" Ltd. imports into Latvia plumbing production, building materials, and textiles. Other companies, such as "DB Schenker Latvia" and "AWT" Ltd. are engaged both in export and import transportation, but specialise in transportation of different goods. If the company "DB Schenker Latvia" exports, basically, cosmetics and various modular freights, the company "AWT" Ltd. transports to Turkey peat, fibre glass, materials from wood. Import deliveries of these companies partially coincide on

textiles and food products. However apart from that, the company “DB Schenker Latvia” imports cosmetics and electric goods, and the company “AWT” SIA – imports plumbing production.

Figure 2. Road transportation from Turkey to Estonia and Scandinavian countries
Source: information from the expert interviews

During the survey, respondents emphasized that it is not always easy to fill vehicles travelling from Latvia to Turkey compared with the return trip when difficulties filling vehicles don't arise.

Cargo from Latvia to Turkey is delivered in approximately 7-9 days by road transport. In case of modular cargoes, the duration of transportation can increase.

Analysing seasonal influence on the duration of transportation, respondents expressed opposite opinions. Some of them considered that the season of a year doesn't essentially influence the time of transportation. Others, on the contrary, expressed the opinion that there are increases in duration of transportation during the winter period.

Table 3

Structure of expenses of cargo transportation by road transport from Latvia to Turkey

N	Expenses	Share %
1.	Fuel expenses	70%
2.	Administrative expenses and the salary of a driver	20%
3.	Amortisation of transport vehicles	5%
4.	Permissions, road tax etc.	5%

Source: according to the expert estimations

As respondents specified, expenses for delivery of the 20-foot container from Latvia to Turkey (to Istanbul) by road transport in average are 2200-2500 EUR. The structure of expenses for cargo transportation by road transport is presented in Table 3.

By the estimates of respondents, expenses for fuel in cargo transportation from Latvia to Turkey make, about 70 % of the total. Administrative expenses, including expenses on the salary of a driver account for about 20 %.

As the representative of the interviewed companies pointed out, at the moment the basic share of cargoes exported from Latvia to Turkey involve goods of rather low cost and great volume (as scrap metal, peat, wood) which are more profitable to transport by sea instead of other transportation modes, such as road or railway.

At the same time representatives of the forwarding companies stressed that very often transportation from Turkey to Latvia is carried out by haulage contractors from Romania, Bulgaria, and Turkey. This fact allows enterprises which carry out forwarding services in Latvia to have lower expenses for the operation of their own transport, and, sometimes to totally exclude the use of their own vehicle park. Respondents of the Latvian motor transportation companies also specified big competition with Lithuanian carriers.

Estimating the possibility of increase in transit deliveries of cargoes by motor transport from Turkey through Latvia, participants of the survey stressed the absence of special perspectives because of low demand for transit transportations in North-Southern direction, the bad condition of Latvian roads and the road infrastructure, the essential excess of cost of road transportation in comparison with sea transport and the considerable distance between the countries.

The major factors interfering with development of cooperation in the field of road transportation, as respondents outlined, is the considerable distance between the countries and cost of transportations by road transport. Road transport is usually expensive for large volume cargoes which are easier to transport by sea.

One of constraining factors for development of road transportation with Turkey is also the low demand for the Latvian goods in Turkey, as well as the small volumes of Latvian production. There are often difficulties with filling the vehicles going to Turkey.

All experts admitted the fact that unsatisfactory quality of roads in Latvia and through Bulgaria and Romania compared with a good quality of Lithuanian roads.

According to experts, competition between Latvian companies for road transport in North- Southern direction is practically absent. Their competitors are more likely to be Lithuanian road transport companies. Essential part of road transportations between Latvia and Turkey are often made by Turkish, Romanian and Bulgarian carriers as well. However the overwhelming majority of road transportations are made between countries of the EU and Russia, i.e. in the West - East direction.

As a negative factor interfering with the development of cooperation in road transportation, respondents mentioned bureaucratic obstacles at the Turkish border. Respondents specified that procedures for crossing the border take a long time.

Estimating the possibilities for development of further cooperation with Turkey, respondents specified the necessity of taking some actions which could be viewed as favourable in the development of cooperation between Latvia and Turkey. Almost all the managers of companies interviewed, and also a representative of the Association “Latvijas Auto” pointed out the necessity of road repair and the improvement of the Latvian motor transportation infrastructure (for example, an increase in number of parking lots for freight transport).

To increase competitiveness of Latvian motor carriers, a number of experts who closely cooperate with Lithuanian partners, suggested reducing the tax burden and establishing maximum limits for fuel price rises. As expenses on fuel make a considerable share of a cost of transportation, the reduction of fuel cost, at the expense of taxes, would allow for lower transport tariffs.

8. CONCLUSIONS

1. Although road transport is the second largest (after sea transport) mode of transportation between Latvia and Turkey due to accessibility of the service and appropriate combination of delivery time and transportation costs, a relatively small number of Latvian companies is actually involved in road haulage of goods between the two countries.

2. The overwhelming majority of Latvian motor carriers specialize in goods transhipment from west to east, and only a small part of them is working with Turkey. These are such companies as “DSV Transport” Ltd, “DB Schenker Latvia” Ltd, “BCL services” Ltd, “Sonora ekspedicija” Ltd, “AWT” Ltd, “BATS” Ltd., etc. Both major international companies, providing different modes of transport and logistics services, and relatively small companies, specializing in consolidated cargo transport, are among the enterprises that focus their activities on Turkish direction. Transportation by road between Latvia and Turkey is more often provided by Turkish, Romanian, Bulgarian and Lithuanian carriers as well.

3. Annual quota amount, set in compliance with the terms of the bilateral “International Road Transport Agreement”, signed by Latvia and Turkey, has not been fully utilized, at least, during the last five years. That indicates that there is an unused potential in the area of commercial cooperation and carriage by road.

4. 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 neighboring

countries and regions with the aim to eliminate barriers and reduce the time and resources required for transportation of goods and services.

5. 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. Furthermore, further integration with enlargement countries should be implemented as a 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.

6. 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 regards 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 the future. However, business activity growth in the post-crisis period may significantly increase the freight turnover between the two countries.

7. 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 organizations 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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