

Ewald Nowotny
Governor
Oesterreichische Nationalbank

SPEECH

Vienna, December 14, 2018

Connecting Europe and Asia

Opening remarks - Conference organized by the Oesterreichische Nationalbank (OeNB) and the Reinventing Bretton Woods Committee (RBWC)

Ladies and Gentlemen,

It is a great pleasure to welcome you here in Vienna to today's conference organized by the Oesterreichische Nationalbank in cooperation with the Reinventing Bretton Woods Committee (RBWC).

Today's conference takes place toward the end of the Austrian Presidency of the Council of the European Union. The topic of today's conference is "Connecting Europe and Asia" fits well into the Austrian Council Presidency's work focus.

Connecting Europe and Asia is very important, especially for countries in the Central Asian region as well as Austria and the Danube region. Especially for land locked countries without a direct access to the sea, a good transport infrastructure is essential. Open trade policies are essential to enable economic integration with favorable economic consequences. A closer cooperation between the EU and the Eurasian Economic Union would be beneficial for both, but before this can happen political problems need to be solved.

In principle, there are essentially two ways of transport connecting Europe to Asia:

- The maritime dimension and
- The land dimension

Referring to the maritime dimension, up until now the North Sea ports like Rotterdam (NL), Antwerp (BE), Hamburg (DE) and Bremen (DE) have supplied around 80% of all goods for Europe because the sea transport is by far cheaper than the land transport. As fuel-costs are rising, due to the need to use cleaner fuels, shorter travel distances to the Adriatic ports like Rijeka (HR), Koper (SI) and Trieste (IT) should gain in importance vis-à-vis the now dominant North Sea ports.

Regarding the land dimension, due to higher costs only 10 to 15% of all goods are transported, via the land route, mostly rail, from Asia to Europe. The Chinese Belt and

Road Initiative (BRI), also known as the One Belt One Road (OBOR), launched by Chinese President Xi Jinping in October 2013 will invest in and modernize six economic corridors spanning Asia, Europe and Africa. The modernization of the relatively less developed Eurasian overland traffic should reduce the price gap between land and sea transport. Austria and the Danube area could potentially profit from both, the maritime and the land dimension.

As for land transport, the current main rail transport route via Poland is overloaded and alternative routes are currently under discussion. The broad-gauge rail route to Kosice in Slovakia is one of these routes and could in future, also be extended to the Bratislava/Vienna region.

In sea transport costs will rise strongly due to stipulations for cleaner fuels. Thus, the Adriatic ports like Trieste, Rijeka and Koper should win vis-à-vis the now dominant North Sea ports due to the much shorter travel route. Austria could also win as a rail junction knot on the Trans-European Networks (TEN) - Carinthia through the Tauern axis and Vienna with the Danube region-axis and the amber route-axis to the Baltics.

At today's conference renowned experts from academia, business and finance as well as policy makers will discuss ways to improve cooperation between Europe and Asia and to better connect Europe and Asia to the benefit of both sides.

In Panel 1 of this conference, experts will discuss the economic aspects of integration of the European Union and Eurasia. They will discuss the current institutional framework, initiatives such as the Chinese Belt and Road Initiative, European integration and relations between the European Union (EU) and Eurasia, focusing on trade relations and especially on the Eurasian Economic Union (EAEU).

Panel 2 will focus on the land dimension of connecting Europe and Asia. Representatives from the industry like transport and logistics companies will give practical insights. Experts will also discuss Asia's relations with the Danube Region, with contributions from the Danube Macro Region Business Forum (DMRBF).

Panel 3 will cover the maritime dimension. Once again, representatives of the transport and logistics industry and from international seaports supply insider views. Both, land and sea transport use containers.

Finally, panel 4 will look at financial aspects of connectivity as well as risks, challenges and opportunities. Representatives of key financial players in the region like the EBRD, the Astana Financial Centre and the Asian Development Bank Institute will take the floor.

I am very much looking forward to stimulating presentations and fruitful discussions, and I wish you an interesting and pleasant stay in Vienna during the pre-Christmas period.