The Eurasian Rail Link

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Expanding trade scale Between China and EU

- In 1975 the trade between China and EU only US$2.45 billion.

- In 2014 the trade volume is US$615.14 billion, 19% of China’s global trade volume.

- Due to economy downturn from both EU and China, in Jan-May, 2015, the trade of China and EU decreased 7.1%.

- However, the new cooperation plan will stimulate trade and investment between China and EU.
According to “China-EU 2020 Strategic Agenda for Cooperation”, the trade is expected to increase up to 1 Trillion USD by 2020.

In OBOR initiatives, China will put in 52.4Billion USD for overseas investment.

In Juncker’s investment plan, EU will invest 315 Billion EURO in 3 years to boost EU economy.

※AIIB: Asian Infrastructure Investment Bank    ※EFSI: European Fund for Strategic Investments
※EU-China BIT: EU-China bilateral investment treaty is still in negotiation and expected to sign by 2015
Cargo Transport Options for China-EU trade

• 95% of trade in goods are transported by marine route.

• Less than 5% of products are transported by rail route
  ➢ 75% by [Siberian land bridge](#)
  ➢ 25% by [New Eurasian Land Bridge](#)
In 2014 the average cargo value of 1 block train is $15.78 Million. Estimation of Trade amount by Eurasian railway in 2015 and 2020 are calculated as cargo value $15.78 Million per train.

- **By 2020**, the cargoes using Eurasian rail corridor will be up to $15.786 billion, which equals to about **100 Billion RMB**.
- The growth of Eurasian rail market will exceed the EU-China trade growth speed, and changes the traditional trade contract terms.

<table>
<thead>
<tr>
<th>year</th>
<th>Eurasian Block Train</th>
<th>Trade by Eurasian railway* ($Billion)</th>
<th>EU-China Trade ($Billion)</th>
<th>Trade proportion by Eurasian rail</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>72</td>
<td>1.136</td>
<td>566.2</td>
<td>0.20%</td>
</tr>
<tr>
<td>2014</td>
<td>308</td>
<td>4.862</td>
<td>615.14</td>
<td>0.79%</td>
</tr>
<tr>
<td>2015 forecast</td>
<td>500</td>
<td><strong>7.893</strong></td>
<td>615.14</td>
<td>1.28%</td>
</tr>
<tr>
<td>2020 target</td>
<td>1000</td>
<td><strong>15.786</strong></td>
<td>1000</td>
<td>1.58%</td>
</tr>
</tbody>
</table>
Comparative Advantages of Eurasian Rail Transport

• **High reliability**
The rail corridor is much safer than marine route either through the Suez Canal or Cape of Good Hope. Also there is low risks of congestion, attack, and weather influence on transport in rail route.

• **High energy efficiency**

• **Fast delivery**
The average transit time for current China-Europe block train is **12-16 days**, **1/3** of marine transport time.
Comparative Advantages of China-Europe Rail Transport

Take cargo from **Chengdu** to **Poland** for example

- **Marine option:**
  - 45 days, $5500/40’

- **Rail option:**
  - 12 days, $8500/40’

- **Air option:**
  - 7 days
Performance of “China-Europe freight trains”

- Train frequency & lines fast increasing
- Central & Western regions highlighting
- More diversified and market-oriented
- Effectiveness on freight cost down
In 2014, 308 China-Europe block trains were successfully operated, with cargo volume 26070FEU which increased 285% compared with previous year.

The block train schedule for 2015 is 500 trains, and for 2020 is 1000 trains.

Eastbound block train transport is gradually organized.

<table>
<thead>
<tr>
<th></th>
<th>Eastbound</th>
<th>Westbound</th>
<th>Lines</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014H1</td>
<td>1</td>
<td>76</td>
<td>7</td>
<td>78</td>
</tr>
<tr>
<td>2014H2</td>
<td>20</td>
<td>210</td>
<td>19</td>
<td>230</td>
</tr>
<tr>
<td>2015H1</td>
<td>50</td>
<td>194</td>
<td>19</td>
<td>244</td>
</tr>
<tr>
<td>2015July</td>
<td>24</td>
<td>60</td>
<td>21</td>
<td>84</td>
</tr>
</tbody>
</table>
The new silk road economic belt initiative (OBOR) speed up part of industries shifting from coastal and eastern cities to middle and western regions of China, especially the labor-intensive industry and resource-based industry.

To undertake the *intersectional industry shift*, the government of middle and western regions in China is cultivating the market of China-European Corridor. In the cultivating phrase, most are operated with *government grants*.

Besides Chongqing, Zhengzhou, Wuhan and Chengdu which already stabilized the China-European block train corridor, *Changsha, Hefei, Lanzhou, Kunming* also successfully operated the block train to Europe.
More diversified and market-oriented

- After 2 years’ development, the services and products in China-European block train become more diversified and market-oriented. Part of routes have been operating in market principle and become profitable.
Effectiveness on running time

According to China Railway’s plan

- Block train will be arranged with fixed schedule.
- The train frequency will be 1 train per day in near future.
- The transport time will be shortened to be around 12 days.

- For west line (via Kazakhstan-Russia) the cargo detention time in border station are largely shortened. So far, it takes 5 hours to cross Dostyk, 5 hours to cross Brest.
- For middle line (via Mongolia-Russia) the average cargo detention time is up to 30% of total transport time. And 60% of detentions are caused by document problems and Customs inspections.

- Standard document and unified coordination mechanism will be build up in near future for whole-course transportation to improve efficiency of customs clearance and reloading to shorten cargo detention time.
Freight forwarding companies need to study and practice on the fast growing Eurasian rail market and integrate present resources to offer brand-new products and solutions for potential customers.

Back load from EU to China still in lack, which also lead to high costs of one-way freight. Freight forwarding company should focus on the back load market exploring, especially on market of auto import, equipments and machines, chemical products and agricultural products.

Last Mile Solutions
Freight forwarding company shall deepen cooperation to offer more comprehensive logistics service for Eurasian rail corridor, including multimode transport, LCL and e-commerce logistics services.
The End

Thank You!