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## **RAIL CONTAINER TRANSPORTATION IN EURASIA IN THE FIRST HALF OF 2022**

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# INTRODUCTION.

## ADAPTING TO UNCERTAINTY

In the first half of 2022, 307,200 TEUs were transported along the China — Europe — China Eurasian railway route, which is 8.7% less than in the same period in 2021. The main factor which led to the decline in the volume of cargo transported along the Eurasian railway route was the international political situation: namely, Russia's special military operation in Ukraine and the ensuing waves of sanctions and restrictions the Western countries levied against Russia and Belarus.

Despite the fact that the sanctions do not directly apply to the operator of the Eurasia route or the majority of transport and logistics companies, the general atmosphere of toxicity created around Russia and Belarus led to a cautious attitude among consigners to shipments through the territory of the EAEU.

The uncertainty associated with the international political situation has complicated the work of the trans-Eurasian railway corridors, but at the same time underscores the undeniable advantages of railway transit in comparison with other modes of transport. Despite a complete stop to air transportation between Russia and Europe and restrictions imposed on the work of Russian and Belarusian road carriers, as well as the reduction or termination of the activities of international sea freight carriers, rail traffic continues its stable operation.

The stability of railway container transportation as well as systematic work on organizing the through transportation of containers using seamless technologies continues to be an advantage of the railway option for China-Europe-China consigners.

Another factor affecting trans-Eurasian rail freight has been the cuts in Chinese rail export subsidies. In 2022 and 2023, the maximum allowable share of subsidies in the cost of rail transportation has been reduced to 10%. Subsidy levels are expected to decrease further due to the significant progress made in making transport along the New Silk Road more attractive. However, despite these conditions, the traffic dynamics demonstrate that the subsidy factor led to an accelerated growth in freight volumes at the initial stage, and now it is becoming a secondary factor due to the "maturing" and development of Eurasian railway freight transportation.

Record-breaking volumes in 2021 signaled to market participants that they need to expand infrastructure capabilities, as well as improve the efficiency of operations. The current year 2022 shows the resilience of the Eurasian railway route, despite the economic downturn in the economies of Europe and China, as well as the aggravation of political contradictions in Eastern Europe.

# SUMMARY

- 1.** The Eurasian rail transit route is the main transport artery for the China-Europe-China rail container transportation. In the first half of 2022, the Eurasian route accounted for 84.7% of the volume of transported TEUs, according to border crossing statistics.
- 2.** According to the results of the first half of the year, freight volumes transported along the Eurasian railway route in total, for all segments, amounted to 307,200 TEUs, which is 8.7% less than in the same period in 2021. At the same time, transit traffic in the China-Europe-China services accounted for 261,400 TEUs, that is, 85% of all transported goods. The drop in volume was offset by the development of other transportation segments.
- 3.** The average number of train departures per day has slightly decreased: from 15.2 in 2021 to 14 this year. The number of trains being loaded also showed a decline to 110 TEUs. Despite this, all indicators turned out to be higher than the level of the first half of 2020, which is indicative of the stress resistance of the route.
- 4.** The “cooling” of demand from consignors following the 2021 peak year contributed to the return of the trend towards a reduction in the average time in transit from border to border from 6.84 to 6.31 days. The average speed of container trains increased from 794 to 864 km per day.
- 5.** In the first half of 2022, cargo was transported for a total of about 12.7 billion US dollars, which is 36.5% less than in the first half of 2021. This figure corresponds to 3.5% of total trade between China and the EU. In the first half of 2022, the diversification of the range of goods transported continued. Mechanical equipment and machinery, electrical devices and vehicles accounted for 38% of cargo, which is 8 p.p. less than a year earlier.
- 6.** A slight drop in the volume of cargo transported did not have a significant impact on the trend towards full capacity utilization. The share of empty containers that followed the route amounted to 7%, which is the same level as last year. In the most difficult direction in terms of balancing, from Europe to China, the share of empty containers was 17.2%, 3.3 p.p. more than last year, but still less than in 2020.
- 7.** The core points of departure and destinations continue to be in the regions of Germany and West and Central China. The main eastern routes were Hamburg-Zhengzhou, Mannheim-Xi'an and Hamburg-Hefei. The western routes included Xi'an-Malashevich, Chongqing-Malashevich and Xi'an-Duisburg. In total, 16 new locations in China, Europe and Russia were added to the route network.
- 8.** In the short term, the trend towards recession in the global economy will have a negative impact on trans-Eurasian cargo transportation. The global energy and food crises, record inflation in the EU and a slowdown in the Chinese economy amid both current and likely coronavirus restrictions are leading to a restriction in the activity of consignors.

- 9.** EU trade with China has demonstrated the prerequisites for a deterioration in the balance of cargo flows between east and west. In January to May 2022, the EU-27 trade surplus in trade with China widened to €155.3 billion, due to a sharp increase in imports from China, which exceed EU exports to China by 167.7%.
- 10.** The Eurasian rail route continues to maintain a cost advantage over sea freight. Although the China-Europe Drewry World Container Index fell from \$9,507 in January to \$7,376 in June this year, the figure is still significantly higher than the \$2,987 border-to-border cost of transporting a container by rail, according to June data.
- 11.** European institutions continue to take action to reduce CO2 emissions from maritime and air transport. Starting in 2024, maritime transport will be included in the European Emissions Trading System. There are also plans to expand Air Transport Compensation Schemes (CORSIA) to cover all departures from all European Economic Area countries. Against this background, the environmental friendliness of rail transport will become increasingly important.

# EU-CHINA TRADE AND THE STATE OF THE FREIGHT MARKET

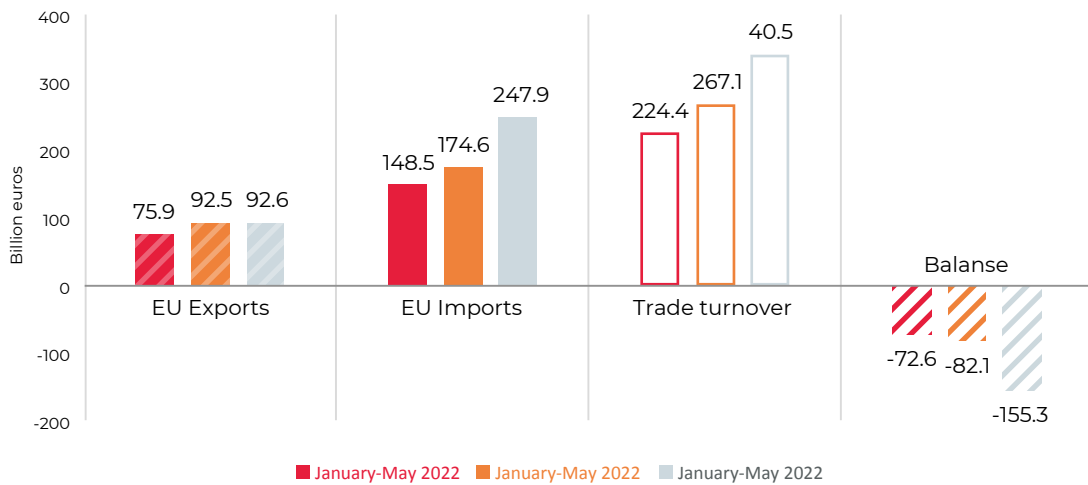
## Growth in Trade Turnover and Deterioration in the Balance of Freight Flows

The economic recovery period of the EU and China has faced new challenges stemming from international political tensions. The sanctions escalation by Western countries against Russia has led to a serious energy and food crisis, which affects both production in Europe and slows down the pace of economic recovery in China, even against the background of the lifting of the lockdown.

On the other hand, the sharp rise in inflation in Western countries has dampened consumer activity. Inflation was triggered as a consequence of large-scale injections into the economy during the corona crisis, as well as rising energy prices. Together, these factors, as well as a number of leading indicators, indicate a serious risk of a recession in the global economy, which will lead to constrained demand from consigners.

The situation in EU trade with China has two key aspects. On the one hand, the growth in trade turnover from January through May has grown to 340.5 billion euros against the backdrop of a sharp (42%) increase in EU imports from China to 247.9 billion euros, will contribute to the growth of cargo shipments from China to Europe. On the other hand, from January to May 2022, the EU-27 trade surplus in trade with China increased to 155.3 billion euros due to a sharp increase in imports from China, which are 167.7% higher than EU exports to China. Operational data suggests that the downward trend in the balance of freight flows will prevail, with a stagnant number of shipments from Europe to China.

## DYNAMICS OF EU-27 TRADE WITH CHINA



Source: authors' calculations, based on Eurostat data

The current situation will have a moderately negative impact on Eurasian rail freight. Firstly, the growth in the volume of transported goods was predominantly qualitative and relied on the advantages of this mode of transport, and not only on the quantitative growth in the segment of world trade between the EU and China. Secondly, the problem of balancing the freight flow has been inherent in trans-Eurasian transportation since the beginning of activity and is not new. Therefore, the trade and economic situation will require additional efforts by transport and logistics companies to attract European consigners.

## The state of Maritime Shipping and Air Cargo

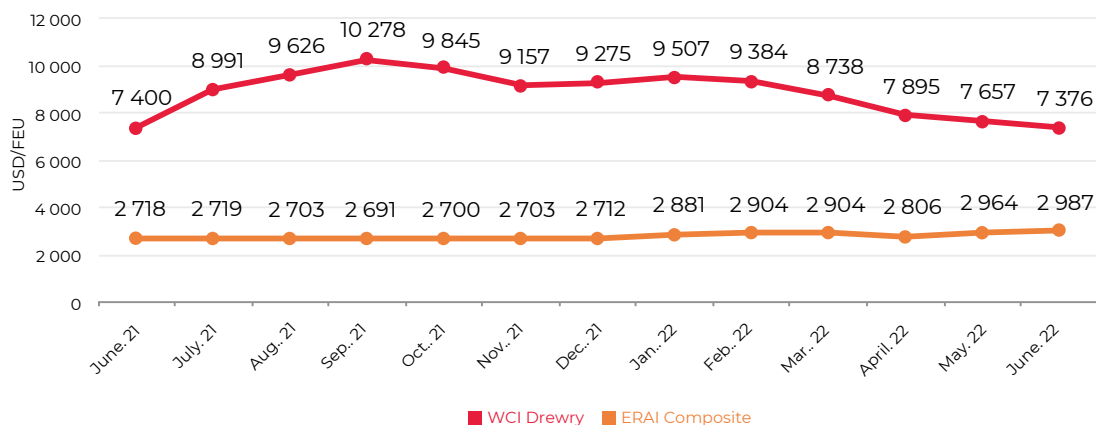
The state of other modes of transport, namely maritime and air, is an external factor affecting the growth of Eurasian rail freight. During the coronacrisis, flight restrictions and maritime disruptions have given rail transport new advantages in freight costs.

The situation in maritime transport shows mixed dynamics. On the one hand, the dynamics of all sea freight indices show a reduction in shipping costs. The China-Europe [WCI Drewry](#) shipping index fell from \$9,507 in January to \$7,376 in June this year. Moreover, in September last year it was at the level of 10,278 dollars per FEU. As of July 28, a spot shipment of a container from Shanghai to Rotterdam will cost \$9,154 and \$1,197 per FEU in the opposite direction.

On the other hand, in July, [37.8%](#) of the total container fleet by capacity was idle around the world, which is a record figure. The situation was exacerbated by a series of strikes, from truck drivers to dock workers in Germany. Despite significant progress in lifting anti-COVID restrictions in China, port congestion persists, especially due to the monsoon season and storms. Thus, the restoration of global maritime logistics is still difficult.

Against this backdrop, the ERAI Eurasian Rail Container Transport Index has remained stable over the past year, reaching \$2,987 per FEU in June 2022. Compared to June 2021, the cost of transporting a container from border to border by rail increased by 9.9%. The railroad continues to maintain its advantages acquired during the coronacrisis, despite an increasingly pronounced downward trend in the cost of sea shipping, especially in the spot market.

### DYNAMICS OF ERAI COMPOSITE AND WCI DREWRY INDICES



Source: ERAI index

Along with the lifting of restrictions on flights, air cargo has seen an increase in cargo volumes, while also being a beneficiary of the maritime logistics crisis. In 2022, the volume of international air cargo is **projected** to exceed its 2019 volume by 11.9% and its 2021 volume by 4% due to rising demand.

Freight rates on the Hong Kong-Europe benchmark route peaked in December 2021 at \$8 per kg of cargo **according to** the Baltic Exchange Air Freight Index (BAI). By June of the current year, the rate for the delivery of one kilogram of cargo by air had dropped to \$6.26, demonstrating a certain rise in April and May. Air transport remains one of the popular alternatives to sea freight, as does rail freight.

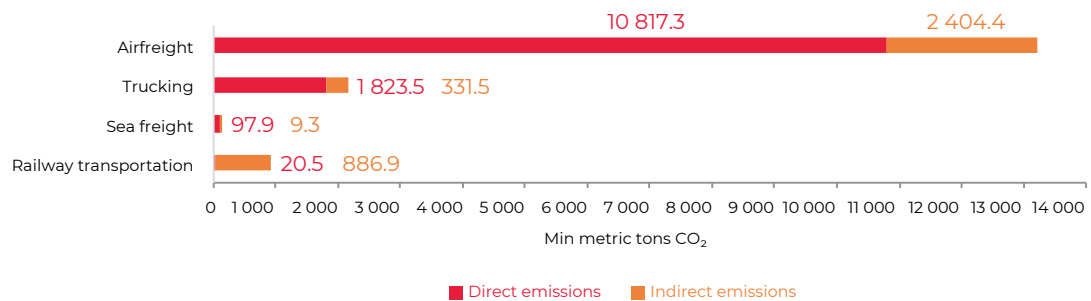
In the long term, even despite the energy crisis, the most important advantage of railways is the environmental factor. Air cargo is the most carbon-intensive mode of transport and the least suitable for a rapid transition to carbon neutrality. Sea shipping is more carbon efficient, but emits other greenhouse gases.

Against this background, the European institutions continue to take action to reduce CO<sub>2</sub> emissions from maritime and air transport. Maritime transport **will be included** in the European Emissions Trading System from 2024. The system will also begin to regulate methane (CH<sub>4</sub>) and nitrogen oxide (N<sub>2</sub>O) emissions associated with sea freight. Air Transport Compensation Schemes (CORSIA) are also **planned** to be expanded to cover all departures from all European Economic Area countries.



As the CO2 Emissions [Counter](#) of the ERAI portal shows, between January and June of this year, the volume of direct and indirect carbon dioxide emissions from the transportation of goods along the Eurasian railway route amounted to 907.4 thousand metric tons. At the same time, direct emissions from railway transportation accounted for only 20.5 thousand tons of CO2. At the same time, for the transportation of a similar volume of cargo, road transport would produce 2,155 thousand tons of direct and indirect emissions (1,823.5 thousand tons of direct emissions), and aviation - 13,221.7 thousand tons of CO2 (10,817.3 thousand tons of direct emissions). In terms of carbon dioxide, maritime transport is less environmentally friendly than rail transport in terms of direct emissions, at 97.9 thousand tons, but more environmentally friendly when taking into account also indirect emissions associated with transportation-related activities.

**EMISSIONS FROM THE TRANSPORT OF GOODS ALONG THE EURASIAN RAILWAY ROUTE COMPARED TO OTHER MODES OF TRANSPORT (JANUARY-JUNE 2022)\***



Source: ERAI index

Thus, the Eurasian railway container freight, despite some negative short-term factors, will be even more competitive over the long-term due to its environmental friendliness against the backdrop of the desire, first and foremost among European countries, for decarbonization and energy efficiency.

\* Data for other modes of transport are calculated using similar parameters.

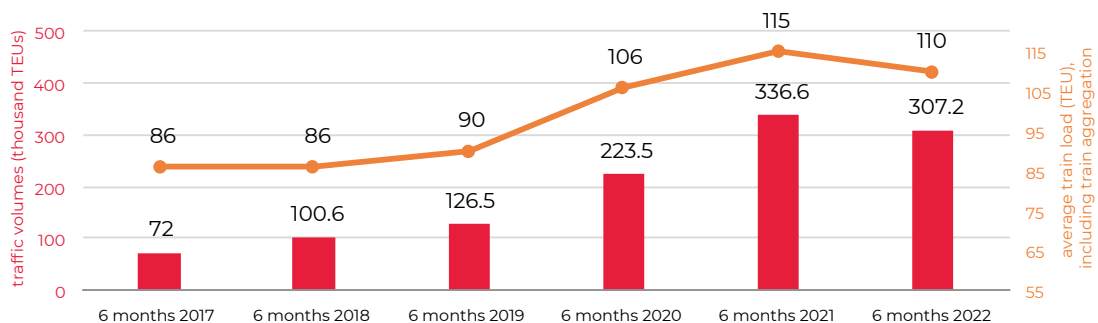
# THE STATE OF THE EURASIAN RAILWAY ROUTE IN THE FIRST HALF OF 2022

## Key Indicators in the First Half of 2022

According to the results of the first half of the year, the volume of cargo transported along the Eurasian railway route in total for all segments amounted to 307.2 thousand TEUs of cargo, which is 8.7% less than in the same period in 2021. At the same time, 261.4 thousand TEUs accounted for transit freight in the China-Europe-China services, that is, 85% of all transported goods. The reduction in transit traffic was 26.3% compared to the first half of 2021. The drop in volumes in the China-Europe-China services was offset by traffic in other segments, primarily by increased Russian imports from China and export deliveries from Russia and Belarus to China.

The main reason for the drop in the volume of transported goods was the uncertainty associated with the armed conflict in Ukraine and the «sanctions storm» against Russia. This has led to a cautious attitude of consigners towards sending goods in transit through Russia and Belarus.

### TOTAL TRAFFIC VOLUME AND TRAIN LOADING



Source: authors' calculations

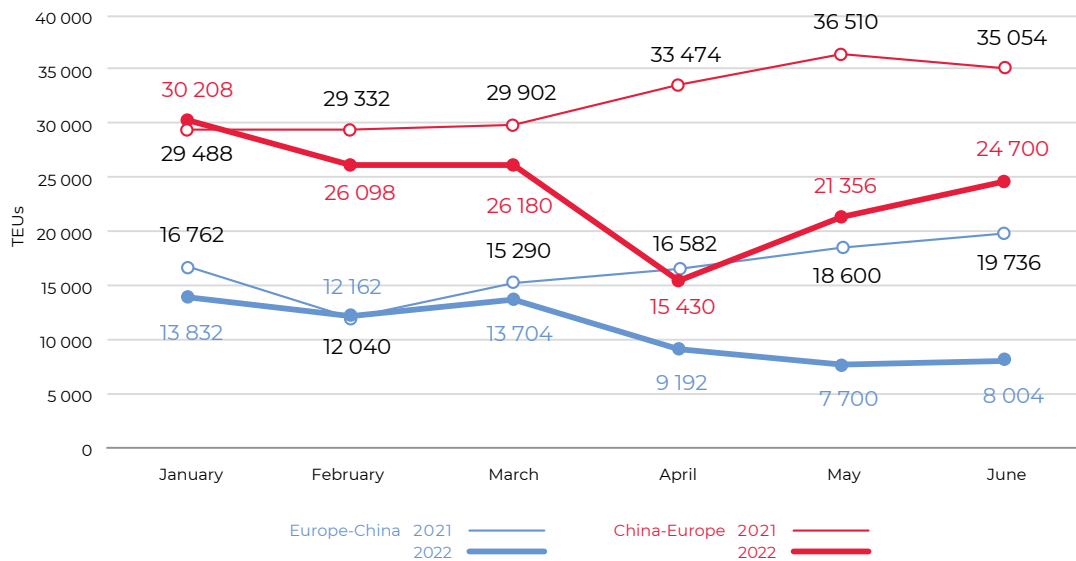
In the first quarter of the year, the volume of goods transported remained at the level of the previous year. In January and March, transportation increased by 2.1% and 5.8%, respectively, month on month. At the same time, traffic volumes in February decreased by 5.4% compared to the previous year. The consequences of political and economic tensions began to show from the second quarter. In April, the reduction in freight volumes amounted to 24.7% compared to last year, however, later on, the volumes began to recover to the values of 2021. In May, the year-on-year reduction was 19.7%, and in June — 7.2%.

Different dynamics of recovery are noted for eastbound and westbound directions of the freight flow. Transportation from China to Europe, after a notable drop in freight volumes in April to 15,430 TEUs, showed an increase to 21,356 TEUs in May, and in June the volume already reached 24,700 TEUs. Despite a confident recovery, as of June of this year, westbound transportation is about 70% of the previous year. The recovery of the westbound freight flow was supported by a relatively favorable political and economic environment.

At the same time, more negative trends are demonstrated by transit traffic in the opposite direction, from Europe to China. If in February and even in March the volume of transported goods generally remained at the levels of the previous year, starting from April, the decline accelerated. The data for May and June show a certain «groping for the bottom» — the volume of container freight in June amounted to about 8 thousand TEUs, which is about 40% of the level of the first half of 2021.

The obstacles to the restoration of eastbound traffic volumes have a predominantly political background. With the multifaceted restrictions imposed on Russia, consigners are leaning to a policy of over-compliance with sanctions along with rising unfounded fears for the safety of goods. Thus, the share of containers that proceeded without technical and commercial cuts during the first half of 2022 along the Eurasian railway corridor amounted to 99.9971% for the China-Europe direction and 99.9958% for the Europe-China direction. Secondly, the economic situation in Europe, which has been associated with inflation and a significant slowdown in the growth of the economies of the EU countries, has reduced the activity of consigners.

## THE VOLUME OF TRANSIT TRAFFIC IN CHINA-EUROPE-CHINA TRAFFIC IN THE FIRST HALF OF 2021 AND 2022 BY DIRECTIONS



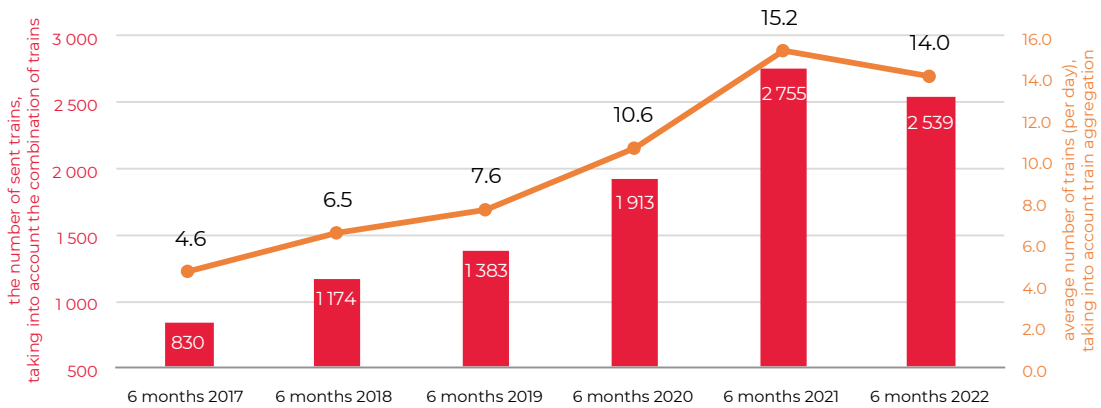
Source: authors' calculations

Even despite the unique challenge faced by the Eurasian rail transit, the drop in the volume of goods transported in the first half of 2022 was less significant. The drop in transit freight was largely mitigated by the development of other transportation segments. For example, 47 thousand TEUs were transported as part of import deliveries to Russia from China using the Eurasian railway route. At the same time, about 31,000 TEUs were exported from Russia and Belarus to China. Thus, the Eurasian railway has shown the possibility of its adaptation, taking into account the current situation and in the interests of the EAEU states.

Against the background of the political and economic situation, the average train load has decreased from 115 to 110 TEU, which is nevertheless higher than the 2020 level. The rest of the qualitative indicators also show a fall; however, they are all at values above the level of the first half of 2020. The number of sent trains in the first half of 2022 amounted to 2,539, which is less than the same period a year earlier — 2,755, but significantly higher than in the first half of 2020 – 1,913 trains.

The overall drop in volumes logically led to a decrease in the average number of trains departing per day from 15.2 to 14. Maintaining indicators at fairly high historical levels, despite the peculiarities of the current situation, speaks of the stress resistance of the route, which became possible thanks to the long-term efforts and commitment of market players to the development of Eurasian transit railway routes.

### NUMBER OF TRAINS



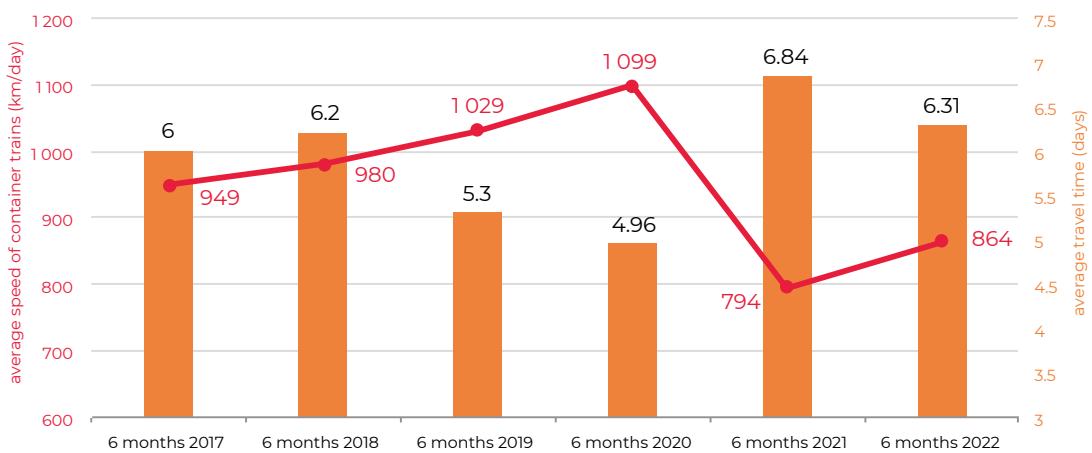
Source: authors' calculations

The “cooling” of demand from consigners, which followed the peak years for trans-Eurasian rail transit in 2020 and 2021, contributed to the return of the trend towards a reduction in the average travel time from border to border and an increase in the average speed of container trains.

In the first half of this year, the average travel time from border to border decreased to 6.31 days. A year earlier, this indicator reached a record high of 6.84 days against the backdrop of a boom in demand and an extreme increase in the load on infrastructure. Thus, the indicator of travel time fell to the level of 2018. At the same time, the average speed of container trains in the first half of 2022 reached 864 km per day compared to 794 km per day in the same period last year.

Another factor in the return of this positive trend in terms of train speed and travel time was the work to increase the capacity of infrastructure, primarily at the border of Kazakhstan and China. A year earlier, a new DTT LLP terminal was put into operation near the Dostyk station for reloading containers on a 1520 mm gauge. Today, projects are being discussed to increase the capacity of the current infrastructure and build new infrastructure, including linear infrastructure. New projects will be designed to diversify the directions of deliveries and give more options to consigners, including within the EAEU.

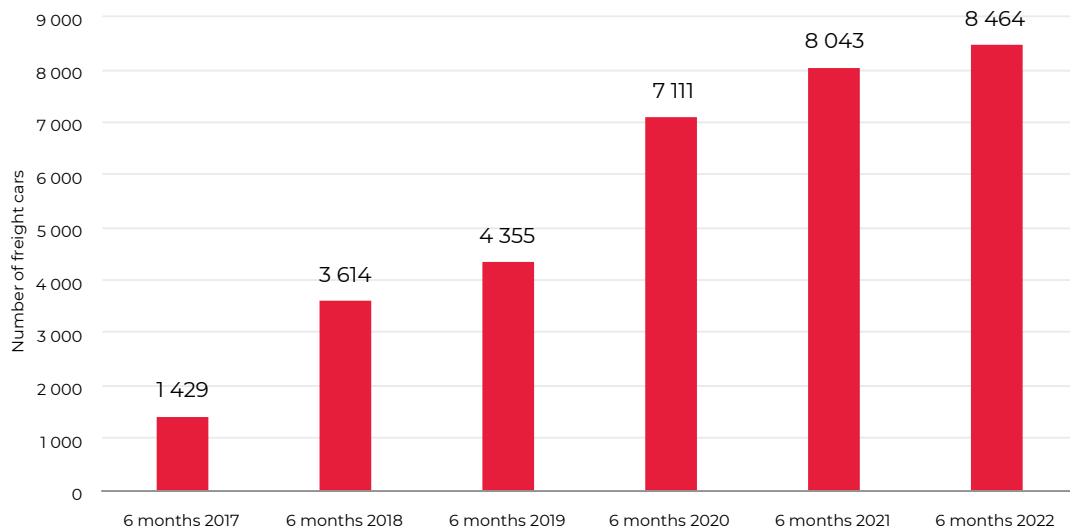
### NUMBER OF TRAINS



Source: authors' calculations

In the six years since the relaunch of the Eurasian railway transit route, the wagon fleet has been expanded to meet ever-increasing demand for transportation services along the route. As part of a long-term strategy to meet demand, in the first half of 2022, the railcar fleet in transit services continued to increase. The total number of wagons reached 8,464 units, an increase of 5.2% compared to the same period in 2021.

### FLEET OF FREIGHT CARS IN TRANSIT SERVICES



Source: authors' calculations

Despite the correction of most indicators against the backdrop of political and economic turbulence, Eurasian rail container freight, as shown by the first half of 2022, managed to cope with the challenge. However, the results of the second half of the year will determine how sustainable the certain recovery that emerged at the end of the second quarter of this year will be.

## Freight Base Diversification and Working at Full Capacity

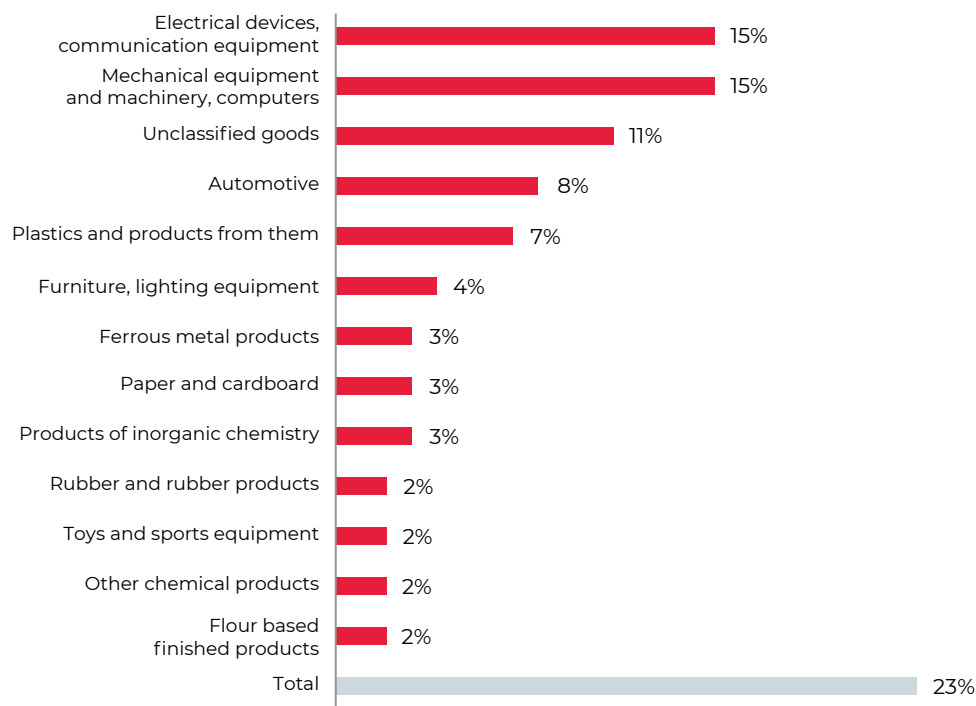
In the first half of 2022, freight was transported along the Eurasian railway route for a total of about 12.7 billion US dollars, which is 36.5% less than in the same period last year. This figure corresponds to 3.5% of total trade between China and the EU.

During the reporting period, goods belonging to 90 categories of the HS Code (in terms of two-digit codes) proceeded along the Eurasian route against 86 categories last year. The range of goods for transportation continued to expand, which indicates the connection of consignors from various sectors of the economy to the continental routes for the supply of goods.

In addition to expanding the range, the trend towards diversification of the cargo base continued in the current period. According to the statistics of the [ERAI portal](#), mechanical equipment and machinery, electrical devices and vehicles accounted for 38% of cargo, which is 8 p.p. less than a year earlier. It is these categories that have been the basis of the product nomenclature since the emergence of Eurasian railway transit services, due to the specifics of the economic specialization of the regions of Western and Central China, as well as the German economy, the production “locomotive” of the European Union.

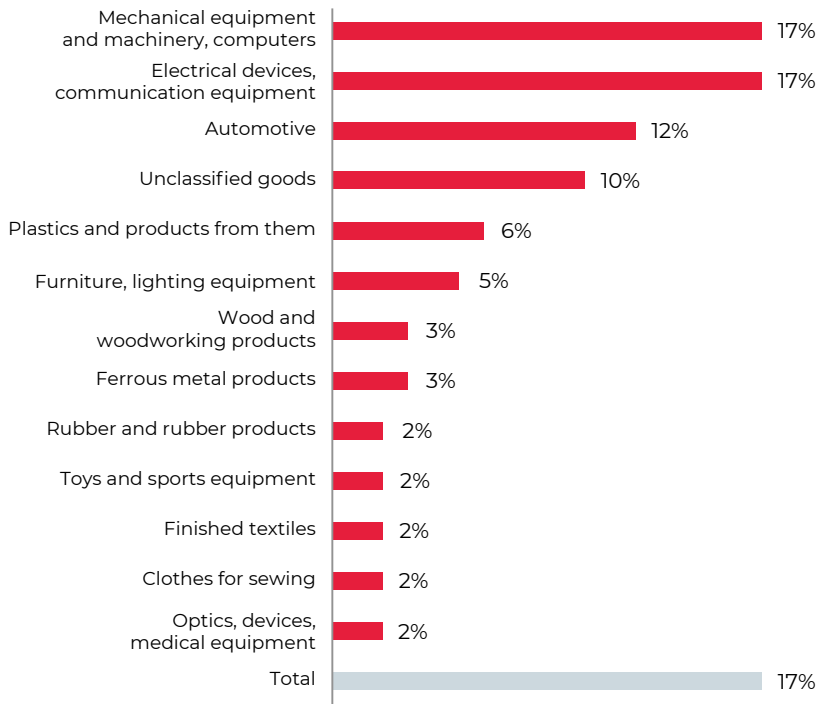
The transportation of plastics and products made from them (6-7% of freight volumes), and furniture and lighting equipment (4-5%) remains traditionally important for Eurasian container rail transportation. A noticeable increase in the first half of 2022 compared to a year earlier was shown by the transport of paper and cardboard (3%), one of the top ten main goods, as well as products of inorganic chemistry (3%). The importance of the transportation of finished products based on flour has increased (2% of the freight volumes). At the same time, the share in timber and wood processing products, garments, optics and medical equipment decreased. In the case of the last three positions, such fluctuations can be explained by market conditions.

## NOMENCLATURE H1 2022



Source: authors' calculations based on ERAI index

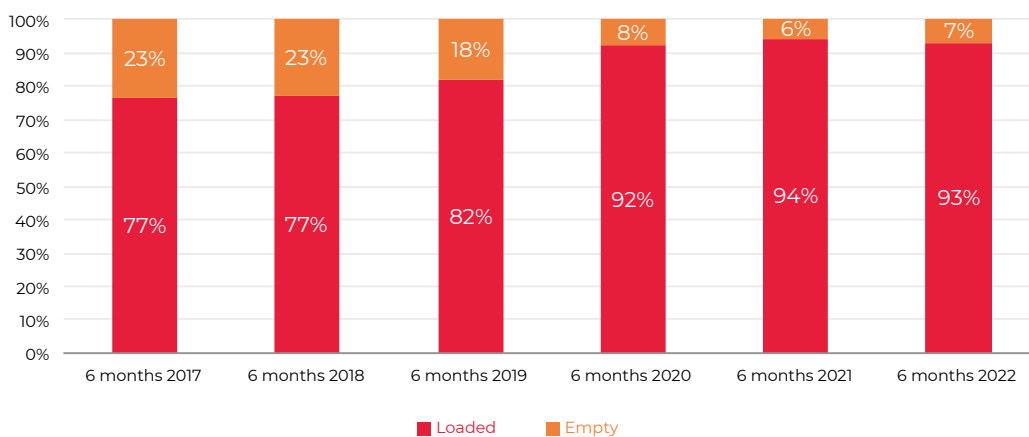
### NOMENCLATURE H1 2021



Source: authors' calculations based on ERAI index

The reduction in the volume of transported cargo did not have a significant impact on the trend towards full capacity utilization. The share of empty containers that followed the route amounted to 7%; that is, it is at the level of last year. During the six years of operation of the Eurasian railway transit route, the share of empty containers has decreased from about 23% in 2017 to the current 7%.

### THE RATIO OF EMPTY AND LOADED CONTAINERS



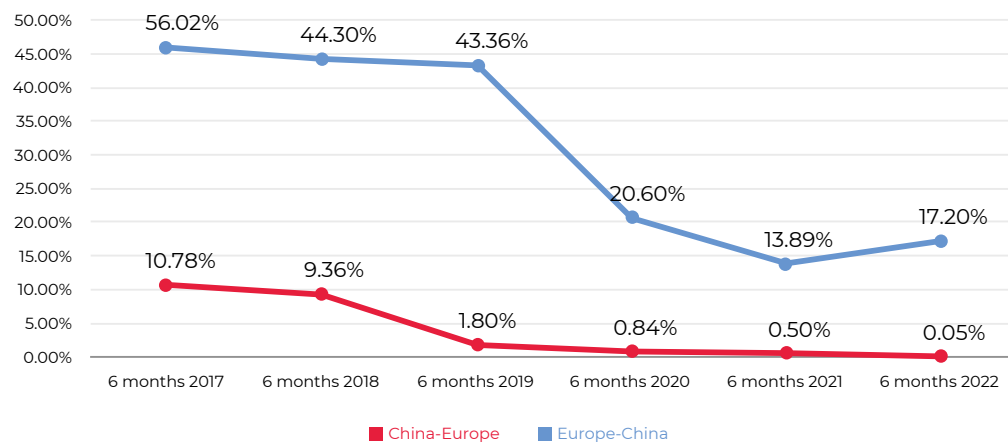
Source: authors' calculations



Trans-Eurasian container freight is characterized by the problem of cargo flow balance due to the quantitative dominance of China's exports to Europe over exports from Europe to China. Eastbound traffic is the most difficult in terms of balancing, from Europe to China, the share of empty containers in the first half of 2022 amounted to 17.2%, which is 3.3 p.p. more than last year, but still less than the first half of 2020. At the same time, in the first half of 2019, the share of empty containers being sent east was about 43%.

For the western route, from China to Europe, the share of empty containers is at an all-time low since 2019. In the first six months of 2022, 99% of Europe-bound containers were loaded. The problem of balance is objectively inherent in trans-Eurasian freight transportation, however, targeted work with consigners, primarily in Europe, can significantly level out the specifics of cargo flows - this is what the efforts of transport and logistics companies as well as the route operator are focused on.

### SHARE OF EMPTY CONTAINERS BY DESTINATION



Source: authors' calculations

## Geographic Expansion of Rail Freight Transportation

In the first half of 2022, the diversification of the points of departure and destination of goods continued. The core points of departure and destination were still the regions of Germany and Western and Central China. The main routes to the east were Hamburg-Zhengzhou (12,500 TEU), Mannheim-Xi'an (8,100 TEU) and Hamburg-Hefei (5,300 TEU). In the western direction — Xian-Malashevich (22.9 thousand TEU), Chongqing-Malashevich (16,600 TEU) and Xi'an-Duisburg (11,200 TEU).

Table 1.

Europe-China	TEU	Top 10 routes by volume of freight transported in H1 2022	China-Europe	TEU
Hamburg-Zhengzhou	12 506		Sian-Malashevich	22 940
Mannheim-Xi'an	8 154		Chongqing-Malashevich	16 590
Hamburg-Hefei	5 296		Xi'an-Duisburg	11 224
Malaszewicze-Chongqing	5 254		Chongqing-Duisburg	10 604
Duisburg-Ivu	5 206		Zhengzhou Liege	8 684
Duisburg-Xi'an	4 700		Chengdu-Malashevich	8 614
Tilburg-Chengdu	4 182		Iva-Malashevich	7 900
Lodz-Chengdu	3 314		Wuhan-Malashevich	5 786
Mannheim-Wuhan	3 030		Chengdu Lodz	5 414
Duisburg-Chongqing	2 216	Changsha-Malashevich	3 750	

Source: authors' calculations

The number of transit points in Russia has increased along the China to Europe route. In total, 16 new locations in China, Europe and Russia were added to the route network.

In comparison with the first half of last year, the leading routes to the West and to Europe have hardly changed. The main departure points are Xi'an, Chongqing, Chengdu, Yiwu and Zhengzhou. To the east, to China, the geography of departure points is also traditionally represented by such points as Hamburg, Duisburg, Malaszewicze, Mannheim, Tilburg and Lodz. At the same time, a dozen key routes from Europe to China, with the exception of the leading route, have changed due to the current international and economic situation.

In 2021, short-sea multimodal transportation from the ports of the Kaliningrad region, primarily to the Scandinavian countries and Germany, was a special area of efforts to develop the Eurasian railway route. At the same time, the international political situation associated with sanctions on the transit of goods to the Russian exclave through the territory of Lithuania, as well as bans on the entry of Russian ships into European ports, call into question the further development of the Kaliningrad region as a hub for trans-Eurasian rail freight, despite to the significant potential of this point.

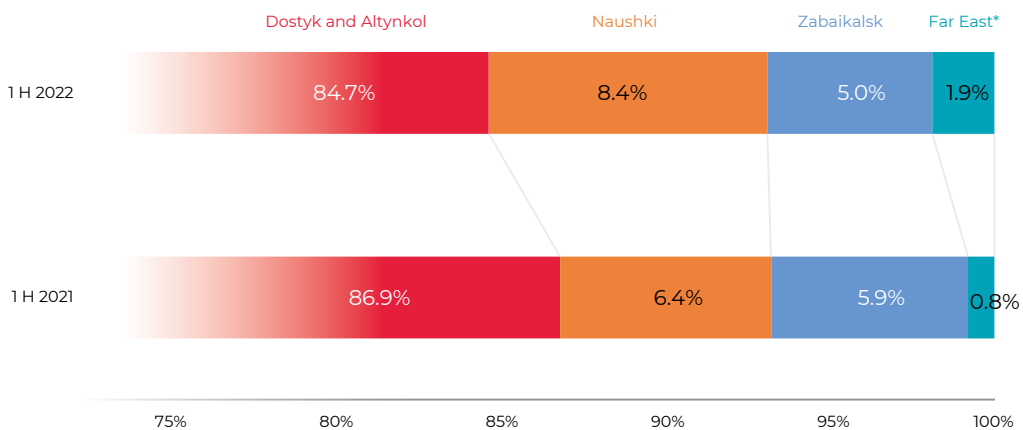
## The Eurasian Rail Corridor and Alternative Routes

The Eurasian rail transit route is the main transport artery for rail transit container freight in China-Europe-China services. In the first half of 2022, the Eurasian route accounted for 84.7% of the volume of goods transported according to border crossing statistics, which is only 2.2 p.p. lower than during the same period last year.

The route passes through the territory of EAEU countries (Belarus, Kazakhstan and Russia) — and retains its leading position despite the dynamic development of the Trans-Siberian routes with entry points at the border crossings of Naushki (Mongolia), Zabaikalsk (Northern China) and points in the Russian Far East (Grodekovo, Vladivostok, Nakhodka, Reed).

According to the data for the first half of this year, routes through Naushki with access to Mongolia showed an increase in the share from 6.4% to 8.4% of the total container freight, primarily due to an increase in the flow from Europe to China through this crossing. The largest drop in volumes occurred at the Zabaikalsk border crossing, as a result of which the share of this crossing decreased from 5.9% to 5%. The only border crossings that showed a positive cumulative increase in cargo transportation volumes in the first half of 2022 were the terminals in the Russian Far East, primarily due to the low base effect. Thus, their share increased from 0.8% to 1.9%.

### THE SHARE OF THE MAIN ROUTES OF TRANSIT RAILWAY CONTAINER TRAFFIC CHINA-EUROPE-CHINA AT BORDER CROSSINGS



Source: authors' calculations

The complementary nature of the trans-Eurasian continental railway routes should be noted. Infrastructure development and obtaining operational superiority of all trans-Eurasian routes provides additional competitive advantages to continental cargo delivery routes in the China-Europe-China route, which is the goal of all market players and countries along the way.

Routes passing through border crossings have a different cargo base. Thus, the checkpoints of Naushki and Zabaikalsk are largely focused on the freight flow from Northern China, and the ports of the Far East are used both by the northern regions of China and, potentially, by Japan. The accelerated development of all routes increases the attractiveness of the trans-Eurasian railway transit and the 1520 mm gauge area.

\* Grodekovo, Vladivostok, Nakhodka, Kamyshevaya

# OUTLOOK FOR THE SECOND HALF OF 2022

The first half of 2022 was a time of uncertainty that emerged as a new objective reality for the transport and logistics market, which became a challenge. The record year 2021 was replaced by a time of adaptation and testing of the Eurasian railway route for stress resistance. Trans-Eurasian container transportation passed this test in many respects, managed to maintain its main competitive advantages and proved the reliability of the railway in comparison with other modes of transport.

The second half of the year will show whether the trends that emerged in the previous period will continue and whether freight volumes will be able to approach the values recorded in 2021, or fall below the indicators of Covid-hit 2020. The target for 2022 as a whole is 650,000 TEUs.

Despite the curtailment of some areas of development, Eurasian cargo transportation will be supported by the ongoing harmonization of customs documentation at the EAEU level, and the digitalization process in transport, including in cooperation with China (the so-called digital transport corridors).

Much will depend on the coherence of the activity of the partners in transit transportation - the national railways of Russia, Kazakhstan and Belarus, their ability to combine their strategies and jointly participate in important infrastructure projects.

Against the background of restrictions from the European Union, the addition of meridional corridors to the developed latitudinal routes, primarily the North-South ITC, will become increasingly important. In the first half of 2022, the first test shipments along the route by rail took place. Possible investment projects are being worked out aimed at completing the construction of linear infrastructure along the western coast of the Caspian Sea, as well as the creation of terminals on the eastern coast, on the border with Iran.

Support for railways as a mode of transport will be provided by the environmental agenda, which continues to be a priority for the EU even against the background of the energy crisis. In this case, the process of tightening requirements for sea and air transport is important, which will affect the cost of logistics, including international logistics.

Despite the difficult circumstances, the Eurasian railway route has proved its viability. The second half of 2022 will lay the contours of new directions for development in a new political and economic reality.