

## RAIL CONTAINER TRANSPORTATION IN THE EURASIAN SPACE IN THE FIRST HALF OF 2024



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# INTRODUCTION.

## BACK ON TRACK

Cargo traffic along the Eurasian rail route within the China-Europe-China segment totalled 189 thousand TEUs during the first half of 2024, up 66% compared to the same period in 2023. This increase in transit volumes on the Eurasian rail route is mostly attributable to the attacks on ships in the Red Sea and the resulting instability in the sea freight segment. Against this backdrop, major sea shipping lines suspended operations on the shortest sea route through the Suez Canal and have been sending their ships around the African continent. This detour around the Cape of Good Hope not only extends transit times but also raises shipping rates and incurs additional costs. As a result, European and Chinese consignors are increasingly seeking shorter delivery times at stable prices, prompting a partial shift from maritime shipping to rail services.

China and the EU regard each other as key trade partners, making stable and uninterrupted transport links a priority for cargo traffic. The crisis in the Red Sea has exposed vulnerabilities in sea shipments, revealing that no alternative route can match the service level of the Suez Canal. The repercussions of using the longer route around the Cape of Good Hope include disrupted schedules, congestion at ports, and a shortage of available containers. There was also a surge in demand from the beneficial cargo owners, who have been eager to dispatch their cargoes earlier given the alternative route's longer delivery times, thus further straining the system.

To avoid these longer delivery times, the stakeholders operating on the China-Europe trade route have been exploring alternative transport options. But what could effectively replace direct maritime shipments? There are multimodal shipments blending air and maritime transport through Dubai, as well as overland transportation across the continent. The Eurasian rail route through Kazakhstan, Russia and Belarus has enjoyed the biggest demand in terms of overland shipments after the Red Sea crisis broke out. This route offers low volatility in shipping rates, guarantees regular and comparatively faster deliveries<sup>1</sup>, and minimizes risks to cargo security, making it an attractive option for Chinese and European consignors looking to adjust their logistics.

However, some countries along the Eurasian route have been under political pressure and have had to face international sanctions, which can make overland rail transit less appealing. Despite this, high demand for rail transit on this route among European and Chinese consignors in the first half of 2024 demonstrates that as long as there are alternatives providing shorter delivery times at competitive prices, the impact of sanctions may be at least partially overlooked.

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<sup>1</sup> Compared to sea freight

# SUMMARY

- 1.** The Eurasian railway transit route through EAEU countries – Kazakhstan, Russia, and Belarus – has retained its leadership within the China-Europe-China rail freight services segment. Judging by statistics collected at the border crossings, the Eurasian route (Dostyk-Alashankou and Altynkol-Horgos crossings), accounted for 91.5% of container transits.
- 2.** In the first six months of 2024, freight traffic on the Eurasian railway transit route totalled 362 thousand TEUs, up 11.3 thousand TEUs compared to the same period in 2023. The China-Europe-China freight segment accounted for 52% of all the cargo on this route at 189 thousand TEUs. Instability in the maritime freight segment resulted in a 66% increase in transit shipments by rail between China and Europe compared to the first half of 2023.
- 3.** In the first half of 2024, China-EU trade continued to decline, dropping 7% to EUR 290.9 billion. The EU has been able to reduce its trade deficit with China down to EUR 108.7 billion, which is mostly attributable to lower imports from China. At the same time, the trade deficit with China is still there for the EU, which complicates efforts to balance freight traffic with more cargo transiting from China to the EU than in the opposite direction.
- 4.** As of the end of June 2024, the WCI ocean freight rate was equal to \$5,085 per FEU, which is attributable to several factors, including growing demand, reduced capacities and the aftershocks of the Red Sea crisis. Moreover, the average WCI rate for the Shanghai – Rotterdam service surged to \$6,720 per FEU in June. At the same time, the ERAI index, which is used to measure the cost of transporting a container within the wide gauge (1,520 mm gauge) railway network from the EU border to the Chinese border, was less volatile and remained close to the level of \$3,289 per FEU.
- 5.** The average number of trains per day declined from 11.9 in 2023 to 11.7 so far this year on the back of efforts to streamline fleet management, and the same factor helped increase the average container train capacity to 127 TEUs. Having peaked in 2023, average transit time from one border to another decreased from 7.72 to 6.98 days, while the average speed for container trains increased to 781 km/day, up from 707 km/day in the same period of 2023.
- 6.** In the first half of 2024, the Eurasian rail route transported goods in 86 categories of the Foreign Economic Activity Commodity Classification. Three main shipment types – electronics, mechanical equipment and automotive equipment – accounted for 42% of the freight traffic, down 7 percentage points compared to 2023.

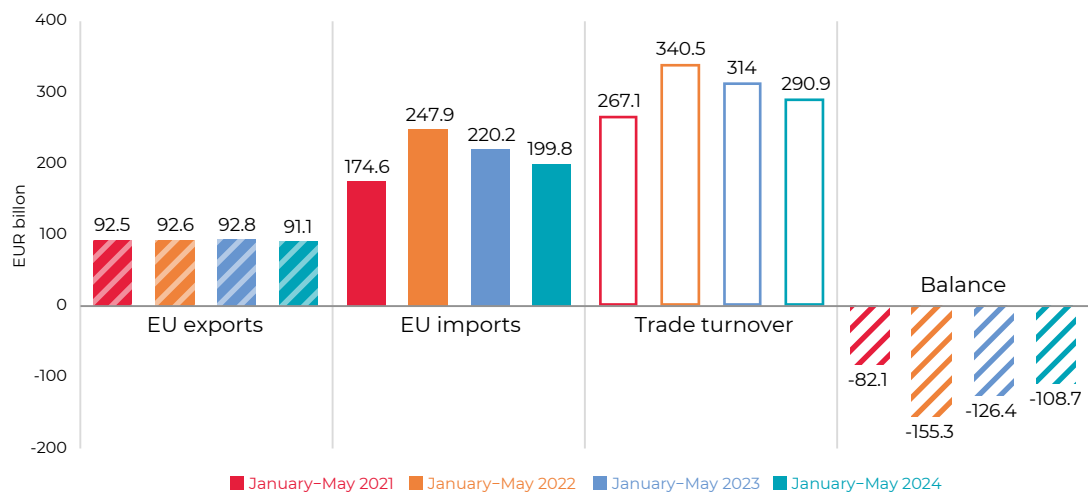
- 7.** In the first half of 2024, Eurasian container shipments by rail continued to move towards reaching full capacity with the share of empty containers on this route staying at last year's level of 3%.
- 8.** The main westbound routes within the Eurasian rail transit segment were Xi'an- Malaszewicze, Chongqing-Malaszewicze and Chengdu-Malaszewicze. The main eastbound routes were Duisburg-Yiwu, Duisburg-Xi'an, and Lodz-Chengdu. Shipments from China to the EU accounted for 87.1% of all container traffic, while the share of EU-China shipments stood at 12.9%.
- 9.** 9. According to the CO2 counter on the ERAI portal, rail transport retains its edge as the most eco-friendly means of transport in terms of its direct emissions. The EU continues to work on programmes to cut CO2 emissions. Since January 2024, it has included emissions generated by sea transport into the EU Emissions Trading System (EU ETS).

# TRADE AND THE STATE OF THE FREIGHT MARKET

## Towards a gradual decline in EU-China trade

China – EU trade peaked out in 2022, followed by a decline, which spilled over into 2024, decelerating from EUR 314 billion in the first five months of 2023 down to EUR 290.9 billion in the same period of 2024. There was a slight decline in EU exports to China in 5M 2024 to EUR 91.1 billion (-3%), while EU’s imports from China were down 10% at EUR 199.8 billion. In fact, the EU saw a decrease in its imports with many of its key trading partners, but it was China which experienced the biggest decline, which may result from EU’s efforts to reduce its dependence on China. This enabled the EU to reduce its trade deficit with China from EUR 126.4 billion in January–May 2023 to EUR 108.7 billion, which is mainly attributable to a decline in imports from China.

### EU-27’S TRADE WITH CHINA



Source: Authors’ estimates, based on International Trade Centre (ITC) data

China and the EU have reached a high level of interdependence in their trade. However, tension has been on the rise lately in terms of their trade and economic relations, and EU’s move to raise its tariffs on Chinese EV imports from 17.4% to 37.6%, on top of a standard 10% duty, increased this tension even more. Presented as a temporary measure, these duties resulted from an anti-dumping investigation regarding the Chinese auto industry. It highlighted the commitment by the Chinese authorities to subsidise domestic car manufacturing, enabling their EV makers to sell their cars 20% cheaper compared to European models. China responded by launching an investigation targeting pork imports from the EU.

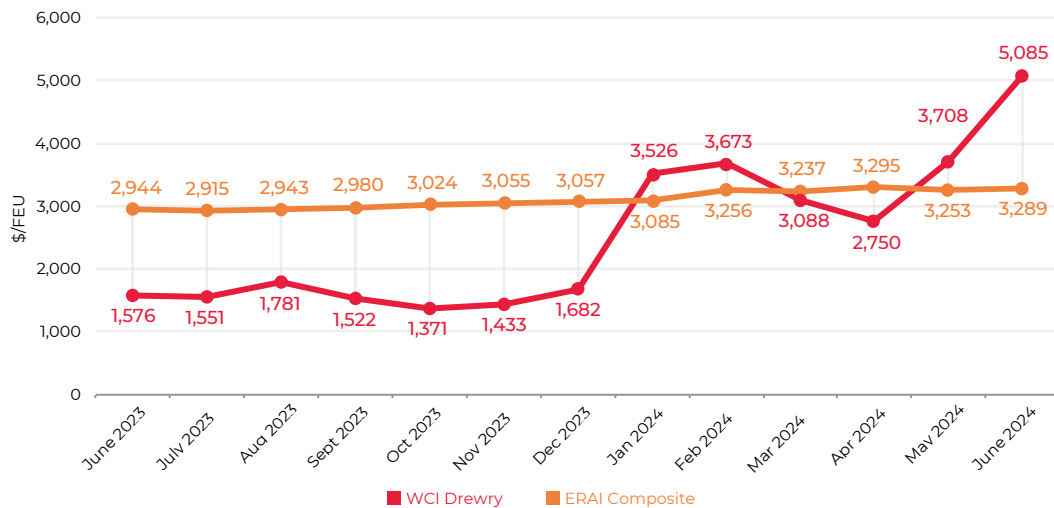
# Maritime transport in crisis mode

China-EU trade forms one of the main axes in the freight shipping industry in terms of transport and logistics, which gives special importance to the stable operation of the transport system within the China – Europe – China freight service.

The Yemeni Houthis have been targeting ships navigating the Red Sea, resulting in a significant crisis in freight shipping through the Suez Canal. This forced shipping companies to divert their container ships around Africa through the Cape of Good Hope, leading to a significant increase in transport costs. Coupled with high demand for shipping services ahead of the Chinese New Year in early 2024, container shipping costs by sea reached \$3,673 per FEU, according to the WCI Drewry index. This indicator for maritime shipping seemed to have peaked out in February before declining all the way down to \$2,750 per FEU in April, but this trend failed to materialise. In fact, the shipping rates resumed their growth and surged to \$5,085 per FEU in June, with the WCI for the Shanghai-Rotterdam segment reaching \$6,720 per FEU as of the end of the month. This surge was attributable to several factors, including an increase in demand, reduced capacities and a deficit of container equipment, as well as unfavourable weather conditions in Asia in early May, which made navigating the seas more challenging.

While the maritime shipping sector experienced all these disruptions, favourable conditions on the Eurasian rail route have led to a significant shift of freight from sea to rail.. The rising shipping volumes by rail, coupled with the increased pressure on the sector, led to a marginal rise in the ERAI index, which measures the cost of transporting a container across the 1,520 mm wide-gauge railway network from border to border. Since the beginning of 2024, the index has increased by 6.6%, reaching \$3,289 per FEU.

## ERAI COMPOSITE AND WCI DREWRY INDICES



Source: ERAI index

There are reasons to expect sea shipping rates to decline before the sector once again experiences peak demand, even if the costs would hardly go down below the April figures in the context of the Middle East escalation.

The Red Sea crisis caused a shift in the transport industry and benefited air transport. According to [Baltic Exchange Air Freight Index \(BAI\)](#), the cost of shipping one kilogramme of cargo by air between Hong Kong and Europe reached its peak of \$5.36 in December 2023, when the situation in the Red Sea escalated, and this indicator fell to \$4.12 per kg in January 2024. In March 2024, air cargo rates decreased to \$3.92 per kg, which is primarily attributable to a decline in demand after the Chinese New Year. However, this indicator recovered some of its lost ground to reach \$4.56 per kg by June 2024.

Air freight services still offer a lot of potential as an alternative to maritime shipping and rail freight services, especially considering the global turbulence and the way it undermines stability in the transport industry. However, in terms of environmental impacts, air freight services have the highest CO<sub>2</sub> emissions as a means of transport.

Published on the ERAI portal, the CO<sub>2</sub> Counter shows that direct and indirect carbon dioxide emissions from freight transit within the Eurasian rail route from January through June 2024 were equal to 428.6 thousand tonnes of CO<sub>2</sub>, with direct emissions from rail freight services at just 20.8 thousand tonnes. If transported by air, the same volume would have generated 6,935 thousand tonnes of direct and indirect emissions, including 6,023.2 thousand tonnes of direct emissions, while motor transport would have generated 1,017.9 thousand tonnes of CO<sub>2</sub>, including 537.9 thousand tonnes of direct emissions. When comparing direct CO<sub>2</sub> emissions, shipping by sea is less eco-friendly compared to shipments by rail at 99.4 thousand tonnes, even if maritime freight service can claim the lowest result in terms of aggregate direct and indirect emissions compared to all other types of transport. Direct emissions from maritime shipping operations tripled compared to the same period in 2023 after shipping companies had to send the ships sailing within the China-Europe-China segment around the Cape of Good Hope, which added 30% to their transit time. Container ships had to sail at a faster speed to reduce transit time, which means more fuel consumption, and therefore higher emissions. Among other things, the EU included emissions from sea transport into its ETS framework as of January 2024. This means that maritime shipping companies calling on European ports will have to track their emissions and buy EU Allowances (EUAs) per every tonne of CO<sub>2</sub> emissions.

### EMISSIONS FROM TRANSITS WITHIN THE EURASIAN RAIL ROUTE COMPARED TO OTHER TRANSPORT MODES (JANUARY-JUNE 2024)



Source: ERAI index

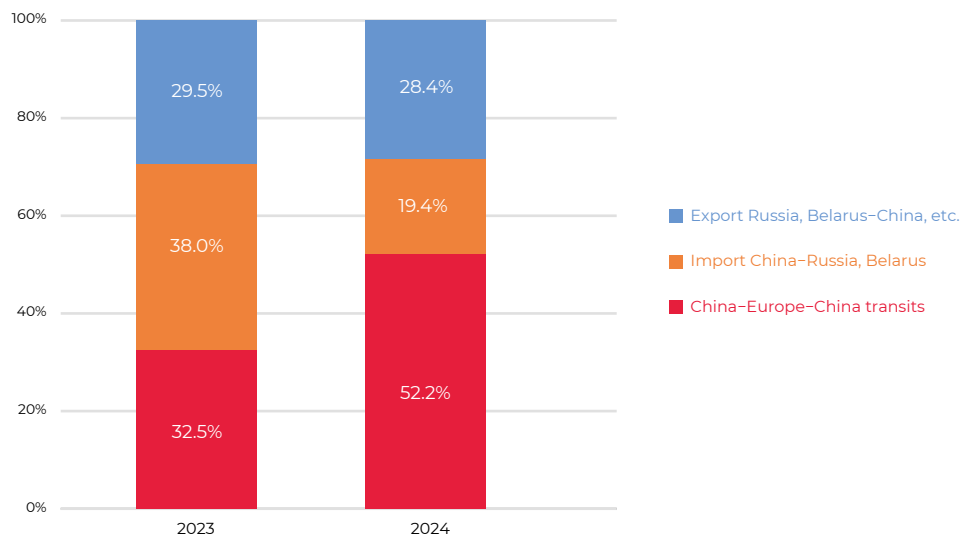


# THE EURASIAN RAILWAY ROUTE IN THE FIRST HALF OF 2024

## Key traffic indicators and growing cargo flows

The Eurasian rail route has achieved record-high transit volumes during the first half of the year, largely due to the low rate volatility and the reliability of freight shipments, especially in light of the instability affecting transits through the Red Sea. Freight traffic on the Eurasian rail route in the first six months of 2024 totalled 362 thousand TEUs, up 11.3 thousand TEUs compared to the same period of 2023, with transit traffic volumes for the China-EU-China freight segment accounting for 52% of all shipments at 189 thousand TEUs. Therefore, trade by rail between China and Europe increased by 66% compared to the first half of 2023.

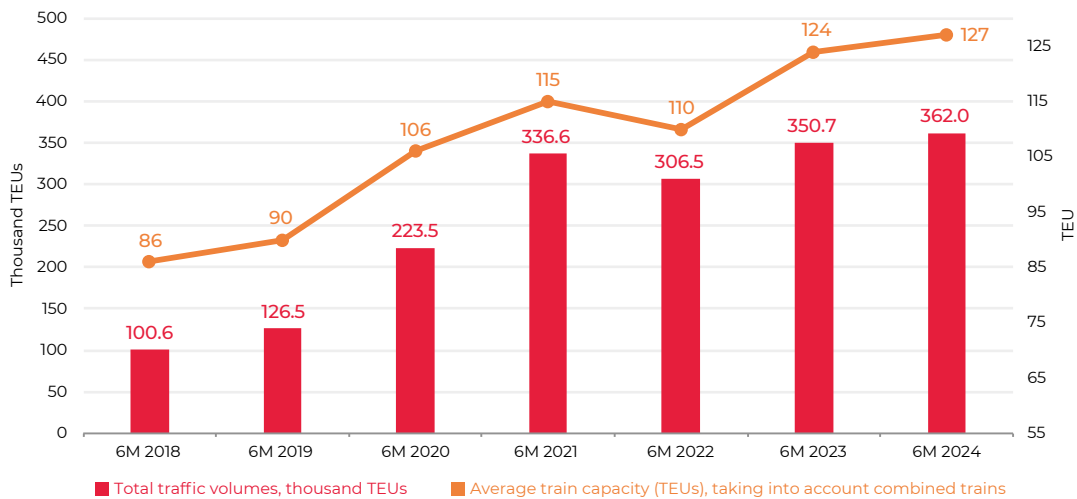
### KEY DESTINATIONS ON THE EURASIAN RAILWAY TRANSIT ROUTE IN JANUARY-JUNE OF 2023 AND 2024



Source: Authors' estimates

Considering the increase in freight volumes, operators had to put more effort into satisfying the growing demand from consignors. In this context, the average container train capacity increased from 124 to 127 TEUs in the first six months of 2024, which resulted from streamlining fleet management, including by coming up with optimal solutions for managing containers arriving from China to Kazakhstan by combining trains using the “2 to 1” and “3 to 2” solutions. This led to a reduction in the average daily number of trains on this route from 11.9 to 11.7.

### TOTAL FREIGHT TRAFFIC VOLUMES AND TRAIN CAPACITY



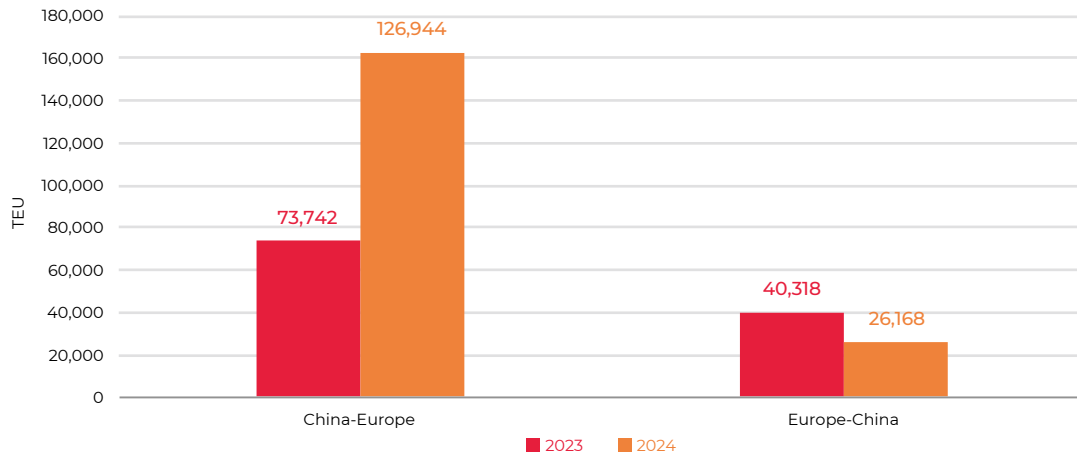
Source: Authors' estimates

The Eurasian rail route crosses Russia, which has been subject to EU sanctions. This, however, has not outweighed the escalating tension in the Red Sea and did not prevent a surge in demand among Chinese and European consignors for overland freight shipments through this rail corridor.

In the first half of 2024, freight traffic within the China – Europe – China segment increased by 65.8%, including a 42.4% increase in the first quarter and a 91.7% increase in the second quarter. This segment has benefited from external factors since February 2024, when the navigation crisis in the Red Sea forced shipping companies to switch to longer routes, which slowed down transits and drove up transport costs.

Overland container transits through Russia, Belarus and Kazakhstan as part of the Eurasian rail route keep growing notwithstanding, especially dispatches from China to Europe. In the first half of 2024, freight transits increased by 121% to 163 thousand TEUs. At the same time, the volumes in the opposite direction, i.e. from Europe to China, continued to decline, with a 35% decrease in the first six months of 2024 to 26.2 thousand TEUs. This trend had a negative impact on the overall balance and the shipping costs on the route. However, the fact that ERAI Composite index only had monthly fluctuations ranging from 0.9% to 5.5% demonstrates that the Eurasian rail route offers a stable and affordable option even in such uncertain times.

### CHINA-EUROPE-CHINA TRANSIT



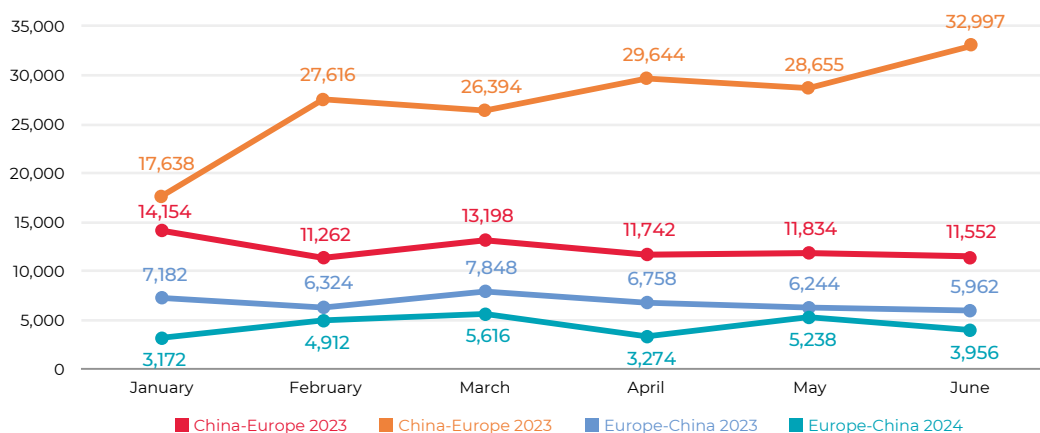
Source: Authors' estimates

To understand how the disruption in sea navigation affected the overall statistics, we must consider the monthly breakdown for freight shipping volumes within the China-Europe-China segment in the first six months of 2023 and 2024. Chinese New Year celebrations in February tend to produce a slump in demand for freight transits in both directions. However, February 2024 registered a significant increase in shipments by rail as more freight switched from maritime to rail transport.

This upward momentum in China-Europe transits persisted throughout the first six months of 2024. With the only exception being January, the average monthly increase compared to the 2023 average exceeded 145%. In June 2024, westbound freight volumes reached 33 thousand TEUs.

At the same time, freight transit heading the opposite way, from Europe to China, was in negative territory. Westbound volumes peaked in June, while the eastbound ones decreased by 25% compared to the preceding months to 4 thousand TEUs.

### FREIGHT TRANSIT VOLUMES WITHIN THE CHINA-EUROPE-CHINA SEGMENT IN THE FIRST SIX MONTHS OF 2023 AND 2024 BY DESTINATION

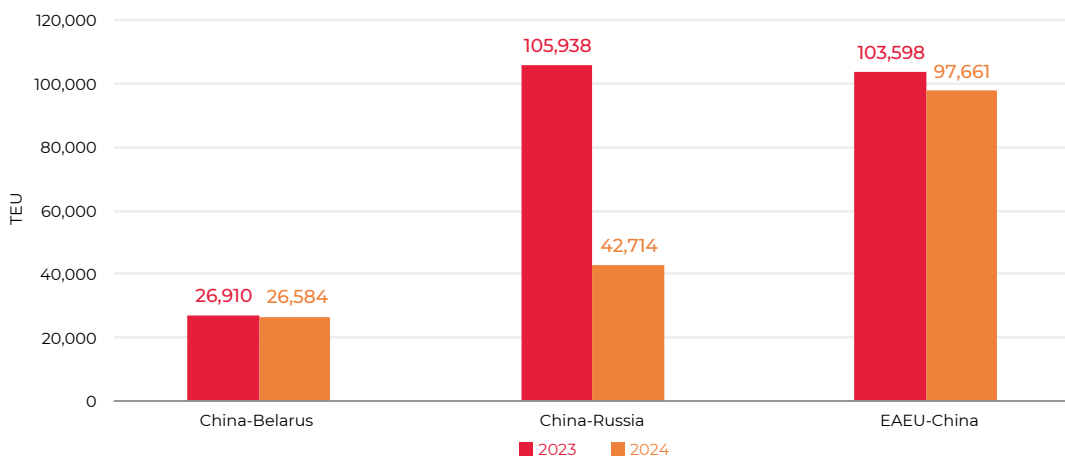


Source: Authors' estimates

Still, not all the freight segments within the Eurasian rail route experienced an increase in the first six months of 2024. In fact, there was a decline in China's exports and imports to and from all EAEU countries. This decrease was especially apparent for China's shipments to Russia with a 59.7% decline to 42.7 thousand TEUs. Several factors explain this slump in demand, including challenges Russia and China had to face when carrying out transactions and settlements due to sanctions against Russian financial institutions. The deficit of containers in China was the second major factor since the country does not receive back as many containers as it sends to Russia with its exports with the empty containers piling up in and around Moscow and other major transport hubs. The third factor is a shift in the way freight volumes are shipped through different corridors. China-EAEU imports/exports increasingly focus on Russia's Far East and other nearby corridors, with Dostyk and Altynkol border crossings, located at the Kazakhstan-China border, mostly serving the China-Europe-China segment.

Freight shipments between China and Belarus remained stable having declined by a negligible 300 TEUs compared to the same period in 2023, while exports from Russia and Belarus to China totalled 97.7 thousand TEUs, down 5.7% year-on-year.

### IMPORTS FROM AND EXPORTS TO EAEU COUNTRIES IN 6M OF 2023 AND 2024

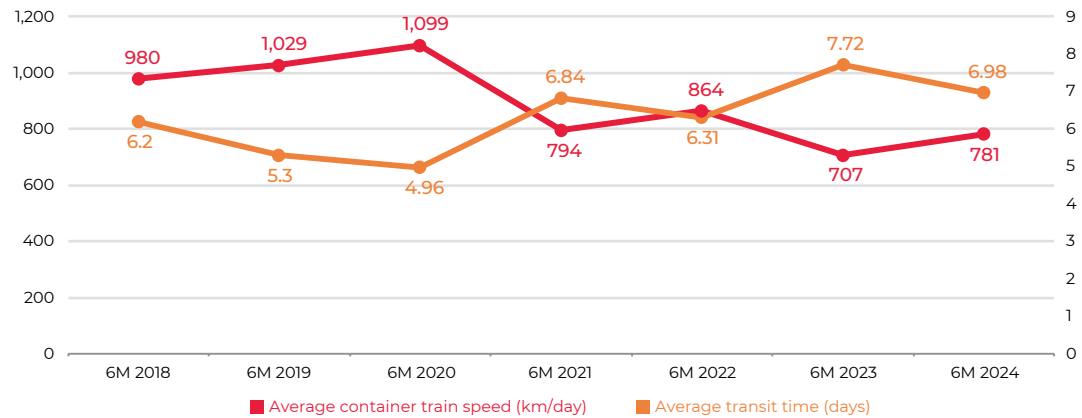


Source: Authors' estimates

The average time it took container trains to travel from one border to another, as well as their average speed improved in the first six months of 2024. Efforts to streamline operations helped reduce the average transit time from a record-high of 7.72 days down to 6.98. Therefore, the transit times from border to border almost reached a level last seen in 2021. Meanwhile, the average speed for container trains reached 781 km/day in January–June 2024, up from 707 km/day in the same period of 2023.

Among other things, the indicator for daily transits at rail border crossings on the Eurasian rail route improved. In April 2024, the [Dostyk-Alashankou](#) station on the Chinese border with Kazakhstan reached an all-time high with 38 trains crossing it in a single day, including 20 trains heading towards China and 18 trains towards Kazakhstan.

## SPEED AND TRANSIT TIME



Source: Authors' estimates

There is a project to introduce coordinated schedule service for container trains along the Eurasian rail's China-Europe-China route. Efforts to enable container trains to travel within this framework by coordinating departure dates and time between the national railway administrations along the route, provide for steady and regular freight service within the 1,520 mm wide-gauge railway network. In 2024, 138 container trains used this coordinated schedule service option with 85 of them transiting from China to Europe and 53 in the opposite direction. More trains departing from China (Yiwu, Chongqing, Wuhan) and Europe (Hamburg) were added to this schedule in mid-June 2024, bringing the weekly total to 6 trains from China and 4 trains from Europe. In this context, creating a single online information sharing platform for container trains becomes instrumental for monitoring their movement in real time along the entire route, as well as for keeping railway operators in all the countries within the Eurasian route informed about those trains.

## Freight categories. Continued progress towards achieving full capacity

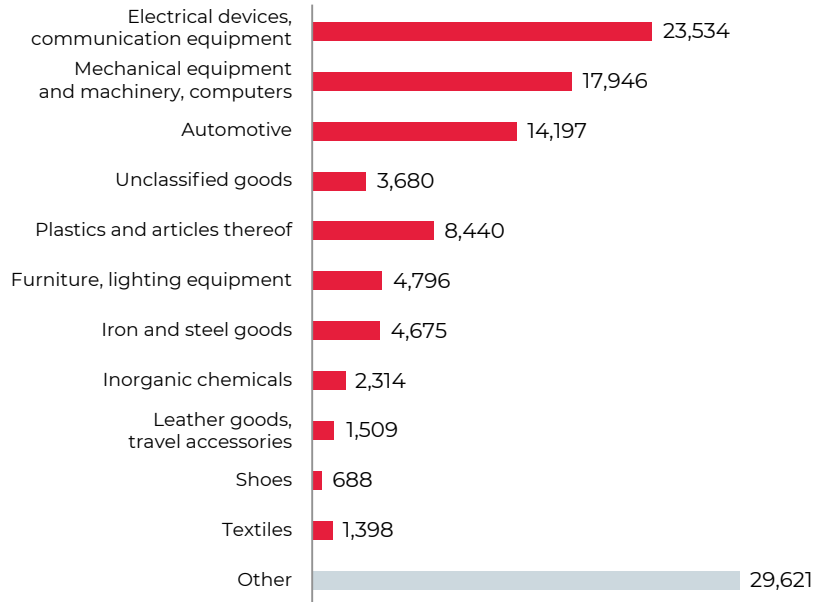
In the first six months of 2024, the Eurasian rail route carried goods under 86 categories of the Foreign Economic Activity Commodity Classification (HS-2 classifications), which demonstrates that consignors from across various sectors have been interested in using Eurasian container shipments by rail to deliver their goods. Apart from last year's categories, all of which made it into 2024, tin was the only new category on the list.

According to the [ERA statistics](#), the main transit goods for the Eurasian route in the first six months of the year included electronics (+31.3%), mechanical equipment (+39.9%) and automotive equipment (+59.8%). These three categories have dominated the Eurasian freight train service since its launch. However, despite the significant growth in these three categories, their overall share in container shipments declined from 49% in 2023 to 42% in 2024, which points to an increase for other categories of goods.

Other major categories include plastics and plastic products with a 6.2% share of freight traffic, furniture and lighting equipment at 5.6%, iron and steel with 4.4%, as well as inorganic chemistry products at 2.3%.

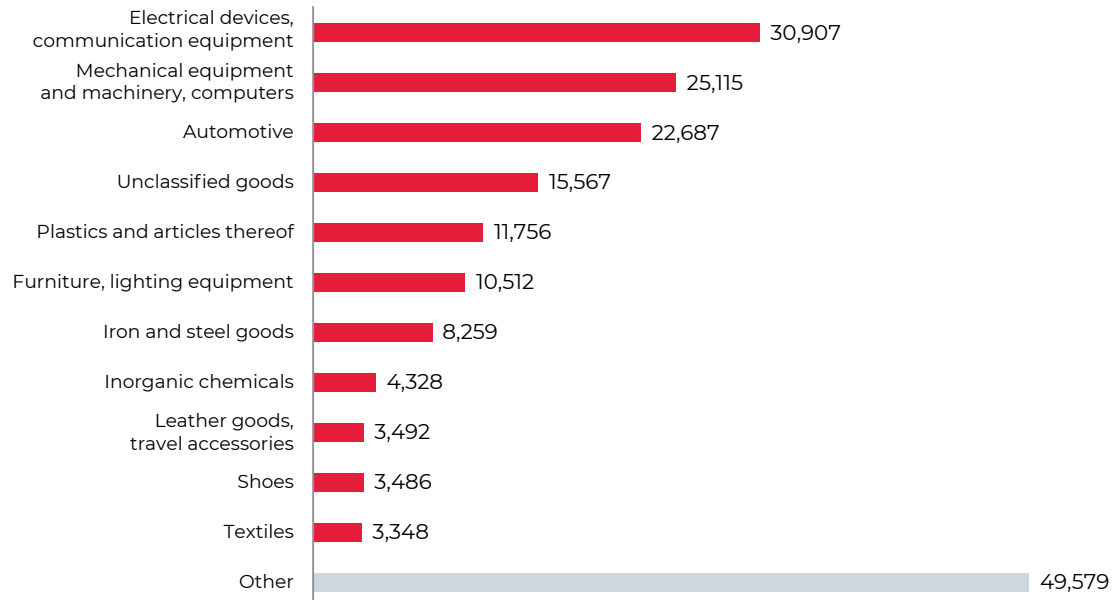
Of all the categories covered by these statistics, chemical fibre and their fabrics demonstrated the highest growth rate (+765.3%), followed by footwear (+396.6%), paper and cardboard (+205.8%), while there were marginal declines in the share of nickel, minerals products, fur and fertiliser.

**TYPE OF GOODS TRANSPORTED OVER THE FIRST HALF OF 2023, TEUS**



Source: Authors' estimates based on the ERAI index

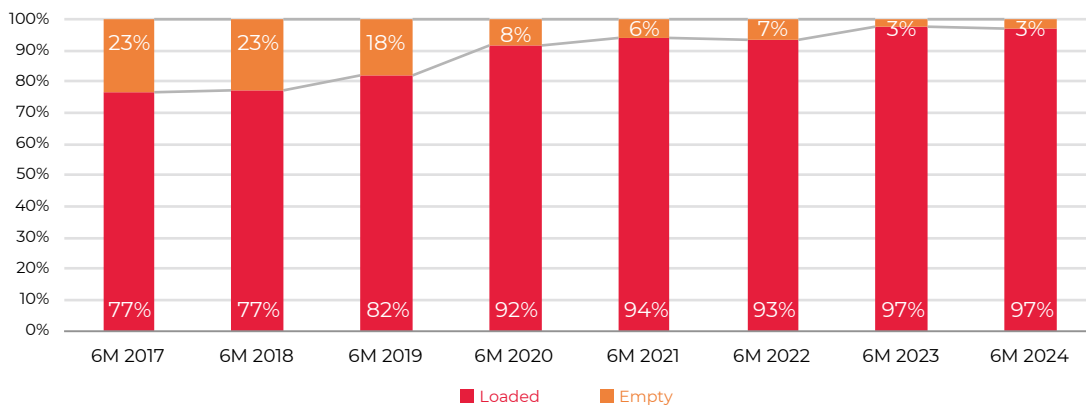
**TYPE OF GOODS TRANSPORTED OVER THE FIRST HALF OF 2024, TEUS**



Source: Authors' estimates based on the ERAI index

Eurasian container shipments by rail continued to move towards achieving full capacity with the share of empty containers within this route remaining unchanged compared to the previous year’s result of 3%. Therefore, within eight years since its creation, the share of empty containers on the Eurasian rail transit services decreased from 23% in 2017 down to 3% in 2024.

**THE RATIO OF EMPTY AND LOADED CONTAINERS**



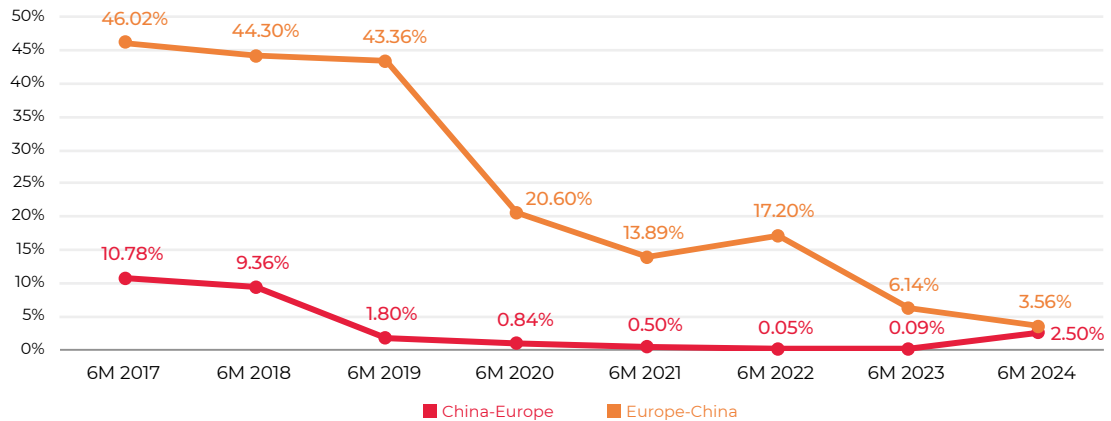
Source: Authors' estimates

Balancing cargo flows within the Eurasian container shipping sector has been challenging, considering that the volume of Chinese exports to Europe outweighs Europe’s China-bound exports. Nevertheless, despite the complexity of balancing these shipments, the share of eastbound empty containers continued to decline in the first six months of 2024 and reached to a record low of 3.56%, down 2.58 percentage points compared to 2023.

As for the westbound shipments, i.e., from China to Europe, the share of empty containers has been hovering around its record-lows since 2019, even if it inched up to 2.5% in the first six months of 2024.

Trans-Eurasian freight routes have been facing the problem of balancing these cargo flows ever since this route was launched. It results from a lack of balance in interstate trade, reflecting a long-term trend in Europe to offshore manufacturing to China, which made it the so-called “workshop of the world.” This trend can be reversed by promoting onshoring in order to relocate manufacturing capabilities from China back to Europe. Experts believe that this process may get traction considering the growing manufacturing costs in China. A better balance in China-EU imports and exports will also balance cargo flows. That said, this trend is unlikely to emerge in the near future.

## SHARE OF EMPTY CONTAINERS BY DESTINATION



Source: Authors' estimates

## Geographic diversification of freight flows

The trend towards diversification in terms of points of departure and arrival continued in the first six months of 2024. The main westbound points of departure and arrival included Xi'an-Malaszewicze (42 thousand TEUs), Chongqing-Malaszewicze (34.9 thousand TEUs), and Chengdu-Malaszewicze (19 thousand TEUs). There are plans to add more capacity at the Malaszewicze border crossing and trans-shipment station, which is expected to increase the throughput capacity there from 16 to 35 trains per day. In addition to this, China will be able to send bigger trains to Poland. Today, the train length is limited to 750 metres, but with the upcoming upgrades Malaszewicze will be able to manage trains exceeding, albeit slightly, 1,000 metres. As for the eastbound shipments, the main routes included Duisburg-Yiwu (4.1 thousand TEUs), Duisburg-Xi'an (3 thousand TEUs), and Lodz-Chengdu (2.6 thousand TEUs).

When compared with the first half of 2023, the main westbound routes linking China and Europe have not changed with Xi'an, Chongqing, Chengdu, Zhengzhou and Jinhua remaining the main points of departure. In terms of eastbound freight transits heading to China, there was a geographical shift in terms of the points of departure with Duisburg getting ahead of Hamburg, and Lodz and Bremerhaven also expanding their footprint.

Transit routes linking China to Russia and Belarus also matter, considering that freight traffic between Chengdu and Kolyadichi tripled compared to the same period in 2023 to 15.6 thousand TEUs, while there was a decline for the Xi'an-Elektrougli and Chongqing-Elektrougli routes to 10.8 thousand TEUs and 1.4 thousand TEUs, respectively.



Table 1.

## MAIN TEU ROUTES IN 6M 2024

China-Europe		Europe-China		China-EAEU	
Route	TEUs	Route	TEUs	Route	TEUs
Xi'An-Malaszewicze	42,020	Duisburg-Yiwu	4,06	Chengdu-Kolyadichi (Belarus)	15,59
Chongqing-Malaszewicze	34,880	Duisburg-Xi'An	3,030	Xi'An-Elektrougli (Russia, Moscow transport hub)	10,780
Chengdu-Malaszewicze	19,030	Lodz-Chengdu	2,600	Chongqing-Elektrougli (Russia, Moscow transport hub)	6,370
Zhengzhou-Malaszewicze	10,700	Bremerhaven-Chongqing	2,50	Chongqing-Bely Rast (Russia, Moscow transport hub)	3,300
Jinhua-Malaszewicze	9,010	Duisburg-Chongqing	2,480	Chongqing-Kolyadichi (Belarus)	3,300

Source: Authors' estimates

## Eurasian rail corridor's status and alternative routes

The Eurasian rail transit route passes through EAEU territory, including Kazakhstan, Russia and Belarus. It has retained its leadership in terms of freight volumes within the China-Europe-China service. According to the statistics from border crossing points, the Eurasian route accounted for 91.5% of container shipments (Dostyk-Alashankou and Altynkol-Horgos crossings) in the first six months of 2024, down 4.4 percentage points compared to the same period in 2023.

During the reporting period, the route through Naushki and on to Mongolia hit a record-low of 200 TEUs, with its share in the overall container shipments declining from 1.1% to 0.1%. Container transit volumes through terminals in Russia's Far East have remained at a near-zero level for the second year now. This trend is attributable to the fact that since 2023, border crossings in Russia's Far East have been increasingly focused on handling Russia-China exports and imports.

At the same time, container transits through Zabaikalsk have been gradually recovering after experiencing a decline in 2023, reaching 2.8% in 2024 against 1.4% in 2023. Zabaikalsk is expected to benefit from infrastructure upgrades in the near future with the construction of a container terminal and new transshipment capacity.

There has been some positive momentum in developing the Trans-Caspian International Transport Route (TITR), with shipments there reaching 11,600 TEUs. Infrastructure projects to remove bottlenecks and efforts to expand rail fleets are expected to contribute to further increases. TITR has already increased its share in the trans-Eurasian container shipments by 4.1 percentage points to account for 5.6 percent of all the China-Europe-China volumes. However, the multimodal nature of this route remains its main challenge, since shipments have to be transferred from rail to ships in order to cross the Caspian Sea, and there could also be another transshipment stage once the shipments reach Georgia in order to cross the Black Sea.

### CONTAINER TRAFFIC ON THE MAIN CHINA-EUROPE-CHINA TRANSIT RAIL ROUTES BY BORDER CROSSING



Source: Authors' estimates

# OUTLOOK FOR THE SECOND HALF OF 2024

Rail service has reaffirmed its status as a reliable shipping option amid global instability and has been supporting economic activity in Eurasia. In fact, the Eurasian rail route has largely passed the stress test and managed to prevent major changes in rates, while guaranteeing quick shipping times and regular departures.

The second half of the year will show whether the trend towards increased shipping volumes gains more traction. The fourth quarter of 2024 will be a crucial indicator of whether this route can effectively accommodate the increasing demand for freight traffic in anticipation of the New Year holidays. Moreover, there is little chance that tension in the Red Sea subsides before the end of the year, which means that even more freight can switch from sea to rail. However, sanctions and the resulting pressure, as well as efforts to neutralise the possible risks will continue to operate as a constraining factor for European consignors. That said, the recent attacks in the Red Sea and the high costs associated with longer and more expensive maritime shipments around the Cape of Good Hope are expected to prompt companies to reassess their risk management strategies. Therefore, consignors are expected to once again start relying more on the alternative overland rail options despite the sanctions-related risks.

However, if too many consignors make this choice simultaneously, border crossings may struggle to accommodate the increasing demand due to their limited throughput capacity. This could lead to significant delays and logistical challenges, impacting the efficiency of supply chains and the timely delivery of goods. There has been an effort to upgrade existing border crossings and build new ones in order to anticipate any increases in freight transit volumes. For example, Kazakhstan is adding a second pair of tracks in the Dostyk-Moyynty segment, while several projects may be carried out on the border between Poland and Belarus, including building a new logistics terminal in Svislach and expanding capacity at the Malaszewicze transshipment border hub. There is also an additional border crossing being build at the Kazakhstan-China border, namely Bakhty-Tacheng.

Apart from infrastructure upgrades, ensuring seamless container shipments plays a major role in improving performance within the Eurasian rail route. The fact that this sector does not use digital waybills or other documents cannot be viewed as an obstacle for expanding transit shipments by rail. However, once these volumes increase several-fold, the digital transition may become imperative for this sector. In this connection, introducing legally binding e-documents retains its relevance in terms of the industry's development prospects.