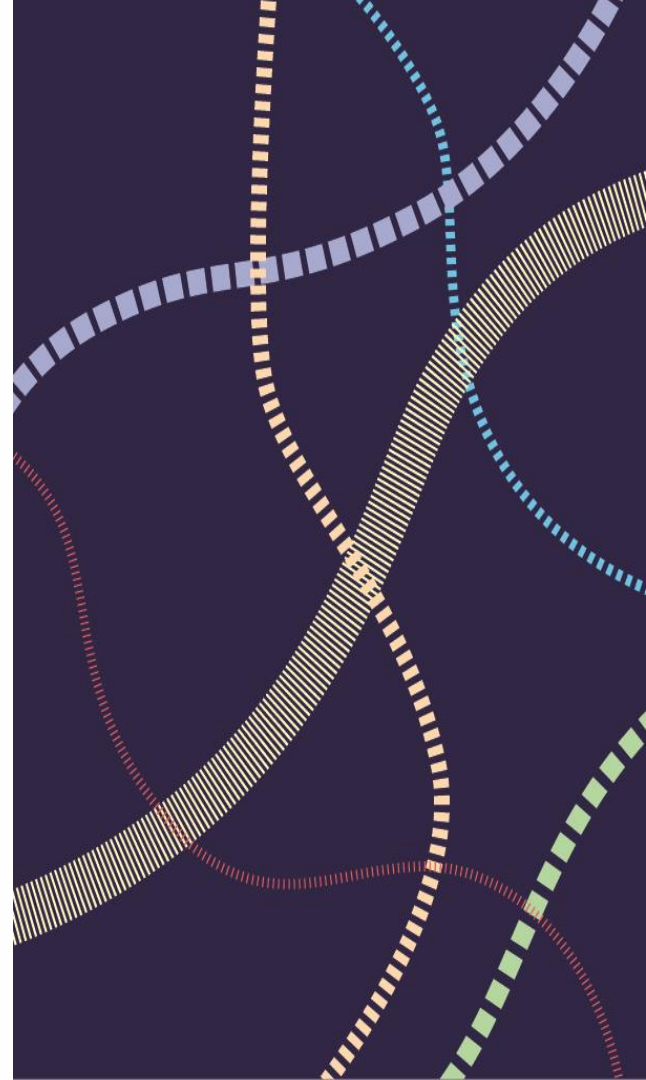




# Building Eurasia's Intra and Transcontinental Connectivity

Evgeny Vinokurov  
EFSD and EDB Chief Economist

23-24 November 2021





# Transformation of Central Asia into a Eurasian crossroads

Trans-Eurasian Transportation Framework combining East-West and North-South routes is key

East-West transit success (2/3 through Central Asia)

Window of opportunity for North-South connections

The Caspian region is a particular point of synergy

Long-term vision: Central Asia becomes a Eurasian transport and logistics crossroads and successfully overcomes its land-locked-related constraints.

Unlocking land-locked countries

Boosting interregional connections

Increasing export potential

New economic opportunities



# China-EAEU-EU Container Transit is a Success Story (East-West Rail).



## TRANSIT TRAFFIC

**77x** Increase from 7,000 TEU in 2010 to 547,000 TEU in 2020.



## TRANSIT IN 2021

**1.5x** Increase in the volume of rail transit (Jan – Aug 2021 – 502k TEU).



## OUR LONG-TERM ESTIMATE

**2 mln TEU** China-EAEU-EU container transit, incl. 50-70% through Central Asia



## SHARE IN CARGO FLOWS

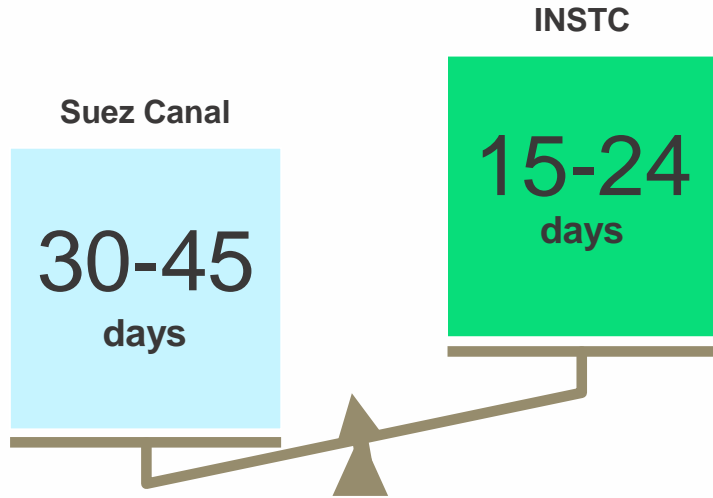
**5%** Share of rail transportation in the structure of China-Europe-China cargo flows.

It demonstrates that success is possible in principle under a number of conditions. Let's replicate!



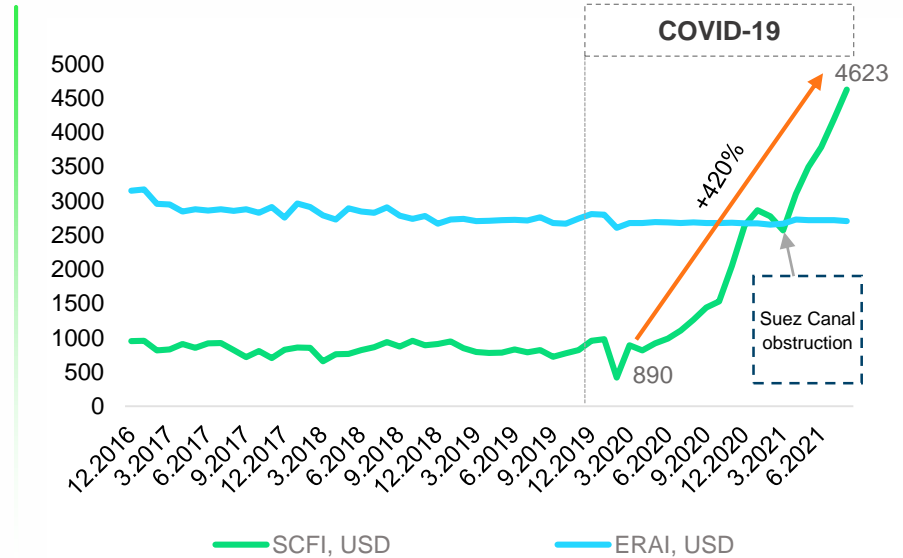


### Time of delivery from India to Russia via Suez Canal and INSTC



# Comparative advantages of INSTC

### Quotes of Shanghai Containerised Freight Index and Eurasian Rail Alliance Index



Sources: Thomson Reuters (2021), ERAI (2021)

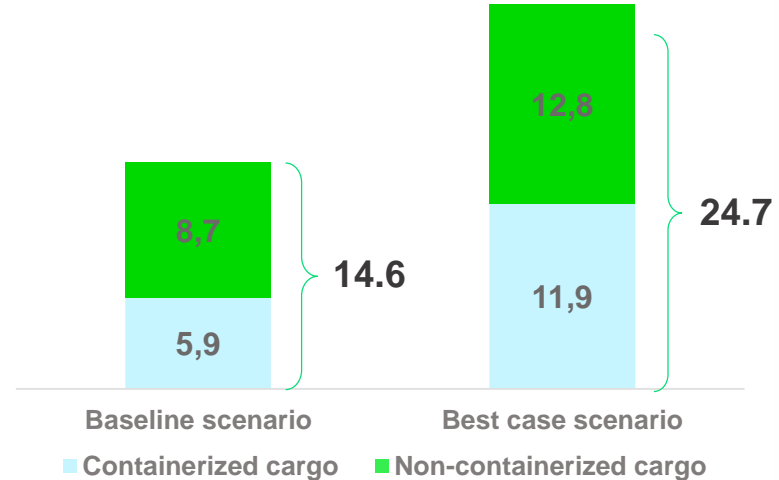
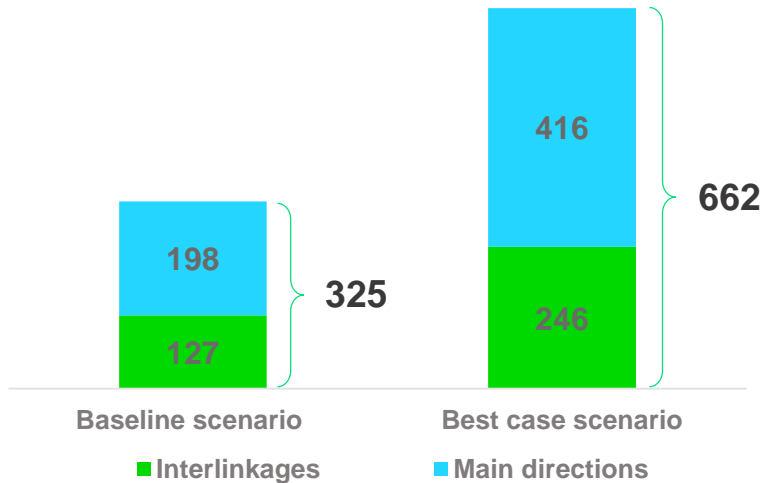
- INSTC is characterised by **shorter distances** and **faster deliveries**, which are important factors in transporting of foods and expensive goods.
- Currently, the transportation of goods by land is more attractive because of the high volatility of ocean freight rates. Will not hold; still, underpins the necessity to develop alternative connections.



# INSTC: potential of containerized and non-containerized cargo

**325-662** potential of containerized shipments by 2030  
thousand TEU\*

**14.6-24.7** total potential of cargo transportation by 2030 (currently, 5 mln tons)  
million tons



The potential of **grain transportation** varies from **8.7 to 12.8 mln tons** by 2030, and outperforms the potential of containerized cargo transportation.

Note: \* 325-662 thousand TEU are equal to 5,9 – 11,9 million tons



# Synergies with various Eurasian transport corridors

**40%** INSTC potential comes from **synergy**

## The INSTC connects with

- Black Sea Ring Highway
- Baku - Tbilisi – Kars Railway
- CAREC Corridors (including №2 Transcaspien corridor)
- Europe-West China Corridor
- OSJD Corridors
- TRACECA
- Trans-Siberian Railway
- Lapis Lazuli Route

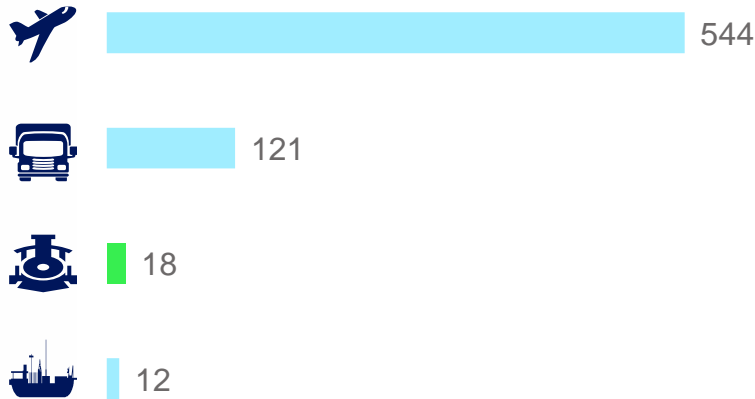






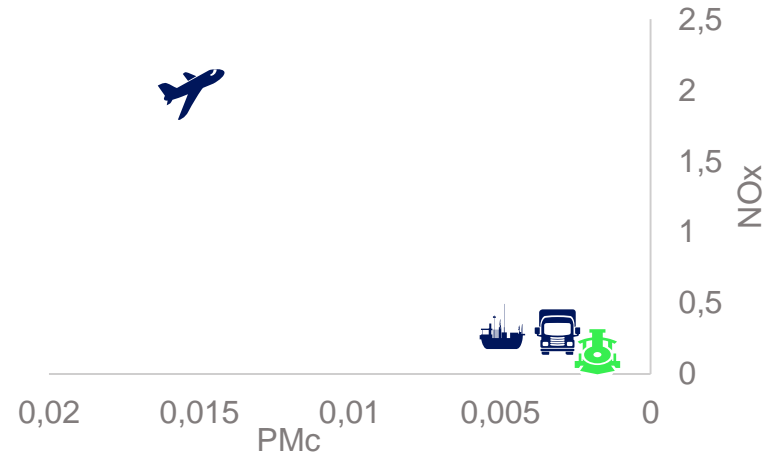
# Environmentally friendly solutions

Greenhouse gas emissions by freight transport mode, g CO<sub>2</sub> eq/tonne-km



Source: Klein (2021)

Particulate matter emissions due to fuel combustion and mono-nitrogen oxides emissions by transport mode, g/tonne-km

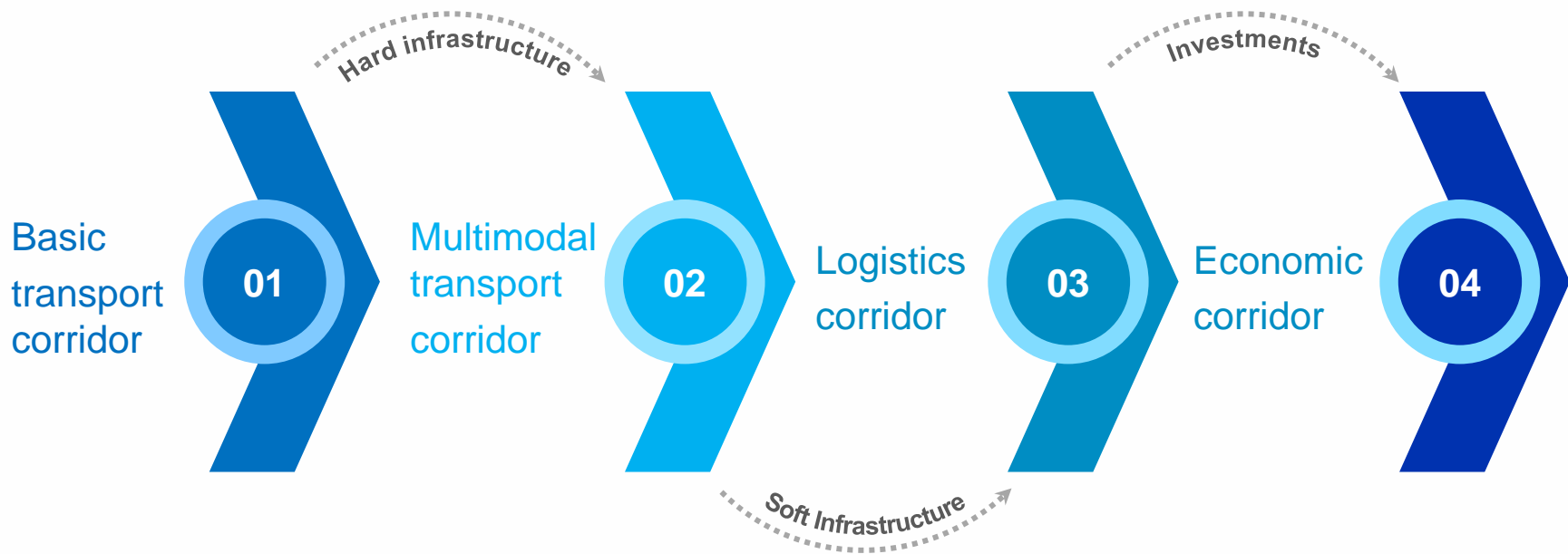


- In terms of greenhouse gas emissions, **rail transport** is comparable to deep-sea shipping. But rail routes are shorter in the context of Eurasia! Our estimates: at least 25% total reduction.
- Rail transport is the **environmentally friendliest** transport mode based on particulate matter and mono-nitrogen oxides emissions.
- Practical implementation demands combination of automobile and rail.





# From transport corridors to economic corridors



- Lower transportation costs should lead to the emergence of new business niches
- Strong export potential along North-South axis (metals, grain, agro, etc.)
- Synergies between routes
- Capital-intensive and long-term project require synchronized efforts and capital-pooling by IFIs. IFIs are also optimally positioned for the cross-border projects.



## Conditions and Strategies

Political commitment

International economic coordination

Regulatory policy

Benefits are often unexpected and unforeseeable, thus...

No *Gosplan*; promoting private investment in infrastructure and industry development

Consistency with international climate commitments

Empowerment of disadvantaged communities and regions

## From Transport Corridors to Economic Corridors

### RESULTS

Economies of scale through accessing new markets

Building industrial parks, dry ports, economic zones

Agriculture and manufacturing cluster development

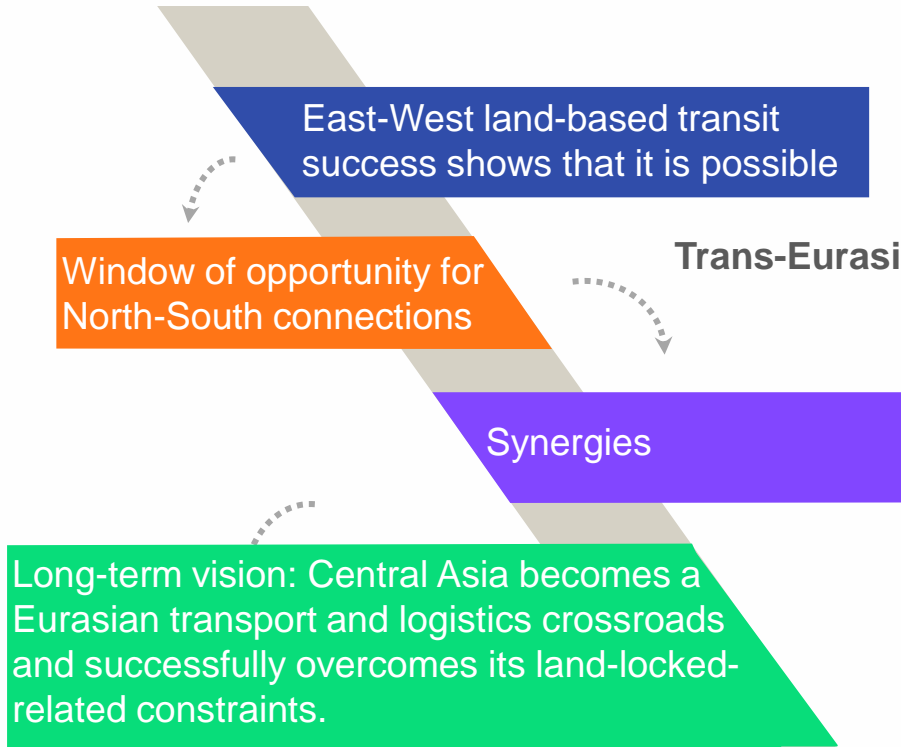
New production and logistic chains between China, Russia, India, Central Asia Pakistan, Iran

Facilitation trade, tourism, digital economy, smart cities development

'Material' regional integration



# Conclusion. Combine East-West and North-South Transform CA into a Eurasian crossroads



**Trans-Eurasian Transportation Framework combining East-West and North-South routes is key**

Thank you for your attention!