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## Logistics insights

### The “Iron Silk Road” – a third option!

COVID-19 has the air freight industry on edge. It is hard to keep up with the escalating news stories and intervention measures. Things are moving noticeably faster than usual in the freight forwarding industry. The interacting and thus unpredictable COVID-19 shock waves in supply and demand on the market are making the “Iron Silk Road” between China and Europa more and more attractive. This route has developed into a very reliable option and its cost-benefit balance for full and partial loads falls somewhere between air and sea freight.

China’s leadership made its political intent quite clear already in 2012 with the motto “One Belt – One Road”. The goal is to expand, diversify, secure and – to an extent – also control the transportation routes between China and Europe. One core topic was a rejuvenation of the trans-Siberian rail route, but this was far from the only one. A country as export-oriented as China cannot afford any disruption in trade routes and wants to be able to flexibly adapt in the event of problems. The maritime route through the Suez Canal, through which about 96 percent of trade tonnage with the EU passes, is a wonderful thing, but new industry concepts and e-commerce are calling for ever shorter supply chains. The maritime routes to Central and Eastern Europe are long, and the corresponding rail route – especially from northern China and the land-locked provinces – is very attractive. A trade conflict with the USA was foreseeable, and Europe is less protectionist and more politically diverse than the USA, making it a better market as well.

Russia, as a major military power, and in its wake the equally resource-rich countries of Kazakhstan and Belarus formed a very stable confluence of interests with China and its strong export and currency positions. The thousands of kilometers of the Siberian railway network had thus found themselves a very powerful sponsor.

It was rumored that the initial subsidization amounted to over half the full transport costs, although this has now been scaled back.

There are certain aspects that must be considered here. Not every product can withstand the Siberian climate, especially the cold winter. On the other hand, it can get extremely hot inside the containers during summertime. Shunting impacts during railway operations that would be extreme from a European perspective must also be expected. Growth in transport volume can lead to backups at the transshipment terminals between track gauges. Transshipment facilities are under continuous expansion, however.

In the beginning, the trans-Siberian route was competition above all for air freight, either for large shipments or as a faster solution when shipments backed up in the peak season. It was also popular as an alternative to sea freight when the required arrival time could no longer be met due to production delays. Thanks to the considerable increase in capacity and improved reliability, these days the “Iron Silk Road” is largely used for shipments that have been intended for this route from the outset. No longer a stopgap, it is now an intentionally integrated part of the supply chain.