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China's Bet on Sending Its Exports Through Russia Hits Setback

Ukraine war threatens to hold up billions of dollars worth of Chinese products bound for Europe on Silk Road rail corridor



Chinese leader Xi Jinping and Belarus President Alexander Lukashenko. Beijing has invested around \$2 billion in the Great Stone Industrial Park near Minsk, Belarus.

PHOTO: SERGEI GAPON/AGENCE FRANCE-PRESSE-GETTY IMAGES

By [Costas Paris](#) [Follow](#)

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Sanctions [imposed on Russia](#) are disrupting China's ambitions to move more exports to Europe, a setback for the \$4 trillion effort championed by Chinese leader Xi Jinping to cement his country as the [world's pre-eminent trading partner](#).

Although the European Union has yet to officially ban imports passing through Russia, inbound rail-cargo shipments have all but frozen, according to freight forwarders. Moving shipping containers from China along a 7,500-mile corridor that runs through Russia and extends to the United Kingdom [is a vital part of Belt and Road](#), a yearslong undertaking that includes investments to connect China to Europe by land and sea.



What does the Russian war on Ukraine mean for China's trade relationship with the West? Join the conversation below.

Chinese goods are looking to Kazakhstan and Georgia for rail-cargo shipments.

“Many customers from Europe and China have reoriented their shipments from rail to ships,” said Andreea Brinza, vice president of the Romanian Institute for the Study of the Asia-Pacific, a think tank. “The situation is very fluid, so there are risks regarding rail shipping, and things can change quickly for the worse.”

The principal rail links along what is known as the Silk Road rail corridor to Europe from Russia pass through Belarus and Poland. The port of St. Petersburg in western Russia is another link, with trains moving Chinese cargo through Siberia before the goods are placed on container vessels destined for Europe.



Altynkol rail hub in Kazakhstan near the border with China. Some freight forwarders are looking to Kazakhstan for rail-cargo shipments.

PHOTO: ABDUAZIZ MADYAROV/AGENCE FRANCE-PRESSE/GETTY IMAGES

China's Belt and Road initiative was announced by Mr. Xi in 2013, and Beijing has since signed deals to move its exports with 140 countries. The investments mainly involve long-term port leases, along with developing rail and road networks and power stations.

China's trade with those countries reached \$1.83 trillion last year, a 24% increase from the year earlier, according to the Chinese Commerce Ministry.

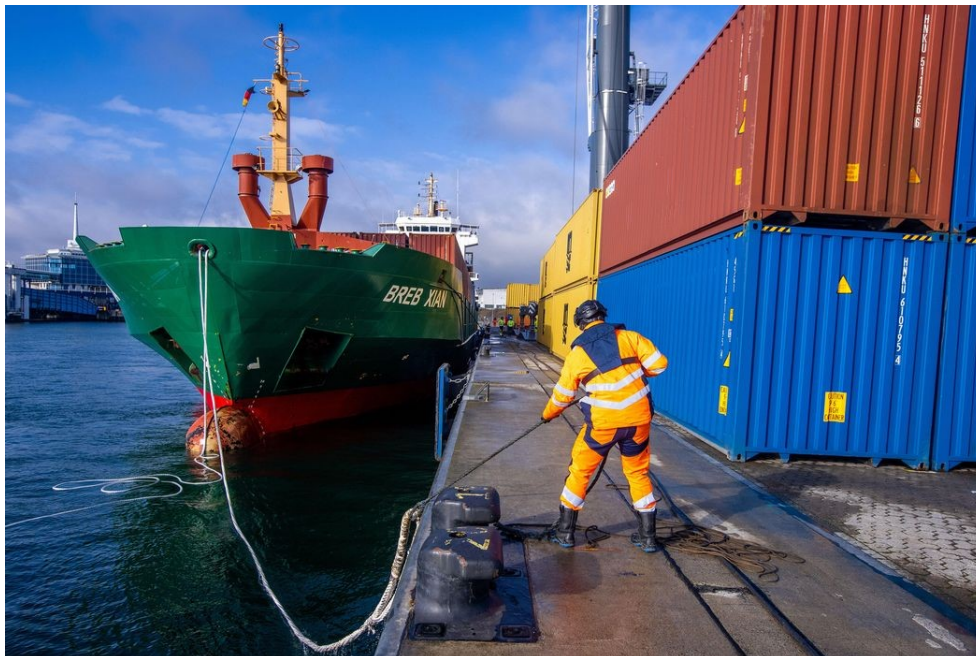
Big shipping and logistics players like [A.P. Moeller-Maersk](#) A/S, [Hapag-Lloyd](#) AG and freight forwarder DR Schenker have suspended operations to and from

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March that marine insurers would likely stop covering shipments from Belarus and Russia.

The rail network gained favor with cargo owners and freight forwarders during the Covid-19 pandemic as an alternative to ocean transport because ports around the world [closed or curtailed operations](#) to stop the spread of the virus. Scores of laden [ships got stuck for weeks](#) outside Chinese, European and American ports causing delivery delays that stretched for months.

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A cargo ship comes from Russia to dock at the port of Mukran, Germany, part of a Silk Road connection.
PHOTO: JENS BUTTNER/DPA/ZUMA PRESS

Overall, logistics players moved around \$82 billion worth of Chinese exports into the EU by rail in 2021, a 10-fold increase since 2016, according to EU and Chinese customs data. That is about 10% of the total \$828 billion annual trade between China and Europe, where most of the cargo is moved by ships.

“It’s faster and costs less to send Chinese exports to Europe on trains, but now very little is moving,” said George Xiradakis, managing director of Athens-based XRTC Business Consultants and an adviser to China Development Bank. “It’s a painful setback for the Belt and Road initiative.”

At the port of Duisburg, often a first



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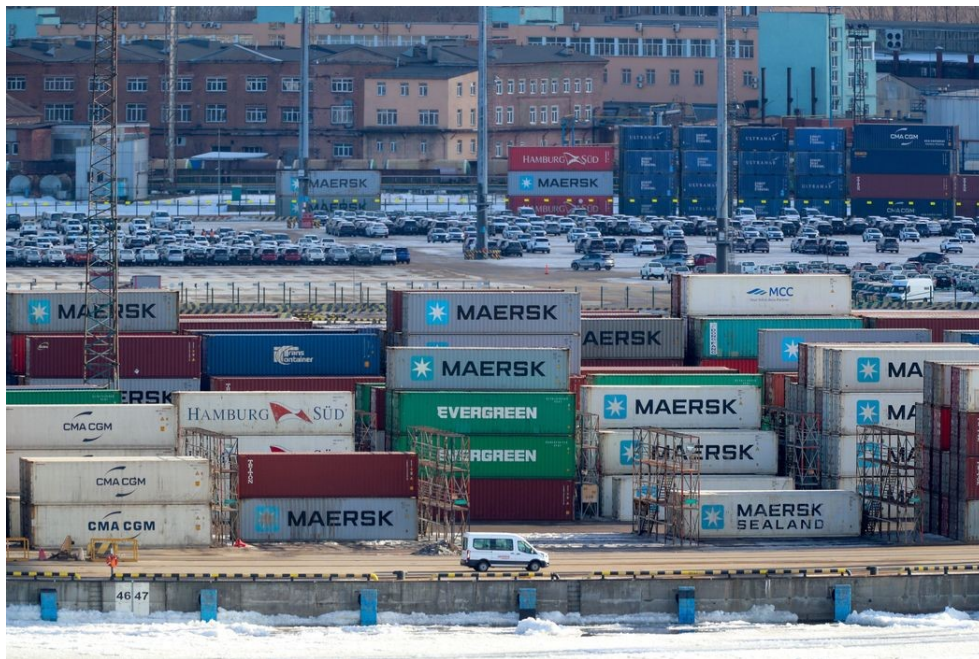
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arrive weekly stuffed with clothes, sports equipment and electronics from manufacturing centers in Wuhan and Chongqing. On their way back East, the trains move German cars, French wine, Scotch whisky, as well as high-end clothing and accessories from Milan.

“Trains are still coming with cargo that left before or during the Russian attack. But over the next few weeks, we expect less,” a spokesman at the port said this week “There will be a negative impact.”



Containers at the port of St. Petersburg, Russia.

PHOTO: IGOR RUSSAK/ZUMA PRESS

The Ukraine war could also shift some sentiment on projects in Europe aimed at helping Chinese cargo move about the continent. Germany's port of Duisburg said it would stop all business activity in Belarus and plans to sell its 39% stake in the Eurasian Rail Gateway Co., which planned to build a container terminal at a logistics complex outside Minsk. China has invested around \$2 billion since 2015 in the complex called the Great Stone Industrial Park, near Minsk.

The invasion put Chinese companies with a global reach in an awkward position, as they have to abide by sanctions by cutting off or scaling back business ties with Russia even though Beijing said it [won't take part in the U.S.-led sanctions](#).

Export volume shipped on trains from China's Dalian port to Europe has sharply



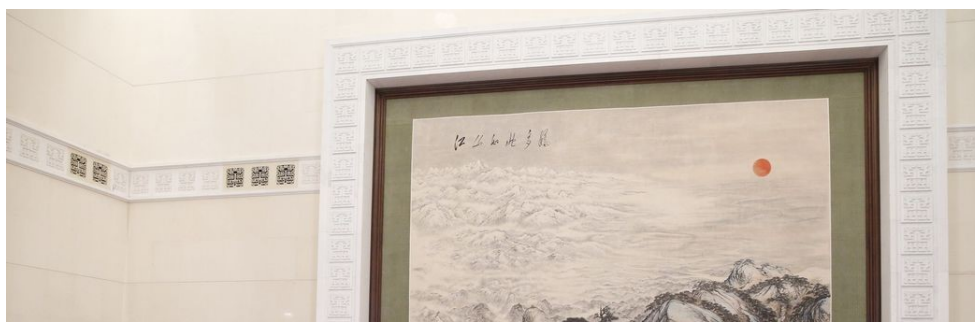
to an official with Dalian Port Company Ltd. cited by the state-run Securities Times. Before the Ukraine war, the shipments delivered on China-Europe freight trains from Dalian rose 69% on year in the January-February period, according to data released earlier by Dalian Port, the port operator.



A model of the Great Stone Industrial Park was displayed during Xi Jinping's visit to Belarus in 2015.
PHOTO: TATYANA ZENKOVICH/EUROPEAN PRESSPHOTO AGENCY

Shandong Yuma Sun-Shading Technology Corp. Ltd. said at the end of March that the company's exports to Ukraine, Russia and other neighboring countries were reduced last month because of the fighting in Ukraine and logistics bottlenecks. The listed firm, which manufactures and sells roller blinds, drapes and curtains, said product deliveries to those countries slowed significantly in March, but it expects business to be back to normal after the war ends.

To boost Russia's reach in global trade, President [Vladimir Putin](#) in 2018 ordered state monopoly Russian Railways to substantially grow container traffic. Moscow expects container flows to increase to 3.6 million boxes by 2035, which if achieved, would boost Russia's capacity share in overall Asia-to-Europe cargo movement to 15% from around 5% currently.





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China's Xi Jinping and his wife, Peng Liyuan, greeted Russian President Vladimir Putin at the Belt and Road forum in Beijing in 2019.

PHOTO: JASON LEE/PRESS POOL

If Russia is completely taken out of the train routes that move cargo from China, then containers would have to travel longer distances through the Caspian Sea and the Caucasus region and enter Europe through Romania or Bulgaria. The rerouting would likely result in higher costs and more complicated logistics that could substantially cut train volumes, industry participants say.

FourKites, a Chicago-based maritime data provider that tracks container shipments, said that if the volume transported by rail was transferred to ships, it would mean an increase in sea freight volume by up to 8%.

—Grace Zhu contributed to this article.

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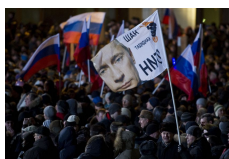
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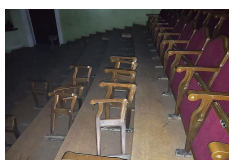
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