Maximizing the Potential of Economic Corridors

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"........It is our considered professional judgment that this dilemma has no technical solution. If the great powers continue to look for solutions in the area of science and technology only, the result will be to worsen the situation."

Economic Geography, Regional Economic Integration, Value Chains
Population density is extremely low
Distance to and from production and consumption centers
Huge Infrastructure Gaps
... Poor Connectivity to main markets

Freight travel time from Ulaanbaatar by rail

- <4 days
- <6 days
- <8 days
- <10 days
- <12 days
- <14 days
Several plans to improve Connectivity

Source: Mercator Institute for China Studies
Multiple (overlapping and often competing) visions of regional connectivity and trade
A ‘New Driver’: China-Europe Block Trains

- China-Europe Block Trains:
  - Increased from **80** to **6,363** per year
  - **17,000** trips have been completed (2013 - June 2019)

<table>
<thead>
<tr>
<th>Year</th>
<th>Block Train Quantity</th>
<th>Year to Year Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>42</td>
<td>147%</td>
</tr>
<tr>
<td>2013</td>
<td>80</td>
<td>90%</td>
</tr>
<tr>
<td>2014</td>
<td>308</td>
<td>285%</td>
</tr>
<tr>
<td>2015</td>
<td>815</td>
<td>165%</td>
</tr>
<tr>
<td>2016</td>
<td>1702</td>
<td>109%</td>
</tr>
<tr>
<td>2017</td>
<td>3673</td>
<td>116%</td>
</tr>
<tr>
<td>2018</td>
<td>6363</td>
<td>73%</td>
</tr>
</tbody>
</table>

(Data: Chinese Railways, Belt and Road Portal)
A New Driver: China-Europe Block Trains

➢ Mode Share and Niche Market:

• **Sea**: 98% of total trade volume, *low value* goods

• **Air**: 1.6% of total trade volume, *high value* goods

Source: World Bank Internal Analysis
Obstacles and Emerging Challenges

The lack of railway interoperability on legal, operational and technical terms is a major historical obstacle. There are also emerging challenges in capacity, economic and financing constraints.

- Lack of systematic design and regional coordination
- Different railway technical systems
- Administrative & legal obstacles
- Limited capacity of intermediate nodes
- Economic & financing challenges
Obstacles - Lack of systematic design and regional coordination

- There are over 60 cities in China operating westbound block trains to Europe
- All these routes are managed by local governments
- The lack of systematic top-level design and regional coordination has led to inefficiency in terms of railway capacity utilization and resource allocation
Obstacles - Different railway technical systems

- Power system: electrified, non-electrified
- Rail tracks: double, single
- Track Gauge (mm): 1435, 1520
Obstacles - Limited capacity of intermediate nodes

- The transit freight at the Belarus-Małaszewicze crossing increased from 5 trains per day in 2016 to over 10 trains in 2017 and continuously increasing...

- Due to railway infrastructure, locomotive fleet, and rolling stock have not been upgraded in long time, this crossing is a key impediment

- Insufficient standardization of shipping documents and technical regulations remains a main obstacle to the increase of freight along the whole route
Unlocking local potential - Evidence is critical

Within Mongolia:
Tonnes: 67.4 Million
Tonne-km: 40.6 Billion
Average distance: 602 Kilometres

Milk
Meat
Animal feeds
Processed food
4 big opportunities

Physical network and multilateral institutions that are fit for the future

Digital networks configured for a new normal

Green energy networks as backbone for transport systems

Sustainable financing as driver for low-carbon transport in post-pandemic world

Integrated and resilient network

Digitalization a key driver for smart transport systems

Smart energy corridors and hubs, Multi-fuel (transition) network

Financial instruments and leaders embed sustainability in decisions
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