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Russian Railways and their Role in the Economic Development of the Russian Federation and International Trade



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1.General view.

The railways in Russia is a core of the industrial, trade and technological development. They changed the country for the best affecting all sides of its life.

The total length of the railways in Russia is 87,500 km (7% of the World railway network). They account for about a 25% of the World freight and 15% of the passenger traffic.

In terms of length of electrified railways Russia is a World leader and in terms of total length of tracks it is second after the USA. Annual freight turnover is the third after the USA and China.

The railway transportation network consists of 17 railways which provide high level of

automatic traffic control, advanced rolling stock, effective communication system, reliable operational and repair facilities, well equipped cargo terminals.

The role of railways in performing international trade links of Russia is very important. A great part of international trade in Russia is carried out by means of railways which either directly deliver export goods across the border or perform feeder service to deep sea or inland waterways ports. In 2000 about 250,000,000 tons of Russian import/export freight has been carried by Russian Railways (RR) which amounts to nearly half the total export/import traffic.

The structure of cargo(in weight terms) transported by RR in 2000 shows that it is mostly loaded by natural resources and semi-products (coal-23%, construction materials and

cement - 18 %, oil - 15%, iron ore and manganese - 11%, pig iron and steel - 6%, chemicals and fertilizers - 6%, timber - 5%, manufactured goods - 3%, imported goods - 1%, other cargo - 12%).

Daily average loading of RR in 1997 was the lowest in the period 1991-2000 and from 1999 it began to rise. This fact testifies that RR has recovered from stagnation and it is gaining momentum for further development.

One of the main direction of RR development is upgrading of its control and management system. It includes 18 computer centers which equipped with 60,000 high performance PC. Automatic technological control systems are in operation at more than 250 railway enterprises.

Computer system DISPARK was created and introduced in RR. It enables to solve problems of wagon fleet location management on the territory of Russia, the CIS and Baltic states in real time mode.

From 1997 the Ministry of Railway of the Russian Federation (MRRF) started to establish digital communication network. Nowadays the majority of railways in the European part of the country are connected by high performance fiber-optical communication lines.

2. Role of the TSR in the economic development of Russia.

The TransSiberian Railway (TSR) is a corner stone of the Russian railway network. It plays a

decisive role in not only the development of regions located in the vicinity but in the development of the whole Russia.

The TSR includes several railways and runs across 20 administrative territories of the Russian Federation. Those regions supply over 40% of Russias export and consume 50% of its import. A list of 5 out of 7 Federal Areas gravitating to the TSR (Far East, Siberia, Ural, part of Volga region, Moscow and Moscow Province) tells of their value in the economics of Russia and of the role played by this railway in maintaining life support in the regions.

Due to running across the territories rich in mineral resources and having high prospects for economic development the TSR is of high significance to promote import/export potentials in the adjacent regions.

In the Ural Federal Area export is being developed at a pace quicker than average in Russia. And this is understandable since Tyumen Province is abound in oil and gas, Sverdlovsk Province is rich in metals, forestry, construction materials and has a developed machine-building industry, Perm Province is producing oil products, fertilizers, metals.

In a single word this is the most powerful industrial area in Russia whose market dedication and distribution of manufacturing plants is determined by its natural resources.

In terms of money the biggest volume of overseas trade falls upon Tyumen Province with the largest in Russia gas and oil fields.

Sverdlovsk Province is the most exhibitively from the point of view of its export potential being influenced by the railway. It accumulates 25% of manufacturing capacity of the Ural with well-developed heavy industry. Its products are exported to 40 countries.

Thanks to having access to the Pacific shore the TSR secures transport and economic links between certain regions of Russia and international ports in the Far East.

Dalnevostochnaya Railway accounts for nearly 12% of the national volume of export/import freight.

Influence of railways upon the regional economy can be illustrated by the following fact. Export potential of the Republic of Buryatia and Chita Province is not high and their share in total Russia's export amounted to only 0.1%. At the same time import in these regions amounted to 0.7% and 0.2% respectively due to the existence of border stations whose operations are reflected onto the regional economies.

Because of its links with European transport corridors it makes itself a part of a land bridge originated in the Pacific and destined at the Atlantic shores hence offering the shortest link between Asian states and Europe.

3. Technical features of the TSR and its capacity

Technically the TSR is a double track electrified line 10,000km long capable to carry 100,000,000 tons of cargo per year including 200,000 TEU transit containers between Europe,

Asia & Pacific and Central Asia.

To make it more efficient the railway stations at the border with China, Mongolia and North Korea were renovated, the railway access to the Far Eastern ports of Russia have been developed, the container terminals are being modernized to meet international standards for handling 40-foot containers.

There are 36 stations along the TSR capable to operate freight containers including 13 for 40-foot containers.

TSR was defined by ESCAP and OSZD as one of the main routes linking Europe and Asia.

The existing technical potential of the TSR creates necessary prerequisites for successful attraction of transit traffic.

MRRF is concentrating now its efforts on the modernizing of the TSR infrastructure, reducing transit time and cutting tariff, offering high level of service for customers.

Quarterly MRRF revises schedules for high speed container block-trains in accordance with time-schedule of the vessels operating on the sea routes Russia-Japan and Russia-South Korea. The departure of the container block-train from the station Nakhodka-Vostochnaya is supposed the next day after a port call by a vessel.

This measure allowed to reduce general transit time of container block-trains running from Nakhodka: to Poland it takes 12,5 days, to Finland - 9,5-11,5 days, to Germany - 14,5 days, to Hungary - 13,5 days, to Kazakhstan - 8 days,

to Mongolia 5 days, to St. Petersburg 9,5 days.

Technically the station Nakhodka-Vostochnaya capable to dispatch 3 container block-trains (300 TEU) a day.

Since specially developed rolling stock is used on the TSR the average speed of a container-block train is 1000 km per day.

For the purpose to speed up handling of transit containers at the ports and border stations a simplified customs formalities have been introduced.

As a result nowadays transit time via the TSR on the rout Europe -Asia is 15-17 days shorter than by ocean lines.

The total traffic volume of cargo carried on the rout in 2000 was 39,200 TEU of which

23,100 TEU from Korea to Finland and 13,200 TEU from Finland to Korea (3 times more than in 1999). In 2001 this figure is expected to reach 45,000 TEU (500 container block-trains).

The basic principle of the tariff policy of MRRF is thorough calculation of rates which include the cost of idoor to doori container delivery competitive to the sea rates.

In order to attract transit cargo to the TSR special low tariff was provided.

The transit rate for cargo transportation has been agreed with the railways of Belorussia, Poland, Germany and Finland, shipping companies, port operators, forwarding companies (see below):

Average rates for container transportation via the TSR

From/To	Japan		South Korea		China	
TEU	20	40	20	40	20	40
Germany (via Brest)	1370	2380	1225	2180	1520	2470
Finland (via Brest)	1350	2170	1210	1980	1495	2295
Moscow	2080	3520	1990	3510	2075	3220
Europe (via St. Peterburg)	1570	2460	1410	2270	1690	2590

In 1997 MRRF signed the Agreement on the mutual use of containers with Far Eastern Shipping Company (FESCO) in an effort to reduce transportation cost via the TSR which allowed to avoid reloading of the cargo from containers of FESCO to containers of MRRF.

That made it possible to cut down the transportation costs of the cargo owners by 100 - 150 \$ for TEU.

In 1999 MRRF concluded a similar agreement with Hyundai Merchant Marine (HMM).

In December 1999 MRRF signed an agreement

with Ministry of Railway Transport of China on the mutual use of 40-foot containers.

MRRF alongside with the Ministry of Internal Affairs of the Russian Federation took appropriate measures to ensure security of transit cargo shipped via the TSR. As a result in 1999 there was not a single case of cargo lost.

Tracing of containers on the TSR route is carried out in a real time mode which makes possible to provide up-to-date information to the customers about the location of their cargo on the territory of Russia.

Presently there is a suggestion to extend the 2-nd international transport corridor Berlin-Warsaw-Minsk-Moscow-Nizhni Novgorod farther to Ekaterinburg including respective upgrading the transport infrastructure of the TSR to international standards and further developing high-speed train operations there.

The reform currently being held in RR provides, among other tasks, for increased sustainability in railway operations, its accessibility, safety and service quality in order to maintain a single economic space throughout the state and a single process of developing the national economy.

This reform will result in improved tariff policy and in upgraded infrastructure of the railway transport which will also facilitate the growth of export potentials in the regions and attract additional freight to the TSR as well.

4. Prospects of the link between the TSR and TKR

At present the trade and economic links between Russia and the Republic of Korea are performed as intermodal rail-cum-sea traffic through the ports of the Far east and amount to 3,000,000 tons.

The ground for the restoration of the TKR created at the inter Korean summit in June 2000, the talks between President V.Putin and the Leader of the DPRK Kim Chen Il, several meetings between President V.Putin and President Kim Dae Joon, including the February 2001 summit, opened bright prospects for the land bridge from Asia to Europe through the Korean Peninsula.

At the Third Joint Committee on economic, scientific and technological cooperation (February 2001, Seoul) both sides shared the view that the recent development in inter-Korean relations had been creating favorable conditions for the implementation of RF-ROK-DPRK trilateral cooperation projects including the connection of the TKR and the TSR and agreed to continue possible cooperation in this matter.

The new route through the TKR will eliminate an extra rail-cum-sea re-loading and respectively reduce transport cost and attract additional freight flow to the railways. Besides this route may attract traffic from the routes now bypassing the railway network of Russia.

Industrial potential of the regions adjacent to the TSR tells that with creating a land bridge the Korean Peninsula will achieve the shortest possible access to the heartland of Russia and

to its export/import potential presently evaluated in excess of 50 billion USD.

Thus it can be stated with an absolute confidence that introduction of the TKR will allow Korea not only to make profit from transport links with Europe but also to explore abundant resources of Russia to the mutual benefit.

To make this land bridge possible MRRF and the ROK Ministry of Construction & Transportation (MOCT) are taking active steps to convert politic decisions into practical agreements between Russia and the both Korean states.

In October 2000 MMRF First Vice-Minister A.Tzelko visited the DPRK and had fruitful talks with the Minister of Railway Kim Young Sam who confirmed keen interest of Pyongyang in cargo transit via North Korea admitting that it would be beneficial for the DPRK.

In December 2000 Mr. Tzelko had talks with MOCT and the Korea National Railroads (KNR) resulted in signing Protocol where both parties stated their mutual interest in restoring the railway between the ROK and the DPRK and in arranging transportation of cargo via the TKR to the TSR, agreed to discuss the project at a trilateral ministerial meeting, reached an understanding to set up a Representative office of the MRRF in the ROK and that one of the KNR in Russia.

Mr.Tzelko disclosed that Russia was ready to assist North Korea in modernizing its railway on the route Tumangan-Wonsan to make it ready for cargo transit.

In December 2000 the delegation of the MOCT

visited the TSR and made a conclusion about its readiness for acceptance of transit cargo from the TKR.

In February 2001 MMRF arranged the TSR presentation and exhibition in Seoul which attracted more than 500 visitors and were broadly covered by Korean mass media.

At the Third Russian-Korean Joint Committee on economic, scientific and technological cooperation (Seoul, February 2001) both sides recognized that the linking of the TKR and the TSR would greatly contribute to the development of the Far East Asian region and agreed to strengthen cooperation in the field of railways.

In particular they took a decision to form a railway cooperation committee to discuss related questions.

The next step could be signing of the Agreement between MRRF and MOCT on cooperation in the field of transportation (both sides have already exchanged their drafts) and opening their offices in Moscow and in Seoul.

Pyongyang's position on the matter is still reserved. Though North Korean side officially supported the TKR restoration and took obligations to contribute in the reconnection of Kyongui Line Pyongyang's behaviour in recent months has showed that it intends to keep this project as a card to play it's game with Washington and Seoul.

One of the examples of such conduct is the withdrawal of the workforce and construction equipment from Kaesong area where it had been

preparing for the reconnection of the severed inter-Korean rail line

Thus North Korea indicates that further strain between Washington and Pyongyang will be resulted in cooling down South-North dialogue including implementation of bilateral economic projects.

Above all it can be also a signal for Russia and South Korea to increase it's economic assistance to the DPRK.

Nevertheless it is evident that the TKR reconnection is one of the efficient ways to revive North Korean economy and Pyongyang can not hold back this project continuously.

Ahead of the first anniversary of the inter-Korean summit it is desirable to encourage Pyongyang to more actively promote cross-border exchanges.

Seoul has already demonstrated it's readiness to contribute to this process.

In April 2001 Lee Hae-Chan, chief policy-maker of the rulling Millennium Democratic Party, disclosed that an MDP delegation planned to visit North Korea over the TSR as a part to commemorate the first anniversary of the inter-Korean summit.

In May 2001 ROK National Assembly Speaker Lee Man-Sup proposed parliamentary talks involving Russia and both Koreas to promote economic cooperation among the three countries including the TKR-TSR connection.

It is highly probable that forthcoming

Russian-North Korean summit and an anticipated visit of Leader Kim Chen Il to Seoul will make another important impetus to TSR-TKR project.

Personal Data

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Education

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