

Russia Approves Rail Union of 3 Ex-Soviet States to Tap Into China-Europe Trade

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Russia, Belarus and Kazakhstan want to make some money off trade between China and Europe.

Russia's government green-lighted a joint venture between the state railway companies of Russia, Belarus and Kazakhstan that aims to grab up to a 2 percent share of container traffic between China and Europe currently worth a \$1 trillion a year.

According to an official decree published Friday, Russia's Cabinet approved the transfer of 50 percent plus two shares in Transcontainer, Russia's largest intermodal container operator, and 100 percent minus one share in Russian Railways subsidiary Russian Railways Logistics to the joint venture.

In 2013 the three ex-soviet nations' railway companies agreed the principal terms of a joint venture called United Transport and Logistics Company, or UTLC, that would operate within

their customs union and handle transit cargo between the economic hubs of China and Europe.

Annual trade between Europe and Asia is estimated to increase to \$2 trillion by 2020. Mostly traveling by sea, some of these goods could be redirected to an intercontinental ground corridor passing through the territory and the transport network of the former Soviet Union.

Russian Railways expects to get \$1.7 billion in additional profits out of the joint venture over the next seven years.

But the initial value of investment from the three state rail companies in UTLC will not be equal, with Russian Railways contributing a majority of assets.

The partners agreed that Kazakhstan Temir Zholy will transfer its shares in container operator Kedentransservice and Kaztransservice to the venture, while Belarussian Railway will contribute its stake in the Brest logistics terminal. Both companies have also agreed to provide \$1 million each in cash.

These assets combined would not equal the value of Russian Railways' main contribution, the 50 percent stake in Transcontainer, the capitalization of which currently stands at 33.3 billion rubles (\$900 million).

Russian Railways' initial share in UTLC will be 74 percent, with Kazakh state railways having 21 percent and the remaining 5 percent going to Belarus railways. The stakes are planned to be brought to equality by 2032, as Russia's partners contribute more assets and funds to the joint venture.

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