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Dr. Markku Heiskanen

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# Scandinavia and the Eurasian Land-Bridge

*Here is an edited transcript of the remarks by Dr. Markku Heiskanen, Senior Fellow at the Nordic Institute for Asian Studies and former Deputy Director of Planning of the Foreign Ministry of Finland. He spoke on the panel discussion, "Projects for the Eurasian Land-Bridge." Subheads have been added.*

Good evening, ladies and gentlemen. It's a pleasure for me to be here, and I would like to thank the organizers for inviting me again, to this meeting. I was here in Bad Schwalbach four years ago, and my presentation was more or less relating to the same subject; to put it briefly: the relations between Northern Europe and Northeast Asia along the so-called Eurasian Land-Bridge.

Let me say, first, that when we speak about the Eurasian Land-Bridge and Eurasia in general, there are different interpretations, first of all, for the concept of Eurasia. I remember, in August 2001, I was in Seoul, participating in a conference on the Korean question, and there was my colleague from Sweden, and myself from Finland. And in my presentation, I said, "You may wonder what do Swedes and Finns do in Korea to discuss the Korean question?" And I said, showing the map, that, "Look, in fact, we are on the same continent, the continent called 'Eurasia': Finland and Sweden in the western part of Eurasian continent, and Korea in the eastern part of the Eurasian continent.

In fact, geographers very much agree that, to cut the Eurasian continent into two parts, divided by the Ural Mountains, is a very artificial division, so that it's very well founded and rational to speak about Eurasia as a whole continent. Especially in my case, and when we are speaking about the developing transportation networks along the Eurasian continent, I think it doesn't matter whether there are Ural Mountains dividing Europe and Asia, or not, because it's more or less one and the same continent. . . .

Before going into the substance of my speech, let me say that, during this conference, we have been discussing very much future projects relating to the Eurasian Land-Bridge, and the question has been put, "Is the Eurasian Land-Bridge becoming a reality?" And my answer is "yes," but we need some patience; we should proceed step by step. But some very concrete steps have been taken already, recently, and more concrete steps are going to be taken in the near future, especially as far as the railway network and

railway connections between Europe and Asia are concerned.

### The History of the ‘Eurasian Dimension’

Let me say a few words, also, about the history of Eurasia and the Eurasian Land-Bridge, or as I call it, the “Eurasian Dimension.” In fact, Eurasia was used already, in very concrete terms, in connection with the Russian Empire, during the 19th Century, expanding toward the East, up to the Pacific Ocean. And in 1808-09, there was a war between Sweden and Russia, and Finland had been, for 650 years, a province of Sweden. And after Sweden lost the war, Finland became a Grand Duchy, an autonomous part of Imperial Russia. And in fact, at that time, let’s say after the middle of the 19th Century, there was a Eurasian empire, extending from the Aaland Islands, which used to belong to Sweden, close to the Swedish western coast, up to Alaska. As you certainly know, Russia conquered and owned Alaska up till 1867, when Alaska, which has been very much discussed today, was sold to the United States.

At that time, even before the Trans-Siberian Railway was completed in 1902, there were many Finns who travelled to northeast Asia, and even up to Alaska, using then, mainly the sea lanes, and so on. And at that time, this northern Eurasian continent belonged to one state, and even from the westernmost part of this empire, a few inhabitants of small Finland could move up to Alaska, and there were hundreds of Finns working there, and even two Finnish governors.

Then, in 1902, the huge project was concluded, that is, the Trans-Siberian Railway, which is about 10,000 kilometers long. And I think during today’s discussions, it was pointed out that if this new railway will be constructed to the Bering Strait, it’s going to be very difficult work; but let’s keep in mind that the Trans-Siberian Railway, was constructed more than 100 years ago, using technology of that time. So, I think it’s rather now a question of the political will, and how to allocate the budget, when we want to realize such projects which probably sound a little bit futuristic.

Let me concentrate now on what is going on in the Eurasian railway system today: There are several corridors in the northern part of Eurasia, along which the rail traffic is running more or less normally. The northernmost route is the Trans-Siberian route from Moscow to Vladivostok, which was completed in 2002. It’s now a two-track railway corridor, fully electrified, and also it’s now computerized, so that when containers are moved from Europe to Asia, and vice versa, the customers can always know where their containers are. It has been working very well, and a couple of years ago, I think it was 2004-06, there was an explosive increase in container cargo traffic along this Trans-Siberian Railway. But then, suddenly, Russian Railways increased the tariffs, so that the sea lanes became more competitive, and the cargo on the Trans-Siberian Railway dropped almost to zero. Now, the Russian Railways have lowered the tariffs and so, the traffic is reviving again.



EIRNS/Julien Lemaître

*Dr. Markku Heiskanen, a Senior Fellow at the Nordic Institute for Asian Studies in Finland, addressed the Schiller Institute conference on the role of Scandinavia, and the Trans-Siberian Railway, in the Eurasian Land-Bridge.*

I had the opportunity to be in Lianyungang in China—it’s a harbor city—also in Shanghai, in 2002, when there was a ten-year celebration of a railway transportation line which the Chinese called the Euro-Asian Transport Corridor, that was solemnly opened in 1992 by the Prime Minister of China. And the idea was a very good one, to open a railway route from eastern China to Western Europe, from Lianyungang, to the port of Rotterdam in the Netherlands. It was quite symbolic, I think, to the success of this good idea, that there were about 200 invited guests in Lianyungang. I was the only one from Europe, and I was there because I happened to work on this Eurasian railway issue in Copenhagen. There was nobody from Holland, nobody from Rotterdam. And the explanation was that this railway corridor “does not work.”

Why doesn’t it work? It doesn’t work, therefore, it wouldn’t be technically feasible. The problem is that you have to cross so many frontiers—and not even that is a big problem, to cross the frontiers. You have a frontier between Finland and Russia; the trains can cross the frontier in one hour, or even less. But the problem is, that you have so many different cultures, and then you have many countries where the administration is not—should I say—not working very legally. You have corruption, very bureaucratic systems, and so on. And really, it hasn’t been feasible.

So, most recently, besides this Trans-Siberian Railway, which is working very well, there have been efforts to open, in the northern part of the Eurasian continent, some other rapid, or more or less rapid railway transportation lanes. And one is from Finland through Russia, to Manchuli which is on the

# The Northern East-West (N.E.W.) freight corridor



Courtesy of Transportutvikling

Russian-Chinese frontier, and then across this frontier, up to Tianjing, Beijing, and other cities in China. It's working. We have had some test trains, and it's working relatively well. I think you can do it in some 12 days from Helsinki to Tianjing; it's about one-third of the time that's needed if you send the same cargo by ship, and the price is more or less about the same at the moment. But this is still being tested and there's no regular traffic.

There is one possibility and one alternative, which in principle works, but not so well in practice, which is a corridor from Russia through Mongolia to China.

## **The 'Iron Silk Road'**

But then, the most interesting and exciting, I should say, option relating to this Northern Eurasian railway system, is the project to open the so-called "Iron Silk Road," from the Korean Peninsula to Europe. And this is an idea proposed by [then] South Korean President Kim Dae-jung in 2000 when he met North Korean leader Kim Jong-il in Pyongyang. And then, they agreed—the North and South Korean leaders—that they should cooperate to open the Korean Peninsula for traffic to be connected to the Trans-Siberian Railway and to the Chinese railway corridors.

There was positive and concrete progress after this summit in 2000 in Pyongyang; and as you certainly remember, the so-called North Korean nuclear issue broke out in October 2002, and froze most of the axioms of so-called "Sunshine Policy" of South Korea. But South Korea was insisting to the United States that this railway project must be continued, and it was amazing that in June 2003, two railway corridors were opened across the Demilitarized Zone between the two Korean states, the frontier which is characterized as the most heavily guarded frontier in the world.

I saw a documentary shown by South Korean generals, how this work was done, because there were thousands of mines along these corridors, which were still used about 50 years ago before the Korean War broke out. And the two corridors in cooperation between South and North Korea were opened by June 2003, and there were very low-profile—unfortunately, very low-profile—ceremonies where the rails were linked. So that the North and South Korean engineers were just putting together the rails, and that was symbolically a very big step forward. This was not covered by the world news media. They covered all the negative news very punctually from Korea, but when something very positive happens—no coverage in general, in the Western press.

Well, after reconnecting the rails, there was some break in this development of the Iron Silk Road. One of the last dramatic obstacles for making that a reality, that is, to connect South Korean and North Korean railway systems further to Trans-Siberian and Trans-China railways, was the nuclear test which was done by North Korea in October of last year. But then, suddenly, the United States changed its policy toward North Korea.

I think there were many reasons for that change.

I think one of the factors for how the process was started in a more positive way, was that Assistant Secretary of State Christopher Hill was appointed special envoy of the United States for the so-called Six-Party Talks to tackle the North Korean nuclear issue. And the Six-Party Talks as you surely know have been extended, so that now also economic cooperation has been one of the subjects, including also, at least indirectly, this railway cooperation.

Perhaps now, I will use some minutes to explain to you what is the present situation relating to this Iron Silk Road project. It's characterized often as a railway line from Pusan to Paris, and I think even Mr. LaRouche has been using this same concept. When we are in Finland and in the Nordic countries, we always emphasize that there is another mainline to the northern part of Europe, and I think, also referring to what Hal Cooper said about the multimodal system [see above]: There's a project of the International Union of Railways to open a railway corridor from China, also through Russia, Finland, Sweden, to Norway; and from Norway, from the Port of Narvik, to start a multimodal transportation corridor to the eastern coast of North America.

But I think the most recent, or most concrete prospect for opening this so-called Iron Silk Road is that, before the South and North Korean railway networks are connected, we make one little step, but very relevant step, forwards: And that is, that from the Russian-North Korean frontier, there's about 50 km to a port called Rajin in North Korea, and in South Korea, Najin. And this is a port to which there is a railway track also, of the same gauge as Russia has; and Finland, from the time when we were part of Imperial Russia, we have had the same gauge. The gauge, as I think Hal Cooper said, is nowadays a problem; you can change the bogies, I think they call them, very easily, but if you have the same gauge, it's a certain benefit.

## **The North-South Korea Rail Link**

And now, North Korea, South Korea, and Russia are negotiating how to open this port of Rajin for traffic, so that it would be connected to the Trans-Siberian Railway. And when it's estimated that to link the South and North Korean railway network to the Trans-Siberian Railway, it will cost between \$5-7 billion; that's mainly to renovate the North Korean railway system, and this would take between five to seven years. So, this the first step to open the first part of the Iron Silk Road, from North Korea, via Russia to Western Europe, I think it is not cheap, but one estimate I have seen is about \$2 billion and it can be done, I think, in one or two years, or even faster.

Well, this is very, very promising, and let's see what's going to happen in this project. If and when this Korean connection is realized, so the Trans-Siberian Railway can be utilized in full, the Trans-Siberian Railway from Moscow from Vladivostok, is 9,288 km, and if it is open from Pusan, the south-

ernmost port of South Korea, one of the biggest container ports in the world, so it's going to be about 12,000 km. It's longer than the route across China, using the different corridors that I mentioned: the Manchuli, Mongolia, and then trans-China to Kazakstan, and from Kazakstan to various parts of Europe.

But the benefit is that we can estimate that when there is a deal between South and North Korea that the trains can transit through North Korea to Russia and to China, most likely there's no heavy control on the frontier; and in the case of the Trans-Siberian Railway, where the train leaves Pusan, the next frontier to be crossed is between North Korea and Russia, and most likely, that will be also quite flexible. Then, this will take about two days across the Korean Peninsula. From the frontier between North Korea and Russia, to Moscow—I think it's about nine days. And then, if you then go on to Finland, in our case, so you can do the whole thing from Pusan to Helsinki, in about two weeks. Once more, it's about one-third the time that's needed by using shipping sea lanes.

So, that's a quite attractive option, and most likely is also becoming quite competitive. There are other programs—I'm not going to go into details—with the sea traffic. Now, that traffic is rising, I think one of the main reasons is that the Chinese imports need more and more ships, container ships. And then, there are congested ports, in various parts of the world. And then, I think one very competitive factor when you have the trains, is that they can move in all weather conditions; if you have minus 40°C, ice and snow storms in Siberia, it doesn't matter—the trains move. And also, nowadays they are very punctual: When the customer knows the train is leaving Vladivostok, or let's say Pusan in the future, on Sunday, he knows that next week on Wednesday at 5 o'clock, it's in Helsinki, or in some other part of Western Europe. And all the time, you have the satellite monitoring; all the time, the customer knows where the container is.

And then, I think, last but not least, one common belief which is based on the past, is that people are asking if it's secure? They have been hearing that cargo, or even whole trains have disappeared. That was true once upon a time, a little bit, I think paradoxically, when the Soviet Union collapsed. When the Soviet Union existed, for instance, the Japanese car companies were using the Trans-Siberian Railway to transport cars to Europe. But when the Soviet Union collapsed and there was a certain uneasy period in Russia, it also had an influence on the Trans-Siberian Railway. And so, for

instance, the Japanese car companies and other big companies lost their interest in the Trans-Siberian Railway, and it's very difficult to regain that confidence again. But I think it's quite possible.

### **Transporting Oil From the Russian Far East**

Then, I think my last example, about the quite huge—I should say—approach as far as this Iron Silk Road connection from Korea to Europe is concerned, is that, there are some Russian oil companies, operating in the Russian Far East, which are interested in utilizing an oil refinery which is in North Korea in this port I mentioned, the port of Rajin. They're interested in reactivating this oil refinery. And they are estimating the production of refined oil from Rajin, could reach the amount of 6 million metric tons/year. And this refined oil would be then transported by train, along the Trans-Siberian Railway, to Western Europe, to various destinations in Western Europe. And the experts estimate that the volume of this oil transportation would be about 200,000 TEUs [tons of oil equivalent].

To give some background to this figure of 200,000 containers a year, I think the present annual capacity of the Trans-Siberian Railway is about 450,000 containers, and the peak of the transportation grid in 2004 was about 150,000 containers. So, it's a question of really, a very important prospect.

Then, one thing about logistics—I'm not a logistics expert myself; I'm probably something like a political economist. But, one of the rules in logistics, anyway, is that the shortest distance is not always the most feasible, and not even the fastest, and not even the cheapest. And one example in the case of Finland, was, that most of that traffic—which was about 150,000 TEU containers in 2004—most of that traffic crossed the frontier between Russia and Finland. And then, for instance, I think mainly the exports and the cargo came from South Korea and China, from Shanghai and Pusan, electronics and many other similar products, which were shipped to Vladivostok, and then transported by train to Finland. And then the Finnish enterprises in Finland delivered the electronics and so on to the Russian market. So that was the most feasible way. After the tariffs went up, that ended, but the logistical law worked. And now the same electronics and same products come again to Finland, but now using the sea lanes. So, I think this is very interesting.

Politically, I think if the railway traffic through the Korean Peninsula can be started; it is certainly a very important confidence-building measure. And in May this year, the first test trains, after 56 years, crossed the inter-Korean frontier. And it remains to be seen, now, when on Oct. 2, the South Korean President Roh Moo-hyun is going to travel for an official visit to North Korea, whether he will go by train, as he has expressed the wish. If he could do it by train, I think it's a huge, symbolic sign to the world that the Korean deadlock can also be solved.

Thank you very much.

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