

**Swedens eastbound
transport flows** **Summary
Report 2020:1**

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Transport Analysis

Address: Rosenlundsgatan 54

SE-118 63 Stockholm

Phone: 010 414 42 00

Fax: 010 414 42 20

E-mail: trafikanalys@trafa.se

Webaddress: www.trafa.se

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Summary

This report describes the development of trade, transport flows, and transport infrastructure to and from the countries around the Baltic Sea and farther east. The description covers the current state of affairs and looks forward towards 2040. It is being used to analyse whether there is a need to adjust Swedish transport policy, and elucidates the following issues:

- What characterises Sweden's current trade with China? This question concerns both the content of that trade and how the goods are transported.
- What characterises the infrastructure between Sweden/EU and China, and what major improvements are planned?
- How will trade between China and Sweden develop in the future? Will new transport patterns arise?
- What are the motives for China's interest in investments in transport infrastructure?
- What security policy risks are associated with the use of new transport corridors, such as the overland route through Asia and the sea route north of Russia?
- Could changes in transport patterns affect the need for and benefits of ongoing and planned investments in new infrastructure in Sweden?

Sweden's trade with East Asia, in particular China, has grown dramatically over the last decade. Nevertheless, our trade with neighbouring countries and the EU is still significantly greater. Several long-term forecasts indicate that the world's economic centre of gravity will shift from North America and the EU towards Asia, ensuring that Asia will remain an important market for Swedish companies.

Trade between East Asia and the EU occurs almost exclusively by sea. However, in recent years a growing number of container trains have begun to ply the route between China and the EU. One reason for this is that improved infrastructure and other initiatives have shortened transport times considerably. A shipment from Central China to Germany can now be made in two weeks. This report mainly addresses the railroad investments planned within the framework of, first and foremost, China's Belt and Road Initiative (BRI) and the EU's TEN-T, although other actors are referred to as well. China has both economic and geopolitical motives for making these major investments within the framework of BRI.

In this report we have used a gravity model to explain patterns of trade. It indicates that goods shipments from China were underestimated by just over 20% in the Swedish Transport Administration's forecast for 2040. This may sound like a high number, but it does not actually represent a dramatic difference when considered over the entire time period. The bulk of this increase will likely travel by sea, which means that a major portion will still be shipped through the Port of Gothenburg. Our current national transport plan addresses a number of bottlenecks facing shipments from Gothenburg.

It would, however, be strange if rail shipments to Sweden were not to commence and then follow the same patterns as shipments to Central and Western Europe. Even if that did happen, it is unlikely that rail shipments will become anything more than a niche service, accounting for just a few per cent of the total flow of trade. The rail shipments will probably cross the Baltic Sea via ports in Finland, Russia, or the Baltic states. Our current national transport plan contains no measures that clearly address this evolution. This is a reasonable stance at present, as we are not yet seeing any flows via the Baltic Sea and beyond by overland routes to and from Asia. There is, however, reason to monitor these developments closely. The report also analyses the feasibility of using the sea route north of Russia. The advantage of using the so-called Northeast Passage is that, for certain destinations, it is significantly shorter than the customary route through the Suez Canal. Our conclusion is that this route will not become commercially viable in the

foreseeable future, due to ice expansion and depth conditions that limit vessel size, as well as deficiencies in the infrastructure for sea rescues.

China and Russia are the dominant actors on the land bridge between the EU and Asia. They have growing political ambitions that could entail a number of risks, including:

- increased military and economic presence of the major powers in our vicinity and control over trade flows
- politicised economics and protectionism
- military/civilian integration and grey zone problems
- greater dependence on authoritarian regimes and politically controlled goods flows

It is consequently important to acquire information as to what threats we face and what vulnerabilities we have, and to take steps to reduce them. Control over enterprises via ownership, information, or knowledge advantages can be used to exert pressure on other parties. An analysis of the consequences for Sweden's various interests could be helpful before foreign investments or the like in Swedish transport infrastructure are permitted. How Sweden would be affected by disturbances and disruptions of various types of deliveries constitutes a key element of such an analysis. The aim of such an impact analysis is to afford actors in Sweden a means of making knowledge-based choices. As a suggestion, those responsible for an enterprise could also have the task of ensuring that such an analysis is performed.



Transport Analysis is a Swedish agency for transport policy analysis. We analyse and evaluate proposed and implemented measures within the sphere of transport policy. We are also responsible for official statistics in the transport and communication sectors. Transport Analysis was established in 2010 with its head office in Stockholm and a branch office in Östersund.