

# 中国国际货运代理协会

CHINA INTERNATIONAL FREIGHT FORWARDERS ASSOCIATION

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## **Survey Result Analysis on the impact of Russia-Ukraine War to International Freight Forwarding & logistics**

The regional war between Russia and Ukraine has lasted more 2 months. China International Freight Forwarders Association (CIFA) has communicated and investigated relevant domestic enterprises involved in cross Eurasian trade and transportation, and related international industry organizations and international companies along the cross Eurasian line. According to the feedback of all parties, the conflict has affected the cross Eurasian trade and transportation, especially the China Europe train operation. To China Europe trains, passing through Ukraine have been suspended. Although the trains passing through Russia basically maintain normal operation, freight forwarding enterprises are generally impacted in some degree. Half of the surveyed enterprises said that their business relying on China Europe trains has decreased or even interrupted. The breakdown reasons mainly include the following categories:

1. Some forwarders from Europe, America, Japan and South Korea are seriously worried about Russia's anti sanctions measures in future such as:

detaining European goods in transit through Russia, large-scale return of cargo booking, withholding of goods, and delayed shipment.

2. After the sanctions imposed by Europe and the United States on Russia, the settlement of Russia was affected, and the shippers or consignors did not deliver the goods when they did not receive the payment. At the same time, the exchange rate of RUB fluctuated greatly, which also affected the normal development of trade, and the customers were in a serious wait-and-see mood.

3. The conflict has made enterprises to change the payment method to prepayment. The freight amount of China Europe train is relatively large. Prepayment increases the running difficulty of cargo owners or forwarders and the cash flow pressure paid by freight forwarders to the railway carriers.

On front these impacts and changes, most freight forwarding enterprises do not have any particularly good alternative solutions. Only a small number of forwarders said that they change to sea transportation and the south line of China Europe train. However, relevant entrepreneurs reverted that the south line of China Europe train has high price and slow timeliness compared with the transit line of Russia. Even compared with sea transportation, it has no obvious advantages, so it is difficult to develop on a large scale. In addition, forwarders are generally worried about the operation expectation of the China EU train.

The conflict between Russia and Ukraine and the sanctions taken by many European countries against Russia have led many enterprises to be unwilling to accept the goods transiting from Russia or refuse the goods transiting from Russia. Therefore, it is more likely that the freight volume of the China EU train will be reduced in the future. However, in the long run, the China Europe train is still a very good channel with considerable comparative advantages for the trade between China and Europe, especially between China and Eastern European countries.

In terms of air freight transportation, 38% of the surveyed forwarders feedback that their business volume to Russia and Europe had been reduced or even interrupted, and 20% of the enterprises said that they had been added additional costs or increased costs, the ratio about 15% ~ 50%, which was mainly caused by the reduction or interruption of flights, and a small part was caused by the reduction of trade.

In view of the impact of the Russian-Ukrainian conflict on trans Eurasian trade and transportation and other factors it may trigger, the China European train transportation is facing the high risk. For example, on April 11, the State Border Defense Commission of Belarus reported that Polish soldiers strike at the Belarusian Beschatka highway border port from the 10th to the 11th local time, while Brest port, the largest train wheel changing station of the Eurasian Continental Bridge, is only about 50 kilometers away from the Beschatka

highway port. If a similar situation occurs, the stoppage of the port will directly lead to the interruption of the China EU train. Therefore, the enterprises interviewed suggested that the government should coordinate with European countries to make it clear that no sanctions will be imposed on the trains passing through Russia by China, and open other routes to provide settlement or insurance related guarantee services for goods exported to Russia. And also suggested that industry organizations provide timely industry information and notices, invite industry celebrities to explain hot topics such as the international situation and future industry trend, and step up communication with European freight forwarding associations to alleviate doubts and increase mutual trust.

Related experts of China suggest that freight forwarders engaged in China Europe trains and China Russia Europe trade and transportation need to pay attention to the relevant information of China Europe channel at any time, so as to maintain the mastery and understanding of the channel changes, and strengthen their own risk prevention from the following aspects:

1. Advance the freight or ask the customer to place a deposit;
2. The freight of overseas section, especially the Russian section, it's better be settled in RMB for some Chinese forwarders;
3. You can consult with relevant organizations to confirm the current business processing capacity of foreign freight forwarders;
4. Goods with particularly high transportation requirements can be diverted to other channels such as the central European south line or sea transportation.