Russia's Alternative to the Suez Canal is Getting More Reliable and Cost-effective

At the end of December, the Turkish authorities were forced to suspend maritime traffic through the Bosporus Strait for a day after the BARLAS, a 70-meter-long (230-foot-long) dry cargo vessel under the Panama flag ran aground after engine failure. The maritime traffic in this vital sea route was restored on December 29. This is the second incident in December: a similar situation occurred on December 15, when a chemical tanker, due to a failure of its engine plant, was run aground by a strong current in the Beykoz area to the eastern side of the Bosporus Strait.

About 70 tankers were stuck in queues at the Dardanelles and Bosporus straits in both directions in mid-November. Due to fogs, short daylight hours and the construction of a suspension bridge over the Dardanelles, the passage time has increased almost fivefold. Oil tankers spent four days passing the Dardanelles and Bosporus straits in October, then in November for 19 days. Downtime has increased the cost of oil in the Mediterranean region.

Traffic across the Bosporus also came to a halt in May, when the Croatian-flag tanker named RAVA, 249 meters long laden with crude oil, lost speed and got adrift towards land. The rescue ship was able to stop it 300 meters from the coast.
Traffic disruptions occur here quite often, mainly due to vessels malfunctions. In addition to technical reasons, delays also occur due to weather conditions, causing the ferry service between Istanbul and Bursa to be suspended. 

But not only on this “Turkish section” which is the most crucial sea route for European economies, significant delays in the delivery of goods have been noted recently. For most of December 2021, there was a traffic jam of several hundred trucks on the Russian-Chinese border due to the closure of four of the five border checkpoints. As a result, all the trucks headed to Suifenhe, the only road and rail border crossing. Trucks with food were the first to cross the border, and trucks with other goods, including holiday ones, were held up for weeks.

These transport problems and Egypt’s increase in tariffs for the passage of merchant ships through the Suez Canal are causing an increasing interest in finding an alternative to this transport route. As stated in Cairo, the decision to revise the pricing policy caused an increase in demand for the delivery of goods by sea. In particular, in November of this year, 1,847 vessels passed through the Suez Canal, which is 14% higher than in the same period of 2020.

Egypt raised tariffs, and sea prices for goods from southern countries to Europe have increased tenfold. The reason was the initial decline in supplies during the pandemic. In addition, during this period, the production rate of freight containers and ships also decreased, which became scarce after the resumption of demand.

In these conditions, the UAE, Turkey and Iran decided to create an alternative to the sea trade route through the Suez Canal by launching a transit corridor from the Emirates to Turkey through the territory of the Islamic Republic of Iran. This corridor was previously used to deliver goods to Qatar when its neighboring countries blockaded it. Then cargo from Turkey arrived at the ports of Bushahr Province and then was sent by ships to Doha. Pakistan has also been using a similar route for a long time. The Islamic Republic of Iran authorities are currently considering expanding the corridor and developing transit cooperation with other neighboring countries. Such a partnership between the UAE, Turkey and Iran underlines some thaw in relations between the three countries. However, political tensions between Tehran and Abu Dhabi are due to several reasons, including territorial claims to several islands in the Persian Gulf, UAE concerns about the development of the Iranian nuclear program and differences in views on the Yemeni conflict. This common commercial interest has provided the three countries with an opportunity for dialogue.

Against this background, the transit traffic along the Northern Sea Route (NSR) has become more and more interesting for international transport and trade associations. Ending November, 86 vessels passed through the NSR, 11 vessels under the Russian flag and 75 vessels under other nations. The transit cargo traffic amounted to more than 2 million tons, which is 59% higher than the same indicator in 2020, according to the certificate on monitoring traffic using the NSR and world markets for shipping and logistics services. International transit traffic along the NSR in 2021 was characterized by a predominance of raw materials (iron ore concentrate, timber and coal) in an easterly direction. General cargoes, including containerized ones, are mainly transported in a westerly direction. In 2021, most of the routes were operated by ships of German companies. 22 ships in easterly and westerly directions for general cargo transportation, including containers and coal and iron ore concentrate from west to east. Norwegian and Swiss companies performed 18 voyages with vessels of up to 80,000 tons deadweight, ten ships are from Murmansk, and one is from Canada to the ports of China with iron ore concentrate. Chinese companies performed 14 voyages in easterly and westerly directions to transport general cargo, including containers. Dutch vessels made six voyages in easterly and westerly directions to transport general cargo.

Even though ice began to form two weeks earlier this year, the icebreakers of Atomflot were actively involved in escorting convoys of ships along the Northern Sea Route that got stuck in the ice. On December 7, Taymyr, the nuclear-powered icebreaker operated by FSUE Atomflot, escorted seven ships. The ships independently continued to move from the water area of the Northern Sea Route from the water area to the western ice edge of the Kara Sea.

Along with the NSR, the transportation of goods through Russia using Russian railways is actively developing. On December 13, the millionth transit container was transported through Russia, which became a record figure in the entire history of Russian railways. The container proceeded from Chongqing, China to Helsinki. From January to November 2021, the volume of traffic on the China-Europe route increased by 43%. The competition between the Russian Trans-Siberian Railway and the international logistic route through the Suez Canal on Southeast Asia - Europe has been going on for more than a decade since the road through Russia using railway transport is shorter and faster. In the recent period, Russia created transshipping container terminals on railway connections with China, which sharply reduced the cost of delivering goods from Southeast Asia and reduced travel time. A similar modernization took place on the western borders of Russia, as well as in Belarus.

Russia also took unprecedented measures to simplify customs and related controls for transit cargo, which
immediately positively affected the cost of delivery and travel time.

As a result of the fruitful work of many Russian ministries, departments, state and private companies, which created an alternative to the Suez Canal, a natural result has been achieved. In particular, the overland route through the Russian Federation became more profitable than shipping by sea. It began to gain momentum rapidly, and in general, the transit corridor through Russia became more reliable and cheaper than the Suez Canal.

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