

**THE EXPORT OF CHINA'S RAILWAY
TECHNOLOGY:
A SMOOTH ROAD AHEAD?**

YANG Mu, Henry CHAN & LIM Wen Xin

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Executive Summary

1. China's rail industry is enjoying unprecedented development thanks to huge government investment and successful localisation of imported technology.
2. It runs more than half of the world's High Speed Rail (HSR) system at 14,350 km as of September 2014 and has the world's largest and fastest HSR network.
3. HSR allows China to shift its sub-high speed conventional passenger track to cargo freight which significantly boosts the rail system cargo handling capacity.
4. Interest among developing countries in a rail-based system is at an all-time high due to its economic efficiency and affordability. The Chinese press reported that there are 23 countries actively looking at adopting the Chinese HSR system.
5. Chinese Premier Li Keqiang has been something akin to a travelling salesman of late, promoting Chinese infrastructure exports, especially Chinese railway technology export under Beijing's "One Belt, One Road" initiatives.
6. The year 2014 saw the fastest growth in rail equipment exports and railway infrastructure projects in overseas markets. To date, China has exported its railway technology to more than 30 countries and regions, including member countries of the Association of Southeast Asian Nations, Argentina, Australia and the United States.
7. Although a latecomer to the field, Chinese railway equipment companies have thrived due to cost advantage and shorter delivery time.
8. The Chinese railway system has a commanding lead in cost effectiveness, often offering the only economically viable HSR or conventional rail transport solution to developing countries.

9. Nevertheless, China's railway export still faces challenges in areas such as safety concern, branding, intellectual property issue, technology development, as well as malignant competition among Chinese railway companies.
10. Domestic politics and geopolitical factors pose the most significant challenges to the export of the Chinese HSR system in many developing countries.
11. The cancellation of rail projects in Vietnam, Myanmar and Mexico was indicative of domestic politics and geopolitical concerns at play.
12. The new Asian Infrastructure Investment Bank (AIIB) could potentially provide significant help to Chinese rail projects overseas. An AIIB running on a multilateral basis with high degree of professionalism can effectively neutralise the adverse geopolitical concern of many potential rail buying countries and mitigate their domestic opposition.