

CEO Newsletter

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One Road, One Belt Impact in Asia and Europe

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- **Potential Impact and what does this mean**
- **How to prepare for this and explore the benefits**

There has been so much hype about the One Road, One Belt (OBOR) project. It has been compared to the Marshall Plan however, it is over 12 times this. Superlatives have been flowing since it was first announced by Xi Jinping in 2013. It has been hyped as the Fourth Industrial Revolution.

In China alone apparently over one million documents have been published about it, according to Theresa Fallon's article "Xi Jinping's Belt & Road Initiative: How to Win Friends & Influence Europeans". Xi Jinping has positioned it as the third phase of China's reform from which it will emerge as a regional leader in international trade that coincides with the emergence of new Chinese led multilateral financial institutions.

NEWS

Quintiq World Tour 2016

Logistics Executive Group would like to offer our subscribers FREE access to the latest event in the Quintiq World Tour 2016, a series of conferences and open forums on supply chain planning and optimisation held by Quintiq in cities around the world including London, Paris, Sydney and Philadelphia.

The Singapore event will take place on Oct 4th at the Marina Bay Sands Convention Centre and will explore how supply chain managers can make best use of big data to optimise business performance. During the forum, delegates will be invited to examine their businesses from a fresh perspective to help them uncover new operational opportunities via the latest analytics and optimization technology.

[Register Here.](#)

Visit Logistics Executive Group blog Supply Chain ViewPoints

Supply Chain Viewpoints is an interactive industry forum for opinion, industry trends and comment. It is a single source of information on What's happening in the world of logistics and supply chain and will feature white papers and industry research. We welcome industry contribution and input.

[View Blog Here.](#)

As the names suggest, it will connect China via land and sea with the rest of the world. The belt mainly follows the historic Silk Road through Central Asia, West Asia, the Middle East and Europe Southeast Asia, Oceania and Africa.

The Maritime Silk Road will continue through Southeast Asia, Oceania and North Africa and includes the highly contiguous South China Sea. China also plans to connect inland cities to the Indian Ocean to seaports on the east coast, including the transport of oil from Iran and Iraq directly to China by rail which will affect trade through the Malacca Strait.

Investment scope:

The Chinese Government has estimated the cost of this enterprise to be in the staggering realm of US\$8 trillion. They emphasise that investment will need to be market-based, were “markets decide on the most efficient allocation of resources” according to Financial Secretary JohnTsang Chun-wah and financing underwritten on international standards. China’s Silk Road Fund of USD 40 billion will finance infrastructure projects linked to OBOR, according to the European Institute of Foreign Studies.

Many countries in the Belt have rushed to join the China-led Asian Infrastructure Bank (AIIB) which some suggest is China’s answer to the American Trans-Pacific Partnership and The Transatlantic Trade and Investment Partnership. The AIIB is dedicated to lending for infrastructure projects with an authorised capital of \$100 billion, 75% of which will come from Asian and Oceanian countries.

Implications

Political:

The Chinese government has officially promoted it as a means of creating cohesion through inter-governmental cooperation on a macro level and be underpinned by the development of soft infrastructure in areas such as trade, investment, and customs cooperation. The aim of “financial integration” through joint efforts AIIB and BRICS (Brazil, Russia, India and China) signing of MOUs in bilateral financial regulation is to establish efficient regulatory control mechanisms.

However, there have been mutterings of an underlying geopolitical push behind OBOR. Russia, in particular, has raised concerned about the influence China will have over Central Asia. India and other countries have expressed security concerns in the Indian Ocean Region including the issues in the South China Sea and President Obama’s Asian Pivot Policy are all matters of delicate consideration.

Economic:

“How many world-class airports does a country need?”

“By 2020, China might well have the best infrastructure in the world. What then—should we tear down some structures to rebuild them?”

These were the questions asked by Mr Shen, Professor at Fudan University.

The intention of OBOR was, according to some analysts, to find new markets for China’s growing excess capacity of products like steel and construction materials. For example, the Chinese Railway Group is building a high-speed train from Belgrade to Budapest on the proviso that Chinese construction materials are used.

Alternative thinking is that it will provide a long needed stimulus for Asia that will relaunch global economic growth. It will address the “infrastructure gap” paradox that even though the world is flush with savers’ money, infrastructure cannot attract private investors because they do not trust governments to regulate their deals.

Logistics Academy CSCMP Quick Courses on Sale

This month only purchase the CSCMP Quick Course Bundle and receive a 15% discount of overall price. Enrolments before 30th March will receive a VIP delegate ticket to LogiSYM Dubai or LogiSym Malaysia. Logistics Academy CSCMP Quick Courses allow you to learn core supply chain topics online, at your own pace, and when it’s convenient for you. Consisting of a series of Thirteen (13) courses,, the CSCMP Quick Courses are highly educational Supply Chain and Logistics courses that are designed by carefully selected faculty for entry to mid-level professionals. Backed and supported by the US Based Council of Supply Chain Management Professional. For more information or to sign up, click below. Coupon code: LEQC15OFF

[Register Here.](#)

UPCOMING EVENTS

GLCS LogiSYM Malaysia 2016
12 – 13 October 2016
Kuala Lumpur, Malaysia

GLCS LogiSYM Malaysia 2016 promises to be a highly unique event. Building on the success of the past 4 years, the 2016 Fifth Annual Global Logistics and Supply Chain Symposium will focus this year on providing a platform for mid to senior level shippers to discuss and explore innovation, excellence and what changes we can expect to see in the Asian supply chains of tomorrow. We will hear from leading solutions providers in the industry and explore best practice collaboration case studies.

www.logisym.com/events/logisym-malaysia-2016/

Internally China will be able to move its industrial and manufacturing to other parts of Asia and by doing so address domestic pollution and environmental damage. This trend is already occurring in China in any case due to rising labor costs.

Assessing the Risk

Financial:

There has been a concerning trend for OBOR funding to come not from commercial banks or multilateral institutions like the AIIB as originally planned but from Chinese bilateral policy banks like China Development Bank and Exim Bank, which are known for their risk appetite. Domestically Chinese banks have always been protected so it will be interesting to see how they manage in the international market.

Many underdeveloped countries require so much initial investment to get up to a standard that it is hard to see how this could return a profit and not be seen as aid. Chinese officials insist that OBOR is not a costly geopolitical project offering charitable government aid projects but strictly based on commercial terms. However, in countries like Pakistan financial losses have been reported and Venezuela a write-down on loans.

Political:

There have been delays in some parts of the OBOR due to political and economic instability in regions such as the Middle East. Local business investments need government support in policies, and investment protection to facilitate continued growth. Some of China's partners pose economic, political and social risks. These factors could induce economic uncertainties which China needs to safeguard against in order to ensure their investments are sound.

There is also a worrying truth in the expression: "strategic economic benefits often coincide uncomfortably beside strategically defensive benefits". China's expansionist ambitions are feared by countries which have remained cautious in their approach to negotiations based on the impact of the conflict in the South China Sea. These countries are asking for more depth and detail as reassurance that their intentions are not expansionist which makes for a slower process.

Seizing the Opportunity

'It does not matter if it's China or someone else, it has to happen,' said Ronnie Chan, the Chairperson of property developer Hang Lung.

Chan pointed out that there is burning demand for infrastructure throughout the developing world that needs to be addressed for economies to continue to grow.

The rationale may be global connectivity but from a business standpoint, there are clear opportunities at a time of rapid ascent of the renminbi, including currency swaps, trade financing deals, and offshore bond issuance. OBOR will encourage Chinese firms to invest outwards, and RMB internationalisation will play a significant role in this process.

The International Monetary Fund statistics confirm that by 2020, countries along the land and maritime belts will account for 50% of global GDP and generate opportunities for both China and its increasingly international corporations.

Government agencies in advanced economies are promoting OBOR as an investment to be seized with both hands. These agencies prove an excellent starting point for companies who are interested in finding out more about how they can benefit from the opportunities presented by OBOR.

Breakbulk Middle East

23 – 26 October 2016

Abu Dhabi, UAE

Following the success of the inaugural Breakbulk Middle East event, this second conference and exhibition will see even more of the world's largest EPCs, logisticians and transport providers come together in Abu Dhabi. Megaprojects in the region — oil & gas, electricity, water, renewable energy, infrastructure — will be the focus for new business opportunities.

www.breakbulk.com/events/middle-east-2016/

Indonesia Transport Supply Chain & Logistics

19 – 21 October 2016

Jakarta, Indonesia

Indonesia Transport, Supply Chain and Logistics (ITSC) is the only dedicated transport and logistics event in Indonesia, with the aim of being a key partner of industry and the Indonesian government, showcasing the government's aspirations of efficient infrastructure and helping it to achieve its objectives of the Blueprint of National Logistics System Development. ITSC is leading platform to discover new products, ideas and technologies for transport and supply chain industry. ITSC will bring opportunities for sourcing, networking and learning all together in just one place over 3 days.

www.transport-supplychain-logistics.co.id/

Logisym Dubai: Beyond 2020—Connecting Supply Chains, Creating the Future

24 – 25 January 2017

Dubai, UAE

LogiSYM Dubai 2017 is a unique two-day conference set in Dubai, United Arab Emirates from 24 to 25 January 2017. A premier event for Logistics & Supply Chain professionals, educators, Information Architects and Usability Practitioners, LogiSYM Dubai 2017 will bring together 300 professionals from around the region. With EXPO 2020 just around the corner and the UAE forging ahead as the regional's leading supply chain hubs, this year's theme: 'Beyond 2020 – Connecting Supply Chains, Creating the Future' looks at the opportunities, supply chain and consumer mobility and sustainability.

www.logisym.com/events/logisym-dubai-2017/

OBOR holds tremendous export potential for products technologies and services to enter the country. Even though the Chinese economy has slowed, optimism remains high. China aims to double its 2010 income levels by 2020 as the country moves from exports to services and increases in domestic consumption, from manufacturing to innovation and technology focus. The Chinese domestic consumer market is growing, both through e-commerce and retail and is projected to become the largest in the world, opening up an enormous new customer base that has a taste for luxury goods. Aside from the construction industry benefiting from infrastructure investment, there will be additional opportunities created through OBOR initiatives in other industries such as e-commerce, logistics, finance and education.

In the short-term, foreign investors who have already substantially invested in developing integrated supply chains in China will be able to find new uses for their services, rather than relocating elsewhere. For example, Alstom, the French power equipment giant, that rebuilt a turbine factory near Beijing now plans to supply its Chinese hydropower partners as they bid for dam contracts in third countries.

Long term, however, there are substantial gains to be made through collaborations. Chinese companies have the money but multinationals offer technology, experience and good local relationships. Partnerships with members of the host country can ease challenges such as different standards, cultures, financial and legal frameworks.

This knowledge transfer is central to China's plan to transition to a higher value-added economy. Pfizer, for example, has committed to staging their global R&D operations in Shanghai, despite concerns about IP protection in China. They will open up their R&D processes, and in return the collaboration will offer them access to the large domestic market which will expand as healthcare reform takes shape, as well as good tax incentives.

In weighing up the risks and benefits, whether it meets all its promises remains to be seen, but OBOR cannot be ignored. Local businesses can get on the front foot by keeping an open mind and being up to date on how their particular industry can partner with Chinese counterparts to seek out and exploit opportunities the OBOR will offer for years to come. Whatever the case, it is well and truly happening, so entrepreneurs belt up if you want to take advantage of the opportunities!



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In 2015, Darryl was named as one of the "Top 50 influential individuals in Asia's Supply Chain, Manufacturing & Logistics industry" in the prestigious SCM Thought Leader publication by SCM World, recognising him as expert in the linkage of business strategy and supply chain best practices to human capital management. Darryl brings 28 years of executive leadership and consulting experience and is regular contributor on thought leadership across numerous industry publications and is a frequent speaker at international conferences and events on business leadership, strategy & people alignment and talent management. He was instrumental in the creation of Logistics Academy and presently holds an advisory board appointment with industry group LSCMS. In 2014, he was appointed as one of five global experts to IATA's Global Innovation Award selection board and has held senior executive positions within the airline, air cargo and aircraft leasing industry.

ABOUT US

Logistics Executive Group is the acknowledged industry leader providing a suite of whole-of-lifecycle business services including Corporate Advisory, Executive Search and specialist Supply Chain and Logistics Training.

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