



# China's Commercial & Geopolitical initiative Silk Road Trade Route

Sourced & Compiled by Mr. Arvind Sinha

China is reviving the historic Silk Road trade route that runs between its own borders and Europe. Announced in 2013 by President Xi Jinping, the idea is that two new trade corridors – one overland, the other by sea – will connect the country with its neighbors in the west: Central Asia, the Middle East and Europe.

The project has proved expensive and controversial. So why is China doing it?



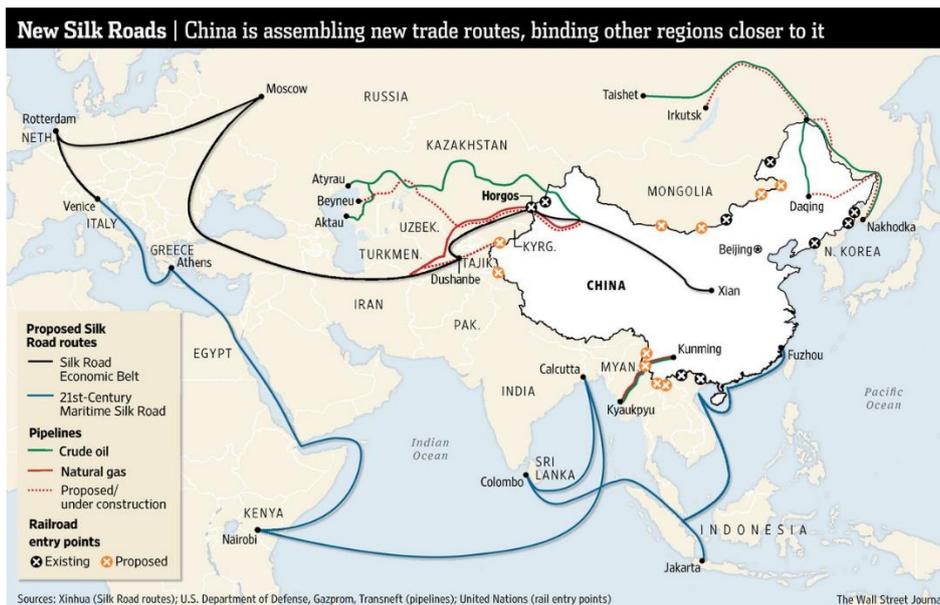
There are strong commercial and geopolitical forces at play here, first among which is China's vast industrial overcapacity – mainly in steel manufacturing and heavy equipment – for which the new trade route would serve as an outlet. As China's domestic market slows down, opening new trade markets could go a long way towards keeping the national economy buoyant.

Hoping to lift the value of cross-border trade to \$2.5 trillion within a decade, President Xi Jinping has channelled nearly \$1 trillion of government money into the project. He's also encouraging state-owned enterprises and financial institutions to invest in infrastructure and construction abroad.

It is not an economic project, it is a geopolitical project - and it is very strategic. It's clear that relationships with the ASEAN region, Central Asia and European countries stand to improve significantly if China directs more of its capital into developing infrastructure overseas.

Moreover, by striking up economic and cultural partnerships with other countries, China cements its status as a dominant player in world affairs.

"We will support the One Belt, One Road project, said President of the Asian Infrastructure Investment Bank, Jin Liquin". But before we spend shareholders' money, which is really the taxpayers' money, we have three requirements." The new trade route should be promote growth, be socially acceptable and be environmentally friendly.



## What is China's Silk Road?

It's a government policy officially known as One Belt, One Road.

It is trying to create a modern version of the ancient network of trade routes, which connected China, Europe and Africa.

### In the words of Chinese President Xi Jinping:

"The economic belt along the Silk Road is home to almost 3 billion people, and represents the biggest market in the world with unparalleled potential".

My Experience is that One Belt, One Road is not just a good medium for China's openness to countries abroad it's also a way to share Chinese experience with the countries involved.

The New Silk Road policy covers both land and maritime routes, but it's much more than a transport project. The Chinese government says it's designed to boost global free trade and help countries coordinate their economic policies. As many as 60 nations could be included in the initiative Start with a port, and behind that you have an industrial zone and behind that you have a city so, what we offer you is a full package who wins from that? Local people one report said there were already 900 projects planned at an estimated cost of \$890 billion, it's not yet clear where all of this money will come from, But China has already set up a \$50 billion Silk Road Fund to support its mission.

### China to run 1,000 cargo trains to Europe in 2017

**BEIJING:** China will run nearly 1,000 cargo trains to Europe in 2017, more than double the number from last year, as the Communist trading giant ramps up efforts to boost its dwindling exports.

The cargo trains from southwest China's Chengdu city would be doubled, the Chengdu International Railway Services Company said today.

Chengdu, capital of southwest China's Sichuan Province, ran 460 cargo trains to cities in Poland, the Netherlands and Germany last year -- more than any other Chinese city.

Chengdu delivered a total of 73,000 tonnes of goods worth 1.56 billion dollar in 2016 globally, state-run Xinhua news agency reported.

The southwestern hub has planned three major rail line services to Europe, with a middle route to Germany, Poland and the Netherlands, a southern route to Turkey and beyond, and another northern route to Russia.

This year, new routes linking Chengdu to Istanbul and Moscow will be officially launched, company chairman Fan Jun was quoted as saying by the report.



The cargo trains from southwest China's Chengdu city would be doubled, the Chengdu International Railway Services Company

Trains to Istanbul and Moscow would take about 16 days and 10 days, with each route planning to operate 200 and 150 trains in 2017, respectively.

China last month has launched its first freight train to London. London is the 15th city in Europe added to China-Europe freight train services.

Demand for rail cargo service between China and Europe, an alternative to slower and riskier sea freight and much costlier air cargo, has exploded in recent years.

- By June 2016, trains had made nearly 2,000 trips between 25 Chinese cities and Europe, with a total import and export value of \$17 billion, it said.
- China's exports totalled to \$2.27 trillion in 2015 slowing down from \$2.34 trillion in 2014.
- China's economy grew at 6.9 per cent in 2015 slipping below seven per cent in a quarter of century.
- As part of its efforts to stabilise its exports and economy, China has embarked on multibillion dollar global connectivity project called the One Belt One Road, (Silk Road).

### The New Silk Road: China Launches Beijing-London Freight Train Route



A general view of the first China Railway Express, a new railway line from China to Europe during the inauguration by visiting Chinese President Xi Jinping in Warsaw, Poland, on the sideline of the International Forum on the New Silk Road, Monday, 20 June 2016. The visit was intended to boost China's infrastructure investments in Europe, and opening China's market to Poland's foods.

On Sunday, the Chinese government launched a rail freight service between China and London. This is the first direct rail link between China and Great Britain. The route of the service will traverse from Beijing, across Asia and Europe, before terminating in London.

The route is actually not new at all. It is part of the old Silk Road, which commenced in 200 BC, through which Chinese silk caravans carried wares to Europe and Africa. The trail provided much wealth and prestige for the Chinese Empire of the day.

#### **Now, Beijing is aiming to resurrect this historic trade route by using rail power.**

The journey is as much an engineering challenge as a logistical problem. Freight must swap trains along the way, as railway gauges vary between the connecting countries. In its 18-day journey, freight will span 7,456 miles of railways, crossing Kazakhstan, Russia, Belarus, Poland, Germany, Belgium, France and the UK.

The new route unlocks a new option for shippers. Currently, the choice is two-fold. One, take an ocean-bound route, which, although cheap, can be slow. Two, use an air carrier that is considerably faster, but much more expensive.

A direct rail link between Beijing and Western Europe enables manufacturers to explore new means to lower transport costs. The line may not provide a suitable alternative to all producers, but canny negotiators can leverage the new market entrant to lower prices of their established pathways by boat or plane.

**Sourced & Compiled by  
Mr. Arvind Sinha - CEO**

M/s. Business Advisors Group, Mumbai  
Cell No. 9820062612 / 8108612612

Email ID: arpsinha09@gmail.com / lionasinha@gmail.com