

Forging New Links

The Belt and Road Initiative supplies a growing international market By Yuan Yuan

A Hewlett-Packard (HP) laptop, fresh off the assembly line, was loaded onto a freight train in Chongqing, a municipality in southwest China, on April 6. It was put into a container holding 4,000 other laptops, which was placed on the train along with another 11 containers filled with more portable computers.

The 41-car train also carried auto parts, mechanical products, clothes and more. During a 14-day journey, it traveled through Kazakhstan, Russia, Belarus and Poland before reaching its destination: Duisburg, Germany.

From laptops to cars

The rail line, named Yuxinou (a fusion of Chongqing Municipality, Xinjiang Uygur Autonomous Region and Europe, in Chinese), was launched in 2011. Spanning 11,179 kilometers, it first served as a special train for information technology (IT) products.

Chongqing, a mountainous city on the banks of the Yangtze River, has become a logistics hub by connecting the Yangtze River Economic Belt to Europe.

"Before 2014, most of the stuff we delivered through this rail line was IT products," Huang Bo, Project Manager of Chongqing-based Yuxinou International Logistics Channel, told *Beijing Review*.

Before 2010, there were almost no IT companies in Chongqing. But in 2010, three major IT firms—HP, Acer and Asus—decided to establish their manufacturing bases in the municipality. As a result, demand to ship out their products increased quickly.

On March 19, 2011, the first train on the Yuxinou line set off from Chongqing carrying laptops and other IT products, and arrived in Germany 14 days later.

"This was a major breakthrough for logistics and IT businesses in Chongqing," Huang

said. "It was the first ever China-Europe freight train."

Now, seven or eight cargo trains depart from Chongqing through the Yuxinou line each week. "Except Tuesday, we run the train every day," Huang said. "In 2016, we had 420 trains departing and returning, and this year, we expect the number to be 500. It is now the busiest cargo freight route between China and Europe."

The new pathway has led to the consolidation of the IT manufacturing industry in Chongqing, which has become the world's foremost base for laptop production; one out of three laptops produced now comes from Chongqing.

The railway line also brings imports from Europe. In July 2014, Chongqing was approved by China's Central Government to import cars by rail, and it was one of the first inland ports in China to do so. Since then, more than 3,000 cars from Europe have arrived in Chongqing. BMW, Volvo, Mercedes-Benz and Audi have all established operation platforms at the railway station.

But compared to the more than 1 million cars that China imports each year, this number seems quite small.

"It is a matter of mindset, as we are used to importing cars either by boat, which takes a long time, or by air, which costs a lot," Li Jie, a manager from Pang Da Automobile Trade Co. Ltd., told *Beijing Review*. "Importing by rail has proven to be a good choice for cars."

Last year, Pang Da imported 215 cars through this rail line, including cars from the aftermarket tuning company Brabus. "The Brabus factory is just 27 kilometers away from the departing station in Duisburg," said Li. "So it is a perfect connection. One carriage can hold two Brabus cars."

On Jan. 4, 14 Brabus cars arrived in Chongqing, and the next batch will arrive by the end of May.

To date, Pang Da has imported more than 300 Brabus cars to Chongqing. Importing by rail, Li revealed, averages about \$100 cheaper per car than importing by sea.

Cross-border e-commerce

After passing customs as well as inspection and quarantine, canned milk powder imported from Europe is sent to buyers directly from the station in Chongqing.

"It is much more convenient to get access to European goods now with this rail line," Huang said. "The cargo trains aren't just bringing stuff in and out—they've spurred business connections between Chongqing and Europe."

For trading companies, the new transport link is an attractive alternative to maritime routes connected to eastern and southern coastal ports.

"Our business used to target BRICS countries, but the Silk Road Economic Belt and 21st-Century Maritime Silk Road Initiative, or the Belt and Road Initiative, made us switch our focus to countries in Central Asia," Zhu Fuxing, Vice President of Osell, a cross-border e-commerce platform based in Chongqing, told *Beijing Review*.

Osell has set up more than 20 warehouses in foreign countries, and employed more than 200 people from those countries.

"We are helping small companies in China to introduce their products to Central Asian countries," Zhu said. "Small electronic home appliances made in China are popular in some countries, including Kazakhstan."

In September 2015, the Chongqing International Exhibition & Trading Center (CIETC) was established, with more than 60 pavilions from different countries exhibiting and promoting their goods. By scanning the QR code, customers can purchase any item online.

The same rail phenomenon has also occurred in Xi'an, capital city of northwest China's Shaanxi Province, through which the Yuxinou rail line passes. So far, four China-Europe rail lines have been launched in Xi'an, famous for its terracotta warriors.

"Xi'an's location is important," Bai Qinbin, an official from the Xi'an International Trade and Logistics Park, told *Beijing Review*. "It is close to many places in central and western China, and these rail lines have brought convenience to a number of companies."

In 2013, the first China-Asia freight train left Xi'an for Almaty, Kazakhstan. Since then, freight train services have been launched between Xi'an and various Asian and European cities, including Warsaw, Poland



A cargo train to Warsaw, Poland, departs from Xi'an, northwest China's Shaanxi Province, on August 18, 2016

and Hamburg, Germany.

As of April 1, when a cargo train departed from Xi'an to Budapest, Hungary, a total of 317 freight trains had left the city, carrying 470,400 tons of cargo, according to Bai, who said that Xi'an's railway is cooperating with coastal ports in Shanghai, Qingdao, Ningbo and Tianjin to develop combined maritime-rail freight routes. With these combined transport services, goods can be sent to countries that cannot be connected to China by rail, such as Canada and the United States.

Ulife, a chain of supermarkets providing both online and offline sales, has opened seven stores in Xi'an as a beneficiary of the rail line, supplying goods directly from Europe.

"Besides online purchasing, residents in Xi'an will get more fresh stuff imported from Europe at stores near their homes, as we plan to open more Ulife branches in local communities," Bai said.

So far, 32 cities in China have opened 52 China-Europe lines, which connect to 32 cities in 12 countries in Europe.

Wine and coffee

Nicola Sangiovanni, a businessman from Italy, moved to Chongqing right after the CIETC was established.

"People always connect good wine to countries like France and Australia, but we have very good wine in Italy, too, and I want to introduce Italian wine to China through Chongqing," Sangiovanni told *Beijing Review*.

The Belt and Road Initiative is a business opportunity for Sangiovanni, who set up his

first base in Chongqing because of what he calls its "quickly growing economy."

"For the first year in Chongqing, we imported only 18,000 bottles of wine from Italy, but in the past two months alone, we imported 20,000 bottles. It is a large increase, and I am very positive about the market potential," Sangiovanni said.

Currently, the wine is sent by boat to Shanghai, and then on to Chongqing, but Sangiovanni is considering using the Yuxinou rail line for further business. "It is a lot faster by train, and we will definitely switch some import volume to this [method] in the future," he said.

If Sangiovanni's plan to open up China to Italian wine sounds challenging, the Chongqing Energy Investment Group (CEIG)'s scheme to transform Chongqing into China's largest coffee trade center is at least as ambitious.

Following the formation of a partnership between CEIG and Yunnan Dehong Prefecture Hongtian Industries Co. Ltd. in June 2016, the Chongqing Coffee Exchange (CCE) was founded, and the two companies stated that they aimed to reach a trade volume of 2 billion yuan (\$289 million) that year.

Less than three months later, the CCE released a report showing that online transactions had already exceeded 170 million yuan (\$25 million), and offline trade had hit \$246 million. Despite the fact that Chongqing doesn't produce a single coffee bean, it is now expected to have a substantial presence in the world of coffee, and to adjust trade routes for the commodity.

By the end of March this year, the CCE's total offline trade volume had reached 5.268 billion yuan (\$774 million), making it the

largest coffee trading platform in China.

Coffee producers from Yunnan Province have contributed a lot to this figure. As the largest coffee-producing region in China, Yunnan is seeking better ways to meet coffee demand.

"Chongqing's comprehensive logistics network was the main reason why Yunnan coffee producers choose to work with the city," Xiong Xiangren, director of the Yunnan Coffee Association, told *Beijing Review*.

Thanks to expanding rail links between China and Southeast Asian countries, Chongqing has plans to gather over 1 million metric tons of coffee within three years from other Asian nations—especially Vietnam and Indonesia, among the top coffee producers in the world—and transport them to Europe.

Ian Chiang, CEO of Mann Creative Co. Ltd., which runs a number of cafe franchises in China, has started to buy coffee from the CCE since the end of 2016.

"We used to buy coffee beans directly from farms overseas," Chiang told *Beijing Review*. "After we tested the quality of the coffee from the CCE, we decided to include it as our main source."

Mann has so far purchased several million yuan worth of coffee from the CCE. "Now, customers in cafes in Beijing and Shanghai can have a taste of the coffee we bought from the CCE," Chiang said. ■



Scan QR code to visit *Beijing Review's* website
Comments to yushujun@bjreview.com