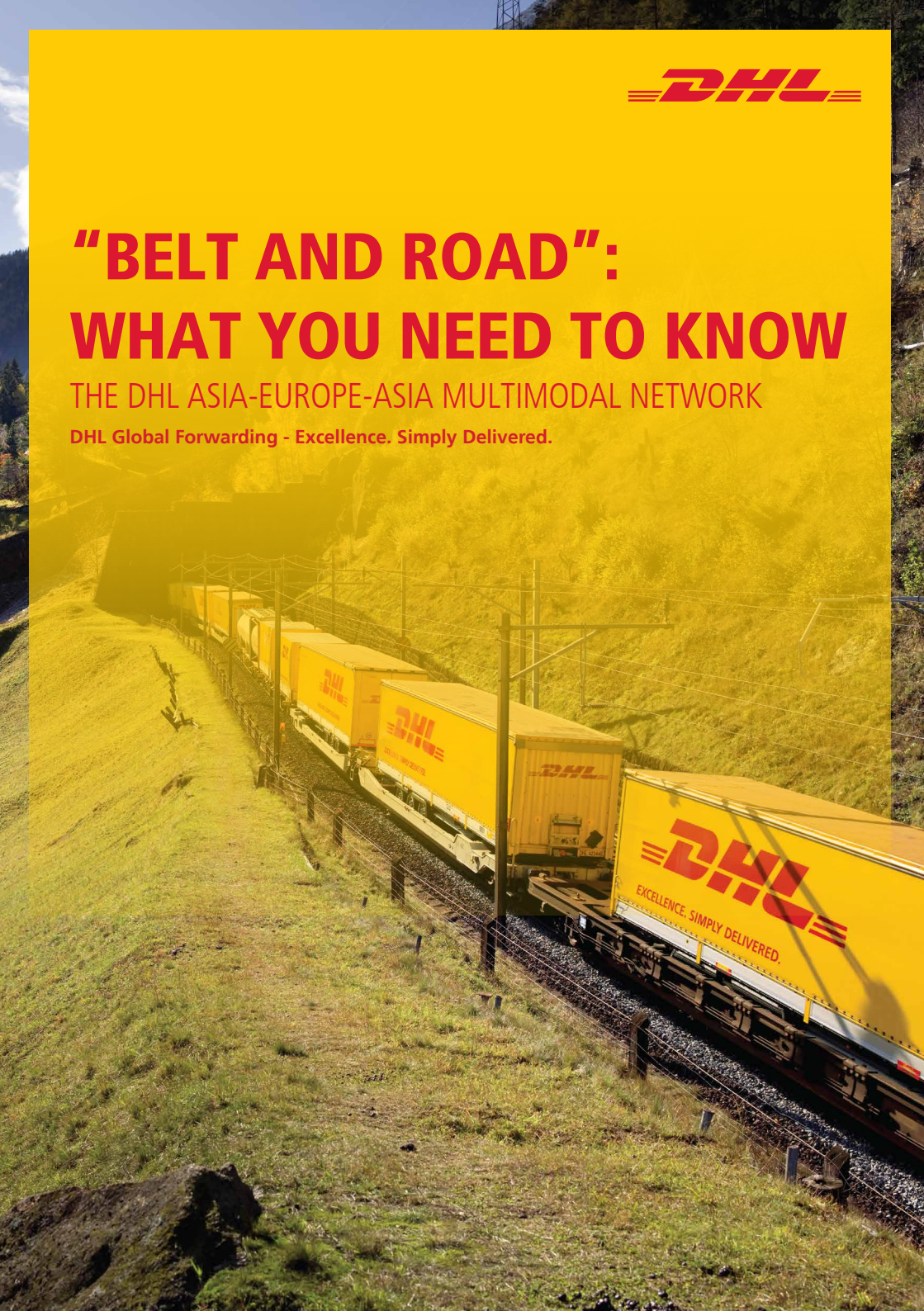




"BELT AND ROAD": WHAT YOU NEED TO KNOW

THE DHL ASIA-EUROPE-ASIA MULTIMODAL NETWORK

DHL Global Forwarding - Excellence. Simply Delivered.



WHAT IS "BELT AND ROAD"?





It could transform international trade as we know it, but requires unprecedented co-operation between organisations and nations to reach any of its ambitions. So what does “Belt and Road” mean for businesses in Asia and Europe?

“Belt and Road” is an initiative by the Chinese government aimed at reviving the historic Silk Road between China, Europe, and the Middle East. The original Silk Road was in fact made up of a large number of trade routes which served Chinese and Greco-Roman merchants. From around 114 BC, the Silk Road’s routes sustained the flow of goods between China and Europe – at least until the Ottoman Empire cut off the routes going through Turkey in the 1400s.

As part of “Belt and Road”, the Chinese government aims to re-establish trade corridors along many of the Silk Road’s original routes. “Belt” refers to the Silk Road Economic Belt, which passes overland from China through Central Asia to continental Europe. “Road”, somewhat counterintuitively, refers not to a land-based road but the Maritime Silk Road, an oceanic route connecting China to Europe and South-East Asia by way of ports in India and Africa. Each main route is likely to consist of numerous tributaries connected to China’s major cities and trade hubs.



WHY DOES IT MATTER?

“Belt and Road” is one of the most ambitious international trade projects in history. China’s government expects it to increase national trade by US\$2.5 trillion within a decade.¹ It involves businesses and governments in 60 other countries, most of which will gain sizable boosts to economic activity. Europe-China trade is currently at all-time highs,² while Central Asia has seen trade with China grow from US\$1.8bn in 2000 to \$50bn in 2013.³ If successful, “Belt and Road” could act as a multiplier for already fast-growing trade between Europe, Asia and Africa, lifting up national economies in all three continents. Success at that scale requires massive

investment. Chinese firms invested US\$4.9bn in countries along the Belt and Road in the first 4 months of 2016 alone, 32% more than the previous year.⁴ China’s Silk Road Fund holds around US\$40bn to back projects in “Belt and Road” countries – including, to date, everything from Central Asian energy producers to European tire companies.⁵ For businesses and countries operating along the routes, this aggressive investment climate brings with it major opportunities – particularly to improve the logistics infrastructure that will ultimately sustain the Belt and Road.

¹ <http://www.reuters.com/article/us-china-economy-oneroad-idUSKBN0MP0J320150329>

² http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113366.pdf

³ <http://www.ft.com/cms/s/2/e99ff7a8-0bd8-11e6-9456-444ab5211a2f.html#axzz4G2HH3c2h>

⁴ <http://atimes.com/2016/05/chinese-firms-invest-4-9-billion-in-belt-and-road-nations/>

⁵ <https://www.dlapiper.com/en/singapore/insights/publications/2016/01/chinas-new-outbound-trade-initiative/>

WHAT DOES “BELT AND ROAD” NEED TO SUCCEED?

In order to reach its full potential, countries along the Belt and Road must accomplish a twofold mission: improve logistics infrastructure and align cross-border processes. The Belt and Road span an incredibly diverse set of national regimes governing customs, tariffs, and trade volumes – not to mention some of the world’s most inhospitable natural environments. The vast majority of China-Europe cargo still goes via lengthy ocean routes or costly air freight simply to avoid current inefficiencies in land-based routes.⁶

Businesses will play a key role in brokering cross-border concord to make “Belt and Road” a reality. Logistics firms have a particularly major role to play: they can not only build up the train tracks and ports to handle far larger volumes of cargo, but also negotiate national regulations with an eye on the bigger regional picture. Before the announcement of “Belt and Road”, DHL began literally laying down the foundations for its routes, from a

network of new multimodal connections to strategic pacts with key cities and transport operators along the way.

However, it will take more than just one company or state to make “Belt and Road” a success. As the former Silk Road showed, even a single country’s opposition can cut short the future of the most lucrative trade corridors. Governments, businesses, and communities must all commit their resources and investment if the Belt and Road’s whole is to be more than just the sum of its parts.

⁶<http://www.cacianalyst.org/publications/analytical-articles/item/13313-the-eu-and-central-asia-developing-transport-and-trade.html>



SOUTH-EAST ASIA

When the Belt and Road are complete, South-East Asia will connect to China and Europe via both the Silk Road Economic Belt through the Indochina Peninsula; and the Maritime Silk Road through the South China Sea. That could more than quadruple trade between China and ASEAN to around US\$1 trillion per annum by 2020,⁷ something investors around the region have not failed to notice. Chinese companies accounted for 17% of infrastructure investment in South-East Asia in 2015,⁸ including a range of ports in Malaysia, Indonesia, and Myanmar that would play major roles in supporting the Maritime Silk Road. China is already the largest investor in Cambodia and Laos, with investment increasing rapidly in other countries like Vietnam and Thailand.⁹

To reach their potential, however, the Belt and Road will have to overcome a range of logistical issues that plague many of South-East Asia's emerging economies. The infrastructure supporting many ports and their hinterlands commonly suffers from

congestion and inefficient processes, potentially creating bottlenecks for the Maritime Silk Road and posing risks to the timeliness and reliability of road shipments along the Silk Road Economic Belt.

The responsibility for Belt and Road's success in South-East Asia lies largely on local businesses and logistics operators. New roads will only reach their capacity if forwarders also improve security measures for trucks and their drivers along potentially hazardous routes. Port upgrades may generate much higher freight capacity, but simplified and streamlined customs procedures will determine how effectively that capacity gets utilised. They may not wield the same capital as Chinese investors or their own governments, but South-East Asia's businesses will ultimately decide, through their own growth plans, whether the Belt and Road thrives or falls apart in the region.

⁷ <http://ippreview.com/index.php/Home/Blog/single/id/37.html>

⁸ http://www.joc.com/port-news/asian-ports/china-belt-and-road-drives-southeast-asia-development_20160607.html

⁹ <https://th.boell.org/en/2016/08/23/understanding-chinese-infrastructure-investment-asean>



SINGAPORE

Singapore will likely play a major role in financing the Belt and Road, with Chinese banks making around S\$100 billion available to Singaporean companies to fund infrastructure projects throughout the region.¹⁰



VIETNAM

Vietnam's exports to the EU grew nearly 12% year-on-year in 2015, with as much as 19% of its total global exports going to the continent.¹¹



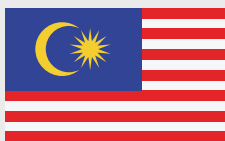
THAILAND

Thailand's pivotal position on both the Belt and Road has driven a range of new infrastructural proposals including the Kra Canal, which would directly connect the South China Sea to the Indian Ocean – bypassing the Malacca Straits in the process.



LAOS

Laos has begun building a rail line between capital Vientiane and Kunming that will involve 154 bridges, 76 tunnels, and 31 stations – to the cost of \$7 billion.¹²



MALAYSIA

Electric and electronic products make up more than 40% of Malaysia's exports to China,¹³ driven largely by high-quality semiconductors and integrated circuits.¹⁴



CAMBODIA

China has plans to help Cambodia further augment the Phnom Penh Autonomous Port - built with a US\$28m loan from the Chinese government - with extra capacity and a new rail link to Cambodia's existing railways. The port, completed in 2013, is now Cambodia's second-largest.¹⁵

¹⁰ <http://www.straitstimes.com/business/deals-to-boost-singapore-role-in-one-belt-one-road>

¹¹ http://eeas.europa.eu/delegations/vietnam/eu_vietnam/trade_relation/index_en.htm

¹² <http://ippreview.com/index.php/Home/Blog/single/id/37.html>

¹³ http://www.chinadaily.com.cn/business/2016-02/06/content_23415083.htm

¹⁴ <http://www.matrade.gov.my/en/foreign-buyers-section/69-industry-write-up-products/557-electrical-a-electronics>

¹⁵ <http://www.ippreview.com/index.php/Home/Blog/single/id/255.html>

CENTRAL ASIA

Central Asia controls the flow of goods along the shortest and most efficient overland route between China and Europe. Without the region's united support, the Belt of "Belt and Road" will simply not function. The original Silk Road, the route of which the Silk Road Economic Belt traces, collapsed because Turkey's Ottoman Empire barred Chinese goods from passing through its territory. And despite being shorter than the North Corridor through Russia, the Central Asian route must pass through a multitude of customs regimes and regulatory controls – any one of which could effectively veto "Belt and Road" by simply refusing to comply with China's plans.

It should come as no surprise, then, that China has rapidly ramped up infrastructural investment in the region – including highways and roads in Pakistan, Tajikistan, and Kazakhstan by the Chinese-funded Asian Infrastructural Investment Bank.¹⁶ In 2000, trade between China and Central Asia's five largest states was worth around US\$1 billion; in 2013, when China unveiled the Silk Road

Economic Belt through the region, it had swelled to a massive US\$50 billion, making it Central Asia's single most valuable trading partner.¹⁷ The greater China's stake in Central Asia, the more likely it is for "Belt and Road" to proceed without objection from any one country.

Central Asian states, many of which are landlocked and relatively inaccessible to international trade, will continue to benefit from Belt and Road investment. To make it count, however, they will need to coordinate their infrastructural and regulatory regimes so that the Silk Road Economic Belt proves as swift and efficient as China intends. Tariff structures still suffer from high complexity and opacity in many states, while cross-border transport faces relatively heavy restrictions and administrative demands.¹⁸ China may invest all it likes in ties with Central Asia, but cooperation amongst the region's members on policy and trade facilitation will ultimately determine whether "Belt and Road" will reach its full potential.

¹⁶ <https://www.ft.com/content/a36af0d0-05fc-11e6-9b51-0fb5e65703ce>

¹⁷ <http://thediplomat.com/2015/06/will-all-roads-in-central-asia-eventually-lead-to-china/>

¹⁸ https://www.wto.org/english/thewto_e/acc_e/Session1SarojKumarJha12stCenturySilkRoad.pdf



TURKEY

The EU is Turkey's top export market, with exports dominated by machinery and transportation equipment.¹⁹



KAZAKHSTAN

Kazakhstan, one of the key nodes along the Silk Road Economic Belt, now counts China as its largest national investor²⁰ and largest export partner.²¹ The country exported more than US\$2 billion in radioactive chemicals in 2014.



AZERBAIJAN

At Baku, the capital and main port of Azerbaijan, goods in transit – often between Asia and Europe – account for around 80% of all maritime cargo traffic.²²



GEORGIA

Georgian exports to China have increased by 2000% in the past 7 years. Georgia plans to establish a US\$2.5 billion new deep-water port at Anaklia to complement Poti, its current main port.²³

¹⁹ <http://ec.europa.eu/trade/policy/countries-and-regions/countries/turkey/>

²⁰ <http://globalriskinsights.com/2016/05/why-central-asia-is-dumping-russia-for-china/>

²¹ <http://atlas.media.mit.edu/en/profile/country/kaz/>

²² <http://portofbaku.com/en/Terminals/>

²³ <http://thediplomat.com/2016/04/georgia-the-key-to-chinas-belt-and-road/>

NORTH ASIA

While China's neighbours like Japan, Taiwan, and South Korea occupy less-strategic "terminal" locations for freight, they still stand to gain from greater connectivity to European markets. North Asian exports – including Japanese machinery, Korean appliances, and Taiwanese transport equipment – enjoy strong and sustained demand in Europe, and the overland routes of the Silk Road Economic Belt will provide an attractive alternative to lengthy ocean freight or costly air freight of these often bulky, fragile items. German consumer electronics manufacturer Medion, for example, recently adopted DHL's multimodal service to directly connect its Taiwan manufacturing operations to warehouses all around Europe, halving its shipping time as a result.²⁴ Other European businesses which rely on high-quality North Asian manufacturing and components are likely to follow suit.

Infrastructural connections between China and North Asia are relatively

robust compared to the rest of the region. The Belt and Road offers growth opportunities for all countries in the area – not least China, whose transport and freight providers stand to benefit greatly off the back of higher trade in Japanese, Taiwanese, and Korean goods. China can build the Belt and Road without North Asia's involvement, but to do so would substantially lower its value to all parties. The more freight connections between China and its neighbours, and the more businesses throughout the region leverage those connections, the likelier it is that the Belt and Road will deliver on its promise to not only China and Europe, but the many emerging economies throughout Asia which look to it to jump-start growth.

²⁴ http://www.dhl.com/en/press/releases/releases_2016/all/logistics/medion_brings_trend_setting_consumer_electronics_products_to_european_consumers_with_dhls_new_multimodal_service.html



JAPAN

China is Japan's largest trade partner and Japan is China's second-largest, with total trade between the countries worth US\$340 billion in 2014.²⁵



TAIWAN

Nearly 1 in every 2 bicycles imported into the EU come from Taiwan.²⁶



SOUTH KOREA

EU exports to South Korea rose by 55% in 5 years after a free trade agreement came into effect between both parties, opening opportunities in industries ranging from agriculture to sports equipment and bookbinding.²⁷

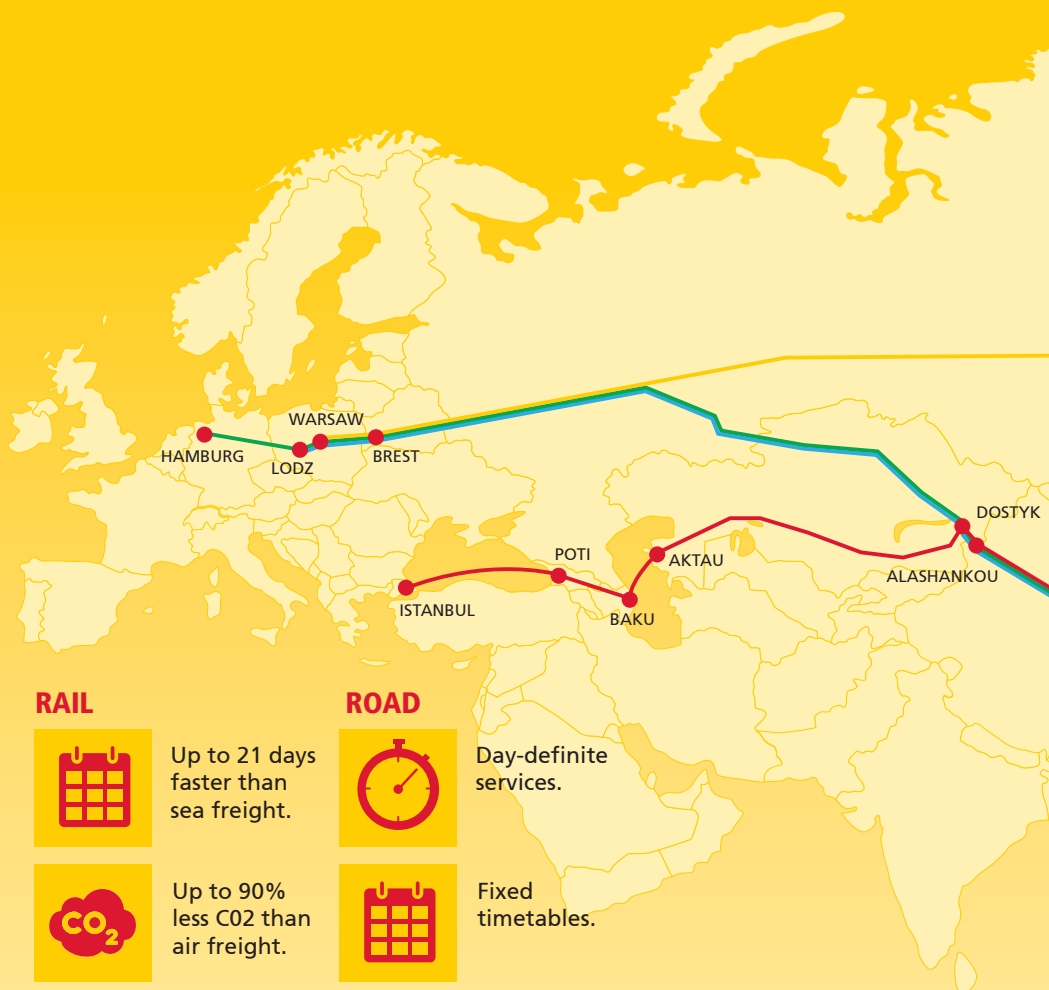
²⁵ <http://thediplomat.com/2016/03/japan-and-china-the-geo-economic-dimension/>

²⁶ <http://www.roc-taiwan.org/uploads/sites/125/2015/09/2016-Trade-and-Investment-Relations-between-Taiwan-and-the-EU1.pdf>

²⁷ <http://www.globalgovernmentforum.com/eu-exports-to-south-korea-increase-by-55-after-bilateral-trade-deal/>

BUILDING THE BELT AND ROAD

THE DHL ASIA-EUROPE-ASIA MULTIMODAL NETWORK



ROAD



BUILDING THE BELT AND ROAD

THE DHL ASIA-EUROPE-ASIA MULTIMODAL NETWORK

Launched in 2014, the North Corridor connects China's engineering and manufacturing



Chinese exporters can deliver to anywhere in Europe with last-mile road and rail out of Warsaw.

DID YOU KNOW?

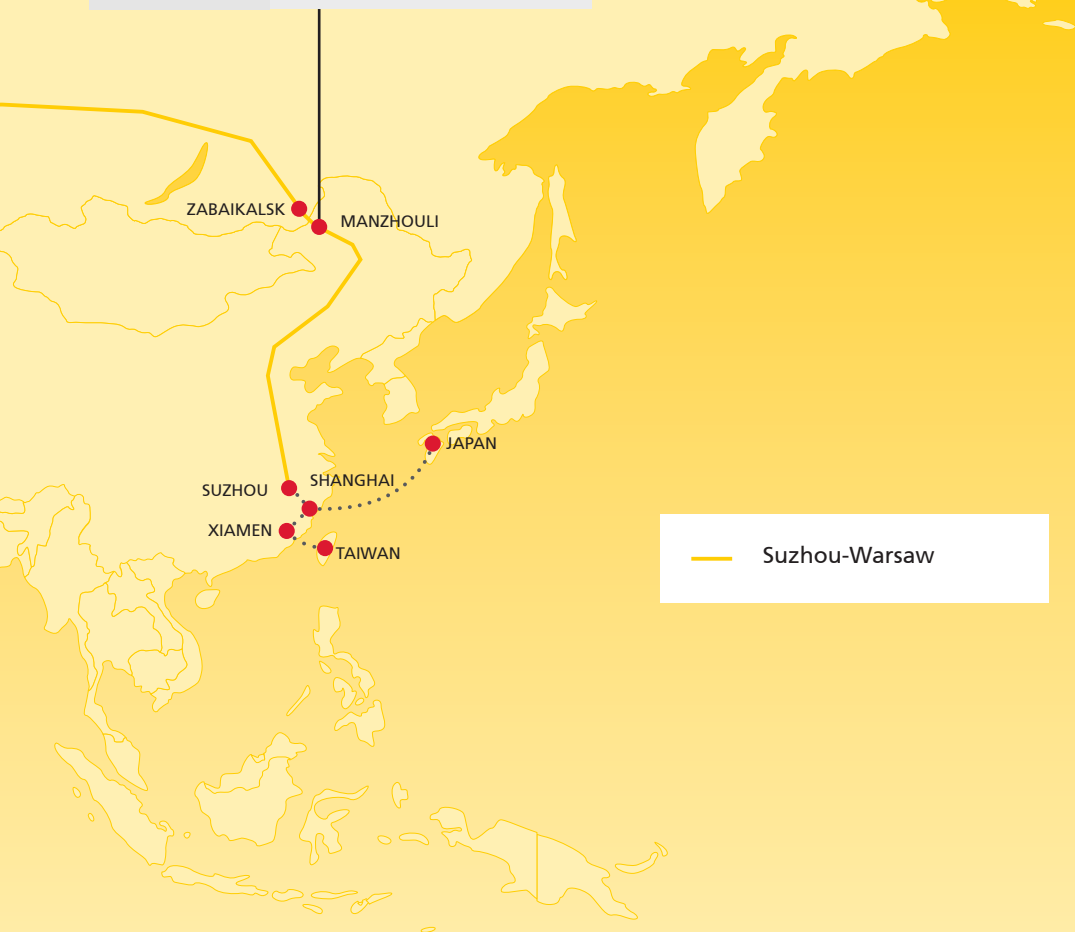
Nearly 10% of all of China's exports come from Suzhou, largely due to its high-tech manufacturing industries and start-ups.

ROAD

ing hubs to pan-European demand within 14 days.



DHL handles customs clearance and rail gauge changeovers at the Sino-Russian border, meaning less hassle for intercontinental importers and exporters.



BUILDING THE BELT AND ROAD

THE DHL ASIA-EUROPE-ASIA MULTIMODAL NETWORK

A transit time of 17 days helps Zhengzhou's commercial distribution hubs provide the



Each freight container uses GPS to DHL's manned controlled centers of its integrity in real time, giving distributors greater peace of mind and freight safety.

HAMBURG
WARSAW
LODZ
BREST

DOSTYK
ALASHAN



Less-than-Container Load and Full Container Load options help fast-growing businesses enter, then scale up export volume into both Chinese and European markets.

DID YOU KNOW?

Zhengzhou's electronics manufacturers produce 140 million smartphones per year – 13% of all devices made globally.

ROAD

the right balance of speed, cost, and security.



BUILDING THE BELT AND ROAD

THE DHL ASIA-EUROPE-ASIA MULTIMODAL NETWORK

Chengdu's high-tech and automotive clusters enjoy a safe and streamlined journey to Europe



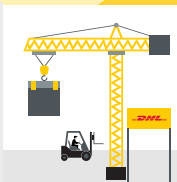
DID YOU KNOW?

Chengdu's automotive industry is predicted to grow by 50% in the next decade, largely off domestic consumption and exports to Europe.

ROAD

to Europe along the trans-Kazakh West Corridor.

An MOU with Chengdu's Gateway Logistics Office will see DHL advise the city on further improving customs efficiency and freight capacity to support Belt and Road trade volumes.



ANKOU

CHENGDU

HANOI

Chengdu - Lodz

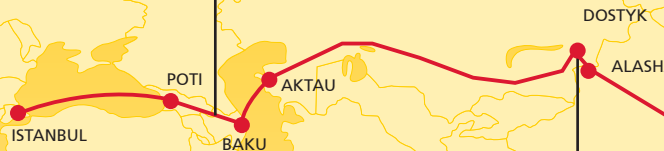
BUILDING THE BELT AND ROAD

THE DHL ASIA-EUROPE-ASIA MULTIMODAL NETWORK

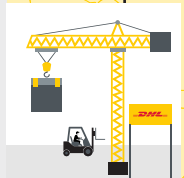
Trade partnerships with Central Asia's main Belt and Road nodes streamline the 14-day journey from China to Europe and Istanbul.



Central Asian shipments enjoy smoother cross-border transit thanks to DHL's partnerships in Azerbaijan, Georgia, and Turkey to build critical Belt and Road infrastructure.



Under an MOU with rail operator KTZ Express, DHL's investments add new connections and freight capacity to Belt and Road connections through Kazakhstan and its Khorgos Special Economic Zone.



DID YOU KNOW?

Trade between China and Silk Road Economic Belt countries – primarily in Central Asia – has grown by 19% per annum for the past 10 years.

ROAD

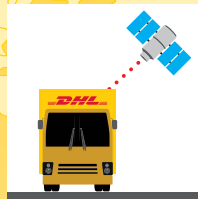
day journey by rail and sea between the trade hubs of Lianyungang, Chengdu,



BUILDING THE BELT AND ROAD

THE DHL SOUTH-EAST ASIA ROAD FREIGHT NETWORK

Established in 2011, the ASIACONNECT road freight network securely delivers flexible



GPS tracking of trucks provides DHL and its customers with real-time updates on everything from vehicle speed to whether seals or locks have been breached.

DID YOU KNOW?

Road freight accounts for 65% of all land-based freight movement in ASEAN.

Source: http://asean.org/?static_post=asean-connectivity-and-the-asean-economic-community-by-s-pushpanathan-deputy-secretary-general-of-asean-for-asean-economic-community-2

ROAD

le shipment volumes between China, ASEAN, and the rest of South East Asia.



On the DHL ASIACONNECT Less than Truck-Load (LTL) network, shipments enjoy scheduled departures, streamlined customs clearance, and door-to-door delivery.

HANOI
SHENZEN
BANGKOK
HO CHI MINH
PHNOM PENH
PENANG
SINGAPORE

— South-East Asia Road network

DHL tracks its trucks via its Network Security Control Center. Using GPS for 24/7 vehicle monitoring, the Center's trained security supervisors will activate pre-defined processes - including alerting local authorities - in the event of a possible breach.



RIDING THE BELT AND ROAD

A SNAPSHOT OF THE DHL MULTIMODAL EXPERIENCE

As a multimodal pioneer between Asia and Europe with 14 departure and 8 arrival routes – sometimes literally. Here's a snapshot of what your goods experience when they travel with DHL.

CUSTOMS AND CONSOLIDATION, COVERED

Fully-managed customs and consolidation solutions give DHL shipments a smooth journey across all borders between Europe and Asia. Say farewell to unexpected hold-ups with:

- Bonded transfers in China
- T1 documentation for Europe
- Consolidation and buyer's consol
- Bonded transfers from seaports, airports, and free zones to rail stations



FLEXIBLE SOLUTIONS

Put trucking and rail expertise together, and you get services that can fit any shipment into any deadline. The DHL multimodal network offers Asian and European businesses:

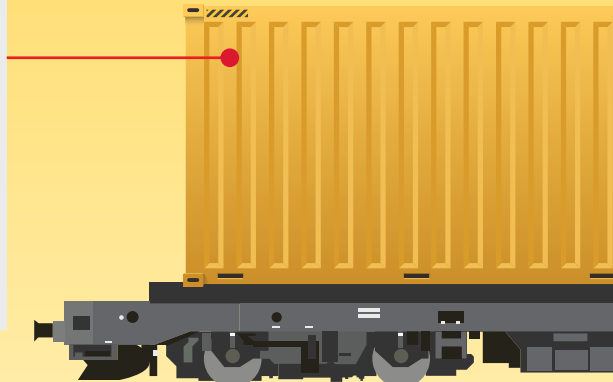
- Flexi Gateway
- Pickup from Japan, Taiwan, Vietnam, and every city in China - both bonded and non-bonded cargo
- Airfreight and dedicated pickup
- Dedicated, chassis, and international delivery
- Customizable shipping volumes



ALL TYPES OF CARGO

DHL moves all sorts of cargo along the Belt and Road – from the latest fashion items to temperature-sensitive electronics and even entire cars. That requires containers with a little extra to them, including:

- Garment on Hanger
- Thermal Blankets
- Reefers
- Double-Decker Containers
- Car Racking Systems
- Open-Top Containers
- Less-than Container and Full Container Load options



*Activated when shipments are unlikely to meet transit deadlines on rail alone

locations, DHL trains, trucks, and ships continue to go the extra mile for its customers travel the Belt and Road with DHL.



DHL DEDICATION

We monitor and track your shipments' performance so you don't have to. All DHL freight on the Belt and Road receives:

- Constant monitoring from Competence Centres in Asia and Europe
- Contingency Planning
- Crisis Management
- Irregularity Reporting
- Immediate Transport Mode Switch*



SECURITY THAT NEVER SLEEPS

Freight theft doesn't take time off, and neither do we. DHL shipments enjoy world-class security – and give their owners peace of mind – on the Belt and Road thanks to:

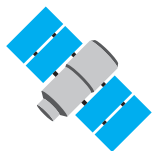
- 24/7 Security Centres
- In-Container GPS Devices – for location, temperature/humidity, and vibration alerts
- Pre-transit assessment of routes, terminals, and borders
- Certificates of Security with partner railways
- Risk management
- Special Security Team in CIS/EU



TRAINS, TRUCKS, TECHNOLOGY

KEEPING SHIPMENTS SAFE AND SOUND ON THE BELT AND ROAD

The DHL multimodal network connects more than just continents. A range of high-tech solutions, from GPS tracking to container security, connects operators, customers, and even law enforcement at the first sign that a truck or train is in trouble.



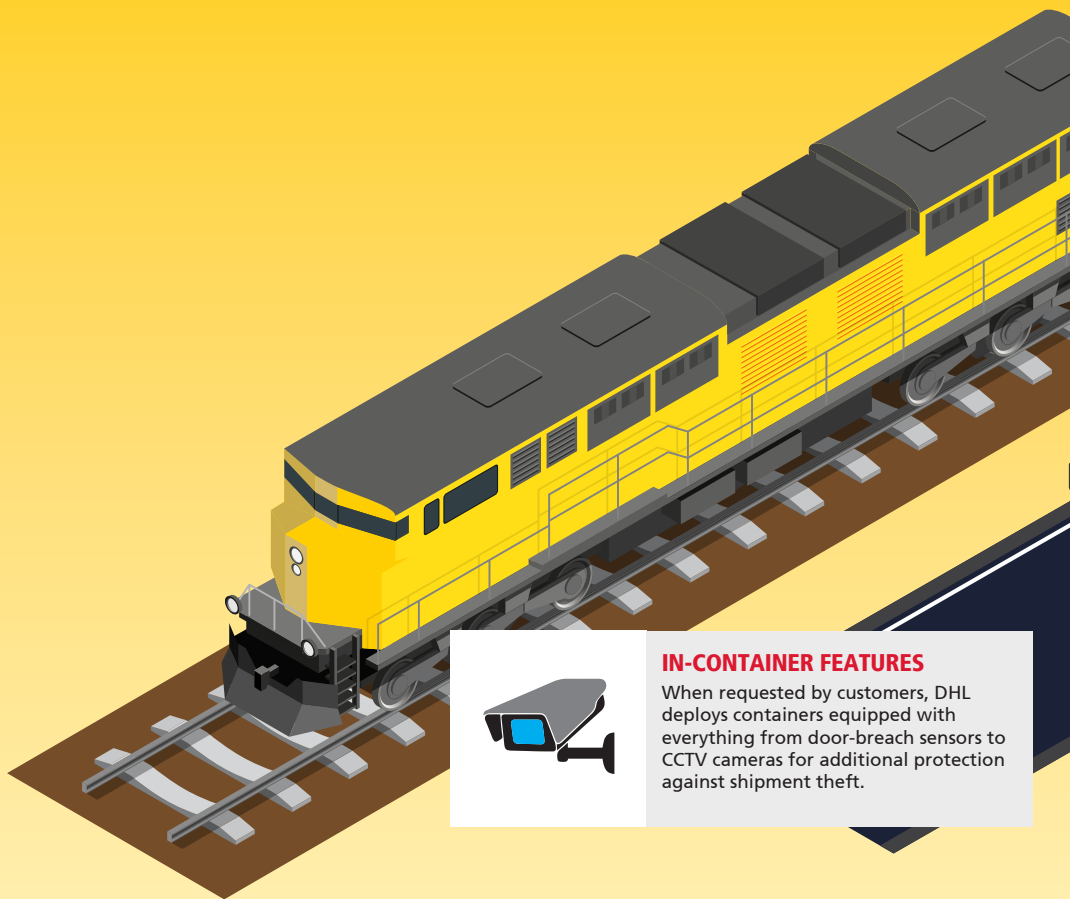
TRACK & TRACE

GPS tracking of both trains and trucks provides DHL and its customers with real-time updates on everything from vehicle speed to whether container seals or locks have been breached.



IN-CONTAINER FEATURES

When requested by customers, DHL deploys containers equipped with everything from door-breach sensors to CCTV cameras for additional protection against shipment theft.

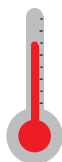


OGY

tech innovations provide DHL shipments with 24/7 connectivity – alerting freight
n could be compromised.

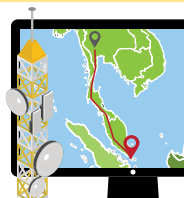
TEMPERATURE CONTROL

With this solution, DHL customers can remotely adjust the temperature of their containers from between -25°C to 25°C, anywhere along the journey.



COMMAND AND CONTROL

DHL tracks its trucking fleet via its Network Security and Command Control Rooms, which monitor vehicle position to detect potential delays or hazards – and, if necessary, alert local authorities to potential security breaches.



HERE FOR THE LONG HAUL

A TIMELINE OF DHL'S INVESTMENTS IN BELT AND ROAD INFRASTRUCTURE

MAY 2013

DHL opens West Corridor between Chengdu and Lodz.



MARCH 2014

DHL forms strategic partnership with the United Transport and Logistics Company, a joint venture between Russian, Kazakhstani and Belarusian railways.



SEPTEMBER 2014

DHL opens North Corridor between Suzhou and Warsaw.



2008-2011

DHL begins feasibility studies on Asia-Europe multimodal connections. DHL signs first multimodal contract with FELB, a subsidiary of Russian rail firm RZD Logistics.



JANUARY 2014

DHL launches first temperature-controlled rail service between China and Europe.



OCTOBER 2014

DHL links Japan to the North Corridor via Shanghai.



Rail



Ocean



Road



MOU



STRUCTURE

NOVEMBER 2015

DHL opens Maritime Silk Road service between Shanghai and Piraeus, Greece.



Like Japan, Taiwan and Korea gain ocean freight links to DHL's North Corridor.



MAY 2016

DHL and Chengdu Gateway Logistics Office sign MOU to upgrade infrastructure, customs clearance for West Corridor services.



DHL signs MOU with Azerbaijan Railways to further develop Baku as a multi-corridor rail hub.



JUNE 2015

DHL adds Zhengzhou-Hamburg route to West Corridor.



DHL and Kazakhstan Temir Zholy (KTZ) Express sign MOU to upgrade capabilities, add new service locations to Central Asia.



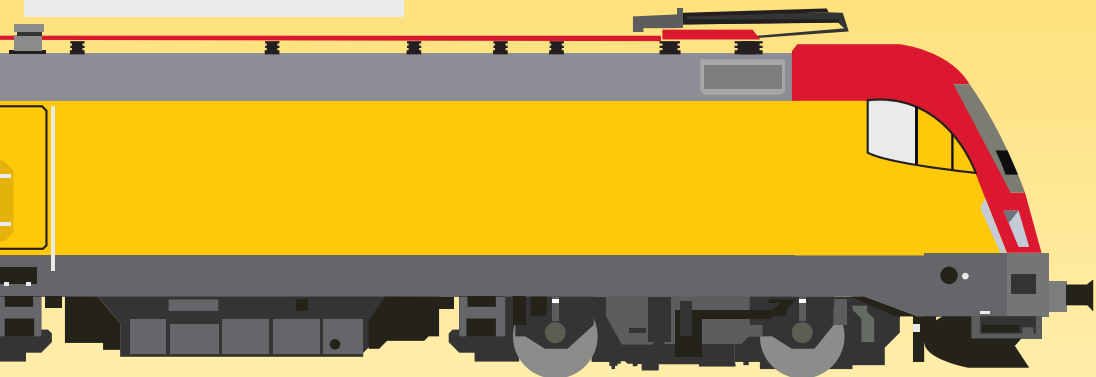
DECEMBER 2015

Southern Corridor between Lianyungang and Istanbul officially opens, leveraging MOU with KTZ Express and partnerships with Central Asian railway operators.



SEPTEMBER 2016

DHL links Vietnam to Europe via the West Corridor.



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