

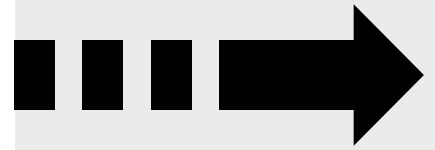


**The Corporate
Silk Road**

A new era of
(e-)infrastructure in Europe?



Alibaba lands at Liege Airport





www.corpwatchers.eu/en/investigations/the-corporate-silk-road/
www.gresea.be

Published by the European Network of Corporate Observatories (ENCO),
on behalf of Gresea.

Cover image source: Wikipedia

Cédric Leterme, GRESEA-CETRI

December 2018, the Chinese online giant Alibaba officially confirmed Liege Airport as its main European logistic hub. This decision is in line with a globalization strategy chosen by the group - and more broadly China – with possible (geo)political and economic dimensions which call for a closer look.

The Alibaba Group was established in 1999 in Hangzhou in the Chinese coastal province of Zhejiang. Its founder Jack Ma decided to set up a company after a visit to the States where he discovered the potential of the Internet¹. Back home, he launched the country's first online yellow pages and then created Alibaba with the help of seventeen other people.

The very first website of the group dates back to 1999. Alibaba.com was specialized in B2B ("business-to-business"). Quickly other dedicated portals were added to support, first, C2C ("customer-to-customer") and then B2C ("business-to-customer"). Today, Alibaba controls the platforms counting the largest numbers of users within these three segments, mainly thanks to its overwhelming dominance of the Chinese market².

Simultaneously, the company slowly diversified by developing a comprehensive ecosystem of complementary services (electronic payment, online messaging service, search engines, logistics, etc.) as well as investing in or taking over companies in a wide array of sectors (audiovisual, health, etc.)³. Therefore, while e-commerce (especially in China) still represents the core of its activities (both in terms of volume and profits), Alibaba is now much more than an e-commerce undertaking⁴.

1 For more details on the company, see Clark, D. (2016). *Alibaba: The house that Jack Ma built*. New York, NY: Harper Collins.

2 See online data and timeline in: Alibaba Group (2020), « Fiscal Year 2020 Annual Report » : <https://doc.irasia.com/listco/hk/alibabagroup/annual/2020/ar2020.pdf>

3 Ibidem.

4 On this point, read: Leterme, C. (2019), « Alibaba, c'est tout l'inverse d'Amazon »... Vraiment ? », GRESEA : <https://gresea.be/Alibaba-c-est-tout-l-inverse-d-Amazon-Vraiment>.

1 ————— Globalization

Halfway through the 2010s, with China's economic downturn and the growing competition between the actors of the Chinese digital economy, Alibaba moved to expand into the world market, ambitioning to become a true global player⁵.

Two elements of this strategy are of particular interest to us. First, the firm's ambition to deliver parcels anywhere in the world within 72 hours (and anywhere in China in less than 24h)⁶. To succeed, Alibaba developed an international logistics network articulated around 5 regional hubs: Hangzhou (China), Kuala Lumpur (Malaysia), Dubai (UAE), Moscow (Russia) and Liege (Belgium)⁷. These hubs are the very first links of the supply chain of goods exchanged via the group's platforms in and out of China. Each hub is built on or near an international airport area. They each hold a geostrategic position and are readily accessible via other transport infrastructure (roads, rail, waterways). The reasoning is that they can thus (ideally) provide cover for the entire planet. The creation of these hubs generally comes with the development of a network of second line warehouses⁸ as well as a network of operators and freight providers, currently subcontractors and coordinated by Alibaba through its logistics branch Cainiao. The group has just announced a fourfold increase of its fleet of aircraft within the next nine months and the doubling of its warehousing surface outside China⁹. This prospect is even more relevant given the pressure of the pandemic on the way the world economy operates and on Alibaba's pure marketplace model¹⁰.

5 « Globalization is now Alibaba's top priority », Business Insider France, 14 May 2015 : <https://www.businessinsider.fr/us/r-alibaba-to-invest-more-abroad-as-globalization-top-priority-ceo-zhang-2015-5>

6 « Jack Ma: Alibaba Bets Big on Logistics », Alizila, 31 May 2018 : <https://www.alizila.com/jack-ma-alibaba-bets-big-on-logistics/>

7 « Cainiao reveals plans for five global logistics hubs », Air Cargo News, 1 June 2018 : <https://www.aircargonews.net/cargo-airport/cainiao-reveals-plans-for-five-global-logistics-hubs/>

8 For example: « Cainiao Adds New Cargo Route Between Hong Kong and Spain », Alizila, 16 July 2020 : <https://www.alizila.com/cainiao-adds-new-cargo-route-between-hong-kong-spain/> or : « Alibaba, le géant chinois du e-commerce, tisse sa toile en France », Le Journal du Dimanche, 25 May 2020 : <https://www.lejdd.fr/Economie/alibaba-le-geant-chinois-du-e-commerce-tisse-sa-toile-en-france-3970380>

9 « Cainiao's Global Logistics Push Ratchets Up », Alizila, 24 June 2020 : <https://www.alizila.com/cainiaos-global-logistics-push-ratchets-up/>

10 « Il n'y aura plus de produits bon marché en provenance de Chine », Gondola, 16 June 2020 : <https://www.gondola.be/fr/news/il-ny-aura-plus-de-produits-bon-marche-en-provenance-de-chine>

At the same time, these international developments require a stable, reliable and harmonized legal and technical framework, which is adapted to the e-commerce realities. As it does not yet exist, Jack Ma launched another initiative in 2016: The Electronic World Trade Platform (eWTP)¹¹. The eWTP is “a private sector-led and multi-stakeholder initiative, for public-private co-operation to incubate eTrade rules and foster a more effective and efficient policy and business environment for cross border electronic trade development”. On the one hand, it provides a forum where different stakeholders can engage, exchange and work together. On the other, it also offers an action framework aiming to develop “Digital Free Trade Zones (DFTZ)” which could be interconnected so as to gradually build a ‘globalization 2.0’. The first zone is located around the Kuala Lumpur logistics hub and offers custom facilities, access to logistics services, one-stop desks for customs declarations and other formalities, regulatory and monetary procedures all hosted and coordinated through Alibaba’s IT tools¹². Alibaba’s objective is to multiply these zones throughout the world and, more broadly, increase the number of partnerships and ensuing improved regulations by positioning themselves as the key infrastructure for world eTrade¹³. At the last count, six partnerships had already been formed using this framework: two in China (Hangzhou and Yiwu) and four abroad (Malaysia, Rwanda, Ethiopia ... and Belgium). This initiative received the support of the WEF, G20 and WTO¹⁴.

11 <https://www.ewtp.org/>

12 <http://www.matrade.gov.my/en/digital-free-trade-zone-dftz>

13 On this matter, read: Facundo Vila Seoane, M. (2019), «Alibaba's discourse for the digital Silk Road: the electronic World Trade Platform and 'inclusive globalization'», Chinese Journal of Communication.

14 www.ewtp.org

2 ——— Setting up in Liège Airport

In December 2018, Cainiao and Liege Airport officially announced having reached an agreement to set up the group's main European hub in Liege¹⁵. The agreement covers a 220,000 m² area (although the group's executive refer to a final 380,000 m²) belonging to the airport and abutting the main runway. There would be a €75 million initial investment and a final envelope to the tune of €300 million¹⁶. This should contribute to the creation of 900 jobs and around 2,100 more indirect jobs¹⁷.

Various criteria factor in the choice for Liege. First, its central position at the heart of Western Europe, with its various transportation networks. This is no coincidence, Liege has been pursuing a European 'quadrmodal' development for the past decades, mainly thanks to EU fundings¹⁸. Besides an international airport and direct connectivity to the European road networks, there is an international TGV railway station and an inland port (the third largest in Europe) in Liege, which also provides a direct connection with Antwerp and Rotterdam ports. Cainiao intends to take advantage of this intermodality, as shown by the launch of three direct block train connecting Liege to China (Zhengzhou, Yiwu and Chengdu) right after they settled in Liege Airport. Liege (and Belgium) should therefore progressively become a pivotal hub for e-trade with China, as can be deduced from other investments or agreements involving Chinese logistic companies (e.g.: Cosco in Zeebrugge and Antwerp)¹⁹.

15 «Alibaba in Liège: It's official!», Wallonia.be, 5 December 2018:

<http://www.investinwallonia.be/news-1/news-2/alibaba-in-liege-it-s-official>

16 «Liege Airport: quatre millions d'argent public pour faire et démolir une route pour Alibaba», Le Soir, 17 July 2019: <https://plus.lesoir.be/236026/article/2019-07-11/liege-airport-quatre-millions-dargent-public-pour-faire-et-demolir-une-route>

17 «Alibaba va créer 3.000 emplois et vendre les PME belges en Chine», L'Echo, 3 December 2018:

<https://www.lecho.be/entreprises/services/alibaba-va-creer-3-000-emplois-et-vendre-les-pme-belges-en-chine/10074548.html>

18 «L'Europe, un atout pour le développement de Liège», Parlement Européen, 26 June 2012:

<https://www.europarl.europa.eu/belgium/fr/L-europe-un-atout-pour-le-d%C3%A9veloppement-de-li%C3%A8ge>

19 «Liège confirme son rôle de plaque tournante européenne pour le e-commerce chinois», Gondola, 29 October 2019:

<https://www.gondola.be/fr/news/liege-confirme-son-role-de-plaque-tournante-europeenne-pour-le-e-commerce-chinois>

The second key element in choosing Liege was the fact that its airport is one of the few in Europe with night flights. Contrary to Maastricht for instance who also wooed the Chinese giant, Liege Airport operates 24/7. A fact which may well have been the clincher in Cainiao's decision. Besides, even if this aspect was not so well advertised, Liege is also a former steel making region in the throes of deindustrialization with an unemployment rate hovering around 20%, a steady level since several decades. It is therefore the ideal spot for logistics operators who are seeking well located and reasonably cheap grounds but also looking for easy access to low-level and affordable labour pools as well as public authorities eager to attract employment at home and ready to make advantageous offers to do so²⁰. For example, many observers have expressed their surprise about the fact that Alibaba was granted prime lands located alongside the runway, even though nothing could justify it²¹. Moreover, the federal minister for employment in office when the agreement was signed did not hesitate to stress how measures of deregulation and "flexibility" of the labour market adopted by his government had played a role in Alibaba choosing Liege²².

In Liege authorities are pleased about this agreement with one of the leading names of the digital economy which should help the airport achieve its goal: be in the top 3 of the largest cargo airports in Europe, preferably even be number one²³. Besides the increase in activity (and employment) directly attributed to Alibaba, Liege also bets on the knock-on effect on other potential Chinese partners²⁴. The collaboration goes beyond the mere question of logistics since Liege Airport and Alibaba Cloud have

20 On these points, read, inter alia: Hildyard, N. (2020), « Corridors as factories: Supply chains, logistics and labour. Is this the world you want? », Brussels, Counterbalance : <https://www.counter-balance.org/report-logistics-2020/>

21 As this article from l'Echo in the Belgian business newspaper mentions: "For express courier companies such as DHL and FedEx, being right next to the strip is ideal because planes need to unload and parcels need to be transhipped onto trucks and coaches as quickly as possible. But e-commerce warehouses are generally far away from landing strips because parcel handling is slower". One outraged FedEx representative also present in Liege declares: "Nowhere in the world can we use grounds on the front line for warehousing. Not even in Hong Kong where Cainiao has invested \$1.5 billion to implement a comparable logistic centre on 38 hectares of the international airport". (See : « Alibaba bloque FedEx à Liège », L'Echo, 15 December 2018 : <https://www.lecho.be/economie-politique/belgique/wallonie/alibaba-bloque-fedex-a-liege/10079363.html>)

22 On the subject, do read: Leterme, C (2020), « Arrivée d'Alibaba à Liège : cadeau pour l'emploi ? », GRESEA : <https://gresea.be/Arrivee-d-Alibaba-a-Liege-cadeau-pour-l-emploi>

23 « Liege Airport vise le top 3 des aéroports cargo dans les dix ans », Le Soir, 14 November 2019 : <https://plus.lesoir.be/260378/article/2019-11-14/update-pic-liege-airport-vise-le-top-3-des-aeroports-cargo-dans-les-dix-ans>

24 « Alibaba in Liège: It's official! », Wallonia.be, op. cit.

also signed an agreement for the latter to take charge of some of the airport's operations and handling through its AI programme « Aviation Brain »²⁵.

Lastly, the arrival of Alibaba should provide an entry point for Belgian companies' market penetration (and more broadly Europe's) in China, an objective in line with Alibaba's strategy regarding developed markets²⁶.

This provided the background against which the Liege agreement was signed as well as a MoU between the Belgian federal government and the eWTP initiative. This means that Belgium is the first European country (and third in the world) to join Jack Ma's initiative, which they hope will provide better export opportunities in China. A "public service platform" has been running since March 2020 via the eWTP's portal to that effect²⁷. The platform is connected to the Belgian digital customs clearance BeGate. In order to save time, clearance companies can process their declarations online via the eWTP platform.

25 «Liege Airport aims to improve efficiency with Alibaba tech», Air Cargo News, 25 November 2019 : <https://www.aircargonews.net/cargo-airport/liege-airport-aims-to-improve-efficiency-with-alibaba-tech/>

26 "Alibaba's approach to building an international business is two-fold: In developed e-commerce markets, the company is working to get international brands to sell to customers in China through Tmall, acting as a "gateway to China," according to the company. In developing markets, the approach is to build or buy e-commerce marketplaces in developing markets and acquire those customers. » (quoted in: «Breaking down Alibaba's global ambitions», Digiday, 10 May 2019 : <https://digiday.com/retail/breaking-alibabas-global-ambitions/>).

27 <https://psp.ewtp.com/bel/en>

3 — How does it correlate with international Chinese strategies?

We can hardly touch on Alibaba's international expansion projects without mentioning China's geoeconomics and geopolitics strategy. The Chinese government is betting on ICTs to play a key role in the economic development of the country as well as promoting its international ambitions²⁸. The sector is high on the list of strategic ones identified in the ambitious 'Made in China 2025' Programme positing China as the world leader for tomorrow's key technology and economic sectors²⁹. Besides, in 2017 the Chinese government added a digital component to its ambitious international programme 'Belt and Road Initiative (BRI)'³⁰. There's a dual interest. On the one hand, it offers international outlets for Chinese companies operating in the sector; on the other it facilitates and supports the development of other infrastructural projects all reliant – to various degrees – on digital technologies for their operations (communication, monitoring, coordination, etc.). To a greater extent, Beijing sees the international dissemination of its digital technologies and companies as a way to defend and promote its own model of digital governance in an international context marked by growing rivalries, notably with the United States.³¹

28 On the subject, do read in particular: Cave, D. et al. (2019), «Mapping China's technology giants», ASPI-International Cyber Policy Center : <https://www.aspi.org.au/report/mapping-chinas-tech-giants/>

29 More details here: Houben, H. (2018), «Volet 3 : Made in China» (Dossier : La rivalité sino-américaine), GRESEA : <https://gresea.be/Volet-3-Made-in-China>

30 Shen, H. (2018), «Building a Digital Silk Road? Situating the Internet in China's Belt and Road Initiative», International Journal of Communication, vol. 12 : <https://ijoc.org/index.php/ijoc/article/view/8405>

31 Cave, D. et al., «Mapping China's technology giants », op. cit.

Given the climate, a company such as Alibaba can be nothing short of a vector and actor of China's influence and projection strategy on the world stage. Although it is not its main purpose, the logistics hub project for Liege is largely in line with the connectivity objectives underpinning the "Belt and Road Initiative"³². All five world hubs picked by Alibaba are indeed located on one of the programme's roads. The rail links which now exist between China and Liege Airport are officially part of the programme³³. At the same time, the eWTP initiative promoted by Alibaba mirrors – in content as well as in its presentation – the Chinese official ambitions regarding the promotion of an alternate globalization, to step away from the American domination of the current model which is deemed to have particularly benefited a fistful of Western multinationals³⁴. A more inclusive globalization which would aid today's marginalized population and regions (SMEs, women, youths, farmers, mainly in the Global South) thanks to the win-win relationships model Beijing is spearheading.

That being said, beyond the obvious synergies, the strategic alignment between Alibaba and the Chinese government should not be exaggerated, for at least three reasons. Firstly, Alibaba remains a private company. Therefore, it benefits from a broader leeway than what a state-owned company may enjoy and above all, its priority remains the pursuit of profit. Secondly, given the structure of its shareholdings it is hard to consider Alibaba as a purely Chinese company³⁵. Lastly, because China's policy is far from being unequivocal and monolithic³⁶. Hence the existence of possible tensions or contradictions between Alibaba's goals and those of the various Chinese authorities. For instance, Jack Ma is a fervent advocate of private regulatory mechanisms for international e-commerce. In that instance, his stance clashes

32 For more details on this project: Houben, H (2018), « Volet 2 : Les nouvelles routes de la soie : le cauchemar de Brzezinski passe par l'Asie centrale » (Dossier : La rivalité sino-américaine), GRESEA : <https://gresea.be/Volet-2-Les-nouvelles-routes-de-la-soie-le-cauchemar-de-Brzezinski-passe-par-l>

33 «BRI makes headway at Liege Airport in Belgium», Xinhua, 17 April 2019: http://www.xinhuanet.com/english/2019-04/17/c_137985524.htm

34 On this point: Facundo Vila Seoane, «Alibaba's discourse for the digital Silk Road...», op. cit.

35 Shen, H (2016), «Is China 'Buying the World' again? Is Alibaba the poster child for global expansion?», The Digital Asia Hub : <https://www.digitlasiahub.org/2016/11/04/is-china-buying-the-world-again-is-alibaba-the-poster-child-for-global-expansion/>

36 Read for instance: Jones, L. (2020), «Beyond 'China, Inc.' Understanding Chinese companies», in State of Power 2020, Transnational Institute: <https://longreads.tni.org/understanding-chinese-companies-beyond-china-inc>
Facundo Vila Seoane, «Alibaba's discourse for the digital Silk Road ...», op. cit.

with the role given to the State by Beijing in the way the economy operates³⁷. Another example: some tensions have been rising in China regarding the role a private company such as Alibaba plays in the financial sector – particularly through its spin-off Ant Financial – whilst this sector traditionally comes directly under the State's umbrella. Alibaba does enjoy a strong support for the development of its activities, including at an international level. However it must also contend with more or less overt opposition amongst just as important actors or factions of the institutional structure of the Chinese government and economy³⁸.

37 Facundo Vila Seoane, «Alibaba's discourse for the digital Silk Road ...», op. cit.

38 Shen, H. (2019), «Platform as Infrastructure and the Rise of Ant Financial in China», IT for Change: https://itforchange.net/platformpolitics/wp-content/uploads/2019/03/Ant_Financial_5thMarch.pdf
See in particular the missions and objectives of the Walloon Agency for export and foreign investments (AWEX) : <https://www.awex-export.be/fr/a-propos/missions-et-objectifs>

4 — How does it correlate with Belgian and European strategies?

On the Belgian end, we have already mentioned the fact that the arrival of Alibaba in Liege is in line with the strategic development of the airport hub chosen by the city and the Walloon region since the 90s. It is also in line with a broader strategy of diversification of international commercial partners and investors aimed at China in particular³⁹. Besides Alibaba moving to Liege Airport there is also at least two other Chinese strategic business location projects in the Walloon territory: the China-Belgium Technology Centre (CBTC) in Louvain-la-Neuve “the first global Business and Technology Park created by China in Europe” and “the most important Chinese investment in Belgium”⁴⁰; and the construction of an electric vehicle production line for the European market by the start-up Thunder Power on the Gosselie site⁴¹. All three (including Alibaba's project) represent promise of investments to the tune of €675 million in due course, which would amply contribute to making China the first foreign investor in Wallonia in 2018⁴². Cosco's investments in Zeebrugge and Antwerp can also be added to the Belgian pot or even the accession of Belgium to the eWTP – the first (and only) European country partaking in the initiative.

The increased number of projects and strategic partnerships with Chinese stakeholders does raise a few questions. The first one pertains to their feasibility, as some fear that the grand statements may amount to less ambitious practical realisations. On that point, the delays and excuses already accompanying the Louvain-la-Neuve⁴³ project, and more acutely Gosselie's⁴⁴,

39 See in particular the missions and objectives of the Walloon Agency for export and foreign investments (AWEX) : <https://www.awex-export.be/fr/a-propos/missions-et-objectifs>

40 www.cbtc.eu

41 «Thunder Power s'établit à Gosselies», Canal Z, 19 October 2018 :

<https://canalz.levif.be/news/thunder-power-s-etablit-a-gosselies-19-10-18/video-normal-1042889.html>

42 However, it did drop drastically in 2019 with a total investment of only €117 million, way behind the US, France or Italy.

43 «Un incubateur chinois qui a des ratés au démarrage », L'Echo, 16 october 2019 :

<https://www.lecho.be/entreprises/tic/un-incubateur-chinois-qui-a-des-rates-au-demarrage/10172441.html>

44 «Reconversion de l'ancien site de Caterpillar à Gosselies - Thunder Power "ne constitue plus la priorité"; un projet de parc Legoland à l'étude», Le Soir, 10 September 2020 :

<https://plus.lesoir.be/324195/article/2020-09-10/thunder-power-ne-constitue-plus-la-priorite-un-projet-de-parc-legoland-letude-3>

can only fuel scepticism. Conversely, the second concern is caused by the risks of excessive economic, technological and commercial reliance on China which could stem from the multiplication of these projects⁴⁵. The fear is bolstered by the asymmetry between China and Belgium (and its regions) which could translate into agreements with conditions favouring the former. A perspective even more likely given that unlike China and its rather coherent industrial objectives and strategies, Belgian authorities are seeking investors without any long-term coherence nor any real commons strategic vision⁴⁶.

Lastly, this growing reliance on China occurs at a moment of increasing rivalry between China and the US. In that context, some advocate for a form of 'non-alignment' which would or should transit through a better European coordination. Yet, Europe is struggling to find a common voice in its dealings with China - or even to develop an industrial and economic strategy for that matter - because of a lack of a common framework and vision and because Member States tend to act on their own even when some modicum of framework does exist. The relationship between Europe and the "Belt and Road Initiative" project is typical of this situation. 18 Member States of the European Union have already unilaterally decided to join the enterprise but others like France, Germany or even Spain still refuse to, which is also the position of Europe as a bloc. And yet, this very same Europe fights at the same time for its own international logistics corridor projects without knowing for sure if they are complementing or contradicting those of China⁴⁷.

45 Read for example: «Les investissements chinois en Wallonie : bonne ou mauvaise nouvelle?», La Libre, 13 October 2018 :

<https://www.lalibre.be/economie/placements/les-investissements-chinois-en-wallonie-bonne-ou-mauvaise-nouvelle-5bc0afb8cd708c805c2a1851>

46 Ibidem.

47 In line with the «global strategy» adopted in 2016, the EU announced in September 2018 the launch of a new connectivity strategy between Europe and Asia which could be considered as an alternative to the New silk road Chinese project (See: Siddiqui, S. (2019), « Is the EU corridor an alternative to China's Belt and Road Initiative? », TRTWorld: <https://www.trtworld.com/opinion/is-the-eu-corridor-an-alternative-to-china-s-belt-and-road-initiative-24745>). At the same time co-operation agreements were signed by the US and Canada on the one hand (cf. : « US, Canada and EU to offer 'robust alternative' to state-led development finance, as belt and road increases reach », South China Morning Post, 12th April 2019: <https://www.scmp.com/news/world/united-states-canada/article/3005798/us-canada-and-eu-offer-robust-alternative-state-led>), and Japan on the other (« EU-Japan axis emerges to counter China's BRI », Asia Times, 9 October 2019 : <https://asiatimes.com/2019/10/eu-japan-axis-emerges-to-counter-chinas-bri/>)

Similarly, Belgian uptake on the eWTP could complicate the development of a common European position on a world regulation of e-commerce – a rather delicate matter these days on the international arena⁴⁸. More broadly, by accepting to be Alibaba's point of entry and help its conquest of the European market, Belgium also risks to reinforce the notion that the EU is nothing more than a boxing ring for where the digital fight between China and the US will unfold.

48 On this point, see in particular: Leterme, C. (2019), «Bataille autour des données numériques», *Le Monde diplomatique*, November: <https://www.monde-diplomatique.fr/2019/11/LETERME/60937>



ENCO

EUROPEAN NETWORK OF
CORPORATE OBSERVATORIES