

China

China goes on logistics buying spree to support ‘new Silk Road’

Acquisitions across Eurasia to enhance trade flows double to \$32.2bn



Alibaba will invest \$1bn to raise its stake to 83 per cent in Lazada, a south-east Asian e-commerce and logistics company © Reuters James Kynge in London DECEMBER 11, 2017

A push by some of China’s largest companies to dominate the global logistics industry — reinforced by government calls to build a “new Silk Road” — is driving a surge in Chinese acquisitions overseas of warehousing, trucking and other logistics operators.

Total announced acquisitions by Chinese groups of logistics companies in Europe, Asia and elsewhere more than doubled to \$32.2bn in the first 11 months of this year, up from \$12.9bn in the whole of 2016, according to figures compiled by Grisons Peak, a London-based investment bank.

The moves complement an upsurge in Chinese overseas port acquisitions in the year to June, over which time \$20.1bn in nine deals was announced. The geographical distribution of the logistics acquisitions, like the port deals before them, correspond with

the area covered by the [Belt and Road Initiative \(BRI\)](#), a grandiose project to revamp Silk Road commerce between Asia and Europe.

“In light of the \$20bn prior ports investments, it is only logical that China would follow by implementing a strategy of matching the logistics with the ports,” said Henry Tillman, chief executive of Grisons Peak.

“The economic model China uses for its BRI partners to enhance trade flows involves first providing sufficient energy and infrastructure, leading to increased manufacturing, and then on to ports and logistics,” Mr Tillman added.

\$20.1bn

Chinese overseas port acquisitions in the year to June

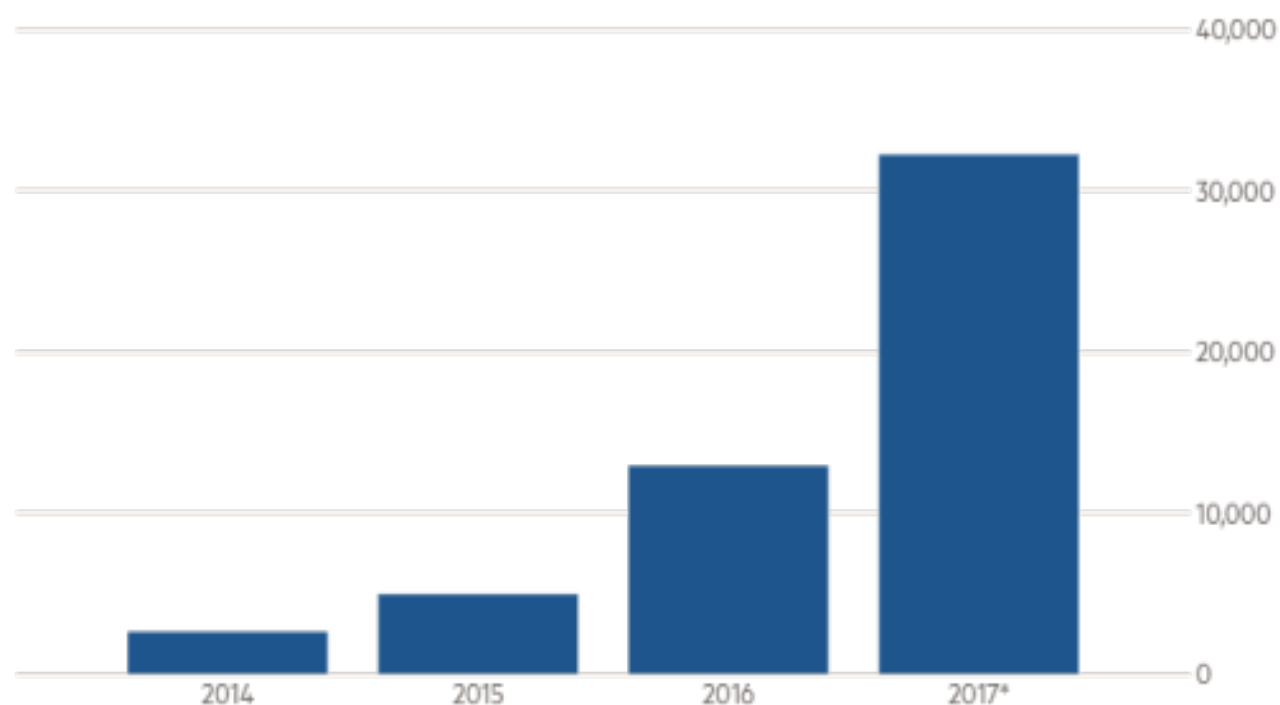
The overlap between BRI territories and logistics investments done is stark, with 25 of the 36 deals announced since 2014 falling within the nearly 70 countries that are included in the BRI. The area covered by the BRI, which was launched in 2013 by [Xi Jinping](#), China’s

leader, is home to some 4.8bn people and generates 62 per cent of the world’s gross domestic product.

Mr Xi has stressed the need for “connectivity” to accelerate the implementation of the BRI, a signature ambition of his administration. “A large number of connectivity projects are in the pipeline,” Mr Xi said in May this year. “Today, a multi-dimensional infrastructure network is taking shape.”

China's overseas M&A in logistics surges in 2017

Chinese equity investments (aggregated amounts)



*Year to November 2017

Source: Grisons Peak, China Investment Research.

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Alibaba Group, one of the world's largest e-commerce companies, served notice of its ambitions in September, announcing it will invest Rmb100bn (\$15bn) over five years to build what Daniel Zhang, Alibaba's chief executive, called "the most efficient logistics network in China and around the world".

The company's decision in June to invest \$1bn to raise its stake to 83 per cent in Lazada, a leading south-east Asian e-commerce and logistics company, signalled an aggressive bet on the region's logistics market. Lazada has 130,000 merchants on its platform along with 14 warehouses and 130 smaller distribution centres.

One of the biggest deals of the year in Europe involved an agreement by Global Logistics Properties, which is controlled by Chinese private equity funds, to acquire Gazeley, which owns warehouses and distribution parks throughout Europe and North America. The October deal, put at about \$2.8bn, was to add to GLP's portfolio, which includes 1,095 logistics parks in 119 markets.

The biggest Chinese logistics deal of the year involved China Investment Corporation, the sovereign wealth fund, which in June agreed to buy Logisor, a leading European logistics company with warehouses in 17 countries. The \$12.25bn deal represented the fourth-largest Chinese overseas acquisition to date.

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