



## **LOGISTICS STRATEGY AS A WEAPON FOR TERRITORIAL CONQUEST: THE OBOR INITIATIVE EXAMPLE**

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### **Abstract:**

*With the launching of its OBOR (One Belt, One Road) initiative since 2013, China has chosen to invest in massive logistical infrastructures with the aim of asserting its economic power and becoming the world's leading power by 2049. Already at the heart of many global value chains, as the coronavirus crisis of 2020 has shown, China is going to give itself the means to sell its products on a large scale. The research note offers a socio-political reading of the logistical stakes of the OBOR initiative, indicating that economic balances are likely to be profoundly disrupted. The case of the Maghreb countries, which have long been in Europe's area of influence, is particularly evoked to illustrate how the logistics strategy can be analyzed as a weapon for territorial conquest.*

### **Keywords:**

China, Globalization, Maghreb area, OBOR initiative, Socio-political analysis, Supply chain

### **1. Introduction**

Researchers in logistics have not paid attention to geographical dimensions for many decades, preferring to focus on the operational, then strategic aspects of product flow management. However, the situation is tending to change significantly. Many analysts have discovered with astonishment that flows take place in a space and in territories, with more or less wide borders. The Covid-19 pandemic in the Spring of 2020 is not the least of the merits of having highlighted the economic and health dysfunctions induced by global value chains. The European and North American medias then became aware of the dependence of countries on China for the manufacturing of protective masks, artificial respirators and other active drug ingredients. However, these global value chains are activated by globalized supply chains, which are now highly efficient in terms of cost and lead time.

This research note focuses specifically on the globalization of trade that is enabled by logistics performance. It focuses on an original initiative that has been the subject of much ink, and whose stakes are major for many emerging countries, but which paradoxically remain relatively little investigated for the moment. This is the pharaonic project launched by China under the name of the "New Silk Roads", known throughout the world through the expression "OBOR initiative", for One Belt, One Road. Since September 2013, the OBOR initiative has been the centerpiece of Chinese economic and geostrategic diplomacy. Its objective is to promote transcontinental connectivity between China, Asia, Africa and Europe, covering five main areas: policy coordination, building logistical infrastructures, developing unfettered trade, financial integration and strengthening people-to-people links. The construction of logistical infrastructures is perhaps the most visible feature of the OBOR initiative. The mission of these infrastructures is to facilitate the massive penetration of Chinese products into Western markets. We can speak here of a weapon of conquest at the service of a hegemonic desire for planetary power by 2049, a century after the birth of the People's Republic of China. The OBOR initiative has the explicit objective of creating spaces for the circulation of goods aimed both at stimulating the country's domestic growth and positioning itself as the world's leading economic power, ahead of the United States and Europe. The "New Silk Roads" thus present themselves as the backbone of global value chains under Chinese domination, including by capturing vast territories previously under the control of European countries. This is clearly the case in the Maghreb area.

## 2. OBOR Initiative

The OBOR initiative is one of the most ambitious infrastructural projects ever conceived in the field of logistics (for a synthesis, see the contributions collected in Lim, Chan, Tseng & Lim [2016]). It was announced by President Xi Jinping during official visits to Kazakhstan and Indonesia in September 2013. The initiative itself has two complementary components, so in fact two major “roads” rather than one: a land component on the one hand, and a maritime component on the other (see Figure 1). The implementation of the “New Silk Roads” is based on the creation of an extensive network of railways, pipelines and highways, and the acquisition of ports, both to the West, through the former Soviet republics and Europe, and to the South, namely Pakistan, India and the rest of South-East Asia. In addition to transport infrastructures, China is planning to establish about 50 special economic zones, based on the Shenzhen Zone model launched in 1980. In fact, the OBOR initiative is contributing to the implementation of a strategy to extend its growth model to other partner countries in order to develop trade with them, a source of new contracts for China. To achieve this, an ambitious logistical policy is essential, which corresponds to a constant desire to improve supply chain performance as a source of competitive advantage (Tuerxun, 2017).



Figure 1: The OBOR initiative

Source: Mercator Institute for Chinese Studies.

The logistical policy is based on the multiplication of maritime hubs as the sea route is of paramount importance for China (90% of all international trade and import of energy resources is done by sea) (Sun & Zoubir, 2017). To ensure the safety and performance of the maritime route, the OBOR initiative focuses on the development of strategically located ports where, sooner or later, China will obtain privileged land-based logistical access from partner countries (see Box 1). The port of Piraeus in Greece opened the way in the mid-2010's by being sold to COSCO Shipping Ports & China Merchants Port Holdings. As a weak link in the OBOR supply chain, the port of Piraeus was then seen as an unhoped-for entry point to the European Union, with an ideal position to become a transshipment hub to the Mediterranean and the Black Sea. The “next move” is to think about the movement of goods in the hinterlands and beyond. This explains a dynamic policy of investment in high-speed train projects, but also in road infrastructural projects to offer Chinese companies’ significant opportunities, based on perfectly managed logistics, integrating the most advanced information technologies (Gekara & Nguyen, 2020).

### Box 1. Strategy for the control of European ports by China

From Vado Ligure in Italy, through Valencia in Spain and Marseille in France, Chinese companies are investing massively and methodically in quays and container terminals in Europe. China would thus control 10% of European port capacities by the beginning of 2020. The most emblematic example is the port of Piraeus, in Greece, now the leading Mediterranean port whose volume of traffic has been multiplied by ten in 13 years. A boom in activity at the price of a total transfer since offices, warehouses, cranes, handling equipment, and even the administrative police, are under Chinese control.

If China develops large hubs in the Mediterranean, closer than the traditional ports of Rotterdam or Hamburg in Northern Europe, there is of course a great risk of dependence, and a loss of European economic influence in the Maghreb area. When countries take on too much debt, such as Greece and the countries of Central Europe, for example, after Sri Lanka and Djibouti, the donor will logically have the means to impose political and strategic decisions.

In attempt to limit this spectacular development, which has only taken 15 years, the European Union introduced in April 2019 a “filtering tool” for foreign direct investment to protect European companies. The aim is to assess whether a foreign investment constitutes a threat to the security of a state or whether it undermines an existing program benefiting member states. However, the opinions remain non-coercive, and the final decision will always rest with the member states. As long as weak dynamic regions in Europe are left out by public authorities, the “filter” is unlikely to play its role effectively.

Source: Adapted from *Midi Libre*, December 6, 2019.

Beyond a simple logistical dimension, which identifies the “New Silk Roads” to the formalization of several maritime and land radial axes on a global scale, as highlighted by the work conducted on the theme (Chan, Dai, Wang & Lacka, 2019), the OBOR initiative aims to considerably extend China’s economic and political influence. Indeed, some analysts consider that the OBOR initiative corresponds above all to a will for power, a position largely taken up by the United States, as evidenced by the recurrent attacks by President Donald Trump before, during and after the coronavirus crisis of 2020. For Donald Trump, the “New Silk Roads” are primarily a political tool at the service of the globalization of markets, of which China is the main winner, while some Asian leaders fear that the “New Silk Roads” may present themselves as a Trojan horse for the military expansion of their powerful neighbor. In a climate of alternating tensions and negotiations, the United States regularly threatens to impose massive tariffs on imports from China, at the risk of harming U.S. companies that have invested strongly in China.

Nonetheless, the OBOR initiative is proving to be a true success for Chinese diplomacy. More than 120 countries, representing three-quarters of the world’s population, have signed cooperation projects or have expressed interest in doing so in the near future. For example, a China/Pakistan economic corridor has already been selected, with a series of projects linking China to the Pakistani port of Gwadar, on the Arabian Sea, even if the realization of road and rail infrastructures is still struggling to materialize (in March 2020, less than a third of the projects announced have actually been carried out). Between 2013 and the beginning of 2019, significant shares were taken in 14 European ports, without taking into account the ports with which China has signed memoranda of understanding. Thus it is possible to consider that the port of Piraeus, already mentioned, but also the ports of Rotterdam, Antwerp, Marseille and Le Havre, to name but a few, are at the service of a patient strategy of conquest on a distant horizon, since the profitability in the short term of the infrastructures is far from being assured. Chinese culture, however, refers to a long period of time that will always end up providing the expected answers.

### **3. Maghreb Area: A Struggle Between Europe and China**

The “New Silk Roads” are physically formed of several radial axes within which there are a series of hubs, notably ports. The Maghreb area is both near and far: far, because the Suez Canal, as a logistical node, is positioned on the periphery of the Maghreb countries; but near, because the passage of a “New Silk Road” through Malta, for example, could offer this country the opportunity to play the role of a maritime hub. Thus, it comes as no surprise that Malta was one of the first European countries to sign □ in November 2018□ a memorandum of understanding with China, whose attention has turned to the ports of Valletta and Marsaxlokk. Ports which could be envisaged to be connected via motorways of the sea with the port of Tangier Med in Morocco, in which the Chinese public company COSCO Shipping Ports & China Merchants Port Holdings has taken stakes, as it did in Piraeus, and which is positioning itself as a powerful Mediterranean hub.

#### **3.1. From Predation to Cooperation**

From a purely logistical point of view, it is clear that the “New Silk Roads” reinforce the Chinese influence both at the gates of the African continent and in southern Europe, an influence that was already remarkable in as much as China has been, for several years, in the continuation of the Bandung conference of April 1955, the leading investor in the Maghreb countries. It is also a major market for Chinese exports. Under these conditions, it should not be

denied that the Maghreb countries, inextricably linked to an expansionist Chinese economy, will end up accumulating huge debts, which could be used as a means of pressure to obtain certain privileges, particularly military ones. As Rouquet (2018) has rightly noted, logistics is primarily used to wage war, whether it takes the traditional forms of combat or the more subtle forms of economic confrontation. With the “New Silk Roads” and the predatory strategies implemented by China, the subject is proving to be highly topical (Ho, 2019).

Of course, predation does not preclude cooperation. Thus, in March 2019, Morocco and China signed an economic and technical cooperation agreement of around 15 million euros to finance a series of public investments in the fields of culture, education and technology, as a continuation of earlier projects. Similarly, in March 2017, a public center for the promotion of the Chinese language and culture (Confucius Institute) opened its doors in Tangier, with the aim of developing university exchanges between Morocco and China. At the same time, the foundation stone of a “smart city”, called Tanger Tech, was laid, with the aim of being completed by 2030 (see Box 2). This smart city will eventually host 200 Chinese high-tech companies. The Chinese group Haite is contributing directly to the financing of the project (900 million euros), a project led by the Société d’Aménagement Tanger Tech (SATT), the Tangier-Tetouan-Al Hoceima Regional Council and China Communication Construction Company, through its subsidiary China Road and Bridge Corporation. More generally, Chinese foreign direct investment (FDI) in Morocco experienced exceptional growth between 2004 and 2017 (see Table 1), as noted by Zoubir (2020).

**Table 1: Chinese FDI stock in Morocco (million \$ dollars)**

<b>Year</b>	<b>Amount</b>	<b>Year</b>	<b>Amount</b>
2004	9.06	2011	89.48
2005	20.59	2012	95.22
2006	27.01	2013	102.96
2007	29.65	2014	114.44
2008	28.06	2015	156.29
2009	48.78	2016	162.70
2010	55.85	2017	318.21

Source: Adapted from Zoubir (2020).

**Box 2. Growing involvement of China in Morocco**

Morocco is certainly the most legitimate country in North Africa to receive Chinese investments. Strategically, the port of Tangier is the third most important in the world after Shanghai and Panama. It is an essential place for China since the objective is first and foremost Mediterranean and, with the “New Silk Roads”, there is talk of attracting investment in Africa to Europe. Yet China has long preferred Algeria to Morocco, no doubt because of its oil reserves. But the creation of Casablanca Finance City and Tanger Tech is a model of rebalancing in the region. These are economic zones designed to attract foreign investment via tax credits, while creating value and local jobs. 100,000 jobs will thus be created in Tangier after ten years of work and the \$11 billion planned for investment.

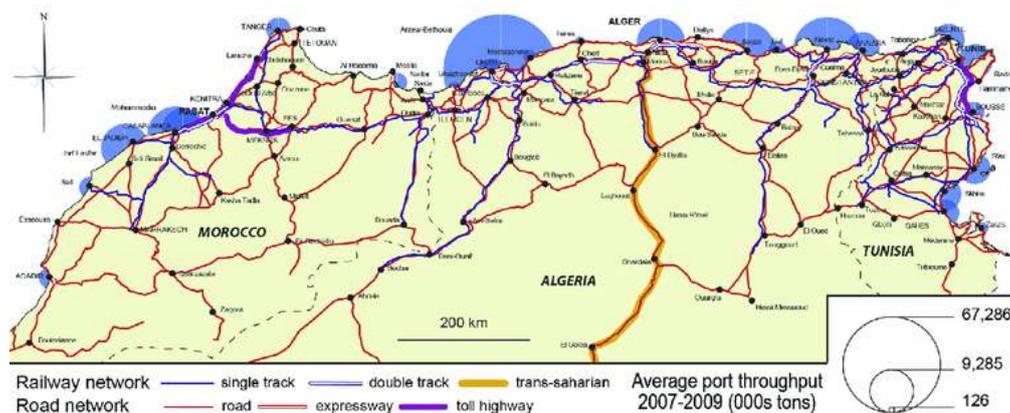
Source: Adapted from Le Monde, December 4, 2017.

**3.2. From Global Trade to Regional Integration**

However, we cannot ignore the fact that the geopolitical and economic context could constitute a significant obstacle to the linking of the Maghreb area to a “New Silk Road”, over and above the operational issues linked to the implementation of effective inter-modality. With the exception of Morocco, we are dealing with a region of the world that remains unstable, regularly traversed by popular upheavals that are not conducive to encouraging foreign investment from China with a view to developing trade. We need only think of the famous “Arab Spring”, whose outcome in terms of democracy was probably not what we had hoped for. In addition, unemployment rates remain high, especially among the under-thirty-year old, cutting off the purchasing power of as many potential consumers. This is particularly the case in some of the countries most invested in the OBOR initiative, such as Algeria, but also Morocco, and there is no doubt that the consequences of the coronavirus crisis of 2020 are likely to worsen the situation.

However, a more positive point can be highlighted. The Maghreb region has significant potential for regional integration through efficient maritime, railway and road links (see Figure 2), even if land transport connectivity is still

limited (Mohamed-Chérif & Ducruet, 2016). Although the historical legacy of colonialism is heavy, there is a real willingness to work together to collectively improve the standard of living of member states rather than adopt measures targeting the specific interests of each state. This is, in any case, the meaning to be given to the signing of the Treaty of the Arab Maghreb Union in February 1989, the purpose of which is to strengthen cooperation on foreign policy and defense, but also to work towards prosperity by facilitating the free movement of persons, goods and capital. We find here the foundations of an economic and political integration whose logistical side should not be forgotten, with the reinforcement of transport infrastructures and an explicit objective to reduce the fragmentation of markets in the Maghreb area.



**Figure 2: The Maghreb Transport Links**

Source: Mohamed-Chérif & Ducruet (2016)

In any case, the Maghreb area remains dependent on the strength of the radial axis of the OBOR initiative to which it is attached. However, this radial axis remains particularly vulnerable. The “New Silk Road”, in its maritime component, passes through the Horn of Africa, goes up the Red Sea and then leads to the Suez Canal. These are very sensitive geographical areas, and China’s offer of economic development assistance to the Palestinians, and reconstruction assistance to Syria, Yemen and Lebanon, could generate tensions that will last for many years (Al-Rawashdeh & Al-Qatatsheh, 2017). Admittedly, in order to protect its logistical investments, China is constantly making diplomatic efforts to convince international organizations to protect them. The question of the safety of ships in the Gulf of Aden has thus become a key issue, particularly with the deteriorating security situation in Somalia and the high rate of piracy in the Gulf. The risks thus remain very present and threaten the Maghreb area with being “sidelined” from the “New Silk Roads”, which could have dramatic economic consequences.

#### 4. Conclusion

The managerial implications of the construction of a “New Silk Road” on the borders of the Maghreb have not yet been fully analyzed. China is gradually becoming the leading investor on the southern part of the Mediterranean Sea, where it is carrying out major infrastructural projects that will result in the end of Western hegemony. In a historical perspective, the Maghreb undoubtedly sees this as an important support in line with their former liberation struggles against European imperialism. Moreover, the support is based on a total lack of interference since China is not interested in disputes between states. The issue at stake is solely that of using strengthened economic relations with the Maghreb countries to achieve certain diplomatic objectives around Taiwan, Hong Kong and Tibet. In other words, infrastructural investments are a means of rallying countries to the “Chinese cause” in international debates. One might think that logistical considerations are largely outside the realm of controversy, which is limited to a subtle exercise of soft power. To take account of this vision would be clumsy for the simple reason that the infrastructural investments borne by the OBOR initiative are profoundly changing economic centers of gravity and the paths taken by globalization since the WW II. One of the most significant challenges is undoubtedly to open up the Maghreb area to China that has understood how much the control of flows is an essential element of its policy of territorial conquest. It is clear that transport and logistical systems are organized to increase a managerial power of

influence, whether we are talking about a company or a country, and the major mistake would be to believe that supply chains should be analyzed solely with reference to operational dimensions.

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