



Military-Civil Fusion Cooperation in China Grows in the Field of Logistics

OE Watch Commentary: This accompanying excerpted article gives an overview of recent agreements signed between private Chinese package delivery and transport companies and the Chinese military. While international carriers, such as DHL and Fed Ex have a major presence in China, domestic companies (e.g. Amazon.cn, Taobao, Alibaba and JD.com) have grown rapidly as demand for online shopping has risen. These are large companies that in some cases have hundreds of thousands of employees (China Post employs over 800,000 for example) and operate thousands of vehicles.

The growth of these industries is creating capabilities that the PLA is eager to exploit during wartime. Since 2017, when the Law of the People’s Republic of China on National Defense Transportation was enacted, the number of these agreements has risen dramatically. In particular, the PLA Air Force and Navy have embraced the potential of using civilian companies to augment their transport and resupply capabilities. The Navy has used civilian ships to move anti-ship units from the coast to islands, and as the article highlights, the Naval Academy is now using civilian transports.

The strategic cooperation agreement signed between the PLA Air Force and China Railway Express, Post Express, SF Express and Bandung Huayu to provide services for Air Force Logistics in particular is significant, and is on display in recent exercises. These agreements also formalize cooperation with logistics-related state-owned enterprises like China Post Group Corporation, China’s official post service. However, the article notes that legal and regulatory authorities needed to make this type of cooperation more effective need to be developed. **End OE Watch Commentary (Wood)**



Central Military Commission
Logistic Support Department
Graphic by Peter Wood

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(continued)



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“With the rising homogenization of the private transportation industry, these companies have begun transforming into comprehensive logistics service providers, and are committed to creating an integrated logistics solution, which provides a good entry point for military-civilian fusion.”

Source: “中铁物流携手海军 军民融合成发展新机遇 (China Railway Logistics Joins Hands With Navy, Developing New Opportunities for Military-Civil Fusion),” *E-Business Paper*, 12 December 2018. http://www.cccss.com/index.aspx?cat_code=qyxw&article_id=56871

On December 12th, the People’s Liberation Army Navy Naval Academy in Dalian (Liaoning Province) decided to cooperate with China Railway Logistics Group [中铁物流集团] on the “equipment supply point” project. The two partners will build a fast, efficient and accurate military-civilian fusion equipment supply system to provide the Academy with military supplies.

In fact, in order to ensure the smooth progress of the project, the two sides carried out careful preparations around the project in the early stage of cooperation. At the same time, according to specific requirements, in terms of the confidentiality of personnel, equipment and data, both parties have also made a series of safeguard measures through technical and management means.

In 2015, Xi Jinping first proposed to raise the development of military-civilian fusion to the status of China’s national strategy. Currently, the pattern of all-factor, multi-domain and high-efficiency military and civilian fusion development is step by step taking shape in China. At the same time, due to the explosive growth of China’s private express delivery and logistics companies, the competition between these companies has become increasingly fierce. With the rising homogenization of the industry, these companies have begun transforming into comprehensive logistics service providers, and are committed to creating an integrated logistics solution, which provides a good entry point for military-civilian fusion.

China’s military-civilian fusion work in the field of military logistics began [in 2017]. The Law of the People’s Republic of China on National Defense Transportation [《中华人民共和国国防交通法》], which was implemented on January 1, 2017, put forward the requirement that the state should rely on large and medium-sized transportation enterprises as the main support, organize the construction of strategic delivery support forces, enhance strategic delivery capabilities, and provides effective support for delivery companies to organize long-distance, large-scale defense transportation.

In June 2017, the relevant departments of the Air Force signed a 100-year strategic cooperation agreement with China Railway Express [中铁快运], Post Express [邮政速运], SF Express [顺丰速运] and Wanlong Huayu [万隆华宇] to provide services for Air Force Logistics. This is also the first time that the Air Force has effectively integrated civilian logistics companies for support.

On October 23 of the same year, the Air Force Logistics Department of the People’s Liberation Army signed the “Air Force Logistics-Civilian Logistics Military-Civil Fusion Strategic Cooperation Agreement” [《空军后勤物流军民融合战略合作协议》] with five logistics companies including China Post Express Logistics Co., Ltd., China Railway Express Co., Ltd., SF Group, Deppon Logistics and Jingdong Logistics.” The Air Force granted these companies the “Air Force Logistics-Civilian Logistics Military-Civil Fusion Strategic Cooperation Organization” qualification license. Over the next five years, the military and civilian companies will work closely together on 23 projects across 8 areas of logistics.

...It is worth mentioning that SF Express long ago established a special logistics business department. The group has successively undertaken military-civilian fusion projects such as equipment and parts loading and delivery and medicine transport. YTO Express Group Co [圆通] (a delivery service company) also set up the “Aviation Logistics Research Institute” [航空物流研究院] in 2016 with the Civil Aviation Management Institute. One of the [institutes’] major research topics is the implementation of the national strategy of “military-civil fusion” for express delivery, logistics and aviation business fields.

However, currently the Chinese military has only achieved low-level integration of local third-party logistics resources, and both the military and the civilians are still in need of strengthening in all aspects of cooperation. Additionally, the government also needs to further establish and improve the Military-Civilian Fusion-related laws and regulations to improve local logistics participation in military logistics, and provide legal support for the integration of logistics, and development of military-civilian fusion.