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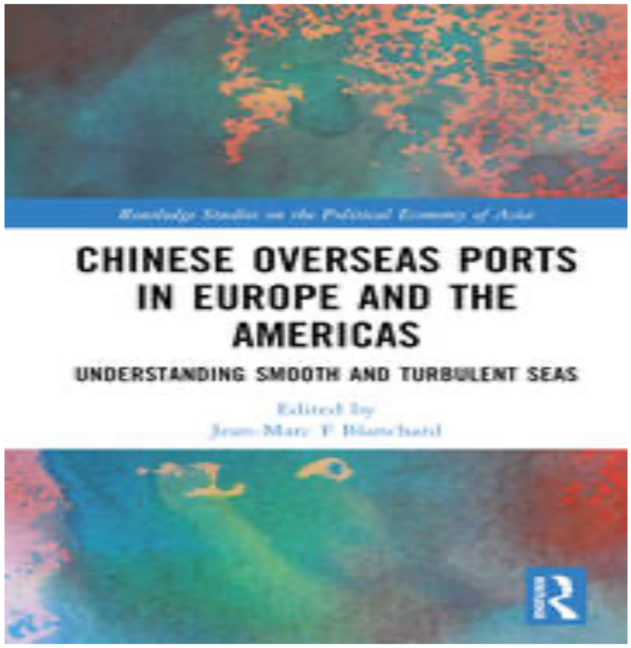

Chinese Overseas Ports in Europe and the Americas: Understanding Smooth and Turbulent Water (Routledge, 2024)

Lessons for Businesspeople

By

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Executive Summary

It is widely known that Chinese enterprises have been broadening and deepening their roles in overseas ports around the world as contractors, investors, operators, shippers, and good and service suppliers. This expansion is pertinent even for companies not directly involved in a given port or set of ports given that it can affect maritime and land-based supply chains, business opportunities in as well as the economic development of the regions surrounding ports, and the competitive position of more distant ports. Given this, businesses seek information about where Chinese companies are likely to be involved. Foreign and Chinese firms also want knowledge about the factors which will determine whether or not Chinese firms' involvement will come to fruition. If this participation happens, both desire an accurate understanding of its implications for port modernization and performance. The former further covet insights about its domestic and international business spill-over effects. Lastly, both hope for information about its effects on their domestic and international political operating environment.

Unfortunately, widely used resources such as electronic and news media, Op-Eds, and think tank reports cannot supply the quantity or quality of information needed for business planning and operations. Indeed, they often are inaccurate, assuming that port projects noted in Memorandums of Understanding (MoU) or summit communiqués not only come to fruition, but appear as described. Another problem is the presupposition that Chinese involvement produces usually good economic, typically bad political, and often negative environmental and social effects. Yet another flaw is the common presumption that these effects automatically generate particular secondary effects such as host/participant country deference to Beijing. The aforementioned resources further suffer from the problem that they generally give scant attention to Europe and Latin American and the Caribbean (LAC) as well as more developed countries. *Chinese Overseas Ports in Europe and the Americas*, an edited volume and the first of a three-part series on Chinese overseas ports, exploits the expertise of authors from Europe, Latin America and the Caribbean, and the United States (US) to tackle these limits, provide updates on China's participation in ports in these regions, and identifies various economic and political factors influencing the dynamics of Chinese-involved ports. This brief summarizes the book's key findings, explains their implications for businesses, and offers short synopses of its chapters.

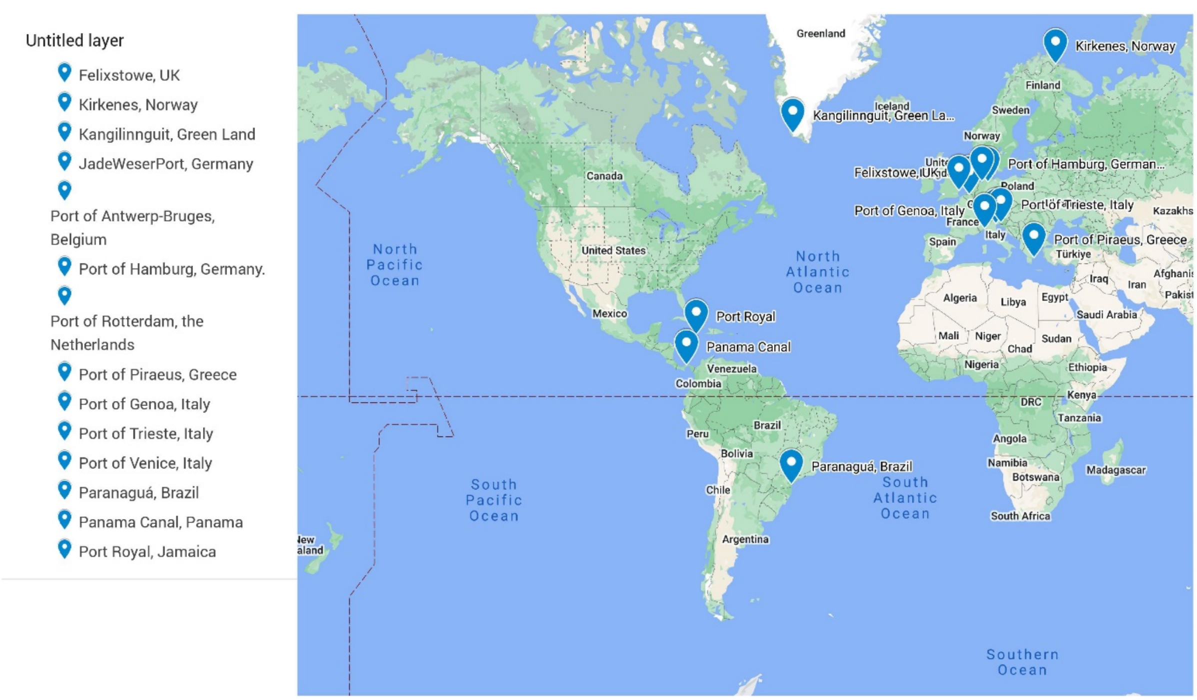
For investing or contracting firms, whether Chinese or not, the book indicates that investments or projects move forward or fully develop when the right political, economic, and port and corporate features are present and, relatedly, daunting hurdles absent. Businesses hoping to profit directly or indirectly from a Chinese-involved port thus need to do their homework, create the right features, and/or wait until there is clarity the right conditions exist or will exist. Intriguingly, the shrinkage of Chinese opportunities from rising anxiety about Chinese participation in ports in Europe enlarges openings for non-Chinese companies to explore opportunities in those ports. When Chinese firms do take an actual role in a given port, businesses using that port should expect Chinese participation to enhance port infrastructure quantity and quality, offerings, and efficiency. The study reveals several instances, too, where Chinese involvement in ports was paired with the growth of surrounding infrastructure such as railways and development projects (e.g., special economic zones), but progress or success was not assured. Case studies do not evidence a surge in opportunities for local businesses to collaborate with Chinese companies participating in ports.

Introduction

Chinese companies have had a powerful maritime presence for decades. They are major shippers, shipbuilders, port equipment manufacturers, shipping container builders, and exploiters of maritime resources. It is their dramatically expanded involvement over the past ten years or so in overseas ports as contractors, investors, operators, shippers, and good and service providers that now is capturing attention. Businesses want to know about the implications of China's expanded footprint in foreign ports on their prospects for landing investments and contracting deals, exploiting port development, profiting from the enhancement of infrastructure and areas surrounding Chinese ports, selling goods and services to Chinese involved ports, and winning shipping business. Existing treatment of China's expanded role in overseas ports have limited value to businesspeople. One reason is their focus on geopolitical issues. Another is that quality analysis is missing even in some longer writings, which often make problematic assumptions or lack the systematic analysis businesspeople need.

Chinese Overseas Ports in Europe and the Americas (Routledge, 2024) has the richness and depth businesspeople need. It contains well-researched, contemporary, and apolitical studies on Chinese investment and contracting in various ports (see below) in Europe and the Latin American and the Caribbean (LAC) that shed light on the modalities as well as business implications of China's expanded presence in ports. The book details what is transpiring with respect to Chinese investment and contracting in the relevant ports, the economic changes that have flowed from Chinese participation, and the political, economic, port, corporate, and other features that are shaping both.

Ports discussed in the book



The next sections elaborates on the book's findings and their implications for various types of businesses such as port contractors, port users, goods and service suppliers to ports and surrounding areas, and third-party ports. The last section offers very brief sketches of the book's individual chapters.

Findings Relevant to Port Investors, Contractors, and Terminal Operators and Business Implications

At the most basic level, the book shows port investors, contractors, and terminal operators where, how, and to what extent China is participating in ports in Europe and LAC. It thus alerts them to areas where competition may intensify, opportunities (collaborative or otherwise) may emerge, and where the operating environment has the potential to change.

†Finding #1: Chinese investment, contracting, or other forms of involvement failed to materialize as anticipated in 40 percent of the cases analyzed. International and domestic political factors frequently were at work. Also relevant were inadequate Chinese firm capabilities or failure to fulfill deal conditions (see below).

Name of port	Political/Regulatory Obstacles	Economic/Business
Groennedal, Greenland	International political	Chinese investor lacked competence in port operations; investor's interest lacked commercial logic.
Kirkenes, Norway	International political	Port location weakened its economic and political viability. Port not yet of interest to shipping companies.
Trieste, Italy	Domestic political	China Merchants Port (CMP) did not believe it would acquire its desired control rights.
Venice, Italy	Domestic political	Shipping alliance favored Trieste and Genoa over Venice.
Babitonga Grain Terminal, Brazil	Domestic regulatory (environmental)	N/A
Sao Luis, Brazil	Domestic political and regulatory	N/A
Porto Sul, Brazil	N/A	Competitive environment of presented significant business challenges.
Margarita Island, Panama	Domestic regulatory	N/A
Goat Island, Jamaica	Domestic political	N/A

Felixstowe port is an example where Chinese port investment not only happened, but the investment blossomed. Much of this had to do with Hutchison Port Holdings' (HPH) three-decade-long involvement in the port and its parent company's extensive investment and infrastructure activities in the United Kingdom. This engendered favorable perceptions about HPH. The book observes: such perceptions "… have prevented the negative political publicity or ownership concerns attached to Chinese involvement in seaports elsewhere in Europe."

† Implication #1A: Businesspeople should not assume that China will obtain a role in a given port merely because there is an MoU, press statement, or communiqué. They should not act aggressively until it is clear that the context will allow and nurture the role. They need to research what is happening or should wait until the situation is clearer before acting.

† Implications #1B: Before moving forward, Chinese (and foreign) companies need to properly evaluate the port, economic, and political milieu. If unfavorable, they should contemplate other countries or ports rather than expend time and money to participate in a port that offers limited promise for involvement or success. Another option is to intensify their public and government relations, partner with influential local players, or undertake investments that enhance a port's payback potential.

† Implication #1C: A bad political context for Chinese companies may be a good one for foreign businesses as it dampens prospects for the former. Foreign firms should be attuned to openings. Furthermore, they may contemplate using government or public relations strategically to complicate the environment within which Chinese firms operate.

Illustrating the premise, the domestic political environment that torpedoed Chinese involvement in Trieste created an opening for a German firm, Hamburger Hafen und Logistik AG, to buy the port despite a counteroffer by China Merchants Port (CMP). Indeed, European moves to strengthen the screening of inward foreign direct investment will likely be a significant dampener on Chinese participation in European ports, though the specific nature of this screening remains to be seen.

Findings Relevant to Port Users and Business Implications

† Finding #2: Chinese companies routinely enhance the quantity and quality of port infrastructure, expanding port performance in areas like capacity, offerings, and efficiency.

In Felixstowe, the port's handling capacity has quadrupled over the 30 years of HPH ownership…" In Rotterdam, total container throughput "continued to grow since the first Chinese investments, from about 10 million TEUs in 2010 to more than 15 million in 2021." Piraeus port's rankings, cargo and passenger volumes, and net income improved notably after COSCO's involvement in the port. In Vado Gateway, after the arrival of COSCO, the port complex became Italy's first semi-automated port and one of the most competitive in Europe, combining innovation, automation, inter-modal connectivity, and the ability to offer services such as cold storage, project cargo, roll-on roll-off, and intermodal transport. In Brazil's Paranaguá, Chinese participation expanded cargo handling capacity by 60 percent and gave it the ability to receive, simultaneously, up to three of the largest ships operating along the coast.

† Implication #2A: Businesses, non-Chinese or Chinese, dealing with ports in which Chinese companies have assumed a notable role should anticipate improvements in the quantity and quality of port capabilities. Subject to their precise needs, it may behoove them to initiate or deepen their interactions with such ports.

† Implication #2B: Improvements in the quantity and quality of port capabilities suggest ports will draw in new port customers, fuel greater interactions with existing customers, and catalyze increased flows of goods and people. This could expand port user options, but also has the potential to decrease them or fuel price increases.

Findings Relevant to Port and Neighboring Good/Service Providers and Business Implications

† Finding #3: The studies in the book do not indicate that Chinese participation in ports brings about any *notable* increase in opportunities for local firms to provide goods and services to Chinese port investors, contractors, or terminal operators. The development of infrastructure or areas around ports may provide opportunities, though case studies do not document any.

Regarding the former, when discussed, we usually see Chinese firms working with other Chinese firms. In Paranaguá, CMP worked with other *Chinese* firms to expand its access within Brazil and countries in the wider Latin America area. Turning to the latter, in 7 out of 12 ports in which Chinese companies participated, there were improvements to the infrastructure connected to the ports. In a number of instances such as Jade Weser Port, Felixstowe, and Zeebrugge SEZs, industrial parks, and the like emerged in areas around ports. A particularly vivid example took place in the port zone of Panama. Its developments attracted Chinese firms in sectors ranging from telecommunications to technology to power to iron and steel to finance. For domestic companies, this, in concept, may provide them with new opportunities to provide goods and services. The book's analyses, however, do not indicate this happened in any notable way.

† Implication #3: Businesses can reasonably expect that Chinese involvement in a port will result in development of port area into an industrial/logistic hub and that Chinese companies will set up subsidiaries in these hubs with a view to access the hinterland market or the resources. Local businesses should be prepared to compete or explore opportunities to collaborate.

Findings Relevant to Competing Ports and Business Implications

† Finding #4: Chinese involvement in a port has spillover effects on performance of nearby ports.

The book also discusses the impact of Chinese firms' port activities on market concentration, particularly relevant with respect to container trade between Europe and Asia and management of port terminals. Three shipping alliances account for nearly all the container traffic. Though the true extent of the impact of these alliances in controlling the profitability of ports is unclear, one of the reasons that Venice port lost traffic was the decision of Ocean alliance, one of the three shipping alliances, controlled by COSCO, to stop visiting Venice in favor of Trieste and Genoa. Another side effect of Chinese overseas port involvement is the loss of competitiveness of nearby ports as seen in the case of port of Santos (Brazil), which, with its outdated structures and facilities lost competitiveness against the Chinese developed and modernized port of Paranaguá.

† Implication #4: For ports competing with Chinese owned ports, it is imperative to modernize and build relationships with shipping companies and other ports.

Overview of the Individual Chapters

The first chapter of the book represents the introduction. The second examines HPH's role in the port of Felixstowe. Chapter three delves into the reasons for Chinese companies' failures in investing in Scandinavian ports of Groennedal and Kirkenes and their success in the port of Rotterdam. The fourth chapter discusses the nature and effects of Chinese involvement in North European ports such as Antwerp-Brugges. Chapter five probes Chinese participation in ports in Genoa, Trieste, and Venice. Chapter six details China's role in Piraeus. Chapter seven directs our attention to Chinese presence in Brazilian ports. The final chapter (chapter eight) analyzes Chinese seaports in Central America and the Caribbean.