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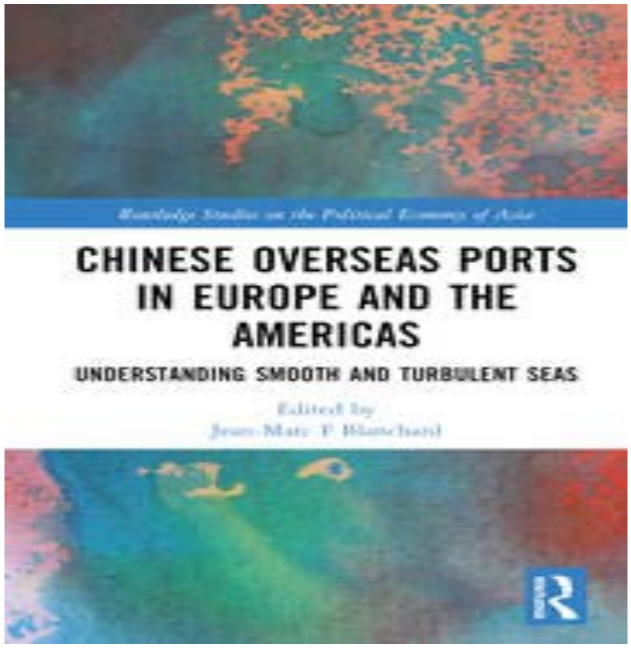

Chinese Overseas Ports in Europe and the Americas: Understanding Smooth and Turbulent Water (Routledge, 2024)

Lessons for Policymakers

By

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Executive Summary

The expansion of the People's Republic of China (PRC/China)'s overseas port presence as investor, contractor, and operator, over the last decade has garnered much attention because of its scale and rapidity. Indeed, some reports indicate that Chinese companies, both state-owned enterprises (SOEs) and private firms, have ownership stakes in over 100 ports in 63 countries, with at least one port in every continent except Antarctica. The proliferation of Chinese involvement in overseas ports raises important policy questions: What are the benefits of Chinese involvement in port sector? What are the costs? What policy measures are needed to ensure Chinese participation comes to fruition and yields the greatest benefits?

Past coverage of these issues has lacked the rigor needed for high-quality policymaking. One problem is the recurring assumption that agreed or announced projects are the projects that finally appear. Another limit is that the frequent inference that PRC involvement automatically produces certain kinds of (usually good) economic, (typically bad) political, or (generally negative) environmental and social effects. Yet another defect is the common presumption that these effects axiomatically produce particular secondary effects like host country subservient to Beijing. Aside from the above, commentary about China's role in overseas ports frequently affords 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* (Routledge, 2024), an edited volume and the first in a three-part series, profits from the insights of experts from these regions and the US to address these shortcomings, provide updates on China's presence in European and LAC ports, and cull out the economic and political causes behind the dynamics of Chinese-involved ports. This brief summarizes the book's key findings, explains their implications, and provides short synopses of the individual chapters.

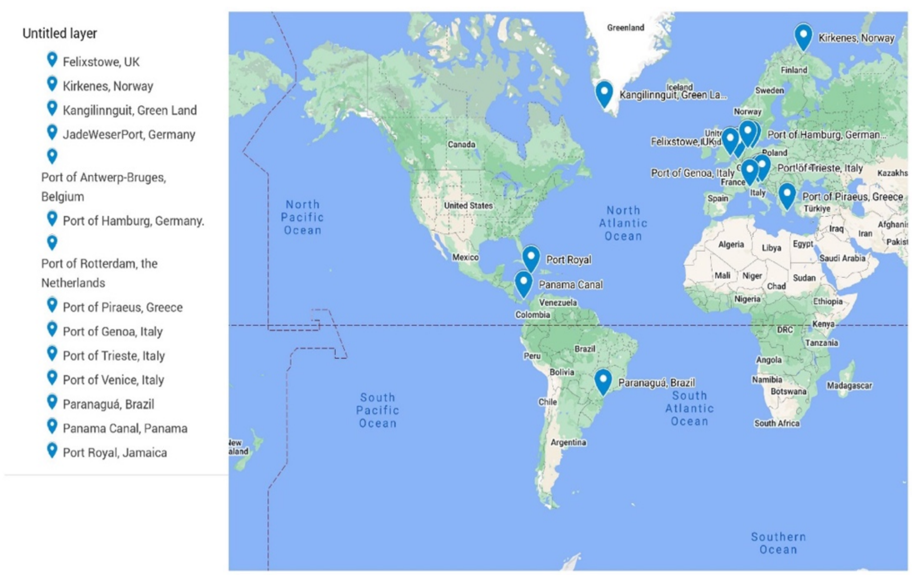
The book finds that Chinese firms often fail to gain footholds in European and LAC ports. Moreover, even when they do, their involvement does not automatically equate to successful project implementation or result in significant economic, political, and other effects. In view of the above, it is critical that policy makers temper their hopes and fears and reject sweeping claims about what will occur and its positive or negative implications. These findings have valuable policy implications. As for the former, various European and LAC case analyses show a supportive domestic and/or international political context as well as working relationship with China are necessary for initiating a ports partnership with Chinese firms and their advancement. Second, as one would expect, Chinese firms seek access to ports that are on or close to important shipping lanes, major transportation hubs, or strategically important. Third, host/participant countries need to create an enabling environment by easing regulatory barriers to Chinese involvement as well as secure the cooperation of regional and local governments and civil society groups. Fourth, a well-endowed Chinese partner with the necessary expertise and resources is crucial to maximize the realization of a port's potential. Fifth, host country should create a competitive environment to motivate Chinese firms to invest and improve operational performance.

Introduction

The People's Republic of China (PRC/China's) footprint in ports abroad has garnered much attention from media, academics, and policy makers because of the scale and rapidity with which it has grown over the last decade. A search on the internet using the keywords "China ports expansion" yields mostly alarmist reports emphasizing a unidimensional narrative of potential security and economic threats, but also glowing assessments replete with hyperbole about what is happening and the gains from China's participation in overseas ports. Such analyses provide a poor foundation for sophisticated policymaking. This is unfortunate because China's involvement in overseas ports raises significant policy questions relating to development strategies, port performance, foreign trade expansion and foreign investment attraction, the management of international relations and domestic politics, and environmental protection.

Chinese Overseas Ports in Europe and the Americas (Routledge, 2024) provides decisionmakers and their advisors with rich and timely information on China's increasing role in overseas ports through carefully crafted, comparative studies of the ports in Europe as well as Latin America and the Caribbean (LAC) that are listed below. Among other things, the book's case studies show where the PRC's involvement has or has not progressed, where and to what extent China's role in ports has yielded fruitful economic results, and in what ways China's presence in European and LAC ports has affected or been affected by external and internal political dynamics. The book details, in a clear and unbiased manner, the costs and benefits of Chinese involvement and throws light on the politico-economic milieu that shapes this involvement and its implications.

Ports discussed in the book



The next section elaborates on the book's economic findings and their policy implications. The subsequent section delves into *Chinese Overseas Ports in Europe and the Americas* political findings and their ramifications. The final section provides very brief overviews of the book's individual chapters.

Economic Findings and Some Policy Implications

• *Finding #1: Chinese involvement in overseas ports does not always happen. Realized participation requires the right political/operational environment, interest, and Chinese corporate follow-through.*

In eight of the twenty cases covered, Chinese participation did not happen.

Illustrations of "failures" include Groennedal and Kirkenes as well as Venice and Trieste. Groennedal and Kirkenes show that Chinese interest, though necessary, is not sufficient for China to gain presence in a port as an investor, contractor, or operator. International political factors intervened to torpedo the efforts of Chinese investors to gain stakes in both ports. Moreover, the unattractive features of these ports in terms of scale and connections bounded Chinese interest in them. In Venice, opposition at the federal level and by other regional political actors stopped a Chinese project. As for Trieste, China Merchants Port (CMP) eventually withdrew because of concerns that it might not be able to obtain sufficient control rights over the terminal to make its investments viable. Even the presence of both factors (a favorable political environment and Chinese firm interest), however, are not sufficient to produce a successful partnership. To illustrate, in Panama, Chinese companies established major footprints in the ports of Balboa, Cristobal, and Amador. However, a China Landbridge Group (Shandong) subsidiary found its contract for the development of Colon port voided by Comptroller General of Panama because it failed to fulfill its financial commitments.

Examples of "successes" include Genoa, Piraeus, and Paranaguá. The case of Genoa exemplifies how a good political context and sufficient Chinese interest and follow through facilitate success. China Ocean Shipping Company (COSCO) and Qingdao Port International's acquisition was facilitated by strengthening Italy-China ties. The Italian side heralded COSCO's arrival as a turning point for the port and an excellent opportunity to profit commercially and technically. Chinese investors showed strong interest in the port due to its infrastructure characteristics and the door it opened to Central European markets. The follow through by Chinese investors to position the port and enhancing its volumes was critical to the overall success of the venture.

✧ Policy implication #1: Attracting/facilitating Chinese participation may necessitate the tweaking of agreement terms or the liberalization of the port sector. It also may require host/participant states to improve port characteristics. Aside from this, it may be imperative for host/participant countries, China, and/or Chinese SOEs to create a supportive political context.

• *Finding #2: Chinese participation routinely improves port infrastructure and performance. Successes, though, neither occur automatically nor in a vacuum. They flow from a confluence of business, economic, political, port, and other characteristics, though the exact mix seems to vary across the countries and ports.*

In the UK, Belgium, Greece, Brazil, and Panama, Chinese investment and participation spurred numerous port improvements. Looking at Felixstowe, Zeebrugge, Piraeus, Paranaguá, and Genoa, we see new quays and wharfs, bigger and more modern terminals, logistics, and warehouse facilities, the installation of new cranes, the development of intermodal transportation links, and the introduction of new technologies as witnessed. These improvements expanded handling capacity, increased turnaround times, and reduced costs. They also boosted service offerings. With respect to port performance, improved results were highlighted in eight of the twelve cases where the issue was considered. Standout cases include the port of Rotterdam, where total container output "continued to grow since the first Chinese investments in terminals, from about 10 million TEUs in 2010 to more than 15 million TEUs in 2021," and Piraeus, where significant increases in the port's rankings, cargo and passenger volumes, and net income followed COSCO's arrival.

With respect to the aforementioned business, economic, political, port, and other traits, the study shows the value of Chinese partners with financial resources, expertise, and experience. COSCO, Hutchinson Ports Holdings (HPH), and CMP were able to leverage their strengths to enhance ports in Piraeus, Balboa, and Paranaguá as well as these ports' performance. In contrast, a contract for port work on Panama's Margarita Island of Panama, awarded to a subsidiary of Chinese company China Landbridge Group (Shandong), was terminated for lack of compliance. The analysis also demonstrates the importance of a positive (or, at least, not negative) image and, relatedly, benign political environment. Absent such, it is hard for Chinese companies to make long-term investments. HPH's positive image in the UK, a product of history, a long-standing presence in the UK, and other factors, gave it the space to modernize and expand Felixstowe. In the Port of Venice, a China Communications Construction Company (CCCC) project failed to take off due to "political-territorial" opposition and as a result the port lost out on infrastructure enhancement opportunities that would have enhanced its competitiveness. Port characteristics seem quite germane. Better port performance appears linked to ports that have already good water features, proximity to transportation networks internally or externally, and are not *de novo*. Interestingly, a competitive environment seems to prod Chinese companies to invest more and operate better. To illustrate, the nearby presence of DP World's London Gateway Port pushed HPH to invest massively in Felixstowe.

✧ Policy implication #2: Policymakers need to select their Chinese partners carefully. In addition, they should work carefully with their Chinese investors or contractors to nurture or preserve the latter's image or to foster a possible political environment. Furthermore, it may be unwise to treat Chinese companies as saviors, but rather as parties that can take an existing port with promising traits, to new heights. This has implications for site selection. Lastly, while cognizant of the need to lure Chinese firms, host/participant countries should try to maintain a competitive environment that incentives Chinese firms to excel.

• *Finding #3: Chinese participation in ports increases port connections domestically, regionally, and globally*

In eight of the twelve successful cases of Chinese involvement, port connections were boosted.

The book also highlights the synergy that Chinese involvement brings to ports through operational integration and their global network approach to port operations. This is exemplified in the sister ports agreement between Antwerp Port Authority and the port of Guangzhou, which includes inter-alia commercial collaboration, joint marketing, and exchange of best practice and information on port development. In Felixstowe, over 30 years of HPH's investments resulted in the port becoming ever more integrated into the company's European and global networks and more specifically with HPH's terminal operations in Rotterdam, an operational strategy that contributes significantly to the port's profitability.

Chinese participation in ports often is accompanied by projects that bolster port connections with the hinterland and develop port areas into logistics centers. To illustrate, in Germany, China Logistics Co., Ltd. invested EUR 100 million to build a logistic center, next to Jade Weser port, with a capacity of 40,000 sq. m of indoor and 110,000 sq. m of open storage space.

• *Finding #4: Chinese participation in ports can create a significant number of jobs or sustain positions that might be otherwise lost. In some cases, Chinese involvement raises questions about working conditions, the proportion of Chinese workers present, and the percentage of Chinese vs. local managers. In some instances, it fueled pre- and post-entry labor tensions.*

Jobs are mentioned in four cases with authors noting hundreds or thousands of jobs created or sustained. In Felixstowe, the port employed more than 2000, including managers, drivers, and rail and dock workers. Additionally, the port supports several hundred local jobs in companies clustered around the port. In Vado Gateway, COSCO boosted employment, hiring around 300 employees, most notably the unemployed. In Piraeus, COSCO asserts its investment created thousands of jobs directly and indirectly. Critics retort, though, that Chinese participation has increased job insecurity, worsened working conditions, and created a hostile environment for collective bargaining. It is not clear how much blame should be put on COSCO. The global shipping industry is intensely competitive, which means port investors, regardless of nationality, put a heavy premium on lowering costs. In three cases—Felixstowe, Hamburg, and Piraeus—the prospect of Chinese involvement sparked tensions with labor unions. In these cases, the tensions do not seem to have resulted from the fact the relevant companies were *Chinese*.

• *Finding #5: China's involvement in ports has sundry other benefits. These include increased concession fees and taxes for governments, technology transfer, and good and service sales opportunities for local firms.*

A direct benefit of Chinese participation in ports are the substantial amounts Chinese firms pay in the form of concession fees and taxes. For example, in Greece, COSCO pays substantial concession fees (EUR 5.4 million in 2019) and taxes (EUR 37.6 million in 2020) and makes significant use of Greek suppliers (EUR 61.6 million in 2020). As for technology transfer, the book finds that technology transfer could potentially be occurring both ways. CHP, through its ownership in the port of Rotterdam, gained access to increasingly sophisticated technology related to shipping and port management logistics. Similarly, the port of Paranaguá gained access to advanced technology which raised its container handling ability.

Political and Strategic Findings and Policy Implications

There is concern Chinese involvement in ports will draw host countries into China's orbit, making them more deferential to Chinese positions. For some these worries were validated by a slew of "pro-China" Greek actions flowing COSCO's expanded presence in Piraeus. The story is more complicated. Greece has not sacrificed any vital national interests. In addition, it has adopted various stances unfavorable to China such as following European Union (EU) human rights policies as well as disallowing participation by Huawei in its 5G network and Chinese SOEs in public tenders. Moreover, Greece's pro-China actions had something do with reducing its dependency on and increasing its bargaining power vis-à-vis Western countries and creditors. Even a relatively smaller country like Panama (in the case of the Margarita Island project) exercised agency to terminate Chinese projects that did not meet the expectations.

The book indicates that the potential for or an actual Chinese role in host/participant country ports can fuel domestic tensions. One example is Hamburg where decision making about the port became a divisive issue in national politics. This was exacerbated by the EU commission's paper that labeled China as an "economic competitor [and] systemic rival" and recommended that the EU "address the distortive effects of foreign state ownership and state financing," specifically mentioning transport infrastructure.

Even in Panama, far from the EU, the extension of HPH's involvement in the ports of Balboa and Cristobal was met with considerable resistance from special interest groups like the Chamber of Commerce, Industries, and Agriculture and political parties due to a belief that the terms and conditions of the contract did not adequately protect Panama's interests.

Overview of the Individual Chapters

The first chapter of the book provides general information, rationales, and positive and negative commentary on PRC's involvement in ports of Europe and LAC. The second chapter examines HPH's role in the port of Felixstowe. Chapter three delves into the reasons for Chinese companies' failure in investing in Scandinavian ports of Groennedal and Kirkenes and their success in Rotterdam.   The fourth chapter discusses the nature and effects of Chinese involvement in North European ports of Antwerp-Bruges, Hamburg, and Jade Weser. Chapter five discusses similar themes with respect to the Italian ports of Genoa, Trieste, and Venice. Chapter six details COSCO's involvement in Piraeus (Greece). Chapter seven throws light on Chinese investments in Brazil's port of Paranaguá and failed Chinese attempts to participate in Babitonga Grain Terminal, the Port of Sao Luis Private Terminal, and Porto Sul. Chapter eight discusses Chinese ports in Central America and the Caribbean, focusing on Balboa, Cristobal, and Amador Cruise (Panama) and Kingston and Goat Island (Jamaica).