



Clingendael

Netherlands Institute of International Relations

China, Europe and the Maritime Silk Road

Frans-Paul van der Putten
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Clingendael report



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March 2015

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Abbreviations

AIIB	Asian Infrastructure Investment Bank
ASEAN	Association of South-East Asian Nations
ASEM	Asia–Europe Meeting
AU	African Union
BCIM	Bangladesh–China–India–Myanmar
BTK	Baku–Tbilisi–Kars (railway)
CAMCE	China CAMC Engineering Company
CCCC	China Communication Construction Company
CEE	Central and Eastern Europe
CEEC	Central and Eastern European Countries
CHEC	China Harbour Engineering Company
CICA	Conference for Interaction and Confidence-Building Measures in Asia
CMHC	China Merchants Holdings (International) Company Ltd
CNOOC	China National Offshore Oil Company
COSCO	China Ocean Shipping Company
COSIC	COSCO Shipbuilding Industry Company
CSBC	China Shipping Bulk Carrier Company
CSCCL	China Shipping Container Lines
EU	European Union
FOCAC	Forum on China–African Cooperation
HP	Hewlett–Packard
HPH	Hutchins Port Holdings Ltd
LNG	Liquefied natural gas
MSC	Mediterranean Shipping Company
NATO	North Atlantic Treaty Organization
OOCL	Orient Overseas Container Line
PC	Personal computer
PCDC	Piraeus Consolidation and Distribution Centre
PLAN	People’s Liberation Army Navy
SCCT	Suez Canal Container Terminal
SCO	Shanghai Cooperation Organization
SIPG	Shanghai International Port Group
TEU	Twenty-foot equivalent units
UAE	United Arab Emirates
UN	United Nations
VLGC	Very large gas carrier

Executive Summary

The aim of this report is to assess how the Chinese involvement in ports along the Asia–Europe maritime corridor – from the South China Sea to the Mediterranean Sea – is relevant for the European Union. The Chinese government is currently developing an ambitious programme of maritime infrastructure construction along the main Asia–Europe shipping route. China’s initiative for a so-called ‘21st Century Maritime Silk Road’ is aimed at port development in South-East Asia, around the Indian Ocean and in the eastern Mediterranean region. The Chinese leadership publicly presented its initiative for a 21st Century Maritime Silk Road in October 2013. Earlier that year China had already launched its Silk Road Economic Belt initiative, which is aimed at infrastructure cooperation in a zone that stretches from Xinjiang (the north-western part of China) to the Baltic Sea. The Chinese government uses the term ‘One Belt, One Road’ to refer to the combination of these two initiatives. Chinese investment in large infrastructure projects constitutes the basis of One Belt, One Road. These projects are financed, constructed, supplied and sometimes operated by Chinese firms that are either state-owned or that otherwise have close relations with the Chinese government.

The developments described in this report are significant for the European Union. First, China is gradually becoming more influential economically and diplomatically – and eventually geostrategically – in regions close to Europe. Stronger investment and trade relations between China and countries in Africa, the Middle East and Central Asia are increasing China’s stake in regional affairs, as well as the need for these countries to maintain friendly relations with Beijing. For the time being, this process is hardly visible, since China is careful in such regions to keep a low profile in the military and security domain. Second, the Chinese government has an increased ability to influence which routes the trade between China and the EU flows. While this is not a matter of Beijing being able to switch between trade channels on an ad-hoc basis, the Chinese government has a growing leverage over how trajectories develop during the course of several years. The port of Piraeus is a good example: China’s decision to develop this Greek port has been decisive in creating a new trade link between Central Europe and Asia via Greece and the Balkans. This, in turn, affects intra-EU relations, since it helps the Eastern European economies to move away from their peripheral role within the EU. At the same time, the Chinese infrastructure strategy provides an opportunity to redefine and deepen EU–China relations. Third, in the long term it is likely that transport and supply chain routes involving Asia and Africa will increasingly bypass Europe. While China will strengthen its already central role in terms of logistics and transportation, Europe will at the same time lose much of the centrality that it long held in these areas. On the other hand, China’s engagement can help economic development in Europe’s neighbourhood, which contributes to stability and can help the EU’s own economic growth.

China’s new initiatives, as discussed in this report, will accelerate the growth of its influence in the maritime domain as well as in Asia, Africa and Europe more broadly. How this affects European interests depends in part on Europe’s response. A proactive approach to closely monitoring and working with China and local actors seems to be the best way to preserve a European role. Such engagement would also allow Europe to support and benefit from economic development in the sectors and regions affected by China’s infrastructure strategy.

1. Introduction¹

As the world's largest trading nation, China is responsible for approximately 10 per cent of the global trade in goods.² Most of these goods are transported by ship, and consequently China is a major destination and starting point of international shipping routes. Seven out of the ten busiest container ports in the world are located in China, with the port of Shanghai being the world's largest.³ Against this background, it is not surprising that China plays an active part in international shipping. Three Chinese shipping companies are among the twelve largest container transporters.⁴ China is the third-largest ship-owning nation,⁵ and the largest shipbuilding nation in the world.⁶ Moreover, Chinese ambitions in the international maritime domain go beyond shipping. Increasingly, Chinese firms are active in the construction and management of ports throughout the world.⁷ What is particularly relevant from a European perspective is that the Chinese government is currently developing an ambitious programme of maritime infrastructure construction along the main Asia–Europe shipping route. China's initiative for a so-called '21st Century Maritime Silk Road' is aimed at port development in South-East Asia, around the Indian Ocean and in the eastern Mediterranean region.⁸ For example, China Ocean Shipping Company (COSCO), a Chinese state-owned enterprise, is developing the port of Piraeus in Greece into a major hub at the European end of the

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- 1 The research for this report was funded by the Dutch Ministries of Foreign Affairs and Defence. The report is partly based on a presentation made at the workshop 'Energy and Geopolitics in the Eastern Mediterranean' organized by the University of Crete (Heraklion, 29–30 September 2014) and on Frans-Paul van der Putten, *Chinese Investment in the Port of Piraeus, Greece: The Relevance for the EU and the Netherlands*, Clingendael Report, The Hague: Clingendael, 14 February 2014: <http://www.clingendael.nl/publication/clingendael-report-chinese-investment-port-piraeus>. The authors are grateful to Nina Jolink for her valuable contribution, to Ko Colijn, Luc van de Goor, Elsabé Willeboordse, Sanne van der Lugt and Jeroen Franken for commenting on draft versions, and to Ron Veraart, Thanos Pallis (University of the Aegean), Hercules Haralambides (Erasmus University Rotterdam), Thanos Dokos (Eliamep), Ronald Kleijwegt (Hewlett-Packard) and André Vrijssen and his colleagues at IHC for discussions that provided valuable background information for this study.
 - 2 Jamil Anderlini and Lucy Hornby, 'China Overtakes US as World's Largest Goods Trader', *Financial Times*, 10 January 2015, <http://www.ft.com/cms/s/0/7c2dbd70-79a6-11e3-b381-00144feabdc0.html#axzz3QWveMjGk> (accessed 1 February 2015).
 - 3 World Shipping Council, 'Top 50 World Container Ports', <http://www.worldshipping.org/about-the-industry/global-trade/top-50-world-container-ports>; and Kyunghee Park, 'Shanghai Widens Lead over Singapore as Busiest Box Port', *Bloomberg Business*, 19 January 2015, <http://www.bloomberg.com/news/articles/2015-01-19/shanghai-widens-lead-over-singapore-as-world-s-busiest-box-port> (accessed 1 February 2015).
 - 4 'Top 100 Existing Fleet in February 2015', *Alphaliner*, <http://www.alphaliner.com/top100/>; and 'Dewry's Top Ten Global Terminal Operators', *Dewry*, 27 August 2013, <http://www.dewry.co.uk/news.php?id=232> (accessed 8 February 2015).
 - 5 UNCTAD, *Review of Maritime Transport 2013*, New York and Geneva: United Nations, 2013, p. 42; and 'Greece, Japan, China and Germany: Still the Dominant World Fleet Shipowners', *Hellenic Shipping News*, 17 December 2015, <http://www.hellenicshippingnews.com/greece-japan-china-and-germany-still-the-dominant-world-fleet-shipowners/> (accessed 24 December 2014).
 - 6 UNCTAD, *Review of Maritime Transport 2013*, pp. 58–59.
 - 7 'China's Foreign Ports: The New Masters and Commanders', *The Economist*, 8 June 2013.
 - 8 John C.K. Daly, 'China Focuses on its Maritime Silk Road', *Silk Road Reporters*, 17 July 2014; and 'China Accelerates Planning to Reconnect Maritime Silk Road', *Xinhuanet*, 16 April 2014, http://news.xinhuanet.com/english/china/2014-04/16/c_133267903.htm (accessed 2 November 2014).

Maritime Silk Road. As a result, the container terminal at Piraeus has been growing very rapidly over the past five years.⁹

The term 'silk road' has been in use since the nineteenth century and refers to the traditional east-west trading network across Eurasia and the Indian Ocean region that flourished prior to the sixteenth century.¹⁰ This network comprised both overland and maritime trading routes. By using this term, the Chinese government emphasizes the commercial and open nature of the modern version of this network. At the same time, the term evokes memories of China's past as a strong and prosperous country – a status that China's current leadership is trying to restore under an approach that it calls the Chinese Dream.¹¹ The Chinese leadership publicly presented its initiative for a 21st Century Maritime Silk Road in October 2013. Earlier that year, China had already launched its Silk Road Economic Belt initiative, which is aimed at infrastructure cooperation in a zone that stretches from Xinjiang (the north-western part of China) to the Baltic Sea. The Chinese government uses the term 'One Belt, One Road' (*yidai yilu*) to refer to the combination of these two initiatives.¹² Chinese investment in large infrastructure projects constitutes the basis of One Belt, One Road. These projects are financed, constructed, supplied and sometimes operated by Chinese firms that are either state-owned or that otherwise have close relations with the Chinese government.¹³

This report aims to assess how the Chinese involvement in ports along the Asia–Europe maritime corridor – from the South China Sea to the Mediterranean Sea – is relevant for the European Union (EU), in particular when seen in the context of the One Belt, One Road concept. One possible consequence could be that China will have increasing leverage over the trade routes between China and the EU. This could affect, in particular, transit countries and companies involved in transport and infrastructure, both within the EU and in the corridor between East Asia and Europe. Another potential consequence could be that Europe's role as a hub in international transport and logistics decreases to the benefit of other regions such as Central Asia, the Middle East, Africa, and China itself. Indeed, while both of these consequences are likely to occur, it is not clear to what extent this might be the case. In order to gain a better understanding of such developments, this report outlines China's involvement in maritime infrastructure, as well as the broader context of its role in shipping and railways between China and Europe.

9 Van der Putten, *Chinese Investment in the Port of Piraeus, Greece*.

10 Christina Lin, 'China's New Silk Road to the Mediterranean: The Eurasian Land Bridge and Return of Admiral Zheng He', *ISPSW Strategy Series* 165, Berlin: ISPSW, October 2011; and 'China's Initiatives on Building the Silk Road Economic Belt and 21st-Century Maritime Silk Road', *Xinhuanet*, <http://www.xinhuanet.com/english/special/silkroad/> (accessed 2 November 2014).

11 'The Chinese Dream', *China Daily*, <http://www.chinadaily.com.cn/china/Chinese-dream.html> (accessed 14 January 2015).

12 Justyna Szczudlik-Tatar, 'China's New Silk Road Diplomacy', *PISM Policy Paper* 34/82, December 2013, http://www.pism.pl/files/?id_plik=15818 (accessed 6 February 2014); Shannon Tiezzi, 'China's "New Silk Road" Vision Revealed', *The Diplomat*, 9 May 2014, <http://thediplomat.com/2014/05/chinas-new-silk-road-vision-revealed/> (accessed 29 June 2014); 'One Belt, One Road', *Caixin Online*, 12 October 2014, <http://english.caixin.com/2014-12-10/100761304.html> (accessed 24 December 2014); and 'Prof. Shi Ze: "One Road & One Belt" & New Thinking with Regard to Concepts and Practice', *The International Schiller Institute*, <http://newparadigm.schillerinstitute.com/media/one-road-and-one-belt-and-new-thinking-with-regard-to-concepts-and-practice/> (accessed 28 Jan. 2015).

13 This applies also to Hong Kong-based companies.

2. Chinese Involvement in Foreign Ports

Piraeus: China's New Gateway to Europe

The Chinese government regards the port of Piraeus in Greece as the main entry point for Chinese exports into the Southern, Eastern and Central EU, as well as the key hub for seaborne transportation across and around the Mediterranean Sea.¹⁴ In June 2014, China's Prime Minister Li Keqiang attended the China–Greece Marine Cooperation Forum and visited the port of Piraeus, which is partly operated by the Chinese state-owned firm COSCO. Li referred to COSCO's involvement in Piraeus as a 'pearl' in Sino–Greek cooperation,¹⁵ and stated China's ambition to help turn Piraeus into 'China's gateway into Europe', to make it into one of the most competitive ports in the world and to strengthen the port's inland railway links.¹⁶ Moreover, the Chinese prime minister also gave a speech in which he explained China's overall maritime policy. The fact that he chose Greece as the location for this speech symbolizes Greece's key role in China's maritime policy. In July 2014, Chinese President Xi Jinping also visited Greece to discuss closer cooperation. This rare succession of visits by the prime minister and the president of China underlines Greece's importance to China's foreign policy aims. The Chinese government and Chinese companies have expressed an interest in also investing in ports other than Piraeus, as well as in several airports, the electricity grid, and in the construction of a high-speed railway in Greece.¹⁷

From the perspective of the Chinese government, Greece is attractive as the European 'bridgehead' for the Maritime Silk Road – even though Greece is in a difficult economic position and consequently politically less stable. It is a relatively small EU member state, with increasingly close economic ties with China, and there are no major political sensitivities in Sino–Greek relations.¹⁸ Moreover, the two countries have a track record of cooperating with regard to the evacuation of Chinese nationals during several crises in the region. In March 2011, the Chinese government evacuated approximately 35,000 Chinese citizens from Libya during the civil war. The Chinese Navy and Air Force participated in this operation, which was the largest Chinese overseas evacuation operation to date, and the first in which

14 Alex Lennane, 'Hewlett Packard–Cosco Deal Spurs Optimism in Greek Logistics', *The Loadstar*, 7 November 2013, <http://theloadstar.co.uk/hewlett-packard-cosco-deal-spurs-optimism-in-greek-logistics/> (accessed 30 November 2013); and Nasos Mihalakas, 'Chinese "Trojan Horse": Investing in Greece or Invading Europe? (Part I)', *Foreign Policy Association*, 15 January 2011, <http://foreignpolicyblogs.com/2011/01/15/chinese-%E2%80%98trojan-horse%E2%80%99-investing-in-greece-or-invading-europe-part-i/> (accessed 30 November 2013).

15 'Li Expounds on China's Viewpoints in Maritime Affairs', *CCTV*, 21 June 2014, <http://english.cntv.cn/2014/06/21/VIDE1403318042720954.shtml> (accessed 29 June 2014).

16 Ilian Tsagas, 'Greece is China's Gateway to Europe', *PV Magazine*, 23 June 2014, http://www.pv-magazine.com/news/details/beitrag/greece-is-chinas-gateway-to-europe_100015501/#axzz3649QBpDV (accessed 29 June 2014).

17 Renee Maltezou, 'Greece Seeks Role as China's Gateway to Europe', *Reuters*, 20 June 2014, <http://www.reuters.com/article/2014/06/20/greece-china-assets-idUSL6N0P14DW20140620> (accessed 30 June 2014).

18 Sino–Turkish relations have in recent years been harmed by clashing views over Chinese rule over the Uyghur minority in Xinjiang.

the Chinese military played a supportive role. Most of the evacuees were brought from Libya to Greece in chartered passenger ships, and were flown back to China from there. In 2014, with assistance from the Greek Navy, the Chinese government coordinated another, smaller, evacuation of Chinese nationals from Libya.¹⁹ Previously, Greece had assisted in the evacuation of Chinese nationals during violent crises in Albania (1997) and Lebanon (2006).²⁰ While Greece is a member of the North Atlantic Treaty Organization (NATO) and hosts a US 'Naval Support Activity' at a Greek military base, in 2014 (then) Greek Prime Minister Antonis Samaras offered the Chinese Navy the use of maintenance and repair facilities on Crete and to conduct joint naval patrols.²¹ Greece's geostrategic position has long been of great interest to the European powers, the United States and Russia. China may affect the relationship between Athens and the EU, as it provides the Greek government – to some degree – with an alternative source of financial and diplomatic support.

COSCO's involvement in Piraeus began in 2009, when it obtained a concession from the Greek government to operate part of the port's container terminal for a period of 35 years.²² This concession relates to piers II and III of the container terminal. Under the agreement, pier I was to remain under the management of the Piraeus Port Authority, the Greek state-owned entity that previously operated the entire container terminal. The agreement obliged COSCO to make substantial investments in order to increase the throughput of containers. COSCO was also to add a new section to one of its two piers.²³ COSCO's investments have resulted in the rapid growth in container throughput. According to *Containerization International* magazine, in 2012 Piraeus was the world's fastest growing container port. By 2013 Piraeus entered the top 10 of the largest container ports in Europe. From 2009 until 2014, its container throughput increased five-fold, from 0.7 million twenty-foot equivalent units (TEU) to 3.6 million TEU.²⁴ In September 2013, COSCO and the Greek government reached an additional agreement, according to which the Chinese firm would invest an extra € 230 million in order to increase the capacity of its part of the terminal to 6.2 million

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- 19 'Chinese Nationals to Evacuate from Warring Libya', *China Daily*, 31 July 2014, http://www.chinadaily.com.cn/china/2014-07/31/content_18223061.htm; and 'Hundreds of Chinese Evacuated from Libya amid Growing Violence', *ABC News*, 2 August 2014, <http://www.abc.net.au/news/2014-08-03/chinese-evacuated-from-libya-as-violence-escalates/5643780> (accessed 23 October 2014).
- 20 John Fox and François Godement, *A Power Audit of EU-China Relations*, London: ECFR, April 2009, p. 83; and 'Another Batch of Chinese Evacuated from Lebanon', *China Daily*, 20 July 2006, http://www.chinadaily.com.cn/china/2006-07/20/content_645417.htm (accessed 23 October 2014).
- 21 'Greece, China Explore Maritime Ties', *Ekathimerini*, 14 July 2014, http://www.ekathimerini.com/4dcgi/_w_articles_wsite1_1_14/07/2014_541372 (accessed 14 February 2015).
- 22 The Greek government had also been in discussion with port-operating companies, in particular Hutchison Whampoa: 'Case Study: Piraeus Container Terminal', http://www.ppptransport.eu/wiki/index.php/Case_Studies:_Piraeus_Container_Terminal (accessed 6 December 2013). COSCO Pacific is the world's fifth largest container terminal operator, with a global market share of 9 per cent in terms of throughput; see COSCO Pacific, *Annual Report 2012*, Hong Kong: COSCO Pacific, 2013, title page. The company is listed on the Hong Kong stock exchange and 53 per cent-owned by COSCO Group.
- 23 The investment in pier III involved € 120 million and was financed through a twelve-year bank loan with repayments starting in 2016; see Keith Wallis, 'Expansion at Greek Container Terminal', *South China Morning Post*, 18 May 2012, <http://www.scmp.com/article/1001299/expansion-greek-container-terminal> (accessed 6 December 2013).
- 24 See http://ec.europa.eu/eurostat/statistics-explained/index.php/Maritime_ports_freight_and_passenger_statistics; and 'Piraeus Port Container Handling Breaks New Record', *Ekathimerini.com*, 6 February 2015, http://www.ekathimerini.com/4dcgi/_w_articles_wsite2_1_06/02/2015_546993 (accessed 26 February 2014).

TEU annually over the next seven years by expanding pier III.²⁵ COSCO is also investing in improved transit capacity, primarily by way of the railway link that was completed in 2013 between its terminal and the national railway system. Moreover, the company also established a distribution centre at Piraeus.²⁶

With COSCO's involvement, Piraeus is not only becoming an important gateway to the EU, but also a major transshipment hub in the Mediterranean. This is significant since the main shipping firms prefer to use increasingly large container ships on the Asia to Europe route that make stops only at the largest ports along the way.²⁷ The hub function of Piraeus goes beyond the Sino-EU trade relationship and affects regional shipping patterns in the Mediterranean and Black Sea. COSCO's involvement benefits Piraeus in at least three important ways. First, COSCO has introduced the most modern equipment available. Second, COSCO itself is a major shipping firm on the China-Europe route and thus a major customer for the Piraeus terminal. COSCO is part of the Green Alliance, which also includes K-Line, Hanjin and Yang Ming. Since these companies pool their vessels on the Asia-Europe route, this means that these COSCO partners' ships also call at Piraeus. Moreover, most major shipping companies – including Maersk Line, Mediterranean Shipping Company (MSC), French transportation company CMA CGM, China Shipping Container Lines and Evergreen Line – also make use of Piraeus.²⁸ In 2012, (then) COSCO Group Chairman Wei Jiafu stated that 29 shipping companies had long-term affiliations with COSCO's terminal at Piraeus.²⁹ Third, finally, although no exact figures are available, there are indications that the handling costs per container at the COSCO piers are lower than at other Mediterranean ports, while the piers' productivity is high. COSCO's part of the Piraeus container terminal, which has a considerably higher container throughput than the part that is operated by the Piraeus Port Authority, employs only about one-third of the number of regular workers (approximately

25 In return, COSCO would no longer have to pay the fees to the Piraeus Port Authority that had originally been agreed upon in 2009 until Greece's GDP returns to the level that it was before the start of the financial crisis. The European Commission in 2012 started an investigation concerning possible unlawful state aid. Only in late 2014 did the European Commission approve this additional agreement. In January 2015, COSCO commenced work on the expansion of pier III. See Port Technology, 'Piraeus Privatization Moves Closer with COSCO Investment', 3 September 2013, http://www.porttechnology.org/news/piraeus_privatisation_moves_closer_with_cosco_investment (accessed 30 November 2013); David Glass, 'Piraeus Privatization and the COSCO Pacific Expansion Deal', 3 September 2013, <http://www.seatrade-global.com/news/asia/piraeus-privatisation-and-the-cosco-pacific-expansion-deal.html> (accessed 3 December 2013); and 'COSCO Pier III Inaugurated', 26 January 2015, <http://www.dredgingtoday.com/2015/01/26/cosco-piraeus-pier-iii-inaugurated/> (accessed 30 January 2015).

26 COSCO Pacific holds its 50 per cent share in Piraeus Consolidation and Distribution Centre (PCDC) through its subsidiary COSCO Ports (Greece) Sarl. The other 50 per cent of PCDC is owned by Elgeka through its 50.01 per cent subsidiary Diakinisis Port (CY) Ltd; see <http://www.elgeka.gr/page/default.asp?la=2&id=1887>; and <http://english.capital.gr/news.asp?id=1238219> (accessed 20 August 2013).

27 'Mediterranean Battleground', *Port Strategy*, 10 February 2015, <http://www.portstrategy.com/news101/insight-and-opinion/post-script/Mediterranean-battleground> (accessed 13 February 2015).

28 See 'Piraeus Container Terminal to Remain Successful Despite Upcoming Launch of Turkey's Asyaport', *News Shipping*, 16 September 2013, <http://shipping.seenews.com/news/piraeus-container-terminal-to-remain-successful-despite-upcoming-launch-of-turkeys-asyaport-378099> (accessed 3 December 2013); and Keith Wallis, 'Expansion at Greek Container Terminal', 18 May 2012, <http://www.scmp.com/article/1001299/expansion-greek-container-terminal> (accessed 3 December 2013). Evergreen previously used the terminal at Taranto, Italy, which it partly owns, and may decide to shift back to that port.

29 The Secretariat General of Communication, 'Cultural Review of 40 Years of Diplomatic Relations', June 2012, http://www.minpress.gr/minpress/cultural_review_40_years_of_diplomatic_relations_june_2012-2.pdf (accessed 1 October 2013).

270)³⁰ compared with the Greek-operated pier (which has approximately 1,300).³¹ The local managing director of COSCO, Fu Chengqiu, has stated that productivity in its part of the terminal rose from ten to twelve containers per hour to 44 containers per hour since the Chinese company became involved.³² While costs are not the only relevant factor, the low costs of transshipment at Piraeus are one of the reasons for its rapid growth.³³

One indication of Piraeus's potential to grow further is the decision by Hewlett-Packard (HP) to relocate a major part of its distribution activities from Rotterdam to Piraeus. The personal computer (PC) final assembly locations of HP are, to a large extent, concentrated in China. According to an agreement signed in March 2013 between HP,³⁴ COSCO and Greece's national railway company, HP started to use Piraeus as the main ocean-freight gateway for South, Central and Eastern Europe, as well as Central Asia, North Africa and some parts of the Middle East.³⁵ HP's products for these markets – mainly desktop and laptop PCs, printers and related equipment, which are shipped from China to Greece in large container ships – are reshipped from Piraeus on smaller ships to numerous ports in the Mediterranean and the Black Sea. Moreover, goods destined for Central Europe are sent by train from Piraeus to the Czech Republic, from where they are distributed further. For HP, the main motive to use Piraeus as a distribution hub is to save costs: for ships coming to Europe from Asia via the Suez Canal, Piraeus is closer than other ports in the EU. Other companies have come to the same conclusion. Following HP's example, Huawei, ZTE and Sony have also begun using Piraeus as distribution hub.³⁶ Several other companies are interested in doing the same.³⁷ Furthermore, media reports say that there are plans to establish a duty-free zone linked to the two COSCO piers to assemble and finish imported products.³⁸ The Greek government offers exemption from paying value-added tax on imported goods to large firms that use Piraeus as a distribution hub for other countries in the region.³⁹

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- 30 Read the full article: Alain Salles, 'Can A Chinese Shipping Conglomerate Save Greece's Biggest Port?', *Worldcrunch*, 4 January 2013, <http://www.worldcrunch.com/business-finance/can-a-chinese-shipping-conglomerate-save-greece-039-s-biggest-port-piraeus-athens-port-harbor-cosco-china-fret-cargo-crisis-chinese-economy-suez-canal-mediterranean-sea-strikes/c2s10544/#.Upp3dPJgV9A> (accessed 1 December 2013). Only seven regular employees are Chinese. See Pierre Rimbart, 'The Future of Greece and Europe: China Lands in Greece', *Le Monde Diplomatique*, 1 February 2013.
- 31 Rimbart, 'The Future of Greece and Europe'.
- 32 Salles, 'Can a Chinese Shipping Conglomerate Save Greece's Biggest Port?'.
- 33 'Mediterranean Battleground'.
- 34 ANAmpa, 'PM Hails COSCO-HP-Trainose Agreement as Vote of Confidence', 1 March 2013, <http://www.amna.gr/english/articleview.php?id=2478> (accessed 30 November 2013).
- 35 See 'Pythagoras Papadimitriou-Port of Piraeus: Creating a Greek Transit Center', 6 June 2013, <http://www.slideshare.net/jmceunipi/pythagoras-papadimitriouport-of-piraeuscreating-a-greek-transit-center> (accessed 27 September 2013). Interview with R. Kleijwegt, Director of Logistics Europe, Middle East and Africa (EMEA), Hewlett-Packard, by telephone, 11 September 2013.
- 36 'China's Giant Huawei Invests in Greece's Piraeus Port', *MarineLink.com*, 13 December 2013, <http://www.marinelink.com/news/invests-greeces-piraeus361990.aspx> (accessed 18 December 2013); and Nikos Roussanoglou, 'Sony Chooses Piraeus as its Entry Point to Europe', *Ekathimerini*, 21 November 2014, http://www.ekathimerini.com/4dcgi/_w_articles_ws2_1_21/11/2014_544822 (accessed 13 February 2015).
- 37 E. Tsiliopoulos, 'Samsung Interested in Piraeus as a Hub', *New Greek TV*, 29 January 2014, <http://www.newgreektv.com/index.php/greece/item/3061-samsung-interested-in-piraeus-as-a-hub> (accessed 2 February 2014); and Lennane, 'Hewlett Packard-COSCO Deal Spurs Optimism in Greek Logistics'.
- 38 Lennane, 'Hewlett Packard-COSCO Deal Spurs Optimism in Greek Logistics'.
- 39 'VAT Exemption for Big Firms Using Greece as Transit Hub', *Ekathimerini*, 28 February 2013, http://www.ekathimerini.com/4dcgi/_w_articles_ws2_1_28/02/2013_485155 (accessed 1 March 2013).

COSCO is eager to expand its role even further at Piraeus. The previous Greek government was preparing to privatize Greece's major ports – that is, Piraeus and Thessaloniki⁴⁰ – and COSCO was among the candidates to buy majority stakes in these ports.⁴¹ Four other parties had also expressed an interest in bidding for Piraeus,⁴² including the Danish shipping and port management giant Maersk, and a US firm, Ports America.⁴³ The winner of the bid would have obtained 67 per cent of the shares in the Piraeus Port Authority, and thus the exclusive right to use and develop the entire port, including all the container, passenger, cargo and oil terminals, plus adjacent real estate. However, national elections were held in Greece in early 2015, which led to a major victory for the left-wing Syriza party. Immediately after the new Syriza-led government was inaugurated, it announced that it would put all privatization plans, including for Piraeus, on hold.⁴⁴ This occurred just days before the deadline of the bidding procedure, and only a few days after COSCO had formally initiated works for the € 230 million expansion of pier III according to the September 2013 agreement that was mentioned earlier.⁴⁵

It is unclear how Syriza's victory in the Greek elections of January 2015 will influence the relationship between China and Greece. Not long after the new Greek government assumed office, the Greek and Chinese prime ministers confirmed in a telephone call that both remain committed to cooperating on Chinese investment in Greece, the port of Piraeus, and the Maritime Silk Road.⁴⁶ Despite uncertainty about the privatization of the Piraeus Port Authority, the Greek government has so far left the 35-year lease agreement with COSCO untouched.⁴⁷ The Chinese company is therefore likely to continue its efforts to develop the role of the port as a major hub, which continues to be of great strategic relevance to China.⁴⁸

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- 40 'Greek Government Plans to Privatize 12 Ports and 29 Airports', *Happens in Greece*, 20 December 2011, <http://www.happeninggreece.com/greek-government-plans-to-privatize-12-ports-and-29-airports/> (accessed 29 August 2013).
- 41 COSCO is also interested in the Port of Thessaloniki; interview with F. Voumvaki.
- 42 'The Piraeus Port Authority (OLP) Privatization', *Norton Rose Fulbright*, March 2014, <http://www.nortonrosefulbright.com/knowledge/publications/113743/the-piraeus-port-authority-olp-privatization> (accessed 24 October 2014).
- 43 Angeliki Koutantou, 'China's COSCO, Five Other Suitors Express Interest in Piraeus Port', *Reuters*, 28 April 2015, <http://www.reuters.com/article/2014/04/28/greece-privatisation-piraeus-idUSL6N0NK2KQ20140428> (accessed 24 October 2014).
- 44 Letteris Papadimas and Renee Maltezou, 'Greek PM Tsipras Freezes Privatizations, Markets Tumble', *Reuters*, 28 January 2015, <http://www.reuters.com/article/2015/01/28/us-greece-politics-idUSKBN0L10VP20150128> (accessed 29 January 2015). The Syriza-led government does appear to regard China as an important counterpart. Its leader, Alexis Tsipras met with the Russian and Chinese ambassadors in Athens just prior to his inauguration as the new prime minister; see Judy Dempsey, 'Alexis Tsipras and Greece's Miserable Foreign Policy', *Carnegie Europe*, 29 January 2015, http://carnegieeurope.eu/strategieurope/?fa=58864&mkt_tok=3RkMMJWWf9wsRonvKXNZKXonjHpfSx67Q0vW6Kg38431UFwdcjKpmjr1YIGRcR0aPyQAgobGp515FEIQ7XYTLB2t60MWA%3D%3D (accessed 29 January 2015).
- 45 Nikos Roussanoglou, 'Work Gets Started on New Piraeus Terminal', *Ekathimerini*, 22 January 2015, http://www.ekathimerini.com/4dcgi/_w_articles_wsite2_1_22/01/2015_546459 (accessed 29 January 2015).
- 46 'Foreign Ministry Spokesperson Hua Chunying's regular press conference on February 12 2015', Permanent Mission of the People's Republic of China to the UN, 12 February 2015, <http://www.china-un.org/eng/fyrth/t1237311.htm> (accessed 13 February 2015).
- 47 'Finance Ministry Backs COSCO Deal in Piraeus, Not Further Privatization', *Ekathimerini*, 10 February 2015, http://www.ekathimerini.com/4dcgi/_w_articles_wsite2_1_10/02/2015_547092 (accessed 13 February 2015).
- 48 However, while Beijing will probably look for ways to maintain close relations with Athens, the Chinese government may now be less inclined to focus only on Piraeus as a crucial component in the One Belt, One Road initiative. In the coming years, China may look for other Mediterranean ports that welcome Chinese investment and that can play roles similar to that of Piraeus.

Not only is Piraeus a primary European bridgehead for the Maritime Silk Road, but it is also the hub that connects the Maritime Silk Road to the projected rail network of the Silk Road Economic Belt.⁴⁹

Other Ports and Maritime Infrastructure Projects with Chinese Involvement

While Piraeus is China's main port infrastructure project at the western end of the Maritime Silk Road, the many major seaports in China itself – Shanghai, Shenzhen and Hong Kong being the largest⁵⁰ – constitute its eastern end. Between these two ends, the two most important strategic passages are the Strait of Malacca and the Suez Canal. The main ports in the Strait of Malacca are Singapore and Port Klang (Malaysia), in both of which Chinese involvement is limited. Singapore, in particular, is important for maritime shipping, as it is the main logistical hub for South-East Asia and the world's second largest container port. While COSCO is a minority shareholder in (part of) a Singaporean container terminal, the port of Singapore is firmly controlled by the city-state itself.⁵¹ On the east coast of the Malay peninsula, China intends to spend US\$ 2 billion to improve the port of Kuantan.⁵² There has been some speculation as to whether China might become involved in the construction of a canal across southern Thailand to connect the Gulf of Thailand with the Andaman Sea (the Kra Canal).⁵³ This would create a route that is an alternative to the Strait of Malacca. However, no such canal project has as yet been initiated.

Similar to the situation in Singapore, COSCO holds a minority share in the Suez Canal Container Terminal, part of Port Said East Port at the northern end of the Suez Canal. Chinese construction companies such as China Harbour Engineering Company (CHEC) and China Communication Construction Company (CCCC) have been active in construction works at Port Said East Port and al-Adabiya port (at the Suez Canal's southern end).⁵⁴ In 2014, the Egyptian government initiated a major expansion of the Suez Canal's capacity, which should limit the waiting times for ships before they can enter the canal.⁵⁵ Although CHEC attempted to obtain a contract for the dredging work involved, Egypt has awarded the contract to a

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- 49 Victoria Ruan, 'Syriza Party Win in Greek Election Unlikely to Hurt Chinese Investment', *SCMP*, 24 January 2015, <http://www.scmp.com/news/world/article/1690209/syriza-party-win-greek-election-unlikely-hurt-chinese-investment> (accessed 29 January 2015).
- 50 'Top 50 World Container Ports', *World Shipping Council*, <http://www.worldshipping.org/about-the-industry/global-trade/top-50-world-container-ports> (accessed 14 February 2015).
- 51 Singapore has good relations with China but is autonomous in its foreign policy and allows the US Navy to use its naval facilities and to station so-called littoral combat ships on a rotational basis.
- 52 Shannon Tiezzi, 'The Maritime Silk Road vs. the String of Pearls', *The Diplomat*, 13 February 2014, <http://thediplomat.com/2014/02/the-maritime-silk-road-vs-the-string-of-pearls/> (accessed 16 February 2015).
- 53 'Maritime Silk Road to Include Thai Canal?', *World Maritime News*, 3 February 2015, <http://worldmaritimenews.com/archives/151043/maritime-silk-road-to-include-thai-canal/> (accessed 13 February 2015).
- 54 Emma Scott, 'China's Silk Road Strategy: A Foothold in the Suez, but Looking to Israel', *China Brief*, Vol. 14, Issue 19, 10 October 2014, http://www.jamestown.org/single/?tx_ttnews%5Btt_news%5D=42943&tx_ttnews%5BbackPid%5D=228&cHash=f241d237a5e9ecddc59f419d2a5f52cd#.VEp1_hTCTIU (accessed 24 October 2014).
- 55 Kareem Fahim, 'Egypt has Ambitious Plan for Suez Canal Expansion', *The New York Times*, 6 August 2014, http://www.nytimes.com/2014/08/06/world/middleeast/egypt-has-ambitious-plan-for-suez-canal-expansion.html?_r=0 (accessed 24 October 2014).

Dutch–Belgian–United Arab Emirates (UAE) consortium.⁵⁶ During a visit by Egypt’s President Abdel Fattah el-Sisi to China in December 2014, the two countries agreed that China would increase its cooperation with Egypt on the Suez Canal.⁵⁷ It is not clear what this cooperation would entail. Still, for the time being, CHEC and other Chinese maritime construction contractors may benefit indirectly from the Egyptian canal project. Because of the large size of the works in Egypt, dredging companies from Belgium and the Netherlands – which are influential in the international dredging market – have limited capacity left to participate in projects elsewhere. Their Chinese competitors may be able to benefit from this by acquiring contracts for port projects in Asia and Africa. Moreover, indirectly related to the Suez Canal is China’s cooperation with Israel to construct a railway that connects the Red Sea port of Eilat and the Mediterranean port of Ashdod. This ‘Red–Med’ railway should form – to some degree – an alternative route for container traffic to the Suez Canal. In 2014, China and Israel signed a memorandum for the implementation of this plan.⁵⁸ Chinese firms are to be involved in the financing and building of this railway.⁵⁹ In September 2014, the Israeli government signed a contract with CHEC for the building of a new container port at Ashdod, to be constructed near the existing port.⁶⁰

Apart from Piraeus, Port Said and Singapore, Chinese port operators are involved in a number of other ports in the Asia–Europe maritime corridor. The Chinese state-owned enterprises COSCO, Shanghai International Port Group (SIPG) and China Shipping Group have minority stakes in two Belgian container terminals (COSCO at Antwerp and the latter two companies at Zeebrugge).⁶¹ Hutchison Port Holdings (HPH), a subsidiary of the Hong Kong-based conglomerate Hutchison Whampoa, operates terminals in Thailand, Vietnam, Myanmar, Pakistan (Karachi), Egypt, Spain and Italy, as well as in Rotterdam, Europe’s largest port. A Chinese company called China Overseas Port Holdings operates Gwadar Port in Pakistan.⁶² Some of the Chinese-operated terminals around the Indian Ocean were built or improved by Chinese construction companies. This is the case with Gwadar Port, which was built by

56 ‘Dutch Dredging Firms Win New Suez Canal Mega Contract’, *Dutch News*, 20 October 2014, http://www.dutchnews.nl/news/archives/2014/10/boskalis_wins_suez_canal_mega_php (accessed 24 October 2014).

57 Shannon Tiezzi, ‘China’s Egypt Opportunity’, *The Diplomat*, 24 December 2014, <http://thediplomat.com/2014/12/chinas-egypt-opportunity/> (accessed 10 February 2015).

58 Jon Emont, ‘Will Bibi’s Chinese Choo-Choo Train Save Israel and Transform the Middle East?’, *Tablet Magazine*, 16 June 2014, <http://www.tabletmag.com/jewish-news-and-politics/175373/red-med-link-china-israel?print=1> (accessed 24 October 2014).

59 Scott, ‘China’s Silk Road Strategy’.

60 David Shamah, ‘China Firm to Build New Ashdod “Union Buster” Port’, *The Times of Israel*, 23 September 2014, <http://www.timesofisrael.com/china-firm-to-build-new-ashdod-union-buster-port/>; and ‘China Harbour Engineering Subsidiary to Build New Port at Ashdod in Israel’, *Reuters*, 23 June 2014, <http://www.reuters.com/article/2014/06/23/shipping-israel-idUSL6N0P45AD20140623> (accessed 24 October 2014).

61 COSCO Pacific, *Annual Report 2013*, Hong Kong: COSCO Pacific, 2014, pp. 193–194; and <http://www.nieuwsbladtransport.nl/Nieuws/Article/tabid/85/ArticleID/34100/ArticleName/ChinaShippingkooptbelanginZeebrugseterminal/Default.aspx> (accessed 15 February 2015).

62 ‘China Confirms Takeover of Pak’s Gwadar Port’, *The Times of India*, 4 September 2012, <http://timesofindia.indiatimes.com/world/china/China-confirms-takeover-of-Paks-Gwadar-port/articleshow/16252909.cms> (accessed 15 February 2015); Declan Walsh, ‘Chinese Company will Run Strategic Pakistani Port’, *The New York Times*, 31 January 2013, http://www.nytimes.com/2013/02/01/world/asia/chinese-firm-will-run-strategic-pakistani-port-at-gwadar.html?_r=0 (accessed 15 February 2015); and Robert D. Kaplan, ‘China’s Port in Pakistan?’, *Foreign Policy*, 27 May 2011, <http://foreignpolicy.com/2011/05/27/chinas-port-in-pakistan/> (accessed 15 February 2015).

CHEC, which is also involved in the extension of Qasim Port near Karachi.⁶³ Also in Pakistan, HPH has built a container terminal at the port of Karachi.⁶⁴ Chinese firms are reportedly interested in investing in the 'iHavan' port in the Maldives,⁶⁵ a large infrastructure project that includes the development of a transshipment port, an export processing zone, an airport and a cruise hub.⁶⁶ In Bangladesh, CHEC was recently awarded a contract for constructing a new deep-sea port at Sonadia Island.⁶⁷ In Myanmar and Sri Lanka, various Chinese firms are participating in the development of major maritime infrastructure projects. China Merchants Holdings (International) Company (CMHC), a Hong Kong-based firm, has a joint venture with the Sri Lanka Port Authority, and has developed a 2.4 million TEU-capacity terminal in the Port of Colombo. Together with the construction rights, it has a 35 years' contract to operate this port.⁶⁸ A second major project in the south of Sri Lanka is the construction of Hambantota Port, where CMHC and CHEC will develop and operate a container terminal.⁶⁹ China was also to build a 'port city' in Colombo, a US\$ 1.5 billion project that, however, was suspended by Sri Lanka's new government, which came to power after the elections in early 2015.⁷⁰ Moreover, along Africa's east coast, apart from the previously mentioned activities in Egypt, Chinese firms are engaged in various port projects. CCCC is expanding Port Sudan in Sudan,⁷¹ as well as Lamu Port in Kenya, which is part of the South Sudan–Ethiopia–Kenya corridor.⁷² CMHC has a 23.5 per cent stake in Port de Djibouti in Djibouti.⁷³ In Tanzania, CHEC is constructing a major new deep-sea container port in Bagamoyo, which is projected to have

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- 63 China Harbour Engineering Company, 'Ongoing Projects', <http://www.chec.bj.cn/tabid/75/Default.aspx> (accessed 20 August 2014).
- 64 Hutchison Port Holdings Limited, 'Global Businesses, Ports', <http://www.hph.com/globalbusiness/ports.aspx> (accessed 20 August 2014).
- 65 Invest Maldives, 'Ihavanddhippolhu Integrated Development Project (IHavan)', <http://investmaldives.org/investmaldives/strategic-investment-guide/strategic-investment-projects/ihavanddhippolhu-integrated-development-project-ihavan/> (accessed 4 October 2014).
- 66 C. Raja Mohan, 'Modi's Ports', *The Indian Express*, 20 August 2014, <http://indianexpress.com/article/opinion/columns/the-great-game-folio-modis-ports/> (accessed 23 August 2014).
- 67 Syful Islam, 'MoU Readied for Building Deep-Sea Port by Chinese Co', *The Financial Express*, 5 June 2014, <http://www.thefinancialexpress-bd.com/2014/06/05/37854/print> (accessed 20 August 2014).
- 68 Anusha Ondaatjie, 'Sri Lanka Opens \$500 Million Port Terminal Built by China', *Bloomberg Business*, 5 August 2013, <http://www.bloomberg.com/news/2013-08-04/sri-lanka-to-open-500-million-container-terminal-built-by-china.html> (accessed 20 August 2014).
- 69 Greg Kowler, 'China Merchants Makes Second Huge Investment in Sri Lanka Ports', *The Journal of Commerce*, 17 September 2013, http://www.joc.com/port-news/china-merchants-makes-second-huge-investment-sri-lanka-ports_20140917.html (accessed 20 August 2014).
- 70 While the new government under President Maithripala Sirisena is regarded as less pro-Beijing than its predecessor, it said it wants to continue cooperating with China: 'Sri Lanka Approves Chinese Port Project to Avoid "Misunderstanding" with Beijing', *The Guardian*, 6 February 2015, <http://www.theguardian.com/world/2015/feb/06/sri-lanka-approves-chinese-port-project-to-avoid-misunderstanding-with-beijing> (accessed 13 February 2015); and Meera Srinivasan, 'Sri Lanka to Go Ahead with Chinese-funded Port City in Colombo', *The Hindu*, 5 February 2015, <http://www.thehindu.com/news/international/south-asia/sri-lanka-to-go-ahead-with-chinesefunded-port-city-in-colombo/article6861236.ece> (accessed 13 February 2015).
- 71 CCCC, 'Overseas', http://en.ccccltd.cn/business/overseas/index_1.html (accessed 23 February 2015).
- 72 'Kenya: Chinese Firm to Build Three Berths in Kenya's Lamu Port', *AllAfrica*, 5 August 2014, <http://allafrica.com/stories/201408070609.html> (accessed 27 February 2015).
- 73 China Merchants Group, 'Ports', <http://www.cmhk.com/n125/n141/c24537/content.html> (accessed 23 February 2015).

a capacity of 20 million TEU,⁷⁴ and in Dar es Salaam, HPH operates a container terminal.⁷⁵ In Mozambique, CHEC is active in the port of Maputo,⁷⁶ while China has agreed to help with improvements at the fishing port of Beira.⁷⁷

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- 74 Corianna Egan, 'China Helps Fill Africa Port Infrastructure Vacuum', *Journal of Commerce Online*, 12 December 2014, http://www.joc.com/port-news/international-ports/china-investing-big-africa-build-%E2%80%98maritime-silk-road%E2%80%99_20141212.html (accessed 23 February 2015).
- 75 HPH, 'Global Business', <http://www.hph.com/globalbusiness/ports.aspx?selgid=20#section20> (accessed 23 February 2015).
- 76 CHEC, 'Projects', <http://www.chec.bj.cn/zq/tabid/66/Default.aspx> (accessed 23 February 2015).
- 77 'Mozambique and China Sign Agreement on Fishing Port', *AllAfrica* 10 September 2014, <http://allafrica.com/stories/201409101596.html> (accessed 27 February 2015).

3. Chinese Activities at Sea

Besides constructing and operating ports, China also deploys several activities at sea, both commercial and military.

China's Commercial Activities

China is a major player in several commercial maritime sectors. As was mentioned in the introduction, it leads in shipbuilding: in 2013 China built 41 per cent of the world's new ships, followed by Korea and Japan. It mostly builds dry bulk ships (57 per cent of tonnage delivered), oil tankers (18 per cent) and container ships (14 per cent).⁷⁸ These include high-tech ships such as liquefied natural gas (LNG) ships, very large gas carrier (VLGC) ships, super-large container ships, duplex stainless steel chemical vessels, marine law enforcement vessels, public service vessels and ocean fishing vessels. The number of new ships orders in China amounted to more than 47 per cent of the total new orders worldwide.⁷⁹ Two prominent shipbuilders are both subsidiaries of COSCO: COSCO Shipyard Group Company; and COSCO Shipbuilding Industry Company (COSIC). COSCO Shipyard Group is specialized in large vessel building, but also marine engineering construction, and provides ship repairing services. COSIC is a large enterprise that has a strong focus on shipbuilding and ship equipment.

China plays a very active role in shipping, both in the container and the bulk cargo market. It is the third-largest ship-owning country in terms of tonnage and the largest in terms of numbers, with 5,312 ocean-going merchant ships.⁸⁰ China has three major container carriers: COSCO; China Shipping Container Lines (CSCL); and Orient Overseas Container Lines (OOCL), which are listed as the fifth, seventh and twelfth largest container-line companies respectively.⁸¹ Concerning bulk shipping, COSCO has the world's largest dry bulk shipping cargo fleet, with an annual volume of more than 200 million tons of cargo. China Shipping Bulk Carrier Company (CSBC) is also a major player that operates more than 260 vessels. In container shipping, COSCO is part of the CKYHE Alliance (with Japan's 'K' Line, Taiwan's Yang Ming, South Korea's Hanjin and Taiwan's Evergreen lines). They pool together on the route from Asia to Europe (and vice versa). OOCL is part of the G6 Alliance, together with APL (Singapore), Hapag-Lloyd AG (Germany), Hyundai Merchant Marine (South Korea), Mitsui OSK Lines (Japan), and Nippon Yusen Kaisha (Japan). The G6 Alliance was formed in late 2011 and began to operate in March 2012 in Asia-Europe and Mediterranean trade. Their cooperation expanded to trade between Asia and North America's east coast in May 2013. The alliance deploys a total of approximately 240 vessels, connecting 66 Asian, American and European ports. Despite these impressive numbers, it should be noted that China's shipping industry is faced with several severe problems, such as strong international competition, economic crises and overcapacity. The Chinese government has recently announced an

78 UNCTAD, *Review of Maritime Transport 2013*, New York and Geneva: United Nations, 2013, pp. 58–59.

79 China Research and Intelligence, *Research Report on China Shipbuilding Industry 2014–2018*, March 2014, abstract available at <https://www.bharatbook.com/marine-and-shipping-market-research-reports-354707/research-report-on-china-shipbuilding-industry-2014-2018.html>.

80 UNCTAD, *Review of Maritime Transport 2013*, p. 42.

81 'Top 100 Existing Fleet', *Alphaliner*, <http://www.alphaliner.com/top100/> (accessed 5 August 2014).

investment of 1.8 billion yuan (around € 230 million) to upgrade outdated fleets in order to make the ships more efficient, safe, and environmentally friendly.⁸²

It is not only Chinese firms that put their stamp on the shipping industry; the Chinese authorities have an international reach that affects global market conditions. One telling example is the 2012 decision by the Chinese authorities to restrict port rights for very large ships, formally for safety reasons. This has particularly hit the Brazilian mining giant Vale, which could not use its new series of 'Very Large Ore Carriers' (so called 'Valemaxes') for shipments to China, the world's largest iron ore importer.⁸³ Vale had 24 out of 35 of these huge carriers built in China, and was confident that these ships would be welcomed in China, since Chinese banks invested substantially in this project as well. Many observers believed that the Chinese denial of port access to these ships was aimed at protecting the market share of COSCO, which was experiencing major financial difficulty.⁸⁴ In September 2014, Vale and COSCO signed an agreement according to which Vale would transfer four Valemaxes to COSCO, while ten ships of this type were to be built by COSCO.⁸⁵ The Chinese authorities subsequently allowed these ships to enter Chinese ports.⁸⁶ Another example of the power of the Chinese authorities is the blocking in 2014 by the Chinese competition authority of the proposed P3 Network shipping alliance between Denmark's AP Møller-Maersk, Switzerland's MSC and France's CMA CGM.⁸⁷ These parties, the world's three largest shipping companies, announced in 2013 the establishment of an alliance to pool 255 ships in 29 loops (Asia-Europe, Trans-Pacific and Trans-Atlantic), for a minimum period of ten years. This was the second time that the Chinese competition authority has blocked a transaction, but the first time that it has blocked a 'foreign-to-foreign' deal. It has expressed concerns about the large market share of the parties when combined (46.7 per cent) on the Asia-Europe route, the high degree of concentration in the market, the difficulty for new market entries, and the weakened negotiation power of shippers and ports.⁸⁸ Since Chinese law requires the competition authority to assess the potential effects on China's 'national economic development',⁸⁹ the decision was interpreted internationally as an effort to protect Chinese

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- 82 Brenda Goh, 'China Outlines Plan to Modernize Shipping Industry, Shares Jump', *Reuters*, 3 September 2014, <http://uk.reuters.com/article/2014/09/03/uk-china-shipping-idUKKBN0GY0FW20140903> (accessed 20 September 2014); and Gert van Harskamp, 'Staatsteun Chinese Rederijen voor vlootverbetering', *Nieuwsblad Transport*, 2 October 2014, <http://www.nieuwsbladtransport.nl/Nieuws/Article/tabid/85/ArticleID/42253/ArticleName/StaatsteunChineserederijenvoorvlootverbetering/Default.aspx> (accessed 10 October 2014).
- 83 Leslie Hook and Robert Wright, 'China Blocks Vale's Large Iron Ore Carriers', *Financial Times*, 31 January 2012, <http://www.ft.com/intl/cms/s/0/b0fa84e6-4bf6-11e1-b1b5-00144feabdc0.html#axzz3SeZpvAWL> (accessed 20 August 2014).
- 84 Abheek Bhattacharya, 'China Sends Shipping Consolidation Adrift', *The Wall Street Journal*, 18 June 2014, <http://www.wsj.com/articles/heard-on-the-street-china-sends-shipping-consolidation-adrift-1403099233> (accessed 20 August 2014).
- 85 Pascale Massot, 'Rough Sailing in the Iron Ore Shipping Business', *East Asia Forum*, 3 October 2014, <http://www.eastasiaforum.org/2014/10/03/rough-sailing-in-the-iron-ore-shipping-business/> (accessed 10 October 2014).
- 86 Cecilia Jamasmie, 'Valemax Finally Allowed at Chinese Port', *Mining.com*, 10 October 2014, <http://www.mining.com/valemax-finally-allowed-at-chinese-port-51195/> (accessed 13 February 2015).
- 87 'China Blocks Proposed Three Way Shipping Alliance', *Financial Times*, 17 June 2014, <http://www.ft.com/intl/cms/s/0/a9a188be-f60f-11e3-83d3-00144feabdc0.html#axzz3MjLA53ZB> (accessed 10 August 2014).
- 88 Jingweh Zhu, 'Chinese Antitrust Regulator Prohibits P3 Shipping Alliance', *DLA Piper*, 19 June 2014, <https://www.dlapiper.com/it/netherlands/insights/publications/2014/06/chinese-antitrust-regulator-prohibits-p3/> (accessed 23 June 2014).
- 89 Brad Lui and Lei Ouyand, 'China's MOFCOM Blocks P3 Alliance', *Marrison & Foerster*, 23 June 2014, http://www.mofo.com/~/_media/Files/ClientAlert/140623MOFCOMP3Alliance.pdf.

shipping companies.⁹⁰ The proposed alliance had been allowed by EU and US competition authorities.

Chinese firms are also active in commercial activities at sea other than shipbuilding and shipping. China, which is the world's largest fish producer and exporter, also has the largest distant-waters' fishing fleet.⁹¹ With regard to the China–Europe maritime corridor, Chinese fishing boats are active in the China Seas, the Indian Ocean and in the Mediterranean Sea.⁹² In the energy sector, Chinese companies are very active in offshore oil and gas production in the South China Sea. One of these companies, China National Offshore Oil Company (CNOOC), recently expressed an interest in investing in the Mediterranean, focusing on the recently discovered Aphrodite offshore gas field in the exclusive economic zone of Cyprus.⁹³ As new opportunities for offshore oil and gas exploration are becoming available off the East African coast, Chinese energy companies might also become more active in the Indian Ocean.⁹⁴ Finally, China is also increasingly interested in possibilities for seabed mining. In early 2015, the Chinese manned submersible *Jiaolong* began exploring the Indian Ocean seabed in search of rare metals.⁹⁵ The *Jiaolong* has the greatest depth range of any manned submersible, which gives China a lead over other countries with regard to seabed exploration at great depths.⁹⁶ Moreover, it gives China the ability to detect underwater communication cables and conduct salvage operations at such depths.⁹⁷

China's Naval Activities

The Chinese People's Liberation Army Navy (PLAN) is the largest navy in Asia in terms of ships, with some 77 principal surface combatants, more than 60 submarines, 55 medium and large amphibious ships, one aircraft carrier, and roughly 85 missile-equipped small combatants.⁹⁸ The Chinese Navy is currently replacing its older ships with fewer but more

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- 90 Abheek Bhattacharya, 'China Sends Shipping Consolidation Adrift', *The Wall Street Journal*, 18 June 2014, <http://www.wsj.com/articles/heard-on-the-street-china-sends-shipping-consolidation-adrift-1403099233> (accessed 20 August 2014).
- 91 R. Blomeyer, I. Goulding, D. Pauly, A. Sanz and K. Stobberup, *The Role of China in World Fisheries*, The European Parliament, Directorate General Internal Policies, Policy Department B, Structural and Cohesion Policies, 2012, p. 37; and Uwe Hoering, 'Fishing in Distant Waters', *Globe Spotting*, November 2013, <http://www.globe-spotting.de/china-dominance-in-fisheries.html> (accessed 14 February 2015).
- 92 Blomeyer *et al.*, *The Role of China in World Fisheries*, p. 24.
- 93 Elias Hazou, 'China Oil in Talks to Buy Part of Aphrodite Field', *Cyprus Mail*, 19 June 2014, <http://cyprus-mail.com/2014/06/19/china-oil-in-talks-to-buy-part-of-aphrodite-field/> (accessed 26 October 2014).
- 94 Shreya Upadhyay, 'Will China "Rig" the Indian Ocean?', *IPCS*, 20 May 2014, <http://www.ipcs.org/article/china/will-china-rig-the-indian-ocean-4452.html> (accessed 14 February 2015).
- 95 Saibal Dasgupta, 'Chinese Submarine Dives into Indian Ocean to Hunt for Gold', *The Times of India*, 5 January 2015, <http://timesofindia.indiatimes.com/India/Chinese-submarine-dives-into-Indian-Ocean-to-hunt-for-gold/articleshow/45754934.cms> (accessed 13 February 2015).
- 96 Brian Owens, 'China's Jiaolong Submersible Plunges Below 7,000 Metres', *Nature*, 25 June 2012, <http://blogs.nature.com/news/2012/06/chinas-jiaolong-submersible-plunges-below-7000-metres.html> (accessed 13 February 2015).
- 97 William J. Broad, 'China Explores a Frontier 2 Miles Deep', *The New York Times*, 11 September 2010, http://www.nytimes.com/2010/09/12/science/12deepsea.html?_r=0 (accessed 14 February 2015); and Michael S. Chase, 'Capabilities and Implications of China's Jiaolong Submersible', *China Brief*, Vol. 10, Issue 23, 19 November 2010, http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews%5Btt_news%5D=37197&cHash=19169e46c7#VN6UvJU5DIU (accessed 14 February 2015).
- 98 'Military and Security Developments Involving the People's Republic of China 2014', *Annual Report to Congress*, US Office of Secretary of Defense, April 2014, p. 7.

capable ships,⁹⁹ but its operational focus remains largely limited to the western Pacific, in particular the Yellow, East China, and South China Seas. However, the role of the PLAN is evolving, as the navy is increasingly deployed beyond these nearby seas to respond to non-traditional security threats and as a diplomatic tool.¹⁰⁰ The most important example of this long-distance engagement is the ongoing Chinese counter-piracy mission in the Gulf of Aden under the authority of the United Nations (UN), which exists alongside similar missions by many other navies. As a result, China has maintained a continuous naval presence, consisting of two warships and a supply vessel, in the Gulf of Aden since early 2009.¹⁰¹ By doing so, the PLAN has been able to protect Chinese and foreign commercial ships against attacks by Somali pirates. The mission also serves several additional purposes that are relevant in the context of the Maritime Silk Road.

First, this de facto permanent presence on a rotational basis off the Horn of Africa has opened the possibility for China to expand the role of its navy to other tasks, such as humanitarian relief or emergency evacuations in the Indian Ocean or the Mediterranean. In 2011 during the previously mentioned evacuation of Chinese nationals from Libya, China moved a frigate from the Gulf of Aden to the Mediterranean to escort the chartered passenger ships that were used for the evacuation.¹⁰² Similarly, in 2014 successive Chinese frigates temporarily abandoned the counter-piracy operation in the Gulf of Aden to escort a Danish ship that was tasked with transporting chemical weapons away from Syria.¹⁰³ Another example was the deployment in 2010 of a Chinese hospital ship to the Gulf of Aden as a temporary addition to the Chinese Navy ships that were already there. The hospital ship visited several African ports, where it provided medical services to local people. Internationally, the use of hospital ships in peacetime has increased dramatically, and is being seen as a powerful soft-power instrument.¹⁰⁴

Second, the counter-piracy mission provides China with new diplomatic opportunities. Thanks to its naval deployment, China has been able to join multilateral platforms that have been established to facilitate communication and coordination among the various countries that engage in naval counter-piracy activities in the Gulf of Aden. The mission also increases possibilities for Chinese ships to join naval exercises with other countries, which in turn gives China an extra opportunity to gain 'a seat at the table where serious maritime

99 Ronald O'Rourke, 'China Naval Modernization: Implications for US Navy Capabilities—Background and Issues for Congress', *Congressional Research Service*, 5 August 2014.

100 Eric A. McVadon, 'The PLA Navy as Instrument of Statecraft', in: Philip C. Saunders, Christopher Yung, Michael Swaine and Andrew Nien, *The Chinese Navy: Expanding Capabilities, Evolving Roles*, Washington, DC: National Defense University Press, 2011, p. 215.

101 Frans-Paul van der Putten and Susanne Kamerling, 'Europe Sails East, China Sails West: Somali Piracy and Shifting Geopolitical Relations in the Indian Ocean', in: Frans-Paul van der Putten and Chu Shulong (eds), *China, Europe and International Security: Interests, Roles, and Prospects*, London: Routledge, 2010.

102 Shaio Zerba, 'China's Libya Evacuation Operation: A New Diplomatic Imperative – Overseas Citizen Protection', *Journal of Contemporary China*, Vol. 23, Issue 90, 2014, <http://www.tandfonline.com/doi/abs/10.1080/10670564.2014.898900#VOXPrVJ0yM8>; and Andrew S. Erickson and Austin M. Strange, 'China and the Far Seas', *The Diplomat*, 10 January 2014, <http://thediplomat.com/2014/01/china-and-the-far-seas/1/> (accessed 28 January 2014).

103 'Chinese Warship in Cyprus to Aid Syrian Chemical Weapons Removal', *Reuters*, 4 January 2014, <http://www.reuters.com/article/2014/01/04/us-syria-crisis-china-idUSBREA0304820140104> (accessed 28 January 2014).

104 Leah Averitt, 'China's Growing Maritime HA/DR Capabilities', *China Brief*, Vol. X, Issue 12, 11 June 2010, http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews%5Btt_news%5D=36476&cHash=e4d01516664#VOXTGIJ0yM8 (accessed 28 January 2014).

matters are debated'.¹⁰⁵ China and US naval chiefs have discussed confidence-building proposals, including arranging simple joint exercises in the Gulf of Aden, the Mediterranean, the South China Sea and the East China Sea.¹⁰⁶ Moreover, China has made good use of its naval presence in the Gulf of Aden to 'show its flag' not just in ports around the Indian Ocean, but also in the Mediterranean Sea, the Black Sea and the Atlantic – including ports in Egypt, Israel, Greece, Italy, Ukraine, Bulgaria, Romania, France, the United Kingdom, the Netherlands and Germany.¹⁰⁷ After completing their rotation, PLAN ships often make a series of port calls. As Russell Hsiao points out: 'it is not simply a demonstration of "showing the flag", [...] conducting port visits is a useful tool that extends China's naval presence and exhibits the country's soft power'.¹⁰⁸ PLAN officers describe the purpose of these visits as 'extending a friendly hand, showing goodwill, demonstrating an independent foreign policy of peace, showing a desire to work with other countries and navies, and demonstrating the achievements in China's opening outside the world and economic development'.

Although the Chinese Navy has a continuous presence in the Gulf of Aden, it does not have bases in the region or anywhere else outside China. For replenishments, it makes use of commercial ports around the, and along the route from and to China.¹⁰⁹ COSCO is the Chinese Navy's main partner with regard to providing logistical support for Chinese Navy ships in commercial ports in the Indian Ocean region.¹¹⁰ In 2005, media reports about an internal report commissioned by the US Department of Defense triggered a widespread and still continuing debate about possible Chinese intentions to establish naval support

105 Eric A. McVadon, 'The PLA Navy as Instrument of Statecraft', in: *The Chinese Navy: Expanding Capabilities, Evolving Roles*, p. 230.

106 Jeremy Page, 'China Pushes Limits to Closer Ties with US Military', *The Wall Street Journal*, 21 July 2014, <http://online.wsj.com/articles/china-pushes-limits-to-closer-ties-with-u-s-military-1405964884> (accessed 20 February 2015).

107 Peter Apps, 'China, Russia, US Raise Mediterranean Naval Focus', *Reuters*, 24 January 2013, <http://www.reuters.com/article/2013/01/24/mediterranean-powers-idUSL6N0AT0ZR20130124> (accessed 6 December 2014); Jonathan Holslag, 'Naval Visits Accustom Mediterranean to New Role', *Global Times*, 1 August 2012, <http://www.globaltimes.cn/content/724645.shtml> (accessed 6 December 2013); and Wang Mingjie, 'Chinese Fleet Brings Out the Crowds in Visit to Britain', *China Daily*, 16 January 2015, http://www.chinadaily.com.cn/world/2015-01/16/content_19332056.htm (accessed 16 February 2015).

108 L.C. Russell Hsiao, 'China Expands Naval Presence through Jeddah Port Call', *China Brief*, Vol. X, Issue 25, 17 December 2010, http://www.jamestown.org/uploads/media/cb_010_fdf103.pdf (accessed 6 December 2014).

109 Susanne Kamerling and Frans-Paul van der Putten, 'An Overseas Naval Presence without Overseas Bases: China's Counter-piracy Operation in the Gulf of Aden', *Journal of Current Chinese Affairs*, Vol. 40, No. 4, pp. 119–146, <http://www.clingendael.nl/sites/default/files/Overseas%20naval%20presence%20without%20overseas%20bases.pdf> (accessed 4 February 2015).

110 Andrew S. Erickson, 'Learning by Doing: PLAN Operational Innovations in the Gulf of Aden', *China Brief*, Vol. 13, No. 21, 24 October 2013, http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews%5Btt_news%5D=41527&tx_ttnews%5BbackPid%5D=25&cHash=232dd167e7c52b179c0c3092f9810171 (accessed 6 December 2013); and Kamerling and van der Putten, 'An Overseas Naval Presence without Overseas Bases', pp. 119–146.

facilities in the Indian Ocean.¹¹¹ The report, which was written by the defence contractor Booz Allen Hamilton, used the term ‘string of pearls’ to describe a Chinese strategy aimed at acquiring such naval facilities in order to be able to project power overseas and protect oil shipments.¹¹² The report correctly identified maritime infrastructure projects as the basis of China’s attempt to strengthen its position in the Indian Ocean region.¹¹³ However, the aim of China’s approach is not to establish a military presence that may be used to protect maritime supply lines against the navies of other countries. The PLAN merely plays a supportive role in the Maritime Silk Road policy by conducting naval diplomacy and by addressing non-traditional security threats such as piracy. There are as yet no signs of a Chinese naval build-up in the Indian Ocean that would enable China to protect its supply lines against actions by other naval powers such as the United States or India. Indeed, in the foreseeable future such attempts would be futile and counterproductive. The Chinese Navy is facing potential confrontations with the navies of the United States, Japan, Taiwan, Vietnam and the Philippines in its near seas, and is unlikely to be able to project a substantial degree of power in remote areas without increasing its vulnerability in East Asia and triggering a strong response from India and the United States in the Indian Ocean.

Apart from the counter-piracy operation in the Gulf of Aden, China’s naval presence in the Indian Ocean is small but increasing. In September 2014, a Chinese diesel-powered submarine visited the Chinese-built container terminal at Colombo in Sri Lanka, at the same time when President Xi visited Sri Lanka. The following month, a nuclear-powered Chinese submarine also visited the port of Colombo.¹¹⁴ Nonetheless, it remains rare for Chinese Navy submarines to visit a foreign port.¹¹⁵ Still, as Chinese investment and the presence of Chinese civilians in Africa and the Middle East continue to grow, there will probably be increasing needs for the Chinese military to be able to conduct evacuations during regional crises and perhaps rescue missions in case of kidnappings. There has been considerable debate in China and abroad as to whether China might establish a logistical facility in the Indian Ocean to support the counter-piracy mission. At some point the need for China to take this step may arise,¹¹⁶ perhaps if Chinese naval activities around Africa expand substantially, but

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- 111 Tiezzi, ‘The Maritime Silk Road vs. the String of Pearls’; James R. Holmes, ‘China Could Still Build “String of Pearls”’, *The Diplomat*, 8 November 2014, <http://thediplomat.com/2014/11/china-could-still-build-string-of-pearls/> (accessed 16 February 2015); ‘China’s Investment in Ports: What is Behind the “String of Pearls” Theory?’, *European Parliamentary Research Service*, 23 June 2013, <http://epthinktank.eu/2013/06/26/chinas-investment-in-ports-what-is-behind-the-string-of-pearls-theory/> (accessed 15 February 2015); ‘Chinese Military Denies Strategy to Encircle India’, *The Economic Times*, 4 March 2013, http://articles.economictimes.indiatimes.com/2013-03-04/news/37437479_1_pakistan-s-gwadar-port-chinese-firm-escort-missions (accessed 16 February 2015); and Zhou Bo, ‘The String of Pearls and the Maritime Silk Road’, *China-US Focus*, 11 February 2014, <http://www.chinausfocus.com/foreign-policy/the-string-of-pearls-and-the-maritime-silk-road/> (accessed 16 February 2015).
- 112 ‘China Builds Up Strategic Sea Lanes’, *The Washington Times*, 17 January 2005, <http://www.washingtontimes.com/news/2005/jan/17/20050117-115550-1929r/?page=all> (accessed 16 February 2015).
- 113 Tiezzi, ‘The Maritime Silk Road vs. the String of Pearls’.
- 114 Jack Detsch, ‘China Boosts Submarine Fleets for Indian Ocean Allies’, *The Diplomat*, 13 February 2015, <http://thediplomat.com/2015/02/china-boosts-submarine-fleets-for-indian-ocean-allies/> (accessed 13 February 2015).
- 115 James Brown, ‘Chinese Submarine’s Sri Lanka Visit Prompts Rescue Questions’, *The Interpreter*, 26 September 2014, <http://www.lowyinterpreter.org/post/2014/09/26/Chinese-submarine-Sri-Lanka-visit-prompts-rescue-questions.aspx?COLLCC=3708858760&> (accessed 13 February 2015).
- 116 Christopher D. Yung and Ross Rustici, “‘Not an Idea We Have to Shun’: Chinese Overseas Basing Requirements in the 21st Century”, *China Strategic Perspectives*, No. 7, Washington DC, October 2014, <http://ndupress.ndu.edu/Portals/68/Documents/stratperspective/china/ChinaPerspectives-7.pdf>.

the Chinese government seems to prefer avoiding establishing even such a 'light' military presence on foreign soil. So far, Chinese Navy ships in the Gulf of Aden have made use of two ports in particular for replenishment and rest: Aden in Yemen; and Salalah in Oman. For small repairs, the PLAN may be able to use the facilities of the Pakistani Navy in Karachi, since Pakistan is a close security partner of China that makes use of Chinese-built weapons systems.¹¹⁷

Beyond its near seas, China focuses on strengthening its influence in maritime affairs through the non-military means outlined in this report. Although these may not be substitutes for warships when it comes to protecting supply lines during wartime, during peacetime they may be quite effective. Moreover, the absence of overseas military bases and a large-scale naval deployment in the Indian Ocean or the Mediterranean Sea limit the chances of China becoming involved in a major war.

117 Daniel J. Kostecka, 'Places and Bases: The Chinese Navy's Emerging Support Network in the Indian Ocean', *Naval War College Review*, Vol. 64, No. 11, 2011, p. 61.

4. The Silk Road as a Strategic Framework

The activities outlined above give a broad picture of Chinese involvement along the China–Europe sea lanes. The question that emerges is whether China has a broader strategic aim underlying all of these activities, and what their relevance is for Europe.

One Belt, One Road

The Maritime Silk Road, as envisioned by China, will greatly improve connections between the western Pacific, the Indian Ocean and the Mediterranean Sea, between South Asia and East Africa, and between East Asia and Europe.¹¹⁸ However, this is merely the maritime dimension of a broader strategic framework that China refers to as One Belt, One Road. The other main element in this framework is the Silk Road Economic Belt,¹¹⁹ which consists primarily of infrastructure that facilitates east–west trade over land, such as railways, roads and pipelines (see Map 1). This main Eurasian corridor is to be complemented by several smaller north–south corridors. The Bangladesh–China–India–Myanmar (BCIM) Economic Corridor is aimed at improving transportation links between Yunnan Province in south-west China and major port cities along the Bay of Bengal, including Kolkata and Chittagong.¹²⁰ China also has plans to extend its national rail system to Nepal (via Tibet) and several South-East Asian countries, including Thailand and Singapore (via Yunnan).¹²¹ Further west, the China–Pakistan Economic Corridor should improve road, rail and pipeline links between China’s north-west and the port of Gwadar in Pakistan.¹²² Among the benefits for China of infrastructure projects in South and South-East Asia is that they may contribute to faster and more secure transportation of oil from the Middle East to China, by shorter routes and avoiding the Strait of Malacca and South China Sea. Moreover, north of the Silk Road Economic Belt run several

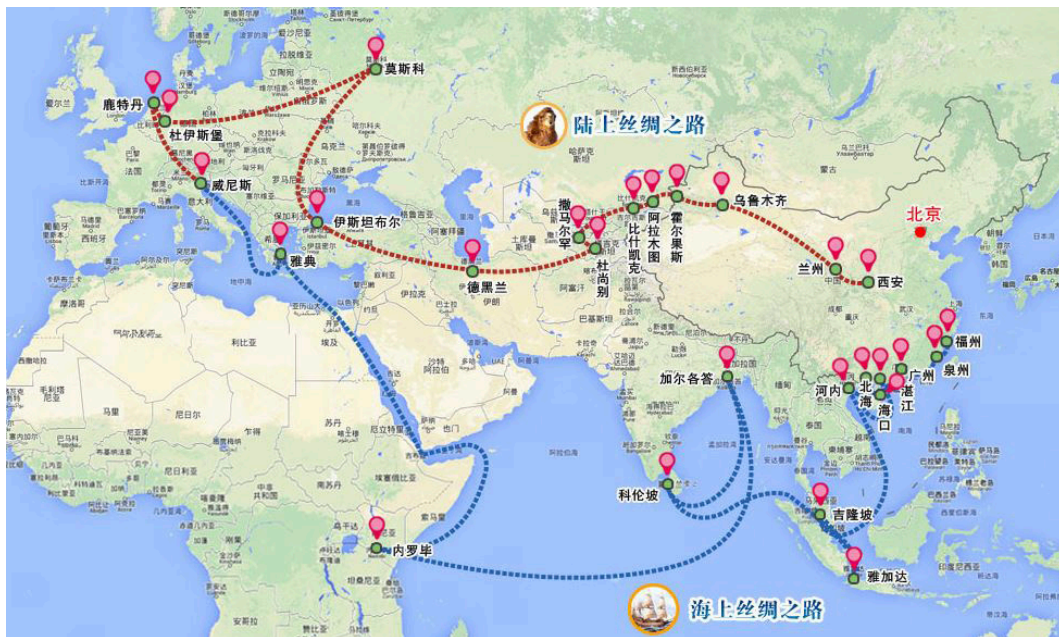
118 Liu Cigui, ‘Reflections on Maritime Partnership: Building the 21st Century Maritime Silk Road’, *CIIS*, 15 September 2014, http://www.ciis.org.cn/english/2014-09/15/content_7231376.htm (accessed 30 January 2015).

119 Szczudlik-Tatar, ‘China’s New Silk Road Diplomacy’; and John Wong, ‘Reviving the Ancient Silk Road: China’s New Economic Diplomacy’, *The Strait Times*, 9 July 2014, <http://news.nus.edu.sg/images/resources/news/2014/2014-07/2014-07-09/SILK-st-9jul-pA23.pdf> (accessed 8 February 2015).

120 Wang Xu, ‘Premier Outlines Economic Corridor Initiative’, *China Daily*, 16 November 2014, http://english.gov.cn/premier/news/2014/11/16/content_281475010847489.htm (accessed 8 February 2015).

121 Atul Aneja, ‘Nepal to Join the Silk Road Economic Belt through Tibet’, *The Hindu*, 3 January 2015, <http://www.thehindu.com/news/international/south-asia/nepal-to-join-silk-road-economic-belt-through-tibet/article6749342.ece> (accessed 8 February 2015); and Panu Wongcha-um, ‘Thailand, China to Jointly Develop New Railway Lines’, *Channel News Asia*, 19 December 2014, <http://www.channelnewsasia.com/news/business/thailand-china-to-jointly/1539400.html> (accessed 8 February 2015).

122 Richard Weitz, ‘Beijing Builds its Eurasian Transportation Network’, *China Brief*, Vol. XIII, Issue 8, 12 April 2013; Adnan Aamir, ‘Pak–China Economic Corridor’, *Pakistan Today*, 7 February 2015, <http://www.pakistantoday.com.pk/2015/02/07/comment/pak-china-economic-corridor/> (accessed 13 February 2015); and Shannon Tiezzi, ‘China, Pakistan Flesh Out New “Economic Corridor”’, *The Diplomat*, 20 February 2014, <http://thediplomat.com/2014/02/china-pakistan-flesh-out-new-economic-corridor/> (accessed 8 February 2015).



Map 1 Map showing some of the potential routes of the maritime and land Silk Road that was published online by Xinhua, China's state news agency, in March 2014.

Source: <http://www.xinhuanet.com/>

railways that connect China and Europe via Kazakhstan, Russia and Belarus, which are increasingly used for transporting goods, mainly from China to the EU.¹²³

A largely conventional railway route between China and Europe that bypasses Russia is expected to be available in the near future.¹²⁴ It will connect Central Asia and Turkey via Azerbaijan and Georgia, but also involves obstacles such as switching between gauges at some border crossings and a transit of railway cars by ferry across the Caspian Sea.¹²⁵ This route can become operational once the Baku–Tbilisi–Kars railway (BTK, connecting Azerbaijan, Georgia and Turkey, which is expected to be completed in 2015) and the Kars–Edirne high-speed railway (inside Turkey) have been completed. The Kars–Edirne line will traverse the whole of Turkey, from Kars in the east (near the border with Georgia and Armenia) to Edirne in the west (near the border with Greece and Bulgaria) via the Marmaray

123 Companies like Hewlett-Packard make intensive use of trains to ship products from factories in central China to European markets, via Kazakhstan, Russia, Belarus and Poland. See Keith Bradsher 'Hauling New Treasure Along the Silk Road', *The New York Times*, 20 July 2013, <http://www.nytimes.com/2013/07/21/business/global/hauling-new-treasure-along-the-silk-road.html?pagewanted=all> (accessed 25 October 2014); and Mu Xuequan, 'China–Europe Railway Relaunches', *Xinhuanet*, 24 April 2014, http://news.xinhuanet.com/english/china/2014-04/24/c_126426299.htm (accessed 2 November 2014).

124 Micha'el Tanchum, 'Trilateral Summit Signals Turkey's Increasing Role in South Caucasus Collective Security', *The Turkey Analyst*, 28 May 2014, <http://www.turkeyanalyst.org/publications/turkey-analyst-articles/item/111-trilateral-summit-signals-turkeys-increasing-role-in-south-caucasus-collective-security.html> (accessed 25 October 2014).

125 John C. K. Daly, 'Waiting for the "Iron Silk Road" Railway', *Silk Road Reporters*, 28 May 2014, <http://www.silkroadreporters.com/2014/05/28/waiting-iron-silk-road-railway/> (accessed 25 October 2014).

Rail Tunnel under the Bosphorus, which was opened in 2013.¹²⁶ Part of this route, the high-speed railway between Istanbul and Ankara, was inaugurated in summer 2014.¹²⁷ The Istanbul–Ankara high-speed line was constructed by a consortium of two Chinese and two Turkish firms.¹²⁸

China aims to construct new high-speed railways across many Asian countries. According to media reports from China and Hong Kong, the Chinese government is considering a plan for a direct high-speed railway line between China and the United Kingdom, via Kazakhstan, Uzbekistan, Turkmenistan, Iran, Turkey, Bulgaria, Romania, Hungary, Austria, Germany, Belgium and France. This would be a US\$ 150 billion project, to be finished between 2020 and 2025.¹²⁹ China has already announced that it will build a high-speed railway between Beijing and Moscow.¹³⁰ The Chinese government is reportedly even considering eventually extending China's high-speed rail system across nearly all parts of Asia to Europe and even North America.¹³¹

Besides Eurasia, Africa is another main focus area for China's infrastructure development plans. Indeed, the 1,860 kilometres-long Tazara Railway, which links the port of Dar es Salaam in Tanzania with Zambia and was built in the 1970s by China, shows that Chinese involvement in railway building in Africa is not a new phenomenon. While China is today actively exploring options for the construction of high-speed railways in Africa,¹³² for now the main emphasis remains on conventional railways as well as highways. The previously mentioned port construction projects along Africa's east coast are often tied to plans for railway construction that link these ports to interior regions, including landlocked countries in the central parts of the African continent. For instance, two Chinese firms recently announced plans to construct a railway to connect Ethiopia's capital Addis Ababa with the Red Sea state of Djibouti.¹³³ China has also signed a contract to develop a railway link between Mombasa, Kenya's largest seaport, and the capital Nairobi. This is the first stage of a project that will eventually link

126 'Turkey Expects China's Investment in High-speed Railway Project', *Shanghai Daily*, 3 April 2014, http://www.shanghaidaily.com/article/article_xinhua.aspx?id=210280 (accessed 25 October 2014).

127 Amy Qin, 'China Exports High-speed Rail Technology to Turkey', *The New York Times*, 28 July 2014, http://sinosphere.blogs.nytimes.com/2014/07/28/china-exports-high-speed-rail-technology-to-turkey/?_php=true&_type=blogs&_r=0; and Wang Xin, 'Railway Project Speeds up Turkey–China Economic Ties', *People Daily*, 28 July 2014, <http://english.peopledaily.com.cn/n/2014/0728/c90883-8761370.html> (accessed 25 October 2014).

128 The China Railway Construction Corporation and the China National Machinery Import and Export Corporation, and Cengiz Construction and Ibrahim Cecen Ictas Construction respectively.

129 Cai Xiao and Zhao Yanan, 'More Talks "Needed on High-speed Rail Link"', *China Daily*, 5 July 2014, http://www.chinadailyasia.com/nation/2014-07/05/content_15146780.html (accessed 25 October 2014).

130 Michael Arnold, 'China, Russia Plan \$242 Billion Beijing–Moscow Rail link', *Bloomberg Business*, 22 January 2015, <http://www.bloomberg.com/news/articles/2015-01-22/china-russia-plan-242-billion-rail-link-from-beijing-to-moscow> (accessed 8 February 2015).

131 Alberto Lucas Lopez, 'Infographic: China's High-speed Rail Vision', *South China Morning Post*, 30 October 2014, <http://www.scmp.com/infographics/article/1605236/infographic-chinas-high-speed-rail-vision> (accessed 8 February 2015).

132 Brian Wang, 'China Moving Ahead with Trans African Rail Line, New Silk Road Part of Global Land Bridge Vision', *Next Big Future*, 17 October 2014, <http://nextbigfuture.com/2014/10/china-moving-ahead-with-trans-african.html> (accessed 8 February 2015).

133 Aaron Maasho, 'Ethiopia Says New Railway to Djibouti to Start in Early 2016', *Reuters*, 28 January 2015, <http://www.reuters.com/article/2015/01/28/ethiopia-railway-idUSL6N0V74Z920150128> (accessed 23 February 2015).

Tanzania, Uganda, Rwanda, Burundi and South Sudan.¹³⁴ The Maritime Silk Road thus acts as a bridge not only between Asia and Europe, but also between Asia and Africa – linking railways in Asia to those in Africa. Moreover, while Africa’s west coast may not perhaps be explicitly covered by the Maritime Silk Road concept, China is also very active in port and railway projects on the Atlantic side of the continent. For example, China will invest in upgrading a railway from Mali to the Port of Dakar in Senegal, while at the same time constructing a new line from Mali to the port of Conakry in Guinea.¹³⁵ Chinese firms are also active in railway projects in Nigeria and Angola.

The main difference between the Maritime Silk Road and the Silk Road Economic Belt is that the shipping routes between Asia and Europe are already heavily used, while shipping overland by train is still limited and has yet to enter the high-speed phase. More importantly, the Chinese port and railway programmes are closely linked and tend to stimulate each other. For instance, new ports in South Asia and East Africa make the building of new railways that extend from these ports into the interior more attractive and feasible. This dynamic also exists with regard to Piraeus. The successful growth of the Piraeus container port led by COSCO has created a basis – and a need – for improved railway infrastructure leading from Piraeus into the Balkans and Central Europe.¹³⁶ Since late 2013, the Chinese government has announced plans together with the government of the involved countries to construct high-speed railways from Piraeus via Skopje and Belgrade to Budapest,¹³⁷ and from the Black Sea port of Constanta via Bucharest and Budapest to Vienna.¹³⁸ If these new lines indeed materialize and are connected to the high-speed line across Turkey that China is currently helping to build, then this regional network could potentially be extended east to link to China’s national rail system, and west to cover more parts of Europe. China has already offered Bulgaria the use of its high-speed rail technology.¹³⁹

The Silk Road’s overland routes to Europe via Central Asia and the Middle East and the maritime route via the Malacca Strait and the Suez Canal should thus be seen not only as complementary to each other, but also to existing railway connections between China and

134 Atul Aneja, ‘China Steps Up Drive to Integrate Africa with Maritime Silk Road’, *The Hindu*, 19 January 2015, <http://www.thehindu.com/news/international/world/china-steps-up-drive-to-integrate-africa-with-maritime-silk-road/article6802385.ece>.

135 ‘New Mining Line for Mali’, *Bulk Materials International Online*, November/December 2014, <http://www.bulkmaterialsinternational.com/htm/n20150103.713713.htm> (accessed 23 February 2015).

136 Dragan Pavlicevic, ‘China’s Railway Diplomacy in the Balkans’, *China Brief*, Vol. 14, Issue 20, 23 October 2014, http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews%5Btt_news%5D=42992&tx_ttnews%5BbackPid%5D=25&cHash=917c0f1cafc5d5bb305c51f6c751426b#.VEo8WBTCTIV (accessed 24 October 2014).

137 Pavlicevic, ‘China’s Railway Diplomacy in the Balkans’; Jovan Matic and Katarina Subasic, ‘China is Planning to Build a Bullet Train that Connects Eastern and Western Europe’, *Business Insider*, 17 December 2014, <http://uk.businessinsider.com/afp-china-steps-up-plan-for-new-export-corridor-into-europe-2014-12?r=US> (accessed 13 February 2015); and ‘Macedonia Interested in Piraeus–Budapest High-speed Railway Line’, *Republika*, 16 January 2015, <http://english.republika.mk/?p=138526> (accessed 13 February 2015).

138 Daniel Stroe, ‘Romania Says High-speed Train Project Ready by the End of the Year’, *Independent Balkan News Agency*, 20 January 2014, <http://www.balkan.eu.com/romania-high-speed-train-project-ready-year/> (accessed 26 October 2014).

139 Frida Allende, ‘Railway Business Intelligence’, *Think Railways*, 16 January 2014, <http://www.think-railways.com/china-offers-bulgaria-help-big-projects-high-speed-railways/> (accessed 26 October 2014).

Europe via Russia and – in the long run – to potential new shipping routes via the Arctic.¹⁴⁰ For now it is unclear whether and when ice-free periods will become sufficiently substantial and stable for shipping lines to use them.¹⁴¹

To date, China's One Belt, One Road programme has had three significant consequences. The first is that there is now a policy framework for Chinese infrastructure projects in Central Asia, South-East Asia, South Asia, the Middle East, East Africa and Europe.¹⁴² This makes it easier for the Chinese government to develop a coherent approach to these projects, and to maximize the long-term strategic value with regard to China's foreign policy interests. These interests include: enlarging and securing market access for Chinese exports and access to raw materials; developing new markets for Chinese trade and investment; and strengthening China's diplomatic and commercial (and eventually geostrategic) influence. In terms of market access, the EU is of particular importance, since it is China's largest trade partner. Moreover, the China–Europe maritime corridor is also important for China's trade with its other main trade partner, the United States. Container shipping between China and the North American east coast increasingly makes use of the Suez Canal. Because the Panama Canal is narrower than the Suez Canal and not wide enough for the largest container vessels, there is a shift from the trans-Pacific to the trans-Atlantic route for container traffic between Asia and the North American east coast.¹⁴³ In 2014, the container capacity from Asia to the US east coast through the Suez Canal surpassed that of the Panama Canal for the first time.¹⁴⁴ Although the Panama Canal is in the process of being widened, once this is completed it will still not be able to accommodate the largest container vessels that are currently in use.¹⁴⁵

Regarding raw materials, oil from the Middle East, Central Asia and Africa is of major significance, as are various other raw materials from Africa and South-East Asia. China's international transportation routes, whether relating to exports or imports, need to be secure and stable. Disruptions could harm China's economy, and other great powers or terrorist organizations might use the threat of disruptions to exert political pressure on the Chinese government. Developing new opportunities for trade and investment is a long-term interest for China throughout Asia and Africa and – for investments – Europe. The emergence of new,

140 'First Chinese Cargo Ship Nears End of North-East Passage Transit', *Financial Times*, 6 September 2013, <http://www.ft.com/intl/cms/s/0/010fa1bc-16cd-11e3-9ec2-00144feabdc0.html#axzz3HrmZDU5X> (accessed 2 November 2014).

141 MarEx, 'Arctic Shipping is Not China's New Silk Road', *The Maritime Executive*, 14 February 2014, <http://www.maritime-executive.com/article/Arctic-Shipping-is-Not-Chinas-New-Silk-Road-2014-02-14>; and 'The Geography of Transport Systems', <http://people.hofstra.edu/geotrans/eng/ch1en/conc1en/polarroutes.html> (accessed 29 January 2015).

142 Liu, 'Silk Road Made Great Contributions to Dialogue of Civilizations: Forum', *Xinhuanet*, 28 September 2014, http://news.xinhuanet.com/english/world/2014-09/28/c_127042636.htm (accessed 2 November 2014).

143 Kyunghee Park, 'Maersk Line to Dump Panama Canal for Suez as Ships Get Bigger', *Bloomberg Business*, 11 March 2013, <http://www.bloomberg.com/news/2013-03-11/maersk-line-to-dump-panama-canal-for-suez-as-ships-get-bigger.html>; and 'Asian Trading Shifts Make Suez, Panama Canals Less Important', *Business Day*, 9 September 2014, <http://www.bdlive.co.za/world/asia/2014/09/09/asia-trading-shifts-make-suez-panama-canals-less-important> (accessed 24 October 2014).

144 'Suez Overtakes Panama Canal on Key Container Route', *Trade Winds News*, 1 August 2014, <http://www.tradewindsnews.com/weekly/342068/Suez-overtakes-Panama-Canal-on-key-container-route#> (accessed 28 September 2014).

145 However, it should be noted that Nicaragua has started to create a new Atlantic–Pacific canal that would provide an alternative to the Panama Canal. Hong-Kong based HKND Group commenced the work for this new canal in December 2014; see <http://hknd-group.com/portal.php?mod=list&catid=39> (accessed 17 March 2015).

more accessible or enlarged markets would provide Chinese firms with new commercial opportunities and could help China to be less dependent on Western countries for its exports. Finally, if China succeeds in strengthening its diplomatic and commercial influence in these regions, this would further strengthen China's rise as a great power (and create interests that potentially require a further increase in influence). In East and South-East Asia – that is, China's home region – this process of expanding influence is compromised by troubled relations with some of China's neighbours and by the very strong position of the United States in the region.

The second consequence has been an intensification of China's diplomatic push to promote cooperation on infrastructure development in these regions. Since late 2013, during their visits to Asia, Europe and Africa, China's top leaders have routinely promoted cooperation on infrastructure development under the banner of the Silk Road (whether maritime or overland). China has not established a multilateral platform for the entire geographical area that is covered by One Belt, One Road policy. Still, the Chinese government promotes the Silk Road and the related concept of 'connectivity' not just bilaterally but also at regional forums, including the Asia–Europe Meeting (ASEM, a biannual summit between the EU and most Asian countries), the Shanghai Cooperation Organization (SCO, aimed at Central Asia and including also Russia), ASEAN+1 (ten South-East Asian countries plus China), the China–Arab States Cooperation Forum (22 members of the Arab League plus China), the Forum on China–African Cooperation (FOCAC, 50 African countries plus China), China–CEEC 16+1 (the sixteen Central and Eastern European Countries plus China),¹⁴⁶ and the Conference for Interaction and Confidence-Building Measures in Asia (CICA, a forum for peace and stability in Asia for which China is chair during 2014–2016).¹⁴⁷ For instance, in late 2014 at a China–ASEAN summit, Chinese Premier Li Keqiang announced that China would provide US\$ 20 billion worth of loans to the Association of South-East Asian Nations (ASEAN) for infrastructure development. On 28 January 2015, the African Union (AU) and China signed a memorandum of understanding to cooperate on establishing new airports, high-speed railways and roads to improve connections between African capitals.¹⁴⁸

Such a diplomatic push is clearly visible in the bilateral relations between Indonesia and China, through both their maritime strategies. Indonesia, an archipelago of more than 17,000 islands, has a relatively weak maritime infrastructure. In order to improve this, the Indonesian President Joko Widodo (known as Jokowi) has released a maritime strategy to boost maritime connectivity, on domestic, regional and global levels. The strategy therefore plans for more than 24 new harbours and five deep-sea ports, but also encompasses

146 Ministry of Foreign Affairs of the People's Republic of China, 'The Belgrade Guidelines for Cooperation between China and Central and Eastern European Countries', 17 December 2014, http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1224905.shtml (accessed 14 January 2015).

147 Richard Weitz, 'Beijing Expands its Multinational Toolkit at CICA Summit', *China Brief*, Vol. 14, Issue 15, 31 July 2014, http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews%5Btt_news%5D=42692&cHash=e741793745f90ba42e06c9f4f9e1e886#VFQnthRgXIU; and Secretariat of the Conference on Interaction and Confidence-building Measures in Asia, <http://www.s-cica.org/page.php?lang=1> (accessed 1 November 2014).

148 'AU, China to Cooperate on Infrastructure, Industrialization', *China Daily*, 28 January 2015, http://usa.chinadaily.com.cn/business/2015-01/28/content_19427671.htm (accessed 30 January 2015); Konye Obaji Ori, 'China Signs Deal with AU to Connect Africa's Big Cities', *The Africa Report*, 28 January 2015, <http://www.theafricareport.com/North-Africa/china-signs-deal-with-au-to-connect-africas-big-cities.html>; and Mu Xuequan, 'AU, China to Cooperate on Infrastructure, Industrialization', *Xinhuanet*, 28 January 2015, http://news.xinhuanet.com/english/africa/2015-01/27/c_127428344.htm (accessed 30 January 2015).

strengthening maritime security and developing maritime diplomacy. In the end, Indonesia aims to be “a maritime axis” between the Pacific and Indian Oceans. Jokowi sees his maritime strategy as fully complementary to the Chinese Maritime Silk Road, and indeed Chinese Foreign Minister Wang Yi has promised to participate ‘actively in Indonesia’s construction of maritime power’.¹⁴⁹

The third consequence of China’s One Belt, One Road programme has been the launch of two infrastructure development funds that are explicitly linked to the Belt and Road policy: a US\$ 40 billion Silk Road Fund; and a US\$ 20 billion Energy Development Fund.¹⁵⁰ Moreover, several other infrastructure development funds are closely related to the One Belt, One Road programme. These include the US\$ 100 billion Asian Infrastructure Investment Bank (AIIB),¹⁵¹ the China–ASEAN Investment Cooperation Fund (for South–East Asia), and the China–CEE Investment Cooperation Fund (for Central and Eastern Europe).¹⁵² In this regard, the One Belt, One Road policy may be regarded as the internationalization and multilateralization of the massive infrastructure construction policy that China initiated domestically in 2009, in part as a response to the global financial crisis. It allows China to divert part of its foreign currency reserves away from US treasury bills.

Based on Chinese official announcements and publications, the intended long-term outcome of the One Belt, One Road process is a greatly improved transportation network throughout Asia that stretches into Europe and Africa.¹⁵³ New and improved transportation linkages would contribute to turning Eurasia into an ‘economic space’, a broad geographic zone with multiple sub-regions that is economically closely integrated.¹⁵⁴ China is well positioned to play the central role in this economic space, and Chinese state-owned enterprises and China-friendly host governments would have a high degree of influence over key elements of the transportation network.¹⁵⁵ Such influence would limit the risk of disruptions to China’s foreign trade and would increase options for the Chinese government to allow the flow of goods to

149 Shannon Tiezzi, ‘China Woos Indonesia’s New President’, *The Diplomat*, 5 November 2014, <http://thediplomat.com/2014/11/china-woos-indonesias-new-president/>.

150 Hu Weijia, ‘New Fund Initiated for Silk Roads’, *Global Times*, 25 January 2015, <http://www.globaltimes.cn/content/903900.shtml> (accessed 6 February 2015).

151 Don Rodney Ong Junio, ‘Asian Infrastructure Investment Bank: An Idea Whose Time Has Come?’, *The Diplomat*, 4 December 2014, <http://thediplomat.com/2014/12/asian-infrastructure-investment-bank-an-idea-whose-time-has-come/> (accessed 14 January 2015).

152 Shannon Tiezzi, ‘China Offers \$20 Billion in Loans to ASEAN’, *The Diplomat*, 15 November 2014, <http://thediplomat.com/2014/11/china-offers-20-billion-in-loans-to-asean/>; Paul Carsten and Ben Blachard, ‘China to Establish \$40 Billion Silk Road Infrastructure Fund’, *Reuters*, 8 November 2014, <http://www.reuters.com/article/2014/11/08/us-china-diplomacy-idUSKBN0IS0BQ20141108>; and Patrick Brown, ‘Orient Express, China’s Grand Plan for a New Silk Road’, *CBC News*, 19 January 2015, <http://www.cbc.ca/news/world/orient-express-china-s-grand-plan-for-a-new-silk-road-1.2913097> (accessed 6 February 2015).

153 Carrie Gracie, ‘All Aboard: China’s Railway Dream’, *BBC News Asia*, 15 July 2014, <http://www.bbc.com/news/world-asia-28289319> (accessed 25 October 2014).

154 F. William Engdahl, ‘Eurasian Economic Boom and Geopolitics: China’s Land Bridge to Europe: The China–Turkey High-speed Railway’, *Global Research*, 27 April 2012, <http://www.globalresearch.ca/eurasian-economic-boom-and-geopolitics-china-s-land-bridge-to-europe-the-china-turkey-high-speed-railway/30575> (accessed 25 October 2014); and ‘Prof. Shi Ze: “One Road and One Belt” & New Thinking with Regard to Concepts and Practice’.

155 Although not all Chinese companies active in infrastructure are state-owned – for example, Hong Kong-based maritime companies are not state-owned – all large Chinese and Hong Kong companies have close relations with the Chinese government.

alternate between specific routes.¹⁵⁶ The latter would further strengthen Chinese influence, given other parties' dependence on specific trade routes.

Beijing's infrastructure-based approach to strengthening bilateral relations ultimately serves not only China's trade, investment and transportation interests, but also brings local leverage that could be used for security and geostrategic purposes. This could strengthen China's ability to deal with such issues as the threat of terrorism and risks of the United States or other major powers undermining China's regional interests. At the same time, it would at the local level enlarge China's dependence on continuity in its relations with the host countries' governments. For Europe, new transportation infrastructure in the Middle East and Africa would weaken its role as a traditional hub with regard to these regions. As a legacy of colonial relations and because of Western Europe's high level of development, many transportation and supply-chain links starting or ending in African and some Middle Eastern countries run via Europe. Major new hubs have already emerged in these regions in recent decades – with Dubai being the foremost example – but with Chinese support many more regional hubs and improved intra-regional transport services are currently being developed.

156 Scott, 'China's Silk Road Strategy'.

5. Conclusion

China's Maritime Silk Road is not aimed primarily at changing China's role in international shipping, but rather is part of a highly ambitious long-term programme for the economic integration of a vast zone that comprises Europe, Africa and most of Asia, including Russia, on the basis of infrastructure development. There are many possible developments that could disrupt China's plans – which are still undefined and at a very early stage – including domestic changes within China, opposition from other countries, or unforeseen economic or technological challenges. It therefore remains to be seen whether and how this programme evolves after the current initial phase. However, if China keeps up the general pace and direction in which it is now working, a more integrated Eurasia–Africa economic space with China as an increasingly central actor could begin to take shape in the coming decade or so.

China's involvement in ports and other maritime infrastructure (the Maritime Silk Road initiative) should be seen in the context of its broader infrastructure activities under the One Belt, One Road programme. Sea lanes and railways complement each other, and jointly open up new trade links between regions within the Eurasia–Africa zone, and between this zone and other economic regions such as North and Latin America. The potential benefits are relevant not only for China and the various host countries: the improved or new ports and railways support regional development and any actor or nation that is involved in international trade. The One Belt, One Road programme may increase China's international influence in various ways. Because of the size of China's economy and its role as a leading importer and exporter of goods, improved infrastructure for international trade in any part of the world tends to benefit China and to strengthen its role as a key trading partner. Moreover, new infrastructure may lead to new sources of economic activity, but also to higher levels of dependence on China-related trade flows for the transit countries. Yet this is the case regardless of whether Chinese firms or Chinese financial institutions are involved in creating such infrastructure. Particularly in developing countries, Chinese investment in major infrastructure works can lead to increased leverage for Beijing in its relations with the host government. This is especially the case if these works are financed by China or China-controlled entities.

While the One Belt, One Road programme may provide the Chinese government with more influence in international affairs, it should be noted that China is building commercial rather than naval port installations. The focus of this programme is not on military dominance. The Chinese Navy, whose supply lines west of the Strait of Malacca are highly vulnerable, plays a role in the Maritime Silk Road, but only by strengthening China's diplomatic influence and its ability to address non-traditional security issues. Achieving sea power, including the ability to secure or disrupt supply lines by military means, or to attack land targets from the sea, is what China aims for in its near seas, but not in the Indian Ocean or the Mediterranean Sea. In the long term it is possible that this will change: China's diplomatic–commercial approach might turn out to be only a stage in a trajectory that eventually involves also the expansion of strategic–military influence. However, for now it seems that China may be able to secure many of its foreign policy objectives by non-military means.

The developments described in this report are significant for the European Union. First, China is gradually becoming more influential economically and diplomatically – and eventually geostrategically – in regions close to Europe. Stronger investment and trade relations between China and countries in Africa, the Middle East and Central Asia are increasing China's stake in regional affairs, as well as the need for these countries to maintain friendly relations with Beijing. For the time being this process is hardly visible, since China is careful in such regions to keep a low profile in the military and security domain. Second, the Chinese government has an increased ability to influence via which routes trade flows between China and the EU. While this is not a matter of Beijing being able to switch between trade channels on an ad-hoc basis, the Chinese government has growing leverage over how trajectories develop during the course of several years. Piraeus is a good example: China's decision to develop this Greek port has been decisive in creating a new trade link between Central Europe and Asia via Greece and the Balkans. This, in turn, affects intra-EU relations, since it helps the Eastern European economies to move away from their peripheral role within the EU. At the same time, the Chinese infrastructure strategy provides an opportunity to redefine and deepen EU-China relations. Third, in the long term it is likely that transport and supply-chain routes involving Asia and Africa will increasingly bypass Europe. While China will strengthen its already central role in terms of logistics and transportation, Europe will at the same time lose much of the centrality that it long held in these areas. On the other hand, China's engagement can help economic development in Europe's neighbourhood, which contributes to stability and can help the EU's own economic growth.

China's new initiatives discussed in this report are accelerating the growth of its influence on maritime trade patterns as well as in Asia, Africa and Europe more broadly. How this affects European interests depends in part on Europe's response. A proactive approach to closely monitoring and working with China and local actors seems to be the best way to preserve a European role. Such engagement would also allow Europe to support and benefit from economic development in the sectors and regions affected by China's infrastructure strategy.

Appendix: Overview of Major Chinese Foreign Maritime Infrastructure Projects¹⁵⁷

Africa	<ul style="list-style-type: none"> - HPH is part of a joint venture that operates two terminals at Egypt's main commercial ports (Alexandria Port and El Dekheila Port). HPH also operates the Tanzania International Container Terminal in Dar es Salaam.¹ - CMHC owns 47.5% of the Lagos Container Terminal in Nigeria, 50% of the Togo container terminals, and has acquired 23.5% of the Port of Djibouti.² As part of a US\$ 10 billion project, it will also construct a major new deep-sea port with a capacity of 20 million TEU annually, plus an economic zone, at Bagamoyo, Tanzania.³ - CHEC is reinforcing the Oran Port in Algeria, extending a quay in Port Said (both in Egypt), constructing new wharfs and container berths for Port Sudan, extending a container terminal for the Port of Lobito in Angola, constructing a coal wharf in the Port of Maputo in Mozambique, renovating the Libreville-Moore Port in Gabon, has constructed the Takoradi Port in Tema, Ghana, and is constructing a deep-water port in Cameroon.⁴ - CCCC is constructing new container berths for Port Sudan and the Friendship Port of Mauritania.⁵ The company will also build three new berths at Lamu Port in Kenya.⁶ - CAMCE has a contract to expand the Port of Conakry, Guinea.⁷ - China Eximbank has loaned Ivory Coast US\$ 875 million for the construction of a second container terminal at Abidjan Port.⁸ - China and Mozambique have signed an agreement to improve Beira fishing port.⁹ - COSCO Pacific operates and owns 20% of the Suez Canal Terminal in Egypt.²¹ It also has a joint venture to operate and manage the Suez Canal Container Terminal (SCCT) in Port Said East Port in Egypt.²²
Europe	<ul style="list-style-type: none"> - HPH operates the Trimodal Container Terminal Belgium in Willebroek, the DeCeTe Duisburg inland terminal in Germany, the Taranto Container Terminal in Italy, the Barcelona Europe South Terminal in Spain, the Container Terminal Frihamnen in Stockholm in Sweden, the Baltic Container Terminal in Gdynia in Poland (which it has also built), the Port of Felixstowe, Harwich International Port and London Thamesport in the UK, and various terminals in the Netherlands (the Amsterdam Container Terminal, Moerdijk Container Terminal, the ECT City & Delta Terminals in Rotterdam and the Trimodal Container Terminal Venlo).¹⁰ HPH also develops the Fos 4XL terminal in the Port of Marseille, France.¹¹ - COSCO Pacific operates and owns 100% of the Piraeus Terminal in Greece and is also 50% owner of the Piraeus Consolidation and Distribution Centre. It also operates and owns 20% of the Antwerp Terminal in Belgium.¹² - China Shipping Group has a 24% share in the APM Terminal in Zeebrugge, Belgium, of which the Shanghai International Port group owns another 25%.¹³ - CCCC is constructing a dry dock for the Port of Malta.¹⁴
Latin America and the Caribbean	<ul style="list-style-type: none"> - HKDN Group has been granted the sole rights (for a period of 100 years) to plan, design, construct and thereafter to operate and manage the Nicaragua Grand Canal. - HPH operates the Buenos Aires Container Terminal in Argentina, various ports in Mexico (the Ensanada International Terminal, the Lazaro Cardenas Terminal Portuaria de Contenedores, the Terminal Internacional de Manzanillo, and the Internacional de Contenedores Asociados de Veracruz) and two terminals in Panama at the Port of Balboa and the Port of Cristoba,¹⁵ as well as the Freeport Container Port in the Bahamas.¹⁶ - CHEC is constructing a transshipment hub in Port Bight in Jamaica,¹⁷ a maritime terminal and new container wharf in Venezuela, a terminal at Santiago Port in Cuba, a berth for the Port of Balboa in Panama and a Container Terminal in Manzanillo, Mexico.¹⁸ CHEC has also signed an agreement to build the Trinidad and Tobago Transshipment Port.¹⁹

157 This overview is meant to give an impression of the activities of the largest Chinese companies in the maritime sector; it is by no means meant to be exhaustive.

Middle East	<ul style="list-style-type: none"> – HPH operates the Oman International Container Terminal, the International Port Services at Dammam in Saudi Arabia and the Hutchison Ajman International Terminal at Ajman Port in the United Arab Emirates.²⁰ – CHEC is constructing a new private Port of Ashdod in Israel, a new wharf in the Port of al-Adabiya, expanding the Port of Tripoli in Lebanon, constructing the Doha New Port in Qatar, and is developing several projects in Saudi Arabia (two new berths in the Ras Az Zwar Port, the design and construction of the Port of Ma'aden, and construction of the Red Sea Gateway Terminal in Jeddah).²³
Australia	<ul style="list-style-type: none"> – HPH has developed and operates new container terminals in Port Botany in Sydney and in the Port of Brisbane.²⁴
Asia	<ul style="list-style-type: none"> – HPH operates two terminals in the Port of Tanjung Priok in Jakarta, Indonesia, two terminals in South Korea (the Hutchison Busan Container Terminal in Busan and the Korea International Terminal at Gwangyang Port), the Westports Malaysia at Port Klang in Malaysia, the Myanmar International Terminal Thilawa in Yangon, the Karachi International Container Terminal in Pakistan (HPH is also constructing a new terminal in Karachi²⁵), the Saigon International Terminals in Vietnam, and two terminals in the Port of Laemchabang in Thailand.²⁶ – CMHC has a joint venture company with the Sri Lanka Ports Authority. It is developing the Colombo South Container Terminal in the Port of Colombo, Sri Lanka.²⁷ CMHC and CCCC have a joint venture to develop the second phase of the second largest port of Sri Lanka (Hambantota Port), where they will construct four berths.²⁸ – China Overseas Port Holding Company operates Port Gwadar in Pakistan, which was built by CHEC.²⁹ – CHEC is constructing Port Gwadar and is extending the Qasim Port near Karachi, both in Pakistan, constructing the Saigon International Terminal in Vietnam, a container terminal at New Mooring in Chittagong, and has been awarded a contract to build a deep-sea port at Sonadia Island³⁰ (both in Bangladesh), as well as designing and constructing various docks, wharves and piers, etc., for the Port of Tuas South in Singapore, and has constructed (together with Chinese partner Sinohydro) Hambantota Port in Sri Lanka.³¹ – COSCO Pacific owns 49% of the COSCO PSA Terminal in Singapore.³² – Guangxi Beibu Gulf International Port Group has a 40% stake in Kuantan Port Consortium, which wants to improve the Port of Kuantan in Malaysia.³³
North America	<ul style="list-style-type: none"> – China Shipping Group operates the West Basin Container Terminal in the Port of Los Angeles in the United States.³⁴

Notes

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