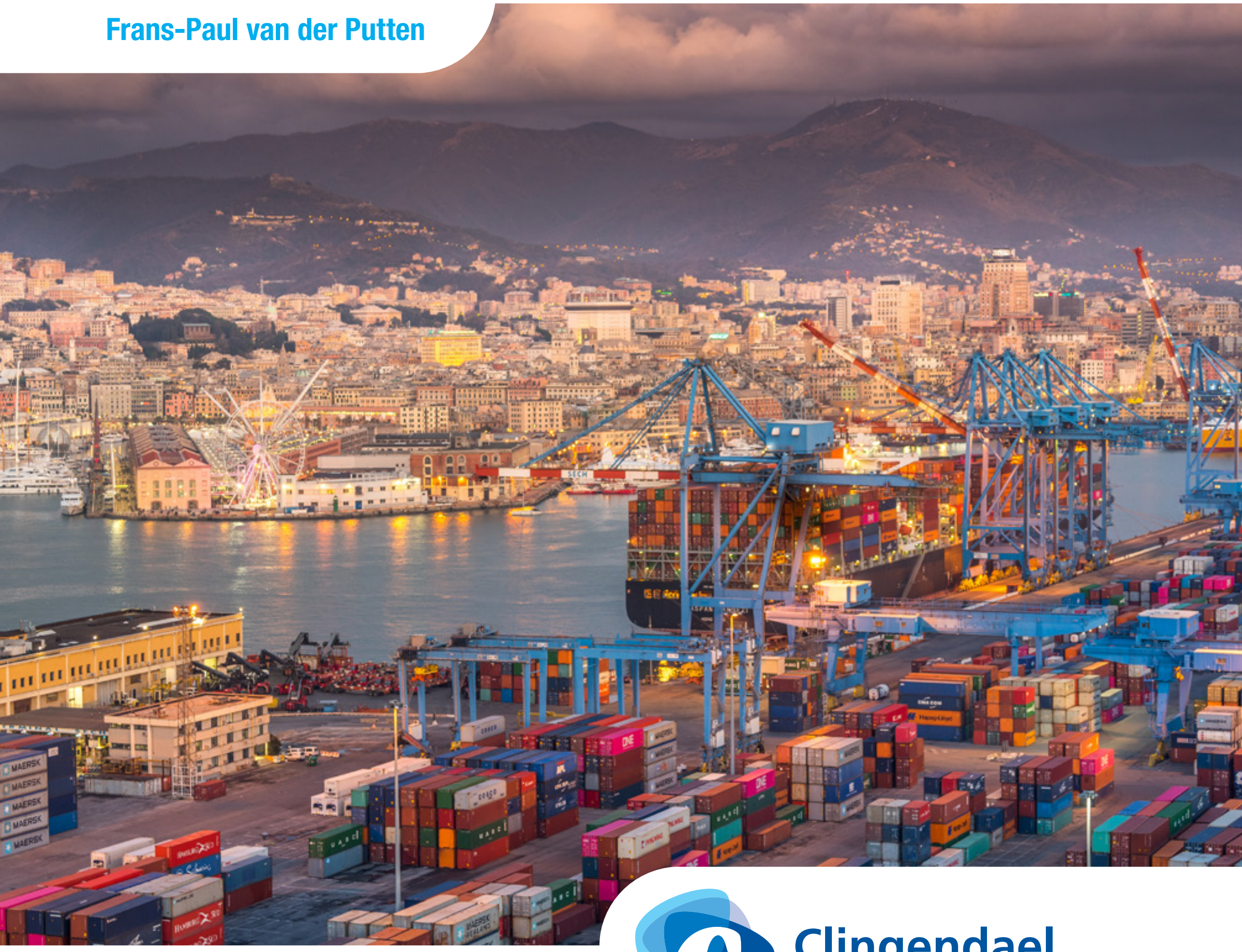
European seaports and Chinese strategic influence

The relevance of the Maritime Silk Road for the Netherlands

Clingendael Report

Frans-Paul van der Putten



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Cover photo: The Italian port of Genoa has signed a cooperation agreement with the Chinese port of Shenzhen © Shutterstock

About the author

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Introduction

Chinese investments in European seaports have increased rapidly in recent years. This process has triggered a debate in Europe on the significance of, and how to deal with, growing Chinese influence in European ports. This process is part of China's Belt and Road Initiative (BRI) – in particular its maritime component, the Maritime Silk Road (MSR) – and is among the economic and geopolitical effects of China's growing role in global affairs. The MSR and the debate on Chinese port activities are highly relevant for the Netherlands, which is a major hub for trade between Western Europe and the rest of the world, and hosts Europe's largest seaport.

To better understand the relevance for Europe and the Netherlands of Chinese investments in European ports against the background of China's Maritime Silk Road, this Clingendael Report discusses two main questions:[1]

1. What is the relevance of Chinese involvement in European ports for China's political influence in the European Union?

2. What are the long-term implications for the Netherlands of the Maritime Silk Road, in particular in regard to Chinese involvement in European ports?

Parts one and two of the report will address these two questions, respectively. The report includes also concluding observations and policy recommendations for the Dutch government and other stakeholders in the Netherlands.

This report builds on a number of previous studies on Chinese involvement in European ports conducted by Clingendael between 2013 and 2018.[2] Data for and insights relevant

1 The author is grateful to Mirela Petkova, Ko Colijn, Olaf Merk, Jens Eskelund, Dale Huang, Rachel Morarjee, Rebecca Solheim, Plamen Tonchev and Hercules Haralambides for their support. The sections in this report on COSCO and its involvement in the Port of Piraeus are based on F.P. van der Putten, T. Hong and J. de Blécourt, 'The motives behind COSCO's investment in the Port of Piraeus', in Matt Ferchen et al. (eds), 'Assessing China's influence in Europe through investments in technology and infrastructure: Four cases', LeidenAsiaCentre, December 2018.

2 'Chinese Investment in the Port of Piraeus' (2014) https://www.clingendael.org/publication/chinese-investment-port-piraeus#; 'China, Europe and the Maritime Silk Road' (2015) https://www.clingendael.org/publication/china-europe-and-maritime-silk-road; and 'The Geopolitical Relevance of Piraeus and China's New Silk Road' (2016) https://www.clingendael.org/publication/geopolitical-relevance-piraeus-and-chinas-new-silk-road; chapter two in the LeidenAsiaCentre report 'Assessing China's influence in Europe': https://www.clingendael.org/publication/assessing-chinas-influence-europe-through-investments (2018).

to the analysis in this study were collected from publicly available sources, including media articles, research reports and company websites, and interviews with experts based in China, the Netherlands, France and Greece. The interviews were conducted in April-May of 2019.

Ports and Chinese political influence in Europe

Political context

Over recent years, the commercial involvement by Chinese firms in European ports has become increasingly politicised. The main driver to this process is the changing perception of China in Europe. Whereas ten years ago, China was regarded primarily as an opportunity for economic exchange, European governments are increasingly focusing on the potential risks related to interaction with China. In February 2018, (then) German Minister of Foreign Affairs Sigmar Gabriel stated that 'China is developing a comprehensive systemic alternative to the Western model that, in contrast to our own, is not founded on freedom, democracy and individual human rights'.[3] In its March 2019 'Strategic Outlook', the European Commission adopted this vision by declaring China not only a partner and an economic competitor, but also a 'systemic rival promoting alternative models of governance'.[4] Because of this change in perception, Chinese economic activities in Europe are increasingly regarded by European politicians and policy-makers as potentially harmful. This is all the more the case when Chinese state-owned enterprises (SOEs) are involved, or when these activities take place in strategically important sectors, such as ports.

A notable outcome of this shift in perception is the new EU regulation for a screening framework of foreign direct investments.[5] The process leading to this framework was supported primarily by Germany, France and the European Commission. Although it is not explicitly aimed at any particular nation, it is widely assumed that concerns about China have been the key driver behind this initiative. The screening framework urges EU member states to consider carefully the potential 'security or public order' effects of foreign direct investments in 'critical infrastructure, critical technologies and critical

3 'Speech by Foreign Minister Sigmar Gabriel at the Munich Security Conference', German Federal Foreign Office, 17 February 2018, https://www.auswaertiges-amt.de/en/newsroom/news/rede-muenchner-sicherheitskonferenz/1602662.

4 'EU–China – A strategic outlook', European Commission, 12 March 2019, https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf.

5 'Regulation 2019/452 of the European Parliament and of the Council establishing a framework for the screening of foreign direct investments into the Union', *Official Journal*, 19 March 2019, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R0452&from=EN.

inputs'.[6] The category of critical infrastructure includes seaports, and the investments by China COSCO Shipping Corporation (COSCO) in the Port of Piraeus are likely to have played a role in the thinking behind the screening framework.

An additional factor that has made Chinese port activities more politically sensitive is the intensification of tensions between China and the United States. The United States (US) regards China as a geopolitical rival, and Chinese foreign economic activities as potentially undermining its own influence in third regions. US concerns regarding China's economic involvement in Europe relate primarily to fields of advanced technology, such as 5G telecommunication. Yet European engagement with China on the Belt and Road Initiative (BRI) is also increasingly perceived by the US government as undesirable. In this context, Chinese involvement in EU seaports has acquired a geopolitical significance that goes beyond the bilateral EU–China relationship. In October 2019, during a visit to Athens, US Secretary of State Mike Pompeo warned about the potential national security implications of Chinese infrastructure investments.[7] Pompeo was in Athens to sign an amendment to the US–Greece Mutual Defense Cooperation Agreement, which has been the foundation for military cooperation between the two countries since 1953. According to the Greek newspaper *Ekathimerini*, the amendment 'establishes the operational framework of the US presence at the northern Greek port of Alexandroupoli, which Greece sees as being of significant geostrategic value. The deal also outlines the terms of operation at Marathi at the Souda base on Crete and also ensures the establishment of high-technology installations on Greek soil and within Greek bases and camps in central Greece'.[8] A possible result of the new agreement is that the privatisation of the Greek port of Alexandropoulis, which is close to the border with Turkey, might be put on hold until the United States 'can influence its outcome'.[9]

Chinese and Hong Kong port operators

The most prominent Chinese actor with regard to EU ports is China COSCO Shipping, the world's largest overall shipping company, third largest container carrier and fifth largest port terminal operator. The company derives its relevance from the fact that it

6 Ibid.

7 'The United States and Greece: Showing the way forward', US Embassy and Consulate in Greece, 5 October 2019, https://gr.usembassy.gov/the-united-states-and-greece-showing-the-way-forward/.

8 Vassilis Nedos, 'Draft text of defence deal with US completed', *Ekathimerini*, 25 September 2019, http://www.ekathimerini.com/244872/article/ekathimerini/news/draft-text-of-defense-deal-with-us-completed.

9 'Greece and USA sign defence pact – Alexandropoulis port privatisation on hold?', *PortsEurope*, 7 October 2019, https://www.portseurope.com/greece-and-usa-sign-defence-pact-alexandropoulis-port-privatisation-on-hold/.

is both a leading shipping company and a major investor in EU ports. In the European Union (EU), COSCO owns minority stakes in container terminals in Antwerp (Belgium), Las Palmas (Spain) and Rotterdam (Netherlands). It has controlling stakes in container terminals in Piraeus (Greece), Valencia (Spain), Bilbao (Spain) and Zeebrugge (Belgium).[10] In Piraeus, COSCO operates two of the port's three terminals via its wholly-owned subsidiary Piraeus Container Terminal (PCT) and it has operational control of the third terminal via its 51 per cent stake in the Piraeus Port Authority (PPA). In Spain, COSCO has a 51 per cent stake in, and managerial control of, COSCO Shipping Ports (Spain) Terminals, which owns and operates the largest terminals in Valencia and Bilbao.[11] In Zeebrugge, COSCO owns 90 per cent of the only terminal operator, COSCO Shipping Ports Zeebrugge Terminal.[12]

COSCO was established in 1961 by the Chinese government as a state-owned enterprise for overseas shipping.[13] Its main activities today include bulk and container shipping, port management, logistics, shipping finance, shipbuilding and repairs, ship and crew management, and real estate and hotel management.[14] In 2016, COSCO expanded substantially in size when it acquired China Shipping, another major state-owned enterprise that was founded in 1997.[15] In 2018, COSCO acquired a 50.46 per cent share in Orient Overseas (International) Ltd, the Hong Kong company that owns container carrier Orient Overseas Container Line (OOCL).[16] COSCO's company headquarters are located in Shanghai. According to the company's website, its main aim is 'to build a world-leading business entity that provides integrated logistics and supply chain services', by focusing on global shipping, integrated logistics and shipping-related financial services.[17]

10 Olaf Merk, 'Geopolitics and commercial seaports', *Revue internationale et stratégique*, vol. 107, no. 3, 2017, p. 78.
11 COSCO is entitled to appoint a majority of the directors of CSP (Spain) Terminals, including the chairman, CEO and CFO: https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0612/ltn20170612966.pdf. The CEO and CFO of CSP (Spain) Terminals are long-serving COSCO managers. Three other members of the management team are Spanish nationals and have been with the company since before COSCO acquired its majority share. Two further members of the management team joined after the acquisition, one being Spanish and the other Chinese: https://cspspain.com/en/empresa.
12 CMA CGM owns the remaining 10 per cent: https://portofzeebrugge.be/nl/nieuws-evenementen/cosco-shipping-ports-ondertekent-concessieovereenkomst-met-port-zeebrugge-en-cma.
13 Originally China Ocean Shipping Company, 中国远洋运输公司; later renamed China Ocean Shipping (Group) Company, 中国远洋运输（集团）总公司.
14 China COSCO Shipping Corporation Limited: http://en.coscoshipping.com/col/col6916/index.html.
15 As a result of the merger, the company name became China COSCO Shipping Corporation Ltd (often shortened to COSCO Shipping or COSCO) or 中国远洋海运集团有限公司.
16 Simultaneously, Shanghai International Port Group (SIPG) acquired 9.9 per cent in OOIL.
17 'Group Profile', China COSCO Shipping Corporation Limited, http://en.coscocs.com/col/col6918/index.html.

Influential external stakeholder groups include the Communist Party of China (CCP), the State-owned Assets Supervision and Administration Commission of the State Council (SASAC), and minority shareholders of the company's container shipping and ports businesses. The dominant external stakeholders are the CCP (the ultimate controlling entity) and SASAC (the owner of the parent company). Since the CCP has permanent control of the Chinese government, including SASAC, the overall interests of the Party and the government are closely aligned. In the case of COSCO, these may be presumed to include retaining political control of overall strategy, and developing the company as a financially viable shipping and logistics enterprise with a leading role on the global level. External shareholders in companies within the COSCO group that have a stock exchange listing are primarily interested in these companies' financial results and how these affect stock prices. They buy and sell shares in COSCO on the basis of their assessment of its financial performance. Management, which is the dominant internal stakeholder at large corporations, typically tries to satisfy the needs of influential external shareholders in order to improve their personal career potential. An additional interest for managers themselves lies in corporate expansion: making their own areas of responsibility larger also benefits their position within the company.

COSCO's core interests relevant to its involvement in European ports may be assumed to include: a) showing loyalty to the CCP and the central government; b) commercial profitability; and c) the expansion of corporate activities. While the latter two are common to large companies in general and relatively straightforward, the meaning of political loyalty depends on the expectations of the Party and the central government, and how managers perceive these. Overall, a focus by COSCO on profitability and expansion seem to be in line with the expectations of China's political leadership. Being profitable is necessary for COSCO to be competitive at the global level and to raise capital through issuing public shares. International expansion corresponds to the guidance provided by the policies Go Out and Belt and Road Initiative. However, no information is available on whether any additional instructions or guidelines have been provided by China's political leadership to COSCO's board of directors. This applies to the general level, and also to specific projects or activities, such as investing in the Port of Piraeus. Political guidance as a potentially decisive factor, either in the present or at a future time, is inherent in a major state-owned enterprise such as COSCO.

Other major Chinese or Hong Kong companies with current or recent port investments in the European Union are the following:

- *China Merchants Group*. Established in 1872, during the Qing dynasty, the company is China's oldest multinational enterprise. Like COSCO, it is a state-owned enterprise with major subsidiaries listed on stock exchanges. It is owned by the Chinese central government, but is based in Hong Kong. The company refers to BRI as the core of its internationalisation strategy.[18] Its subsidiary, China Merchants Port Holdings (CMP), is the world's sixth-largest port terminal operator. In 2013 CMP took a 49 per cent stake, in return for US$ 400 million, in Terminal Link, a joint venture with the French shipping firm CMA CGM. Through Terminal Link, CMP has minority stakes in 13 terminals worldwide, including in Antwerp (Belgium), Montoir (France), Dunkirk (France), Le Havre (France), Fos (France), Thessaloniki (Greece) and Marsaxlokk (Malta).[19] On 25 November 2019 CMP and CMA CGM announced that Terminal Link would purchase CMA CGM's stakes in 10 terminals that were previously not part of Terminal Link, at least one of these terminals being located in Europe.[20] In order to enable Terminal Link to make this purchase, CMP will provide it with financing worth US$968 million (partly through buying bonds and partly as a loan). China Merchants will continue to be the minority partner in Terminal Link.

– *CK Hutchison Holdings*. Hutchison is a conglomerate that is registered in the Cayman Islands and headquartered in Hong Kong. The company is listed on the Hong Kong stock exchange and its largest shareholder is its former CEO and partial founder, Li Ka-Shing. Its ports subsidiary, Hutchison Port Holdings (HPH), is the second-largest port terminal operator in the world and has stakes in terminals in Rotterdam (the Netherlands), Stockholm (Sweden), Barcelona (Spain), Felixstowe (UK), Harwich (UK), Kent (UK) and Gdynia (Poland). In addition, it operates inland terminals at Duisburg (Germany), Venlo (the Netherlands), Amsterdam (the Netherlands), Moerdijk (the Netherlands) and Willebroek (Belgium). HPH is the largest terminal operator in Rotterdam (see part 2 of this report). The Singaporean state-owned enterprise Port of Singapore Authority (PSA), which is the largest terminal operator worldwide, has a 20 per cent stake in HPH.

– *Shanghai International Port Group (SIPG)*. SIPG, majority-owned by the government of Shanghai and 15 per cent-owned by COSCO, is the operator of all public terminals in the Port of Shanghai, the world's largest container port. SIPG owns 9.9 per cent of Orient Overseas (International) Limited (OOIL), the Hong Kong-based company

18 'China Merchants International: CMHI name change to China Merchants Port Holdings Company Limited', *Market Screener*, 6 April 2016, https://www.marketscreener.com/CHINA-MERCHANTS-HOLDINGS-1412600/news/China-Merchants-Int-l-CMHI-Name-Change-To-ldquo-China-Merchants-Port-Holdings-Company-Limited-rdq-22472042/.

19 'Terminals', CMA CGM, https://www.cmacgm-group.com/en/group/at-a-glance/terminals.

20 The 10 terminals remained unidentified. Press release, 25 Nov. 2019, http://www.cmport.com.hk/EN/news/Detail.aspx?id=10008161. See also 'China Merchants in talks to invest in CMA CGM port assets', *Bloomberg*, 2 September 2019, https://www.bloomberg.com/news/articles/2019-09-02/china-merchants-said-in-talks-to-invest-in-cma-cgm-port-assets and Jia Tianqiong and Denise Jia, 'China Merchants Port to Acquire Stakes in 10 Terminals from CMA CGM', *Caixing*, 27 November 2019, https://www.caixinglobal.com/2019-11-27/china-merchants-port-to-acquire-stakes-in-10-terminals-from-cma-cgm-101487676.html.

that owns OOCL and that itself is majority-owned by COSCO. Until 2017, SIPG had a 25 per cent stake in the Zeebrugge container terminal, which was then acquired by COSCO. SIPG currently has no port investments in the EU.

Neither China Merchants nor Hutchison are major container shippers, so unlike COSCO they are unable to direct container traffic to their terminals. Moreover, China Merchants is a state-owned enterprise but does not have a majority stake in any EU terminal. Hutchison does, but it is a privately-owned Hong Kong company rather than a Chinese state-owned enterprise. Hong Kong has a regulatory and administrative system that is separate from mainland China's. At the same time, Hong Kong is part of the People's Republic of China, and its administration is indirectly controlled by the Chinese central government and the CCP. SIPG is a major terminal operator in China but currently neither a major shipping company nor an investor in European ports.

Two further companies that are relevant in the context of this study are the previously-mentioned CMA CGM and Evergreen, major shipping companies from France and Taiwan, respectively. With COSCO and OOCL, they constitute the Ocean Alliance, which involves close coordination with regard to certain strategic aspects of Asia–Europe container shipping. In the area of port activities, CMA CGM is closely connected to China Merchants through the Terminal Link joint venture. This means that CMA CGM, the fourth-largest container shipping company, has important ties to two major Chinese state-owned enterprises. Evergreen is a private company, and the seventh-largest container carrier. Finally, there are also non-Chinese, non-maritime companies that have important ties to COSCO. Two notable examples are Hewlett-Packard (HP) (American) and Foxconn (Taiwanese). The overland transport corridor that links Piraeus with the Czech Republic, and that is part of the Belt and Road Initiative, was established by COSCO in close cooperation with both HP (owner of the goods transported via this corridor) and Foxconn (owner of factories in China and the Czech Republic that manufacture these goods).

Chinese state-owned enterprises and, to a lesser extent, privately-owned companies operate within parameters set by the Chinese government and the CCP. Not only are their senior managers appointed by the Party, but they are often also dependent on subsidies and other forms of state support. Some state-owned enterprises, such as COSCO, are partly owned by private investors. The involvement of private investors is relevant, as it leads to greater transparency regarding companies' strategic decisions. Hong Kong companies – whether or not they are listed on a stock exchange – operate at a greater distance from the Chinese political establishment, yet they still need to take into account the sensitivities and (informal) expectations of the People's Republic of China (PRC) government. This applies even to non-PRC and non-Hong Kong companies, if these are dependent on the goodwill of the Chinese government (for example, because they are dependent on Chinese financing, access to the Chinese market or to Chinese technology, or strategic cooperation with Chinese counterparts). When it comes to the ability of the Chinese central government to steer companies in directions that are geopolitically advantageous to China, there is a continuum that ranges from Chinese fully-owned SOEs (the category most likely to experience political guidance or pressure), via partially owned SOEs, PRC private companies and Hong Kong companies, to foreign companies that are strategically dependent on China.

Port operators as a potential instrument of political influence: COSCO's involvement in Piraeus

In order to explore the relationship between port investment and political influence, it is necessary to take a detailed look into COSCO's involvement at Piraeus. This is the only instance in the European Union where COSCO has a controlling stake in an entire port rather than in a container terminal that constitutes only part of the port. Moreover, Piraeus is Greece's main seaport, while the Greek economy is small relative to many Western European economies. In other words, if Chinese port investment has the potential to deliver greater political influence for China anywhere in the EU, Greece would be the most likely candidate.

Various Western think tanks, media and governments have pointed at COSCO's investments in Piraeus as a tool for Chinese political interference in the European Union. For instance, in a report by think tanks GPPI and MERICS titled 'Authoritarian advance: Responding to China's growing political influence in Europe', Greece is the most-often mentioned example in a section that discusses 'the political damage Chinese investment in the region has caused to unity among EU member states – especially on European China policy'.[21] The report suggests that this is a prime example of Chinese political influencing in the EU. This conception is also part of a *New York Times* article that states that 'while Europe was busy squeezing Greece, the Chinese swooped in with bucket-loads of investments that have begun to pay off, not only economically but also by apparently giving China a political foothold in Greece and, by extension, in Europe'.[22] Indications of Greece's pro-China course that are often referenced are Athens' objections to a statement critical of China in response to an arbitration ruling on the South China Sea in 2016, its veto of an EU-proposed resolution to criticise China in the Human Rights Council of the United Nations in 2017, and its opposition to an EU-wide investment-screening mechanism, also in 2017. More recently, Greece joined the 16+1 platform for diplomatic and economic interaction between China and Central/Eastern

21 'Authoritarian advance: Responding to China's growing political influence in Europe', MERICS and GPPI, February 2018, https://www.merics.org/en/publications/authoritarian-advance.

22 Jason Horowitz and Liz Alderman, 'Chastised by EU, a resentful Greece embraces China's cash and interests', *New York Times*, 26 August 2017, https://www.nytimes.com/2017/08/26/world/europe/greece-china-piraeus-alexis-tsipras.html.

European countries. The European Commission and western EU member states regard the 16+1 platform as undermining EU unity. Greece's accession is seen as related to COSCO's investment in Piraeus.[23] If there indeed exists a link between Chinese port investment and Greece's foreign policy behaviour, then how exactly does this investment provide China with political leverage?

China's interest in the Port of Piraeus first became apparent in the 1990s, when China Shipping Container Lines (CSCL – a subsidiary of China Shipping, which was acquired by COSCO in 2016) concluded a contract with the PPA to use Piraeus for transhipment.[24] This significantly predates the Belt and Road Initiative, which was first announced by Xi Jinping in September 2013. Around the time or not long after this contract expired in 2001, COSCO expressed an interest to develop and enlarge Piraeus as a transhipment hub.[25] High-level contact between COSCO and the Greek government was established in 2006, when COSCO's chairman met with the Greek prime minister.[26] On 25 November 2008, after a tendering process, COSCO signed an agreement with Piraeus Port Authority to operate and develop piers (later terminals) 2 and 3 of the Piraeus container terminal. The agreement was signed in Athens in the presence of (then) China's President Hu Jintao and Greece's Prime Minister Kostas Karamanlis. COSCO obtained a 35-year lease contract in return for an initial payment of 50 million euros, a percentage of annual revenues and an annual lease fee.[27] Moreover, COSCO promised to invest additional sums in developing the two terminals.[28] In order to operate terminals 2 and 3, COSCO created a new entity, Piraeus Container Terminal (PCT),[29] which constituted the company's first wholly-owned terminal subsidiary outside of China.

To its external shareholders, COSCO explained that its motive to invest in Greece was 'to develop Piraeus Terminal into an important transhipment terminal, contributing steady cash flow and a favourable investment return for the Group'. Furthermore, it stated that 'the Group is confident that Piraeus Terminal can be developed as a

23 Emilian Kavalski, 'China's "16+1" is dead? Long live the "17+1"', *The Diplomat*, 29 March 2019, https://thediplomat.com/2019/03/chinas-161-is-dead-long-live-the-171/.

24 Harilaos Psaraftis and Athanasios Pallis, 'Concession of the Piraeus container terminal: Turbulent times and the quest for competitiveness', *Maritime Policy and Management*, vol. 39, 2012, p. 31.

25 Ibid.

26 'Greek Prime Minister Alexis Tsipras met with Chairman of China COSCO Shipping Corporation', Embassy of the People's Republic of China in the Hellenic Republic, 10 April 2016, http://gr.china-embassy.org/eng/zxgx/t1354405.htm.

27 Psaraftis and Pallis, 'Concession of the Piraeus container terminal'.

28 The initial term for the lease was 30 years, with an additional five years on the condition that COSCO would complete terminal 3; see Psaraftis and Pallis, 'Concession of the Piraeus container terminal', p. 35.

29 F.P. van der Putten, 'Chinese investment in the Port of Piraeus, Greece: The relevance for the EU and the Netherlands', Clingendael, 14 February 2014, https://www.clingendael.org/sites/default/files/pdfs/2014%20-%20Chinese%20investment%20in%20Piraeus%20-%20Clingendael%20Report.pdf.

major transhipment centre in the Mediterranean region and as a gateway to Southern Europe'.[30] In the following years, COSCO indeed invested in the upgrade of terminal 2 and the construction of terminal 3. It argued, again aimed at external shareholders, that 'the expansion project will enhance the facility and increase the operational capacity of Piraeus Terminal. It will also be favourable to the port's position as an international transhipment hub, consistent with our top three goals for Piraeus Terminal, including to become a major logistics distribution centre and the most important container transhipment centre in the Eastern Mediterranean. The Group also launched sea–rail intermodal transport services at Piraeus to develop the terminal as the gateway port for Southern Europe'.[31] In 2009, COSCO Shipping Ports, the entity that is responsible for the company's port activities,[32] borrowed 215 million euros from China Development Bank, to be repaid over a 21-year period, for the sole purpose of investing in Piraeus. China Development Bank is a Chinese state-owned bank responsible for raising funds for large infrastructure projects in China and abroad. It is one of COSCO Shipping Ports' principal bankers.[33] In 2012, the same COSCO entity took a 120 million euros bank loan in order to finance construction work at terminal 3.[34]

In 2016, the Greek government – forced to do so to repay its debt to the International Monetary Fund and the EU – sold its majority stake in the PPA. The sale followed a bidding process from which COSCO emerged as the sole bidder. APM Terminals (part of Danish company Maersk) and International Container Terminal Services, Inc. (ICTSI – of the Philippines) were also interested in the bidding process, but they withdrew, apparently after becoming convinced that the Greek government strongly favoured COSCO.[35] The PPA had been established in 1930 by the Greek government in order to administer the Port of Piraeus, Greece's largest seaport.[36] The port authority was incorporated as a company in 1999, and four years later it was listed on the Athens stock exchange, with 75 per cent of the shares remaining in the hands of the Greek state.[37] In July 2016, during the final stage of the sale process, Greek Prime Minister Alexis Tsipras went on a state visit to Beijing where he was received by Xi Jinping.

30 'COSCO Pacific Limited annual report 2009', COSCO Pacific, 2009, p. 13, https://ports.coscoshipping.com/en/Investors/IRHome/FinancialReports/pdf/e09ar.pdf.
31 'COSCO Pacific Limited annual report 2014', COSCO Pacific, 2014, https://ports.coscoshipping.com/en/Investors/IRHome/FinancialReports/pdf/EW01199-AR.pdf.
32 Then under its previous name, COSCO Pacific Ltd.
33 'Annual report 2017', COSCO Shipping Ports Limited, 2017, p. 244, https://doc.irasia.com/listco/hk/coscoship/annual/2017/ar2017.pdf.
34 'Expansion at Greek container terminal', *South China Morning Post*, 2012, https://www.scmp.com/article/1001299/expansion-greek-container-terminal.
35 Interview with a ports expert, October 2019.
36 'Chronology', Piraeus Port Authority, 2019, www.olp.gr/en/the-port-of-piraeus/chronology.
37 Psaraftis and Pallis, 'Concession of the Piraeus container terminal', p. 29.

At that occasion, 'Xi Jinping stressed that China and Greece should intensify high-level exchanges, and continuously understand and support each other in issues concerning respective core interest and major concerns. Both sides should boost practical cooperation. China is willing to continuously work with Greece to build the Piraeus port into the biggest transhipment port of containers in the Mediterranean Sea, the bridgehead of land–ocean transportation, and a major pivot for the "Belt and Road" initiative cooperation to mobilise practical cooperation in broad areas between the two countries'.[38]

On 10 August 2016, the Greek government transferred 51 per cent of the company's shares to COSCO in return for 280.5 million euros. Part of the agreement was that COSCO would be allowed in 2021 to purchase a further 16 per cent of the PPA's shares from the Greek state at 88 million euros, provided that under COSCO's leadership the PPA would invest at least 294 million euros in port improvement.[39] COSCO has four main subsidiary firms in Greece. The two main holdings are the PPA (which operates terminal 1 and all non-container parts of the port) and PCT (which operates terminals 2 and 3 of the container terminal). Despite COSCO's take-over of the PPA, PCT continues to operate under a lease contract with the PPA. Importantly, the PPA acquisition added further external stakeholders to COSCO's activities at Piraeus, namely the Greek state (which still owns 24 per cent of the PPA's shares) and investors on the Athens stock exchange (collectively owning another 25 per cent). COSCO has ensured that investors at the Hong Kong stock exchange and those in Athens remain separate groups, by not merging PCT with the PPA.[40]

COSCO is expanding the Port of Piraeus, not just as a container terminal but also as a homeport for cruise ships (by improving the cruise terminal and making arrangements with Chinese airlines to increase direct flights from China to Athens). COSCO also enhanced the port's ship-repair capacity by bringing in from China a large floating repair dock, and had been trying to buy a Greek shipyard. Moreover, it is also increasingly focused on developing the port from a major transhipment hub into a significant entry/exit point for overland trade between Piraeus and Central Europe. To this end, it has been developing the so-called China–Europe Land–Sea Express Route (LSER). According to COSCO, when compared with traditional service routes, its delivery time

38 'Xi Jinping meets with Prime Minister Alexis Tsipras of Greece', Ministry of Foreign Affairs of the People's Republic of China, 6 July 2016, https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1378515.shtml.

39 Ilias Bellos, 'COSCO to clinch majority stake in Piraeus Port ahead of further investment', *Ekathimerini*, 9 August 2016, http://www.ekathimerini.com/211138/article/ekathimerini/business/cosco-to-clinch-majority-stake-in-piraeus-port-ahead-of-further-investment.

40 As a result, PCT is controlled directly by COSCO, rather than via PPA.

is about seven days shorter.[41] As stated by COSCO: 'By connecting its shipping routes with China–Europe Railway Express, the Company strived to develop itself into a one-stop service provider linking the Silk Road Economic Belt and the 21st Century Maritime Silk Road'. A map on the wall of the PPA office suggests that COSCO's ambition is to establish the LSER as a north–south transport corridor from Piraeus up to Hamburg via the Balkans, Hungary, Austria, the Czech Republic, Poland and Germany.

So far, rail traffic through northern Macedonia, Serbia and Hungary remains slow. Plans (involving not COSCO, but the Chinese government and other Chinese actors) for a new Chinese-funded Belgrade–Budapest railway track are part of Chinese efforts to address this problem. A related issue is that the low-quality mobile phone service in these countries limits the track-and-trace function. Despite these obstacles, COSCO has been providing important logistical support for HP through its cross-docking facility at Piraeus, and by shipping semi-finished HP goods from China via Greece to Foxconn in the Czech Republic, and, once the goods are finished, back to Piraeus from where they are distributed by sea across the Mediterranean and Black Sea. In late 2017, COSCO established OceanRail Logistics, a Greek subsidiary aimed at becoming the platform to link rail and sea transport via Piraeus. In November 2019, COSCO acquired a 60 per cent share in Piraeus Europe Asia Rail Logistics (PEARL), a railway and logistics services company also based at Piraeus.[42] COSCO will use PEARL to develop further the China–Europe Land–Sea Express Route.[43] Shortly thereafter, COSCO announced that it would take a 15%-stake in Rail Cargo Terminal-BILK, a railway terminal in Budapest with a capacity 230,000 TEUs annually.[44] Yet another initiative by COSCO launched in November of 2019 is the Rijeka Land Sea Express, that consists of a maritime shipping link between Piraeus and the port of Rijeka (Croatia), as well as block trains from Rijeka to Budapest and to Belgrade.[45]

Since its 2016 purchase of a majority stake in the PPA, COSCO has encountered various difficulties in expanding and modernising the port. These include rejections by Greek authorities of a shipyard permit for COSCO and of plans to build a mall next to the cruise terminal. In October 2019, however, Greece's Port Planning and Development Committee

41 '2017 interim report', COSCO Shipping Ports Limited, https://ports.coscoshipping.com/en/Investors/IRHome/FinancialReports/pdf/e17ir.pdf.

42 'Cosco division acquires 60% of the share capital of Piraeus-based PEARL', 11 Nov. 2019, https://www.portseurope.com/cosco-division-acquires-60-of-the-share-capital-of-piraeus-based-pearl/.

43 Press report, 15 Nov. 2019, http://en.coscoshipping.com/art/2019/11/15/art_6923_124985.html.

44 Catherine Si, 'Cosco Shipping buys stake in Rail Cargo Terminal-BILK in Budapest', 26 Nov. 2019, https://www.seatrade-maritime.com/ports-logistics/cosco-shipping-buys-stake-rail-cargo-terminal-bilk-budapest.

45 'ICTSI Croatia welcomes new inter-modal service', 22 Nov. 2019, https://business.mb.com.ph/2019/11/22/ictsi-croatia-welcomes-new-inter-modal-service/.

approved most of the PPA's plans for port improvement. The plans, which amount to 612 million euros, involve among other things a new cruise terminal, new car terminal, four hotels and new storage facilities. Part of these activities will be financed through a 140 million euros loan from the European Investment Bank (backed by a guarantee from the China Export–Import Bank). However, the committee rejected a proposal by the PPA to build a fourth container terminal, which would lift the port's container capacity from seven million to ten million TEUs per year).[46] Investment for the new terminal would amount to 300 million euros. Local politicians in Piraeus and unions strongly objected to the latter plan.[47] During a state visit by Chinese President Xi Jinping to Greece in November 2019, COSCO and the Greek government announced that they would start a dialogue in order to overcome these obstacles to an agreement on the fourth terminal.[48] Both Greek Prime Minister Kyriakos Mitsotakis and COSCO CEO Xu Lirong have recently stated that it is their aim to turn Piraeus into Europe's largest port.[49]

COSCO's investments in Piraeus have brought some clear benefits for the company that correspond to its core interests. First, COSCO has showed its loyalty to China's political leadership by contributing to the development of the BRI. Piraeus is perhaps the best example to date of a major BRI project that is economically beneficial for both the host country and China itself. Second, COSCO has created an additional source of income for itself and its shareholders. For the fiscal year 2017, the PPA paid some 4.28 million euros in dividends, of which COSCO received roughly half and the remaining shareholders in the PPA collectively received the other half. Also in 2017, PCT made a profit of some 17 million euros, which contributed to dividends payable in part to investors on the Hong Kong stock exchange and in part to COSCO. Under COSCO's management, container throughput at Piraeus has grown rapidly. Between 2007 and 2017, throughput increased by nearly 200 per cent, reaching approximately 4.1 million TEU in 2017. Piraeus was the sixth-largest European container port in 2018. As Piraeus continues to grow, its capacity to generate revenues may also increase further. Third, investing in Piraeus has allowed COSCO to expand its activities as a port operator. When it was established in 2008, PCT was the company's first fully owned container terminal subsidiary outside of China. Since then, COSCO has not only enlarged its involvement at Piraeus, but has also invested in other Mediterranean and Atlantic container ports.[50]

46 TEU stands for twenty-foot equivalent units – a measure of volume for cargo capacity.

47 Ilias Bellos, 'Cosco's Piraeus plan approved, in part', 13 Oct. 2019, http://www.ekathimerini.com/245471/article/ekathimerini/business/coscos-piraeus-plan-approved-in-part.

48 Ilias Bellos, 'Making Piraeus Europe's biggest port', 12 Nov. 2019, http://www.ekathimerini.com/246370/article/ekathimerini/business/making-piraeus-europes-biggest-port.

49 'Piraeus Port Development Tops Greek PM's China Agenda', 6 Nov. 2019, https://news.gtp.gr/2019/11/06/piraeus-port-development-tops-greek-pms-china-agenda/.

50 Outside the EU and mainland China, COSCO has terminal investments in Hong Kong, Taiwan, Singapore, Busan, Suez, Abu Dhabi, Turkey and Seattle.

COSCO has to date invested (at least) some 800 million euros in Piraeus. This appears to have been financed mostly by bank loans. Most of the investments made by COSCO in European ports have been done by entities in which outside investors have a major stake, such as COSCO Shipping Ports (CSP). The stock price for CSP generally rose in the first few years after the signing of the November 2008 lease agreement. This suggests that shareholders were either positive about the involvement in Greece, or at least they did not regard it as a major reason to abandon their investments in the company. On the basis of the available information, there is no reason to assume that the investments by COSCO in the Port of Piraeus have been counter to its commercial interests. The overall aims of COSCO and those of the CCP and the Chinese state seem closely aligned – that is, to turn the Port of Piraeus into a major hub under COSCO's management. The Chinese government has been closely involved during all stages of COSCO's involvement, which suggests that the company acts in accordance with – or, at least, not contrary to – Chinese foreign policy aims. Still, the commercial logic is also there; statements aimed at external shareholders seem to be in line with the actual investment behaviour of the company. This means that profitability and commercial expansion are key objectives, regardless of possible political considerations. This basic profile of interests – clearly commercial, but to an unknown extent also political – does not appear to have changed much throughout the 2008–2019 period.

The exact balance between political and commercial aims cannot be established on the basis of publicly available data. Nonetheless, it seems obvious that commercial considerations have been playing, and still play, a very important role in COSCO's investment behaviour at Piraeus. Whether gaining political leverage over Greece, and by extension also over the EU, is among the objectives of either COSCO itself or the CCP and the Chinese government, cannot be confirmed. What is perhaps more important is that China's political leadership could, if needed, use COSCO to gain such leverage in the future. In theory, COSCO could manipulate the size of container flows (the overall flow, or parts thereof) via the Port of Piraeus, or threaten to do so. However, being seen to do so would be very costly for the company. It would damage its reputation in the eyes of shareholders and of Greek and other foreign governments. COSCO's main usefulness for the Chinese government most likely lies with its role as a leader in maritime shipping and global logistics, not with its ability to exert political influence over foreign governments. The most likely course for the Chinese government, then, would be to refrain from using COSCO as an overt political tool in its relations with Greece, but rather to support the company's commercial operations. This applies not just to Piraeus but also to other EU ports, and not just to COSCO but also to other Chinese logistics companies such as China Merchants.

Port investment as an indirect source of political leverage

Port investments can make a recipient country more economically dependent on the investing country, thus functioning as an indirect source of political leverage. In the case of Greece, this would mean that the more the Greek economy benefits from COSCO's activities, the more Greece becomes reliant on continued good relations with China. So while COSCO may be commercially successful while refraining from exerting political influence, it can still be a key factor for enhancing Chinese political influence in Greece and in the EU. COSCO did successfully establish Piraeus as a major hub in the eastern Mediterranean, but its overall impact on the Greek economy remains limited. Still, the Greek economy has been in bad shape since the beginning of the global financial crisis in 2008–2009. The successful growth of Piraeus, plus prospects for further economic interaction with China, are probably too important for the Greek government to ignore. These circumstances suggest that Greece may have become increasingly willing to show respect for major Chinese interests, such as those relating to human rights or the South China Sea. From 2016, this policy led Greece in a few instances to deviate openly from the majority stance within the EU. When assessing Greek foreign policy in this regard, it is important to keep in mind the possible relevance of intra-EU issues unrelated to China, and the exact timing of certain actions. For instance, the EU statement on the South China Sea arbitration outcome in 2016 more or less coincided with a state visit by Greece's (then) Prime Minister Tsipras to China in order to prepare for COSCO's acquisition of the Piraeus Port Authority. This was a long-anticipated and crucial moment in Sino-Greek relations, which increased the likelihood that the Greek government would object to a China-critical EU statement. The Chinese government had been campaigning for months to communicate to foreign governments that the arbitration case was a highly sensitive and high-priority issue.

On the one hand, the Greek case suggests that port investments in other EU member states could equally influence their foreign policy behaviour and thus affect the overall capacity of the EU to act on geopolitical issues. On the other hand, it is not clear that this is inherent specifically to the port sector. The key issue is economic dependence, leading to political leverage. Such dependence may result from a broad range, and potential combination, of trade and investment relations.

Market concentration

While port investment is just one of various ways in which China may indirectly acquire political influence, it is worthwhile to explore further the linkages between Chinese port investment and political influence in the EU. Two developments are important in this regard. First, many European container terminals are owned by shipping companies, and those that are have been growing faster than those that are not.[51] As the Piraeus case has demonstrated, shipping companies have the ability to direct their own ships to those terminals and ports in which they have an interest. COSCO created greater volumes of container traffic primarily by using Piraeus as a hub for its own shipping activities.

Second, the capacity for deep-sea container shipping is becoming increasingly concentrated, with the ten largest companies controlling nearly 90 per cent of the market.[52] Moreover, alliances among the main players have further increased the level of market concentration. The Asia–Europe route is dominated by just three alliances, which jointly account for 99 per cent of all container traffic. One of these three is Ocean Alliance, which controls 36 per cent of the container trade between Europe and Asia.[53] Within this alliance, it is COSCO that has the greatest share (the other members being CMA CGM, OOCL and Evergreen).[54]

This small number of very large shipping firms are thus increasingly able to direct cargo flows towards or away from individual ports. The result of this development is that the bargaining power of the major shipping companies in relation to port authorities has been growing. They can use this power to pressure ports to lower their fees or to invest in infrastructure upgrades.[55] COSCO, and through it the Chinese state, is a major player in this game, but not the only one. The two largest container carriers are Maersk and Mediterranean Shipping Company (MSC), both of which are European private enterprises and which together constitute an alliance that competes with COSCO's Ocean Alliance. Incidentally, the Chinese government in 2014 blocked an all-European alliance of Maersk, MSC and CMA CGM on the grounds that this would distort markets. This decision opened the door to the emergence of Ocean Alliance in its present form. In the future, COSCO's role could increase further by acquisitions of non-Chinese shipping firms or of terminal assets that are currently owned by other Chinese, Hong Kong or non-Chinese companies.

On the basis of this analysis, it becomes clear that port investment as such is not the key issue when it comes to economic dependence and Chinese political influence. The basis for Chinese political leverage over Greece – to the extent that it exists – is not COSCO's

51 'Container shipping in Europe: Data for the evaluation of the EU consortia block exemption', International Transport Forum, 2019, https://www.itf-oecd.org/sites/default/files/docs/container-shipping-europe-eu-consortia_3.pdf.

52 'Top 10 shipping lines control almost 90% of the deep sea market', *Marine Insight*, 11 October 2019, https://www.marineinsight.com/shipping-news/top10-shipping-lines-control-almost-90-deep-sea-market/.

53 Ibid.

54 It is unclear whether the European Commission will allow existing exemption to competition law for shipping alliances to be extended beyond April 2020.

55 'Container shipping in Europe'.

involvement in Piraeus, but rather the company's ability to direct container traffic to Greece. In fact, the investments by COSCO in the PPA and in modernising the port have tied the company to Piraeus, and thus have limited its ability to shift to other ports as its main hub in the eastern Mediterranean.

Long-term implications for the Netherlands of the Maritime Silk Road

The Maritime Silk Road

The previous section discussed the relationship between port investments by Chinese firms and China's political influence in the European Union. This section focuses specifically on the longer-term implications of such investment for the Port of Rotterdam. As outlined above, Chinese port activities in Europe should be regarded in relation to market concentration in container shipping. Moreover, terminal management and container shipping are part of a wider Chinese approach to the maritime domain, which the Chinese government refers to as the Maritime Silk Road:

> The 21st-Century Maritime Silk Road is designed to go from China's coast to Europe through the South China Sea and the Indian Ocean in one route, and from China's coast through the South China Sea to the South Pacific in the other. [...] the Initiative will focus on jointly building smooth, secure and efficient transport routes connecting major seaports along the Belt and Road. [...] We should push forward port infrastructure construction, build smooth land–water transportation channels, and advance port cooperation, increase sea routes and the number of voyages, and enhance information technology cooperation in maritime logistics.[56]

The Maritime Silk Road (MSR) is the maritime component of China's Belt and Road Initiative. It complements the various non-maritime activities stimulated by the Chinese government that relate to transport, energy and communication infrastructure in developing countries, and between China and Europe. China's BRI, as an overall framework, is aimed at creating better and new opportunities for Chinese economic development by cooperating on a bilateral basis with developing countries and with Europe. It is also aimed at strengthening China's global geopolitical position by enhancing its economic and diplomatic influence abroad. The MSR is aimed at: a) strengthening bilateral relations between China and countries in Southeast Asia,

56 'Vision and actions on jointly building Silk Road Economic Belt and 21st-century Maritime Silk Road', National Development and Reform Commission, 28 March 2015, http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html.

Oceania, the Indian Ocean region, North Africa and the Middle East, and Europe, through maritime trade-related activities; and b) increasing the role of China and Chinese companies in global maritime trade.

Under the MSR initiative, the Chinese government stimulates a broad range of activities by Chinese actors in fields such as shipbuilding and financing of shipbuilding, maritime shipping and logistics, financing and the construction of port infrastructure, investment in and management of port activities, seabed mining, fisheries and the construction of ice-breakers. An important consequence of the MSR for European ports is that it brings them additional opportunities to strengthen their commercial ties with China. Such opportunities may relate to more Chinese investment in port infrastructure, or to increasing flows of containers, passengers or cars. A second major consequence is the politicisation of the operating environment. A larger commercial role for Chinese companies and investors eventually brings in a greater role, albeit in the background, for the Chinese government in matters directly relevant for the port. European ports deal with Chinese companies in several fields: as investors in their own container terminals and other port-related facilities; as investors in competing ports; and as customers. A small number of companies, mostly state-owned enterprises, dominate China's relations with European ports. A further aspect is the growing concern by the European Union and the United States about China's influence in Europe. Ports thus face an increasing likelihood of becoming involved in EU–China and US–China geopolitical tensions.

Implications

China's MSR aims – namely, strengthening bilateral trade and diplomatic relations and enlarging the role of Chinese maritime companies – would be best served if the Port of Rotterdam, as Europe's largest port, becomes a major hub in a global network of maritime trade in which Chinese entities play a dominant role, against a background of a Dutch foreign policy that would ideally be predictably favourable towards China's main interests. Should these aims turn out not to be attainable, then the second-best outcome for China would be a recalibration of the role of European ports that favours other ports than Rotterdam. The three leading terminal operators in Rotterdam are currently APM Terminals (a subsidiary of Maersk), Rotterdam World Gateway (with Dubai Ports World as its largest shareholder) and Hutchison Port Holdings (through its subsidiary, Europe Container Terminals, ECT). Hutchison operates two terminals in Rotterdam: Euromax and Delta. Together, these two terminals account for roughly half of the 14.5 million TEUs that are handled annually by the Port of Rotterdam. This means that Hong Kong-based Hutchison is the largest container-terminal operator in Rotterdam. Hutchison is reportedly in talks with APM Terminals about acquiring its Rotterdam terminal, which handles some 2.5 million TEUs annually.[57] As mentioned in the previous section, COSCO owns a 35 per cent share in ECT's Euromax Terminal.

It is unlikely that the Chinese government has a blueprint for the implementation of MSR. Rather, Chinese firms and the Chinese government are moving ahead on a case-by-case basis. Which European ports will ultimately function as the main MSR hubs, and whether Rotterdam will be one of them, are probably undetermined. For China, it may be sufficient to have a significant influence in the Port of Rotterdam's strategic environment, rather than to increase investments by Chinese state-owned enterprises in key components of the port – such as container terminals – themselves. The Rotterdam port authority uses a landlord model: companies cannot buy land that is part of the Port of Rotterdam; they can only rent land. So far, there are no signs of any Chinese company that is active in the Port of Rotterdam behaving in ways that appear to be commercially irrational.[58] The importance of China-related transit trade (such as China–Germany trade), further consolidation in the maritime shipping industry, increased dependence of non-PRC companies (such as HPH, non-Chinese terminal operators and shipping companies) on China, and increased BRI-related investments in the Netherlands, could create a considerable level of economic dependence.

China's influence in, or relating to, the Port of Rotterdam is likely to increase over time. If this reaches a point at which the Chinese government has significant influence over the financial status and/or the port's role in the broader European logistical context, this would have major repercussions for both the port authority (of the Port of Rotterdam) and for the Dutch government. The Chinese government could then use its accumulative influence via various channels and economic entities as a pressure tool and/or to benefit Chinese interests that conflict with those of the port. China has occasionally used economic pressure in support of its foreign policy aims of a political nature, also in relation to the Netherlands and the Port of Rotterdam. In 1980–1981, for example, China threatened to abandon Rotterdam in favour of Antwerp as the main hub for its trade with Europe if the Dutch government allowed the sale of two Dutch-built submarines to Taiwan.[59] The sale went ahead, but there seems to have been no noticeable impact on trade flows between China and Rotterdam.[60] A possible explanation may be that non-Chinese companies played an important role in these trade flows, combined with the

57 Rob Mackor, 'APMTR eist garanties bij overname door Hutchison', *Nieuwsblad Transport*, 6 November 2019, https://www.nieuwsbladtransport.nl/havens/2019/11/06/apmtr-eist-garanties-bij-overname-door-hutchison/?gdpr=accept.

58 Interview with a representative of the Port of Rotterdam, August 2019.

59 J. Verlare, 'The first Sino-Dutch submarine crisis, 1980–1981: A calculated risk?', MSc thesis, London School of Economics, 2016, p. 25.

60 Ko Colijn and Paul Rusman, 'Het Nederlandse wapenexportbeleid, 1963–1988', PhD dissertation, Leiden University, 29 June 1989, p. 338–339.

fact that the Chinese government and Chinese companies did not want to diminish the role of Rotterdam in Sino-German trade.

The Chinese government would prefer not to divert trade away from Rotterdam if this hurts China's own economic interests, in particular its interest in maintaining intensive and stable trade relations with Germany. In other words, besides Rotterdam's dependence on trade with China, there is also a degree of Chinese dependence on Rotterdam. The Dutch port is a major and highly efficient hub for China's trade with Germany, its largest trading partner in Europe. Still, Chinese companies are currently engaged in establishing alternative access routes to Germany, in particular via the Mediterranean. In the long run, this could diminish China's dependence on Rotterdam. The greatest geopolitical impact for the Netherlands would result from a Chinese approach aimed at providing commercial benefits for the port to such a degree that this would compromise the Dutch government's strategic autonomy in international political and economic affairs. China eventually achieving such conditions should be regarded as a distinct possibility.

The latter scenario would be problematic for Dutch national interests. It would limit the options for the Dutch government to follow a policy aimed at resisting Chinese pressure over key issues where the two countries have conflicting interests, such as in the areas of political values, economic competitiveness and strategic relations with the United States. All three domains may be expected to be of high strategic importance to the Netherlands in the coming decades.

Conclusions

China COSCO Shipping is the main Chinese investor in European seaports. While its investments are motivated by commercial considerations, they take place within a framework defined by the Chinese government and the CCP. This framework combines economic and political aims. So although COSCO and other Chinese state-owned enterprises are commercial entities, in the longer run their activities are intended to be supportive of China's national interests. These interests include geopolitical aims, in particular the long-term build-up of Chinese influence in Europe and *vis-à-vis* the United States. As such, besides their economic function, they also have a supporting role as foreign policy instruments. Because of the unstable geopolitical relationship between China and the United States, and the importance of Europe within this relationship, Chinese commercial activities in European ports are likely to become increasingly politicised.

The European Commission and the larger EU member states, in particular Germany and France, are responding to increased Chinese economic influence by imposing additional EU-wide scrutiny of Chinese investments in strategically important sectors, including in seaports. After the new EU-wide investment-screening framework, other steps in that direction may well follow. While port investments in EU member states may affect their foreign policy behaviour and thus affect the EU's overall capacity to act on geopolitical issues, it is not clear that this is specific to the port sector.

The key issue is economic dependence that leads to political leverage. Such dependence may result from a broad range, and potential combination of, trade and investment relations. A small number of very large shipping firms are increasingly able to direct cargo flows towards or away from individual ports. The result of this development is that the major shipping companies' bargaining power in relation to port authorities has been growing. COSCO, and through it the Chinese state, is a major player in this field, but not the only one. Consequently, port investment is not the key issue when it comes to economic dependence and Chinese political influence, but rather port investment in combination with dominance in maritime container shipping.

The Chinese government's policy towards European ports is driven by both economic and geopolitical considerations. China's MSR aims would be best served if the Port of Rotterdam becomes a major hub in a global network of maritime trade in which Chinese entities play a dominant role. Should these aims turn out not to be attainable because of obstacles to increased Chinese influence relative to the port, the second-best outcome for China would be a recalibration of the role of European ports that favours other ports than Rotterdam. In this regard, it is relevant to keep in mind that COSCO has acquired ownership and full managerial control of the container terminal at Zeebrugge, Belgium's second-largest seaport.

For China to achieve its economic and geopolitical aims, it may be sufficient to have a significant influence in the Port of Rotterdam's strategic environment, rather than to increase investments by Chinese SOEs in key components of the port – such as container terminals. The importance of China's related transit trade (for example, China–Germany trade), further consolidation in the maritime shipping industry, the increased dependence of non-PRC companies on China (such as HPH, non-Chinese terminal operators and shipping companies) and increased BRI-related investments in the Netherlands would create a considerable level of economic dependence.

As a precondition for developing the role of the Port of Rotterdam as a key hub in the MSR, the Chinese government would likely seek stable relations with the Dutch government and assurances that Dutch foreign policy would not be harmful to Chinese key national interests. In the long run, the greatest geopolitical impact for the Netherlands would result from a Chinese approach aimed at providing commercial benefits for the port to such a degree that this would compromise the Dutch government's strategic autonomy in international political and economic affairs.

Policy recommendations

Recommendations for the Dutch government, the Port of Rotterdam and other Dutch stakeholders with regard to responding to the growing influence of China in European ports:

- **A coordinated approach for the Dutch ports sector.** In order to limit the risk of China's foreign ports policy resulting in conflicting interests between the Port of Rotterdam and the Dutch government – in particular the Dutch Ministry of Foreign Affairs (BZ) and the Dutch Ministry of Infrastructure and Water Management (I&W) – the port authority and relevant ministries should work together to develop a coordinated approach to dealing with Chinese involvement in the ports sector.

  This approach should be an integral part of the Port of Rotterdam's long-term strategy, the Dutch strategy on China, and the national strategy for economic security (in particular in the infrastructure and logistics sectors). Relevant Dutch stakeholders other than the Port of Rotterdam and the two most directly involved ministries (that is, BZ and I&W) should also be involved in this joint approach. Such stakeholders should include other central government agencies – namely the National Coordinator for Security and Counterterrorism (NCTV), Dutch Ministry of Economic Affairs and Climate Policy (EZK), General Intelligence and Security Service (AIVD), Dutch Ministry of Defence (DEF) and Dutch Military Intelligence and Security Service (MIVD) – the Rotterdam municipal government, other Dutch seaport authorities, Transport and Logistics Netherlands (TLN), the Royal Association of Dutch Shipowners (KVNR), representatives from other business sectors and companies that have an interest in the hub function of the Port of Rotterdam, stakeholders in other logistical hubs for which the BRI is relevant (such as Schiphol Airport and Tilburg), and Dutch knowledge institutes on logistics, China and geopolitics.

  A China platform for Dutch ports should be created to facilitate ongoing engagement between these stakeholders and a coordinated approach to dealing with Chinese involvement in the ports sector. This coordinated approach towards Chinese influence in the Dutch ports sector should be evaluated and adjusted every three years, on the basis of stakeholder input and periodical reviews by experts.

- **Dutch New Silk Road strategy.** A joint approach to dealing with Chinese involvement in the ports sector should be a core component of the Netherlands' strategy to respond to China's Belt and Road Initiative and to other initiatives that have emerged since the launch of BRI. Other components relevant to such a strategy relate to road transport, air transport, energy infrastructure, communication infrastructure and Dutch commercial interests in infrastructure development in third countries. The aim of the Dutch New Silk Road Strategy should be to safeguard the long-term position of the Netherlands as a major transport and infrastructure hub while avoiding becoming strategically dependent on China. The Dutch strategy should be aligned with the EU approach to connectivity across Eurasia.

- **Intra-EU coordination.** Both the Port of Rotterdam and relevant Dutch government agencies should engage with counterparts within the EU in order to maximise the opportunities for a collective approach. This should be done at the bilateral level (with port authorities and government agencies in other EU member states) and multilaterally (at the level of European sector associations such as the European Sea Ports Organisation (ESPO) and Federation of European Private Port Operators (FEPORT), with groupings of other member states with matching interests, and at the EU level). This intra-EU coordination should provide input for the further development of key strategic approaches, such as the EU–China strategy, the EU connectivity strategy and the EU framework for investment screening. Moreover, the European Commission should monitor whether Chinese container terminal operators that are active in the European Union benefit from direct or indirect home government state aid in ways that disrupt free competition with non-Chinese operators.

- **Engagement with Chinese actors.** The Dutch approach to the maritime dimension of the New Silk Road should include engaging with the Chinese government and Chinese companies, along with other stakeholders, on establishing a multilateral and institutionalised platform for maritime transport and infrastructure cooperation.

- **Engagement with non-Chinese actors from outside the EU.** The BRI, including MSR, is a China-driven global process. In addition to engaging with EU and Chinese actors, the Dutch government and Port of Rotterdam also need to engage with relevant commercial and state actors from outside the EU.

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