European Parliament

Chinese strategic interests in European ports

China is increasingly investing in key European infrastructure, including ports. This is something that has drawn attention at both EU and Member State level, in particular regarding strategic dependency on China and how it affects the EU's economic interests. This short briefing provides an initial overview of existing, publicly known Chinese interests in EU ports.

Chinese investments in EU ports

In 2021, the EU exported €223 billion of goods to China and imported goods worth €472 billion. China is thereby Europe's foremost trading partner when it comes to imports of goods, of which a substantial part passes through EU ports, in particular maritime ports. To stimulate economic growth, China has opened new global trade routes, enhancing its international presence by contracting and investing in a network of transport infrastructure, in the framework of its Belt and Road Initiative (BRI), launched in 2013. In line with this strategy, Chinese firms have since been developing economic interests in ports in European counties, including Greece, Germany, the Netherlands, Belgium, Spain and Italy.

The main players are two Chinese state companies – COSCO Shipping, the world's largest shipping company, the third largest in the container transport sector, and the fifth largest port terminal operator, and China Merchants Port Holdings (the sixth largest port terminal operator globally) – as well as Hutchison Port Holdings (a subsidiary of CK Hutchison Holdings, a private company headquartered in Hong Kong and listed on the Hong Kong stock exchange), the second largest port terminal operator in the world.

The following developments have taken place in relation to COSCO and other Chinese companies when it comes to European ports.

In **Germany** in 2022, COSCO, which initially planned to take a larger stake in the company operating the Hamburg container terminal Tollerort, finally purchased a 24.9 % holding, following reported protests in the coalition government. In addition, Hutchison Port Holdings operates an inland multi modal terminal at Duisburg. According to a 2019 study, in **Greece** COSCO owns a majority stake in terminals in the port of Piraeus, operating two terminals via a subsidiary, and has operational control via a majority stake in the Piraeus port authority. Furthermore, China Merchants Port Holdings has a minority stake in Thessaloniki. In **Belgium**, COSCO owns a controlling stake in a container terminal in Zeebrugge and a minority stake in a container terminal in Antwerp. China Merchants Port Holdings has a minority stake in Antwerp and Hutchison Port Holdings operates an inland terminal in Willebroek. In **the Netherlands**, both COSCO Shipping and Hutchison Ports have stakes in container terminals in the port of Rotterdam. Hutchison Port Holdings operates two terminals, Euromax and Delta, which makes it the largest container terminal operator in Rotterdam. It also operates inland terminals in Venlo, Amsterdam and Moerdijk. In **Spain**, COSCO has controlling stakes in the largest terminals in the ports of Valencia and Bilbao. Hutchison Port Holdings also has a stake in Barcelona. In **France**, China Merchants Port Holdings has minority stakes in terminals in Montoir, Dunkirk, Le Havre and Fos. In **Malta**, China Merchants Port Holdings has a minority stake in Marsaloxlokk. In **Sweden** and **Poland**, Hutchison Port Holdings has stakes in Stockholm and Gdynia, respectively. In **Italy** in 2016, COSCO bought 40 % of the port of Vado Ligure. This operation also involved Hong Kong's Qingdao Port International Development, which bought a further 9.9 % of the new container terminal. Until 2016, COSCO had a 50 % stake in the Conateco (Consorzio Napoletano Terminal Containers) terminal in Naples; it then sold its entire stake to MSC (Mediterranean Shipping Company). There has also been some media speculation over possible Chinese interest in the Italian ports of Taranto (which hosts an important Italian naval base) and Palermo.

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EU action

In 2019, in its Strategic Outlook, the European Commission declared China 'an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance'. The same year, the EU adopted new rules for better screening of foreign direct investment into the EU, according to which countries have to consider the implications of foreign direct investment (FDI) in critical infrastructure, including ports. In December 2022, the EU adopted new rules for ensuring resilience of critical entities, including ports, in which the potential threat posed by FDI in critical infrastructure in the EU is acknowledged. The rules underline that services, the economy and the free movement and safety of EU citizens depend on the proper functioning of critical infrastructure.

The EU has also recognised the need to step up investment in infrastructure development around the world. In December 2021 it launched the Global Gateway, which aims *inter alia* to develop trade networks and transport hubs. It promotes smart, clean and secure links in digital, energy and transport and strengthens health, education and research systems across the world.

In addition to adopting legislation with the Council, such as the FDI screening rules, and rules on critical infrastructure, the European Parliament has recently adopted several resolutions on relations with China. On 16 September 2021, the Parliament voted a resolution calling for a new EU-China strategy, in which it stated that a future EU strategy on China should provide the necessary tools and data to address threats stemming from China, including via its BRI. It also called for greater coordination between the EU's Connectivity Strategy and the Blue Dot Network in order to provide a sustainable alternative to the BRI. It stressed that BRI projects must be closely monitored, 'including with regard to their negative political effects in the EU'.

Outlook

Analysts have pointed to significant uncertainties for the logistics sector in Europe, arising from Russia's invasion of Ukraine, the impact of the pandemic and changing China-Russia and China-US relations. A 2022 study on the impact for the Netherlands' maritime logistics sector developed a number of scenarios resulting from changing Chinese influence in the world. In one scenario, China plays a strong role in European logistics or becomes influential to the point of strategic dependence on China. In others, China's role in European logistics is weakening either as a result of the roll-out of alternative infrastructure projects, such as the Global Gateway, or increasingly negative views of China's investments in Europe, which build on negative views of globalisation and China's role in it, as well as greater cooperation between Russia and China since the start of the war in Ukraine. For scenarios involving the increasing influence of China, the study suggests the need for cooperation to sustain long-term competitiveness and maintain a high level of prosperity, but points to the potential for a detrimental impact on the Netherlands' 'strategic room for manoeuvre' and the competitiveness of Dutch companies.

Concerns have been voiced in recent years by both think tanks and governments in relation to the possible use of state-owned companies for political influence. Risks highlighted in relation to Chinese ownership of European ports include altering the flow of goods from one European port to another and having access to the inner workings of European container terminals. Whereas some have pointed to the apparent pro-China course of Greece since COSCO's investment in the Port of Piraeus as an example, others say that gaining political leverage over Greece as an objective of COSCO or the Chinese Communist Party cannot be confirmed based on publicly-available information. While the political leadership could, if needed, gain political leverage by using state-owned port operators, they suggest doing this would be costly for the companies, so the Chinese government would most likely not use the companies as an 'overt political tool'. Nonetheless, they suggest that port investments could be an indirect source of political leverage – the more a country's economy benefits from the presence of Chinese port operators, the more it depends on good relations with China. Some have also raised concerns regarding large-scale investments by Chinese companies in European ports, some of which are logistical hubs for NATO equipment.

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