

Research for TRAN Committee – Chinese Investments in European Maritime Infrastructure

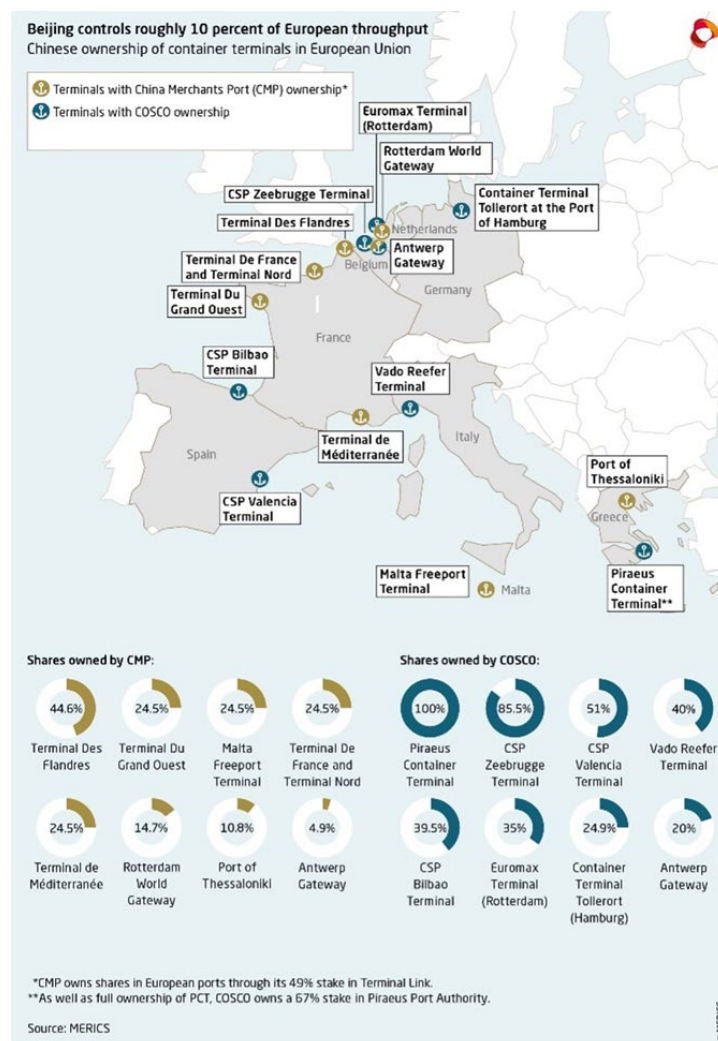


- This study identifies 24 Chinese acquisition deals and 13 announced greenfield investment projects in European maritime infrastructure from 2004 to 2021. Acquisitions accounted for the bulk of the capital invested – in total, according to our calculations, their value exceeded EUR 9.1bn, while the value of the capital pledged in the greenfield projects was about EUR 1.1bn.
- Investment activity by Chinese companies in the maritime sector subsided noticeably in 2020-2021, probably reflecting the effects of the COVID-19 pandemic and 'zero-COVID' policies, and also the introduction of stricter FDI screening mechanisms in the region.
- China Ocean Shipping Company (COSCO) and China Merchants have been the leading investors. Shanghai Zhenhua Heavy Industries Company Limited (ZPMC) is the main supplier of ship-to-shore cranes for European ports. Chinese state-owned enterprises (SOEs) involved in European maritime infrastructure benefit from a protected home market advantage and a vertically integrated value chain under the ownership of the State-owned Assets Supervision and Administration Commission (SASAC) – these facilitate anti-competitive market share expansion in Europe and risks concerning common market dependency on Chinese providers.

The present document is the executive summary of the study on Chinese Investments in European Maritime Infrastructure. The full study, which is available in English can be downloaded at: <https://bit.ly/3rIVcff>.

- The analysis of the three case studies - two in EU Member States and one in a EU candidate country - of the Port of Piraeus (Greece), the Port of Hamburg (Germany) and the Kumport Terminal (Turkey) show that Chinese investments can bring benefits such as upgrades and expansions of port capacity (i.e. at Piraeus and Kumport). However, of the cases analysed, only at the Port of Piraeus has this led to a substantial increase in transit and shipping. The Kumport Terminal has had a disappointing performance and is operating below its capacity.
- The risk assessment analyses five types of risk: EU-level dependency risk; individual dependency risk of each case; coercion and/or influence risk; cyber/data risk; and hard security risk. The analysis highlights that economic coercion and cyber/data security risks are higher and thus require more attention by the EU and Member States both in terms of preparedness and awareness.
- Awareness of and capacity to deal with cyber/data risk is identified as the most urgent issue where the EU and its Member States have poor capabilities. Cyber/data risks will quickly become more widespread as the digital transition, application of 5G, use of sensors, etc. develop in the shipping and port operation industries.
- The study shows that investments in one European maritime infrastructure increase the risks for the whole of the EU. The risk increase appears to be proportional to the investment: the larger the shares owned by a Chinese enterprise of a European maritime infrastructure, the higher the risks and their consequences.

CMP and COSCO investments in European ports



- The study notes that risks arise from the deliberate strategy by China to leverage its investments in European maritime infrastructure to its own advantage, and as a result of conflict scenarios (i.e. the Taiwan conflict, or disputes between the EU and/or Member States and China).
- Finally, the risk scenarios envisaged in this study indicate a complex situation that is neither 'business as usual' nor 'apocalyptic sensationalism'. Some risks are likely to require monitoring and stronger enforcement of current rules, others will need moderate change or co-ordination between the European Institutions and Member States, and yet others will demand more complex solutions.
- Data and analysis of Chinese presence in cyber/data management in ports is poor and so is the analysis of related risks. Further research to collect data on the risks of Chinese companies' involvement in cyber and data security in critical infrastructures would provide a strong basis to inform Member States and develop related policies.
- The study outcomes suggest that Member States carry out a risk assessment of China's involvement in their maritime infrastructures that includes the impact on labour and the environment, as well as on dependencies. An assessment of bottlenecks in the shipping of goods from China to Europe that considers transshipment is missing. Following such assessment, redundancies and contingency plans should be created to prepare for a conflict with China. An early warning system should be established for the risks that require monitoring and according to the methodology proposed in this study.
- A proposal for a European maritime cabotage law needs to be developed. An EU solution already exists for air and land, but not for the maritime sector. As such, EU solutions for air and land provide the basis to adopt a pan-EU maritime cabotage law that could apply to non-EU shippers.
- Findings suggest a move toward the Europeanisation of screening of inbound investments. The European Parliament should use the opportunity provided by the review of the existing EU regulation on screening FDI¹ to propose a strengthening of the role of the EU in not only screening but also blocking Chinese investments in critical infrastructures. Maritime critical infrastructure is an area where the decision of one Member State impacts all Member States, and it could be a pilot case to advance the Europeanisation of FDI screening in critical infrastructures. This could be limited to majority shareholding of Chinese enterprises, leaving decisions on minority shareholdings in the hands of Member States.
- To mitigate cyber and data security risks, guidelines on dealing with high-risk actors, such as data-sharing best practices, should be published, then a regular (six-monthly and then annual) review of progress with annexed transparency and reporting requirements should be ensured. The initial report should map existing European ports that use Chinese software and/or data management platforms and the data being collected and transmitted via these.

¹ Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019 establishing a framework for the screening of foreign direct investments into the Union.

Further information

This executive summary is available in the following languages: English, French, German, Italian and Spanish. The study, which is available in English, and the summaries can be downloaded at: <https://bit.ly/3rIVcff>

More information on Policy Department research for TRAN: <https://research4committees.blog/tran/>



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