

Belt and Road Initiative - Collaborate for success ?

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What is One Belt One Road?

- Collection of routes on a map
- Blueprint for investment
- Civilisational project
- Organic strategy, with continuous feedback between opportunity and plan

Ports are the “dragon’s head”

Focus on actions rather than plans

Chinese overseas port investment



Red = container terminals (or terminal participations) by COSCO, China Merchants and SIPG; or general cargo port developed by Chinese SOE, such as CCCC, CHEC. Yellow = grain terminals operated by COFCO. Black = LNG terminals operated by Chinese SOE. Green = FTZ operated by Chinese SOE. Grey = coal/ore terminal operated by Chinese SOE.

Source: own elaboration based on various data sources

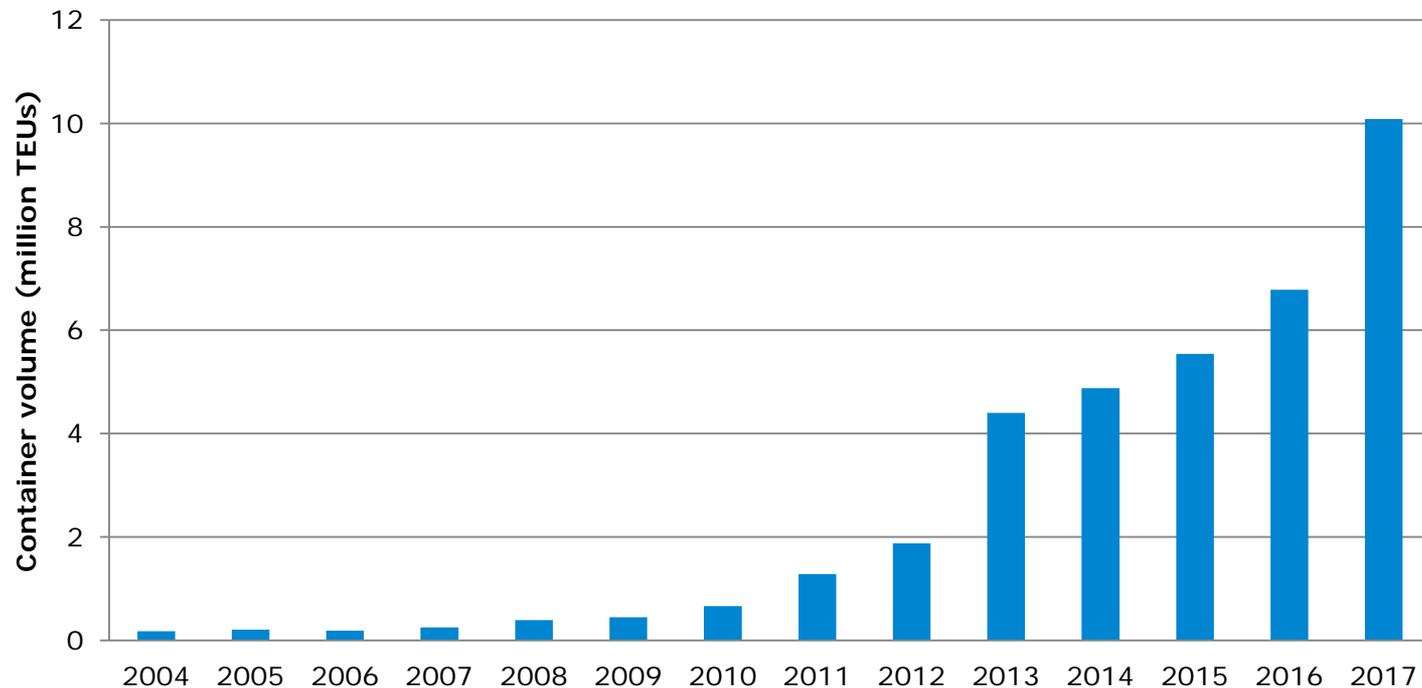
China and European ports



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Rapid foreign expansion

Chinese container terminals in Europe



Now: around 10% of European volume, present in 13 European ports



Preparedness for the future

Government policy

- Strategic priority (2014 State Council Directive)
- BRI enshrined in constitution

State-owned companies along the whole chain:

- Ambition: global supply chain integrators (COSCO, CMHI)
- Alignment to port construction (CCCC, CHEC), port services, equipment (ZPMC), railway construction (CRC).

Finance

- Credit lines for COSCO, “war chest” for acquisitions
- Development banks, state-owned banks, aid-related finance

International legitimacy

- Shaping new multilateral order (AIIB, Silk Road, RCEP)
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Strategic challenges

Geopolitics

- Commercial ports as naval bases (e.g. Djibouti) or support centres (“String of Pearls”).
- Investment as political leverage

Supply chains of commodities

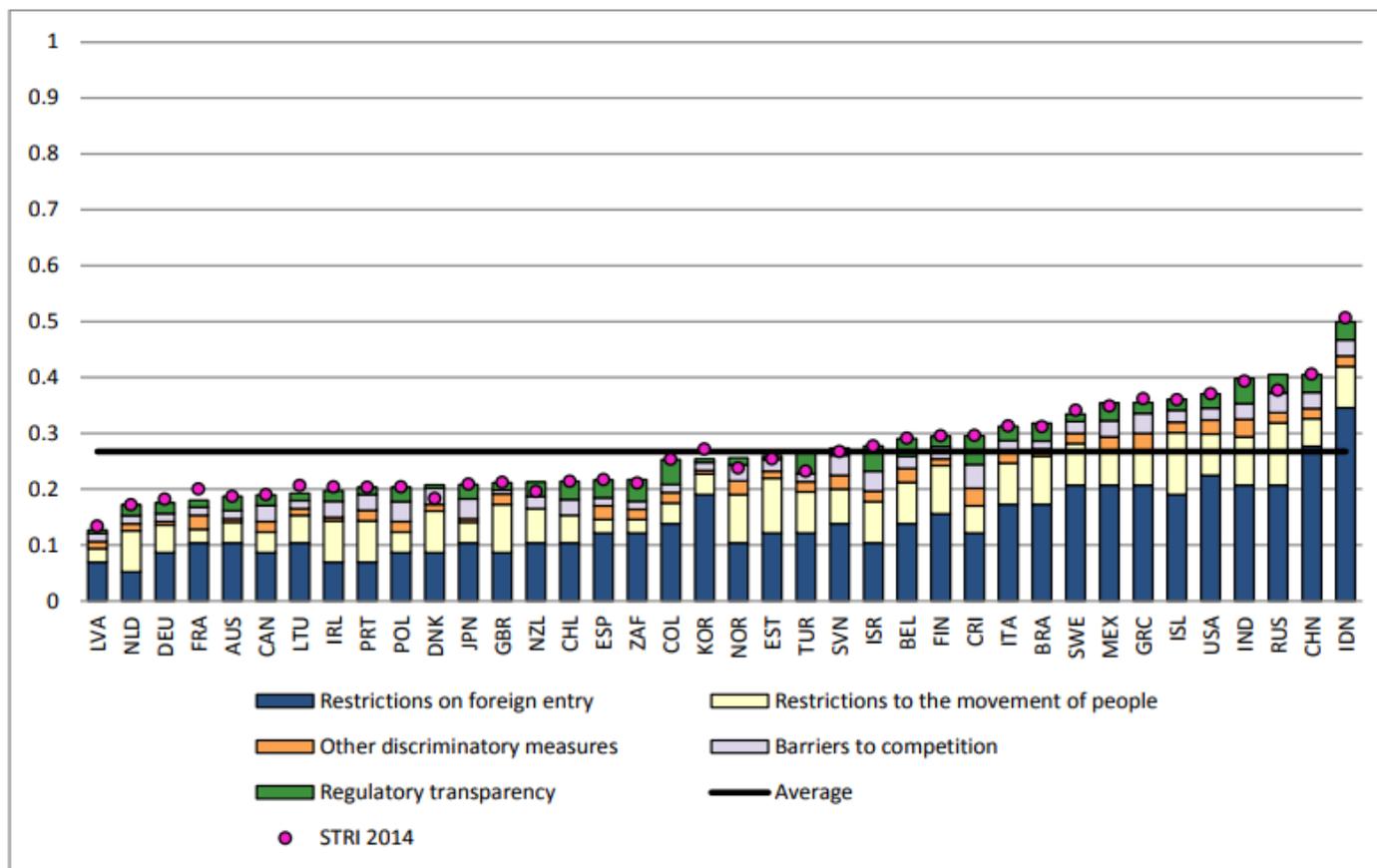
- Preferential access to ports and maritime routes

Competitiveness of maritime cluster

- Local economic spill-overs, knowledge transfer?
 - Level playing field: competing with the same rules: reciprocity
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Service and trade restrictiveness

STRI by policy area: Maritime freight transport services (2017)



Note: The STRI indices take values between zero and one, one being the most restrictive. They are calculated on the basis of the STRI regulatory database which records measures on a Most Favoured Nations basis. Preferential trade agreements are not taken into account.

Foreign equity restrictions in maritime sector

Rare for terminal operations. Some exceptions:

- Foreign equity cannot exceed 50% in Costa Rica.
- Foreign acquisitions of ports is forbidden in Russia.

More frequent in maritime shipping, e.g.:

- Egypt, Greece, Israel, Jordan, Korea, Mexico, Tunisia, Colombia

Port investment often screened for national security impacts

China has no official foreign equity restrictions for ports:

- Until 2000s: requirement of joint venture with local partner and maximum 49% foreign share. Restrictions abolished in 2000s
 - Further easing in Catalogue of Industries for Guiding Foreign Investment (2017 revisions)
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Diverging reciprocity in practice

“Nationality” of container terminal operator

Location of terminal

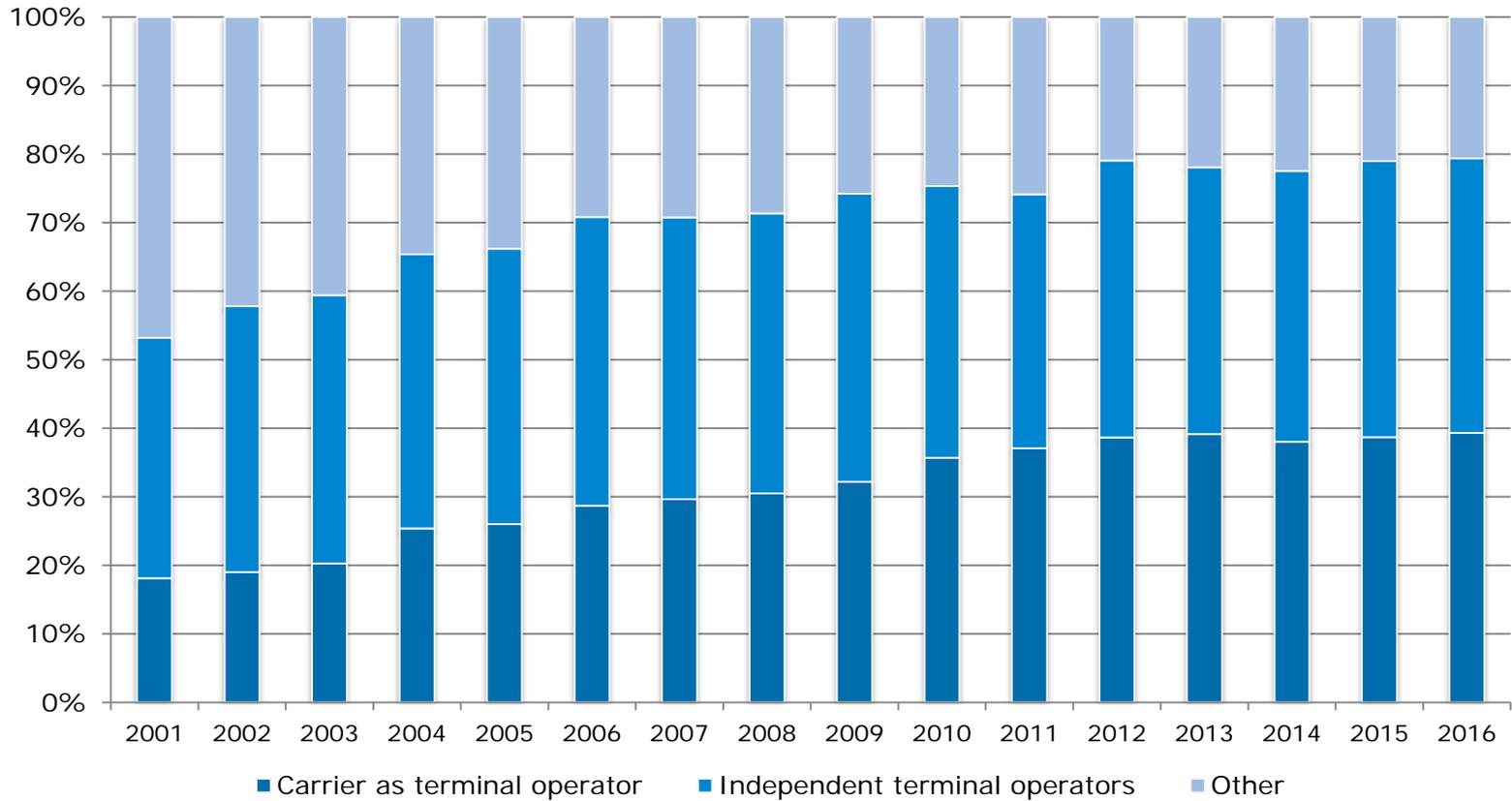
	EU	China	Singapore	UAE	US	Japan	Turkey
EU	Green	Green	Green	Green	Blank	Red	Green
China	Red	Green	Red	Red	Blank	Blank	Blank
Singapore	Red	Red	Green	Blank	Blank	Blank	Blank
UAE	Blank	Blank	Blank	Green	Blank	Blank	Blank
US	Green	Green	Blank	Blank	Green	Green	Blank
Japan	Green	Blank	Red	Blank	Blank	Green	Blank
Turkey	Green	Green	Blank	Green	Blank	Blank	Green

Green = one or more terminals with majority share of foreign terminal operator

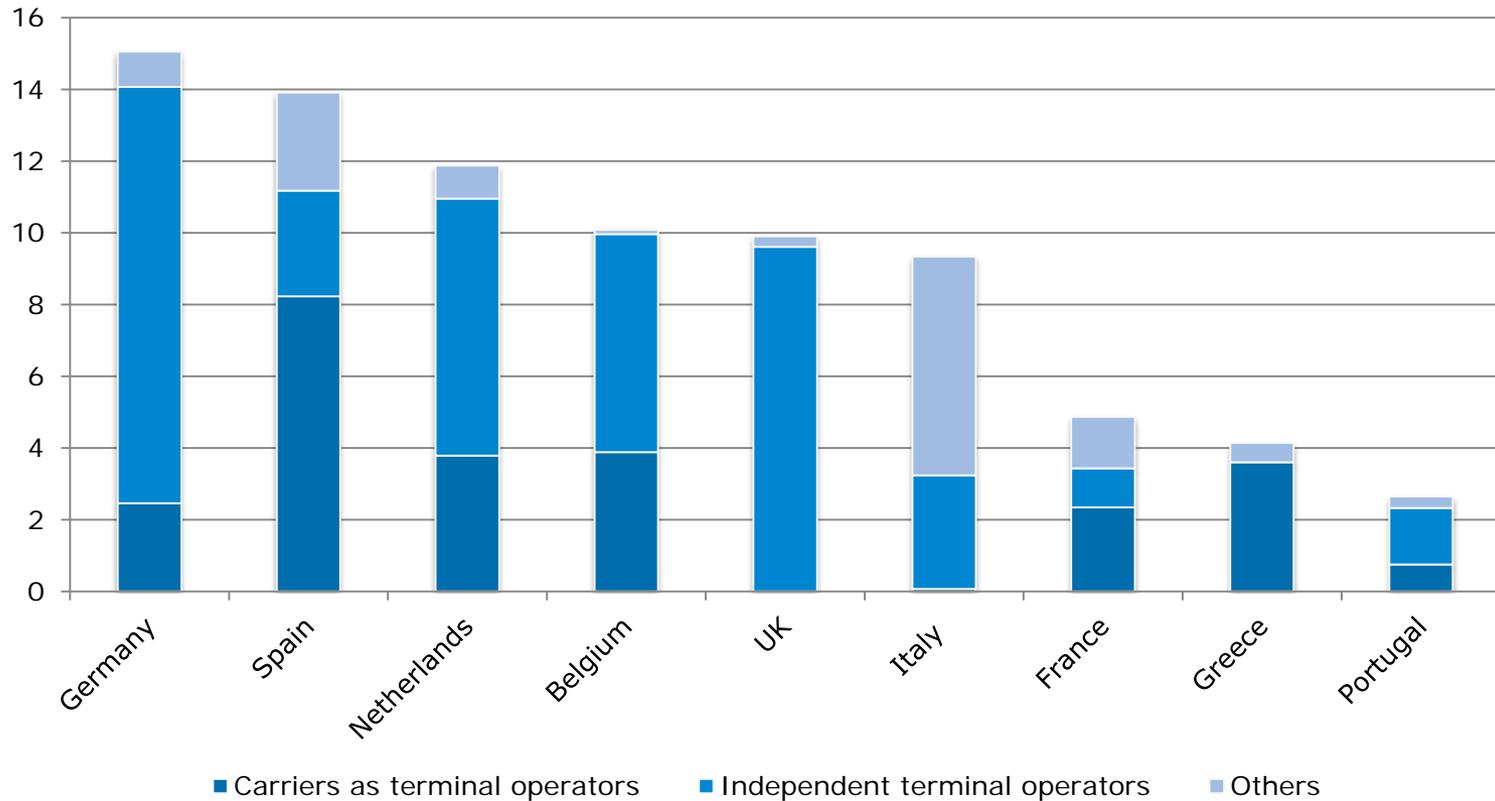
Red = one or more terminals with minority share of foreign terminal operator

Blank = no terminals of terminal operator of that nationality

The road of vertical integration (1)



The road of vertical integration (2)



Implications for European policies?

Foreign investment screening

- But what if COSCO and CMHI merge?

Insistence on reciprocity

Functions of port authorities

- Could focus on port competition undermine fundamental public functions related to Chinese investments?

Towards a European OBOR?

- Aligning strategies of EIB, national sovereign wealth funds, internationalisation strategies of ports?
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Thank you!

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