

Event Report

**EU-China Maritime Connectivity:  
The Way Ahead**

EIAS Briefing Seminar

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The indispensability of the maritime trade and its dominance over the trade by land can be summarised in a few numbers: Every ship leaving China can contain the capacity of 300 trains. What can be transported in a year by trains can be transported with three ships. Around 5,000 ships are leaving back and forth between China and Europe every year, accounting for approximately 97 percent of EU-China trade. As a matter of fact, the expectations have outweighed the actual investments and trade transactions of the last three years between China and the countries on the land route of the Belt and Road Initiative. In order to extend the Economic Belt Road to West-Europe, therefore, China is currently concentrating more on the Maritime Silk Road and engaging in cooperation with European ports, such as the Port of Zeebrugge in Belgium.

The event was moderated by Mr Xavier Nuttin, Senior Associate at the European Institute for Asian Studies. The panel included Mr Vincent de Saedeleer and Mr Charles Wang, representing the Port of Zeebrugge and giving an insight of the cooperation between the Port and China. Ms Gisela Grieger from the European Parliament Research Service offered an insight on the development and the characteristics of the Belt and Road Initiative. Finally, Mr Xinning Song from the Brussels Academy for China and European Studies, explained why the Maritime Silk Road is gaining more importance in Chinese trade in comparison to the land route.

## ***Introduction***

Delivering his opening remarks, Mr Xavier Nuttin, Senior Associate at the European Institute for Asian Studies, set out the context of the event by mentioning that the Silk Road is a major connectivity initiative that will bring people together, contribute to the development of different regions (from China to Central Asia to Europe) and help address potential capacities in China as well as open new markets for Chinese companies. He stated that the BRI might be seen as a geopolitical initiative reinforcing the dominant role of China in the region and helping expand its political control in the neighbourhood. He added that not everyone is happy with this ambiguous and ambitious foreign policy tool, as shown during the Belt and Road Initiative Forum held in Beijing in May 2017, which India did not attend and to which Singapore was not invited to, for example. With regard to the new trade order that China aims at implementing through the BRI, Mr Nuttin clarified the two main topics of the workshop; the first one being: "How can we combine economic objectives and political motivation of the BRI?" and the second one being "Can the BRI bring China and the EU closer?"

To point out the importance of maritime connectivity, Mr Nuttin made a jump back in history. He explained that China wished to become a maritime power already in the 15<sup>th</sup> century, when admiral Zheng He launched seven expeditions to reach the East coast of Africa. It followed 500 years of western domination of the Asian waters, until in the early 2000s president Hu Jintao launched the policy "Peaceful rise" and put again the Blue Seas on the Agenda. He also mentioned the concept of "String of Pearls", where different islands in the East China Sea and South China Sea were used as basis for the projection of Chinese power. He added that in China there is today a new assertiveness that recognizes the importance of Sea and Ocean, as shown in the defence paper of 2015 that stresses the importance of management of seas and oceans and the protection of maritime rights and interests. Furthermore, 2017 is the EU-China Blue Year, which centres around the preservation of oceans rather than maritime connectivity per se.

## ***How the Port of Zeebrugge Can Improve EU-China Connectivity***

Mr Vincent de Saedeleer, Honorary Vice President of the Port of Zeebrugge, started his exposé by explaining that he has witnessed an unbalance in supply and demand in the shipping industry. He mentioned that today there is an overcapacity of ships, even though 90 percent of the goods worldwide are transported by sea. The fact that people are not interested in long or mid-term contracts anymore, but only in stock exchange rates and in the next quarter of the trade is to link to the bad experiences of the financial crisis in 2008. But – Mr de Saedeleer explained – a long-term view is crucial when extending and constructing ports. In his opinion, only Chinese investors can do that. He explained that China has the ambition to become the number one shipping hub in the world, with Europe being the base trading partner. The main Chinese platforms in Europe are the Piraeus port in the Mediterranean, and the Port of Zeebrugge as a hub in North-West Europe. Additionally, the Port of Zeebrugge is, as Mr de Saedeleer explained, not only a hub for Europe but also for other continents. The strategy of the Belgian and Chinese partners is a long-term one, with the intention to extend the BRI to North and South America from the Port of Zeebrugge. He specified that shipping services organized from Zeebrugge will attract companies interested in Import-Export with China. The port will serve as a trade zone, a distribution zone and a terminal. He further stated that although China wants to

be a dominant partner, there is no motive to be afraid of its magnitude, because China aims at boosting global trade to the benefit of all. He concluded his speech by mentioning the importance of cultural understanding and mutual trust between the Belgian, European and Chinese partners.

### ***Why China Chose the Port of Zeebrugge as a Hub in North-West Europe***

Mr Charles Wang, Partner Business Development Greater China of the Port of Zeebrugge, started his speech by explaining how the Port of Zeebrugge put a lot of effort in attracting Chinese capital and cargo. He mentioned some success projects and partnerships, such as the cooperation with the Port of Shanghai (number one port in the world), with the sister port in Xiamen and with China COSCO (former China Shipping). Mr Wang then illustrated the new strategy of the port of Zeebrugge: the port functions as a window for Chinese partners who want to invest in Europe and provides diversity as well as opportunities for Chinese cargo. This strategy is especially important because China is the largest exporter and Europe is its most significant partner. According to Mr Wang, what the Port of Zeebrugge wants to further achieve is the provision to Chinese exporting companies of preferential policies – meaning not only good conditions from shipping line perspectives, but also storage, support in matters as how to set up a company in Europe, custom conditions and more. Mr Wang added that this year the Port of Zeebrugge also launched a railway connectivity to be in line with the BRI, starting from Heilongjiang Province in Northeast China going directly to the Port of Zeebrugge. He finished his intervention by reminding of the importance of mutual understanding, cultural exchange and cultural prosperity in the context of the BRI.

### ***A General View of the Belt and Road Initiative and China's Activities in Europe***

Ms Gisela Grieger, Policy Analyst at the European Parliament Research Service, listed the different interpretations the BRI has gained: at home (in China) the initiative is a matter of national pride, in developing countries it is seen as an opportunity to develop, in the West it is seen as China's primarily foreign policy goal to increase its global influence and at UN level it has been recognized as a regional development initiative.

She described the BRI as being a mix of unilateral, bilateral and multilateral approaches. Unilateral because China is charting economic corridors of its own, bilateral regarding the decision on projects with partners and multilateral because of the involvement of institutions such as the Asia Infrastructure Investment Bank.

Regarding maritime connectivity, Ms Grieger mentioned that with the 2017 Vision for Maritime Cooperation under the BRI, China revealed the intension to extend the BRI geographically and thematically. Besides the China-Indian Ocean-Africa Mediterranean Sea Blue Economic Passage, there will be the China-Oceania-South Pacific and China-Arctic Ocean Blue Economic Passage. She pointed out, that with the third passage China shows an interest in the Arctic Ocean for the first time, encouraging Chinese enterprises to take part in the commercial use and the sustainable exploitation of the Arctic route.

Ms Grieger further mentioned the recent investments in existing infrastructures, especially an unprecedented investment in port terminals, as shown by China COSCO's majority stake

in the Piraeus port and the creation of EU-China port alliances. As a last important point, Ms Grieger mentioned the issue of an unbalanced EU-China reciprocity. A lot of Chinese investments have been made in Europe, mostly supported by the Chinese government loans, but until now we do not have heard much about European investments in China.

### ***The Maritime Silk Road in comparison to the Land Silk Road***

Xinning Song, China Director at the Brussels Academy for China and European Studies, started by mentioning that a couple of days before Xi Jinping's speech in Kazakhstan – proposing the construction of the Silk Road Economic Belt – Li Keqiang had already made mention of the Maritime Silk Road at the China-ASEAN business fair. However, even though the Maritime Silk Road was addressed first, more attention was given to the land component, because of its geopolitical flavour. As Mr Song explained, the land road connects various countries between China and Europe, being especially important because of the rapid increase of China-Europe trade. Today we have more than 1,000 trains per year travelling between Asia and Europe. But looking at the external economic relations of China, maritime connectivity is more important, since approximately 97 percent of China's trade with Europe takes place by sea. Especially in terms of costs, the maritime route is more advantageous.

Mr Song further presented a trade-related reform mentioned during the 19<sup>th</sup> Party Congress, which aims at giving more autonomy to local governments in order to ease the burdens of the central government. He explained that the China-Europe trade has actually no real economic benefits, but is mostly supported by subsidies, granted by local governments, who, for their part, request this money from the central government. Giving the local governments more autonomy, therefore, exempts the central government from subsidising trade transactions.

This development is also related to the change of the Belt and Road Initiative, especially since the 2015 EU-China summit, where China voiced its strong interest in investing in EU connectivity initiatives. The BRI is a "moving initiative", which has now shifted its focus. Before, much was talked about the so-called "65 countries along the line" (the countries along the land route), which did, however, not include any of the West-European countries. In his speech last May in Beijing, Xi Jinping focused more on the participating countries rather than the countries on the land route, which implies a major attention on the maritime route in order to connect China to West-Europe.

In addition, Mr Song mentioned three main data that Xi Jinping presented during his speech in Beijing last May, which in Mr Song's opinion speak against a success of the BRI. Firstly, in the last three years, China's trade with the countries along the land line was about USD 1 Trillion, which is only about 20 percent of China's total foreign trade. Secondly, USD 80 Billion were invested in the countries along the land road in the last three years, which is less than 20 percent of China's total foreign investment. Considered alone, these are big numbers, but they represent in fact only a small percentage of China's total trade and investment. Another important figure concerns the Silk Road Fund. Out of the USD 40 Billion available from the Silk Road Fund, only 10 percent (USD 4 Billion) have been invested in the initiative. In addition to that, Mr Song mentioned that the BRI was not a central topic during the 19<sup>th</sup> Party Congress, which, according to him means that China is reconsidering how to benefit from the initiative. In these terms, Mr Song believes that

China will pay more attention to the maritime connection than to the land road in the near future.

### ***Q&A Session***

After the presentations of the panel, the floor was opened for the audience to ask questions. The participants asked how the Port of Zeebrugge functioned in prolonging the Maritime Silk Road in the direction of the United States and enquired about its comparative advantages in comparison to other ports. The panel members answered that with regard to the extension of the BRI to Duisburg last year, the Port of Zeebrugge is extending the Road Initiative to Europe and beyond, especially taking into account China's new strategy of introducing a new scale of transportation with very big vessels. Being a middle-size coastal port, the Port of Zeebrugge can follow the necessities and strategies of each customer and guarantee good transshipment conditions. The panel saw these reasons as China's motive in choosing the Port of Zeebrugge as a hub for its new big vessels.

The second question focused on the social, environmental and financial sustainability of the Maritime Silk Road as well as its transparency in comparison to the land route. The panel agreed that the train route is environmentally friendlier. However, the decision on whether the land route or the maritime route will be used for transportation is linked to two factors: the Chinese local government subsidies on the one hand (which at the moment make trade by sea cheaper) and the characteristics of the exported product. Perishable goods such as food, for example, are usually transported by land because of shorter transportation times. Additionally, the panel mentioned that the maritime route, although harmful to the environment, cannot be replaced completely by the land route. This would mean having to increase the land route by 5 million trains every year – which is undoable. What the panel suggested should be done thus, is to use technologies that minimize the consequences of pollution. Regarding the social aspect, the panel explained that even though the Silk Road passes through developing countries, the greatest benefit is still perceived by developed countries such as America and Western Europe, since these are – besides other Asian countries – the biggest trade partners of China.

Another question was raised concerning the security of maritime connections, especially having the tensions in the South China Sea in mind. The panel argued that maritime security has indeed been a problem for the last 50-60 years. However, even though more than 90 percent of China's trade is via sea, these conflicts have never truly affected the shipping flow and volumes. And even though these conflicts are real, the panel added that the economical and the territorial issues are in some way handled separately. As a matter of fact, there are positive examples such as the relationship with the Philippines, which is one of the fastest growing economic partners of China despite their territorial dispute which was referred to the International Court of Justice in The Hague.

A further question about whether China's new focus on developing countries might be perceived as "colonialization" of these countries was raised. This question was answered by presenting the trade figures between China and the developing countries, which have been overestimated in the last few years. As a matter of fact, the panel explained that the trade with Africa accounts for only 4 percent of China's total trade and the trade with South America accounts for approximately 5 percent of China's total trade.

A question was asked regarding the management of the Port of Zeebrugge in comparison to the management of the Piraeus port acquired by COSCO Shipping. The panel explained that in the case of the Piraeus port, the Chinese became the owners, they are the majority of the shareholders in the port authority and in the port as a whole. At the Port of Zeebrugge the companies simply take a long-term lease and equip the port with cranes and warehouses, but do not have any involvement in the port authority. The Port of Zeebrugge's management is, therefore, comparable to every other "normal" port activity, with the exception that they have COSCO Shipping as their biggest customer.

A further question was raised regarding the logistics of maritime connectivity and what would be the interest as well as the economic advantage of Chinese exporters in transporting via the Port of Zeebrugge instead of transporting via the Mediterranean, which would be a faster route, especially when continuing to the US. The panel agreed that the Mediterranean route would indeed be faster, but that it does not function as a link between China, Europe and the US. What gives the Port of Zeebrugge a comparative advantage vis-à-vis Mediterranean Ports, is that the Chinese ship docking at Zeebrugge does not have to continue to the US anymore. The Chinese ship picks up in Zeebrugge the cargo coming from the US – or vice versa delivers the cargo for the US at Zeebrugge. An additional point which favours Zeebrugge as a hub in comparison to the Mediterranean ports, are the features of the ports themselves. The depth of water of Mediterranean ports is too low to allow big vessels (such as those coming from China) to dock.

### ***Conclusion***

The panel session was concluded by mentioning the aspect of reciprocity. It was reminded that the BRI is not supposed to be a one-way road, but should rather be a two-ways road. It was therefore assumed, that the EU should be involved more in the initiative to avoid losing the influence in the region to the advantage of other countries, especially China.

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