

# PORTS:

## Container terminals seen as tools for stimulating economies

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President Xi Jinping first proposed the Belt and Road Initiative in 2013, with the aim of revitalizing transport and trade links along the ancient Silk Road routes and boosting China's role on the international stage.

The plan now comprises six economic land corridors (road and rail) and three blue (maritime) economic passages.

Henry Tillman, chairman and CEO of the London-based merchant bank Grisons Peak, said: "If anyone is going to make this work it is Xi. He is a doer not a talker."

Speaking from London, Tillman told *China Daily Asia Weekly* that a fourth corridor via the Arctic Ocean is being looked at, "but as yet no action has been taken on it".

The Arctic has become a new area for the development of the Belt and Road as the Silk Road on Ice becomes feasible, according to a report by Grisons Peak.

"China will work with countries bordering the Arctic Ocean to build infrastructures, such as harbors, roads, bridges and communications facilities in order to improve connectivity and commercial feasibility of the Arctic route," the report said.

At a meeting between Xi and Russian Prime Minister Dmitry Medvedev on Nov 1, both agreed that China and Russia should jointly develop and cooperate on the use of the North Polar sea route and build a Silk Road on Ice.

China is also talking with the governments of Norway, Iceland, Finland and Denmark, said Tillman.

He said a maritime route from China to Europe via the Arctic Ocean would cut several days off the traditional southern sea routes.

"I don't think too many people fully understand the significance of the Belt and Road Initiative and what it will bring to countries and to the world. Nothing like this has ever been done," he said.

The importance China now places on the initiative was highlighted by Xi in his report to the National Congress on Oct 18 when he said: "China will actively promote international cooperation through the Belt and Road Initiative.

"In doing so, we hope to achieve policy, infrastructure, trade, financial and people-to-people connectivity and thus build a new platform for international cooperation to create new drivers of shared development." Xi said: "With these efforts, we hope to make new ground in opening China further through links running eastward and westward, across land and over sea."

The last decade has seen the emergence of State-owned companies gaining control over large strategi-



DaChan Bay, a port in Shenzhen in South China's Guangdong province, has played a key role in China's export boom. IMAGINECHINA

cally located world ports, a development made official by government policy through the Belt and Road, said Olaf Merk, the administrator for ports and shipping with the International Transport Forum of the Organisation for Economic Co-operation and Development.

"Ports have proved powerful tools in stimulating regional and national economies," said Merk.

Merk said Shenzhen, in South China's Guangdong province, is an example of a port that helped drive China's export boom of the 1980s.

He said investment in foreign ports is one way to "internationalize" a national economy and an entire domestic maritime cluster in areas like port engineering, design, equipment, operations, construction, dredging, free trade zones, hinterland transport services, freight train infrastructure and pipelines.

"The idea here is that ports are entry points into a foreign economy."

On June 20, China's National Development and Reform Commission and the State Oceanic Administration released a document, titled Vision for Maritime Cooperation under the Belt and Road Initiative.

Under the proposal, China plans for three ocean-based "blue economic passages" connecting Asia with Africa, Oceania and beyond. All three passages are now "priority maritime cooperation tasks", accord-

ing to Xinhua News Agency.

"The fact China has now announced all three of its blue economic passages, it is not surprising to see this significant level of increased investment in ports and shipping," Tillman of Grisons Peak said.

He cited one of this year's major Chinese deals as China Merchants Port (CMPort) Holdings' acquisition of a 90 percent stake in TCP Participacoes, Brazil's most profitable port terminal, for \$924 million.

The deal, which took place in September, is expected to help CMPort develop its logistics network, increase exports and imports, build more industrial zones and set up potential residential projects.

"Brazil, as the largest economy in Latin America, has huge market potential coupled with abundant resources and reserves," CMPort said in a statement at the time.

"The transaction will help the two sides achieve their commercial objectives and enhance bilateral economic and trade ties."

In June, COSCO Shipping Holdings, China's largest shipping group, bought a 51 percent stake in Spanish container terminal operator Noatum Port Holdings for \$228 million, extending its ports and terminals business networks across the Mediterranean and European areas.

COSCO bought the stake from TPIH Iberia SLU, a company incor-

porated in Spain, in a deal to be funded by internal resources and bank borrowings.

TPIH will hold 49 percent of Noatum Port, which operates container terminals in the ports of Valencia and Bilbao.

In July, CMPort acquired an 85 percent stake in the Sri Lankan port of Hambantota for \$974 million.

The government has given assurances that China will run only commercial operations from the port which straddles the world's busiest east-west shipping route between Asia and Europe.

Under the proposal, CMPort will have a 99-year lease on the port and more than 6,000 hectares nearby for an industrial zone.

CMPort will invest \$1.12 billion, which includes the \$974 million paid directly to the Sri Lankan Port Authority, into the port and related shipping businesses.

In May, two Chinese companies signed a contract with Kazakhstan's national railway company to buy 49 percent of an inland port near the China-Kazakhstan border.

China COSCO Shipping and Jiangsu Lianyungang Port Co will each hold 24.5 percent of the port in the Khorgos-East Gate special economic zone, according to a statement from China COSCO Shipping.

The inclusion of the Belt and Road in the Constitution surprised many

observers attending the National Congress, but it underscored the importance China has placed on foreign policy.

"Everyone knows that the Belt and Road is very important to Xi, it has his personal stamp and authority," said Peter Cai, a non-resident fellow at the Sydney-based think tank Lowy Institute.

"But to have major policy, especially an external engagement policy, to be written into a Party Constitution, at least in recent memory, it is something quite significant," he said.

Gabriel Wong, head of China Corporate Finance and One Belt One Road Leader with consulting firm PwC in Hong Kong, said: "Ports are one of the key components of Belt and Road connectivity.

"Along the various corridors, countries will be linked to China via road, rail and sea. Not only will it open the economies of many countries to the outside world, it will also grow their domestic economies as trade increases," he told *China Daily Asia Weekly*.

Wong said he expected to see further acquisitions and investments targeting ports, logistics and transport companies in a number of Southeast Asian countries over the next few years, especially in Myanmar, Malaysia, Singapore and Indonesia.