The Federation of European Private Port Operators and Terminals

China's "One Belt One Road" Initiative: Is there Scope for Concerted EU Response?

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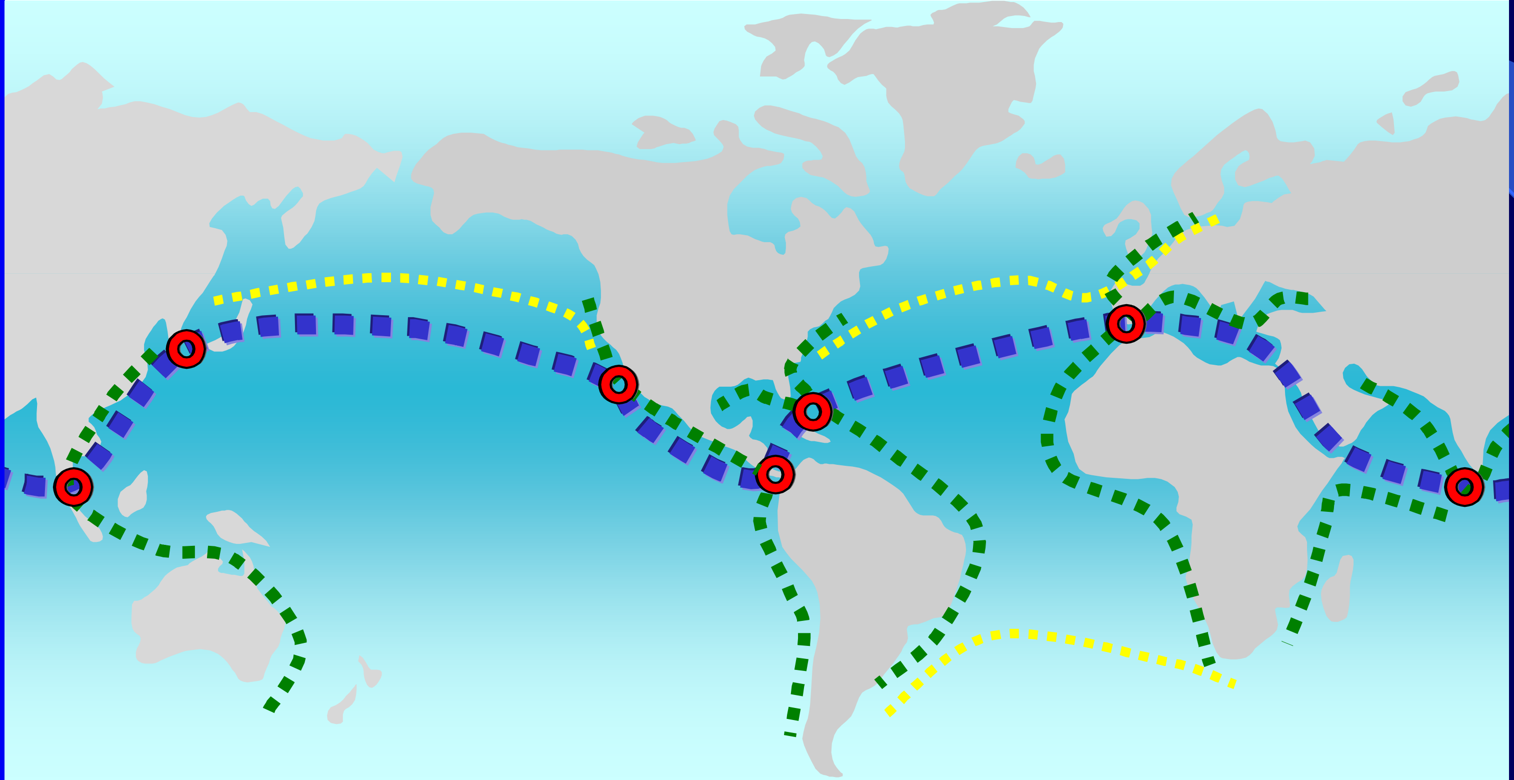
Does China Intend to Develop OBOR into an Around-the-World Transport Network?

World Service Patterns

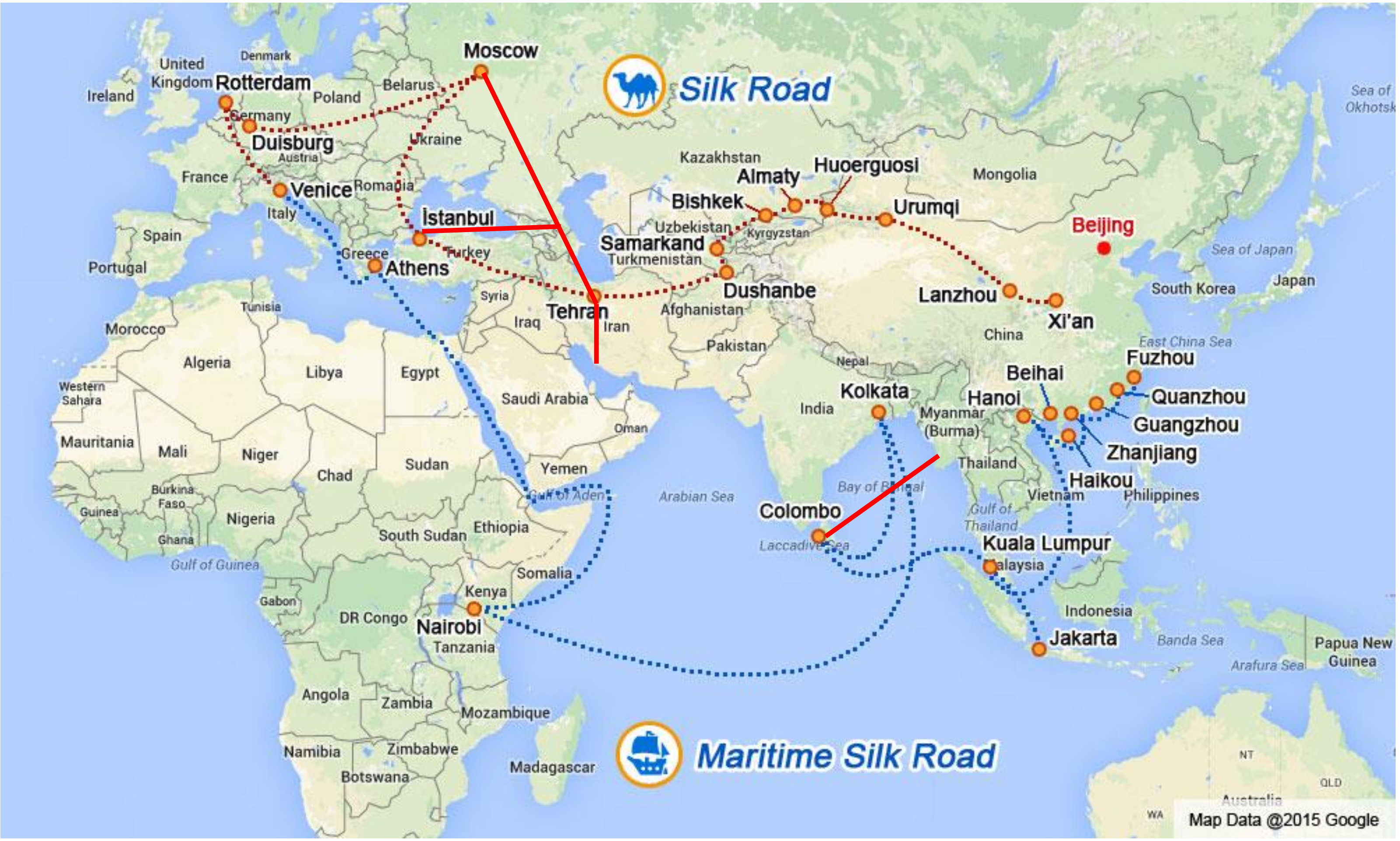


Introduction: OBOR

- OBOR is a US$ 1 trillion plan with an estimated economic multiplier of 2.5. Since the plan was announced three years ago, only 5% of this budget has been spent. There are as many plans as interested countries and China is talking to all of them. 10,000 articles have been written on the subject, but NDRC has retained only 100! Nothing is decided yet, and may analysts tend to see OBOR as a geopolitical "carrot and stick", something similar to a modern day "Marshall Plan".
- China is not investing only in African infrastructure but it transfers manufacturing activity there. By the end of 2015: 128 industrial projects in Nigeria, 80 in Ethiopia, 77 in South Africa, 48 in Tanzania and 44 in Ghana. It seems developing Africa is much easier than developing China's own northwestern territories.
- With investments in Australia (Darwin) and a continuing interest in the Nicaraguan canal, China will soon be looking at the Pacific Ocean, expanding OBOR to a global, "around-the-world" network, in competition to TPP. What are the prospects of the Panama Canal, in view also of competition from the Suez Canal? To my view, not very promising.
- Russia is squeezed from both sides: USA/NATO from the west / China-Eurasia-OBOR from the east. Russia's response: its own 'OBOR': The North-South Transport Corridor.
- Both Russia and China intend to develop their own currencies into reserve, clearing ones, away from the dollar and a crisis-prone, risky and overburdened western financial system. China in particular has created a currency clearing house in Qatar while Russia has an "oil for goods" deal with Iran. The latter country too has recently entered into a "rail for oil" barter deal with Turkey.

The (quasi) Maritime Silk Road: Rotterdam (Duisburg)-Venice-Piraeus-Port Said-Djibouti-Duqm-Gwadar(?) Chabahar-Bandar Abbas-Colombo-Kyaukpyu-Singapore-Jakarta-(back to) East China Sea

With port and FTZ investments in Port Said, Qatar, Oman and Djibouti, China “keeps an eye” at the ‘doors’ to the Straits of Hormuz, Red Sea, and the Mediterranean Sea. With investments in Sri Lanka and Myanmar, China ‘fences’ the Bay of Bengal (red line drawn by HH).



Other European ports may be signing cooperation agreements, but the Port of Rotterdam is ‘advisor’ to the Bank of China for the identification of attractive port investment opportunities around the world. Venice is rightfully promoting its ‘offshore terminal’, while Piraeus has already passed to COSCO)

Could Iran become a Game Changer?

Hercules' Chainsaw

Hercules' Chainsaw

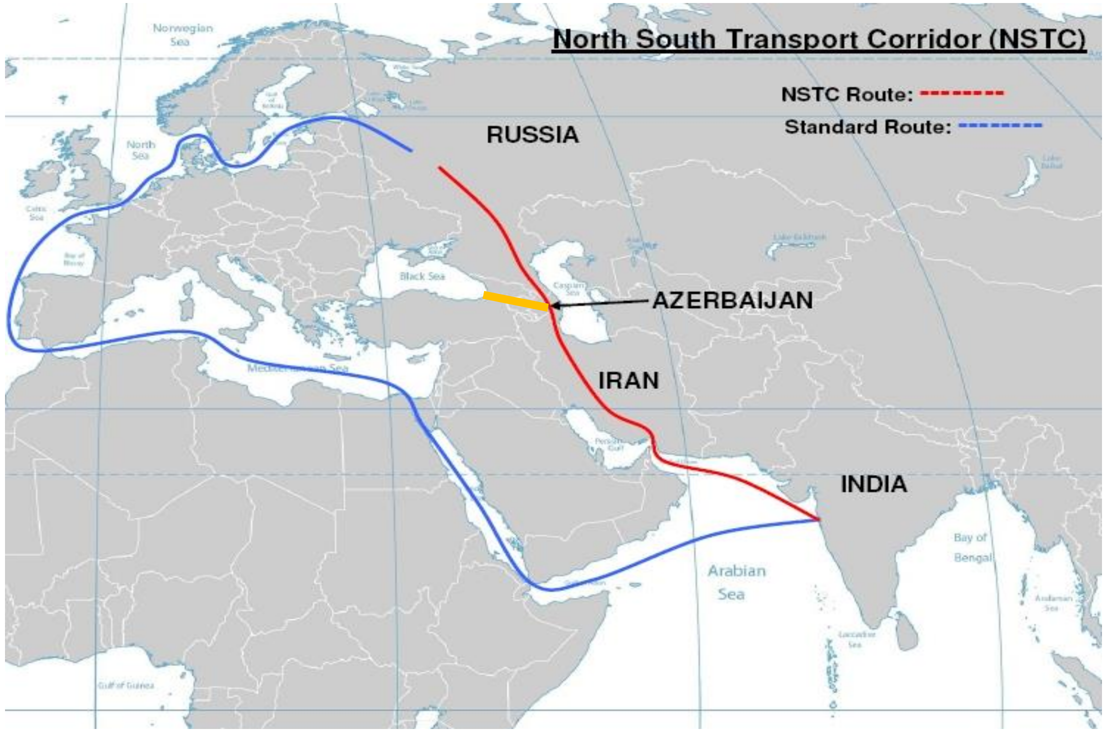
The North-South Transport Corridor: Russia's response to OBOR

Mumbai-Bandar Abbas-Tehran-Baku-Moscow

vs

Mumbai-Suez Canal-Gibraltar-English Channel- St. Petersburg-Moscow

(30% cheaper and 40% shorter and less vulnerable to possible NATO or US interference)



A note on Azerbaijan and Georgia: The new port of Baku (70 kms south of the city) is the country's most strategic investment, according to President Aliyev. Georgia is developing a new, US$ 2.5 billion port in the Black Sea (Anaklia), with US financing (Conti International). The rail connection between the two, south of Caucasus, is not bad at all. Would the two Seas be connected? This, to my view, would provide a very important "missing link" (yellow line by HH).

Conclusions

- Trade is structurally declining but infrastructure investments are increasing: TEN-T financing needs to apply **more stringent assessments (and audits) of funding requests**. Spending (political) money "regionally" is easy, but this does not measure success; on the contrary. Success is measured by the 'results' of spending. Infrastructure investments have long gestation periods, while short term debt accumulates fast and needs to be serviced. Those who spend the money are not necessarily the same with those who will eventually pay the bill.
- OECD forecasts that, in Europe and around the world, new port capacity planning exceeds transport demand forecasts.
- Instead of looking, perhaps too much, 'inside ourselves', a more extravert European approach is advisable, with EIB assuming a leading role in the €8 trillion transport infrastructure financing requirements of Eurasia. Investors (WB, EIB, AIIB, etc.) abound, but attention and coordination are required. (Lack of 'discussion' and coordination (e.g. within AIIB) are India's objections to OBOR).
- Global shipping alliances and industry concentration in liner shipping are often leading to concentration around TEN-T ports. **A more balanced port development in Europe is required**, not penalizing the aspirations of peripheral ports. Through TEN-T, the role of governments and European Institutions is to smooth out regional disparities and work towards more regional cohesion. Having said this, it will be markets who decide which port survives and which perishes.
- Mega-containerships are becoming an increasing headache for both ports and shippers. It won't be long before DG-COMP, following the examples of China and Russia, takes a fresh look into global shipping alliances. A good first step would be to listen more attentively to both shippers and European manufacturers.
- The debt of the developing world is a cause for concern.
- China's NPLs correspond to 25% of the country's GDP.
- European banking is still precarious.
- A new global economic 'meltdown' is not out of the question; this needs to be avoided at all costs.

Conclusions (2)

- The 21st century is the century of Eurasia.
- Infrastructure investments should not be the outcome of geopolitical and security games.
- The debt of the developing world is a cause for concern.
- China's NPLs correspond to 25% of the country's GDP.
- European banking is still precarious.
- A new economic 'meltdown' is not out of the question; this needs to be avoided at all costs.

Thank you for your attention