

The Maritime Silk Road Initiative and the Mediterranean: Strategies, Tactics and Challenges

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The Strategic Context

China has relatively recently promoted a dual Silk Road Economic Belt policy initiative, as shown in Figure 1 aiming to revive the ancient trade routes connecting Asia; the Middle East; and Europe and better connect the Euro-Asia economic circle. The policy has a multi discipline approach spanning from transport to utilities and telecommunications. One of the two aspects of this policy regarding transport connectivity is the so called 21st Century Maritime Silk Road (MSR), the other being the Overland Silk Road (OSR) spanning the Eurasian Continent. The Chinese Leadership uses the term “One Belt, One Road” to capture this dual connection strategy and initiative.

The dual Silk Road Economic Belt is an old story, since it stems from the history of Chinese efforts to export silk and promote trade. The Chinese Government publicly announced this 21st Century Silk Road initiative in October 2013. Regarding the China – Europe Corridor, the initiative covers a series of links and regional zones spanning from Xinjiang, in North-West China, to Baltic Sea. The MSR map, released by the Chinese, presents the Port of Piraeus as a main European gateway, with a second “entry point” in Venice (Figure 1).

The “One Belt, One Road” initiative underlines the era of the new economic diplomacy of China, promoted by the new Chinese Administration¹. It is beyond any question that both the MSR and the OSR are designed to improve China’s geostrategic position in the world², through a series of fundamental connectivity building blocks, a kind of “grand strategy” to diffuse globally the unprecedented economic growth and strength developed in China during the last two decades, through an innovative way, building regional and global synergies. It is the Chinese Leadership’s intention the building blocks to be integrated in a global development initiative, with special regional focus as required³. Building a worldwide network of allies through “soft power” diplomacy, trade and economic dependencies and gaining “strategic access”, creating strategic space for China is the essential element of this strategy⁴.

A \$ 40 bn Silk Road Development Fund has been announced to fund and facilitate funding of the ambitious infrastructure development plan relating to the initiative⁵. This massive investment plan has been shaped not solely on economic ground, but it has a strong influential geostrategic component⁶.

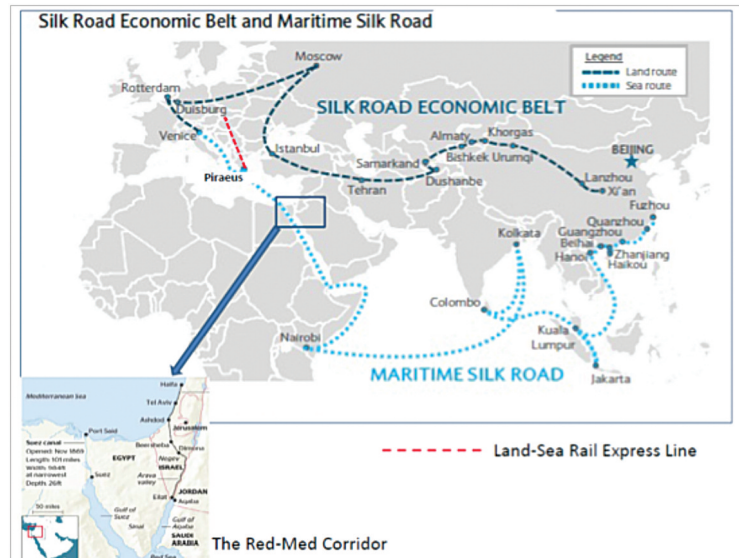


Figure 1: Dual Silk Road Economic Belt (Source: Adapted from Xinhuanet.com)

Overland Silk Road

The OSR incorporates a very ambitious, yet viable, intercontinental series of rail corridors with major strategic importance, an emerging paradigm of multi-polarity cooperation. According to the Chinese Government the Northern (Overland) Silk Road (OSR) “...could become a new transport and logistics artery extending to Western Europe through Central and Eastern Europe”⁷.

European Union, on the other hand, pays great attention on the development and operation of a seamless OSR Rail Transport Corridor and Network. Recently, a Research Project entitled NEAR² (Network of European –Asian Rail Research Capacities), sponsored by the European Commission 7th Framework Programme, incorporating 13 partners from Germany, Greece, Czech Republic, Lithuania, Poland, Russian Federation, Ukraine, India, and China and led by a Greek Transport Research Institution (Centre for Research and Technology Hellas/Hellenic Institute of Transport) has been completed. The scope of the Project was to identify existing bottlenecks along the Trans-Eurasian Corridors, assess potential solutions and highlight research priorities to ensure long term viability of the Corridors.

¹ Chaturvedy, R.R. 2014_a. Reviving the Maritime Silk Route. *The Hindu*, April 11, 2014.

² Chaturvedy, R.R. 2014_b. *New Maritime Silk Road: Converging Interests and Regional Responses*. Institute of South Asian Studies, National University of Singapore, October 2014.

³ Jones, W.C., Billington, M. 2014. China’s New Silk Road: Changing the Paradigm Toward Global Development. In EIR Special Report: *The New Silk Road Becomes the World Land-Bridge*, pp. 4-11, December 1st, 2014.

⁴ Wong, J. 2014. Reviving the ancient Silk Road: China’s new economic diplomacy. *The Straits Times*, 9 July 2014.

⁵ Zepp-LaRouche, H. 2014. China at APEC: West Should Join Us at the New Silk Road. *EIR Economics*, pp. 4-6.

⁶ Tiezzi, S. 2014. The New Silk Road. China’s Marshall Plan? *The Diplomat*, November 6, 2014.

⁷ <http://www.china-ceec-summit.gov.rs/doc/CHINA%20SEE%20SUMMIT%20Belgrade%20Meeting%20brochure%202014.pdf>

Another older EU funded project (RETRACK⁸) looked at the operational feasibility and the potential of the Eurasia landbridge corridors and the logistics developments along these corridors.

The idea of reviving the Silk Road has been cultivated a decade earlier, as China development strategy has gone, gradually, beyond the country's borders⁹. According to the Chinese vision (Figure 2) three rail corridors should be considered. The first one is the existing Trans-Siberian Railway running from Vladivostok in Eastern Russia to Moscow and connecting onto Western Europe and Rotterdam; the second runs from Lianyungang port in Eastern China through Kazakhstan in Central Asia and onto Rotterdam; and the third runs from Pearl River Delta in Southeast China through South Asia to Rotterdam.



Figure 2: Overland Silk Road Corridors (Source: adapted from China Daily, 2009)

Maritime Silk Road, the Mediterranean and the Access to Europe

From a geography point of view the MSR seeks to develop links to a series of regional territories including South – East Asia; Indian Subcontinent; Middle East and the North Africa (MENA) region; Mediterranean; and North Europe. Regional economic influence and development of long lasting economic and political alliances is a fundamental component of the MSR initiative¹⁰. The importance paid to the MSR relates to the fact that China becomes more and more dependent on maritime transportation to reach global marketplaces.

Furthermore, the strategy includes overland expansion with links between ports and inland rail networks to expand physical hinterlands and facilitate access to markets through a series of alternative route combinations.

Regarding strategies and tactics relating to East Mediterranean, the initiative follows again a polyvalent approach. Cosco Pacific has a foothold, through a minority stake, in the Suez Canal Container Terminal (SCCT). Chinese interests (construction companies

China Harbour Engineering Company (CHEC) and China Communication Construction Company (CCCC) have been active in construction works at Port Said East Port and al-Adabiya port (at the Suez Canal's southern end). At the same time, the same Chinese interests (CHEC through its Mediterranean Engineering PMEC arm) in September 2014 won the tender to finance and build a new deep sea port in Ashdod, though bidders for operation are TIL (MSC port arm) and Eurogate^{11,12}. In March 2015, the Chinese company Shanghai International Port Group (SIPG) won the Tender to operate a new deep sea port being built in Haifa and expected to be operational by the year 2021¹³.

China has been involved in a cooperation scheme with Israel, through a memorandum signed in 2014, to construct a railway line that connects the Red Sea Port of Eilat and the Mediterranean Ports of Ashdod and Haifa. The rail line is called "Red-Med" (Figure 1).

The "package" of presence in the Israeli ports, along with the "Red-Med" rail corridor, while Chinese interests are actively involved in port development adhered to the Suez Canal, constitutes a dual track approach to ensure reliability of shipping from Red Sea to the Mediterranean Sea under any circumstances, though the Port of Eilat in Red Sea does not have the required capacity to accommodate mainline deep sea shipping activities and the mini-landbridge is not as competitive as the Suez Canal route¹⁴.

But the major foothold of Chinese port interests in Mediterranean is the Piraeus Container Terminal (PCT) operation of Cosco Pacific subsidiary in Greece¹⁵. Apart from the SCCT and PCT in Piraeus, Cosco has a foothold in Genoa port¹⁶. Along with at least one of the two new ports to be built or operated by Chinese interests in Israel (Ashdod and Haifa), this port network in Mediterranean provides substantial flexibility.

Policy diversification regarding connections to Central and Northern Europe, expanding the MSR, includes the development of the overland rail link announced on the occasion of the third meeting of the Heads of Government of China and Central and Eastern European Countries held in Belgrade in December 2014¹⁷ by China's Prime Minister Li Keqiang. This Land-Sea Express Line between China and Europe exploits fully the location potential of the Port of Piraeus, an operation exclusively managed by a Chinese company; may also achieve better transit times to destination; and provides direct access to the East European countries, an area of special economic interest for China. The EU, together with the N. America, are the main export destination markets for China, while East Europe is a market segment that is not fully exploited by Chinese exporters yet. The Line will be based on the Port of Piraeus and the rail links to the CEEC Countries. The project has been indicated in the Belgrade Guidelines for Cooperation between China and Central and Eastern European Countries

⁸ <http://www.retrack.eu/downloadables/Deliverables/D13.2-Public-Report%20on%20potential%20for%20Eurasia%20land%20bridge%20rail%20corridors-FINAL-25042012.pdf>

⁹ Lin, C. 2011. *China's New Silk Road to the Mediterranean: The Eurasian Land Bridge and Return of Admiral Zheng He*. IPSW Strategy Series 165, Berlin: IPSW, October 2011

¹⁰ Currier, C.L., Dorraj, M. 2009. Reconstructing the Silk Road in the New Era: China's Expanding Regional Influence in the Middle East. In Kovalski, E. (ed). *China and the Global Politics of Regionalization*. Ashgate.

¹¹ <http://www.timesofisrael.com/china-firm-to-build-new-ashdod-union-buster-port/>

¹² <http://www.globes.co.il/en/article-chinese-co-awarded-tender-to-operate-new-haifa-port-1001021396>

¹³ <http://www.haaretz.com/business/.premium-1.648483>

¹⁴ Scott, E. 2014. China's Silk Road Strategy: A Foothold in the Suez, But looking to Israel. *China Brief*, 14(19), October 10, 2014.

¹⁵ Van der Putten, F.-P. 2014. *Chinese Investment in the Port of Piraeus, Greece: The Relevance for the EU and the Netherlands*. Clingendael, Netherlands Institute of International Relations, February 14, 2014.

¹⁶ <http://www.spiegel.de/international/business/china-seeks-gateway-to-europe-with-greek-port-a-1027458.html>

¹⁷ <http://www.novinite.com/articles/165437/Chinese+PM+Li+Keqiang%3A+China+to+Propose+Land-Sea+Express+Line+to+Europe>

endorsed following the meeting, through the Belgrade-Budapest rail link¹⁸. Chinese Government considers this Line as a model for China-Europe cooperation on connectivity.

Moreover, a China – CEEC Investment Cooperation Fund is due to be established, in accordance with the EU-China 2020 Strategic Agenda for Cooperation. According to the Agenda, it is anticipated for Transport and Infrastructure to “...*Actively explore models of infrastructure cooperation, including project bonds, project shareholding, joint contracting and co-financing, and further coordinate the cooperation among China, the EU and its Member States in the above-mentioned fields.*”¹⁹

The Port of Piraeus is a fundamental nodal point in this Land-Sea Express Line between China and Europe. The port has climbed to the fourth position among Mediterranean ports, after Algeciras, Valencia, and Port Said in the year 2014 reaching a record volume of 3.62 million TEUs and it is anticipated to reach an annual traffic throughput of 3.89 million TEUs in 2015²⁰. The split of annual throughput for the year 2014 between the PCT Terminal and the PPA SA Terminal is 2.99 and 0.63 million TEUs respectively. Following a prosperous course in the early 2000's, reaching a figure of 1.61 million TEUs in the year 2003, the port traffic has dropped to a lean figure of 0.66 million TEUs in the year 2009 and after establishment of PCT has shown a tremendous increase of 440 % in the year 2014, as compared to the year 2009.

When the western part of the Pier III will be completed, the total annual capacity of the port will become around 6.2 million TEUs.

Currently, the percentage of transshipment traffic is around 80%, as a result of a strategic decision of the Cosco Group and its partners of the CHKYE Alliance to shift cargo to Piraeus (e.g. Evergreen shifted all its services from Taranto, Italy, which is a terminal co-owned by Evergreen and Hutchison Ports²¹). As the restructuring of the container shipping industry with the predominance of the four alliances (2M, G6, Ocean Three, CHKYE) will continue to evolve, along with the rapid employment of Ultra Large Container Vessels (ULCVs) in the mainliner services, the number of the port calls in these services will continue to decrease and the role of the feeder networks around major transshipment hubs will be rapidly expanded. The role of ULCVs in Far East – Mediterranean trades is already pivotal, since the 56% of the total capacity employed in the Asia - Mediterranean services corresponds to container vessels with a carrying capacity of more than 10,000 TEUs²². Therefore, the role of Piraeus as a transshipment hub, along with serving the Greek imports/exports will be sustained and strengthened.

The real challenge now is whether a reliable and viable rail link between Piraeus and Central Europe can be realized and the port can serve as the transit node for the cargo moving along the Land-Sea Express Line. The current flow of cargo through rail to Central Europe is rather marginal, around 90 block trains from the beginning of the service in June 2014, as compared to the big plans of the Chinese Leadership. Attracting substantial rail transit traffic is a prerequisite for Piraeus to become the real “bridge-head” for the Maritime Silk Road connection to Europe²³. It is notable, that the Chinese interests abstained from expressing

interest for the long-lasting process of the privatization of TRAIN-OSE SA, the national passenger and freight rail operator in Greece.

Concluding Remarks

The “One Belt, One Road” initiative is a real breakthrough in the Chinese international policy, a visionary effort to “export” the remarkable Chinese development of the last two decades through a polyvalent, yet coherent strategy. Europe and, particularly, East European markets is a primary goal of the dual strategies of the Silk Road.

Inevitably, the Maritime Silk Road links in the Mediterranean and the intention of the Chinese Leadership to establish and develop the Land-Sea Express Line between China and East/Central Europe place the port of Piraeus at a pivotal point. Cosco Pacific through its local subsidiary PCT appears determined to fully exploit the opportunities arising from the location and the exclusive management of the container terminal.

Attracting remarkable transshipment traffic volumes is, solely, the first step in the process of establishing Piraeus as the premium Maritime Silk Road gateway to Europe, the ultimate goal being to establish the port as a major rail transit hub to East/Central Europe.

Whether this goal will be accomplished through a “big shot” project providing the Chinese Leadership with a fundamental control of the rail transport in Greece, along with similar projects in the CEEC Countries, or through a series of smaller, cooperating, rail operators remains to be seen. The EU legislative constraints; the overall course of the China-EU bilateral relations; the on-going and deteriorating economic crisis in Greece and the approach of the new left wing Greek Government regarding geopolitical alliances and the course of privatizations will affect this decision.

On the broader picture, another fundamental question raised recently is whether the MSR and OSR will be limited to a string of bilateral agreements between China and individual countries, or between China and regional groups like the European Union and ASEAN.

In any case, Greece is in the core of these developments and despite the present precarious situation for the country, a long term robust strategy needs to be shaped. The positive developments of the China-Greek cooperation, so far, have been driven mainly by the Chinese side...



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¹⁸ http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1224905.shtml

¹⁹ http://eeas.europa.eu/china/docs/20131123_agenda_2020_en.pdf

²⁰ PCT, 2015. Presentation to the GREENBERTH Workshop. Piraeus, April 2, 2015.

²¹ http://www.joc.com/port-news/italy%E2%80%99s-taranto-terminal-faces-murky-future-after-losing-key-service_20140922.html

²² Containerisation International, January-February 2015, p. 14.

²³ Van der Putten, F.-P., Meijnders, M. 2015. *China, Europe and the Maritime Silk Road*. Clingendael, Netherlands Institute of International Relations, March 2015.