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CONTENTS

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WHAT YOU NEED TO KNOW

G7 propose "democratic alternative" to China's Belt and Road Initiative (BRI)

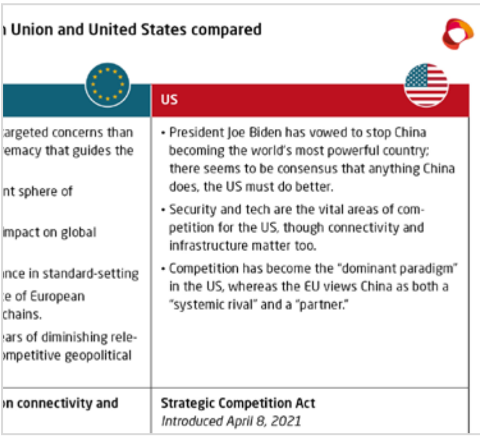
Last weekend the G7 endorsed a global infrastructure partnership that the US President claimed would be a "democratic alternative to the Belt and Road Initiative."

- The initiative, dubbed "Build Back Better World" (B3W) by the White House, is for now just a concept, with no new funding outlined. The only concrete action detailed in the G7 communiqué is the creation of a taskforce that will "develop practical proposals" and report back to the heads of government in autumn.
- The proposal reiterates established Euro-American principles: Global infrastructure should be sustainable, "values-driven" and "market-led".[1]
- The G7 communiqué does not mention the BRI and is less forceful than US communications in its framing of the "build back better" concept as a new initiative.
- However, the proposal's endorsement by the G7 does signify consensus by Western powers on the need to compete with China in connectivity. The challenge of the coming months will be to keep up the momentum.

Against this backdrop, this edition focuses on existing strategies on competing with the BRI in the EU and United States and explores the logic of competition.

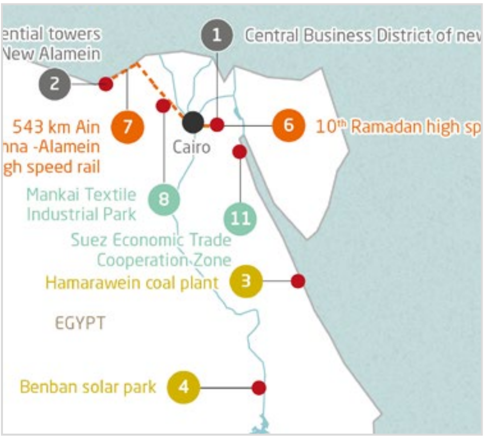
The regional spotlight in this edition explores China's footprint in Egypt and its implications for the EU. We also profile China Logistics Co, a little-known company that is playing a role in the phenomenon of Chinese investment in European port infrastructure.

Graphics in this edition



Focus topic on page 5:

The EU and United States both have an appetite for competition with China on connectivity, but their approaches differ.



Regional focus on page 11:

China's footprint in Egypt extends beyond building skyscrapers in the desert and even has implications for the internal EU market.

FOCUS TOPIC: COMPETING WITH CHINA'S BELT AND ROAD INITIATIVE (BRI)

Unveiled at the G7 summit last weekend (June 11-13), the "Build Back Better World" (B3W) partnership has been framed by President Joe Biden as an alternative, democratic infrastructure initiative to China's BRI.

For now, the initiative remains largely rhetoric, with the only concrete action being the creation of a taskforce that will "develop practical proposals" and report back to the heads of government in autumn. Reference to the BRI is missing from the G7 communiqué,[2] but in his closing remarks at the G7 summit, President Joe Biden made the comparison clear. "China has its Belt and Road Initiative," Biden said, "and we think there's a much more equitable way to provide for the needs of countries around the world."[3]

Of course, addressing the global infrastructure deficit in the wake of the COVID-19 pandemic is a worthy and necessary goal, but how exactly does this relate to the BRI?

Given the increasingly tense relationship with China, the reasons for competing with the BRI would appear self-explanatory, but the logic of competition is not so straightforward, especially given that the sprawling BRI is poorly defined.

In this edition's focus topic, we look at existing strategies on competing with the BRI in the EU and United States and ask several questions about the logic of competing with the BRI.

How do we mitigate the BRI's negative impacts?

The BRI, or the "New Silk Road," is often viewed as a successful manifestation of China leveraging economic power into political influence. Unsurprisingly, therefore, the BRI has attracted a backlash.

However, problems with the transparency and sustainability of projects have also undermined the BRI by generating political fallout and public hostility in host countries.

The European Union and the United States both articulate their responses to the BRI as stemming from the initiative's less desirable impacts. The United States has called China out directly for "predatory economic practices." The EU has been less blunt. However, the EU's own connectivity strategy implicitly questions BRI projects' transparency, market efficiency, and social, environmental, and economic sustainability, so there is considerable common ground on both sides of the Atlantic.

The BRI is a vast and heterogeneous phenomenon, so it is hard to generalize about the projects under its auspices. However, China typically delegates much of the responsibility for oversight and regulation of BRI projects to host countries. This approach is part of the BRI's appeal to host governments, especially when contrasted to more prescriptive terms and conditions for project funding from Western governments and international agencies. However, China's approach can contribute to problems in countries where corruption is endemic and poor practices prevail.

The best solution to mitigating the negative impacts of BRI projects is thus to increase project oversight and negotiating capacity in host countries.

Recent developments in the United States and the EU suggest that politicians recognize this fact. The EU Parliament's resolution on expanding the EU Connectivity Strategy calls for "capacity-building for sustainability."

Meanwhile in the United States, the Senate has recently passed legislation that authorizes[4] USD 75 million per year for the Infrastructure Transaction and Assistance Network – an initiative tasked with advancing "sustainable, transparent, and high-quality infrastructure" in the Indo-Pacific by providing project related services to host countries (see exhibit 1).[5]

What is the BRI doing that the West is not?

Calls for alternatives to the BRI are not just prompted by the initiative's failures. After all, if the only concern were to mitigate the BRI's negative impacts then capacity building would be a sufficient response, which is not the current mood.

The appetite for competitive connectivity is driven by widespread perceptions of China's success: the BRI is seen as advancing Beijing's strategic interests or contributing something to the cause of global development that is missing from the status quo.

It remains far from clear whether the BRI is effective, either in delivering for China's strategic interests or public good terms. Even so, the question must be asked as it is an essential departure point for any alternative to counter the BRI.

Exhibit 1

Competing with the BRI: The European Union and United States compared

	EU	US
LOGIC OF COMPETITION	• The EU is driven by more targeted concerns than the contest for global supremacy that guides the US. • Connectivity is an important sphere of competition for the EU. • The EU fears that China's impact on global infrastructure will 1) erode European dominance in standard-setting 2) undermine the resilience of European businesses and supply chains. • The EU is also driven by fears of diminishing relevance in an increasingly competitive geopolitical world.	• President Joe Biden has vowed to stop China becoming the world's most powerful country; there seems to be consensus that anything China does, the US must do better. • Security and tech are the vital areas of competition for the US, though connectivity and infrastructure matter too. • Competition has become the "dominant paradigm" in the US, whereas the EU views China as both a "systemic rival" and a "partner."
LATEST STRATEGY DOCUMENTS	**Parliamentary resolution on connectivity and EU-Asia relations** *Adopted 21 January, 2021* • The EU parliament urged the adoption of a "global EU connectivity strategy," building on the current EU-Asia Connectivity Strategy. • The resolution contains a statement of principles for connectivity that echoes the EU's 2018 joint communication on Connecting Europe and Asia (see below), but with a franker appraisal of the geopolitical context than previously. • The core message is that connectivity is key to strengthening the EU's role as a "geopolitical and geo-economic actor with a single narrative." • Unlike the 2018 joint communication, the resolution references the BRI directly, calling it "the center of China's assertive foreign policy." • In addition to 2018 priorities, the resolution foregrounds the EU's "green transition." Other additions are 1) "security," referencing member states' Indo-Pacific strategies 2) "health," a key element of post-Covid connectivity. • It also elaborates on the 2018 joint communication's digital dimension, specifying the aim of phasing out 5G technology "built by third countries which do not share European values and standards." • Ambitiously, it calls for the EU to become an actor in digitalization "on a par with the US and China." • It remains largely a call to unify existing EU connectivity efforts under a single strategy, though it includes some governance proposals.	**Strategic Competition Act** *Introduced April 8, 2021* • The Strategic Competition Act passed the Senate on June 8 as part of the US Innovation and Competition Act. • As the name suggests the Strategic Competition Act is explicitly about countering China's growing global footprint: the BRI is directly addressed in section 259 – "Promoting responsible development alternatives to the Belt and Road Initiative." • The bill authorizes USD 75 million per year in 2022– 2026 for the Infrastructure Transaction and Assistance Network (ITAN). • ITAN is tasked with capacity building and advisory programs to help "advance the development of sustainable, transparent, and high-quality infrastructure in the Indo-Pacific region." • The greatest quantity of funding authorized by the bill – USD 300 million per year – is allocated to counter the CCP's "malign influence," through greater "transparency regarding the negative impact of activities related to the Belt and Road Initiative." • Section 257 of the bill instructs the President to "work with transatlantic partners to foster private sector-led development and provide market-based alternatives China's Belt and Road Initiative (BRI)."

Source: MERICS

Competing with the BRI: The European Union and United States compared

	EU	US
BACKGROUND INITIATIVES	**Connecting Europe and Asia – Building blocks for an EU strategy** *September 2018* • The joint communication faced criticism for being scarce on concrete proposals. • As the "building blocks" designation suggests, this 19-page document was a loose framework document and statement of guiding principles. • In this, it functions like China's 2015 "Visions and Actions" document that guides the BRI. • The document sets out the EU's "approach to connectivity" – that it be "sustainable, comprehensive, and rules based." **EU-China Connectivity Platform** *September 2015* Established as a platform for cooperation in transport. In April 2019, the two sides agreed terms of reference for a joint study into sustainable railway corridors between the EU and China. After delays, this joint study is still in progress.	**Blue Dot Network (BDN)** *November 2019* • The BDN was announced by the US, Japan, and Australia. • It is intended as a certification scheme for "quality infrastructure" to encourage private investment in infrastructure projects. • The BDN has yet to yield any concrete results. Its future role is unclear, but on June 13 talks resumed among stakeholders after a long hiatus. **Better Utilization of Investment Leading to Development (BUILD Act)** *February 2018* • A bipartisan bill that replaced the Overseas Private Investment Corporation (OPIC) with the US International Development Finance Corporation (USIDFC). • It made changes to enable the US to work better with partner institutions and compete with China in development finance.

Source: MERICS

The BRI itself originated as China's alternative to status quo development models.

Since at least the 1990s, "traditional donor" countries and their institutions had prioritized poverty reduction, and "soft" infrastructure over big physical infrastructure projects. For instance, the World Bank decreased lending for infrastructure to below 30 percent of its total lending in the early 2000s. Instead, it opted to expand antipoverty and rural development programs.

China, meanwhile, has emerged as a heavyweight in financing global infrastructure and providing the engineering know-how.

The BRI is about more than infrastructure – it is branding for China's vision of what it thinks it can offer the world, for what Beijing refers to as "global public goods." This expansive vision straddles the financial, trade, regulatory, and cultural realms. However, the provision of physical economic infrastructure has attracted the most attention, whether that is measured in finance from Beijing or international scrutiny.

Enabled by a state mercantilist approach to development finance, Beijing has invested in big-ticket infrastructure projects that would be deemed too risky and unprofitable for private investors.

LEVERAGING PRIVATE CAPITAL TO COMPETE WITH THE BRI

The BRI's positive contribution to the world's infrastructure deficit is worth acknowledging. Yet, the difficulty for Europe and the United States is that they cannot respond in kind – not easily without systemic change and certainly not without undermining the market principles they espouse.

The Euro-American answer to the state-led BRI model is to leverage private capital by lessening the risk and increasing the attractiveness of infrastructure projects, but this is a holy grail that development finance experts have been chasing for some time.

The world is facing an extreme infrastructure deficit, but there is no shortage of capital looking for returns. The problem is a lack of bankable projects. Following on from pioneering Japanese efforts and building on the "G20 Roadmap to Infrastructure as an Asset Class," the US-led response to the BRI hinges on leveraging private capital for investment in global infrastructure. This is the logic behind the Blue Dot Network launched in 2019 – a proposed certification system that would boost confidence to invest in developing country infrastructure.

The approach is a neat contrast with the state-led BRI, but the road to infrastructure as an asset class remains a long one. According to a 2020 report from the G20's Global Infrastructure Hub, private investment in developing country infrastructure has actually declined by 36 percent over the past 10 years.

Is now the right time to challenge the BRI?

Ironically, the West's appetite for a response to the BRI has reached an all-time high at the moment that enthusiasm for the BRI in its familiar form has diminished in China. Loans from Chinese policy banks have been drying up since 2016, with Beijing attempting to rein in lending for risky projects. At the same time, Beijing is emphasizing private public partnerships (PPP) projects and "high quality development."[6]

Despite institutionalizing some distinctly Chinese concepts, the latest Chinese white paper on international development cooperation, released in January 2021, signals a desired direction of travel toward international norms, at least on points of sustainability.[7]

Soon after the BRI's launch in 2013, Beijing began to reconsider risky lending practices for the same reasons that trimmed the appetite for big-ticket infrastructure projects in Japan and other status quo stakeholders.

It is possible that China, the United States, and Europe may actually find themselves aligned in trying to mitigate risks associated with building infrastructure in developing countries.

Ordinarily, Beijing's focus on "high quality development" would signal opportunity for cooperation with experienced stakeholders like the EU. However, cooperation with China on connectivity has fallen out of fashion even in Europe, let alone in the United States.

In formulating alternatives, the United States and the EU should keep in mind the changing nature of the BRI and be wary of responding to yesterday's initiative.

Have we got our narrative right?

Both the United States and the EU acknowledge to some degree that the BRI's success may be a question of optics. The Innovation and Competition Act that recently passed the Senate in the United States authorizes several tranches of new funds for competing with China overseas, but the largest is for "countering malign CCP influence" – i.e., media and influence work.

Meanwhile, the EU's connectivity strategy is underwritten by a sense of dismay that the BRI has become so much more visible than the EU's already significant contributions to global connectivity.

The EU strategy is partly about introducing a strategic mindset to EU connectivity planning, but it is also a call for a more effective communications strategy. The EU already does a huge amount of work in connectivity, but this work is fragmented across member states and various institutions. The feeling in Brussels is that the EU must copy the BRI's success in unifying these efforts under a single brand.

In establishing a new fund for external development, the EU has done exactly that. It has streamlined a bundle of incoherent financial instruments under a single recognizable label: "Global Europe."[8]

However, on both sides of the Atlantic there is a tendency to overestimate the degree to which Beijing's propaganda machinery is responsible for the BRI's narrative success. The BRI has gained narrative currency in large part due to the compelling story of China's rise. In many countries, China attracts attention simply because it is the newest great power on the scene.

China also has an advantage in much of the Global South, where resentment towards former colonial powers runs deep. China styles itself as a developing country. In contrast to "donor-recipient" dynamics in Western aid relationships, Beijing approaches developing countries as partners in "development cooperation."

While the EU insists on doing things the European way, China is for now more agnostic on issues of economic reform and governance.

Officials and commentators in Washington and Brussels tend to project their own sentiments toward the BRI onto the rest of the world, while overestimating their own popularity. There is no easy answer to how the EU can promote its values while avoiding the impression of a hectoring colonial power, but the solution is not simply to shout the same message louder.

REGIONAL SPOTLIGHT: CHINA'S ECONOMIC FOOTPRINT IN EGYPT

The striking optics of Chinese skyscrapers rising in the Egyptian desert have captured recent headlines,[9] but China's footprint in Egypt extends well beyond its involvement in the country's new capital city project.

Egypt is Africa's second largest economy (USD 394 billion)[10] and its third most populous country (100 million in 2019)[11] It is an interregional gateway, looking north to the Mediterranean, east to the Gulf, and south to wider Africa. The Suez Canal makes Egypt globally relevant, and its growing young population imbues it with further market potential. In short, Egypt is an important country, not just for China, but for every global actor, including the EU.

Exhibit 2

Comparing China and the EU's footprint in Egypt

	CHINA	EU
Foreign Direct Investment (FDI)	• In 2018/2019 China did not appear in Egypt's top six investors by FDI stock. • In 2019/2020, China's FDI stock in Egypt was down from a high of USD 240 million in 2018/2019.	• For 2018/2019, the UK held 41.2 percent of Egypt's FDI stock, followed by Belgium, the US, UAE, France, and then Saudi Arabia with 2 percent. • USD 8,965 million in FDI from the EU for 2019/2020.
Trade	• China is Egypt's main trade partner, but with only 6.8 percent of foreign trade in 2018/2019, just ahead of the US with 6.6 percent.	• Overall, the EU is a far more important trade partner than China - with almost 29 percent of both imports and exports.
Credit	• China is Egypt's single most important national creditor, holding 16.6 percent of Egypt's total debt - or USD 7.3 billion as of Q4 2020, including a liquidity facility of USD 1.5 billion provided by China Development Bank.	• Germany and France hold USD 3.2 and 2 billion off Egypt's debt respectively.
Construction contracts	• China is the second most active foreign nationality among contractors, with 9 percent.	• French companies win 13 percent of Egyptian contracts.
Education	• 1,352 Egyptians studied in China in 2016, up from 576 in 2011.	• About 3,900 Egyptian students, professors and university staff travelled to Europe between 2015 and 2020.

Sources: Central Bank of Egypt; Fitch Ratings; European Commission; Chinese Embassy in Egypt

China's economic presence in Egypt is still smaller than that of Europe, but its growing footprint has challenged EU interests. Not only are European companies facing stiffer competition from Chinese state-owned enterprises within Egypt, but Chinese investments in Egyptian manufacturing have had market-distorting effects within the EU itself (see exhibit 2).

In 2020, the EU took a significant step towards challenging China's global trade ambitions when it imposed anti-subsidy duties on glass fiber exports from Egypt that had benefited from Chinese subsidies. For the first time, the EU targeted subsidized companies beyond the subsidizing government's borders.

The decision was part of broader attempts to protect European companies against Chinese state-financed competition.

At the same time, there are sectors and projects in which Chinese and European interests coincide.

This year for example, Siemens signed an MoU for a USD 3 billion to supply rolling stock for the largest of two Chinese high speed rail (HSR) projects in Egypt.[12] Benban solar park, which will be among the world's largest solar plants when completed, has Chinese contractors and finance, but the project's biggest financier is the European Bank for Reconstruction and Development.

The Egyptian scenario is typical of the nuanced and far-ranging challenges posed by "Global China Inc." when the country's international firms face established economic powers in attractive developing markets.

China is not a newcomer in Egypt. China State Construction Engineering Corporation (CSCEC) has been in Egypt for 30 years and China Development Bank (CDB) established its first overseas office in Cairo back in 2009,[13] to "help assure China's access to African natural resources." However, China's footprint has grown exponentially alongside China's rise to global economic heavyweight status.

China's adherence to principles of non-interference is especially appreciated by Egypt's current president, Abdel Fattah al-Sisi. He was elected in May 2014 after leading a coup, and his repressive regime has come under Western scrutiny.

In 2014, China and Egypt elevated their relationship to a "comprehensive strategic partnership" – an advanced level of relations in Beijing's hierarchy. Beijing now has a comprehensive strategic partnership with five countries in the Middle East and North Africa (MENA) region. Egypt was the second country to establish one, shortly after Algeria. Egypt was also quick to endorse the BRI in 2014, prompting Chinese officials and academics to hail it as a "role model" for international relations in the region.[14]

Like most leaders who eschew democratic principles, al-Sisi sells his authoritarian rule on promises of stability: he has initiated an ambitious development program with goals enshrined in the "Egypt Vision 2030" national agenda. There are obvious synergies between al-Sisi's vision and the BRI, as both are guided by a belief in the stabilizing effects of infrastructure-orientated, state-led development.

Spotlight: Chinese investment in Egyptian manufacturing

Increasing the competitiveness and capacity of Egyptian manufacturing is at the forefront of Egypt's growth plans. There are synergies with China's "international capacity cooperation" – an out-of-vogue policy linked to the BRI that envisioned exporting some Chinese industrial capacity to BRI countries.

From a Chinese perspective,[15] Egypt's young population makes it suited to labor intensive manufacturing industries. Egypt's geography is also strategically advantageous. Straddling African, Middle Eastern, and European markets, Egypt has a duty-free agreement with the EU on industrial products and is also part of several African trade frameworks.[16] Especially in the context of US-China trade frictions, Egypt has potential as a manufacturing hub for export of Chinese goods – principally electronics, textiles, building materials and petrochemical products.

However, Chinese manufacturing ambitions in Egypt remain more in the realm of prospects rather than reality. This is true throughout much of Africa, though commentators have long speculated the continent will be the destination for ageing Chinese manufacturing industries. According to the Ministry of Commerce, only 12 percent of China's direct investment in Egypt at the end of 2016 went into the manufacturing sector, with a cumulative investment of USD 110 million.

Exhibit 3

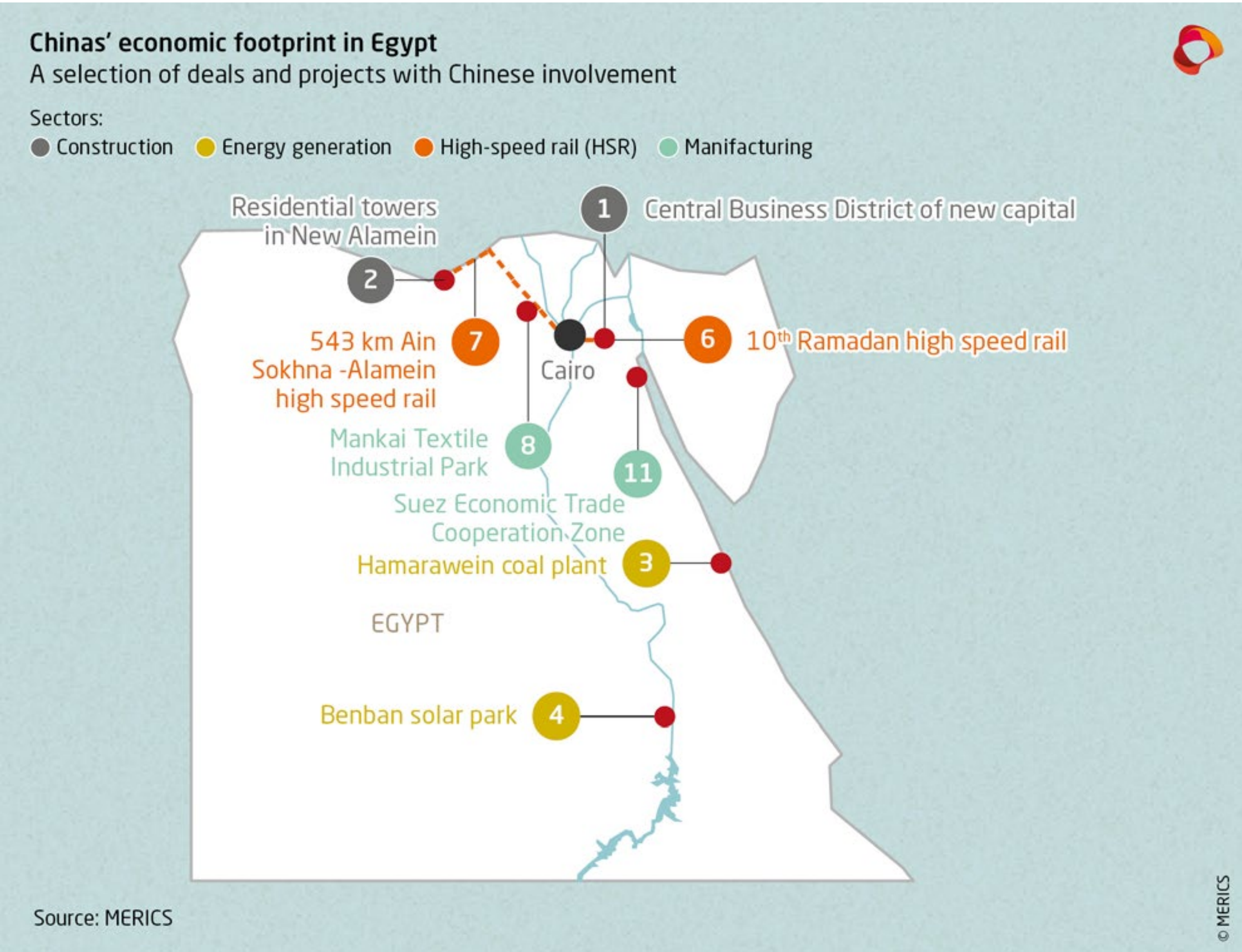


Exhibit 4

Chinas' economic footprint in Egypt
A selection of deals and projects with Chinese involvement

SECTOR	OVERVIEW	PROJECTS AND DEALS
Agriculture	Egypt has embarked upon the construction of a 100,000 hectares of greenhouses in the desert to tackle population growth and water shortages.	• USD 400 million contract for greenhouse projects signed in 2017. Sinomach has built 600 and is constructing another 2,350.
Construction	As part of al-Sisi's Vision 2030, numerous mega-projects have been launched countrywide, including the construction of a new capital city.	• **Central Business District of new capital:** Built and financed by CSCEC at a cost of USD 3 billion. 1 • **Residential towers in New Alamein:** USD 2 billion contract with CSCEC won 2021. 2
Digital	China is helping power Egypt's digital transformation, much to the consternation of the US, which in November 2020 publicly warned Egyptian companies against cooperating with Huawei.	• Telecom Egypt has been establishing its 4G network using Huawei technology and Chinese finance. • Egyptian officials have also met with Huawei executives to discuss smart grid, smart city and 5G application in Egypt.
Energy generation	Renewable energy is another pillar of al-Sisi's development vision, with renewables planned to account for 42 percent of Egyptian capacity by 2035. Egypt is a case study for how the BRI can promote sustainable or unsustainable industries, depending on host country appetites.	• **Hamarawein coal plant:** Chinese construction of world's second largest coal project shelved by Egypt in favor of renewables. 3 • **Benban solar park:** To be among the world's largest solar plants. Involves Chinese contractors and finance. 4 • **500MW solar project:** China Gezhouba won USD 291 million EPC contract in 2020.
Electric Vehicles (EVs)	Chinese capacity aligns with al-Sisi's plans to grow a domestic EV industry and phase out gasoline powered cars.	• April 2019 agreement with Foton for joint manufacturing of EVs in Egypt. • July 2020 agreement with Dongfeng Motor for Egyptian firm El Nasr to produce EVs.
Health	With Covid-19 cases mounting and less than 2 percent of the population vaccinated, plans to produce Chinese vaccines locally are being hailed as a possible way out of the crisis.	• Egypt agreed to purchase 20 million doses of the Sinopharm vaccine. • Egypt has long-term plans to become a regional manufacturing hub for the Sinovac vaccine.
High-speed rail (HSR)	Egypt is revamping its ageing rail infrastructure, providing lucrative contracts for international leaders in HSR technology like Siemens and China Railway. For China, HSR exports have become symbols of its technological prowess.	• **10th Ramadan high speed rail:** Built by Chinese consortium with USD 1.2 billion Exim loan. To be inaugurated late 2021. 6 • **543 km Ain Sokhna -Alamein high speed rail:** Chinese Egyptian consortium won USD 9 billion contract in 2020. 7
Manifacturing	Manufacturing is at the forefront of Egypt's plans for growth, providing synergies with China's "international capacity cooperation" - an out-of-vogue policy envisioning the export of Chinese industrial capacity. BRI-wide, China is promoting the SEZ model that helped fueled Chinese growth.	• **Mankai Textile Industrial Park:** Agreement signed 2018 for specialized industrial zone with 80 firms invested as of January 2020. 8 • **Suez Economic Trade Cooperation Zone:** Set up in 2008 by the investment vehicle behind the Tianjin SEZ. USD 1.25 billion investment by early 2020. 11
Space	Egypt's space program was started in 1998, but 2019 saw the launch four satellites and the establishment of the Egyptian Space Agency.	• **MisrSat-II satellite:** USD 72 million plus know-how provided by Beijing. • **Assembly and Integration Testing center in the "Egyptian Space City":** USD 45 million grant provided in 2018.

Source: MERICS

But Chinese manufacturing in Egypt has been significant enough to alarm EU regulators. One of the largest companies in the Chinese industrial zone at Suez is China Jushi Co. Ltd – the fiberglass arm of state-owned China National Building Material Group (CNBM).

China Jushi has made Egypt the world's third largest manufacturer of fiberglass, tripling its share of the European market for glass fiber reinforcements from 2016 to 2018 at the same time as China's direct share fell to 5 percent from 8 percent.[17] The EU's findings were that this market share was won with the help of Chinese subsidies, resulting in the 2020 EU tariffs on several Chinese-owned producers of glass fiber in Egypt.

The China-Egypt Suez Economic and Trade Cooperation Zone (known as TEDA Suez) where China Jushi is located is a celebrated part of the BRI, and the industrial export model is a core function of the BRI. The EU's tariffs were about more than fiberglass; they established a precedent for competing with subsidized Chinese industry worldwide.

KEY PLAYER: CHINA LOGISTICS CO 中国物流股份有限公司

Piraeus is the best-known Chinese-run port in Europe but several other European ports have received major Chinese investment, mostly from one of two Chinese state giants – COSCO Shipping or China Merchants Group.

The JadeWeserPort project in Wilhelmshaven is Germany's only deep-water port. It is working with a company that is huge in China but unknown internationally. China Logistics Co., Ltd operates 58 logistics centers in China, but their investment in Wilhelmshaven is their first in Europe. In June 2019, they signed an MOU to build a logistics center to handle Chinese goods, taking up 200,000 square meters.

China Logistics was founded in 1988 as an integrated logistics service, providing freight forwarding across road, railway, and multimodal transport.

Its parent company China Chengtong Holdings Group Ltd, was founded in 1992 from the merger of several logistics enterprises formerly under China's Department of Materials (物资部). China Chengtong holds shares in major companies listed both in China and abroad, including COSCO and China Shipping Network Technology. [18]

JadeWeserPort is jointly invested in by the states of Lower Saxony (50.1 percent stake) and Bremen (49.9 percent) stake. It was opened in September 2012 and is Germany's only deep-water port. Hamburg can only accommodate ships with draughts of 14.5 meters at high-tide, even after work to deepen the Elbe river.[19] JadeWeserPort has a depth of 18 meters, so large container ships can dock fully loaded, regardless of tide.

But despite its natural advantages, JadeWeser has not done as well as its sponsors may have hoped.[20] The China Logistics deal – a 99-year lease contract for a cargo handling center – is therefore seen as a boon for the beleaguered port project.

The choice of China Logistics may stem from hopes of leveraging the company's network within China. There is an expectation that China Logistics will find customers for exports from Germany to China, as well as facilitate Europe bound trade.[21] Since 2020, China Logistics has itself become involved in Europe-China rail freight operations. As the parent

China Chengtong is also a minority stakeholder of COSCO, the agreement may also pave the way to a deal with COSCO for additional services to Northern China.

Meanwhile, COSCO is in negotiations with Hamburg port over the sale of a minority stake in its Container Terminal Tollerort (CTT). If the sale goes ahead, it will be the ninth container terminal in Europe at least partly owned by COSCO.

Exhibit 5

COSCO Shipping and China Merchants Group own stakes in fifteen European container terminals
Chinese investment in European container terminals

COUNTRY	TERMINAL	CHINESE OWNERSHIP
France	Eurofos at Fos-sur-Mer, Port of Marseille	China Merchants minority stake
France	Terminal de France and Terminal Nord, Port of Le Havre	China Merchants minority stake
France	Terminal des Flandres, Port of Dunkirk	China Merchants minority stake
France	Terminal du Grand Ouest, Port of Nantes	China Merchants minority stake
Greece	Piraeus Container Terminal, Port of Piraeus	COSCO controlling stake
Italy	Reefer Terminal and Vado Gateway Terminal, Port of Vado	COSCO minority stake
Malta	Malta Freeport Terminals	China Merchants Port minority stake
Netherlands	Antwerp Gateway, Port of Antwerp	COSCO minority stake
Netherlands	CSP Zeebrugge, Port of Zeebrugge	COSCO controlling stake
Netherlands	Euromax Terminal, Rotterdam World Gateway, Port of Rotterdam	COSCO minority stake
Netherlands	Rotterdam World Gateway, Port of Rotterdam	China Merchants minority stake
Spain	CSP Iberian Bilbao Terminal, Port of Bilbao	COSCO controlling stake
Spain	CSP Iberian Valencia Terminal, Port of Valencia	COSCO controlling stake
Turkey	Kumport Terminal, Port of Ambarli	COSCO and China Merchants share controlling stake
Ukraine	Odessa Terminal, Port of Odessa	China Merchants Port minority stake

Source: MERICS

GLOBAL CHINA INC. UPDATES

TRANSPORT & LOGISTICS

Contract signed for Thailand-China high speed rail

On March 29, a USD 376 million contract was signed for the first phase of the Thailand-China highspeed railway.[22] The engineering, procurement, and construction contract for the Nava Nakhon-Ban Pho section was signed with a joint venture led by China State Construction Engineering Corporation (CSCEC). The section is scheduled to be completed and open to traffic by 2027.

First installment of Chinese loan disbursed for Lekki port facility in Nigeria

In April, China Development Bank (CDB) disbursed the first USD 60 million of a USD 629 million credit facility for the construction of Lekki Deep Sea Port in Nigeria.[23] The port is being built by China Harbour Engineering Company Ltd (CHEC) and is scheduled to begin operation in 2022.

Contract signed for Chancay port in Peru

On May 21, the Chinese consortium CHEC SAC-CCCC4TH signed a contract with COSCO Shipping for the first construction phase of Chancay multipurpose port in Peru. Chancay is 60 percent owned by COSCO Shipping; it is the largest port project won by a Chinese enterprise in Latin America and the biggest single contract undertaken in Peru. COSCO Shipping signed a USD 3 billion deal to design, build and operate the port in May 2019. So far, it has invested USD 1.525 billion in the port.[24]

DIGITAL AND HEALTH

Mexico hosts third phase trials of Chinese made mRNA vaccines

In May, Mexico announced that it would host late-stage clinical trials for a vaccine candidate from China's Walvax Biotechnology Co., Ltd. The Walvax vaccine uses the same mRNA technology as the Pfizer and Moderna shots. Chinese manufacturers Sinopharm and Sinovac have delivered hundreds of millions of vaccines to low- and middle-income countries. However, they may be at a long-term disadvantage without an mRNA vaccine in their arsenal.[25]

E-commerce giant JD.com enters Middle Eastern market

In April, Chinese e-commerce company JD.com signed a partnership agreement with Namshi, a fashion and lifestyle platform owned by Dubai's Emaar Malls.[26] Namshi will sell Chinese brands on its platform and supply JD.com with local logistics, warehousing, and marketing support. E-commerce expansion is a lucrative aspect of China's "digital silk road," though it receives less attention than fiber optic cables and 5G. In 2019, the e-commerce market in the MENA region was worth USD 14.3 billion and is set to grow.

Romania approves bill to bar Huawei from its 5G network

In April, Romania approved a US-backed bill to bar Huawei from participating in its 5G network.[27] The new law developed from a 2019 memorandum signed in Washington to exclude China from Romania's 5G partnerships. In recent years, Romania's ruling center-right National Liberal Party has scrapped a proposed nuclear power plant deal with China and barred Chinese companies from public procurement tenders.

ENERGY

600MW Chollet hydroelectric dam contract awarded to Gezhouba

In May, China Gezhouba Group Co Ltd won the 600 megawatt (MW) Chollet hydroelectric dam contract, on a build, operate, transfer (BOT) basis. The dam will be built on the Dja river, on the border between Cameroon and the Republic of Congo, and supply electricity to Cameroon, Congo, and neighboring countries.[28]

State grid acquires Chilean power company

On March 31, Chilean regulators approved China State Grid Corporation's 3 billion USD takeover of Spanish power company Naturgy's Chilean unit Compania General de Electricidad (CGE).[29] The deal is the latest in a series of acquisitions that have given Chinese firms control of 57 percent of Chile's electricity transmission. China has established a strong presence throughout Latin American in the power generation and transmission sectors.

Chinese built nuclear reactor begins operation in Pakistan

On 21 May, Pakistan's Prime Minister Imran Khan inaugurated unit 2 of the Karachi Nuclear Power Plant.[30] The unit is one of two Hualong One-type reactors built under a 9 billion USD contract with China National Nuclear Corporation (CNNC) signed in 2013. China's assistance in Pakistan's civil nuclear energy program began in the 1970s and it started constructing its first nuclear reactor for Pakistan in 1993.

Myanmar military junta approves 2.5 billion USD Chinese power project

In May, Myanmar's military junta approved a USD 2.5 billion natural gas power plant to be built by Chinese companies. Three Chinese companies will own 81 percent of the project while Myanmar's Supreme Group of Companies will own 19 percent. The Chinese companies involved are Union Resources and Engineering Co Ltd (UREC) (41percent), Yunnan Energy Investment Group (39 percent) and the Zhefu Holding Group (1 percent). The project will be developed under a build, operate, and transfer model. The project got the go ahead in 2018 from the National League for Democracy government (ousted by a military junta in February after again winning the 2021 elections) amid questions about transparency and the lack of a bidding process.[31]

MANUFACTURING, CONSTRUCTION, AND RESOURCES

Environmental concerns halt landmark Chinese investment in Serbia

In April, China's Zijin Mining Group was ordered to stop work and to complete a waste water treatment plant at its copper complex in Bor, Serbia, after it failed to comply with environmental standards. The decision came after protests over pollution held in Bor and in Belgrade.[32] Zijin took over the copper complex, formerly known as RTB Bor in 2018 as part of a USD 1.26 billion deal with the government of Serbia. China's growing footprint in Serbia, an EU member candidate, has prompted concerns in Brussels in part due to concerns over environmental sustainability.

Chinese company announces another nickel mine in Indonesia

On May 24, Zhejiang Huayou Cobalt Co Ltd announced it will build a laterite nickel mine in Indonesia with a total investment of around USD 2.08 billion. Nickel is an essential component for the production of lithium-ion batteries and China already has an extensive footprint in Indonesia's nickel industry.[33]

Endnotes

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