Critical Issues Confronting China:

Pier Competitor: China’s Global Port Expansion

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Having examined copious data on China’s global ports, Isaac B. Kardon, Assistant Professor in the Strategic and Operational Research Department’s China Maritime Studies Institute (CMSI) at the U.S. Naval War College, concluded that, although China’s overseas port projects are not ostensibly the country’s military bases, this extensive global network already holds meaningful implications for China’s strategic geopolitical and military positions.

Port development is a crucial component of China’s much touted Belt and Road Initiative (BRI), providing the basic transport infrastructure necessary to support China’s ambitious international trade agenda. As such, China’s leadership is loath to construct militarized commercial facilities lest they cause potential economic partners to view participation in BRI and other commercial dealings to be veiled efforts to promote China’s military expansion. In short, a “black eye for the BRI” is something Beijing is keen to avoid, even if supporting a more globally deployed military is among its interests.

A large portion of China’s port projects are built, operated, and owned by China’s top three shipping companies: Hutchison Ports, Cosco Shipping, and China Merchants Port; the latter two are state-owned conglomerates. Although Hutchison is based in Hong Kong and has a British origin, it is unlikely that it could defy Beijing’s order in the breach; it is also an enthusiastic promoter of the BRI. The three companies own, manage, or operate a staggering proportion of the world’s major ports, including nine of the world’s top 10 container ports. Kardon underlined that the ownership and management structure of each of these ports in the portfolio are complex. In some cases, the companies either built the port as a contractor and left, or they held only a minority equity stake in the port operated by another firm. In other cases, they leased and managed the port as the sole operator. Those latter cases provided the greatest degree of control in the event Beijing sought to use the ports for non-commercial purposes.

Kardon noted that the geographic distribution of China’s port investments and operations concentrate around the Indian Ocean, including the Middle East, North Africa, and Southeast Asia. Furthermore, this distribution has a focus on strategic choke points, such as, the Straits of Hormuz, the Strait of Malacca, the Bab al-Mandeb, and the Suez Canal. China’s expansion from a commercial port into the adjacent land from the port in Djibouti, establishing a military base there, is an important case of building both commercial and military capacity near a major chokepoint (in this case, the Bab al-Mandeb and Suez).
Kardon gave a few examples of China’s port holdings which had varying degrees of success. The Piraeus Port in Greece, whose broader port authority is majority-owned and operated by Cosco, has been very successful in terms of its operations that provide China with access to European markets. Colombo International Container Port in Sri Lanka has likewise been a commercial success, providing mostly transshipment of products to and from India and the broader Indian Ocean region. Gwadar Port in Pakistan is perhaps the poster child for a commercially insignificant port with dubious prospects of economic success, but plenty of potential strategic value. The range of China’s port projects makes the broader program difficult to describe but important for grasping the multiple motivations underlying China’s port expansion.

Why would these Chinese companies be involved in port expansion projects? Kardon explained that China’s overseas port expansion is in line with its development goals. Under its “going out” initiative of 1999, many Chinese companies became internationalized through outbound foreign direct investment. China’s conception and promulgation of the Maritime Silk Road (海上丝绸之路) since 2013 further encouraged Chinese companies to establish and expand commercial relationships overseas. Against this backdrop, China’s port expansion seems to be a natural progression. These efforts are not solely commercial in design but are indeed tightly integrated into Beijing’s overall diplomatic efforts.

China attempts to make its port acquisitions into economically viable projects by building a commercial ecological system around each of these ports. To accomplish this, China tends to replicate its Shekou Model (蛇口模式) overseas. In this model, the port is only the front-end; the middle zone immediately behind it is usually managed or built into a free-trade zone and handles export processing and logistics; the rear zone inland is linked to the nearby city through residential and commercial development. Transport infrastructure (road, rail, pipeline) connects these hubs to markets and resources inland. One very compelling part of this “export” of Chinese infrastructure is its tremendous scale and cost advantages, a major comparative advantage, that Chinese firms bring to bear, especially in the developing world, where capital and expertise are scarcer.

More important than these commercial operations, China’s overseas port expansion has a strategic dimension with the potential for military use to fulfill the PLA’s mission to protect overseas Chinese interests, including all of PLA’s assets and personnel on land as well as shipping lanes for China’s massive international trade, not the least for imports of raw materials and energy products. Thus, these ports serve multiple purposes and have been conceived as China’s “strategic strongpoints”—bridgeheads into important regions that allow China to project economic and, potentially, military influence. Such commercial sites can serve as logistical hubs for military transport, especially those with long term leases and majority PRC firm ownership.

Being an expert in China’s foreign policy, Kardon detected limits on China’s maritime expansion due to some of the vestiges of Chairman Mao Zedong’s thought. Mao positioned China as a part of the Third World, supporting south-to-south relations and providing an
alternative approach to economic growth and political stability to developing countries. Militarization of those facilities would run against China’s “brand” as a non-colonial power whose practices are supposed to differ from those of Americans and Europeans. Ultimately, Kardon saw these ports as predominantly commercial, but also capable of supporting certain low-end military functions. Most importantly, they generate an interdependent, mutually supportive network of communications facilities, which provide political value on top of their commercial use. Militarily, they are most useful for gathering intelligence.