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German Ports and China: How to Reconcile Openness, Resilience and Security?

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Executive summary

Germany is dependent on its ports for the smooth running of its open economic model and has benefited from globalization in recent decades when the internationalization of its value chains strengthened its competitiveness. Yet, with today's hardening geopolitics, the vulnerabilities of Europe's leading economic power are becoming apparent. Germany's ports are an indispensable interface between its production base and its export markets, as well as for its sources of supply. Crucial to its competitiveness, Germany's ports are becoming increasingly indispensable for energy supplies given the country's decoupling from Russian hydrocarbons, and they are essential for the deployment of military equipment to Europe's eastern flank. This is why particular vigilance is required in ports such as Hamburg, where the Chinese shipping company COSCO has acquired a stake in the company operating the Tollerort terminal. This transaction would scarcely have worried anyone in the past. But now it is the subject of bitter discussions, with the *Zeitenwende* ("change of era") announced by Olaf Scholz in reaction to Russia's war of aggression against Ukraine.

Increased caution seemed to gain a foothold in order not to repeat past mistakes –until the German Chancellor decided in favor of the acquisition. Given closer ties between China and Russia, China's assertive stance on the international stage, and increased pressure on Germany from its American ally to clarify its position with regard to its main trading partner, Germany is seeing its room for maneuver shrink. Today, we need a more European approach that goes beyond short-term, profit-driven concerns. But to achieve this, we need to put in place a range of resources to be deployed in a resolutely cooperative approach.

Résumé

Tributaire de ses ports pour la bonne marche de son modèle économique ouvert, l'Allemagne a profité de la mondialisation au cours des dernières décennies, lorsque l'internationalisation de ses chaînes de valeur a renforcé sa compétitivité. Au regard du durcissement géopolitique, les vulnérabilités de la première puissance économique européenne se font jour. Les ports sont une interface indispensable entre la base de production allemande et ses marchés d'exportation, mais aussi avec ses sources d'approvisionnement. Primordiaux pour la compétitivité de l'Allemagne, ils deviennent de plus en plus indispensables pour l'approvisionnement en énergie dans un contexte de découplage par rapport aux hydrocarbures russes, et sont essentiels au déploiement de matériel militaire vers le flanc est du continent. C'est pour cela qu'une vigilance particulière s'applique aux ports comme Hambourg où l'armateur chinois COSCO a obtenu une participation dans la société qui exploite le terminal de Tollerort. Cette transaction, qui n'aurait pas irrité autrefois, a fait l'objet d'âpres discussions, alors que la *Zeitenwende* (« changement d'époque ») avait été énoncée par Olaf Scholz en réaction à la guerre d'agression de la Russie contre l'Ukraine.

Une prudence accrue semblait s'imposer pour ne pas réitérer les erreurs commises dans le passé – jusqu'à ce que le chancelier allemand tranche en faveur de cette prise de participation. Sur fond de rapprochement entre la Chine et la Russie, de posture assertive de la Chine sur le plan international, et de pressions accrues de la part de l'allié américain pour clarifier le positionnement par rapport au principal partenaire commercial de l'Allemagne, cette dernière voit sa marge de manœuvre se réduire. Une démarche davantage européenne, qui dépasse une vision court-termiste visant le simple profit, s'impose aujourd'hui. Mais pour cela il faut mettre en place une panoplie de moyens à déployer dans une optique résolument marquée par la coopération.

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Introduction

Ports are increasingly central to the control of supply chains and, thus, to geopolitical rivalries. Around 90% of international trade in goods is transported by sea.¹ This explains the importance of such infrastructures in linking the industrial bases of producing countries with outlets in customer countries, thousands of kilometers away, as well as in the transport of raw materials, semi-finished and finished products. It is easy, therefore, to understand the competition between these infrastructures, in which a considerable proportion of the world's economic activity is concentrated, and the attraction they represent for cities that have built their wealth on their openness. As pivots between land and sea logistics, ports are part of the complex maritime economy with its many players. They are the symbol of globalization, accelerated by the containerization of goods.

As Heiko Borchert, Tim Rühlig and Valentin Weber noted in a study published in 2023, “actors who determine the routing of production factors also decide on access to markets and consumers, and thus guarantee the security of supply.”²

In an increasingly tense geopolitical context, these supply chains have become a priority for states – first and foremost, Germany, a country particularly exposed due to the internationalization of its business model. Today, it is increasingly aware of its fragility, having been hit hard by the Covid-19 pandemic and the repercussions of the war in Ukraine, both of which have highlighted Germany's dependence on imports of raw materials and semi-finished products. The industrial base of Europe's leading economy can only be successful given a certain level of predictability and capacity for anticipation that are being challenged by the current geopolitical insecurity. In June 2023, the government published Germany's “National Security Strategy”, which is based on three pillars including resilience and economic security, and which has been marked by these profound upheavals. The war in Ukraine and Germany's decoupling from Russian energy supplies is forcing it to adapt its energy and economic model. Securing supplies of liquefied natural gas (LNG) has required Germany to build LNG terminals in the North Sea as a priority and is putting added pressure on Germany's seafront and port activities. Germany's ports thus face numerous economic and energy challenges, as

1. H. Borchert, T. Rühlig and V. Weber, “Toxische Türöffner – Smart Ports als geoökonomisches Handlungsfeld”, SIRIUS – Zeitschrift für Strategische Analysen, De Gruyter, June 7, 2023, available at: www.degruyter.com.

2. Ibid.

the supply of war materials to support Ukraine and the eastern flank of the North Atlantic Treaty Organization (NATO) passes through the ports of northern Europe.

This is also the case for the Port of Hamburg, Europe's third-largest container transshipment port, which faces competition from other northern European ports,^{3,4} in particular Rotterdam and Antwerp, but also increasingly from Mediterranean ports, whose performance has improved considerably with China's growing presence. Three-quarters of the European Union's (EU) extra-European trade passes through the EU's 1,200 ports, and container transshipment in seaports could quadruple by 2030, and even be around five to six times its current levels by 2050.⁵ The race is, therefore, on to win market share and benefit from the booming maritime economy.

Ports promote prosperity and strengthen the resilience of the countries that host them. But at the same time, "they also provide an in-depth insight into supply relationships and economic dependencies."⁶ Heiko Borchert, Tim Rühlig and Valentin Weber even go so far as to say that "today, they have become the symbol of toxic addictions."⁷ The insecurity of sea lanes is a major issue at a time of instability in the South China Sea and the Red Sea. Yet beyond this, particular attention needs to be paid to ports as nodal points on which a country's supplies and its ability to export to third-party markets depend. The criticality of certain port infrastructures is obvious when the security of supply is compromised, which leads to shortages affecting citizens and a country's industrial base, thus potentially exposing it to blackmail. Ports are both an economic springboard and a source of security vulnerability.

Much has also been written about the influence of third countries acting through port shareholdings, with particular attention being paid to China. The controversies surrounding the port of Hambantota in Sri Lanka and the debates surrounding the Port of Piraeus are cases in point. However, these controversies and debates are also affecting the world's third-largest economy, Germany, through the Port of Hamburg, where COSCO has acquired a 24.9% stake in the company operating the Tollerort terminal.

There are similarities between China and Germany. They are both export-driven economies. Both economies are strengthened by maritime transport and the presence of ports that promote their inclusion in the

3. The so-called "North European range" includes the ports of Antwerp, Rotterdam, Bremen, Bremerhaven, and Hamburg, in "Was bedeutet Nordrange?", Port of Hamburg, available at: www.hafen-hamburg.de.

4. The ports of the "North European range" are responsible for 80% of European imports and exports, in "Krisen setzten Hamburger Hafen zu", *Der Spiegel*, February 20, 2023, available at: www.spiegel.de.

5. H. Borchert, T. Rühlig and V. Weber, "Toxische Türöffner", op. cit.

6. Ibid.

7. Ibid.

global economy and act as springboards to the world. The two economies have also suffered from the shocks of geopolitical destabilization, with all that this entails in terms of inflation, disruption of supply chains and shortages of certain goods. Yet the comparison ends there: China's port development is wholly unique. China has had to catch up with the West and, since the late 1970s, has focused on the development of ports. Thanks to foreign investment, national champions of the maritime economy have emerged and gone international. Today, they dominate container transport, acquire stakes in port infrastructures and offer "smart port" solutions. Chinese logistics players are now gaining a foothold in the German market, which is causing some controversy. In addition to the real risks that this type of investment could pose to Germany, the question of the nature of Sino-German relations is a major issue, given that China is Germany's leading trading partner and so has a special role. However, these relations are set to change in the era of the *Zeitenwende*, as Germany has become more cautious about the interdependencies that bind it to other actors since the war in Ukraine. This war has revealed Germany's over-dependence on Russian gas, while China has been ambiguous towards Russia, whose policy Germany has strongly condemned since February 24, 2022. Is Germany ready for a showdown with China? Or has it reached the limits of its self-proclaimed *Zeitenwende* when it comes to China? The examples of the maritime economy, and the port sector in particular, illustrate Germany's hesitations, as they lie at the intersection of economic and security issues. As windows to the world, ports may also be Trojan horses. What are the arguments being weighed up? What risks are being identified? And how can we approach Chinese port holdings to be dealt with in a factual and dispassionate way?

Port infrastructures as windows to the world in Germany and China

Seaborne trade dominates world trade, and Germany benefits from this through the ports of Hamburg, Bremerhaven, and Wilhelmshaven. The development of seaborne trade through these ports reflects Germany's economic health and even the evolution of Germany's business model. The Port of Hamburg is Germany's leading port and gateway for many foreign goods bound for Europe. It is inevitably affected by a deteriorating international environment.

German ports and their contribution to the attractiveness of Germany's industrial base

Around 90% of the world's merchandise is transported by sea. Trade by sea, therefore, dominates world trade. Over the past two decades, Germany's maritime economy has benefited from the proliferation of global business opportunities, particularly in emerging countries. These opportunities have had a positive influence on global economic growth, while growth in Germany and other developed economies has been relatively limited. In particular, it has been the booming Chinese economy that has benefited the German economy, with China being Germany's largest trading partner since 2016.⁸

For the German industrial base (*Standort Deutschland*), German ports are of vital importance. Germany is characterized by an open economic model, which has a high share of trade in gross domestic product (GDP) and a trade surplus. In 2022, Germany was the world's third-largest exporter, with exports worth 1,655 billion euros (€), coming behind China and the USA.⁹ It was also the world's third largest importer, again behind the USA and China, with imports worth €1,571 billion.¹⁰

8. "China im Jahr 2023 nur noch mit geringem Vorsprung wichtigster Handelspartner Deutschlands", Pressemitteilung Nr. 056, Destatis, February 14, 2024, available at: www.destatis.de.

9. "Außenhandel von Deutschland", Statista, June 2023, available at: www.statista.com.

10. Ibid.

Fully 80% of trade between Germany and China takes place by sea.¹¹ A closer look at trade between Asia and Europe shows that overland transport makes only a minor contribution. Rail transport accounts for 1 million tons between China and the EU, compared with 2 million tons for aviation and between 90 and 100 million tons for shipping.¹²

Sixty percent of Germany's foreign trade is carried by sea.¹³ Germany has 20 seaports on the North Sea and Baltic, and around 100 public inland ports.¹⁴ Several hundred companies are involved in the transshipment, warehousing and transfer of goods.¹⁵ In terms of employment, 1.35 million people are employed in the port economy in Germany – and up to 5.6 million if indirect jobs are included¹⁶ (out of a total of 45 million people on the German labor market in the same year).¹⁷ In 2018, the German maritime economy generated sales of €47 billion (with some estimates even being as high as €86 billion).¹⁸ German ports are also key players in terms of energy supplies and the energy transition. This issue has become a major concern both for households and for the competitiveness of Germany's industrial base since the decoupling from Russian gas supplies in the wake of Russia's invasion of Ukraine. In fact, 70% of Germany's energy needs are covered by imports via German ports.¹⁹

The development of seaborne trade through the Port of Hamburg is a reflection of Germany's economic health and even of the evolution of Germany's business model. The deteriorating economic situation in Germany is also having an impact on port activity in terms of recession, inflation, and falling exports and imports. On a more structural level, Donald Trump's trade policy has also taken its toll on the EU, as has Covid-19, which caused disruptions to supply chains, and of course, the war in Ukraine, which has forced Germany to review its business model in order to diversify its sources of supply and outlets. Germany's doctrine of *Wandel durch Handel* ("change through trade"), which had long been its trade policy credo, appears to have failed. The country is changing tack, firstly in relation to Russia but also in relation to China, with which it is trying to

11. "China – wichtiger Handelspartner Deutschlands" [China – An Important Trading Partner for Germany], Port of Hamburg, available at: www.hafen-hamburg.de.

12. P. J. Rimmer, *China's Global Vision, and Actions - Reactions to Belt, Road and Beyond*, Northampton, Massachusetts: Edward Elgar Publishing, 2020.

13. "National Ports Strategy of the German Government", Federal Ministry of Digital Affairs and Transport (BMDV), February 2024, available at: www.bmdv.bund.de.

14. Ibid.

15. Ibid.

16. Ibid.

17. "Jahr 2018: Anstieg der Erwerbstätigkeit setzt sich fort," Destatis, German Federal Statistical Office, Press Release, No. 001, January 2, 2019, available at: www.destatis.de.

18. "Maritime Wertschöpfung und Beschäftigung in Deutschland", Deutsches Institut für Wirtschaftsforschung, Institut für Seeverkehrswirtschaft und Logistik, Economic Trends Research, Fraunhofer CML, Final Report, April 2021.

19. "Antrag der Fraktion der CDU/CSU – Zukunft der maritimen Wirtschaft sichern, Drucksache 20/7582, 20. Wahlperiode", Bundestag, op. cit.

avoid falling into the same trap of dependency. In 2023, imports from China fell by 19% to €156 billion,²⁰ while exports to China fell by 9% to €97 billion.²¹ In total, Germany exported goods worth €1,562 billion (down 2%) and imported goods worth €1,353 billion²² (down 10%²³). At €89 billion, Germany's trade balance was at its lowest in 2022 since 2000.²⁴ In 2023, however, it rose to €210 billion.²⁵ This rebound is due to the fact that imports fell much more than exports. Russia's war in Ukraine has clearly marked Germany's foreign trade. In 2023, exports to Russia (€9 billion) and imports from Russia (€4 billion) had fallen considerably. These figures constitute a further 40% drop in exports and a 90% drop in imports compared with 2022, the first year of the war, which had already seen a sharp fall in trade due, in particular, to the sanctions imposed on Russia.²⁶

The Port of Hamburg is a gateway for many foreign goods bound for Europe and is inevitably affected by this deteriorating international context. An overview of the trade passing through the port of Hamburg gives the pulse of the country's economic climate. Despite the decline in trade, Hamburg was able to maintain its position as the third largest continental European port on the North Sea, with only a 2% decline in transshipped goods, whereas North European ports as a whole suffered a 5% decline in 2022.²⁷ The Port of Hamburg is Germany's largest seaport. Some 126 million tons of goods were transshipped there in 2020²⁸ (compared with 120 million tons in 2022),²⁹ representing 40% of all sea freight transshipments in Germany.³⁰ One out of every three containers shipped to Hamburg comes from or is destined for China.³¹ Despite a drop in transshipments to and from China, the Middle Kingdom remains the Port of Hamburg's main trading partner (**Figure 1**).³² The United States (US) is in second place.³³ In 2022, transshipment with Poland and Finland

20. Ibid.

21. E. Grasland, "La Chine va perdre son rang de premier partenaire commercial de l'Allemagne," *Les Échos*, January 31, 2024, available at: www.lesechos.fr.

22. Ibid.

23. "German Trade Statistics", Destatis, February 22, 2024, available at: www.destatis.de.

24. "Deutscher Außenhandel – Der Export schwächelt leicht", *Tagesschau*, February 5, 2024, available at: www.tagesschau.de.

25. Ibid.

26. "China im Jahr 2023 nur noch mit geringem Vorsprung wichtigster Handelspartner Deutschlands", Pressemitteilung Nr. 056, Destatis, op. cit.

27. Ibid.

28. "See- und Binnenhäfen", German Federal Ministry of Economics and Climate Protection, available at: www.bmwk.de.

29. "Hamburger Hafen, Statista", February 2023, available at: www.statista.com.

30. "See- und Binnenhäfen", op. cit.

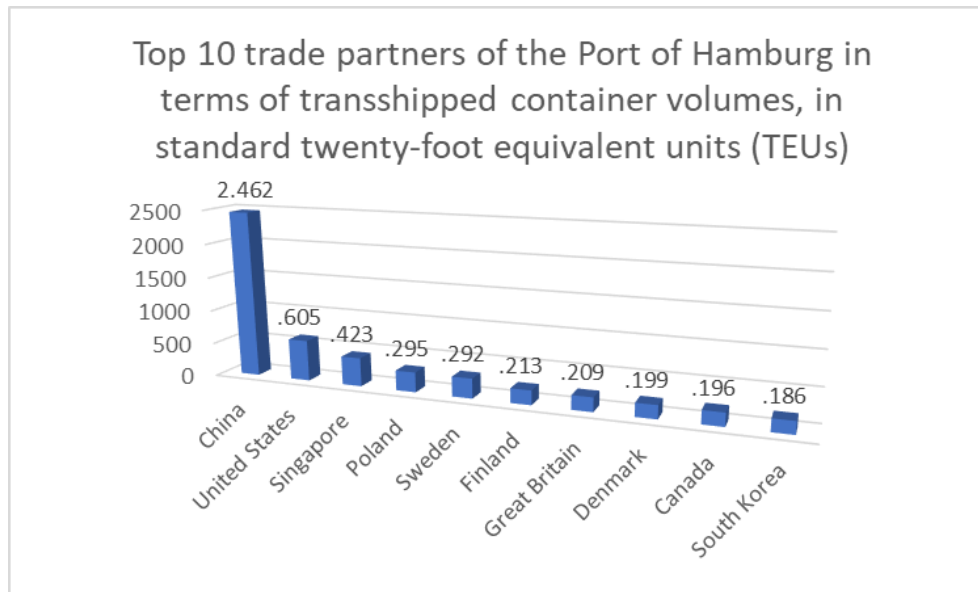
31. T. Fromm, F. Müller and S. Aleythe, "Hamburg ist nur ein Puzzleteil", *Süddeutsche Zeitung*, October 26, 2022, available at: www.sueddeutsche.de.

32. "Krisen setzten Hamburger Hafen zu", op. cit.

33. "Top 10 Partnerländer im seeseitigen Containerverkehr", Port of Hamburg, available at: www.hafen-hamburg.de.

increased by more than 20%.³⁴ By contrast, trade with Russia fell by 76% compared with 2021.³⁵ Whereas in previous years, Russia ranked fourth among Hamburg’s main partner countries, it is now relegated to 27th place.³⁶

Figure 1: The Port of Hamburg’s main trading partners



Source: "China (inkl. Hong Kong): Stärkster Handelspartner des Hamburger Hafens", Port of Hamburg, available at: www.hafen-hamburg.de.

The Port of Hamburg is a window to the world for the city of Hamburg and its hinterland. The aeronautical industry, in particular, benefits from this: the value of aircraft shipped abroad from the Hanseatic city amounts to over €21 billion. These are primarily aircraft produced by Airbus.³⁷ On the other hand, the Port of Hamburg is one of Northern Europe’s main hubs for hinterland transport and transfers to other ports: around 20% of goods to and from China and from Northern Europe are shipped via Hamburg.³⁸ The city of Hamburg, therefore, benefits particularly from the port’s activity, which integrates the region into the global economy. Furthermore, the City of Hamburg has a 69% share in the capital of the operating company Hamburger Hafen und Logistik AG (HHLA).³⁹

34. Ibid.

35. "Krisen setzten Hamburger Hafen zu", op.cit.

36. Ibid.

37. "Wert der Importe und Exporte in Hamburg steigt um rund 20 Prozent", *Norddeutscher Rundfunk*, March 8, 2023, available at: www.ndr.de.

38. "Der Außenhandel Deutschlands mit China", Port of Hamburg, available at: www.hafen-hamburg.de.

39. S. Aleythe, "Cosco-Einstieg am Hamburger Hafen – Burg der Chinesen", op. cit.

Germany's second most efficient seaport is Bremerhaven, which is particularly successful in the transshipment of cars and goods for the offshore wind industry. It is responsible for the transshipment of almost 47 million tons of goods⁴⁰ and is followed by Wilhelmshaven (Germany's leading port for oil imports) with around 23 million tons of goods transshipped.⁴¹ These ports also contribute to the *Standort Deutschland's* strength. Like the Port of Hamburg, both these ports are on the North Sea. But the port of Duisburg should also be mentioned. It is Europe's largest inland port,⁴² ideally located along the Rhine, a major transport artery within Europe, and one of the railway nerve centers of China's Belt and Road Initiative (BRI). Once a bastion of coal and steel, the city of Duisburg is now facing deindustrialization and the challenge of reconversion. Digital technology is seen as a lever for this. China's ambition is to anchor the city in the BRI as a crossroads of port, rail, and river traffic through COSCO, on the one hand, and to establish its technological leadership through its champion Huawei, on the other hand. COSCO was indeed interested in the new Duisburg Gateway Terminal (DGT) at the port of Duisburg. Similarly, a memorandum of understanding between Huawei and Duisburg (2018) relates to the development of a "smart city." For Duisburg, the prospect of job creation through closer ties with China was particularly attractive.

For a country like Germany, with its open economic model, ports are vital infrastructures that contribute to the country's national wealth. German ports enhance the competitiveness and attractiveness of Germany's industrial base and foster close trade with its main trading partner, China. Creating jobs and added value, they are also a gateway for supplying industry with the resources it needs and a springboard for exporting German production.

But what can we say about port development in China, which took off in the late 1970s? Once amplifiers of China's economic potential, ports are today the means by which China is achieving its international ambitions.

Ports: a means for China's international ambitions

As it increases its importance in maritime trade and catches up with the West, China is gaining credibility through players such as COSCO in acquiring equity stakes in the operating companies of a number of port terminals around the world. Conversely, China is also a target for European operators seeking to capitalize on its growing share of the world economy and trade. Today, China is home to the world's largest ports and is gaining

40. "See- und Binnenhäfen", op. cit.

41. Ibid.

42. A. Molitor, "Ohne Kohle geht's auch", *Die Zeit*, May 31, 2019, available at: www.zeit.de.

influence abroad thanks to the BRI, which is being implemented by Chinese logistic companies.

At the end of the 1970s, China began encouraging port development. Its port sector has played an important role in transforming the country's economy by integrating it with the rest of the world, as explained by the World Bank in a study published in 2022.⁴³ There have been four phases of maritime development in China, which are parallel to China's growing inclusion in the global economy. As a result, China's growing weight in the global economy is reflected by the presence of the world's largest ports in the country. In 2021, the port of Shanghai was the world leader, with the port of Ningbo-Zhoushan in third place, followed by the ports of Shenzhen and Qingdao; Tianjin was in 8th place, followed by Hong Kong.⁴⁴ Seven of the world's top 10 ports are therefore Chinese. Shanghai has been the world's most efficient container port since 2010.⁴⁵ By 2020, five of the ten most connected container ports were in China.⁴⁶ A comparison of the situation from 2005 to 2021 clearly shows the acceleration in trade over the last twenty years. European ports were still represented by two ports in 2005 (Rotterdam in 7th place and Hamburg in 8th place). However, they were hard put to maintain their positions in the top 10 in 2021: only the Port of Rotterdam managed to do so, remaining in 10th place – see **Figure 2**.

43. B. Aritua, H.i Chiu, L. Cheng, S. Farrell, and P. de Langen, "Developing China's Ports – How the Gateways to Economic Prosperity Were Revived", World Bank Group, 2022.

44. T. Gaudiaut, "Commerce mondial: les plus grands ports en 2005 et 2021", Statista, April 29, 2022, available: www.statista.com.

45. B. Aritua, H.i Chiu, L. Cheng, S. Farrell, and P. de Langen, "Developing China's Ports", op. cit.

46. Ibid.

Figure 2: World trade: the largest ports in 2005 and 2021



Source: T. Gaudiaut, "Commerce mondial: les plus grands ports en 2005 et 2021", Statista, April 29, 2022, available: www.statista.com.

In 1978, China's share of global GDP was 2%, compared with 16% in 2018. The share of merchandise trade in China's GDP rose from 14% in 1978 to 31% of GDP in 2019, and this growth has largely contributed to the increase in China's GDP per capita, which rose from 5% of the world

average in 1978 to 74% in 2021. China's share of world exports rose from less than 2% in 1990 to almost 11% in 2018. Ports have played a key role in this growth, as the World Bank states when detailing the four phases of maritime development.⁴⁷ The first phase in the decentralization of port management took place between 1978 and 1991 and was marked by national investment in infrastructure and production in China. From 1992 to 2001, decentralization was in full swing, and local governments gained access to credit from state banks and capital market financing. The next milestone in the development of Chinese port infrastructures was the period from 2001 to 2011, beginning with China's entry into the World Trade Organization (WTO) in 2001. These years were marked by the move towards market economy-inspired management practices in the maritime sector. The fourth phase of China's port development since 2011 has involved developing emerging technologies such as the Internet of Things, big data, and artificial intelligence.

During these phases, a gradual relaxation of the planned economy model was undertaken, alongside the implementation of industrial policies and the creation of special economic zones to attract foreign investment, with the aim of creating an export-oriented manufacturing industry. The key to China's success in promoting exports as an engine of economic growth has been the development of modern port infrastructures. Foreign companies have played a major role in this development, contributing know-how, capital, and customers – thus connecting Chinese ports with the world's major destinations. They have also become shareholders in container terminals, demonstrating their confidence in the future of China's port industry. Finally, they have contributed to the implementation of international standards in Chinese ports.

Another important element in China's port development has been the development of "intelligent shipping" and "smart ports", thanks to the increased integration of digital technologies. China is striving to develop digital port operations; document sharing throughout the supply chain; the automation of operations with a target of having 90% of key port activities controlled remotely or managed by automation; smooth multimodal transport; and collaboration between ports (through a port-to-port data exchange platform shared with regulatory authorities and including data for over 90% of port operations, such as customs declarations and inspections).

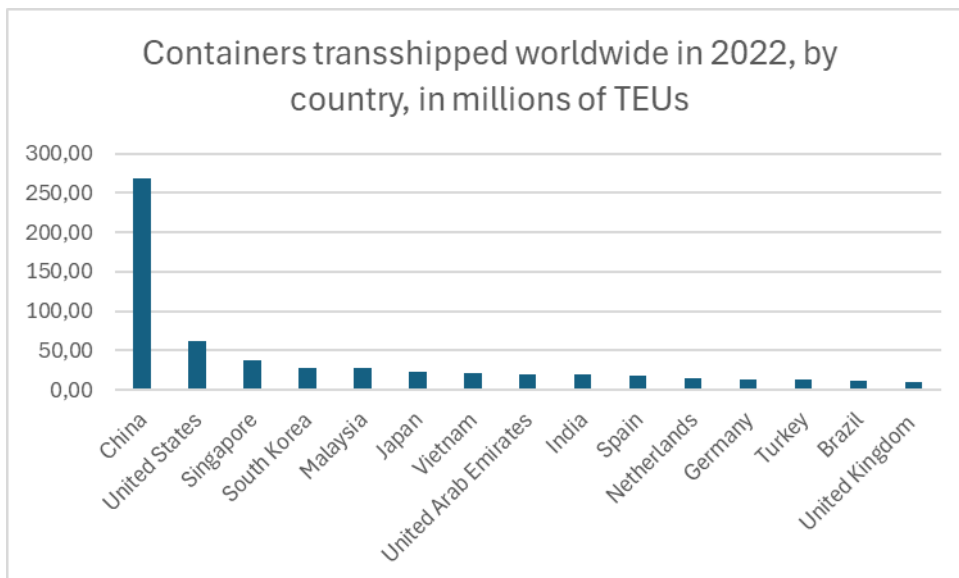
China's economic growth in recent decades has gone hand in hand with the development of its transport infrastructure. China's rapid growth has been underpinned by an export-led economy, which in turn depends on an efficient transport infrastructure. Throughput at its coastal ports increased from 198 million tons in 1978 to 9.5 billion tons in 2018.⁴⁸ Increased trade

47. Ibid.

48. Ibid.

has led to a massive expansion of Chinese port facilities. The rapid growth of China’s maritime economy between 2005 and 2015 resulted from a combination of the following factors: containerization (**Figures 3 & 4**), increasing vessel size as well as improvements in cargo handling technology, and port management.⁴⁹ These developments were, of course, accelerated by China’s entry into the WTO in 2001.⁵⁰ As of the 2010s, China has ranked first in the world for goods transported by land, rail, water and sea; for express delivery by land; and rail, and it is second for civil aviation.⁵¹

Figure 3: Containers transshipped worldwide in 2022, by country, in millions of TEUs



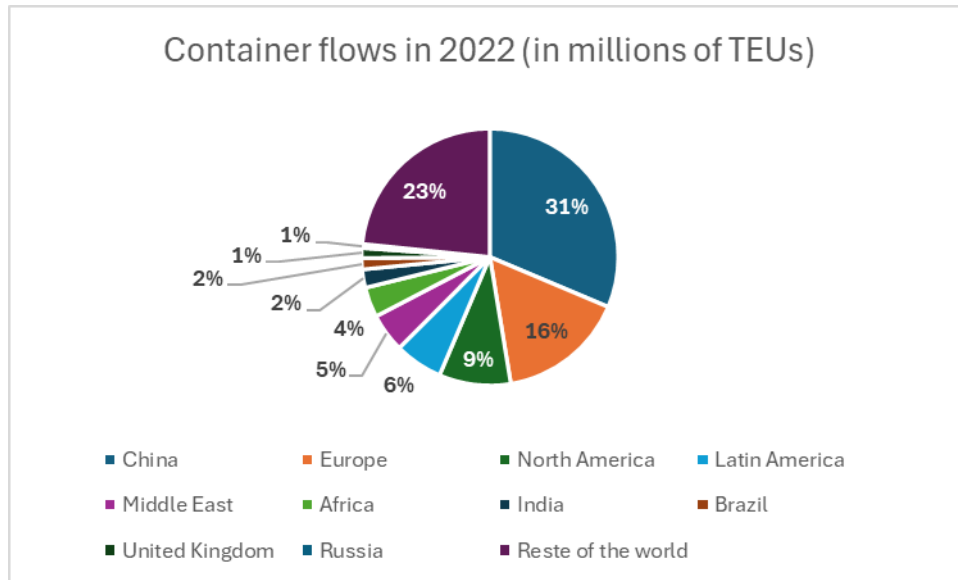
Source: "Länder mit dem weltweit höchsten Containerumschlag in den Jahren 2020 bis 2022", Statista, December 2023, available at: www.statista.com.

49. Ibid.

50. P. J. Rimmer, "China's Global Vision and Actions", op. cit.

51. Ibid.

**Figure 4: Container flows by world region
(flows in 2022, in millions of TEUs)**



Source: Author, based on information from DP World Investor Presentation, DP World (Drewry Annual Review and Forecast 2023/2024), March 2024, available at: www.dpworld.com.






In addition, China, as a maritime power, is increasing its importance in maritime trade by acquiring stakes in the capital of companies operating a number of port terminals around the world. For example, Chinese and Hong Kong companies hold stakes (**Figure 5**) through *Build-operate-transfer* (BOT)⁵² contracts or terminal concessions in 96 overseas ports.⁵³ In 2021, more than 27% of the world’s container trade passed through terminals in which Chinese and Hong Kong companies held direct stakes, according to data from maritime research company Drewry.⁵⁴

52. Build-operate-transfer (BOT) contracts are contracts under which a private investor undertakes to build a facility, then operate it for a certain period of time, before transferring ownership at the end of this period to the co-contractor, who is often a public entity (State, region, etc.). In return, the earning is derived from the fees charged to users of the infrastructure, throughout the contractual period of operation by the private investor. This type of contract is mainly used for the private financing of public infrastructure: see “Les financements internationaux d’infrastructures : la fiscalité des BOT”, *Les Échos*, May 12, 1998, available at: www.lesechos.fr.

53. European Parliament resolution of January 17, 2024 on the security and defense implications of China’s influence on critical infrastructure in the European Union (2023/2072(INI)), European Parliament, January 17, 2024, available at: www.europarl.europa.eu.

54. N. Mandhana, “China’s Global Port Investments Give Rise to Security Worries”, *Wall Street Journal*, November 13, 2022, available at: www.wsj.com.

Figure 5: Chinese port operators among the world’s leading port operators

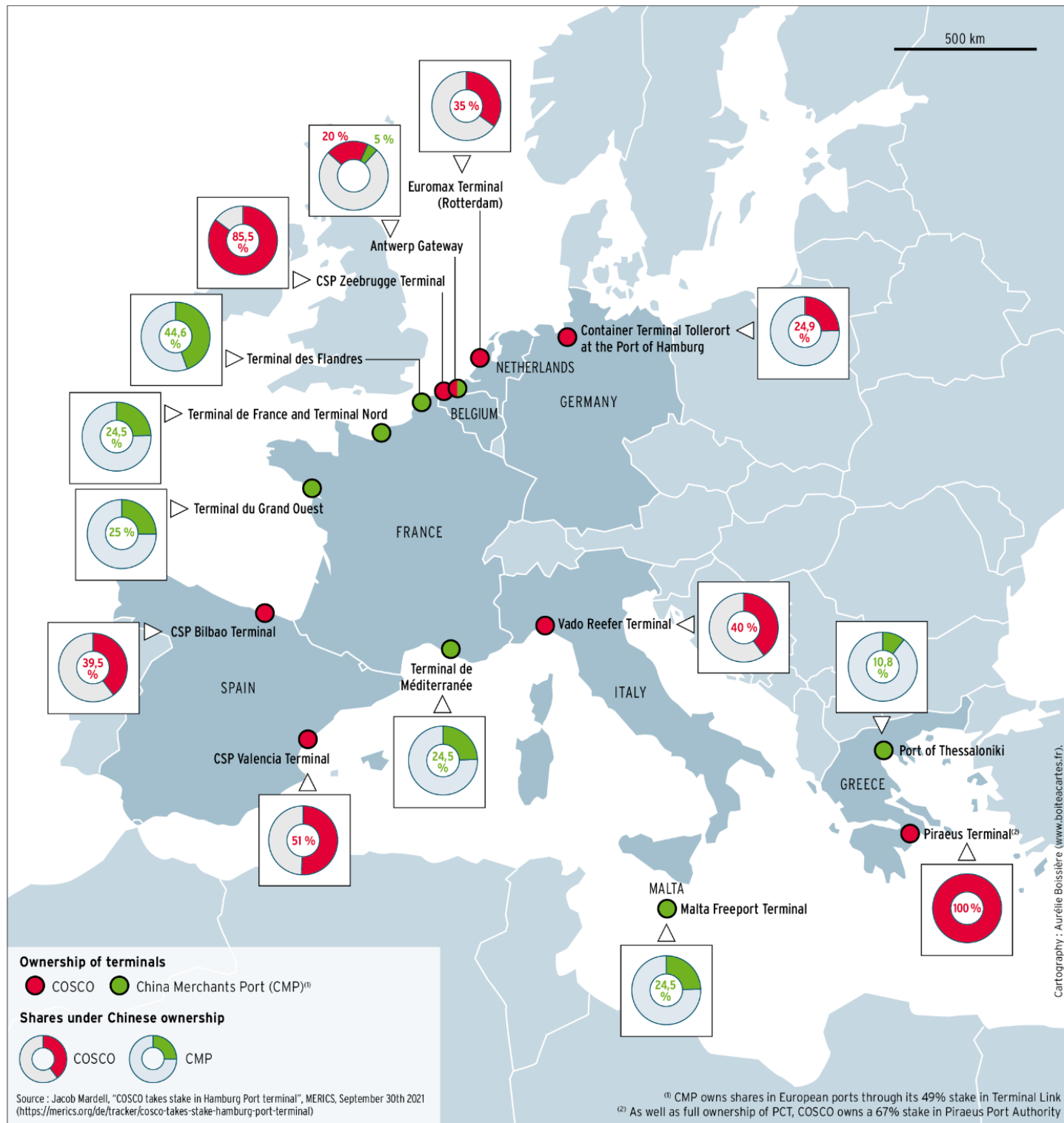
Top 5 global port operators (2022)				
Operator	Origin	Flow	Flow capacity	Market share
China Cosco Shipping 	China	106,3	135	12,30%
PSA International 	Singapore	90,9	128,5	10,50%
APM Terminals 	Denmark	89,6	115,3	10,40%
Hutchison Port Holdings 	Hong Kong	82,2	116,7	9,50%
DP World 	United Arab Emirates	77,1	91	8,90%

Source: DP World Investor Presentation, op. cit.

In Europe, two Chinese port operating companies are active in European ports: China Merchants Port Holdings (CMP) and COSCO. CMP has interests in Dunkirk, Nantes-Saint-Nazaire, Marseille-Fos, Le Havre, Malta and Thessalonica. Cosco has interests in Piraeus, Zeebrugge, Valencia, Vado, Bilbao, Rotterdam, Antwerp and Hamburg (**Figure 6**).⁵⁵

55. J. Mardell, “COSCO Takes Stake in Hamburg Port Terminal”, MERICS, September 30, 2021, available at: www.merics.org.

Figure 6: Participation of Chinese port operators in European ports



Source: J. Mardell, "COSCO Takes Stake in Hamburg Port Terminal", MERICS, September 30, 2021, available at: <https://merics.org/de>.

Similarly, European operators are seeking to capitalize on China's growing share of the world economy and trade. For example, APM, a subsidiary of the Danish shipping company Maersk – one of the world's two largest shipping companies – has eleven minority shareholdings in Guangzhou, Tianjin, Xiamen, Shanghai and Qingdao.⁵⁶ The Norwegian-Swedish shipping company Wallenius Wilhelmsen also has stakes in two car loading terminals in Shanghai and Tianjin.⁵⁷ For their part, the French shipping company CMA CGM has a stake in the firm operating a terminal in Qingdao through one of its subsidiaries, and Switzerland's MSC is present in Ningbo.⁵⁸ According to Sinolytics (a company specializing in the analysis of Chinese political and economic developments), foreign companies have stakes in a total of 34 Chinese port terminals. These are sometimes majority shareholdings.⁵⁹

The political dimension of China's ambitions for its maritime economy can be seen in the successive five-year plans. These set out concrete objectives relating to the maritime economy and to port infrastructures more specifically.⁶⁰ The external dimension of China's maritime ambitions is illustrated by the BRI.

China is aiming to increase the accessibility of its most remote provinces through the BRI by including them in world trade. However, its aim is also to find alternatives to the sea routes controlled by the US by diversifying routes and means of transport, as well as protecting itself against geopolitical risks. China has set itself industrial targets via its *Made in China 2025* program and is aiming to become the world's leading manufacturing power by 2049. It favors production in its own industrial base. To achieve this, China is pursuing self-sufficiency and diversification. The adoption of this twofold circulation strategy should enable it to acquire a number of inputs for its industry, as well as know-how, in order to position itself further up the value chain while gradually reducing access to its market for foreign companies once the technologies in question have been mastered. For outbound flows, the aim is to supply Europe with cheap products from Chinese industrial overproduction.

As Sinolytics notes, Chinese logistics players are present at various levels of the logistics chain in Europe: port operations, intermodal connectivity, e-commerce and rail freight (**Figure 7**).⁶¹

56. F. Müller, "Wie die Europäer in Chinas Häfen mitmischen", *Süddeutsche Zeitung*, November 10, 2022, available at: www.sueddeutsche.de.

57. Ibid.

58. Ibid.

59. Ibid.

60. B. Aritua, H. Chiu, L. Cheng, S. Farrell, and P. de Langen, "Developing China's Ports – How the Gateways to Economic Prosperity Were Revived", op. cit.

61. M. Herrmann and J. Wübbecke, "Sinolytics Primer: China's Growing Logistics Footprint in Europe – Seeking Cooperation and Bracing for Competition", June 2020.

Figure 7: Chinese logistics players: opportunities for cooperation and competition in European logistics

Impact	Description	Impacted companies	Chinese partners
Port operations	<ul style="list-style-type: none"> Chinese port operators have acquired stakes in major European ports in Northern Europe and the Mediterranean. Chinese shipping companies are integrating Chinese-owned ports into their shipping routes. Chinese acquisitions in the Mediterranean are raising fears that Northern European ports will lose their dominant position. 		
Intermodal connectivity	<ul style="list-style-type: none"> Major intermodal hubs are being built and operated by Chinese players in Europe. Chinese shipowners are increasingly integrating vertically, incorporating intermodal transport into their activities. 		
E-commerce	<ul style="list-style-type: none"> E-commerce is a major source of growth in cross-border trade between China and Europe. Chinese e-commerce companies are expanding their presence in Europe and entering the warehousing and the last-mile delivery business. 		
Rail freight Europe-China-Europe	<ul style="list-style-type: none"> Rail freight traffic between the EU and China has grown considerably in recent years. As part of the BRI, Chinese companies have built and operated various rail lines in Eurasia, controlling a significant share of trade routes between the EU/Europe. 		

Source: Author after source M. Herrmann and J. Wübbeke, "Sinolytics Primer: China's Growing Logistics Footprint in Europe – Seeking Cooperation and Bracing for Competition", June 2020.

China has become a global maritime power thanks to its gradual inclusion in international trade. It is now home to the world's largest ports by far, demonstrating its dominance of world trade in both exports and imports. China's power in international maritime trade is illustrated by the multiplicity of Chinese logistics players. They are strengthening their positions through the internationalization of their activities and the creation of synergies with other Chinese players with an international presence.

This increased presence of China through Chinese players raises several concerns. This is particularly the case in Germany.

Germany's caution towards China illustrated by fears over port shareholdings

Germany recognized the need to reduce its dependence on China long before the outbreak of Russia's war of aggression on Ukraine. With the *Zeitenwende*, Germany is reviewing its model in terms of security and defense, as well as energy policy and economic policy. Yet, faced with these many simultaneous challenges, Germany is also hesitating about the merits of revising its policy towards China. A firmer tone from Germany is likely to cause disapproval in China. Germany's hesitancy about how to position itself in relation to China is reflected in the reactions to Olaf Scholz's green light for COSCO's acquisition of a 24.9% stake in the company operating the Tollerort terminal in the port of Hamburg. What are the fears associated with China's presence in German ports?

Is Germany becoming more cautious about China?

Germany is hesitating between accommodating its main trading partner and being more restrictive in the face of heightened tensions. Contradictory signals are sent, indicating a certain nervousness.

Under Angela Merkel, relations between Germany and China intensified. In 2011, the German Chancellor instituted intergovernmental consultations between the two countries, a practice that has continued ever since. This is an exclusive discussion format that Germany holds with a limited number of countries and underlines the importance of China for the German economy. Since 2016, China has, in fact, been Germany's main trading partner. The tone of debates under Chancellor Merkel testified to a certain climate of confidence. The coalition agreement between the Christian Democratic Union (CDU) and the Social Democratic Party (SPD) in 2018 stated that "China's economic development is a great opportunity. This is particularly true of the German economy".⁶² On the question of 5G coverage, for example, Huawei and ZTE have a 60% shareholding in the radio access network in Germany and a 100% presence in Berlin, as

62. "Ein neuer Aufbruch für Europa. Eine neue Dynamik für Deutschland. Ein neuer Zusammenhalt für unser Land", Coalition agreement between CDU, CSU and SPD, SPD website, March 12, 2018, available at: www.spd.de.

revealed in a study by Strand Consult.⁶³ This is a legacy of the Merkel era. The Chancellor's comments on the possible exclusion of these suppliers were as follows: "I'm not sure I'm really ensuring my security if I decide to exclude a supplier completely and, as a result, I don't know how it is continuing to develop."⁶⁴ Her Interior Minister Horst Seehofer noted that, "I'm against the idea of excluding a product from the market just because a risk may arise."⁶⁵

The *Zeitenwende* now represents a paradigm shift for Germany, which wants to be less naïve in its relations with other states. But at a time when Germany is already facing multiple challenges, particularly highlighted by the war in Ukraine, in terms of defense, energy and the economy, some political leaders are reluctant to open a new "front" with China. On the one hand, there are those who take a hard line with Beijing, believing that the "change of era" must be a wake-up call once and for all, including in relations with other authoritarian regimes. Others, on the other hand, are more cautious and do not wish to provoke Beijing's ire. Germany's Greens are among the former. Even before the war, they were responsible for including the notion of "critical infrastructures" in the 2021 coalition contract, with the aim being to strengthen the security of these infrastructures.⁶⁶ These concerns have been reinforced by the geopolitical developments that have taken place since then, and it is now the Greens again who are warning about China's presence in 5G technology. "In part, [Germany's] stance on Chinese technology seems as naive as its stance on Russian gas," Green MP Konstantin von Notz told the *Süddeutsche Zeitung*.⁶⁷ For her part, Annalena Baerbock, the Green Foreign Minister, has been described by *Spiegel* as a "straight-talking diplomat,"⁶⁸ in stark contrast to the style of Chancellor Olaf Scholz. During her trip to China in April 2023, she did not shy away from controversial topics. This contrasts with the Chancellor's visit to China six months earlier, during which he opted for a more conciliatory tone that earned him a great deal of criticism, notably from Green MEP Reinhard Bütikofer, who deplored Scholz's "Merkel as usual" approach.⁶⁹ As a pragmatist, the Chancellor does indeed follow a similar line to Angela Merkel. The best illustration of this was the

63. "The Market for 5G RAN in Europe: Share of Chinese and Non-Chinese Vendors in 31 European Countries", Strand Consult, available at: www.strandconsult.dk.

64. T. Wieder, "En Allemagne, la grande coalition divisée sur le cas Huawei", *Le Monde*, January 29, 2020, available at: www.lemonde.fr.

65. Ibid.

66. "Mehr Fortschritt wagen - Bündnis für Freiheit, Gerechtigkeit und Nachhaltigkeit. Koalitionsvertrag 2021-2025 zwischen SPD, BÜNDNIS 90/DIE GRÜNEN und FDP", The German Federal Government, November 24, 2021, available at: www.spd.de.

67. M. Balsler, J. Brühl *et al.*, "Unter den Augen Chinas", *Süddeutsche Zeitung*, available at: www.sueddeutsche.de.

68. M. Korbaki, "Eine Stunde lang wird die Stimmung immer frostiger", *Der Spiegel*, April 14, 2023, available at: www.spiegel.de.

69. See R. Bütikofer's tweet, Twitter/X, October 30, 2022, available at: www.twitter.com.

decision to grant COSCO a 24.9% stake in the company operating the Tollerort terminal in the Port of Hamburg. This decision was imposed by the Chancellor despite warnings to the contrary and has been interpreted as a sign of a desire to strengthen ties with China. It has been the subject of much speculation, not least about the nature of Olaf Scholz's links with China as a former mayor of Hamburg. Comments made by Olaf Scholz on Chinese television, in 2017 when he was still mayor, and when he described the Port of Hamburg as "the largest Chinese port in Germany and Europe,"⁷⁰ have a particular resonance today.

They followed in the wake of the Merkel era, which anesthetized decisions on how to deal with China, thereby postponing a number of decisions.⁷¹ However, it cannot be denied that a deterioration in relations between the EU and China has occurred following the growing polarization during Covid-19; China's attempt to bypass European institutions through the 16+1 format; coercive measures against Lithuania after the opening of a Taiwanese representative office in Vilnius, leading the Baltic country to be excluded from trade with China; as well as the failure of EU-China investment agreements aimed at greater reciprocity in relations between China and the EU, etc.

It is to be expected that the new geopolitical context will have an impact on relations between Germany and China, given the backdrop of closer ties between China and Russia, China's assertive stance on the international stage, and increased pressure on Europe from its American ally. This is the background to the "Strategy on China" published in July 2023 and presented by Annalena Baerbock, which now describes China more as a "competitor" and "systemic rival" than as a "partner" and takes a firmer stance towards it. The Strategy aims to anticipate different scenarios and establish room for maneuvering in Germany's relations with China according to these different scenarios. This "Strategy on China" had already been mentioned in the 2021 coalition contract of the Traffic Light Coalition government (between the SPD, Liberals and Greens). The urgency of setting up such a strategy has been heightened by Russia's war of aggression against Ukraine. This has given Germany the opportunity to review a number of the fundamentals that have hitherto determined its policy and its relations with other states. Faced with the upheaval that the Chancellor has tried to name as the *Zeitenwende*, Thomas Haldenwang, President of the Federal Office for the Protection of the Constitution, warned as early as 2022 that: "If Russia is the storm, China is the climate change."⁷² But in

70. "Olaf Scholz: Hamburg Is the Largest 'Chinese Port' in Germany", *CGTN*, July 6, 2017, available at: www.cgtn.com.

71. C. Schult and G. Traufetter, "Bundesregierung stuft China als 'systemischen Rivalen' ein", *Der Spiegel*, February 4, 2022, available at: www.spiegel.de.

72. J. Münchrath, "China-Reise: Die ökonomistischen Fehlkalküle des Kanzlers", *Handelsblatt*, November 3, 2022, available at: www.handelsblatt.com.

some respects, Chancellor Scholz still seems resistant to change. His state visit to China at the end of 2022, which went ahead without his waiting for the publication of the “Strategy on China” being drawn up by his Foreign Minister, blurred the message Germany was seeking to convey through this strategy. The Chancellor seemed unconvinced by the exercise, invalidating it by his actions and declaring during his visit that: “It would be absurd to believe that policy papers needed to be written before conducting policy.”⁷³

There is, moreover, a consensus in Germany that decoupling from China is neither desirable nor feasible. At the same time, Germany is increasingly aware that its room for maneuver is shrinking as the range of issues on which Berlin and Beijing agree dwindles. China’s closeness to Russia, its pressure on Taiwan, its threats of coercion against Europe, and its use of its commercial strength to achieve political goals are just a few of the areas of contention. Nevertheless, China is Germany’s most important trading partner, and companies such as Volkswagen (VW), Daimler-Benz, BMW, BASF and Siemens are highly dependent on the Chinese market.⁷⁴ This reality is increasingly the subject of public debate across the country, leading to a collective awareness of the need to increase Germany’s economic resilience. Indeed, the term “economic resilience” was included in Germany’s first “National Security Strategy”, presented in June 2023. For a country like Germany, accustomed to strictly separating political and economic spheres of competence, this boundary is becoming increasingly blurred. As Jürgen Matthes, Head of Global and Regional Markets at the German Economic Institute, has pointed out, with particular reference to China, “politics and economics can no longer be viewed separately.”⁷⁵

Another lesson from the war in Ukraine has been the realization that critical infrastructure needs to be treated differently from “ordinary” types of infrastructure and economic activity. As of 2009, Germany has adopted a national strategy to protect critical infrastructures. But the Nordstream precedent appears to have been the only tangible example of this. Indeed, supplying Russian energy to Germany via a pipeline without sufficient diversification or alternative sources has subsequently been judged as a “strategic error,” as Vice-Chancellor Robert Habeck – another Green politician, as it happens – put it.⁷⁶ This was even though Scholz, and before him, the Merkel administration had long maintained that the Nordstream 2 gas pipeline was a purely economic and energy project and, therefore, failed

73. S. Matthes, “Das übersehene Problem der China-Reise”, *Handelsblatt*, November 4, 2022, available at: www.handelsblatt.com.

74. D. Heide, “Wo Deutschland am abhängigsten von China ist”, *Handelsblatt*, available at: www.handelsblatt.com.

75. M. Toh and A. Cooban, “Germany’s Leader and Top CEOs Have Arrived in Beijing. They Need China More Than Ever”, CNN Business, available at: www.cnn.com.

76. “Gaz russe: l’Union européenne s’accorde sur une réduction de sa consommation, avec des exemptions”, *Ouest France*, July 26, 2022, available at: www.ouest-france.fr.

to see the geopolitical significance of this infrastructure, being blind to the security implications linked to it.

Some, like Sebastian Matthes, editor-in-chief of the liberal daily *Handelsblatt*, believe that the government has let the economy decide for too long.⁷⁷ Now, policies are seeking to be more offensive, as shown by the intention to implement several instruments to reduce Germany's exposure to certain risks, which follow from an internal document of the Federal Ministry of Economics and Climate Protection, dated November 24, 2022. These proposals have partly been adopted in the "Strategy on China". The document provides for the revision of the rules governing investment guarantees^{78,79} which is a mechanism to guard against country risks such as nationalization or war. To date, investments worth €29 billion have been guaranteed under this scheme,⁸⁰ a third of which concern investments in China. The allocation of these guarantees is now limited to €3 billion per country and per company in an attempt to encourage German companies to invest elsewhere than in China.⁸¹ On the other hand, it is subject to in-depth scrutiny, ranging from environmental criteria to social criteria (to avoid forced labor in supply chains). Since the Traffic Light Coalition took office, VW's investment guarantee for its Xinjiang operations has, in fact, not been renewed due to suspicions of human rights violations.⁸²

Export rules^{83,84} are also being reviewed, and import restrictions could be introduced (through the EU ban on forced labor products^{85,86}). The document from the Federal Ministry of Economics and Climate Protection suggests that the awarding of public contracts should also be scrutinized more closely.⁸⁷ Reporting obligations⁸⁸ and stress tests⁸⁹ have also been suggested for German companies in order to anticipate a potential loss of the Chinese market or of supplies from China.⁹⁰ However, the consequences for companies are unclear.⁹¹ With regard to critical infrastructure, the

77. S. Matthes, "Das übersehene Problem der China-Reise", op. cit.

78. D. Heide, "Anreize statt Begrenzungen: FDP kritisiert Pläne für Verschärfung der Regeln für Investitions Garantien", *Handelsblatt*, August 26, 2022, available at: www.handelsblatt.com.

79. "Strategy on China", Federal Foreign Office, July 13, 2023, available at: www.auswaertiges-amt.de.

80. D. Heide, "Anreize statt Begrenzungen", op. cit.

81. "Strategy on China", op. cit.

82. D. Heide, "Anreize statt Begrenzungen", op. cit.

83. Ibid.

84. "Strategy on China", op. cit.

85. Ibid.

86. "Agreement on EU Ban on forced Labor Products", European Parliament, March 5, 2024, available at: www.europarl.europa.eu.

87. "Papier: Bundeswirtschaftsministerium will Regeln für China-Geschäft verschärfen", *Handelsblatt*, December 2, 2022, available at: www.handelsblatt.com.

88. Ibid.

89. Ibid.

90. Ibid.

91. Ibid.

exclusion of suppliers of finished or intermediate products from autocratic third countries is also envisaged.⁹²

Against this backdrop, a gap is emerging between the proactive ambitions of political leaders, who are working on solutions to encourage German companies to become less dependent on China, and the actual choices made by companies that are marked by a reluctance to let themselves be drawn into these initiatives. Companies fear the red tape involved in reporting activities and the loss of competitiveness associated with implementing a “China+1” strategy, which can prove costly, especially for small and medium-sized enterprises. Moreover, they fear a kind of state *dirigisme* that would restrict their room for maneuver. Finally, they also fear possible retaliatory measures from China that might consider itself the victim of a particular stigma. In short, German companies fear being caught in a vice between their government’s requirements, perceived as curbing their entrepreneurial freedom, and China’s conditions for maintaining their activities in the Chinese market or sourcing from Chinese players. Their access to a major market and their competitiveness are at stake.

Olaf Scholz’s trip to China from April 14 to 16, 2024, once again highlights the deep rift between those in Germany who propose a structural review of Germany’s *modus operandi* in relation to China and those who are influenced by German industrial interests with whom the Chancellor is allied. The latter believe that economic ties between the two countries are close and can be further deepened even given the backdrop of worrying geopolitical uncertainties.⁹³ This is despite European Commission President Ursula von der Leyen’s derisking strategy set out in March 2023, which has since been reflected in the German government’s “European Strategy for Strengthening Economic Security” and its “Strategy on China”, both dated June 2023.

Against this backdrop, what can we learn about the nature of German fears from the cases of Chinese holdings in the German Ports of Hamburg and Duisburg?

92. Ibid.




93. As an example, in an interview in November 2023, when asked by a journalist about the strategy his group would adopt in relation to the derisking ambition presented by the European Commission, Mercedes CEO Ola Källenius explained that Mercedes would increase its investments in China: see O. Källenius and C. Desheng, “Grow with China”, *China Daily*, Twitter/X, November 1, 2023, available at: www.twitter.com, posted by Thorsten Benner.

German ports as target infrastructures for third parties, and the focus on security fears

Among Germany's hardliners concerning Beijing, there are fears about China's presence in German ports. There have been heated debates surrounding the allocation of a 24.9% stake to COSCO in the company operating the Tollerort terminal in the Port of Hamburg. Three contextual factors explain why this attribution crystallizes fears and concerns: first, there is China's behavior in international relations, tinged with a growing assertiveness at the expense of its partners; second, there is growing pressure from the US on its European partners to reduce the influence of Chinese players on European infrastructures; and third, there is the geopolitical situation with the war in Ukraine, which is also making Germany more cautious towards China. This is not to repeat the same mistakes it made with Russia, another authoritarian regime on which Germany made itself dependent, and something which it has come to regret bitterly.

German ports are particularly coveted by Chinese companies hoping to establish themselves in Europe's leading economy, which is also the world's third-largest, by establishing connections with their home country, as shown in **Figure 8**.

Figure 8: China’s presence in three German ports – Hamburg, Duisburg and JadeWeserPort

	<p>COSCO secured a 24.9% stake (€46 million) in the Port of Hamburg in 2023. The Port of Hamburg is one of Northern Europe’s main hubs for hinterland transport and transfers to other ports: around 20% of goods to and from Northern Europe from China are shipped via Hamburg. The Port of Hamburg is Germany’s largest seaport. Some 126 million tons of goods were transshipped there in 2020 (down to 120 million tons in 2022). This represented 40% of all sea freight transshipments in Germany. One in three containers shipped to Hamburg is from or to China.</p>
	<p>COSCO held a 30% stake in the Duisburg Gateway Terminal (€13 billion) before quietly withdrawing in June 2022. This is the world’s largest inland port and is ideally positioned on the Rhine, enabling goods to be distributed upstream by river. Duisburg is also one of the termini of BRI railways, providing great flexibility for intermodal transport between sea, river and rail transport. The city of Duisburg and Huawei also signed a cooperation agreement. It expired in October 2022, and has been put on hold “in view of current relations between Russia and China” forcing the city to reassess the situation. Despite “an increasingly critical perception” of China, the city also announced its intention to determine how it can “benefit from the Chinese economic engine”, while taking into account the risks involved. To this end, it commissioned the development of a “China strategy” for the city of Duisburg, in response to fears that China would seek to exert influence at levels lower than the national government, thus enabling China to bypass the stricter controls at the national or federal levels.</p>
	<p>China has also set its sights on the JadeWeserPort Wilhelmshaven in Lower Saxony, where China Logistics committed itself in 2020 to build the China Logistics-Wilhelmshaven Hub. The JadeWeserPort Wilhelmshaven is Germany’s third-largest seaport and its only deepwater port. Its operations are therefore not impacted by tides. Total investment for the project amounts to around €100 million.</p>

Sources: C. Schlautmann, "Habeck lässt Cosco bei geplantem Hafeneinstieg in Hamburg zappeln," Handelsblatt, March 2023; "Chinesischer Staatskonzern Cosco ist nicht mehr an 'Duisburg Gateway Terminal' beteiligt", Rheinische Post, October 2022; D. Heide and M. Verfürden, "China – Duisburg legt umstrittene Kooperation mit Tech-Konzern Huawei auf Eis", Handelsblatt, November 2022. The Delegation for Relations with the People’s Republic of China at the European Parliament dedicated a discussion to how to approach relations with China in European regions and municipalities, during which several European researchers took part in Exchange of views on how to deal with China Relations in European Regions and Municipalities, European Parliament, December 2022; "Chinesischer Logistiker investiert 100 Millionen Euro im JadeWeserPort", JadeWeserPort Wilhelmshaven, February 2020.

At this point, it is timely to take a closer look at the arguments for and against COSCO’s 24.9% stake in the Tollerort terminal in the Port of Hamburg, Germany’s main seaport. This has caused a stir in the media over the past two years, and the final decision was a long time in coming, with the terminal being classified as a “critical infrastructure”, after a series of twists and turns prolonging the negotiations.

One of the arguments in favor of this acquisition is intra-European competition, as COSCO is already present in other European ports. This is particularly true for Hamburg’s two main competitors in Europe – Rotterdam and Antwerp. Moreover, COSCO would have turned to the Polish port of Gdansk with the same offer if the German authorities had

blocked the Chinese company's path to the Port of Hamburg. On top of this, competition from Mediterranean ports is being taken increasingly seriously, as the Mediterranean is the "hub of hubs" for the BRI. A container ship from Shanghai to Hamburg takes 46 days, while 10 days can be saved by unloading in Piraeus and transporting goods by rail to Hamburg. Hamburg, therefore, needs to consolidate its competitiveness with other European ports. The fact that COSCO, which already serves the Port of Hamburg, now has a stake in the operation of one of its terminals should encourage the Chinese company to give priority to serving this port. This should secure supply chains and boost the port's attractiveness in terms of job creation and economic influence. Defenders of COSCO's acquisition of a stake in the Port of Hamburg add that the shareholding in question had been reduced from the 35% initially planned to 24.9% and that COSCO has no right to make strategic decisions and has no veto over strategic decisions. Critics, however, feel that it is important to go beyond purely economic arguments. They argue that the Tollerort terminal is a critical infrastructure and, as such, requires special vigilance. In an interview given by Annalena Baerbock to the German daily *Süddeutsche Zeitung* in October 2022, the German Foreign Minister explained that: "The Port of Hamburg is not just any port, it's one of the key ports not only for us as an exporting country but also for Europe as a whole. Whenever we invest in critical German infrastructure, we have to ask ourselves what this might mean should China oppose us as a democracy and as a community of values. [...]"⁹⁴

Indeed, the very nature of a company like COSCO raises causes for concern. COSCO is a state-owned enterprise (100% under the management of the State-Owned Assets Supervision and Administration Commission, SASAC) and is directly answerable to the central state government. COSCO, therefore, carries the message of the Chinese Communist Party (CCP) and defends China's strategic interests. It thus differs from European companies investing in Chinese ports, which do not defend the interests of their home country. In their article for *War on the Rocks*, Jacob Gunter and Francesca Ghiretti describe COSCO's status as a company that is "focusing on taking market share abroad, profitability in those markets be damned. They can do this because COSCO can afford to take a hit on its margins, which like most Chinese state-owned enterprises are already lower than private competitors, and make up for it with subsidies, cheap Chinese government financing, or favorable terms in its protected home market."⁹⁵ In the eyes of these researchers, this can create distortions that enable competitors to be crushed in order to control a larger share of the market.

94. "Unsere Waffenlieferungen schützen Leben", German Foreign Office, October 14, 2022, available at: www.auswaertiges-amt.de.

95. J. Gunter and F. Ghiretti, "COSCO's Hamburg Terminal Acquisition: Lessons For Europe", *War on the Rocks*, November 28, 2022, available at: www.warontherocks.com.

On the other hand, the German intelligence services, six ministries from all coalition parties, and the European Commission had advised against COSCO's acquisition of a stake in the company operating the Tollerort terminal. The reasons given concern fears of sabotage and espionage of port operations, as well as the routing of goods, whether by physical intrusion or computer hacking. Another source of concern relates to NATO's use of the Port of Hamburg to supply Ukraine and NATO's eastern flank with military equipment.⁹⁶ Direct or indirect access to information about the type of equipment and quantity of material delivered, which China would know about through one of these state-owned enterprises, constitutes a potential risk.

Faced with such discord over the awarding of the shareholding, China did not shy away from reacting. In a press release, the Chinese ambassador to Germany urged for the decision not to be political, but only to be guided by economic efficiency. He suggested that these conflicting views could damage Germany's image, and that the country's attractiveness to foreign investors could suffer.⁹⁷

In addition to the arguments previously cited by critics of the agreement with COSCO, there is now also the fear of increased digital vulnerability of the port terminal. The digital dimension of port management needs to be increasingly taken into account, with digital technologies being used for reasons of efficiency and competitiveness. A shareholding in a company that is subject to reservations increases the possibility of physical intrusion and access to critical data or information. Moreover, Logink, a Chinese software product, is the focus of much attention, particularly in the US. This program provides access to data on the type of goods transiting through a port, in what volume they are shipped, as well as their origin and destination. Companies accessing such data could develop strategies against their competitors and make it easier to win business thanks to information about supply chains, which are normally considered business secrets. The use of Logink would, therefore, give China a commercial and strategic advantage. Logink has 450,000 Chinese users, as well as BRI ports. According to experts quoted by the *Wall Street Journal*, if the data available via Logink were exploited, China and its economic actors could instrumentalize bottlenecks, saturation situations (or any other information they would know about thanks to Logink), ahead of their competitors, thus giving them a competitive advantage. US institutions have taken up the issue: in July 2023, the House of

96. F. Mory, "Trotz Warnungen: Scholz will China in Hamburger Hafen einsteigen lassen", *Der Standard*, October 21, 2021, available at: www.derstandard.de.

97. "Stellungnahme des Botschaftssprechers zu dem Hype deutscher Medien um chinesisch-deutsche Unternehmenskooperationen", Embassy of the People's Republic of China in Germany, October 22, 2022, available at: <https://de.china-embassy.gov.cn>.

Representatives passed a law banning Logink from American ports.⁹⁸ The challenge now for the US is to convince its partners, especially its NATO allies and EU countries, to follow suit.⁹⁹ The pressure exerted by the US on its European partners to reduce the influence of Chinese actors operating European infrastructures is also illustrated by the example of the Port of Rijeka in Croatia. There, the construction and operation of a new terminal were originally awarded to three Chinese state-owned companies. However, the decision was canceled in 2021, and the contract went to the Danish company APM after a new public tender was organized.¹⁰⁰

The granting of a stake in the capital of a terminal operating company in the Port of Hamburg to a Chinese company has also brought to the fore the question of access to the Chinese market, including in ports, for European businesses. Today, Chinese actors are growing in the operation of port terminals in Europe. Although European companies are present in China through similar management contracts, their presence is decreasing.¹⁰¹ The investment climate in China has changed since Xi Jinping decided to give precedence to national security considerations. European co-managers feel that their room for maneuver in decision-making is virtually non-existent, as ports are managed by state monopolies. European companies are, therefore, at a disadvantage compared to their Chinese counterparts, such as COSCO, who have greater leeway in their operations in European ports.¹⁰² This is also the case for companies specializing in the development and management of infrastructures apart from in shipping, such as the Frankfurt airport operator Fraport. It was a pioneer in the development of China's booming airport sector in the early 2000s but withdrew disillusioned from the Chinese market in 2022. Fraport had tripled the number of passengers at Xi'an airport during its management contract thanks to its expertise and know-how. However, this experience did not lead to other much-hoped-for airport contracts in China.¹⁰³

98. J. Gallagher, "House Passes Defense Bill with Ban on Chinese Shipping Platform", July 14, 2023, available at: www.freightwaves.com.

99. "Congressional Bill To counter the spread of the LOGINK logistics information platform, and for other purposes", 118th Congress, the U.S. Government Publishing Office, March 22, 2023, available at: www.congress.gov.

100. W. P. Strobel, "In Croatia, U.S. Campaigned to Stop Chinese Bid on Key Port", *Wall Street Journal*, April 2, 2023, available at: www.wsj.com.

101. In 1992, over 25% of all investment in Chinese ports came from abroad. In 2007, the figure was just 15%, and in 2019 it was less than 3%. At the same time, the number of containers shipped from China increased six-fold between 2000 and 2020, and this growth has primarily benefited Chinese companies, in F. Müller, "Wie die Europäer in Chinas Häfen mitmischen", *Süddeutsche Zeitung*, November 10, 2022, available at: www.sueddeutsche.de.

102. Ibid.

103. Ibid.

For COSCO, the negotiations surrounding the 24.9% stake in the company operating the Tollerort terminal came to a happy conclusion when the Chancellor finally imposed his decision using his *Richtlinienkompetenz* prerogative¹⁰⁴. At the same time, the award of this contract, which exposed a number of flaws in the German administrative process,^{105,106} has heightened awareness in Germany of the need to protect its “critical infrastructures,” and in particular its port infrastructures, including in their European dimension. Critical infrastructures and ports are increasingly at the center of debate in Germany and Europe.

104. The head of government always strives to ensure that his government makes decisions as collectively as possible. But if his ministers are unable to reach agreement within the cabinet on an important political issue, he takes the final decision. This is known as “Richtlinienkompetenz”. The Chancellor thus enjoys a *primus inter pares* role within the government: see “Richtlinienkompetenz”, Bundeszentrale für politische Bildung, available at: www.bpb.de.

105. As it turned out, the Tollerort terminal had been classified as critical infrastructure after the federal government had given the go-ahead for the acquisition. Scholz and other supporters had previously justified their approval of the deal on the grounds that it was not a critical infrastructure. However, the terminal should have been classified as much earlier, as it had long since reached the corresponding threshold for container transshipment. Vice-Chancellor Robert Habeck, who is also Minister for Economic Affairs and Energy, now wants to prevent such a situation from recurring, by creating a *de facto* “lex Cosco”. In the future, such shareholdings will be subject to rigorous scrutiny, including when the applicable thresholds are not reached but are likely to be “in the foreseeable future”: see D. Heide and J. Olk, “Wie Habeck den Einfluss der Volksrepublik begrenzen will”, *Handelsblatt*, August 18, 2023, available at: www.handelsblatt.com.

106. “Until now, investment control was required when a foreign company wished to acquire a stake of 25% or more [...]. For so-called critical infrastructures, (i.e., companies in sectors such as telecommunications or the supply of energy, healthcare, or foodstuffs), the threshold is 10%. In the future, the Ministry of Economic Affairs also wants to examine deals in which an investor does not acquire voting rights in a German company, but secures access to its products or technologies through contractual arrangements.” see C. Hulverscheidt, “Lex Peking”, August 21, 2023, available at: www.sueddeutsche.de.

Growing awareness of critical infrastructures in Germany and Europe

Focus on critical infrastructures




The protection of critical infrastructures is a hotly debated topic in Germany, even though it is not new to the German political landscape, as shown in **Figure 9**.

The subject of “critical infrastructure” has been on the German political agenda for some time now. But it has gained in importance following the outbreak of war in Ukraine and the realization of the country’s over-dependence on gas from Russia. For a long time, Germany regarded the Nordstream 2 gas pipeline as a purely economic and energy project and failed to perceive the geopolitical significance of this infrastructure and the fact that it could be used for coercive purposes. The choice of partners who have access to these critical infrastructures is becoming increasingly crucial.

Germany’s increasing dependence on its suppliers could be used by them as a means of coercion. At the presentation of the “Strategy on China” in July 2023, Foreign Minister Annalena Baerbock made it clear that, in retrospect, it had to be admitted that Russian gas, touted for its low cost which gave Germany’s industrial base a competitive edge, was not all that cheap: “We cannot [...] afford to repeat what we were forced to do at our expense as a result of the Russian war of aggression, namely to spend over €200 billion for the whole of society in order to free ourselves from our dependence on Russia.”¹⁰⁷ Based on this experience, it is important to draw all the necessary consequences for behavior towards China, and not just think in the short term, but in the longer term.

107. A. Baerbock, “Presentation on the Future of German Policy Towards China at MERICS on the Occasion of the Publication of the Strategy on China”, YouTube, 54’56”, July 13, 2023, available at: www.youtube.com.

Figure 9: The growing awareness of critical infrastructures in Germany

	<ul style="list-style-type: none"> • In 2009, the German government published a "National Strategy for Critical Infrastructure Protection (KRITIS-Strategie)", which defined critical infrastructures as "organizations or facilities of vital importance to the public community, whose failure or deterioration would lead to supply shortages with lasting effects, major disruptions to public safety or other dramatic consequences." The Federal Office for Civil Protection and Disaster Relief (<i>Bundesamt für Bevölkerungsschutz und Katastrophenhilfe</i>) is responsible for guaranteeing the protection of critical infrastructures, to ensure the supply of the population. • The "National Concept for Inland Ports and Seaports", published the same year, mentions the European Commission's inclusion of inland ports and seaports in the European Programme for Critical Infrastructure Protection in 2006. It recommends a joint approach between Germany's Federal State and the <i>Länder</i> when implementing the European Directive on the identification and designation of European Critical Infrastructures and the assessment of the need to improve their protection.
	<ul style="list-style-type: none"> • In 2015, the Federal Ministry of Transport and Digital Infrastructure published a "Security Strategy for the Freight Transport and Logistics Sector", which follows the observation that: "the prerequisite for a modern economy based on the division of labor, which depends on the mobility of goods and people, is a functional and efficient end-to-end transport and circulation system." • The same year saw the publication of the "National Port Strategy for Seaports and Inland Ports", which lists the challenges, risks and opportunities facing German ports. It also refers to IT security for critical infrastructures.
	<p>The current regulations for determining whether an infrastructure is to be considered critical under the law of the Federal Office for Security in Information Technology (<i>Bundesamt für Sicherheit in der Informationstechnik – BSI</i>) dates from 2016 and is also known as the "BSI Kritis Regulation" (<i>BSI-Kritisverordnung – BSI-KritisV</i>). It determines the thresholds applicable for considering an infrastructure to be critical. In maritime transport, this means controlling the quantity of goods transported and the population served.</p>
	<p>A concrete application of critical infrastructure protection is that of the 50Hertz power grid provider, which supplies 18 million citizens with electricity, and in which the Chinese company SGCC had twice sought to acquire a 20% stake. In 2018, the German government succeeded in getting 50Hertz's main owner, the Belgian company Elia, to intervene. The state-owned credit institution KfW stepped in at the second attempt.</p>
	<ul style="list-style-type: none"> • In 2021, under the impetus of the Greens, the notion of "critical infrastructure" appeared for the first time in the coalition agreement. This contract, for example, stipulates that untrustworthy companies must not be involved in critical infrastructure development. • The Coalition Contract (2021) and the National Security Strategy (2023) provide that in the event of clearly defined security threats arising from the takeover and acquisition of stakes in critical infrastructures by foreign investors, the legal arrangements must be checked for adequacy: for example, in the German electricity grid or the internet network. If necessary, appropriate instruments must be created, so that the federal government can react appropriately and quickly. • Similarly, it is stipulated that attractive investment conditions must be ensured in network infrastructures and that, in compliance with European law, state intervention must be ensured if security interests are affected.

<p>Wehrhaft. Resilient. Nachhaltig. Integrierte Sicherheit für Deutschland Nationale Sicherheitsstrategie</p>	<ul style="list-style-type: none"> • The "National Security Strategy" (2023) explicitly recalls that critical infrastructures are increasingly becoming the target of attacks and sabotage attempts and that the aim is to reduce dependencies, increase resilience, and security of supply (including maritime supply): "Critical infrastructures are increasingly essential to our lives, and are exposed to major threats and disruptions. In this respect, the maritime dimension [...] plays a special role in Germany's security of supply and in its economic security." The government assures that: "The federal government will also continue to review critical infrastructure investments to prevent dependencies or opportunities to exercise political pressure." • The "National Security Strategy" (2023) provides for the implementation of a European directive on network security and cyber security information. It also mentions the importance of the Federal Office for Information Technology Security (BSI) in protecting critical infrastructures. The strategy moreover mentions investments in cybersecurity.
<p>China-Strategie</p>	<p>The "Strategy for China" (2023) explicitly mentions protection in the fields of telecommunications, infrastructures involving data and infrastructures in energy and transport. It mentions the fact that KRITIS legislation on critical infrastructures will be passed to define which companies or facilities are to be considered as critical infrastructures. Specific legislation exists or has yet to be drawn up, for example, in the telecoms and energy sectors.</p>
	<p>When it comes to 5G, there is a risk of creating a new dependency. "In part, the use of Chinese technology seems just as naive as the use of Russian gas," says Konstantin von Notz, a member of the Green Party, in the <i>Süddeutsche Zeitung</i>. This contrasts with the discourse of a few years ago: "I'm not sure if I'm really ensuring my security if I decide to exclude a supplier completely and then don't know how it will continue to develop" (Chancellor Angela Merkel). "I'm against the idea of excluding a product from the market just because a risk may arise" (Interior Minister Horst Seehofer). A study by Strand Consult revealed that Huawei and ZTE covered 60% of Germany in the Radio Access Network and 100% in Berlin. Currently being discussed is 25% coverage throughout Germany and 0% in Berlin and Bonn, where Germany's decision-making centers are located (by 2026). But the Ministry of Digital Transition and Transport, where Volker Wissing (a liberal FDP minister) is in charge, fears that removing critical components from the existing network will be costly and could disrupt network stability, making Germany dependent on Ericsson and Nokia.</p>

Sources: "Sicherheitsstrategie für die Güterverkehrs- und Logistikwirtschaft", Federal Ministry for Digital Technology and Transport; "Kritische Infrastrukturen", Federal Office for Civil Protection and Disaster Relief; "Verordnung zur Bestimmung Kritischer Infrastrukturen nach dem BSI-Gesetz (BSI-Kritisverordnung - BSI-KritisV)", German Federal Ministry of Justice, April 2016; "KfW erwirbt im Auftrag des Bundes temporär Anteil am deutschen Übertragungsnetzbetreiber 50Hertz", German Federal Ministry of Finance, July 2018; "Mehr Fortschritt wagen - Bündnis für Freiheit, Gerechtigkeit und Nachhaltigkeit", Koalitionsvertrag 2021-2025 zwischen SPD, BÜNDNIS 90/DIE GRÜNEN und FDP German Federal Government, November 2021; "National Security Strategy", German Federal Government, Federal Foreign Office, June 2023; "Strategy on China", German Federal Government, July 2023; D. Heide, M. Koch, D. Neuerer, "Europas Technologie-Streit mit China weitet sich aus", Handelsblatt, March 2023; M. Balsler, J. Brühl et al. "Unter den Augen Chinas", Süddeutsche Zeitung; T. Wieder, "En Allemagne, la grande coalition divisée sur le cas Huawei", Le Monde, January 2020; "China droht Deutschland mit Vergeltung bei Huawei-Ausschluss", Golem, December 2019; "The Market for 5G RAN in Europe: Share of Chinese and Non-Chinese Vendors in 31 European Countries", Strand Consult.

At the European level, the European Commission has proposed new initiatives to strengthen the EU's economic security in January 2024. Better screening of foreign investment in the EU is part of the package. However, the fact that the European Commission came out against COSCO's acquisition of a stake in the Port of Hamburg had no impact on the German Chancellor's decision. This is because security remains a matter for the Member States and not for the European institutions, and it is, therefore,

one of the limitations of the FDI screening instrument. Yet, as we have seen, infrastructure such as the Port of Hamburg has an importance that goes far beyond Germany's industrial base: any disruption to the supply chain or transfers via the port could affect other European countries. There is indeed growing convergence at the European level, with 23 EU Member States having set up a national screening mechanism for inward FDI – 12 of them having done so since the European regulation on this subject came into force in October 2020.¹⁰⁸ However, the “Proposal for a Regulation of the European Parliament and of the Council on the screening of foreign investments in the Union” notes that “alignment of national screening mechanisms, in particular definitions, deadlines, criteria and the parameters of the substantive assessment,”¹⁰⁹ would be beneficial. “Consideration should be given to a common sectoral scope for mandatory verification,”¹¹⁰ for example, for FDI in “critical infrastructure” and “critical technologies” concerning the transport sector. Similarly, making it compulsory for national authorities to justify screening decisions is one of the elements discussed to make the FDI screening instrument more effective. These concerns are also in line with the work of the NATO-EU Task Force on Resilience of Critical Infrastructure,¹¹¹ as well as that of the European Parliament on the security and defense implications of China's influence on critical infrastructure in the EU.¹¹²

The debate surrounding COSCO's stake in the operating company of the Tollerort terminal led to calls for a “maritime *Zeitenwende*” in Germany and the need for a “European Port Strategy”.

Focus on port infrastructures

In Germany, the SPD, Green and FDP groups have tabled a motion in the German Federal Parliament calling for a “maritime *Zeitenwende*” (a change of maritime era) to ensure Germany's and Europe's “maritime sovereignty” in light of heightened geopolitical tensions and foreign investment in port infrastructures. This motion defends the need to make decisions guided by security concerns to avoid dependency links that could backfire on

108. “Sécurité économique : que contient la proposition de la Commission européenne ?”, Le Grand Continent, January 24, 2024, available at: www.legrandcontinent.eu.

109. “Proposal for a Regulation of the European Parliament and of the Council on the screening of foreign investments in the Union and repealing Regulation (EU) 2019/452 of the European Parliament and of the Council”, January 24, 2024, available at: www.europa.eu.

110. Ibid.

111. “Task-force UE-OTAN: rapport d'évaluation final sur le renforcement de notre résilience et de la protection des infrastructures”, Representation of the European Commission in France, June 29, 2023, available at: www.france.representation.ec.europa.eu.

112. European Parliament resolution of 17 January 2024 on the security and defense implications of China's influence on critical infrastructure in the European Union (2023/2072(INI)), available at: www.europarl.europa.eu.

Germany.¹¹³ The CDU/CSU group in the Bundestag has also tabled a motion on the maritime economy and maritime competitiveness of *Standort Deutschland*.¹¹⁴

This led to the development of a “German Port Strategy”, presented by the German government in early 2024.¹¹⁵ Among other things, the strategy aims to promote cooperation between German ports wherever possible in view of the competition between them, in response to the loss of the international competitiveness of German ports due to the emergence of new competitors, but also to the challenges that have caused the disruption of supply chains in recent years. The aim is to increase the safety and resilience of ports as critical infrastructures for supplying the population of Germany and Europe. Moreover, the ports must continue to contribute to the competitiveness of Germany’s industrial base. In view of technological developments, it is also envisaged that actors in the German maritime economy will be equipped with the latest transshipment, transport, and information technologies and will extend their services to new trade routes. Cost and time optimization are top priorities for increasing the competitiveness of German ports, while quality, punctuality, predictability, and efficiency are other competitive factors to bear in mind. The “Ports Strategy” recognizes that ports are essential nodal points for crisis management and the defense of Germany and its allies, helping to combat threats to internal and external security. Germany’s central geographical position in Europe means it plays a crucial role in the deployment of military equipment and forces, as well as in the transfer of goods. And, as the “German Port Strategy” recalls: “ports are sometimes considered as critical infrastructures. In the case of third-country investments and shareholdings, it is important not only to consider national safety interests and the interests of the state concerned but also to coordinate closely at the European level to ensure the safety of European port infrastructures. As logistics hubs for the supply of goods to the population [...], ports, especially seaports, fulfill critical functions for the German and European economies.” To ensure the continuity of port operations, we also need to guarantee the security of the hinterland infrastructure against physical intrusion or cyber-attacks. The “German Port Strategy” points out that the geopolitical *Zeitenwende* makes it necessary to take particular account of these aspects, just as the “European Strategy to strengthen economic security”¹¹⁶ of June 2023 calls for regular risk analyses by port operators

113. “Maritime Souveränität in der Zeitenwende”, Antrag der Fraktionen SPD, BÜNDNIS 90/DIE GRÜNEN und FDP sowie des Abgeordneten Stefan Seidler, 20/7571, Bundestag, July 4, 2023.

114. “Antrag der Fraktion der CDU/CSU - Zukunft der maritimen Wirtschaft sichern”, Drucksache 20/7582, 20. Wahlperiode, Bundestag, July 4, 2023, available at: www.bundestag.de.

115. “Die Nationale Hafenstrategie für die See- und Binnenhäfen”, German Government, February 2024, available at: www.bmdv.bund.de.

116. “Une stratégie européenne pour renforcer la sécurité économique”, Representation of the European Commission in France, June 20, 2023, available at: www.france.representation.ec.europa.eu.

and authorities in order to prevent risks and combat them where necessary. To this end, the “German Port Strategy” encourages German ports to adopt a wide range of economic, regulatory and infrastructure measures to meet the challenges they face in the current geopolitical context. It also calls for close cooperation between the federal and federated levels, particularly in the definition of a European port strategy.

In a national context, better coordination between all the actors involved in the smooth running of port infrastructures (operators, municipalities, *Länder* and the federal level) is also necessary to ensure the resilience and safety of ports and port operations in general. This is even more so in times of crisis, such as situations of heightened tension or territorial defense. The standardization of applications, particularly at the digital level, could facilitate the networking of German port infrastructures with each other, or with customs authorities or their respective hinterlands, to ensure information sharing. The aim here is to optimize the operation of multimodal logistics chains and improve adaptability to unforeseen events. On the other hand, greater cooperation between the federal level and the *Länder*, and also between the *Länder*, is needed to ensure the supply of goods and energy from Germany’s northern coastline to the country’s more isolated regions, and in particular to Germany’s industrial heartland, which lies in the south of the country.

At the European level, the debates focus, in particular, on the fear of the influence of third-party states on critical European infrastructures, with a particular fear of China. A report by the European Parliament’s Transport and Tourism Committee calls on the European Commission to develop a “European Ports Strategy” by the end of 2024.¹¹⁷

The aim of such a strategy would be to reduce and limit “the influence and financial and operational control exercised over EU ports and their hinterland processes and operations by non-EU countries” and to “hinterland processes and operations by non-EU countries” and to “monitor the involvement of third countries in the ports of neighboring countries in the context of the European Neighborhood Policy and the enlargement policy.” The European Parliament explains that restricting foreign investment, particularly by companies controlled or influenced by a third state, in the port of a member state, could harm the competitiveness of the port in question, compared with other European ports that are not subject to the same regulations. This reinforces the need for a common European strategy for ports.

117. “Building a Comprehensive European Port Strategy”, 2023/2059(INI), European Parliament, May 10, 2023, available at: www.europarl.europa.eu.

At stake here is the resilience and security of the nodal points represented by ports and transport networks, which concentrate certain flows of goods essential to supplying the population or the industries of the European economy. As a result, the presence of companies under Chinese control or influence could have adverse repercussions on the routing of the goods in question. In this context, the European Parliament reiterates the importance of: making the European FDI screening instrument binding on all Member States; carrying out a risk analysis of China's involvement in maritime infrastructures; preventing and reducing the risks of espionage and sabotage in ports with dual-use or military purposes, such as those used by NATO; and collecting data on the presence of third-party companies in charge of cyber and data security in critical infrastructures to support the development of adequate contingency planning in the European ports concerned.¹¹⁸ The European Parliament is also calling for a European port summit to raise awareness of the risks and threats associated with port infrastructures.¹¹⁹

COSCO's investment in the operator of the Tollerort terminal in the Port of Hamburg has revived the debate on critical infrastructure protection. In addition to discussions at the national level (leading to the publication of the "German Port Strategy" in early 2024), the debate is particularly relevant at the European level. This is because, until now, the strategic motivations of European ports have been determined by concerns about the intra-European competition to the detriment of safety considerations. These must now be given greater priority. On the other hand, the use of new *Made in Europe* technologies could be envisaged to develop innovative solutions for increasing the efficiency of European port infrastructures. Actors such as Ericsson, for example, have certain strengths when it comes to 5G and technologies applicable to smart cities. These make it possible to connect multiple players so as to optimize their interactions.¹²⁰

118. Ibid.

119. Ibid.

120. K. Atha, J. Callahan *et al.*, "China's Smart Cities Development", Research Report Prepared on Behalf of the U.S.-China Economic and Security Review Commission, SOSI, January 2020.

Conclusion

In recent decades, the German business model has benefited from strong global interconnectivity and a solid industrial base. Despite its relatively small size and limited raw material resources, Germany is one of the world's leading economic powers and is the EU's largest economy. Germany's industrial base and its companies are dependent on imports of raw materials and intermediate products. In this context, ports are strategically important nodal points for trade between Germany and its partners.

In 2022, its degree of trade openness (i.e., the ratio of exports to GDP) was 50.9%¹²¹ (compared with France's level of 34.1%).¹²² This was Germany's strength when globalization had a good press. But it has become Germany's Achilles heel in the face of international instability and growing global polarizations, resulting in the politicization of trade, the increasing introduction of export controls and market access restrictions. With the war in Ukraine, Germany was forced to admit that it was naïve to believe that trade would be a guarantor of peace, reducing the possibility of armed conflict between trading partners and enabling the democratization of authoritarian regimes. The internationalization of its value chains has turned into a vulnerability since the resulting interdependence can turn against it.

Faced with this situation, Germany has been forced to review its economic and trade model. Trade relations between Germany and China, its main trading partner, fell sharply in 2023, to such an extent that by 2024, China could lose its status as Germany's leading partner to the US.¹²³ Germany's economic institutes are seeking to anticipate the impact of the decline in German-Chinese trade relations on the German economy. For example, the Kiel Institute for the World Economy has estimated that a significant reduction in trade between the EU and China would reduce Germany's GDP by 1%.¹²⁴ To make up for this setback, Germany is seeking to diversify its sources of supply and outlets. To this end, it is creating incentives for its companies to reduce their concentration on the Chinese market. At the same time, the German government is increasingly seeking to make companies more accountable. As the government's "Strategy on

121. "Außenhandel von Deutschland", Statista, 2023, available at: www.statista.com.

122. "Europäische Union: Exportquoten in den Mitgliedstaaten im Jahr 2022", Statista, September 2023, available at: www.statista.com.

123. E. Grasland, "La Chine va perdre son rang de premier partenaire commercial de l'Allemagne", *Les Échos*, January 31, 2024, available at: www.lesechos.fr.

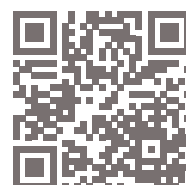
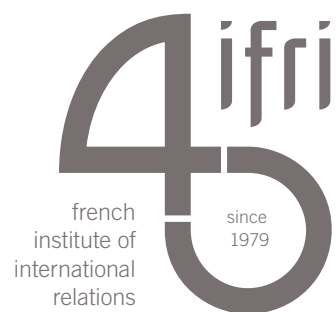
124. M. Toh and A. Cooban, "Germany's leader and top CEOs have arrived in Beijing", op. cit.

China” has pointed out: “Companies need to take geopolitical risks properly into account in their decision-making. The costs generated by risk-taking must be internalized more by companies so that in the event of a geopolitical crisis, it is not necessary to resort to public bail-outs.”

However, Germany is also progressively changing its course when it comes to investment policy. Following pressure from German hardliners concerning the relationship with China and driven by security arguments, access to critical German infrastructures (like port facilities) by companies from third countries is now viewed with greater vigilance. The protection of ports, crucial nodal points for the transport of goods for Europe’s industrial base and for exporting to third markets, is being reinforced, given the increased pressure on the North Sea coastline. This follows the reorganization of energy supplies resulting from the decoupling of Russian hydrocarbons and the importance of ports for the transport of military equipment to Eastern Europe. To this end, the government has drawn up a “German Port Strategy”, which should be supplemented by a “European Port Strategy” by the end of the year. For a long time, ports were seen solely from an economic perspective, but they are now at the crossroads of commercial, security and defense issues, crystallizing the concerns that Europe must henceforth be more vigilant within a tense international context that it can no longer ignore. In order to be more resilient and less vulnerable to foreign influences, European ports need to adopt a cooperative stance among themselves, wherever possible, and not remain trapped in a logic of intra-European competition.

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