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Risk and strategies of China's oversea port infrastructure investment under "one belt one road" initiative

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RISK AND STRATEGIES OF CHINA'S OVERSEA PORT INFRASTRUCTURE INVESTMENT UNDER "ONE BELT AND ONE ROAD" INITIATIVE

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Declaration

I certify that all the material in this research paper that is not my own work has been identified, and that no materials are included for which a degree has previously been conferred on me.

The contents of this research paper reflect my own personal views, and are not necessarily endorsed by the University.

Supervised by

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ABSTRACT

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One Belt and One Road Initiative was officially launched in October 2013 and has been a hot topic so far. At present, the economies of various countries are generally depressed, and the performance of shipping companies is not good. Under One Belt and One Road, port infrastructure in oversea will be mentioned for China's enterprises, there are more and more enterprises are tending to enter the oversea investment. The thesis has four chapters, the first chapter introduces the background and research content of this thesis. The second chapter combs 36 port projects participating in 24 countries along the line since the submission of One Belt and One Road Initiative, and analyzes the geographical distribution characteristics and main characteristics of these projects. The third chapter combines the domestic enterprise overseas port project cases in recent years, and proposes that the patterns of Chinese enterprises participating in overseas port projects mainly include joint ventures, mergers and acquisitions, BOT and franchise rights. After that, mentioning the risks, which include political, economic, legal, security and management risks, and trying to analyze the strategies of big enterprises and summarizing the strategies and investment patterns. Finally thesis envisages several possible strategies, hope to summarize some experiences to give current enterprises some suggestions.

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List of Abbreviations

OBOR	One Belt and One Road
GDP	Gross Domestic Product
CNY	China Yuan
HK	Hong Kong
COSCO	China Ocean Shipping(Group）

Chapter 1 Introduction

1.1 The meanings of this topic

1.1.1 Preface of thesis

Under One Belt and One Road (OBOR) initiative, China's oversea port infrastructure investment is facing a challenge, because of the worldwide expanding development, new ports and original ports should be compared and the new technology should be applied into infrastructure. How to complete a high efficiency should be considered under this initiative, this thesis is focusing to research the risk and strategies of the oversea investment.

1.1.2 Research Background

In 2013, the One Belt and Road (OBOR) was implemented, for focusing on marine economic cooperation, through economic diplomacy and humanities exchanges with countries along the Maritime Silk Road, China will build an economic cooperation mechanism, promote port interconnection and free trade zone construction along the route, and develop port industries, cargo trade, marine transportation, and oceans. Multi-lateral cooperation in the fields of information, offshore fishing, resources and energy, and non-traditional security ensures the safe and smooth flow of business roads, builds the road of peace and wealth in the 21st century, and creates an arc of sea prosperity.

Figure 1- Maritime Silk Road route map and countries along the route

Souce: https://www.yidaiyilu.gov.cn/

Under One Belt and One Road (OBOR) initiative, china is beginning to focus on the oversea ports construction, with this new development the oversea investment has some risks to be faced (Zhang 2017). Chinese enterprises have combined themselves with their own advantages to participate in international port projects through various forms such as construction and operation, investment and mergers and acquisitions, and formed a large number of port enterprises headed by COSCO Pacific and China Merchants International, two global terminal operators (Su 2017). Financial risk, management risk, political risk and development risk are some main risks for investing. Throughout analyzing pre years data of the ports which are located along the OBOR lines, risks will be identified. In addition, the risk of investment for new port construction is researched, throughout recent years investment result, future development potential will be analyzed. Some strategies also are being suggested, for different risks has different solutions, but finally OBOR needs a comprehensive strategy for leading the investment, for keeping all investment having useful road or even for a long term use.

1.1.3 Research Purpose

The thesis puts forward the situation of domestic enterprises participating in the port construction of the countries and regions along the “One Belt, One Road” initiative. Base on the situation, thesis will clarify the scale, participation, geographical distribution and business model of overseas port projects, and summarize the characteristics presented. At the same time, it analyzes the problems and risks faced by enterprises in the process of going global.

This thesis will mainly focus on determining risks and tending to provide some strategies for these risks. Throughout analyzing some data such as financial data, port throughput data, for some ports which are currently under investing, and analyzing some potential for future new port investing, thesis will suggest the risks and a few future investing strategies. Thesis will standing as a investing company to measure all investing behaviors, which could help future companies in this market to determine whether and how they should do investing under One Belt and One Road initiative.

1.1.4 Significance of research

The thesis will suggest the current investing situation, investing scale, participated investors, and management patterns for infrastructure investing under the One Belt and Road initiative of China’s investing companies. Throughout the data and patterns analyzing, thesis will conclude the current investing features, also will suggest the problems and risks which these companies are facing. To summarize the causes of these problems and the succession experiences, provide some suggestions for current and future oversea investing to China’s companies.

1.2 Literature Review

Hong(2017) who is from University of Singapore suggested that The Asian Infrastructure Investment Bank and the ‘One Belt, One Road’ initiatives have put China at the center of geoeconomics and geopolitics in the region and beyond, China hopes to construct and strength the economy connection with other Asia country (Huang 2017). However, in the western world, there are a number of people are thinking this OBOR initiative is similar to a military and political behavior for expanding the influence position of China in worldwide, Sit(2017) suggests that China is using the "peaceful development” to pushing an ambitious spatial expansion of Chinese state capitalism.

Kenji(2018) accepted the political influence of the OBOR initiative for China, but do not agree China could be able to create a large area of influence around the world. Even the American scholars Wendell (2015) believes that China is constructing a new system in which China could play a significant economy role in oversea investing, this means China will lead the new system and the other countries should support China's expanding in return.

In general, western scholars do not research a lot for the oversea port investing from China, they are focusing on the political issues more (Wang 2016). In contrast, China's scholars have some initial research for the oversea port infrastructure investing which contains the investing content, patterns and risks.

For the current investing situation, Lu(2016) found that not only the state-owned companies are doing oversea port investing, but some local port operator are trying to invest oversea project. China's port operator companies is more focusing on the investment of Asia and Africa ports, Zhang(2014) suggested that there are four investing patterns which are cooperation investment, mergers and acquisitions, BOT(build-operate-transfer), and franchise. Jiang and Li (2019) did statists and analyze for the port operators investment, which shows that China's investing ports revenue are near to the average line, which means the oversea port investment is in positive developing.

Risks are considering by Xie (2015) who thinks that China's oversea port investment are mainly 3 aspects: political risks, management risks and legal risks. In addition, Yao (2018) advised the environmental risks for the oversea investment, he listed the examples of Port of Djibouti in Djibouti, Port of Bagamoyo, Tanzania, Port of Huangjing, Malaysia, Port of Hambantota, Sri Lanka, to explain the environmental risks should also be considered by investors.

In conclusion, the research of oversea port investment is not comprehensive and not precise. The economy influence is deeply and hard to predict.

1.3 The innovation and deficiency of this thesis

The innovation of this thesis is summarizing the port infrastructure project beside the OBOR, based on these projects, analyzing the management pattern, investing risks.

Due to the personal knowledge limitation and data incomplete, this thesis could not do the precise data analyzing, and could not find the process of investing. In addition, this thesis does not provide a econometric model, which force the support suggestions be not convincing.

1.4 Objective Research Content

Research content of this thesis contains below several aspects:

1. Oversea investing port infrastructure projects, this aspect contains these projects geographical distribution and investors features. Throughout analyzing the distribution and investors, combine the investor strength, to find the focusing investing trend for China’s companies.
2. Patterns of investing overseas port projects, in this aspect, there are some oversea

port projects examples, so that the patterns include cooperation investment, mergers and acquisitions, BOT(build-operate-transfer), and franchise.

3. Risks and challenges, in this aspect, thesis defined not only some risks which include political risks, safety risks, economic risks and legal risks, but also some challenges which include low risk awareness and lack of professional experts.

1.5 Research Method of thesis

Throughout literature reviewing, search the relative books, journalists, and websites, especially the journalists of oversea port infrastructures, to do statistics for the current China's oversea port infrastructures projects after the OBOR initiative.

Using comparative analysis method, to compare the different investors, different profit patterns, and different reasons for risks, and try to find better strategies for some risks.

Case study method is used to understand the different influences for different cases, which means that different patterns and different investors could do different investment trends, so that make different results.

Chapter 2 Current situation of investment

2.1 Current investment situation in worldwide

Due to the recovery of developed economies such as the United States and Japan, and the continued development of China, India and other developing economies. Since 2017, the global economic and trade environment has gradually improved, and the shipping market has recovered significantly. In 2017, the global shipping volume reached 10.7 billion tons. , an increase of 4%, the highest value in the past five years. Among them, global container trade volume increased by 6.4%; dry bulk trade volume increased by 4%; liquid bulk trade volume increased by 2.4%. The Global Maritime Trade Organization predicts that the average annual growth rate of global seaborne trade volume in 2019-2023 will remain at 3.8%.

In 2017, global port investment maintained a moderate growth trend, but the growth rate slowed down. On the one hand, the global shipping market demand is relatively stable, and the rapid growth of seaborne trade has become a history. It is unlikely that large-scale new ports will be built. On the other hand, the market share of major terminal operators in the world is relatively stable, and the globalization layout has formed a certain pattern. The port reconstruction and expansion project in the node area has been started or entered into the operation stage, and the demand for new construction and investment ports is limited. In addition, in some areas, there is a structural excess of the terminal, and the demand for bulk bulk cargo is highly volatile, which affects the port investment. For international terminal operators, future investment ports will be more focused on their growth potential and profitability.

2.2 Current investment situation of China's oversea port infrastructure

2.2.1 Current oversea port infrastructure projects

On Belt and One Road has two direction, one is the west line which is from China, along the way, passing through China South Sea, Indian Ocean, finally to EU. The other one if south line which is from China, passing through China South Sea, South Pacific, finally to Oceania. This thesis include 40 countries alongside the OBOR (Table 1).

Table 1 Countries along the Belt and Road

Direction	Region	Countries
West Line	South-east Asia	Indonesia, Laos, Brunei, Singapore, Malaysia, Thailand, Philippines, Vietnam, Cambodia, Myanmar
	South Asia	India, Bangladesh, Pakistan, Sri Lanka, Maldives
	West Asia	Saudi Arabia, United Arab Emirates, Iraq, Yemen, Bahrain, Qatar, Turkey, Kuwait, Iran, Oman
	Africa	Egypt, Sudan, Eritrea, Djibouti, Somalia, Madagascar, Tanzania, Mozambique, Kenya
	Europe	Greece, Italy
South Line	South Pacific	Australia, New Zealand, Papua New Guinea, Fiji

Source: Shanghai International Shipping Research Center

As the infrastructure industry, port industry has the big scale and capital features, investing ports always need huge capital, and the investment is affected by many aspects, such as high risk, and long fund return period. Below table 2 shows the oversea ports infrastructure projects after 2013 when the OBOR initiative implemented, by summarizing the statistics, there are 36 projects are in constructing which are in 24 countries (Table 2).

Table 2 China’s oversea Port Porjects

Countries	Port Projects	Year	Contract
Indonesia	Tanjung Bulu Port Expansion Project	2017	$570million
Malaysia	Melaka Gateway	2016	$1.81billion
	Kuantan Port	2014	$177million
Singapore	berths in Pasir Panjang	2016	/
Philippines	Davao Port Reclamation Project	2016	$753million
Cambodia	Sihanoukville Special Economic Zone	2007	/
Myanmar	Kyaukpyu Special Economic Zone Deepwater Port and Industrial Park	2017	$7.3billion
Brunei	Port of Mora	2017	/
Pakistan	Gwadar Port	2013	$1.62billion
	Kassim Port Civil Engineering Project	2014	$130million
Sri Lanka	Colombo Southport Pier	2011	$550million
	Port of Hambantota	2017	$6.57billion
Bangladesh	Mengra Port Expansion and Upgrade Project	2016	$3.53million RMB
	Oriental Refinery Terminal	2016	$550million
United Arab Emirates	Port of Caliphate	2017	$300million
	The second phase of the Caliphate container terminal	2016	$783million
Qatar	Doha Newport Foundation and Breakwater Construction Project	2011	$880million
Turkey	Compute Marina	2015	$900million
Iran	Qeshm Island Oil Terminal	2016	$550million
Saudi Arabia	Haier Port Expansion Phase IV Project	2014	$200million
Djibouti	Port of Djibouti	2013	$185million
	Doha Ray Multi-Port	2016	$421million
Madagascar	Tamatave Deepwater Port Project	2015	$1.01billion

	Nalinda Deepwater Port Project	2017	/
Kenya	Ram Port berth construction	2014	$479million
Greece	Port of Piraeus	2008	€370million
Italy	Venice offshore deep water port	2017	$3.19million
	Port of Vado	2016	€7.05million
Australia	Port of Darwin	2015	$370million
	Port of Melbourne	2016	$7.3billion
	New Newcastle Harbour	2015	$1.75billion AUD
Papua New Guinea	Port of Morbis	2015	￥1.2billion
Yemen	Port Aden Container Terminal Project	2014	/
Tanzania	Dar es Salaam Port Expansion Project	2017	$154million
	Sanjibar New Port	2014	$200million
	Port of Bagamoyo	2014	/

Source: Shanghai International Shipping Research Center

2.2.2 China’s oversea investment geographical distribution

The geographical distribution of ports determines the development potential in the future. Zhou(2014) thinks that in the development of global strategy for a big company, an important geographical location for support company is beneficial for a long term development. This idea also could be used in ports distribution, Huangjing Port in the Straits of Malacca, Djibouti Port in the Mande Strait, Khalifa Port in the Strait of Hormuz, Piraeus Port in the Mediterranean Sea, Compute Port in the Black Sea, these ports all are located in a significant transportation position, could affect the trade and transportation deeply. These ports were invested a huge capital from China’s companies, all of these ports are playing a support role for future development for China’s companies.

China’s companies are focusing on investing in Indian Ocean, West Asia is the main resources import place for China’s market, and South Asia is the important tunnel for transporting resources. Alongside the South Asia, there are not only the port infrastructure constructing, but also planning and operation of industrial parks, such as Gwadar Port, Colombo Port, Port of Hambantota. These projects are not relying on the Strait of Malacca, which means these projects could decrease the pressure of transportation, also could get a positive support from local government.

South-east Asia and Africa are China’s target developing area in recent years. Comparing to the other area of OBOR, these two regions have large population and are with outstanding coast, which means it is suitable to develop maritime import and export business. From the Table 3, the ratio of trade/GDP of South-east Asia is 106%, the demand of cargo trade is a huge amount. Besides that, the demand of cargo trade of Africa is increasing, so that the current port infrastructure could not satisfy the increasing demand. The potential of port development is huge. In conclusion, future develop of port infrastructure for China’s companies should be in these two regions.

Table 3: OBOR region situation

Region	Population(Million)	Coastline Lenth(Thousnd KM)	Ratio(Trade/GDP)
South-east Asia	600	105	106%
South Asia	16000	10	40.67%
West Asia	220	14	72.94%
Africa	1010	39	51.42%
Oceania	27	41	33.44%
Europe	370	75	58.13%

Source: Shanghai International Shipping Research Center

2.2.3 China’s investment enterprise

Table 4 is the statics of the participant companies of China’s oversea port projects. China’s oversea port investing enterprises are mostly state-owned enterprises, accounted by 81% are central state enterprises, 11% are local state enterprises, only 8% are private enterprises. As the result, state-owned companies are playing a significant role in OBOR port industry.

This situation is depends on many factors, on the one hand, central enterprises are generally bulky and have sufficient funds. On the other hand, overseas project financing is mainly through the channels of the Export-Import Bank and the National Development Bank established by the Chinese government. These banks are all state-owned assets. Although the Asian Infrastructure Investment Bank is a multilateral financial institution, it also has an intergovernmental feature. The state-owned assets background of central enterprises provides important guarantees for their financing, which is an important consideration for bank lending.

In these 36 projects, nearly 58% of projects participated by China Communications Construction, COSCO Shipping and China Merchants International.

China Harbour is a wholly-owned subsidiary of China Communications Construction. Since the “Belt and Road Initiative” initiative, China Harbour has signed a total of US$16.1 billion in foreign contracted projects in nearly 30 countries and regions along the route, with a turnover of US$6 billion and an external investment of US$2 billion. There are 175 projects under construction with a total contract value of more than US$24 billion.

As of 2017, China Merchants Overseas Port has invested in 49 port projects in 19 countries and regions with a total investment of over US$2 billion. Most of them are important ports in countries along the Belt and Road (Xue 2017). Firstly, from the perspective of development ideas and strategies, China Merchants Port regards the market development potential as a consideration factor, grasps the development opportunities of “One Belt and One Road”, and improves the overseas layout according to the idea of “consolidating Asia, improving Africa, expanding Europe and breaking through the Americas”. Expand investment in ports in Asia and Africa. From 2012, China Merchants Port began to invest heavily in container terminals in East Africa, West Africa, Europe and Asia through joint ventures, mergers and acquisitions, etc., especially in 2013, it was a frequent move to acquire Djibouti Container Terminal and Terminal Link Port Company respectively. 15 terminals in 8 countries on four continents (Morocco, Malta, Ivory Coast, Belgium, China, France, the United States, South Korea) and invested in the development of the port of Bagamoyo, Tanzania. From 2018 to the present, China Merchants Port's overseas business continued to expand: the Brazilian Paranagua Port (TCP) acquisition project was successfully completed. The project is the first port investment project of China Merchants Port in Latin America and the first absolute holding company. The overseas mature terminal project marks that its overseas port layout has expanded from Asia, Africa, Europe and North America to Latin America, achieving full coverage on five continents; China Merchants Port has been approved by minority shareholders and agreed to acquire the world's largest thermal coal. Export port 50% of Newcastle Australia's port. Secondly, from the perspective of throughput completion, with the advancement of overseas ports, the container throughput of China Merchants Port's overseas projects has grown rapidly since 2013, from less than 500,000 TEUs in 2012 to 7.51 million TEUs in 2013. In 2017, it reached 18.35 million TEU. The average annual growth rate from 2013 to 2017 reached 25%; in 2017, container throughput of overseas projects accounted for about 18% of the total container throughput.

COSCO maritime ports have invested in about 30 ports, 11 of which are located along the “Belt and Road” countries and regions. Most of these ports are located in European countries with high maturity and support for routes. “The previous investment of COSCO SHIPPING Port was mainly based on equity participation. At present, more emphasis is placed on control, and more is mainly invested in hub ports and trunk ports along the “Belt and Road”. (Li, 2017). Firstly from the perspective of the number of overseas terminals, as of the end of 2017, COSCO Shipping had 13 offshore terminals with a total design capacity of 37.7 million TEU. Secondly, from the perspective of throughput completion, in 2017, COSCO Ocean Port's overseas projects completed a container throughput of 18.83 million TEU. Thridly, from the perspective of growth rate, except for 2015, the growth rate of overseas project throughput is higher or closer to the overall throughput growth rate, which has become an important driving force for the development of cargo throughput of the COSCO Port.

In addition, there are some projects are invested by jointly companies. The amount of funds required for port projects is huge, and the refunding period is long. A number of enterprises can share the pressure of capital turnover to ensure the normal operation of the capital chain and ensure the normal implementation of the project. For example, port of Caliphate are invested by several private enterprises, in this project, different companies could use their own advantages to join in different professional part.

In conclusion, China's enterprises are keeping expanding the business and port infrastructure oversea. After the OBOR initiative, the trend of investing is irreversible.

Table 4: China's Oversea Port Infrastructure Enterprises

Countries	Port Projects	Year	Invest Company	Enterprise
Indonesia	Tanjung Bulu Port Expansion Project	2017	Zhoushan Port	Local State Enterprise
Malaysia	Melaka Gateway	2016	China Power Construction	Central State Enterprise
	Kuantan Port	2014	Northern Harbor Group	Local State Enterprise
Singapore	berths in Pasir Panjang	2016	COSCO Shipping	Central State Enterprise
Philippines	Davao Port Reclamation Project	2016	Chinese diplomatic dredging	Central State Enterprise
Cambodia	Sihanoukville Special Economic Zone	2007	Red Bean Group	Private Enterprise
Myanmar	Kyaukpyu Special Economic Zone Deepwater Port and Industrial Park	2017	CITIC Consortium	Central State Enterprise
Brunei	Port of Mora	2017	Northern Harbor Group	Local State Enterprise
Pakistan	Gwadar Port	2013	China Overseas, COSCO Shipping, China Merchants International	Central State Enterprise

	Kassim Port Civil Engineering Project	2014	Rizhao Port, China Hydropower	Local State Enterprise
Sri Lanka	Colombo Southport Pier	2011	China Merchants International	Central State Enterprise
	Port of Hambantota	2017	China Merchants International, China Harbour	Central State Enterprise
Bangladesh	Mengra Port Expansion and Upgrade Project	2016	China Complete Engineering	Central State Enterprise
	Oriental Refinery Terminal	2016	PetroChina	Central State Enterprise
United Arab Emirates	Port of Caliphate	2017	Hanergy Film, Jiangsu Pantai Mining, Xuzhou Jianghe Wood, Jiangsu Jinyu Environmental Technology, Guangzheng Group	Private Enterprise
	The second phase of the Caliphate container terminal	2016	COSCO Shipping	Central State Enterprise
Qatar	Doha Newport Foundation and Breakwater Construction Project	2011	China Harbour	Central State Enterprise
Turkey	Compute Marina	2015	CIC Overseas, China Merchants International, COSCO Shipping	Central State Enterprise
Iran	Qeshm Island Oil Terminal	2016	China Heavy Industry Corporation, PetroChina, Sinopec	Central State Enterprise

Saudi Arabia	Haier Port Expansion Phase IV Project	2014	China Harbour	Central State Enterprise
Djibouti	Port of Djibouti	2013	China Merchants International	Central State Enterprise
	Doha Ray Multi-Port	2016	China Construction Port	Central State Enterprise
Madagascar	Tamatave Deepwater Port Project	2015	China Harbour	Central State Enterprise
	Nalinda Deepwater Port Project	2017	China Road and Bridge	Central State Enterprise
Kenya	Ram Port berth construction	2014	China Communications Construction	Central State Enterprise
Greece	Port of Piraeus	2008	COSCO Shipping	Central State Enterprise
Italy	Venice offshore deep water port	2017	China Communications Construction	Central State Enterprise
	Port of Vado	2016	COSCO Shipping	Central State Enterprise
Australia	Port of Darwin	2015	Shandong Yanqiao Group	Local State Enterprise
	Port of Melbourne	2016	CIC Huitong	Central State Enterprise
	New Newcastle Harbour	2015	China Merchants International	Central State Enterprise
Papua New Guinea	Port of Morbis	2015	Chinese architecture	Central State Enterprise
Yemen	Port Aden Container Terminal Project	2014	China Harbour	Central State Enterprise
Tanzania	Dar es Salaam Port Expansion Project	2017	China Harbour	Central State Enterprise
	Sanjibar New Port	2014	China Harbour	Central State Enterprise

	Port of Bagamoyo	2014	China Merchants International	Central State Enterprise

Source: China One Belt One Road web

By investigating the Chinese-funded entities involved in the above-mentioned overseas port projects (Table 4), it can be seen that 81% of the projects are implemented by central enterprises, 11% of the projects are implemented by local state-owned enterprises, and only 8% are implemented by private enterprises. Therefore, in the process of port companies going out and participating in the port project along the line of Haisi, the central enterprises occupy an absolute dominant position.

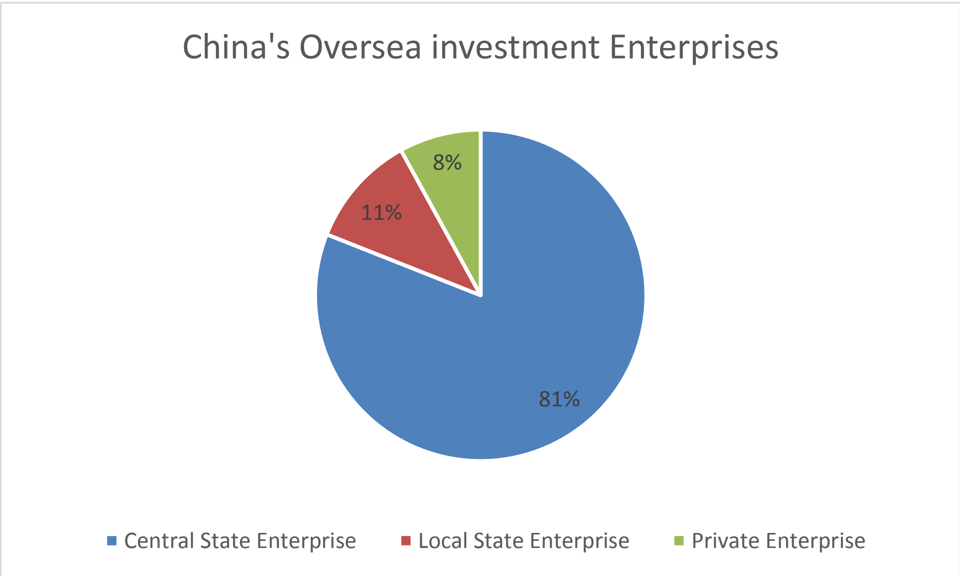

Figure 2 China's Oversea investment Enterprises

Source: China One Belt One Road web

The situation dominated by central enterprises is caused by many factors. As far as its positioning is concerned, the central enterprises are established and developed under the support of the state. Large enterprises that occupy a dominant position in the major industries and key areas that are related to national security and the lifeline of the national economy are important pillars of the national economy. This positioning means that its ability in terms of capital, technology, talents and risk response has an inherent advantage over private enterprises, laying the foundation for its dominant position. In the process of going global, capital is the key to enterprises' participation in overseas projects. The favorable position of central enterprises on this issue is the decisive factor of their dominant position. On the one hand, central enterprises are generally bulky and have sufficient funds. On the other hand, overseas project financing is mainly through the channels of the Export-Import Bank and the National Development Bank established by the Chinese government. These banks are all in the background of state-owned assets. Although established in 2015, the Asian Infrastructure Investment Bank is a multilateral financial institution, but it also has an intergovernmental nature. The state-owned assets background of central enterprises provides important guarantees for their financing, which is an important consideration for bank lending. As the spokesperson of the National Bureau of Statistics and Director of the National Statistics Department, Sheng Laiyun said at a press conference in 2016, “Since the guarantees are relatively solid, central enterprises are more likely to get some loans”, “from the loan structure. In the first half of the year, the growth rate of loans by central enterprises, the growth rate of investment, and the growth rate of state-owned investment are obviously better than those of private enterprises.

2.3 Influencing factor of oversea investment

2.3.1 The ability of invest enterprise

Generally speaking, the larger the scale, the richer the resources of the enterprise and the stronger the comprehensive strength, the stronger the willingness to invest oversea (Winsted 1998). A company who has a large scale has more abilities such as financial strength, technical experience, and management level.

In addition to the size of the company, the experience of pre project is beneficial for current project investment. As a global shipping leading enterprise, COSCO Shipping conducts global port layout around the fleet route when investing in overseas ports, and guarantees shipping by port. The port location is its primary consideration. China Merchants International takes the port as the leader and entry point. With the industrial park in Lingang as the core and main carrier, the Shekou model of “Qiangang-Central District-Backtown” is brought to Gwadar Port in Pakistan and Colombo Port in Sri Lanka. And Djibouti Port in Djibouti to build an international capacity cooperation platform.

2.3.2 The environment of local country

There are many countries along the sea line, and the region covers two oceans and four continents. The national conditions are very different. The huge difference between the country where the project is located and China's laws and regulations and the market environment is the biggest challenge for Chinese enterprises to participate in overseas port projects. According to Li Xiaoli's (2017) definition of the degree of risk along the route, 15 of the 24 countries listed above are not politically stable and have high risks, accounting for 60%. Government changes, economic downturns, social conflicts, and civil wars may cause port projects to be interrupted or even terminated at any time. The imperfections of the local regulatory system, laws and regulations and compensation mechanisms may cause companies to delay the construction period and even face losses in the enterprise.

In addition, the port is an important transportation hub of the country. The government of the project is very cautious about foreign companies participating in their own port projects, and often introduces a series of laws and regulations to regulate and limit. Such restrictions include both reasonable access procedures to improve the quality of the project and to protect the domestic trade market. In contrast, the barriers to market entry in the country where the project is located will increase the cost of entry for Chinese companies. However, when the company successfully breaks through the barriers, barriers become an effective way to shield competitors, and enterprises will tend to choose long-term operations.

Chapter 3 Risks and Strategies of oversea investment

3.1 Risks of oversea port infrastructure investment

3.1.1 Political Risk

Political risk refers to political events that occur at home or abroad that can cause damage to international business operations (Franklin 1968). According to the definition of the United Nations Development Program, among the 40 countries along the seashore, only the developed countries of Greece, Italy, Australia, New Zealand, Singapore, Brunei, Qatar and the United Arab Emirates account for 80% of the developing countries. Most of these developing countries have imperfect political systems, weak economic foundations, deep social contradictions, and rapid government changes, which cannot guarantee the continuity and stability of policies. In the event of a political crisis, the impact on port projects can be destructive. In recent years, after some regime changes or policy changes, some countries have appeared to stop or delay the suspension of port projects involving Chinese enterprises, causing huge economic losses to Chinese enterprises.

In 2008, COSCO Group won the 35-year franchise of Piraeus Port 2 and 3 under the impetus of the government of Samaras in Greece. In 2014, the Greek government hopes to further privatize a majority stake in Hong Kong (67%). COSCO Group is one of the five buyers. However, after 2008, the European debt crisis has intensified. The

Greek economy has a single structure and relies excessively on external capital, which has led to political instability in the country. In just six years, the Greek government changed hands five times. In 2015, the Greek radical left-wing coalition party against privatization won the election, and Tsipras became prime minister and immediately stopped the comparison project. Although the Greek government finally approved the equity transfer agreement of COSCO's acquisition of 67% of the shares under the pressure of the debt crisis, the Greek government has added a series of additional investment terms compared to the previous tendering scheme.

In addition to the political risks of the country where the project is located, the geopolitical game will also involve Chinese-funded enterprises in the project along the Belt and Road. The US, Japan, and India all want to take up the market in the area which linked the South-east Asia and South Asia. The competition is intensive. In 2015, Japan proposed to invest $110 billion in infrastructure construction in Asia, trying to compete with the AIIB. Besides that, India proposed the "Monsoon Plan" to promote cooperation in the Indian Ocean region.

3.1.2 Security Risk

Security risk is an extreme form of political risk, mainly manifested in war and turmoil. Security risks come from two perspectives: one is the civil war caused by the turmoil in the country where the project is located; the other is the security threat of terrorism.

After 2013, the situation in Myanmar, Iraq, Yemen, Egypt and Sudan was turbulent and a partial civil war broke out. Many of the project facilities were destroyed, the safety of employees' lives was threatened, and because the government of the country where the project was located did not care, it was unwilling and unable to compensate for the loss of the project. In addition, the civil war has caused the investment environment of the country where the project is located to deteriorate sharply, and the project restart is very difficult.

West Asia, North Africa and South Asia are the main areas of piracy, terrorism and extremist activities. Gwadar Port is a key project for cooperation between China and Pakistan. On the eve of the official departure of Gwadar Port on November 12, 2016, a temple in Balochistan province was bombed. 52 people were killed and more than 100 people were injured (BBC news. (2016, November 12). On May 30, 2018, a Chinese engineer was injured in a bomb explosion in Karachi, and the Kassim Port project involving Chinese companies was located in Karachi. It can be seen that non-traditional security threats are a real threat to China's overseas port projects, and they are uncontrollable and difficult to prevent.

3.1.3 Economic risk

The participation of Chinese enterprises in the port project along the Belt and Road Initiative is a commercial investment behavior for profit. Therefore, the market environment of the country where the project is located has a significant impact on the success of the project. The regions and national systems along the “Belt and Road” are diverse and the national conditions are different. Most of them are developing countries in the economic and social transition period, so there will be trade protection and other phenomena. In developing countries like Kazakhstan and other Central Asian countries, the process of import and export trade is very complicated, and it usually takes dozens of documents to be reviewed, which takes several months. Not only that, but some countries along the route also regard China as an important trading competitor, often conducting anti-subsidy and anti-dumping investigations against China. In the decade of 1994-2013, India, a major power along the “Belt and Road”, launched a number of anti-dumping investigations against China, with an average annual growth rate of about 11%, which has caused a great deal to China’s import and export business troubles,

In addition, many countries along the “Belt and Road” have very fragile financial systems, such as bank non-performing loans. The proportion of funds is relatively high, and the exchange rate fluctuations are relatively large. In the countries along the “Belt and Road” in 2014, the proportion of non-performing loans of banks exceeding the internationally accepted safety standards accounted for 50%, and the proportion of non-performing loans of banks in Albania and other countries has exceeded 20%, and financial risks are extremely high. In terms of exchange rate fluctuations, the Belarusian currency fell rapidly from 2,979 roubles to 1 US dollar in the five years from 2010 to 2014 to 10,224 roubles and 1 US dollar, which had a tremendous negative impact on the national economy. The same situation occurred in Myanmar. In 2010, the exchange rate of Myanmar to the US dollar was 5.36:1, and by 2014 it had fallen to 984.35:1.

The decline was staggering. If these countries are directly invested, the fragile financial system and severe trade protection will expose China to very large economic risks.

3.1.4 Legal Risk

Legal risk refers to the risk of economic losses caused by investors due to the legal system of the country where the project is located. Haisi runs through different countries and different legal systems. Singapore has a typical Anglo-American legal system. The neighboring Indonesia has followed a considerable part of the civil law system due to the Dutch colonial history. There are big differences in laws and regulations related to investment in different countries, and judicial habits vary widely.

Specifically, it mainly manifests in the following three aspects: First, the Chinese enterprises cannot be relied upon due to the lack of law, that is, the country where the project is located has not yet formed a system of laws and regulations regulating the investment ports of foreign-funded enterprises, thus causing loopholes or gaps in legislation. . Once there is a dispute between the two parties, the judicial system of the government of the host country or the local government of the port often considers the national interests, favors the domestic enterprise or the government, and the law enforcement is unfair, causing losses to the Chinese enterprises. Second, the laws of the country where the project is located and China even There are differences and even conflicts between international law or international practice. Chinese enterprises are accustomed to engaging in port investment and operation activities under the Chinese legal system. If they do not adapt to the laws of the country where the project is located, it is easy to incur penalties for violations. For example, Indonesia's Labor Law imposes strict regulations on contract labor and outsourcing systems. It is easy for companies that are accustomed to China's relatively loose labor protection system to violate the country's labor protection laws. In recent years, Malaysia has increased its environmental protection efforts. In addition to fines, foreign-funded enterprises that violate environmental protection must bear relevant criminal responsibilities and have high legal costs. Third, with economic development and social progress, the project country The law is constantly changing. Chinese enterprises are increasingly choosing long-term models such as operating holdings when they participate in port projects. Changes in relevant laws are inevitable in the course of operations. If they have been operating in accordance with the law at the beginning of the project, it is easy to violate the new law.

3.1.5 Management Risk

Management risks are the risks which incur in the enterprises. The first risk is the company lacks targeted research in the country where the project is located. Enterprises are not careful about the investigation of the country where the port project is located, and lack of targeted understanding of the investment environment such as legal system, standard norms, government and enterprise mechanisms, religious beliefs, etc., which may result in the project not being effective and the operation process violations being punished. Situation; for example, in some countries where there are employment problems, the government hopes to hire local labor and improve the remuneration package in the port project, but the local labor skill level cannot meet the project requirements, and the introduction of Chinese labor is severely restricted, and the project operation will be more severe. Great impact. The national conditions vary greatly from country to country. The economic bases between different regions within a country are also quite different. If there is no in-depth and detailed research, the local supporting infrastructure may be imperfect. In order to promote the project, additional costs will be required to build related facilities. 1, resulting in a large increase in project start-up funds, profit margins are constantly compressed or even unprofitable; in addition, if you do not understand the local parts procurement principles and other business issues, there will be project stagnation, etc., greatly extending the project delivery deadline.

The second risk is the enterprises always lack the risk awareness. With the rapid development of the market economy and the deepening of global economic integration, the international economic environment faced by enterprises is becoming more and more complex, and the risks in the process of business development are also increasing. Therefore, it is necessary to establish a sound risk assessment mechanism. In turn, realize risk management, prevent problems before they occur, and promote healthy and sustainable development of enterprises. However, for the time being, many companies' risk management and control mechanisms are not perfect, and they can only be remedied after the incident occurs. This kind of post-processing naturally requires a higher price. The market environment of multinational port projects is unfamiliar, the amount of engineering is large, the investment is large, and the departments involved are complicated. Risk management is especially important in such projects.

The last one risk is the lack of professional team, overseas port projects have only recently emerged on a large scale. As far as enterprise professionals are concerned, neither managers nor specific project executives can meet the needs of growing projects. First of all, in the management of the company, there are few experienced managers, and problems in the formulation of corporate strategies and management of development goals are prone to problems, making it difficult to conduct effective market development and prospect planning. Secondly, in the project port project, language, technology, law, accounting, exchange rate, and other issues are inevitable, and there are few professionals who are familiar with the knowledge of various fields such as international market, legal system, project management, investment accounting, and business rules. In addition, there are many countries, and there are many languages used. The lack of language communication results in inefficient communication and thus affects the progress of the project. Even the case of the project is not limited, and there are very few professionals with both language ability and business ability. Finally, companies face more problems after entering the international market, and there are few professionals dealing with them. The maintenance of brand image, the resolution of local labor issues, the protection of intellectual property rights, anti-dumping litigation and other aspects require a large number of professionals. If professional issues are not resolved, enterprises will be in a weak position in the international market competition.

3.2 Strategies

With the continuous improvement of the Belt and Road Initiative strategy, the network structure of the global port and logistics industry has gradually changed. China has signed bilateral shipping agreements with 36 countries and the European Union along the Belt and Road. In 2017, China's imports and exports along the Belt and Road Initiative increased by 20.1%. The Belt and Road Initiative brings new changes to the logistics model of the global port.

3.2.1 Strategies of Some Big Enterprises

There are some strategies which some big enterprises are using for doing investment. Based on the current international economic and trade and shipping development situation, future port investments will be developed in the direction of stocks, cost control, and joint operations.

Firstly, port investment tends to be cautious, from investment in new construction to stock expansion and upgrading. In 2016, except for the new terminal at Maersk AP Muller Terminal, the remaining operators were mainly based on expansion. With the continuous improvement of the development of global port infrastructure, the investment opportunities of new ports in foreign countries will be significantly reduced.

Port investment will shift from incremental capacity expansion to stock expansion and upgrading. Taking Africa as an example, due to the long-term construction, the port facilities and equipment are old and even have hidden dangers, and there are more needs for port expansion. Therefore, investment enterprises can start from the expansion and expansion, provide certain initial construction capital investment for local projects, and obtain certain operational rights in the later stage.

Secondly, the investment strategy area is more precise, changing from network layout to cost control optimization. Some terminal operators began to shift from investment-led to cost-controlled and more efficient use of their assets. For example, Singapore International expands its terminals by cooperating with other companies, and jointly operates some of its terminals to achieve cost reduction and efficiency increase; China's port terminal operators mostly use airlines and ports to strengthen and enhance the efficiency of their home ports. There are many overseas port operations management but less direct investment.

Thirdly, the investment direction tends to cooperate, and international terminal operators have changed from single-handedly to strengthening joint investment. As the investment risk of the terminal increases, the international terminal operators gradually accept the entry of regional terminal operators or investment groups, exchange some of the equity of the stock terminal for their high-quality terminal resources, or jointly invest in terminal projects with strong development potential.

Shanghai International Shipping Research Center has some suggestions for the railway transportation, firstly develop the common transportation between sea and railway, which could reference to the Great Lake Region in NA. Secondly, constructing the modern infrastructure network, for example, the port area railway is combined with the internal railway, and equipped with a complete set of freight vehicles. Thirdly, develop a market-oriented operating system, should develop national cooperation supports the development of railway transportation in various aspects such as investment and construction, market opening and price subsidies. Finally, government should find corporation with other countries and research comprehensive policy support.

In 2017, the investment of port infrastructure is mainly in expanding port, and this investment is focusing on Mid-east and NA. In addition, port operators are find the corporation with shipping company, such as Singapore was finding the corporation with CMA CGM and COSCO to expanding its port construction. HPH is investing widely for a worldwide port network. On the other hand, APMT is through outing some service to focusing on the original ports and rise the efficiency. COSCO shipping ports and CMPorts are under the B&R, is shareholding some mature ports in EU and Asia.

In general, the investment from the port operators are seeking diversified portfolios, extending to inland services and promoting terminal cooperation and joint ventures. Reference to COSCO strategies, under B&R initiative, investors need to increase the shares of long term assets of ports, and invest the mature ports, finally completing the port pattern in European region. For the B&R initiative, government should focus on port acquisitions in Latin America and Africa, which could help the further development of B&R initiative. The acquisitions should subject to the business demand and complete gradually by main shipping routes.

For investing, the container ports and LNG ports are the main trend. In recent years, port intelligent technology has developed rapidly, the investment could focusing on the automation tech and port machinery remote monitoring and diagnosis system.

3.2.2 Investment Patterns

The pattern of domestic companies participating in overseas port projects has a major impact on the success of the project. The pattern is affected by many factors, the enterprise's own ability is the fundamental, the project selection is the foundation, The legal system and market environment in the country where the project is located are key point.

Zhang Lei believes that China's implementation of the global port expansion strategy, domestic port and shipping companies attach importance to port investment in the underdeveloped African market and the surrounding Asian market, and proposed four modes of joint venture cooperation, mergers and acquisitions, BOT and franchise rights.

The first pattern is joint venture cooperation. The port project is large in scale, complex in technology and fierce in market competition. It is difficult for a single contractor to contract a port project alone. The establishment of a joint venture to participate in international projects is a relatively common market entry mode for the entire international engineering industry, and it is also the main factor for Chinese enterprises to participate in overseas port projects. mode. The core of the joint venture new model is that the partners share the advantages of their respective resources, technologies and information to achieve mutual benefit and win-win results. Under this model, foreign-funded enterprises and enterprises in the country where the project is located jointly funded the establishment of new enterprises. The parties to the cooperation jointly manage and jointly manage the projects within the framework of this enterprise, and at the same time share the profits and losses and share risks. Due to the international engineering nature of overseas port projects, this model is reflected in other models. The premise of the joint venture is that the two sides can complement each other and play a synergistic effect. First, enterprises can enjoy the preferential policies of local enterprises and obtain the protection of relevant laws of the countries where the projects are located. Second, through long-term existence of joint ventures, they will maintain long-term cooperation with each other to enhance the qualifications, capabilities and management of the parties in the country. Understand, lay the foundation for deepening the country's market; Third, avoid market bastions, reduce policy barriers, simplify tendering procedures, and share project risks.

In September 2016, COSCO SHIPP Port and Abu Dhabi Port Authority signed a concession agreement on the second phase of the Port of Khalifa Container Terminal, which obtained 35 years of construction, operation and management rights. According to the agreement, the two parties will invest in the establishment of a joint venture company for joint operation, which will all undertake the concession obtained by COSCO Shipping. The company's COSCO Shipping is the actual controller, accounting for 90% of the shares. The Abu Dhabi Port Authority, a public joint-stock company incorporated by the Abu Dhabi government, accounts for 10%. This project is a typical joint venture model. The two parties are foreign-funded enterprises and port operators. However, the main body of the project in the joint venture new model is diversified, and it can be the project owner or the local engineering enterprise.

The second pattern is mergers and acquisitions. The merger and acquisition pattern is the development direction of Chinese enterprises participating in overseas port projects. First, because many foreign terminals use franchise rights to operate, such management rights are usually attributed to a certain company, and mergers and acquisitions can avoid the transfer of franchise rights. The complicated procedures and related expenses required; the second is because this model is applicable to ports that have been perfected in the operation system or that the existing conditions cannot meet the needs, and the ports that need external financial technical support are in line with the advantages of Chinese enterprises. In September 2015, COSCO Pacific joined hands with China Merchants International and CIC Overseas to establish a Luxembourg company as an acquisition entity through its respective overseas companies, and acquired a 65% stake in Turkey's Compute Marina for US$900 million. Compute Terminal is located in the Ambali Port Area of Istanbul. It is the third largest terminal in Turkey. The compound annual growth rate of container volume has remained at around 30% in the past five years, and its operation is in good condition. The Luxembourg company's full name is Euro-AsiaOceangate S. àr.l., referred to as SPV. COSCO Pacific, China Merchants International and CIC Overseas hold 40%, 40% and 20% respectively. Fina Liman is an investment holding company registered in the territory and a subsidiary of Fina Holding A.S, which owns 98.654% of the shares of Kumprot Terminal and is the actual owner of the terminal. SPV purchased 64.522% of FinaLiman's shares through Fina Holding A.S, and purchased 1.346% of Kumport's shares through minority shareholders. SPV's total share ratio to Kumport Terminal reached 65%. This is a typical case of port acquisition. Chinese-funded enterprises realized the actual control of the terminal by acquiring part of the shares of the port enterprise.

Mergers and acquisitions are not only the main mode of participating in overseas port projects, but also the mainstream form of global foreign direct investment. More than 70% of the current global cross-border investment is conducted by way of acquisition. Compared with other models, mergers and acquisitions is one of the most pursuit of "speed" mode. Under the background of scarce port resources and increasing investment costs and risks, foreign-funded enterprises hope to obtain the mature resources and management system of the target port through mergers and acquisitions, immediately form production capacity, realize investment recovery, and quickly open the market of the project country. . Compared with long-term construction and operation, mergers and acquisitions will place more risk on the project front. Construction and operation require long-term high-level management investment, and the risk period is longer. However, transnational mergers and acquisitions of ports require enterprises to have strong integration capabilities, and enterprises need to have in-depth understanding of the laws, humanities and other aspects of the country where the project is located. The risk of integration is high and the operation and control is difficult.

The third pattern is BOT（Build-operate-transfer）. Governments in developing countries usually encourage foreign-invested enterprises to participate in port projects in a BOT model, and to play a financing role for enterprises to solve the problem of government funding shortage. This pair of companies is undoubtedly a double-edged sword. On the one hand, the project adopts the BOT model, which is conducive to giving full play to the capital advantage of the enterprise and rapidly opening up the market in which the project is located. At the same time, with the help of the government, companies can gain certain policy advantages and use these advantages to reduce risks, reduce costs and gain more. On the other hand, while the government assigns the identity of the financing entity to the enterprise, it also transfers the risks existing in the construction and operation of the project such as exchange rate risk, market risk and technology risk to the enterprise. Therefore, the BOT model is a higher risk mode.

The representative project of the BOT model is the Sri Lanka Colombo Nangang project, which was invested by China Merchants International in 2011. The project is operated and managed by CICT, which was jointly funded by China Merchants International and the Port Authority of Sri Lanka. The two parties accounted for 85% and 15% respectively. China Merchants also obtained the concession of the Colombo South Container Terminal for 35 years. The project has two phases of projects, which were completed and put into operation ahead of schedule in 2014, which led to a 14% increase in throughput in Colombo Port, which ranked first in the world's 30 largest container terminals. In 2015, CICT achieved a 7% increase in throughput, and in 2016 it exceeded 2 million TEUs, directly driving the entire port of Colombo to increase by 11%1. Agence France-Presse reported that Sri Lanka's ability to jump from a regional shipping center to an internationally renowned shipping hub is largely due to the completion of the Colombo Port.

The last pattern is franchise rights. It is generally considered that franchising refers to the business model in which the franchisees engage in business activities in the form of a contract that allows the franchisee to use its name, trademark, know-how, products and operational management experience for a fee. In 2008, Greece underwent a privatization process under the severe impact of the economic crisis, and infrastructure franchising was part of it. COSCO Pacific successfully won the 35-year franchise for the Piraeus Port 2 and Container Terminal 3 for 831 million euros. The franchise rights apply to mature ports with a high degree of development. The most notable feature is that the franchisee can use the franchisor's registered trademarks, corporate logos, patents, proprietary technologies and other existing operating resources. Although attached to a series of additional conditions, COSCO Shipping still has the right to operate independently of Piraeus Port, which enables COSCO to proceed from the company's own development strategy and rely on the existing resources of Piraeus Port to lay out the future development direction. However, in the short period of more than 30 years, it is still unclear whether Piraeus Port can exert its expected effect and realize the expected income. The investment of COSCO Shipping has a greater risk.

3.2.3 Features of investment pattern selection

As far as port construction capacity is concerned, many of China's enterprises have already achieved world-leading technological level and have been able to achieve the full-scale port project and the output of the entire industry chain. China's port engineering standards have also gone global and are widely recognized. However, this is only the beginning of China's participation in overseas port projects. Taking port projects as a breakthrough, developing port-based industries and driving the port-related industries is a major feature of Chinese companies' current choice of participation models.

The merger and acquisition, BOT and franchise model enables enterprises to have a certain proportion of operating rights and even ownership of the project port. This is the common feature of the above three models, and it is also a major feature of the current stage of Chinese companies participating in overseas port projects. Among the above 36 projects, the number of projects in which Chinese enterprises hold more than 50% or have multi-year leases has reached 14. In addition, Kuantan Port, Sihanoukville Port, Djibouti Port, Lishui Port, Gwadar Port, Colombo Port, and Hanban The eight port projects at Port of Tota and Abu Dhabi have a clear development plan for the port industrial park. This means that on the basis of port construction, Chinese enterprises have basically realized the transition from a single project construction to an operation holding, and are currently extending from the port to port-related industry. The development of port-related industry is not only conducive to extending the enterprise value chain, expanding the local market, but also attracting domestic and foreign enterprises to invest in local industries, forming a counter-feeding of ports, increasing port throughput and increasing port revenue. In the long run, a complete port industry can also drive other industries in China to enter the market of the country where the project is located, and strengthen economic and trade relations between the two countries.

3.3 Some other feasibility strategy

Compared with western developed countries, China's enterprises construction and operation of port projects on a global scale started late, and all aspects have perfect space. Combined with the above research on risk challenges, this section proposes the following two points.

3.3.1 Construct a scientific risk warning and management mechanism

At the beginning of overseas investment, Chinese companies need a sound and sound risk assessment system to scientifically estimate the risk level of the country where the project is located, and make early warnings. This is to ensure that Chinese enterprises can safely participate in port projects along Haisi. Or the first barrier. Although Western developed countries have been able to make risk estimates for most countries, the PRS Group will publish risk data for more than 140 countries around the world every year, but each project has its own special features. China's political and economic legal system also Western countries have large differences. The externally provided risk data can only be used as a reference, but not directly as a basis for decision-making. Chinese enterprises should first establish a professional risk management team to accurately and comprehensively analyze the specific conditions of different markets, including population structure. Factors such as consumption level, employment status, income distribution, market capacity, folk customs, etc., combined with specific project characteristics to make risk warning.

3.3.2 Improve the localized management level of enterprises

Localized management is an effective solution to overcome the difficulties of overseas port projects. It refers to enterprises that use local resources to adjust and construct projects according to local conditions, so that the project management is more standardized and the project can High quality completion, in order to achieve the effect of consolidating the position of the contractor in the local market (Wei 2016). On the one hand, companies can break through market barriers, simplify the approval process, and enjoy the preferential policies of local enterprises through cooperation with local enterprises, so that they can quickly take root in the country's market relying on port projects (Christopher 1999); on the other hand, make full use of local labor resources, from local Purchasing engineering materials, driving local employment and economic development, making more friends, winning more trust, establishing a brand, and achieving mutual benefit and win-win results in the countries where the enterprises and projects are located, so as to reduce economic risks and legal risks.

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