



National Think Tank 2017 (5)



A Series of OBOR by Silk Road Academy

Ports and Port Cities in Building of the Belt and Road

I Zheng Bingwen, Li Wen, Liu Mingze



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Zheng Bingwen, Li Wen, Liu Mingze
Translated by Liu Boyu, Wu Xiaona

图书在版编目 (CIP) 数据

“一带一路”建设中的港口与港口城市 = Ports and Port Cities in Building of the Belt and Road : 英文 / 郑秉文, 李文, 刘铭贻著. —北京: 中国社会科学出版社, 2017.5

(国家智库报告)

ISBN 978 - 7 - 5203 - 0387 - 3

I. ①—… II. ①郑… ②李… ③刘… III. ①港口经济—经济发展—研究—中国—英文 IV. ①F552.3

中国版本图书馆 CIP 数据核字 (2017) 第 086571 号

出版人 赵剑英
责任编辑 喻苗
责任校对 韩天炜
责任印制 李寡寡

出 版 中国社会科学出版社
社 址 北京鼓楼西大街甲 158 号
邮 编 100720
网 址 <http://www.csspw.cn>
发 行 部 010 - 84083685
门 市 部 010 - 84029450
经 销 新华书店及其他书店

印刷装订 北京君升印刷有限公司
版 次 2017 年 5 月第 1 版
印 次 2017 年 5 月第 1 次印刷

开 本 710 × 1000 1/16
印 张 10
字 数 125 千字
定 价 59.00 元

凡购买中国社会科学出版社图书, 如有质量问题请与本社营销中心联系调换

电话: 010 - 84083683

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Preface

From both what happened in the United States and Europe and what the political economy perspective of the world would expect, anyone may predict a weakening trend of the economic globalization in at least the near future. That is, the predictable politics and economic policies in the western countries, which have been the major drivers of the previous wave of globalization, tend to drive down the economic globalization, alongside nationalism and populism dominate the policy-making of international trade and investment flows in a quite few countries.

That trend does not necessarily mean a catastrophe for China's economic growth, though it has benefited from the previous economic globalization. China will accomplish its goals of building a moderately prosperous society in all respects in 2020 and realizing its great rejuvenation in 2050, no matter what happens to the globalization. China, however, does hope that there will be a sound environment of international trade, capital flows, mobility of the talented, and other factors that economic globalization can bring in.

As the beneficiary of the globalization, the second largest economy, a country trading the largest volume of commodities internationally, and other number ones, China is indeed willing to initiate and lead the potentially next wave of economic globalization. In addition, China is also obligated to seek a change in global system of governance on behave of its own, other developing countries, and other emerging markets. All those can help developing countries in general and emerging markets in particular to gain bigger say in global governance and bigger share of globalization dividends.

The Silk Road Economic Belt and 21st Century Maritime Silk Road Initiative proposed by Chinese President Xi Jinping, taking ancient land and maritime silk road as a symbol, aims to develop economic collaboration relationships and partnerships with countries along the belt and road, build a community with political mutual trust, economic integration and cultural inclusion. This initiative covers the core of economic globalization, seeks to construct new global governance framework, and is expected to become the tipping point of next wave of economic globalization. It aims to link the Chinese domestic development to the world development, to push forward the collaboration

of real economy and production capacity among countries, and to extend domestic pattern of transferring manufacturing from coastal to inland regions to international “flying geese paradigm”.

Before the global system of governance fully changes to more represent interests of developing countries, the Belt and Road Initiative and its corresponding institutional arrangements, such as Asian Infrastructure Investment Bank can supplement the defects of the existing system. On the other hand, one should not forget that the Belt and Road Initiative’s original purpose, that is, serving to fill the worldwide financial gap in constructing infrastructure.

Since the Belt and Road Initiative was proposed in 2013, over 100 countries and international organizations have responded positively, and 40 of them have signed cooperative agreements with China. Chinese enterprises’ investments in countries along the belt and road amount to more than 50 billion US dollars, which serves to facilitate a host of major projects, boom economic development and expand employment in host countries. As President Xi put it, while the Belt and Road Initiative comes from China, it benefits the world.

In front of readers is a series of books, on the theme of the Belt and Road Initiative and its practices in various localities. Those books include (1) A Field Investigation Report on the 21st Century Maritime Silk Road; (2) The Alignment of the Silk Road Economic Belt and the Bright Road of Kazakhstan: Problems and Perspective; (3) The International Risk and Cooperative Space Expansion of the Belt and Road Initiative—the Example of Sri Lanka; (4) Port and Port Cities in Building of the Belt and Road; (5) Study on “21st Century Maritime Silk Road” Docking with “Global Maritime Fulcrum”: Research Report about Fujian Province of China and Indonesia; (6) Expanding the Belt and Road : A New Perspective on China—Latin America Integrated Cooperation; (7) The Construction and Development of Asia and Africa Economic Circle under the Belt and Road Perspective; (8) The Development in the Four Economic Corridors of Indian Ocean under the Chinese Belt and Road Perspective. I hope readers, both theorists and practitioners, will find them helpful.

Cai Fang

Vice President of the Chinese Academy of Social Science
Beijing, May 4, 2017

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Chapter I

Introduction: The Status and Roles of Ports and Port Cities in the Belt and Road Initiative

The port is part of the infrastructure, but its strategic significance exceeds the other infrastructure. With the deepening of economic globalization, ports and port cities are becoming increasingly important. The Belt and Road Initiative provides institutional innovation opportunities for the development of ports and port cities, while the development of ports and port cities guarantees the technical innovation for the Belt and Road Initiative.

1. Ports and Port Cities

Port is the hub of land and water transportation and logistics, playing a special role in economic life. It has always been called the national “portal”, “window”, and traffic “hub”.

The port has a strong stimulating effect on the development of the city and the regional economy. According to the relevant information, among the world's 35 international cities, 31 have been developed into international cities because it has a port, and the top 10 cities are almost all port cities. Data show that 50% of global wealth is concentrated in the coastal port cities.

Facilities connectivity is an important condition for urban development. As an important economic facility in the city where it

locates, the port is the important material condition and necessary foundation for the operation of the urban economic system. And it is involved in and penetrates into various fields of economic activity, creating a more favorable environment for the development of the whole city's economy. The more energy the port economy gathers and the more frequently it flows, the more it needs to carry out a unified coordination and planning of the resource elements in the port city.

The port booms the social development of the city in which it is located. On the one hand, due to the fact that the city where the port is located has geographical advantages, developed traffic, economic prosperity, population concentration, smooth information flow, and complete public facilities, it can help realize effective control and management of the region; on the other hand, the port is the leader of the development of productive forces.

In general, every ten thousand tons of throughput capacity is increased in the port, it will be able to increase the local GDP by 2 million Yuan, creating about 12 job opportunities. With the strengthening of the leading role of science and technology, education and culture in economic competition, port city has become increasingly prominent as the center of cultural exchange and science and technology education.

The port is a highly concentrated area of economic energy, and such energy has a strong attraction and radiation to the direction, speed, structure, and size of economic development in the surrounding areas, especially in the hinterland. The port relies on and pushes forward the development of its direct and indirect hinterland. Being an open social entity, the port influences a larger area than the administrative division of the port city. The development of port cities requires the support and contact of the market and economic elements in the direct and indirect hinterland, while the direct and indirect hinterland also need port city to support its development. If the direct and indirect hinterland wants to develop market economy, they must allocate resources by making full use of the traffic and market functions of the port city, so as to ensure the smooth progress of social reproduction. When the port city is providing channel of resource allocations for the economic development of its hinterland, it also realizes functional diffusion and economic radiation to its direct and indirect hinterland, thus promotes the overall development

of regional economy.

As the space carrier of resource allocation, the port plays an important role in optimizing and integrating the domestic and foreign resources, and domestic and international markets. The port can create impact on the economic operation and development of the countries and regions involved through various channels. Port cities can use its role as the cross-regional trade center to link up production, circulation, and consumption involving the whole country in a flexible and diverse way, reduce the intermediate links, so as to achieve the virtuous cycle of reproduction and industrial structure optimization.

With the rapid development of economic globalization and regional economic integration, the functions and roles of ports and port cities are also expanding. It plays an increasingly important role especially in the allocation of resources and material circulation. An important sign of economic globalization is the rapid growth of international trade, while 90% of international trade is completed through maritime transport.

In the world shipping history, the rise and fall of cities are closely related to the displacement of the international economic center and trade center. The rise of many cities with developed industries and booming economy are almost related to the building of large port around; many port cities realize sustained high-speed growth in a short period of time, and become famous economic and trade center rapidly lies in the growth-point effect. Today, among the 35 international metropolis including New York, Tokyo, Rotterdam and Amsterdam, 31 are prosperous owing to the formation of unique urban function and strong radiation as a port. In the history of China, the rise of many cities was also associated with the rise and development of the port, such as Hong Kong, Shanghai, Ningbo, Shenzhen, and Rizhao. These cities developed rapidly as driven by the ports. However, the port cities such as Quanzhou and Yangzhou which were prominent in Song and Yuan Dynasties gradually declined as the ports declined.

There is always a worldwide shipping center in a historical period that plays an active and important role in international shipping. The international shipping center is not fixed, but drifted. At the beginning of the twentieth century, US Secretary of State John Hay said: "The Mediterranean is the ocean of the past, the Atlantic is the ocean of the

present, and the Pacific is the ocean of the future.” From the end of the 19th century to the 1970s, the drift of the international shipping center went through three stages: London, New York and Tokyo. Since the 1980s, with the rapid rise of the economy in the Asia-Pacific region (mainly in the East Asia region, i.e. the Pacific Rim region of Asia), as Tokyo was gradually forming and turning into an international center, a series of cities of economic center and important international ports emerged, including Hong Kong, Singapore, Osaka, Kaohsiung and Busan.

After World War II, with the deepening of economic globalization, the world's economy center is moving constantly to the coastal area. More than half of the world's total economy is concentrated in the coastal area within 300 kilometers from the sea. It is true to the developed economies such as the United States, Japan and Europe. After China's reform and opening up, the coastal areas develop particularly fast, which has its own internal laws and is the inevitable result of open development.

2. Institutional Innovation and Technological Progress

The progress of globalization has brought more and more countries and regions into rapid development. The development of globalization has two important motivations: one is from the system. That is, through continuous liberalization and facilitation, gradually reduce various institutional barriers to the commodity and capital flows until they are eliminated. The other is from technical aspect. That is, technological progress greatly promotes the industrial restructuring and economic growth. In an open environment, the port city is full of the vitality of scientific and technological innovation, which can lead the development of new industries, break the pattern of the original industry, and drive the new economic growth.

Before World War II, Asian countries were incorporated into the world capitalist market system, which, to some extent, was owing to the institutional innovation of capitalism. After the Western powers forced the Asian countries to open their markets to the outside world

and the “rational adjustment” of the Western capitalist market economy system which was dominated by the West at the time, some countries and regions had developed earlier as they were incorporated into the international division of labor system too early. While, those marginal countries that were far from the world capitalist center were lagging behind or stagnating because they were not or were rarely integrated into the world capitalist market economy. In the middle of the 19th century, with the emergence of “cooperative” imperialism, the European powers and the United States forced the East Asian countries to sign port treaty with them, backed by force. In the wake of successive trade tides, the competition for new ports became more and more fierce, which laid the foundation for the so-called “Treaty Port System”, and formed a wide range of trade with large ports such as Hong Kong, Manila, Shanghai and Singapore. The emergence of “Treaty port system”, to a certain extent, initially connected East Asia into a modern economic system indeed. However, it also objectively widened the economic gap between the region close to the port area and that far from the port area in the countries of the system. For instance, before 1949, more than 70% of China’s industrial industry concentrated in the eastern coastal areas which occupied 12% of China’s territory, while there was almost no modern industry in the vast majority of the inland, especially the minority areas near the border.

After the Cold War, various regional cooperation mechanisms played an important role in the advancement of globalization. With regional cooperation as the platform, the EU, China-ASEAN Free Trade Area, and the regional comprehensive economic partnership (RCEP) launched by the ASEAN countries have played an important role in the world economic development.

Another driving force of globalization comes from technological progress. For ports and port cities, there are three most important technical elements: The first is the facilities, especially the port building; the second is the ocean transportation technology, especially the progress of container transport technology. Both can effectively reduce the cost of transport, making the relevant countries participate in the global division of labor, and give full play to their comparative advantages. Therefore, the development of maritime technology is a key force in promoting

globalization. The third is the progress of information technology, making the flow of information, especially the cost of cross-border flow greatly reduced.

3. The Belt and Road Initiative and Port Cities

The dominant system of the world today is mainly created and dominated by Western countries. Whether it is the treaty port system, WTO or TPP, all are system innovation under the guidance of Western capitalism, and its prominent feature is a certain degree of discrimination and exclusivity. The building of the Belt and Road Initiative is also to push forward the trade liberalization and facilitation by promoting open regional cooperation, but the Belt and Road Initiative is a socialist system innovation, which is characterized by openness and impartiality, which should be jointly built through consultation to meet the interests of all.

Through reform and opening up, China has taken the initiative into the process of globalization. In the process of reform and opening up, the port area has been in the forefront. In March 1980, the CPC Central Committee and the State Council decided to rename the four export zones of Shenzhen, Zhuhai, Shantou and Xiamen as special economic zones. On this basis, in 1984, Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo, Wenzhou, Fuzhou, Guangzhou, Zhanjiang, Beihai were approved by the State Council to be China's first batch of coastal cities opening to the outside world. Afterwards, many coastal port cities have joined the ranks. In the process of reform and opening up, these special economic zones and coastal open cities have not only achieved their own leap-style development, but also greatly promoted the overall development of the national economy. And the areas adjacent to these open urban areas are especially benefited.

With the deepening of opening up, China's economic development has made great achievements, rapidly rising to be the world's second largest economy and the largest exporter of goods trade. Since the outbreak of the global financial crisis in 2008, the economic recovery in Europe and the United States has been weak, and the growth rate of international trade has continued to slow down. China's economic

development has also entered the “new normal”, from high-speed growth into the stage of high and medium speed growth. Consequently, the pressure of economic growth has increased, and a new round of reform and opening up is imperative, which is mainly realized through the Belt and Road Initiative.

In the building of the Belt and Road Initiative, the importance of the ports and port cities are self-evident, as they are important components of the facility connectivity. The Belt and Road Initiative is a system design, and needs the material support for port building. Into the 21st century, the central region of global economic growth will increasingly shift to the countries along the Belt and Road Initiative, thus bring about the profound changes in the pattern of the world’s cities. The Belt and Road Initiative covers Central Asia, South Asia, West Asia, Southeast Asia and Central and Eastern Europe and other countries and regions, 65 countries along it. In the region there are mainly emerging economies and developing countries, with a total population of about 4.4 billion, and the total economic output of about 21 trillion US dollars, accounting for about 63% and 29% of the world respectively. Currently, it is one of the regions with the fastest growth of global trade and cross-border investment. With the building of the Belt and Road Initiative, the domain of port cities in the world has also changed. That is, the moving speed of the world’s shipping center from west to east will be further accelerated. This has provided a rare historical opportunity for the development of many port areas in China’s coastal areas, as well as new opportunities for regional development closely related to the ports.

The infrastructure connectivity is the priority area of building the Belt and Road Initiative and sea transportation is the most important link in the 21st-Century Maritime Silk Road. As the connectivity of land and sea and the center of maritime trade activities, the port is an important node of the Maritime Silk Road. With the gradual implementation of the Belt and Road Initiative, port cooperation is becoming an important way of communication between China and countries where the ports are located.

China is a country highly dependent on maritime trade, and the ocean is the key strategic channel in China’s socio-economic development, therefore, marine transport has an increasingly important position in

China's foreign trade. As the world's largest country in total shipping demand, container volume, and iron ore import, the second largest importer of crude oil, and the largest importer and exporter of manganese ore, copper and chrome ore, that China keeps connection with the countries along the Belt and Road Initiative is of great significance to ensure the economic and trade development and the transportation of strategic goods of import and export, and to prevent the impact of international changes on the foreign trade. Marine transport industry is an important part of China's participation in international division of labor and the formation of international competitive advantage. It is the lifeline to support China's participation in economic globalization and the development of foreign trade. In addition, the maritime system also has a very important value for national security, and it is an important mechanism to protect the national maritime security.

In building the Belt and Road Initiative, China attaches great importance to and strengthens cooperation in ports with the countries and regions along it. This is not only because China needs more secure and reliable ports to be the fulcrum of its maritime logistics chain owing to its increasingly prosperous commodity trade and increasingly intensive marine transport with countries and regions along the way. Moreover, it can enable China to have more non-military bases to provide security for China's maritime transport, so as to meet China's needs to ensure security of maritime trade and energy channel. The United States has a variety of military bases overseas, controlling the important channel of the strait. In building the Belt and Road Initiative, China is opening the sea channel. To ensure the safety of the sea channel, it is not suitable to choose military intervene under normal circumstances. By cooperating with port countries along the way to participate in overseas port projects is a new way for us to establish maritime safe trade corridors through non-traditional means.

Through the port cooperation it not only brings economic benefits to both sides, but also provides maritime access facilities for the foreign trade of countries and regions along the way. With the development of China's economy, many countries also see China as an opportunity for their own development and are willing to cooperate with China in port building.

In order to promote the implementation of the Belt and Road Initiative, and let the ancient Silk Road glow with new vitality, make the Asian, European and African countries communicate more closely, and make the mutually beneficial cooperation rise to a new historical height, in March 2015, under the authorization of the State Council, the National Development and Reform Commission, the Ministry of Foreign Affairs and the Ministry of Commerce jointly issued *the Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*, which clearly defined the key directions of the Maritime Silk Road in the 21st century is from the Chinese coastal ports across the South China Sea to the Indian Ocean, extending to Europe; from China's coastal ports across the South China Sea to the South Pacific. In the specific building, it emphasizes to take the key port as a node to jointly build a smooth and safe and efficient transport route, and explicitly mentions to focus on strengthening the building of 15 ports including Shanghai, Tianjin, Ningbo-Zhoushan, Guangzhou, Shenzhen, Zhanjiang, Shantou, Qingdao, Yantai, Fuzhou, Xiamen, Quanzhou, Haikou, and Sanya. According to the plan of building the Belt and Road Initiative, the 15 port cities such as Dalian, Qingdao, Tianjin, Shanghai, Ningbo-Zhoushan, Haikou and Sanya are defined as the strategic fulcrum, and these fulcrum cities are at the forefront of reform and opening up. Based on this, the development of these port cities will play an important role in the further deepening of the process of reform and opening up. Meanwhile, the building of the Belt and Road Initiative will enable the above port cities to usher in an unprecedented opportunity.

The 21st-Century Maritime Silk Road actually includes two roads: First, China's coastal ports is across the South China Sea to the Indian Ocean, extending to Europe and Africa. Second, China's coastal ports are across the South China Sea to the South Pacific, extending to Oceania and Latin America. No matter which transport route it is, it is inseparable from the support of modern ports and the requirement of modern ports for modern cities. To build a smooth, safe and efficient transport route, the key is to establish an efficient and convenient port network or port group. Based on this, China's coastal port city area has been assigned particularly important significance and mission in promoting the process of the Belt and Road Initiative.

The building of the Belt and Road Initiative has created the best institutional advantages for the development of ports and port cities. According to the researches by the Minsheng Securities Research Institute, at present, based on the statistics of investment projects in various parts, the amount of investment in the port water projects will reach 176.592 billion Yuan, which accounts for 16.95% of the total investment in the Belt and Road Initiative, ranking second only to the investment in railway construction. According to the current economic scale, if the proportion of China's trade in the global trade rises by 1%, it will bring a trade increment of nearly 3 trillion to port economy, and the 15 strategic fulcrum cities are expected to benefit first. Due to the significant differences in the radiation areas of these ports, and fierce competition, the single port can only stand out in the strategy of the Belt and Road Initiative as long as it finds out its positioning and comparative advantages in its own port groups. Meanwhile, the 15 strategic fulcrum port cities are located among China's three major port groups which are Bohai Bay port group, the Yangtze River Delta port group and the Pearl River Delta port group. They are also the backbone of the three port groups. Although in the vision planning of the Belt and Road Initiative, these 15 port cities are defined to be maritime strategic fulcrums, they do not work in isolation, but rather form a strong and competitive port group with other ports in the region to promote the development of the Maritime Silk Road in the 21st century, which means that they should strengthen cooperation in the competition and achieve coordinated development by mutual dependence on each other. The port cities should combine with the geographical advantages of the region and port group it locates, integrating the building of the Belt and Road Initiative, so as to achieve precise positioning, and scientific and rational planning.

4. The Positioning of the Three Port Groups

The Central Bohai Bay Port Group takes Dalian, Tianjin, and Qingdao as the core, supplemented by Yantai. The cargo throughput capacity of the port group reached 1.954 billion tons in 2013. The corresponding hinterland economic scale (GDP) was 14.478 trillion