

What Caused IMF's Forecast Errors? Analysis from Political Economy Perspective



- Systematic Optimization of China's Manufacturing Industrial Structure
- China's Seaport Diplomacy: Theories and Practice
- Analysis of FTA's Potential Economic Effects on China
- The Impact of Education Input on Labor Migration and Inequality in China

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China's Seaport Diplomacy: Theories and Practice*

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Abstract: China has developed a new chain of commercial seaports along the Maritime Silk Road. These ports are unlike those used by overseas military bases of the United States. While the former focuses on the economic development of China and other involved countries through investment, trade, infrastructure construction and international shipping center development, the latter is at the service of the U.S. security strategy underpinned by goals to strengthen alliances, fight terrorism, expand influence and support proxies. China has gained extensive experience from its seaport reform. Opening-up programs like the “Shekou model” promote business opportunities in addition to the essential services, and define the port area as the “frontier”, the industrial park as the “middle ground”, and the port city as the “backyard”. Based on such experience, China is ready to contribute to the development, peace and stability of emerging countries along the Maritime Silk Road and explore seaport diplomacy with Chinese resilience, diligence and foresight. China's seaport diplomacy is market-oriented and involves companies as key players. It is also supported by government coordination. Seaport diplomacy has increased connectivity and interdependence between countries and regions along the Maritime Silk Road, and helps avoid the “zero-sum game” and the “core-peripheral” asymmetrical relationship of dependence. China's participation in the development of seaports along the Maritime Silk Road has facilitated the industrialization process of the countries involved and benefited local communities. This approach stands in sharp contrast to the maritime militarization and democratization pursued by some Western countries. Nevertheless, China's participation in the development of seaports along the Maritime Silk Road also faces economic, legal, political, and security risks. Thus, caution should be given to the tendency to politicize China's seaport development.

Keywords: seaport diplomacy, the Belt and Road Initiative, the Maritime Silk Road, seaport politics, Chinese diplomacy

JEL Classification Codes: F15; F41; F55

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1. Introduction

With large land and maritime territories, China boasts advantages for international exchanges over land and sea. In the Tang Dynasty (618–907), Quanzhou City of Fujian Province was the largest seaport in the Orient, through which ancient China engaged in trade with the Western world. Since 2010, China

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has become the second largest economy in the world and a major trading nation. It also transformed from a net capital importer to a net capital exporter with growing industrial prowess. Projects like new and improved seaports, highways, bridges, nuclear power plants, high-speed trains and the BeiDou Navigation Satellite System have become important carriers for the expansion of China's overseas interests and enriched China's diplomatic "toolbox" in the new era (Pan, 2017; Hu, 2015).

Participation in overseas port development is an important part of China's development into a strong maritime nation. In July 2013, the Politburo of the Communist Party of China (CPC) Central Committee held its eighth collective workshop on China's development as a maritime power. At the workshop, General Secretary Xi Jinping said that "turning China into a strong maritime nation is part of our socialist cause with Chinese characteristics". Maritime strength and seaport development have propelled China's Maritime Silk Road initiative into international prominence. By the end of 2016, China had invested in two thirds of the world's top 50 container seaports.¹ Chinese companies have taken part in overseas port operation projects in over 20 countries including Malaysia, Singapore, Brunei, Australia, Myanmar, Sri Lanka, Pakistan, United Arab Emirates, Kenya, Djibouti, Egypt, Israel, Turkey, Greece, Morocco, Algeria, Nigeria, Togo, Angola, Spain, Italy, the Netherlands and Belgium. As forerunners of Chinese seaport companies, China Merchants Seaport Holdings has made overseas investments worth more than 2 billion U.S. dollars. It has invested in 49 seaports in 19 countries and regions. COSCO Shipping Seaports Ltd. has invested in almost 30 seaports worldwide, including 11 seaports in the Belt and Road countries and regions.² In late September 2018, a train loaded with auto parts and paper products thundered out of a station in southwest China's Chongqing Municipality. It was the 356th freight train since the launch of the China-Singapore rail-sea transit route on the same day a year ago, which further connects 116 ports in 60 countries and regions.³

By supporting their seaport development, China strives to support the modernization and industrialization of developing countries and promote regional integration under the Maritime Silk Road initiative.⁴ China's business presence in the Maritime Silk Road countries through seaport development stands in sharp contrast with the military presence of some Western powers in the form of military bases, alliances and interventions. Seaports are key drivers of regional economic integration under the Belt and Road Initiative (Guan, 2015). The Maritime Silk Road is of great significance to the international transportation routes of energy and industrial goods, as well as strategic maritime passages.⁵ The Belt and Road Initiative (BRI) aims to increase connectivity among countries in Europe, Asia and Africa, in which seaports play a linchpin role. It represents a new wave of globalization spearheaded by developing countries.

Seaport development is an important part of China's BRI, through which China engages in regional governance and increases its overseas economic presence. However, it is sometimes demonized in the Western world as a "string of pearls" used to seek geopolitical interests. In a report titled "Energy Futures in Asia: Final Report," J.A. MacDonald and Hamilton Booz Allen coined the term "String of Pearls" listing the pearls as: (1) the Gwadar Seaport of Pakistan, (2) Chittagong Seaport of Bangladesh, (3) Hambantota Seaport of Sri Lanka, (4) a secret naval base in the Myanmar, and (5) Kra Canal of Thailand. The US Net Assessment, Office of the Secretary of Defense (OSD/NA, 2005) sponsored this report. It's also indicated that most of these programs are closely related to seaport development with China's participation along the Maritime Silk Road (Cao and Bi, 2016). In recent years, media reports

¹ "China's Grand Vision for Overseas Port Development," *Nanfengchuang Magazine*, 2017, Vol. 10, page 7-8.

² "Chinese capital behind overseas seaports," *International Finance News*, October 2, 2017.

³ "One year on, China-Singapore rail-sea route draws 'Belt' and 'Road' closer," September 26, 2018, <http://en.silkroad.news.cn/2018/0926/112462.shtml>.

⁴ The Ministry of Commerce of the People's Republic of China: "Three Ministries Release Visions and Actions for the Joint Development of the Silk Road Economic Belt and the 21st Century Maritime Silk Road," <http://www.mofcom.gov.cn/article/i/jyj/1/201504/20150400933572.shtml>.

⁵ "China Builds up Strategic Sea Lanes," *Washington Times*, January 17, 2005.

in Japan and India have also expressed concerns over the strategic intent of China's development of seaports along the Maritime Silk Road. They criticized the lack of transparency in China's seaport investment and increased debt burdens for local governments because of China's seaport development. Those countries, they argued, were forced to economically rely on China. This reliance was blamed on a new "core-peripheral" asymmetrical relationship of dependence with China. They contended that China's participation in Sri Lanka's infrastructure development resulted in the country's indebtedness to China of over 8 billion US dollars, forcing Sri Lanka to transfer the Hambantota Seaport to a Chinese company on a 99-year lease. A news story in the Japan Times stated that China practiced the so-called "creditor imperialism" in its overseas seaport development.⁶

The question facing China is how to dispel doubts from the Western world and the international community about China's creation of the so-called "string of pearls" and pursuit of "creditor imperialism" and its own version of the "Monroe doctrine"? How can China strike a delicate balance between its traditional defensive foreign policy principle and the need to actively protect its overseas interests and promote mutually beneficial development? Answering these questions is, without doubt, of great academic value and practical relevance.

2. Seaport Diplomacy with Chinese Characteristics: Implications and Paradigm

Seaport diplomacy with Chinese characteristics is rooted in the rich experience of Chinese companies in overseas port development. It is closely related to China's diplomatic decision-making mechanism, dominant state-owned seaport enterprises and industrial strength. With the deepening participation of Chinese companies in the development of seaports along the Maritime Silk Road, China's seaport diplomacy increasingly comes to light. Through infrastructure development of railways, roads, bridges and seaports, China is shaping its seaport diplomacy with the Maritime Silk Road countries through land and sea, connecting advanced economies with developing economies and integrating a security agenda with the development agenda.

China's seaport diplomacy hereby refers to the sum of concepts, mechanisms and policies for China to strategically connect with target countries, leverage each party's advantages in seaport development, and ensure that Chinese companies serve China's strategic diplomatic objectives in participating in overseas port development through government coordination, so as to satisfy corporate interests and the development needs of target countries. The paradigm of China's seaport diplomacy is fourfold: (1) government-enterprise coordination, (2) coordination between government ministries, (3) mutual support between central and local governments, and (4) win-win cooperation between China and target countries.

2.1 Government-Enterprise Relationship

On the one hand, seaport companies have become important entities for the implementation of China's cooperation with the Maritime Silk Road countries, and have enriched the "toolbox" of China's diplomacy in the new era. On the other hand, various Chinese ministries including the Ministry of Foreign Affairs have worked to create a favorable political and diplomatic environment for intergovernmental cooperation. They have become spokespersons for Chinese seaport enterprises in expanding overseas interests and participating in overseas port developments. The Ministry of Foreign Affairs has provided policy, financing and diplomatic assurances for China companies in their overseas operations, capital export and industrial relocations. Under government-enterprise coordination, seaport diplomacy represents mutual means and end products or deliverables of the government and enterprises.

⁶ Brahma Chellaney, "China's Creditor Imperialism," *Japan Times*, December 27, 2017.

China's seaport diplomacy has been accompanied by frequent government-enterprise coordination and changes in China's seaport management system. Over half a century after the founding of the People's Republic of China in 1949, all seaports in China were under the management of the department in charge of transportation under the State Council. This central-command system led to a lack of self-initiative of seaports and particularly local governments and enterprises. After the dawn of the 21st century, the highly centralized seaport management model started to change. China's central government devolved the power of seaport management to cities, and established a three-tier management system involving central and local governments and enterprises. This new management model increased seaport-industry interactions (Zhao et al., 2016). In January 2004, the Port Law of the People's Republic of China came into effect and was revised in 2015. The law provides legal assurance for the joint participation of governments and enterprises in seaport development. This represents the "going global" initiative of seaport enterprises and diplomacy through seaport development.

2.2 Relationship of Government Ministries

Under the Belt and Road framework, various ministries of China's central government have specific tasks and coordinate with each other in assisting Chinese companies in developing overseas seaports. These ministries include the National Development and Reform Commission (NDRC), the Ministry of Foreign Affairs, the Ministry of Commerce and the Ministry of Transportation. After the dawn of the 21st century, the top-level design of China's seaport diplomacy has become increasingly sophisticated. The Outline of the 12th Five-Year Plan for National Economic and Social Development (2011-2015) enacted by the State Council in 2011 has made overall planning for the development of seaports and especially domestic seaports. The Outline calls for "modernizing coastal seaport clusters" and "deepening seaport coastline resource integration and optimizing seaport layout."⁷ In November 2012, then President Hu Jintao noted that "we should increase our strategic capabilities to maintain our maritime security, defend our national maritime sovereignty and maritime rights, and protect our developing maritime industry, maritime transportation and energy resource strategy" (Liang, 2011). In July 2013, President Xi Jinping remarked that:

"China is a large country in terms of its land mass and maritime territories and has broad maritime strategic interests... We should, based on the overall development of socialism with Chinese characteristics, coordinate domestic and international priorities, attach equal importance to land and maritime development, follow a path of cooperation for win-win results to build a prosperous and strong country through maritime development, and make solid progress in developing a strong maritime nation through peace, development and win-win cooperation."⁸

Although the Outline of the 13th Five-Year Plan for National Economic and Social Development (2016-2020) does not specifically address China's participation in overseas port development, it calls for advancing the Belt and Road development, and promoting comprehensive eastward and westward openness through land and sea. It also puts a premium on infrastructure connectivity and international corridor development for economic cooperation.⁹ Such documents enacted by China have become guidelines on seaport cooperation for various ministries.

The Ministry of Foreign Affairs, the Ministry of Transportation and the Ministry of Commerce coordinate with each other under the Belt and Road Initiative. In October 2014, the Deputy Director-General of the Department of International Cooperation of the Ministry of Transportation Ren Weimin

⁷ Xinhua.net: "Outline of the 12th Five-Year Plan for National Economic and Social Development (Full Text)" http://jiuban.moa.gov.cn/fwllm/jjps/201103/t20110317_1949003.htm.

⁸ Xi Jinping's message at the collective workshop of the Political Bureau of the CPC Central Committee: "We should enrich and strengthen our country by sea," *Overseas Edition of the People's Daily*, August 1, 2013, page 1.

⁹ Xinhua.net: Outline of the 13th Five-Year Plan for National Economic and Social Development, March 17, 2016, http://news.xinhuanet.com/politics/2016lh/2016-03/17/c_1118366322.htm.

remarked at the *Forum for International Cooperation of the 21st Century Maritime Silk Road & the Fourth International Forum on Port Chain Strategy* in Shenzhen that seaport investment, construction, operation and cooperation in the Belt and Road countries and regions represent an important direction for the future development of the 21st Century Maritime Silk Road. In addition to providing assistance for seaport construction in countries like Pakistan and Sri Lanka, China's seaport diplomacy also includes other methods of participation such as construction of overseas port projects and acquisition of seaport operation rights.¹⁰

The NDRC, the Ministry of Foreign Affairs and the Ministry of Commerce also take an active part in such coordination. In March 2015, they jointly released the Visions and Actions for the Joint Development of the Silk Road Economic Belt and the 21st Century Maritime Silk Road ("Visions and Actions"), which highlights the importance of seaports in developing the Maritime Silk Road. It states that

"a smooth, secure and efficient route of transportation should be built through central cities along international passages at land..., and key seaports at sea... We should promote seaport infrastructure development, land-maritime connected transportation and cooperative seaport development, increase sea routes and maritime transportation, and enhance information-based maritime logistical cooperation."¹¹

2.3 Relationship between Central and Local Governments

China is a large country in terms of its land mass and maritime territories. The level of economic development is uneven between its coastal regions in the east and interior provinces in the west. The Chinese government has worked hard to create favorable conditions of openness for provinces in the northwest, northeast and southwest. Participation in overseas port development is not only beneficial to target countries, but also creates opportunities for the economic development of China's interior provinces. In this sense, overseas port development is an example of how cross-border and cross-regional cooperation leads to win-win results for both sides. China's interior provinces respond to national development strategy and implement national plans through connectivity and economic integration with coastal regions both at home and abroad.

China's central and local governments share consistent interests when it comes to participation in overseas port development and supporting the economic development of interior provinces. In the interior regions, China's participation in the development of the Gwadar Port connects coastal countries in West Asia and South Asia with landlocked regions like China's Xinjiang Uygur Autonomous Region, Afghanistan and Central Asia. China's construction of the Kyaukpyu Port provides its Yunnan Province and Myanmar's interior regions with access to the Indian Ocean. This route greatly shortens the distance of transportation and increases connectivity. the Democratic People's Republic of Korea's leasing of the Rason Port to China provides Chinese firms from the northeast, Inner Mongolia and even Mongolia with access to the sea. In coastal regions, seaports have become important carriers for China's diplomacy in the new era. Creating "friendly ports" has become an important way for China's port cities to participate in the Maritime Silk Road initiative. In 2015, the Chinese government announced 15 priority seaports in China, including (from north to south): Dalian, Tianjin, Yantai, Qingdao, Shanghai, Ningbo, Fuzhou, Quanzhou, Xiamen, Shantou, Guangzhou, Shenzhen, Zhanjiang, Haikou and Sanya.¹² Many seaport companies including Shanghai Port, Qingdao Port, Shenzhen Port and Lianyungang Port have proactively engaged in cooperation in the form of friendly ports and joint operations. They have held

¹⁰ "China's companies take part in overseas port operation, gaining footholds under the Belt and Road Initiative," *Changjiang Daily*, January 14, 2016, page 12.

¹¹ The Ministry of Commerce of the People's Republic of China: "Three ministries release Visions and Actions for the Joint Development of the Silk Road Economic Belt and the 21st Century Maritime Silk Road," <http://www.mofcom.gov.cn/article/i/jyj/1/201504/20150400933572.shtml>.

¹² In addition, Hong Kong and Kaohsiung are also important Chinese seaports.

port forums and created port alliances, and become important participants in China's overseas seaport development and operation, thereby fulfilling "seaport diplomacy" objectives for all nations involved. For instance, Qingdao entered into friendly port relations with 16 overseas seaports, which is an exemplary example of its support for seaport diplomacy.

2.4 China's Relations with Target Countries

There are considerable differences between China and the Maritime Silk Road countries in terms of political systems, ideologies, cultural traditions, economic models and mid- and long-term development strategies. However, both China and target countries wish to build major infrastructures like seaports, increase employment, and develop coastal and inland regions for the betterment of people's life. Seaport diplomacy and Chinese companies' participation in the construction of seaports along the Maritime Silk Road are attempts to replicate the success of China's "Shekou Model" in the 1980s. This model features integrated development of the frontier seaport area, the middle ground industrial zone and the city as the "backyard". In terms of infrastructure environment, it aims to create world-class port facilities and smooth transportation and distribution channels between each port and the hinterland, develop industrial zones, logistical parks and free-trade zones, and construct commercial and residential facilities necessary for industrial development. In terms of institutional environment, customs clearance, settlement and payment, as well as logistical and training services are provided.¹³

As a participant in the development of Maritime Silk Road countries, China believes in the benefits of port development for the people. Infrastructure construction will promote local employment and socio-economic development, alleviate social contradictions, and maintain political stability.

3. Advantages and Influences of China's Seaport Diplomacy

The recent history of China's seaport development can be divided into two stages. In the first stage (1949-1999), China introduced advanced foreign technology to build its own seaports. In the second stage (2000-present), as Chinese seaport companies had gained knowledge and experience, they started to construct seaports in foreign countries, thus unveiling China's seaport diplomacy.

Since the beginning of the 21st century, China has been upgrading its seaport industry. With growing technology and capital, Chinese port enterprises started to participate in the seaport development of both developing and developed countries, exploring a new paradigm of seaport diplomacy.

China enjoys unique advantages in seaport diplomacy. First, China boasts superior seaport construction capabilities. China leads the world in terms of the shipbuilding industry. Since 2013, China has been the world's largest cargo trading country. It ranked the first in the world for 10 consecutive years in terms of port cargo throughput and container throughput. Among the world's top 20 seaports based on cargo throughput, 13 are from the Chinese mainland. Among the world's top 20 seaports based on container throughput, eight are from the Chinese mainland.¹⁴ In 2014, China's exports reached 2.35 trillion US dollars, 80% of which were transported by sea (Eran, 2016). Therefore, seaports are essential to China's maritime trade. By the end of 2016, there were 2,317 10,000-ton berths in China. The fourth phase of the Yangshan deep-water port in Shanghai, which is the most sophisticated automated terminal in the world, was put into operation by the end of 2017. China has successively put into operation a 400,000-ton mineral ore terminal at Qingdao Port, a 450,000-ton crude oil terminal at Zhoushan Terminal in Ningbo, the fourth phase of the Nansha container terminal at Guangzhou Port, and a water,

¹³ China.net: "China Merchants: Promote 'Shekou Model 4.0' in seaport development," http://news.china.com.cn/txt/2017-06/18/content_41049102.htm.

¹⁴ "Ranking of seaports in Chinese mainland by throughput: ten 300-million-ton ports explain China's position as the world's largest trading nation" http://www.guancha.cn/economy/2014_03_07_211721.shtml.

railway and road combined transport hub with 16 berths each handling 5,000 tons, representing a major advancement in logistics at the Guoyuan Port in Chongqing, to name a few.¹⁵ China has 34 100-million-ton ports. Considering the world's top 10 seaports by cargo throughput and container throughput, seven are from China.

China's superior capacity for port construction has become materialized into important productivity under the Maritime Silk Road initiative. It took centuries for the Port of Colombo in Sri Lanka to reach today's throughput. After China's participation in the construction of the Port of Colombo, its port throughput doubled in a short span of 30 months, giving it the potential to become one of the world's top city ports in the future. COSCO Group participated in the construction of the Port of Piraeus in Greece, which is of great importance to increase connectivity with countries in Central and Eastern Europe. This project facilitated the Greek port's development into a shipping hub, and increased investment and employment in this debt-ridden country thereby helping to alleviate its economic crisis with huge Chinese investment.¹⁶

Second, there are numerous natural unfrozen ports, deep-water ports and strategic depths at land along the Maritime Silk Road with great port development potentials. Since 2002, China has participated in over 20 overseas port projects, including three in 2013 and five in 2014.¹⁷ According to the Financial Times, China has invested in 20% of the world's top 50 ports in 2010. By 2015, China had invested in 67% of the world's top 50 ports.¹⁸ This shows that China's port construction and operation capabilities are increasingly recognized by other countries around the world. Most countries along the Belt and Road routes are emerging economies and developing countries, with a total population of about 4.4 billion and economic aggregate at about 21 trillion US dollars, accounting for 63% and 29% of world total, respectively.¹⁹ Most of such countries are economically less developed with good natural harbors and port development resources. For instance, infrastructure construction contributed to over 50% of the GDP for the African continent in recent years, but there was a shortage of capital of at least 93 billion US dollars each year. Attracting foreign capital to port infrastructure construction in the Silk Road countries is of great significance to their economic takeoff and social stability (Foster and Garmendia, 2010).

Participation in overseas commercial port development helps China expand its economic presence and paves the way for the implementation of the Belt and Road Initiative and the improvement of China's major-country status. Participation of Chinese enterprises in overseas port construction is highly consistent with China's diplomatic goal to "build an interconnected world".

Participation in port development along the Maritime Silk Road has also enriched the theory of China's seaport diplomacy, and formed interdependence between the government and enterprises, between the Ministry of Foreign Affairs and other ministries, between central and local governments and between China and the Maritime Belt and Road countries. Such interdependence is different from an antagonistic relationship of zero-sum game or the "winner takes all" model (Su, 2016). China participated in the construction of a new port in North Abaco of the Bahamas, the Port of Piraeus in Greece, the Port of Darwin in Australia, the Mombasa Port in Kenya, the Hambantota Port in Sri Lanka, the Gwadar Port in Pakistan and Chittagong Port in Bangladesh, which are all located at international shipping terminals and help improve infrastructure construction and people's welfare in these countries.

There are two strings along the Maritime Silk Road from Southeast Asia to the South Pacific

¹⁵ "Great Chinese ports: China has seven out of the world's top 10 seaports," *Xinhua Daily Telegraph*, June 20, 2017, page 5. See also "Guoyuan Port launches large-scale Logistics transportation," http://www.chinadaily.com.cn/regional/chongqing/liangjiang/2015-03/16/content_17586537.htm.

¹⁶ "The New Masters and Commanders: China's Growing Empire of Ports Abroad is Mainly about Trade, not Aggression," *The Economist*, <http://www.economist.com/news/international/21579039-chinas-growing-empire-ports-abroad-mainly-about-trade-not-aggression-new-masters>.

¹⁷ Jiang Yiji: "Behind the Belt and Road Initiative: China took part in the development of over 10 overseas port projects," *the Southern Metropolis Daily*, November 10, 2014.

¹⁸ "How China Rules the Waves," *Financial Times*, January 13, 2017.

¹⁹ Liu Jun: "Port opportunities under the Belt and Road Initiative," *China Water Transport*, January 19, 2015, page 7.

Ocean, the Indian Ocean, the Red Sea, the Mediterranean and the Atlantic Ocean. The first is a string of military bases deployed by the United States over security interests; and the second is a string of commercial seaports constructed and operated with China's participation that aim to promote economic interests and seek inclusive development. Over 10 Chinese enterprises have participated in construction and operation in more than 20 countries, including COSCO Shipping Ports, China Harbor Engineering Company Ltd. (CHEC), China Merchants Port Holdings Co., Ltd., China Communications Construction Co., Ltd. ("CCCC"), Chinese Overseas Port Holdings Ltd., China Road & Bridge Corporation (CRBC), Shandong Landbridge Group and Shanghai International Port (Group) Co., Ltd. They have become an important fulcrum in China's development of a blue ocean economic belt and promotion of infrastructure interconnectivity among the Maritime Silk Road countries. According to a report of Grisons Peak Investment Bank headquartered in London, from June 2016 to June 2017, Chinese companies announced nine overseas port acquisition or investment plans with a total value of relevant projects reaching 20.1 billion US dollars. This amount more than doubled the total value of 9.97 billion US dollars invested by Chinese companies in Chinese overseas port projects during the same period of the previous year.²⁰

After years of implementation, the "people's livelihood" and "connectivity" concepts in China's seaport diplomacy have become well-received by the Maritime Silk Road countries. The Port of Piraeus in Greece constructed by the COSCO Group is connected with the "China-Europe Land-Sea Express Line" spanning across Hungary, Serbia, Macedonia and Greece, which promotes coordinated development of the Balkan Peninsula and central and eastern continental Europe. The Mombasa Port constructed by China in Kenya is the largest port in East Africa. It is not only connected through railway with Nairobi to support development in Kenya's interior regions, but also serves as an important window of economic development for other countries in East Africa and other parts of Africa, such as Uganda, Rwanda, Burundi, South Sudan, DR Congo and the Republic of the Congo (Zeng et al., 2014). The Port of Djibouti constructed by China is linked with the Addis Ababa-Djibouti Railway, and provides previously landlocked Ethiopia with access to the sea. China's port construction projects in Tanzania and Nigeria are all linked with railway lines of host countries to achieve land-sea linkage and regional economic integration (Wang, 2015). China's seaport diplomacy gives priority to improving people's livelihood, which is far more appealing than the U.S. priority of protecting democracy.

As can be seen from China's practice of seaport diplomacy, China and the United States have different opinions on the root causes of conflict in developing countries. The United States believes that the root cause of regional conflict is the lack of democracy, i.e. the so-called "democracy deficit" (Elbadawi and Makdisi, 2010), and that the fundamental solution to regional conflict is to create a democratic political system based on the rule of law and improve human rights in regions of conflict. China considers the root cause of regional conflict to be economic and social problems, and that the fundamental solution to regional conflict is to promote economic and social development. The Chinese government believes that the U.S. solution to regional conflict only addresses the symptoms, while the Chinese solution aims to address the root cause, i.e. by promoting security through economic and social development (Sun, 2015). China's participation in the development of seaports along the Maritime Silk Road is an economic and investment activity, which is more conducive to the political stability and security of host countries.

China's seaport diplomacy in the new era is an economic diplomacy driven by integrated economic and diplomatic goals. Under this approach, diplomatic work is put at the service of international economic cooperation, and diplomatic goals are achieved through international economic cooperation. International and domestic agendas are coordinated, and synchronized progress is made on both fronts of market exploration—all of which promotes country-to-country diplomacy (SIRPA Thinktank, 2016). As

²⁰ "Chinese capital behind overseas seaports," *International Finance News*, October 2, 2017.

Chinese enterprises take an increasingly active part in the development of seaports along the Maritime Silk Road, China's seaport diplomacy will exert a far-reaching influence.

First, China's participation in seaport development along the Maritime Silk Road is conducive to China's economic openness. With the "going global" of Chinese companies, overseas port development has become an important means for China to participate in global economic and security management. According to the Suggestions of the CPC Central Committee on the Formulation of the 13th Five-Year Plan for National Economic and Social Development, seaports are an important part and strategic fulcrum of the Maritime Silk Road initiative and have played an important role in helping achieve the goals of the 13th Five-Year Plan, i.e. "to maintain a medium-high economic growth rate, accelerate industrial relocation and international industrial capacity cooperation, and coordinate domestic and international affairs." In the long run, seaport development along the Maritime Silk Road will play an active role in achieving China's westward openness and promoting industrial cooperation with countries in Southeast Asia, South Asia, West Asia and East Africa along the Mediterranean coast.

Second, China's participation in the seaport development along the Maritime Silk Road is conducive to "reglobalization" for China and relevant countries. Proposed by China, the Belt and Road Initiative breaks away from the "core-peripheral structure" and uneven globalization dominated by the Western world for centuries. It represents an effort of "reglobalization," which is spearheaded by developing countries and is an outcome of a new stage in world economic development. In 2013, China proposed the Belt and Road Initiative with ambitious visions for port development. The Belt and Road Initiative is a major economic development initiative proposed by China for the first time. It is a blue print to support China's emergence on a continuous basis and to improve seaport trading and shipping relationships throughout the world; thus, the Belt and Road Initiative will become a driver of "reglobalization" for developing countries in the 21st century (Zhao, 2016; Feng, 2015).

Third, China's participation in port development along the Maritime Silk Road helps promote political and social stability in the developing countries involved. Most countries along the Maritime Silk Road are developing countries. Despite rapid population growth, employment pressures, social frictions and political unrest, these countries enjoy huge development potential. Most Maritime Silk Road countries have one or two major ports. In addition to their well-developed ports, some countries like the Philippines, Malaysia, Indonesia and the UAE also have a number of ordinary ports in the region that are yet to be developed. From the South China Sea to the Indian Ocean and from the Red Sea to the Mediterranean, most seaports have limited logistical performance and potential not fully tapped. Examples include Myanmar and Cambodia in Southeast Asia, Bangladesh, Pakistan and Sri Lanka in South Asia, Yemen, Iran and Syria in West Asia; Papua New Guinea in the Oceania, and most African ports are even less efficient (Xie & Zhao, 2016). China's participation in port development in developing countries is guided by three beliefs that: (1) development is the fundamental solution to the primary social challenges facing developing countries, (2) people's livelihood is the key to national governance, and (3) port development is an engine of economic takeoff for landlocked regions. In January 2016, this approach was elaborated by Chinese President Xi Jinping at the Headquarters of the Africa Union in Cairo saying "the key to solving dilemma lies in accelerated development. The root cause of turmoil in the Middle East is the lack of development, and the solution also lies in development. Development concerns people's life and dignity."²¹

Lastly, China's participation in seaport development helps the international community safeguard the security of maritime energy transportation and passages. Trade routes along Southeast Asia, the South Pacific Ocean, the Indian Ocean, the Red Sea, the Mediterranean and the Atlantic Ocean are responsible for natural gas import; moreover, 42.6% of import and export commodities pass through these

²¹ "Seeking hope on the path of dialogue and development," *the People's Daily*, January 25, 2016, page 21.

routes, which form a key direction under the Belt and Road Initiative (Liu, 2014). The importance of infrastructure, particularly seaports, to the Belt and Road Initiative is comparable to blood vessels (Guan, 2015). In recent years, the security of international transportation routes has been seriously disrupted by pirates in the Gulf of Aden and by terrorist groups such as ISIS and Al-Qaeda. Their terrorist activities in Somalia, Yemen, the Sinai Peninsula and Southeast Asia, along with disruptions by separatists in Pakistan and Myanmar, domestic political turbulence in countries like Sri Lanka and Maldives, as well as domestic conflicts in Syria and Libya—all make international security at sea and in the ports a high-priority concern. China's participation in seaport development along the Maritime Silk Road is of great significance to maintaining the security of petroleum transportation and of trade routes in the Strait of Malacca, the Strait of Hormuz, the Strait of Bab al Mandab, the Turkish Straits, the Suez Canal and the Strait of Gibraltar. Chinese seaport development helps China provide public goods with security in the maritime sphere. China's overseas infrastructure construction, including seaports, railways and industrial zones, will help China export its standards and equipment and enhance its industrial strength. Meanwhile, seaports constructed by China will provide Chinese ships with supply and maintenance services, maintain maritime transportation security, increase protection of critical navigation routes, and compensate for the deficit of security public goods by the U.S., EU and Russia (Zhang, 2016).

4. Characteristics of China's Seaport Diplomacy

Overseas port development involves complex economics, governance, and political issues. China's rich experience in seaport development in the Maritime Silk Road countries can be summarized as follows:

4.1 Government-Enterprise Interaction

While Chinese companies like COSCO Shipping Ports, China Merchants Port Holdings, China Harbor Engineering Corp. (CHEC) and China Road & Bridge Corp. (CRBC) pursue commercial interests, the Chinese government provides protection and facilitation for their overseas operations. Visits to the Maritime Silk Road countries by Chinese leaders (including the President, Premier, NPC Standing Committee Chairman, Vice Premier, State Councilors and ministers) coincided with the dates of the execution and implementation of overseas port projects. The government-enterprise relationship is manifested in seaport diplomacy by the signing of seaport development agreements by Chinese leaders as important results of their visits. At important time points of overseas port tendering and implementation, the Chinese government often invited the presidents and prime ministers of target countries to China for multilateral meetings to create platforms for Chinese port companies to expand their overseas operations. In this regard, China's seaport diplomacy shares a great deal of similarity with its express train diplomacy.

In addition to mutual visits between heads of state and government, China has also issued preferential policies and financing options to encourage its seaport companies to expand overseas operations. In January 2017, the China Development Bank (CDB) provided the COSCO Group with a credit loan of 180 billion yuan to expand its international shipping business. Since 2010, COSCO Group, China Merchants Port Holdings and Chinese Overseas Port Holdings have made overseas investments worth more than 4 billion US dollars, and acquired shares of 21 ports out of the world's 50 biggest container ports. They also injected capital worth 40 billion US dollars into the domestic ports in China. As an executive with a foreign seaport company said that the Chinese are able to make longer plans, and sign agreements with some sensitive countries in Asia and Africa, whereas the Western private companies may not consider a future investment plan longer than 12 months. In particular, shareholders

²² "Chinese companies ramp up seaport investment," *Reference News*, April 10, 2017, Page 5.

and public opinion will not allow Western companies to invest in certain countries.²²

Participation of large Chinese state-owned seaport companies in overseas ports development is consistent with the goals of China's reform and opening-up. China's Maritime Silk Road initiative helps expand its economic presence through commercial port development, which enhances its great power status, improves global governance and builds a community of shared destiny for humankind. In this manner, China as a permanent member of the UN Security Council will be able to exert a unique influence in Southeast Asia, the South Pacific Ocean, the Indian Ocean, the Red Sea, the Mediterranean and the Atlantic Ocean (Sun, 2014). China's acquisition of a logistical support base at Djibouti was made possible by the China Merchants Port Holdings' participation in the development of the Port of Djibouti. Chinese investment in port Fernao Dias fostered the establishment of diplomatic relations among China, Sao Tome and Principe.

4.2 Coordination among Various Central Government Ministries

When Chinese President, Premier, NPC Standing Committee Chairman, CPPCC National Committee Chairman and members of the CPC Central Committee Politburo led delegations to visit the Maritime Silk Road countries and sign port cooperation agreements, they usually invited ministers from the NDRC, the Ministry of Foreign Affairs, the Ministry of Commerce and the Ministry of Transportation to go with them and jointly discuss major projects of the Maritime Silk Road initiative in countries like Malaysia, Brunei, Greece, Sri Lanka, Myanmar, Egypt and Belgium. Of course, these facts are primarily based on public media reports. It takes further research to unravel the internal coordination among the NDRC's Department of International Cooperation and various regional affairs departments of the Ministry of Foreign Affairs (including the Department of Asian Affairs, Department of West Asian and North African Affairs, Department of African Affairs, and Department of European Affairs) and the Department of International Cooperation of the Ministry of Transportation, as well as the internal coordination of the Steering Group for the Belt and Road Initiative.

4.3 Mutual Support between Central and Local Governments

China's participation in seaport development along the Maritime Silk Road reflects a close coordination between central and local governments. Under the Belt and Road Initiative, companies from coastal provinces like Shandong, Guangxi, Hebei and Zhejiang and Shanghai Municipality, such as the Shandong Landbridge Group, the Guangxi Beibu Gulf International Port Group, the Hebei Port Group, the Ningbo Zhoushan Port Group and the Shanghai International Port Group, all of which have actively expanded overseas business operations and facilitated the implementation of Maritime Silk Road infrastructure projects.

In participating in seaport development along the Maritime Silk Road, China also aims to develop and open up its interior provinces. Through overseas port development, China's interior regions may participate in regional economic integration under the central government's planning and support national diplomacy. In particular, China's southwestern, southern and northwestern regions will become key beneficiaries of the Belt and Road Initiative. Over the years, there have been controversies in the international relations academia regarding whether land power or sea power should enjoy priority. Most of academia do not want to see a union of land power with sea power, believing that only one should prevail. China's participation in seaport development along the Maritime Silk Road aims to integrate land power with sea power. It is intended to promote trade and interdependence between China and countries in Europe, Asia and Africa through land and sea based on mutual benefit. For instance, the Xin-He-Yan-Ri railway line connects Rizhao Port (in coastal Shandong Province) with Longhai Railway in China's western region, and exits China through Alataw pass of Xinjiang Uygur Autonomous Region, reaching Rotterdam in the Netherlands through Central and Western Asia. China's first heavy-load railway, the Central and South Shanxi Railway, also has direct access to port. Shugang Expressway with

port access connects with Rilan and Shenhai expressways. These four national highway trunk lines lead to all parts of China (Du, 2016), forming a transportation network of highways, railways and seaports.

Seaports are important platforms that connect coastal regions with interior provinces, enabling trade and promoting balanced regional economic development. Seaports in China strive for the status of regional hubs by expanding their coverage of the hinterland. Development of the shipping industry led to the prosperity of port cities as drivers of regional economic development (Hall et al., 2016). Through port development, the Association of Southeast Asian Nations (ASEAN) member countries increased connectivity with each other at land and at sea (Wang, 2007). The Bangladesh-China-India-Myanmar Economic Corridor proposed by China intends to integrate China with ASEAN and other Asian economies through port, railway and highway networks, and thereby achieve regional economic integration in Southeast Asia and South Asia. China's construction of the Kyaukpyu Port in Myanmar promotes the openness of its southwestern landlocked provinces. China, Myanmar, South Korea and India have jointly invested in a natural gas pipeline with access to Myanmar's southwestern shore. As its first terminal, the Kyaukpyu terminal is connected with China's Yunnan Province through a gas pipeline of 793 kilometers. This pipeline is another example of intertwined corporate and government interests (Wang, 2015). As part of its China-Pakistan Economic Corridor program, China's construction of the Gwadar Port has boosted economic development in its Xinjiang region and increased connectivity between its northwestern provinces and Pakistan, Afghanistan and Central Asian countries.

4.4 Win-Win Cooperation between China and Target Countries

China's cooperation with Maritime Silk Road countries on seaport development links each other's development strategies. Such cooperation aims to contribute to the development strategies of target countries, such as Egyptian President el-Sisi's Economic Revitalization Plan, Saudi Arabia's Vision 2030 and Turkey's Vision 2023.

As Chinese port companies operate in foreign countries, China's approach of putting a premium on people's livelihood has been accepted by more and more countries. In May 2016, Chinese Foreign Minister Wang Yi said at the opening ceremony of the *Seventh Ministerial Conference of China-Arab Cooperation Forum* that: "We should make railways and ports the symbols of China-Arab cooperation." China supports Chinese companies that participate in railway network construction in the Arab Peninsula and in North Africa and helps Chinese provinces and regions establish friendly ports with important port cities in the Arab world. China stands ready to work together with Arab countries to promote industry-harbor integration, and develop ports with superior regional conditions into integrated centers for economic development, trade cooperation and industrial production following the "port plus industrial zone" model.²³ For instance, Djibouti has a population of 900,000 but its unemployment is as much as 48%, with 42% of its population living below the poverty line. In recent years, China's seaport and airport investments in Djibouti amounted to 12 billion US dollars, which created jobs and economic growth conducive to social stability. Djibouti serves as an example for other medium and small-sized countries in Africa; thus, Djibouti is expected to become the "Singapore of East Africa" (Jeffrey, 2016).

5. Concluding Remarks

Traditionally an agrarian civilization, China had limitations in its national governance philosophy that attached more importance to agriculture than commerce and favored land security over maritime security. Since reform and opening-up in 1978, China has accelerated its transition from an internally-oriented economy to an externally-oriented economy that relies on maritime channels (Wang, 2009). At

²³ Wang Yi: "We should make railways and ports the symbols of China-Arab cooperation," Xinhua.net, May 13, 2016, http://news.xinhuanet.com/world/2016-05/13/c_128979169.htm.

the beginning of the 21st century, China started to give more primacy to the development of strategic maritime channels and a maritime power. Participation in seaport development along the Maritime Silk Road not only expands China's domestic infrastructure construction capacity but facilitates the technology upgrade of Chinese seaport companies as well.

China has gained extensive experience from overseas port development, but there is also room for improvement in the future. Through seaport development along the Maritime Silk Road, China's intention is to help rebuild infrastructure in war-torn countries and promote interconnectivity of maritime economies. In addition, China has also expanded its overseas investment markets through port infrastructure development in target countries. These port projects include the Port of Darwin in Australia, the Port of Akyab and the Kyaukpyu Port in Myanmar, the Sihanoukville Port in Cambodia, the Port of Dhaka in Bangladesh, the Hambantota Port and the Port of Colombo in Sri Lanka, the Mombasa Port (the largest port of Kenya and in East Africa) and the Port of Piraeus in Greece. However, many challenges have also emerged from these seaport projects and need to be addressed through diplomatic, economic and legal means. In particular, port construction involves a long cycle with significant investment and uncertainties. Port construction is also subject to the influence of the target countries' domestic politics and intervention from other countries. Chinese companies that participate in overseas port construction must prevent four types of risks: (1) economic risks, (2) legal risks, (3) political risks and (4) security risks (Sun, 2015). Economic risks refer to uncertain profitability of participation in seaport construction. Legal risks stem from possible legal restrictions of target countries in the process of port construction, operation and acquisition, including environmental, social and employment problems from port construction. Political risks refer to the impact of target countries' change of government and changes in domestic and international public opinion on port development. Security risks include both natural disasters and man-made risks like terrorism.

First, Chinese companies should take their own initiative to reduce risks and seek diplomatic support and inter-ministerial coordination. Participation of Chinese companies in seaport development along the Maritime Silk Road promotes border security and extension of national interest. China should incorporate seaport development along the Maritime Silk Road as a key component of China's foreign affairs strategy and increase coordination among the Ministry of Transportation, the Ministry of Commerce, the Ministry of Foreign Affairs and the NDRC by aligning corporate interests with national interests and supporting the development of seaport enterprises through diplomatic, political, legal and financial means (Sun, 2016).

Second, the government should continue to provide Chinese companies with reasonable guidance in their participation in the development of Maritime Silk Road seaports. In the new era, high-speed trains and port construction have become symbols of "made in China". Regarding high-speed trains, major Chinese SOEs include the China Railway Engineering Corporation (CRECG), the China Railway Construction Corporation (CRCC), China South Railway (CSR), and China CNR Corporation Limited (CNR). As for port construction, China COSCO Shipping Group, China Merchants Port Holdings, Shanghai International Port Group, China Harbor Engineering Company Ltd. (CHEC) and China Road & Bridge Corporation (CRBC), etc., are all important companies that participate in the construction of Silk Road ports. Among the top six port operators in the world (Hutchison Ports, China Merchants Port Holdings, PSA International, COSCO Shipping Ports, Dubai Ports World and Maersk), three are from China. This shows the growing importance and strength of China in seaport construction and operation. Development of Maritime Silk Road ports by the Chinese companies featured here is consistent with China's long-term diplomatic and political interests. But China should also avoid excessive investment and redundant construction to prevent risks.

Third, China should explore a mixed ownership model. China's participation in overseas port construction is vulnerable to ill-intended accusations like "neocolonialism" and "creditor imperialism", which are often played up by extreme nationalists and Western media. It is suggested that China invites

local companies and port companies from other countries to jointly construct and operate seaports. An example is the strategic cooperation between Chinese companies and Hutchison Ports. In January 2013, China Merchants Port Holdings announced a plan to acquire a 49% stake of CMA, CGM's wholly-owned terminal port company at 400 million euros (Gan, 2015). China has welcomed qualified port companies from the Maritime Silk Road countries to invest in China's port and dock projects to achieve two-way interactions of port development. For instance, UAE's DP World operates over 20 ports in China, Southeast Asia and South Asia²⁴, which prompted the UAE to participate in China's Belt and Road Initiative.

Lastly, China's private security companies should also participate in its overseas port development projects. In addition to diplomatic and legal means, protective security detail (PSD) services are also important to protecting China's overseas interests. Given China's defensive diplomatic principle, sending security details overseas is an important way for China to offer consular protection. Hiring professional PSD companies is an effective way to ensure maritime transportation security. It is consistent with international law and is permitted under the laws of many developed countries and regions. This approach is of strategic significance to China's overall maritime security (Li, 2015). It is advisable for China to send PSD companies to participate in consular protection and offer PSD services for personnel and investment projects. Standard procedures should be formulated for the overseas operations of Chinese PSD companies.

In a nutshell, China's participation in seaport development along the Maritime Silk Road has enriched China's diplomatic "toolbox", enhanced diplomatic institutional innovation, and increased interdepartmental coordination for the management of Maritime Silk Road operations. China's seaport diplomacy in the new era is an integrated diplomacy. Ministerial agencies like the NDRC, the Ministry of Foreign Affairs, the Ministry of Commerce and the Ministry of Transportation are brought under the coordination of the Steering Group for the Belt and Road Initiative. In addition to central-local government and government-enterprise coordination, China has also forged partnerships between Chinese port companies and their counterparts from the Silk Road countries to benefit from each other's advantages and contribute to regional peace and development. This approach has enriched China's vision to "become a strong maritime power". ■

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²⁴ "China's 'Belt and Road' offers Middle East opportunities galore," *AMEinfo*, June 19, 2017. <http://ameinfo.com/money/economy/chinas-belt-road-offers-middle-east-opportunities-galore/>

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