

# Constraints for Engagement with China: Dutch Ports and the BRI

by Vera Kranenburg and Frans-Paul van der Putten

Rising US–China rivalry is shaping and constraining the relations between European states and China. The Netherlands is no exception and recent tensions with China have carried over to impact its trade and cooperative engagements with Beijing.

The Netherlands never formally signed onto the Belt and Road Initiative (BRI)<sup>1</sup> – the Chinese policy framework for international transport, communication and energy development. Nevertheless, the BRI is very relevant to the Netherlands, in particular for the Dutch port of

Rotterdam and its ambition to preserve its role as a major logistical hub for trade with Europe.

## *Chinese involvement in European ports*

Chinese state-owned companies such as COSCO and China Merchants, as well the Hong Kong based private firm Hutchison, have invested in most of Europe's largest ports. In many instances these investments are in container terminals. The exception is Piraeus, Greece's largest port. In this case, COSCO took a majority stake not only in a container terminal, but also in the port authority that operates the whole port, including activities such as cruise and ferry shipping.

Some European countries involved in these agreements have signed a Memorandum of Understanding (MoU) with China on BRI cooperation, but others have not. One prominent example of the former is Italy,

<sup>1</sup> The Netherlands and China did sign a number of memorandums of understanding (MoUs) that are indirectly linked to BRI, including one aimed at economic cooperation in third countries and one aimed at railway cooperation. The two countries also have a longstanding customs cooperation that facilitates bilateral trade. For background on Sino-Dutch relations, see the Dutch chapters in the ETNC reports from 2015 until now. See the European Think-tank Network on China (ETNC) website: <https://etnc.info/reports>.

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whose government signed a MoU with China in 2019 that included cooperative agreements between two Italian ports (Genoa and Trieste) and Chinese entities. Yet, effective Chinese involvement in these Italian ports has remained limited.<sup>2</sup> Moreover, there does not appear to be a strong distinction between the two ports that are linked to the MoU, and other ports – such as those of Venice or Ravenna – when it comes to cooperation with Chinese actors.

Over the past few years, the relevance of formal MoUs with China on the BRI has decreased in Europe. Indeed, many EU states are less willing to express support for the BRI given the mounting tensions with Beijing. Also, the EU regulatory framework has made it harder, or less attractive, for Chinese companies to invest in European infrastructure. Closer scrutiny of Chinese involvement in the port authorities of EU NATO members by the United States has also played an important role.

Against this backdrop, and not least given the significant governmental changes in Italy since 2019, it may not be surprising that the Sino-Italian MoU's impact on port cooperation has remained limited. Still, the Chinese government shows no signs of abandoning the BRI as a basic framework for its economic relations with other regions, including Europe. Whether or not European governments explicitly endorse the Chinese initiative

<sup>2</sup> Francesca Ghiretti, "The Belt and Road Initiative in Italy: The Ports of Genoa and Trieste", in *IAI Papers*, No. 21|17 (April 2021), <https://www.iai.it/en/node/13270>.

may not be of major significance, considering that an endorsement does not necessarily translate to action.

### *Recent developments in Sino-Dutch relations*

In 2019, two months after the EU published its EU–China Strategic Outlook, the Dutch government presented its own China strategy: *The Netherlands-China: A new balance*.<sup>3</sup> The Dutch strategy document (referred to by the government as a "policy paper") stresses the importance of maintaining cooperative ties with China, but also the need for caution. The overall guideline is to be "open where we can, protective where we must", and to strive for reciprocity in the bilateral relationship.

This represented a clear shift in strategy.

The previous China strategy, published in 2013, emphasised the importance of attracting Chinese investments to the Netherlands. Six years later, Chinese investments in Europe had become a security issue. Thus the 2019 paper argues that "the question is no longer how the Netherlands can benefit from China's development [...] now it is much more what China's rise means for our own place in Europe and in the world".<sup>4</sup>

<sup>3</sup> Dutch Ministry of Foreign Affairs, *Nederland-China: een nieuwe balans* (Netherlands and China: A New Balance), May 2019, <https://www.tweedekamer.nl/kamerstukken/detail?id=2019Z09525&did=2019D19427>.

<sup>4</sup> *Ibid.*, p. 8.

Indeed, the Dutch government has become more active in shielding companies with advanced technologies from Chinese investors looking to acquire them. In April 2020, the government saved shipbuilding company Royal IHC from bankruptcy by making 400 million euro available, thereby preventing an alleged Chinese takeover attempt.<sup>5</sup> In June, the government invested 20 million euro in integrated photonics company Smart Photonics after “an Asian party” (widely presumed to be a Chinese firm) showed interest in acquiring it.<sup>6</sup>

Sino-Dutch relations suffered a setback in early 2021, after the Dutch parliament declared that the Chinese government’s policy with regard to the Uyghur minority amounts to genocide and the European Union initiated sanctions against a number of Chinese officials for their alleged involvement in human rights violations. The Chinese government retaliated with sanctions against a Dutch parliamentarian who had played a major role in bringing about the genocide resolution. An EU body – the Political and Security Committee of the Council of the EU – in which a Dutch diplomat is involved was also targeted by Chinese sanctions.

<sup>5</sup> Tom Kreling, “Nederlandse staat redt scheepsbouwer Royal IHC met honderden miljoenen”, in *de Volkskrant*, 30 April 2020, <https://www.volkskrant.nl/economie/nederlandse-staat-redt-scheepsbouwer-royal-ihc-met-honderden-miljoenen~b27ae10d>.

<sup>6</sup> Clingendael China Centre, “Technologische samenwerking met China”, in *Clingendael Reports*, October 2021, p. 93, <https://www.clingendael.org/node/13295>.

### *Geopolitics and the US factor*

Global geopolitics clearly have a major influence on Sino-Dutch relations. The Netherlands, like other European states, is affected by the competition and ongoing trade and technology “wars” between the US and China.

In May 2019, the Dutch high-tech company ASML, a manufacturer of machines that are used to produce semiconductors, applied to the Dutch Ministry of Foreign Affairs for an export license in order to sell its most advanced equipment to a customer in China (believed to be SMIC). ASML did not receive the export license. In January 2020, the Chinese ambassador to the Netherlands published a letter in the *Financieele Dagblad*, a Dutch newspaper. In it he warned that the Sino-Dutch relationship was in danger if the Dutch government continued to block the export of EUV machines for political reasons.<sup>7</sup>

The US ambassador to the Netherlands responded by admitting that the US put pressure on the Dutch government to block the export. Reuters characterised US pressure as “an extensive campaign” and “high-level push”, including pressure on Dutch prime minister

<sup>7</sup> Johan Leupen and Sandra Olsthoorn, “We zouden niet willen dat Nederland zwicht onder de politieke druk van de Amerikanen”, in *Financieele Dagblad*, 15 January 2020, <https://fd.nl/economie-politiek/1330711/we-zouden-niet-willen-dat-nederland-zwicht-onder-de-politieke-druk-van-de-amerikanen>; China’s Embassy in the Netherlands, *Spokesperson of the Chinese Embassy Speaks on the Remarks of US Ambassador Pressing the Dutch Government to Block the EUV Machine Exportation to China*, 18 January 2020, [http://nl.china-embassy.org/eng/xwdt/202001/t20200118\\_2656907.htm](http://nl.china-embassy.org/eng/xwdt/202001/t20200118_2656907.htm).

Mark Rutte himself.<sup>8</sup>

ASML is the only company in the world with the technological capability to manufacture extreme ultraviolet (EUV) machines, which represent the newest generation in semiconductor manufacturing equipment. Blocking the export of EUV machines to China effectively slows down the technological progress of the Chinese chip industry. In November 2020, NRC, another Dutch newspaper, reported that if the Dutch government granted an export licence for EUV machines destined for China, the US government would block the sale by invoking the *de minimis* rule, given that the equipment includes US technology.<sup>9</sup>

### *The port of Rotterdam and China's BRI*

The main link between the Netherlands and the BRI is the port of Rotterdam. As the largest European port, and a critical link in Sino-German trade, Rotterdam plays a prominent role in relations between China and Europe. For China, Germany is its main trade partner in the EU, and the EU as a whole is a major market for Chinese exports and a source for European technology. Further BRI-related elements in the Netherlands include other transport infrastructure, such as Amsterdam's Schiphol Airport,

and various long-distance train services between Dutch and Chinese cities. Compared to much of the rest of the world, transport infrastructure and logistics play a larger role than energy and communication infrastructure for the BRI in the Netherlands and in Europe.

Still, due to the increasing importance of advanced technology in any economic domain, the distinction between logistics and communication is becoming smaller. For instance, port-related logistics are becoming more and more dependent on data flows that comprise all related actors, including shipping and inland transport companies as well as other ports. In 2019, Portbase, a Dutch entity responsible for such data exchanges in the Netherlands, signed a cooperation agreement with its Chinese counterpart Logink.<sup>10</sup> Although this is not formally part of the BRI, the practical implication is that the Dutch and Chinese port sectors maintain closer operational ties.

For the Dutch government, cooperation with China is important to ensure that significant trade volumes continue to flow through the Netherlands. China, via the state-owned company COSCO which manages the Piraeus port in Greece, has demonstrated that it is able to deliver on directing trade towards a particular European port. With the help of China, Piraeus grew to become Europe's fifth-largest

<sup>8</sup> Alexandra Alper, Toby Sterling and Stephen Nellis, "Trump Administration Pressed Dutch Hard to Cancel China Chip-Equipment Sale: Sources", in *Reuters*, 6 January 2020, <https://reut.rs/2MZiMHj>.

<sup>9</sup> Marc Hijink, "VS hebben 'noodplan' klaar liggen voor ASML's EUV-machine", in *NRC*, 12 November 2020, <https://www.nrc.nl/nieuws/2020/11/12/vs-hebben-juridisch-noodplan-klaar-liggen-voor-asml-a4019897>.

<sup>10</sup> Portbase, *Cooperation Agreement between Portbase and LOGINK*, 11 November 2019, <https://www.portbase.com/en/?p=26740>.



port.<sup>11</sup> By leveraging China's role as the world's largest trading nation and closely partnering with China's leading container shipping companies and terminal operators, the Chinese government can exert some degree of influence on the geographic pattern of Sino-European trade.<sup>12</sup>

However, the risk for the Netherlands is that such cooperation can lead to one-sided strategic dependence on China. Trade between Germany and China is already of major economic importance for the Netherlands, but so far this is still a rather balanced form of dependence, as China benefits from the Dutch role as a maritime logistical hub. What is of great relevance for the Netherlands, in the long run, is that China is involved in and expanding alternative trade routes to connect with Germany. These activities include investments in Belgian, German and Mediterranean seaports, as well as in Duisburg as the main hub that links train traffic from China with West-European seaports and with the German economy.

For the Netherlands, working with China and Chinese companies is a way to try to maintain the status quo in terms of trade flows – a situation that is highly favourable to the Dutch economy. Close port-related cooperation with China means the Chinese government is probably less

likely to use its influence to make trade flows circumvent the Netherlands. Even so, the Chinese government might still try to help ports in other countries improve their relative position compared to Rotterdam.

Chinese companies are already able to exert a degree of influence on trade flows. Increasing this ability makes them less dependent on Rotterdam and enables them to maintain leverage within their transactions with Dutch counterparts. This approach does not depend on China's relations with any single country, or whether BRI MoUs are involved. Moreover, China is not the only factor that will determine the future of the Netherlands as a maritime logistical hub, but engagement with China is likely to contribute to the Dutch position as a major hub.

Recent developments have made it more complicated for the Dutch government and Dutch companies to engage with China. Like the EU as a whole, the Netherlands is increasingly wary of China's international influence. Moreover, the ASML case highlights that Sino-Dutch relations face some amount of pressure from the United States. Despite the fact that the Dutch and Chinese government never signed an overarching MoU on the BRI, China's signature trade and investment plan remains highly relevant for the Netherlands' goal of consolidating itself as Europe's largest port and a logistics hub for Chinese trade with northern Europe.

As the Netherlands seeks to balance the containment of Chinese influence with its objective of retaining a central

<sup>11</sup> Port Technology International Team, "Top 5 Ports in Europe 2021", in *Global Trade Magazine*, 21 March 2022, <https://www.globaltrademag.com/top-5-ports-in-europe-2021>.

<sup>12</sup> Frans-Paul van der Putten, "European Seaports and Chinese Strategic Influence", in *Clingendael Reports*, December 2019, <https://www.clingendael.org/node/10960>.

role in international trade flows, the Government's room to manoeuvre is quickly decreasing. The Netherlands will need to increase port cooperation within the EU and continue some form of engagement with China in order to maintain its position in the future.

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