Chapter 12
New voyages in search of treasure: China Ocean Shipping Company (COSCO) in Europe

Yu Zheng and Chris Smith

1. Introduction

The rapid growth of Chinese investment in Europe has given rise to debates on the power of emerging capitalist firms over employment rights, workplace safety and workers' welfare in the host societies (Drahokoupil *et al.* 2016). The aim of this chapter is to examine what contributes to the employment practices adopted by Chinese state-owned enterprises in Europe, using the case of China COSCO Shipping Corporate Limited (COSCO)'s investment projects at the Greek port of Piraeus. Choosing COSCO allows us to focus on a powerful state controlled firm, which is actively engaged in expanding its international networks and facilitating the state-sponsored internationalisation of Chinese firms. This means that both the economic and political pressure faced by this emerging player will have substantial influence over their choice of employment policies for their global workforce.[1]

In the section following the methodological remarks we present the history of COSCO as an international employer. The focus then moves to examining the ownership structure of the firm's various projects in Europe. Employment practices adopted by COSCO echo some general changes in the shipping industry: shipping companies are trying to mitigate competition through international mergers and acquisitions, standardisation in transition time modelled by logistic software, automation of cargo handling equipment on ships and in ports and development of infrastructure integrating shipping and inland logistics, all of which have contributed to the simplification, casualisation and intensification of work (Bloor and Sampson 2009; Turnbull 2012; Rossiter 2016). More importantly, employment policies and practices in Piraeus show characteristics of those adopted by Chinese state-owned enterprises after the state-led reform. These characteristics can be understood in terms of the fact that COSCO is one of the key players in the Chinese state's attempt to promote national economic growth and upgrade the capability of Chinese firms through outward foreign direct investment. Despite its ownership status as a publically listed company, the de facto governance structure of COSCO and the state–firm links maintained through such a governance structure are equally important in informing employment practices in Piraeus.

---

1. Data reported here are mostly based on authors' analysis of the documentation obtained from the company, unless otherwise referred to.

2. Research methodology

The chapter is based on analysis of published material and documents. Interviews conducted with current and former employees were used as supplementary sources. Names and positions are kept anonymous as agreed with the informants. In order to cross-check the credibility of primary data, company documentation, internal (published by the firm) reports and interview memos (current and former employees) are compared with secondary sources, such as union documentation, industrial reports and academic publications. Given that the focus of this chapter is to assess the influence of the state policies on structural, strategy and employment policies, the authors negotiated access through management. While this means that direct access to the local workforce is missing, the workers' side of the drama is analysed using secondary data.

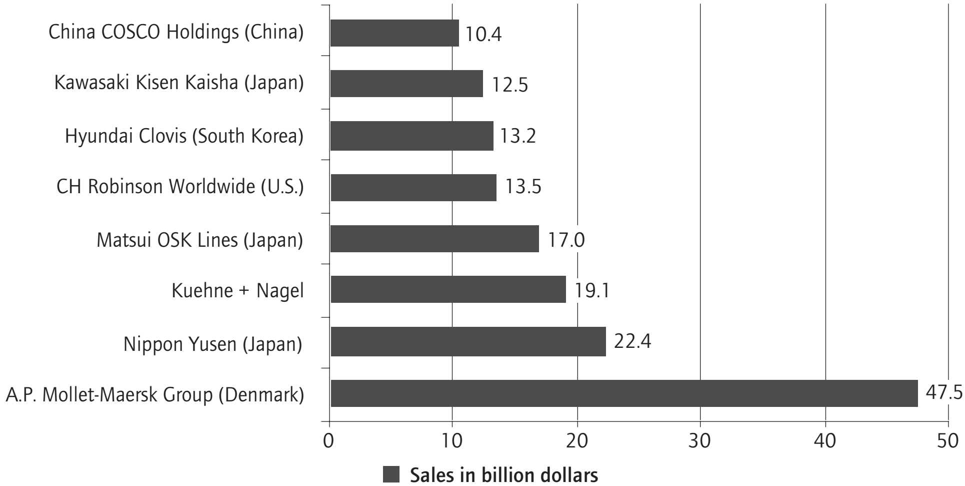
3. Company background

The China COSCO Shipping Corporate Limited (COSCO), commonly known as COSCO Group, is the largest shipping and logistics firm in China and is among the top 10 shipping companies in the world. It ranked second behind Maersk Group in terms of number of vessels and shipping capacity. COSCO is the largest Chinese state-owned marine transport provider and runs a consortium of complex networks made up of branch offices, subsidiaries, affiliate companies and collaborative alliances. The Group has been through several rounds of state-directed restructuring since the mid-1990s, which as a result makes its structure seem opaque to outsiders.

The Group's international expansion is associated with China's growing international trade in the past 30 years, state guided mergers and acquisitions in the shipping sector and deregulation of the financial market, allowing state-owned enterprises to source funding from public markets. In recent years, the Group has been moving from being a regional player (mainly focusing on China-Southeast Asia and Asia-African shipping lines) towards a transnational player (connecting Asia-Europe-America shipping lines) in the global shipping market. They are relatively less developed in terms of foreign direct investment (FDI), although they have become more active in recent years. In terms of operating revenue, however, the Group still falls behind their major international counterparts, with a sales turnover of USD 10.4 billion in 2014 (see Figure 1 below).

COSCO's business has been diversified into seven clusters: shipping, logistics, finance, equipment manufacturing, shipping services, social services and information services (see details in Figure 4 below). The domestic and international shipping cluster controls 649 commercial vessels, among which 404 were wholly-owned by the Group and 245 were charter ships. Of the ships wholly-owned by COSCO, 149 are registered in China, 136 in Hong Kong, 112 in Panama and seven in other countries. The logistics division is actively engaged in foreign direct investment. In 2016, the Group controlled over 46 port terminals, either through direct investment or lease agreements. Seven terminals with COSCO Group's direct investment are located outside China and three are in Europe (see Table 1 below).

Figure 1 **Leading companies in the world shipping industry (2014), based on sales turnover (billion US dollars)**



Source: Statista, https://www.statista.com/statistics/263938/revenue-worldwide-leading-transportation-companies-in-the-shipping-industry/

Table 1 **COSCO Group's investments in international ports and terminals**

Terminal names	Destination country	Share of investment	Project starting date
COSCO Long Beach Port	USA	51%	June 2001
Conateco Naples	Italy	50%	October 2002
Singapore COSCO-PSA Container Terminal Company	Singapore	49%	November 2003
Antwerp	Belgium	25%	January 2004
Kumport	Turkey	65%	September 2015
Piraeus	Greece	67%	January 2016
The Wes Basin Container Terminal (owned by CSCL)	USA	40%	March 2002

Source: COSCO Company Document.

COSCO's shipbuilding and ship repairing business is mainly focused on China, with one wholly-owned subsidiary in Singapore. Shipbuilding outside China is mainly done by collaborative alliances. COSCO is in discussion with a number of international ship builders for potential investment projects in the coming years.

COSCO Group reported total employment of just over 130,000 people across the world, among whom 30,079 were reported as 'staff', who receive remuneration, welfare and insurance from COSCO or its associated subsidiaries. This leaves nearly 100,000 people working on fixed-term contracts or as 'self-employed' contractors.

Those working on COSCO ships are not included in the distribution of staff figure. This is because maritime crews are employed under a separate system. Senior ranking officers (the captain, chief officers and chief engineers) are often appointed by COSCO. Recruitment of the majority of workers is often arranged through specialised operational agencies, which is a common practice in the international shipping industry (Bloor and Sampson 2009). Overseas, the Group was reported to have hired 4,679 non-Chinese workers, mainly working in the subsidiaries. This number looks small, given COSCO's scope of activities. This is explained by the fact that in the company employment is decentralised and managed at the subsidiary level.

Table 2 **Number of staff in COSCO Group and distribution of staff in various functions**

Number of staff	
Number of working staff in the parent firm	384
Number of working staff in major subsidiaries	29,695
Total number of working staff	30,079
Retired staff receiving retirement benefit from the parent firm and major subsidiaries	16,569
Staff distribution	
Production	12,647
Sales	1,812
Technicians	680
Accounting	1,122
Administration	1,283
Others	12,535

Source: COSCO Annual Report 2015.

3.1 History of domestic and international expansion

COSCO Group's history can be traced back to the incorporation of China Ocean Shipping Company in 1961, which was directly controlled by the Ministry of Transport. Until the late 1980s, COSCO was the sole domestic and international shipping operator in China. During the 1990s, public sector restructuring and the slimming down of government ministries saw a separation between business entities and government administrative offices. COSCO Group was created in 1993, integrating the China Ocean Shipping Company, PENAVICO, the China Automobile Transportation Company and the China Ship Fuel Supply Company, to create the COSCO of today.

The monopoly held by COSCO ended as a result of China's deregulation in the shipping sector, allowing private and foreign invested companies to enter the domestic market. However, COSCO continued to receive state subsidies in the form of preferential port usage, tax rebates and bank loans. COSCO was selected to be one of the 53 national elite enterprise groups (Central Nomenclature or *Yangqi*), as part of the Chinese state initiative to build a cadre of 'internationally competitive modern enterprises' (Nolan and Wang 1999). These state-owned enterprises are often large corporate groups such as COSCO and are classified as of high national security value. COSCO was able to continue expanding by acquiring state-owned enterprises in the shipping industry. In 2005, the China Ocean Shipping Tally Company was integrated into COSCO Group. In 2015, China Shipping was merged into COSCO Group. A potential deal to integrate China

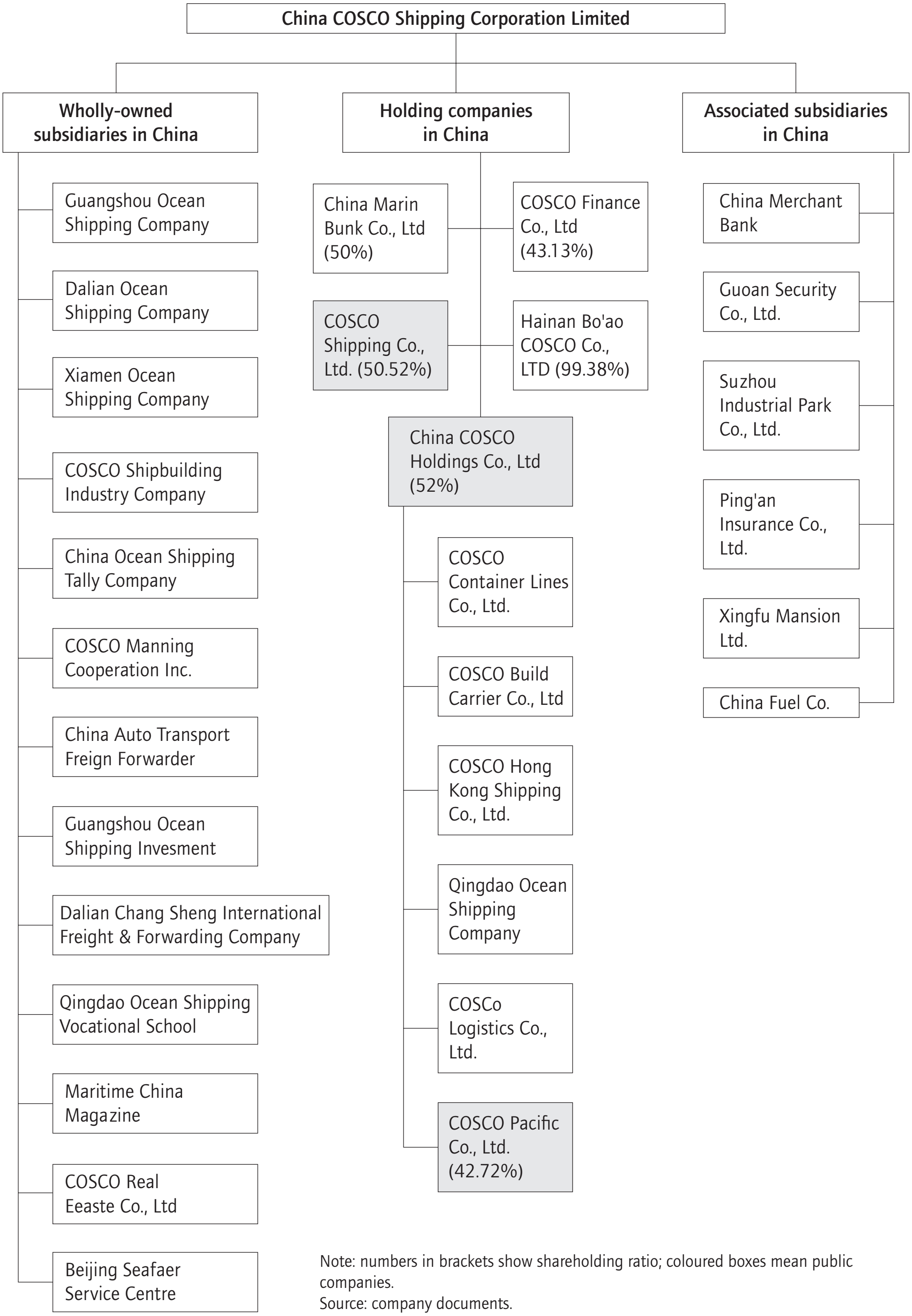
Shipping Development (CSD) Company into the Group next year is under negotiation. These measures are believed to be taking COSCO a step further to achieve its goal of 2 million twenty-foot equivalent unit (TEUs) operational capacities by the end of 2018.

COSCO's dominant position in China also has to be accredited to the personnel system that connects the Group with the central and regional government offices. Top management is either directly appointed by the state council or recommended by the relevant ministry and approved by the state council (Brødsgaard 2012). Representatives of the ruling Chinese Communist Party (CCP) are also appointed to take part in management decision-making and the power of the party representative varies across companies. Since COSCO is partially public owned, the chief party representative is also the chair of the board of directors. The current CEO assumes the role of deputy party representative. Combining managerial roles and party representation role, the executives are given access to government decision-making but maintain some autonomy in translating state policies into Group management practices. This personnel system puts large-scale state-owned enterprises, such as COSCO, in an advantageous position in securing resources needed to conduct FDI.

3.2 Ownership structure

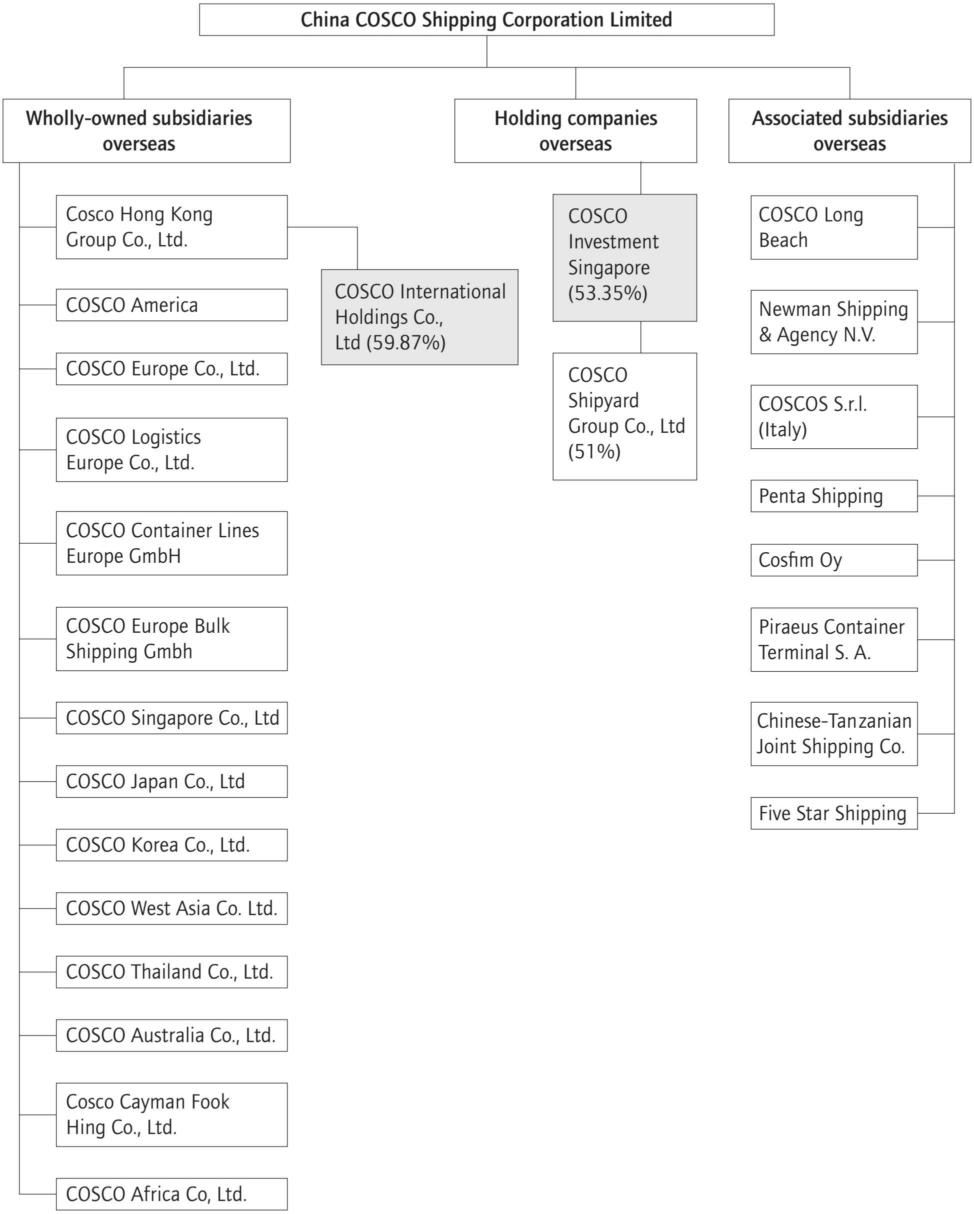
The ownership structure of the Group is a hybrid of state owned and public company. China's enterprise reform launched in 1994 allows state-owned enterprises to diversify sources of funding and to make firms more responsive to market pressure. At same time, the state links are maintained in an umbrella holding company, acting as an investment entity. The state maintains majority ownership control over COSCO Group, while investment is conducted through an umbrella financing body, China COSCO Holdings Company, which acts as the headquarters of the three operational divisions: COSCO Container Lines (COSCON), COSCO Bulk and COSCO Pacific. COSCON is a container liner operation but also conducts container leasing. COSCO Bulk's main business range is dry and bulk commodity shipping. COSCO Pacific runs the terminal investment, management and port logistics. It is jointly owned by a number of independent shareholders (55.46 per cent) and COSCO Holdings Company (44.54 per cent). COSCO Group's publically listed arms are on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, which control 21.9 per cent and 25.3 per cent of the Group's ownership, respectively. Outside China, there are another two publically listed subsidiaries, which are located in Hong Kong and Singapore (see Figure 2 for the Group's ownership structure in China and Figure 3 for the Group's ownership structure overseas).

Figure 2 **COSCO Group's ownership structure in China (as of March 2016)**



Note: numbers in brackets show shareholding ratio; coloured boxes mean public companies.
Source: company documents.

Figure 3 **COSCO Group's ownership structure overseas (as of March 2016)**

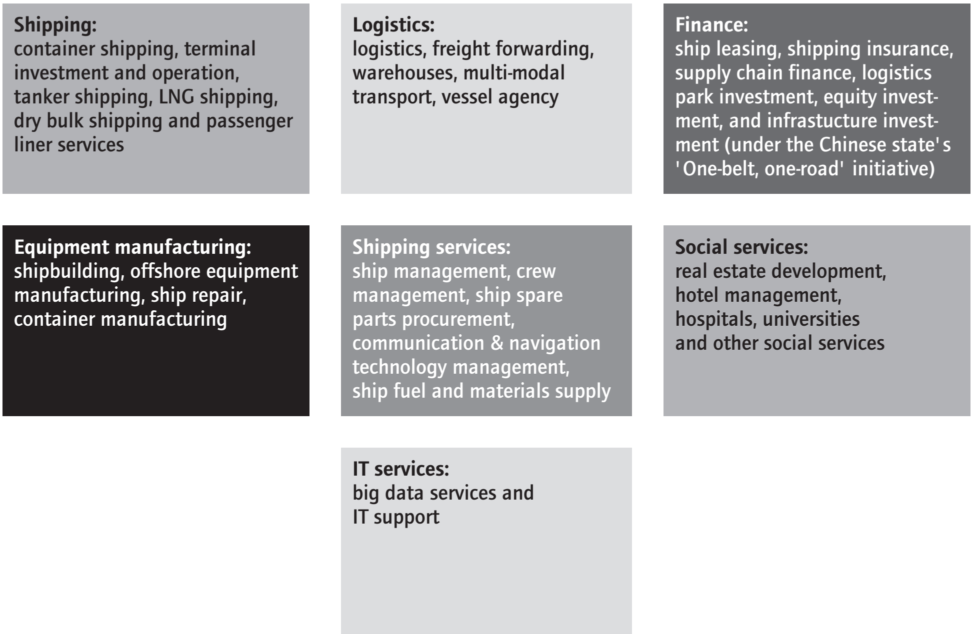


Note: numbers in brackets show shareholding ratio; coloured boxes mean public companies.
Source: company documents.

3.3 Operational structure

COSCO Group has an operational cluster–based operational structure (see Figure 4 below). Corporate operations are separated from financing and administrative functions. Subsidiaries are managed by the operational clusters and the functional divisions within the clusters. Domestic subsidiaries generally report to the functional divisions.

Figure 4 **COSCO's operational structure and business scope in seven divisions**



Source: COSCO's official website.

Outside China, the Group has divided their overseas operations into five regions, with the regional headquarters located in Hong Kong, Germany, the United States, South Africa and Australia. The Hong Kong base is also the parent company of COSCO Pacific and COSCO International, both listed on the Hong Kong Stock Exchange. Besides these regional headquarters, 32 country-based branch offices have been set up. The overseas subsidiaries report both to regional headquarters and the parent firms in various functional divisions. This structure can cause confusion because it is not always easy to pin down the controlling 'parent' firm. However, structural complexity has also allowed the influence of the state to be perpetuated as subsidiaries seek guidelines and consistency in management.

3.4 Cross-shareholding among Chinese state-owned enterprises

Cross-shareholding is one of the key financial devices used by state-owned enterprises to sponsor internationalisation and mitigate the risk of state assets being taken over by foreign firms. As explained earlier, 47.2 per cent of COSCO's ownership is publically listed. However, this does not mean that 47.2 per cent of COSCO is owned by public and independent shareholders. Rather six different companies, including China COSCO, COSCO Pacific, COSCO International, COSCO Shipping, COSCO Container Lines and the recently merged China Shipping Lines (a public company before merging into COSCO Container Lines), each takes a share of the investments sourced through public markets. (For an illustration, see Figure 2 under 'holding companies in China'.) Notably, the Group also holds shares in one of China's leading banking groups, China Merchant Bank, a leading insurance company (Ping'An Insurance), one industrial park (Suzhou) as well as a stock broker (Guotong Security), all of which are state-owned enterprises (see Figure 2, under 'associated subsidiaries in China'). Equally noticeable is that approximately 15 per cent of COSCO's ownership is controlled by Chinese commercial banks and insurance companies, although these shares are not traded in any public stock exchange. This structure of cross-shareholding was believed to be effective in terms of introducing 'market principles' into management while maintaining control over the state-owned asset. In the event of hostile takeover attempts, the state-owned shareholders with a collective ownership majority can coordinate and maintain control over the subsidiary firms.

Cross-shareholding relations between state-owned enterprises bears some resemblance to the Japanese *keiretsu*, or conglomerate, which is argued to have played the role of cushioning transaction costs when Japanese companies started international expansion in the 1980s (Miyashita and Russel 1994). While the share owned between members in cross-shareholding relations is often less than 10 per cent, member firms are able to draw on collective resources. COSCO's acquisition of the third largest Turkish port, Kumport, in September 2015 was jointly funded with the China Merchant Bank. While the problem of cross-shareholding as a source of bad debt has been acknowledged by the Group, they also emphasise the benefits of risk sharing and financial stability at the time when the global shipping industry is undergoing substantial structural change (UNCTAD 2014). For COSCO, whose Chinese headquarters and subsidiaries are still struggling with productivity improvement and cost control, cross-shareholding has allowed them to compete with the more developed (and often resource-rich) multinational shipping companies.

3.5 'Go global' and strategic restructuring

COSCO Group has been through several rounds of major strategic restructuring. In relation to the Group's investment overseas, one of the key milestones is the strategic initiative launched in 1998. Following the financial crisis in South East Asia, COSCO was forced to revaluate its Asia-centred business focus and broaden its shipping lines to Europe and America. The Group named 'two transformations' as their business priorities, which translate into the 'shift from a global shipping operator to a shipping-based logistics operator and from transnational operations to a multinational corporation' (Lorange *et al*. 2008: 2). This strategy involves the expansion of international shipping routes, the acquisition of logistic and storage infrastructure projects, as well as foreign investment in a number of ports. Details of the international expansion of COSCO will be further elaborated in the next section.

For shipping companies, mergers between large firms are often seen as an effective way to integrate shipping routes and share transportation networks and logistic centres. The most recent merger between COSCO Holdings and China Shipping Container Lines Company Limited (CSCL) was aimed at enhancing the Group's global competitiveness by integrating the container shipping networks. The deal was agreed in December 2015 to merge Group's container shipping branch COSCON with CSCL. The series of agreements include detailed plans to integrate the two firms' business in container shipping and inland container transportation. Through the merger, the newly integrated COSCO Group is effectively closing the gap with the top four container terminal operations in terms of their share in the goods and services handled annually.

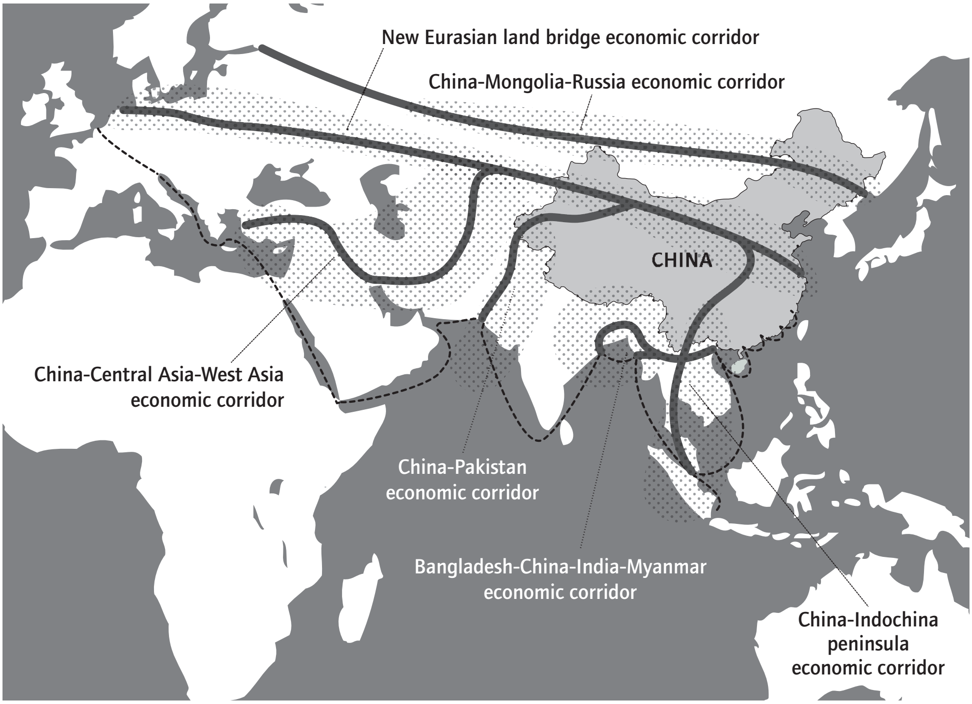
Table 3 **Share of goods and services handled by the top 10 global container terminal operators**

	2006		2009		2012
PSA	9.3%	PSA	9.5%	PSA	8.2%
APMT	7.3%	HPH	6.8%	HPH	7.2%
HPH	7.0%	DP World	6.7%	APM	5.4%
DO World	5.9%	APMT	6.6%	DP World	5.4%
Evergreen	1.8%	COSCO	2.3%	COSCO	2.7%
COSCO	1.8%	MSC	1.7%	TIL	2.2%
Eurogate	1.5%	Evergreen	1.5%	CSCL	1.4%
HHLA	1.4%	SSA Marine	1.3%	Hanjin	1.3%
OOCL	1.1%	Eurogate	1.3%	Evergreen	1.2%
APL	1.0%	CMA-CGM	1.0%	Eurogate	1.0%

Source: Compiled from data reported by Drewry Shipping Consultants (2007, 2010, 2013).

As already discussed, the Chinese state has been able to maintain operational control through ownership control and cross-shareholding. This means that the state can force mergers between state-owned enterprises in order to mitigate international competition, despite scepticism from the public shareholders. While the prospect of integrating the two firms' global shipping networks can potentially improve the Group's operational efficiency and financial performance, the task of restructuring two very complex organisations has cast doubt on the potential benefits claimed by COSCO (De Trenck 2015). Despite these criticisms of the Chinese state's involvement in pushing through the merger of two public companies, it is believed that the deal is among a number of high profile mergers agreed between Chinese state-owned enterprises over the past year as part of the Chinese state's 'One-belt, one-road' initiative (see Figure 5), aimed at restraining competition between Chinese state-owned enterprises in winning bids in investment projects overseas (Tan 2015).

Figure 5 **China's 'One-belt, one-road' initiative**



Source: Hong Kong Trade and Development Council (2015).

4. Employee relations and categories of workers in COSCO

COSCO has adopted the language of human resource management to claim that 'talented, empowered and loyal staff' are their key asset, which reads like a standard motto of any multinational corporation today. COSCO is also among the few Chinese state-owned enterprises that have signed the United Nation's (UN) Global Compact,[2] which requires firms to follow key principles to address corporate social responsibility and adopt procedures to monitor labour relations in their organisations and supply chains. Following signing, COSCO started to publish corporate social responsibility reports from 2005. The move is part of the Group's efforts to promote the image of a modernised and international company. Despite its projected image as a global firm, state influence is maintained through the links between the firm-level personnel system and the civil servant selection system.

In practice, employment policies reflect these characteristics: state control of the top management personnel system, combined with stratification of operational and administrative jobs and externalisation of project-based employment through outsourcing. As part of the government led reform to 'promote efficiency by reducing

2. For details of United Nation's Global Compact, please see unglobalcompat.org.

personnel outlay [*jian yuan zeng xiao*]', COSCO has increasingly operated with a divide between managers and workers, top managers and management staff, and employed and outsourced contracted workers. This segmentation based on the terms of employment is subject to a number of factors. The top tier in the Group headquarters and in the six major domestic subsidiaries are employed under the same system as Chinese civil servants (*shiye bianzhi*). This group are all permanent employees. Managers in key posts at COSCO are on the state payroll and are given rankings under a system compatible with that of central and regional government officers. Their pay is decided by the Group and promotion is normally internal, although state approval is needed for appointments in key posts. The top expatriates are often from this group of managers, although there are a number of exceptions. The second tier is the management staff group, who are administered under an enterprise system (*qiye bianzhi*). They enjoy permanent employment but very few have the chance to be selected for the top management level. The third tier of employees are workers on fixed-term contracts *(hetong gong)*. The terms of such contracts vary across the different location sites of work (land-based or ship-based), types of ship (container, dry bulk, tanker and various specialised vessels), type of port (sea, river or off-shore), residential status (local or migrant workers), and types of qualification certified by domestic or international bodies. The fourth and final tier – and this is the majority of workers in the COSCO operated ports – is supplied by employment agencies (*waibao renyuan*). This group of workers are not on the employee payroll and are administrated outside the formal employment system. For individual workers, understanding why a certain type of contract is offered can be a challenging task and moving between different categories of employment contracts is very difficult.

5. An overview of COSCO's investment in Europe

5.1 Mapping the investment projects

COSCO reported that their overseas assets exceeded 50 per cent of the Group's total assets in 2012. COSCO's European headquarters was set up in 1989 in Hamburg, Germany. In terms of investment scale and number of projects, Europe is the largest recipient of investment from COSCO outside Asia. Today, COSCO Group branch offices are found in most European countries and administer shipments and coordinate inland logistics.

COSCO Group's direct investment projects in Europe mainly involve shipping services providers. By the end of 2015, a total of 22 entities had been set up by the Group, 11 of which are wholly owned subsidiaries and the rest are joint venture projects (see Table 4).

Until the late 1990s, most investment in subsidiaries was carried out by the functional divisions within the Group. The container line business division's European headquarters, COSCO Container Lines Europe, was set up in January 2005 in Hamburg, Germany. It is the administrative hub of COCSCN's offices and has subsidiaries in European and North African countries. There are 34 branch offices located around Europe. The bulk shipping division and the inland logistics division of COSCO both located their European

Table 4 **COSCO's subsidiaries in Europe**

Name of subsidiary	Parent firm within COSCO Group	Entry mode	Year established	Employment scale	Location
Cross Ocean B.V.	COSCO Group	Joint venture	1980	50-99	Rotterdam, Netherland
Newman Shipping & Agency	COSCO Group	Joint venture	1980	20-49	Antwerp, Belgium
Furness Shipping Ltd.	COSCO Group	Joint venture	1983	10-19	Zurich, Switzerland
COSCO Logistics (Europe) GmbH	COSCO Logistics	Wholly-owned subsidiary	1987	20-49	Hamburg, Germany
COSCO Europe GmbH	COSCO Group	Wholly-owned subsidiary	1989	20-49	Hamburg, Germany
COSCO (UK) LTD	COSCO Group	Wholly-owned subsidiary	1989	10-19	London, UK
COSCO France S.A.S	COSCO Container Lines	Wholly-owned subsidiary	1991	50-99	Clichy, France
COSCO Romania Shipping & Trading SRL	COSCO Container Lines	Wholly-owned subsidiary	1994	10-19	Constanta, Romania
Cosfim Oy	COSCO Europe	Joint venture	1995	10-19	Helsinki, Finland
COSCO Poland Co., Ltd.	COSCO Container Lines	Wholly-owned subsidiary	1996	-	Warszawa, Poland
Penta Shipping A/S	COSCO Europe	Joint venture	1996	20-49	Birkerød, Denmark
Penta Shipping AB	COSCO Europe	Joint venture	1996	20-49	Gothenburg, Sweden
COSCO Nordic Ltd.	COSCO Europe	Joint venture	1996	20-49	Oslo, Norway
COSCOS S.r.l. (Italy)	COSCO Europe	Joint venture	1996	-	Genoa, Italy
COSCO Shipping Agency (Greece) S. A.	COSCO Container Lines	Wholly-owned subsidiary	1997	50-99	Piraeus, Greece
COSCO Iberia Ship Agency, S. A.	COSCO Container Lines	Wholly-owned subsidiary	1999	0-9	Barcelona, Spain
Conateco Terminal Naples	COSCO Pacific	Joint venture	2002	-	Naples, Italy
Antwerp Gateway Terminal	COSCO Pacific	Joint venture	2004	-	Belgium
COSCO Europe Bulk Shipping Gmbh	COSCO Bulk Shipping	Wholly-owned 50:50 COSCO Bulk Carrier: COSCO Europe	2005	20-49	Hamburg, Germany
COSCO Container Lines GmbH	COSCO Container Lines	Wholly-owned subsidiary	2005	20-49	Hamburg, Germany
COSCON Central Europe s.r.o.	COSCO Europe	Wholly-owned subsidiary	2005	10-19	Praha, Czech Republic
Piraeus Container Terminal S. A.	COSCO Pacific	Joint venture	2008	261	Piraeus, Greece

Source: COSCO's Company Documents.

headquarters in Germany. To pilot the so-called '*Shipping-Railway Transport Bundle [Hai Tie Lanyun]*' model, COSCO Bulk Carrier and COSCO Logistics used shared offices in seven Central and Eastern European countries: Poland, Romania, Austria, Hungary, Czech Republic, Slovakia and Romania. As COSCO's clients, many of whom are ODM factories, have relocated production sites to Central and Eastern European countries, these shared branch offices allow COSCO to link up container ports with the production sites through bulk shipping, railways and inland transport (Zhai 2015). Likewise, the investment in two terminals in Piraeus is intended to shorten transport time from Asia, which used to go through Rotterdam. In particular, this may create a new hub as manufacturers, such as HP, choose to relocate logistic centres in Piraeus. Such a move has increased the demand for swift shipping of semi-finished parts from the Asian suppliers to the assembly plants in Central and Eastern Europe (Lyridis and Stamatopoulou 2014). COSCO Pacific, the Group's Hong Kong based division, acts as the principal investor of all port development and operation projects.

5.2 Key stages of COSCO investment in Europe

COSCO's investment in Europe started as early as the 1980s. Most projects have taken the form of joint ventures and the subsidiaries are mainly shipping agencies, which provide customer services such as ship scheduling, freight forwarding and customs clearance. Both Holland Transocean Company, a joint venture with the Dutch Parker Boat Group in Rotterdam and Newman Shipping & Agency Company in Antwerp, Belgium were set up in 1980s. These were the first overseas joint ventures created by COSCO. In 1989, COSCO set up its first wholly owned subsidiary in London, acquiring a subsidiary from their American joint venture. The 1980s can be seen as a pilot phase of FDI, when investment in Europe was largely decentralised, conducted by the functional divisions and financed by the Group's Chinese headquarters.

Throughout the 1990s, COSCO Group consolidated business divisions in China and overseas, while COSCO Europe established its role as a regional headquarters. This subsidiary initially assumed the function of business coordination and was later transformed into a holding company providing financing services to the Group's investment projects in Europe, Middle East and North Africa. Strengthening COSCO Europe's regional headquarters function is in line with the Group's 'Go Global' strategy, which was ahead of the Chinese state's announcement of 'Go Global' in 2001. COSCO's focus in the 1990s was to expand business outside China by effectively integrating its various business entities in shipping, transportation and logistics, and port management. The invested projects are typically small in scale. For example, COSCO Europe invested in a joint venture with a Danish shipping agency Penta Shipping Group in 1996, which recruited only 50 employees in three countries. Taking an experimental approach in industrial policies, the Chinese state selects a small number of state-owned enterprises to conduct pilot projects (Zhang and Edwards 2007). COSCO's integration of its logistics networks and distribution routes (barge, railways and road transport) can be viewed as such a pilot project, prefiguring the promulgation of the state's 'Go Global' initiatives.

Since the 2000s, COSCO Group's investment in Europe has grown substantially in terms of project value, largely due to the state funding allocated to promote the internationalisation of Chinese state-owned enterprises (Wei *et al.* 2014). COSCO Pacific, the Group's international terminal operator, has been actively seeking the acquisition of a number of terminals since the 2000s. These projects include the acquisition of 50 per cent of the port of Naples, Italy in October 2002 and 20 per cent ownership of the port of Antwerp, Belgium in November 2004, and 67 per cent ownership of the port of Piraeus, Greece in January 2016. Terminals often have a number of investors and control is normally allocated to the one with the largest stake. The partial acquisition of Piraeus is therefore the first project that has given COSCO majority control. This deal has caught much public attention, due to a large extent to the political tensions that followed the acquisition.

5.3 Piraeus: an acquisition amid political tensions

COSCO's investment in two container terminals has been through up and downs and was completed in three stages. While the negotiations started as early as 2004, real progress was made during Greece's debt crisis in 2008, when COSCO Pacific assigned a 35-year concession agreement with Piraeus Port Authority for the operation and development of two of the three commercial piers. Following this concession agreement, an acquisition deal was negotiated and agreed in 2014, which allows the setting up of a distribution centre and the building of a railway link to connect the container terminals with the local national railway transport system. While the initial deal for acquisition was suspended in January 2015, a renegotiation started in late 2015 and a deal was signed in January 2016. The new agreement allowed COSCO to acquire 67 per cent ownership (a total of EUR 1.5 billion in value), of which an initial 50 per cent was to be completed by the end of 2016. The remaining 17 per cent of the investment is expected to come from the operational incomes of the port and to be completed by the end of 2020.

Investment in Piraeus is COSCO's largest project overseas in terms of investment value and was seen as a key milestone in the Group's international expansion. However, the scale of investment and the area of concession given to a Chinese firm has sparked substantial controversy in Greece, Europe and in the United States as well. Especially because another Chinese state-owned enterprise is in negotiations to construct the Hungary-Serbia railway, some have warned that the advancement of the Chinese state's influence over Europe will undermine the collective power of the European Union (Meunier 2014). In the wider context, privatisation of Piraeus and COSCO's investment is one of many cases in which shipping companies have entered the territory of terminal construction and management (Notteboom and Rodrigue 2011). And in COSCO's case, ports in China continue to account for more than 80 per cent of their global container throughput.

COSCO management presented their role in Piraeus as an 'investor', emphasising continued shortened cargo turnover time, increased docking capacity and job restoration and creation brought by the renewed terminals. This role is consistent with the language adopted by both the Chinese state, which is financing the project, and the recipient state privatising the port (Grappi 2015). However, this microeconomic impact of COSCO investment in Piraeus is not a simple matter. COSCO's investment in upgrading infrastructure, connecting the port with the railway transport system and bringing multinational companies to use the port's logistic centres has substantially improved the volume of shipping traffic in and out of the port. Nonetheless, given the slow recovery of the Greek economy, the increase of traffic in Piraeus has not generated spillover effects on the nearby ports, as some may have hoped for (Meunier 2015). It is also possible that having one very dominant terminal operator in an individual port can potentially restrain freedom of choice for the customer (Notteboom and Rodrigue 2011), which will extend COSCO's power over selecting or prioritising trade partners in Piraeus.

The strongest opposition to COSCO's construction and operation of terminals in Piraeus arises over the governance of employment relations, which, as some union members and activists have reportedly suggested, are being undermined. This has led to further concerns over the erosion of wage levels, job security and workers' wellbeing as a consequence of privatisation (Grappi 2015). As will be discussed in more detail in the following section, COSCO introduced ambiguity to the governing bodies dealing with employment in the port. Integration between shipping, terminal operation and inland logistics opens up bargaining on work and employment relations. In COSCO's case, the power of relocation is reinforced by its monopolist status as the marine transport agent of the Chinese state's initiative 'One belt, one road'. Amid the suspension of negotiations with the Greek government over the Piraeus takeover, COSCO started the process of acquiring 65 per cent of the Turkish Kumport container terminal. Investing in Turkey was strategised as supplementary and an alternative 'inland' route in the 'One belt, one road' initiative to promote trade and business links between Asia and Europe. Political economy, as reflected in the links between firms and states, is key to understanding practices at the firm level. What is highlighted here is that the intersection between firm-level strategy (the experimentation and extension of a *'Shipping-Railway Transport Bundle'* business model) and state policy (The *'Central Europe Express'* project as part of the *'One belt, one road'* policy) is the key to understanding employment relations as globalisation drives greater integration in the transportation and logistics sectors.

5.4 Expatriation and employment in the overseas subsidiaries

COSCO group's employment policy on expatriation favours management stability. Expatriation policies have been applied to workers despatched from China. The majority of expatriated employees are on indefinite terms of employment. This also means that at any time an expatriate may be called back or reassigned to another post in another country, although in most cases most remain in overseas positions on a long-term basis. Chinese workers working overseas on a short-term basis are generally not classified as expatriates. They are often recruited by specialised employment agencies, which offer training and preparation of the paperwork required to send the workers to the site where they work. These dispatched workers are managed by the operational agencies on site (such as chartered ships, infrastructure projects or shipyards). In terms of local employment, agency workers make up the majority of the workforce in COSCO's invested projects overseas. In Piraeus, 261 workers are classified as local employees among the 1,200 workers working on various projects. The increased number of agency workers is one of the changes that has occurred since COSCO took over the port of Piraeus. While admitting that extensive use of recruitment and operational agencies causes delays in response to an emergency, the benefits of a flexible workforce are such that shipping companies, port terminal operators and port-base logistic centres have all increased the use of non-standard employment. Integration and standardisation of the logistics business is achieved through segmentation and casualization of logistics work. This is not something particular to COSCO, but more a generic sectoral trend.

5.5 Social conflict and industrial action: looking beyond single employers

The privatisation of Piraeus has met with strong social protests in Greece. The dockworkers' unions have organised several rounds of strikes and walk-outs since 2011 and have been supported by a number of national unions (Vassilopoulos 2014). The frequency of industrial action has increased in recent months (2016–2017), before and after the deal was publically announced. The Dockworkers Union's two-day strike in February 2016 and the nationwide federation of port employees OMYLE's demonstration in April 2016 were organised to protest against the selling of Piraeus and Thessaloniki port (Koutantou 2016). The 'anti-Chinese' sentiment in these strikes may have been exaggerated by the media. The objectives of industrial action over the past two years has changed to become more specific to workplace issues and not around the ownership question: enforcement of safety measures, settlement of overdue overtime pay, shift working arrangements, staffing numbers and, most recently, newly imposed taxation (World Maritime News 2016). However, what is highlighted from these strikes is the erosion of employment conditions following privatisation – something common to many sectors in the 1980s and 1990s (Pendleton 1999; Colling and Clark 2006; Barton and Fairbrother 2007) although there are always firm and country level particularities in these processes (Arrowsmith 2003; Tuman 2007). At the centre of the Piraeus conflict is the casualisation of employment relations, intensification of work without adequate training and protection procedures and undermining the collective power of unions.

At firm level, COSCO's response to labour disputes has been criticised for being offhand (Vassilopoulos 2014), partly due to a management lacking experience in dealing with organised confrontations. Management's emphasis on increasing traffic into the port, its contribution to local employment and even the invitation to workers to visit the terminals seem to be tactically aimed to exclude the unions and avoid resolving the collective issues that concern the workers. COSCO Group's general principle is 'host country legal compliance'. Such a bottom line approach shows COSCO's lack of corporate level employment relations policies in Europe. In an attempt to offer to create coherent pay policies across its European offices, COSCO's European headquarters started to coordinate its subsidiaries and developed common guidelines in 2015. Under this general framework, the average monthly pay at Piraeus, for instance, is around 1,200 euros. Putting this figure in context, the pay is similar to that at the terminal run by the Piraeus Port Authority, and higher than national average pay in the transportation and logistics sector, which has gone down since the Greek debt crisis. Such 'market competitiveness' needs qualification given that the economic crisis in Greece has blocked wage growth. Overall, COSCO management has promoted a developmental discourse of continued growth, improved productivity and an increased number of jobs, which is in line with the marketisation the Chinese managers experienced at home. COSCO's union avoidance stance is unlikely to change. The management preference for negotiations mediated by government administrative bodies is more likely to prevail as way in which collective employment issues will be resolved.

We need to question whether COSCO can address the employment issues all on its own. COSCO's overseas investment and the scale of employment are still relatively small compared with their European and Japanese rivals. For example, APM, the terminal operation arm of Maersk Group, controls 70 terminals and employs over 100,000 people around the world. Putting COSCO's case in a wider context, the shipping industry is shifting towards a just-in-time business model. Shipping companies, terminal operators and logistics providers have all been under pressure to shorten turnaround time, stretch productivity and repress logistics costs. This competitive pressure is often passed down to the workforce, leading to less job security, longer working hours and squeezed unit process time. Such pressure was well articulated in the lengthy negotiation of collective contracts between the Pacific Maritime Association (PMA) and the International Longshore and Warehouse Union (ILWU) in 2014/2015 (Stevens and Ziobro 2015). In January 2016, the outsourced workers in APT's Indian terminal organised a month-long strike, calling for the port authority to recognise workers' right to form unions (Manoj 2016). Ups and downs in multilateral trade volumes have further undermined workers' collective power in the bargaining of employment terms. The dockworkers' 24-hour strike in Rotterdam in January 2016 was in protest against the employer's decision to lay off workers and effectively withdraw from a long-term collective contract due to over-expansion of the port. Together with the strikes at the Greek ports, these industrial actions are miniature examples of the widespread social tensions in the shipping industry voiced by workers' representative bodies. To address the deteriorating working conditions industry-wide, what is needed is effective institutional infrastructure to facilitate social dialogue between workers' representative bodies and multiple employers in the shipping industry.

Conclusions

As a large-scale Chinese state-owned enterprise, COSCO's international expansion reflects both the Chinese state's policy of promoting outward FDI, as well as the firm's strategic choice in the face of growing competition in the global marine transport industry. The structures are of importance as they allow the state–firm link to be maintained and state policy to be reflected in employment practices. The patterns of COSCO's overseas investment, in particular, reflect the strategic planning of the Chinese state to promote national economic growth by supporting FDI in a number of key sectors. However, COSCO's ties with the Chinese state should not overshadow the fact that the Group is experiencing increasing pressure to speed-up transit time, control operational costs and meet rising productivity standards. When we examine employment relations in the European subsidiaries of Chinese state-owned enterprises, these industrial characteristics are very much underpinned by changes experienced by workers in the shipping, transportation and logistics sectors overall.

References

Arrowsmith J. (2003) Post-privatisation industrial relations in the UK rail and electricity industries, Industrial Relations Journal, 34 (2), 150–163.

Barton R. and Fairbrother P. (2007) 'We're here to make money. We're here to do business': privatisation and questions for trade unions, Competition & Change, 11 (3), 241–259.

Bloor M. and Sampson H. (2009) Regulatory enforcement of labour standards in an outsourcing globalized industry: the case of the shipping industry, Work, Employment and Society, 23 (4), 711–726.

Brødsgaard K. E. (2012) Politics and business group formation in China: the party in control?, The China Quarterly, 211, 624–648.

Colling T. and Clark I. (2006) What happened when the Americans took over Britain's electricity industry? Exploring transnational sector effects on employment relations, The International Journal of Human Resource Management, 17 (9), 1625–1644.

COSCO (2015) COSCO Group Sustainability Report, Beijing.

De Trenck C. (2015) Cosco – China Shipping merger: can you make a national champion out of failures?

http://splash247.com/cosco-cscl-merger-can-you-make-a-national-champion-out-of-failures/

Drahokoupil J., Andrijasevic R. and Sacchetto D. (2016) Flexible workforces and low profit margins: electronics assembly between Europe and China, Brussels, ETUI.

Grappi G. (2015) Logistics, infrastructures and governance after Piraeus: notes on logistical worlds. http://logisticalworlds.org/blogs/logistics-infrastructures-and-governance-after-piraeus-notes-on-logistical-worlds

Koutantou A. (2016) Workers protest as Greece sells Piraeus Port to China COSCO, Reuters, 8 April 2016. http://uk.reuters.com/article/uk-eurozone-greece-privatisation-china-c-idUKKCN0X50XD.

Lyridis D. V. and Stamatopoulou E. (2014) Ports and logistics: an overview of policies and strategies, in CIHEAM (ed.) Mediterra: logistics and agro-food trade, a challenge for the Mediterranean, Athens, International Center for Advanced Mediterranean Agronomic Studies, 263–279.

Lorange P., Zhang L. and Liu G. (2008) China Ocean Shipping (Group) Company, Lausanne, International Institute for Management Development Case Study.

Manoj P. (2016) Strike at JN Port terminal trigger calls for ESMA. http://www.livemint.com/Politics/Y5nOols7Cnl6UTEwHc9bpO/Strike-at-JN-Port-terminal-trigger-calls-for-ESMA.html.

Meunier S. (2014) A Faustian bargain or just a good bargain? Chinese foreign direct investment and politics in Europe, Asia Europe Journal, 12 (1), 143–158.

Meunier S. (2015) A tale of two ports: the epic story of Chinese direct investment in the Greek Port of Piraeus, New York, Council for European Studies.

Miyashita K and Russell D. (1994) Keiretsu: inside the hidden Japanese conglomerates, New York, McGraw-Hill.

Nolan P. and Wang X. (1999) Beyond privatization: institutional innovation and growth in China's large state-owned enterprises, World Development, 27 (1), 169–200.

Notteboom T. and Rodrigue J.-P. (2011) Emerging global networks in the container terminal operating industry, in Notteboom T. (ed.) Current issues in shipping, ports and logistics, Brussels, Academic & Scientific Publishers, 243–270.

Pendleton A. (1999) Ownership or competition? An evaluation of the effects of privatization on industrial relations institutions, processes and outcomes, Public Administration, 77 (4), 769–791.

Rossiter N. (2016) Software, infrastructure, labor: a media theory of logistical nightmares, London, Routledge.

Stevens L. and Ziobro P. (2015) Ports Gridlock reshapes the supply chain: more cargo is being shifted away from congested West Coast trade routes, Wall Street Journal, 5 March 2015. http://www.wsj.com/articles/ports-gridlock-reshapes-the-supply-chain-1425567704

Tan C. (2015) China to invest $128 billion in rail, push for global share, Bloomberg, 5 March 2015. https://www.bloomberg.com/news/articles/2015-03-05/china-to-invest-128-billion-in-rail-expand-global-market-share

Tuman J.P. (2007) Comparing modes of privatisation: a study of the telecommunications sectors in Argentina and Mexico, 1990–2000, Industrial Relations Journal, 38 (2),155–177.

Turnbull P. (2012) Port Labor, in Talley W. K. (ed.) The Blackwell companion to maritime economics, Oxford, Wiley Blackwell, 517–548.

UNCTAD (2014) Review of Maritime Transport, Geneva, United Nations Conference on Trade and Development. http://unctad.org/en/PublicationsLibrary/rmt2014_en.pdf

Vassilopoulos J. (2014) Dock workers at Piraeus Port, Greece end strike, World Socialist Web Site. https://www.wsws.org/en/articles/2014/07/23/dock-j23.html

Wei T., Clegg J. and Ma L. (2014) The conscious and unconscious facilitating role of the Chinese government in shaping the internationalization of Chinese MNCs, International Business Review, 24 (2), 331–343.

World Maritime News (2016) New round of strikes to hit Greek ports, 19 January 2016. http://worldmaritimenews.com/archives/181061/new-round-of-strikes-to-hit-greek-ports/

Zhai X. (2015) Shipping-railway bundle transport: COSCO pilots an expressed route to connect Central Europe with the sea, China Maritime, 9 March 2015.

Zhang M. and Edwards C. (2007) Diffusing 'best practice' in Chinese multinationals: the motivation, facilitation and limitations, International Journal of Human Resource Management, 18 (12), 2147–2165.

All links were checked on 13.03.2017.