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## CHINA'S BELT AND ROAD INITIATIVE:

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### THE DEBATE OVER CHINESE FOREIGN INVESTMENT IN EUROPE

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## ABSTRACT

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China's Belt and Road Initiative is a widely discussed topic, which is seen by some as a Chinese attempt to shape the world according to its vision and needs, while others see it as a great possibility, not only economically, but also politically, to create a fairer and more equal global political order, or simply to minimise the influence of Western powers. This thesis is meant to answer the question of whether China is sinicising the Port of Piraeus since it first began investing in 2008, and whether that is a reason for the frequent debate of Chinese foreign investment in Europe. Analysing the Port of Piraeus under COSCO's management for norm diffusion, it cannot be said that COSCO is turning the port into a Chinese enterprise, besides from its conflict resolution approach. The reason why Chinese foreign investment in Europe is such a frequent topic for debate is due to China's rapid economic rise and its more assertive and proactive role in international organisations, where it is working on changing the normative structure in its favour, which is a matter of concern for the countries that are currently the ones deciding the consensus in the international society.

**Key words:** China, Greece, Port of Piraeus, Belt and Road Initiative, Foreign Investment, Norm Diffusion, Unions, Privatisation

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## CHAPTER 1: INTRODUCTION

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Since the opening up period, the People's Republic of China has seen rapid economic growth and developed into one of the greatest economies on the planet.<sup>1</sup> This economic growth has not only changed the lives of the Chinese people, but also the way China sees itself, its understanding of its place in the world and the responsibilities that come with this newfound position. Part of this new self-image and confidence is the wish to take a more leading role in the global economic system, which resulted in the establishment of the so-called Belt and Road Initiative.<sup>2</sup> Even though the Belt and Road Initiative is widely known and reported on, it is still in its beginnings and a lot of its workings are unknown, especially how or if the project is going to change the global order, and the way in which nations do business with each other.

### 1.1. THE BELT AND ROAD INITIATIVE – CREATION AND VISION

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During a state visit to Kazakhstan in September 2013, the Chinese President Xi Jinping first presented the Chinese vision of an economic cooperative project between the People's Republic of China and the states of Central Asia. This announcement set the base for the Belt and Road Initiative, also known as One Belt One Road (a direct translation of the Chinese name: 一带一路/*yi dai yi lu*) and introduced it to the world. Later on, the scope of the proposed project was broadened as Xi Jinping suggested to include the member states of the Association of Southeast Asian Nations in a maritime-based infrastructure cooperation project. In order to achieve this planned infrastructure cooperation, the creation of the Asian Infrastructure Investment Bank was mentioned. Following Xi Jinping's announcements, the Third Plenary Session of the 18<sup>th</sup> Central Committee of the Communist Party of China called for an increased economic and infrastructural cooperation between the People's Republic of China and its neighbouring countries.

The implementation of this economic infrastructure and connectivity project soon took momentum and in May 2014, i.e., less than a year after it being announced, first steps were taken for the establishment of bilateral infrastructure projects between the People's Republic of

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<sup>1</sup> Kai Vogelsang, *Kleine Geschichte Chinas* (Ditzingen: Reclams Universal-Bibliothek, 2019), 378-380.

<sup>2</sup> Office of the Leading Group for the Belt and Road Initiative, *Building the Belt and Road: Concept, Practice and China's Contribution* (Beijing: Foreign Languages Press Co. Ltd., 2017), 1f.

China and Russia, and the People's Republic of China and Kazakhstan. Furthermore, twenty-one Asian nations came together to lay the foundation of the Asian Infrastructure Investment Bank as founding members. By the end of 2014, Xi Jinping had announced the creation of a so-called Silk Road Fund, to which China pledged to contribute \$40 billion, and another bilateral infrastructure agreement was made between the People's Republic of China and Thailand. During the early months of 2015, the number of member states in the Asian Infrastructure Investment Bank rose to 26. In February of that same year, a more detailed plan of the Belt and Road Initiative was drawn by the Chinese government. The following month, the Chinese Premier Li Keqiang stressed the importance of the Belt and Road Initiative, and promised a prompt carrying out of the project. Later in March, President Xi Jinping presented a more detailed plan of the Belt and Road Initiative during a speech at the Boao Forum for Asia.<sup>3</sup> The speech explained that “[t]he plan called for policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bonds to make complementary use of participating countries' unique resource advantages through multilateral mechanisms and multilevel platforms.”<sup>4</sup> It was made clear that the specific routes of the Belt and Road Initiative could be planned according to the needs of the participating countries.<sup>5</sup>

Until the present day, the Belt and Road Initiative has begun to take shape and has transformed from a mere vision into a project that is being carried out with consequences that can already be felt. So far, China has directed foreign investment via the Belt and Road Initiative into several countries, such as Pakistan<sup>6</sup>, and Kazakhstan.<sup>7</sup> This investment has been used for various means; in Pakistan, for example, the Gwadar Port was extended<sup>8</sup>, while in Kazakhstan, Khorgos Gateway from where Chinese goods are sent by train further on was founded. Since its foundation in 2015 this dry port is already on its way to becoming one of the biggest of its kind in the world.<sup>9</sup> The Belt and Road Initiative has also found its way into Europe, where China has invested heavily in the Greek Port of Piraeus, and has transformed the port into the

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<sup>3</sup> “Chronology of China's Belt and Road Initiative,” *Xinhua*, published March 28, 2015, [http://english.www.gov.cn/news/top\\_news/2015/04/20/content\\_281475092566326.htm](http://english.www.gov.cn/news/top_news/2015/04/20/content_281475092566326.htm).

<sup>4</sup> “China unveils action plan on Belt and Road Initiative,” *Xinhua*, published March 28, 2015, [http://english.www.gov.cn/news/top\\_news/2015/03/28/content\\_281475079055789.htm](http://english.www.gov.cn/news/top_news/2015/03/28/content_281475079055789.htm).

<sup>5</sup> *Ibid.*

<sup>6</sup> Lily Kuo and Niko Kommenda, “What is China's Belt and Road Initiative?” *The Guardian*, July 30, 2018, [www.theguardian.com](http://www.theguardian.com).

<sup>7</sup> Ben Mauk, “Can China Turn the Middle of Nowhere Into the Center of the World Economy?” *The New York Times*, January 29, 2019, [www.nytimes.com](http://www.nytimes.com).

<sup>8</sup> Rachel Zhang, “China, Pakistan reiterate commitment to infrastructure development programme,” *South China Morning Post*, March 3, 2021, [www.scmp.com](http://www.scmp.com).

<sup>9</sup> Mauk, “Can China Turn the Middle of Nowhere Into the Center of the World Economy?”

busiest port in the Mediterranean.<sup>10</sup> The projects associated with the Belt and Road Initiative, however, vary far more than these three examples can show, and the number of countries involved is growing steadily. In 2018, 105 countries had signed documents of cooperation with China<sup>11</sup> and the number has risen to 140 according to *yidaiyilu.gov.cn* by the beginning of 2021.<sup>12</sup>

This new China-led international project for economic and cultural cooperation, and the development of an internationally linked infrastructure for the advancement of a multifaceted interregional connection and collaboration is based on the ancient Silk Road. This historic trade route received its name centuries after it ceased to exist by the German geographer Ferdinand Freiherr von Richthofen in the 19<sup>th</sup> century.<sup>13</sup> The Silk Road first came into existence during the Han Dynasty and stayed in use from 130 BCE to 1453 CE. On this trade route, goods were transported from the East to the West and vice versa. Goods that were brought from China to Europe included among others tea, silk, porcelain, and paper, while merchants brought animals, textiles, fruits, armour and more from Europe to the East. The ancient Silk Road came to an end when the Ottoman Empire closed off the routes connecting East and West in the 15<sup>th</sup> century.<sup>14</sup>

The Chinese President Xi Jinping is now trying to revive the spirit of this ancient trade route in order to connect China and other countries via their economies once more.<sup>15</sup> The Belt and Road Initiative – “belt” for the routes on land, “road” for the sea routes<sup>16</sup> – however, is a much more extensive project than a mere replication of the ancient Silk Road. This is true for both the geographic scope of the initiative, and the spirit behind its establishment. Geographically, the Belt part consists of three different routes: “one from Northwest China and Northeast China to Europe and the Baltic Sea via Central Asia and Russia; one from Northwest China to the Persian Gulf and the Mediterranean Sea, passing through Central Asia and West Asia; and one from Southwest China through the Indochina Peninsula to the Indian Ocean.”<sup>17</sup>

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<sup>10</sup> “Top European container ports in the Mediterranean have same ranking in 2019 led by Piraeus,” *PortSEurope*. April 27, 2020, retrieved from <https://advance-lexis-com.zorac.aub.aau.dk/api/document?collection=news&id=urn:contentItem:617W-83K1-DY7Y-G17Y-00000-00&context=1516831>.

<sup>11</sup> “China signs MOUs with 37 African countries, AU on B&R development,” *XinhuaNet*, published September 7, 2018, [http://www.xinhuanet.com/english/2018-09/07/c\\_137452482.htm](http://www.xinhuanet.com/english/2018-09/07/c_137452482.htm).

<sup>12</sup> “Countries,” *Belt and Road Portal*, published March 6, 2021, <https://eng.yidaiyilu.gov.cn/gbjj.htm>.

<sup>13</sup> Manuel Vermeer, *KulturSchock China* (Bielefeld: Reise Know-How Verlag Peter Rump GmbH, 2018), 141.

<sup>14</sup> *World History Encyclopedia*, s.v. “Silk Road,” by J.J. Ford, accessed March 7, 2021, [https://www.ancient.eu/Silk\\_Road/](https://www.ancient.eu/Silk_Road/).

<sup>15</sup> “Full text: Action Plan on the Belt and Road Initiative,” *English.gov.cn*, published March 30, 2015, [http://english.www.gov.cn/archive/publications/2015/03/30/content\\_281475080249035.htm](http://english.www.gov.cn/archive/publications/2015/03/30/content_281475080249035.htm).

<sup>16</sup> Kuo and Kommenda, “What is China’s Belt and Road Initiative?”

<sup>17</sup> Office of the Leading Group for the Belt and Road Initiative, *Building the Belt and Road*, 9f.

The so-called Road, on the other hand, can be divided into two different routes: “one starts from coastal ports of China, crosses the South China Sea, passes through the Malacca Strait, and reaches the Indian Ocean, extending to Europe; the other starts from coastal ports of China, crosses the South China Sea, and extends to the South Pacific.”<sup>18</sup> Thus the current project is far more ambitious concerning the geographic scope, when comparing the Belt and Road Initiative and the ancient Silk Road.

As for the spirit and intentions behind the Belt and Road Initiative, the People’s Republic of China government states on its *English.gov.cn* website:

The initiative to jointly build the Belt and Road, embracing the trend toward a multipolar world, economic globalization, cultural diversity and greater IT application, is designed to uphold the global free trade regime and the open world economy in the spirit of open regional cooperation. It is aimed at promoting orderly and free flow of economic factors, highly efficient allocation of resources and deep integration of markets; encouraging the countries along the Belt and Road to achieve economic policy coordination and carry out broader and more in-depth regional cooperation of higher standards; and jointly creating an open, inclusive and balanced regional economic cooperation architecture that benefits all. Jointly building the Belt and Road is in the interests of the world community. Reflecting the common ideals and pursuit of human societies, it is a positive endeavor to seek new models of international cooperation and global governance, and will inject new positive energy into world peace and development.<sup>19</sup>

As can be understood from this statement, the Chinese government’s vision for the Belt and Road Initiative goes beyond solely economic cooperation but is expected to change the ways in which countries cooperate and may have implications for world trade as a whole. Furthermore, the Belt and Road Initiative is not only anticipated to promote economic exchange, and infrastructure cooperation, but cultural and interpersonal connectivity as well since it is one of the project’s long-term-goals. This cultural cooperation includes the establishment of Confucius Institutes, the financing of the restoration of cultural sites in Belt and Road Initiative countries, the promotion of tourism, as well as knowledge exchange in the medical sector. Furthermore, new visa agreements were made between China and several Belt and Road Initiative member countries, which would simplify visa applications, or even allow for visa-free entrances.<sup>20</sup>

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<sup>18</sup> Ibid., 10.

<sup>19</sup> *English.gov.cn*, “Full text: Action Plan on the Belt and Road Initiative.”

<sup>20</sup> Office of the Leading Group for the Belt and Road Initiative, *Building the Belt and Road*, 18, 42-48.

Overall, China considers its Belt and Road Initiative to be a great opportunity for countries all over the world to benefit from China's development and to sign win-win cooperation agreements. As Chinese officials state, the Belt and Road Initiative is entirely based on the premises of equality and inclusivity. Joining the Belt and Road Initiative means committing to a project which strives for a better world, in which all countries cooperate on equal terms, and no countries are exploited for the benefit of another country's development. This also includes the idea of developing countries economically without harming the environment. Finally, China does not see the Belt and Road Initiative as a pure economic and infrastructure cooperation project, but a project that brings people closer together, that helps them learn from each other and to eventually become one harmonious world community where countries benefit from one another in a win-win cooperation, where development happens without damaging the environment or the less developed countries, and where successes are shared.<sup>21</sup> This means that, at least from the official Chinese perspective, the Belt and Road Initiative is far more than just an economic project; it is considered to be an opportunity for the People's Republic of China to take its place in the global order and to shape it according to its vision.<sup>22</sup>

## 1.2. WESTERN CRITICISM OF THE BELT AND ROAD INITIATIVE

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In many Western countries, on the other hand, the Belt and Road Initiative is not necessarily seen in the same positive light as in China. Some consider the project to be an opportunity for China to gain influence in its neighbouring countries, which it could use to coerce these countries to act according to China's interests.<sup>23</sup> Following this line of criticism, China is also being accused of considering its neighbouring nations as its natural sphere of influence and even as quasi-parts of China itself.<sup>24</sup> One commonly raised concern in the United States is the fear that China will use the influence it has gained as a result of the Belt and Road Initiative to encourage or inspire investment-receiving countries to change their political system and to adapt a more Chinese style of government. This often-voiced fear is accompanied with

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<sup>21</sup> Ibid., 54-57.

<sup>22</sup> Lu Hua, "How the Belt and Road Project Fills a Global Governance Vacuum," *Sixth Tone*, November 12, 2017, [www.sixthtone.com](http://www.sixthtone.com).

<sup>23</sup> Rodion Ebbinghausen, "China's ambitious Silk Road strategy," *Deutsche Welle*, December 21, 2015, [www.dw.com](http://www.dw.com).

<sup>24</sup> Rodion Ebbinghausen, "China's Southeast Asia investments: A blessing or a curse?" *Deutsche Welle*, April 24, 2017, [www.dw.com](http://www.dw.com).

the concern that a growing sphere of Chinese influence would result in a national security threat for the United States of America.<sup>25</sup> These fears are often connected to the China Threat Theory, which considers China to be the ultimate antagonist who is trying to replace the United States as the one major leading power in the world at all costs in order to be able to reshape the global order according to its wishes and needs. In essence, this theory villainises China no matter what it is doing, and it also considers other nations who are cooperating with China to be betrayers of the current world order.<sup>26</sup>

Another commonly phrased criticism is concerned with the investments that are being made as part of the Belt and Road Initiative itself. Many Western countries are making accusations regarding the loans which China is granting to developing countries. In this case of Western criticism, China is being accused of lending money for projects in developing countries that are unable to pay back that loaned money, and as a result are being caught in a so-called ‘debt-trap’ that was set up by China. In connection with this accusation, the need for some of the projects is being questioned as well. Some projects are criticised of being vanity projects that are expensive but unnecessary and are thus not helpful to the developing nations that are having them built. Furthermore, China is being accused of not bringing money to the population in the investment-receiving developing nations, as a lot of the workers that are actually building the infrastructure projects are not locals but are Chinese workers that were brought there specifically for the project. According to this criticism, these huge infrastructure projects do not help the local population since they are not able to earn wages from actively working on and participating to the projects themselves.<sup>27</sup>

In the European Union, some fear that Chinese investment in the member states, or membership applicant countries could have a divisive effect among the European nations.<sup>28</sup> This includes the fear of not being able to stand as one bloc when it comes to the European Union’s foreign policy. In 2016, there were at least three instances when the Greek government did not vote in favour of two statements condemning China’s behaviour, in the second instance blocking the statement in its entirety. In another instance, Greece was against more thorough

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<sup>25</sup> Keith Bradsher, “China Renews Its ‘Belt and Road’ Push for Global Sway,” *The New York Times*, January 15, 2020, [www.nytimes.com](http://www.nytimes.com).

<sup>26</sup> Emma V. Broomfield, “Perceptions of Danger: the China threat theory,” *Journal of Contemporary China* 12, no. 35 (2003): 265-267

<sup>27</sup> Keith Bradsher, “China Proceeds With Belt and Road Push, but Does It More Quietly,” *The New York Times*, January 22, 2019, [www.nytimes.com](http://www.nytimes.com).

<sup>28</sup> Barbara Surk, “As China Moves In, Serbia Reaps Benefits, With Strings Attached,” *The New York Times*, September 9, 2017, [www.nytimes.com](http://www.nytimes.com).

screenings of Chinese investments in Europe. Greece's foreign policy stances regarding China are concerning to the European Union member states as they are worried that China will gain more influence in Europe by using Greece as a mouthpiece.<sup>29</sup>

Furthermore, the European Union criticises Chinese foreign investment to be unfair, since Chinese companies are able to receive state loans, while European companies often do not have the opportunity to receive state funding for their projects.<sup>30</sup> European businesses have also complained about being excluded from the biddings for the execution of Belt and Road Initiative projects, and they claim that these projects are almost exclusively given to state-owned Chinese companies. The European companies stated that they felt like the odds are stacked against them in the competition and that Chinese companies are given preferential treatment. This is seen to be especially true for the telecommunications market in developing countries, where Chinese enterprises, such as Huawei, are playing a major role, while European companies in this sector feel like the market is getting closed off for them, while Chinese companies are still able to get commissions for telecommunications jobs in Europe. The same complaints have been made about the shipping sector, where European enterprises express concern that they are getting pushed into a competitive disadvantage.<sup>31</sup>

Lastly, the Belt and Road Initiative has faced criticism – not only from Western nations and organisation, but also from South-eastern countries as well – concerning the environmental impact of the infrastructure projects that are being implemented as a part of it. These accusations are stating that while there may exist environmental standards that are supposed to be upheld and that would reduce the environmental impact of these major infrastructure projects, the implementation of these standards has been lacking and the needs of the local population are being disregarded by the local government officials. These standards are not only concerned with nature, but also with the local population, who are sometimes are forcedly removed from their villages and are neither properly resettled nor do they receive appropriate compensation or compensation at all. In these cases, while the actual instances of misconduct can often be observed as coming from the local officials, China is accused of not putting effort into enforcing

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<sup>29</sup> Jason Horowitz and Liz Alderman, "Chastised by E.U., a Resentful Greece Embraces China's Cash and Interests," *The New York Times*, August 26, 2017, [www.nytimes.com](http://www.nytimes.com).

<sup>30</sup> European Commission and HR/VP contribution to the European Council. *Joint Communication to the European Parliament, the European Council and the Council. EU-China – a strategic outlook* (Strasbourg: European Commission, 2019), 4.

<sup>31</sup> Bradsher, "China Renews Its 'Belt and Road' Push."

the standards and pushing the continuance of the projects no matter the consequences.<sup>32</sup> Overall, the Belt and Road Initiative is being accused from Western countries to result in a decrease in biodiversity, environmental destruction, and to encourage and allow for corruption.<sup>33</sup>

### 1.3. PROBLEM FORMULATION

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Considering that the Belt and Road Initiative is a Chinese-led project that is both internationally minded, as well as working towards a more tightly knit global economic community, it invites the question on how this change in international and interregional cooperation is meant to come about.<sup>34</sup> There have been reports in Western media, such as *The New York Times*<sup>35</sup>, where it is suggested that China is not only investing in trading with and connecting foreign nations, but also introducing the Chinese system of running companies in these countries, either on purpose or as a by-product. The question this paper is trying to answer is whether these reports are true, i.e., whether Chinese foreign investments as part of the Belt and Road Initiative are actually leading to norm diffusions in the receiving countries (see norm diffusion in *Chapter 3: Theoretical Framework*).

For this thesis, the case of the Port of Piraeus in Greek was chosen. The reasoning behind this choice is twofold: Firstly, China first began investing in the port over ten years ago, which should have given the Chinese investors sufficient time to have an effect on the working system. Consequently, by the time of writing this thesis it should be possible to analyse whether the Port of Piraeus is being operated ‘Chinese-style’, or at least whether the Chinese management style has influenced the running of the port, or not. Secondly, the port is one of the so-far rarer cases of a non-Western country massively investing in a European country. Usually, the opposite has been the norm for the past decades. This also means that it has not happened very often that a Western company or corporation is confronted with a management style that is not the same, or at least culturally much different from their own style. However, in the Piraeus case, the Chinese investors stem from a very different system than their Greek investees. These

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<sup>32</sup> Teddy Ng, “China’s Belt and Road Initiative criticised for poor standards and ‘wasteful’ spending,” *South China Morning Post*, June 12, 2019, [www.scmp.com](http://www.scmp.com).

<sup>33</sup> “Three Opportunities and Three Risks of the Belt and Road Initiative,” *World Bank Blogs*, published May 4, 2018, <https://blogs.worldbank.org/trade/three-opportunities-and-three-risks-belt-and-road-initiative>.

<sup>34</sup> Office of the Leading Group for the Belt and Road Initiative, *Building the Belt and Road*, 1f.

<sup>35</sup> Alderman, “Under Chinese, a Greek Port Thrives;” Surk, “As China Moves In, Serbia Reaps Benefits.”

differences include their languages and cultures, but also the political, as well as the economic systems from which they arise. Despite all the criticism (see *1.2. Western Criticism of the Belt and Road Initiative*), the Port of Piraeus has seen great improvements in productivity and container throughput.<sup>36</sup> To conclude, the question this thesis aims to answer is: “*Why is Chinese foreign investment in Europe as part of the Belt and Road Initiative a topic for debate, when there are economic improvements to be seen?*”

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<sup>36</sup> Theo Notteboom, “Top 15 Container Ports in Europe in 2020,” *Port Economics*, March 2, 2021, [www.porteconomic.eu](http://www.porteconomic.eu).

## CHAPTER 2: METHODOLOGY

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In the following chapter, the methodology that is used in this thesis is presented and elaborated upon. The methods described in this chapter are the tools that were chosen in order to analyse the case and subsequently answer the question described in the previous chapter 1.3. *Problem Formulation*. These methods include a variety of topics, such as the thesis structure, choice of theory, as well as the research limitations, i.e., the aspects and topics that could not be researched or included in this thesis for different reasons. Furthermore, a description of the data used in thesis is given. Considerations regarding a case study are being presented as well.

### 2.1. METHODOLOGICAL APPROACH

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In order to be able to answer this thesis's question: “*Why is Chinese foreign investment in Europe as part of the Belt and Road Initiative a topic for debate, when there are economic improvements to be seen?*” a methodological approach needed to be chosen. This thesis is based on a deductive approach, which means that the theory was first decided upon, and that the decisions on how to research the topic in order to complete this thesis came later. As the topic of this paper is concerned with norm diffusions, the qualitative approach was deemed to be more appropriate to the needs of this analysis, as opposed to the quantitative approach. While the quantitative approach makes use of statistics and other data of measurements, the qualitative approach is more concerned with explanatory data, such as reports of someone's experience regarding the research topic.<sup>37</sup> Since this paper is attempting to analyse the ways in which a norm diffusion can be seen – if at all – in the operation of the Port of Piraeus more descriptive data is needed, rather than entirely empirically based data. Norm diffusions cannot be measured in statistics, as they are not enclosable occurrences, but rather more subjective experiences. Thus, in order to discern whether a norm diffusion is occurring a case study of the Port of Piraeus was conducted, in which the management method and the change thereof since the beginning of Chinese investments is analysed.

The topic of Chinese foreign investment as part of the Belt and Road Initiative can be researched from various points of views and a great variety of aspects can be focused on. A

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<sup>37</sup> Mark Stephan Felix, and Ian Smith, *A Practical Guide to Dissertation and Thesis Writing* (Cambridge Scholars Publisher, 2019), 93f.

common point of departure for research or even reporting on both Chinese foreign investment in general, as well as the Belt and Road Initiative is the focus on material aspects, i.e., a focus on the economy as a measure of the success or failure of these investments. Another angle that is commonly seen when looking for research and newspaper articles on the Belt and Road Initiative is concerned with geopolitics. This means that these investment projects tend to be seen from a perspective where nations are in a state of constantly grappling for power and influence over another nation. These material and geopolitical lines of thinking are based on the international relations theories of realism and liberalism.<sup>38</sup> In order to find and analyse norm diffusions as a result of Chinese foreign investment in the Port of Piraeus, an ideational and normative line of thinking was chosen, which will be further elaborated upon in 2.2. *Choice of Theory*.

## 2.2. CHOICE OF THEORY

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This thesis is concerned with the effects of Chinese foreign investment as part of the Belt and Road Initiative considering the terms of how Chinese investors influence their investees. As China is investing more frequently in other countries, the question arises whether this will have an effect on the receiving countries, i.e., whether the Chinese investors are influencing their investees, whether they do so purposefully or whether it is only happening as an unintended by-product. Will the investment receiving countries, for example, change the ways in which their businesses are run and adapt a management style resembling the one they have experienced while working with Chinese investors?

In order to analyse the ways in which Chinese foreign investments as a part of the Belt and Road Initiative influence the countries receiving the investment, the theory of social constructivism described by Alexander Wendt in his 1999 book *Social Theory of International Politics* was chosen (see 3.1. *Social Constructivism*). As mentioned above in 2.1. *Methodological Approach*, there are various starting points from which Chinese foreign investment as part of the Belt and Road Initiative can be analysed. The two most common lines of thinking are the geopolitical one and the material one. The geopolitical line of thinking is concerned with the ways in which a nation's actions affect other nations. This could, for

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<sup>38</sup> Robert Jackson, Georg Sørensen, and Jørgen Møller, *Introduction to International Relations – Theories and Approaches*, 7<sup>th</sup> ed. (Oxford: Oxford University Press, 2019), 293-296.

example, mean either how a nation exerts power over another nation, or how a nation is gaining influence in another nation's area of influence. The material line of thinking, on the other hand, is more concerned with the ways in which the Belt and Road Initiative and Chinese foreign investment affect the nations receiving the investment.

For this project, however, a different line of thinking was chosen and applied, namely a normative line of thinking. This means that the relations between nations are not analysed on the grounds of their economic exchanges, or their political influence over one another, but more along the lines of how the interaction and possible cooperation between nations affect their culture, in various fields, such as how enterprises are managed, how conflicts are solved and the like. In short, this thesis is not invested in analysing how China or its investment receiving countries are faring economically, or whether China is gaining political influence in the participating nations of the Belt and Road Initiative. This thesis is concerned with how China is affecting the norms of an investment receiving nation due to the ensuing close cooperation. Social Constructivism allows for this approach to an international relations analysis, since this theory argues that "the most important aspect of international relations is social, not material. [...] The international system [...] is a set of ideas, a body of thought, a system of norms, which has been arranged by certain people at a particular time and place."<sup>39</sup> This theory of social constructivism is, thus, an ideal choice when trying to analyse the diffusion of norms as a result of tightened relations between two or more nations.

### 2.3. CASE STUDY

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In order to be able to discuss the topic of norm diffusion as a result of Chinese foreign investment as a part of the Belt and Road Initiative data needs to be gathered. For this thesis, the decision was made to perform a case study on one case of Chinese foreign investment. The case of the Port of Piraeus was chosen for several reasons.

Firstly, the China Ocean Shipping Company (COSCO) already began investing in 2008<sup>40</sup>, which means that since the beginning of investment and the time of writing of this thesis,

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<sup>39</sup> Jackson, Sørensen, and Møller, *Introduction to International Relations*, 235.

<sup>40</sup> Xi Zhou, "Rediscovering China: COSCO committed to Piraeus investment," CGTN, June 21, 2019, [www.news.cgtn.com](http://www.news.cgtn.com).

enough time should have passed to show whether or whether not a norm diffusion has started to take place. Secondly, the Port of Piraeus lies in Greece, which is a member state of the European Union, traditionally acts as an investor in developing countries, and usually does not receive investment from non-Western nations. As a result, a norm diffusion should be more easily detectable, as Greece has not received much investment from nations with a very different culture, i.e., changes in norms would be more apparent. Thirdly, due to the duration of the investment and the fact that China is investing in a European Union member nation, there is enough data available to be able to conduct an analysis thereof using social constructivism.

### 2.3.1. THE PORT OF PIRAEUS

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The China Ocean Shipping Company first bought shares in the Port of Piraeus in 2008 and began operating the port a year later. In 2015 there were calls for a tender on the sale of 67% of the Piraeus Port Authority SA, which COSCO won.<sup>41</sup> Since 2016, COSCO is the majority owner of the port, and in 2021 the share percentage increased to 67 percent, which makes COSCO the de facto owner of the port.<sup>42</sup> COSCO was able to acquire the port as a part of the Greek government's efforts to bring in money in times of economic hardship.<sup>43</sup> The privatisation of Piraeus port was also a part of a deal between the Greek government and the Euro-member states in exchange for financial support and debt-relief. Not only Chinese companies invested in Greek infrastructure; among others, a German company took control over more than a dozen regional airports.<sup>44</sup> At the same time, the Port of Piraeus is not the only Greek infrastructure that received Chinese investment: Athens airport is also seeing improvements with the help of China's foreign investment.<sup>45</sup>

Since COSCO has gotten involved in running Piraeus port, it has invested vast quantities of money into modernising the facilities, concentrating on increasing the docks' capacities, but also reducing labours' wages, and restructuring proceedings to make the work more efficient,

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<sup>41</sup> Thanasis Karlis and Dionysios Polemis, "Chinese outward FDI in the terminal concession of the port of Piraeus," *Case Studies on Transport Policy* 6, no. 1 (2018): 18

<sup>42</sup> Christoph Sackmann, "Der "Kopf des Drachen" wächst: China macht Piräus zum Einfallstor nach Europa," *Focus Online*, May 26, 2020, [www.focus.de](http://www.focus.de).

<sup>43</sup> Liz Alderman, "Under Chinese, a Greek Port Thrives," *The New York Times*, October 10, 2012, [www.nytimes.com](http://www.nytimes.com).

<sup>44</sup> "Chinesen übernehmen Hafen von Piräus," *Deutsche Welle*, January 21, 2016, [www.dw.com](http://www.dw.com).

<sup>45</sup> Gian Luca Atzori, "Can China's New Silk Road Save the Greek Economy?" *The Diplomat*, January 21, 2016, [www.thediplomat.com](http://www.thediplomat.com).

as well as to boost productivity. The aim is to increase the port's international competitive ability, and to turn it into one of the most productive and busiest ports in the world, and specifically in the Mediterranean.<sup>46</sup> From 2008 to 2018, the turnover of goods has tripled, which is a direct result of COSCO's management.<sup>47</sup> The Port of Piraeus is thus not only a means for the Greek government to reduce its debt, but it is also a way for China to establish its Belt and Road Initiative in Europe.<sup>48</sup> Given the port's strategically important location, it has also sometimes been referred to as 'dragon head', not only because it is planned to eventually connect Piraeus with Budapest by train, i.e., enabling China's entry into Europe, but also because the COSCO-run port is considered the embodiment of the spirit of the Belt and Road Initiative.<sup>49</sup>

However, the Chinese investment is not only confined to the port itself; adjourning storehouses are meant to be turned into luxury hotels. Also, the abovementioned train connection is of great interest, since it would drastically reduce the transportation time for goods from their first arrival in Europe to their final destination in Central, or Northern Europe. Furthermore, under COSCO's management, new maintenance technology for the ships was introduced. Before, the Greek ships needed to receive their annual maintenance abroad; being able to do so in Greece is a job-creating factor.<sup>50</sup>

### 2.3.2. DATA COLLECTION

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Several different sets of data were used in order to look for and analyse the norm diffusion in the case of Chinese investment in the Port of Piraeus as a part of the Belt and Road Initiative. Both sets of data are secondary literature, i.e., no empirical studies were conducted, and all the data used was gathered by other researchers. This approach was chosen as a qualitative research method was used for this thesis which is based on an extensive range of reports regarding the topic. Creating qualitative data first-hand would have not been compatible with the scope of this thesis, both due to the timeframe and space restrictions.

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<sup>46</sup> Andreas Becker, "Schuldenfalle Neue Seidenstraße?" *Deutsche Welle*, April 20, 2018, [www.dw.com](http://www.dw.com).

<sup>47</sup> Zacharias Zacharakis, "Chinas Anker in Europa," *Zeit Online*, May 8, 2018, [www.zeit.de](http://www.zeit.de).

<sup>48</sup> Becker, "Schuldenfalle Neue Seidenstraße?"

<sup>49</sup> Andreea Brînză, "How a Greek Port Became a Chinese 'Dragon Head'," *The Diplomat*, April 25, 2016, [www.thediplomat.com](http://www.thediplomat.com).

<sup>50</sup> Zacharakis, "Chinas Anker in Europa."

The first set of data consisted of government websites and white papers which were used to first gather background information on the new Belt and Road Initiative and Chinese investment abroad. The government white papers and the government websites were the official English sites from the government of the People's Republic of China. The government white papers were taken from the website [english.www.gov.cn/beltAndRoad/](http://english.www.gov.cn/beltAndRoad/), which provided information on the progress of the Belt and Road Initiative and gave information on the Chinese government's vision for the Belt and Road Initiative. The other website that was used was [eng.yidaiyilu.gov.cn](http://eng.yidaiyilu.gov.cn), which is the official Chinese government's website for the Belt and Road Initiative. On this site a variety of information can be found, such as data on the Belt and Road Initiative member nations, statistics, and updates on the current development of the project. Furthermore, information provided by the European Union was used as well. This information included strategy papers drawn up by the European Commission. What always needs to be considered when working with government data is that there might be a bias in them, as governments have an interest in providing data that is favourable for them. It should therefore be ensured that similar data can be found elsewhere as well. This was done by cross-referencing the information that was given in the government white papers with different sources; mainly newspaper articles, as the events researched for this thesis are rather recent, so there are not many books on the topic that would qualify for this task.

The second set of data consisted of newspaper articles, which mainly stem from *The New York Times*, *Deutsche Welle*, the *South China Morning Post* and *The Sixth Tone*. The first of them is an American newspaper, and the second is a German government media. Both of these sources provide a Western perspective, while the two latter ones are Chinese media outlets. These newspaper articles were used to gather non-governmental information on the Belt and Road Initiative, such as means for reconstructing the history of Chinese investment in the Port of Piraeus, as well as Chinese and Western perspectives on these investments.

The third set of data were research articles and books on the Belt and Road. The foci of these books ranged from Chinese foreign policy, geopolitics, and financial outlooks on the Belt and Road Initiative. Some of these books were also concerned with the ancient Silk Road. The authors of these books and research articles stem from a variety of backgrounds, which means that a mixture of perspectives was represented. The diversity of topics and perspectives should provide a more objective overview over the topic.

All of the literature that was used to research the topic of the Belt and Road Initiative and Piraeus Port is accounted for in the *Bibliography* at the end of this thesis paper.

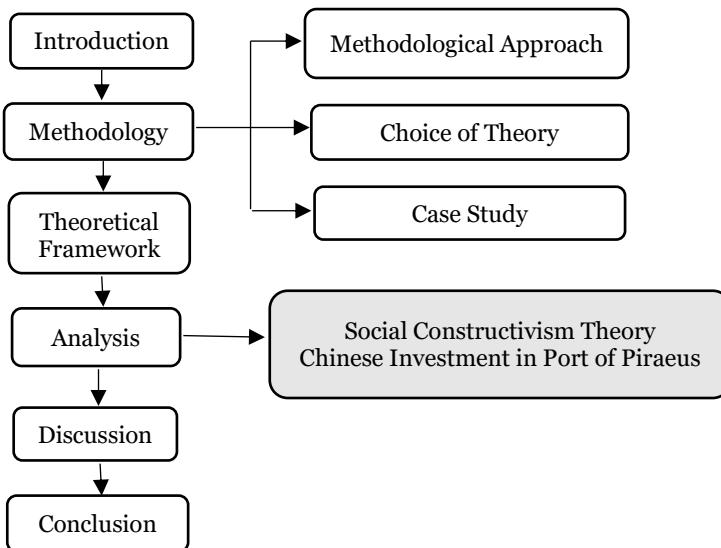
## 2.4. THESIS STRUCTURE

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The first part of this thesis is concerned with an introduction into the topic matter, aiming to provide the background information which is necessary to understand and follow the topic at hand. This information included a short history of the historic Silk Road, an introduction into the Belt and Road Initiative – both its beginnings and its vision – as well as a general presentation of the Chinese and Western opinion regarding the Belt and Road Initiative. Lastly, the problem formulation is presented.

The second part of the thesis is concerned with the methodology used in order to conduct the case study. Firstly, the methodological approach is explained and elaborated upon. Secondly, a presentation of the choice of theory is provided. The second part is followed by the presentation of the case study. This part includes an explanation of why it was decided to conduct a case study, which case was chosen, as well as a short presentation of the case and then, which kind of data was used in order to be able to conduct the case study. Fourthly, the structure of the thesis is presented. That sub-chapter is followed by the literature review, which presents the research findings that have already been published on the topic of the Belt and Road Initiative with a focus on the effects of Chinese foreign investment. Finally, the second part ends with a presentation of the research limitations, i.e., the topics and that could not be included in the thesis. The reasons behind the limitations are presented as well.

The third part of this paper is the analysis chapter, in which the case study is conducted and evaluated. This chapter is followed by a discussion chapter. Finally, the thesis finishes with a chapter, in which the findings are summarised and concluded.



## 2.5. NORM DIFFUSION AND THE BELT AND ROAD INITIATIVE – A REVIEW

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The Belt and Road Initiative has roused the interest of many scientists, which results in an extensive collection of literature with a variety of foci. These topics range from research articles investigating debt implications to books concerned with the Belt and Road Initiative in the context of globalisation. However, while there is some literature to find on the Belt and Road Initiative as a tool of Chinese soft power, not much research has been done on the topic of norm diffusion as a result of Chinese foreign investment within the Belt and Road Initiative. One of the researchers invested in researching the so-called ‘principle diffusion’ is Anastas Vangeli, who wrote the chapter “*A Framework for the Study of the One Belt One Road Initiative as a Medium of Principle Diffusion*,” which was published in Li Xing’s (ed.) book from 2019 called *Mapping China’s ‘One Belt One Road’ Initiative*. Another research article by Liu Qianqian and Polyxeni Davarinou, which is called “*Sino-Greek Cooperation: COSCO’s Investment in the Port of Piraeus*,” and is concerned with the consequences and implications of COSCO’s investment in the Port of Piraeus not only for the local community, but for Greece as a whole. The article was published in 2019, in the *IDS Bulletin – Transforming Development Knowledge* research journal, which was edited by Gong Sen, Melissa Leach and Jing Gu, and which was following that journal’s theme “*The Belt and Road Initiative and SDGs: Towards Equitable, Sustainable Development*.”

### 2.5.1. CHINA'S NORMATIVE INFLUENCE ON ITS TRADING PARTNERS

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In his chapter, Anastas Vangeli strongly emphasises that China does indeed have an influence on its trading partners, as well as that these influences have already become discernible. Furthermore, he states that the Belt and Road Initiative was at least partially created to transport the Chinese system into the world. The main method which is used to popularise the Chinese system is to simply offer it as an alternative to the Western model. Succeeding in promoting the Chinese model is especially promising in times when Western states are more concerned with problems in their home countries and their focus on the outer world is reduced.

The Belt and Road Initiative plays a crucial role in the attempt to garner support for and win over other nations' leaders, which might become interested in adopting Chinese behaviour and norms. As Vangeli writes, “[t]hese normative assumptions are rooted in Sinified Marxism and revolve around the ideas of state-led economic cooperation and the sanctity of national sovereignty.”<sup>51</sup> Vangeli further stresses that China cannot be successful in propagating its model on its own solely by using the Belt and Road Initiative, but he writes that the receiving member nations are a factor in whether they adopt Chinese behaviour or not, as well. This means that the principle diffusions are not forced upon the receiving nations, but that they usually happen voluntarily. Generally speaking, it is the responsibility of a country's elite to decide whether or whether not novel concepts and norms are to be emulated from then onwards. However, in a context such as the Belt and Road Initiative, norm diffusion is more likely to occur, as the relationship between the countries within the initiative are leaving the level of mere economic cooperation and enter into a relationship which is characterised by one party introducing the other to novel ideas and concepts.

The main aspect of norm diffusion in this context is not the introduction of new ideas, but how these ideas are propagated in a way that makes them seem desirable in the eyes of the receiving party. The topic of norm diffusion will be further elaborated upon in this thesis in *Chapter 3: Theoretical Framework*, or more precisely in *3.2. Policy Diffusion*. According to Vangeli, China is using the Belt and Road Initiative to introduce the initiative's member states to already pre-existing concepts, which are presented in a new manner. Moreover, he states that there are two norms which are mainly intended for diffusion, namely legislation and the policy-

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<sup>51</sup> Xing Li, ed., *Mapping China's 'One Belt One Road' Initiative* (Cham: Springer International Publishing, 2019), 59.

making process. Additionally, the notion of the inviolability of a nation's sovereignty, which essentially claims that no political system is superior or inferior to another, is also highly likely to find its way into other countries' set of norms. Vangeli further describes how the concept of strongly state-led investment and economic activity could also appear in Belt and Road Initiative member countries after seeing what can be achieved in China using this approach. To conclude, Vangeli's research has shown that China's Belt and Road Initiative can be used by China to influence the initiative's member countries. This happens due to China's central role in the Belt and Road Initiative, however not due to force, but as a result of the creation of motivations for change on the side of the member countries.

### 2.5.2. COSCO'S INVOLVEMENT IN THE PORT OF PIRAEUS

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Liu Qianqian and Polyxeni Davarinou describe in their research article COSCO's investment in the Port of Piraeus. Their investigation is concerned with COSCO's management of the Greek port, its way to becoming the most important port in the Mediterranean, and the concerns that other European nations are raising, and, lastly, what this means for the relationship between Greece and China, both politically and economically. The article begins with a short introduction to the history between Greece and China, which took up diplomatic relations in 1972, but only intensified their relationship after China invested in the Port of Piraeus, which was already then Greece's biggest port. While COSCO had already acquired 51 percent of the port in 2008 after winning a bid for the stakes in the port, COSCO only became the operator in 2016 after increasing its stakes in the port to 67 percent (as already described in *2.3.1. The Port of Piraeus*).

The port is geostrategically extremely important to China, since it is a gateway from China to Europe and vice versa and presents a convenient entry-point for Chinese products to Eastern, Central, and South-eastern Europe. The Port of Piraeus is not only geostrategically important to China, but also symbolically with regards to the Belt and Road Initiative, as COSCO's involvement in Greece can be considered to be a showpiece of Sino-European cooperation. As a result of COSCO's investment in Greece more Chinese companies and corporations followed, such as Air China and the China Energy Investment Corporation. The Port of Piraeus has thus turned into the focal point of Chinese Belt and Road Initiative in Europe since the beginning of Chinese investment. Liu and Davarinou explain that since the Port of

Piraeus has gained strategic significance to China, maintaining good relations between Greece and China has become increasingly important to China.

Economically, COSCO's investment in the Port of Piraeus has been a complete success since it has turned the port into one of the busiest not only in the Mediterranean Sea but also in the entire world by introducing advanced equipment and overall improving the infrastructure of the port. This increase in productivity has also created thousands of jobs for the local population and has thus participated in the economic development of Greece as a whole. In the future, more jobs can be created which will benefit the Greek economy in the long run. As mentioned above, looking at the success of the Port of Piraeus, several other large Chinese businesses have begun to invest in Greece. China has as a result become increasingly important to Greece, while also China values Greece for the opportunities it provides, not only within Greece itself, but also regarding its position in Europe – both geopolitically and geostrategically.

In spite of its economic success that can be observed nowadays, COSCO was not always welcome in Greece. Liu and Davarinou report of protests against COSCO in 2008, which were fuelled by the local population's fears of lay-offs and the loss of job security in times of severe economic hardship and extremely high unemployment rates in Greece. Over the years, however, COSCO has managed to establish itself in Greece by following Greek regulations and procedures. Furthermore, COSCO maintained a mainly Greek workforce, which appeased the locals, since they did not lose jobs to 'imported' Chinese workers. One measure that was taken by COSCO's leadership was to break down the cultural barriers between Greeks and Chinese in the port, by offering free Chinese classes and trips to China at COSCO's expense. Furthermore, both Chinese and Greek festivals are being celebrated and the workers' families are invited to join in on the festivities.

Overall, one of the most important aspects that is responsible for COSCO's success in Piraeus is, according to Liu and Davarinou, the fact that COSCO pursued an all-round approach, which took all the needs of the port into consideration. This means that COSCO also invested in obtaining the equipment necessary for ship maintenance and the connecting infrastructure. Furthermore, COSCO has taken actions to support the local community, for example by giving to orphanages. However, all of these measures do not mean that there are no areas of conflict between the Greek government and COSCO. From the point of view of Greek local politicians, COSCO is too invested in its own profit, while hindering the business of others in Piraeus,

whereas COSCO has commented on the obstacles it is facing due to Greek bureaucracy. The instability of the national Greek government can pose another obstacle for COSCO, as it creates planning uncertainty. Another problem that the Sino-Greek economic cooperation is facing is concerned with the distrust displayed by other member nations of the European Union. European businesses are feeling competitively disadvantaged compared to Chinese businesses and are eyeing Chinese investment in Greece with distrust. The pushback of the European Union against Chinese investment in Europe could hinder the long-term economic cooperation between Greece and China.

Liu and Davarinou conclude that COSCO's investment in the Port of Piraeus has resulted in several positive developments in Greece, such as a vast increase in the competitiveness of the port, as well as an improvement of the infrastructure and a creation of jobs, which not only support the local community, but are beneficial to the entire Greek economy. However, China needs to consider the implications of its actions not only in Greece but in the entire European Union, which might create obstacles, if they feel that Chinese investment in Greece, or in Europe in general, is causing disadvantages in other European countries. To continue an economic cooperation that is profitable and beneficial for both sides, the whole of the European Union needs to be taken into consideration.<sup>52</sup>

### 2.5.3. REVIEW FINDINGS

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Anastas Vangeli's and Liu Qianqian and Polyxeni Davarinou's research show that Chinese investment as a part of the Belt and Road Initiative results in consequences that go beyond mere economic factors. These consequences and implications can be of normative nature, which means that China is influencing the normative structure of the investment receiving country. This is not happening by force, but mainly because the Chinese model is becoming more appealing when one can see which developmental improvements China has achieved in a relatively short time. This can also be seen in Liu and Davarinou's article, in the case of COSCO's investment in the Port of Piraeus. According to their observations, the local workers became less resistant to COSCO after their involvement in the port has vastly increased its productivity and international competitiveness. Furthermore, active efforts were made to

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<sup>52</sup> Liu Qianqian and Polyxeni Davarinou, "Sino-Greek Economic Cooperation: COSCO's Investment in the Port of Piraeus," *IDS Bulletin – Transforming Development Knowledge* 50, no. 4 (2019): 109-118.

bridge the cultural differences between Greece and Chinese workers, and COSCO's management placed importance on keeping a local workforce, which made Chinese investment in Greece feel less like a takeover, where the locals are being replaced and not benefiting from the investment in their own country.

Vangeli's, Liu and Davarinou's research explain how Chinese investment as part of the Belt and Road Initiative can be beneficial to China, if certain steps are followed. Firstly, China should not impose its norms and ideas on the investment receiving countries. Rather, it should lead by example, which makes countries more inclined to adopt Chinese practices, than when they are being forced to do so. Furthermore, China needs to take local procedures into consideration, even though they are not immediately beneficial to China. If these procedures are ignored, they can create distrust and an unwillingness to cooperate, as can be seen in the case of the disagreements between Greek local politicians and the COSCO management.

While Vangeli has looked into principle diffusion in the Belt and Road Initiative, and Liu and Davarinou have researched the case of COSCO's investment in the Port of Piraeus, these two research ideas have not been brought together. The purpose of this thesis is to fill this research gap.

## 2.6. RESEARCH LIMITATIONS

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Due to the limited space and timeframe, there are some topics which had to be left out of this paper. First of all, the Belt and Road Initiative is a very extensive initiative, which can be divided into many different projects, which are all in themselves characterised by a different set of circumstances, actors, and history. Furthermore, the Belt and Road Initiative is not yet a finished project, but it is still evolving, as new countries join the initiative, new projects come into existence, while other ones are being finalised. All of these individual projects deserve to be looked into and to be researched, however, this thesis cannot provide the frame for this research. Thirdly, norm diffusion as a result of Chinese investment in Belt and Road Initiative member countries would be a very interesting topic, but since there are over a hundred countries involved (see *1.1. The Belt and Road Initiative – Creation and Vision*), and as mentioned above, more countries are joining.

This means that there are first and foremost simply too many countries to investigate. Secondly, since not all countries have joined the Belt and Road Initiative at the same time, they are in various stages of their cooperation with China, which would make it difficult to compare them all with one another. Another aspect that needs to be considered is the need for data, which cannot always be provided for, since there may not be much be data available on a project, either due to language barriers, or because there simply is not much data available, no matter in which language.

## CHAPTER 3: THEORETICAL FRAMEWORK

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As the basis of any theory, not only for social constructivism, lie the ontology and the epistemology. The ontology, on one hand, is concerned with the construction and make-up of the social world. In this regard, the subscribers of the different social theories show their differing worldviews and lines of thinking. In social constructivism, for example, the social world is seen to be construed of ideas, while other social theories follow a more material perception of the world. This distinction in ontologies is also insofar relevant, as the different theories have various and, thus, varying notions of who the main actors in the social world are. Epistemology, on the other hand, is not concerned with the make-up of the social world, but with the means with which the social world can be investigated and analysed. This is relevant with regards to the methodology used to acquire knowledge of the social world. In social constructivism, for example, it is accepted that norms and ideas can be investigated, as well as that knowledge can be gathered using regular scientific methods. This notion is not necessarily shared by the subscribers of other social theories.<sup>53</sup> “[...] the field has polarized into two main camps: (1) a majority who think science is an epistemically privileged discourse through which we can gain a progressively truer understanding of the world, and (2) a large minority who do not recognize a privileged epistemic status for science in explaining the world out there.”<sup>54</sup> The latter fraction, however, is not relevant to this thesis, since social constructivism – as mentioned above – does not subscribe to this notion.

As a theoretical framework, social constructivism, and norm diffusion in particular were used for the analysis of the case study in this thesis. The reasoning behind the choice of social constructivism as a theory is explained and elaborated upon in 2.2. *Choice of Theory*. To shortly summarise, social constructivism allows for a different angle of analysis on international relations, which is not often used in reports regarding the implications and consequences of the Belt and Road Initiative. This seldomly used angle is relevant when looking into the Belt and Road Initiative, since this project is often written about from a materialist perspective, i.e., regarding the economic implications the project will have, while the normative changes are more likely seen to be neglected or to remain unmentioned. The aim of this thesis however is to show how or whether Chinese investment is leading to norm diffusion using the case of the

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<sup>53</sup> Jackson, Sørensen, and Møller, *Introduction to International Relations*, 242.

<sup>54</sup> Alexander Wendt, *Social Theory of International Politics* (Cambridge: Cambridge University Press, 1999), 38f.

Port of Piraeus. In this case, the most fitting theoretical approach for the analysis is social constructivism since it “reject[s] such a one-sided material focus. [Constructivists] argue that the most important aspect of international relations is social, not material.”<sup>55</sup> Moreover, social constructivism stresses that “[h]uman relations, including international relations, consists of thoughts and ideas and not essentially of material conditions or forces.”<sup>56</sup> In the following chapter *3.1. Social Constructivism*, this theory is described in detail.

### 3.1. SOCIAL CONSTRUCTIVISM

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As already explained in chapter 2.2. *Choice of Theory*, the international relations theory of social constructivism was chosen as the most appropriate tool for analysing the case of Chinese investment in the Port of Piraeus as part of the Belt and Road Initiative and the possibly resulting norm diffusion. As Jackson, Sørensen, and Møller write in *Introduction to International Relations – Theories and Approaches*: “Constructivism is an empirical approach to the study of international relations – empirical in that it focuses on the intersubjective ideas that define international relations. [...] Constructivists, as a rule, cannot subscribe to mechanical positivist conceptions of causality. That is because the positivists do not probe the intersubjective content of events and episodes.”<sup>57</sup> Moreover, Martha Finnemore defines social constructivists as “shar[ing] a general interest in social construction processes and their effects. They are concerned with the impact of cultural practices, norms of behavior, and social values on political life and reject the notion that these can be derived from calculations of interests.”<sup>58</sup> Generally speaking, social constructivists strive to comprehend the ideas and understandings of the world that motivate nations’ actions in the international relations network – this means that social constructivists want to look beyond the mere mechanics of international relations – while at the same time rejecting the notion of being able to identify the one and only truth. This includes aiming for untangling the relationship between power and truth, i.e., not simply accepting the more powerful nations’ version of the truth but questioning it instead to bring forward the other side’s truth as well.<sup>59</sup>

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<sup>55</sup> Jackson, Sørensen, and Møller, *Introduction to International Relations*, 235.

<sup>56</sup> Ibid., 237.

<sup>57</sup> Ibid., 240.

<sup>58</sup> Martha Finnemore, *National Interests in International Society* (Ithaca, NY: Cornell University Press, 1996), 15.

<sup>59</sup> Jackson, Sørensen, and Møller, *Introduction to International Relations*, 240-242.

When it comes to analysing international relations – and by that separating truth and power – social constructivism as described by Barnett and Duvall in *Power in Global Governance* recognises four different types of power between nations:

*Compulsory power* refers to relations of interaction that allow one actor to have direct control over another. It operates, for example, when one state threatens another and says, “change your policies, or else.”

*Institutional power* is in effect when actors exercise indirect control over others, such as when states design international institutions in ways that work to their long-term advantage and to the disadvantage of others.

*Structural power* concerns the constitution of social capacities and interests of actors in direct relation to one another. One expression of this form of power is the workings of the capitalist world-economy in producing social positions of capital and labor with their respective differential abilities to alter their circumstances and fortunes.

*Productive power* is the socially diffuse production of subjectivity in systems of meaning and signification. A particular meaning of development, for instance, orients social activity in particular directions, defines what constitutes legitimate knowledge, and shapes whose knowledge matters. [...] This conceptualization offers several advantages for scholars of international relations theory. It detaches discussions of power from the limitations of realism, encourages scholars to see power’s multiple forms, and discourages a presumptive dismissal of one form in favor of another. [...] In this way, it discourages thinking about forms of power as competing and encourages the consideration of how these different forms interact and relate to one another.<sup>60</sup>

The distinction into these four different types of power is insofar relevant, as social constructivism is characterised by an ideational line of thinking, which goes beyond seeing power exclusively in terms of material superiority. This means that being able to identify which kind of power is at play within the international relation to be analysed is strongly relevant for the foundation of the analysis. As can be seen in the list of different types of power, not all of them are as obvious and easy to identify as the compulsory power, where one nation can simply tell another what to do and force their will on the nation with less power. Other types of power, such as the structural power, are often embedded in a bigger system from within nations need to negotiate, and where positions in the system are already given as a result of complex historic developments, which cannot simply and rapidly be overturned or undone. As Wendt wrote in *Social Theory of International Politics*, “[...] while norms and law govern most domestic politics, self-interest and coercion seem to rule international politics. International law and

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<sup>60</sup> Michael Barnett and Raymond Duvall, *Power in Global Governance* (Cambridge: Cambridge University Press, 2005), 3f.

institutions exist, but the ability of this superstructure to counter the material base of power and interest seem limited.”<sup>61</sup>

Regarding the perceived ability to garner knowledge about the social world, social constructivists are divided into two different groups. One group – the ‘conventional’ or ‘empirical’ constructivists – believe that it is in fact possible to identify the causality between events in the social world.<sup>62</sup> As Wendt writes:

[t]he logical empiricist model of causal explanation, usually called the deductive-nomological or “D-N” model, is rooted in David Hume’s seminal discussion of causality. Hume argued that when we see putative causes followed by effects, i.e., when we have met conditions (1) and (2), all we can be certain about is that they stand in relations of constant conjunction. The actual mechanism by which  $X$  causes  $Y$  is not observable (and thus uncertain), and appeal to it is therefore epistemically illegitimate. Even if there is necessity in nature, we cannot know. How then to satisfy the third, counterfactual condition for causality, which implies necessity? Since [logical empiricists] are unwilling to posit unobservable causal mechanisms, which would require an inference to the best explanation, logical empiricists substitute *logical* for natural necessity. The relation between cause and effect in nature is reconstructed as a deductive relation between premise and conclusion in logic, with behavioral laws serving as premise and the events to be explained as conclusion. This preserves our intuition that what differentiates causation from correlation is necessity in the relation, without leaving us epistemically vulnerable to the charge of being metaphysical in our research.<sup>63</sup>

While the conventional constructivists do believe that by means of causal deduction, they can explain occurrences in the social world, they do have to grant that while social theories might enable them to explain the course of events, they do not allow for them to make predictions. Wendt further elaborates that it is necessary to observe regularities in occurrences in order to create a stronger data base; however, simply knowing about regularities does not explain the reason why these occurrences happen repeatedly. Once the underlying mechanisms are found out, one can attempt to explain the occurrence.<sup>64</sup> Causation can thus be used to provide explanations for the social world, for “[s]ocialization is in part a causal process of learning identities. Norms are causal insofar as they regulate behavior. Reasons are causes to the extent that they provide motivation and energy for action.”<sup>65</sup>

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<sup>61</sup> Wendt, *Social Theory of International Politics*, 2.

<sup>62</sup> Jackson, Sørensen, and Møller, *Introduction to International Relations*, 242-244.

<sup>63</sup> Wendt, *Social Theory of International Politics*, 79.

<sup>64</sup> Ibid., 80-82.

<sup>65</sup> Ibid., 82.

This notion of being able to explain occurrences in the social world by means of causation is not shared by ‘critical’ and ‘post-positivist’ constructivists. Post-positivists in general criticise the established theoretical traditions in the social sciences. This criticism is mainly concerned with the methodology, and they argue that the scientists making observations of the social world are in fact part of that same world they are trying to observe. As a consequence, all the knowledge obtained is so to speak contaminated by the scientist’s presuppositions of the world which they are both observing and being a part of at the same time. The results of this research can, thus, by default never be neutral.<sup>66</sup>

Wendt presents another alternative method of theorising to the abovementioned ‘conventional’ constructivism that is making use of causal deduction. The presented alternative – or rather addition to ‘causal theorising’ – is the so-called ‘constitutive theorising’. “Rather than asking how or why a temporally prior *X* produced an independently existing *Y*, how-possible and what-questions are requests for explications of the structures that constitute *X* or *Y* in the first place.”<sup>67</sup> The main difference between ‘causal theorising’ and ‘constitutive theorising’ is that constitutive theorists do not assume that *X* and *Y* exist independently from each other, as well as that *X* exists prior to *Y*. Furthermore, ‘constitutive theorising’ contains a larger descriptive aspect than ‘causal theorising.’ However, it cannot be said that ‘constitutive theorising’ only results in descriptions of occurrences in the social world, and that explanations of these occurrences are not a part of this approach. Moreover, ‘constitutive theorising’ allows to bring forward the constitutive effects that exist within the social world and that, thus, shape it. This means that some structures in the social world cannot be explained by ‘causal theorising’ but need to be seen as the outcome of constitutive effects which create a structure or a norm that is only existing as a result thereof. Wendt gives the example of ‘terrorism,’ which only exists in the security discourse. This means that the security discourse does not result in ‘terrorism,’ but ‘terrorism’ can only exist within a security discourse that defines certain actions as ‘terrorism.’ Constitutive theories are able to bring these constitutive effects to light.<sup>68</sup>

Additionally, Wendt subscribes to the notion that all interaction between states take place in a culture of anarchy. He differentiates between three different cultures of anarchy in which the discourse between states is observable.<sup>69</sup> He proposes “that at the core of each kind of

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<sup>66</sup> Jackson, Sørensen, and Møller, *Introduction to International Relations*, 244, 263.

<sup>67</sup> Wendt, *Social Theory of International Politics*, 83.

<sup>68</sup> Ibid., 83-88.

<sup>69</sup> Jackson, Sørensen, and Møller, *Introduction to International Relations*, 245.

anarchy is just one subject position: in Hobbesian cultures it is ‘enemy,’ in Lockean ‘rival,’ and Kantian ‘friend.’ [...] The posture of enemies is one of threatening adversaries who observe no limits in their violence toward each other; that of rivals is one of competitors who will use violence to advance their interests but refrain from killing each other; and that of friends is one of allies who do not use violence to settle their disputes and work as a team against security threats.”<sup>70</sup>

To conclude, social constructivism is a theory in the field of international relations, that is concerned with deducing which ideas and norms are the motivating factors behind international relations actors’ behaviour. While it is possible to look into the causal relations behind this behaviour, it is generally seen to be not enough to provide an informed explanation. The topic of main interest for social constructivists are the norms and ideas guiding the observed actors in the social world, while materialist notions are not seen to be irrelevant, but they do come second to ideational notions, such as social interactions and ideas. Furthermore, the structures of the social world are neither considered to be rigid, nor are they just accepted for what they are, but they are rather seen as a product of human choices, i.e., socially constructed. This means that nations need to act within these structures, while simultaneously reinforcing them.<sup>71</sup> “With respect to the substance of international relations, however, both modern and postmodern constructivists are interested in how knowledgeable practices constitute subjects, which is not far from the strong liberal interest in how institutions transform interests. They share a cognitive, intersubjective conception of process in which identities and interests are endogenous to interaction, rather than a rationalist-behavioral one in which they are exogenous.”<sup>72</sup> As Wendt writes, it is “the shared ideas, whether cooperative or conflictual, that structure violence between states. These ideas constitute the roles or terms of individuality through which states interact.”<sup>73</sup> Of course, this is not only true for the case of violence between states, but for every kind of state interaction in the social world.

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<sup>70</sup> Wendt, *Social Theory of International Politics*, 257f.

<sup>71</sup> Jackson, Sørensen, and Møller, *Introduction to International Relations*, 244, 259f.

<sup>72</sup> Alexander Wendt. “Anarchy is what states make of it: the social construction of power politics,” *International Organization* 46, no. 2 (1992): 394.

<sup>73</sup> Wendt, *Social Theory of International Politics*, 255.

### 3.1.1. NORMS OF THE INTERNATIONAL SOCIETY

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Martha Finnemore is one social constructivism theorist who is especially interested in deducting the sources of a nation's interests in context of international relations. In 1996, she published a book, *National Interests in International Society*, which is concerned with answering the question of "How do states know what they want?"<sup>74</sup> She resumes that it is generally assumed that states want wealth, security, and power, but the questions of what kind of power, the meaning of security for each state, or who is meant to be enriched by the wealth that states strive for remain unanswered. Finnemore claims that by construing a method of investigation that puts ideas and meaning at the centre, and material interests and power at the periphery one is able to discern why states want what they want.<sup>75</sup> According to her, "[s]tates are *socialized* to want certain things by the international society in which they and the people in them live. Ultimately, power and wealth are means, not ends."<sup>76</sup> Generally, states adapt their wishes and goals to the ones that are already commonly found in the international relations network, i.e., a nation's goals are shaped by the social structure within which the nation exists. The norms that can be found in the social structure are defining the interests, goals, and identities of the actors operating within this structure. These norm-shaping structures have real-life implications for the people living in the influenced nations. The notion that social structures shape nations and not the other way around displays an enormous break from the conventional assumption that nations shape the structures they are in – Finnemore, thus, suggests a reversal in causality.

She furthermore redefines the material factors in international relations as only being relevant or influential regarding the value that is given them within the framework of social norms. This means that material factors only have the value that is assigned to them by humans; not that they are inherently valuable, as the materialist line of thinking might suggest. The meaning that humans assign to material and economic factors are shaped by the normative structure in which they live. Basing international relations research on a materialist line of thinking ignores these norms that give material factors meaning to begin with.<sup>77</sup>

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<sup>74</sup> Finnemore, *National Interests in International Society*, 1.

<sup>75</sup> Ibid., 1f.

<sup>76</sup> Ibid., 2.

<sup>77</sup> Ibid., 2-22.

Since Finnemore aims to investigate the structures that influence states she puts a focus on norms as social structure. About norms, she writes:

I define norms in a simple and sociologically standard way as shared expectations about appropriate behavior held by a community of actors. Unlike ideas which may be held privately, norms are shared and social; they are not just subjective but *intersubjective*. Ideas may or may not have behavioral implications; norms by definition concern behavior. One could say that they are collectively held ideas about behavior. This is not to say that norms are never violated – they are – but the very fact that one can talk about a violation indicates the existence of a norm. Many norms are so internalized and taken for granted that violations do not occur and the norm is hard to recognize. [...] Evidence for the existence of norms can be found in at least two places. First, norms create patterns of behavior in accordance with their prescriptions. [...] Second, norms may be articulated in discourse (although this will not be true of the most internalized and taken-for-granted norms since they are often not the subject of conscious reflection). Because they are intersubjective and collectively held, norms are often the subject of discussion among actors. Actors may specifically articulate norms in justifying actions, or they may call upon norms to persuade others to act.<sup>78</sup>

Following Finnemore's approach for analysing state behaviour in form of a case study, one has to try to discern the norms that guide the state's behaviour and actions. This includes the single states, but also the network of states, in which states encourage and enforce the norms that are already building the social structure. Firstly, the normative structure that guide the states' behaviour in the international network need to be traced and examined. Where do the norms originate? The basis for Finnemore's investigation lies in investigating similarities in states' behaviour, where the origin of these similarities might not be immediately apparent. Secondly, an explanation for the similarities needs to be established, while making use of the evidence at hand. According to her, social constructivism allows to demonstrate the links between social structures and 'agentic forces.' However, unlike Wendt, she does not claim that this theory enables the researcher to uncover what either the agents or the social structures are about. She furthermore stresses that structures and actors have a mutual relationship, where structure guide actors' behaviour, but where actors at the same can change the structures.<sup>79</sup> "In fact, normative contestation is in large part what politics is all about: competing values and understandings of what is good, desirable, and appropriate in our collective, communal life. Debates about civil

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<sup>78</sup> Ibid., 22-24.

<sup>79</sup> Ibid., 25-33.

rights, affirmative action, social safety nets, regulation and deregulation [...] are all debates precisely because there is no clear stable normative solution.”<sup>80</sup>

To conclude, Martha Finnemore’s approach to case studies investigating normative structures in the international society is backed up by social constructivism as the most appropriate tool to discern not only a nation’s policy goals, but the reason behind why that nation is striving for these goals. She concludes that a state’s wishes and aims are strongly influenced by the social structure in which the state exists. However, the relationship between structure and state is not entirely one-way – states are also active agents, which can change the normative structures that guide their actions. Finnemore’s main point is that all actors in the social world are influenced and guided by the normative structures around them, and that these structures are neither unchangeable, nor God-given – they are human constructs. These structures are also not static, as they can be used to change the norms of other actors, which are then consciously or unconsciously convinced to adapt their norms to match those of other actors.

### 3.2. POLICY DIFFUSION

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Policy diffusion is happening when countries begin emulating another country’s actions or systems. This can range from changes in the tax sector to health insurance or pension funds. What is special about these changes is the fact that they are not necessarily in the best interest of the emulating state. This means that the emulating states are not necessarily looking for answers to a domestic problem by looking what other states are doing, but that they begin copying another state’s system for seemingly no apparent reason. When this is happening, a policy diffusion can be observed. With the advance of globalisation, states are growing increasingly interconnected and, hence, are more likely to be influenced by another state, which can create a homogeneity within the international state community as more states adapt the same aspects of a leading state. These aspects do not have to be concerned with domestic governance, such as the ones mentioned above, but can also be concerned with major principles, such as democracy and liberal free market principles. There are various reasons why states would decide to adopt foreign nations’ policies; the normative structures in the surrounding

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<sup>80</sup> Ibid., 135.

international network are one of them (see normative structures in *3.1.1. Norms of the International Society*).

A certainly relevant factor that can be observed in cases of policy diffusion is the absence of forced adaptation; this means that the emulated states did not impose their policies on the emulating states (as already mentioned in *2.5.1. China's Normative Influence on Its Trading Partners*). This, however, does not mean that the emulating states do not feel a certain pressure to adapt new policies, for example, to keep up with more developed nations. Often domestic pressure plays a role as well when internal agents try to gain influence by introducing external policies. These internal agents might be the so-called experts that advice the policymakers and thus guide them into a direction that is most suitable for their own interests.<sup>81</sup>

According to Weyland, “diffusion takes place if the likelihood that a reasonably autonomous decision-making unit (A) will adopt an institutional or policy innovation is significantly increased by influences that emanate from outside this decision-making unit, especially by the adoption decision of another such unit (B); or the proselytizing efforts of the unit (C) that first created and enacted the innovation.”<sup>82</sup>

Weyland furthermore divides into two different types of diffusion: ‘Model diffusion’ and ‘principle diffusion’. A ‘model diffusion’ is taking place when policymakers are directly copying policies or other aspects from another nation. The other nation’s policy is literally seen as the model from which a copy is taken. ‘Principle diffusion,’ on the other hand, is much less clear-defined. In these cases, a ‘principle’ is seen as a role-model for innovation, but the adaption can vary widely from one emulating country to another. After a ‘principle diffusion’ has taken place, it should be clear that an aspect of the emulating state has been reformed and changed, but differences between the emulation and original should be apparent. The main differences between ‘model diffusion’ and ‘principle diffusion’ are that ‘model diffusions’ offer a pre-drawn blueprint that is being followed without any own interpretations, while a ‘principle diffusion’ is a much less clear-cut and allows for multiple variations.

There are not only two different types of diffusion, but diffusion has also three main characteristics. The first one of these is concerned with the way in which diffusion takes place.

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<sup>81</sup> Kurt Weyland, *Bounded Rationality and Policy Diffusion: Social Sector Reform in Latin America* (New Jersey: Princeton University Press, 2006), 11-23.

<sup>82</sup> Ibid., 24.

It has been described as wave-like, which means that at first it gradually spreads from one country to a few others, and then increases its pace and more countries join in, until, finally, its effects can be seen in many, if not most, countries. The second characteristic of diffusion is the easily observable geographic clustering of resulting reforms and changes. This means that it is mostly neighbouring countries, or other countries in the region that are adopting changes. The third and last characteristic of diffusion is that it increases homogeneity in a diverse world. No matter the differences between nations, be it culture, political system, socioeconomic status, and the like, as a result of diffusion they might have the same policies in place.

Weyland also presents four theoretical accounts that are supposed to explain the workings behind diffusions. The first theoretical account is concerned with the external pressures that bring policymakers to adopt foreign policies. This account is based on the assumption that the international network is a hierarchy, where agents in the core, i.e., the highest-ranking ones, are able to push their policies on to weaker agents. These core agents can be states, as well as international organisations. The other three theoretical accounts do not agree with the degree in which external pressures play a role in diffusions. Another theoretical account sees diffusion driven by policymakers' wish to appear modern and up to date. They implement policies not because they are necessarily beneficial, but because they do not want to be the only ones who have not implemented these foreign-stemming policies. A more constructivist theoretical account, on the other hand, assumes that the norms of the international society change and as a result trigger diffusion. Emulating nations might get the impression that a certain kind of policies is needed or expected and implement it to comply with the norms that surround them. This aim for compliance is accompanied by a redefinition of goals and requirements. This means that states do not necessarily want to emulate another state's policies, but that these foreign policies comply with the new norms and are thus considered to be necessary in order to be able to comply with the changed norms as well. An entirely different theoretical account, however, assumes that diffusion is driven by internal self-interests, such as security – both domestically and externally – and economic well-being. When these interests are endangered policymakers are actively looking for options to secure their interests. Following this theoretical account, the goals are not changing, but the means are reformed.<sup>83</sup>

In conclusion, Weyland identifies two different types of diffusion: 'model diffusion' and 'principle diffusion.' While in the case of 'model diffusion' a blueprint of a policy is emulated,

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<sup>83</sup> Ibid., 24-39.

‘principle diffusion’ allows for a much broader range of emulation, i.e., the original policy can be implemented in various forms. Then, either kind of diffusion can generally be described by three characteristics: a wave-like spread, an observable geographic clustering in emulations, and a reduction in policy diversity. There are also four theoretical accounts regarding the mechanics of diffusion presented. Out of these four, the social constructivist account assumes that diffusion is taking place when the normative structure is changing and decisionmakers need to adapt to the newly set norms.

### 3.3. THEORY CONSIDERATIONS

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Since the beginning of the opening up period, China’s economy has been continually growing and as a result thereof China has also begun to gain more influence, – both economically and politically – not only within its own region, but also on other continents. The Belt and Road Initiative can be seen as proof that China has transformed from being a developing nation to a country that can afford to invest abroad and provide infrastructure in less developed nations that are in need of help. The Port of Piraeus is also proof that China can invest not only in developing nations, but also in industrialised states that were usually the ones investing in China, not the other way around. It can be assumed that China’s rise and its resulting role as a global player in the world economy will have an effect on other nations. While this effect will certainly have materialist consequences as well, it would be negligent to narrow the focus entirely on the impact in these materialist fields, and to ignore the possibly resulting norm diffusion. As described above, social constructivism is the theoretical basis for this case study, since it allows for a perspective on the effects of Chinese foreign investment that is not only focused on the economy. Using Martha Finnemore’s insights on normative structures are helpful insofar as they enable one to investigate the origin of policy changes. Once the origins are identified, these policy changes can be analysed using the insights gained from Weyland’s research on ‘principle diffusion’ and ‘model diffusion.’

The choice of social constructivism as a theory allows this thesis to investigate its main question not with regard to materialist considerations but other aspects of impact of Chinese foreign investment. In this case study, the focus lies on the normative changes that can be seen in the operation style of the Port of Piraeus. Have there been any changes since COSCO took over the leadership of the port? Due to Finnemore’s insights, it is known that normative

structures are human made, which means that changes in operation style should be visible, since before the Chinese investment the normative structures were of Greek background, while the new Chinese management was socialised within a different normative context. Considering this information, the modes of diffusion can be investigated. The Port of Piraeus might have a mainly Chinese management, but the workers are still Greek, and the geographical location should still play a role in the management. This means that simply by changing the nationality of the leadership, the company is not transferred to another country, i.e., the location of the company plays a role in the management style, no matter who is operating it. All these considerations play into the following analysis of the case study.

## CHAPTER 4: ANALYSIS

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This chapter is concerned with the analysis of Chinese investment in the Port of Piraeus as a part of the Belt and Road Initiative. The main aspect of this analysis is the norm diffusion that might be observed in the operation of the Port of Piraeus since COSCO began its investment in 2008. The matter of norm diffusion was already thoroughly explained in *3.1.1. Norms of the International Society* and *3.2. Policy Diffusion*. Furthermore, in this chapter, the focus lies on the analysis of the case study and neither on the history of Chinese investment in the Port of Piraeus, which was presented earlier on in this thesis in *2.3.1. The Port of Piraeus*, nor on the exact economic decisions that were made. As a case study, COSCO's investment in the Port of Piraeus is an appropriate choice, since there is much data to be found that is concerned with this case. This data stems from research articles, newspaper articles and books, which were also written because the case of Chinese foreign investment in the Port of Piraeus has garnered much criticism in Western countries. Later on, in *Chapter 5: Discussion*, the research question is being answered using the insights gained in this analysis.

### 4.1. THE PORT OF PIRAEUS AND NORM DIFFUSION

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The Port of Piraeus has been much discussed and written about since COSCO began its first investment in 2008. What has mostly been at the heart of these discussions were the fears and uncertainties that stem from having a Chinese business gaining influence in a European port. While many of these criticisms were based on geopolitical considerations, a much less outspoken but almost always implicitly included factor of concern regarding the Chinese investment was related to the possibly ensuing cultural changes that might take place when a foreign nation comes to another country to take charge of the operation of a local enterprise. This is especially true when the investment-receiving country has traditionally been in the role of the investor, possibly even in the country that is now taking on the role of the investor. The changes that might take place when two different cultures – especially when they are as different as the Greek and Chinese cultures – are brought together, were not explicitly talked about in the newspaper articles, but were underlying factors in many critical reports of the investment. One factor that seems to have played into these suspicions of cultural influence is the fact that China is a developing country, while Greece is an industrialised nation. In one newspaper article,

Greek labourers at the port were quoted claiming that COSCO would bring down the standard of the Port of Piraeus and turning it into a developing country.<sup>84</sup> As can be seen from the port's positive development, these fears were unnecessary and have up till now remained unconfirmed. However, it cannot be said that COSCO's investment and the following take-over of the port did not lead to any changes, especially concerning the way in which the port is operated. The purpose of this analysis is to investigate the changes that can be seen as a result of the Chinese investment. In particular, this analysis seeks to demonstrate whether or whether not a norm diffusion can be observed in COSCO's operation of the Port of Piraeus. These norm diffusions should be observable in various aspects.

The main aspect in which a norm diffusion could be investigated in this case is the one of labour conditions. One important part of the labour conditions is the factor of unions and a unionised labour force. These labour unions were actively protesting any Chinese involvement in the Port of Piraeus, when COSCO first began investing in it. At least some of the protesters were driven by racist motivations and were dismissive of Chinese investment simply because they could not accept the ethnicity of the investors and considered them to be not good enough to invest in Greece. These racist protests and racially motivated objections are, however, not a subject of this analysis.<sup>85</sup>

Liz Alderman described in her *New York Times* article from 2012 the labour conditions in the port before COSCO began investing, i.e., before its privatisation. She writes about the strong influence the unions had at the time, which would lead to some workers receiving almost \$200,000 (€165,000 – salary from before COSCO's investment, i.e., pre-2008) per year with overtime.<sup>86</sup> At the time, the average annual income in Greece amounted to €21,300.<sup>87</sup> This means that workers at the Port of Piraeus were able to earn more than seven times as much as the average Greek worker. Furthermore, it was mandated that nine people had to work together at a gantry crane. In order to see their demands fulfilled, the unionised workers were using strikes and workers' committees. Under COSCO, however, the salaries of the workers were reduced to about \$23,300 (€19,000 – this salary is from 2012).<sup>88</sup> The wages paid by COSCO

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<sup>84</sup> Alderman, "Under Chinese, a Greek Port Thrives."

<sup>85</sup> Brett Neilson, "Precarious in Piraeus: on the making of labour insecurity in a port concession," *Globalizations* 16, no. 4 (2019): 566.

<sup>86</sup> Alderman, "Under Chinese, a Greek Port Thrives."

<sup>87</sup> "Average annual wages in Greece from 2000 to 2019 (in euros)," *Statista*, published June 2020, <https://www.statista.com/statistics/416209/average-annual-wages-greece-y-on-y-in-euros/>.

<sup>88</sup> Alderman, "Under Chinese, a Greek Port Thrives."

are still slightly higher than the annual average income, which lay in 2012 by €18,500.<sup>89</sup> Also, the number of labourers working on gantry cranes was reduced from nine to four.<sup>90</sup>

The data suggests that also the rate of permanent employment has decreased since COSCO began operating the port. This also includes the planning of working hours, which have become more flexible for the workers who do not have a permanent position. The unions at the Port of Piraeus have been traditionally strong and influential, allowing for a high bargaining power in relations to wages and labour conditions.<sup>91</sup> Before the privatisation, employment at the port could be passed down through generations and labourers were able to retire at 50 years of age<sup>92</sup>, while in 2009 – one year after COSCO began its investment – the average retirement age for Greek workers was 61.4 years old, which is more than a decade older than the retirement age of unionised labourers at the port.<sup>93</sup> In short, before COSCO's investment, the unionised workers were enjoying very privileged working conditions compared to the rest of the Greek population. They earned a significantly higher annual income and had to work more than a decade less than most people in the country.

#### 4.1.1. THE PRIVATISATION OF THE PORT OF PIRAEUS

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As described above, the labour conditions have changed since the Port of Piraeus was privatised. While these changes are a result of COSCO's takeover of the port, simply claiming that COSCO is operating the port like any other Chinese business is too narrowly conceived, since COSCO is bound to act according to Greek law. Another factor that is contributing to the changes of labour conditions are the amendments of the Greek labour laws as a result of the 2009 financial crisis. These amendments were intended to counteract the high unemployment rates as a result of the financial crisis that was causing great distress in all sectors of work. This lead to a precarisation of the entire Greek labour market, where people accepted worse labour conditions than before the financial crisis out of fear of unemployment. The changing labour conditions – as well as the privatisation of businesses and ports – are thus not only seen in

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<sup>89</sup> “Average annual wages in Greece,” *Statista*.

<sup>90</sup> Alderman, “Under Chinese, a Greek Port Thrives.”

<sup>91</sup> Neilson, “Precarious in Piraeus,” 569.

<sup>92</sup> “China’s Piraeus power play: In Greece, a port project offers Beijing leverage over Europe,” *Hellenic Shipping News*, July 9, 2019, [www.hellenicshippingnews.com](http://www.hellenicshippingnews.com).

<sup>93</sup> “Renteneintrittsalter in Griechenland – Die ominöse Zahl 56,” *Deutschlandfunk*, June 15, 2015, [www.deutschlandfunk.de](http://www.deutschlandfunk.de).

COSCO's port, but all over Greece. The privatisation, however, allowed for COSCO to terminate the agreements that were made between the Dockworker's Union and their former employer – the Piraeus Port Authority SA.<sup>94</sup>

As already described in 3.1.1. *Norms of the International Society*, norms can change due to a variety of factors. Considering the aspect of changed labour conditions, such as decreased salary and less secure employment, these changes in norms can not only be observed in the COSCO-run part of the Port of Piraeus, but in all of Greece. The question Martha Finnemore poses regarding changes in norm is *Where do the norms originate?* The original norms that could be observed in the Port of Piraeus worked strongly in favour of the workers, which is what gave the dockworkers' union so much weight in negotiating the salaries and retirement age of their unionised workers, but also the working standards that were needed to be upheld by the port authority that was operating the port at the time. Meeting the demands of the workers was more important than being internationally competitive, or even fiscally sustainable. This norm was not just attested to the Piraeus Port Authority SA, but to the Greek economy as a whole by the European Commission, the European Central Bank, and the International Monetary Fund.<sup>95</sup> This means that the Greek norms that were visibly present before the 2009 financial crisis were not part of the normative structure of the European Union as a whole, since two major institutions of the European Union were criticising and requesting Greece to change them. While this thesis neither has the scope to analyse the 2009 financial crisis, nor is it the focus of this analysis to do so, it can be shortly said that Greece's economy was especially susceptible, since there were enough enterprises at the time operating in a way that was economically unproductive for it to become a problem in the entire country.<sup>96</sup> However, as described above, the labour conditions for workers at the Port of Piraeus were much more generous than the ones enjoyed by most Greeks in the workforce, which could be connected to the fact that the Greek state was the majority shareholder of the Piraeus Port Authority SA.<sup>97</sup> This means that the labour conditions are not entirely representative for the rest of the country, even though they allow for some perspective, since the Port of Piraeus was, as already mentioned, not the only business operation that was asked to be privatised.

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<sup>94</sup> Pavlos Hatzopoulos, Nelli Kambouri, and Ursula Huws, "The containment of labour in accelerated global supply chains: the case of Piraeus Port," *Work organisation, labour & globalisation* 8, no. 1 (2014):10-13.

<sup>95</sup> Alderman, "Under Chinese, a Greek Port Thrives."

<sup>96</sup> "Hintergrund: Chronologie der Euro-Kriese," *Bayerischer Rundfunk*, May 25, 2016, [www.br.de](http://www.br.de).

<sup>97</sup> Karlis and Polemis, "Chinese outward FDI," 18.

The new labour regulations that can now be seen are in many aspects polar opposites of the ones that could be observed before COSCO's investment. The question is then whether the norm diffusion was a result of the COSCO investment, whether it merely coincided with it, or whether both COSCO and other factors were at play. Since the International Monetary Fund, the European Commission, and the European Central Bank, commonly known as the Troika, were pushing the Greek government to privatise more state-owned enterprises as well, such as regional airports and Greek Railways, the data points at the Troika being responsible for the privatisation, while COSCO profited from it. In all cases, the private foreign corporations that were investing in these state-owned infrastructure enterprises were met with great distrust and accusations of 'conquering' Greece.<sup>98</sup> The matter of strong unions and enterprises not being privately owned seems to be strongly ingrained in the Greek normative structure. The foreign normative structure, that is both shared by COSCO and the Troika are, on the other hand, much more concerned with creating a profit and becoming internationally competitive.<sup>99</sup>

According to Weyland, there are several characteristics of diffusion which can be observed (see 3.2. *Policy Diffusion*). First of all, the diffusion is happening in order to be able to adapt to a foreign normative structure. Regarding the matter of privatisation, this can certainly be observed. While Finnemore writes “[t]he international system can change what states *want*. It is constitutive and generative, creating new interests and values for actors. It changes state action, not by constraining states with a given set of preferences from acting, but by changing their preferences,”<sup>100</sup> it is quite clear that the Greek government only agreed to the privatisations – a part of the normative structure in the European Union’s official organs, which is not necessarily shared by every member state, and the International Monetary Fund – because of external pressures. In this case, these pressures were not implicit, but explicitly dictated to the Greek government as a part of the financial aid packages.<sup>101</sup> These match Weyland’s description of policy diffusions appearing as a result of external pressure. These pressures need not be explicit, however, in the case of the privatisation, they appear to be explicitly imposed on the Greek government.<sup>102</sup>

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<sup>98</sup> Jannis Papadimitriou, “Griechen wehren sich gegen Privatisierungen,” *Deutsche Welle*, October 15, 2015, [www.dw.com](http://www.dw.com).

<sup>99</sup> Daphne Grathwohl, “‘Harmony and win win’ in Piräus,” *Deutsche Welle*, January 4, 2013, [www.dw.com](http://www.dw.com).

<sup>100</sup> Finnemore, *National Interests in International Society*, 5f.

<sup>101</sup> Bernd Riegert, “Eurogruppe: Noch viel Arbeit mit Griechenland,” *Deutsche Welle*, October 5, 2015, [www.dw.com](http://www.dw.com).

<sup>102</sup> Weyland, *Bounded Rationality and Policy Diffusion*, 66.

In Greece, there were many protests against privatisations, which went on for several years even after several enterprises had been handed over to private investors and corporations.<sup>103</sup> This is especially remarkable, since the privatisation of the Port of Piraeus was already being discussed before the financial crisis at a time when the Greek government was actively looking to establish closer business relations with China.<sup>104</sup> This means that while there was a strong anti-privatisation movement present in Greece at the time of the externally imposed privatisations, there was already a willingness to attract foreign investors and to privatise enterprises. The strong opposition to privatisation could, thus, also have been an act of protest against having to follow orders of foreign decision-makers. Without the financial crisis and the ensuing imposed conditions to change towards privatisations might have happened from within Greece, as they internally tried to adapt to the normative structure. An example in favour of this is that of the Greek decision-makers responsible for creating a relationship between the Greek state and COSCO. They were motivated to strike up closer relations with Chinese businesses as they saw Italian decision-makers do the same, and as a result they wanted to follow suit.<sup>105</sup> However, there is no possibility to know what might have happened had there not been the financial crisis, which means that any definite conclusions drawn from this are nothing but mere guesswork. In short, the pressure to privatise was not internalised by the Greek decision-makers but was imposed on them by the Troika. Thus, they were coerced into adapting to an external normative structure. This also means that COSCO was not responsible for the privatisation per se, even though it benefitted from it, and was involved in further privatising the Port of Piraeus.<sup>106</sup>

#### 4.1.2. UNIONS AT THE PORT OF PIRAEUS

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As a result of the privatisation, the workers came under a new management, i.e., from the Piraeus Port Authority SA to COSCO. While the Piraeus Port Authority SA allowed for strong labour unions, which were the ones negotiating contracts and labour conditions, COSCO did not take over this practice. In the beginning, there was much criticism directed at COSCO

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<sup>103</sup> Papadimitriou, “Griechen wehren sich gegen Privatisierungen.”

<sup>104</sup> Yuan Ma and Peter J. Peverelli, “Strategic decisions in Chinese state-owned enterprises as outcome of the sensemaking of the CEO: the case of COSCO’s emerging involvement in the Port of Piraeus,” *Transnational Corporations Review* 11, no. 1 (2019): 56-60.

<sup>105</sup> Ibid., 56.

<sup>106</sup> Ma and Peverelli, “Strategic decisions in Chinese state-owned enterprises,” 50.

regarding its stance on unions and the labour regulations that were connected to being a unionised worker. Even though the economic success of COSCO's management was visible soon after COSCO first began its investment in 2008, some were saying that the price being paid for this success was too high, and that cutting the privileges of the port workers was not worth the financial gain. Some, on the other hand, had a more pragmatic outlook on the situation, and while they were not happy about the new labour contracts either, they did see that COSCO's way of doing things improved the economic situation. From the beginning, COSCO's Captain Fu made it very clear that he did not approve of the old operational style at the port.<sup>107</sup> General Manager Fu Chengqiu – who resigned in July 2020 and was replaced by Zhang Anming<sup>108</sup> – believes that unions are not necessary when the corporation is looking after its workers.

Over the years, the number of protests against COSCO's management have dropped.<sup>109</sup> The last major protest took place in July 2014, when around 150 workers went on strike. However, by the end of the night, the dispute had been resolved between the union and the management, and many demands were met, including the aforementioned staffing of equipment and other security concerns. While the workers had initially vowed to go on strike for three days, the strike ended by the end of the night, when workers and management had come to an agreement.<sup>110</sup>

As described in the beginning of this chapter, unions used to play a very important role in the Port of Piraeus as well as in other state-owned enterprises and were decisive with regards to the relationship between workers and management. Nowadays, the unions have lost their importance and influence in the COSCO-run port. The contracts are no longer negotiated between unions and management, but between management and worker, which in the eyes of union proponents does not give them a strong and unified voice anymore when it comes to dealing with the management.<sup>111</sup> It can thus be said that allowing and supporting unions was a part of the Greek normative structure, which explains the very strong opposition COSCO faced from unionised workers, as well as that unions were able to grow so strong and influential to begin with. Neither the Troika nor the Greek decision-makers were pushing for an end of the

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<sup>107</sup> Alderman, "Under Chinese, a Greek Port Thrives."

<sup>108</sup> "CEO Capt. Fu Chengqiu resigns from Piraeus Port Authority," *PortSEurope*, July 27, 2020, retrieved from <https://advance-lexis-com.zorac.aub.aau.dk/api/document?collection=news&id=urn:contentItem:616K-30F1-JBSW-S035-00000-00&context=1516831>.

<sup>109</sup> Grathwohl, "'Harmony and win win' in Piräus."

<sup>110</sup> Neilson, "Precarious in Piraeus," 570.

<sup>111</sup> Alderman, "Under Chinese, a Greek Port Thrives."

union system in Greece, of which proof can be found when looking into other enterprises in Greece, which had to be privatised according to the Troika and found foreign investors that began implementing their own management style. An example for this are the Fraport-operated regional airports, which still have a unionised workforce, even though the management is no longer Greek but German.<sup>112</sup>

In China, a different mindset regarding the relationship between the management and the workers can be observed. First of all, unions are organised in a different way than is common in Western countries.

The Trade Union Law of the People's Republic of China provides that protecting workers' legitimate rights and interests is the basic duty of the Chinese trade unions. The supreme organs of power of the Chinese trade unions are the national congress of the trade unions and the executive committee of the All-China Federation of Trade Unions it elects; the leading bodies of the trade unions at lower levels are the local trade union congresses and the trade union committees of trade union federations they elect; the All-China Federation of Trade Unions is established as the unified national organization.<sup>113</sup>

The All-China Federation of Trade Unions was founded in 1925<sup>114</sup>, and it has served as the connection between the workers and the political decision-makers through many economic reforms, such as the Great Leap Forward and the economic reforms beginning in 1978. However, the transition from having a planned economy that is strongly based on state-owned enterprises to introducing privatisation led to problems between the workers and the management, which were only beginning to be resolved after the introduction of the 1995 national labour law. The disputes between workers and enterprise owners continued for another ten years, when the All-China Federation of Trade Unions began to take a more affirmative role, especially regarding the workers' salaries. The All-China Federation of Trade Unions is not only a representation of Chinese workers but takes on also the role of being a direct link to the policymakers, which means that the All-China Federation of Trade Unions has played a part in drafting labour laws as well, notably the *Labour Contract Law* which came into effect in 2008.<sup>115</sup>

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<sup>112</sup> Papadimitriou, "Griechen wehren sich gegen Privatisierungen."

<sup>113</sup> "All-China Federation of Trade Unions and Its Work," *China Through A Lens*, published November 12, 2002, <http://www.china.org.cn/english/2002/Nov/48588.htm>.

<sup>114</sup> Ibid.

<sup>115</sup> Tim Pringle, *Trade Unions in China: The Challenge of Labour Unrest* (New York: Routledge, 2011), 1-6.

As Article 1 of this law says, it was “enacted in order to improve the labor contract system, define the rights and obligations of both parties to a labor contract, protect the legitimate rights and interests of workers, and establish and develop a harmonious and stable labor relationship.”<sup>116</sup> According to Article 4 of the same law, the workers’ interests need to be taken into consideration when drafting a contract and should be amended accordingly to accommodate the needs of the workers regarding training, occupational safety, insurance, vacation and the like. These rules and regulations are meant to be discussed between the employers and the employees, and only after they come to an agreement, it should be discussed with the trade union or the representative of the workers. The law makes it clear that both voices are equally valid and important. Furthermore, Article 43 specifies that trade unions should be informed in case of disputes between employers and employees and that their opinion should be taken into consideration. Article 78 also states that trade unions are responsible for supervising that the employers are meeting their commitments they have made concerning their workers.<sup>117</sup>

The *Labour Contract Law* has to be seen in the context of a ‘harmonious society’ policy, which gives the voice of workers more weight and which is meant to make their demands and opinions more heard than before. This step was necessary since workers lost many of their privileges they had before state-owned enterprises were gradually privatised. These privileges were especially concerned with employment protection, which means that workers held their employment position longer, possibly all their life, and the economic reforms did not guarantee this form of long-term employment anymore. The *Labour Contract Law* was a step in another direction, where workers’ voices are heard and taken into consideration, which was at least in part meant to help make up for the loss of the former ‘iron rice bowl’ model.

While both the Greek and Chinese unions exist in order to represent the workers, the union leaders in China are not directly voted for by the other workers, but are often chosen by the company’s management, which ensures that no querulous worker gets in charge. Overall, the Chinese unions are organised in a much more centralised way and take a greater part in drafting laws related to labour regulations, contract laws and the like, while the Greek unions,

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<sup>116</sup> *Labour Contract Law of the People’s Republic of China*, adopted at the 28<sup>th</sup> Meeting of the Standing Committee of the Tenth National People’s Congress of the People’s Republic of China on June 29, 2007, [http://english.www.gov.cn/archive/laws\\_regulations/2014/08/23/content\\_281474983042501.htm](http://english.www.gov.cn/archive/laws_regulations/2014/08/23/content_281474983042501.htm).

<sup>117</sup> Ibid.

as described above, played a greater role in directly negotiating the rules and relations between employers and employees within the enterprise.<sup>118</sup>

A more significant difference between the Greek and Chinese unions is the fact that while Greek unions solely represent the workers<sup>119</sup> – which is why there were so many strikes – the Chinese unions are on one hand responsible for the representation of workers' interest, but at the same time, they have to try to increase the workers' productivity and have to ensure that the workers are working diligently.

Furthermore, in China unions are required in foreign-invested enterprises, which for a long time was not enforced, and until now is not necessarily implemented in its intended way, since there are ways to get around the regulation and some foreign-invested enterprises only appoint union leaders without actually creating unions. In domestic enterprises, on the other hand, unions are not mandatory. Within the foreign-invested enterprises, there are no regulations on how the unions are supposed to look like and what their exact functions are. In some cases, the unions are mainly responsible for securing welfare regulations for the workers, while in other enterprises, the unions are both responsible for the workers' welfare and act as a communication channel between workers and management. How the unions are organised and which role they play in the relationship between management and workers in these foreign-invested enterprises seems to be connected to the home country of the foreign investors, who are likely to reproduce the union style they know from home. Additionally, it has been observed that the management is not doing what they would like to do, but they implement unions in a way they think their consumer base would want the unions to look like. If the consumer base has voiced an interest in extensive social welfare for workers, it is likely that the management will implement these regulations in order to please the consumers.<sup>120</sup>

This means that foreign investors in China are implementing the union requirement according to their own normative structure, not the one that is found in China. Also, in China, the attitude towards labour and labour regulations are evolving in a direction where the needs of the employees are given more weight than before. While there is no longer an 'iron rice bowl,'

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<sup>118</sup> Ying Zhu, Malcolm Warner, and Tongqing Feng, "Employment relations 'with Chinese characteristics': The role of trade unions in China," *International Labour Review* 150, no. 1-2 (2011): 128-141.

<sup>119</sup> Grathwohl, "'Harmony and win win' in Piräus;" Neilson, "Precarious in Piraeus," 563; Alderman, "Under Chinese, a Greek Port Thrives."

<sup>120</sup> Chan, Andy W., et al., "The Developing Role of Unions in China's Foreign-Invested Enterprises," *British Journal of Industrial Relations* 55, no. 3 (2017): 602-612.

the labour regulations and benefits are not decided upon from the top, but the labourers are able to make their demands heard, which are then passed on via the All-China Federation of Trade Unions to the policy-makers responsible for the matter at hand. This process has even led to worker wellbeing and decent labour conditions becoming a part of the 13<sup>th</sup> Five Year Plan, which is clear sign of this topic's significance.<sup>121</sup> The Plan's *Chapter 62: Give High Priority to Employment* is mainly concerned with increasing the employment rate and with helping unemployed people finding fitting jobs, but it also states “[w]e will keep improving working conditions, regulate labor employment systems, and ensure that paid vacation systems are implemented. We will prohibit all forms of employment discrimination.”<sup>122</sup>

While the actual success of trade unions in improving labour conditions and workers' well-being in China is debated among researchers, human resource management seems to have taken in the place the trade unions would hold in countries such as Greece with regards to their ability “to determine wages and working conditions in Chinese workplaces.”<sup>123</sup> Furthermore, studies suggest that there is no connection between being a unionised member of the workforce and employee engagement in the company, this means that union members do not feel more connected to their workplace than non-union members. Chinese human resource management is not only beneficial for the workers who experience an improvement in labour conditions but are also favourable for the employees because a connection has been established between the well-being of the workers and their productivity: the higher the workers' well-being, the higher their productivity. A well-done human resource management also allows for workers to improve on and learn new skills, which will enhance their productivity, but also increase their commitment to their workplace. Having a workforce that is being motivated in this way is turning itself into a competitive advantage for the enterprise they work for – it is a win-win situation for both employers and employees. Studies found that in Chinese workplaces those with a high employee engagement are the ones with a human resource management that both supports and stimulates the workers, i.e., the ones that give their employees a voice and also offer opportunities for advancement and further training.<sup>124</sup>

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<sup>121</sup> Yang, Weiguo, et al., “Towards better work in China: mapping the relationships between high-performance work systems, trade unions, and employee well-being,” *Asia Pacific Journal of Human Resources* 57 (2019): 554.

<sup>122</sup> *The 13<sup>th</sup> Five-Year Plan for Economic and Social Development of the People's Republic of China: 2016-2020*, Chapter 62, Section 1, [https://en.ndrc.gov.cn/policyrelease\\_8233/201612/P020191101482242850325.pdf](https://en.ndrc.gov.cn/policyrelease_8233/201612/P020191101482242850325.pdf).

<sup>123</sup> Yang, “Towards better work in China,” 555.

<sup>124</sup> Ibid., 555-570.

Generally speaking, human resource management has become increasingly more important in Chinese enterprises and has in many places taken on the role that trade unions play in other countries. Since the economic reform in China and the rapid improvement of living conditions, the working population that is currently entering the workforce is a generation of only children that grew up with the market economy and they are better educated than their parents' generation and have higher expectations regarding their workplace. Thus, the Chinese workplace culture needed to adapt to the changing working population, which is mainly happening via a human resource management that both hears workers' voices and creates opportunities for improved workers' skills.<sup>125</sup> Overall, Chinese human resource management – when it is done sincerely and with care – does not only allow for higher employee engagement and increased productivity, but it also helps uphold harmony between workers and management, which is important in a Confucian society such as China. With respect to Confucianism in human resource management, morality is perceived to be an important factor with regards to employee performance, especially the aspect of personal responsibility plays a role.<sup>126</sup>

Implementations of this Chinese-style human resource management could be seen in COSCO's management of the Port of Piraeus. Disputes between management and employees were resolved without the intervention of the dockworkers' union but with the help of a dialogue between the two parties, where the workers' concerns were taken seriously, and an agreement was formed that was satisfactory for both sides. Furthermore, in order to create a stronger feeling of collective engagement as workers in the port, COSCO organised events that celebrate both the Greek and Chinese cultures. Chinese practices, such as electing the model workers, were introduced to boost morale. Additionally, COSCO made an effort to increase the cultural understandings of Chinese culture by offering Chinese courses and trips to China for free, and also introduced the practice of having common work lunches.<sup>127</sup>

To conclude, while there exists a long tradition of unionised labour in China, since the economic reform, human resource management has taken on a more influential role in negotiating the relationship between management and employees, especially by improving labour conditions, which leads to an increased employee engagement, which then results in an increased competitive advantage for the enterprise. Furthermore, Confucian values put great

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<sup>125</sup> Sheldon, Peter, et al., eds., *China's Changing Workplace: Dynamism, Diversity and Disparity* (Oxon: Routledge, 2011), 165-175.

<sup>126</sup> Cherrie Jiuhua Zhu, and Malcolm Warner, "The emergence of Human Resource management in China: Convergence, divergence and contextualization," *Human Resource Management Review* 29 (2019): 93-95.

<sup>127</sup> Liu, and Davarinou, "Sino-Greek Cooperation," 113f.

emphasis on harmonious relationships, which includes the relationship between management and employees. These values include a feeling of personal responsibility which workers should have towards their work.<sup>128</sup> This is also the normative structure than can be seen in COSCO's handling of employer-employee-relations. As described in Article 1 of the *Labour Contract Law*, COSCO attempts to build a harmonious labour relationship<sup>129</sup> between management and workers in the Port of Piraeus. In 2013, the former General Manager Fu Chengqiu said that the workers are being take care of, so there is no need for them to unionise in order to have their needs met.<sup>130</sup> The protest against COSCO's management has quieted down and the workers seem to have to arranged themselves with COSCO's management style, including the lack of unions in the Port of Piraeus.<sup>131</sup>

The question is then whether norm diffusion has taken place in the port with regards to the unions. The question of whether the workers should be unionised was not decided by the workers themselves, since unions were actively discouraged by the COSCO management.<sup>132</sup> It can, thus, not be said that the workers at the Port of Piraeus looked at China for guidance and influence, but the matter was a top-to-bottom decision. Furthermore, COSCO's decision to discourage union building seems somewhat contradictory to the long history of unions in China. Especially since foreign-invested enterprises in China are obliged to have unions in their enterprises.<sup>133</sup> Trying to keep workers from unionising is, thus, not actually compatible with the Chinese normative structure, unless unions in China only exist on paper and not because they are truly valued by the Chinese society. Regarding this, the data available for this thesis was inconclusive with some researchers claiming that unions in China are an intrinsic part of the local work culture and indispensable for ensuring good working conditions, while other researchers claim that unions in China exist mostly on paper alone with little impact on the working situation, if they do not work against workers' interests in order to further the interests of those directly profiting from a growing economy.

As a result of this inconclusive status of data, it cannot be said with certainty that COSCO discouraging the unionisation of the workers is going against the Chinese normative structure

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<sup>128</sup> Nankervis, Alan R., et al., eds., *New Models of Human Resource Management in China and India* (Oxon: Routledge, 2013), 101f.

<sup>129</sup> *Labour Contract Law of the People's Republic of China*, Article 1.

<sup>130</sup> Grathwohl, “‘Harmony and win win’ in Piräus.”

<sup>131</sup> Liu, and Davarinou, “Sino-Greek Cooperation,” 114; Grathwohl, “‘Harmony and win win’ in Piräus.”

<sup>132</sup> Hatzopoulos, Kambouri, and Huws, “The containment of labour,” 13f.

<sup>133</sup> Chan, et al., “The Developing Role of Unions,” 604.

or not. However, looking at the unwillingness displayed by many foreign business managements in China – no matter where they come from – to form unions, which allows for workers to negotiate wages, and the like as a group<sup>134</sup>, it seems to be part of the normative structure in the business world, where it is in the management's interest to keep the workers from unitedly pushing for higher salaries. This especially makes sense considering how much unionised workers in the Port of Piraeus were able to earn annually, which was not economically sustainable. Had COSCO kept that practice, it would have been very difficult if not impossible to become fiscally profitable. Taking all of this into consideration, it cannot be said that COSCO discouraging the unionisation of its workforce in the Port of Piraeus is actually a norm diffusion in the original sense, even though the data suggests that the workers have arranged themselves with the situation. However, this might also be connected to the overall economic situation in Greece, where having a paying job at all might be the first priority and whether the job is unionised or not is not the greatest concern.<sup>135</sup> It will only be possible to properly determine whether foregoing unionisation in Piraeus is the norm, when the Greek economy has fully recovered and job searchers had the unionised alternatives available, and still decided to work at the port. Until now, the data suggests that being employed at all is more important than being allowed to form a union.

With regards to the conflict resolution method as part of Chinese-style human resource management used by the COSCO management, the data mentioned above suggests that the workers have accepted the concept of resolving conflict without union intervention, which is also supported by the fact that there have not been any major strikes in the past years – quite unlike in the beginning time of COSCO's investment. There was also no data available suggesting that the workers did were dissatisfied with COSCO's approach of resolving conflicts directly between the workers and the management, which suggests that it has become an accepted part of the workplace culture. Since COSCO is still in charge of operating the port, it is not possible to say at this point, whether the workers at the port have changed their requirements regarding conflict resolution with the management, but the absence of push-back against this method and also the absence of public complaints against COSCO's management style, this method of conflict resolution appears to be widely accepted among the port's workforce. In short, the absence of unions at the Port of Piraeus are not a sign of local Greek

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<sup>134</sup> Ibid., 602-623.

<sup>135</sup> Grathwohl, “‘Harmony and win win’ in Piräus.”

norms shifting towards the Chinese norms, while Chinese-style human resource management seems to have become an accepted part of the workplace culture.

## 4.2. TOWARDS A CHINESE MANAGEMENT STYLE?

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To conclude, analysing the case of the Port of Piraeus and COSCO's investment with regards to norm diffusions the results are not always entirely clear and unambiguous. It is not possible to see norm diffusions as defined in the *Chapter 3: Theoretical Framework* at work regarding every aspect of this case study. With regards to privatisation, there is a norm and policy diffusion taking place, since the Greek government decided on privatising many enterprises with a large amount of state-owned shares. Here, the Greek government is very clearly following the model that is being set by the Troika, i.e., the European Commission, the European Central Bank, and the International Monetary Fund. By doing so, the Greek government is visibly adapting to the normative structures that are being set by the mentioned Troika. However, these changes did not come from within the Greek decision-makers, nor did they gradually change their mind regarding the topic of privatisation. According to what can be deduced from the data used for this analysis, the matter of privatisation was imposed on the Greek government in a very clear act of compulsory power as described by Barnett and Duvall.<sup>136</sup>

The drive for privatisation was a result of conditions that were imposed on the Greek government by its creditors. Nevertheless, before the financial crisis, some steps towards privatisation were seen from the side of Greek decision-makers, but it cannot be said how the situation would have developed without the financial crisis, which means that no conclusions can be drawn. Generally speaking, with regards to the matter of privatisation, it cannot be said that the Greek decision-makers internalised external normative structures, but that they were imposed on them by the Troika. This also means that COSCO is not responsible for the step to privatise the Port of Piraeus, however, COSCO did play an active role in the process of privatising the port furthermore.<sup>137</sup>

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<sup>136</sup> Barnett and Duvall, *Power in Global Governance*, 3.

<sup>137</sup> Ma and Peverelli, "Strategic decisions in Chinese state-owned enterprises," 50.

Regarding the aspect of unions, it is clear that unions play a different role in China than in Greece. While in Greece, the unions solely represent the workers' needs and demands, the All-China Federation for Trade Unions plays two roles: As a representative of the Chinese workers, but also as a mediating agent of policy-makers' interests. This means that the All-China Federation of Trade Unions is both intended to make workers' voices heard, but also enact the interests of the state, such as increased productivity, which is not necessarily in the interest of the workers. As a result, unions do not have the same importance with regards to pushing through workers' demands when they are against corporate interests, and especially when they might lead to an open conflict, since the All-China Federation of Trade Unions is also responsible in keeping the social peace.<sup>138</sup> Instead, human resource management has become increasingly important in increasing both employee engagement by offering further training and hearing the workers' voices and increasing productivity. Also, the Chinese human resource management is concerned with keeping social peace at the workplace, which can be tied to Confucian values.<sup>139</sup>

COSCO actively discouraged the formation of unions at the Port of Piraeus, which is at odds with the official Chinese policy of supporting unions, as well as giving them much influence.<sup>140</sup> However, as mentioned above, the actual influence Chinese unions have on labour conditions, as well as how much they stand up for their members is not clear. Nevertheless, COSCO's discouragement of unions seems to go at least against the official Chinese norms, but it is in line with the actions of corporate management, no matter where the enterprise comes from. Also, other international enterprises of diverse backgrounds were discouraging union formation in their businesses in China, and some actively disobeyed the law mandating the formation of unions in foreign-invested enterprises in China.<sup>141</sup> The absence of unions at the Port of Piraeus seems, thus, not to be a matter of norm diffusion as defined in *Chapter 3: Theoretical Framework*, but rather a normative structure of the business world, which values profit margins higher than having the workers group up and push for higher salaries and benefits. In the case of Piraeus, keeping the benefits granted to unionised workers would also have made any economic development impossible, since their salaries and benefits were not only economically unsustainable, but also above what most Greek workers could earn at their work.

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<sup>138</sup> Zhidong Hao, and Sheying Chen, eds., *Social Issues in China: Gender, Ethnicity, Labor, and the Environment* (New York: Springer Science+Business Media, 2014), 186f.

<sup>139</sup> Yingying Zhang, Simon Dolan, and Yu Zhou, "Management by values: A theoretical proposal for strategic human resource management in China," *Chinese Management Studies* 3, no. 4 (2009): 280f.

<sup>140</sup> *Labour Contract Law of the People's Republic of China*, Articles 4, 5, 6, 41, 43, 51, 53, 56, 64, 73, 78.

<sup>141</sup> Chan, et al., "The Developing Role of Unions," 604.

Even by not allowing a union formation, the workers at the Port of Piraeus earn more than the average income in Greece. This means that while the workers at Piraeus had to accept drastic wage cuts, COSCO still pays quite generously.<sup>142</sup>

One part of COSCO's management of the Port of Piraeus that points towards a norm diffusion is concerned with its human resource management, especially the aspect of maintaining social harmony. Part of this human resource management includes direct conflict resolution between workers and management without using the union as an intermediary. This approach seems to be successful and generally accepted by the workers, which is exemplified by the absence of strikes in recent years, the last major one being in 2014, while at the beginning of COSCO's investment, the container terminal was closed for two months due to a striking workforce.<sup>143</sup> This aspect matches most characteristics of norm diffusion, since it was not imposed on the workers using compulsory power, there was no rebelling and protesting against it, and given the now-peaceful cooperation between the local Greek workforce and the Chinese management, it seems to be accepted and possibly embraced by the workers as a good means for problem resolution. However, there is no data available that questioned the workers on their opinion regarding COSCO's problem resolution approach, which means that all conclusions drawn are based on circumstantial data.

All in all, looking at the results of the analysis, it cannot be said that COSCO's investment in the Port of Piraeus has led to substantial norm diffusions. The greatest changes regarding the labour conditions at the port that could be observed are privatisation and unionisation. The privatisation of the Port of Piraeus was not pushed by COSCO but was first initiated by Greek policymakers who did not want to fall behind on economic relations with China, and later on, the privatisation of the port and other infrastructure in Greece was imposed on the Greek government by the Troika of European Commission, European Central Bank, and the International Monetary Fund. Thus, COSCO was only incidentally connected to the privatisation of the Port of Piraeus, even though COSCO clearly benefitted from it. Secondly, the matter of unionisation seems at first like a norm diffusion, since Greece had a strong union culture, which was ended when COSCO took over. However, this does not seem to be the case based on two factors: firstly, unions are very much encouraged in China, which means that COSCO discouraging union formation is also against Chinese cultural norms. Secondly,

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<sup>142</sup> Alderman, "Under Chinese, a Greek Port Thrives;" Grathwohl, "'Harmony and win win' in Piräus."

<sup>143</sup> Neilson, "Precarious in Piraeus," 563-570.

discouragement of unions can be observed in many major internationally active enterprises<sup>144</sup>, even in countries like China, where they are actually mandatory for foreign-invested enterprises. This means that the matter of union formation is not so much a matter of national culture, but more of corporate culture, where businesses prefer their workers not to unionise, presumably in order to be able to keep wages and benefits lower. The only aspect which could have been the site of a norm diffusion is the matter of conflict resolution without unions as an intermediary.

All of this combined, if one would ask whether COSCO's investment in the Port of Piraeus as a part of the Belt and Road Initiative has led to a norm diffusion concerning the operation of the port, the answer would have to be no. Greece has experienced many changes in its economy and business culture since the financial crisis. The biggest changes, however, were imposed on Greece by European Union organs and the International Monetary Fund. COSCO is neither responsible for the privatisation of the Port of Piraeus, nor did it impose its national culture on the workers by discouraging unions and paying lower wages than before. While the former step might be questionable in its necessity, the latter was the only chance to avoid mass layoffs.<sup>145</sup>

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<sup>144</sup> Michael Sainato, "US companies using pandemic as a tool to break unions, workers claim," *The Guardian*, January 26, 2021, [www.theguardian.com](http://www.theguardian.com).

<sup>145</sup> Liu, and Davariniou, "Sino-Greek Economic Cooperation," 114.

## CHAPTER 5: DISCUSSION

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The question this thesis seeks to answer is “*Why is Chinese foreign investment in Europe as part of the Belt and Road Initiative a topic for debate, when there are economic improvements to be seen?*” In order to be able to answer this question, the Port of Piraeus was chosen as a case study (see *4.1. The Port of Piraeus and Norm Diffusion*), since there was much public debate before and during the beginning of the Chinese investment, while at the same time, the port is thriving economically. This leads to the question posed in this thesis – considering that the port is thriving, why is it criticised so extensively?

As mentioned above, part of the criticism can be traced back to two kinds of concerns: Firstly, the uncertainties that accompany the investment and take-over of a local business by a foreign enterprise. These concerns were amplified since China is a developing country, while Greece is an industrialised nation, which means that there were accusations being made against China claiming that COSCO would lower the labour standards beneath what is acceptable in an industrialised nation. Protesters against COSCO’s investment feared that the port would regress, implying on one hand that all of China is underdeveloped and beneath Greek standards, and on the other hand that Chinese companies are incapable of operating enterprises in industrialised nations while keeping the local standards, let alone creating improvements. Both accusations are ignorant of the actual situation in China considering the rate at which China has managed to pursue the development of country and enterprises, becoming as a result internationally competitive in a very short amount of time. Some of the protests against COSCO also had a strongly racist undertone, which might also have played into some of the other reserves against COSCO’s investment.

In short, many of the protesters were concerned that the Port of Piraeus would become sinicised. This concern, however, cannot be proven when one is looking at the results of the analysis. The results of the case study show that the major changes that the Port of Piraeus has gone through are either not caused by COSCO, or that COSCO has not acted unlike many other major enterprises, no matter where they come from. The privatisation was imposed on Greece by the European Central Bank, the European Commission, and the International Monetary Fund; the discouragement of a union formation is not in line with official Chinese norms either, but

rather with business practices that can be observed in other international enterprises as well.<sup>146</sup> The only changes that could be observed that are directly tied to COSCO being a Chinese enterprise is the matter of conflict resolution without a union intermediary. This means that all things considered, the fears of COSCO sinicising the Port of Piraeus were unfounded.

To answer this thesis's question "*Why is Chinese foreign investment in Europe as part of the Belt and Road Initiative a topic for debate, when there are economic improvements to be seen?*" several aspects need to be taken into consideration. Firstly, looking at some of the criticism against COSCO's investment, a certain bias against China can be observed regarding the quality of their products and the standard of labour conditions. Looking at the Port of Piraeus now, it can be said that these criticisms were unfounded. Furthermore, this kind of criticism against COSCO has decreased over the years. The reason for this might be the positive coverage of the Port of Piraeus's development, which could have led to a change in perception.

Secondly, the economic rise of China and the accompanying increase in political influence on the international stage has coincided with much criticism, especially from Western countries (see 1.2. *Western Criticism of the Belt and Road Initiative*). The China Threat Theory sees every one of China's actions as a sign of anti-Western, but especially anti-United States behaviour. From this point of view, only one nation can be a major power in the world, and China is attempting to overtake the United States' place at all costs. Not only is China, according to this theory, attempting to defeat the United States and change the world order, but also every nation cooperating with China is selling out and helping 'the enemy.'<sup>147</sup> However, looking at the rise of other now economically strong and internationally politically influential nations, the then-major powers all held strongly antagonistic notions regarding the rising power. Under the Reagan administration, Japan was treated as a threat to the economy of the United States<sup>148</sup>, Germany was seen as a threat to the other major powers in Europe after the foundation of the German Empire<sup>149</sup>, or the United States themselves, when they challenged the position of the United Kingdom.<sup>150</sup> As Ikenberry writes, "[b]ut nothing lasts forever: long-term changes

<sup>146</sup> Karen Weise, and Noam Scheiber, "Why Amazon Workers Sided With the Company Over a Union," *The New York Times*, May 21, 2021, [www.nytimes.com](http://www.nytimes.com).

<sup>147</sup> Broomfield, "Perceptions of Danger," 265-267.

<sup>148</sup> Nicola Nymalm, *From 'Japan Problem' to 'China Threat'? – Rising Powers in US Economic Discourse* (Cham: Springer Nature Switzerland AG, 2020), 3-8.

<sup>149</sup> John G. Ikenberry, "The Rise of China and the Future of the West; Can the Liberal System Survive?" *Foreign Affairs* 87, no. 1 (2008): 3, retrieved from <https://www-proquest-com.zorac.aub.aau.dk/magazines/rise-china-future-west-can-liberal-system-survive/docview/214299018/se-2?accountid=8144>.

<sup>150</sup> Barry Buzan, and Michael Cox, "China and the US: Comparable Cases of 'Peaceful Rise'?" *The Chinese Journal of International Politics* 6 (2013): 109-132.

in the distribution of power give rise to new challenger states, who set off a struggle over the terms of that international order. Rising states want to translate their newly acquired power into greater authority in the global system – to reshape the rules and institutions in accordance with their own interests. Declining states, in turn, fear their loss of control and worry about the security implications of their weakened position.”<sup>151</sup>

China’s growing economy and the increasingly influential role it is playing in international organisations, such as the World Trade Organisation<sup>152</sup>, the World Health Organisation<sup>153</sup>, and the United Nations<sup>154</sup> bear testimony to a rising power becoming more assertive in having its demands met and influencing the global structure in its favour. In addition to its growing influence in the mentioned international organisations, the Belt and Road Initiative is a way for China to create a global project under its leadership and by its own standards. China’s growing international influence could result in a change of the normative structure in the organisations in which China is a member, when the other member states see how quickly China’s economy is growing and how successful some of its international investment projects, such as the Port of Piraeus, are.<sup>155</sup>

*“Why is Chinese foreign investment in Europe as part of the Belt and Road Initiative a topic for debate, when there are economic improvements to be seen?”* The reason why Chinese foreign investment is so heavily criticised is not necessarily because of norm diffusion taking place on a local scale – if at all, since there is no major norm diffusion to be seen in the case of the Port of Piraeus, but rather because China is a rising power, which is gaining influence on the global stage. As a result thereof it is moving in a position of power from where it can change the international normative structure in its favour, which can be seen with concern on account of the resulting uncertainties that arise when new norms are appearing, and old ones are disappearing. European countries that are now becoming the site of Chinese investment, when it was formerly them investing in China, are faced with a more assertive China that has left its old role of solely being the manufacturing centre for industrialised nations’ enterprises, and instead is turning towards these industrialised nations to invest in them.

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<sup>151</sup> Ikenberry, “The Rise of China,” 2.

<sup>152</sup> Panos Mourdoukoutas, “Trade War: China Uses WTO To Get Even With The US,” *Forbes*, October 22, 2019, [www.forbes.com](http://www.forbes.com).

<sup>153</sup> Srinivas Mazumdar, “What influence does China have over the WHO?” *Deutsche Welle*, April 17, 2020, [www.dw.com](http://www.dw.com).

<sup>154</sup> Cheng-Chia Tung, and Alan H. Yang, “How China Is Remaking the UN In Its Own Image,” *The Diplomat*, April 9, 2020, [www.thediplomat.com](http://www.thediplomat.com).

<sup>155</sup> Atzori, “Can China’s New Silk Road Save the Greek Economy?”

## CHAPTER 6: CONCLUSION

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The purpose of this thesis was to find out whether or whether not a norm diffusion is taking place in the Port of Piraeus since COSCO has begun its investment as a part of the Belt and Road Initiative in order to be able to answer the research question “*Why is Chinese foreign investment in Europe as part of the Belt and Road Initiative a topic for debate, when there are economic improvements to be seen?*” For the analysis, a case study was chosen in which the operation of the Port of Piraeus under COSCO was investigated under the aspect of norm diffusions. As a theoretical framework for the analysis, social constructivism was chosen, with a focus on normative structures, and policy diffusions, as described by Wendt, Finnemore, and Weyland.

The analysis did not prove the process of norm diffusion as a result of COSCO’s investment. All the major changes that were made regarding the operation of the Port of Piraeus were either imposed on the Greek government by the Troika of International Monetary Fund, European Central Bank, and European Commission, or they were not connected to COSCO being a Chinese enterprise, but rather were internationally observed business practices. Only one aspect of COSCO’s management points in the direction of a norm diffusion, which is the approach of resolving problems between management and workers without the involvement of a union intermediary. Looking at these results, it cannot be said that COSCO is sinicising the Port of Piraeus.

Chinese foreign investment is such a matter of debate, especially when it is happening in Europe, because China is a rising power, and it is becoming more assertive in terms of its role in the international society. By taking a more proactive role in international organisations, such as the World Trade Organisation, and the United Nations, but also by creating extensive international projects, such as the Belt and Road Initiative, China is changing the normative structure of the international society. This can be perceived by other nations as concerning, or threatening, which is why European nations, which were previously the ones having influence over China, are looking more closely at what China is doing, especially when it is happening in their sphere of influence. “The international system exists only as an intersubjective awareness, or a common understanding.”<sup>156</sup> And China is currently changing this understanding.

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<sup>156</sup> Jackson, Sørensen, and Møller, *Introduction to International Relations*, 235.

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