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# Infrastructure and geopolitics: China's emerging presence in the eastern mediterranean

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#### ABSTRACT

China is building an economic presence in the countries of the Eastern Mediterranean. Its involvement in major infrastructure projects is growing at a rapid pace and may have a significant impact on trade routes that traverse this strategically located region. This article outlines Chinese interests and activities in the Eastern Mediterranean and how these relate to geopolitical developments in the region. China's most important infrastructure project in the region is the modernization and expansion of the container port of Piraeus, Greece, but other port and railway projects are also being developed.

# Introduction

The Eastern Mediterranean region comprises parts of Asia,<sup>1</sup> Africa<sup>2</sup> and Europe.<sup>3</sup> As a result of its central location and the major international shipping routes that run through the Suez Canal, the region is of great strategic value for the world's great powers. Regional geopolitical developments affect international stability at the global level, and attract the attention and involvement of the major powers. The US, Russia and Europe—now the European Union, previously the United Kingdom and France—have long been the main external powers in the Eastern Mediterranean. At present, several process are changing the region's geopolitical situation. First, domestic instability related to the Arab Spring has affected several regional countries. The civil war in Syria has changed this country from a regional power into a battlefield and a major source of instability across its borders, particularly with regard to Iraq, Turkey and Lebanon. Egypt, too, has experienced domestic unrest in recent years.

Second, relations among countries in the region are changing. In 2014 the Gaza war between Israel and Hamas (which rules Gaza) affected not only Israeli–Palestine relations, but also had a negative impact on Israel's relations with various other countries in the region (and outside). It is also notable that relations among the main regional allies of the US—Israel, Egypt and Turkey—have become more volatile as a result of the political turmoil in Egypt and the deadly clash in 2010 between Israeli special forces and Turkish and other foreign activists on board the Turkish ship Mavi Marmara, which was headed to Gaza.

Third, the positions of the external great powers are also shifting. Tensions between the EU and the US on the one hand and Russia on the other have sharply intensified due to the

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civil war in Ukraine, which further limits these actors' ability to cooperate on the Syrian crisis. Furthermore, as part of a long-term process, the ability of these main external powers to manage the regional order has been eroding. Russia had already lost much of its influence at the end of the cold war, although it recently began to expand its military presence in Syria, while the EU has been weakened by its financial and economic troubles since 2008. The US continues to be the main external actor in regional security issues, but is faced with gradually weakening European allies, cuts in its own defence spending, and a general shift of power away from the West due to the rise of non-western regional and global powers. As a result of the latter process, the economic power of the US in its bilateral relations and its dominance in multilateral organisations are decreasing.

Against this background China is entering the stage as a new external power in the Eastern Mediterranean. According to the International Monetary Fund, in 2014 China surpassed the US as the world's largest economy by purchasing power parity—an event that most recently took place in 1872 when the US surpassed Britain.<sup>4</sup> While China is a major military power in East Asia and a permanent member of the United Nations Security Council, its geopolitical role in the Eastern Mediterranean is still limited. But just as in the mid-twentieth century the US's need for oil and its rivalry with the Soviet Union caused it to become involved in the Eastern Mediterranean and the wider Middle East, China too is now increasingly active in this part of the world, driven by similar factors. And as Britain once lost its position to the US as the main external power in the region, there is no certainty that the latter will be able to hold on to its current leadership status into the distant future.

The combination of China's already strong economic power, its growing involvement in the Eastern Mediterranean, and the steadily intensifying geopolitical rivalry with the US,<sup>5</sup> raise the question of what the geopolitical relevance is of China's growing involvement in the region. Since China only very recently-since about 2009-began to develop into a major investor in Eastern Mediterranean infrastructure, and its involvement in regional geopolitics continues to be low-key, this is a new topic for research. Since 2013 the importance for China of the region has grown as a result of the launch of China's ambitious new Silk Road strategy-also known as the 'One Belt One Road' initiative. Under this strategy China focuses on expanding its influence in Asia, Africa and Europe by way of new infrastructure and strengthened economic ties. Due to its geographic position the Eastern Mediterranean plays a central role in this approach. The availability of relevant data and analysis on China's regional role is still limited, and in particularly short supply are overview studies that bring together fragmented pieces of information. This article aims to provide a preliminary outline of China's interests and activities in the Eastern Mediterranean and their geopolitical relevance. At the centre of these interests and activities are a number of large infrastructure projects, in particular the involvement of Cosco, a Chinese state-owned company, in Greece's largest port, Piraeus.

#### Beijing's strategic framework for the Eastern Mediterranean

The Eastern Mediterranean Sea links two regions where China has major interests. On the one hand there is Europe, where China seeks access to markets and advanced technology.<sup>6</sup> This is of vital importance for China's ability to maintain a high level of economic growth. Together with North America, the EU is China's main export destination. Europe is also the most promising potential source of advanced technology for China, given the political

tensions that exist between China and the United States, and between China and Japan. The Chinese government is attempting to divert the Chinese economy away from an export- and investment-driven growth model to a model that is based on domestic consumption. While increased market access to the EU is buying China extra time to complete this transition, in the longer run the key international ingredient for this strategy is access to technology, along with domestic policy reforms. China is paying considerable attention to its relations with Eastern European countries. Since 2012, the Chinese Premier has had an annual meeting with the leaders of 16 Central and Eastern European countries, the so-called CEE 16+1 platform.<sup>7</sup>

The other strategically important region is the Middle East and North Africa (MENA). China has major oil interests in countries such as Saudi Arabia, Iran and Iraq. It also has strong diplomatic and commercial ties with the other countries in the region. Beijing thus has a stake, and is increasingly involved in, Middle Eastern stability. China is a member of the P5+1 talks with Iran on nuclear security,<sup>8</sup> and it has also made attempts to mediate in the Israeli–Palestinian conflict. As a permanent member of the United Nations Security Council, China has had an important role in various regional crises, including the 2011 Libya crisis and the ongoing civil war in Syria. These regional crisis threaten not only Chinese business activities and nationals in such countries, but could potentially also increase China's vulnerability to terrorism, in relation to ethnic unrest in Xinjiang (Northwest China) or otherwise. This could happen, for instance, through the radicalization of Chinese Muslims who go to Syria to fight and then return home, or through retaliation by terrorist organizations if at some stage China should become actively involved in the conflict in Syria and Iraq.

The Eastern Mediterranean is relevant also for China's economic interests in North America. Container shipping between China and the North American east coast increasingly makes use of the Suez Canal and the Mediterranean Sea. Because, unlike the Suez Canal, the Panama Canal is not wide enough for the largest container vessels, there is a shift from the transpacific to the transatlantic route for container traffic between Asia and the North American east coast.<sup>9</sup> Recently the container capacity from Asia to the US east coast though Suez surpassed that through the Panama Canal for the first time.<sup>10</sup> Although the Panama Canal is in the process of being widened, after this is completed it will still not be able to accommodate the largest container vessels that are currently in use.

China's approach to the Eastern Mediterranean is part of a foreign-policy framework that is often referred to by the term Silk Road—the name of the pre-modern trading network between the Mediterranean region and China.<sup>11</sup> The Chinese Silk Road policy has two main components. The first is the land-based dimension of the Silk Road ('Silk Road Economic Belt'), aimed at economic cooperation with countries in Central Asia, the Middle East and Eastern Europe.<sup>12</sup> The second is the maritime dimension ('21st Century Maritime Silk Road'),<sup>13</sup> which relates to Southeast Asia, the Indian Ocean rim countries and the countries along the shores of the Eastern Mediterranean Sea.<sup>14</sup> The Chinese government has introduced the term 'Yidai Yilu' or One Belt One Road (OBOR) to refer to these two components jointly. China aims to use the Silk Road or OBOR policy framework to enhance its economic and diplomatic ties with a large number of countries in a very broad zone that encompasses the overland and sea routes that are situated in between China, Russia, Europe and Africa.<sup>15</sup> This approach complements and partly overlaps with several other platforms for regional cooperation: the Shanghai Cooperation Organization (aimed at Central Asia and Russia),

ASEAN+1 (China plus the Southeast Asian countries), FOCAC (China plus most of the African countries), and CEE 16+1 (China plus the Central and Eastern European countries).

In 2014 China assumed the chairmanship (that rotates every two years) of the Conference for Interaction and Confidence-Building Measures in Asia (CICA), a forum for peace and stability whose membership includes many of the Asian countries covered by the Silk Road policy.<sup>16</sup> China is using CICA and its position as rotating chair to strengthen its influence in Asia.<sup>17</sup> Also in 2014 China launched the idea for an Asian Infrastructure Investment Bank (AIIB), which is to have an initial capital of US\$50 billion and is intended to speed up the construction of infrastructure throughout Asia.<sup>18</sup> The bank has subsequently indeed been established with China as a major contributor to its capital and having a large degree of influence over the AIIB.

But despite the relevance of multilateral initiatives such as CICA and the AIIB, so far the Silk Road policy, which was launched by President Xi Jinping in 2013, relates to China's bilateral relations with relevant countries and has not resulted in a multilateral inter-governmental platform. Its basis is cooperation on infrastructure projects, aimed at improving overland and maritime transport. The Chinese government and Chinese state-owned firms are engaged in the financing, building and/or operating of numerous railways and ports in Central Asia, the Middle East, Eastern Europe, Southeast Asia, South Asia, East Africa and the Eastern Mediterranean. Relevant activities include also the operating of shipping lines, and the construction and selling of ships and trains. The eventual outcome of this process is likely to be a greatly improved transport network throughout Asia that stretches into Europe and possibly also Africa, including high-speed rail links<sup>19</sup> and new hubs for container shipping. New and improved transport linkages could turn Eurasia into a new economic space.<sup>20</sup>

Ideally, from Beijing's perspective, China would play the central role in this economic space and Chinese state-owned enterprises and China-friendly host governments would have a high degree of influence over key elements of the transport network. Such influence would limit the risk of disruptions of China's foreign trade and increase options for the Chinese government to let the flow of goods alternate between specific routes. The latter would further strengthen Chinese influence, given the dependence of other parties on specific trade routes. Beijing's infrastructure-based approach to strengthening bilateral relations in the Eastern Mediterranean ultimately not only serves China's trade, investment and transportation interests, but also brings local leverage that could be used for security and geostrategic purposes. This could help China deal with such issues as the threat of terrorism and risks of the US or other actors undermining China's regional interests.

The Silk Road's overland routes to Europe via Central Asia and the Middle East and the maritime route via the Malacca Strait and the Suez Canal should be seen as complementary not only to each other, but also to existing railway connections between China and Europe via Kazakhstan, Russia and Belarus<sup>21</sup> that are increasingly used for transporting goods<sup>22</sup> and to potential new shipping routes through the Arctic. The Eastern Mediterranean region plays a key role in China's Silk Road policy, because it is there that the land and sea routes to Europe come together. The largest and strategically most important Chinese infrastructure project in the region is the Cosco-operated container port at Piraeus in Greece. In addition, China has interests in various other regional infrastructure projects and it is active also in sectors other than infrastructure and transportation.

#### China's flagship infrastructure project in the region: the port of Piraeus

The Chinese government regards the port of Piraeus in Greece as the main entry point for Chinese exports into the Southern, Eastern and Central EU, as well as the key hub for seaborne transportation across and around the Mediterranean Sea.<sup>23</sup> In June 2014, China's Prime Minister Li Keqiang attended the China-Greece Marine Cooperation Forum and visited the port of Piraeus, which is partly operated by the Chinese state-owned firm Cosco. Li referred to Cosco's involvement in Piraeus as a 'pearl' in Sino-Greek cooperation,<sup>24</sup> and stated China's ambition to help turn Piraeus into 'China's gateway into Europe', to make it into one of the most competitive ports in the world and to strengthen the port's inland railway links.<sup>25</sup> Moreover, the Chinese prime minister also gave a speech in which he explained China's overall maritime policy. The fact that he chose Greece as the location for this speech symbolizes this country's key role in China's maritime policy. In July 2014, the Chinese president, Xi Jinping, also visited Greece to discuss closer cooperation. This rare succession of visits by the prime minister and the president of China underlines the country's importance to China's foreign policy aims. The Chinese government and Chinese companies have expressed an interest in investing also in ports other than Piraeus, as well as in several airports, the electricity grid, and in the construction of a high-speed railway in Greece.<sup>26</sup>

From the perspective of the Chinese government, Greece is highly suitable as the European 'bridgehead' for the Maritime Silk Road. It is a relatively small EU member state, with increasingly close economic ties with China, and there are no major political sensitivities in Sino–Greek relations.<sup>27</sup> Moreover, the two countries have a track record of cooperating with regard to the evacuation of Chinese nations during crises in the region. In March 2011, the Chinese government evacuated approximately 35,000 Chinese citizens from Libya. The Chinese Navy and Air Force participated in this operation, which was the largest Chinese overseas evacuation operation to date and the first in which the Chinese military played a supportive role. Most of the evacuees were taken from Libya to Greece in chartered passenger ships, and were flown back to China from there. In 2014, with the assistance of the Greek navy, the Chinese government coordinated another, smaller, evacuation of Chinese nationals from Libya.<sup>28</sup> Previously, Greece had assisted in the evacuation of Chinese nationals during violent crises in Albania (1997) and Lebanon (2006).<sup>29</sup>

In 2009 Cosco's involvement in Piraeus began when it obtained a concession from the Greek government to operate part of the port's container terminal for a period of 35 years.<sup>30</sup> This concession relates to two piers of the container terminal. Under the agreement, a third pier was to stay under the management of the Piraeus Port Authority, the Greek state-owned entity that previously operated the entire container terminal. The agreement obliged Cosco to make substantial investments in order to increase the throughput of containers. The company was also obliged to add a new section to one of its two piers.<sup>31</sup> Cosco's investments have resulted in a rapid growth in container throughput. According to *Containerization International* magazine, in 2012 Piraeus was the world's fastest growing container port, shooting up from position 77 to number 46 in the rankings of the top 100 global container ports. Its container throughput grew from 1.7 million twenty-foot equivalent units (TEU) in 2011 to 2.7 million TEU in 2012.<sup>32</sup> In September 2013, Cosco and the Greek government reached an agreement, according to which the Chinese firm would invest an extra €230 million in order to increase the capacity of its part of the terminal to 6.2 million TEU annually

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over the next seven years.<sup>33</sup> Cosco is also investing in improved transit capacity, primarily by way of the railway link that was completed in 2013 between its terminal and the national railway system. Moreover, the company also established a distribution centre at Piraeus.<sup>34</sup>

Due to the involvement of Cosco, Piraeus is not only becoming an important gateway to the EU but also a major transhipment hub in the Mediterranean. This is significant since the main shipping firms prefer to use increasingly large container ships on the Asia to Europe route that make stops only at the largest ports along the way. The hub function of Piraeus goes beyond the Sino–EU trade relationship and affects regional shipping patterns in the Mediterranean and Black Sea. While many factors influence the competitiveness of Mediterranean ports with regard to each other and the further growth of Piraeus cannot be taken for granted,<sup>35</sup> Cosco's involvement appears to be benefiting Piraeus in at least three important ways.

First, Cosco has introduced the most modern equipment available. Second, Cosco itself is a major shipping firm on the China-Europe route and thus a major customer for the Piraeus terminal.<sup>36</sup> Cosco is part of the Green Alliance, which also includes K-Line, Hanjin and Yang Ming. Since these companies pool their vessels on the Asia-Europe line, this means that these Cosco partners' ships also call at Piraeus. Moreover, most major shipping companies-including Maersk Line, MSC, CMA-CGM, China Shipping Container Lines and Evergreen Line—also make use of Piraeus.<sup>37</sup> In 2012, then Cosco Group Chairman Wei Jiafu stated that 29 shipping companies had long-term affiliations with Cosco's terminal at Piraeus.<sup>38</sup> Third and finally, although no exact figures are available, there are indications that the handling costs per container at the Cosco piers are lower than at other Mediterranean ports, while the piers' productivity is high. Cosco's part of the Piraeus container terminal, which has a considerably higher container throughput than the part that is operated by the Piraeus Port Authority, employs only about one-third of the number of regular workers (approximately 270)<sup>39</sup> compared with the Greek-operated pier (which has approximately 1300).<sup>40</sup> The local managing director of Cosco, Fu Chengqiu, has stated that productivity at its part of the terminal has risen from 10 to 12 containers per hour to 44 containers per hour since the Chinese company became involved.<sup>41</sup>

One indication of Piraeus's potential to grow further is the decision by Hewlett-Packard (HP) to relocate a major part of its distribution activities from Rotterdam to Piraeus. The PC final assembly locations of HP are, to a large extent, concentrated in China. According to an agreement signed in March 2013 between HP,<sup>42</sup> Cosco and Greece's national railway company, HP started to use Piraeus as the main ocean-freight gateway for South, Central and Eastern Europe, as well as Central Asia, North Africa and some parts of the Middle East.<sup>43</sup> HP's products for these markets—mainly desktop and laptop PCs, printers and related equipment, which are shipped from China to Greece in large container ships—are reshipped from Piraeus on smaller ships to numerous ports in the Mediterranean and the Black Sea. Moreover, goods destined for Central Europe are sent by train from Piraeus to the Czech Republic, from where they are assembled and distributed further.

For HP the main motive to use Piraeus as a distribution hub is that it saves costs: for ships coming to Europe from Asia via the Sue Canal, Piraeus is closer than other ports in the EU. Other companies have come to the same conclusion. In December 2013, the Chinese telecom firm Huawei launched a distribution centre at Piraeus.<sup>44</sup> ZTE, another major Chinese telecom firm, and Samsung Electronics from South Korea have expressed their interest in establishing distribution centres at Piraeus.<sup>45</sup> According to various sources, a number of

other major multinational companies—including Dell, Lenovo, IKEA and LG—are also interested in choosing Piraeus as their regional distribution centre.<sup>46</sup> Furthermore, media reports say that there are plans to establish a duty-free zone linked to the two Cosco piers to assemble and finish imported products.<sup>47</sup> The Greek government offers exemption from paying value-added tax on imported goods to large firms that use Piraeus as a distribution hub for other countries in the region.<sup>48</sup>

Traditionally infrastructure in Greece as well as throughout the Balkans has been underdeveloped. However, since 2013 various Chinese-financed railway projects have been initiated, which are aimed at substantially upgrading rail transport in Greece and other countries in Southeast Europe, including Macedonia, Serbia and Hungary. One of the possible outcomes of these activities would be a high-speed rail connection between Piraeus and Budapest, which would further enhance the usefulness of the port of Piraeus as a gateway and logistical hub. Such a Piraeus–Budapest high-speed railway could eventually link to another Chinese-built high-speed railway that is planned to connect Vienna with the Black Sea port of Constanta via Budapest and Bucharest.<sup>49</sup> China has also offered Bulgaria use of its high-speed rail technology.<sup>50</sup>

Meanwhile, the position of Cosco in Piraeus might expand even further. The Greek government is currently preparing to privatize Greece's major ports—that is, Piraeus and Thessaloniki.<sup>51</sup> In 2016 it signed an agreement with Cosco for the purchase of Piraeus.<sup>52</sup> This agreement will eventually transform Cosco from a concession holder for the management of part of the container terminal into the owner of 67% of the shares in the Piraeus Port Authority, which has the exclusive right to use and develop the entire port (including the whole container, passenger, cargo and oil terminals plus adjacent real estate).<sup>53</sup>

#### Other infrastructure projects

For China, Cosco's involvement at Piraeus further increases the already major strategic importance of the Suez Canal. Since 2008, and despite political turmoil in Egypt, several major Chinese state-owned companies have been engaged in port operation and construction projects related to the Suez Canal. These include Cosco, China Harbour Engineering Company (CHEC) and China Communication Construction Company (CCCC).<sup>54</sup> In 2014–2015 Egypt expanded the canal's capacity, which should limit the waiting times for ships before they can enter the canal.<sup>55</sup> Although CHEC attempted to obtain a contract for the dredging work involved, Egypt has awarded the contract to a Dutch–Belgian–UAE consortium.<sup>56</sup>

Besides being active at the Suez Canal, China is cooperating with Israel to construct a railway that connects the Red Sea and the Mediterranean. This Red–Med railway should form an alternative route for container traffic through the Suez Canal. In 2014 China and Israel signed a memorandum for the implementation of this plan.<sup>57</sup> Chinese firms are to be involved in the financing and building of a railway from the Israeli Red Sea port of Eilat to Ashdod on Israel's Mediterranean shore.<sup>58</sup> In September 2014 the Israeli government signed a contract with CHEC for the building of a new port at Ashdod, to be constructed nearby the existing one. While Greece, Egypt and Israel are of great importance for the Maritime Silk Road, Turkey's main relevance for China's Silk Road policy relates to overland transportation infrastructure. Turkey, as a land bridge between the two continents, is the only alternative to Russia when it comes to linking Asia and Europe by rail. According to media reports from

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China and Hong Kong, the Chinese government is considering a plan for a direct highspeed railway line between China and the United Kingdom, via Kazakhstan, Uzbekistan, Turkmenistan, Iran, Turkey, Bulgaria, Romania, Hungary, Austria, Germany, Belgium and France. This would be a US\$150 billion project, to be finished by 2020–2025.<sup>59</sup> It would be part of a highly ambitious plan for several international high-speed rail networks, including a China–Europe line via Russia, a China–India–Pakistan–Iran line, a China–Southeast Asia line, and a China–Russia–Alaska–Canada–US line.<sup>60</sup>

A largely conventional railway route between China and Europe that bypasses Russia is already expected to be available in the near future.<sup>61</sup> It will connect Central Asia and Turkey via Azerbaijan and Georgia, but also involve obstacles such as switching between gauges at some border crossings and a transit of railway cars by ferry across the Caspian Sea.<sup>62</sup> This route can become operational once the Baku–Tbilisi–Kars railway (BTK, connecting Azerbaijan, Georgia and Turkey, expected to be completed in 2017) and the Kars-Edirne high-speed railway (inside Turkey) will have been completed. The Kars-Edirne line will traverse the whole of Turkey, from Kars in the east (near the borders with Georgia and Armenia) to Edirne in the west (near the borders with Greece and Bulgaria) via the Marmaray Rail Tunnel under the Bosporus that was opened in 2013.<sup>63</sup> Part of this route, the high-speed railway between Istanbul and Ankara, was inaugurated in the summer of 2014.<sup>64</sup> The Istanbul-Ankara high-speed line was constructed by a consortium of two Chinese and two Turkish firms.<sup>65</sup> Turkey is also becoming an important focus of Chinese port activity. In September 2015 a Chinese consortium—consisting of Cosco, China Merchants Holdings and CIC Capital—agreed to pay over €800 million to acquire a 64.5% stake in Kumport Terminal, part of the port of Ambarli on the European side of the Sea of Marmara, near Istanbul.<sup>66</sup> In the Black Sea region, a Chinese–Ukrainian initiative to construct a major new port on the Crimea was cancelled or frozen after the peninsula was annexed by Russia in 2014.<sup>67</sup> According to media reports, China and Georgia are in talks about a possible Chinese-built port in Anaklia on the Black Sea.<sup>68</sup>

#### Chinese activities beyond infrastructure

The emerging Chinese presence in the region of the Eastern Mediterranean is not limited to infrastructure projects. Southeast of Suez, since early 2009 the Chinese Navy has had a continuous presence on a rotating basis in the Gulf of Aden, which consists of two warships plus a military supply ship. These ships are tasked with securing safe passage for Chinese and other commercial vessels that face the threat of piracy attacks. It is notable that the Chinese military does not operate its own facilities abroad. The Chinese naval operation in the Gulf of Aden makes use of commercial ports around the Gulf, and along the route from and to China. Cosco is the Chinese Navy's main partner with regard to providing logistical support for Chinese Navy ships in commercial ports in the Indian Ocean region.<sup>69</sup> The Chinese Navy vessels involved in the counter-piracy mission have on various occasions made calls on ports along the Mediterranean and the Black Sea, including in Egypt, Israel, Greece, Italy, Ukraine, Bulgaria and Romania.<sup>70</sup>

In early 2014, the Chinese guided-missile destroyer *Yancheng*—along with a Russian warship—escorted Danish and Norwegian ships that were transporting chemical weapons out of Syria to be neutralized in accordance with United Nations Security Council Resolution 2118. Prior to entering the Mediterranean, the *Yancheng* took part in the counter-piracy mission in the Gulf of Aden. The Chinese Navy's presence in the Gulf of Aden has provided it with opportunities to conduct operations in the Mediterranean, including also assisting in the previously mentioned evacuation mission from Libya in 2011.<sup>71</sup> In July 2014 the Greek prime minister reportedly told President Xi Jinping that Chinese navy ships would be welcome to visit the island of Crete for repairs and refuelling, and proposed joint naval patrols and anti-piracy operations.<sup>72</sup>

China's role as a major arms exporter is also increasingly felt in the region. In 2013 the Turkish government announced that it planned to buy from a Chinese company<sup>73</sup> the country's first long-range air and anti-missile defence system. This was remarkable since Turkey is a member of NATO and its missile capability is part of a highly integrated NATO missile defence system. Moreover, the United States seems to have been concerned that close cooperation between Turkey and China on missile technology could harm US security interests in Asia.<sup>74</sup> For both technical and political reasons therefore, a decision to buy European- or US-made alternatives seemed to have been more obvious. It appears that the Turkish government was hoping that a deal with China would involve a higher level of technology transfer than western defence firms were willing to offer. However, by the summer of 2014 it became clear that negotiations between Turkey and the Chinese company involved had failed.<sup>75</sup>

Finally, it is worth noting that Chinese energy companies are considering expanding their operations in the Eastern Mediterranean. Like China's main banks, construction, rail, shipping, port operation and defence industry companies, its major energy firms are state-owned. After making substantial investments in the electricity grids of Portugal and Italy, State Grid Corporation of China (SGCC) has shown an interest in doing the same in Greece.<sup>76</sup> Furthermore, China National Offshore Oil Company (CNOOC) is reportedly interested in investing in the Aphrodite offshore gas field in the exclusive economic zone of Cyprus.<sup>77</sup> This would give China a stake in the ongoing repositioning of some regional countries with regard to energy. In recent years, large offshore gas fields have been discovered in the exclusive economic zones of Israel and Cyprus.<sup>78</sup>

### Conclusion

China's rise as a major economic actor is affecting the positions and interests of the US and Europe in the Eastern Mediterranean. China is already the main geopolitical rival to the United States in the Asia Pacific region. As this rivalry intensifies, it is likely to spread to other regions. China has major ambitions in the Eastern Mediterranean in the area of infrastructure and transport, and the greater its regional involvement becomes, the larger the risk becomes of this spill–over effect. This process is likely to affect the relationship between the US and its regional partners, such as Israel, Egypt, Greece and Turkey. As these countries develop close economic ties with China they will be inclined to avoid having to choose sides between Washington and Beijing in instances when these two have differing views on how to deal with regional security issues. This development would limit the strategic options for the US in the region, and thereby it would undermine western influence and indirectly strengthen Russia's position. Europe will eventually need to decide whether it wants to maintain its traditionally close security relationship with the US in the face of China's rise, or whether it prefers to distance itself from Sino–US rivalry. Either way could have important repercussions for the EU's position in and around the Mediterranean. With regard to domestic crises and frictions among regional countries in the Eastern Mediterranean, so far China has a strong tendency to refrain from becoming directly involved or taking sides. However, it seems likely that eventually Beijing will need to develop tools—perhaps in the form of new regional security mechanisms—to deal with regional security issues in the Middle East and North Africa.

# **Disclosure statement**

No conflict of interest was reported by the author.

# **Notes on contributor**

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# Notes

- 1. Turkey, Syria, Lebanon, Israel, and the Palestinian Territories/State of Palestine (the latter is not recognized by a number of states).
- 2. Egypt.
- 3. Greece, (the European part of) Turkey, Cyprus and Northern Cyprus (which is recognized as a state only by Turkey, and formally regarded as a part of Cyprus by all other states).
- 4. Hugo Duncan, 'China "overtakes U.S. as the world's largest economy": IMF says economy is now worth £11 trillion as America falls into second place for the first time since 1872', *Daily Mail*, 8 October 2014, <a href="http://www.dailymail.co.uk/news/article-2785766/China-overtakes-U-S-world-s-largest-economy-IMF-says-economy-worth-11-trillion-America-falls-second-place-time-1872.html">http://www.dailymail.co.uk/news/article-2785766/China-overtakes-U-S-world-s-largest-economy-IMF-says-economy-worth-11-trillion-America-falls-second-place-time-1872.html</a>> (accessed 23 October 2014).
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