



## **China's Interests and Challenges in the Mediterranean**

**Dr Peter Roell**

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### **Abstract**

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In his article the author describes the political, economic and military interests of the People's Republic of China in the Mediterranean. Furthermore, he focuses on China and EU Challenges and concludes that Beijing's political and economic influence in the region will continue to grow, and China will most certainly be strengthening its military presence in the Mediterranean Sea and beyond.

For the European Union it would be highly desirable to speak with one voice on Foreign and Security Policy issues. However, this would entail revisions of the Lisbon Treaty which, for the time being, remains highly unlikely.

### **About ISPSW**

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The Institute for Strategic, Political, Security and Economic Consultancy (ISPSW) is a private institute for research and consultancy. The ISPSW is an objective, task-oriented and politically non-partisan institute.

In the increasingly complex international environment of globalized economic processes and worldwide political, ecological, social and cultural change, which occasions both major opportunities and risks, decision-makers in the economic and political arena depend more than ever before on the advice of highly qualified experts.

ISPSW offers a range of services, including strategic analyses, security consultancy, executive coaching and intercultural competency. ISPSW publications examine a wide range of topics connected with politics, the economy, international relations, and security/ defence. ISPSW network experts have held – in some cases for decades – executive positions and dispose over a wide range of experience in their respective fields of expertise.



## Analysis

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### Preliminary Remarks

Excellencies, Distinguished Colleagues, Ladies and Gentlemen,

I would first like to express my sincere gratitude to Henri Bohnet, Director of the Konrad Adenauer Foundation (KAS) in Athens for inviting me to the workshop "Security in the Eastern Mediterranean." I am also delighted that Admiral Feldt is among us today. It has been our pleasure and privilege in the last few years to support the KAS at workshops and conferences, predominantly in the Asia-Pacific region.

Due to the allotted time of 20 minutes, I shall be confining my discussion to China's political, economic and military interests in the Mediterranean; I will then follow up with some brief remarks regarding the challenges to both China and the European Union.

### China's Interests

To better understand China's interests in the Mediterranean, one should be aware of the pride the Chinese attach in their history – something to which is often made reference by way of justifying political action.

In his fascinating book, *Die Maritime Seidenstrasse* (The Maritime Silk Road), German sinologist, Professor Roderich Ptak undertakes a historical survey of the seas between East Africa and Japan, from the early beginnings of seafaring through to the modern era.

En route to Southeast Asia and in the Indian Ocean, major Chinese fleets navigated their way as far as Hormuz, Aden and East Africa as early as the fifteenth century. Such expeditions were undertaken, above all under the leadership of Admiral Zheng He, who embarked upon his first voyage in the year 1405, from which he successfully returned to China two years later. At the time, that is, prior to the Portuguese expeditions to Asia and European expansion, the Middle Kingdom saw itself as a great maritime power.

Two remarkable speeches by Chinese President, Xi Jinping refer to China's history.

It was in his speech, held at Kazakhstan's Nazarbayev University on September 7, 2013, that Xi Jinping first officially announced plans by China and Central Asian countries to construct an "economic belt along the Silk Road" – a trans-Eurasian project extending from the Pacific Ocean to the Baltic Sea. Xi further claimed that this economic belt, comprising a population close to three billion people, represents the biggest market in the world, and is thus of unparalleled potential.

On 3 October 2013, Xi Jinping attended the 21<sup>st</sup> APEC Summit in Indonesia and delivered a speech at the Indonesian Parliament. It was in this speech that he first proposed the creation of a "21<sup>st</sup> Century Maritime Silk Road" (MSR), the objective of which is to promote maritime cooperation with ASEAN countries and to pursue common development and prosperity. He also proposed establishing the Asian Infrastructure Investment Bank (AIIB) to finance infrastructure construction and promote regional interconnectivity and economic integration.

These ambitious objectives endeavour to connect and encompass Asia, Africa, Europe and neighbouring seas. Whereas, the land route focuses on bringing together China, Central Asia, Russia and Europe, the maritime route has a dual function: the first is to link China to the Indian Ocean via the South China Sea, while the second is to extend the route through the South China Sea to the South Pacific.



It should be noted that by prioritising China's strategy and foreign policy interests, Xin Jinping and the Chinese leadership are paving the way for China to become regional hegemon by 2021, namely, as a first step to becoming the leading world power by 2049.

Professor Yan Xuetong, Dean of the Institute of International Relations, Tsinghua University, Beijing, underlined China's ambitions as follows: "The rise of China is granted by nature: The Chinese are very proud of their early achievements in the history of human civilisation.... The Chinese regard their rise as regaining China's lost international status rather than as obtaining something new."

So how does Dr. George Tzogopoulos, lecturer at the European University of Nice, France and the Democritus University in Thrace, Greece (along with various other analysts in leading think tanks) assess China's engagement in the Mediterranean? Tzogopoulos claims that in recent years China has slowly sought to exert its presence in the Mediterranean by investing in logistics and infrastructure. He goes on to provide the following examples:

**Greece:** COSCOS Shipping investment in the port Piraeus has transformed the site into a Mediterranean transshipment hub, since the port may well function in the future as departure point for a high-speed train line connecting Greece with Hungary via the Balkans.

**Italy:** COSCOS Shipping acquired a 40 percent stake in the Italian port of Vado near Genua, the largest refrigeration facility in the Mediterranean, and China Communication Constructions Company Group (CCCG) was awarded a contract to design a docking bay capable of handling large container ships off the coast of Venice.

**France:** A Chinese-French consortium plans to build the Hinkley Point nuclear power station in the UK.

**Spain:** COSCOS Shipping has reached a deal for a 51 percent stake of Noatum Port, a Spanish container terminal operator in the ports of Valencia and Bilbao.

**Turkey:** A bilateral deal with China for the construction of Turkey's third nuclear plant, and COSCOS Shipping's investment in the port of Ambarli. Beijing has also invested \$642 million in Turkey by inquiring stakes in the telecommunications and banking sector and is keen to build 14.000 kilometres of new railway in the country. Due to Turkey's economic crisis it has been reported that Beijing plans to inject \$3.8 billion in funding for infrastructure projects in August 2018.

**Israel:** The fast-track development of China's relations with Israel. China Harbour Pan Mediterranean Engineering Company (PMEX) is scheduled to construct a new port at Ashdod, and Shanghai International Port Group (SIPG) is to operate the port of Haifa. Plans are underway for a Chinese company to construct the 'Red-Med' railway connecting the Red Sea to the Mediterranean.

Moreover, countries such as Algeria, Cyprus, Egypt, Lebanon and Morocco play an important role as part of the Chinese OBOR initiative. In June 2017, for example, Cyprus signed an agreement with a Macau based firm for the construction of a \$650 million casino resort. In Egypt, China is the biggest investor in the countries of the Suez Canal Economic Zone.

With Algeria, China's State Construction Corporation (CSCEC) has agreed to build and exploit the new central transshipment port of Cherchell. Similarly, Beijing has showed great interest in cooperating with Morocco. China's HAITE Group will set up an industrial and residential park in the northern city of Tangiers with investments worth approximately \$1 billion. Lebanon has relatively few economic relations with China, but Beijing



has shown interest in expanding its cooperation with the country, and has its eye on the port of Tripoli, which it sees as a potential, primary transshipment hub for the Eastern Mediterranean.

Chinese companies are also interested in investing in submarine cables in the Mediterranean Sea.

These examples underscore Beijing's political and economic interests in the Mediterranean. In her excellent ISPSW analysis *The Belt and Road and China's Long-term Visions in the Middle East*, Dr. Christina Lin, among other positions, Visiting Research Fellow at the Center for Global Peace and Conflict Studies at the University of California, Irvine, provides a precise and detailed account of China's Interests in the Middle East.

"Firstly, the Middle East is a source of energy, providing more than half of China's oil imports. It is also a hub for market access in Europe and Africa, where the EU is China's largest export market, and the region is a forward front for counter-terrorism, especially for China and other Asian states that continue to depend on the Middle East for energy imports. Essentially, they need regional stability and security of supply lines. Energy-wise, China is now the world's top crude oil importer, with GCC, Iran and Iraq accounting for 60 percent, and tradewise, China's top three trading partners in the Gulf region are Saudi Arabia, the UAE and Iran".

China's bilateral trade with Saudi Arabia, in 2017 was in excess of \$70 billion, with UAE more than \$53 and with Iran \$ 37 billion.

Having discussed some aspects political and economic activity in the Mediterranean, I would now like to take a brief look at some aspects of the Chinese military.

Chinese Naval activities in the Mediterranean Sea are not new. Aided by various European countries, primarily by Greece, during the Libyan crisis in 2011 China was forced to evacuate over 35000 Chinese workers stranded in Libya. Furthermore, in 2011, 2013 and 2014, China sent a frigate to accompany the removal of Syria's chemical weapons stockpile, and in May 2015 China was forced to rapidly evacuate 600 of its nationals from Yemen.

In a demonstration of its Navy's expanding global reach, in May 2015 Beijing announced joint exercises with Russia in the Mediterranean Sea, and in July 2017 China conducted small-scale live firing drills in the Mediterranean Sea while en route to a joint exercise with the Russian Navy in the Baltic Sea.

It was reported in May 2018 that the Chinese Navy has already entered the Mediterranean Sea and has been ordered to Join Russia in the event of a US-UK-French attack on Syria. Similarly, in May 2018 the Chinese MoD confirmed that the PLA is constructing additional pier facilities at its military base in Djibouti on the Horn of Africa.

The Chinese Navy will evidently play a larger role in the Mediterranean Sea, in East Africa and in the Indian Ocean, and will not only continue to protect China's territorial claims but also protect the security of strategic Sea Lines of Communication (SLOCs) and overseas interests.

With its Base in Djibouti the Chinese Navy has a secure facility in the region for the refuelling and resupply of its ships. From Djibouti China could also safeguard its overseas Chinese citizens in the region. A strong presence of the PLAN in the Mediterranean will also increase China's Intelligence collection capabilities. To become a global maritime actor, China certainly plans to establish new port facilities in other parts of the world.



Beijing is also strengthening its military cooperation and assistance in the Mediterranean. Permit me to cite two examples: In November 2016 the Chinese and Iranian Defence Ministers signed a military cooperation agreement that entails military-to-military exchanges, joint counterterrorism training, as well as joint military exercises. Furthermore, China has aided Iran in boosting its anti-access/areal denial (A2/AD) capabilities by selling tactical ballistic and anti-ship cruise missiles, and advanced anti-ship mines.

China signed a military agreement with Syria to provide anti-terror assistance in 2016.

On 18 August 2018 a Syrian army officer announced that a Chinese Navy vessel is on its way to Syria with dozens of military advisors on board; more troops will follow. But it has yet to be seen whether China will engage directly in military operations in Syria, or indirectly by increasing its arms sales and training missions.

### Challenges to China

In my opinion, ladies and Gentlemen, by investing nearly half a billion Euros through the state-backed shipping conglomerate COSCOS, China has done a great job in transforming Piraeus into the busiest port in the Mediterranean. Beijing hopes to make Piraeus the entry point to Europe as part of its One Belt and One Road Initiative (OBOR).

But Beijing also faces several challenges. Here are five examples:

1. At the Beidaihe conference in August 2018 the Chinese leadership agreed that the “trade war” with Washington constitutes part of the US containment strategy aimed to prevent China’s rise as a great power; the growing confrontation with the US turns on the Belt and Road Initiative (BRI). Washington seeks to eliminate the BRI’s geopolitical influence.

But this is not all. The US, according to the Chinese perception, fears that it is losing its supremacy in artificial intelligence and other technologies, and that it will eventually forfeit its military and industrial supremacy.

2. Operating in an unstable region: In its Strategic Review 2015, The People’s Liberation Army’s Academy of Military Sciences concluded that the implementation of BRI would extend China’s overseas interests into unstable regions, increasing exposure to security threats.

3. The terrorist challenge: In her ISPSW article of August 2018, entitled *Syria’s Idlib Militants Eye China, Central Asia as Next Targets* Dr. Christina Lin points out that China is carefully observing the Syrian Army’s counter-terror operation in the Al Qaeda safe-haven in Idlib province. At stake for China and Central Asian countries is the large presence of Uzbek and Chinese Uyghur militants who may return to Asia.

Moreover, Malhama Tactical – known as the “Blackwater of Jihad” that trains various jihadi groups including Uyghur Turkistan Islamic Party (TIP) in Idlib – have threatened to put China in its crosshairs.

However, I am confident that the Chinese Intelligence services also have their eyes on threats by the Baloch Liberation Army. A suicide bombing targeted Chinese citizens for the first time in August 2018, in Balochistan – the heart of the \$62 billion China-Pakistan Economic Corridor (CPEC) – thus warning that China vacate Balochistan and cease plundering its resources.

4. Project Troubles: The Washington-based consultants, RWR Advisory Group, discovered that projects worth \$419bn, or 32 per cent of the total value in Belt and Road countries since 2013, have run into trouble, caused by performance delays, public opposition or national security controversies.



5. In December 2017, debt trap Sri Lanka was obliged to transfer ownership of the port of Hambantota to China with a controlling equity stake and a 99-year lease after the country failed to meet debt repayments. In other countries, such as Myanmar and Montenegro, debt-sustainability questions are emerging. Pakistan likewise faces an external debt crisis exacerbated by ballooning debts to China. During his visit to China in August this year, Malaysia's Prime Minister Mahathir Mohammed cancelled two, China-backed multibillion-dollar projects in his country; a gas pipeline and a rail project.

One further relevant figure: According to the Bank of International Settlements, China's debt was equivalent to more than 250% of its gross domestic product (GDP).

But the Foreign and Security Policy of the European Union is also affected by China's One Belt, One Road Initiative. EU officials are concerned that China is buying silence on human rights and other issues undermining the EU's ability to speak with one voice. Hungary, for example, where China is pledging to spend billions on a railway project, blocked the EU Statement on the South China Sea.

Furthermore, EU officials worry that China will insist that countries receiving Chinese financial aid and assistance must accept Chinese standards and not EU standards, undermining European regulatory standards.

### Conclusion

Following its core interests, China has invested substantial funding in infrastructural projects in the Mediterranean, also cooperating with the Gulf States and many countries in Africa. Beijing's political and economic influence in the region has grown rapidly in the last five years, and China will most certainly be strengthening its military presence in the Mediterranean Sea and beyond.

Furthermore, China will continue strengthening its political and economic sub-regional initiatives in the Mediterranean region, as witnessed by the "Comprehensive Maritime Cooperation Partnership with Greece, Cyprus, Malta, Italy, Spain and Portugal."

Although China has intensified its diplomatic activities in the Mediterranean hotspots, a real breakthrough has yet to be observed.

It would be highly desirable for the European Union to speak with one voice in Foreign and Security Policy issues. However, this would entail revisions to the Lisbon Treaty which, for the time being, remains highly unlikely.

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**Remarks:** Opinions expressed in this contribution are those of the author. This paper was presented at the workshop *Security in the Eastern Mediterranean* of the Konrad Adenauer Foundation (KAS) on September 11, 2018 in Athens, Greece.



## About the Author of this Issue

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Dr Peter Roell has been President of the Institute for Strategic, Political, Security and Economic Consultancy (ISPSW) in Berlin since January 2006. His former post was Senior Advisor for Foreign and Security Policy at the Permanent Representation of the Federal Republic of Germany to the EU in Brussels. While in Germany, Dr Roell served the German Government as Director of the Asia-Pacific, Latin America and Africa (Sub-Sahara) Department and at German embassies in the Near and Middle East, and in Asia.

Dr Roell studied sinology and political sciences at the universities of Bonn, Taipei and Heidelberg. He gained his Ph.D. from the Ruprecht-Karls-University in Heidelberg.

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