

**CIES**CENTER FOR INTERNATIONAL  
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## **China's BRI, the Middle East and the Mediterranean**

China's foreign and economic policy is often associated with the 'Belt and Road Initiative' (BRI). Although the country's development is in line with the pre-BRI period, the relevant speech given by President Xi Jinping in September 2013, has significantly altered the landscape of international relations. China is steadily becoming a global economic player. Geopolitical benefits are naturally following as long as its economic presence is expanding and its infrastructure investments are continuing. BRI is impacting on several world regions. The Middle East and the Mediterranean belong to those the Beijing administration is highly interested in order to safeguard the sustainability of both its land and sea routes.

### **Investments on the rise**

To start with the Middle East, China's first Arab Policy Paper, which was published in January 2016, outlines its will for an enhanced relationship with the countries of the region. The Persian Gulf holds a prominent position in the BRI construction. From a Chinese perspective, since the turmoil in West Asia and North Africa, the Gulf states have become a prosperous 'special zone' in contrast to other Arab countries that have suffered severe economic downturn. The connection of the BRI to the Gulf is achieved through the China-Pakistan Economic Corridor (CPEC) and the China-Central-West Asia Economic Corridor (CCWAEC). The harmonious development of this connection can reduce Beijing's dependency on the Strait of Malacca for its international trade.

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## **CIES** *commentary*

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China has established strategic partnerships with Iraq, Qatar, and the UAE, and comprehensive strategic partnerships with Saudi Arabia and Iran. Also Iran, Oman, Qatar, Saudi Arabia and the UAE are founding members of the Asian Infrastructure Investment Bank (AIIB). In these countries several infrastructure works are taking place funded by Chinese companies. A flagship project has been, inter alia, the Mashaer Railway one in Makkah. Energy security is obviously significant for Chinese calculations. At present, the Gulf states have become China's largest source of oil imports, the second largest contracted labor market and the second largest engineering construction market. Within this context, Beijing seeks to grasp the opportunity brought by the implementation of BRI and the relatively low international crude oil price, and adopt a gradual approach to promote the renminbi's use in trade settlements.

China's presence is visible in other Middle East countries. The China Harbor Engineering company has modernized the port of Tripoli in Lebanon after an agreement was signed in 2009, expanding its capacity and depth. The collaboration was underlined in March 2017 when Chinese cranes were delivered to the port. China is also economically engaged in Israel, being equally interested in the latter's innovation record. Moreover, it is showing great appetite for Israeli ports. China Harbor's Pan Mediterranean Engineering Company, for example, was chosen to construct the new port of Ashdod in 2014. Another Chinese company will be responsible for the operation of the Haifa Port. In 2015, the Shanghai International Port Group won a tender to run Bayport for 25 years beginning in 2021 when the construction of Bayport is expected to be completed by an Israeli consortium.

Moreover, in China's current approach to the Mediterranean Basin, Turkey is particularly significant. BRI can intersect with Turkey's 'Middle Corridor' project. Two and a half years ago, President Tayyip Erdogan talked about their compatibility and in November 2016 a memorandum of understanding on harmonization was signed. During the 2016 Beijing Forum, the Turkish president reiterated Ankara's support for the revitalization of the ancient Silk Road. He referred to the operation of the Baku-Tbilisi-Kars railway project within this year and Turkey's participation in AIIB. It is worth mentioning that Turkey has published in its official gazette a deal with China for cooperation on the peaceful use of nuclear energy, possibly paving the way for the latter to build a third Turkish nuclear plant.

As far as North-African Mediterranean countries are concerned, in his January 2016 visit in the Middle East, President Xi made a stop in Egypt where he signed 21 deals worth about \$15 billion, mainly in sectors like electricity, transportation and infrastructure. China is the largest investor in the development of the Suez Canal Corridor and TEDA Corp is constructing a Chinese industrial zone in the area. The first phase is operational and is attracting many factories. In addition, China State Construction Engineering Corporation (CSCEC) has also agreed with Algeria to build and exploit the new center transshipment port of Cherchell. Last but not least, China is exhibiting a high interest in cooperating with Morocco. China's HAITE Group, for example, will set up an industrial and residential park in the northern city of Tangiers with investments worth of approximately \$10 billion

Continuing with EU member-states of the Mediterranean Basin, Greece is a key country. The involvement of COSCO Shipping, China's centrally administered State-run conglomerates in the shipping and port industry, in the port of Piraeus, has transformed it into a Mediterranean transshipment hub while the port might function as a starting point for a high-speed train line connecting Greece with Hungary via the Balkans in the future. Moreover, China is active in Italy. One year ago, COSCO Shipping acquired a 40 percent stake in the Italian port of Vado near Genoa. Also, China Communication Constructions Company Group (CCCC) was awarded a contract to design Venice's offshore port. Chinese companies also invest in the Italian technological sector and historical football clubs such as AC Milan have been bought by Chinese businessmen.

France and Spain constitute additional examples where BRI is passing from. President Emmanuel Macron expressed his support for the Initiative during his official visit in China in January 2018. It is important to remember that a Chinese-French consortium will build the Hinkley Point nuclear station in the United Kingdom. Also, two and half years ago, Prime Minister Li Keqiang visited the city of Marseille to refresh trade collaboration between its port and China. With reference to Spain, a few months ago COSCO Shipping reached a deal for a 51 percent stake of Noatum Ports, a Spanish container terminal operator in the ports of Valencia and Bilbao. As it also the case with Italy, Chinese businessmen are investing in successful football teams such as Atletico Madrid and several Spanish cities are signing sister agreements with Chinese ones.

### **Implications**

There is no question that China's approach vis-à-vis the Middle East and the Mediterranean has been given a new push since 2013. Almost all countries involved have already improved their bilateral relations with Beijing experiencing the 'win-win' nature of Chinese investments. Although the type of investments varies according to different business opportunities offered by each country, they all demonstrate that China is an emerging power. Nonetheless, it is premature to suggest that the country is determined, willing and able to play a political role and possibly even replace the United States. That is because Beijing refrains from interfering in external affairs as a matter of principle. In the case of Yemen, it has encouraged UN mediation initiatives and has generally supported the position of Saudi Arabia but has not played an active role. And when the crisis in Qatar broke out, the Chinese side only expressed its hope for the relevant parties to properly resolve their differences through negotiation on the basis of mutual respect and non-interference in internal affairs and remain in unity and harmony.

With reference to the Syrian civil war, China is endeavoring to play a constructive role and help UN mediation initiatives. It constantly pushes for a political settlement and a ceasefire via the platforms of the Geneva and Astana talks and warns against the possibility of separation without taking the lead. The appointment of its special envoy, Xie Xiaoyan, outlines the interest of Beijing to participate in rebuilding Syria. Further to this, it is actively contributing to the reconstruction of Syria. Furthermore, the Chinese government is providing humanitarian aid through institutions such as the World Health Organization (WHO), the World Food Programme (WFP), and the International Committee of the Red Cross (ICRC). Last but not least, it has signed assistance grants agreements with the Syrian government while President Xi Jinping announced last year from the UN headquarters in Geneva that his country would provide \$29.1 million in help to refugees and the homeless in the Syrian crisis.

Concerning the Israeli-Palestinian conflict, China is exploring opportunities for establishing a more active presence but remains distant. In July 2017, Xi – while hosting his Palestinian Authority counterpart Mahmoud Abbas in Beijing – revealed his plan to bring peace. Among other things, Xi's plan envisages a two-state solution, calls on Israel to stop its settlements and hopes for more dialogue between China, Israel and the Palestinians to promote key projects. Although the proposal brings practically nothing new, it reflects the determination of the Chinese government to take a step further in the peace process. China's UN ambassador Liu Jieyi has attempted to give the proposal an international boost since then. This does not mean that the country seeks to go further substantially. By contrast, it finds it convenient to see others take the onus of mediating instead of investing huge diplomatic capital in a particularly complicated conflict.

All in all, China's political objectives remain largely unclear in both the Middle East and the Mediterranean. Calls for stability and support for UN initiatives have not yet been followed by energetic political involvement. Theoretically, the BRI can offer an original symbiosis model

among different countries. A platform of cooperation between peoples with different religions, namely Christianity, Judaism and Islam can be also created. Whether this will mark a fundamental difference for the Middle East and the Mediterranean remains to be seen. Previous and ongoing political tensions, social crises, conflicts and terror do not allow much room for optimism.