Greece, Israel, and China's "Belt and Road" Initiative

George N. Tzogopoulos

Mideast Security and Policy Studies No. 139
Greece, Israel, and China’s “Belt and Road” Initiative

George N. Tzogopoulos
Greece, Israel, and China’s “Belt and Road” Initiative

George N. Tzogopoulos
The Begin-Sadat (BESA) Center for Strategic Studies

The Begin-Sadat Center for Strategic Studies is an independent, non-partisan think tank conducting policy-relevant research on Middle Eastern and global strategic affairs, particularly as they relate to the national security and foreign policy of Israel and regional peace and stability. It is named in memory of Menachem Begin and Anwar Sadat, whose efforts in pursuing peace lay the cornerstone for conflict resolution in the Middle East.

Mideast Security and Policy Studies serve as a forum for publication or re-publication of research conducted by BESA associates. Publication of a work by BESA signifies that it is deemed worthy of public consideration but does not imply endorsement of the author’s views or conclusions. Colloquia on Strategy and Diplomacy summarize the papers delivered at conferences and seminars held by the Center for the academic, military, official and general publics. In sponsoring these discussions, the BESA Center aims to stimulate public debate on, and consideration of, contending approaches to problems of peace and war in the Middle East. The Policy Memorandum series consists of policy-oriented papers. The content of the publications reflects the views of the authors only. A list of recent BESA Center publications can be found at the end of this booklet.

International Advisory Board

Founder of the Center and Chairman of the Advisory Board: Dr. Thomas O. Hecht
Vice Chairman: Mr. Saul Koschitzky


International Academic Advisory Board

Prof. Ian Beckett University of Kent, Dr. Eliot A. Cohen Johns Hopkins University, Prof. Irwin Cotler McGill University, Prof. Steven R. David Johns Hopkins University, Prof. Lawrence Freedman King’s College, Prof. Patrick James University of Southern California, Prof. Robert J. Lieber Georgetown University

Research Staff

BESA Center Director: Prof. Efraim Karsh
Research Associates: Dr. Efrat Aviv, Dr. Yael Bloch-Elkon, Brig. Gen. (res.) Moni Chorev, Dr. James Dorsey, Dr. Gil Feiler, Prof. Jonathan Fox, Prof. Hillel Frisch, Dr. Manfred Gerstenfeld, Prof. Eytan Gilboa, Maj. Gen. (res.) Gershon Hacohen, Col. (res.) Aby Har-Even, Eado Hecht, Dr. Tsilla Hershco, Dr. Doron Itzchakov, Lt. Col. (res.) Dr. Mordechai Kedar, Mr. Yaakov Lappin, Prof. Udi Lebel, Dr. Alon Levkowitz, Prof. Ze’ev Maghen, Ambassador Arye Mekel, Lt. Col. (res.) Dr. Raphael Ofek, Col. (res.) Mr. Uzi Rubin, Dr. Jonathan Rynhold, Prof. Shmuel Sandler, Maj. Gen. (ret.) Dr. Emanuel Sakal, Dr. Eitan Shamir, Lt. Col. (res.) Dr. Dany Shoham, Prof. Shlomo Shpiro, Dr. Max Singer, Prof. Joshua Teitelbaum

Program Coordinator: Hava Waxman Koen
Publications Editor (Hebrew): Alona Briner Rozenman
Publications Editor (English): Judith Levy
This paper assesses Chinese relations with Israel and Greece since the announcement of the “Belt and Road” initiative. China’s initiative signals the continuation and expansion of a pre-existing incremental policy that aims to strengthen its economic and geopolitical roles, though Beijing’s long-term approach remains unclear.

The Belt and Road initiative does not immediately bring Greece and Israel closer. But it gives the two countries an opportunity to discuss China’s new role in the Mediterranean and to maximize bilateral relationships with Beijing without challenging their pro-West orientation. This is slowly becoming a necessity because of China's emerging strategy and growing interest in energy projects in Greece and the eastern Mediterranean.

Dr. George N. Tzogopoulos is a Lecturer at the Democritus University of Thrace, Senior Research Fellow at the Centre International de Formation Européenne (CIFE), and Visiting Lecturer at the European Institute of Nice. He is also a Research Fellow at the Hellenic Foundation for European and Foreign Policy (ELIAMEP), where he coordinates its Asian Studies Programme. Dr. Tzogopoulos is a regular columnist at Global Times and china.org.cn.
INTRODUCTION

For many decades, the Mediterranean has been a West-friendly region. The US and the EU have had the lion’s share in defining the course of the Basin and the relationships with the majority of its countries. In recent years, however, the US decision to turn its attention eastwards; the European debt crisis, which has almost paralyzed the EU’s foreign policy; and the “Arab Spring” have created opportunities for other powers to boost their roles. China has slowly attempted to develop a presence in the Mediterranean by investing in logistics and infrastructure works. Vast economic resources, systematic, long-term planning, and the immediate economic benefits its investments bring to the region have strengthened Beijing’s position.

China’s rise as a major economic actor is affecting the interests of the US and the EU in the Mediterranean. Greece and Israel have been at the epicenter of Beijing’s attention. By approaching both and often financing similar projects, the Chinese administration seeks to implement its “opening-up policy.” Although Greece and Israel are not isolated cases in the Mediterranean, they warrant particular analysis. They constitute two democratic nations in a turbulent neighborhood who can benefit from their recent friendship by putting China’s Mediterranean role on their bilateral and multilateral collaboration agenda.
China’s impressive economic growth in the 21st century and the gradual creation of a multipolar world have influenced the country’s place in international politics. Former President of China Hu Jintao and Prime Minister Wen Jiabao used the phrase “Peaceful Rise” (hepingjueqi), later revised to “Peaceful Development” (hepingfazhan).1

The Chinese leadership sought to make it clear that the country would not pose a threat but would seek to be a constructive and compliant member of the international community.2 Academic debates interpreting China’s role in the world have flourished in the West, centering on the core international relations theories of realism and liberal institutionalism.3 The first considers Beijing’s pursuit of its mercantilist, nationalist, and foreign policy agendas as a threat; while the second portrays China as transitioning to market democracy within the nexus of global interdependence.

The debate about China’s rise entered a new phase in 2013 when its “Belt and Road” initiative (BRI) (yidaiyilu) was launched. The country began pondering a “Marching West” strategy in 2012 and laid the foundations a year later.4 In particular, on September 7, 2013, President Xi Jinping gave a speech at Kazakhstan’s Nazarbayev University stating the ancient Silk Road was “full of new vitality with the rapid development of China’s relations with Asian and European countries.”5 He subsequently suggested his country and its partners in Eurasia jointly build a “New Silk Road Economic Belt” and then expanded on this in a speech at the People’s Representative Council of Indonesia by proposing a 21st century Maritime Silk Road.6 Some Western scholars prefer the term “One Belt-One Road” (OBOR) instead of “Belt and Road,” but Beijing insists on the latter to show the initiative is open for all countries. President Xi clarified this and invited more countries to participate during his keynote address at the May 2017 Beijing international forum.7

The National Development and Reform Commission (NDRC) and China’s Ministries of Foreign Affairs and Commerce present the initiative as “a systematic project which should be jointly built through consultation to meet the interests of all, and efforts should be made to integrate the development strategies of the countries along the Belt and Road.”8 According to the official description, the Silk Road Economic
Belt will bring together China, Central Asia, Russia and Europe (the Baltic); linking China with the Persian Gulf and the Mediterranean Sea through Central Asia and West Asia; and connecting China with Southeast Asia, South Asia and the Indian Ocean. For its part, the 21st Century Maritime Silk Road goes from China’s coast to Europe through the South China Sea and the Indian Ocean in one route, and from China’s coast through the South China Sea to the South Pacific in the other. In March 2017 the Chinese government announced the launch of Belt and Road website which functions as an official source of information.”

The principal objective of Belt and Road is to boost integration and develop transportation infrastructure among ports and railways. Its implementation implies the existence and investment of resources that can finance works. According to a 2016 estimate, Chinese banks hold more than $15 trillion in deposits while Beijing’s foreign exchange reserves are over $3 trillion. There are four main financial tools employed by the Chinese government: the new Asian Infrastructure and Investment Bank (AIIB) and the Silk Road Fund, in cooperation with China Development Bank (CDB) and Export-Import Bank of China (EXIM Bank). The Chinese government also counts on the BRICS New Development Bank (NDB) and the Shanghai Cooperation Organization (SCO) and is expecting synergy with the ASEAN Interbank Association. French specialist François Godement talks about a grandiose project, potentially involving an area that covers 55% of world GNP, 70% of global population, and 75% of known energy reserves.

China scholars have attempted to explain what the Belt and Road initiative as the embodiment of Beijing’s new thinking on its global strategy since President Xi took office. The Chinese motivations are multifaceted but economic interests are dominant. As the world’s biggest trading nation, China seeks to reduce the costs of transporting goods by promoting connectivity among different countries. Also, overcapacity has led Beijing to look for alternatives, principally in the construction and industrial sectors. Other long-term economic interests such as the effort to internationalize its national currency – the renminbi – should be taken into account. In 2015, for instance, Xinhua wrote that the “Belt and Road” and renminbi internationalization are two strategies serving both China’s national and global interests.
If China’s economic priorities are straightforward, its political calculations are not. The country officially rejects claims of future geopolitical rivalries. In his annual address to the press in March 2015, Foreign Minister Wang Yi said that the OBOR “is a product of inclusive cooperation, not a tool of geopolitics, and must not be viewed with the outdated Cold War mentality.” Subsequently, Beijing invited other countries to participate in the project including the US. The expression often used in official speeches and statements is that the “Belt and Road” initiative will produce “win-win” results, and the terms “peace,” “friendship” and “stability” are regularly reiterated. This is in line with President’s Xi effort to shape foreign policy around a “new type of international relations” or “new model of major country relations” as his grand vision for China, and he portrays the initiative as “project of the century.”

Although Beijing officially disagrees with directly linking the “Belt and Road” initiative and geopolitics, a relationship – even indirect – should not be overlooked. International economic investments automatically strengthen the country’s political position and Chinese scholars acknowledge this. Zhao Long, for instance, argues that “the strategy underlines China’s push to take a bigger role in global affairs”. Su Ge, President of China Institute of International Studies (CIIS), a think tank affiliated with China’s Ministry of Foreign Affairs, describes the initiative as “a positive exploration for new models of global development and governance,” explaining that the Pacific region “has become less pacified” due to the US “rebalancing to Asia-Pacific strategy” and openly discusses security parameters. In his view, the “Belt and Road” policy can guard against geopolitical risks and it is necessary to “build multi-level security and protection mechanisms to ensure [its] success.”

Western commentators also see a geopolitical dimension. Some believe the Belt and Road initiative was invented as a response to the US pivot to Asia by former President Barack Obama. Others foresee growing Chinese influence on countries that can be translated to the future support of its positions in international organizations such as the UN. While the academic debate on the Belt and Road initiative is continuing, it remains unclear what Beijing will ultimately achieve. Although the principal thrust of Belt and Road has naturally been in Asia, Beijing is also focusing on other regions. The Mediterranean Basin constitutes a remarkable example. Here, the cases of Greece and Israel deserve particular attention.
ON THE WAY TO PIRAEUS

Greece and China established diplomatic relations in 1972 and the relationship was upgraded to a strategic partnership in 2006. Politically the two countries agree on two significant aspects. Greece respects the principle of “One China” and China supports the resolution of the Cyprus Question under UN auspices. The countries also represent two of the world’s most ancient civilizations and this cultural similarity has facilitated bilateral dialogue. As an EU member, Greece could not approach China unilaterally. However, this reality also constitutes an opportunity for Beijing, which has seen Athens as a gateway to Europe and a friendly voice for its interests within European circles. This came to the forefront in June 2017 when the Greek government blocked a European statement criticizing Beijing’s human rights record. Leading media and think tanks saw Greece embracing Chinese cash and interests.

The lion’s share of China’s interest in Greece has been investment in the Piraeus port. Before the Chinese company COSCO Pacific’s involvement in the port, Sino-Greek relations were not developing, although trade volume had slightly increased. In 2004, for instance, the value of Greek exports to China did not exceed 0.5% of total Greek exports, while the value of imports from China stood at approximately 3.5% of total Greek imports. Exports to China increased from €18.4 million in 1999 to €58.3 million in 2004, while imports increased from €524 million to €1.419 million. But by 2014 bilateral trade volume reached €2.6 billion and €2.7 billion in 2015. Additionally, Greek ship owners were also doing business in China, benefitting from favorable terms for constructing ships in Chinese shipyards. Beijing’s policy stipulated approval of a loan by a Chinese bank with the necessary prerequisite that the vessel would be built in the country. Several Greek ship owners were prepared to accept this term.

The year 2006 was critical for the bilateral relationship not only because it was upgraded to a strategic partnership but also due to the visit of Greek Premier Costas Karamanlis to China. Karamanlis agreed with Chinese President Hu Jintao and his counterpart Wen Jiabao to support cooperation between ports and shipping businesses. For the first time COSCO president Wei Jiafu expressed interest in becoming involved in the Piraeus port and Karamanlis made an initial welcoming remark. In July 2006, a
celebration ceremony for christening the COSCO HELLAS vessel and its maiden voyage to the Piraeus port was held, during which Karamanlis and Wei reaffirmed their commitment to expand maritime links. At that time, Greece and China were also coming closer with respect to organizing the Olympic Games in 2004 and 2008 in Athens and Beijing, respectively.

**COSCO STARTS TO TRANSFORM PIRAEUS**

In January 2008, an international tender for Greece’s two main container terminals in Piraeus and Thessaloniki was organized and in June COSCO was named the provisional winner. Five months later the agreement was signed during a ceremony attended by Chinese President Hu Jintao. According to the concession agreement COSCO would operate piers II and III of the container terminal (pier I would stay under the management of the Piraeus Port Authority) for a period of 35 years. It would pay an initial sum of €50 million to the Greek state, plus a percentage of annual revenues as well as a lease, amounting to €4.3 billion over the 35-year concession period. The Chinese company pledged to upgrade pier II and construct the planned pier III, investing approximately €230 million.

The concession agreement was ratified by the Greek parliament in 2009 and COSCO entered the Piraeus port in October of that year, almost simultaneously with the election of the PASOK party and the outbreak of the economic crisis. COSCO’s presence in the Piraeus port has been remarkable and the numbers speak for themselves. Some 3,030,000 containers were transshipped from piers controlled by the Chinese company in 2015, as opposed to 2,984,000 containers in 2014 and 2,520,000 in 2013. Surprisingly, this 1.54% increase from 2014 to 2015 happened in a year during which container trade in the Mediterranean decreased and Greek exports fell due to the country’s political crisis. A comparison with the Piraeus Port Authority is also indicative; 293,353 containers were transshipped in the Greek part of the Piraeus port in 2015, as opposed to 598,255 in 2014 and 644,055 in 2013.

The EU approved the COSCO’s initial investment in Piraeus, although it does not necessarily see China’s role positively. In March 2015, the European Commission argued that Greece had granted COSCO benefits – such as tax exemptions and preferential accounting treatment – that give the Chinese
company an undue advantage over competitors in breach of EU state aid rules. It asked COSCO to refund the Greek state and encouraged the latter to avoid further distortions of competition. The Chinese company reacted strongly against the “negative treatment” in comparison to other Northern European ports. The issue has not yet been resolved.

**THE DRAGON’S HEAD**

The success of COSCO in the Piraeus port, along with the launch of the Belt and Road initiative, whetted Beijing’s appetite for port diplomacy in Greece. The opportunity emerged when Greece needed to privatize the Piraeus Port Authority under its EU bailout obligations. China had expressed interest from the beginning, viewing COSCO’s role in Piraeus as “the dragon’s head” in its Greek investments and regularly repeating this expression in contacts with Greek representatives.

Prime Minister Antonis Samaras visited Beijing in May 2013 and his Chinese counterpart Le Keqiang visited Athens and Crete in June 2014 in an effort to boost ties in view of the privatization tender for the Piraeus Port Authority. To underscore his country’s interest in buying the Piraeus Port Authority, Xi made a stopover in Rhodes on his way to Brazil to attend the sixth BRICS Summit in July 2014. In January 2015, only a few days before one of the most critical elections in modern Greek history, the expanded Pier III was successfully inaugurated. Samaras was present and Li sent a congratulatory message. But the next stage was not smooth due to political instability.

The first half of 2015 was particularly turbulent for Greece. After gaining power in January 2015, the leftist SY.RIZ.A party, with its coalition partner, the right-wing populist Independent Greeks party, endeavored to renegotiate with the country’s creditors, almost triggering its exit from the Eurozone. Although the new Greek government agreed on a four-month extension of the second bailout package in February, it failed to come to an agreement on time. Instead, it imposed capital controls and organized an ambiguous referendum, before finally crashing to reality in July.

During the period of the so-called “proud” negotiation process, the Greek government almost damaged Sino-Greek relations. It failed to find alternative financing in China and alarmed Beijing by either threatening to renegotiate the previous port agreement or to cancel the
forthcoming privatization of the Piraeus Port Authority.\textsuperscript{46} It was perhaps the first time during the Greek economic crisis that Greece’s public image was tarnished in China due to inconsistency between words and deeds.\textsuperscript{47} During this phase of uncertainty, a Chinese consortium led by COSCO acquired a 65% stake of Kumport Terminal – located on the Ambarli coast of Istanbul.\textsuperscript{48} Although this deal was not officially connected to the delay in the privatization of the Piraeus Port Authority, it sent a clear message to the Greek authorities about investment alternatives in countries such as Turkey.

The “Agreement” of July 2015 paved the way for the privatization of the Piraeus Port Authority and the return of Sino-Greek relations to normalcy. Nevertheless, the Chinese side did not forget the misunderstandings of the previous six months. In the snap election of September 2015, the SY.RIZ.A-Independent Greeks government managed to be re-elected and in spite of its ideological opposition, carefully looked at the privatizations. New delays did not prevent the sale from entering its final phase. Bids were submitted in December 2015, and a few days later the Greek Privatization Fund confirmed that the Chinese company had been the only candidate.\textsuperscript{49} It asked COSCO to improve its offer and on 20 January 2016 became the preferred bidder by offering €368.5 million for a 67% stake.\textsuperscript{50} The concession will end in 2052.

In a detailed statement, the Greek Privatization Fund presented the benefits of the agreement for the Piraeus Port Authority concession. According to its assessment, the total value will amount to €1.5 billion, including future investments by COSCO. It is notable that the Chinese company offered a higher price in comparison not only to the share price of the Piraeus Port Authority on the day of the agreement but also to that of two independent appraisers – €22 per share.\textsuperscript{51} Had privatization taken place earlier, the economic benefits for the Greek state would have been much higher, but under the circumstances, the price was fair.

The privatization deal had to be approved in the Greek Parliament in July 2016, a few days before the first official visit of Prime Minister Alexis Tsipras to China. This procedure, however, was particularly complicated. The agreement submitted to the Parliament was different
from the initial one causing COSCO’s fury as many of its future legal powers would be diminished in favor of the Greek state. Tsipras himself had to intervene and exert pressure on Shipping Minister Theodoros Dritsas, a leftist ideologue, to respect the initial agreement with the Chinese company and avert another serious crisis with Beijing. He succeeded and his visit to China took place. But the trauma of Greece’s unreliability could not be easily healed.

The privatization of the Piraeus Port Authority is not just a Sino-Greek affair; it affects the evolution of Sino-European relations. Since Beijing intends to participate in Jean-Claude Juncker’s investment initiative and more Chinese investments in Europe are taking place, the Piraeus deal could be a model for both sides. From a European perspective, it is important that the president of the newly established China COSCO Shipping Group, Xu Lirong, publicly focused on the importance of working conditions and environmental guidelines during his official visit to Athens in April 2016. Indeed, only eight Chinese employees have been appointed in the Piraeus Port Authority while all 1,087 Greek employees have kept their jobs.

The European Commission approved the privatization but the new Chinese investment in Piraeus is an additional concern. The EU has currently no common policy for ports, which make decisions on critical affairs such as management by foreign companies without guidance or input from the European Commission. The privatization of the Piraeus Port Authority could speed up attempts within the EU to pass a new law that require member states to have at least two providers of port services to prevent monopolization. COSCO had also expressed an additional interest in the bidding for the Thessaloniki Port Authority but withdrew after winning the tender in Piraeus.

**BEIJING’S REGIONAL AMBITION**

China’s investment in the Piraeus port goes hand-in-hand with the Belt and Road initiative. It marks the passage from the Maritime Silk Road to the land-based one towards Europe. Transit time between Shanghai and Piraeus is approximately 22 days, 10 days less in comparison to the transit time between Shanghai and the North European ports of
Rotterdam and Hamburg. By significantly shortening the delivery time between China and Europe, Piraeus can become a major penetration point for Chinese goods in Europe. To take full advantage of the Piraeus port, Beijing also invests in transport links across the Balkan Peninsula. Its plan is twofold. First, it is cooperating with the Former Yugoslav Republic of Macedonia to prepare a feasibility study for railway modernization. And second, it has already signed separate deals with Serbia and Hungary to reconstruct the rail link between them. Commodities can thus reach Piraeus and then be transported to Macedonia and then Serbia and Hungary by rail.

Overall, Beijing wants to establish trade links from Greece to Central and Eastern Europe via the Balkans. In particular, its “16+1” strategy, initiated in 2012, aims at boosting China’s role in Europe via the Balkan Peninsula. Greece’s role has become significant because the country is a gateway and hub for Beijing’s objectives. China is pursuing a strategy of building political support among a large number of small developing countries in Europe, both EU and non-EU members. The “16+1” format is a complementary tool; it neither replaces the “2020 China-EU Cooperation Agenda” nor does it constitute an alternative to the EU orientation of countries like Serbia and the EU cohesion process of states such as Poland. However, it outlines Beijing’s determination to play a bigger role in Europe.

**Is Piraeus the Only Port?**

COSCO patiently waited for years to participate in the privatization tender for the Piraeus Port Authority. But problems – especially under the SY.RIZ.A administration – have affected investment perspectives. In February 2016, one month after the Piraeus Port Authority deal was signed, Reuters reported that COSCO was expected to make an offer for Greece’s rail network. This did not occur. The Greek rail operator (Trainose) was sold to Italy’s Ferrovie dello Stato for €45 million.

There are two main explanations for COSCO’s decision. The first is that the delay with the Piraeus Port Authority privatization had caused serious frustration in Beijing. The second is that refugees often blocked TRAINOSE’s services in their desperate attempt to reach the Balkans and the EU in 2015 and 2016.
After winning the Piraeus tender, COSCO decided not to submit an offer for Thessaloniki Port Authority.\textsuperscript{61} It seems that it only had expressed an interest as a bargaining tactic to expand its activities in Piraeus. A 67% of the Thessaloniki Port Authority was finally sold to an international consortium,\textsuperscript{62} but some Chinese business interests participated indirectly.\textsuperscript{63}

China is also taking its first steps in the Greek energy sector. In September 2016 the Greek Public Power Corporation (PPC) signed a memorandum of cooperation with China Machinery Engineering Corporation (CMEC) to build a lignite-fired unit at the Meliti station near Florina, an investment estimated at €700 million. The two sides also agreed on additional projects.\textsuperscript{64} However, cooperation between the two corporations has not occurred since no international tender has been organized. In spite of the initial agreement, the cooperation is currently frozen.

Last October the China State Grid International Development (SGID) also signed a €320 million EUR agreement with Greece’s Public Power Corporation (PPC) to purchase a 24% stake in the Greek power grid operator ADMIE.\textsuperscript{65} This agreement was approved by the Greek Parliament and by the European Commision. CMEC is also interested in expanding its presence. And in May 2017 the Greek energy Copelouzos Group and the Chinese State company Shenhua Group signed a deal for cooperation and development in the green energy sector and for environmental upgrading of energy generating units in Greece and other countries.\textsuperscript{66} The two companies are expected to participate jointly in international tenders organized by the Greek government. The total estimated investments will be €3 billion.

Chinese company FOSUN participated in a consortium for reconstructing the old Hellenikon airport in Athens along with the Greek Latsis group and Eagle Hills from the United Arab Emirates.\textsuperscript{67} The same Chinese company also submitted a binding bid to acquire a majority stake in Greek lender National Bank’s (NBG) insurance unit.\textsuperscript{68} In this case, the Greek government was under US pressure since the Chicago-based company, Calamos, was also interested. US Ambassador to Greece, Geoffrey Pyatt, publicly said that “if Calamos is selected, it will inject hundreds of millions of dollars into the Greek economy, and will attract additional investment from the United States and other free-market countries across a broad range of
industry sectors.” The American company was the winner. This might be an indication that Chinese investments in Greece have limitations.

In parallel with business, Greece and China endeavor to cooperate at the cultural level. The two countries organized an Ancient Civilization Forum in April 2017 in Athens that was attended by Chinese Foreign Minister Wang Yi. At the press conference, Wang expressed his hope for an increase in the number of Chinese tourists to Greece, mentioning the figure of 1.5 million. Prime Minister Alexis Tsipras, who attended Xi’s international forum on the Belt and Road initiative in May 2017, discussed this with Chinese authorities but no direct flights between the two countries have yet been established. 2017 is also the “Year of Sino-Greek Cooperation in Cultural Industry and Cultural Exchanges.”

CHINA AND ISRAEL: POLITICAL BACKGROUND

While Greece’s relations with China are almost exclusively related to port diplomacy and energy projects and are slowly expanding after the Belt and Road, Israeli-Chinese ties have a deeper background. Jerusalem and Beijing established diplomatic relations in 1992, although they had also cooperated during the Cold War, especially on the occasion of China’s “open-door” policy. The relationship has gradually flourished at the economic level but has evolved in parallel with Middle East dynamics. Different security parameters for both sides have dominated the agenda of bilateral negotiations, increasing their complexity and difficulty.

China is a traditional supporter of the Palestinian cause. Although the country has no tradition of anti-Semitism and never agreed with the Palestinians or other Arab states in denying Israel’s right to exist, its general policy vis-à-vis the Arab-Israeli conflict creates concern in Jerusalem. In particular, Beijing’s growing interest in Middle East affairs and involvement in the peace process – for example with its own special envoys – means that a new mediator is slowly emerging. China acknowledges it lacks the influence of the US and the EU in the Middle East. Washington started to shift its focus towards Asia during the Obama administration, and Beijing appears keen on filling the “vacuum” in the long term.

Israel is not prepared to jeopardize its unquestionable collaboration with the US when approaching China. It has been willing to transfer military
technology to Beijing but cannot overlook Washington’s reservations,,” which have sometimes caused serious disagreements. In October 1999, President Bill Clinton formally opposed a Sino-Israeli deal for the Phalcon airborne early warning and surveillance systems, which was cancelled nine months later. In December 2004, the Bush administration reacted harshly to Israel’s decision to repair and upgrade the Harpy unmanned aerial vehicle sold to China in the 1990s.\textsuperscript{81} The two sides agreed a year later to consult on future Israeli sales and issued a joint press statement reporting that they had signed an understanding “designed to remedy problems of the past that seriously affected the technology security relationship and to restore confidence in the technology security area.”\textsuperscript{82}

Israel’s main source of anxiety is the proliferation of non-conventional Chinese arms in the Middle East. Beijing has supplied weapon systems and missile technology to countries such as Iran, Saudi Arabia, Syria, and Libya, which have leaked them to terrorist groups such as Hezbollah.\textsuperscript{83} Jerusalem is particularly concerned about China’s ties with Iran. In 1997, for example, Netanyahu visited Beijing and attempted to secure the latter’s pledge not to build a nuclear reactor.\textsuperscript{84} In 2014, President Shimon Peres also indicated that Beijing played a central role in efforts to prevent Tehran from acquiring a nuclear bomb.\textsuperscript{85} But improved Sino-Israeli relations have not deterred Beijing from exporting arms to Jerusalem’s potential enemies including Iran.\textsuperscript{86} China remains committed to JCPOA agreement on Iran’s nuclear program and is not pleased with President’s Donald Trump doubts about it.

Beijing sees the Middle East as crucial to its overall energy security. Its interests in the region have with its development and “it is looking forward to a more peaceful, stable and prosperous [region].”\textsuperscript{87} The Middle East is its largest source of oil imports with Iraq, Iran, Kuwait, Saudi Arabia and Iran being central in bilateral ties.\textsuperscript{88} Although Beijing has diversified its imports with countries such as Angola, Russia and Venezuela, it heavily relies on the Middle East.\textsuperscript{89} In 2003, for instance, the Middle East accounted for 59% of China’s crude imports, in 2006 for 45%, and in 2014 for 52%.\textsuperscript{90} With its Belt and Road initiative China aims at securing the smooth transportation of energy resources. More importantly, the possibility of energy supply disruptions during the “Arab Spring” created an urgent need for the Chinese administration to establish an integrated energy trade and business development model with key Middle East partners.\textsuperscript{91}
Even before the Belt and Road initiative, Beijing’s energy approach to the Middle East was shaped by the principle of insuring regional stability and security. It had placed particular emphasis on preventing sabotage of sea and land routes for exporting oil and gas. Despite its careful and mild pro-Palestinian stance, China has realized that Israel could be an island of stability and prosperity in the aftermath of the Arab upheavals. This perception is also connected to the rise of terror groups such as ISIS and al-Qaeda. ISIS, in particular, not only targets China but is training Uighur fighters who regard the region of Xinjiang as part of the Islamic Caliphate. While Beijing and Jerusalem agree on the need to end the Syrian civil war, they have adopted contradictory positions. Beijing wants the Syrian government to remain in power, believing it is assisting in the fight against anti-Chinese militants, while Jerusalem prefers its removal.

**Economic Cooperation Beyond Security Interests**

Israel started to help China to promote modernization in the late 1970s. However, the normalization of the relationship after 1992 paved the way for closer collaboration. Despite American pressure regarding security affairs, economic cooperation quickly developed. Institutional initiatives facilitated the process. In October 1992 the bilateral economic and trade joint committee was established and in 1997 the two countries set up four sub-committees covering agriculture, electronics, telecommunications and medical equipment. In March 2000, Minister of Industry and Trade Ran Cohen headed a delegation to Beijing, which laid the foundations for the Sino-Israeli Agreement for a Framework of Cooperation in the Area of Industrial Technology Research and Development. This was officially signed during President Jiang Zemin’s visit to Israel a month later. Jiang was welcomed to Israel less than 24 hours after Prime Minister Barak met at the White House with President Clinton, who expressed deep displeasure over the Israel-Chinese arms deal. Jiang left Israel with no agreement on the arms sales.

The Phalcon and Harpy drones cases influenced Sino-Israeli relations but also revealed the real possibility for bilateral collaboration in the military sector. On the one hand, Jerusalem had to carefully look at American interests. On the other, Beijing practically diagnosed the importance attached by Jerusalem to its partnership with Washington. Late in 2004,
State Councilor Tang Jiaxuan visited Israel, the first visit by a high-ranking official since the Phalcon affair. China signed an agreement of almost equal value to the Phalcon contract for Israeli-made satellites to broadcast the 2008 Olympic Games in Beijing. Israeli academic Aron Shai sees this agreement as “a good example of China’s ability to draw a distinction between its economic and diplomatic dealings.”

Bilateral relations between Israel and China have been synthesized around the former’s interest in looking East for investment opportunities and exports, and the latter’s emphasis on profitable deals and investment in research and technology. Israel’s biggest export to China is hi-tech while China exports to Israel machinery, electronics, textile, chemical products, and metals. The bilateral trade volume was only $50 million in 1992 but amounted at $7.6 billion in 2010 and over $11 billion in 2015 and 2016, with China having a large surplus. The cooperation is diversified and also includes venture capital, joint research, mergers and acquisitions.

Several high level meetings have facilitated the economic cooperation. In January 2007, Prime Minister Olmert visited Beijing to boost trade. Prime Minister Netanyahu made the next visit six years later, when he went to both Beijing and Shanghai and met the new Chinese leadership and representatives from the business sector. His main objective was to open a new Israeli gateway to China, to create partnerships as well as further bilateral trade volume. More importantly, in 2013 China and Israel started the process of preparing a Joint Feasibility Study, the basis for negotiations on a bilateral Free Trade Agreement (FTA). Those negotiations began in 2016.

Viewing the continuous and steady progress, Netanyahu lauded Israel’s burgeoning ties with China meeting in Jerusalem with Chinese Deputy Prime Minister Liu Yandong in 2016. He hailed Beijing’s overtures to begin free trade negotiations, which could potentially double bilateral trade. The two sides have also signed a 10-year multiple entry visa agreement, making Israel the third country after the US and Canada to have such an agreement with China. Another confirmation of the excellent status of bilateral relations is the rising number of Chinese citizens visiting Israel, some 80,000 in 2016, a 69% increase compared with 2015. Last but not least, 14 direct flights between Beijing and Tel Aviv are operating per week.
TARGETED CHINESE INVESTMENTS

As a matter of principle, China is keen on investing in fields that serve its national interest either domestically or internationally and are connected to its innovation aspirations. Israel constitutes an ideal case. Chinese investments in Israel have covered sectors such as the chemicals market, food industry, construction, agriculture, water and renewable energy technologies. Several examples can be mentioned. In 2011, for instance, Makhteshim-Agan, a leading Israeli and global firm was merged with Chem China. The deal, worth approximately $2.4 billion, was the largest ever between Israeli and Chinese state-owned companies. Moreover, Bright Food concluded a deal to purchase a 60% of Israel’s second-largest food distributor, Tnuva.

In the field of construction, one of the most important projects where a Chinese company participated was the “Carmel tunnels” in Haifa. Carmelton signed a NIS 400 million agreement with China Civil Engineering Construction Corporation (CCECC) in 2006. Another project was the excavation of tunnels on the Akko-Karmiel train line, at a cost of NIS 700 million, carried out through a partnership between Danya Cebus and CCECC. An important new deal was signed during Netanyahu’s March 2017 Beijing visit and will enhance construction activities in Israel. Jerusalem sees it as a solution to Israel’s housing crisis and Beijing as an opportunity to dispatch Chinese workers.

In agriculture collaboration starts with bilateral agreements such as the 2015 joint action plan for increasing agricultural trade volume to $450 million by 2020 and expanding to the transfer of innovation technology from China to Israel. This is also the case with water technology. One of the many joint ventures is the Guangdong China-Israel Industrial Park. The Israeli company IDE, for instance, built China’s largest desalination plant in Tienjin, producing 200,000 cubic meters of fresh water daily.

As noted, Beijing has been particularly keen on sponsoring research and development in China. In September 2013, Li Ka-Shing Foundation, which belongs to Hong Kong’s richest property businessman, sponsored a joint venture between Israel’s prestigious Technion – Israel Institute of Technology and Shantou University to build a new academic facility in Guangdong Province. A few months later, Vice Premier of the State Council Liu
Yandong paid an official visit to Israel and attended the first Israel Innovation Conference. On the occasion of her visit, Tel Aviv University and Tsinghua University signed a $300 million agreement to launch “XIN,” a research center initially focusing on nanotechnology cooperation, particularly with medical and optics applications. Subsequently, the Confucius Institute at the Hebrew University was inaugurated.

**PORT DIPLOMACY**

Being already economically engaged in Israel, President Xi’s 2013 speech gave impetus to China’s port diplomacy. Israel potentially constitutes a stop on the Chinese maritime Silk Road connecting the Indian Ocean and the Mediterranean Sea through the Gulf of Suez. Even before the launch of the strategic Chinese plan, Israeli Minister of Transport Yisrael Katz signed a Memorandum of Understanding in China in July 2012 for infrastructure works. Following this, Beijing decided to expand the activity of Chinese companies in Israel in ports and the railway sector. The Belt and Road initiative was the springboard.

China has shown great interest in Israeli ports and has been involved in construction activities as well as in future operations management. In particular, the Israel Ports Development & Assets Company Ltd. (IPC) is responsible for development and providing necessary infrastructure for the country’s three commercial seaports in Haifa, Ashdod and Eilat. China Harbors Pan Mediterranean Engineering Company (PMEC) was chosen to construct the new port of Ashdod in June 2014. The Chinese company also won the tender for the construction of the Bayport in Haifa but had to choose between the two projects according to Israeli regulations. It preferred to proceed with Ashdod.

The Ashdod project includes works in the Southport Terminal such as quay construction, extension of the existing breakwater by 600 meters, new 1500 meter secondary breakwaters, and reclamation and dredging works, worth NIS 3.3 billion, approximately $870 million. According to Premier Netanyahu, this is “a further expression of the strengthening ties between Israel and China.” Works appear ahead of schedule and full operation is expected by 2021. To improve its public image in Israel while continuing its works in Ashdod, in 2016, PMEC also concluded a sponsorship deal with the Hapoel Tel Aviv football club worth $11.2 million over five years.
Another Chinese company will be responsible for the operation of the Haifa port. In 2014, Shanghai International Port Group (SIPG) 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. SIPG was the sole bidder, offering a license fee for all cargo moving through the Haifa port as well as annual usage fees for the facility. It will also invest around $2 billion into building port facilities and purchasing equipment for the harbor. According to the official announcement, SIPG will be responsible for construction of the facilities at the back terminal, deployment and installation of the equipment and daily running and operation of the terminal. With a total 1,500 meters of quay length, a 78ha surface and a 17.3 meters draft, the Bayport terminal will handle the designed annual throughput of 1.86 million containers. The successful bidding makes SIPG a global terminal operator and improves its competitive edge and strategic cooperation with international ports and shipping lines.

The Chinese company sees the Haifa investment as a response to the Belt and Road initiative. Its chairman, Chen Xuyuan, has explained that it would help strengthen relations between the Shanghai port and others along the maritime silk road and form a closer network between the Shanghai and Europe. On the whole, Israel is expected to enjoy greater trade volume as China finds platforms to supply the European, Middle Eastern and North African markets. Jerusalem, nonetheless, is not the only location for Chinese port diplomacy in Eastern Mediterranean. The China Harbor Engineering company has modernized the Tripoli port in Lebanon after an agreement was signed in 2009, expanding its capacity and depth, and collaboration was underlined in March 2017 when Chinese cranes were delivered to the port.

**The Railway Line from Eilat to Ashdod**

Chinese investment in ports is an almost routine. For Israel the most important challenge is to guarantee smooth arrival of commodities to its harbors. Naturally, China has depended on the Suez Canal to reach its largest export market in Europe; trade volume in 2015 amounted at €521 billion. However, with its traditional emphasis on finding alternatives and concerns about instability in the Middle East, the Chinese
administration explored how it could benefit from Israeli stability and reliability to secure trade. Its main objective has been to find a way to avoid the Suez corridor. Drawing on its expertise of constructing or modernizing railways, Beijing saw a similar opportunity in Israel, starting in the Gulf of Aqaba.

The memorandum of understanding signed by Katz and his Chinese counterpart Li Shenglin in 2012 laid the groundwork for another mega-Chinese project, the construction of the Eilat railway. The state-owned China Communications Construction Company was provisionally chosen to build a high-speed railway linking Tel Aviv on the Mediterranean and the Port of Eilat on the Red Sea, with a speed of 250-300 kilometers an hour. The so-called “Red-Med” railway, a 350-kilometer line including 63 bridges and five tunnels could cost from $6.5 to $13 billion. In his public remarks, Netanyahu said: “Laying this line has strategic importance, both national and international.”

From an Israeli perspective, the “Red-Med” would bring economic benefits as a catalyst for development of the southern Negev region. The work could also improve its regional standing and strengthen its bargaining position vis-à-vis Egypt, especially during difficult periods such as that which preceded the regime of President Abdel Fattah Sisi. For decades, Cairo was able to partially isolate Israel by threatening to close the Suez Canal. Under current circumstances, however, it is questionable whether Israel wants to compete with Egypt through a “Red-Med” railway. According to former Israeli diplomat Oded Eran, Jerusalem wants the Egyptian economy to grow and believes the new construction will facilitate trade. Apart from regional developments, Israel will certainly facilitate trade between Asia and Europe and can therefore count on geopolitical and economic benefits.

Beijing likewise foresees economic benefits. The construction of the project will contribute to its capital, technology and enterprises and provide employment opportunities for China’s labor overseas. Above all, China hopes that the maritime route to the Mediterranean will be complemented. It is important to note that Beijing is not choosing between Israel and Egypt but is adopting a dual approach. Good Sino-Israeli relations do not mean that Beijing will neglect its relationship with Cairo. Indeed, Egypt is also
a significant partner in the Belt and Road initiative. Since the New Suez Canal was put into use in 2015, the Egyptian government has been planning to upgrade ports, and undertake infrastructure projects and industrial development in the region. China sees this as an additional opportunity not only to boost its role in global shipping but to continue its infrastructure works. The excellent bilateral climate was confirmed during the visit by Xi to Egypt in January 2016.

It is not clear when the Red-Med railway will be constructed. The Israeli cabinet unanimously approved the project in 2012 but the start date has not been set nor has the tender been announced. The legal process is complicated and there are negative reactions by Israeli environmental organizations who fear for the unique Negev’s landscapes. Israel and China, however, remain committed to the project. The issue was on the agenda during Netanyahu’s 2017 visit to Beijing.

**SAME REGION, DIFFERENT APPROACHES**

The Belt and Road initiative and subsequent Chinese investments and plans have brought Beijing to the center of international attention. The cases of Greece and Israel, however, demonstrate that China had already begun to seek larger business and international roles even before Xi’s 2013 speech. COSCO expressed an initial interest to invest in Piraeus in 2006 and finally entered the port in 2009, while multifaceted Sino-Israeli relations have evolved around different sectors for many years. The Belt and Road cannot be considered a turning point or a driving force for Beijing’s interest in the Mediterranean but as a platform accelerating and increasing its presence.

China has approached Greece and Israel differently due to their special characteristics. Both countries count on their specific relationship with the US – and Greece’s with the EU – in dealing with Beijing. Nonetheless, Greece’s position has been weaker compared to Israel’s. Athens desperately needs to carry out privatizations and receive foreign capital under its bailout scheme while Jerusalem is able to proceed as a matter of strategic interest without having to make quick decisions. The latter’s strong economic status also allows it to better bargain with foreign players such as China. Moreover, Greece has no reputation for
innovation and technological research that attracts the interest of Chinese companies, in contrast to Israel, widely recognized as a “start-up nation.” China is seeking specific opportunities in Greece relevant to the Piraeus port and the energy sector whereas it employs a multidimensional economic policy towards Israel.

Beijing does not necessarily trust Greek governments but it shows a remarkable degree of patience. China is also is highly concerned about the possibility of a Grexit and carefully monitors negotiations between Greece and its creditors. A potential Grexit could put COSCO’s investment in Piraeus at risk. In contrast, the Chinese administration has found a good basis for cooperation with Israeli governments despite disagreements over the transfer of military technology. All in all, while Athens can hardly impose its own terms, Jerusalem is able to do so.

Greece can study the model of Sino-Israeli relations in order to improve its relationship with China. Without abandoning its pro-EU and pro-US orientation and respect European rules, there is room for the Greek governments to better negotiate with China. Even without having the Israeli asset of innovation expertise, they can link approval of new Chinese investments with increases of Greek exports to China and the number of Chinese tourists arriving to Greece.\(^{150}\) The Chinese administration might be prepared to accept specific Greek proposals in line with the Belt and Road initiative about trade and people-to-people exchanges.\(^{151}\) But the lack of long-term strategic planning and the opposition by the current government to investments by foreign countries constitute restraining factors. While Tsipras pleased the Chinese government by attending the Belt and Road Forum in May 2017, in the absence of most EU leaders, he came back with only general commitments but no specific projects.

Israeli expertise in reviewing China’s potential investments and investigating the status of Chinese companies is also helpful for Greece. Several Chinese delegations have recently made exploratory visits to Greece, which urgently needs to establish a proper review process. Israeli experience in that regard is promising. In 2015, for instance, Delek Group agreed with FOSUN on a deal for control of Israeli insurer
Phoenix Holdings that was cancelled in February 2016 after reservations from Israeli regulators. The cancellation was officially attributed by FOSUN to global market turmoil but is certainly related to the unknown fate of its chairman Guo Guangchang. Uncertainty over Israeli regulators also prevented China’s Macrolink Group from buying a 55% stake of Clal Insurance Enterprises Holdings.

**ENERGY**

China’s approach clearly distinguished Greece from Israel but there are similarities. COSCO’s success in Piraeus is a model for PMEC in Ashdod and SIPG in Haifa. First, this is related to profitability. In 2014, for instance, COSCO’s revenue from the terminals business rose by 13.6%. This increase was attributed to three ports: the Piraeus Container Terminal, Guangzhou South China Oceangate Container Terminal, and Xiamen Ocean Gate Container Terminal. This was also the case in 2016 when COSCO’s revenues increased by 8.7%, with Piraeus Container Terminal and Guangzhou South China Oceangate contributing to the success. On the whole, China insists on numbers not only for profitability but also as a tool of persuading local actors on the “win-win” concept of investments. The greater the revenues, the more jobs that can be created, and business deals that can be reached. This said, Beijing has patiently responded to local labor conditions. Trade unions opposing Chinese plans in both Greece and Israel ports soon adjusted to the reality of the private sector.

After taking control of the Piraeus Port Authority in 2016, COSCO is also prepared to invest in neighboring sectors, including ship-repair, the car terminal, and the cruise terminal. Investments in logistics are also expected and possibly hotels. According to COSCO’s plan the port can be completely modernized in the coming years and developed into one of the most successful Mediterranean transshipment hubs. PMEC and SIPC can certainly monitor the COSCO paradigm while investing in the ports of Ashdod and Haifa. The only serious obstacles for COSCO’s new projects in Piraeus are the Greek bureaucracy and continuous disagreements with local actors such as municipalities. Israeli authorities might prevent similar deadlocks or delays by negotiating with local stakeholders in advance.
Moreover, Beijing’s willingness to invest in railways may see similar infrastructure works evolve in the two countries. Greece participates indirectly in China’s ambitious plan to link Piraeus to Central and Eastern Europe by train. The Chinese mega-project will be an interesting case study for the proposed Red-Med project that will connect Eilat with Ashdod. The Chinese and Israeli sides should monitor how a railway project – where different private companies participate – will function in southeastern Europe.

With reference to energy, the recent acquisition of 24% of the Greek ADMIE by China State Grid may give the Chinese company access to the Mediterranean. Cyprus, Greece and Israel have already agreed to develop an underwater cable that will link the electrical systems of the three countries.\textsuperscript{158} The so-called “EuroAsia Interconnector” creates the electricity highway from the three countries through which the European Union can securely be supplied with electricity produced by gas reserves in Cyprus and Israel as well as from renewable energy sources.\textsuperscript{159} The involvement of China’s State Grid in this has not yet been clarified. Nevertheless, speculation is rising after Tsipras publicly said that he discussed this specific investment with China in May 2017.\textsuperscript{160}

As far as gas reserves in Eastern Mediterranean are concerned, China’s interest is currently theoretical but could become tangible in the future. Five years ago Transport Minister Katz gave an interview to Global Times saying that gas in Israel could be a base of Sino-Israeli discussions.\textsuperscript{161} Israel exports of gas to China would have important strategic implications not because sales are problematic but because relations with other countries in the region and the EU will be affected.\textsuperscript{162} Subsequently, in 2015 it was reported that FOSUN looked to buy Israeli gas fields from Delek.\textsuperscript{163} And a few months later, Jerusalem and Beijing expanded their cooperation in energy technology research and development, including the establishment of funds for renewable energy. Israeli Minister of National Infrastructure, Energy, and Water Resources Yuval Steinitz invited then Chinese companies such as Sinopec Group, China Gezhouba Group Corporation (CGGC) and CMEC to invest.\textsuperscript{164}

In parallel with energy discussions, China National Offshore Oil Corporation (CNOOC) showed an interest in buying a stake in the Aphrodite field in
Cyprus in 2014.\textsuperscript{165} In 2014, the same Chinese company also showed interest in participating in the Ionian Sea tender for gas explorations but the coming of SY.RIZ.A into power is delaying the process. Taking into account that investments in energy are in line with the Belt and Road initiative, China is gradually looking for new opportunities in Eastern Mediterranean. Greece and Israel as well as Cyprus might see China gaining ground in the long-term. But Beijing will likely be indifferent to the potential construction of the EastMed pipeline transporting gas from Eastern Mediterranean to Cyprus, Greece and Italy.

**A NEW MEDITERRANEAN?**

From a broader perspective, China’s developing relations with Greece and Israel are part of a multidimensional foreign policy in the Mediterranean Basin that also includes approaches to Algeria, Cyprus, Egypt, Italy, Lebanon, Morocco, and Turkey. At first glance, Beijing’s motivations are economic and geopolitical.\textsuperscript{166} But some voices are warning against China’s potential involvement in the Mediterranean, seeing security implications as well as militarization dangers. This argument is linked to Beijing’s White Paper on armed forces published in April 2013 that stipulates protection of overseas energy resources and Chinese nationals abroad are major security concerns to be shouldered by the country’s military.\textsuperscript{167}

China’s emerging challenge of protecting its citizens and confronting terrorism is expanding its global footprint into the Mediterranean Basin.\textsuperscript{168} This is evident from recent activities by the Chinese navy,\textsuperscript{169} in particular when it rescued 30,000 Chinese workers stranded in Libya in March 2011.\textsuperscript{170} The role of Greece was critical since approximately half of the evacuees were ferried to Crete with the support of the Hellenic navy. Sino-Greek cooperation was repeated in August 2014,\textsuperscript{171} and Beijing repeatedly expressed its gratitude publicly to the Greek authorities.\textsuperscript{172}

In parallel with evacuations from Libya, a Chinese warship joined a taskforce from various countries to escort ships delivering Syria’s chemical weapons for destruction in February 2014.\textsuperscript{173} More importantly, Sino-Russian naval exercises took place in the Basin in May 2015, increasing Western concerns.\textsuperscript{174} Beijing’s participation with NATO in some non-combat operations in the Mediterranean – such as anti-piracy, humanitarian assistance and disaster relief – cannot be ignored. According to Christina
Lin, these operations reinforce China’s hard and soft power and improve the long-range operational capabilities of the People’s Liberation Army (PLA) as well as its international image as a responsible stakeholder. Beijing’s growing footprint in the Mediterranean presents both a challenge and an opportunity for the US and Europe. In that regard, Greece and Israel cannot overlook developing military ties between China on the one hand and Turkey and Iran on the other.

All these raise the questions of whether China can reshape the Mediterranean and if a “threat” is emerging. Even though it is a marginal actor today, its growing role in the region will be difficult to ignore in the years ahead. For the time being, however, the Chinese administration does not seek to significantly alter existing dynamics. China’s tactic during the ongoing Greek crisis, for example, has been to play a secondary role instead of directly interfering. As former Greek Prime Minister George Papandreou has revealed, Beijing bought €6 billion of Greek sovereign bonds at the beginning of the crisis – instead of exposing itself more to the Greek debt – while the first financial package was worth of €110 billion. Also, it avoided providing Greece with a bilateral loan in the first months of 2015 when a Greek delegation visited Beijing, and only encouraged it to agree with its creditors and to proceed with the privatization of the Piraeus Port Authority.

As far as Israeli national interest is concerned, Beijing acknowledges restrictions in potential mediation efforts regarding the Palestinian cause. The Chinese administration no doubt remains adamant regarding the creation of a Palestinian state but can hardly push towards this. The debate on whether China will maintain its “non-interference” dogma or finally adapt a “creative” or “constructive involvement” strategy, is not necessarily relevant to the Israeli-Palestinian conflict. China has carefully studied unsuccessful American mediation attempts and is hardly prepared to invest diplomatic capital with the high risk of similar failures. Middle East issues are too complicated and too much involvement does not benefit China. Its main goal is to preserve friendly relationship with all states in the region and promote pragmatic cooperation in economic, energy and trade affairs. Last but not least, Beijing understands the special relationship between Jerusalem and Washington and has no illusions that misunderstandings between the two – as during the Obama years – would lead Jerusalem to change foreign policy orientation.
On the whole, Beijing prefers to act carefully and to avoid being involved in confrontations with the US and the EU – as Russia is doing in the Middle East. It also prefers to forge a balanced stance regarding ongoing hostility between the West and Moscow. Political stability and the eradication of terror groups matter more for Beijing than assuming a leadership role or taking clear positions. Apparently motivated by Deng Xiaoping’s philosophy that China should be modest and prudent, the current administration keeps a low profile and does not want to be regarded an assertive or aggressive player by the US in the Middle East.\textsuperscript{181}

Beijing’s Middle East policy is currently characterized by continuity and no signs of structural change can be identified. China’s Arab Policy Paper published at the beginning of 2016 only reiterates generalities about the need of cooperation in counterterrorism, economic, energy, and security in the framework of the Belt and Road initiative.\textsuperscript{182}

**CONCLUSION**

The Belt and Road initiative is a new plan that will help China better explore the Mediterranean, intensify its ties with relevant states, and possibly aid in conflict management across Eurasia while putting trade and energy priorities above other interests. The ongoing competition between Beijing and Washington in Asia will arguably have a spillover effect in the Mediterranean, and China’s increasing international position is shaping a “new type of major powers relationship.” But this does not signal a fundamental change in Mediterranean regional dynamics.

While Beijing is investing in its “wait and see” approach, it is the right time for the Western nations to establish a new model of cooperation to maximize benefits from China’s penetration. Greece and Israel, two democratic Mediterranean countries experiencing the Chinese appetite for investment, might be the pioneers. While the Belt and Road initiative has no direct effect on the Greek-Israel partnership, Athens and Jerusalem can exploit their excellent bilateral cooperation and seek more. In cooperation with both the EU and the US, they have the chance to work towards a new model for the Mediterranean. While China will be a catalytic player bringing prosperity with its liquidity, international norms and Western principles will remain the cornerstone of participation and involvement.
Notes


2 Katherine Combes, “Between Revisionism and Status Quo: China in International Regimes. China’s Behavior in the Global Trade, Non-Proliferation and Environmental Regimes,” *Polis Journal*, No 6, 2011, pp. 1-37. See also *The Economist* website, “Peaceful Rise: Even when China is Trying Hard to be Conciliatory, it Scares its Neighbors,” June 2014.


5 Ministry of Foreign Affairs of the People’s Republic of China website, “President Xi Jinping Delivers Important Speech and Proposes to Build a Silk Road Economic Belt with Central Asian Countries.”


7 Xinhua website, “Full text of President Xi’s speech at opening of Belt and Road forum,” 14 May 2017.


In July 2016, Greece refrained from taking an anti-China stance at the EU level following the jurisdiction of The Hague on the South China Sea. It never discussed the issue publicly and the issue has not been part of the Greek debate.


40 Elias Bellos, “Dismeni Diakritiki Metacheiriss se Varos tis apo tin EE Vlepei hi COSCO/COSCO Sees a Negative Treatment against it by the EU,” 27 March 2015.


44 George Tzogopoulos, “Greek-German Relations in Times of Crisis,” Note du Cerfa 126, November 2015.


Greece, Israel, and China's "Belt and Road" Initiative


53 George Tzogopoulos, “Greece: Perspectives on Eurasian Integration.”


58 Within the framework of China’s “16+1” approach EU countries are Bulgaria, Croatia, Czech Republic, Estonia, Latvia, Lithuania, Romania, Slovakia and Slovenia. Non-EU countries are Albania, Bosnia, former Yugoslav Republic of Macedonia, Montenegro and Serbia.

59 Angeliki Koutantou and Brenda Goh, “After Piraeus Port, China’s COSCO Eyes Greek Trains to Build Europe Hub – Sources,” Reuters website, 5 February 2016.

60 Greek Privatization Fund website, Press Release, 14 July 2016.


64 Greek Public Power Corporation website, Press Release, 24 October 2016.

65 Ibid., 26 October 2016.


Greek Ministry of Foreign Affairs website, Joint Statements of Foreign Minister N. Kotzias and Chinese Foreign Minister Wang Yi, following their Meeting, 23 April 2017.

The number of Chinese tourists visiting Greece directly from China was approximately 40,000 in 2016. The number of Chinese tourists visiting Greece via another Schengen country was estimated to be over 100,000.

Since 2008, the Confucius Institute has cooperated with the Athens University of Business and Economics in Greece. Its profile is very low and it mainly offers courses in Chinese for Greeks. The Embassy of China in Greece also plans to establish a Cultural Centre in Greece.


Yiyi Chen, “China’s Relationship with Israel, Opportunities and Challenges: Perspectives from China,” p. 5.


I
Greece, Israel, and China's "Belt and Road" Initiative


85 Israel Ministry of Foreign Affairs website, “President Peres Began his State Visit to China with a Meeting with President Xi Jinping of China,” 8 April 2014.


95 Embassy of the People’s Republic of China in the State of Israel, “A Brief Introduction on Sino-Israeli Economic and Trade Relations.”

96 According to the Embassy of China in Israel the economic and trade agreements that have been signed by the two sides since the establishment of diplomatic relations include: “Bilateral Trade Agreement,” “Investment Protection Agreement,” “Agreement for Avoidance of Double Taxation and Prevention of Fiscal Evasion,” “Ocean Shipping Agreement,” “Agriculture Cooperation Agreement,” “Medical Technology Cooperation Agreement,” “Cooperation Agreement between State Administration of Import and Export Commodity Inspection of China and the Standards Institution of Israel,” “Agreement on Customs Administrative Assistance and Cooperation,” “Memorandum Between Ministry of Construction of China and Ministry of Housing and Construction of Israel,” “the Protocol on Sino-Israeli Fiscal Cooperation,” etc.


100 Shai, “The Evolution of the Israeli-Chinese Friendship.”


Dubi Ben-Gedalyahu, “China to be Israel’s Biggest Infrastructure Partner,” Globes, 10 May 2015.


Bloomberg website, “Why Li Ka-Shing May Be Right Predicting Hong Kong Property Rally”; La Ki Shang Foundation website, “Technion –Israel Institute of Technology Comes to China with US$ 130 million from Li Ka Shing Foundation,” 23 September 2013.

122 Tel Aviv University website, “TAU and Tsinghua University launch $300m Research Center,” 27 May 2014.

123 The Hebrew University of Jerusalem website, “Opening of Confucius Institute Furthers Hebrew University’s Internationalization and Relations with China,” 20 May 2014.

124 Galia Lavi, Jingjie He, and Oded Eran, “China and Israel: On the Same Belt and Road,” *Strategic Assessment*, 3 October 2015.


130 *Global Times*, “Chinese Partnership Deal with Hapoel Tel Aviv Important to Sino-Israeli relations,” 8 November 2016.


Greece, Israel, and China's "Belt and Road" Initiative


150 In 2012 China pledged to double bilateral trade with Greece to $8 billion within five years and to increase its imports of Greek olive oil, wine, marble, and other products: European Centre of Excellence Jean Monnet website, Speech by Ambassador of China to Greece Du Qiwen, 20 January 2012.


159 EuraAsia Interconnector website, 2017.


161 Cong Mu, “China Set to Build Strategic Railway in Israel, Gas Export Deal May Follow”.

162 Oded Eran, “Will Israel Sell its Natural Gas to China?,” INSS Insight, 16 December 2012.

163 Reuters website, “China’s Fosun Looks to Buy Israel Gas Fields from Delek-Israeli Source,” 1 December 2015.


171 *Xinhua* website, “Chinese Evacuees from Libya Arrive in Greece,” 2 August 2014.


181 Jin Liangxiang, “Why China’s Role is not very visible in the Middle East,” SIIS website, 26 December 2016.

Recent BESA Center Publications

Mideast Security and Policy Studies

No. 121 Trends in US Congressional Support for Israel, Amnon Cavari with Elan Nyer, June 2016
No. 122 Implications of US Disengagement from the Middle East, Efraim Inbar, June 2016
No. 123 The Oslo Disaster, Efraim Karsh, September 2016
No. 124 The Game of Camps: Ideological Fault Lines in the Wreckage of the Arab State System, Eran Lerman, September 2016
No. 125 Medium-Intensity Threats: The Case for Beefed-Up IDF Ground Forces, Eado Hecht and Eitan Shamir, October 2016 (English, online only), March 2017 (Hebrew)
No. 126 The Libyan Tragedy and Its Meaning: The Wages of Indecision, Eran Lerman, December 2016
No. 127 North Korea and the Middle East, Alon Levkowitz, January 2017
No. 128 The IDF’s Small Wars, Efraim Inbar ed., February 2017 (Hebrew)
No. 129 Israel’s Inelegant Options in Judea and Samaria, Yaakov Amidror, February 2017 (Hebrew), April 2017 (English)
No. 130 The Kurds in a Volatile Middle East, Ofra Bengio, February 2017
No. 131 Qatar: The Limits of Nouveau Riche Diplomacy, Gil Feiler and Hayim Zeev, April 2017
No. 132 Are Lone Wolves Really Acting Alone? The Wave of Terror 2015-2008, Shaul Bartal and Hillel Frisch, May 2017 (Hebrew) - online only
No. 133 Saudi Arabia, the Gulf, and the New Regional Landscape, Joshua Teitelbaum, ed., May 2017
No. 134 Rethinking the Six-Day War, Efraim Karsh, Gabriel Glickman, and Efraim Inbar, June 2017
No. 135 Washington and Moscow: Confrontation or Cooperation? Jiri Valenta and Leni Friedman Valenta, June 2017
No. 136 Foreign Investment in Israel’s Strategic Industries, Efraim Chalamish, July 2017
No. 137 A Dense Triangle: Israel, Hamas-Gaza and the Palestinian Authority, Hillel Frisch, August 2017 (Hebrew)
No. 138 The Low-Profile War Between Israel and Hezbollah, Yaakov Lappin, August 2017
No. 139 Greece, Israel, and China’s "Belt and Road« Initiative, George Tzogopoulos, October 2017

Policy Memoranda

No. 6 The National Security Council: Reflections upon the June 2012 Israel Ombudsman’s Report (Hebrew), Yehezkel Dror, November 2012
No. 7 The Gaza War, 2014 – Initial Assessment, Efraim Inbar and Amir Rapaport, December 2014 (Hebrew)
No. 8 Perfect Storm in the Middle East, Yaakov Amidror, June 2015 (Hebrew), July 2015 (English)
No. 9 Israel-Greece Relations, Arye Mekel, September 2015 (Hebrew)
No. 10 Space Wars, Aby Har-Even, May 2016 (Hebrew)

Colloquia on Strategy and Diplomacy

No. 28 The IDF Force Structure (Hebrew) May 2014
No. 29 Israeli-Palestinian Negotiations: Whereto? (Hebrew) August 2014
No. 30 IDF Challenges (Hebrew) August 2016

www.besacenter.org