Conflicts and Global Powers in the Eastern Mediterranean

Jens Bastian*

The Dragon Reaches the Eastern Mediterranean: Why the Region Matters to China

https://doi.org/10.1515/soeu-2021-0079

Abstract: The Eastern Mediterranean region has been the subject of global power competition for many decades. Europe, Russia, and the United States have at different stages and in changing configurations sought to exercise influence in and power over various countries in the Eastern Mediterranean. But over the course of the past decade, the aforementioned triangle has been reshaped into a quadrangle. A new external actor has emerged and firmly planted its flag in the Eastern Mediterranean. The fourth country in question is the People’s Republic of China. This article focuses on Greece, Turkey, and Israel as empirical examples of China’s expanding footprint in the region.

Keywords: China, Eastern Mediterranean, Belt and Road Initiative, Greece, Turkey, Israel

Introduction

Europe, Russia, and the United States have at different stages and in changing configurations sought to exercise influence in and power over various countries in the Eastern Mediterranean. But over the course of the past decade, the aforementioned triangle has been reshaped into a quadrangle. A new external actor has emerged and firmly planted its flag in the Eastern Mediterranean. The fourth country in question is the People’s Republic of China (henceforth China), and this forms the subject of this article.

The contribution inquires why the Eastern Mediterranean is of strategic value for Beijing. As will be illustrated, China pursues economic objectives that are integrated into its signature foreign economic policy, the Belt and Road Initiative.

*Corresponding author: Jens Bastian, Center for Applied Turkey Studies (CATS), German Institute for International and Security Affairs (SWP), Berlin, Germany, E-mail: jens.bastian@swp-berlin.org. https://orcid.org/0000-0002-8910-189X

Open Access. © 2022 the author(s), published by De Gruyter on behalf of the Leibniz Institute for East and Southeast European Studies. This work is licensed under the Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International License.
The primacy of economic engagement with Mediterranean states is anchored on infrastructure projects that combine maritime investments with land-based railway construction in the transport sector. China’s expanding footprint makes clear its strategic interest in the region and signals to other external actors in the Eastern Mediterranean that they have to contend with and react to Beijing’s growing involvement.

However, China is not (yet) prepared to insert itself as a security interlocutor in the Eastern Mediterranean. Neither is Beijing interested in a power vacuum. For its commercial ambitions and BRI agenda it values and requires broader regional stability. The Eastern Mediterranean is not a sphere of influence in the making for China. Rather, the region offers Beijing’s leaders a cost-effective way to demonstrate the alleged merits of the BRI, to stipulate the availability of alliances with a new external actor in the region, and to herald its credentials as a provider of vaccines against Covid-19.

The region is valued by China in its own right. The size and geographical location of individual countries, for instance Turkey and Greece, or the innovation potential of Israel’s economy, have attracted the investment attention of Chinese state-owned companies. It is preparing the ground in Turkey, Israel, and Greece by investing systematically in port infrastructure while gradually diversifying into other sectors, such as energy in Greece, high-tech in Israel, and e-commerce in Turkey. But the Eastern Mediterranean is also seen by Beijing and Shanghai as a bridge, a conduit for China’s supply chains from and towards other destinations, particularly those located in Europe. The means to link up with such a region is infrastructure connectivity, first and foremost through significant Chinese investments in maritime port facilities.

Over the course of the past five years, the Eastern Mediterranean has witnessed the emergence of new power balances, shifting partnerships, and substantial investment in defense and security capacity. As a NATO member, Turkey has bought air missile systems from Russia, Ukraine is purchasing drones from Turkey, Serbia has done the same from China, and Greece reached an agreement for the supply of the French Defence and Intervention Frigate (FDI) and Gowind-class corvettes for the Hellenic Navy in mid-2021. Hard power politics is again characterizing the geographic arc encompassing the Black Sea and Eastern Mediterranean. New containment lines are forming in order to address specific challenges and opportunities in the region. The US has begun to implement its strategy of a “new Intermarium” in Eastern Europe, most notably in Romania where the port of Constanța plays a key role in NATO’s maritime defense architecture. At the same time, China is increasing its visibility in the Western Balkans, wider Southeastern Europe, and the Eastern Mediterranean. Turkey sits at the crossroads of all three regions. The evolution of Sino-Turkish relations and bilateral cooperation between
Moscow and Ankara is therefore critical for NATO’s engagement and the EU’s strategic calculus.

This contribution seeks to avoid the political messaging that China’s activities across the northern half of the Mediterranean are either an attempt to “undermine European unity” or to contribute to a “bright and enduring future”. The polar opposites of such political framing are of little analytical relevance. While the former message is frequently heard in the corridors of Brussels and Washington, the latter narrative is being advanced by Beijing and increasingly repeated in some countries in the wider region, for example in Serbia, Turkey, and to a certain extent the EU member states Greece, Hungary, Portugal, and Italy (Savic 2021).

In what follows I will focus on the cases of three countries in the Eastern Mediterranean, namely Greece, Turkey, and Israel. This empirical choice is based on a number of factors, including the significant level of capital exports that China has committed to these countries. A further consideration is the illustration of maritime connectivity that they provide in the portfolio of ports that China has acquired in the region. Finally, all three countries display different reactions to the demands of other external actors to either curtail or reconfigure their engagement with China.

Russia’s invasion of Ukraine in February 2022 profoundly recalibrates the regional security landscape and economic architecture, first and foremost in the littoral states of the Black Sea, and with secondary effects for countries in the Eastern Mediterranean. From a Chinese perspective, the war in Ukraine, the sanctions adopted by the EU and the US, and the Russian blockage of the Port of Odessa impair its overland as well as its maritime supply chain connectivity, with potentially far-reaching consequences for food security and energy imports. China’s challenge is to reorder commercial trade links and reroute transport corridors with Greece, Turkey, and Israel that include non-Russian options. The concluding section will discuss some of the geostrategic and geo-economic implications of Russia’s war of aggression in Ukraine.

**China’s Expeditionary Capital in the Eastern Mediterranean**

Over the course of the past decade, the migratory path of Chinese capital exports reached the shores of the Eastern Mediterranean. My point of departure argues that the region matters for China. The same holds vice versa. China’s expeditionary capital is predominantly concentrated in three countries, namely Turkey, Israel, and Greece (Table 1). For my purposes, capital exports are defined as foreign direct
investment (FDI) and bank-sponsored lending facilities. However, data on Chinese capital exports are seldom reported in a transparent and timely manner. The amount of Chinese expeditionary capital could be significantly higher than the figures documented in official Chinese or host country databases (Horn, Reinhart, and Trebesch 2019).

The total volume of Chinese capital exports to my sample of countries has reached approximately 55 billion USD. In pole position is Turkey. Between 2007 and mid-2021, China invested roughly 21 billion USD in a port, telecommunications, and online retail, provided extensive loans for infrastructure projects of the Turkish government, and became a lender of last resort for Ankara through complex currency swap agreements with the Turkish Central Bank. Israel follows closely behind, with a strong concentration of Chinese investments in high-tech and start-up companies, supplemented by involvement in port infrastructure. In Greece, COSCO’s anchor investment in the Port of Piraeus in 2009 became a majority acquisition in 2016. In 2021, it acquired an additional 16% shareholding in the Greek port. COSCO now holds a 67% stake in Greece’s largest maritime facility.

Before analyzing in greater detail the individual countries’ bilateral economic engagement with China, I first turn to the wider region of the Eastern Mediterranean. My focus on Turkey, Greece, and Israel cannot be separated from regional considerations that are at play for Beijing. This interconnection is most directly visible in the area of transport infrastructure, in particular extensive Chinese investments in maritime connectivity across a range of countries in the region (Table 2).

Table 1: Chinese foreign direct investment in Turkey, Israel, and Greece 2007–2021.

<table>
<thead>
<tr>
<th>Country</th>
<th>Volume in USD</th>
<th>Single largest FDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>21 billion</td>
<td>Alibaba in Trendyol</td>
</tr>
<tr>
<td>Israel</td>
<td>19.4 billion</td>
<td>Alpha Frontier in Playtika</td>
</tr>
<tr>
<td>Greece</td>
<td>11.8 billion</td>
<td>COSCO in Port of Piraeus</td>
</tr>
</tbody>
</table>

Source: Compilation by the author. For Turkey also see Gürel and Koyluca (2022) as well as EPC (2021); for Greece, Bastian (2021b); for Israel, Ella (2021).
affected. Even in the case of Lebanon, China is one of four countries (along with France, Germany, and Turkey) bidding for the lucrative Port of Beirut reconstruction project.\(^1\)

The initiatives highlight strategic asset allocation for the purpose of connectivity within and between [transport] sectors that are the cornerstone of Beijing’s BRI. Today’s maritime connectivity opportunities available to Chinese shipping companies in the Eastern Mediterranean extend to land-based transport infrastructure. China is also building, financing, or acquiring critical railway infrastructure assets in the region which seek to complete the China–Europe Land–Sea Express Line. These investments form an expanding bridgehead of combined land–sea intermodal transport assets. Other examples of this connectivity agenda include the following.

- In Greece, Ocean Rail Logistics, part of the COSCO Shipping Group (Europe), acquired a 60% equity shareholding in Piraeus Europe Asia Rail Logistics (PEARL) in 2019. Through this acquisition, COSCO obtained a railway operation qualification in Europe. This enables it to further consolidate the railway transport corridor of the China–Europe Land–Sea Express Line.
- The Marmaray undersea railway route is a 13.5-km-long intercontinental tunnel passage beneath the Bosporus Strait in Istanbul. It was inaugurated for

1 The Port of Beirut was destroyed by an extensive explosion in August 2020. As Tanchum (2021) argues, the “possibility that the Lebanese government could opt for China to reconstruct Beirut’s port has raised alarm in Washington and European capitals given China’s already outsized commercial port presence in Egypt, Israel, and Greece”. Beijing is already engaged in modernizing Lebanon’s northern port of Tripoli.

---


<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>Chinese company</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>2007</td>
<td>COSCO</td>
<td>Suez Canal Container Terminal</td>
</tr>
<tr>
<td>Greece</td>
<td>2009 + 2016 + 2021</td>
<td>COSCO</td>
<td>Port of Piraeus (67% shareholding)</td>
</tr>
<tr>
<td>Turkey</td>
<td>2015</td>
<td>COSCO</td>
<td>Kumport Ambarli coast of Istanbul</td>
</tr>
<tr>
<td>Israel</td>
<td>2015</td>
<td>Shanghai Interna-</td>
<td>Modernize and operate the Haifa Port for 25 years</td>
</tr>
<tr>
<td>Italy</td>
<td>2016</td>
<td>COSCO</td>
<td>APM Terminals Vado</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>2018</td>
<td>China Harbor Engineering</td>
<td>Upgrade freight transport capacity in Black Sea ports of Varna and Burgas</td>
</tr>
</tbody>
</table>

Source: Compilation by the author. For the purposes of this contribution, the overview is limited to ports in Southeastern Europe and the Eastern Mediterranean. Further Chinese investments occurred in ports across Western Europe, namely in Belgium (2014, 2017), Germany (2016, 2021), the Netherlands (2016), and Spain (2017).
passenger traffic in October 2013 and co-financed by the European Investment Bank (EIB) and the Japanese Bank for International Cooperation (JBIC). Since November 2019 it also serves as a rail freight link. The tunnel is a critical non-stop transit rail link from China to the Caspian Sea through Turkey and onward to various destinations in Europe. The first cargo train arrived from the Chinese city of Xi’an, its final destination being the Czech capital city of Prague.

- The trilateral Baku–Tbilisi–Kars (BTK) Railway route—also termed the Iron Silk Road—was inaugurated in October 2017. It was financed by Turkey and Azerbaijan. The multimodal route enhances regional interconnectivity between Kars in the northeast of Turkey, Azerbaijan (Baku), and Georgia (Tbilisi). The BTK rail line also links with the Kars–Istanbul section of the Turkish national railway. In fact, the journey starts on Istanbul’s European side, then heads towards the capital Ankara, and traverses Sivas province before reaching eastern Kars to link up with the BTK railway.

- After traveling across two continents, two seas, and a total of five countries (including Kazakhstan), BTK’s cargo reaches China’s Xi’an province, its final destination. The tripartite corridor’s overarching objective is the expansion of transport interconnectivity between Europe, Central Asia, and China. The overland rail journey between China and Europe is 15 days, a significant reduction in transport duration via sea freight (up to 45 days) and far more cost-efficient than air travel.

- On Israel’s northern coast, the Chinese Shanghai International Port Group (SIPG) is expanding the Port of Haifa, constructing a new container terminal. Upon completion of the project, the Chinese company will hold the management rights for the terminal for 25 years. Technically, an Israeli company with Chinese shareholders is responsible for the project (Atli 2019). The SIPG Bayport Terminal Co. Ltd. is a joint venture registered in Israel, albeit with Chinese capital export.

These emerging land–sea corridors in the Eastern Mediterranean which China promotes under its BRI connectivity agenda share two characteristics that are noteworthy for my considerations. First, they link transport infrastructure projects among countries that do not necessarily have a history of sustained intra-regional cooperation. One of China’s strategic advantages in the region is that it does not carry the baggage of historical legacies in the Eastern Mediterranean. In contrast to the US, Russia, and various European countries, China is viewed by many host countries as a newcomer to the region. It is therefore in a position to advertise and implement its BRI connectivity agenda under the marketing slogan of alleged “win-win cooperation”.
The second aspect to be considered concerns China’s recognition of regional dynamics and changing geopolitical realities. The port facilities it is acquiring and the railway routes it is financing in the Eastern Mediterranean provide Beijing with alternative transport routes that can bypass Russia. Thus, as long as international sanctions by the EU and the US exist against Russia, first imposed after its 2014 annexation of Crimea and recently strengthened upon the invasion of Ukraine, Chinese freight train companies risk financial repercussions if they move goods and services from Europe to China through Russia.

China’s growing port portfolio and the emergence of new overland transport corridors in the Eastern Mediterranean provide Beijing with flexible alternatives that react to changing political circumstances and new economic realities on the ground. As the overland “Northern Corridor” passing through Russia and Belarus becomes more vulnerable due to the sanctions regime, alternatives such as the “Middle Corridor”, which travels from Central Asia through the South Caucasus to Turkey, attract increasing Chinese commercial interest (Sharifl 2022).

In the next section I turn my attention in more detail to the cases of the three mentioned countries in the Eastern Mediterranean. The manner in which China has invested in Greece, Israel, and Turkey over the course of the past decade is characterized by strategic asset allocation, increasing diversity across political economy sectors, and a long-term time horizon. But this Chinese capital export is not a one-way street. The countries under review have also actively sought and welcomed China’s engagement in their respective economies. In short, Sino-Eastern Mediterranean rapprochement is mutual, even if their points of departure may differ.

**Greece: China’s “Gateway to Europe” in the Eastern Mediterranean**

2021 marked the 15th anniversary of the Integrated Strategic Partnership agreement between Greece and China which both countries signed in 2006. Despite the Covid-19 pandemic and the absence of in-person celebrations to mark the event, Sino–Greek engagement is seen by both countries as a genuine form of “win-win cooperation”. In September, Greece and China inaugurated the Year of Culture and Tourism, which lasted until mid-2022. Both events are reflective of the depth of bilateral relations and the understanding that the expansion of Sino–Greek engagement is mutual and based on long-term interests.

While many US and European investors were hesitant to commit substantial financial resources to Greece during the past decade, one country in particular has
filled the void. The willingness of China to enter the Greek market before and during the latter’s twin fiscal and sovereign debt crises (2010–2018) signaled an unprecedented development in bilateral economic relations. During the past decade, Chinese companies and financial institutions have invested almost 12 billion euros in Greece. Over time, these investments have diversified across sectors and grown in volume. They are not speculative. They display a long-term perspective. Moreover—and this is not a given in Greek party politics—expanding Sino–Greek economic cooperation has explicitly been supported by different Greek governments across the political spectrum.

The evolving nature of Sino–Greek economic relations over the course of the past decade is also telling in terms of a number of Chinese companies being allowed to purchase key assets in Greece during the implementation of the three macroeconomic adjustment programs (2010–2018) mandated by its international creditors, the so-called Troika. This development raises some critical questions about the accountability and co-responsibility of the Troika. The mandated privatization requirements, including the Port of Piraeus, implicitly assisted in opening the investment door for China in Greece. At a time when the threat of “Grexit” was a possibility, very few private investors from a European country and/or the United States were willing to commit substantial financial resources in Greece. It was China that instead identified an opportunity, taking advantage of this institutional void and with little risk concerning the initial volume of required investment. In short, the Piraeus deal is also a cautionary tale when pushing states into privatizing strategic infrastructure assets with little competitive bidding.2

The politico-economic importance that Beijing and Athens attach to China’s investment drive has repeatedly been articulated by government representatives of both countries. During his visit to Athens and the Port of Piraeus in June 2014, Chinese premier Li Keqiang called Greece “China’s gateway to Europe” (Maltezou 2014). Seven years later, and with the Covid-19 pandemic affecting bilateral ties, the Greek Minister for Development and Investments, Adonis Georgiadis, rather emphatically took stock of Sino–Greek relations: “Before the pandemic, our economic relationships were great and they were accelerating. Of course, during the pandemic crisis there was a slowdown. [...] I am totally sure that now, as we are exiting the pandemic, everything will continue as scheduled” (Xinhuanet 2021).

The extent to which China has penetrated the Greek economy is best illustrated by its multi-year investments in port facilities. China’s “gateway to Europe” was first established by COSCO’s decision in 2009 to lease container terminals in

2 Apart from COSCO, it was only Denmark’s container terminal operator APM Terminals and Philippines-based International Container Terminal Services that were interested in the available equity stake.
Piraeus under a 35-year concession agreement with the Greek government. This initial cooperation can be interpreted as an anchor investment in Greece which established material facts on the ground and provided substance to the “gateway” rhetoric. In August 2016, as part of the mandatory privatization obligations in Greece’s third macroeconomic adjustment program, the government of then prime minister Alexis Tsipras selected COSCO’s subsidiary—COSCO Shipping—as the new majority owner (51%) of Piraeus Port Authority (OLP), the managing company responsible for the operation of the maritime facility. In August 2021, COSCO finalized the purchase of an additional 16% shareholding with the Greek government. It now owns a two-thirds equity stake (67%) in the port south of Athens.

In 2019, the Greek port overtook the Port of Valencia as the largest commercial maritime facility in the Mediterranean (Maundrill 2020). A year later, it was the fourth busiest port in Europe behind Antwerp, Hamburg, and Rotterdam. In the symbolism of Chinese parlance, the Port of Piraeus is either labeled the “home-port” of the Mediterranean (Kathimerini 2020) or the “head of the dragon”. Such was the metaphor used by Chinese president Xi Jinping on the occasion of his three-day official visit to Greece in November 2019. A decade after China’s first foray into Greece, Piraeus has grown into a major transshipment hub for goods to and from the Eastern Mediterranean.

Beijing continues to identify further investment opportunities in Piraeus and beyond. In September 2019, the Greek Port Planning and Development Commission (ESAL) approved COSCO’s proposed 800 million euro investment plan for the Port of Piraeus. COSCO’s so-called master plan includes the construction of a fourth container terminal, the transformation of the dock currently used for ship repairs into a new car terminal, enlargement of the cruise passenger handling terminal, additional storage facilities, four hotels, a logistics center, and a commercial outlet. COSCO’s expanding involvement in the Port of Piraeus signals a long-term investment. It includes clear strategic objectives (as illustrated by its master plan) and the capacity to mobilize considerable investment volumes. According to Yongxin (2019), COSCO Shipping is returning the Port of Piraeus “to its glory as a Mediterranean hub”.

As Table 3 highlights, COSCO’s arrival in Greece served as a catalyst for Chinese investment. Not only did it have positive knock-on effects on the wider Athens area, it also impacted Greece’s real economy, the shipping sector, the labor market, tourism, and commercial trade. Most importantly, with the gateway established, other Chinese companies subsequently invested in different sectors of the Greek economy. The extent of this pull factor since the anchor investment in 2009 is

---

3 This is measured in yearly container traffic, i.e. Twenty-foot Equivalent Unit (TEU), the standard measuring unit used for cargo capacity in container ships.
reflected in the diversity of equity acquisitions, sectoral cooperation agreements, residency opportunities for Chinese citizens, and a gradually increasing presence of Chinese banks in Greece. This growing portfolio of Chinese investments has not been hindered by the onset of the Covid-19 pandemic, as various initiatives illustrate in 2020 and 2021.

The pandemic provided further opportunities for China’s engagement in and cooperation with Greece. New inroads were being made in the health sector. In March 2020, Chinese companies, state-sponsored foundations, and ministries repeatedly donated and/or provided medical supplies and laboratory testing equipment to Greece during the initial stages of the pandemic. China’s former ambassador to Greece, Zhang Qiyue, hailed the Sino–Greek engagement as exemplary, stating that “even the pandemic cannot change the exchanges between our two sides”. He, as a representative of his country, embedded the Sino–Greek efforts in the terminology of jointly building “a community with a shared future” and alleged “win-win cooperation” (Qiyue 2020). Chinese corporations that are invested in Greece, such as COSCO Shipping, State Grid, Bank of China, and the telecommunications company Huawei, also mobilized or financed the shipment of medical resources. But contrary to other countries in the Eastern

### Table 3: Selected Chinese investments in Greece since 2009.

<table>
<thead>
<tr>
<th>Year</th>
<th>Chinese company</th>
<th>Investment in Greece</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009 + 2016 + 2021</td>
<td>COSCO</td>
<td>Majority shareholding in OLP 1.4 billion euros: concession/equity/investment</td>
<td>Ports</td>
</tr>
<tr>
<td>2017</td>
<td>State Grid. Corp. Shenhua Group</td>
<td>24% shareholding in ADMIE* 75% stake in four wind farms belonging to the Copelouzos Group</td>
<td>Energy</td>
</tr>
<tr>
<td>2018</td>
<td>Fosun International Shenhua Group</td>
<td>16.4% shareholding in Folli Follie</td>
<td>Retail</td>
</tr>
<tr>
<td>2019</td>
<td>DeepBlue Technology</td>
<td>Memorandum of Cooperation with the Aristotle School of Informatics</td>
<td>Artificial intelligence</td>
</tr>
<tr>
<td>2019</td>
<td>Bank of China Industrial Commercial Bank of China</td>
<td>Branch opening in Athens Branch opening in Athens</td>
<td>Banking</td>
</tr>
<tr>
<td>2014–2020</td>
<td>Chinese Retail Investors</td>
<td>Golden Visa Programme 1.4 billion euros</td>
<td>Real estate</td>
</tr>
<tr>
<td>2020</td>
<td>ChemChina**</td>
<td>Alfa Agricultural Supplies SA (acquisition)</td>
<td>Agriculture</td>
</tr>
<tr>
<td>2020</td>
<td>Geek+</td>
<td>FDL Group (exclusive cooperation)</td>
<td>Logistics</td>
</tr>
</tbody>
</table>

Source: compiled by the author. *Independent Power Transmission Operator (ADMIE). **The acquisition was executed through the Israeli company Adama which is fully controlled by ChemChina.
Mediterranean (such as Turkey), Greece has not procured any vaccines from China, focusing instead exclusively on the EU mandated process.

Greece’s growing investment partnership with China is not limited to ports, the energy sector, and Golden Visas. It has diversified across sectors, with eminent political consequences. In 2018, Greece applied to join the then-existing 16 + 1 Network, comprising China, 11 EU member states, and five countries from the Western Balkans, established in 2012 after the visit of Chinese premier Wen Jiabao to Poland. On the occasion of the annual Central and Eastern European Countries and China summit in Dubrovnik (Croatia) in 2019, Greece was admitted as the 17th European member, thereby changing the name of the network to “17 + 1”. Greece’s membership in the network was driven by the then Greek prime minister Alexis Tsipras. His successor in office since July 2019, Kyriakos Mitsotakis, has continued Greece’s membership in the 17 + 1 Network, thus lending bi-partisan political support to the subject of Sino–Greek cooperation.4

The expanding nature of Sino–Greek cooperation has not escaped the notice of Greece’s European partners, the Commission in Brussels and the US embassy in Athens. Both Beijing and Athens frame their bilateral investment engagement as a successful example of constructive cooperation between an EU member state and China. In the words of Adonis Georgiadis, Greek Minister for Development and Investments: “I think Greece is a good example of cooperation with China, and this could help other European countries consider having more Chinese investments” (Bellos 2019). Such statements are not the mere rhetoric of diplomatic communiqués. However, the government in Athens is acutely aware that it needs to build political trust in Brussels, Berlin, Paris, and Washington for its evolving investment cooperation with China. At the same time, the expanding nature of Sino-Greek investment engagement points to the political limits of a common position of EU member states on doing business with China (Kathimerini, English edition 2021).

While political representatives in Beijing and Athens praise the expanding Sino-Greek cooperation, the question nevertheless arises of whether new dependencies are materializing in Athens vis-à-vis Chinese FDI. There are reasons to raise awareness of this issue. As an EU member state, Greece is among the slowest to introduce or revise a National Foreign Investment Screening Mechanism (FISM) as mandated by the European Commission Regulation 2019/452 (European Union 2019). The EU screening mechanism gives the Commission regulatory authority to gather information on investment initiatives originating from

---

4 In May 2021, Lithuania left the 17 + 1 Network, thus reducing the format to its original number of “16 + 1”.

non-EU countries. The Commission can issue recommendations on controversial cases, while the ultimate decision-making authority rests with the national investment screening institutions. While China is not explicitly mentioned in the EU’s FISM, the new regulations concern sectors of a country’s economy in which Chinese companies have consistently invested over the course of the past decade. Since the EU’s FISM became operational in October 2020, Greece is one of eight member states that have not adopted the EU regulation into national legislation. The other EU peers are Bulgaria, Croatia, Cyprus, Estonia, Ireland, Luxembourg, and Sweden (European Commission 2021).

Across the Atlantic, Beijing’s engagement with Athens and Greece’s openness to China is being viewed with a critical distance by the US administration. Former secretary of state Mike Pompeo made several visits to Athens in 2019 and 2020. His messages included references to China’s expanding investment footprint in Greece as a potential strategic risk. The bilateral Mutual Defense Cooperation Agreement between Greece and the United States was upgraded in January 2020. Equally, the US embassy in Athens is encouraging American investment in two privatization tenders, namely the commercial ports in Alexandroupoli and in Kavala in northern Greece, respectively. The US Development Finance Corporation has identified both privatization projects as “strategic priorities” (US Embassy and Consulate in Greece 2020).5

It is obvious that the political support articulated by US representatives for American investments in Greek port infrastructure is a direct challenge to China’s expanding foothold in Greece specifically, and the Eastern Mediterranean in general. With a time lag of a decade and under a significantly altered investment landscape in Greece, the US administration is attempting to nudge its NATO partner in Athens towards greater distance from Beijing’s investment profile in the region. This renewed urgency by Washington risks creating a policy dilemma for Greece (Papachelas 2021). It finds itself in the middle of a growing tug of war between Beijing and Washington. The latter is trying to put the brakes on burgeoning investment ties between Greece and China while the former advocates Greece’s increasing significance as an economic pillar connecting Asia and Europe (Kathimerini 2022).

5 The American investment fund Black Summit Financial is part of a consortium that includes US investors, Greek participants, and a European port operator. The full quote of the remarks made in July 2020 by then US ambassador Richard Pyatt reads as follows: “The US Embassy has been working intensively to encourage American investment in Alexandroupoli, and our US Development Finance Corporation has identified this complex of projects in northern Greece, including the port privatizations in Alexandroupoli and Kavala, as strategic priorities” (emphasis added).
Turkey: China’s “Middle Corridor” in the Eastern Mediterranean

China’s expeditionary capital in the Eastern Mediterranean is highest and most diversified in Turkey (Table 1). The total volume of Chinese capital exports to Turkey between 2007 and mid-2021 stood at roughly 21 billion USD. Regarding trade cooperation, the bilateral volume reached 23.6 billion USD in 2020. China was Turkey’s largest importer with a share of 11% (Trading Economics 2021) and third largest overall trade partner after Russia and Germany. According to İmtilak Real Estate (2021), there were approximately 8000 Chinese workers in Turkey in 2020, while tourism from China exceeded half a million in 2019 (before the Covid-19 pandemic required bilateral travel restrictions, which still exist today).

The flurry of commercial trade and investments has put China on the map in Turkey alongside other more traditional external investors originating from Europe, the US, and Russia. The newfound success of China’s investment footprint has been at least a decade in the making. Today, Chinese companies and lending facilities are a major point of reference for Turkey’s political economy. The anchor investment took place in 2015 when COSCO Pacific acquired a majority stake in Kumport, the terminal and import container handling section of Turkey’s third largest multipurpose port, the Port of Ambarli west of Istanbul. Subsequently, we can observe a process of successive expansion and diversification across economic sectors. This progression ranges from telecommunications, online retail, lending arrangements by Chinese state-owned policy banks, such as the China Development Bank, the Industrial and Commercial Bank of China (ICBC), and the Bank of China, for ambitious infrastructure projects of the Turkish government, to currency swap agreements with the Turkish Central Bank to replenish the country’s diminishing foreign reserves. The latter development is particularly noteworthy because it underlines Beijing’s increasing role as a lender of last resort for Ankara.

To illustrate the magnitude and diversity of Chinese investments and projects in Turkey, I shall highlight a selection of examples. Since Recep Tayyip Erdoğan assumed the presidency of Turkey in 2014, he has actively executed an economic outreach campaign towards China. Beijing has placed increasing importance in strategic cooperation with Ankara, in particular as regards transport connectivity

---

6 This section is an abridged and revised version of a working paper on Sino–Turkish relations which the author published with the Berlin-based think tank Stiftung Wissenschaft und Politik (SWP, see Bastian 2021a).
7 Similar to how China executes infrastructure projects in other countries in the region, China’s material presence in Turkey is illustrated not only by the number of workers they bring, but also the import of construction materials, design, and services.
in the context of its Belt and Road Initiative. In that respect, Sino-Turkish engagement is mutual. But this expanding cooperation is rather asymmetric in terms of trade flows and volumes of investments. The trade deficit is heavily tilted in favor of Beijing. Consider the following examples.

- **2015**: COSCO Pacific and China Merchants Holdings acquired a 65% majority stake in Kumport on the northwest coast of the Marmara Sea. The investment was valued at 940 million USD. Kumport includes Turkey’s third largest container terminal.

- **2017**: The Chinese Zhongxing Telecommunication Equipment Corporation (ZTE) acquired a 48% stake in the Turkish telecom device company Netas.

- **2018**: The Industrial and Commercial Bank of China (ICBC) provided a 3.6 billion USD loan for the Turkish energy and transportation sectors. In 2015, ICBC Turkey (the local subsidiary) had acquired a 75.5% stake in the Tekstilbank for 254 million USD.

- In September 2019, three Chinese banks provided a combined 1.7 billion USD loan for the construction of a 1320-MW coal thermal power plant, the *Emba Hunutlu* power station in the Adana province. The Chinese state-run utility company Shanghai Electric Power is building the power plant. To date, the project is the single largest Chinese infrastructure investment in Turkey. When completed, the *Emba Hunutlu* plant will be a major asset in securing Turkey’s long-term energy security.

- Chinese investors have been able to identify at an early stage of development the potential of online retail companies in Turkey. The e-commerce platform Trendyol is majority-owned by Alibaba, the Chinese-led multinational technology company specializing in e-commerce and retail. Between 2018 and 2021, Alibaba acquired an 87% shareholding in the Turkish online retailer for 1.1 billion USD. Trendyol started out as an online fashion retailer in 2010 before expanding into food delivery and launching a digital wallet. In August 2021, it succeeded in a 1.5 billion USD funding round alongside SoftBank, a Japanese multinational holding company (*Financial Times* 2021). For flourishing homegrown companies such as Trendyol, their gradual growth in the market share eventually attracted international attention. It was a Chinese company that succeeded in gaining market entry first.

- **2018** was declared the “Year of Turkey” in China. Turkey’s appeal for Chinese real estate buyers was illustrated by Ankara’s reform of the law for acquiring Turkish citizenship for foreigners (see amended Turkish Citizenship Law No. 5901 from 19 September 2018, as referenced in BSHK 2018). Individuals who invest 250,000 USD (reduced from initially one million USD) in either real estate, shares in Turkish companies, or sovereign bonds, and maintain that
investment for three years, are entitled to obtain instant citizenship and a passport in Turkey (Wiklund 2021).

- Beijing is quickly becoming a key foreign currency provider for Ankara. The Turkish Central Bank has a multi-year currency swap agreement with China’s central bank. The arrangement was increased to six billion USD in June 2021 and improves Turkey’s depleted foreign currency reserves.

- China is Turkey’s biggest foreign supplier of vaccines against Covid-19, notwithstanding numerous question marks over the efficacy of CoronaVac and initial delivery delays. In November 2020, Turkey secured an agreement for 100 million doses of the vaccine made by the Chinese drug maker Sinovac Biotech. In addition, Turkey procured Russia’s Sputnik-V vaccine and agreed in June 2021 to receive 12 million doses of the US-German Pfizer-BioNTech vaccine.

This selected overview of flagship investments, lending arrangements, and vaccine diplomacy for Turkey underscores the scope and breadth of China’s expanding footprint in the country. There is momentum in these developments and Sino–Turkish engagement is built for the long term. Consequently, public concerns about excessive lending exposure to China are not (yet) in evidence in Turkey. However, the apparent lack of evidence does not disqualify the financial risks involved.

These examples also carry another message that sets Turkey apart from a debate that has gained strength in different parts of Europe during the past years. With few exceptions, there is hardly any critical evaluation in Turkey that would express concerns about predatory acquisitions by China’s corporate entities or a growing lending dependency on Chinese banks (Süddeutsche Zeitung 2019). The rhetoric of China as a “strategic competitor” or even a rival, as articulated in the hallways of Brussels and Washington, is not heard in the corridors of decision making in Ankara or Istanbul. Nor is any debate discernable on the critical issue of whether these acquisitions, loan facilities, and currency arrangements represent value for money, i.e. who benefits? This lacuna may not persist over time, but presently, Sino–Turkish cooperation manages to avoid controversial questioning and is for the most part friction free.8

Both China and Turkey have explicitly linked their cooperation agenda with the “Middle Corridor” terminology, which is also referred to as the Iron Silk Road. This labeling describes a diversity of transportation infrastructure projects that

---

8 Diplomatic frictions have existed between the two countries as regards the situation of ethnic Uyghurs in the Xinjiang province in China. The Turkish government is one of the few Muslim-majority countries to have publicly criticized China over its treatment of the Uyghurs (Huang 2019).
connect the Mediterranean in the west, the Black Sea to the north, and through to the Caspian Sea in the east. Previously, the Middle Corridor was known as the Trans-Caspian International Transport Route (TCITR), which commences in China and extends to include Kazakhstan, Azerbaijan, Georgia, and Turkey. With the inclusion of Turkey, China has an additional transport gateway to Europe via the Black Sea (Çolakoğlu 2021). Further countries such as Ukraine, Romania, and Poland have also joined the Middle Corridor in the course of the past years. This Middle Corridor is receiving increased strategic attention following Russia’s invasion of Ukraine in February 2022.

In an evolution of this route, in November 2015 during the G-20 Leaders’ Summit in Antalya, Turkey, Ankara and Beijing signed the “Memorandum of Understanding on Aligning the Belt and Road Initiative and the Middle Corridor Initiative”. Turkey unambiguously placed its Middle Corridor infrastructure projects in the context of “envisaging the revival of the ancient Silk Road” (Republic of Turkey, Ministry of Foreign Affairs 2021). As Devonshire-Ellis (2018) has argued, “China’s ‘genius’ when it comes to the Belt and Road is more to do with their dotting the lines between other nations’ development projects and ensuring they all get connected, rather than any specific infrastructure build”.

Historical and cultural references serve to connect the BRI and Middle Corridor narratives, making both initiatives appear complementary to each other. The case of Sino-Turkish infrastructure engagement illustrates that individual BRI projects can be promoted as if they fit in with Ankara’s own ambitious construction agenda. By linking transport infrastructure initiatives for road, rail, airports, and ports with Turkey’s own aspirations, China can expand its economic opportunities in the Eastern Mediterranean and connect the “Middle Corridor” with other countries in Southeastern Europe. Arriving at the gates of Europe is where Sino-Turkish cooperation comes into play in the Eastern Mediterranean.

The “Middle Corridor” narrative linking Turkey and China can also be placed in a financial context. As Turkey’s currency crisis deepened over the course of the past years, Chinese banks have been at the forefront as critical interlocuters to stave off a collapse of the domestic lira and to replenish Turkey’s depleted foreign reserves. Repeatedly since 2012, the People’s Bank of China (PBOC) has come to the rescue by extending a swap of Turkish lira for the Chinese currency renminbi. While other European and US financial institutions have been reluctant to provide the necessary financial resources, and President Erdoğan steadfastly refused to seek assistance from the International Monetary Fund (IMF), China is the new default lender helping Turkey to battle its twin debt and currency crises (Lerner 2020).

But intensified bilateral financial sector cooperation risks translating into dependency on China’s continued largesse. The more European and US-American
doors close on Turkey in different policy areas, the harder it will be for president Erdogan to resist seeking assistance from China. But it is not a foregone conclusion that China will permanently be Turkey’s lender of last resort or continue to provide the financial resources to address investment gaps for corporate entities in Ankara, Istanbul, or Izmir. This word of caution reflects China’s recent experiences with sustained financial exposure in Montenegro, Zimbabwe, and Venezuela. Beijing’s lending exposure to these countries is such that it is negotiating with Harare and Caracas about debt restructuring as well as debt-for-equity swaps. In the case of Podgorica, European and US-American banks renegotiated an infrastructure loan from China to Montenegro, which the latter country was unable to repay in July 2021 (Faulconbridge 2021). Turkey’s growing financial exposure to China underlines how financially interconnected the two countries have become. This debtor-creditor relationship between Ankara and Beijing became all the more pertinent as the economic crisis in Turkey intensified during 2021 (Bastian 2022).

Israel

Among the three countries in the comparative sample of this analysis, the Sino-Israeli economic engagement is the most perplexing. As argued in the previous two sections, Greece needed foreign direct investment at a time when few other countries or companies from Western Europe or the US would consider committing capital there. It was China that took full advantage of this absence and lack of foreign competitors. In the case of Turkey, president Erdogan reached out to China as part of his ambitious infrastructure projects, while Beijing views the Sino–Turkish rapprochement as a key “Middle Corridor” of its transport connectivity agenda in the Eastern Mediterranean.

But China’s expanding footprint in Israel and Israel’s openness to China’s expeditionary capital are not based on similar needs, narratives, or the absence of foreign investors. Over the course of the past 15 years, Israel and China have developed increasingly close strategic economic, military, and technological links. The Chinese investment drive into Israel includes projects in sectors such as the new container terminal in Haifa Port, the new Tel Aviv light rail network, as well as the acquisition of companies in foodtech and fintech. My comparative overview suggests that China’s capital exports to Israel reached almost 20 billion USD between 2007 and 2021 (Table 1). Characterizing this development is the fact that the initial welcoming period of Chinese capital in Israel reached a peak in 2018 and has recently been counterbalanced by pushback from domestic and external actors (in particular the US administration).
At the political level, the Sino–Israeli investment rapprochement was supported by various capacity-building initiatives. In 1950, Israel was the first country in the Middle East to recognize the People’s Republic of China as the legitimate government of China. But it took both countries another 40 years to formalize their diplomatic relations (in 1992). In 2017, the then government of former prime minister Benjamin Netanyahu jointly established with President Xi Jinping the China–Israel Innovative Comprehensive Partnership. A year later, the fourth meeting of the Joint Committee on Innovation Cooperation (JCIC) was convened.

Both institutional initiatives share the focus on innovation in sectors such as machinery, electronics, agriculture, health, transportation, and trade (Yongxin 2019). Since 2016, Beijing and Tel Aviv have held a total of seven rounds of official meetings to finalize a bilateral free trade agreement. Because of the Covid-19 pandemic, a scheduled eighth round of trade negotiations had to be postponed. Total bilateral trade in goods grew from 10.9 billion USD in 2014 to 15.6 billion USD in 2019 (South China Morning Post 2019). This increase made China Israel’s second largest trading partner, after the US. Because of pandemic-related effects, bilateral trade declined during the period from January to October 2020 to 9.71 billion USD (Ella 2021). In 2021, China became Israel’s largest source of imports, surpassing the United States (JNS 2022). Last year, Israel imported 10.7 billion USD in goods from China, compared with 7.7 billion USD in 2020. This corresponded to a nearly 40% increase. During the past two decades, the increase in bilateral trade remained unbalanced, with China registering a constant and widening trade surplus most years. In 2021, Israel’s largest trade deficit was with China, totaling 6.6 billion USD (The Times of Israel 2022).

Commercial ties between the two countries have been enhanced and the door opened for Chinese foreign direct investments in selected sectors of Israel’s economy (Table 4). What is striking about this is the diversity of sectors identified for acquisitions, mergers, and joint ventures by Chinese companies in Israel, ranging from the traditional port investment through agriculture and consumption to chemicals as well as textiles and even academia. In terms of sheer volume of capital committed, the acquisition of the gaming company Playtika by Alpha Frontier in 2016 stands out. Israel’s vibrant start-up ecosystem has been particularly attractive. In some cases direct investments have been made, while in other cases the preferred approach of Chinese companies has been to team up with Israeli venture capital funds and identify promising firms in the medium and longer term (Shu 2015).

At the beginning of September 2021, the new port terminal in Haifa Bay was inaugurated. Haifa Port is the busiest shipping hub in Israel. China’s state-owned Shanghai International Port Group (SIPG) won the public tender in 2015 to operate the commercial shipping facility for 25 years. The operator SIPG Bayport Terminal
Co. Ltd. is a joint venture company registered in Israel. This architecture makes it possible to claim that the operator is an Israeli company, but its shareholding structure highlights that the capital for the joint venture comes from China. This is a further example of how difficult it can be to identify in a transparent manner the origins of Chinese capital exports. The new terminal itself was built by Israeli companies. The six-year construction costs amounted to 1.7 billion USD. Israel has three international seaports, in Haifa, Ashdod, and Eilat. Ashdod’s South Port is under construction by the Beijing-based contracting firm China Harbor. The investment is valued at approximately 930 million USD. Thus, today Chinese companies are involved as constructors and operators of two of Israel’s three maritime facilities!

Such levels of Sino–Israeli cooperation in critical maritime infrastructure during the past years have had two major consequences, one domestic and the other from external partners. As regards the former, in 2020 the Israeli government

---

Table 4: Selected Chinese investments in Israel since 2009.

<table>
<thead>
<tr>
<th>Year</th>
<th>Chinese company</th>
<th>Investment in Israel</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011 + 2016</td>
<td>China National Chemical Corporation</td>
<td>Adama (agrochemicals) 3.8 billion USD (controlling stake)</td>
<td>Chemicals</td>
</tr>
<tr>
<td>2015</td>
<td>Bright Food</td>
<td>Tnuva (Israel's largest food company) 2.1 billion USD (controlling stake)</td>
<td>Consumption</td>
</tr>
<tr>
<td>2015</td>
<td>Alibaba</td>
<td>Visualead (barcode technology) Joint venture with JVP (Jerusalem Venture Partners)</td>
<td>Start-ups</td>
</tr>
<tr>
<td>2016</td>
<td>Fosun Group</td>
<td>Ahava 77 million USD (full acquisition)</td>
<td>Cosmetics</td>
</tr>
<tr>
<td>2016</td>
<td>Alpha Frontier</td>
<td>Playtika (mobile gaming) 4.4 billion USD</td>
<td>High-tech</td>
</tr>
<tr>
<td>2017</td>
<td>Shandong Rui</td>
<td>Bagir Group USD 16.5 million (54% shareholding)</td>
<td>Textiles</td>
</tr>
<tr>
<td>2017</td>
<td>Tsinghua University Beijing-based</td>
<td>Tel Aviv University 300 million USD Research centers in both countries Nanotechnology, medical, and optics applications</td>
<td>Academia</td>
</tr>
<tr>
<td>2017</td>
<td>Shantou University</td>
<td>Technion – Israel Institute of Technology Guangdong-Technion Israel Institute of Technology</td>
<td>Academia</td>
</tr>
<tr>
<td>2021</td>
<td>Shanghai International Port Group</td>
<td>Bay Port at Haifa SIPG is the Port’s operator</td>
<td>Transport</td>
</tr>
</tbody>
</table>

Source: compiled by the author based on the online profiles of the mentioned companies.
established the Foreign Investment Oversight Mechanism (FIOM), which is also referred to as the Advisory Committee to Inspect National Security Aspects of Foreign Investments. This Advisory Committee is similar to the investment oversight institution in Washington, the Committee on Foreign Investment in the United States (CFIUS). The FIOM does not explicitly target China. Its mandate is to monitor and make recommendations about foreign companies’ investment objectives in strategic Israeli infrastructure, especially in the electricity, weapons technology, transport infrastructure, and water sectors (Ella 2019). The FIOM’s influence was already in evidence in May 2020 when Israel rejected the investment of CK Hutchison Water, a Chinese firm based in Hong Kong, to build a desalination plant in the country (The Economist 2021).

Doing business with Chinese companies has become more contentious since Washington weighed in on the debate. Similar to vocal interventions and warnings articulated by its embassy in Athens, representatives of the former administration under president Donald Trump sought to nudge their Israeli partners to limit China’s involvement in the Bay Port at Haifa. The role of SIPG as the port’s operator for 25 years is a sensitive security issue for the Americans. As Chinese companies raised their maritime profile in Israel and other countries along the shores of the Eastern Mediterranean, the complex security dynamics in the region came into full view. Israel’s port on its northern coast is also the docking base for the Sixth Fleet of the US Navy. The new terminal that SIPG is operating “is only around 1 km away from the docks where the American warships anchor when they make a port call to Haifa” (Atli 2019). In other words, the geopolitics of Sino–American rivalry and competition come face to face within striking distance of a port in northern Israel.

This security and defense perspective also has another dimension for Israel. In March 2021, China and Iran signed a 25-year “comprehensive strategic partnership”. The bilateral agreement underscored the expansion of political, economic, and strategic ties between Tehran and Beijing. Moreover, Chinese companies are also active in neighboring Syria. In the context of reconstruction efforts, the telecommunications company Huawei is laying fiber-optic networks in three Syrian cities (Damascus, Aleppo, and Latakia). In April 2021, China donated 150,000 doses of its Sinopharm Covid-19 vaccine to Syria. Equally, the China National Petroleum Corporation owns equity stakes in two of Syria’s largest oil companies, the Syrian Petroleum Company and Al Furat Petroleum (Lyall 2019).

The US intervention in Greece’s and Israel’s current seaport policies vis-à-vis Chinese investments underscores the political sensitivity of these maritime infrastructure activities in the Eastern Mediterranean. It cannot be in the interests of either Athens or Tel Aviv to become prime examples of increasing geopolitical contestation between the United States and China. As Atli (2019) convincingly argues, “Israel finds itself between a rock and a hard place, as it does not want to
alienate either its ally the United States, or one of its largest economic partners that offers a significant investment and infrastructure building potential—namely China. Israel can afford to lose neither and has to maintain a delicate balance, which is increasingly difficult”. The same challenge (and warning) also applies to Greece.

**Concluding Considerations**

Over the course of the past decade, China has dramatically expanded its maritime presence and seaport capability in the Eastern Mediterranean. In all three countries in the Eastern Mediterranean under scrutiny here, Chinese companies have acquired, built, and are operating key maritime infrastructure. China’s investment story in the region rests in its capacity to finance and build such infrastructure at speed and at scale. The result is a swelling portfolio of key maritime assets with Chinese characteristics in the Eastern Mediterranean.

But the success story was also aided by the multi-year retrenchment of investments by European and US governments and companies in the region (with the notable exception of Israel). This lacuna was identified and subsequently exploited by Chinese firms. Only belatedly have the United States and European countries reacted to China’s expeditionary capital, with pushbacks against Beijing and warnings to recipient countries to reconsider their respective exposure to what Washington policy makers and analysts increasingly consider predatory acquisitions in the Eastern Mediterranean.

As I have elaborated in the cases of the three countries under discussion, internal developments are contributing to changing outreach activities from traditional to new external actors. These can be summarized as follows.

- Financial needs, foreign investment, and borrowing requirements, which are particularly prevalent in Greece and Turkey.
- Transport infrastructure projects, with an emphasis on Chinese investments in seaports in all three countries. These projects have often served as anchor investments, quasi “door openers” for subsequent capital exports into other economic sectors.
- The latest example of China’s expanding footprint in the region is its Covid-19 vaccine diplomacy, which plays a key role in Turkey’s inoculation drive.

These internal developments, however, cannot be isolated from the severity of disputes emerging among countries in the region as regards exclusive maritime demarcation lines and the definition of respective economic zones, the numerous claims to the exploration of natural gas resources, and the threat of disputes
escalating into open conflict among individual countries. What characterizes China’s behavior towards these disputes—so far—is the political will of decision makers in Beijing to keep a safe distance from them, to emphasize the rhetoric of finding mutual solutions through dialog, and to attempt to nudge individual parties to the negotiating table, e.g. within international fora such as the United Nations, the Shanghai Cooperation Organisation, and the Three Seas Initiative.

Investment in energy resources is critical for China. It has invested accordingly in Greece’s electricity sector, is currently financing at considerable reputational cost four lignite-fired thermal power plants in the Western Balkans, but has refrained to date from getting involved in the exploration of or investment in newly discovered energy resources in the Aegean and Eastern Mediterranean. Its key strategic focus in the region remains the completion of the China–Europe land–sea express route. In doing so, it primarily values bilateral agreements that are elite-driven between governments while providing the financial resources, workers, and building materials to complete ongoing projects.

This appearance of alleged neutrality has a distinct advantage. In the future, China’s comparatively low profile in the region could serve as an opportunity to be called upon as a mediator and/or arbitrator to assist in resolving complex issues that other external actors have struggled with for years, if not decades. This calculus is also informed by the observation that it is in China’s own vital interest that its investments in the region and the bridges they create towards Western Europe are essentially based on the assumption that stability and predictability in the Eastern Mediterranean remain the order of doing business with other countries. The weeks-long blockage of the Suez Canal in March 2021 by the Chinese cargo ship Ever Given highlighted both the fragility of supply chains and the critical importance of open shipping lanes.

New external actor configurations are forming in the Eastern Mediterranean around policy fields considered unlikely, if not impossible, only a few years ago. These formations include different sectors such as maritime transport infrastructure, energy, commercial trade, higher education, and foreign investment in start-ups, as well as changing country alliances. Greece values its place on the Chinese investment radar, but squarely needs the defense and security commitments primarily provided by the US administration and to a lesser extent by France vis-à-vis Turkey (Tzogopoulos 2021). Israel finds itself in a similar complex interaction with Beijing and Washington, while it looks at the recent rapprochement between Iran and China with rising concern.

By contrast, Turkey’s autocratic president Erdoğan has continuously raised the stakes of global power competition between Russia, the United States, and China in his own country. Erdoğan’s pivot towards China and Russia is deliberate and underlines his willingness to normatively decouple from European and US
partners and traditional arenas of collaboration. Security and defense cooperation with Russia is taking place despite president Putin and president Erdoğan having backed opposite sides in military conflicts in Libya, the Caucasus, and Syria during the past years, and now in Ukraine. Russia provides Turkey with natural gas resources. The Blue Stream pipeline delivers Russian natural gas to Turkey and onward to other countries in Southeastern Europe and the Eastern Mediterranean. According to Russian Gazprom, in 2021 the export volume of natural gas to Turkey via the Blue Stream gas pipeline reached a record high (Kuczyński 2022). Russia also provides Turkey with new defense options and missile weaponry. Ankara’s acquisition of a Russian air defense system in 2019 presented president Putin with an opportunity to drive a wedge between Washington and a NATO ally that has moved steadily closer to Moscow and Beijing in recent years.

China offers Turkey an alternative matrix, significant financial resources, and a conceptual narrative to reconnect ancient Silk Roads. But what Beijing is not prepared to undertake is to help solve Turkey’s dysfunctional elements of governance. Such dysfunctionality is most prominently displayed in the financial sector and monetary policy-making. Erdoğan’s repeated interventions in Central Bank prerogatives, his continuous advocacy of reducing benchmark interest rates against explicit economic advice, and his frequent firing and appointing of personnel in the finance ministry and at the Central Bank have material costs for Turkey in terms of a collapsing domestic currency, high borrowing costs on international capital markets, and, most importantly, detrimental reputational capital (Bastian 2022).

China’s growing footprint in the Eastern Mediterranean is not only focused on commercial and economic parameters. Over the course of the past decade, a defense and security partnership with Russia has matured. This alliance is evidenced by multiple Sino–Russian navy maneuvers held in or passing through maritime gateways in the Eastern Mediterranean. In September 2020, Russia and China, together with Armenia, Belarus, Myanmar, and Pakistan, conducted the “Kavkaz 2020” military exercise in central Russia. For the first time, Turkish military personnel were invited as observers, alongside Azerbaijan, Iran, Kazakhstan, and Tajikistan (Weitz 2021).

In light of this deepening cooperation in numerous policy fields between Russia and China, as well as Ankara’s outreach to Beijing, it is necessary to ask if there is a political agenda at play. China represents the United States’ premier strategic challenge. The debate in the US among policy makers and think tanks increasingly focuses on China’s geostrategic and geo-economic ambitions. By contrast, Chinese diplomats in Europe continuously deny such ambitions but react to critical interventions with an assertive and at times aggressive “wolf warrior diplomacy”.
Both perspectives underscore the insufficient focus on China in US and European policy-making circles during the past decade. This initial neglect is now being corrected in Washington and gradually adjusted across capital cities in Europe. But subsuming foreign policy to a Europe–China rivalry is not the way forward, either in the Eastern Mediterranean or anywhere else on the continent. Indeed, regional diplomacy needs to be redefined by accepting the reality of a further external actor. Countries in the region do not want to be pushed into a binary straitjacket of having to choose between Washington and Beijing or Brussels and Beijing. The comparative sample of Greece, Israel, and Turkey illustrates that triangulation is challenging to navigate, but no less available or potentially attractive for these countries in selected policy domains. Such a relationship gives them leverage to exercise a multi-vector foreign (economic) policy as regards their rapprochement with China, and opens additional strategic options apart from the traditional European, Russian, and US framework.

China’s role in the Eastern Mediterranean is in flux. It has established itself as an economic player in the region. Its vaccine diplomacy towards Turkey, Ukraine, Serbia, Albania, and Montenegro has illustrated its capacity to penetrate the health sectors in a region that faced an acute vaccine emergency in 2021. The narrative of assisting these countries in need during the Covid-19 pandemic implicitly challenged the prerogatives of the EU’s European Neighbourhood Policy (ENP). However, as previously argued, it is not in Beijing’s interest if disputes in the Eastern Mediterranean escalate.

This observation begs the question of whether there is a risk of the Eastern Mediterranean becoming overcrowded with external actors, old and new. Traditional external actors in the region, such as the US, Russia, Turkey, and the EU, have now been joined by China and to a certain degree also the United Arab Emirates (UAE). The region is witnessing a reconfiguration of foreign engagement. This process is in flux and the rearrangement will take time to sort itself out. In the course of this undertaking, new variable alliances are being created with flexible commitments and shifting loyalties. Such flexibility is particularly visible among European countries as the EU is not a single and unified actor in defense and foreign policy matters vis-à-vis Turkey and Israel, in particular. Following Brexit, the United Kingdom’s role in the region is in flux, too, and chiefly illustrated through its NATO membership.

During the past decade, China has taken advantage of a strategic vacuum in the Eastern Mediterranean to promote its geopolitical interests. The objective to try and curb China’s reach into the region arrives with a delay of at least a decade. The belated notion to create infrastructure alliances in Europe and with partner countries such as the United States comes at a time when China has established strategic advantages through BRI-associated projects in countries of the Eastern
Mediterranean. China never misses an opportunity to highlight its project achievements in partnering countries. In that respect, it is winning the battle of narratives even where perceptions do not match the reality on the ground.

The strategic landscape around the Aegean, the Black Sea, and Asia Minor has changed dramatically since Russia’s invasion of Ukraine on 24 February 2022. China refused to publicly condemn Russia’s invasion and seeks to control the domestic narrative by labeling it a “conflict”. Moreover, none of the various economic, financial, and person-related sanctions introduced by the US administration, the European Union, Japan, the United Kingdom, Canada, and Australia against Russia have been adopted by China. In that respect, the leadership in Beijing is steadfastly adhering to the Sino-Russian joint statement from 4 February 2022, which emphasized that the “Friendship between the two States has no limits” (Joint Statement 2022). However, President Xi Jinping has repeatedly been warned by the Biden administration and the European Commission that China risks being subject to so-called “secondary sanctions” if it were to materially support Russia’s war efforts in Ukraine.

Six months into the war, Russia is enforcing a maritime blockade of the Black Sea, particularly the Port of Odessa, which is Ukraine’s largest seaport and a critical commercial link for the country’s global grain exports, including to China. Commercial vessels, including Greece’s international tanker fleet, have radically reduced the conduct of navigation under such perilous conditions on the littoral.9 In protest against Russia’s invasion, the Greek government withdrew from the annual meeting of the Black Sea Economic Cooperation (BSEC) that took place in June 2022 in Moscow. This was the first time since 1995, when Greece joined the BSEC, that no Hellenic representation attended the proceedings (Griechenland Zeitung 2022).10

For its part, Turkey limited the passage of foreign warships from the Black Sea to the Eastern Mediterranean (and vice versa) shortly after Russia’s invasion of Ukraine. Turkey controls access to the Black Sea under the 1936 Montreux Convention. The closure of the Dardanelles and Bosporus Straits to all military vessels has major implications for Russian supply routes. But the Turkish government also chose not to impose any of the six sanction packages on Russia, thereby preserving Ankara’s special relationship with Moscow. While Israel

9 Since the start of Russia’s invasion of Ukraine, Turkish and Romanian authorities have repeatedly intercepted mines drifting in the western Black Sea. One of the mines defused by Turkey in late March was found in the Bosporus. Russia and Ukraine accuse each other of having sowed these mines.

10 The BSEC was established in 1992 on the initiative of Turkey. Alongside Turkey and Greece, its 13 members include Albania, Armenia, Azerbaijan, Bulgaria, Moldova, North Macedonia, Georgia, Ukraine, Russia, Romania, and Serbia.
eventually joined its Western allies in condemning Russia’s war on Ukraine, it has refused to implement any economic measures against Russia. Ben Gurion Airport still offers air travel to Moscow. Tel Aviv has tried to present itself as a mediator to both Russia and Ukraine, just as Ankara is positioning itself in a similar vein. Both countries are conducting a precarious balancing act vis-à-vis Russia and Ukraine. Triangulation is a delicate form of political maneuvering.

The Eastern Mediterranean and the Black Sea are crucial maritime transit points for the supply of food commodities from Russia and Ukraine (through the Black Sea) and natural gas (via the Eastern Mediterranean) into Europe and Central Asia. Any material disruptions to interconnected supply chains for food and energy industries have severe consequences for maritime transport infrastructure, and a secondary economic impact as reflected in the surging inflation for such commodities. China relies on open seas navigation for its commercial exports via the littoral states and the availability of energy supplies as well as agricultural products, primarily wheat, grain, timber, and fertilizers.

Exports via the Black Sea and onward through the Eastern Mediterranean are critical for the economies of the littoral states. Russia’s naval control of the Ukrainian part of the Black Sea has led merchants to refrain from commercial shipping through such a dangerous area. International insurance firms are either reluctant to insure cargo transports or demand enormous risk premiums for the vessels. For China, these developments require the search for complex alternative routes, for example airlifts or trucking commodities from Ukraine such as grain exports, energy supplies, wire harnesses (used in electric car systems), and neon gas used to produce semiconductor chips. As Keating (2022) notes, “all of these goods have traditionally left Ukraine by sea”. Such cargo now has to be reloaded from train tracks in Ukraine to ships through neighboring countries. Russia’s Black Sea blockade is contributing to surging global grain prices and serious concerns about rising food poverty across continents, with a humanitarian crisis looming.

In light of the ongoing war, the maritime strategic map in the Eastern Mediterranean and the adjacent Black Sea is subject to profound change, with a potentially long-term impact. Access to the Black Sea from the south is controlled by Turkey through the Sea of Marmara. Together with Russia’s increased naval presence in the Black Sea and its blockage of ports along Ukraine’s southern coastline, Moscow, and by extension Ankara, essentially control traffic through the Black Sea (Russia Briefing 2022). In May 2022, Russia resigned from the Baltic Sea Council, thereby signaling that its future maritime trade routes will shift south and concentrate along ports and supply chains in the Black Sea (RFE/RL 2022). In the medium term, the redirection of maritime trade flows through the Eastern Mediterranean and Black Sea could be substantial. “Europe’s only non-Suez connectivity route to the Caucasus, Central Asia, the Middle East and Asia lies via
the multi-modal Black Sea routes, which connect the southern EU ports of Italy, Greece, Bulgaria, and Romania through the Black Sea” (Russia Briefing 2022).

Against this geostrategic background with its geo-economic implications, China will have to look for the expansion of rail and maritime connectivity along corridors that include non-Russian options. This is where its previous investments in transport infrastructure in Greece, Israel, and Turkey will pay increased dividends and offer medium-term alternatives. Under the current circumstances of war in Ukraine, the centrality of the Eastern Mediterranean geography is critical for China. While rerouting and the construction of feasible alternatives implies higher costs and complex cross-border logistics, countries such as Greece, Israel, and Turkey are now seen by China not only as transit states, but essential connectivity links between Europe and Asia.

Acknowledgments: I am thankful for suggestions and comments from two anonymous reviewers. The manuscript was finalized in late July 2022.

References


**Bionote**

Since July 2022, **Jens Bastian** is a fellow at the Centre for Applied Turkey Studies (CATS) at the German Institute for International and Security Affairs (SWP) in Berlin.