The New Sea People: China in the Mediterranean

by Ronald H. Linden

ABSTRACT
The surge in overseas investment that has accompanied China’s Belt and Road Initiative has swept into Mediterranean region. Italy, Greece, Spain and Turkey have all seen substantial increases in Chinese investment in the last five years. As Europe’s largest supplier of imports, China and its state-owned enterprises have shown special interest in acquiring powerful positions in transportation infrastructure, especially the region’s fast growing ports. Approaches range from taking controlling interest in port operators, for example, in Spain, to owning major port terminals such as Vado, in Italy, or taking over the governing Port Authority, as in Piraeus, Greece. Mediterranean countries are part of the world’s largest market but also the EU’s divided governance and now with the US an uncertain ally, vulnerability to Chinese economic power has grown.
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Introduction

Roughly three thousand years ago, the eastern Mediterranean was dominated by the Mycenaeans, Hittites and the Egyptian empire of Rameses III. Then, in several places at once an aggressive people of mysterious origins, referred to as “the sea peoples”, attacked the territories held by these empires. The invaders were defeated, but, the reigning powers were never again as dominant.

In today’s Mediterranean, the Chinese are the new “sea people”. Their attacks are not military and their ambitions are not territorial conquest. Rather, their aim is to construct a seamless route for investing in and selling their goods to the world’s richest and largest commercial region, Europe. Taking advantage of poorly performing economies in southern Europe and antipathy toward Brussels, and brandishing almost unlimited investment funds, Chinese state-owned enterprises (SOEs) have set up shop from Spain to the Bosporus and from the North Adriatic to the Suez Canal. If the history of empires is any guide, establishment of this kind of economic presence is likely to be followed by the assertion of political influence.

At the time of Barack Obama’s first inauguration, China’s share of global overseas foreign direct investment (OFDI) was a scant 2 per cent. It stands now at more than 11 per cent, second only to the United States. Much of this growth involves a large increase in Chinese investment in Europe, from less than 2 billion euro in 2010 to 35 billion euro by 2016. While the US was long the preferred host for such investments, in three of the last five years Chinese FDI to Europe has exceeded that to the US.¹ Unlike most previous Chinese investment in Africa or much of Asia, Chinese interest in Europe lies in acquiring high-value manufacturing firms and their technology, as well as key elements of their supply chains. To burnish


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Paper prepared for the Istituto Affari Internazionali (IAI).
their profile and satisfy a newly demanding middle-class at home, significant investment has also been directed to luxury consumer firms as well as emblematic names like Pirelli, Volvo, Harvey Nichols and Lanvin. Real estate and hospitality sectors complete the typical investment portfolio along with the occasional high-profile soccer team (including both teams in Milan).

China is the leading source of imports to Europe, engaging in trade that amounts to more than one billion dollars a day. China does take European goods, to the level of 200 billion euro in 2017, and in some sectors, such as automobiles, is the dominant purchaser. More than 1/5 of all sales of BMW and 1/3 of all of Volkswagen sales take place in China. But European demand for Chinese goods has been voracious, leading to a large and chronic trade deficit. For EU countries whose economies are heavily trade dependent (on average 44 per cent of GDP), selling goods to China is vital.

1. China joins the world

Once a self-contained largely agricultural communist country, China began economic reform under Deng Xiao Ping at the end of the last century. Pursuit of economic openness was accompanied by a more active foreign policy and willingness to find productive ways to interact with ideological enemies, like the United States. Foreign trade increased. China welcomed foreign investment – under strict conditions – and as its own economy boomed, it became a global powerhouse. It is now the world’s largest economy as measured in purchasing power parity (PPP) terms, the world’s largest importer, exporter, producer and consumer of several key commodities. All by itself, China accounts for 15 per cent of world GDP and 12 per cent of world trade. Its economy is bigger than those of all the Eurozone countries combined.

It is also home to 1.3 billion people, ruled by a single party, controlled by a ruling group that is not susceptible to democratic replacement. Xi Jinping and the people close to him at the top of the Chinese Communist Party determine both the direction of policy and, as demonstrated in the spring of this year, the structure of policy making. In March, the Chinese constitution was changed to enshrine Xi’s political views (like those of Mao) and remove limits on his tenure as president.

Despite these political fortresses, one-party leaders are not unassailable. Even without a collapse à la the Soviet Union, authoritarian leaders can, ironically, be challenged at any time. This can happen when powerful elites find reason to be unhappy with the top leadership and can mount an action against him (almost always a “him”). It could also happen when a 300-million-member middle class, getting used to increased material goods, travel, and opportunities for their children, find out that the party’s over. China’s phenomenal economic growth, which hit

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14 per cent in 2005, slowed to below 7 per cent by 2015, and has remained there since. Both external observers and the Chinese themselves acknowledge that the emphasis on building infrastructure, industrial development and heavy producer goods needs to be “rebalanced” to stimulate more individual consumption. This should provide both economic health and, not coincidentally, protection for the government from the possibility of nasty consequences from a revolution of rising expectations.

To make the Chinese economy more productive and improve supply and distribution of consumer goods, OFDI has been key. Economic actors responded well to injunctions from the leadership at the beginning of the century to “go out”, i.e., seek foreign opportunities. Much broader stimulation followed the government’s comprehensive One Belt One Road policy (OBOR), also known as the Belt and Road Initiative (BRI), announced in 2013 and fuelled by billions in credits by state-owned banks. Key targets in advanced economies have been middle-size high-tech firms, energy production and distribution, and key links in the supply chain to Europe, including rail, roads and especially ports. Along the Indo-Pacific sea route linking the Strait of Malacca to the Suez Canal and thus the Mediterranean, Chinese companies have significant presence or control in ports that service commercial – and possibly, military – interests. The so-called “string of pearls” across the Indian Ocean gives Indian strategic planners nightmares.

2. Why Europe?

Europe is almost the perfect site for Chinese investment. Its advanced, complex and import-hungry economies constitute the largest open market in the world. But crucially, it is one that operates with divided governance. That is fine with Beijing, which prefers to deal with smaller, often weaker, economic entities, rather than one powerful overarching force, like the US government. The power of Brussels, with 28 national entities guarding their prerogatives and domestic political fortunes, is not that of Washington. Moreover, many of Europe’s advanced economies have shown weaknesses in recent years and are home to high-tech, export-dependent firms eager for access to the Chinese market and investment cash. Compared to the US, there are fewer region-wide restrictions on trade or investment. Until recently, there has been little interest in national-level review of purchases of

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companies or infrastructure nor is there a process in place for doing so at the EU level.\textsuperscript{7} Thus, acquisitions that might deliver to Chinese state-owned companies a dominant market position or top-level technology have not generally been subject to critical review. This is in sharp contrast with the United States where scrutiny by the Committee on Foreign Investment in the United States (CFIUS) and, more recently, public acrimony from President Donald Trump, reduce the attractiveness of the investment environment.

In Europe, top recipients of Chinese investment have been Germany and the United Kingdom, with Italy and France exchanging the position of third or fourth place for the last few years. Italy and Spain have seen substantial increases in Chinese interest.\textsuperscript{8} But size alone does not tell the whole story. Chinese investment in Greece is a fraction of that in other EU countries but includes control of both the terminals of the port of Piraeus and the port’s governing Port Authority. The latter gives it control over investment and operational decisions.

### 3. Ports: key to Euro-commerce

Seventy-five per cent of European imports come by sea, with access through North Atlantic ports traditionally being most crucial. There China is already a major player. It owns 35 per cent of Euromax, which runs Rotterdam, Europe’s largest port, and 20 per cent of the Gateway terminal in Antwerp, Europe’s next busiest port. A Chinese consortium owns 100 per cent of the main Zeebrugge terminal – and thus 75 per cent of the traffic – in the world’s largest roll-on/roll-off vehicle facility. Influence does not necessarily require ownership. In the port of Hamburg (Europe’s third leading port), Chinese goods account for more traffic than users from all other countries combined. When a contract to build a new container terminal capable of handling ultra large container vessels (ULVC) was awarded in 2017, it went to China’s Communications Construction Company.

In recent years, Europe’s fastest growing ports are in the south.\textsuperscript{9} The Mediterranean Sea, the world’s largest inland sea, borders on nineteen countries with links to southern and central Europe, Africa and the Middle East. In addition, well-travelled sea routes link this region to northern Europe, to the US via the North Atlantic, to Eurasia via the Black Sea, and to Asia via the Suez Canal and the Indian Ocean. As European trade has shifted toward Asia, improvement in facilities and skyrocketing


Asian trade have filled Mediterranean ports, to the point where container traffic in these ports now surpasses that in northern Europe. As then Italian Foreign Minister Aldo Moro said in 1973, “No one is asked to choose between being in Europe or being in the Mediterranean, as all of Europe is in the Mediterranean.”

As by far the largest purveyor of goods to Europe, China is acutely aware of the need to get its exports there in a way that is fast and cost effective. Shipping by air is prohibitively expensive and thus available for only the most expensive goods. Overland routes generate publicity but do not represent a significant alternative. A train from Shanghai to Antwerp takes 16-20 days to cross Eurasia and might bring with it forty of those familiar “twenty-foot equivalent” (TEU) containers. When the COSCO-owned Taurus docked in Greece in February 2018, it brought with it the capacity to deliver twenty thousand such containers. While the sea journey takes longer, it is much more cost effective than the alternatives.

Roughly three-fifths of Chinese exports travel by sea and the Mediterranean route is the most direct to Europe. Key ports in Mediterranean countries like Greece and Italy are located in countries that are very much in need of investment, especially in infrastructure, and the jobs they might provide. China has been active all across the Mediterranean. COSCO, the Chinese state-owned shipping giant, owns 51 per cent of Noatum, the Spanish port management firm. It therefore controls both Bilbao on the Atlantic and Valencia on the Mediterranean. COSCO and Qingdao together own 49 per cent of the Italian port of Vado, which operates the largest refrigerated facility in the Mediterranean. In 2016 a consortium led by a Chinese company won the tender to design a docking bay off the coast of Venice that would be capable of handling large container ships and would, if built, more than double Venice’s cargo handling capacity.

At the other end of the Mediterranean, Chinese companies control Kumport, Turkey’s third largest port (and the one closest to Istanbul), are building Israel’s two newest ports – Haifa, and Ashdod – and are the single largest investors in Egypt’s Suez Canal Economic Zone, operating at both ends of this most vital link in the Belt and Road Initiative. According to a study by the Financial Times, Chinese investment in the ports of North Africa and the Middle East has grown at a pace exceeded only by that in Europe.

At the centre of this maritime network lies the Greek container and passenger port of Piraeus. Greek shipping has long been central to the country’s economy – as well as globally – and despite the loss of some 25 per cent of the country’s GDP in the past decade, the industry remained robust. But its facilities were antiquated and ill-suited to the concentration of goods on gigantic transports. Chinese investment began in 2008 and was completed in 2016. In a weak bargaining position and with no counteroffers, Greece ceded control of the Piraeus Port Authority to COSCO. Increases in traffic followed, boosting the port to the seventh place in Europe by 2017 – the same year the port showed a 92 per cent profit. Plans have followed to expand the port to allow huge cruise ships to bring in Chinese tourists who will travel inland and to Europe on new and improved roads and train lines.

Chinese interest in the Mediterranean region is not confined to EU littoral countries. Chinese interest and investment in the Balkans has expanded as part of its significant uptick in both trade and investment in countries that make up the “16 + 1” Central and East European group. China’s efforts are especially vigorous in improving infrastructure in the Balkans, practicing what some refer to as “railway diplomacy”. The jewel in the crown is the Belgrade-Budapest highway, a key complement to port investments like Piraeus. Turkey, with its large population, strong economy and strategic location, has not escaped Chinese attention. Trade with Turkey jumped from 10 billion dollars in 2006 to more than 27 billion dollars ten years later. China is now the country’s second leading trade partner and leading supplier of imports. Consequently, trade with China accounts for more than one-third of the country’s ballooning trade deficit.

4. Four key partners in the Mediterranean

4.1 Italy

China is Italy’s fastest growing trade partner, a status driven largely by a huge increase in imports and, concomitant Italian trade deficit. At the same time, Chinese investment in Italy has been quite volatile. Almost non-existent before 2010, Chinese investment was still below 1 billion euro per year as late as 2013 but surged to more than 2.5 billion euro in 2014 and more than 7.2 in 2015 before settling down to more moderate levels during 2016 and 2017. Chinese investment has focused on high value-added firms and top brands, but also infrastructure

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acquisitions, such as the country’s CDP Reti Power Grid. Much of Chinese investment lies in publicly traded companies. Nicola Casarini, a leading China expert in Italy, estimates that China is the tenth largest investor in the Italian stock market. China is careful to put in just over the minimum required for public disclosure (2 per cent), so as not to be accused of pursuing secret acquisitions.

But it is the ports that are Italy’s most attractive asset for China. Eager to take part in the economic stimulus provided by the Belt and Road Initiative, Italy has proposed a Five-Port Alliance for the Mediterranean that would include Venice, Trieste and Ravenna in Italy as well as Koper (Slovenia) and Fiume (Croatia). Italy has already begun investing in this plan and it is unlikely that the new Eurosceptic Italian government will find EU concerns persuasive.

On the other hand, public attitudes toward China in Italy are the most negative in Europe,18 fuelled in large part by the country-within-a-country operation of Chinese economic ventures.19 Some in decision-making positions, like the current head of the Venice Port Authority, Pino Musolino, are sceptical of the floating dock plan and the prospective trade statistics that are supposed to back it up. Nor, with four million tourists a year coming to Venice already, does he find promises of hundreds of thousands of Chinese tourists seductive. The plan for a floating dock for Venice, he says, is “not going to happen”.20

4.2 Greece

As with Italy, Chinese investment in Greece barely moved the needle until 2010. Even then, for the next three years, the total was less than 50 million euro. Then as Chinese OFDI into Europe grew, Greece attracted nearly 200 million euro between 2013-15. The number for 2016, more than 343 million euro, reflects the purchase of the port of Piraeus. Chinese investment in Greece is held mostly by SOEs, which makes them vulnerable to if not directly managed by the Chinese government. Investments in Greece are not particularly diversified, covering mainly the transport and energy sectors.21 As in the Italian case, China is not a top export destination for Greek goods, but it is nevertheless the third leading source of imports.

Unlike in Italy, positive views of China now dominate in Greece. In fact, Greeks are the most favourably inclined toward China of any people in Europe. Previous hostility – including that of the incumbent government of Alexis Tsipras – to

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20 Author’s interview, Rotterdam, 1 June 2018.
China’s purchase of Greek assets has disappeared, aided, ironically, by strict EU austerity policies.\(^{22}\) High-level visits and mutual political support have followed. In 2017 Greece vetoed an EU statement critical of China at the UN Council on Human Rights calling it “unconstructive” and “selective”.

4.3 Spain

As with Italy, Spain was the recipient of substantial new Chinese investment funds only after 2008. Though the amounts are still modest (1.7 billion dollars in 2016), they are targeted to Spain’s energy sectors (electricity and gas) and, crucially, its ports.\(^{23}\) In addition to control of Noatum by COSCO, Barcelona’s new fully automated container terminal – which has the capacity to handle more large vessels than any other port in the Mediterranean – is 100 per cent owned by Hong Kong-based Hutchinson Ports. Spanish trade with China has grown modestly since 2015 but, as with other EU countries, the bulk of that growth comes from increases in Spanish imports, now four times the value of what Spain sells. The sale of Noatum covering the seaports of Bilbao and Valencia also brings to China control of the “dry ports” of Madrid, the largest in Spain and fifth largest in Europe, and the Zaragoza rail terminal.

4.4 Turkey

Turkey is one of the new darlings of Chinese trade and investment policies. It is bracketed by both the sea and land routes of the Belt and Road policies and provides a healthy market for Chinese goods. After the EU, China is now Turkey’s its largest trading partner.\(^{24}\) The trade is significantly unbalanced (a deficit of 19 billion euro in 2017), but Chinese investment in Turkey has increased. Investment in 2015 (624 million dollars) was more than three times what it had been for the previous decade, and continues to grow.\(^{25}\) Although the amounts are still small compared to elsewhere in Europe, projects include key infrastructure sites. Kumport, Turkey’s third-largest container port, lying on the junction between Asia and Europe, is now two-thirds owned by a Chinese sovereign wealth fund.\(^ {26}\)


China’s creation of countervailing institutions like the Asian Infrastructure Investment Bank (AIIB) and its growing power offer Ankara alternatives to both Europe and Russia. As with Greece, politics follows the pocketbook. While Turkey’s President Recep Tayyip Erdoğan was once outspoken in support of China’s Uighur (Turkic-speaking, Muslim) minority, such sentiments are now absent from the frequent visits and expressions of Chinese-Turkish amity.27

5. Attractions – and risks – of the Mediterranean

What do these European Mediterranean countries have in common that make them attractive sites for major Chinese investments? Some broad comparisons are offered in Table 1. The level of investment is still modest – especially in Greece and Turkey – compared to Chinese investments in the UK or Germany. But the rate of growth is substantial and fits into a larger pattern of Chinese activity in the region. All have had sluggish economies. The growth rate for Italy is lowest in Europe except for Greece, which endured declining national capacity for a decade. While Turkey’s economy had been more robust, recent years have seen weaker performance, substantial increases in public debt and, in part due to political turbulence, declining foreign investment.28 As noted, all have proven to be rich markets for Chinese goods and, with the disappearance of cheap credit after the 2008 crisis, willing hosts for Chinese ventures.

In none of the countries is there effective high-level restriction on foreign investment – unlike in China itself. Purchases of infrastructure, such as ports and roads, energy production and distribution, or of high-end manufacturing, such as automobiles, have not been subject to review or prevention. Italy and Spain have such systems in place, but neither blocked purchase by Chinese companies of a significant stakes in their respective in energy grids.29 Neither Greece nor Turkey has any system at all for central government review of external purchases.

All four are inside EU tariff barriers – Greece, Spain and Italy because they are members – and Turkey because of its Customs Union agreement with Brussels. For each, the EU represents their most important trade partners, thus ensuring that domestic firms, including those acquired by China – have access to key European markets. In other words, all offer that most important commodity for assessment of the value of a property: location. Italy and Spain will be the third and fourth largest economies, respectively, in post-Brexit Europe, and their ports and railways offer direct lines to the heart of the European market. Central and Eastern Europe could

27 In May 2016, Turkish officials arrested some 100 Uighurs trying to travel to Saudi Arabia on false passports.
be served through Greece if infrastructure improvements of the type financed by the Belt and Road Initiative come to fruition. While Turkey is more distant, it offers a potential market of 82 million people commanding a crucial link between Europe and Eurasia through both sea and overland routes.

Spain, Italy and Greece are also important tourist gateways, both to the countries themselves and to the rest of Europe. Spain and Italy rank first and second, respectively, as most popular destination for foreign tourists in Europe while Greece, a country one-fifth their size, is sixth. Chinese tourism has exploded in recent years as its middle to upper classes secure disposable income that can be spent touring the world. The Chinese control of Piraeus offers the opportunity for an expansion of tourist facilities that COSCO wants to finance.

Politically, three of the four countries share something else: a deep scepticism and even hostility toward the direction of policies and actions directed toward them by the European Union. Greek elections in 2015 put a left-wing government in power that vowed not to implement EU austerity measures and backed that up with a vote in a referendum that rejected terms offered by Brussels. These were nevertheless implemented by Prime Minister Tsipras allowing the government to routinely blame the EU for the harsh measures and enormous social costs imposed on the country. According to the most recent Eurobarometer, people in Greece have the lowest level of trust in the EU of those in any member state.

Italy has become one of the most Eurosceptical countries and the March 2018 elections reflected this in the strong popular support for parties, such as the League and the 5-Star Movement, which usually bash the EU. While the League-5 Star coalition government that was formed in May has moved away from talk of leaving the euro, a warm embrace of Brussels is not likely.

Turkey under Erdoğan is currently as far from joining the EU as at any time since it was declared an official candidate in 1999. Negotiations, begun in 2005, have produced little progress. Several of the chapters of the *acquis communautaire* that acceding countries are obliged to implement are frozen or subject to veto because of opposition from member states such as Austria or Cyprus. Even the marriage of convenience in 2016 that produced a deal to reduce the flow of refugees

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33 And, as Severgnini points out, “even the historically pro-European parties [...] couldn’t resist blaming Brussels for their own failures. Matteo Renzi, first as a prime minister (2014 to 2016) and then as the leader of the center left Democratic Party (2017), could hardly open his mouth without saying something unpleasant about the union.” Beppe Severgnini, “Will Italy Leave the E.U.? Not So Fast”, in *The New York Times*, 27 April 2018, https://nyti.ms/2Kl5ema.
from Turkey has not succeeded in re-energizing accession negotiations or the relationship with key member states like Germany. After the failure of the coup attempt in Turkey in July 2016 and especially the accretion of new authoritarian powers to President Erdoğan, prospects for a return to the optimistic orientation of 2005 are almost imperceptible.

For these countries, China offers an economic and political alternative. Funds for investment have been flowing – and come without those burdensome human rights or transparency conditions. In all cases, with ties with Brussels strained, it does not hurt for these governments to be able to show that, insofar as economic partners at least, they have alternatives.

Viewed more broadly, the Mediterranean region embodies political diversity and some risk. The region includes EU and NATO members, candidates, potential members, states with ancient democratic traditions and states that are barely functioning as states at all. Conflicts in and around Israel, Cyprus, and across North Africa combine with political uncertainties. Italy took nearly three months to form a government after national elections. For China, Europe’s main supplier, investment is a means to maintain its presence in this key market, while control of supply lines – ports, railroads and highways – insures delivery.

At the same time, the Belt and Road Initiative is much more than the “flag following trade”. It is designed to expand Chinese strategic presence and enhance its influence across South Asia, Eurasia, the Middle East and into Europe. Economic links bring high-level visits and port stops from the world’s fastest growing merchant marine and greatly improved navy. At the end of China’s naval grand tour of the EU in 2015, manoeuvres were held for the first time with the Greek fleet. This practice has continued and complements increased “blue-water” navy activities by the People’s Liberation Army Navy in the eastern Mediterranean, off the coast of Africa, and even in the Baltic Sea.

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Table 1 | Key Chinese partners in the Mediterranean

<table>
<thead>
<tr>
<th>Economic parameters</th>
<th>Italy</th>
<th>Spain</th>
<th>Greece</th>
<th>Turkey</th>
</tr>
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<tbody>
<tr>
<td>Population (millions) [1]</td>
<td>60.5</td>
<td>46.7</td>
<td>10.7</td>
<td>80.8</td>
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<tr>
<td>GDP per capita (euro) [2]</td>
<td>28,400</td>
<td>25,000</td>
<td>16,600</td>
<td>14,900 [3]</td>
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<td>Economic growth rate (2017/2016) [4]</td>
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<td>3.1</td>
<td>1.4</td>
<td>3.2 [5]</td>
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<tr>
<td>Trade dependence (exports/GDP) [6]</td>
<td>31.3</td>
<td>34.1</td>
<td>33.2</td>
<td>24.8</td>
</tr>
<tr>
<td>Imports from China (bn euro) [7]</td>
<td>28.4</td>
<td>21.5</td>
<td>2.7</td>
<td>25 [8]</td>
</tr>
<tr>
<td>Share of non-EU trade</td>
<td>17.8</td>
<td>17.1</td>
<td>11.2</td>
<td>13 [9]</td>
</tr>
<tr>
<td>Exports to China (bn euro) [7]</td>
<td>13.5</td>
<td>6.3</td>
<td>0.47</td>
<td>2.47 [8]</td>
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<tr>
<td>Trade balance with China (bn euro) [10]</td>
<td>-14.9</td>
<td>-15.2</td>
<td>-2.23</td>
<td>-22.53</td>
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<td>FDI from China 2000–16 (bn euro) [10]</td>
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<td>3.02</td>
<td>0.84</td>
<td>1.56 [11]</td>
</tr>
<tr>
<td>Trade balance with China (bn euro) [10]</td>
<td>3</td>
<td>8</td>
<td>15</td>
<td>(12)</td>
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<tr>
<th>Political affiliations and attitudes</th>
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<th>Greece</th>
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<td>1949</td>
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<td>1952</td>
<td>1952</td>
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<td>2017</td>
<td>2017</td>
<td>2016</td>
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<tr>
<td>Public views of China [13]</td>
<td>negative</td>
<td>split</td>
<td>positive</td>
<td>negative</td>
</tr>
</tbody>
</table>

6. Growing European attention

China’s advances into Europe have not gone unnoticed. Scholarly works, think-tank reports, and business reports have appeared. Some, especially those dealing with port acquisitions, have an alarming tone. A recent report by the think tank C4ADS points out that, under Chinese law, all commercial ports have the obligation to provide logistical support to that country’s military should it be requested. The potential for such “dual use” facilities in Sri Lanka and Pakistan, has alarmed, among others, Indian policymakers. These concerns have heightened since China began building its first overseas military base in Djibouti, ideally situated to respond to needs both in the Indian Ocean and the Mediterranean.

The concerns of the EU are less military than economic and political but have so far produced little effective bloc response. The members hold differing views of and vulnerability to Chinese economic clout. Only fifteen of the 28 EU members have investment screening mechanisms to examine whether Chinese (or any other foreign) economic muscle threatens domestic competition or national security. No such mechanism exists at the EU level, although a process has begun to develop one and in May the European Parliament urged the Commission to make reviews rigorous and mandatory. Nor is there an overall EU-level policy on ports, as the decision to accept or reject investment in or control over these key facilities remains at the national level.

Still, the EU has been vocal about restrictive Chinese investment and trade policies in ways similar to those spelled out by the office of the US Trade Representative in

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its report to the US Congress.\textsuperscript{42} Brussels has adopted new anti-dumping rules\textsuperscript{43} and has not been shy about investigating suspected tax evasions\textsuperscript{44} or project bidding violations, such as in the case of the Belgrade-Budapest highway.\textsuperscript{45} But with the US-EU Trade and Investment Partnership (TTIP) dead and the White House displaying volatile antipathy toward European allies, the capacity of the world’s largest economic bloc to confront China is severely compromised. When China deals with Europe now, there is no bloc of “28-plus-1”. Instead, there is Greece, or Italy, both with sluggish growth and deep Euroscepticism. In negotiations with a dynamic, economic behemoth offering much-needed finance and few conditions, economic “partnership” takes on quite a different meaning.

Wary observers of China’s international economic and strategic actions point to the fate of Hambantota in Sri Lanka as a cautionary tale. After one government there borrowed and spent to have China build shipping and rail facilities, the promised traffic did not follow. A new government was then obliged to make a (partial) debt-for-equity swap, giving China a 99-year lease. Thus, Sri Lanka is left with nearly 6 billion dollars in debt to pay for an underperforming port they do not control.\textsuperscript{46} The Italians need not look far for such an example. Taranto, once a major steel producer and key port in the south, suffered a similar fate. Although observers, including the EU’s own Court of Auditors in its review,\textsuperscript{47} point to internal planning and execution problems, the port was essentially “traded in” by China for Piraeus, leaving acres of empty concrete and few prospects.

Even so, the Italians, like virtually all countries with key seaports, are eager to attract and keep Chinese investment. All the players seem sure they will win this zero-sum game. But if fully or even partly implemented, ambitious plans like Italy’s Five Ports Alliance are certain to affect deeply committed port partners elsewhere in the Mediterranean, like those in Piraeus. Publicity claims notwithstanding, not every port can be “the gateway to China”. Huge shipping lines – and China’s are among the biggest – are, in the words of one European port executive, “promiscuous”. They will go where they can get the best deal. If the Europeans are to avoid a “race


\textsuperscript{44} “EU Suspects Tax Fraud at China’s ‘Gateway to Europe’ As State-Owned Shipping Firm Cosco Faces Mounting Opposition Abroad”, in South China Morning Post, 21 April 2018, https://www.scmp.com/node/2142760.


to the bottom” along this stretch of the “Maritime Silk Road”, there will need to be some attention paid to EU-wide plans and cooperative mechanisms.

Updated 27 July 2018
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