China's Influence in the Mediterranean

Eugenio Bregolat Obiols
Former Spanish Ambassador to China and Russia[1]

The Resurgence of China

Since the launching, by Deng Xiaoping in December 1978, of China's "reform and opening up" policy, the country's GDP at constant prices has risen twelve fold, with annual growth rates of between 8% and 10%. It is the most spectacular development process the world has ever seen. According to the World Bank, "China has telescoped into one generation what other countries took centuries to achieve."[2] Last year, China became the world's largest exporter, outstripping Germany, and its GDP will soon surpass Japan's to become the world's second largest, trailing only the United States. According to forecasts by Goldman Sachs, China's GDP is expected to overtake that of the United States by 2027. The investment bank has also predicted that, by 2050, China will have a GDP of $70 trillion, compared to $40 trillion for the United States. That is, its GDP will be nearly twice as large. Although forecasts should always be taken with a grain of salt, barring any major surprises, China will be the world's largest economy by the middle of the century. Such momentous historical events as the rebirth of China happen only a few times a millennium and have profound implications for the global economic and geopolitical order. In a sense, it entails a return to the historical norm. For years, China had the world's largest GDP; as late as 1820, it still accounted for approximately 30% of global GDP.

Chinese policy gives top priority to economic development, as witnessed by the key role economic considerations, such as winning new markets, capital, technology, raw materials and training human capital, play in its foreign policy. Its guiding philosophy is one of "peaceful development," so as to ensure the international context required for China's economic development: unlike other emerging powers of the last century, China rejects the use of force to change the geopolitical order, choosing instead to focus on economic competition within the framework of the global economic system designed by the United States and developed countries.

China and the Northern Shore of the Mediterranean

The northern and southern shores of the Mediterranean, Europe and Africa, adhere to two distinct paradigms in China's economic relations with the rest of the world. Its relationship with developed Europe in the north is dominated by the export of all manner of Chinese manufactured goods (with ever-increasing value added: today, nearly half of all Chinese exports are electronics, rather than the clothes, shoes and toys of yesteryear) and the import of high-tech products, foodstuffs and luxury goods.

The balance of trade heavily favours China: in 2007, China exported €231.266 billion worth of goods to the EU, whilst importing €71.736 billion. That yields a €159.53 billion deficit and a coverage ratio of just 30%. China is the EU's largest provider and its fourth largest importer.

The EU's investments in China have been modest, with a cumulative investment of $55 billion by the end of 2008, or less than 7% of overall investment in the country. In contrast, almost two thirds of foreign investment in China came from Hong Kong, Macau,

[1] Author of *La Segunda Revolución China.* Barcelona, Destino, 2007.
[2] The World Bank, *China 2020: Development and Challenges in the New Century*, 1997.

TABLE 1 — Trade between China and North African Countries in 2007-2008 (in millions of $)

	2007		2008	
	Exports	Imports	Exports	Imports
Algeria	2,700	1,160	3,751	849
Egypt	4,432	239	5,874	428
Libya	862	1,457	1,640	2,588
Morocco	2,700	1,160	3,751	849
Tunisia	481	30	696	90

Source: *China Statistical Yearbook 2009*, published by the National Bureau of Statistics of China.

Taiwan and overseas Chinese (what is known, together with the People's Republic, as Greater China). In the sphere of services, special attention should be called to tourism. In 2005, Chinese tourism generated €1.36 billion in revenue for Europe (1.6% of total revenue), whilst European tourists spent €2.306 billion in China (2.3% of the total). Though modest, these figures are growing fast: between 1995 and 2005, EU revenue from Chinese tourism increased elevenfold (whereas overall tourism revenue merely doubled), whilst spending by European tourists in China rose by a factor of six. By 2020, China will receive and send more than 100 million tourists a year, becoming the world's largest tourism market. The future is thus promising.

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Because the route from China to Europe by way of the Suez Canal is considerably shorter than sailing around the Cape of Good Hope, Mediterranean ports are competing to serve as the logistics hub for the distribution of Chinese goods in Europe. At present, the brunt of this traffic goes through the port of Rotterdam. Barcelona's port, one fourth of whose container traffic comes from China, will become the European distribution hub for Hutchison Whampoa, the global leader in container traffic. In 2006, Hutchison acquired a 70% stake in Terminal de Contenedores, the second largest Spanish port operator, with a projected investment of €660 million. Hutchison's owner, Li Ka-shing, is Hong Kong's most powerful businessman.

China and the Countries of North Africa

China's relations with the developing African countries on the southern shore of the Mediterranean follow a different paradigm. There, China is above all seeking raw materials and energy, as well as markets for its manufactured goods, which, at consistently unbeatable prices, are quite attractive for African buyers. The trade balances show surpluses for the major energy and raw material exporters, and deficits for the rest. Construction projects, primarily infrastructure, and aid (in the form of loans, debt forgiveness, scholarships, etc.) are key components of China's presence in Africa.The imports of all five North African countries account for 1% of all Chinese exports, and their exports account for only 0.3% of all Chinese imports. For Africa as a whole, the figures are 3% of Chinese exports and 5% of Chinese imports. Although modest, these figures are growing at a strong clip. Both imports and exports have registered an average yearly growth of between 30% and 40% since the token figures of the nineteen eighties. In 2008, Sino-African trade stood at $107 billion, ten times the volume of trade in 2000. China has become the third largest provider of both Algeria (after France and the United States) and Morocco (after France and Spain). In contrast, China is only Tunisia's third largest Asian trade partner, after Japan and India. Egypt ranks fourth in Africa and Algeria fifth in terms of total volume of trade with China, after South Africa, Angola and Sudan.

Capital goods, electronics, electrical appliances and telecommunications make up the bulk of Chinese exports. In 2006, Algeria imported 26,000 cars from China, equal to 15% of the market, making Algeria one of the ten largest Chinese car importers in the world. Other major headings include textiles and shoes, which has been quite negative for Morocco. Following the expiry of the EU's Multi-Fibre Arrangement in January 2005, China both edged Morocco out of the European market and invaded the Moroccan market itself. Within a year, half of the 200,000 jobs in the sector in Morocco had been wiped out and the country was forced to take protectionist measures. Algeria buys Chinese weapons.

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With regard to North African exports to China, Libya, thanks to its oil, is the only country in the region with a trade surplus. In 2005, the $525 million contract between Sinopec and Sonatrach expired. Clearly, there are major opportunities in the energy sector. As for Morocco, it exports phosphates and agricultural and fishery products to China.

Investment by North African countries in China is negligible, and China has only made significant investments in Algeria, to the tune of $145.9 million in 2007 and $42.2 million in 2008. Cumulative Chinese investment in Algeria stands at between $700 and $800 million. Morocco and Tunisia are eager to attract Chinese investment and to produce goods for European and African markets under current free trade agreements. Additionally, North African ports could become logistics centres for the distribution of Chinese goods in Africa. Construction projects, especially infrastructure, account for a sizeable chunk of China's economic relations with Africa, in particular with Algeria. The country awarded contracts worth $2.34 billion for such projects in 2007 and $4.202 billion in 2008. Algeria is China's largest customer in this sphere in Africa, accounting for 20% of all such projects on the continent. The figures were much lower in Egypt ($391 and $513 million) and Morocco ($308 and $280 million). The value of the labour hired for these projects in Algeria (Chinese labour is usually used to build them) came to $36 million in 2007 and $53 million in 2008. These figures were only $1.8 and $1 million in Egypt and $6.3 and $6.9 million in Morocco. Chinese companies have built the Algiers airport, a hospital and 50,000 homes in Oran. In Morocco, they have also won contracts for motorways, railways, bridges, telecommunications projects and hydraulic works. Occasionally, the presence of large groups of Chinese construction workers has led to tension. This has been true of the more than 10,000 Chinese labourers currently working in Algeria, where unemployment hovers near 30%.

China has major economic aid programmes in place with Africa, including with the continent's Mediterranean countries. In November 2009, in Cairo, China pledged another $10 billion in low-interest loans, debt forgiveness for several countries and a 60% reduction in the tariffs for African exports.

Robert Zoellick, the president of the World Bank, recently referred to China's interest in shifting low-cost manufacturing facilities to Africa as it begins to produce higher-value goods itself. The governor of the People's Bank of China, the country's central bank, has called for the establishment of a fund to invest in the developing world, comparable to a "new Marshall Plan." Between 2004 and 2009, Chinese exports to developing countries rose from $190 billion to $670 billion. China has a vested interested in boosting development in these countries so as to ensure that demand for Chinese products continues to grow, thereby at least partially offsetting the fall in demand in developed countries due to the economic crisis.

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Thanks to these flourishing, albeit still fledgling, economic relations, China enjoys excellent political relations with the Mediterranean countries and with African countries in general. They have a shared history of struggle against colonialism, third-world militancy and non-alignment. Nasser's Egypt was the first African country to recognise the People's Republic of China, founded in 1949, and Morocco was the second. In 1958, China was the first non-Arab country to recognise the provisional government of Algeria. Both China and African countries adhere to the principle of non-interference in the internal affairs of other States and come under criticism from developed countries for their lack of democracy and human

TABLE 2	Trade between China and Eastern Mediterranean Countries in 2007-2008 (in millions of $)			
	2007		2008	
	Exports	Imports	Exports	Imports
Israel	3,650	1,653	4,257	1,792
Lebanon	698	18	1,083	13
Syria	1,868	8	2,293	10
Turkey	10,475	1,292	10,606	1,962

Source: *China Statistical Yearbook 2009*, published by the National Bureau of Statistics of China.

rights violations. Both China and African countries have authoritarian political systems and economic systems in which the State plays a central role, a model that has become much more attractive since the economic crisis began. These similarities have given rise to a strong sense of solidarity. African countries do not recognise Taiwan. Indeed, Libya irritated China when it agreed to a technical stopover by President Chen Shui-bian in 2006. Likewise, they do not have relations with the Dalai Lama. In turn, China does not recognise the Polisario and considers the Western Sahara to be part of Morocco. China and African countries frequently exchange senior-level visits. In November 2006, senior African officials travelled to Beijing en masse to attend the China-Africa summit. Neither European countries nor the United States hold similar sway in Africa.

China and the Eastern Mediterranean

Israel adheres to the European paradigm in its relations with China, with substantial technology exports in fields such as water use in arid economies. The value of Israeli exports to China is nearly half that of its imports, yielding a higher coverage ratio than that found in most European countries. Turkey, in contrast, at less than 20%, has a much less advantageous coverage ratio. Lebanon and Syria, which hardly sell anything to China, have negligible coverage ratios. Syria could obviously rectify the situation by exporting oil to China.

Investments between these countries and China are quite low on both sides. Chinese tourists have recently discovered Turkey and expectations are quite high, as they are with the rest of the Mediterranean countries.

China maintains politically correct relations with the countries in this region. These countries do not recognise Taiwan, nor do they receive the Dalai Lama, and they refrain from criticising China for its lack of democracy or human rights record. Last year, relations between China and Turkey were strained when the Turkish president used the word "genocide" in relation to the riots in Xinjiang. Xinjiang stands at the eastern edge of a region that reaches to Turkey and is characterised by shared ancestors and linguistic and cultural similarities. This has fostered a sense of solidarity in Turkey, which has moved swiftly to increase its influence in the Central Asian republics that emerged following the collapse of the USSR. Xinjiang is a highly sensitive issue for China, which saw Uyghur jihadists captured in Afghanistan land in Guantanamo.

Criticism of China's Presence in Africa

Criticism of China's "neo-colonialist" presence in Africa is commonplace in developed countries. China is accused of disregard for the environment and human rights, allowing corruption, hurting local jobs and miring African countries in debt. Some of this criticism, perhaps 20%, is well-founded; the rest is simply envy and hypocrisy.

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Obviously, Africans are free to choose whichever partners they wish. Why do they welcome China with open arms? First and foremost, the African perception of China is grounded in history. In the 1420s, seventy years before Columbus's voyage, the admiral Zheng He led expeditions of up to 20,000 men to Eastern Africa. Despite its vast technological and economic superiority, China did not conquer, colonise or exploit Africa, but rather limited itself to trade. Not only did it not have a colonial presence in Africa, but it was itself colonised by the same European powers that subjugated Africa. European countries enslaved millions of Africans and were responsible on the continent for some of the worst atrocities in the history of colonialism, unabashedly supporting all types of dictators following decolonisation.

However, the game is far from lost in Africa: rich countries need only offer Africans better conditions than China. For a start, they could open their agricultural markets

Based on this shared historical memory, China is welcomed because its presence is considered more conducive to the interests of African countries than the presence of other countries. Africa is once again on the map and its bargaining position vis-à-vis the developed world has been substantially strengthened by China's presence. China not only purchases energy and raw materials at market prices, but also invests, provides preferential loans, forgives debt, trades, trains thousands of African students (the China-Europe International Business School, CEIBS, in Shanghai has just opened a branch in Ghana) and builds infrastructure. With regard to this latter point, Javier Solana once claimed, "The president of Senegal has said that if he were to start negotiating with China and the EU at the same time, within a month he would have signed an agreement with China, and within two months thousands of Chinese workers would be building a road. When the road was finished, he would still be negotiating with the EU." As noted above, China has begun to include Africa in its manufacturing processes as China moves on to the manufacture of higher-value goods itself, and it is considering launching a "Marshall Plan" for Africa. In the eight years prior to the beginning of the economic crisis in 2007, African countries saw average growth of 4%, far higher than that of previous years, largely due to the robust economic relationship with China.

Additionally, the Chinese model for economic development, based on a mixed economy and strong State, has been quite successful, whilst the Western model of unfettered capitalism has culminated in a crisis of epic proportions. In 30 years, China has lifted more than 500 million people out of poverty. In contrast, the "Washington Consensus" (privatise, liberalise, stabilise) has failed in Africa and the rest of the developing world. Moreover, developing countries have seen how, when faced with a crisis of their own, rich countries have refused to take the bitter medicine they once imposed on their poorer counterparts (restrictive fiscal and monetary policy). It is hardly surprising that Africa and the developing world at large look to China. However, the game is far from lost in Africa: rich countries need only offer Africans better conditions than China. For a start, they could open their agricultural markets.

Conclusion

China's economic relations with Mediterranean countries will grow in future, especially its relations with southern Mediterranean countries. Chinese tourism will increase exponentially. Ports on both shores can capitalise on the geographical advantage afforded by the Suez Canal to become major distribution hubs for Chinese goods to Europe and Africa.