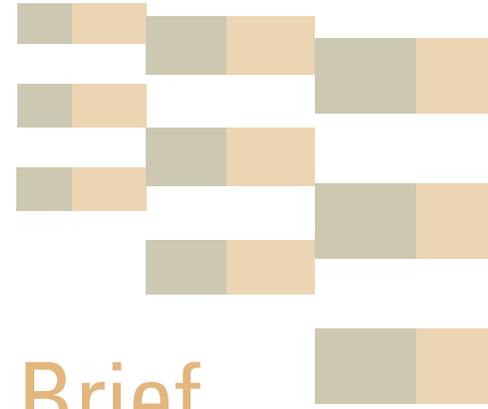




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# Middle East Brief

## The Belt and Road Initiative in the Eastern Mediterranean: China's Relations with Egypt, Turkey, and Israel

Nader Habibi

Scholars who study China's expanding economic relations with the Middle East and North Africa largely focus on relations with oil-exporting countries such as Iran, Algeria, and Saudi Arabia. This focus is justified by China's high demand for oil and natural gas over the past three decades: The Middle East is now the main source of these commodities for China. Yet, as this Brief explains, China has also made a strong effort to expand its relations with the Levant region of the Middle East, neighboring the Eastern Mediterranean.<sup>1</sup> Despite the Levant countries' lack of energy resources, China's trade and investment relations with these countries have increased substantially over the past two decades.

China's interest in the Levant is motivated by the broad framework of its global strategy, known as the Belt and Road Initiative (BRI). The BRI represents China's vision for promoting global trade and investment under Chinese leadership and primarily with Chinese credit. The BRI envisages China supporting the development of highways, railroads, and commercial seaports throughout the world, with a focus on Asia, the Middle East, and Africa. The main objective is to facilitate trade and connectivity both between China and the countries that join the BRI, and also among these countries themselves. The three largest economies of the Levant region—Egypt, Turkey, and Israel—each have their own unique characteristics that China finds attractive vis-à-vis its global BRI strategy.

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Nader Habibi is the Henry J. Leir Professor of the Economics of the Middle East at the Crown Center.

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This Brief analyzes the evolution of China's economic relations with the Levant countries in recent years and shows that:

1. China views the Levant as an important region for its global BRI initiative, despite the lack of oil and gas in the region. Chinese trade with and investment in the region have increased significantly in the past two decades.
2. China has expanded its relations with all the countries of the Levant—withstanding the disputes and tensions between those countries—thereby demonstrating a strong commitment to the principles of neutrality and non-intervention.
3. Egypt and Turkey are both competing for China's attention, but evidence suggests that China's relations with Egypt are deeper and growing more rapidly than those with Turkey. Substantial Chinese investments are positioning Egypt as the Belt and Road's most important hub for production and transshipment in Africa and the Middle East.
4. As the global competition between the United States and China accelerates, the U.S. is becoming concerned about the expanding relations of China with its Middle East allies, particularly Israel. The U.S. pushback against Chinese influence has already begun and is likely to intensify in the coming years.

In short, both the United States and the Levant countries themselves are coming to terms with the growing influence of China as an important external economic partner vis-à-vis the region.

### Expansion of Economic Ties

China's trade with the Levant has increased sharply over the past two decades. The value of China's exports to these six countries, consisting mostly of manufacturing goods and machinery, rose by almost twelve-fold: from \$4.2 billion in 2000 to \$53.4 billion in 2020. In recent years, China has become the largest source of imports for Egypt, Israel, and Lebanon, and the second largest for Turkey, Syria, and Jordan.<sup>2</sup> The Levant's exports to China have also increased during this period, albeit by a smaller margin. The region as a whole has consequently suffered from a large trade deficit with China over the last two decades. As undesirable as this sustained trade deficit is for the Levant countries, China, for its part, is using its trade surplus to invest in the region.

China's investment pattern in five of the Levant countries since 2006 is reported in Table 1. In the period 2006–20, China invested \$85.1 billion in these five countries, a figure amounting to 34% of China's total investment in the MENA region (\$251 billion) during the same period.<sup>3</sup> Given that the region is not a significant supplier of oil and gas to China, this high proportion of investment represents a significant commitment to developing the region's energy sector. Comparison of China's investments distributed among the various economic sectors (Table 1) shows that the energy sector attracted 45% of China's total investments in these countries. These investments were diverse, and included investment in both coal and hydraulic power plants, oil and petrochemicals production, and alternative and renewable sources of energy.<sup>4</sup>

Table 1. Chinese Investments in Five Levant Countries

China's investments in Levant (2006-20), in millions of U.S. dollars									
	Energy	Real Estate	Transportation	Utilities	Agriculture	Chemicals	Metals	Other	Total
<b>Egypt</b>	8,770	6,160	2,510	990	400	1,690	940	1,270	<b>23,000</b>
<b>Israel</b>	520	-	2,490	-	4,400	-	-	170	<b>12,670</b>
<b>Jordan</b>	4,770	-	100	-	-	850	-	620	<b>6,340</b>
<b>Syria</b>	3,760	300	-	-	-	-	-	-	<b>4,060</b>
<b>Turkey</b>	9,740	1,150	1,390	-	-	1,100	440	-	<b>15,270</b>
<b>Total</b>	<b>27,560</b>	<b>7,610</b>	<b>6,490</b>	<b>990</b>	<b>4,800</b>	<b>3,640</b>	<b>1,380</b>	<b>2,060</b>	<b>61,340</b>
<b>Share of Levant in MENA</b>	<b>25%</b>	<b>22%</b>	<b>13%</b>	<b>7%</b>	<b>72%</b>	<b>41%</b>	<b>15%</b>	<b>30%</b>	<b>24%</b>
Source of data: China Global Investment Tracker, American Enterprise Institute, aggregations calculated by author. The "Other" category includes industry, education, consumer goods, and textiles.									

Although Turkey has a much larger economy, it is Egypt that has received the largest share of Chinese investment in the Levant. China's investments in Egypt are diverse and distributed among a wide range of sectors, as shown in Table 1. This diversity is a reflection of Chinese firms' interest in using Egypt as a manufacturing and export center from which to access European and African markets. Moreover, the Egyptian government has shown a strong commitment to creating a hospitable investment environment for Chinese firms. Among the Levant countries, however, Israel has attracted the largest amount of Chinese investment in this period relative to its population.

Overall, when we look at China's economic relations with the Levant countries, we see that though the amount of trade and investment has steadily increased across the region, there are considerable differences in China's investments between countries.

## Emerging Dynamics in the Region

When considering this overview of China-Levant economic relations in conjunction with the geopolitical, strategic, and diplomatic relations among the Levant countries themselves, a number of region-wide developments emerges. These developments suggest that the growth of China's economic relations with the Levant will have significant geopolitical and strategic consequences not only for these countries and China but also for the United States, as well as for other Middle Eastern countries. Three important dimensions of these developments—bilateralism, U.S. pushback, and the Egypt-Turkey rivalry—are discussed below.

1) *Bilateralism, though not regional integration*: In some parts of the world, such as Southeast Asia and Central Asia, participation of countries in the BRI has both encouraged more trade and increased economic cooperation at the regional level.<sup>5</sup> But in the Levant, there is little prospect that participation in the BRI will contribute to regional economic integration, even though each Levant country's individual economic engagement with China (and potentially with other countries outside the region) is expected to increase. As a result of the region's numerous intra-regional conflicts, however, China's relations with the Levant countries have so far developed rapidly in a bilateral manner, but without any overall regional coordination. The poor prospects for cooperation among Levant neighbors will therefore deny them the shared benefit of developing regional connectivity through BRI transport infrastructure.

Prime among these intra-regional conflicts is the decades-long Arab-Israeli conflict, which has prevented Lebanon and Syria from trading with Israel, while Israel's economic relations with Jordan and Egypt also remain well below their potential, despite financial incentives offered by the United States.<sup>6</sup> Turkey's relations with Egypt and Syria were also severely damaged by its policy toward those countries during and after the Arab Spring uprisings. Before the Arab Spring, trade relations between Turkey and Syria had improved rapidly, along with trade agreements and diplomatic improvements—but Turkey's intervention in the Syrian civil war ended all of those developments. In the case of Egypt, Turkey's support for Mohamed Morsi and the Muslim Brotherhood from 2011 to 2013 led to tensions with the el-Sisi government that subsequently came to power.

China recognizes the persistence of these tensions as well as the domestic political instability of many Levant countries. Hence, it has focused on bilateral relations while maintaining neutrality in both domestic and regional conflicts.

2) *U.S. pushback against Chinese influence*: In recent years, the United States has grown concerned about the rising economic and diplomatic influence of China around the world. This sensitivity is especially acute with regard to countries that have traditionally been U.S. allies or strategic partners. The Levant region is no exception: Among the Levant countries, the U.S. is most worried about China's influence vis-à-vis its military allies—primarily Israel, followed by Egypt and Turkey, which is a NATO member. The U.S. is concerned about the strategic and security consequences of these countries' growing dependence on Chinese investments and technology.

The U.S. is especially concerned about Chinese access to advanced hi-tech and electronic technologies in Israel. China has emerged as one of the largest foreign investors in Israel's equivalent to Silicon Valley, which is sometimes called the Silicon Wadi.<sup>7</sup> Perhaps surprisingly, the domestic restrictions that the United States has imposed on Chinese investments in the U.S. have redirected some Chinese investors to Israel. Many high-tech Israeli companies have investment partnerships with U.S. firms and share some advanced technologies; the U.S. government is worried about transfer of these technologies to Chinese firms that invest in Israel. It is also concerned that Chinese entities in Israel will engage in digital espionage for the Chinese government.

Since the United States is the main defense and strategic supporter of Israel, the Israeli government is taking U.S. sensitivities into account as it continues its investment and trade relations with China. Such considerations, for example, discouraged Israel from selecting Huawei—the world's leading firm in 5G telecommunications technology—to develop Israel's 5G network. Similarly, in 2020, the Israeli government bypassed the Chinese firm CK Hutchison Group when it came to development of its \$1.5 billion Sorek B desalination plant, even though the Chinese firm had partnered with an Israeli firm to construct the Sorek A desalination plant in 2011.<sup>8</sup>

Some Israeli national security officials have also expressed alarm about the risks associated with Chinese investments. Since 2017, several members of the Knesset have expressed concern about China, and the Knesset held a classified hearing about this issue in July 2018.<sup>9</sup> In January 2019, the head of Israel's General Security

Services (the Shin Bet) called for increased monitoring of foreign investment.<sup>10</sup> Subsequently, in October 2019, the Israeli government created a special committee to evaluate the security implications of foreign investment.<sup>11</sup> It was broadly understood in Israel that the main target of this concern was China.

Notwithstanding any potential risks or security concerns, Israeli policymakers cannot ignore the fact that Chinese firms are highly cost-effective and offer high-quality construction services. Israel-China economic relations will nevertheless remain vulnerable to both Israeli security concerns and U.S. objections. U.S. sensitivities will also prevent Israel from signing a formal BRI agreement with China similar to China's Strategic Partnership Agreements with Egypt and Turkey.<sup>12</sup>

In recent years, the United States has issued several warnings to Egypt and Turkey regarding Chinese investments. In October 2020, the U.S. warned Egypt to avoid using Chinese firms to develop its 5G network.<sup>13</sup> This warning followed a similar warning in September by U.S. Secretary of State Mike Pompeo about the growing role of the Chinese firm, Huawei, in Turkey's telecommunications market. Pompeo was concerned that Huawei, which is a major supplier of cell phones in Turkey, might spy on NATO defense forces in that country.<sup>14</sup>

These warnings appear to have been less effective vis-à-vis these countries than they were in the case of Israel. Both President Erdoğan and President el-Sisi regard China as a crucial economic partner that is indispensable for the success of their economic development strategy. They also both rely on Chinese investments in large development projects on terms that Western nations cannot match. Hence both countries have signed Strategic Partnership Agreements with China, and both will be less deterred by U.S. diplomatic pressures. But the United States still enjoys significant if varying degrees of leverage over the Levant countries (with the notable exception of Syria), so those countries will likely occasionally find themselves caught up in the middle of the U.S.-China rivalry in the coming years.

For its part, China is likely to remain focused on expanding its economic and technological relations with the Levant countries without seeking military and strategic alliances against the United States. The expansion of economic relations will include greater use of China's currency, the *renminbi*, for financial transactions with the Levant countries, which will reduce those countries' reliance on the U.S. dollar for international transactions. In recent years, Turkey, Egypt,

and Syria have all taken steps to facilitate the use of the *renminbi* for trade with China.<sup>15</sup> The Chinese policy of non-interference might change, however, if U.S.-China relations deteriorate and China embarks upon a cold war with the West.

3) *Egypt vs. Turkey*: While the current political leaderships in both Egypt and Turkey are trying to expand their relations with China, there is some degree of competition with respect to their roles in China's BRI vision for the Eastern Mediterranean. Both countries have large economies with a good supply of semi-skilled and skilled labor, as well as attractive commercial seaports. They can both serve as manufacturing hubs and logistic transshipment cargo centers for the BRI. Looking at China's engagement with the two countries over the past ten years, however, it appears that although economic relations with both countries have expanded, it is Egypt that is more successfully positioning itself as the main manufacturing and logistics hub for Chinese firms in the Mediterranean.

Bilateral economic relations between Egypt and China go back to the Hosni Mubarak era (1981–2011)<sup>16</sup> and have proven durable despite the two regime changes in Egypt since the Arab Spring. Bilateral relations continued to develop as Egypt transitioned from President Mubarak to President Mohamed Morsi and then to President el-Sisi, who has been in power since 2014. The durability and strength of relations between the two countries is partly a result of China's non-interference policy with respect to Egypt's domestic political affairs, including its violations of human rights and restrictions on political freedom, both of which have been criticized by Western nations.

Bilateral relations between Egypt and China have of late reached an unprecedented peak under President el-Sisi: China is now the main developer of Egypt's Suez Canal Economic Zone (SCEZ), and the majority of firms that have established shops in the zone are Chinese. The SCEZ is the cornerstone of the Egyptian government's long-term economic strategy, which will see industrial activity and foreign investment concentrated in a large area on the east bank of the Suez Canal, thereby providing the zone with easy access to global markets via one of the world's busiest shipping lanes. As part of its activities in the SCEZ, China has developed an area of the zone specifically designated for Chinese firms, modeled after the Tianjin Economic-Technological Development Area (TEDA) in northeastern China; this section of the SCEZ is accordingly called the TEDA-Suez Economic and Trade Cooperation Zone.<sup>17</sup> More than one hundred Chinese industrial and logistics firms are already active in the TEDA-Suez zone, including Jushi Industries, the world's largest fiberglass producer.<sup>18</sup>

Comparing the flow of Chinese investments in Egypt and Turkey in recent years reveals a large gap in favor of Egypt, which was not the case in earlier periods. Between 2006 and 2013, China's investments in Turkey and Egypt were \$8.73 billion and \$8.70 billion, respectively, and Turkey was the leading recipient of Chinese investments in the Levant. But between 2014 and 2020, Chinese investments in Turkey declined to \$5.27 billion, while its investments in Egypt rose to \$14.30 billion.<sup>19</sup> One of the reasons why Chinese firms prefer to invest in Egypt is that Egypt has favorable trade agreements with many African countries, which makes it easier and more profitable for Chinese firms that operate in the country to export their products to those markets.<sup>20</sup>

Turkey would also like to be the main BRI logistics and transshipment hub in the Eastern Mediterranean, but this ambition is ultimately likely to be frustrated by the relative advantages of the Suez Canal Economic Zone, which has reduced congestion for Chinese cargo ships and made Egypt a more attractive route for BRI sea trade. Turkey will remain relevant with regard to the BRI transportation network over land, however. China is actively supporting the development of transportation infrastructure in Central Asia and Eastern Europe so as to facilitate its land trade and tourism in these regions and from there to Western Europe and the Mediterranean. Well aware of this Chinese objective, Turkey has campaigned to position itself as the principal East-West transportation corridor.<sup>21</sup> Its campaign has been quite successful: In recent years, China has financed several large-scale railway and road projects in Turkey, including the Yavuz Sultan Selim Bridge in Istanbul, the 826km Baku-Tbilisi-Kars railroad, and the Kumport seaport terminal.<sup>22</sup>

In terms of manufacturing, Chinese investments in Turkey focus on select, relatively more advanced, sectors such as telecommunications, whereas Egypt attracts a broader range of Chinese investments, producing a wider range of products. China's two giant telecommunications firms, Huawei and ZTE, are both active in Turkey's telecommunications industry. Huawei is developing Turkey's 5G telecommunications network and has also established a large research and development center in Turkey; the ZTE has acquired a majority share in the Turkish electronic firm NETAS and is producing a diverse set of telecommunications and internet products and services.

Overall, China's strong relations with Egypt are motivated primarily by economic factors, whereas geopolitics plays a more important role vis-à-vis China's interest in Turkey. China views its relations with Turkey in the context of its broader economic and diplomatic

relations with Europe, and China also wants to offer Turkey economic incentives to reduce that country's support for the Uighurs. In this context, China has come to Turkey's assistance on several occasions when Turkey has faced U.S. and EU economic sanctions. When those sanctions threatened the stability of the Turkish lira, China's timely injection of investments and loans helped alleviate the situation and prevent a sharp devaluation. In the summer of 2018, for example, when escalating diplomatic tensions between Turkey and the United States precipitated a 40% decline in the exchange value of the lira, China helped Turkey support its national currency by offering a \$3.6 billion loan for infrastructure projects.<sup>23</sup>

Several other factors have contributed to the emerging differences between Egypt's economic engagement with China and Turkey's. For one thing, President el-Sisi has been more focused on creating a hospitable environment for Chinese investments than has President Erdoğan. In an effort to promote bilateral relations, el-Sisi has had no fewer than six face-to-face meetings with Chinese leaders since 2014. The Egyptian government has also supported Chinese-language education and China-sponsored vocational training programs to prepare Egyptian workers for employment in Chinese firms.

The domestic political environment in Egypt appears stable under el-Sisi's authoritarian rule, and the risk of his adopting hostile policies toward China remains low. By contrast, Turkey's President Erdoğan faces domestic opposition parties that are highly critical of some Chinese investments.<sup>24</sup> If these political parties fare well in presidential or parliamentary elections, future Turkish governments might adopt less friendly policies toward China. By comparison with Turkey, Egypt has had fewer foreign policy tensions of the sort that might lead to trade disruptions. In the past decade, Turkey has had occasional tensions with the U.S., the European Union, Russia, several Arab countries, and Israel. Egypt, on the other hand, has pursued a rather conservative foreign policy under el-Sisi.

Finally, recent public opinion surveys (2017–18) in Middle Eastern countries have shown that respondents in Egypt have a more favorable public opinion about China than those in Turkey.<sup>25</sup> Turkish citizens are more sensitive to China's treatment of the Uighurs owing to their strong cultural and linguistic links with this Muslim minority. As a result, the Uighur question can potentially pose more political risks for China-Turkey relations than for China-Egypt relations.<sup>26</sup>

## Pandemic Politics: How the Coronavirus is Changing China's Relations with the Levant

The Covid-19 pandemic has caused a severe but temporary disruption to China's BRI projects all over the world, as both China and host countries have diverted resources to health care.<sup>27</sup> But although the aggregate amount of Chinese investments in the region did diminish in 2020, the level of engagement of China with the Levant countries since the start of the pandemic points to its continuing interest. China was quick to offer pandemic assistance (such as masks and test kits) to all Levant countries—a humanitarian gesture that was in part a response to Egypt and Israel's having sent medical supplies to China in February 2020, when the pandemic was confined to China and had not yet reached the Middle East and North Africa. By April 2020, the Chinese government was sending masks and other medical supplies to the Levant countries as part of its worldwide pandemic assistance strategy.<sup>28</sup> China also participated in joint projects with Egypt and Israel for the development of Covid tests and vaccine production.

Moving beyond this initial sale and donation of medical equipment, China has continued its BRI engagement with the Levant countries, but focused now on new projects in digital communications and on the health care sector, which had a higher priority for these countries as far as coping with the pandemic.<sup>29</sup> Included have been projects by leading Chinese high-tech firms, such as Huawei and ZTE, to upgrade and expand digital telecommunications capacity in Egypt and Turkey. China is also developing a joint vaccine production facility in Egypt to supply Covid-19 vaccines to Africa.<sup>30</sup> These developments reflect the agility and flexibility of China's economic projects in the region—as well as their ongoing potential to cause concern among U.S. observers of China's expanding global role.

## Conclusion

In the past two decades, China has actively supported stronger economic relations with all countries of the Levant, particularly the larger economies of the region. This attraction has been reciprocal: These countries have likewise welcomed stronger trade and investment relations with China. Egypt is emerging as China's primary Belt and Road partner in the eastern Mediterranean region. The Suez Canal, in particular, along with its special economic zone, is likely to become

an important node in the Belt and Road Initiative—while strengthening China’s trade relations with Europe and Africa as well.

China has also expanded its relations with Turkey, which serves as a land transport corridor between Asia and Europe. And since Turkey has reached a more advanced stage of technological progress than Egypt, some Chinese electronic and telecommunications firms are engaged in joint research and development projects with their Turkish counterparts.

Finally, China has shown a strong interest in several important sectors of the Israeli economy, primarily because of that country’s advanced technology. In each of these three large economies, China is engaged in developing large infrastructure projects.

Going forward with respect to the BRI initiative, China may well extend its infrastructure projects to the smaller countries in the region. China is already active in Lebanon and is likely to play an active role in the post-conflict reconstruction of Syria, as indicated by the signing of a BRI Strategic Partnership Agreement between the two countries in January 2022.<sup>31</sup>

The future development of Syria’s rail and highway transportation has the potential to enhance cross-border trade and tourism between Syria, Iraq, and Iran. But although the current political leaderships of Syria and Iran support this economic cooperation scenario—as do Iraqi factions that are close to Iran—it faces many geopolitical obstacles. For one, realization of this scenario will depend on the Assad regime’s ability to regain full control of northeast Syria from the U.S.-backed autonomous administration there. Moreover, as long as hostilities continue between Iran and Israel, the U.S. and Israel may seek to disrupt cross-border connections between Iraq and Syria in an effort to stop the flow of Iranian military support both to the Syrian government and to Lebanon’s Hizbullah. Despite these geopolitical challenges, however, China is likely to support and facilitate Lebanon-Syria-Iraq-Iran connectivity in the future, as it is already involved in multiple transportation infrastructure projects in Iraq and Iran.<sup>32</sup>

Not surprisingly, the United States has been alarmed by the rapid rise of China’s economic presence in the Levant. Washington has already successfully persuaded Israel to be more mindful of security concerns and technology espionage risks; U.S. leverage over Egypt and Turkey is weaker, though not entirely insignificant. In the coming years, all the Levant countries are likely to expand their

economic relations with China while maintaining their trade and investment relations with Europe and the United States. If tensions between the U.S. and China intensify, however, this balancing act might become less viable.

## Endnotes

- 1 The “Levant” refers to the Eastern Mediterranean region of West Asia. For the purposes of this Brief, the countries of the Levant are Egypt, Israel, Jordan, Lebanon, Turkey, and Syria.
- 2 The trade data and trade deficit assessments in this paragraph were calculated by the author based on bilateral trade data as reported in [Observatory of Economic Complexity \(OEC\), Datawheel](#), accessed July 2, 2021.
- 3 The ratio calculated by the author based on country data as reported in [American Enterprise Institute, “China Global Investment Tracker,”](#) accessed August, 17, 2021.
- 4 China’s interest in energy sector investments is in part a result of the large capacity and technological skills of Chinese firms in this sector.
- 5 Development of BRI rail and highway networks in Central Asia and Iran, for example, has led to an expansion of Iran’s trade with the Central Asian countries. Moreover, these countries use Iran’s North-South highway, which connects the Chabahar port outside the Persian Gulf to Turkmenistan, for cargo transport and access to the Indian Ocean. See [Omid Rahimi, “Iran’s New Pivot to Central Asia,” \*Eurasia Daily Monitor\*, April 14, 2021, Vol. 18, Issue 60.](#)
- 6 For details on U.S. export incentives for Egypt and Jordan in return for joint production with Israel, see [U.S. Department of Commerce, International Trade Administration, Office of Textiles and Apparel, “Qualifying Industrial Zones \(QIZ\),”](#) accessed January 10, 2021.
- 7 Between 2014 and 2019, Chinese firms invested a total of \$1.5 billion in 300 Israeli hi-tech firms. See [Hagar Ravet, “How Will Increased Chinese Funding Affect Israeli Entrepreneurs?,” CTECH, October 24, 2019.](#)
- 8 [“Amid US Pressure, Israel Taps Local Firm over China for \\$1.5b Desalination Plant,” \*Times of Israel\*, May 26, 2020.](#)
- 9 Shira Efron, Karen Schwindt, and Emily Haskel, *Chinese Investment in Israeli Technology and Infrastructure* (Santa Monica: RAND, 2020), 31.
- 10 [“Chinese Investments in Israel Could Pose Security Threat, Shin Bet Chief Warns,” \*Haaretz\*, January 9, 2019.](#)
- 11 [United Nations Conference on Trade and Development \(UNCTAD\), Investment Policy Hub, “Government Establishes a Committee to Evaluate National Security Implications of Foreign Investment,”](#) October 30, 2019.
- 12 A Strategic Partnership Agreement is a general agreement that defines the broad areas of cooperation between China and a country that joins the Belt and Road Initiative. Some countries have signed a “Comprehensive Strategic Partnership Agreement” with China, which implies a deeper level of partnership. Unlike free trade agreements,

- these partnership agreements do not incorporate any specific trade or investment regulations.
- 13 [Khalid Hassan, “US Warns Egypt to Avoid Chinese Companies on 5G Connections,” \*Al-Monitor\*, November 3, 2020, accessed December 28, 2021.](#)
  - 14 [Joel Gehrke, “Exclusive: Pompeo Warns Turkey That Huawei Threatens US Military Presence,” \*Washington Examiner\*, September 23, 2020.](#)
  - 15 For Turkey, see [“Turkish Central Bank Says Used Chinese Yuan Funding for First Time,” \*Reuters\*, June 19, 2020;](#) for Egypt, see [Noha El Tawil, “Why Egypt Is Significant to Belt and Road Initiative,” \*Egypt Today\*, April 27, 2019.](#)
  - 16 Gamal Abdel Nasser was the first Arab leader to establish diplomatic relations with China, in 1956.
  - 17 China proposed the idea of the Suez Canal Economic Zone to Egypt in the 1990s. The project began in 2008, and experts from TEDA were active participants.
  - 18 The TEDA-Suez project began in 2015, in the southern sector of the Suez Canal corridor. See [Noha El Tawil, “Why Egypt Is Significant to Belt and Road Initiative.”](#)
  - 19 Figures are author’s calculations based on annual data from American Enterprise Institute, “China Global Investment Tracker.”
  - 20 [“Know about Major Trade Agreements Linking Egypt with Africa,” \*Egypt Today\*, August 23, 2021.](#)
  - 21 The East-West railways and highways that go through Turkey are commonly referred to as the BRI’s Middle Corridor. A parallel transport route that goes through Russia is known as the Northern Corridor.
  - 22 [“Economic Relations Between Turkey and China: Sectoral Round Table Meetings”, Tusiad, May 3, 2020.](#)
  - 23 [Matt Clinch, “China Backs Turkey to Overcome Its Economic Crisis,” \*CNBC\*, August 17, 2018.](#)
  - 24 China’s financial support for President Erdogan’s Istanbul Canal project is the most recent example of a Chinese investment that has been sharply criticized by opposition parties. China has also agreed to finance the Istanbul Canal, which will serve as an alternative to the Bosphorus canal in terms of access to the Black Sea; this project has also proven highly controversial and contentious in Turkish domestic politics on account of environmental concerns. Not only was it strongly condemned by opposition parties and environmental scientists, but Turkish domestic banks as well as European banks have refused to offer financing for the project. Several Chinese banks stepped forward to fill this void, and President Erdogan officially inaugurated the Istanbul Canal project in June 2021.
  - 25 [Guy Burton, “Public Opinion in the Middle East toward China,” Middle East Institute, December 11, 2018.](#)
  - 26 [Selçuk Colakoğlu, “Turkey-China Relations: From ‘Strategic Cooperation’ to ‘Strategic Partnership?’”, Middle East Institute, March 20, 2018.](#)
  - 27 [Zhang Jizhong, Rachael Ring, and Christopher Jeffery, “The Belt and Road Initiative 2021 Survey: The Impact of Covid-19 on the BRI,” \*Central Banking\*, June 1, 2021.](#)
  - 28 [Ricard González, “China Harnesses ‘Health Diplomacy’ to Strengthen Its Foothold in the Middle East,” \*Equal Times\*, July 14, 2021.](#)
  - 29 China has labeled these new BRI priorities Digital Silk Road and Health Silk Road.
  - 30 [Mahmoud Fouly and Emad al-Azrak, “Cooperating with China, Egypt Eyes Becoming Regional Hub for COVID-19 Vaccine Production,” XINHUANET.com, September 7, 2021.](#)
  - 31 That agreement will enable more Chinese financial support for Syria’s reconstruction. See [“Syria Joins China’s Belt and Road Initiative,” \*Al-Monitor\*, January 12, 2022.](#)
  - 32 [Adnan Abu Zeed, “Iran Moving Forward with Railway Link to Syria via Iraq,” \*Al-Monitor\*, November 28, 2018.](#)

# Middle East Brief

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