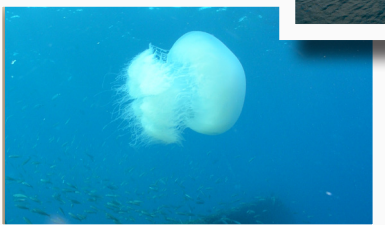
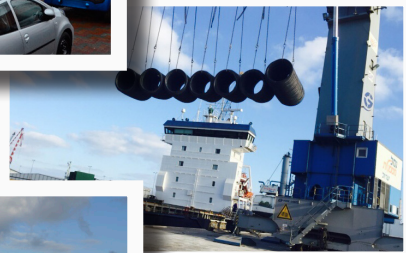
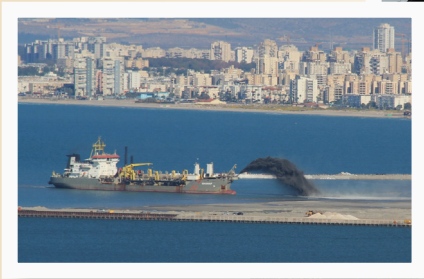


MARITIME STRATEGIC EVALUATION FOR ISRAEL 2018/19

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Strategic Implications of China's "Belt and Road" Initiative in the Eastern Mediterranean and the Red Sea for Israel and its Allies

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Summary of a discussion with the participation of a joint team of experts from Israel and the US

A joint US-Israeli team of experts convened at the University of Haifa on August 22-23, 2018 with the goal of discussing maritime security in the Eastern Mediterranean. The team's work is part of the activity of a consortium established in 2016 between the Maritime Policy & Strategy Research Center at the University of Haifa and the Hudson Institute which is located in the US. This was a follow-up to the discussions of a joint team of experts on security and energy issues which took place in 2016 and which produced a joint report published in September 2016 on security and energy in the Eastern Mediterranean.

Heading the team was Professor Shaul Chorev, the head of the Maritime Policy & Strategy Research Center, and Douglas Feith, a researcher at the Hudson Institute and former Undersecretary of Defense for Policy. In addition, the team included General (res.) Ami Ayalon, former commander of the Israeli navy; Admiral (ret.) Gary Roughead, former commander of the US Navy and currently a research fellow with the Hoover Institute at Stanford University; Dr. Seth Cropsey, a researcher at the Hudson Institute and former Deputy Undersecretary of the Navy; and Vice Admiral (ret.) Jack Dorsett, former Director of Naval Intelligence.

Among other topics, the Chinese government's "Belt and Road" Initiative¹ was discussed at the meeting from a global perspective and in particular with respect to its implications in the region of the Eastern Mediterranean and the Red Sea. The main findings and highlights of the discussion are presented below.

The joint team of experts emphasized that China is operating with the goal of becoming a global military power and has shown its willingness to **challenge American control of the open seas**. This can be seen in its massive shipbuilding

1 The Belt and Road Initiative (BRI) is a large-scale Chinese geopolitical and economic initiative which encompasses more than 60 countries, with financing on the scale of about one trillion dollars. The initiative includes a land component ("a belt for economic cooperation") and a maritime component ("a 21st century maritime silk route"). For further details, see the relevant chapter in the Maritime Strategic Evaluation for Israel 2017-2018.

effort, the inclusion of an aircraft carrier and a fleet of submarines in its navy, the development of missile capabilities, carrying out operations far from Chinese waters, and the establishment of its first military base outside its borders – in Djibouti. The Chinese Navy has shown determination in challenging the US in the East China Sea and in the South China Sea.

China's global maritime strategy is closely linked to the "Belt and Road" Initiative and in particular its maritime element – the Maritime Silk Route. Its influence on the ports in Israel is part of this global strategy, which includes the achievement of influence in major port facilities – from the east coast of China, by way of the ports in Southeast Asia (such as Malaysia and Myanmar), South Asia (such as Sri Lanka, Bangladesh and Pakistan), East Africa (such as Tanzania, Sudan and Ethiopia) and finally the ports of Southern Europe in the Mediterranean – with the goal of pursuing China's national interests.

These Chinese investments are to be viewed as a political-economic initiative that is managed personally by President Xi himself and apparently as part of a national strategy that includes military-civilian integration, i.e. double use (military/civilian) of national infrastructures. In this context, it is worth quoting President Xi: "The ideas, decisions and plans of military and civilian **integration must be fully implemented in all fields** of national economic development and defense building."²

- The Chinese government uses commercial companies under government control (such as COSCO Shipping Lines and China Merchant Port Holdings) in order to acquire and operate commercial ports. According to rough estimates, about one-tenth of the port infrastructures in Europe are already under Chinese influence. In addition to a port in Israel (Haifa), China is acquiring and operating terminals and ports throughout the Mediterranean, including in Egypt, Algeria, Turkey, Italy, France and Spain.
- In a report published by the US Department of Defense in 2018 on China's military power, it was stated that "[China's] **military modernization program has become more focused on investment and infrastructure** whose goal is to support a range of missions beyond the Chinese periphery."

In the Eastern Mediterranean, the Sixth Fleet has significantly cut back its forces and operations since the end of the Cold War. The Sixth Fleet is only a shadow of what it was in the past and this fact is providing an incentive for the entry of superpowers

2 Xi calls for deepened military-civilian integration (March 12, 2018).
http://www.xinhuanet.com/english/2018-03/12/c_137034168.htm

and countries from outside the region. Thus, Russia has expanded its naval and aerial bases in Syria, while Iran and China are also seeking to gain influence in the region and are building up their capabilities accordingly.

Given the limited resources of the US Navy in the region, maritime cooperation with Israel is becoming increasingly necessary and valuable. Such cooperation can include the pooling of resources, the use of the port of Haifa as a home port by American ships, cooperation between the defense industries and other activities.

It is worth mentioning the words of Admiral (ret.) Gary Roughead, former commander of the US Navy, who stated at the meeting that in principle he supports cooperation and joint projects between the US and Israel in the maritime domain to a much greater extent than in the past. However he also added that:

Israel is working itself out of such cooperation because of the Chinese significant presence and role in Israel's ports and the infrastructure that will be in place there. If asked whether the U.S. should forward deploy U.S. Navy ships in Haifa port, which will be operated by the Chinese, I would recommend against that. The Chinese port operators will be able to monitor closely U.S. ship movements, be aware of maintenance activity and could have access to equipment moving to and from repair sites and interact freely with our crews over protracted periods. Significantly, the information systems and new infrastructure integral to the ports and the likelihood of information and electronic surveillance systems jeopardize U.S. information and cyber security. These factors might not preclude brief port visits, but it would preclude homeporting and other protracted projects and initiatives.

The Shanghai International Port Group, a Chinese company, is expected to begin operation of the new port—the Hamifratz port—in Haifa in 2021 for a period of 25 years. Another Chinese company, the China Harbor Engineering Company, is building the Hadarom port in Ashdod. At least in the case of the port of Haifa, there is still time for the government of Israel to carry out a reevaluation of the national security impact of the Chinese presence in the port. Such an evaluation may lead the government to decide that changes are needed in the current arrangements. Such an evaluation is urgently needed and should also take into account the viewpoint of the US administration.

At the same time, it would not be correct to think of China only in terms of an adversary. Despite its pro-Arab stance, China is also a major trading partner of the US and Israel and makes significant investments in the Israeli economy, including

in the hi-tech sector, which is in addition to its large-scale activity in the domain of infrastructure.

The US is currently amending the Exon-Florio Law, which established the Committee on Foreign Investment in the United States (CFIUS), whose goal is to determine whether planned foreign investment in the US is liable to constitute an unreasonable risk to US national interests. The Committee includes representatives of the White House, the State Department, the Department of Defense, the Department of Commerce and the Department of Justice, as well as the intelligence community and other authorities. There is no analogous committee in Israel and it appears that the circumstances call for one to be created. It is important that this be a government body or an inter-ministerial committee which will take into account all national security aspects of direct foreign investment and in this case the fact that Chinese operation of the Hamifratz port in Haifa is liable to reduce American willingness to cooperate with Israel in the maritime domain.

Recommendations

1. While the Chinese policy of building and operating ports all over the world has an economic motive, it also has political and military aspects and is part of the Chinese approach of integrating military and civilian infrastructures. This should be taken into account when awarding tenders to Chinese companies.
2. Israel should define the desirable extent of Chinese involvement in the Israeli economy, while maintaining Israel's security interests.
3. There is currently no formal inter-ministerial process in Israel that examines the national security aspects of foreign investment in the Israeli economy, in addition to its commercial aspects. It is recommended that investments of a certain size and in certain sectors be examined as part of an inter-ministerial process, which will be managed by the National Security Council.
4. The strategic developments in the Eastern Mediterranean are making cooperation with Israel more necessary and more valuable for the US Navy, although the operation of the Hamifratz port (next to the port of Haifa) by SIPG, a Chinese company, starting in 2021, will hinder or even prevent such cooperation.
5. Israel needs to reevaluate the contract for operating of the Hamifratz port in Haifa from a national security perspective and to make any necessary changes. This will avoid or at least mitigate the risks that will likely be an outcome of the contract.