China’s Economic Diplomacy: A Comparative Approach to Sino-Greek and Sino-Turkish relations

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Abstract

The purpose of this article is to highlight the particular impact of China’s economic diplomacy on its attempt to maximise its power in the global economic and political system and to achieve its foreign policy objectives. We argue that the realist framework of analysis is the appropriate one in order to comprehend and assess China’s foreign economic policy. We examine the bilateral economic relations that China has developed with both Greece and Turkey, two countries which appear to have conflicting political and economic interests. Greece and Turkey are situated in a geo-strategically and geo-economically critical location, and are the gateway between West and East and vice versa. This article will show that, at a time of international financial crisis which has seriously affected Europe, China is promoting its own economic and political agenda by using various economic diplomacy practices. It is increasing its degree of influence and is upgrading the role it plays in the European continent. We will show that it is achieving its objective of ‘invasion’ via agreements and investments in the most important and definitive economic sectors in Greece and Turkey which are none other than shipping and energy. We reach the conclusion that China’s aim is to change the balance of power in the region in order to increase its own power and to improve its own role in the international system.

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Keywords: Realism, Economic Diplomacy, Sino-Greek Relations, Sino-Turkish Relations

1. Introduction

China’s rise in the economic sector is not some fleeting event but is the result of economic and political reforms that began to be implemented around 25 years ago. The size of its economy outstrips that of the largest European countries, with major possibilities that it will become the world’s largest export power in the next decade.

The benefits to the Chinese economy after reforms were made within the country set new foreign policy objectives in the field of economic diplomacy, in order for the country to maximise its power, to increase its influence and to improve its position in the international system. Following the change in Deng Xiaoping’s regime and the emergence of the new ‘Global Harmony’ dogma, China revealed its intentions to play an active role in the region and in the international system and to shape developments within the system. In particular, it is using the system to expand its sphere of influence without raising security dilemmas, due to the peaceful approach to development that the dogma professes. In this way it is increasing its power without threatening the status quo, which ensures a stable international environment in order for it to grow and become established as a new superpower.
The purpose of this article is to highlight the importance of China’s economic diplomacy in achieving those objectives by examining the bilateral economic relations between China and Greece and Turkey, as a case study in realism. Greece is the number one global power in the shipping sector, and Turkey is a major player in the Balkans and Middle East in the energy sector. In becoming involved in these sectors, China is becoming involved in the sphere of influence in the entire European and Middle Eastern region, threatening the well-established position of the USA, by signing commercial agreements and creating poles of influence, and changing the existing equilibrium which will allow it to alter the status quo in the future and transform it into a power to be reckoned with.

The structure of this article is firstly a theoretical presentation of the realist framework of analysis which we consider as being the most suitable in order to comprehend and analyse Chinese foreign economic policy. The field being examined is Sino-Greek and Sino-Turkish economic relations, with emphasis on the shipping and energy sectors respectively, and on the conclusion of commercial and investment agreements. That is followed by a comparative analysis in order to highlight the benefits and problems for both countries from their collaboration with China. Lastly the conclusions and bibliographic references are presented.

2. The analytical framework: Economic diplomacy viewed from a Realist perspective

This section highlights the role of economic diplomacy as foreign policy tool in shaping the power of a state which engages in such diplomacy, viewed from the perspective of realist theory. We consider the realist framework of analysis as being the most suitable in order to assess and explain and why not, predict, Chinese foreign economic policy as part of its endeavor to fulfill stated foreign policy objectives.

Realism was first developed and became the important theory in analysing the actions of international players, in parallel with the study of international relations, at the end of the 1930s in the “first great debate” between academics (Schmidt, 2008) when the position of the Realists prevailed over the Idealists and the theory of international relations took on a more practical and academic direction. The State’s interests and its behaviour as a rational actor in the international system prevailed, making other approaches (liberalism, constructivism, etc.) supplementary approaches to Realism, primarily in cases where the theory itself did not have persuasive arguments for the purpose of analysing international relations.

Realism can be applied to the entire range of human history from Thucydides to Machiavelli and from Hobbes to Waltz, Morgenthau and Mearsheimer (Baylis, Smith and Owens, 2008). The anarchic international system, war (as an unavoidable action to preserve the security of a state), survival as an end in itself, recognition of the state as the only legitimate international player, and the system of self-help are key principles of the realist theory. The above serve a single objective, to preserve the power of the state which will keep the state ‘sovereign’. The development of international relations highlighted the diversity of the theory and its ability to adapt and change without its central, fundamental values being undermined. In effect, the theory of Realism consists of a central idea and individual guidelines which seek to bolster the theory to provide the fullest and most adequate interpretation and analysis of the international system possible.

According to Robert Gilpin (2007, 124), “the struggle for power and the desire for economic gain are intimately bound up”. Foreign policy is determined in large part by the stability and cohesion of domestic policy, particularly in fields which generate increased power for the state. The most important field for the development of foreign policy, other than militarism and diplomacy, is the economy which in many cases (as proven by the case of the Cold War) can generate equally positive benefits for the power of the state and for exerting influence in other fields. Moreover, in the 20th century, within the context of the international system, states developed economic partnerships with each other, such as the Bretton Woods system in 1944, NAFTA and the EEC (later the EU), not just to increase their influence and power but also to control the growth of power among competing powers.

Although economic diplomacy does not resolve many foreign policy issues, it is—for major economic powers like the USA and its Marshall Plan—a major sector in which foreign policy can be exercised, and is a powerful tool for further advancing diplomacy and military power (Luttwak, 2001 and Mearsheimer, 2009), while economic measures are often used by governments in combination with diplomatic and military measures. Under the Hegemonic Stability Theory, after the end of the Cold War, the USA implemented an interventionist policy which managed to impose its economic hegemony within the international system, changing the economic diplomacy agenda relating to organisations such as the World Trade Organisation and the International Monetary Fund (Williams, 2009).
States have at their disposal at great many mechanisms and tools for engaging in economic diplomacy such as commercial and investment agreements or embargoes – blockades and financial or monetary sanctions (Gilpin, 2007 and Mastanduno, 2008) with the aim of exercising the greatest possible influence at either transnational or regional level, so as to dominate in the market and increase their power, initially at an economic level and later in other sectors.

Economic diplomacy, given the way in which it operates and the mechanisms it employs, is a major tool of the state for economic policy and is shaped by it, and for that very reason the theory of Realism is a suitable one for analysing it. Economic diplomacy can also be the first stage of rapprochement between two or more countries at the level of low politics, creating the conditions for further collaboration and developing power for each party individually.

In addition, it is a basic principle that provides a clear picture of the cost-benefit analysis involved, in order for a state, as a rational player, to exert influence to promote its interests and to evolve into a hegemonical power, initially within its own region and later in the international system. Lastly, economic diplomacy is one of the most suitable and valid indicators for interpreting the potential, weaknesses and intentions of a developing or developed state. This is the prism under which we anticipate and comprehend China’s economic foreign policy, incentives and objectives.

3. Scope of study

The purpose of this section is to examine the bilateral economic relations of Greece and Turkey with China as a case study, in order to indicate that China is attempting to dominate the geo-economic area of the two countries in order to exert greater influence and to increase its power. By signing commercial agreements and MoUs with both countries, it is opening up a new field of partnerships which will lead to a change in the balance of powers and the status-quo. Greece’s geographical position allows it to develop economic relations both at regional level, such as with the EU and at bilateral level, with Balkan and Middle Eastern countries and Russia, which are favourable for both sides, making each partner a gateway to a larger market for the other, either via land or sea routes, since it is the number one shipping power worldwide (Imerisia newspaper, 2008) and has ships with a capacity of over 170 million tonnes.

In particular, as far as the Balkans are concerned, Greek businesses are among the leading investors, seeking to play the role of major regional player. To date, total Greek invested capital exceeds € 15 billion with many prospects for growth. In Bulgaria, Romania and Serbia Greek businesses are among the three largest foreign investors. In Albania, Greek investments account for 27% of all direct foreign investments, in Bulgaria Greek investments are in second place with a total of USD 1.5 billion, in Serbia and Montenegro the investments total € 720 million, in FYROM Greek investments are in first place with € 700 million and 9,000 jobs while in Romania they are in 5th place among all foreign investments. In addition, under the Hellenic Plan for the Economic Reconstruction of the Balkans, the budget for approved private productive investments is € 138.6 million (To Vima Newspaper, 2007).

On the other hand, this penetration into the Balkans has not negatively affected Greece’s relations with Russia. Frequent contacts between top level counterparts, friendship and collaboration pacts, economic and scientific partnerships, protection of mutual investments and merchant shipping and collaboration in the energy sector by constructing the South Stream natural gas pipeline indicate that it is a leading player in the wider region. At the same time, the rekindling of relations with Israel (Ethnos newspaper 2011, and Hellenic Ministry of Defence, 2011) and collaboration in the energy sector and the security sector coupled with the economic and political security and stability offered to Greece by membership of EMU and the EU, make this a fertile and safe environment for investments.

A.1: Sino-Greek commercial relations

The commercial relationships that have developed between Greece and China are important and are increasing in number all the time, primarily in the fields of agricultural products, minerals, metals and raw materials. Compared to other countries, though, Greece is lagging behind in exports to China since it was in 27th place in 2009, up from 31st place in 2008. On the contrary, China absorbed 43% of European exports from Germany, 10% from France, 9% from Italy, and 7% from the UK, while the figure from Greece was just 0.6% in the period 2006-2009, while 6.3% of Greece’s imports at that time came from China.
According to data from the Greek Embassy in Beijing, 82.6% of products exported to China in 2010 were mineral ores, minerals and fuels and oils, with the quantity of olive oil constantly on the rise, while 57% of the total value of those exports related to fossil fuels. Greece’s imports from China related to engines, minerals, clothing and footwear, and categories of products such as sea and river navigation, nuclear reactors, fossil fuels, plastics, etc. The products imported with the highest values were ships, computers and other industrial products.

As is clear from Diagram 1, Greece and China’s balance of trade was negative for Greece during the entire preceding decade (2000-2010) with a continuing rise in export and import figures. Having said that, although the value of imports rose dramatically from 2006 to 2008, there has been no corresponding increase in the value of Greece’s exports to China. This major difference makes it all the clearer (a) that the Greek economy has limited competitiveness and (b) that the domestic market cannot meet its own needs with the result that product imports are constantly on the rise. Consequently, China’s role in bilateral trade is clearly more powerful than that of Greece, which demonstrates its successful and dynamic penetration into the Greek market, while at the same time allowing it the opportunity to retain a powerful means of exercising pressure and increasing its influence.

**Diagram 1 : Value of China – Greece’s Balance of Trade 2000-2010**

Trade in services is yet another indicator which confirms the picture painted above. Just as with the balance of trade, the value of the balance of services was constantly in the negative in the period 2000-2008, as shown in the statistical data in Table 1. From 2003 onwards, the value of payments was twice that of takings (accounts receivable), which demonstrates the dynamic and constantly increasing penetration of Chinese services into Greece and their tendency to dominate. In 2010 they accounted for 42.97% of Greek GDP and the balance was also negative with the value of payments exceeding the value of takings (accounts receivable) considerably, while the share of China’s payments to Greece in the same period ranged from 0% to 0.02% (Embassy of Greece in Beijing, 2011). Consequently, the importance of China’s dominance in the trade in goods is equally important as its dominance in the trade in services, since it ensures (a) China’s continuing and increasing influence and (b) Greece’s increasing dependence on this sector in order to provide it with a powerful and stable basis to achieve its expansion into the wider market.
Table 1. : Value of Greece – China’s Balance of Services 2000-2008

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of payments (USD million)</th>
<th>Value of takings (USD million)</th>
<th>Value of balance of trade (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>25</td>
<td>3</td>
<td>-22</td>
</tr>
<tr>
<td>2001</td>
<td>30</td>
<td>2</td>
<td>-28</td>
</tr>
<tr>
<td>2002</td>
<td>35</td>
<td>17</td>
<td>-18</td>
</tr>
<tr>
<td>2003</td>
<td>63</td>
<td>30</td>
<td>-33</td>
</tr>
<tr>
<td>2004</td>
<td>108</td>
<td>43</td>
<td>-65</td>
</tr>
<tr>
<td>2005</td>
<td>165</td>
<td>70</td>
<td>-96</td>
</tr>
<tr>
<td>2006</td>
<td>231</td>
<td>136</td>
<td>-95</td>
</tr>
<tr>
<td>2007</td>
<td>335</td>
<td>209</td>
<td>-126</td>
</tr>
<tr>
<td>2008</td>
<td>378</td>
<td>215</td>
<td>-163</td>
</tr>
</tbody>
</table>

Source: (Greece’s Embassy in Beijing, 2011)

On the other hand, in the service sector in 2009 the EU had a positive balance with China and other important partners were the USA, Hong Kong, Japan and of course ASEAN. In short, exports of goods from Greece to China relate primarily to agricultural produce, raw materials and to industrial products in large part, while services provided relate to transport and tourism. Even though Greece’s exports remain at low levels, they are on the rise and the negative balance of trade is due to the Greek economy’s lack of competitiveness, the cost of labour and the population gap which divides the two countries. Lastly, problems also arise (a) because of the lack of coordinated, mass exports of products resulting in them being lost in a market of that size and (b) because of insufficient measures taken to protect trademarks, patents, etc. In all events, the Chinese economy benefits more and achieves its targets by expanding its market and its field of influence.

A.2: Chinese investments in Greece

A series of political and economic reasons which is very much related to the preservation of its high growth rates led China to seek out new markets. The fact that it is supported by state aid indicates (a) the state-focused approach of the party-political regime and (b) the overriding objective which is none other than to increase its power via economic dominance. In this framework Greece appears to be a reliable partner and willing to enter into commercial and investment agreements due to its poor economic condition over the last two years (Wall Street Journal, 2010 and Reuters, 2010).

Consequently, in order for China to have a role and become a powerful international player in the region, it is focusing on two priorities in relation to Greece: a) concluding agreements and MoUs, and b) controlling transport and transportation networks.

i) Agreements and MoUs

October 2010 saw the signing of 11 agreements between Greece and China which have been estimated as being worth more than USD 10 billion (Eleftherotypia newspaper, 2010a). These agreements specifically related to financing for shipbuilding, collaboration between Greek and Chinese shipping companies, loans and financial support to Greek ship-owners (of USD 5 billion) in order to continue building ships at Chinese shipyards. These agreements were as follows:

- A MoU for bilateral cooperation in the field of investments between the Chinese Ministry of Trade and the Hellenic Ministry of Rural Development & Competitiveness.
- An administrative programme for cultural exchanges between the governments of Greece and China for the 2011-2013 period.
- An agreement to construct the Piraeus Plaza between the Chinese group BCEGI and the Greek company Helios Plaza S.A.
- A loan agreement for construction of infrastructure worth USD 74,165,000 by the Development Bank of China to Cardiff Marine Inc.
- A framework agreement between Cardiff Marine Inc and the China Classification Society.
- A contract for a foreign office and WIFI connection between Huawei Technologies Co. Ltd. and OTE.
- An agreement to purchase marble on behalf of the Chinese company ARTEX Corporation Fujian.
A sponsorship – financing agreement between the Piraeus Container Terminal and the Special Olympics World Summer Games – Athens 2011.

The donation of teleconferencing materials by the company ZTE to the Confucius Institute in Athens.

An infrastructure loan agreement worth USD 111 million between the Export-Import of China and DNB NOR Bank ASA guaranteed by Angelicoussis Shipping Inc.

An infrastructure loan agreement worth USD 82.6 million between the Export-Import of China and DNB NOR Bank ASA guaranteed by Diana Shipping Inc.

In addition, in order to show its practical support for Greece, China has expressed its willingness when Greece returns to the markets to purchase treasury bonds (Reuters 2010) and at the same time is also purchasing cheap bonds from other European countries (The Economist, 2011).

Moreover, transport arrangements were also agreed such as direct flights between Athens and Beijing and Athens and Shanghai, which indicates that there will be more intense economic activity, while at a cultural level, China has undertaken to contribute in any way it can to the return of the Parthenon Marbles.

ii) Transport and Transportation networks

The largest strategically important investment by the Chinese in Greece was the Port of Piraeus. The aim of this investment was to promote Chinese products which are constantly on the increase in the European market and to increase container investments with the aim of them reaching € 3.7 million 2015. However, Piraeus is not the only port. China intends to expand its influence to other ports in Greece, such as the port of Thessaloniki (Market Research, 2011), for which Cosco submitted an offer of € 132 million in 2008. In addition, in order to make the investment easier, the Greek State rebated € 21 million in VAT to Cosco (Eleftherotypia, 2010a).

China (via Cosco) was also extremely interested from an investment viewpoint in the Thriasio Plain site in order to ensure even greater levels of penetration for its products by setting up logistics centres there for products in the final stages of the production process so that they could be released on the market. Cosco had the know-how required to implement this investment, since it had already made a similar investment in Dubai (Eleftherotypia, 2010b). Having said that, the Chinese company withdrew its offer and the tender procedure was cancelled since the interim contractor did not submit the necessary guarantee letters.

On the other hand, the withdrawal of the German company Hochtief from Greece and from airports in general has left room for Chinese companies to express their interest in acquiring them (Inews, 2011a). If that happens, China will control transport nodes of exceptional importance from both an economic and security viewpoint.

B) Sino-Turkish relations

Even though Turkey is not officially a Member State of the EU, it plays a particularly important role in the wider area, both from an economic viewpoint and in the energy sector since it is the 15th largest economy worldwide and engages in a high level of economic activity with the EU, the Middle East, the Balkans and Russia.

Ratification of the agreement between the EU and Turkey on the Nabucco natural gas pipeline, which will cross Romania, Bulgaria, Austria and Hungary gives Turkey the chance to improve its role as a strategic partner for the EU and to become a natural gas hub in Europe, thereby allowing it to free itself from Russia (Nafteemporiki newspaper, 2009). On the other hand, Russian companies are acquiring Turkish funds abroad, investing in sectors such as Turkish refineries.

However, in the energy sector it has not remained at just that. Recently, it expressed interest in participating in tender procedures for natural gas and oil in Iraq, while at the same time is constructing the largest electricity power plant, which reveals Turkey’s intention of becoming energy dependent on Iraq and of being able to increase its diplomatic influence using energy as a tool. In addition, eight oil and natural gas pipelines pass through the country. More specifically, the natural gas pipelines are the Blue Stream, Russia – Turkey (Turusgas), Baku – Tbilisi – Erzurum, Iran – Turkey, the Arab natural gas pipeline, and the Turkey – Greece – Italy pipeline and the oil pipelines are the Baku – Tbilisi – Ceyhan (TBC) and Kirkuk – Alexandretta oil pipelines. At the same time, Turkey’s position is ideal for rail networks which connect Europe to the Middle East and Asia, while it has also concluded agreements relating to the connection of its electricity networks with those of Egypt, Iraq, Lebanon, Jordan, Libya and Syria.
As far as Turkey’s activities in the Balkans are concerned, the country is attempting to acquire a leading role. It finances businesses that invest in the Balkans and supports countries with a strong Muslim element such as Serbia and Bosnia, via development programmes. Trade between Turkish businesses and Balkan countries amounted to USD 2.9 billion in 2000 while in 2009 that figure had reached USD 22 billion, reflecting a major rise, which demonstrates the increase in Turkish business activity in the region (Inews, 2011b, Balkan Insight, 2010, and Turkish Ministry of Foreign Affairs, 2010). Moreover, Turkey also has a leading presence in Kosovo, an area of exceptional importance for the future of the Balkans, with an increase in trade relations and agricultural investments, and there have also been military partnerships with Albania and FYROM (To Vima newspaper, 2011).

B.1: Sino-Turkish commercial relations

For Turkey, China is a major trading partner in Asia and its third largest export destination. The products Turkey exports to China are primarily minerals and metals, such as copper and marble, while the products it imports are fabrics, transport machinery and semi-processed products. In addition, there is close collaboration between Chinese and Turkish businesses in Turkey in sectors such as construction, infrastructure and communications (Turkish Ministry of Foreign Affairs, 2011).

In general, trade relations between the two countries have grown over the last decade with the volume of transactions rising dramatically, as shown in Diagram 2, based on data from the Turkish Ministry of Foreign Affairs.

![Diagram 2: Value of China – Turkey’s Balance of Trade 2000-2010](image)

Source: (Turkish Ministry of Foreign Affairs, 2011)

From 2002 onwards, a dramatic rise in the volume of transactions commenced coupled with a similar rise in the balance of trade, which demonstrates the ever-increasing rise in imports of Chinese products to the Turkish market. More specifically, the value of exports over the period 2000-2005 was 13.8% on average of imports while for the period 2006-2010 it was 9.94% as can be seen in Table 2. Consequently, while China has deliberately increased its exports to Turkey, Turkey has not been able to control the volume of imports with the result that China has yet another partner to channel its major production to, and to create the suitable conditions to further promote Chinese influence (Daly, J. 2007).
Table 2: Value of China – Turkey’s Commercial Transactions 2000-2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of exports (USD)</th>
<th>Value of imports (USD)</th>
<th>% of value of exports to imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>96,010</td>
<td>1,344,731</td>
<td>7.1%</td>
</tr>
<tr>
<td>2001</td>
<td>199,373</td>
<td>925,620</td>
<td>21.5%</td>
</tr>
<tr>
<td>2002</td>
<td>268,229</td>
<td>1,368,317</td>
<td>19%</td>
</tr>
<tr>
<td>2003</td>
<td>504,626</td>
<td>2,610,298</td>
<td>19%</td>
</tr>
<tr>
<td>2004</td>
<td>401,585</td>
<td>4,760,777</td>
<td>8.7%</td>
</tr>
<tr>
<td>2005</td>
<td>549,764</td>
<td>6,885,400</td>
<td>7.9%</td>
</tr>
<tr>
<td>2006</td>
<td>693,038</td>
<td>9,669,110</td>
<td>7.1%</td>
</tr>
<tr>
<td>2007</td>
<td>1,039,523</td>
<td>13,234,092</td>
<td>7.8%</td>
</tr>
<tr>
<td>2008</td>
<td>1,437,204</td>
<td>15,658,210</td>
<td>9.1%</td>
</tr>
<tr>
<td>2009</td>
<td>1,599,140</td>
<td>12,655,075</td>
<td>12.6%</td>
</tr>
<tr>
<td>2010</td>
<td>2,259,789</td>
<td>17,180,042</td>
<td>13.1%</td>
</tr>
</tbody>
</table>

Source: (Turkish Ministry of Foreign Affairs, 2011)

As far as the trade in services is concerned, according to OECD data which was republished by the Chinese Ministry of Trade for the period 2002-2007, China’s exports to Turkey were much higher than imports (Chinese Ministry of Trade, 2010). They related to transport, travel, insurance, information, licenses, construction, etc. In many cases the balance of trade was negative for Turkey, such as in the communications sector (-11 million USD) and transport (-416 million USD), while in other sectors it was positive such as in the case of construction with a surplus of USD 759 million. In the 2000-2005 period, there was an increase in the value of imports, which almost multiplied by six, marking the start of a continuing rise over the years thereafter. On the other hand, the value of exports also increased but under no circumstances could it threaten Chinese dominance in the service sector. This data is presented in detailed in Diagram 3.

Diagram 3: Trade in services China – Turkey 2002-2007

Source: (Chinese Ministry of Trade, 2010)

As in the case with the trade in goods, in this case too we can see a continuing increase in Chinese services being provided to Turkey without any ability to balance the books. Consequently, for its part China is promoting the same policy of strengthening its influence by dominating the trade in goods and services, by covering needs which it has itself created.
B.2: Chinese investments in Turkey

China’s collaboration with Turkey in the investment sector is no sudden thing, due to the intense economic activity it first engaged in with the EU and with other regional organisations. Among other things, in 2002 a MoU was signed relating to cooperation in the agricultural sector and in the IT and high tech sector and in 2007 a cultural exchange scheme between the two countries was adopted, to last up to 2009.

In the context of bolstering bilateral relations and new strategic partnerships, at the end of his European tour the Chinese Premier visited Turkey in October 2010 -the Turkish President having already visited China a few months beforehand- to sign a new MoU in energy cooperation (Eurasia Critic, 2010 and Chinese Ministry of Foreign Affairs, 2011). That MoU included cooperation in the following fields:

- renewable energy sources
- energy security and productivity
- joint repair of transformers and hydroelectric power plants
- construction of power generation systems to utilise renewable energy sources
- hydrocarbon exploration and production
- mining and boron technologies
- solar power equipment production
- thermal energy (oil and natural gas)
- hydroelectric power plants
- nuclear energy.

Consequently, the ground had already been laid for China to make investments in other sectors too outside the field of energy relating to commercial and economic partnerships in shipping, transport and infrastructure (Kathimerini newspaper, 2011 and Daily News, 2010). In the trade sector, China and Turkey agreed to increase the value of transactions from USD 17 billion to USD 50 billion by 2015 and USD 100 billion by 2010 (Express newspaper, 2010). Another important agreement relates to the decision that transactions will be paid for in Turkish lira and Chinese Yuan rather than in USD. This resulted in improved competitiveness and a change in the balance of trade which had been negative for Turkey. In particular, the 8 agreements that were signed were as follows:

- An agreement to develop bilateral economic and trade partnership
- A MoU on the medium- and short-term plan for commercial and economic partnership
- A MoU to undertake infrastructure works in third countries
- A MoU to set up a joint working team comprised of the Chinese Ministry of Trade and the Turkish General Secretariat for Foreign Trade on a New Silk Road.
- An agreement on cultural exchanges and partnership for the period 2010-2013.
- A MoU in the IT sector.
- A MoU in the fields of shipping and transport infrastructure projects.
- An intergovernmental agreement on partnership in the railway sector.

In addition the two countries undertook to cooperate in fields such as nuclear, steam-power and hydroelectric power plants and in combating terrorism. China’s appearance on the southeastern side of Europe and in the wider region and the strategically important agreements signed with Greece, exploiting that country’s need to attract investments, and with Turkey, show that China is willing to change the existing equilibrium in the region. The benefits it gains from cooperating with the world’s number one shipping power are so great that they will lead to an even further rise in commercial transactions. In addition, now that it has control over the port of Piraeus, China has not only ensured economic benefits but has also acquired an extremely good base from which to extend its influence since it is now the third largest player which exerts influence in the region after the USA and Russia.

On the other hand, it has also created new scope for Turkey to develop eastwards, exploiting the fact that it has not yet acceded to the EU, in order to earn for itself a powerful partner who will further increase its rate of growth. Lastly, it has managed (a) to increase its influence in geo-strategic and economic terms by making investments in energy and (b) to weaken the powers which had until now appeared to play a definitive role in influencing Europe such as Russia, by constructing natural gas pipelines. Consequently, whatever is lost by cooperating with one side can be gained by cooperating with the other side.
4. Comparative analysis

As far as the two countries are concerned, the benefits for Greece from Chinese investments are significant mainly from the economic and potentially from the political point of view. The value of containers handled almost doubled to € 3.65 million in the first half of 2011 up from € 1.64 million in the same period last year, making the port of Piraeus one of the largest, if not the largest, transhipment centres in the Mediterranean, and China’s gateway to Europe (Nafemporiki newspaper, 2011). Moreover, the shipbuilding industry is on the grow since Cosco’s ships will be repaired and maintained at Piraeus. The number of jobs for Greeks will also increase since China has undertaken not to employ foreign staff, and the cost of public spending will reduce due to privatisations resulting in a drop in Greece’s deficit.

Moreover, China’s position has been bolstered both in economic and geopolitical terms and it is now viewed as a major player in the region, especially when one takes into consideration its participation in the energy sector. However, China has attracted the EU’s suspicions since it now sees China doing business with a country of the European South and signing strategic agreements which in the future could alter the balance of power of Europe because of economic growth.

For its part, Turkey has secured an important new commercial partner, which (a) is making major investments within the country and (b) is opening up the possibility of new investments abroad, and in particular to a very large, inextinguishable market. The New Silk Road which connects Asia to Europe makes Turkey a country of vital importance at geo-economic level, while also giving it a major role in the energy sector and in the nuclear energy sector in particular. Thanks to its economic cooperation with China, Turkey is also being given the chance to participate in the Shanghai Cooperation Organisation, while at the same time strengthening its currency (Eurasianet, 2011).

However, the problems faced by the two countries (Greece and Turkey) in their dealings with China are of a different nature. Turkey has developed a very good climate of collaboration which is not only paying off, but will play a decisive role in the future. However, the most important problem which remains unresolved in the relations between the countries is the Turkish-speaking Muslim minority in Western China. The Uyghurs consider that they are being repressed by the Chinese regime and have turned to Turkey for support, which has accused the Chinese regime of genocide (Eleftherotypia newspaper, 2009).

In Greece, on the other hand, the problems are more of an economic nature. The first important problem that made it difficult to sign the Port of Piraeus deal was that the Greek state froze payment of the € 21 million from VAT rebates. At the same time, the change in government in the 2009 elections resulted in the terms and conditions of contract being re-examined, meaning delays and strikes that put the agreement at risk of cancellation. At the same time Greece’s prestige as a place suitable for investments has been affected with party-political vested interests putting a multi-million euro investment at risk.

In addition, the new influx of Chinese products entails a risk of Greek businesses being weakened. That would result in a conflict of interests between Greek and Chinese trade, in order to prevent the Chinese monopolising trade. Yet another problem is the black market. According to data from the National Confederation of Greek Trade (Isotimia, 2010) around € 9 billion of the black market comes from fake products and 70% of them come from China, posing the risk that they could be channelled onto the Greek market and consequently the European market via what are lawful businesses.

However, the cost of these problems does not under any circumstances exceed the benefits accruing to Greece and Turkey from Chinese investments within their territory given that China is a stable, upcoming economic power with a lot of activity and many partnerships with the EU and worldwide in general, and it promises to dynamically kick start the transport sector and the economy in general. Consequently, the problems that have emerged are manageable and the solution will depend on the ability to take political decisions to maintain equilibrium so that there are no conflicts of interest.

5. Conclusions

The following final conclusions can be drawn. Firstly, a realist framework of analysis is a suitable one to interpret China’s activities in the international system and its objectives, since the basic principle of this theory -that states which gain regional hegemony are in fact taking some first step in a move towards something greater, global hegemony- has been confirmed.
Secondly, when economic diplomacy operates in the context of a free market, it is a powerful means of one country exerting influence on another and a major foreign policy tool. When China decided to acquire for itself a large economic sphere of influence and more important role, it adapted to the requirements that arose from the opening up of its economy in order to ensure that the increase in its power would be lasting, since that power rested on firm foundations.

Thirdly, it exploits the weaknesses of the international system and by developing dependency-based relationships is starting to dominate in those relationships, using the Global Harmony dogma and peaceful development as an alibi.

China’s attitude in the contemporary global political economy can also be assessed under the prism of its economic rivalry relations with the USA. China’s overriding aim is to openly contest the USA’s dominance in the international system and for that reason it is using the indirect approach. Using economic diplomacy it is developing partnerships with powers which could turn against it in the event of a dangerous rise in its own power, in order to prevent such a thing and to avoid a possible congregation of powers against it, under the protection of the USA; any such move would be catastrophic.

Consequently, China is rapidly developing at local, regional and international level. The global financial crisis, the USA’s unilateral actions, the unstable climate in the Middle Easter and the economic crisis and crisis of institutions which the European Union is experiencing, have all allowed China to appear *deus ex machina* and to more easily penetrate into the economies of states, and to attempt -via its economic and political diplomacy- to present itself as a new guarantor of stability for the international system. The only thing certain, though, is that this will not happen either easily or peacefully.

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