



Journal der
Politisch-
Militärischen
Gesellschaft

Nr. 83
Januar
2013

Herausgegeben vom Vorstand
der Politisch-Militärischen Gesell-
schaft e.V. (pmg) in Berlin

ISSN 1436-3070

LEADOFF

Liebe Mitglieder,

Die Welt verändert sich und das McKinsey Global Institute hat die Geschwindigkeit gemessen – mit 140 Km/Jahr bewegt sich das ökonomische Gravitationszentrum der Welt in Richtung Asien. Die USA haben dieser Entwicklung durch eine pazifisch fokussierte strategische Neuausrichtung Rechnung getragen. Viele Europäer sind darüber verstimmt, weil sie jetzt nicht mehr der Nabel der Welt sind. Als ob ihre Prosperität nicht mit der in Asien verknüpft wäre.

Die riesigen Shale Gas Vorkommen in den USA machen die energiedurstige Supermacht unabhängig von den Reserven und Akteuren im Nahen und Mittleren Osten. Die Europäer und auch asiatische Akteure werden hier von den USA Hausaufgaben übernehmen müssen, darüber hinaus auch in Afrika und in Südosteuropa. Warum nicht auch in Asien?

Das Leben wird wieder eigenverantwortungsvoller für Europäer. Viele haben es nur noch nicht gemerkt. Wohl aber die Saudis. Sie suchen einen engeren Schulterschluss mit Europa. Das ist übrigens ein wichtiges Thema auf der nahenden Münchner Sicherheitskonferenz. Viele Experten werden darüber sprechen. Noch wichtiger ist es, Konsequenzen zu ziehen.

Ralph Thiele, Vorstandsvorsitzender

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Security & Prosperity in a different world

New Challenges for Transatlantic Relations

Strategic Shift

The so-called 'Asian pivot' has become the most important strategic shift since the Cold War. The Atlantic setting of West versus East has become redundant. Europe is no longer the cockpit of world affairs. Also the U.S. interest in the Arab world starts shrinking.

New Drivers

Two new drivers have come to the fore

- Nation Building in the U.S.
- Shale Gas

With view to sufficient economic and financial problems at home U.S. president Obama has started reorienting foreign commitments to face up to the rise of the Far East. Just like the focus on homework in the U.S. the strategic shift towards the Pacific is about economic common sense. The world has moved on. According to the McKinsey Global Institute, the last decade showed 'the fastest rate of change in global economic balance in history'. It calculates that the planet's 'economic centre of gravity' has been moving eastwards at a rate of about 140 kilometres a year.

According to NATO statistics, defence spending among European NATO countries fell to \$275 billion in 2010 from \$314 billion in 2008. Since most European countries are members of NATO and the European Union, Europe as a whole is in very bad shape militarily as well. But the problem is not just about money. Europe's unwillingness to invest in military capabilities like drones and electronic intelligence surveillance equipment predate crises. Europe has become a "free rider" as it has been taking the United States for granted in providing defence and filling military capability gaps.

Whereas many of America's old NATO allies have spent decades shrinking their military budgets and expecting the US to pick up the bill for the protection of the free world, the rising economies of

the Pacific are investing more in their defences. It is hardly surprising that Obama prefers to work with the latter. In the last decade, Indonesia has trebled its military spending. Thailand has increased theirs by two thirds, and Australia and South Korea by almost half. This is attracting U.S. national interest clearly towards the Pacific. Losing interest in the Arab world – until recently, such an U.S. approach to the Arab world would have been dismissed as naive, given America's gigantic appetite for foreign oil and gas. But that is changing, thanks in large part to discovery of vast quantities of shale gas in the US. The International Energy Authority estimates that the US will be almost 'energy self-sufficient' by 2035. That prospect means that America will inevitably begin to reconsider the monstrous sums it spends protecting its interests in the Persian Gulf. The vast US Fifth Fleet, which is almost entirely responsible for patrolling the key shipping channels of the Middle East, costs the US taxpayer up to \$80 billion dollars a year. But why should the U.S. sustain this effort? Most of the oil ends up in China and Europe.

Adapt Policies

Consequently NATO and the European Union – which the U.S. increasingly are seeing under German lead – need to adapt their policies in line with the ongoing paradigm shift. Both organisations have been addressing the broad range of emerging threats for quite some time, yet in a compartmentalized way, without clear-cut political guidance, in particular without a thorough conceptual underpinning. It is high time to address the altered challenges to security and prosperity in a systematic way. Coherent policies need to define each organisations role in addressing the existing and emerging security challenges.

Working together, as an Alliance, will become increasingly difficult, when the capability gap across the Atlantic keeps on growing. This is an important background to NATO Secretary General Anders Fogh Rasmussen's long-term strategy of *smart defence*

*that "... some in NATO jargon call interoperability, but I believe it is more than that. It's the ability to connect all our forces. Common understanding. Common command and control arrangements. Common standards. Common language. And common doctrine and procedures. ... Not just among the twenty-eight Allies, but also with our partners around the world."*¹

Features of the Past

One prevalent feature of the majority of multinational collaborative defence programs has been the focus on large, expensive and platform-based systems. Such programs, conceived during the Cold War, have arguably outlived their operational purpose, and their continuation is to a large extent fuelled by considerations of sunk costs and the desire to preserve jobs and international cooperation as well as contractual obligations. In many cases, cancelling a program will incur such high fees for the government that it makes more sense to continue it.

Many decision makers still are paralyzed in managing huge platform programmes that governments and private actors no longer need nor are able to afford. At the same time they ignore the potential of developing synergetic systems. This has led to institutionally and conceptually fragmented capabilities that do not meet existing security challenges appropriately. Yet on the contrary, systemic capabilities are required. Institutional, conceptual, and operational coherence is at the core of these capabilities – nationally as internationally, governmentally as in private business.

The key question is whether it might be possible to leverage the theoretical advantages of multinational collaboration while mitigating most of the negative outcomes of past programs. Shifting the focus away from large platforms with long development periods

toward smaller-scale in emerging, more operationally relevant domains – such as cyber-security, logistic support, unmanned systems, alternative fuels, power sources or autonomous data analysis – may yield better results. Funding stability would be less of an issue for such programs due to their smaller scale. Continuous support from political, military and bureaucratic leadership would also be less relevant due to shorter program cycles. Requirements should be easier to harmonize within a smaller scope, and operators in the field would benefit from shorter times to market. Smaller-scale, more agile programs should be able to better deliver real cost savings and produce superior operational capabilities and therefore create more value than their larger, higher-profile, yet less successful counterparts. The challenge is to structure future programs to avoid past mistakes.

Security business needs to become a meaningful contribution to a comprehensive national and transnational security system. Closer links with the private sector are of principal importance. This requires far-sighted, cross-government and international action in cooperation with all relevant stakeholders including government institutions and private business. The nature of many emerging security challenges makes the established compartmentalization of responsibilities between the public and private sectors appear increasingly anachronistic. The urgency to enhance cyber security capabilities will lead to closer ties with software and hardware IT companies. The need to develop a coherent approach to energy security will require reaching out to private energy companies. Building and developing such new relationships will be challenging, since national business interests and collective security interests may sometimes prove difficult to match.

Features of Tomorrow

Building *Situational Awareness* would constitute a systemic, networked response to symmetric and asymmetric, traditional and

¹ Rasmussen, Anders Fogh, NATO Secretary General on smart defence, speech at the Munich Security Conference 2012, <http://www.securityconference.de/Anders-Fogh-Rasmussen.829+M52087573ab0.0.html> (viewed 2012-02-06).

networked security challenges. It would support partners and Allies working effectively together in a *plug to operate* approach. It would bring together different types and generations of equipment through a common connector. All security actors would be able to plug in. Architecture, processes, and tools would provide for informed, responsive decisions in an inter-agency and international security environment that includes the services of government actors and private business.

A common *situational awareness environment* would enable

- partnership policies,
- high quality real time decision-making,
- a common organisational and technical platform,

thus giving future architectures and processes direction and value.

An efficient and effective *situational awareness environment* also benefits private industry. Instead of huge platform programs a Situational Awareness Environment Program would allow for a plenitude of national and international security, research and business initiatives and foster broad participation of large, medium-sized and even small-sized companies in a transatlantic collaborative approach. As it focuses on optimization at the systems level versus the platform level, it does not favour any particular technology or platform. It enables trades of risk, cost and capability, and it opens competition at multiple work levels, giving small and large companies from around the world equal opportunity to compete. In doing so, it encourages, indeed demands, *best of industry* solutions and innovation.

Leadership

Such a *situational awareness* capability doesn't come by itself. It needs serious political and industrial leadership. Industrially this approach builds on the concept of Lead System Integration as an important and viable operating model with rapidly increasing success on global markets. Politically it fully supports the emerging new

world order with its co-operative, multilateral approach.

An increasingly uncertain, unpredictable and dynamically changing business and security environments has underlined the critical importance of ensuring that the right person has the correct information in time to formulate a decision and respond. It already has become a priority of Middle Eastern countries and especially those in the Gulf to invest in and develop respective capabilities in order to counter emerging threats in the physical and virtual world. This region – as others in the world – is ready to invest heavily in situational awareness and interoperability capabilities in order to respond quickly to the dynamic changes taking place in the region. Already a variety of multi-billion dollar infrastructure security projects in development across the region have C4ISR and situational awareness at their core.

Ensuring the acquisition and appropriate application of respective capabilities and assets will guarantee informational superiority in a century that has been deemed the age of information. Maximising situational knowledge and informational superiority translates not only into an operational advantage on the battlefield but an advantage in all domains – maritime, air, land, space and cyber space – in prosperity and security.

Key themes that would benefit from a bilateral approach include

- A Situational Awareness/C4ISR acquisition and application strategy in line with the dynamic changes occurring in critical regions
- Assessing current gaps in Situational Awareness/C4ISR faced and an overview of the potential solutions being considered
- Ensuring early and adequate multinational training to maximise efficiency and use of Situational Awareness/C4ISR systems
- Building common employed air surveillance and reconnaissance capacity including unmanned aircraft systems

- Integrating existing and planned air and missile defence systems
- Building a regional C4ISR network to enhance the security of borders, economic assets and critical infrastructure

Now is the Time

Now is the time

- to make the right judgments about the nature of our future security environment
- to invest in the right capabilities and structures that address the relevant security trends
- building a situational awareness environment that provides our nations and regions with a solid foundation to carry us into a bright, prosperous and secure future.

Ralph Thiele

Ralph Thiele ist Gründungsmitglied und Vorstandsvorsitzender der pmg.

Der Beitrag gibt die persönliche Auffassung des Autors wieder.

THEMEN

Outlook for nation's first female leader

With the election of Ms. Park Geun-hye as president of South Korea, Korea has its first woman leader in over a thousand years. The last woman to govern Korea was Queen Jinsong, who ruled in the ninth century. Ms. Park comes from a famous political family. Her father, President Park Chung-hee, was the architect of Korea's economic miracle. Something of a dictator, he was assassinated in 1979 by his own intelligence chief in a dispute over how long his 16-year-rule should continue. Ms. Park's mother had died five years earlier in an assassination attempt on her husband by a Korean resident of Japan. Their daughter kept her distance from national politics until 1998, when she felt called upon to do something to help Korea recover from the Asian financial disaster of 1997 that threatened to ruin her father's economic legacy. Running for a seat in the Korean National Assembly from her hometown, she was elected in 1998 and has remained in the As-

sembly since then, where her popularity and political skills have earned her the nickname “Queen of Elections.”

As a high-profile name in Korea’s rough world of politics, Ms. Park has endured political betrayals, attacks on her character, and even an assassination attempt. Korean politics is very personal in nature. Political parties frequently rename and reinvent themselves. Ms. Park is a member of the conservative party, whose candidate won the last presidential election in 2007. Her main opponent was a member of the liberal political administration that won the 2002 presidential election and pursued a policy of accommodation toward North Korea for his five years in office.

South Korea was and still is a land of male chauvinism. A woman’s place is supposed to be in the “inner court yard” serving her father, then her husband, and finally her oldest male child, to keep alive the family tradition. Until the 1970s women could gain national prominence only in the worlds of art and entertainment. In the government, the top position in the ministries of education, environment, and women’s welfare was often set aside for women as a political gesture. Today, Korean women have found a place in many professions but the old culture that discriminates against them survives. In the recent electoral race, Ms. Park’s political opponents claimed that she could not be a strong national leader because she has not had the experience of being married and having children.

In the election campaign, Ms. Park’s slogan was “the president who is prepared.” Indeed, she is honest, sincere, and hard-working. Despite coming from a privileged family, she shows genuine concern for the welfare of less fortunate Koreans. Ms. Park is not without her faults. Her opponents and even some of her supporters criticize her for being reserved and secretive. Her aloofness and self-assurance is sometimes interpreted as a sign that she views herself as a political princess. Being the daughter of a former president, who was a dictator to boot,

has not endeared her to the younger generation of voters. If anything, she has been perhaps too calm when her country faced challenges from North Korea. For example, she failed to issue strong public statements when a South Korean naval ship was sunk and a South Korean island was shelled in 2010.

South Korea faces many challenges in the years ahead. The North Korean government, armed with missiles and nuclear weapons and possessed of an implacable distrust of South Korea, is a constant and unpredictable threat. North Korea is also a country that South Korea must eventually come to terms with. China, which is at the same time South Korea’s largest trading partner and North Korea’s only supporter, looms over the Korean peninsula. Domestically, the South Korean economy is buffeted by global stresses and income inequalities are a frequent source of conflict. The second President Park will need the same level of intelligence and determination that her father had to meet the expectations of a Korean electorate that has become accustomed to peace and progress.

Kongdan Oh

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This Analysis was first published at Korea Herald, December 25, 2012
Opinion Section: Viewpoint

THEMEN

Dragon in the Great Sea

China’s Arrival in the “NATO Lake” of the Mediterranean

Abstract. As the Arab Spring turned to Islamic Winter with waves of anti-U.S. demonstrations and new Islamist regimes across the Middle East and North Africa, China has been quietly asserting its influence while U.S. presence begins to wane. The U.S. pivot towards the Asia Pacific reinforces this after a decade of war in the

Middle East. Paradoxically, while the U.S. is pivoting eastward to contain China in the Asia Pacific, the resurgent Middle Kingdom is pivoting westward on its new Silk Road across the Greater Middle East. In the Eastern Mediterranean, China has become more assertive in its stance regarding Syria with three UNSC vetoes, dispatched its warships to the Mediterranean in a “show of flags”, and is courting Egypt’s new government under Morsi. Given this, it is important that U.S. Combatant Commands around the Mediterranean Sea – CENTCOM, but also EUCOM, AFRICOM and NATO would need to incorporate the China factor into their Area of Responsibility (AOR) and Mediterranean equation.

China’s Strategic Interests in the Levant/Eastern Mediterranean

In the aftermath of the Arab Spring and Libya experience, China is primarily concerned about protecting its national interest and the security of Chinese citizens abroad. The globalization of China’s economy has brought the Middle East as a region – quite remote previously – much closer now as it relates to China’s national interest.² For Beijing, the Middle East is first and foremost a region of energy resources to feed Chinese growing economy, which is vital for CCP (Chinese Communist Party) legitimacy and survival. It is also a market for Chinese labor export, a hub of Chinese export products onto Europe and Africa, and forward front and key arena where China protects its national unity such as the ‘One China Policy’, and combats terrorism and East Turkistan separatist forces, or ETIM (East Turkistan Islamic Movement). In short, China fears the new Islamist regimes in Arab Spring countries will be more supportive of separatist Muslim Uygurs in Xinjiang which threatens China’s national sovereignty and territorial integrity, and deny access to energy supplies. Thus the post Arab Spring/Islamic Winter

² “Turmoil in Middle East and Chinese Interests Overseas,” by Ma Hong [Senior Research Fellow at the Center for Energy Strategy, China University of Petroleum], *China-US Focus*, April 24, 2011.

shift in Arab Mediterranean Countries, especially in Egypt and the Levant, directly impacts China's core interests³ and China will increasingly exercise military power to protect its interests.⁴

Syria. In Syria, China's support of Assad's regime is driven by its Libyan experience, fortified by reports of Chinese Uyghurs fighting alongside al-Qaeda and other jihadists against Assad in Syria.⁵ The Arab Spring caught China by surprise and Beijing has not fared well in its aftermath. China fears that western military intervention in crucial energy markets and propping up pro-Western regimes could eventually restrict Beijing's access to oil and gas.⁶ A case in point is in Libya, when after the Qaddafi regime fell, Beijing was shocked by the public announcement from the Libyan oil company AGOCO that they "don't have a problem with Western countries, but may have political issues with Russia and China."⁷ China had to evacuate over 36,000 Chinese nationals from Libya and lost over \$20 billion in investments when the Qaddafi regime was ousted. Because China perceived it was tricked by Westerners on UNSCR 1973 which NATO exploited to oust Gaddafi under the fig leaf of Responsibility to Protect (R2P), it is now taking a harsh stance in Syria via its UNSC veto. Beijing does not want Syria becoming another Libya, and is siding with Russia to counterbalance U.S. influence in the region.

China also fears globalization of Chinese Uyghur jihadists in ETIM and TIP (Turkistan Islamic Party), which traditionally enjoyed safe haven in the AfPak region as well as support in Turkey. It fears that

Chinese Uyghurs would be able to garner global jihadists support from al-Qaeda, AQIM (which attacked Chinese interests in Algeria in 2009), and others for their cause. Indeed in FATA, China already fears TIP's close ties with al-Qaeda, which trains TIP and placed its leader, a Chinese Uyghur named Abdul Shakoor Turkistani, as new commander of al-Qaeda's Pakistan forces and training camp in 2011, just a few weeks before Osama bin Laden was killed.⁸ Thus China is concerned about the internationalization of Chinese Uyghurs' separatist cause.

This is underscored in October, when Chinese press broke news that Chinese Uyghurs were fighting alongside al-Qaeda and other jihadists against the Assad regime, saying the link between Xinjiang terrorists and international terror groups 'seriously undermine China's national security'.⁹ This is significant in that many foreign fighters from Libya, Iraq and elsewhere have been mentioned in Syria, but this is the first mention of Chinese fighters. As such, China sees the U.S. and the West as supporting al-Qaeda and ETIM (East-Turkestan Islamic Movement) – Jihadists that threaten to overthrow Chinese government in Xinjiang. So rather than China being on the "wrong side of history" as accused by Secretary Clinton, the U.S. and the West are on the wrong side of Chinese history. China has thus taken a more proactive stance in Syria with UNSC vetoes alongside Russia, in order to safeguard their interests and defy a repeat of what they saw was Western duplicity of UNSCR 1973, to the detriment of Chinese interests.

Egypt. China is also courting Egypt, a geostrategic pivot state controlling the Suez Canal and in close proximity to the Horn of Africa, to further project its influence in the Middle East and Africa. Morsi chose to visit Beijing rather than Washington for his first official visit outside the Middle East,

because he is trying to diversify away from dependency on U.S. economic and military aid. Egypt by no means is replacing U.S. with China yet, since recent Chinese loan of \$200 million pales in comparison to U.S. aid of \$1.3 billion, but he is rather hedging Egypt from being held hostage to U.S. foreign policy due to its dependency.¹⁰ Beijing has also pursued agreements that enhance China's direct access to Egyptian port facilities¹¹ along the Suez Canal and expanded military cooperation such as arms sales and defense industrial cooperation.

Lebanon. Chinese interests in Lebanon are limited to PLA presence under UNIFIL as well as various infrastructure projects. China's CHEC (China Harbour Engineering Company Ltd.) in February 2012 just completed the Phase II Expansion Project of Tripoli port.¹² However, there have been concerns over China's arms proliferation to Iran that ended up in the hands of Hizbullah. Yitzhak Shichor, a renowned sinologist in Haifa University in Israel, penned an article that during the 2006 Lebanon War, ASCMs launched from Lebanon hit an Israeli Hanit (Spear) Sa'ar 5 corvette, with electronic signature traced to Chinese made C-802. Around 60-75 C-802s had been delivered to Iran by 1997, and Shichor posits that given China's close relations with Tehran and Beirut, and the missiles were delivered to the IRGC (rather than the Iranian army) which supports Hizbullah, China's

³ According to Chief of the General Staff Chen Bingde, China's core interests are national sovereignty, national security, territorial integrity and national unity, and national economic development (*China Daily*, May 19, 2011).

⁴ Dennis J. Blasko, "Politics and the PLA: Security Social Stability", *China Brief*, Vol. 12, Issue 7, March 30, 2012.

⁵ Christopher Bodeen, "Beijing report says Chinese Muslims fighting with al-Qaida in Syria," *Associated Press*, October 30, 2012.

⁶ Melinda Liu, "China's Libya Connection", *The Daily Beast*, June 21, 2011.

⁷ Yun Sun, "What China has learned from its Libya Experience", *Asia Pacific Bulletin*, No 152, East West Center, February 27, 2012.

⁸ Times of India, May 11, 2011.

⁹ Ananth Krishnan, "Xinjiang militant groups active in Syria, says China", *The Hindu*, October 29, 2012.

¹⁰ Erin Cunningham, "Is China 'buying' Egypt from the US?" *Global Post*, September 6, 2012; "Chinese investment in Egypt faces challenges: minister counselor," *Xinhua*, September 16, 2012.

¹¹ In 2000 China signed a 30-year concession with Egypt to develop the eastern portion of Port Said, and in 2004 China kick started two major investment projects on the Suez Canal, building a container terminal, a dry port and a workshop to build containers. Sherine Nasr, "China meets Egypt", *Al-Ahram*, Issue No. 699, 15-21 July 2004.

¹² "The Minister of Public Affairs and Transportation of Lebanon and Chinese Ambassador to Lebanon Inspected the Tripoli Port", China Harbour Engineering Company Ltd., <http://www.chec.bj.cn>, December 6, 2012; "Lebanon: Tripoli Port Expansion Project Progresses Well", *Dredging Today*, February 10, 2012.

lack of knowledge was unlikely.¹³ In an interview with *Al-Akhar*, when questioned about Chinese position regarding arming Hizbullah, China's Ambassador to Lebanon Wu Zexian said that arming the Hizbullah is a trade matter.¹⁴ Thus China and the West appear to differ in what they regard as legitimate arms trade or illegitimate arms proliferation.

Jordan. China is also investing in various infrastructures projects in Jordan. Jordan is perceived as a pro-U.S. proxy so Chinese influence is limited to economics. Chinese Development Bank is seeking to fund Jordan's railway projects,¹⁵ and China is building Israel's Med-Red railway of linking the Mediterranean port of Ashdod with Eilat Port in the Red Sea, with plans to extend the link to Jordan's Aqaba Port.¹⁶

China's Policy Shift Towards the Eastern Mediterranean

In light of China's new proactive diplomacy in the Middle East, on August 14, 2012, Under Secretary of State for Political Affairs Wendy Sherman and Chinese Vice Foreign Minister Zhai Jun launched the inaugural round of U.S.-China Middle East Dialogue in Beijing.¹⁷ China has shifted to a more proactive stance towards this region that is driven by a combination of domestic and international factors.

Domestically, CCP legitimacy and regime survival rests on continued access to energy to fuel China's economic growth, while hedging against U.S. naval interdiction of energy supplies over potential conflicts across the Taiwan Straits. Thus it is concerned about the territorial integrity of Muslim Xinjiang: which is 1/6 the size of

China; borders eight countries; a site of strategic mineral resources; and most importantly, a key geographic bridge for China's overland pipelines and transport corridors for its energy supplies from Central Asia, Caspian Sea, and potentially Iran, Iraq and Afghanistan. In short, Xinjiang is key to China's hedging strategy of having an overland energy supply line in the event the U.S. Navy cuts off its maritime supply line over a Taiwan scenario. As such, Uyghur separatists in Xinjiang directly threaten China's energy security.

Internationally, as stated earlier the Arab Spring caught China by surprise. The 2009 Xinjiang Muslim uprising also underscored to China that Xinjiang's stability hinges on support of the global Muslim community. When Turkey's Erdogan labeled CCP crackdown on Muslim Uyghurs as 'genocide', this further fueled Beijing's fears that the global Muslim community would turn against China. As such, since 2009, China beefed up its domestic security, with internal state security's budget surpassing the defense budget every year since then,¹⁸ while internationally it has become more proactive in courting the Muslim world. Thus China sees the Middle East as the forward front of its national unity in garnering new Islamist regimes' support of China's policies.

Policy Tools. In terms of what tools China uses to further its interests, they are mainly soft power tools of yuan diplomacy and economic carrots of infrastructure investments, soft loans, as well as political carrots of 'non-intervention' principle and UNSC veto power to forge regional allies. It is courting Egypt's new Islamist regime with soft loans and investments, and shielding Syria's Assad regime in the UNSC.

¹⁸ Mu Chunshan, "China and the Middle East", *The Diplomat*, November 9, 2010. In 2010, its security budget was \$87 billion while defense was \$84.6 billion; in 2011 security was \$99 billion while defense was \$95.6 billion; in 2012 security was \$111.4 billion while defense was \$106.4 billion. "China boosts domestic security spending by 11.5 pct", *Reuters*, March 5, 2012; Leslie Hook, "Beijing raises spending on internal security", *Financial Times*, March 6, 2011.

China's policy towards the Middle East is similar to its approach to Central Asia – courting Muslim countries with economic carrots in exchange for support for China's policies. This soft power over time translates into political influence in an A2/AD strategy.¹⁹ A2/AD here means extra-military means of leveraging soft power with proxies to counter U.S. power projection capabilities. For example, rather than using military hardware of DF-21D aircraft carrier killer missiles in the Western Pacific for an A2/AD strategy against U.S. power projection, China is using economic software of investments via proxies in the Middle East to deny U.S. access (e.g., basing, over-flight rights, etc.) and power projection capabilities.

Because U.S. depends on regional military bases in the Greater Middle East ranging from Central Asia, Gulf state such as Bahrain (U.S. Fifth Fleet) and Qatar (CENTCOM FOB) and priority access to Egypt's Suez Canal, without assistance of regional partners or access to bases from which to operate, U.S. military freedom of action would be constrained.²⁰ A case in point is in 2005 when under Sino-Russian pressure within the SCO, Uzbekistan ejected U.S. troops from its military base to wage war in Afghanistan. Economic carrots over time had translated into politico-military influence (Similarly, in 2009 Russia also offered economic carrots for Kyrgyzstan to evict U.S. troops, and U.S. had to counter offer with a larger carrot to reinstate itself.) China's increased investments in Central Asia, GCC, Egypt, may translate into reluctance of these states to cooperate with the U.S. should a conflict break out with China, especially given China is now an economic power house while the U.S. economy continues to retrench. Thus in a way, it is about geo-economics.

Israel. Israel is not officially in the CENTCOM AOR, but it is a pivotal

¹³ Yitzhak Shichor, "Silent Partner: China and the Lebanon Crisis", *China Brief*, Vol 6, Issue 17, May 9, 2007.

¹⁴ "Omar Nashabe, "China's Ambassador in Lebanon: Hezbollah Arms a Trade Matter", *Al Akhbar*, May 4, 2012.

¹⁵ "China bank might account Jordan railway project", *War and Peace in the Middle East*, September 23, 2011.

¹⁶ Amiram Barka, "Israel, China agree to build Eilat railway", *Globes*, July 3, 2012.

¹⁷ Office of the Spokesperson, U.S. Department of State, "U.S.-China Middle East Dialogue" Media Note, August 14, 2012; "U.S. China Discuss Pressing Issues at Middle East Dialogue", *RTT News*, August 4, 2012.

¹⁹ Lieutenant Colonel Eduardo A. Abisellan, USMC, "CENTCOM's China Challenge: Anti-Access and Area Denial in the Middle East", 21st Century Defense Initiative Policy Paper, Brookings Institutions, June 28, 2012, p.15.

²⁰ *Ibid*, p.8.

state in the Eastern Mediterranean that is already impacting the geopolitics of the Middle East. Large gas discoveries in Israel and off Cyprus have drawn the attention of Lebanon/Hibullah, Turkey, Greece, Iran, U.S., EU, Russia and China, with potential military conflict over maritime disputes in the Levant basin, akin to current territorial conflicts in the South China Sea. A region traditionally obsessed with fights over land is now turning its eyes toward the sea.²¹

In 2010 the U.S. Geological Survey (USGS) estimated the Levantine Basin (stretching from the Jordan River to Turkey and out to sea towards Cyprus) could contain as much as 1.7 billion barrels of recoverable oil and 122 trillion cubic feet (tcf) of natural gas (See Map 1).

The discoveries of two offshore natural gas fields by Texas-based Noble Energy off the coast of Haifa since 2009 (Tamar and Leviathan) are estimated at 25 tcf, represent about 100 years of Israel's gas usage at an annual domestic gas consumption rate of about 5 bcm (See Map 2).²²

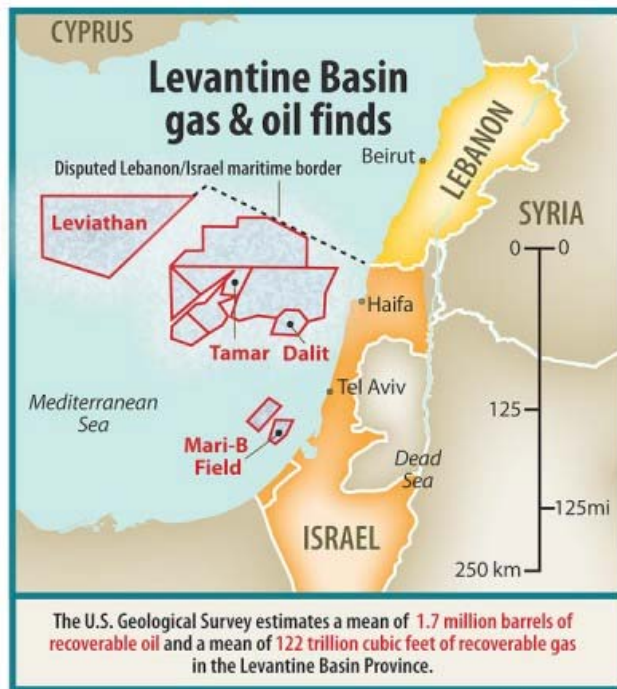
On land, Texas based-Zion Oil has been drilling near Haifa since 2005 for potential 484 million barrels of oil, interestingly based on its CEO John Brown's belief that oil will be found near the foot of Asher in the Map of the Twelve Tribes of Israel, and later confirmed by geologists as reported in 2004's *Oil & Gas Journal* (See Maps 3 & 4).²³

Map 1: The Levant Basin



U.S. Geological Survey, World Petroleum Resources Project, Fact Sheet 2010-3014, March 2010.

Map 2: Tamar and Leviathan Gas Fields



SOURCE: Noble Energy Inc.

MAP: JOHN KEHE/STAFF

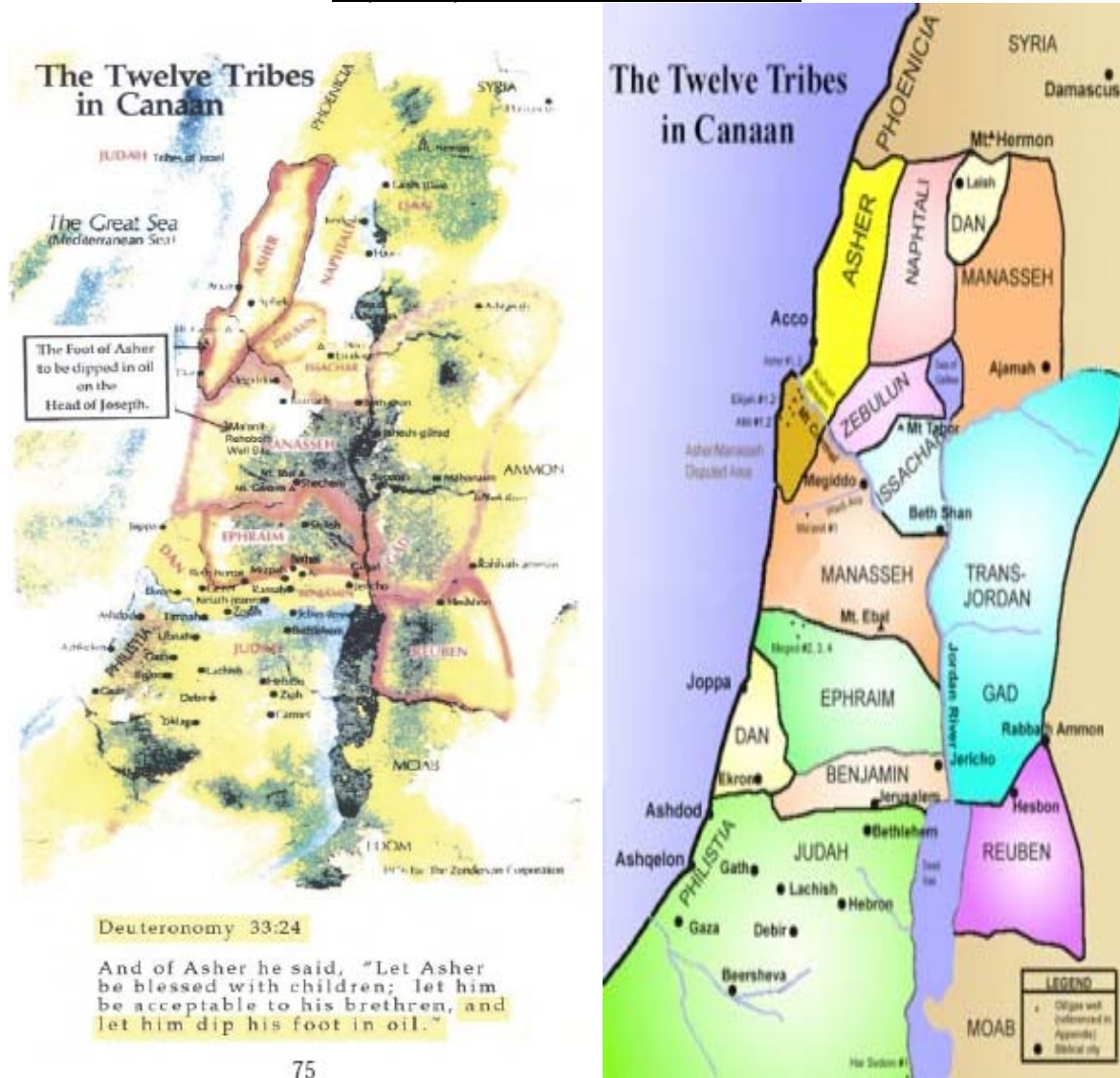
Source Noble Energy, Inc.

²¹ Paul Salem, Eastern Mediterranean Gas: Factor for Stability or Conflict", *Al-Hayat*, March 22, 2012.

²² Denise Natali, "The East Mediterranean Basin: A New Energy Corridor", INSS Event Report, July 17, 2012.

²³ Gabriel Sherman, "Drilling for God: Guided by the Bible, A Quest to Find Oil in Israel", *Conde Nast Portfolio*, October 2007; Sam Ser: "The Making of a Miracle: The Zion Oil and Gas Company is Blending Scripture with Science in its Quest for Israel's Elusive Black Gold", in *The Jerusalem Post Upfront*, December 7, 2007; "Moses's oily blessing", *The Economist*, June 2005; "Exploration & Development", *Oil & Gas Journal*, July 5, 2004.

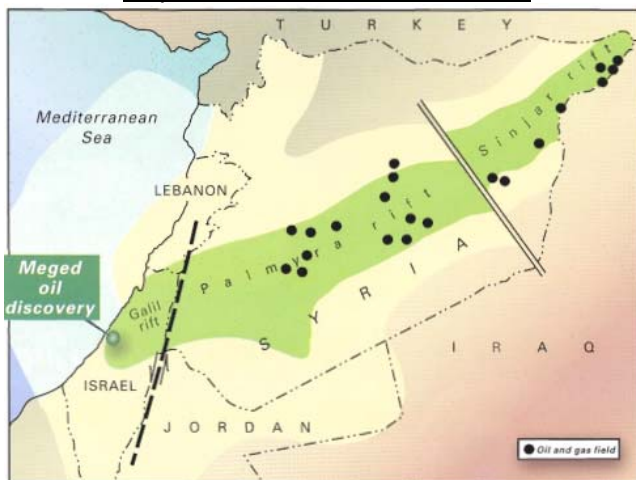
Map 3: Map of the Twelve Tribes of Israel



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Source: "Petroleum Prophecies", The Jerusalem Post Upfront, December 7, 2007; Zion Oil & Gas, "The Oil of Israel: Prophecy Being Fulfilled" (Traveler's Rest, SC: True Potential Publishing, Inc, 2010), p.75.

Map 4: Triassic Oil and Gas Fields



Source: Oil & Gas Journal, July 5, 2004.

Israel's newly discovered oil and gas bounty thus enables it to become an energy exporter and a 'game changer' in Mediterranean energy market. As such China is also courting Israel, with CNOOC discussing joint exploration in the Leviathan gas field, building strategic railways in hopes of procuring future gas export deals and increasing military cooperation to access technologies currently under EU arms embargo.²⁴

²⁴ "CNOOC to invest in natural gas exploration in Israel: Calcalist", Israel Trade Mission to China, Beijing, China, <http://www.israeltrade.org.cn/eglsih/news/001064>; "China flirts with Israel amid gulf crisis", UPI, February 1, 2012; Cong Mu, "China set to build strategic railway in Israel, gas export deal may follow", Global Times, July 5, 2012; Lior Gutman, "China's CNOOC in talks over Leviathan", Ynet News, November 14, 2011; P.R. Kumaraswamy, "Israel-China Arms Trade: Un-freezing Times", Middle East Institute, July 16,

The main challenge facing Israel's energy bounty is that upstream companies won't invest in future exploration unless they have certainty of a large demand market to commercialize their discoveries.²⁵ In the short term, regional markets in the Mediterranean won't have sufficient demand for the volume of Israeli natural gas, and Europe will continue to rely on pipelines--75% of EU's traded gas is through pipelines. Given this, the Asia Pacific region will drive global LNG demand growth in coming decades.²⁶ Enters China in the Great Sea, as the engine of global economic growth and LNG demand soaring in the past years.

Paris-based International Energy Agency (IEA) recently forecasts that China will account for more than 30% of projected growth in global energy demand over the next 25 years. By 2035, China's energy consumption is expected to reach 3.83 billion tons of oil equivalent, more than India, the U.S. and EU combined. The Chinese government has also been promoting natural gas as a preferred energy source, and aims to have its overall energy mix comprise of 10% natural gas by 2020 (it is currently at 4.5%).²⁷ Since LNG plant is the most feasible form of bringing offshore Israeli

gas to market, China is thus a key demand market to attract continued investment for exploitation of Israeli gas.

Additionally, China is an attractive investment partner for Israel. Israel needs to attract \$2 billion in risk capital for exploration for about 20 exploratory wells to be drilled offshore in the next two years.²⁸ However, large multinational oil companies are unwilling to jeopardize their stakes with Arab countries by investing in Israel, nor take on the risk of potential terrorist attacks. As such, China – with its state-backed energy companies and \$3.3 trillion war chest – has both the will and the risk capital to invest in Israel, having already cut its teeth in high-risk terrains in Africa, Central Asia and Afghanistan.

Implications of China's interests with U.S. interests from 2014 to 2030

The "wild card" in this region is a potential military conflict over maritime disputes in the Levant Basin that draws in regional actors, along with external actors such as the U.S., China, Russia and Iran.

In July and August, Chinese warships (the *Qingdao* destroyer,

Yantai frigate and *Weishan Hu* supply ship) passed through the Suez Canal and entered the Mediterranean Sea at the same time Russia dispatched its naval flotilla to Tartus in Syria (See Table 1).²⁹

Writing in *The Diplomat*, J. Michael Cole argued that "for the first time since China's re-emergence as a power to be reckoned with, Western powers are being confronted with scenarios involving the risks of clashes with Chinese military forces outside the Asian giant's backyard."³⁰ Indeed, in a scenario where Israel and Hizbullah/Lebanon tumbles into a maritime conflict over natural gas, Iran, Russia and possibly China cooperation in the Mediterranean may encroach on U.S./NATO/EU maritime freedom of action. Also, should NATO decide to intervene in Syria, PLA Navy (PLAN) and Russian ships in the Mediterranean could draw a line at sea to prevent Western ships from approaching Syria to launch military operations against it, or to prevent an embargo.

In the long term to 2030, we'll see increased Chinese naval presence in the "NATO Lake" of the Mediterranean Sea. China's increased economic investments in Eurozone and Arab Spring countries,

Table 1: Chinese warships in the Mediterranean and Black Sea

	Qingdao	Yantai	Weishan Hu
23 July	Suez	Suez	Suez
29 July	Dardanelles	Dardanelles	- ? -
30 July	Bosphorus	Bosphorus	- ? -
31 July	Sevastopol, Ukraine	Constanta, Romania	- ? -
4 August	Underway	Underway	Dardanelles
5 August	Istanbul, Turkey	Varna, Bulgaria	Istanbul, Turkey
16 August	Haifa, Israel	Haifa, Israel	Haifa, Israel

Source: Turkish Navy, August 6, 2012; Atlantic Council, "Chinese warships dock in Israel for first time", August 20, 2012

2012. Brett M. Decker and William C Triplett II, "Decker & Triplett: Israel beware: China arms Hezbollah", *The Washington Times*, November 14, 2011; Yoram Evron, "The Chinese Chief of Staff Visits Israel: Renewing Military Relations?", *Canada Free Press*, August 17, 2011; "China, Israel pledge closer military ties", *China Daily*, May 21, 2012.

²⁵ Wood Mackenzie Gas and Power Consulting, "Perspectives on Gas Exports from Israel," December 2011, p.1.

²⁶ *Ibid*, p.15.

²⁷ Emma Afterman, "Israel's natural gas find present opportunities for Israel-China cooperation", *Caijing Magazine*, August 2, 2012.

²⁸ Simon Henderson, "Israel's Natural Gas Challenges", Policy Watch 1978, The Washington Institute for Near East Policy, September 7, 2012.

²⁹ "PLA debates China's role in Somalia mission", *China Daily*, December 12, 2008, in World Affairs Board, <http://www.worldaffairsboard.com>; <http://turkishnavy.net/2012/08/06/chinese-puzzle-solved/>; Roi Kais, "Chinese destroyer enters Mediterranean via Suez", *Ynet News*, July 29, 2012; "Why is Chinese Navy in the Mediterranean?", *Atlantic Council*, July 30, 2012; "Are the Chinese heading to Syria as well?" *Stand up America*, July 31, 2012; "Chinese Warships Crosses Suez, Possibly Bound for Syria," *Anti-War*, July 29, 2012.

³⁰ J Michael Cole, "China's Navy in the Mediterranean?", *The Diplomat*, July 30., 2012.

and increased port calls to various seaports it has invested around the Mediterranean littoral, are translating into political and strategic influence, while regional countries are also 'looking east'. The challenge is that China will increasingly capture U.S. market of regional influence while U.S. pivots to the Asia Pacific. The opportunity is for the U.S. to play an active role and (1) strengthen the transatlantic alliance to maintain its power projection in the region, (2) leveraging its role in maritime conflict resolution in the South China Sea and apply it to the Eastern Mediterranean; and (3) help shape the emerging post-Arab Spring regional security architecture in the Mediterranean.

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Opinions expressed in this contribution are those of the author.

This Analysis was first published at ISPSW Strategy Series: Focus on Defense and International Security. ISPSW, Issue No. 213, December 2012. www.ispsw.de

IMPRESSUM

Denkwürdigkeiten

Journal der
Politisch-Militärischen
Gesellschaft e.V.

Herausgeber

Der Vorstand der pmg

Redaktion

Ralph Thiele (V.i.S.d.P.)

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Webseite: www.pmg-ev.com

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