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**NATIONAL DEFENSE UNIVERSITY
JOINT FORCES STAFF COLLEGE
JOINT ADVANCED WARFIGHTING SCHOOL**



**Greece: China is Buying More Than
Influence on NATO's Southern Flank**

by

John G.J. DeLion

Lieutenant Colonel, United States Air Force

15 April 2021

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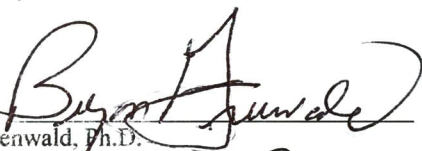
Lieutenant Colonel, United States Air Force

A paper submitted to the Faculty of the Joint Advanced Warfighting School in partial satisfaction of the requirements of a Master of Science Degree in Joint Campaign Planning and Strategy. The contents of this paper reflect my own personal views and are not necessarily endorsed by the Joint Forces Staff College or the Department of Defense.


This paper is entirely my own work except as documented in footnotes.

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Abstract

The European Union (EU), North Atlantic Treaty Organization (NATO), and the United States must investigate, understand, and mitigate the risks associated with Chinese foreign direct investments (FDI) into the Greek economy. Analysis of Chinese state owned enterprise (SOE) investment into the Greek transportation, energy, telecommunication, and real estate sectors indicate the depth of Chinese investment and the political, economic, and military risk it carries. This paper describes the total investment from Chinese SOEs into those four sectors and applies Theodore Moran's analytical framework on foreign investment. This analysis identifies five areas of risk for Greece, the EU, NATO, and the U.S. including an increased Chinese naval presence in the Mediterranean Sea, compromised communication and intellectual property theft, potential energy disruption in southern Europe, EU loss of political power, and the recently signed Comprehensive Agreement on Investment between the EU and China. The analysis concludes that while significant risk exists, the U.S., EU, NATO, and Greece can make intelligent decisions moving forward to maximize the benefits and reduce the risk posed by China's FDI. These risk reduction measures include the EU strengthening FDI screening, NATO banning Chinese technology, eliminating Chinese basing in Greece, and continuous EU monitoring of Greece's post-COVID economic recovery.

Dedication

I would like to dedicate this paper and the work that went into it to my family. Without their steadfast love and support, I would not be where I am today. It is for them that I serve.

Acknowledgements

Many individuals contributed in multiple ways to this paper's completion, and I am grateful for their efforts.

I must start first by thanking Dr. Bryon Greenwald, Joint Forces Staff College and Dr. Irene Kyriakopoulos, National Defense University who helped me frame the argument. Together with Colonel Jody M. Owens, USAF, Joint Forces Staff College, these individuals provided valuable and timely feedback, candid direction, and encouragement.

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The errors are mine alone.

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Chapter 1: Introduction

Are the United States of America and its allies losing an economic and political war with China? For years, China has leveraged its state-owned enterprises (SOEs) to pursue a coordinated, predatory economic policy that supports its goal to be the dominant power not only in the South and East China Seas, but the world. China's explosive economic growth that has benefited its people, government, and many countries is evidence of its rise as a global power. However, the negative aspects of the Chinese Communist Party's (CCP) control over its economy and where and how the CCP pursues its foreign direct investment (FDI) has significant ramifications for the European Union (EU), the North Atlantic Treaty Organization (NATO), and the United States.

Of particular interest to this study is the role of China's FDI in Greece. China's FDI in Greece carries some benefit to the Greek economy (as do all influxes of money), but the FDI also harbors greater risk to Greece, the EU, United States European Command (USEUCOM), and NATO. Analysis of Chinese SOE investment into the Greek transportation, energy, telecommunication, and real estate sectors indicate the depth of Chinese investment and the political, economic, and military risk it carries. And while significant risk exists, the U.S., EU, NATO, and Greece can act smartly to maximize the potential benefits and reduce the overall risk.

This paper examines great power competition in Europe using Chinese FDI in Greece as a case study. Chinese economic investment in the Greek economy in total and specifically in the areas of transportation, energy, telecommunications, and real estate has the potential to adversely affect the security and rules-based order of the Mediterranean Sea, the European Union, NATO, and the United States. This paper evaluates five areas

of potential risk regarding the security aspects of the transportation, energy, technology, and real estate sectors and makes recommendations to eliminate or lower the risk of Chinese influence on Greece, the EU, NATO, and USEUCOM.

Literature Review

Acknowledging the vast and evolving literature on China's pursuit of hegemony, this paper examines three areas directly linked to Greece, the EU, NATO, and USEUCOM: understanding China's One Belt, One Road Initiative or Belt and Road Initiative (BRI), exploring the breadth and depth of Chinese acquisitions in Greece, and analyzing the security and political implications of foreign investment. While there are dozens of studies on the Chinese BRI, Peter Cai's article from the Lowy Institute, "Understanding China's Belt and Road Initiative," and Mordechai Chaziza's article from *Mediterranean Quarterly*, "The Chinese Maritime Silk Road Initiative: The Role of the Mediterranean," give a unique background on China's internal motivations for the BRI.¹ They highlight China's desire to not only pursue economic growth outside its borders, but to balance regional disparities within its borders. These articles bring up some of the internal issues China faces, including the goal of balancing economic development in the poorer, western provinces like Xinjiang with overland routes while developing the maritime portion of the BRI along the wealthier, coastal portions of China.²

¹ The following are a small sample of the works on China's BRI: James Kyngge, Chris Campbell, Amy Kazmin, and Farhan Bokhari, "How China Rules the Waves," *Financial Times*, January 12, 2017, <https://ig.ft.com/sites/china-ports/>; Baogang He, "The Domestic Politics of the Belt and Road Initiative and its Implications," *Journal of Contemporary China* 28, no. 116 (March 2019): 180-195; and Alfred Gerstl, "Governance along the New Silk Road in Southeast Asia and Central and Eastern Europe: A Comparison of ASEAN, the Eu and 17+1," *Jebat: Malaysian Journal of History, Politics & Strategy* 47, no. 1 (April 2020): 121-149.

² Peter Cai, "Understanding China's Belt and Road Initiative," Lowy Institute, March 22, 2017, <https://www.lowyinstitute.org/publications/understanding-belt-and-road-initiative>; Mordechai Chaziza, "The Chinese Maritime Silk Road Initiative: The Role of the Mediterranean." *Mediterranean Quarterly* 29, no. 2 (June 2018): 54-69.

To understand the depth and breadth of Chinese FDI in Greece, the author relied initially on Plamen Tonchev's and Polyxeni Davarinou's paper from the Institute of International Economic Relations titled "Chinese Investment in Greece and the Big Picture of Sino-Greek Relations."³ Their study focused heavily on the sector location and type of investments that China made in Greece up to 2017. Their study helped answer two of the major questions of this thesis: where is China's acquisition strategy targeting Greek infrastructure and how much does China actually own?⁴ Tonchev's and Davarinou's paper, coupled with data pulled from the American Enterprise Institute, and additional reports from news services (*Xinhua*, *Bloomberg*, *the National Herald* (Greece), and *Forbes* to name a few) helped complete the picture of Chinese investment in Greece, but these sources did not articulate the impact of these investments to Greek, EU, and NATO economic and military security.

Several individuals and teams (including those mentioned above) have explored the impact of Chinese and other foreign investment to national and economic security. In 2009, Theodore Moran published *Three Threats: An Analytical Framework for the CFIUS Process. Policy Analyses in International Economics*.⁵ In this and a subsequent book, written with Lindsay Oldenski, he developed a series of guidelines for strategists and members of the US Congressional Committee on Foreign Investment in the United States (CFIUS) "to determine when a proposed foreign acquisition might pose a threat to

³ Plamen Tonchev and Polyxeni Davarinou, "Chinese Investment in Greece and the Big Picture of Sino-Greek Relations," Institute of International Economic Relations, December 2017. https://idos.gr/wp-content/uploads/2017/12/Chinese-Investment-in-Greece_4-12-2017.pdf.

⁴ Tonchev, "Chinese Investment in Greece and the Big Picture of Sino-Greek Relations."

⁵ Theodore H. Moran, *Three Threats: An Analytical Framework for the CFIUS Process. Policy Analyses in International Economics* (Washington, DC: Peterson Institute for International Economics, 2009).

US national interests and when it would not.”⁶ Using Moran’s framework, Dr. Miguel Otero-Iglesias and Manuel Weissenegger explored Chinese FDI and its impact on an Italian energy company, CDP Reti, in their article “Motivations, Security Threats and Geopolitical Implications of Chinese Investment in the EU Energy Sector: the Case of CDP Reti,” for the *European Journal of International Relations*.⁷

Additionally, this paper examined specific laws and regulations of China, the EU, and the United States. China’s 2017 National Security Law is of significance in how the law relates to foreign investment and board membership. Comparing and contrasting the laws related to CFIUS and the EU’s Framework for Foreign Investment Screening shed light on gaps in the EU process and the risk it poses to the EU and NATO. This paper combines open-source information, Moran’s foreign investment threat framework, Otero-Iglesias’s and Weissenegger’s case study, and national and organizational laws to deliver a holistic view of Chinese investment and highlight the security implications for Greece, the EU, NATO, USEUCOM, and the U.S.

Methodology

Chapter 2 details why China invested heavily in Greece, provides context for the BRI, and explains the depth and breadth of Chinese investment in Greece from both the Chinese and Greek perspectives. Using available literature, news articles, and data from the American Enterprise Institute, this paper presents a synopsis of the total investment from Chinese SOEs and examines more deeply Chinese actions in the Greek transportation, energy, telecommunications, and real estate sectors.

⁶ Moran, *Three Threats: An Analytical Framework for the CFIUS Process*, 33.

⁷ Miguel Otero-Iglesias and Manuel Weissenegger, “Motivations, Security Threats and Geopolitical Implications of Chinese Investment in the EU Energy Sector: the Case of CDP Reti,” *European Journal of International Relations* 26, no. 2 (June 2020): 594-620.

Chapter 3 provides risks and implications for Greece, the EU, NATO, and USEUCOM due to Chinese investment in Greece using two main methods. This paper highlights FDI through the lens of China’s 2017 National Intelligence Law and by using the investment data from Chapter 2 to provide two types of risk assessment. The first type of risk assessment uses Moran’s three threat criteria, listed below in Table 1, for specific categories of transportation, communication and intellectual property theft, and energy production and transmission. The second set of risk assessment articulates the risk to the transatlantic alliance posed by Chinese FDI by highlighting the EU’s loss of political power and the security implications posed by the recently signed Comprehensive Agreement on Investment between the EU and China. Following the discussion on the threat Chinese investment poses, Chapter 4 provides policy recommendations to eliminate or lower the risk of Chinese influence on Greece, the EU, NATO, and USEUCOM. Finally, Chapter 5 offers areas for further study.

Table 1. Moran’s Threat Criteria.

Threat I:	acquisition would make a country dependent on a foreign-controlled supplier for services or goods critical to the functioning of its economy, who could place conditions on, deny, or delay delivery of those goods and services.
Threat II:	acquisition would allow transfer of sensitive expertise or technology to an organization or government that could use it to harm a country’s national interests.
Threat III:	acquisition would allow the capability to conduct sabotage, surveillance, or infiltration through an agent (human or not) into the acquisition of goods and services.

Data from Theodore H. Moran and Lindsay Oldenski, *Foreign Direct Investment in the United States: Benefits, Suspicions and Risks with Special Attention to FDI from China* (Washington, DC : Peterson Institute for International Economics, 2013), 55.

Chapter 2: China's Belt and Road Initiative in Greece

This chapter is divided into three sections in order to present some basic facts to the reader. It begins with a general background to answer a primary question: why is/was China interested in Greece? The chapter then explains the BRI from China's perspective. Finally, it articulates the main areas of investment by Chinese SOEs into the Greek economy: transportation, energy, technology, and real estate. Once the reader grasps the levels and areas of Chinese SOE investment, Chapter 3 highlights the economic and security risks to Greece, the EU, NATO, and the U.S.

Background

The economic recession that started in 2008 and led to the Eurozone crisis that began in late 2009 created massive debt throughout the Greek economy that it was unable to manage effectively. The EU placed harsh austerity and structural reform measures on Greece as a condition of the EU's investment to bail Greece out of the crisis.¹ Since many Greeks did not support these austerity measures even with EU economic assistance, the Greek government looked to sources outside the EU for help. China saw this opportunity and seized it with a massive influx of FDI into Greece through its SOEs.

China's significant investment into the Greek economy at a time when Greece needed it, paved the way for Chinese victories less than a decade later. For example, in 2016, China lost an arbitration at the International Court of Justice brought forth by the Philippines over China's excessive claims in the South China Sea.² However, when the

¹ For a detailed analysis on the EU's bailout of Greece, see Irene Kyriakopoulos, "In the Name of the Euro: What Have the EU's Policies Achieved in Greece?" *Intereconomics* 49, no. 6 (December 10, 2014): 332-338. <https://www.intereconomics.eu/contents/year/2014/number/6/article/in-the-name-of-the-euro-what-have-the-eus-policies-achieved-in-greece.html>.

² "The South China Sea Arbitration: the Republic of the Philippines v. the People's Republic of China," Permanent Court of Arbitration, the Hague, July 12, 2016, accessed January 29, 2021, <https://pcacases.com/web/sendAttach/1801>.

EU attempted a joint statement to prevail on China to respect the International Law of the Sea, Greece (along with Croatia and Slovenia) blocked it.³ The following year, Greece essentially stopped the EU from submitting a statement to the United Nations' Human Rights Council criticizing China's human rights record by being the sole dissenter on a vote that required unanimity.⁴ Though the Greek government issued a statement saying basically that selective criticism is unproductive, this event highlighted how China's economic influence translated into political power not only vis-a-vis Greece, but over the EU as well.⁵ There are seven major areas where the EU must vote unanimously, one of which is common foreign and security policy.⁶ These examples illustrate that control or influence over one country can give China significant leverage over the EU.

While the sum-of-the-whole Chinese investment strategy has already paid dividends, the individual parts also present risks to the EU and by extension, NATO, USEUCOM, and the United States. China has targeted several sectors of the Greek economy for exploitation including transportation, energy, technology, real estate, and tourism (hotels and cruise lines), China's largest investment in Greece has been in the transportation area.

³ John Psaropoulos, "Greece and China Hail Strategic Partnership, as US and EU Look on," Aljazeera, November 11, 2019, accessed November 10, 2020, <https://www.aljazeera.com/economy/2019/11/11/greece-and-china-hail-strategic-partnership-as-us-and-eu-look-on>.

⁴ Jason Horowitz and Liz Alderman, "Chastised by E.U., a Resentful Greece Embraces China's Cash and Interests," *New York Times*, August 26, 2017, <https://www.nytimes.com/2017/08/26/world/europe/greece-china-piraeus-alexis-tsipras.html>.

⁵ Horowitz, "Chastised by E.U."

⁶ "Unanimity," The Council of the European Union, last reviewed January 28, 2020, <https://www.consilium.europa.eu/en/council-eu/voting-system/unanimity/>.

China's Belt and Road Initiative

If you want to be rich, build a road first.

—Chinese Proverb

In 2013, China began its One Belt, One Road or Belt and Road Initiative (BRI) to solve two problems. Internally, it was to get rid of excess production capacity and transform China's industrial base to higher technology. Externally, the BRI was a way for China to execute peripheral diplomacy by strengthening economic ties in Europe, Asia, Africa, and South America.⁷ The five major goals of China's BRI are "policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bonds."⁸ China's investments in Asia, Europe, and Africa have followed a series of predatory policies. The CCP uses its SOEs to provide economic incentives to open the door into a country or region and follow with an expanded military presence.⁹

In an effort to become a global maritime power, China has already built or refurbished 42 ports in 34 countries.¹⁰ China's first overseas military port, located in the Republic of Djibouti, started off as a commercial investment with China pouring in \$9.2 billion dollars in transportation investments (ports, terminals, railroads) before leasing the port for military operations.¹¹ China's base is a mere 15-minute drive from Camp Lemonnier, a strategic staging area for US counterterrorism and intelligence operations

⁷ Peter Cai, "Understanding China's Belt and Road Initiative."

⁸ "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road," the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, March 28, 2015, https://en.ndrc.gov.cn/newsrelease_8232/201503/t20150330_1193900.html.

⁹ Kynge, "How China Rules the Waves."

¹⁰ Jeff Gilmour, "The Global Expansion of China's Military - 2019," *Journal of Military & Strategic Studies* 20, no. 1 (2019): 26.

¹¹ Gilmour, "The Global Expansion of China's Military," 27.

on the African continent and surrounding areas.¹² Another of China's major port investments was the port in Gwadar, Pakistan, strategically located just east of the Gulf of Oman. Since most of China's oil imports arrive by sea, the Chinese quickly turned this commercial investment into a military base, which makes sense given Gwadar's location near the "world's energy jugular."¹³

The cornerstone of China's European strategy is Greece. President Xi Jinping has referred to the Port of Piraeus as the "head of the dragon," something of paramount importance.¹⁴ Figure 1 denotes both the location of Gwadar, Djibouti, and Piraeus, as well as the nature of each port (commercial and/or military). These ports straddle the major shipping lines from the Indian Ocean through the Middle East to Europe and shows where the Chinese operate both commercially and militarily. It is no wonder why Piraeus and Greece are so important to the Chinese, as it sits on the southeastern section of the EU and at the exit to the Suez Canal. Offloading cargo at Piraeus gets Chinese companies' products to the EU market days faster than using other ports like Rotterdam or Hamburg.¹⁵

¹² Arwa Damon and Brent Swails, "China and the United States Face Off in Djibouti as the World Powers Fight for Influence in Africa," CNN, last updated May 27, 2019, <https://www.cnn.com/2019/05/26/africa/china-belt-road-initiative-djibouti-intl/index.html>.

¹³ Kynge, "How China Rules the Waves."

¹⁴ Psaropoulos, "Greece and China Hail Strategic Partnership."

¹⁵ Frans-Paul van der Putten, "Chinese Investment in the Port of Piraeus, Greece: the Relevance for the EU and the Netherlands," Netherlands Institute of International Relations (Clingendael), February 14, 2014, <https://www.clingendael.org/sites/default/files/pdfs/2014%20-%20Chinese%20investment%20in%20Piraeus%20-%20Clingendael%20Report.pdf>.



Figure 1. Map of Chinese-Run Ports and near the Middle East/Europe. Map generated from www.mapquest.com.

Chinese Investments in Greece

Since 2008, China has invested over \$10.54 billion into Greece through a variety of means, including using SOEs.¹⁶ China highly diversifies its investments into Greece; however, this study focuses on four major areas that affect EU and NATO/USEUCOM security: transportation, energy, technology, and real estate. Individual Chinese investments in the first three sectors - transportation, energy, and technology – can affect the security of the EU and NATO. Chinese investment in the Greek real estate sector can affect EU and NATO security from the cumulative investment and resulting citizenship authorities that come from thousands of real estate transactions.

¹⁶ “China Global Investment Tracker,” American Enterprise Institute, accessed October 10, 2020, <https://www.aei.org/china-global-investment-tracker/>.

While the major investment into the Port of Piraeus by the Chinese SOE now known as the China Ocean Shipping Company or COSCO is the most well-known Chinese SOE acquisition in Greece, it is far from the only one. Several Chinese SOEs have made investments in the Greek energy sector, from infrastructure to production. Huawei and other Chinese SOEs have steadily acquired a large stake in the Greek telecommunications arena and are seeking to expand their footprint. Finally, Chinese investors have been buying thousands of homes to acquire EU *Golden Passports* (sometimes referred to as *Golden Visas*) which enables unrestricted movement of Chinese citizens throughout the EU. The following sections examine these investments and highlight the degree of leverage Chinese SOEs, and thereby the CCP, has on the Greek economy.

Transportation

In 2008, the largest Chinese SOE shipping company, COSCO, leased two of the three piers in the Port of Piraeus near Athens. COSCO followed this acquisition in 2016 with the purchase of a controlling interest in the Piraeus Port Authority, with the promise of investing even more over the following five years.¹⁷ COSCO paid over €4.3 billion, the largest ever FDI in Greece, for the 35-year lease and 51% control of Piraeus.¹⁸

COSCO has the option to purchase another 16% of the Port of Piraeus for €88 million in

¹⁷ Erik Brattberg and Etienne Soula, “Europe’s Emerging Approach to China’s Belt and Road Initiative,” Carnegie Endowment for International Peace, October 19, 2018, <https://carnegieendowment.org/2018/10/19/europe-s-emerging-approach-to-china-s-belt-and-road-initiative-pub-77536>.

¹⁸ Asteris Huliaras and Sotiris Petropoulos, “Shipowners, Ports and Diplomats: the Political Economy of Greece’s Relations with China,” *Asia Europe Journal: Studies on Common Policy Challenges* 12 no. 3 (September 2014):” 227.

2021 if they complete the required investment of another €350 million into the port within the designated five-year investment window that began in 2016.¹⁹

China quickly followed the initial purchase/investment with a military port call. To China-watchers, this sequence is commonplace. China followed a similar course in Gwadar, Pakistan and Sri Lanka (among other locations). China starts with a commercial investment in a port and transitions it “to carry out essential military missions.”²⁰

COSCO’s purchase of the Port of Piraeus fits perfectly into the larger strategy of the BRI, specifically how China is leveraging Piraeus at the eastern edge of the Mediterranean to gain access to the EU. Piraeus is just one step in the BRI. It interlocks with overland roads and rail in a multiaccess approach into European commercial markets (see Figure 2).²¹ Chinese investments in the transportation sector is only one of the areas where Chinese money is buying influence through ownership and control of critical infrastructure and resources in Greece.

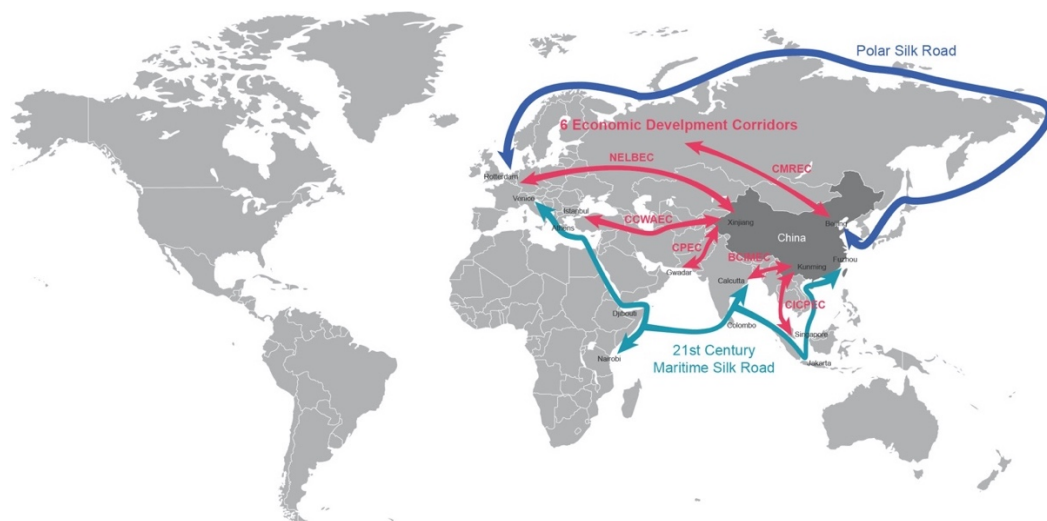


Figure 2. China’s Belt and Road Initiative. Map from “Home,” Belt and Road Initiative, accessed January 5, 2021, <https://www.beltroad-initiative.com/belt-and-road/>.

¹⁹ Tonchev, “Chinese Investment in Greece,” 16.

²⁰ Kynge, “How China Rules the Waves.”

²¹ Chaziza, “The Chinese Maritime Silk Road Initiative,” 56.

Energy

Chinese investments in Greece's critical infrastructure, specifically the energy sector, represent a significant threat to European security. Investment in renewable energy has been a major vector for Chinese FDI and represents a market for future growth for Chinese companies.²² Two critical factors are driving Greece's focus on energy investments: there is a worldwide push for renewable energy/a move away from fossil fuels, and Greece is a net importer of electricity.²³ China's FDI in the Greek energy sector includes energy transmission and wind and solar power generation.

China State Grid International Development Ltd. purchased a 24% stake in Greece's Independent Power Transmission Operator (IPTO or ADMIE in Greek) in 2017.²⁴ Shenhua Renewables partnered with Greece's Public Power Corporation and the Copelouzos Group to acquire a 75% stake in four wind parks in late 2017.²⁵ China Energy Engineering Company and Zhejiang Supcon Solar Technology Company, Ltd. signed an agreement with Nur Energie and PRENECON to build and help operate the Minos 50MW photothermal power project worth \$320 million on the island of Crete in November of 2019.²⁶ To complement its investment in electricity production and generation, China also has a vested interest in the liquid natural gas (LNG) delivery system throughout Greece.

²² Liang Manyu, "China, Greece Advance Energy Cooperation," *Global Times*, November 18, 2019. <https://www.globaltimes.cn/content/1170344.shtml>.

²³ "Greece Country Data," U.S. Energy Information Administration, accessed November 11, 2020, <https://www.eia.gov/international/overview/country/GRC>.

²⁴ Tonchev, "Chinese Investment in Greece," 18.

²⁵ Tonchev, "Chinese Investment in Greece," 18-19.

²⁶ Wang Ruoting, ed., "Chinese SOEs Contract MINOS 50MW Solar Power Project in Greece," State-Owned Assets Supervision and Administration Commission of the State Council, last updated November 20, 2019, http://en.sasac.gov.cn/2019/11/20/c_2895.htm.

Hellenic Gas Transmission Systems Operator (DESFA) S.A. is responsible for distributing much of the LNG to Greece by operating pipelines from Greece and Bulgaria.²⁷ A Chinese SOE does not own a direct share of DESFA, but State Grid Corporation of China (through its subsidiary, State Grid Europe Limited [SGEL]) does own a significant share (35%) in one of DESFA's parent companies, CDP Reti.²⁸ CDP Reti is the largest single shareholder of Snam, a majority shareholder in Senfluga Energy Infrastructure Holdings (SENFLUGA) S.A. (54%), which has a controlling interest (66%) in DESFA.²⁹ Figure 3 denotes the hierarchical relationship between the companies. The boxes outlined in red denote Chinese FDI.

²⁷ "National Natural Gas Transmission System," DESFA, accessed December 26, 2020, <https://www.desfa.gr/en/national-natural-gas-system/transmission>.

²⁸ "Home," CDP RETI, accessed December 26, 2020, https://www.cdp.it/sitointernet/en/cdp_reti.page; "Strategic Report, Director's Report, and Financial Statements," State Grid Europe Limited, last modified December 31, 2019, <https://find-and-update.company-information.service.gov.uk/company/07844667/filing-history>.

²⁹ "Shareholders," SNAM, accessed December 26, 2020, https://www.snam.it/en/Investor_Relations/Shareholders/; "The Acquisition of 10% of the Share Capital of Senfluga Energy Infrastructure Holdings S.A. (SENFLUGA) by DAMCO ENERGY S.A. was Completed," DESFA, last modified January 16, 2020, <https://www.desfa.gr/en/press-center/press-releases/oloklhrw8hke-h-ejagora-toy-10-toy-metoxikoy-kefalaioy-ths-senfluga-energy-infrastructure-holding-s-a-senfluga-apo-thn-damco-energy-s-a>.

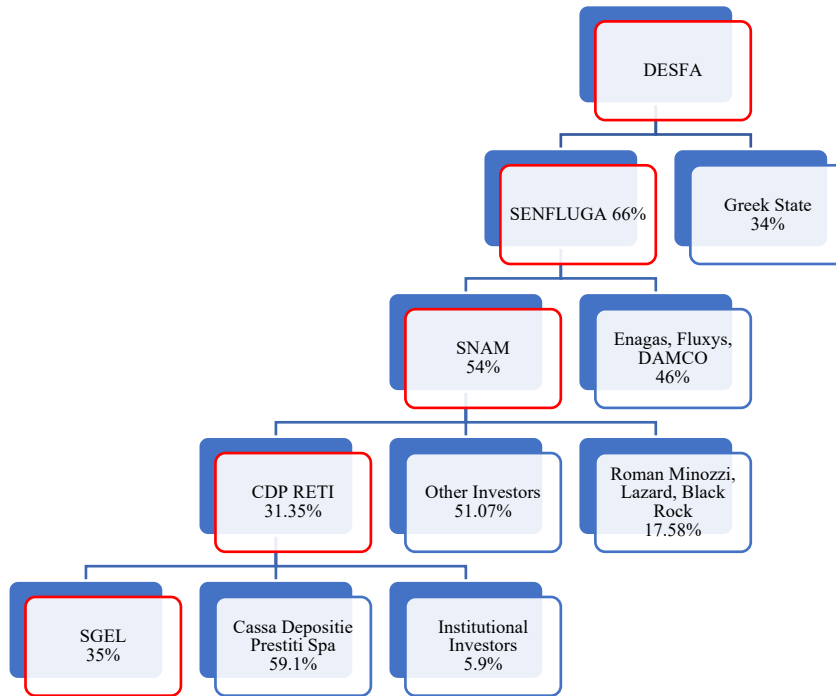


Figure 3: State Grid Corporation of China’s Economic Connection to DESFA

Though State Grid Corporation of China does not have a controlling interest in the Italian company, CDP Reti, State Grid does have the option to nominate two of the five board members (but not the Chairmen or CEO) as well as board members on Snam.³⁰ Note that both SGEL and China State Grid International Development Ltd. are owned by the State Grid Corporation of China. Chinese SOEs have also invested heavily into the Greek technology sector.

Technology

Though the technology sector has not been a prime target of Chinese investment, it bears understanding how deeply Chinese SOEs tie into this sector of the Greek economy. In May 2017, Chinese SOEs Shanghai Gongbao and Kai Xin Rong companies signed a cooperation agreement with ZTE (another Chinese SOE) and Forthnet worth up

³⁰ Otero-Iglesias, “Motivations, Security Threats and Geopolitical Implications of Chinese Investment,” 605-606.

to €500 million over seven years to explore the financing for a Greek fiber-optic network.³¹ ZTE is also in discussions with the Greek government to build a telecommunications factory in Greece.³² ZTE is not the lone Chinese technology company in Greece.

The Chinese SOE, Huawei, one of the world's leading telecommunications companies, has been active in Greece since 2005. In 2011, it partnered with Wind Hellas (one of three Greek telecom providers) to build a 4G network throughout Greece.³³ In 2019, Huawei, again partnering with Wind Hellas, ran a 5G pilot program in two Greek cities: Athens and Kalamata.³⁴ During Huawei's 15-year presence in Greece, it has acquired a 50% share of the telecom equipment market, and more than half of the 4G network's cell towers.³⁵

Real Estate

Though owning a hotel or casino is not a direct threat to Greece, the EU, or NATO, the sheer amount of money that China has invested into the Greek real estate market is worth mentioning as it translates into political influence. In December 2016, Fosun, another Chinese SOE, invested over \$200 million to develop the now abandoned Hellenikon International Airport. Delays to the project caused by an anti-foreign bias

³¹ Chris Dziadul, "Forthnet Secures €500m Chinese Investment," last modified May 15, 2017, <https://www.broadbandtvnews.com/2017/05/15/forthnet-secures-e500m-chinese-investment/>.

³² Psaropoulos, "Greece and China Hail Strategic Partnership."

³³ Eliza Gkritsi, "How Huawei Hooked Greek Telcos," last modified December 9, 2020, <https://technode.com/2020/12/09/how-huawei-hooked-greek-telcos/>.

³⁴ Sarantis Michalopoulos, "Huawei official: 5G is a 'Historic' Opportunity for Greece and Cyprus," Euractiv, last modified July 30, 2019, <https://www.euractiv.com/section/5g/news/huawei-official-5g-is-a-historic-opportunity-for-greece-and-cyprus/>.

³⁵ Bojan Stojkovski, "As US, China Fight Trade War, Greece Opens up to Huawei's 5G Ambitions," Medium, August 19, 2019, <https://medium.com/@hasawatermark/as-us-china-fight-trade-war-greece-opens-up-to-huaweis-5g-ambitions-179572e11ea1>; Gkritsi, "How Huawei Hooked Greek Telecoms."

resulted in Fosun's buyout by its Greek partner.³⁶ Fosun also invested more than €200 million in Greece through a stake in the Folli Follie Group, a luxury retailer.³⁷

Commercial real estate is not the only vehicle by which Chinese money is flowing into the Greek real estate sector.

Greece has incentivized foreign investors by offering EU passport visas for a nominal price. For a real estate investment of €250,000 (residential or commercial), anyone that lacks a criminal record can get a Greek residency visa, including access to the EU, for a small fee.³⁸ The Greek visas require no minimum stay, are good for up to five years, include spouses and children up to 21 years old, and are a path to citizenship after seven years of residency.³⁹ This program has attracted significant Chinese investment.

Chinese investors accounted for 86% of the *Golden Visas* issued to main applicants in 2019 according to the Greek Ministry of Migration and Asylum.⁴⁰ Since 2019, Greece has given 13,075 Chinese nationals residency visas.⁴¹ For the first six years

³⁶ TNH Staff, "Lambda Will Buy Out Hellenikon Airport Development Partners," *the National Herald*, September 20, 2019, https://www.thenationalherald.com/archive_whats_new/arthro/lambda_will_buy_out_hellenikon_airport_development_partners-23442/.

³⁷ Marcus Bensasson and Sotiris Nikas, "China's Fosun Still Interested in Acquiring Greek Insurer if Winning Bid Collapses," *Insurance Journal*, March 23, 2018, <https://www.insurancejournal.com/news/international/2018/03/23/484234.htm>.

³⁸ "Program Overview," La Vida Golden Visas, accessed December 15, 2020, <https://www.goldenvisas.com/citizenship-by-investment-greece>.

³⁹ "Program Overview," La Vida Golden Visas.

⁴⁰ Philip Chrysopoulos, "Demand for Greek Real Estate from Chinese Investors Peaks Despite Coronavirus," *Greek Reporter*, Apr 24, 2020, <https://greece.greekreporter.com/2020/04/24/demand-for-greek-real-estate-from-chinese-investors-peaks-despite-coronavirus/>.

⁴¹ TNH Staff, "Wealthy Chinese Cash in On Greek Golden Passports," *the National Herald*, February 13, 2020, https://www.thenationalherald.com/greece_economy/arthro/wealthy_chinese_cash_in_on_greek_golden_passports-256904/.

of the program, which began in 2013, it has raised more than 2.6 billion euros, and Chinese people account for more than 70% of the investors.⁴²

Chinese investments into Greece's transportation, energy, and technology sectors, coupled with real estate investments benefited Greece at a time when the country very much needed it. But what risk to Greece and thereby the EU, NATO, and USEUCOM came with this large influx of foreign investment? The next chapter will answer that by using Moran's FDI threat framework, discussing the implications of China's 2017 National Intelligence Law, and pointing out fractures in the transatlantic alliance that Chinese SOE FDI are expanding.

⁴² Giannis Seferiadis, "Silk Road Redux: Greece Courts China Money in Crisis Revival Bid," Nikkei Asia, August 18, 2020, <https://asia.nikkei.com/Spotlight/Asia-Insight/Silk-Road-Redux-Greece-courts-China-money-in-crisis-revival-bid>.

Chapter 3: Implications for the European Union and NATO

NATO Secretary General Jens Stoltenberg, while in London for NATO's 70th anniversary meeting in 2019, stated:

What we see is that the rising power of China is shifting the global balance of power.... There's no way that NATO will move into the South China Sea, but we have to address the fact that China is coming closer to us, investing heavily in infrastructure.... So, of course, this has some consequences for NATO.¹

Secretary General Stoltenberg's comments highlight the growing connections between Europe, NATO, and China and the need to recognize the growing security implications these connections aggravate. Examining China's investments and economic policies also illuminate several areas for investigating the growing security implications.

This chapter examines five areas of risk for the EU and NATO: an increased presence of the People's Liberation Army – Navy (PLAN) in the Mediterranean Sea compromised communications and widespread IP theft, energy disruption in southern Europe, the loss of political power by the EU, and the risks associated with the recently signed Comprehensive Agreement on Investment (CAI) between the EU and China. This paper views the first three areas (PLAN presence, communication, and energy) through Moran's threat models: *Threat I* – acquisition of critical goods or services subject to conditions, delay, or denial; *Threat II* – acquisition of sensitive expertise or technology that could bring harm; and *Threat III* – sabotage, surveillance, or infiltration into acquisition.² The paper presents the latter two areas (EU political power and the CAI) as a risk in fracturing the transatlantic alliance. Before discussing the areas of risk, it is

¹ Holly Ellyatt, "China is 'Coming Closer' but We Don't Want a New Adversary, NATO Chief Says," CNBC, December 2, 2019, <https://www.cnbc.com/2019/12/02/jens-stoltenberg-rising-power-china-must-be-addressed-by-nato.html>.

² Moran, *Foreign Direct Investment in the United States*, 55.

important to recognize how FDI from a Chinese SOE is different from an investment by another commercial company like Apple or Ford. Additionally, one must understand the role played in Chinese SOE investment by the Chinese National Security Law, enacted in 2017, that creates additional ramifications to companies and governments that conduct business or accept Chinese SOE investment.

Chinese SOEs and the Chinese National Intelligence Law

Worldwide, most large companies and organizations are run by a board of directors that answer only to shareholders (if the company is publicly owned) or a single or multiple owners if privately owned. The difference between these companies and Chinese SOEs is that Chinese SOEs also answer directly to the CCP. In a move to consolidate the CCP's power, President Xi Jinping pushed the CCP to have a leadership role with the Chinese SOEs' boards of directors. Article 33 of the Constitution of the Communist Party of China, adopted in 2017, states the following:

The leading Party members groups or Party committees of state-owned enterprises shall play a leadership role, set the right direction, keep in mind the big picture, ensure the implementation of Party policies and principles, and discuss and decide on major issues of their enterprise in accordance with the regulations.³

The Constitution's Article changed from the party playing a political role to an expanded leadership role in Chinese SOEs.⁴ This situation makes it so that when the CCP wants to move in a certain direction, SOEs like Huawei and COSCO must follow. In contrast, companies like Apple, Ford, or Kraft do not focus their FDI in concert with the U.S.

³ "Constitution of the Communist Party of China," National Congress of the Communist Party of China, accessed February 5, 2021, http://www.xinhuanet.com/english/download/Constitution_of_the_Communist_Party_of_China.pdf.

⁴ Jake Laband, "Fact Sheet: Communist Party Groups in Foreign Companies in China," China Business Review, May 31, 2018, <https://www.chinabusinessreview.com/fact-sheet-communist-party-groups-in-foreign-companies-in-china/>.

Federal Government. Complicating SOE investment further is China's 2017 National Intelligence Law.

In 2017, the 20th National People's Congress of the People's Republic of China (PRC) quickly passed a new National Intelligence Law that alarmed many, especially those who do business with China.⁵ The section which causes the most concern is Article 7 that obliges all Chinese organizations, institutions, and individuals by law to cooperate, support, and assist with national intelligence efforts.⁶ It also expounds that the State will protect individuals and organizations that work with national intelligence efforts.⁷ Taken another way, this law states that it is the duty of every Chinese organization and citizen to spy for the State (or CCP), and that the State will protect them. There are also benefits for Chinese citizens and organizations to follow this law.

Helping the CCP conduct intelligence efforts will result in commendations and/or awards for those who contribute in a significant way to national intelligence efforts according to Article 9 of the law.⁸ To reinforce the requirement for private citizens to help national intelligence efforts, Article 14 insists that "state intelligence work organs, when legally carrying forth intelligence work, may demand that concerned organs, organizations, or citizens provide needed support, assistance, and cooperation."⁹ National

⁵ Murray S. Tanner, "Beijing's New National Intelligence Law: From Defense to Offense," last modified July 20, 2017, <https://www.lawfareblog.com/beijings-new-national-intelligence-law-defense-offense>; "National Intelligence Law of the People's Republic of China," China Law Translate, last updated June 27, 2017, <https://www.chinalawtranslate.com/en/national-intelligence-law-of-the-p-r-c-2017/>.

⁶ Bonnie Girard, "The Real Danger of China's National Intelligence Law," *the Diplomat*, February 23, 2019, <https://thediplomat.com/2019/02/the-real-danger-of-chinas-national-intelligence-law/>.

⁷ Geeta Mohan, "How China's Intelligence Law of 2017 Authorizes Global Tech Giants for Espionage," *India Today*, last updated July 27, 2020, <https://www.indiatoday.in/news-analysis/story/china-national-intelligence-law-2017-authorise-companies-espionage-india-1705033-2020-07-27>.

⁸ "National Intelligence Law of the PRC," China Law Translate.

⁹ Tanner, "Beijing's New National Intelligence Law;" Geeta Mohan, "How China's Intelligence Law of 2017 Authorizes Global Tech Giants for Espionage."

intelligence agents can gain access to files and materials, or they can “commandeer the communications equipment, transportation, buildings, and other facilities of individuals as well as organizations and government organs” according to Articles 16 and 17.¹⁰ Hoping to alleviate fear of those assisting the national intelligence apparatus, Articles 23-25 state that the Chinese Government will take care of those who assist national intelligence efforts. If needed, the government will provide protection or rescue, placement, and compensation to those who suffered losses because they cooperated, assisted, or supported national security work.¹¹ Finally, China’s law threatens up to 15 days of detention for obstructing national intelligence work.¹²

Not only is it the duty of every Chinese citizen and organization to assist the government in spying, but the Chinese government will also reward, protect, and compensate its citizens for their efforts in executing the CCP’s intelligence work. Chinese state media simply released a statement saying the CCP passed the law “to safeguard national security and interests,” but provided no clarification to ease the fears of those who are worried about outright spying.¹³ In 2019, Chinese Foreign Ministry Spokesperson Geng Shuang chaffed at concerns over Article 7. To dispel the threatening language, Shuang highlighted Article 8’s stipulation of only using the intelligence service according to law, and that the law ensures the respect and protection of human rights,

¹⁰ Tanner, “Beijing’s New National Intelligence Law.”

¹¹ “China’s Intelligence Law and the Country’s Future Intelligence Competitions,” Government of Canada, last modified May 17, 2018, <https://www.canada.ca/en/security-intelligence-service/corporate/publications/china-and-the-age-of-strategic-rivalry/chinas-intelligence-law-and-the-countrys-future-intelligence-competitions.html#wb-cont>.

¹² Geeta Mohan, “How China’s Intelligence Law of 2017 Authorizes Global Tech Giants for Espionage.”

¹³ “China Adopts Intelligence Law,” Xinhua News, June 27, 2017, http://www.xinhuanet.com/english/2017-06/27/c_136398422.htm.

including safeguards for interests and legal rights of organizations and individuals.¹⁴ However, his statement does not change the direction from the CCP that all Chinese citizens will spy for the government. Now that the reader understands the influence the CCP has over Chinese SOEs through the CCP's Constitution and National Intelligence Law, this paper denotes five specific areas of risk.

Risk Area 1: PLAN Deployments to Piraeus

On July 23, 2017, PLAN Naval Task Group 150, comprised of three PLAN vessels arrived at the Port of Piraeus for a four-day port visit.¹⁵ This was the second visit the PLAN conducted since COSCO's investment in Piraeus. The first visit the PLAN conducted was a four-day port visit to Piraeus in 2015.¹⁶ These actions follow the pattern set by previous Chinese SOE investments and port militarization in other countries. The pattern will likely continue unless Greece and/or NATO and the EU step in. When violence broke out in Libya at the end of February/early March of 2011, Greece helped rescue 13,000 Chinese workers and evacuated them to Crete.¹⁷ China was not happy about needing the help of another country. One Chinese official, whom the report did not identify, said, "if that was to happen again, we would be much better prepared. We could use the Chinese navy and take the evacuees to our own port at Piraeus."¹⁸

¹⁴ Li Xia, ed., "China Urges Comprehensive, Accurate Interpretation of its Intelligence Law," Xinhua News, February 19, 2019, http://www.xinhuanet.com/english/2019-02/19/c_137834361.htm.

¹⁵ "Chinese Naval Fleet Arrives in Greece for Friendly Visit," Xinhua News, last modified July 23, 2017, http://www.xinhuanet.com/english/2017-07/23/c_136466322.htm.

¹⁶ "Chinese Naval Escort Fleet Wraps up Visit to Greece," *China Daily*, February 21, 2015, http://www.chinadaily.com.cn/china/China-Military-Watch/2015-02/21/content_19629909.htm.

¹⁷ Huliaras, "Shipowners, Ports and Diplomats," 220; Fu Jing, "China Helps 1,100 Foreigners to Evacuate," *China Daily USA*, March 4, 2011, http://usa.chinadaily.com.cn/china/2011-03/04/content_12114759.htm.

¹⁸ Kyngge, "How China Rules the Waves."

What is more worrisome is that in June of 2015, the Chinese Government directed that all civilian Chinese-built vessels be capable of supporting military operations in case of war.¹⁹ These ships must conform to one of five types: break bulk, roll-on/roll-off, container, bulk carrier, or multipurpose and be designed to improve the PLAN's ability to project strategically.²⁰ In order to protect the civilian shipbuilders, the Chinese government provides funding to offset the cost between the civilian and military versions.²¹ This means that every Chinese ship that sails into Piraeus could be serving a military purpose. Given Piraeus's geostrategic location at the eastern edge of the Mediterranean, there is no wonder why China would be interested in using it as a port to protect its commerce or potentially to project power. Of concern to USEUCOM is that Naval Support Activity (NAS) Souda Bay is roughly 300 KM from Piraeus.

The PLAN has operated in the Mediterranean for years. Near the height of the Syrian Civil War in 2013, the PLAN ship, *Jinggangshan*, sortied with the Russian fleet off the coast of Syria in the eastern Mediterranean.²² In 2015, the PLAN conducted joint naval exercises with the Russian navy. Geng Yansheng, a Chinese Defense Ministry spokesman, said the goal of the exercise was to "to deepen both countries' friendly and

¹⁹ Tonchev, "Chinese Investment in Greece," 56.

²⁰ Reuters Staff, "China Approves Plan for Civilian Ships to be Used by Military," *Reuters*, June 17, 2015, <https://www.reuters.com/article/us-china-defence-shipping/china-approves-plan-for-civilian-ships-to-be-used-by-military-idUSKBN0OY08N20150618>.

²¹ "Law of the People's Republic of China on National Defense Transportation," People's Republic of China, September 3, 2016, http://eng.mod.gov.cn/publications/2017-03/03/content_4774230.htm#:~:text=The%20Law%20of%20the%20People%27s%20Republic%20of%20China,shall%20come%20into%20force%20on%20January%201%2C%202017.

²² Gordon G. Chang, "China in the Mediterranean," Hoover Institution, January 10, 2020, <https://www.hoover.org/research/china-mediterranean>.

practical cooperation and increase our navies' ability to jointly deal with maritime security threats," and had nothing to do with the anything going on in the region.²³

It is unlikely that the Chinese government has a significant amount to learn or steal from Greece about running the Port of Piraeus. The port increased capacity by over 14 percent in 2016 and continues to grow.²⁴ And since Piraeus makes a profit for COSCO and other Chinese companies whose goods enter the EU through this port, Piraeus does not fall under *Threat I* (acquisition of critical goods or services subject to conditions, delay, or denial) or *Threat II* (acquisition of sensitive expertise or technology that could bring harm). However, since the CCP directed that all Chinese built ships must be convertible for military purposes, this paper argues that Piraeus presents a *Threat III* (sabotage, surveillance, or infiltration into acquisition) scenario, as the Chinese government could very well conduct espionage from Piraeus. Though a PLAN presence in the Mediterranean presents a risk to Greece, a greater area of concern is communication disclosure and IP theft.

Risk Area 2: Communication Disclosure and Intellectual Property Theft

In the European Commission's amended 2020 report on intellectual property rights (IPR) in third countries, the Commission names China as the number one priority "because of the scale and persistence of problems in the area of IPR protection and

²³ Jane Perlez, "Chinese and Russian Navies to Hold Joint Drills in Mediterranean," *New York Times*, April 30, 2015, <https://www.nytimes.com/2015/05/01/world/chinese-and-russian-navies-to-hold-joint-drills-in-mediterranean.html>.

²⁴ "Will the EU Block China's Economic Silk Road? Two Models of Global Development." Premium Official News, April 30, 2018, <https://go-gale-com.nduezproxy.idm.oclc.org/ps/i.do?p=STND&u=wash60683&id=GALE|A536719560&v=2.1&it=r&sid=ebsco>.

enforcement.”²⁵ One of the threats the Commission highlights is “China’s objective to absorb foreign technology and make it Chinese (re-innovate).”²⁶ Chinese companies have been known to steal secrets away from home too. Two days after the EU and China agreed to a stronger trade deal in April 2019, the Dutch newspaper, *Financieele Dagblad*, reported that employees stole trade secrets from ASML, a Netherlands-based multinational computer chip manufacturer. The employees then gave the secrets to ASML’s Chinese competitor, XTAL, through the help of the Chinese Ministry of Science and Technology, costing ASML millions of euros.²⁷

One of the reasons Greece is at risk is because of its close relationship with Huawei. As next generation cellular networks begin to come online, Huawei is pushing hard to be a key provider in the Greek 5G market. Huawei has already tested its new 5G network in Greek cities. Though it appears that Greece is currently leaning away from Huawei for 5G procurement, the fact that a Chinese SOE owns much of Greece’s infrastructure means it could still pose a significant risk.

On February 13, 2020, the U.S. indicted Huawei and its proxies on 16 counts of a “long-running practice of using fraud and deception to misappropriate sophisticated technology from US counterparts.”²⁸ This comes after multiple instances of IP theft of

²⁵ “Report on the Protection and Enforcement of Intellectual Property Rights in Third Countries (Working Document),” Council of the European Union, January 1, 2020, 9, last reviewed January 7, 2021, https://trade.ec.europa.eu/doclib/docs/2020/january/tradoc_158561.pdf.

²⁶ “Report on the Protection and Enforcement of Intellectual Property Rights,” 18.

²⁷ Zak Doffman, “China’s Spies Accused Of Stealing EU Tech Secrets, Just As China And EU Agree Stronger Ties,” *Forbes*, April 11, 2019, <https://www.forbes.com/sites/zakdoffman/2019/04/11/chinese-spies-accused-of-major-european-ip-theft-just-as-china-and-europe-agree-stronger-ties/?sh=1c645e0a70f4>.

²⁸ “Huawei Hit with Fresh Charges of Sabotage and Intellectual Property Theft from US Tech Firms,” *France 24*, February 13, 2020, <https://www.france24.com/en/20200213-china-usa-huawei-5g-sabotage-intellectual-property-theft-tmobile-meng-wanzhou>.

U.S. companies including Cisco, T-Mobile, and Motorola by Huawei.²⁹ Outright theft in IP is one way to gain access, but active security measures can help reduce vulnerabilities.

Another way Huawei demonstrates itself as a security risk to Greece is through backdoors into its hardware, especially routers. Europe's largest phone company, Vodafone, had many problems with security on its Huawei equipment in Italy. Vodafone first discovered backdoors in their software allowing Huawei access to fixed-line networks, broadband network gates, optical service nodes, and home internet routers.³⁰ Though Vodafone said they found no evidence to support data compromise, it does not eliminate the possibility. There is also the possibility that when Huawei released their new equipment, there were glitches, as happens to many companies. However, when Vodafone notified Huawei of the backdoors in the routers, Huawei said they had fixed them. When Vodafone examined the routers again, they discovered the backdoors remained.³¹

Greece is in a difficult spot with telecommunications. Since Huawei has more than 50% of the current cellular network infrastructure, it is conceivable they already have backdoors in place to retrieve data. But if Greece selects Huawei as its 5G provider, there will be significant ramifications to Greece's communications and IP security. 5G technology will enable more connection to more devices consistently, including places like factories.

²⁹ Emily Fang, "Huawei Accused Of Technology Theft," NPR, June 8, 2019, <https://www.npr.org/2019/06/08/730898429/huawei-accused-of-technology-theft>.

³⁰ Daniele Lepido, "Vodafone Found Hidden Backdoors in Huawei Equipment," *Bloomberg*, April 30, 2019, <https://www.bloomberg.com/news/articles/2019-04-30/vodafone-found-hidden-backdoors-in-huawei-equipment>.

³¹ Lepido, "Vodafone Found Hidden Backdoors."

At Ericsson’s factory in the U.S. (where it produces 5G and Advanced Antenna Systems), it is using 5G technology for augmented reality for remote support, energy management and monitoring, inspection drones, environmental monitoring, safety and quality control, messaging directly to an individual’s wireless device, machine learning-based visual inspection, and automated unpacking.³² If someone, like Huawei, had access to this data, they would have a full view of everything that Ericsson did, from design, to manufacturing, to repair. There would be no secrets. Companies are not the only organizations at risk.

If the Greek military embraces Huawei’s 5G technology, it is conceivable that the Chinese could also compromise its facilities at Souda Air Base. 5G technology has the capability to revolutionize everything from logistics (faster tracking, locating, delivering) to maintenance. Given that this base is also a dual use facility for the civilian airport (Chania International Airport) serving the Hania region of Crete, a 5G network will enable the tracking of all aircraft movement on the field, as well.

If Huawei is in control of this equipment, that will be a significant impediment to the U.S. Navy, whose NAS Souda Bay shares the same property.³³ NAS Souda Bay is the only port between the Indian Ocean and Norfolk that can dock a nuclear-powered carrier next to an airfield, making this installation critical for both USEUCOM and NATO.³⁴ Huawei could track all supply and maintenance equipment brought in by commercial

³² “Ericsson USA 5G Smart Factory,” Ericsson, accessed January 7, 2021, <https://www.ericsson.com/en/about-us/company-facts/ericsson-worldwide/united-states/5g-smart-factory>.

³³ “Naval Support Activity Souda Bay,” Commander, Navy Installations Command, accessed January 7, 2021, https://www.cnic.navy.mil/regions/cnreurfcent/installations/nsa_souda_bay.html#:~:text=The%20United%20States%20Naval%20Support,rugged%20Greek%20island%20of%20Crete.&text=NSA%20Souda%20Bay%20is%20located,of%20the%20city%20of%20Hania.

³⁴ John Sitalides, “Cementing a Long-term Deal with Greece,” *Washington Times*, June 5, 2017, <https://www.washingtontimes.com/news/2017/jun/5/greece-deal-will-give-us-valuable-port/>.

means into Chania International Airport and use that data to piece together the readiness of any U.S. Navy ships in Souda Bay or aircraft parked on the airfield.

Huawei and other Chinese telecommunications providers clearly fall into the *Threat III* category (sabotage, surveillance, or infiltration into acquisition). They have committed IP theft multiple times, and Chinese law directs them to continue to do so if one interprets the Chinese National Intelligence Law verbatim. If Huawei or another Chinese telecommunications company works with the Greek Military, they would fall into the *Threat II* category (acquisition of sensitive expertise or technology that could bring harm), as well. Under Chinese law, Chinese companies are not only encouraged to collect sensitive technology and information to further China's and the CCP's ambitions, the CCP will reward the companies for doing so. Along with technology and IP theft, the energy sector also presents critical vulnerabilities to Greece, the EU, USEUCOM, and NATO.

Risk Area 3: Power Production/Transmission

China's targeting of the Greek energy sector as a major investment point, exposes another potential critical vulnerability under the right circumstances. China's investment in electric grids, windmill farms, and gas companies present potential national security risks to Greece, to other EU member states, and to USEUCOM. Specifically, the clauses Chinese SOEs inserted into their some of their investments in Greek companies present risk to Greece and its neighbors.

China's second largest investment in Greece (behind the Port of Piraeus) is a 24% share in Greece's Independent Power Transmission Operator (IPTO).³⁵ Though State Grid only has a 24% stake in the company, it selects three of the nine board members, including the deputy chief executive officer.³⁶ IPTO provides power to Turkey, Bulgaria, North Macedonia, Albania, and Italy through eight interconnecting lines.³⁷ IPTO has two subsidiaries: Grid Telecom and Ariadne Interconnection.

IPTO established Ariadne to build the electrical interconnection of Crete and Attica, its largest project to date, which was financed by the Bank of China and Commercial Bank of China for €200 million.³⁸ When IPTO completes this project (anticipated in late 2022 or early 2023), Crete will shutter its fuel-based power plants and rely solely on renewable power plants and the pipeline.³⁹ China Gezhouba Group International Engineering Co., Ltd. and Zhejiang Supcon Solar Technology Co., Ltd. are building a €290 million solar plant that will be capable of supplying ten percent of Crete's renewable power.⁴⁰ Additionally, one of the wind parks 75% owned by China Energy is also located on Crete.⁴¹

The fact that a Chinese SOE owns a wind farm and another is building a power plant should give those in NATO and USEUCOM pause, since a competitor will be

³⁵ Tonchev, "Chinese Investment in Greece," i; Yuan Shenggao, "State Grid's Investment in Greek Power Transmission Operator a Win-Win Deal," *China Daily*, November 28, 2019, http://www.chinadaily.com.cn/global/2019-11/28/content_37526135.htm#:~:text=In%20the%20present%20structure%2C%20Greek,a%20stake%20of%2024%20percent.

³⁶ "Board of Directors," IPTO, accessed January 18, 2021, <https://www.admie.gr/en/company/structure/bod>.

³⁷ "About Us," IPTO, accessed December 15, 2020, <https://www.admie.gr/en/company/about-us>.

³⁸ "About Us," IPTO; Giannis Seferiadis, "Silk Road Redux."

³⁹ Shenggao, "State Grid's Investment."

⁴⁰ Ruoting, ed., "Chinese SOEs Contract MINOS 50MW Solar Power Project in Greece."

⁴¹ "China Energy in 4 Copelouzos Group Wind Energy Projects," *Energy Press*, December 11, 2019, <https://energypress.eu/china-energy-enters-four-copelouzos-group-wind-energy-projects/>.

responsible for providing a large portion of the electricity to a key NATO installation in the Mediterranean Sea. In the event of a conflict, the Chinese could conceivably cut the power. Since these systems are mainly automated with supervisory control and data acquisition (SCADA) systems, it is possible that under the right circumstances, China could cut off most of the power to Crete, and therefore Souda Bay and Chania International Airport (a military-civilian dual-use field).⁴² Along with electricity production and transmission, the Chinese could also threaten the flow of natural gas.

The Hellenic Gas Transmission Systems Operator S.A. (DESFA) supplies most of the liquid natural gas (LNG) to Greece through a series of pipelines extending across the Greek-Bulgarian border.⁴³ SCADA systems also control the flow of LNG in the Gas Control and Dispatching Center near Athens with a backup center near Thessaloniki.⁴⁴ DESFA is currently soliciting companies to replace its SCADA system.⁴⁵

As discussed earlier, though not directly controlled by Chinese FDI in Greece, Chinese FDI in Italy influences DESFA. Tomasz Kamiński, Faculty of International and Political Studies, University of Lodz, Poland, examined Chinese sovereign wealth funds (SWF) and concluded:

by installing representatives on the company boards, China gains access to sensitive information that could be then transferred to Chinese competitors. Moreover, through its SWFs, China could take control over energy companies or critical infrastructure and increase its political

⁴² Antiopi Gigantidou, “Crete Power System,” Head of the Dispatching Center Operation Sector, Islands Network Operation Department, accessed January 8, 2021, https://hybridpowersystems.org/crete2019/wp-content/uploads/sites/13/2020/03/1_4_HYB19_079_paper_Gigantidou_Antiopi.pdf.

⁴³ DESFA, “National Natural Gas Transmission System.”

⁴⁴ DESFA, “National Natural Gas Transmission System.”

⁴⁵ DESFA, “Procurement Procedures,” accessed January 8, 2021, <https://www.desfa.gr/en/announcements/procurement-procedures>.

influence in European countries, making them more vulnerable to political pressure.⁴⁶

Dr. Miguel Otero-Iglesias, senior analyst in International Political Economy at Elcano Royal Institute and Professor at the Instituto de Empresa School of Global and Public Affairs, and Manuel Weissenegger, a Graduate Program participant at the European Central Bank, conducted a case study of Chinese SOE influence on CDP Reti, the company that controls Italy's electricity grid. They concluded that "a framing power rather than control over the strategic development of a country's grid is sufficient to exert geopolitical power," because "CDP Reti's board can at least partly influence the company's investment decisions."⁴⁷ This power comes from the arrangement to which the parties agreed when State Grid purchased its stake in CDP Reti. When CDP Reti seeks to make an investment in excess of €100 million, the company bi-laws require consent from at least one of the State Grid board members.⁴⁸ This gives State Grid at least some leverage over CDP Reti.

Under this framework, China State Grid could influence DESFA to use a company friendly to China to design the SCADA system for Greece's LNG pipeline. And just like the electrical grids mentioned above, China could cause fuel disruptions throughout Greece and impact both Bulgaria and Turkey as well. This is clearly a worst-case scenario, but one that is entirely feasible give the recent SolarWinds hack.

SolarWinds, a Texas-based information technology (IT) company, that does business with thousands of customers was hacked, allegedly by the Russians. As early as

⁴⁶ Tomasz Kamiński, "Sovereign Wealth Fund investments in Europe as an Instrument of Chinese Energy Policy," *Energy Policy* 101, (2017): 733.

⁴⁷ Otero-Iglesias, 594.

⁴⁸ Otero-Iglesias, 610.

March 2020, hackers planted malicious code into SolarWinds software that the company pushed to its users through software updates. These updates enabled the hackers to access other company IT systems allowing them to install more malware.⁴⁹ Though these breaches of data are bad, it could be worse. If the hackers' malware migrated into companies' operational technology systems, it could cause physical or other damage (denial of service, shut off HVAC systems, disrupt/destroy power distribution units to name a few).⁵⁰

Chinese SOE investment in the Greek energy sector falls into *Threat I* and *Threat III* categories. The ability to disrupt the flow of energy and fuel makes Greece dependent on China for energy production/transmission: *Threat I* - dependence on foreign-controlled supplier for services or goods critical to the economy. The presence of board members on several influential Greek energy companies, under the influence of China's National Intelligence Law, demonstrates the CCP's ability to conduct sabotage or surveillance because they have clearly already infiltrated the company: *Threat III* - sabotage, surveillance, or infiltration. Despite the risk of Chinese FDI causing issues with Greek transportation, technology, and energy, the greater risks to USEUCOM, NATO, and the U.S. come from a fracturing transatlantic alliance.

Risk Area 4: Loss of EU Political Power

When the governments of France, Belgium, West Germany, Italy, Luxembourg, and the Netherlands formed the predecessor to the EU, the European Economic

⁴⁹ Isabella Jibilian, "Here's a Simple Explanation of how the Massive SolarWinds Hack Happened and Why it's Such a Big Deal," Business Insider, December 24, 2020, <https://www.businessinsider.com/solarwinds-hack-explained-government-agencies-cyber-security-2020-12>.

⁵⁰ Joe Weiss and Bob Hunter, "SolarWinds Hack Can Directly Affect Control Systems," January 22, 2021, <https://www.lawfareblog.com/solarwinds-hack-can-directly-affect-control-systems>.

Community (EEC), in 1958, the countries were not looking for a political union. These six countries sought economic interdependence in the hope of avoiding conflict with one another. As additional members joined, the focus of the EEC evolved from one that focused purely on economics to one that now focuses on economics and internal and external policy. The EEC's name change to the EU reflected this evolution of the organization.⁵¹

The economic power of the EU is impressive when viewed as a single economy. In 2019, it was the third largest economy behind China and the U.S., contributing over 15 percent (\$19.9 trillion) of the world's gross domestic product.⁵² Though the EU has less than 7 percent of the world's population, its trade with the rest of the world totals over 15 percent of global exports and imports.⁵³ But China's 16 (17)+1 strategy has slowly been eroding the bonds holding the EU together.

In 2012, China launched the Cooperation of Central and Eastern European (CEE) countries (commonly known as the 16+1 until Greece joined in 2019 to make it 17+1).⁵⁴ Now part of the BRI, the project involving 11 EU members and five members of the Balkans, focuses on investment, trade, and transportation infrastructure.⁵⁵ Members of the

⁵¹ "The EU in Brief," European Union, accessed January 28, 2021, https://europa.eu/european-union/about-eu/eu-in-brief_en.

⁵² Kimberly Amadeo, "Largest Economies in the World: Why China is the Largest, Even Though Some Say it's the U.S.," *the Balance*, last updated December 10, 2020, <https://www.thebalance.com/world-s-largest-economy-3306044>.

⁵³ "The Economy," European Union, accessed February 5, 2021, https://europa.eu/european-union/about-eu/figures/economy_en.

⁵⁴ Nick Kampouris, "Greece Officially Joins China's '16+1' Partnership with Central and Eastern Europe," *Greek Reporter*, April 12, 2019, <https://greekreporter.com/2019/04/12/greece-officially-joins-chinas-161-partnership-with-central-and-eastern-europe/>.

⁵⁵ Yixiang Xu, "From 16+1 to 17+1: the EU's Challenge from the Rebranded China-CEEC Initiative," *American Institute for Contemporary German Studies*, Johns Hopkins University, April 26, 2019, <https://www.aicgs.org/2019/04/from-161-to-171-the-eus-challenge-from-the-rebranded-china-ceec-initiative/>.

17+1 helped block two EU votes to condemn actions by the CCP.⁵⁶ In areas of common foreign and security policy, the EU must vote unanimously.⁵⁷ By sowing even a little dissention in the ranks of the EU, China won two political victories for a small price (only 10% of China's investments in Europe are in the CEE).⁵⁸

Making this situation more difficult for the EU are Poland and Hungary, two countries that are sliding further from traditional western democratic practices. In November 2020, both Poland and Hungary vetoed the EU budget which was set to provide €750 billion (or \$888 billion) in COVID-19 relief because the budget connected to a clause calling for the respect for democratic norms.⁵⁹ The EU eventually passed the relief package, but only after the members pushed the clause to a later date.⁶⁰

The EU is losing its stance as a champion for traditional western values. It is struggling to condemn human rights violations. The EU is forced to compromise among its own member states to reaffirm and reinforce rules-based governance. Though China and its investments are not necessarily the cause of all these problems, it certainly is not helping the situation.

Risk Area 5: EU-China 2020 Investment Agreement

On December 30, 2020, the EU and China concluded in principle a Comprehensive Agreement on Investment (CAI). The aim of the agreement is to give EU

⁵⁶ Yixiang Xu, "From 16+1 to 17+1: the EU's Challenge from the Rebranded China-CEEC Initiative." In addition to the Human Rights condemnation that Greece blocked, Hungary also voted against a resolution condemning China on its BRI.

⁵⁷ "Unanimity," Council of the European Union.

⁵⁸ Yixiang Xu, "From 16+1 to 17+1."

⁵⁹ Jack Arnholz, "EU in Turmoil after Poland and Hungary Block Coronavirus Relief Plan," ABC News, November 16, 2020, <https://abcnews.go.com/International/eu-turmoil-poland-hungary-block-coronavirus-relief-plan/story?id=74242040>.

⁶⁰ Charlie Bradley, "EU Being 'Destroyed from Inside' as Hungary and Poland 'Threaten Stability of Union,'" the Express, December 15, 2020, <https://www.express.co.uk/news/world/1372799/eu-news-destroyed-hungary-poland-stability-union-coronavirus-recovery-fund-spt>.

companies a “greater level of market access” in China, with China committed to ensuring fair treatment for EU companies “including in terms of disciplines for state owned enterprises, transparency of subsidies and rules against the forced transfer of technologies.”⁶¹ While this deal presents opportunity for some in the EU, there are several differing views on the CAI.

Ursula von der Leyen, President of the European Commission, hailed the agreement as “an important landmark in our relationship with China,” providing both unprecedented access and committing China to “ambitious principles on sustainability, transparency, and non-discrimination.”⁶² Since manufacturing makes up more than half of EU investments into China, and China made several commitments in this sector (including agreeing to remove joint venture requirements and allow market access for new energy vehicles), it appears that this is a great deal for EU investors.⁶³ Regardless of the benefits or detractions, European lawmakers still need to approve the CAI before it takes effect. To ratify the CAI, President von der Leyen and other CAI supporters will need to convince the critics.

Standing in the way of ratification are several critiques by CAI’s detractors. Among these critiques are human rights abuse by China, the CAI’s lack of enforcement, that it will not benefit many Europeans, and that it might cause damage to India and the

⁶¹ “EU and China Reach Agreement in Principle on Investment,” European Commission, accessed February 2, 2021, https://ec.europa.eu/commission/presscorner/detail/en/ip_20_2541.

⁶² “EU and China Reach Agreement in Principle on Investment,” European Commission.

⁶³ “Key elements of the EU-China Comprehensive Agreement on Investment,” Council of the European Union, December 30, 2020, https://ec.europa.eu/commission/presscorner/detail/en/IP_20_2542.

transatlantic relationship.⁶⁴ Supporters will need to address these issues to pass the CAI.

Critics of the CAI point out that there are still several human rights issues involving China. Though China was a founding member of the International Labor Organization (ILO), the CCP has yet to ratify outstanding conventions on forced labor.⁶⁵ This agreement only states that China will take “specific commitments in relation to the two ILO fundamental Conventions (29 and 105) on forced labor that it has not ratified yet.”⁶⁶ The EU’s passage of the CAI is interesting given that the European Parliament (separate from the Council and Commission, but directly elected by bloc citizens) passed a resolution on December 16, 2020 deploring China’s human rights “that amount to crimes against humanity” and strongly condemning “the government-led system of forced labor, in particular the exploitation of Uyghur, ethnic Kazakh and Kyrgyz, and other Muslim minority groups.”⁶⁷

Other areas of critique are the CAI’s lack of enforcement and that the agreement will not benefit all Europeans. To settle disputes, top officials from both sides will monitor the implementation of the CAI. However, critics pointed to China falling behind its commitments to phase one of the US-China trade deal, and that the EU lacks the “clout to defend its interests.”⁶⁸ The CAI does open more markets and make the approval

⁶⁴ Silvia Amaro, “China’s Investment Deal with the EU has Raised 3 Big Concerns in Europe,” CNBC, January 6, 2021, <https://www.cnbc.com/2021/01/06/china-eu-trade-deal-what-it-is-and-why-it-might-fail.html>; Dr. James Carafano, Dr. Arvind Gupta, and Jeff M. Smith, “Pitfalls of the China-EU Comprehensive Agreement on Investment,” *the Diplomat*, January 22, 2021, <https://thediplomat.com/2021/01/the-pitfalls-of-the-china-eu-comprehensive-agreement-on-investment/>.

⁶⁵ James Griffiths, “Neither Human Rights Concerns nor US Disapproval Could Stop the EU-China Investment Agreement,” CNN, updated December 31, 2020, <https://www.cnn.com/2020/12/31/asia/eu-china-trade-deal-human-rights-us-intl-hnk/index.html>.

⁶⁶ “Key elements of the EU-China Comprehensive Agreement on Investment,” Council of the European Union.

⁶⁷ “Joint Motion for a Resolution on Forced Labour and the Situation of the Uyghurs in the Xinjiang Uyghur Autonomous Region,” European Parliament, December 16, 2020, https://www.europarl.europa.eu/doceo/document/RC-9-2020-0432_EN.html.

⁶⁸ Amaro, “China’s Investment Deal with the EU has Raised 3 Big Concerns in Europe.”

process to operate in China easier, but critics argue it only benefits a handful of large corporations that do business in China.⁶⁹

Finally, the sudden passing of the bill right before the Biden Administration took office has many critics wondering why. While still President-elect, the Biden Administration signaled to Europe that it would seek to repair the damage done during the Trump Administration, but signing a trade agreement with China could jeopardize the relationship with the new administration.⁷⁰ India has been fighting a border war with China, banning Chinese apps on security considerations, and did not sign onto the Regional Comprehensive Economic Partnership due to previously mentioned Chinese practices in an effort to check Chinese assertiveness.⁷¹ The sudden passage of the CAI appears to drive a wedge between Europe and the U.S. and India.

The CAI has the potential to provide great benefit to the EU and China. It creates more markets for EU producers and signed China up to commit to better practices while uniting the EU under one voice. The stress on the EU's relations with the U.S. and India, coupled with the doubts of European lawmakers on whether China will live up to its end of the bargain will play out when the European Parliament and member states vote. Regardless of the vote's outcome, the CAI is still a win for Beijing and the CCP as it drives a wedge between Europe and the U.S.

This chapter examined five areas of risk for the EU and NATO, summarized in Table 2, below. It shows the risk of an increased presence of the PLAN in the Mediterranean Sea as a *Threat III*. The risk of compromised communications and

⁶⁹ Amaro, "China's Investment Deal with the EU has Raised 3 Big Concerns in Europe."

⁷⁰ Carafano et al., "Pitfalls of the China-EU Comprehensive Agreement on Investment."; Amaro, "China's Investment Deal with the EU has Raised 3 Big Concerns in Europe."

⁷¹ Carafano et al., "Pitfalls of the China-EU Comprehensive Agreement on Investment."

widespread IP theft as a *Threat II* and *III*. The risk of energy disruption in southern Europe falls into threat category *I* and *III*. The power of the EU as a united, political body is showing signs of fracture, and the recently signed Comprehensive Agreement on Investment (CAI) between the EU and China present both opportunities and challenges. Chapter 4 presents policies to stem the influence of Chinese FDI to lower or mitigate these risks.

Table 2. Risk Assessment

Risk	Threat Type
Risk Area 1: Increased PLAN Presence	<i>Type III</i> – sabotage, surveillance, or infiltration
Risk Area 2: Compromised Communication/IP Theft	<i>Type II</i> – transfer of sensitive expertise or technology <i>Type III</i> – sabotage, surveillance, or infiltration
Risk Area 3: Energy Disruption	<i>Type I</i> – dependance on foreign-controlled supplier for services or goods critical to the economy <i>Type III</i> – sabotage, surveillance, or infiltration
Risk Area 4: Loss of Political Power	Unity is showing signs of fracture
Risk Area 5: Comprehensive Agreement on Investment	Opportunity to promote better Chinese behavior Threat of undercutting U.S. and India relations with the EU

Data about threat types from Theodore H. Moran and Lindsay Oldenski, *Foreign Direct Investment in the United States: Benefits, Suspensions and Risks with Special Attention to FDI from China*, 55.

Chapter 4: Policies to Stem China's Influence

To counter China's expanding influence over Greece and thereby the EU and NATO, the EU and NATO need more aggressive, protective policies. This chapter provides four distinct policy recommendations the EU and NATO should take to limit risk and protect themselves from malign Chinese influence. The EU must strengthen and centralize its Foreign Investment Screening Regulation. Both the EU and NATO should adopt a resolution to eliminate or limit PLAN port visits and basing. NATO must impose a ban on Chinese technology. Finally, the EU should develop and implement an effective economic recovery plan for Greece during and after the global COVID-19 pandemic.

Foreign Investment Screening

According to the European Parliament and Council's Regulation for Establishing a Framework for the Screening of Foreign Direct Investment (FDI) into the Union, FDI "contributes to the Union's growth" through various means, including capital, innovation, technologies, and by opening new markets for exports, among others.¹ As the EU suggests, the benefits of FDI are many. This paper will not argue these benefits but instead, point out the risk posed to the EU by comparing the Framework to the more robust measures the U.S. put in place under Committee on Foreign Investment in the United States (CFIUS) and the Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA) integrated into U.S. Code 50 (USC 50).

Before this paper presents the comparison, it is helpful to understand the politics involved in the EU. Otero-Iglesias and Weissenegger argue that Europe is divided on FDI

¹ "Regulation (EU) 2019/452 of the European Parliament and Council of 19 March 2019: Establishing a Framework for the Screening of Foreign Direct Investment into the Union," European Union, 1, accessed February 4, 2021, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32019R0452&qid=1612902480832>.

into three basic categories: the poor countries eager for more FDI (central and southern Europe), the countries with larger economies looking to limit external influence, and the export-oriented countries “suspicious of more intrusive investment vetting mechanisms at the European level.”² This dynamic, coupled with the EU member states wanting to limit the amount of sovereignty they give the EU and the EU wanting to remain a fully open economy, makes it difficult to agree on a common framework for screening investment. The current investment screening framework, agreed upon in 2019, reflect these three, often competing positions.

The EU currently has a Foreign Investment Screening Regulation, similar to the United States CFIUS, focused on “protecting security of public order.”³ However, the regulation does not go far enough in protecting EU countries from potential predatory actions due to the structure under which the member states formed the EU. Under a different organizational structure, the EU should make the following changes to strengthen its investment framework.

The current framework is a good start as it creates a mechanism for member states to exchange information, raise concerns, and encourages international cooperation on investment screening.⁴ And even though it helps by setting requirements for members who want to setup or maintain a national-level screening mechanism, it lacks in five critical areas. The framework gives the EU zero decision authority, has a limited pool of reviewers, does not limit or discuss board members or company control, does not review

² Otero-Iglesias, 600.

³ “Regulation (EU) 2019/452 of the European Parliament and Council,” European Union, 3.

⁴ “EU Foreign Investment Screening Regulation Enters into Force,” European Commission, April 10, 2019, <http://trade.ec.europa.eu/doclib/press/index.cfm?id=2008>.

transactions far enough in the past, and fails to discuss important factors of critical real estate.

Article 1.2 of the Framework states that each member state has the “sole responsibility for its national security,” and Article 1.3 says, “nothing in this Regulation shall limit the right of each Member State to decide whether or not to screen a particular foreign direct investment within the framework of this Regulation.”⁵ That would be perfectly fine if each member state’s national security depended solely on itself. One country could make (and already has) an FDI decision that negatively affects the security of another member state, and the EU has limited recourse to address the plight of the other state.

Although Article 6 covers the welfare of the EU, the Framework limits the collective affect. Article 6.2 highlights second order effects (transaction in one state may affect the public order or security in another), but the extent to which the secondary state can act through this Framework is limited. Under Article 6, the affected state can submit their opinion and/or evidence to the Commission, who will render an opinion and nothing more.⁶ As demonstrated in Chapters 2 and 3, Europe is interconnected in its electric and gas grids. An incident in one country will negatively affect multiple other countries. Said a different way: risk to one country is risk to multiple countries.

If the Commission renders a negative opinion of the FDI but the member state goes through with the transaction, the member state “shall take utmost account of the Commission's opinion and provide an explanation to the Commission if its opinion is not

⁵ Regulation (EU) 2019/452, Article 1.2, 1.3.

⁶ Regulation (EU) 2019/452, Article 6.

followed.”⁷ Under the CFIUS construct, the Committee submits an opinion to the President and he/she will render an opinion on the danger to national security. The biggest difference between CFIUS and the EU Framework in this regard is that the U.S. President can block a transaction, preserving national security, whereas the Framework lacks that authority.⁸ The U.S. President also has more help than the EU in the review process.

USC 50 directs the CFIUS to submit its report to the Senate majority and minority leaders of the Senate and House, the Senate Committees on Banking, Housing, and Urban Affairs, and the House chair and ranking member of the Committee on Financial Services. The Committee also sends the report to any Senate or House committee that has oversight over the lead agency. Additionally, if the FDI covers critical infrastructure, CFIUS will send the report to the Congressional members (Senators and district Representative or Representatives) in which the FDI exists.⁹ This ensures a wide view, transparency, and allows for a wide-ranging assessment.

The most glaring difference is that the U.S. Director of National Intelligence (DNI) reviews all applicable data for threats to national security as an input to CFIUS’s report.¹⁰ The DNI’s ability to leverage resources from all of the U.S. intelligence agencies exceeds the “group of experts” that the EU Framework uses.¹¹ This is not to say that some countries will use their own resources to execute due diligence, but the EU Commission has no intelligence apparatus on which to depend.

⁷ Regulation (EU) 2019/452, Article 8.2.c.

⁸ War and National Defense, USC 50 (2018), §4565, d.1

⁹ War and National Defense, §4565, b.3.C.iii

¹⁰ War and National Defense, §4565, b.4.

¹¹ Regulation (EU) 2019/452, Article 12.

The Framework also does not go far enough in discussing company control or influence. The risks of Chinese SOE investments were clearly on the mind of the EU members when they wrote and approved this framework. Articles 4.1.a. and 4.1.c accounts for critical infrastructure and inputs, including energy. Article 4.2 discusses taking into account the nature of the investor, specifically if they are controlled by another government or have been involved in criminal activities.¹² However, USC 50 takes a wider view of potential threats by authorizing CFIUS to review any transaction where a foreign company could control a U.S. business. This includes non-controlling investments or structuring where a foreign person could gain access to company specific technical information, observer or membership rights, or the right to nominate a board member or equivalent.¹³ Having this structure in place would allow the EU to examine companies like CDP Reti, Snam, and DESFA for potential threats.

If the Framework took a wider view on board members and company control, the Framework would only help looking forward. This is because the EU Framework will not examine any transactions before April 10, 2019, whereas USC 50 authorizes CFIUS to review FDI going back to August 23, 1988.¹⁴ Going back farther would help the Framework identify FDI that poses a risk, especially from 2008 onwards during and after the Eurozone crisis.

Finally, the Framework and CFIUS's authority differ slightly, but significantly in their abilities to look at real estate transactions. The Framework lists "land and real estate

¹² Regulation (EU) 2019/452, Article 4.

¹³ Office of Public Affairs, U.S. Department of the Treasury, "Fact Sheet: Final CFIUS Regulations Implementing FIRRMA," January 13, 2020, 2.
<https://home.treasury.gov/system/files/206/Final-FIRRMA-Regulations-FACT-SHEET.pdf>

¹⁴ War and National Defense, §4565, a.4.B.i; Regulation (EU) 2019/452, Article 7.10.

crucial for the use of such infrastructure,” but it does not go far enough in focusing on the areas surrounding critical infrastructure.¹⁵ For example, one does not need be within the boundaries of an airport to monitor takeoffs and landings or to shoot or threaten to shoot an aircraft down. Likewise, one does not need to be in the confines of a port to monitor ships that are coming or going and their condition, or to threaten the ships or their sailors.

USC 50 grants CFIUS the authority to examine transactions of real estate “in close proximity to a United States military installation or another facility or property,” that could reasonably enable intelligence collection, or could risk exposure of national security activities to foreign surveillance.¹⁶ This slight but significant nuance in the language means the EU’s airports, seaports, and military installations (if not otherwise protected by the individual countries’ screening frameworks, if they have them) are at a higher risk for espionage or worse.¹⁷ (It is virtually impossible to eliminate all risk of surveillance and espionage from air and sea ports and/or military installations, but it is possible to lower the risk).

The risk to the EU is apparent in the wording of the Framework as is its inadequacy. The competing interests of the EU member states, mentioned above, are undermining the security of EU member states and thereby NATO, and USEUCOM. The EU cannot fix this situation under its current construct, but the EU needs to move in a direction toward a framework that leaves the decision-making authority at the EU level, not with the member states. Additionally, the EU needs to move toward a broader, more

¹⁵ Regulation (EU) 2019/452, Article 4.1.a.

¹⁶ War and National Defense, §4565, a.4.B.II.bb.

¹⁷ “List of Screening Mechanisms Notified by Member States,” European Commission, last updated January 14, 2021, https://trade.ec.europa.eu/doclib/docs/2019/june/tradoc_157946.pdf. 16 EU countries have screening mechanism and that vary widely in their breadth and depth.

diverse review process, look back farther in time at transactions, and encapsulate language that protects areas around critical infrastructure.

Since the EU cannot do this now, it is imperative the EU countries adopt a CFIUS-like screening framework, especially the NATO countries to ensure national security. But this is not the only step the EU needs to take. NATO can also bridge this gap in the interim by sharing intelligence to member states both at the country and individual project level to highlight the risk to each member state. This increased scrutiny on investments should also include a focus on critical infrastructure.

EU and NATO Resolutions on Chinese Military Port Visits and Basing

Before the PLAN conducted a visit to Naval Station Mayport, in Jacksonville, FL in 2015, the U.S. Navy issued a statement saying, “goodwill visits by ships from foreign navies help build trust and foster shared understanding.”¹⁸ The Office of the Secretary of Defense echoed these comments when the Office issued a statement saying, “exchanges such as port calls are also used to enhance operational safety and exercise communications and navigation protocols.”¹⁹ This paper does not argue to close the Port of Piraeus to the PLAN, as port visits offer opportunities to develop and strengthen professional and personal relationships. However, the EU, NATO, and USEUCOM can ill afford to have a permanent PLAN presence in Europe or the Mediterranean.

As mentioned previously, the CCP turned commercial investments in Sri Lanka, Pakistan, and Djibouti into dual use facilities, and Chinese warships have already made

¹⁸ Heather Goldin, “Chinese Naval Ships to Visit Florida Port,” CNN, November 2, 2015, <https://www.cnn.com/2015/11/02/politics/chinese-navy-ships-visit-fkiruda/index.html>.

¹⁹ Office of the Secretary of Defense, “Military and Security Developments Involving the People’s Republic of China 2020,” 158, accessed January 31, 2021, <https://media.defense.gov/2020/Sep/01/2002488689/-1/-1/1/2020-DOD-CHINA-MILITARY-POWER-REPORT-FINAL.PDF>.

two visits to Greece. These visits will probably continue since China has decreed that “maritime security is a key assurance for developing the blue economy.”²⁰ China believes there are “problems related to the security of offshore energy resources, strategic sea lanes of communication, overseas nationals and legal entities are increasingly evident.”²¹ If China is willing to use the PLAN to protect their economic interests, how far will they go? Figure 3 denotes locations in Europe and North Africa where China has acquired a stake in a port.



Figure 4: Chinese SOE Port Holdings. Data from Joanna Kakissis, “Chinese Firms Now Hold Stakes in Over a Dozen European Ports,” NPR, October 9, 2018, <https://www.npr.org/2018/10/09/642587456/chinese-firms-now-hold-stakes-in-over-a-dozen-european-ports>.

In China’s 2017 “Vision for Maritime Cooperation under the Belt and Road Initiative,” they seek opportunities for cooperation in maritime law enforcement,

²⁰ Mengjie, ed., “Vision for Maritime Cooperation under the Belt and Road,” Xinhua Net, June 20, 2017. http://www.xinhuanet.com/english/2017-06/20/c_136380414.htm.

²¹ Mathieu Duchâtel and Alexandre S. Duplaix, “Blue China: Navigating the Maritime Silk Road to Europe,” European Council on Foreign Relations, April 23, 2018, 2.4, https://ecfr.eu/publication/blue_china_navigating_the_maritime_silk_road_to_europe/.

maritime search and rescue, maritime public services, marine disaster prevention and mitigation, and marine management to safeguard maritime security and minimize risk.²²

As the U.S. cooperates and executes exchanges with China primarily in the Pacific, this author believes that NATO and EU countries should seek to cooperate with China in the areas mentioned above.²³ However, the EU nations and NATO should speak with one voice with a coherent policy that restricts a permanent Chinese naval presence.

NATO countries should take the lead in this policy and enhance security by looking at a whole-of-government approach to foreign investment, critical technology, and national/multi-lateral security. Individually, each country should reexamine foreign investments in critical infrastructure and share this data with local and national governments, users of these facilities, and other members of NATO. This will help identify areas of risk for NATO's mobility, specifically in regards to the PRC.

NATO Ban on Chinese Technology

With China's implementation of its National Security Law and SOEs like Huawei conducting IP theft, NATO can ill afford to use Chinese equipment. The U.S. has taken the lead in this situation. USEUCOM needs to take the lead and encourage all 30 members of NATO to divest of Chinese technology in their countries' military at a

²² Mengjie, ed., "Vision for Maritime Cooperation under the Belt and Road."

²³ Office of the Secretary of Defense, "Military and Security Developments Involving the People's Republic of China 2020," 158. In 2019, delegations from the US Air Force War College and US National War College visited their Chinese counterparts, while the operational command course from China's National Defense University visited the U.S. Navy Regional Public Affairs, Commander, US Pacific Fleet, "Chinese Ships to Visit Hawaii," September 5, 2013, <https://www.cpf.navy.mil/news.aspx/030261>. The USS Shiloh visited Zhanjiang in March 2013, and the following September, PLAN's Qingdao, Linyi, and Hongzhu visited Pearl Harbor. Tamara Vaughn, "Pacific Fleet Holds Military Maritime Consultation Agreement Talks, Enhances Cooperation with PLA," May 26, 2016, <https://www.pacom.mil/Media/News/News-Article-View/Article/783214/pacific-fleet-holds-military-maritime-consultative-agreement-talks-enhances-coo/>. The Military Maritime Consultative Agreement between China and the U.S. is designed to strengthen ties between the two countries through open communication.

minimum, but this effort will require a whole-of-government approach to truly move in a positive direction, because the PRC poses an integrated civil-military integrated threat.

It would be more beneficial to the NATO alliance if member states banned Chinese technology from all elements of their national security apparatuses. To promote better security, this paper recommends NATO review all critical infrastructure, especially power production and transmission, air and seaports, water and food production and transmission, and media and data storage to ensure they are not dependent on Chinese technology. If any one of those industries are dependent on Chinese SOE technology, that country needs to divest itself and seek a replacement. To ensure the member states with weaker economies have the resources available to transition off Chinese technology, the EU needs to help.

EU Led Economic Recovery Effort for Greece

Finally, the EU needs to resolve the conditions in which Greece found itself able to be attractive to the CCP's BRI policies. Between 2008 (the start of the Eurozone crisis) and 2016, Greece suffered the worst depression ever to impact a country in peacetime when its economy contracted an astounding 45%!²⁴ These economic difficulties make it obvious why Greece was so willing to accept Chinese investments totaling over \$10.54 billion since then.²⁵ Though China rescued Greece economically, and Greece payed them back by negating the EU's condemnation of China on Human Rights, the relationship is not perfect.

COSCO's management does not approve of collective bargaining or unions, which has created tension among the SOE and the Greek workers in the port. In 2011, the

²⁴ Vivienne Walt, "Boxed in at the Docks," *Fortune* 180 no. 2 (August 1, 2019): 93.

²⁵ "China Global Investment Tracker," American Enterprise Institute.

SOE was managing operations at the port under harsh conditions. COSCO only payed its workers half of what the workers made at the Greek-run port, refused their employees lunch and comfort breaks, placed them on call 24 hours a day, used untrained workers, forced workers to come in on their day off, and failed to pay overtime wages.²⁶ COSCO's actions resulted in multiple fines from the local Department of Labor.²⁷

As the world starts to recover from the Corona Virus pandemic, the EU must ensure Greece and other member states do not fall back into massive debt. The EU's \$857 billion COVID-19 recovery package, over half of which comes from grants, is an important step in stemming the enticement of more Chinese SOE FDI in Greece and elsewhere in Europe.²⁸ However, this is only a first step. The EU will need to continue to monitor the weaker economies to ensure they reach stable and sustainable levels, protecting them from predatory investment.

In conclusion, this chapter provided policy recommendations to counter the depth and breadth of Chinese investment and associated risks, as discussed in Chapters 2 and 3, and help mitigate China's expanding influence over Greece and by extension the EU, NATO, and USEUCOM. Strengthening and centralizing the EU's Foreign Investment Screening, NATO banning Chinese technology, limiting PLAN port visits, and banning PLAN basing in Europe will lower the risk of member state's national and economic security and collective EU and NATO security. The EU developed and is implementing

²⁶ Louisa Lim, "In Greek Port, Storm Brews over Chinese-Run Labor," NPR, June 8, 2011, <https://www.npr.org/2011/06/08/137035251/in-greek-port-storm-brews-over-chinese-run-labor>.

²⁷ Lim, "In Greek Port, Storm Brews over Chinese-Run Labor."

²⁸ Matina Stevis-Gridneff, "E.U. Adopts Groundbreaking Stimulus to Fight Coronavirus Recession," *New York Times*, last updated December 10, 2020, <https://www.nytimes.com/2020/07/20/world/europe/eu-stimulus-coronavirus.html>; "Infographic - Next Generation EU – COVID-19 Recovery Package," European Council, last updated January 18, 2021, <https://www.consilium.europa.eu/en/infographics/ngeu-covid-19-recovery-package/>.

an economic recovery plan for member states, including Greece, due to the COVID-19 pandemic which should put Greece in a better financial position to negotiate FDI.

Chapter 5: Conclusion

China has clearly been leveraging its SOEs to pursue a strategy to become the dominant economic player in the world. Through clear analysis of Chinese SOE investments into the Greek transportation, energy, telecommunication, and real estate sectors, this paper demonstrated the political weakening of the EU and fracturing of the transatlantic alliance, economic risk from IP theft and energy disruption, and military risk through surveillance to Greece, the EU, and the U.S. And while significant risk exists, the U.S., EU, NATO, and Greece can make intelligent decisions to maximize the benefits and reduce the risk from Chinese SOE FDI by strengthening FDI screening, banning Chinese technology from NATO, excluding Chinese military basing throughout the EU, and continuously monitoring Greece's post-COVID pandemic economic recovery.

Not all hope is lost; Greece still has options. Though COSCO currently owns 51% of Piraeus, there is a chance that the Greek government will not allow the additional 16% purchase to go through in 2021. The deal was contingent on COSCO completing an additional 300 million euro investment, including a cruise terminal, that COSCO admits is behind schedule.¹ There is also a growing discontent among the Greek people over the Chinese presence. The Hellenikon International Airport real estate project in which Fosun initially invested fell through to bias against the Chinese company and construction delays.² Additionally, it appears that Greece may not use Huawei's 5G technology due to

¹ Jens Kastner and Giannis Seferiadis, "COSCO Faces Backlash as it Moves to Tighten Grip on Greek Port," *Nikkei Asia*, December 29, 2020, <https://asia.nikkei.com/Business/Transportation/COSCO-faces-backlash-as-it-moves-to-tighten-grip-on-Greek-port>.

² TNH Staff, "Lambda Will Buy Out Hellenikon Airport Development Partners."

U.S. pressure.³

The EU appears to be at a crossroads regarding its policies toward China. Some parts of the EU seek to embrace China while other parts look to disrupt its influence in Europe. On one hand, the EU Chamber of Commerce in China criticized COSCO's web of transportation services running out of Piraeus, suggesting that the EU ban non-EU flagged ships from providing relay services.⁴ On the other hand, the EU signed the CAI with China.

Areas for Further Study

This paper recommends that the U.S. should utilize Moran's Threat Criteria to study any country in which they are worried about FDI influence, especially from China. Specifically, the author recommends focusing on countries in which the U.S. military has or wishes to have a substantial presence, like Germany or Japan. Finally, the U.S. Government should revisit Chinese SOE FDI and the influence it buys in Europe as the CAI develops and/or if the Biden Administration can strike a deal with the EU that strengthens the transatlantic alliance.

³ TNH Staff, "US Wooing Greece Away from China, Huawei 5G Broadband," *National Herald*, October 5, 2020, https://www.thenationalherald.com/greece_economy/arthro/us_wooing_greece_away_from_china_huawei_5g_wireless_broadband-956726/.

⁴ Kastner, "COSCO Faces Backlash as it Moves to Tighten Grip on Greek Port."

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Vita

Lieutenant Colonel DeLion entered the Air Force in June 2002 as a graduate from Purdue University Reserve Officer Training Corps. He was a Distinguished Graduate of Specialized Undergraduate Pilot Training and Squadron Officer School. He is a graduate of the USAF Weapons Instructor Course and has flown the F-15C in operational and weapons evaluation squadrons during assignments in Pacific Air Forces, Air Combat Command, Air Education and Training Command, and United States Air Forces in Europe. He has participated in Baltic Air Policing. He is a graduate of the National Intelligence University Joint Staff Intermediate Resident PME course and has served on the Joint Strike Fighter Operational Test Team. Prior to attending the Joint Advanced Warfighting School, Lieutenant Colonel DeLion served as the Commander of the 67th Fighter Squadron, Kadena AB, Japan.

EDUCATION

2002 Bachelor of Science degree in Biology, Purdue University, West Lafayette, Ind.

2008 Squadron Officer's School, Maxwell Air Force Base, Ala.

2012 Master of Arts degree in Military Studies, American Military University, Charles Town, W.Va.

2014 Master of Science degree in Strategic Intelligence, National Intelligence University, Washington, D.C.

ASSIGNMENTS

1. June 2002 - Nov 2003, Student, Undergraduate Pilot Training, Columbus AFB, Miss.

2. February 2004 - August 2004, Student, F-15C Initial Qualification Training, 95th Fighter Squadron, Tyndall AFB, Florida.

3. September 2004 - September 2007, F-15C Instructor Pilot, Standards and Evaluations Liaison Officer, then Chief of Fighter Current Operations, 67th Fighter Squadron, Kadena AB, Okinawa, Japan.

4. October 2007 - December 2009, F-15C Instructor Pilot, F-15C Program Manager, Chief, Standards and Evaluations, 83rd Fighter Weapons Squadron, Tyndall AFB, Florida.

5. January 2010 – September 2010, F-15C Instructor Pilot, Chief of Weapons, 95th Fighter Squadron, Tyndall AFB, Florida.

6. October 2010 – July 2013, F-15C Instructor Pilot, Flight Commander, then Chief of Wing Weapons and Tactics, 493rd Fighter Squadron, RAF Lakenheath, United Kingdom.

7. August 2013 – July 2014, Student, National Intelligence University.

8. July 2014 – July 2016, Effectiveness Division Chief, Air Force Operational Test and Evaluation Center, Detachment 1, Edwards AFB, California.

9. July 2016 – July 2018, Chief of Wing Weapons, 18 Operations Support Squadron and Director of Operations, 44th Fighter Squadron, Kadena AB, Okinawa Japan.

10. July 2018 – June 2020 Commander, 67th Fighter Squadron, Kadena AB, Okinawa Japan.

FLIGHT INFORMATION

Rating: Command Pilot

Flight Hours: More than 1800 hours

Aircraft Flown: F-15A-D, T-38C, T-37

MAJOR AWARDS AND DECORATIONS

Defense Meritorious Service Medal

Meritorious Service Medal

Air Force Commendation Medal, four oak leaf clusters

Air Force Outstanding Unit Award, five oak leaf clusters

National Defense Service Medal

Global War on Terrorism Expeditionary Medal

Global War on Terrorism Service Medal

Air Force Expeditionary Service Ribbon with Gold Border

EFFECTIVE DATES OF PROMOTION

Second Lieutenant 10 May 2002

First Lieutenant 29 May 2004

Captain 29 May 2006

Major 1 June 2012

Lt Col 1 April 2017