China and the Middle East: Redefining the International Order?

John Calabrese

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About the Author

Dr. John Calabrese teaches US foreign policy at American University in Washington, DC. He also serves as a Scholar in Residence at the Middle East Institute where he is directing MEI's project on The Middle East and Asia (MAP). He is the Book Review Editor of The Middle East Journal and previously served as General Series Editor of MEI Viewpoints. He is the author of China's Changing Relations with the Middle East and Revolutionary Horizons: Iran's Regional Foreign Policy. He has edited several books and has written numerous articles on the international relations of the Middle East, especially on the cross-regional ties between the Middle East and Asia. He co-directed the MEI-FRS project for the European Commission on Transatlantic Cooperation on Protracted Displacement.

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Introduction

China’s ascent within the international system has occurred with breathtaking rapidity. In a little less than four decades, China, once considered the “sick man of Asia” — riven by internal divisions, struggling to modernise, carved into spheres of influence and subjected to “unequal treaties” by foreign imperialist powers — has emerged as a global economic and financial power.

Few issues are more significant than the type of power China becomes and the impact it will have in regional as well as global affairs. This paper examines the arc of China’s relations with the Middle East — focusing especially on the period since Xi Jinping assumed the presidency — with the aim of shedding light on what China’s approach to, and involvement in the region reveals and portends about its role in the U.S.-led international order.

China’s “Peaceful Rise”: Guide or Guise?

Against the backdrop of the international backlash from the 1989 Tiananmen Square crackdown and the Chinese Communist Party’s (CCP) apprehensions following the collapse of communism in Eastern Europe, Deng Xiaoping, the country’s paramount leader at the time, articulated a series of principles for conducting China’s external relations in a lecture he delivered on September 4, 1989 entitled “A Policy of Reform and Opening—China’s Hope for Success”:

In general, the way in which we should deal with the international situation can be summarised in three points, as follows. First, observe dispassionately. Second, secure our position. Third, cope with affairs calmly. Do not hurry. Do not hurry. Remaining calm is all-important. Our sole task is simply to devote ourselves single-mindedly to our work.

Deng’s injunctions to “hide [China’s] capabilities and bide [its] time” and “never claim leadership” — a strategy to minimise risk and to distinguish China from other powers as a developing country — served as the underpinnings of Chinese foreign policy for the better part of the next two decades.
Nevertheless, the Tiananmen crackdown and other friction points eroded the generally positive, though fragile, relationship between China and the West that had prevailed throughout the 1980s. This change was reflected in the emergence of the “China threat” narrative in the United States. Ushered in by Samuel Huntington’s thesis on the “clash of civilizations”, this narrative found expression in a profusion of academic works and articles in the popular press warning of the possible negative ramifications of a strong China.

The China threat thesis, in turn, contributed to a marked shift in the rhetoric and conduct of Chinese foreign policy during the 1990s toward an activist international agenda that aimed at increasing China’s influence while presenting a benign image. At the rhetorical level, the Chinese government proposed a number of concepts aimed at countering the China threat narrative, initially encapsulated in the expression “peaceful rise”. Coined by Zheng Bijian, then Executive President of the Central Party School in Beijing and a confidant of China’s leaders, the term “peaceful rise”, later reframed as “peaceful development”, quickly gained currency with senior leadership. China’s activist international agenda featured a “Charm Offensive”, that is, the deployment of “soft power” to improve its image.

However, these efforts did not extinguish the China threat narrative. On the contrary, even a conciliatory China caused apprehension among its neighbours. Meanwhile, polling data showed the American public, as well as their counterparts in the other countries surveyed, to be concerned about China’s growing military power and to view Chinese economic power as a potential threat. U.S. officials seemed to share these apprehensions. Then-Deputy Secretary of State Robert Zoellick stated that “many Americans worry that the Chinese dragon will prove to be a fire-breather. There is a cauldron of anxiety about China”. Zoellick suggested that the onus was on Beijing to demonstrate its benign intentions.

The onset of the 2008-09 global financial crisis underscored for China not just the unfairness but the dangerous dysfunctionality of the global order. China’s strong recovery from the crisis yielded newfound confidence and assertiveness, particularly on issues related to narrowly defined core interests (e.g., Taiwan, Tibet, and maritime territorial claims). At the time, much of the specialist commentary on China’s role in
Asia presented an image of Chinese accomplishment and U.S. weakness and decline. Meanwhile, although American officials continued to encourage China’s involvement in global affairs, there was no mistaking their unease about China’s growing capabilities and aspects of its conduct. On the occasion of a summit meeting with Hu Jintao in January 2011, then-President Barack Obama stated that the United States “welcomes the rise of China”, provided that it “occurs in a way that reinforces international norms and enhances international security and peace — as opposed to being a source of conflict, either in the region or around the world”.

But the Chinese campaign of island creation and militarisation in the South China Sea kindled the debate about the implications of China’s rise and breathed new life into the China threat narrative. U.S. officials unmasked their uneasiness. In November 2013 then-U.S. Secretary of Defense Chuck Hagel described China’s declaration of a Defense Identification Zone (ADIZ) in the East China Sea as a “destabilising attempt to alter the status quo in the region”. These concerns have persisted. In testimony to the U.S. House Armed Services Committee in April 2017, then-Admiral Harry Harris, Commander of the U.S. Pacific Command (USPACOM), pulled no punches, referring to China as a “provocative and expansionist” power. Speaking at the Shangri-La defense summit two months later, U.S. Secretary of Defense James Mattis said, “While competition between the U.S. and China, the world’s two largest economies, is bound to occur, conflict is not inevitable”. Yet, referring to the South China Sea dispute, he went on to say “We cannot accept Chinese actions that impinge on the interests of the international community”. At the Plenary Session of the Shangri-La meeting the following year, Mattis accused China of “intimidation and coercion” in the Indo-Pacific.

Thus, despite the extensive and mutually beneficial ties that China and the United States have developed over the years, the China-U.S. relationship remains clouded by “strategic distrust”. U.S. policymakers are far from having reached the conclusion that China is a status quo power. Meanwhile, the views of their Chinese counterparts are marked by an enduring dissatisfaction with American predominance and an acute concern about possible U.S. containment strategies, even while recognising that stable relations with the United States are essential
to achieving the goal of national rejuvenation. It is within this context of strategic distrust that Chinese involvement in the Middle East — a region of enormous importance to international security and to the wellbeing of the global economy — has taken shape. In fact, there is a pervasive sense that as U.S. power and influence in the Middle East have begun to recede, not only has China’s involvement in the region greatly expanded, but so too have — or might — its geopolitical ambitions.

**China Reenters the Middle East**

China’s trade links with the Middle East date back several millennia. The 15th-century Ming voyages of the Chinese armada under the command of Admiral Zheng He — a Muslim from Central Asia and arguably the most celebrated seafarer in China’s history — resulted in the establishment of a Middle Kingdom-centered tributary system along the silk routes of the Indian Ocean. Admiral He’s seventh and final expedition (1431-1433) reached Mecca and modern-day Iran. Thereafter, however, China had little contact or influence in the Middle East until the establishment of the People’s Republic in 1949 and the onset of the Cold War.

The ideological underpinning of China’s reentry into the Middle East in the early Cold War years was Mao’s Three Worlds Theory, which conceived of the region as an “intermediate zone” whose importance and problems were primarily attributable to external intervention and imperial rivalry. Accordingly, China was very critical of Middle Eastern governments, most of which followed the U.S. lead in recognising Taiwan as the legitimate representative of the Chinese people. China opposed the formation of Western-led military pacts; and extended rhetorical support, though only very modest quantities of material assistance, to anti-colonial efforts.

Until the late 1970s, China’s relationships with many regional states were tenuous, at best, due to its atheistic ideology, support for local communist parties, and inability to project economic and military power. China’s initial diplomatic breakthrough in the Middle East occurred following the PRC’s admission into the United Nations and Beijing’s assumption of the U.N. Security Council seat held by Taipei. Iran, Kuwait, and Lebanon all switched recognition to the PRC in 1971, followed by
Jordan (1977), and then Libya and Oman (1978). China’s realignment with the U.S. against the Soviet Union in the 1970s facilitated the reestablishment of good links with ‘moderate’ Arab states such as Egypt. A second wave of diplomatic successes occurred with China’s normalisation of relations with the United Arab Emirates (1984), Qatar (1988), Bahrain (1989), Saudi Arabia (1990), and Israel (1992).

From the late 1970s through the end of the Cold War, China’s economic ties with the region were limited, consisting mainly of expatriate labourers in the construction sector and a clutch of engineering contracts. Likewise, the value and volume of oil sourced from the Middle East was initially meager, though by the early 1990s it had begun to soar as the Chinese economy rapidly expanded and domestic oil production could no longer meet the country’s increasing consumption needs. Beijing’s arms sales in the Gulf during the mid- and latter 1980s — notably, the sale of ballistic missiles to Iran, Iraq, and Saudi Arabia — were China’s most lucrative and controversial activities in the region, as well as a portent of China’s emergence as a significant external actor in the Middle East.

Yet, as the Cold War era ended, Chinese policymakers continued to regard the Middle East as a region of tertiary importance, that is, of far less strategic significance than either East or South Asia. China’s engagement in the Middle East operated from a low baseline, entailed a very modest commitment of political and diplomatic resources, and lacked extensive expertise on the region. As the 1990s progressed however, all this began to change.

**China’s Middle East Footprint Dramatically Expands**

In recent years, the Chinese leadership has come to view the Middle East as an extension of its periphery as well as a zone of fragility. They have also come to regard the Middle East as a region where, on the one hand, they wish to limit U.S. hegemony while, on the other, they do not want to see it disappear since the United States has the capacity both to underpin and undermine the Chinese modernisation process.

China has a wide range of interests in the Middle East — a region in which the U.S. has been the preeminent external actor for the past half century. Access to the region’s
energy resources has been and is likely to
remain China’s primary interest in the
Middle East. Over the years, however,
China’s commercial interests in the region
have broadened to include generating
investment opportunities and contracts for
infrastructure projects for Chinese firms, as
well as gaining market share for their
products.

Second, China has a strong interest in
cultivating relationships and building
influence with regional powers beyond the
confines of its immediate Asia-Pacific
neighbourhood. In this respect, Saudi
Arabia, Iran, and Egypt figure prominently
in Beijing’s calculations.

A third interest is preserving domestic
security by preventing radical ideologies and
jihadi networks with roots in the region from
seeping into China. Fourth, China has a
general interest in the Middle East, as in
other regions, as a theater for earning
recognition as a legitimate great power and
as part of an effort to forge coalitions among
developing countries to support its positions
in multilateral institutions.

Beijing’s overarching priority in advancing
its interests in the Middle East, as elsewhere,
has remained essentially constant, namely to
foster peace and stability abroad as a means
of continuing to progress economically
whilst maintaining power domestically. Over
the years, China has succeeded in
developing extensive bilateral and
multilateral relationships with the countries
of the region. This success stems from the
fact that China has no historical baggage and
no ideology to peddle. China has billed itself
as a ‘special kind’ of major power, staking
out positions that are independent from
those of the United States; identifying itself
as a developing country; and cloaking its
actions in the Five Principles of Peaceful
Coexistence first articulated at the Bandung
Conference in 1955.

As China’s economy has rapidly expanded,
so too have its commercial interactions with
the region. Energy ties are the bedrock of
Sino-Middle Eastern relations. Since
emerging as a net oil importer in 1993,
China has come to rely heavily on oil
originating from the Middle East. China,
whose reliance on foreign oil is growing, has
taken steps in recent years to diversify its
sources and increase its overland supplies.
Nevertheless, six of China’s top ten oil
providers are Middle Eastern countries; and
the Middle East still accounts for over 40%
of Chinese oil imports. [See Figure 1.] In
addition, China obtains a quarter of its natural gas from Gulf suppliers. [See Figure 2.]

**Figure 1: China’s Top Crude Oil Suppliers, 2017**

<table>
<thead>
<tr>
<th>Country Rank</th>
<th>Share (%)</th>
<th>Value (USD Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Russia</td>
<td>14.6</td>
<td>23.7</td>
</tr>
<tr>
<td>2. Saudi Arabia</td>
<td>12.6</td>
<td>20.5</td>
</tr>
<tr>
<td>3. Angola</td>
<td>12.2</td>
<td>19.8</td>
</tr>
<tr>
<td>4. Iraq</td>
<td>8.5</td>
<td>13.8</td>
</tr>
<tr>
<td>5. Oman</td>
<td>7.5</td>
<td>12.2</td>
</tr>
<tr>
<td>6. Iran</td>
<td>7.3</td>
<td>11.9</td>
</tr>
<tr>
<td>7. Brazil</td>
<td>5.4</td>
<td>8.8</td>
</tr>
<tr>
<td>8. Kuwait</td>
<td>4.4</td>
<td>7.1</td>
</tr>
<tr>
<td>9. Venezuela</td>
<td>4</td>
<td>6.6</td>
</tr>
<tr>
<td>10. United Arab Emirates</td>
<td>2.5</td>
<td>4.1</td>
</tr>
</tbody>
</table>

**Figure 2: China’s Top Gas Suppliers, 2017**

<table>
<thead>
<tr>
<th>Country Rank</th>
<th>Share (%)</th>
<th>Value (USD Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Turkmenistan</td>
<td>19.8</td>
<td>6.5</td>
</tr>
<tr>
<td>2. Australia</td>
<td>19.3</td>
<td>6.4</td>
</tr>
<tr>
<td>3. Qatar</td>
<td>14.5</td>
<td>4.8</td>
</tr>
<tr>
<td>4. United Arab Emirates</td>
<td>9.8</td>
<td>3.2</td>
</tr>
<tr>
<td>5. United States</td>
<td>7.6</td>
<td>2.5</td>
</tr>
<tr>
<td>6. Malaysia</td>
<td>4.6</td>
<td>1.5</td>
</tr>
<tr>
<td>7. Indonesia</td>
<td>3.7</td>
<td>1.2</td>
</tr>
<tr>
<td>8. Myanmar</td>
<td>3.6</td>
<td>1.1</td>
</tr>
<tr>
<td>9. Papua New Guinea</td>
<td>2.7</td>
<td>0.9</td>
</tr>
<tr>
<td>10. Uzbekistan</td>
<td>2.0</td>
<td>0.6</td>
</tr>
<tr>
<td>11. Saudi Arabia</td>
<td>1.8</td>
<td>0.6</td>
</tr>
<tr>
<td>12. Kuwait</td>
<td>1.8</td>
<td>0.6</td>
</tr>
</tbody>
</table>

**Source:** International Trade Center (ITC) Trade Map.
China’s leading energy entities have established supply footholds in the region, including in Iraq and most recently in Abu Dhabi. Sino-Middle Eastern energy partnerships extend to petrochemical and natural gas projects in the Middle East and refinery projects in China itself. China is Iran’s largest market for petrochemicals, especially methanol.

The Middle East is a growth market for affordable consumer products. China is now the largest source of the region’s imports. In fact, Bahrain, Egypt, Iran, and Saudi Arabia all import more from China than from any other country. [See Figure 3.]

**Figure 3: Top Five Sources of Imports, 2016**

*Source: UN Comtrade Statistics.*
Over the past five years, Sino-Middle Eastern trade has been robust, though the post-2014 collapse in oil prices and associated budgetary constraints faced by Gulf producers have led to a modest downturn. Chinese exports to the region have been hardy throughout the period, contributing to relatively narrow trade imbalance, lately in China’s favour. [See Figure 4.]

**Figure 4: Value of China’s Trade with the Middle East, 2013-2017**

The Middle East also has emerged as a significant service exports market. In January 2016, President Xi pledged US$55bn in investments and loans for transportation, utilities, and other infrastructure projects in the region. Chinese contractors are winning bids for engineering, construction, and infrastructure development projects. The China state-owned CITIC Group and the China Development Bank are providing billions of dollars in financing for Chinese-led railways and other projects in Iran. Oman Wanfang, a Chinese company, is serving as master
The developer of the Sino-Oman Industrial Park in the Duqm Special Economic Zone (SEZAD) is engaged in a clutch of transportation infrastructure projects in Dubai. The China State Construction Engineering Corporation (CSCEC) is engaged in a clutch of transportation infrastructure projects in Dubai. China Harbour is building a new port at Ashdod in Israel; and the Shanghai International Port Group (SIPG) has secured a 25-year license to operate a deep-sea private port planned for Haifa.

Indeed, Chinese firms are aggressively seeking opportunities for outbound capital projects across the region, as part of the Belt and Road Initiative (BRI).

Chinese investment in the region — in Algeria, Egypt, Iran, Jordan, Qatar, and Saudi Arabia — has begun to pick up. The BMI Research “Key Projects Database” shows that China’s investment in MENA region accounts for almost 12 percent of its total worldwide investment. China’s sizable investment in the Iranian energy infrastructure is a case in point. However, here it is important to offer some perspective and granularity to the discussion. Chinese investment in the Middle East is ‘less than meets the eye’ — in terms of geographic allocation, far less than what it has poured into other oil-rich regions in South America and Africa. Past rounds of outward investment, or “going out”, resulted in “widespread overpayment for assets and subsequent write-downs”.

China’s recent past investment outcomes in the Middle East have not all been unalloyed successes, as state-owned companies have struggled to strike a balance between political and commercial interests, in some instances incurring large losses.

At the Ministerial Conference of China-Arab States Cooperation Forum in Beijing In June 2014, President Xi proposed a “1+2+3” framework for expanding the scope of cooperation into new sectors, including nuclear and renewable energy and aerospace technology.

China’s deepening economic involvement in the Middle East and North Africa (MENA) has been accompanied by the growing presence of its citizens and businesses in the region. The number of Chinese hajj pilgrims, tourists, expatriate workers, and business people has risen dramatically over the past two decades. Of the approximately five million Chinese residing beyond the country’s borders, an estimated 550,000 are in the Middle East. Abdullah Bin Ahmad Al Saleh, Under-Secretary of the Ministry of Economy-Foreign Trade sector, put the number of Chinese residents in the UAE at
More than 200,000 Chinese are now working, studying, and doing business in Dubai alone. The number of Chinese companies operating in the region has mushroomed as well. There are about 4,000 Chinese enterprises in the U.A.E. alone, including large state-owned enterprises as well as small- and medium-size firms. Aluminum Corporation of China Limited (CHALCO) constructed a multi-billion-dollar aluminum plant in Saudi Arabia. Other Chinese corporations have been active in the construction of petrochemical plants in Saudi Arabia. In 2009, China Railway Corporation (CRC) bid successfully for a project to build a mass-transit system in Mecca. CRC also won a contract worth $500 million from the Saudi Ministry of Education to build 200 primary and secondary schools in the kingdom.

**China’s Risk Exposure Increases**

Until relatively recently, Beijing had not perceived conflicts in the region as having a direct impact on its interests. However, China’s heavy dependence on Middle Eastern, and particularly on Gulf energy resources, has made it acutely vulnerable to possible supply disruptions and price spikes resulting from unrest and conflict in the region. China has taken several steps to manage these risks, such as diversifying its supply sources and fuel mix, purchasing equity stakes in foreign oil and gas blocks, and establishing a strategic petroleum reserve (SPR).

Weakening Chinese demand has reinforced downward oil price pressure, fueling the contest being waged by the Persian Gulf’s biggest producers — Saudi Arabia, Iran, and Iraq — as they attempt to capture or preserve market share in Asia, and especially in China. The combination of lower prices and successful diversification efforts has resulted in ample oil and gas supplies for China at significantly reduced cost. Nevertheless, the Chinese economy remains heavily dependent on Middle Eastern oil and thus highly exposed to its volatile politics — a situation that, for the foreseeable future, is unlikely to substantially change.

Due to its deepening commercial involvement in the region China, has incurred additional risks. Turmoil in the Middle East has raised Chinese policymakers’ concerns about the spread of Islamist ideology, the prospect of Chinese
foreign fighters returning to commit acts of terrorism, as well as the possible suspension or abandonment of lucrative contracts, damage to or destruction of investment assets, and endangerment of Chinese citizens traveling to or residing in the region. In three recent instances, Beijing was forced to conduct mass evacuations of Chinese nationals from the Middle East.\(^{53}\)

While protecting Chinese overseas workers has become a more salient and challenging policy issue in recent years, Beijing’s top priority is the threat that transnational terrorism poses to domestic security and political stability. Chinese officials have long claimed that they are facing a sustained terrorist campaign by “religious extremists”. Fueling this concern has been the uptick of unrest in the northwestern province of Xinjiang, where scores of lives have been lost;\(^{54}\) efforts by Islamic State (ISIS) to recruit Chinese nationals into its ranks;\(^{55}\) and the latter’s hostage-taking and murder of Chinese citizens.\(^{56}\) Heightened exposure to these diverse threats has made it urgently necessary for Beijing to develop and skillfully employ the diplomatic and military tools with which to respond to them.\(^{57}\)

China’s Diplomatic and Military Engagement with the Region Matures

China’s diplomatic and military activities in the region have evolved, albeit gradually. Strategic caution has long been the hallmark of Chinese diplomacy in the Middle East. One can distill from Chinese official statements and behavior two basic precepts that have guided its approach to the region: 1) non-interference either in domestic or inter-state political affairs; and 2) emphasis on dialogue and development, as opposed to the use of force, as the solution to the Middle East’s problems.

Over the years, China has sought to avoid direct involvement in regional crises and conflicts, and to evade clear-cut positions on controversial issues. Consequently, China’s approach to the Middle East has often been characterised as “risk averse” — an apt description but one that can nonetheless be misleading. Beijing has become increasingly active on the diplomatic front, staking out positions that are more flexible and pragmatic than many observers have noted.
or that Chinese officials readily acknowledge.

The signs of increasingly vigorous Chinese diplomatic engagement are unmistakable. Exchanges of high-level visits, once quite rare, now occur with relative frequency. Multilateral institutions, such as the China-Arab Cooperation Forum (CACF), the Forum on China-Africa Cooperation (FOCAC), and the China-Gulf Forum, serve as platforms for regular dialogue between Chinese officials and their counterparts on a wide range of issues. Beijing has also succeeded in recruiting nine Middle Eastern countries as members of the Asian Infrastructure Investment Bank (AIIB).

With Beijing’s appointment of four successive “special peace envoys” — Wang Shijie (2002-06), Sun Bigan (2006-09) and Wu Sike (2009-14), and Gong Xiaosheng (2014-present) — China’s Middle East diplomacy has gained greater visibility and continuity. China’s “hands-on” diplomacy has included tabling a number of “point plans” aimed at the settlement of the Palestinian question, most notably President Xi’s “four-point plan” in May 2013. At the time, this latter instance prompted speculation that Beijing was poised to become the next peacemaker or possibly on the path to “stealing America’s thunder”. However, there is no evidence that Beijing sought to position itself as the leading peace broker. Furthermore, the elements of Xi’s peace plan did not in the least diverge from those that have long enjoyed an international consensus. Importantly, the unveiling of the plan was not followed by any concrete actions. More recently, Beijing has sought to advance the prospects for Israeli-Palestinian peace by proposing the establishment of a trilateral dialogue mechanism.

Nevertheless, the Chinese leadership appears more comfortable and capable supporting others’ diplomatic efforts to resolve the conflict than investing in those of its own creation; and views the One Belt, One Road (OBOR) initiative (discussed later) as its singular contribution to peace and stability in the region.

Yet, it is important to note that China’s policies on several longstanding and recent issues have evolved. In the Israeli-Palestinian conflict, China, though once having supported Palestinian independence in all of historical Palestine, later came to embrace the international consensus on a two-state solution. Although the Syrian conflict has not been a high priority for China, Beijing nonetheless seized on the
conflict to advance its own normative agenda — adhering to a strict interpretation of national sovereignty and stridently opposing a Western-led regime change mission. Moreover, the growing concern that the conflict could spiral out of control and/or inspire domestic terrorism has led Beijing to play a more active role, appointing Ambassador Xie Xiaoyan, a seasoned diplomat, as Special Envoy; dispatching a military delegation to Damascus; maintaining open channels of communication with Syrian opposition groups; and hosting a “reconstruction fair”.  

Similarly, China has become more vocal, joining with Tunisia in calling upon the international community to do more to stabilise Libya. Statements and actions such as these, while more symbolic than substantive, nonetheless reveal a China that is concerned not just about promoting its image and prestige but also about protecting and advancing its interests; and though not (yet) prepared to “lead”, no longer able to remain on the sidelines.

China’s “cautious incrementalism” has been accompanied by careful balancing. In the Israeli-Palestinian conflict, while remaining an outspoken critic of settlement expansion and economic isolation of Gaza, China has tempered its criticism with calls for Palestinians to refrain from all forms of violence. In the case of Iran during the nuclear-related sanctions period, China struggled to preserve the ties it had built over the years without severely damaging relations either with the United States or with Gulf Arab commercial partners. In practice this meant working to prevent an escalation of the crisis over the Iranian nuclear program, while capitalising on the opportunities that Western tensions with Iran presented to Chinese political and economic interests. As sanctions against Iran tightened, China struggled to sign and preserve deals while trying to avoid falling afoul of them by limiting its investments and dragging its feet on project implementation.

China’s balancing acts have, arguably, yielded more payoffs than losses. Sino-Israeli trade has increased appreciably, Chinese investment in Israel have surged, and the participation of Chinese companies in public infrastructure projects — without any apparent damage to relations with Arab countries. With respect to relations with Iran, China managed to retain a privileged economic relationship while avoiding a blow up with Washington by complying with
sanctions as well as by exploiting their deficiencies and loopholes. The lifting of nuclear-related sanctions removed a major obstacle to the broadening and deepening of China-Iran relations. Since then, China has moved quickly to fortify its position in Iran and to elevate the bilateral relationship to a “comprehensive strategic partnership”.

Just as China’s Middle East diplomacy gradually has become more visible and more active, so too has its security cooperation and military profile in the region. China has forged “Comprehensive Strategic Partnerships” with Saudi Arabia, Iran, and Qatar. Chinese security cooperation — with an emphasis on counterterrorism and counterpiracy — has become a regular agenda item in bilateral consultations. In recent years, military diplomacy — part and parcel of its overall stepped up engagement with foreign militaries — has become an integral part of China’s interactions with its Middle East partners, though the frequency Sino-Middle Eastern relations routinised; however, the PLA has appeared to place far heavier emphasis on conducting such activities with the U.S., Europe, Russia, and the sub-regions of Southeast and South Asia. Meanwhile, China has continued its traditional role as a significant niche player in the regional arms market, most recently through the sale of armed drones to Egypt, Iraq, Saudi Arabia, and the UAE; and filling ‘gaps’ in Algeria, Iran, and Syria.

In the area of counterterrorism, Chinese officials went so far as to declare the Islamic State (ISIS) “the common enemy” and have acknowledged that “we [the international community as a whole] should address both the symptoms and the root causes and let the UN fulfill its coordinating role”. They called for “new thinking” and proposed measures to counter international terrorism, such as the creation of a counterterrorism database and information exchange platform. Yet, to date, China has shown no interest in coordinating strikes or attacks on terrorists. China’s Arab Policy Paper pledges to support Arab governments in their struggle against terrorism through establishing a long-term security mechanism, strengthening policy dialogue and intelligence sharing, and carrying out technical cooperation and personnel training. However, Beijing’s highest priority is countering homegrown terrorism; therefore, China’s most assertive measures have been taken on the domestic front.

China’s growing international economic interests have led to an increasing emphasis
on the development of maritime security cooperation and the enhancement of its maritime military capabilities. China’s 2015 defense white paper confirmed that its armed forces will continue to expand its range of operations and capabilities in order to “effectively secure China’s overseas interests”. Evidence of the changing focus of the People’s Liberation Army Navy (PLAN) — from “offshore waters defense” to “open seas protection” — and nascent ability to operate in distant maritime environments can already be seen in naval vessel visits to Gulf Arab ports and joint exercises with Iran, Saudi Arabia, and Turkey.

To date, Beijing’s preference has been for a “soft”, as opposed to a “hard” military presence in the region, the former being mission-oriented and characterised by temporary deployments, and thus flexible and relatively inexpensive. Such deployments have included participation in United Nations peacekeeping operations and noncombatant evacuations. Beijing’s decision in December 2008 to dispatch a three-ship flotilla to engage in counterpiracy operations in the Gulf of Aden was a break with the past. Even so, few observers would have imagined that, nearly a decade later, China would still be conducting such operations and that in July 2017 ships carrying Chinese troops would be setting sail for Djibouti to formally establish there the country’s first overseas military base — the latter development fueling the perception among some U.S. officials that Chinese military power projection capabilities are rapidly expanding and that Beijing is bent on challenging American interests far and wide.

China’s “One Belt, One Road” and the Middle East: A Bid for Predominance?

Since the elevation of Xi Jinping as CCP general secretary in October 2012 and as state president five months later, China has undertaken major diplomatic initiatives in theory and practice. Xi’s grand statements and bold initiatives represent a clear departure from Deng Xiaoping’s ‘bide and hide’ dictum, prompting one scholar to remark:

Since Xi Jinping became leader, China’s foreign policy has moved from risk-averse caution to optimistic ‘dreaming’ about a
better world in which China will have recovered its rightful place. President Xi’s vision, which is encapsulated in the expression the “Chinese Dream”, has been described as a form of national rejuvenation. Xi has called for fenfa youwei, or “striving for achievement” in foreign affairs. In January 2017 at Davos, Xi cast himself as the defender of globalisation. The next month, presiding over a National Security Commission (NSC) seminar in Beijing, Xi was reported to have stated that China must “proactively shape its external security environment, strengthen cooperation in the security field and guide the international community to jointly safeguard international security”. In fact, China’s ‘proactive shaping’ can be said to have begun with the official launch in November 2013 of President Xi Jinping’s signature foreign policy initiative — originally called the “One Belt, One Road” (OBOR) and subsequently rebranded as the Belt and Road Initiative (BRI). Evoking the imagery of the ancient Silk Road, China’s BRI is an ambitious effort to “connect” China. Unprecedented in its geographic and financial scope, the BRI has two primary components: the overland Silk Road Economic Belt (SREB), and the 21st-century Maritime Silk Road (MSR). A great deal of ink has been spilled in trying to discern the motivations behind the BRI initiative. Some view it as essentially a “domestic policy with geostrategic consequences”, (i.e., primarily aimed at finding outlets for China’s surplus industrial capacity). Others see it as conceived mainly in geopolitical terms — as an effort by China “to push back against U.S. dominance and reclaim its own regional strategic space”. Still others are persuaded that BRI is the product of a combination of economic and strategic drivers. Chinese officials themselves have been at great pains to portray the BRI as a cooperative, open and inclusive, and mutually beneficial initiative. The Middle East occupies a distinctive and important place within the BRI framework. The Suez Canal is already the primary shipping route for Chinese goods to Europe. As some have pointed out, “the Middle East is the place where the Belt joins the Road”. Middle Eastern countries — from Egypt to Iran — are situated along one of three main putative land-sea commercial corridors linking China to the African and European markets. It is therefore not surprising that
Chinese officials have frequently referred to Middle Eastern states as “critical” partners in bringing the BRI to fruition.\(^{101}\) Iran and Turkey figure prominently as BRI partners, as each lies at an end point for the China-Central West Asia Economic Corridor. In February 2016, the first direct cargo train from China arrived in Tehran.\(^{102}\) Two of the first nine projects to have been approved by the Asian Infrastructure Investment Bank (AIIB) — the Duqm Port Commercial Terminal and Operational Zone Development Project and the Railway System Preparation Project — are located in Oman. With the completion of a high-speed railway across Turkey (built by a Chinese-Turkish consortium and funded partly with a $750 million Chinese loan), China has positioned itself to participate in Turkey’s national railway expansion project and make further progress on the BRI.\(^{103}\)

The BRI’s transition from vision to implementation has included the acceleration of efforts by China’s state-owned shipping companies to buy or invest in overseas ports. Laying the groundwork for increased trade flows in the Mediterranean basin, the China Ocean Shipping Company (COSCO) has acquired a controlling stake in the Greek port of Piraeus and a Chinese consortium the Turkish container terminal at Kumport. In addition, Chinese companies have sought to ensure reliable access for commercial shipping by investing in ports along the Suez Canal Corridor as well as by seeking to develop a land-based route (i.e., the “Red-Med” railway project) that traverses Israel.\(^{104}\)

**China, the Middle East, and Why the Dragon Never Sleeps**

China’s core interests — the maintenance of Communist Party rule, assertion of national sovereignty and unity, and continued economic development — are domestically driven but heavily dependent on a stable and conducive external environment. Largely for this reason, China’s immediate neighbourhood remains its highest foreign policy priority and is the primary focal point of emergent China-U.S. strategic competition. Therefore, the story of the future of the global order, including whether China is, or ultimately becomes a revisionist power will likely be written in Asia.

However, developments in the Middle East and China’s evolving role there are far from irrelevant. China’s extensive economic ties
with the region and their associated risks has elevated its strategic importance. As a consequence, China has raised the profile of its diplomatic and military engagement in the region. Although Chinese diplomacy and military activities in the region continue to exhibit strong signs of “cautious incrementalism” and “careful balancing”, China is no longer a peripheral actor in the Middle East.

Yet, China’s expanding interests and presence in the Middle East — themselves a function of China’s “rise” — are centered on a region where successive U.S. administrations have declared the United States has vital interests and where they have grown accustomed to unchallenged American supremacy. Furthermore, these developments are occurring in a climate of persistent “strategic distrust” and intensifying competition between China and the United States which, though focused in Asia, is not necessarily confined there.

To date, however, China has given few indications that it is determined to directly challenge U.S. predominance in the region. This is for good reason. China indirectly benefits from the role the United States plays as security guarantor, without incurring risks or expense. Furthermore, the continued large military presence in the Gulf and surrounding region to some degree diverts U.S. attention and resources away from East Asia, the area of highest geostrategic priority to China. Equally important is that China’s own power projection capabilities, though growing, remain limited. Thus, China’s approach to the region has been more “gravitational” than “confrontational” — pulling countries toward it rather than pushing them away from the United States or each other.105

Observers have often attributed China’s inroads in the Middle East to its “lack of historical baggage”. Chinese officials themselves have often cited “civilizational bonds”, solidarity with developing countries, and “principled” foreign policy conduct as distinctive sources of China’s appeal. Yet, it is financial muscle and an enormous market, more than anything else, that have endowed China with the capability and the self-confidence to increase its involvement and enhance its influence in the Middle East. The Belt and Road Initiative constitutes a massive effort to leverage these assets.

Over the long term, the Belt and Road Initiative might well prove to be transformative — producing developmental gains while correspondingly reducing the
incidence of conflict in the Middle East and elsewhere. Yet, pursuing this strategy will significantly raise the stakes for China, as new infrastructure and energy projects will increase both the number of Chinese workers in the region and the attendant security risks. Managing these risks will require enhanced power-projection, analytic, and diplomatic capabilities. They will also necessitate breakthroughs in the conflicts in Syria and Yemen, as well as the destruction of ISIS, a tempering of the Saudi-Iran rivalry, and a healing of the Qatar-Gulf rift. Thus, in attempting to reshape the region, thereby substantially improving its own strategic position, China faces not just its own limitations but the very geopolitical and other impediments to stability and progress in the Middle East that the BRI is ostensibly intended to help remove.

Meanwhile, China faces formidable challenges of its own: a troubled transition to a mature, innovation economy; an ageing population; a soaring debt-to GDP ratio; an unsustainable housing bubble; and a mountain of non-performing loans. Particularly given the magnitude and urgency of these challenges, China cannot simply decouple from the existing international order. Nor is China yet fully equipped to assume the responsibilities of global leadership.

A precipitous American withdrawal from the Middle East appears unlikely. Moreover, the calls from Beijing’s Mideast friends and allies for a greater Chinese role in the region do not represent a desire on their part to substitute Chinese for U.S. hegemony. America’s traditional Arab allies — however much they object to Washington’s policies or, especially during the Obama years had grown uncertain about the resoluteness and sustainability of its commitments — continue to regard the United States as a necessary security partner. Their outreach to China represents an effort to diversify their security cooperation, and not to downgrade or sever security ties with the United States.

Far from a power vacuum that China is eager and able to fill, the Middle East is a strategic environment that both Washington and Beijing will have to learn how to share. The United States and China have a common interest in the uninterrupted flow of oil from the Middle East and in countering violent extremism in the region. The prospects for intensifying strategic competition in the Middle East between China and the United States are rather more
remote than they appear to be, particularly in the short term. Over the longer term, however, increased Chinese military capabilities, coupled with rising U.S.-China tension in the western Pacific, could feed back into the Middle East, fueling such a competition. Much will depend on how the United States responds to China’s ascent and manages its own relative decline.
Notes


7 Subsequent variations include “peaceful development” (*heping fazhan*) and “harmonious world” (*hexie shijie*). Regarding the use of “soft power” to rebuff the China threat thesis, see Li Mingjiang, “China Debates Soft Power”, *Chinese Journal of International Politics*, 2, 2008, pp. 299-300.


9 In a speech delivered at Harvard University on December 10, 2003, then Chinese Premier Wen Jiabao adopted the new concept assuring his audience that China’s growth “will not come at the cost of any other country, will not stand in the way of any other country, nor pose a threat to any other country”. For a full-text version of Wen’s speech, entitled “Turn Your Eyes to China”, see *People’s Daily Online*, 12 December 2003. Accessible online at http://english.peopledaily.com.cn/200312/12/eng20031212_130267.shtml. Four months later, in his keynote address to the Boao Forum for Asia, President Hu Jintao underscored China’s commitment to “follow a peaceful development path”. See Hu Jintao, “China’s Development is an Opportunity for Asia”, speech delivered at the opening ceremony of the Boao Forum for Asia 2004 Annual Conference, 24 April 2004, Boao Forum for Asia. Accessible online at http://english.boaoforum.org/document2004/11119.jhtml.


The W Center for Strategic and International Studies: Implications for the United States: Competition and Cooperation in the Developing World


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Trade had begun to gravitate toward China and away from Germany, Iran’s traditional partner, as well as from other big petroleum customers, namely South Korea and Japan. And Chinese firms such as CITIC and Dalian established footholds in the Iranian transportation infrastructure and shipbuilding markets, respectively.


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