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# Will China become the new dominant actor in the broader Middle East?

## I. Introduction

Thanks to its rapid economic development since the beginning of Deng Xiaoping's reforms and its opening towards the global economy at the end of the 1970s, China has developed into a world power with global interests. The "Broader Middle East"<sup>1</sup> – in addition to the states of Central and South Asia, but above all the Gulf states – has moved into the focus of Chinese foreign, foreign economic and security policy. Long regarded by the Chinese leadership as a peripheral and relatively insignificant region of the world, it is now considered important for its national security. How can China's growing interest in the region be explained? What are China's economic and geostrategic interests in the region? What interests do the states in the region pursue in their relations with China? Has China developed a strategy for its relations with the region? Is China's growing engagement aimed at replacing or even pushing out the United States as the dominant power in the region?

## II. The importance of the MENA region for China

The focus of Chinese national interests today continues to be on internal security (Xinjiang, Hong Kong) as well as its foreign and security policy interests in the immediate neighbourhood (East and South China Seas, Taiwan, Myanmar and Central Asia). Since the return of the radical Islamist Taliban to power in Kabul, Afghanistan has also been back at the top of the Chinese leadership's agenda due to Chinese economic interests, especially in the Afghan raw materials sector. But above

all China fears spillover effects on China's troubled western province of Xinjiang because of the Taliban's ideological-religious proximity to the Uyghurs. Beijing is trying to prevent this through its policy of maintaining as close contacts as possible with all sides. On 28 July 2021, for example, State Councillor and Foreign Minister of China, Wang Yi, invited Taliban representatives to Tianjin for talks. While the US and all Western countries rushed to evacuate their embassy staff and local Afghan staff, China has declared that it will not close its embassy in Kabul.

During its economic boom, Chinese oil imports have multiplied, much of it from the Middle East. In 2019/2020, China sourced 40 percent of its oil imports from the Gulf region with Saudi Arabia as the largest supplier (16 per cent). Iraq and Iran are also among China's major oil suppliers, while Qatar supplies large quantities of liquefied natural gas to China. However, China's economic interests in the MENA region are not limited to the energy sector. In recent years, the country has risen to become the largest investor in the region and the largest trading partner of 11 Middle Eastern states. Among other areas, its investments pertain to key infrastructure projects, such as industrial parks and ports.<sup>2</sup> Because of these investments, which are important for the Chinese economy, China is more interested than ever in political stability in the region. In parallel with the growth of its economic interests, China is also increasingly investing in diplomatic and security relations, especially with key countries in the region such as Saudi Arabia, Iran, the United Arab Emirates, Egypt and Turkey.

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<sup>1</sup> "Broader Middle East" is understood here to mean all states in the Middle East and North Africa, the states of Central Asia, including Afghanistan, as well as Pakistan in South Asia.

<sup>2</sup> See Cook and Green, *China Isn't Trying to Dominate the Middle East*, 2021.

### III. China's importance for the states of the broader Middle East

China is also an increasingly important partner from the perspective of the states of the MENA region.<sup>3</sup> The region's oil and gas exporting countries have been facing a historic transformation in the world energy markets for some time. The rise of the US from the world's largest importer to the largest producer of oil has not only had economic consequences for the region. The global expansion of renewable energies has also reduced the demand for fossil fuels. It is therefore not surprising that these countries are increasingly looking to Asia, and China in particular. While Chinese companies have made considerable investments in energy production and the construction of petrochemical plants, especially in Saudi Arabia and the UAE, the Arab Gulf states with strong currencies have also invested in China.

Due to its diminished economic interests, Arab Gulf states also fear a decline in US geopolitical interest in the region. They are trying to compensate for this by expanding political relations with other states, especially China, even though their security dependence on the US remains high.

### IV. China's MENA strategy

Since the global economic crisis in 2008, and especially since party and state leader Xi Jinping came to power in 2013, China has been trying to develop its relations with states in the broader Middle East more systematically and strategically.<sup>4</sup> In doing so, Beijing is pursuing the goal of developing good relations with all states. Unlike the US and other states, Beijing maintains good relations with Saudi Arabia and Iran, Israel and Palestine, Qatar and the UAE, Egypt and Sudan, Algeria and Morocco.

China pursues a multilateral "whole-of-region" approach.<sup>5</sup> Through a number of regional and international organisations, it has begun to cultivate and develop its relations with the region since the end of the Cold War. The main forum for dialogue with the MENA region is the China-Arab States Cooperation Forum (CASCF). For dialogue with the ten Arab states of North Africa, China also uses the Forum on China-Africa Cooperation (FOCAC). While these are dialogue forums that Beijing has initiated, it also maintains dialogue with existing organisations such as the Arab League, the African Union and the Indian Ocean Rim Association for Regional Cooperation. The CASCF was launched in January 2004 by China and the 22-member Arab League. At the opening of the sixth CASCF Ministerial Meeting, President Xi highlighted the centrality of this format to China's relations with the region. In 2018, he welcomed African leaders to the FOCAC Summit in Beijing. In the MENA region, Beijing has been able to develop its closest cooperation and establish a strategic dialogue with the Gulf Cooperation Council countries. China also maintains relations with multilateral organisations in the region such as the Organization of Islamic Cooperation (OIC), the Parliamentary Assembly of Turkish-speaking countries, the Economic Cooperation Organization and the Arab Maghreb Union. For example, President Xi also met with the Secretary General of the OIC during his visit to Saudi Arabia.

However, the main instruments for pursuing Chinese interests in the MENA region are two Chinese initiatives and organisations established outside the core region, namely the Belt and Road Initiative (BRI) and the Shanghai Cooperation Organisation (SCO). The BRI,<sup>6</sup> officially launched in 2013 by President Xi himself during a visit to Kazakhstan, is China's megaproject to expand its economic and

<sup>3</sup> Aoun and Kellner, *The Crises in the Middle East: A Window of Opportunity for Rising China*, 2015.

<sup>4</sup> Eisenman and Heginbotham, *China's Relations with Africa, Latin America, and the Middle East*, 2020.

<sup>5</sup> Sun, *China's Whole-of-Region Diplomacy in the Middle East*, 2019.

<sup>6</sup> Originally 'One Belt – One Road' (OBOR), often shortened in Europe to 'New Silk Road'.

political influence at the global level. Having been started to (re-)establish and expand links between China and Europe, it has now become an instrument of Chinese global policy with a maritime component as well as 65 partners on all continents except for Oceania, encompassing two-thirds of the world's population and a gigantic volume of trade and investment. The Middle East region, which was already part of the ancient and medieval Silk Road – from China's Xi'an via Bukhara (Uzbekistan), Iran and Iraq through to Syria and Istanbul<sup>7</sup> – is also an important part of the Chinese project today.<sup>8</sup> Even if domestic political interests (difficulties of domestic infrastructure companies suffering from overcapacity) initially played a non-insignificant role, foreign economic and foreign policy interests have since increasingly come to the fore. The most important goal is to secure the supply of energy and raw materials in the long term by establishing alternative supply routes to the potentially endangered shipping route through the South China Sea and the Strait of Malacca. Other goals are to open up new markets and to generate a China-friendly policy through economic dependency.

The shipping route through the Indian Ocean to Europe also runs through the Arabian and Red Seas, through to the Suez Canal and the Mediterranean Sea, where China is building a major transshipment hub with the long-term lease of the port of Piraeus. This route runs along numerous Arab states, and China has a considerable interest in their stability for this reason alone. From China's point of view,

it is therefore only logical to make the MENA region a focus of its BRI projects. The financing of these projects, which are usually carried out by Chinese state-owned companies with a predominantly Chinese workforce, is mostly secured by state-owned or state-related banks. With the state-owned Silk Road Fund, China has created its own financing instrument for BRI projects. The Asian Infrastructure Investment Bank, initiated by China and based in Beijing, in which Iran and some Arab states have also bought shares, is also used for this purpose. An important, if not the most important, element of China's BRI strategy is the China-Pakistan Economic Corridor (CPEC), which connects China (Xinjiang province) with the Arabian Sea. The example of the CPEC makes it clear that the BRI links political, economic-logistical and military goals.<sup>9</sup>

In addition to the BRI, China is also pursuing a broader policy approach with the SCO, which focuses primarily on security policy. Founded by China alongside Russia and three Central Asian states ("The Shanghai Five") after the collapse of the Soviet Union as a step originally intended to settle border disputes, it has been steadily expanded since. Today, the SCO comprises eight member states,<sup>10</sup> four observer states<sup>11</sup> and six dialogue partners.<sup>12</sup> The organisation has developed from a Far Eastern alliance system into a pan-Asian actor in which the Middle East is also increasingly integrated.<sup>14</sup> Pakistan has already been a full member since 2017 and Iran hopes to join soon,<sup>15</sup> while some Middle Eastern states as well as Turkey

<sup>7</sup> Frankopan, *The Silk Roads*, 2016, 521.

<sup>8</sup> Petranek, *Paving a Concrete Path to Globalization with China's Belt and Road Initiative Through the Middle East*, 2019.

<sup>9</sup> Lukas, *Neue Perspektiven in Nahost*, 2019, 25.

<sup>10</sup> In addition to the founding states of China, Russia, Kazakhstan, Tajikistan and Kyrgyzstan, also Uzbekistan and, since 2017, India and Pakistan.

<sup>11</sup> Mongolia, Iran, Afghanistan and Belarus.

<sup>12</sup> Armenia, Azerbaijan, Cambodia, Nepal, Sri Lanka and Turkey. Turkmenistan as well as some regional organisations such as ASEAN are participating as guests.

<sup>13</sup> Lukas, *Neue Perspektiven in Nahost*, 2019, 28.

<sup>14</sup> So did Afghanistan until the recent Taliban takeover.

<sup>15</sup> Hillmann, *How Big is China's Belt and Road?*, 2018, 2.; see also Raza, *Prospects for Pakistan-China-Iran Trilateral Cooperation: Opportunities and Challenges*, 2019; Belal, *China-Iran Relations: Prospects and Complexities*, 2020.

and Azerbaijan and even Israel and Egypt are also striving for closer cooperation with the SCO. The main cooperation goal is the fight against terrorism, which is also the focus of joint military exercises that China has already conducted with a number of SCO states. Cooperation in the energy sector is also on the SCO's agenda. For this purpose, an "Energy Club" has been founded within the organisation, chaired by the dialogue partner Turkey.

#### V. Bilateral relations with important partners

In addition to the multilateral approach, China intensively cultivates relations with the core countries of the region at the highest political level. Pakistan is arguably its most important partner in the MENA region, with Chinese investment of over USD 60bn and projects in transport and port infrastructure as well as in the energy sector.<sup>15</sup> With the CPEC, China is pursuing the goal of building a safe and significantly shorter alternative transit route to the Strait of Malacca for its exchange of goods with the important Gulf states. The deep-sea port of Gwadar on the Arabian Sea – built by Chinese companies and operated by the China Overseas Port Holding Company – is also an important base for Chinese navy ships operating in the Indian Ocean, which are participating in the anti-piracy "Operation Atalanta" in the Gulf of Aden, among other activities. To this end, China has also established its first official naval base abroad in the East African country of Djibouti, in close geographical proximity to the civil war-torn countries of Somalia and Yemen, separated only by the Gulf of Aden.

Saudi Arabia is without doubt the most important Arab partner of China in the MENA region. Economic relations have become even closer in recent years, as both sides are interested in expanding relations, which now

also include security and defence policy. China has so far managed to maintain good relations with Saudi Arabia and Iran at the same time. While the Saudis are of central importance for China's energy supply, Iran is the important land bridge to the Middle East, the South Caucasus and Turkey of China's "Go West" strategy. Therefore, in addition to the energy sector (including nuclear energy), Chinese interest there is primarily focused on transport infrastructure (high-speed rail lines).<sup>16</sup>

The expansion of economic and political relations with Turkey also follows this "Silk Road logic". While the engagement in Egypt and projects related to the Suez Canal also follow this logic, the strong expansion of economic relations with Israel is surprising. Here, the Chinese interest in cooperation with the developed high-tech industry of the Jewish state is in the foreground – which has already led to concerns in Washington.<sup>17</sup>

#### VI. Conclusion

Since the Middle East is no longer Washington's top priority, the US has drastically reduced its number of troops in Iraq (and recently withdrew all troops from Afghanistan). Analysts have long warned that China (and Russia)<sup>18</sup> could try to replace the US as the dominant power in this region and that the MENA region could become a central arena of great-power competition between the two rivals. China's growing economic investments and political-diplomatic initiatives in the region will increase these concerns. However, China's increased presence in the region is likely to be driven largely by economic interest and a desire to immunise itself against religious fundamentalist influences on its own Muslim population<sup>19</sup> rather than by a quest for hegemony or to push the US out of the region.

<sup>16</sup> Hartmann, Maenning and Wang, *China's New Silk Road*, 2017, 70.

<sup>17</sup> Zhan, *China-Israel Relations in a Changing World: Opportunities and Challenges*, 2019.

<sup>18</sup> See Bekkevold, *China, Russia and the Great Power Contest in the Middle East*, 2019.

<sup>19</sup> Chaziza, *China's Counter-Terrorism Policy in the Middle East*, 2018.

When President Xi first toured the region in January 2016, his first stop was Saudi Arabia, where he signed a comprehensive strategic partnership agreement. From there, he flew directly to Tehran to do the same with Iran. To this day, China is trying to maintain this balancing act of a friends-with-all approach. However, Beijing is proceeding cautiously in its Iran policy so as not to provoke either the US or Arab countries. Thus, Tehran's urgent wish for a 25-year agreement has so far been treated dilatorily, and a planned Chinese participation in Russian-Iranian naval exercises in the Indian Ocean was quietly cancelled at short notice in mid-February. In contrast, Beijing repeated its offer to complement the JCPOA<sup>20</sup> with a multilateral dialogue platform for the Gulf region. The Arab world is clearly more important to China than its "difficult friend" Iran. A month before the last trilateral – Sino-Russian-Iranian – naval exercise in the Indian Ocean in December 2019, China had conducted a joint naval manoeuvre with Saudi Arabia.

Given the geostrategic importance of the Middle East as a logistics hub, fuel supplier and potential bottleneck for Chinese trade,<sup>21</sup> the region and its stability are now more important to Beijing than to Washington. Even if Deng Xiaoping's foreign policy maxim of "hide your capabilities and bide your time" has given way to a more assertive foreign policy,

there is (currently) no real evidence that China wants to push the US out of the region.<sup>22</sup> However, if the US were to withdraw even further, China is likely to become even more involved in the region, including politically and militarily, in order to maintain stability. Whether China could be more successful in pacifying the decades-old conflicts in the region is certainly doubtful – if Beijing were to make any serious attempt to do so at all. At the very least, China would be forced to abandon its friends-with-all approach.

The first signs of this are discernible. In July 2021, China's foreign minister, Wang Yi, visited Syria, Egypt and Algeria and held talks with the Arab League. He had already held talks in March with Saudi Arabia, the United Arab Emirates, Oman, Bahrain, Iran and Turkey, while Yang Jiechi, the most important foreign policy actor after President Xi, visited Qatar and Kuwait in February. Besides the usual trade issues, three major topics were on the agenda: China's vaccine exports to the region, China's investment in the BRI, and the Israeli-Palestinian conflict. During the recent conflict between Israel and Hamas, Beijing deviated from its traditional "non-interference" policy and led a meeting of the UN Security Council to condemn Israel. Israel fears that its (economic) honeymoon with China could be over.<sup>23</sup> China could become more deeply entangled in the region's conflicts than intended.

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<sup>20</sup> The Joint Comprehensive Plan of Action is commonly known as the "Iran nuclear deal", reached in Vienna on 14 July 2015.

<sup>21</sup> The importance of the Suez Canal for world trade was brought to everyone's attention last March when the accident of the freighter 'Ever Given' blocked the passage of 422 ships for a week, which led to production losses, among other things.

<sup>22</sup> See Cook and Green, *China Isn't Trying to Dominate the Middle East*, 2021, and Scobell and Nader, *China in the Middle East: The Wary Dragon*, 2016.

<sup>23</sup> See Lavi, *China and the Middle East*, 2021.

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