

# Looming Large: The Middle East Braces for Fallout of US–China Divide

By **James M Dorsey**

## Series Introduction

The Covid-19 pandemic capped a series of events that made 2020 one of the most disruptive years in the annals of the energy industry, affecting markets, prices and livelihoods. The “Middle East, Asia and Energy Security in the Age of Covid-19” series of *Insights* looks at some of these developments and their impacts, including the astonishingly rapid emergence of the United States as the world’s leading oil and gas producer, the increasingly dire outlook for the member countries of the Gulf Cooperation Council, the role of Asia in resuscitating global oil and gas demand and the increasingly important role of China, among the world’s largest importers of oil and gas, in Middle East affairs

## Abstract

*China would like the world to believe that the Middle East and North Africa region does not rank high on its totem pole despite its energy dependence, significant investment and strategic relationships with the region. In many ways, China is not being deceptive. With relations with the United States rapidly deteriorating, China’s primary focus is on what it views as its main battleground: the Asia–Pacific. China is nonetheless realising that remaining aloof in the Middle East may not be sustainable.*

In assessing the importance of the Middle East and North Africa region to China, the glass seems both half full and half empty with regard to what it will take for China to secure its interests. In the final analysis, however, the glass is likely to prove to be half full. If so, that will have significant consequences for Chinese policy towards and engagement in the region.

Indeed, measured by Chinese policy outputs such as white papers or level of investment as a percentage of total Chinese overseas investment, the Middle East and North Africa region does not emerge as a priority on Beijing’s agenda even if virtually all of it is packaged as building blocks of its Belt and Road Initiative (BRI).

It was only in 2016 that China published its first and only Middle East-related white paper, devoted to the Arab states rather than the region as a whole. Apart from rehashing China’s long-standing foreign policy principles, the paper highlighted opportunities for win-win cooperation in areas ranging from energy, trade and infrastructure, but also technology, nuclear development, and space.<sup>1</sup>

Investment figures tell a similar story. Of the US\$2 trillion in Chinese overseas investment between 2005 and 2019, a mere US\$198 billion or under 5 per cent went to the Middle East and North Africa.<sup>2</sup>

<sup>1</sup> Ministry of Foreign Affairs, People’s Republic of China, “China’s Arab Policy Paper”, 13 January 2016, [https://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1331683.shtml#:~:text=Since%20the%20establishment%20of%20diplomacy,fields%20has%20been%20constantly%20deepened.&text=The%20Chinese%20government%20has%20issued,development%20of%20China%2DArab%20relations](https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1331683.shtml#:~:text=Since%20the%20establishment%20of%20diplomacy,fields%20has%20been%20constantly%20deepened.&text=The%20Chinese%20government%20has%20issued,development%20of%20China%2DArab%20relations).

<sup>2</sup> American Enterprise Institute, “China Global Investment Tracker”, <https://www.aei.org/china-global-investment-tracker/>.

The region is unlikely to climb Beijing's totem pole any time soon, given the dramatic decrease in Chinese foreign investment in the last four years to about 30 per cent of what it was in 2016<sup>3</sup> and expectations that Middle Eastern and North African economies will significantly contract as a result of the coronavirus pandemic and sharp downturn in energy markets.<sup>4</sup>

## Half Full Rather Than Half Empty

What turns the glass half full is the fact that the Middle East fulfils almost half of China's energy needs.<sup>5</sup> Moreover, some of China's investments, particularly in ports and adjacent industrial parks in the Gulf, Egypt and the eastern Mediterranean,<sup>6</sup> are strategically important. What was once primarily a Belt and Road "string of pearls" linking Indian Ocean ports has evolved into a network that stretches from Djibouti in east Africa through Oman's port of Duqm and the United Arab Emirates' Jebel Ali port into a near dominant position in the eastern Mediterranean and onwards into the Indo-Pacific.

China already exerts influence in the eastern Mediterranean region through its involvement in ports in Greece, Turkey, Israel and Egypt. It has expressed interest in the Lebanese port of Tripoli and may well seek access to the Russian-controlled ports of Tartus and Latakia if and when it gets involved in the reconstruction of war-ravaged Syria. This was one reason that the Trump administration warned the Israelis that China's engagement in Haifa, where they have built their own pier, could jeopardise continued use of the port by the US Sixth Fleet.<sup>7</sup>

Asserting the importance of the Middle East, Niu Xinchun, director of Middle East Studies at China Institutes of Contemporary International Relations (CICIR), wrote back in 2017: "The politics and security of the Middle East [are] inextricably related to China. This is the first time in history that China has possessed political, economic and security interests in the Middle East simultaneously."<sup>8</sup> CICIR is widely viewed as China's most influential think tank.

More recently, however, Niu has taken what seems like an antipodal position, maintaining that the Middle East does not feature prominently in China's strategic calculations. In a webinar in May 2020, he said: "For China, the Middle East is always on the very distant backburner of China's strategic global strategies ... Covid-19, combined with the oil price crisis, will dramatically change the Middle East. [This] will change China's investment model in the Middle East."<sup>9</sup> Niu emphasised that China considers the Asia-Pacific rather than the Middle East as its primary battleground for differences with the United States.

This shift was part of a game of shadow boxing to subtly warn the Gulf, and particularly Saudi Arabia, to dial down tension with Iran to a point where it can be managed and does not spin out of control.

To ensure that its message is not lost on the region, China could well ensure that its future investments contribute to job creation, a key priority for Middle Eastern states struggling to come to grips with the economic crisis as a result of the pandemic and the sharp fall in oil demand and prices. Middle

<sup>3</sup> Agatha Kratz speaking on "China and the Mediterranean Region in and Beyond the Pandemic, German Marshal Fund", 3 July 2020, <https://www.gmfus.org/events/china-and-mediterranean-region-and-beyond-pandemic>.

<sup>4</sup> James M Dorsey, "Turning Gulf Security Upside Down", Insight 238, Middle East Institute Singapore, 6 July 2020, <https://mei.nus.edu.sg/publication/insight-238-turning-gulf-security-upside-down/>.

<sup>5</sup> Michal Meidan, "China's Energy Security at 70", The Oxford Institute for Energy Studies, October 2019, <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2019/10/Chinas-energy-security-at-70.pdf>.

<sup>6</sup> James M Dorsey, "Syria lures but will China bite?", The Turbulent World of Middle East Soccer, 12 June 2020, <https://mideastsoccer.blogspot.com/2020/06/syria-lures-but-will-china-bite.html>.

<sup>7</sup> Dorsey, "Syria lures but will China bite?"

<sup>8</sup> Niu Xinchun, "China's Middle East Strategy under the 'Belt and Road' Initiative", *Foreign Affairs Review* 04/2017.

<sup>9</sup> Niu Xinchun speaking on "How are China's Relations with the Middle East Evolving During the COVID-19 Pandemic?", Chatham House, 19 May 2019, <https://www.facebook.com/watch/?v=2721841274725780>.

East political economy scholar Karen Young noted that Chinese investment has so far focused on a small number of locations and had not significantly generated jobs.<sup>10</sup>

## Subtle Messaging

Subtle Chinese messaging was also at the core of China’s public response to Iranian leaks that it was close to signing a 25-year partnership with the Islamic republic that would lead to a whopping US\$400 billion investment to develop the country’s oil, gas and transportation sectors.

China limited itself to a non-committal on-the-record reaction and low-key semi-official commentary. Foreign Ministry spokesman Zhao Lijian, a “wolf warrior” or exponent of China’s newly adopted more assertive and aggressive approach towards diplomacy, was exceptionally diplomatic in his comment. “China and Iran enjoy traditional friendship, and the two sides have been in communication on the development of bilateral relations. We stand ready to work with Iran to steadily advance practical cooperation”, Zhao said.<sup>11</sup>

Writing in the *Shanghai Observer*, a secondary Communist party newspaper, Middle East scholar Fan Hongda was less guarded. Fan argued that the agreement, though nowhere close to implementation, highlighted “an important moment of development” at a time that US–Chinese tensions allowed Beijing to pay less heed to American policies. In saying so, Fan was echoing China’s warning that the United States was putting much at risk by retching up tensions between the world’s two largest economies and could push China to the point where it no longer regards the potential cost of countering US policy as too high.<sup>12</sup>

## Diplomacy with “Chinese Characteristics”

Nonetheless, China’s evasiveness on the Iran agreement constituted a recognition that the success of its Belt and Road initiative and its ability to avoid being sucked uncontrollably into the Middle East’s myriad conflicts depends on a security environment that reduces tension to manageable proportions and ensures that disputes do not spin out of control.

“Beijing has indeed become more concerned about the stability of Middle Eastern regimes. Its growing regional interests combined with its BRI ambitions underscore that Middle East stability, particularly in the Persian Gulf, is now a matter of strategic concern for China,” said Mordechai Chaziza, an expert on China–Middle East relations.<sup>13</sup>

Reflecting what appears to be a shift in China’s approach to regional security, Chinese scholars Sun Degang and Wu Sike described the Middle East in a recently published article as a “key region in big power diplomacy with Chinese characteristics in a new era”. Sun and Wu suggested that Chinese characteristics would involve “seeking common ground while reserving differences”, a formula that implies conflict management rather than conflict resolution. The scholars said Chinese engagement in Middle Eastern security would seek to build an inclusive and shared regional collective security

<sup>10</sup> Karen Young, “The false logic of a China–US choice in the Middle East”, Al-Monitor, 30 June 2020, <https://www.al-monitor.com/pulse/originals/2020/06/false-logic-china-us-choice-mideast-economic-political-power.html>.

<sup>11</sup> Ministry of Foreign Affairs, People’s Republic of China, Foreign Ministry Spokesperson Zhao Lijian’s Regular Press Conference on 6 July 2020, [https://www.fmprc.gov.cn/mfa\\_eng/xwfw\\_665399/s2510\\_665401/2511\\_665403/t1795337.shtml](https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2511_665403/t1795337.shtml).

<sup>12</sup> “Iran announced a 25-year comprehensive cooperation plan with China. Can China–Iran relations get closer?”, *Shanghai Observer*, 20 June 2020, (观察家 | 伊朗宣布与华 25 年全面合作计划 · 中伊关系能否进一步走近?) <https://www.shobserver.com/news/detail?id=264494>.

<sup>13</sup> Mordechai Chaziza, “Religious and Cultural Obstacles to China’s BRI in the Middle East”, The Begin-Sadat Center for Strategic Studies, 12 June 2020, <https://besacenter.org/perspectives-papers/china-middle-east-obstacles/>.

mechanism based on fairness, justice, multilateralism, comprehensive governance and the containment of differences.<sup>14</sup>

## A Blunt Rebuke

But China's conflict management diplomacy may not go down well with the Gulf Arabs, notably Saudi Arabia, judging by what for Saudi media was a blunt and rare recent critique of the People's Republic. In a game of shadow-boxing in which intellectuals and journalists front for officials who prefer the luxury of plausible deniability, Saudi Arabia responded bluntly in a column authored by Baria Alamuddin, a Lebanese journalist who regularly writes columns for Saudi media.

Alamuddin warned that China was being lured to financially bankrupt Lebanon by Hizballah, the Iranian-backed Lebanese Shi'a militia. She suggested in a column published by *Arab News*, the kingdom's primary English-language newspaper, that Hizballah's seduction of China was occurring against the backdrop of a potential massive 25-year cooperation agreement between the People's Republic and Iran. "Chinese business and investment are welcome, but Beijing has a record of partnering with avaricious African and Asian elites willing to sell out their sovereignty. Chinese diplomacy is ruthless, mercantile and self-interested, with none of the West's lip service to human rights, rule of law or cultural interchange", Alamuddin charged.<sup>15</sup> She quoted a Middle East expert from a conservative US think tank as warning that "vultures from Beijing are circling, eyeing tasty infrastructure assets like ports and airports as well as soft power influence through Lebanon's universities."<sup>16</sup>

Abandoning Saudi official and media support for some of the worst manifestations of Chinese autocratic behaviour, including the brutal crackdown on Turkic Muslims in Xinjiang and the repression of democratic expression and dissident, Alamuddin did not mince words.

Alamuddin went on to assert that "witnessing how dissident voices have been mercilessly throttled in Hong Kong, Tibet and Xinjiang, Lebanese citizens are justifiably fearful that their freedoms and culture would be crushed under heavy-handed, authoritarian Chinese and Iranian dominance, amid the miserable, monolithic atmosphere Hizballah seeks to impose."<sup>17</sup>

## A Hair in the Soup

Further complicating Chinese efforts to nudge the Middle East towards some degree of stabilisation are China's technology and military sales with no constraints on their use or regard for the potential geopolitical fallout. The sales include drone and ballistic missile technology as well as the building blocks for a civilian nuclear programme for Saudi Arabia, which would significantly enhance the kingdom's ability to develop nuclear weapons should it decide to do so at some point in future.

These sales have fuelled fears, for different reasons, in Jerusalem and Tehran of a new regional arms race in the region.<sup>18</sup> Israel's concerns are heightened by the Trump administration's efforts to limit

<sup>14</sup> Sun Degang and Wu Sike, "China's Participation in Middle East Security Affairs in the New Era: Ideas and Practice Exploration" (中东研究) 孙德刚 吴思科：新时代中国参与中东安全事务-理念主张与实践探索, Shanghai International Studies University, July 2020.

<sup>15</sup> Baria Alamuddin, "Chinese and Iranian vultures circling over Beirut", *Arab News*, 2 August 2020, <https://www.arabnews.com/node/1713456>.

<sup>16</sup> Danielle Pletka, "Lebanon on the Brink", American Enterprise Institute, 9 May 2020, <https://www.aei.org/op-eds/lebanon-on-the-brink/>.<sup>17</sup> Baria Alamuddin, "Chinese and Iranian vultures circling over Beirut".

<sup>17</sup> Baria Alamuddin, "Chinese and Iranian vultures circling over Beirut".

<sup>18</sup> Phil Mattingly, Zachary Cohen and Jeremy Herb, "US intel shows Saudi Arabia escalated its missile program with help from China", CNN, 5 June 2020, <https://edition.cnn.com/2019/06/05/politics/us-intelligence-saudi-arabia-ballistic-missile-china/index.html>.

Israeli dealings with China that involve sensitive technologies while remaining silent about Chinese military assistance to Saudi Arabia.<sup>19</sup>

Washington's indifference may be set to change, assuming that the recent rejection by the US Embassy in Abu Dhabi of an offer by the UAE to donate hundreds of Covid-19 test kits for screening of its staff was a shot across the Gulf's bow. A US official said the tests were rejected because they were either Chinese-made or involved BGI Genomics, a Chinese company active in the Gulf, which raised concerns about patient privacy.<sup>20</sup>

The American snub was designed to put a dent in China's "Silk Road" health diplomacy centred on its experience with the pandemic and predominance in the manufacturing of personal protective and medical equipment as well as pharmaceuticals.

## A Major Battlefield

Digital and satellite technology in which Chinese telecommunications giant Huawei's 5G cellular technology rollout is but one component seems set to be a major battlefield. US officials have warned that the inclusion of Huawei in Gulf networks could jeopardise sensitive communications, particularly given the multiple US bases in the region, including the US Fifth Fleet in Bahrain and the forward headquarters of the US military's Central Command, or Centcom, in Qatar.<sup>21</sup>

US Assistant Secretary of State for Near Eastern Affairs David Schenker said the United States had advised its Middle Eastern partners in the region to take "a careful look at investment, major contracts and infrastructure projects." He warned that certain engagements with China could "come at the expense of the region's prosperity, stability, fiscal viability and longstanding relationship with the United States."

Schenker cautioned further that agreements with Huawei meant that "basically all the information and your data is going to Huawei, property of the Chinese Communist Party". The same, he said, was true for Chinese health technology. "When you take a Covid kit from a Chinese genomics company, your DNA is property of the Chinese Communist Party, and all the implications that go with that."<sup>22</sup>

The rollout of China's BeiDou Satellite Navigation System (BDS), which competes with the United States' Global Positioning System (GPS), Russia's GLONASS and Europe's Galileo,<sup>23</sup> sets the stage for battle, with countries like Saudi Arabia, the UAE, Egypt and Turkey having signed up for what is known as China's Digital Silk Road Initiative.<sup>24</sup> So far, Pakistan is the only country known to have been granted access to BeiDou's military applications, which provide more precise guidance for missiles, ships and aircraft.<sup>25</sup>

Promoting "the development of the digital service sector, such as cross-border ecommerce, smart cities, telemedicine, and internet finance (and) ... technological progress including computing, big data, Internet of Things, artificial intelligence, blockchain, and quantum computing," the initiative will enable China to enhance its regional influence and leverage in economics as well as security.<sup>26</sup> China's

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<sup>19</sup> Mattingly, Cohen and Herb, "US intel"; Timothy Gardner, "US approved secret nuclear power work for Saudi Arabia", Reuters, 28 March 2019, <https://www.reuters.com/article/us-usa-saudi-nuclear/us-approved-secret-nuclear-power-work-for-saudi-arabia-idUSKCN1R82MG>.

<sup>20</sup> Interview with author, 8 June 2020.

<sup>21</sup> Interview with author, 10 July 2020.

<sup>22</sup> Middle East Institute, "Shifting Dynamics and US Priorities in the Middle East: A Conversation with David Schenker", 4 June 2020, <https://www.mei.edu/events/shifting-dynamics-and-us-priorities-middle-east-conversation-david-schenker>.

<sup>23</sup> Ben Westcott, "China's GPS rival Beidou is now fully operational after final satellite launched", CNN Business, 24 June 2020, <https://edition.cnn.com/2020/06/24/tech/china-beidou-satellite-gps-intl-hnk/index.html>.

<sup>24</sup> Belt and Road News, "China's Global Digital Silk Road is arriving in the Middle East", 16 September 2019, <https://www.beltandroad.news/2019/09/16/chinas-global-digital-silk-road-is-arriving-in-the-middle-east/>.

<sup>25</sup> Maria Abi-Habib, "China's 'Belt and Road' Plan in Pakistan takes a military turn", *The New York Times*, 19 December 2018, <https://www.nytimes.com/2018/12/19/world/asia/pakistan-china-belt-road-military.html>.

<sup>26</sup> Huang Yong, "Construction of digital Silk Road lights up BRI cooperation", *People's Daily*, 24 April 2019, <http://en.people.cn/n3/2019/0424/e90000-9571418.html>.

state-owned international broadcaster, China Global Television Network (CGTN), implicitly anticipated US resistance to its Middle Eastern partners being roped into a Chinese digital world when it declared that “a navigation system is like a gold key of your home that should be kept only in your own hands, not others.”<sup>27</sup>

The successful launch in July of a mission to Mars, the Arab world's first interplanetary initiative, suggested that the UAE was seeking to balance its engagement with the United States and China in an effort not to get caught in the growing divergence between the two powers. The mission, dubbed Hope Probe, was coordinated with US rather than Chinese institutions, including the University of Colorado Boulder's Laboratory for Atmospheric and Space Physics and NASA's Mars Exploration Program Analysis Group (MEPAG). It launched from Japan's Tanegashima Space Center.<sup>28</sup>

## You Can Run, But You Can't Hide

A continuously deteriorating relationship between the United States and China is a worst-case scenario for Middle Eastern states. It would progressively reduce their ability to walk a fine line between the two major powers. That would be particularly true if US efforts to force its partners to limit their ties to the People's Republic compel China into defiance by adopting a more geopolitically assertive posture in the region.

Ironically, the US desire to recalibrate its engagement with the Middle East and a realisation on the part of Saudi Arabia and Iran that their interests are best served by a reduction of tension rooted in an arrangement based on a non-aggression agreement could serve as a catalyst for a new Gulf security architecture. This could involve embedding the US defence umbrella, geared to protect Gulf states against Iran, into a multilateral structure that would include rather than exclude Iran and involve Russia, China and India.

A more multilateral security arrangement potentially could reduce pressure on the Gulf states to pick sides between the United States and China and would include China in ways that it can manage its greater engagement without being drawn into the region's conflicts in ways that frustrated the United States for decades.

None of the parties are at a point where they are willing to publicly entertain the possibility of such a collective security architecture. Even if they were, negotiating a new arrangement is likely to be a tedious and tortuous process. Nonetheless, such a multilateral security architecture would ultimately serve all parties' interests and may be the only way of reducing tension between Saudi Arabia and Iran and managing their differences, which would in turn help China secure its energy and economic interests in the region. This reality enhances the likelihood that the glass is half full in terms of China ultimately participating in such a multilateral security arrangement, rather than half empty, with China refraining from participation.

## About the Author

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<sup>27</sup> Kristin Huang, “China's answer to GPS complete as final BeiDou satellite launches”, *South China Morning Post*, 23 June 2020, [https://www.scmp.com/news/china/science/article/3090186/chinas-global-aspirations-lift-beidou-satellite-launches-orbit?utm\\_source=Twitter&utm\\_medium=share\\_widget&utm\\_campaign=3090186](https://www.scmp.com/news/china/science/article/3090186/chinas-global-aspirations-lift-beidou-satellite-launches-orbit?utm_source=Twitter&utm_medium=share_widget&utm_campaign=3090186).

<sup>28</sup> Jesse Yeung, “The UAE has successfully launched the Arab world's first Mars mission”, CNN, 21 July 2020, <https://edition.cnn.com/2020/07/19/middleeast/uae-mars-hope-launch-intl-hnk-scn-scli/index.html>.