

CHAPTER 3

CHINA AND THE WORLD

SECTION 1: CHINA AND THE MIDDLE EAST AND NORTH AFRICA

Introduction

This section, based on a Commission hearing and research conducted throughout the year, discusses China's relations with the Middle East and North Africa (MENA).^{*} The section explores China's primary interests in MENA; Chinese engagement in the region; and the political, diplomatic, and security challenges China faces there. Finally, it examines how China's MENA policies impact U.S. interests.

China's Primary Interests in MENA

Beijing's approach and policies related to MENA are driven by its broader national interests, which are to sustain China's economic growth, preserve China's political system, protect China's sovereignty claims, and expand China's global influence. These interests are reflected in China's primary objectives in the region: enhancing economic ties; supporting China's efforts to achieve energy security; fostering friendly relations with all MENA countries (as well as the Palestinian territories); ensuring domestic stability and control, particularly in Xinjiang Uighur Autonomous Region; and promoting regional stability in an effort to augment China's domestic economic and security priorities. These interests are discussed below.

Enhancing Economic Ties

Since the 1990s, Beijing's main priority in MENA has been to safeguard China's domestic economic growth by expanding opportunities for Chinese exports and acquiring resources to enhance China's energy security.¹ Dawn Murphy, then postdoctoral research fellow at the Princeton-Harvard China and the World Program, testified to the Commission that China likely will be the dominant economic actor in MENA by the 2020s.²

Trade: Between 2003 and 2012, China-MENA annual trade increased more than twelvefold, from \$20.8 billion to \$262.1 billion.³ China in 2009 overtook the United States to become the world's

^{*}For the purposes of this Report and unless otherwise noted, MENA refers to Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, the Palestinian territories, Qatar, Saudi Arabia, Syria, Tunisia, the United Arab Emirates, and Yemen.

largest exporter to MENA.⁴ Still, China's trade with the region constituted only 6.7 percent of its global trade in the first half of 2013.⁵

Although China runs a trade deficit with MENA (due largely to its heavy reliance on energy imports from the Persian Gulf), the region increasingly is an important export market for China. Chinese exports to MENA grew from \$6.47 billion to \$121 billion between 1999 and 2012.⁶ The majority of these exports are light manufactured goods, including home and office appliances, communications and acoustic equipment, lamps, furniture, toys, building materials, machinery, textiles, footwear, and stationery, among other items.⁷ MENA also is a large export market for Chinese services, particularly in the construction, telecommunications, and finance sectors.⁸ Chinese state-owned enterprises (SOEs) Sinohydro and China Railway Construction Corporation, the two largest Chinese construction companies in the region, have built dams, highways, mines, airports, housing, water distribution networks, stadiums, irrigation projects, power stations, and other facilities in Algeria, Iran, Libya, Oman, Qatar, and Yemen. Telecommunications companies Huawei and ZTE provide services in at least six countries in the region, including Algeria, Bahrain, Egypt, Iran, Tunisia, and the United Arab Emirates.⁹ Both companies in recent years reportedly sold or were associated with the sale of embargoed telecommunications equipment to Iran in violation of U.S. sanctions.*¹⁰

China's trade with MENA is facilitated by the following:

- *“Strategic partnerships:”* China shares what it refers to as “strategic partnerships” with Algeria, Egypt, Saudi Arabia, and the United Arab Emirates. These partnerships vary in depth and nature of cooperation. While some have a security component, most emphasize economic cooperation, as with the Sino-Saudi “strategic oil partnership,” discussed below.¹¹
- *Cooperation fora:* The China-Arab States Cooperation Forum (CASCF) and the Forum on China-Africa Cooperation (FOCAC) are China's primary multilateral venues for promoting its economic interests in the region, including but not limited to identifying and developing export markets.¹² For example, the China-Arab States Economic and Trade Forum, established under CASCF in China's Ningxia Hui Autonomous Region in 2010, serves as a “bridgehead” for China to develop “an open inland economy, emphasizing ... Arab League countries and Muslim regions.”¹³
- *Special economic zones and trade fairs:* Energy exports aside, much China-MENA trade is facilitated by trade zones and wholesale trade fairs. China and Egypt launched the Egypt Suez Cooperation Zone in 2009. The zone facilitates exports to the Middle East, Africa, and Europe.†¹⁴ Dubai's DragonMart

* Huawei's contract with Iran's state-controlled mobile phone industry appears to have been marketed in part on the premise that the company could enable Tehran to censor and conduct surveillance on Iranian mobile phone users. Steve Stecklow, Farnaz Fassih, and Loretta Chao, “Chinese Tech Giant Aids Iran,” *Wall Street Journal*, October 27, 2011. <http://online.wsj.com/article/SB10001424052970204644504576651503577823210.html>.

† China in 2006 also began plans for a special economic zone in Algeria, focused on automobile manufacturing. These plans have since been suspended. U.S.-China Economic and Security Review Commission, *Hearing on China and the Middle East*, written testimony of Dawn Murphy,

is the largest trading center for Chinese goods outside China and houses more than 3,900 Chinese wholesale and retail vendors.¹⁵ The Yiwu International Trade Mart in Yiwu, Zhejiang Province, claims to be the world's largest small commodities market and attracts around 200,000 Arab traders each year.¹⁶

China's trade ties with the region could expand with a planned free trade agreement with the Cooperation Council for the Arab States and the Gulf, which includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. The proposed agreement would cover trade in goods and services.¹⁷

Investment: China's investment in MENA is growing.¹⁸ According to statistics from the Chinese Ministry of Commerce, Chinese foreign direct investment (FDI) flows to the region reached \$1.5 billion in 2011. China's FDI stock in the region reached \$6.14 billion in 2011, about 1.4 percent of China's global FDI stock that year. Iran, the United Arab Emirates, and Saudi Arabia, respectively, were the top three recipients of Chinese FDI (in terms of flows and stock) in the region in 2011.¹⁹

Much of China's investment in MENA is in the infrastructure and transportation sectors. Chinese companies are building, funding, or have agreed to build railways in Egypt, Iran, Israel, Libya, and Saudi Arabia. State-owned China Harbour Engineering Company is investing in port projects in Kuwait, Saudi Arabia, and Qatar.²⁰ Investment in infrastructure helps China build goodwill in the region and increase its access to Middle Eastern, European, and African markets.

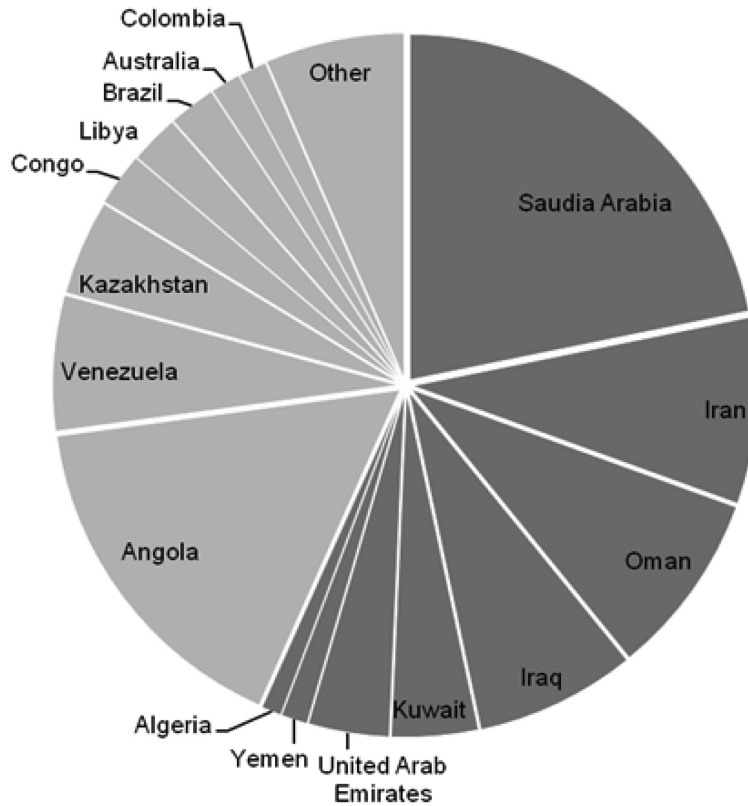
Financial Services: China is active in financial services sectors throughout the region. Five regional banks have signed cross-border renminbi (RMB) trade settlement agreements, enabling MENA-based companies to settle payments with Chinese suppliers.²¹ China's four largest state-owned banks operate in Dubai, United Arab Emirates, which likely will become the first market for RMB conversion and clearing outside East Asia.²² Several non-Chinese banks in the United Arab Emirates offer RMB accounts to accommodate growing numbers of Chinese traders and investors.²³

Promoting Energy Security

China's engagement with MENA is driven primarily by its efforts to achieve energy security.²⁴ In 2012 and the first eight months of 2013, the region accounted for about 54 percent of China's imported crude oil.²⁵ Saudi Arabia is China's largest source of oil, both in the region and globally. Among Middle Eastern producers, Saudi Arabia, Iran, Oman, and Iraq, respectively, exported the most crude oil by volume to China in the period from January 2012 to August 2013.²⁶ Qatar and Yemen are China's third- and fifth-largest sources of liquefied natural gas (LNG), providing 18 percent and 7 percent of China's LNG imports in 2011, respectively.²⁷

June 6, 2013; Chris Alden and Faten Aggad-Clerx, *Chinese Investments and Employment Creation in Algeria and Egypt* (Tunis, Tunisia: African Development Bank, 2012), p. 20. <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Brochure%20China%20Anglais.pdf>.

Figure 1: China's Crude Oil Imports by Volume, January 2012 to August 2013
(Imports from MENA are noted in a darker gradient)



Source: China National Bureau of Statistics, via CEIC database. <http://www.ceicdata.com/en>.

China's reliance on oil imports from MENA likely will grow.²⁸ Erica Downs, fellow at the Brookings Institution, testified to the Commission that China's oil imports from the region are estimated to grow from 2.9 million barrels per day in 2011 to 6.7 million barrels per day in 2035.²⁹ In addition to imports, China's national oil companies (the state-owned "national champions" of China's energy sector) have invested heavily in energy companies and projects in MENA, particularly in Iran and Iraq.*

Over the last decade, China's leaders increasingly have begun to view the country's growing reliance on energy imports, the majority of which originate in MENA, as a strategic vulnerability.³⁰ Then Chinese President Hu Jintao in a 2003 speech described China's dependence on seaborne energy imports as China's "Malacca Dilemma," referencing the strait through which most of China's

* For additional information on China's energy ties with the region, see the Commission's 2012 Annual Report to Congress. U.S.-China Economic and Security Review Commission, *2012 Annual Report to Congress* (Washington, DC: U.S. Government Printing Office, November 2012), pp. 333-334. http://origin.www.uscc.gov/sites/default/files/annual_reports/2012-Report-to-Congress.pdf.

MENA crude oil imports flow.³¹ This sense of vulnerability appears to drive Beijing's efforts to strengthen its relations with the region's major producers. Beijing likely will enhance its overall engagement in MENA if China's reliance on the region's energy exports continues to grow as projected. According to a 2013 market outlook report by Norwegian multinational energy company Statoil, "Given the rebalancing of global oil trade flows, most of [China's] imports must be covered by the Middle East, which suggest[s] that China probably will be forced to take a more interventionist approach in foreign policy, particularly towards the Middle East."³²

Beijing's energy insecurity and consequent drive for greater influence in the region are compounded by China's apprehension about U.S. primacy in the region and the U.S. Navy's near-total control over the sea lanes through which Chinese energy imports pass.³³ According to a 2012 report by Scott Harold and Alireza Nader for the RAND Corporation, Beijing seeks to augment its energy trade ties with political ties to the Iranian government to ensure that in a potential scenario in which the United States may seek to disrupt China's oil supply, China could rely on a friendly oil-producing country to mitigate the disruption.³⁴

Saudi Arabia, Iran, Iraq, and Oman: China's Major Energy Partners in MENA

Saudi Arabia: China and Saudi Arabia established a "strategic oil partnership" in 1998, which has enabled close cooperation in the energy sector.³⁵ China's oil trade with Saudi Arabia has grown drastically in the past decade, and in 2009 China overtook the United States as Saudi Arabia's largest crude oil customer.³⁶ Chinese national oil companies have several investments in Saudi oil and natural gas projects, and Saudi Aramco, the largest Saudi energy company, has several investments in Chinese refineries.³⁷

Saudi Arabia's position as a dominant supplier and its ability to calibrate production and drive oil prices make it an indispensable partner for China. Beijing seeks assurances from Riyadh that Saudi Arabia will maintain price stability in the event of severe supply disruptions.³⁸ China (and other importers of Iranian crude oil) relied heavily on Saudi Arabia to compensate for sharp decreases* in Iranian imports in 2012.† Riyadh, recognizing China's growing importance as an export market for Saudi oil, in turn has indicated its willingness to help China achieve energy security. A 2006 joint memorandum on energy cooperation states Saudi Arabia will assist China in developing its strategic petroleum reserves.³⁹ During then President Hu's 2009 state visit to

* Between 2011 and 2012, the volume of Chinese imports of Iranian crude oil decreased by about 20 percent, from about 27 million tons to about 22 million tons. China National Bureau of Statistics, via CEIC database. <http://www.ceicdata.com/en>.

† The United States also reportedly urged Saudi Arabia to increase oil exports to China to encourage Beijing to decrease its Iranian imports. Mohammed Turki Al-Sudairi, *Sino-Saudi Relations: An Economic History* (Geneva, Switzerland: Gulf Research Center, August 2012), p. 26. http://grc.net/index.php?frm_module=contents&frm_action=detail_book&pub_type=16&sec=Contents&frm_title=&book_id=79283&op_lang=en.

Saudi Arabia, Iran, Iraq, and Oman: China's Major Energy Partners in MENA—Continued

Saudi Arabia, the two countries announced a “gentleman’s agreement” between Saudi Aramco and Chinese national oil company Sinopec for the continued export of Saudi crude oil to China. Later that year, Saudi Minister of Petroleum and Mineral Resources Ali Al-Naimi stated in a speech, “China can rely on Saudi Arabia to provide it with the oil it will need to continue its projected growth for the coming decades.”⁴⁰

Iran: Energy interests are a primary driver of China’s challenging and problematic relationship with Iran.⁴¹ China is Iran’s top crude oil customer, and about 8 percent of China’s oil imports (by volume) were from Iran in the period from January 2012 to August 2013.⁴² Iran was China’s third-largest supplier of crude oil globally for much of the 2000s, but in 2012 and in the first eight months of 2013 Iranian exports to China dropped significantly, likely due to U.S. sanctions on Iran’s energy sector and a pricing dispute between Chinese oil trader Unipet and the National Iranian Oil Company in 2012.⁴³

Beijing seeks to balance its interest in securing energy from and maintaining relations with Iran with its interests in promoting its image as a responsible international power and maintaining stable relations with the United States and other MENA countries. Since January 2012, the U.S. Department of State has consistently exempted China on a biannual basis from sanctions on foreign countries importing crude oil from Iran because, although China had continued to import crude oil from Iran, the State Department judged China had “significantly reduced” those imports.*⁴⁴ Chinese national oil companies reportedly have negotiated discounts on Iranian crude oil purchases, leveraging Tehran’s growing international isolation and consequently limited export markets.⁴⁵

China in 2013 apparently began to exploit a loophole in U.S. sanctions by continuing to reduce its crude oil imports from Iran while dramatically increasing its fuel oil imports, which are not technically covered by U.S. sanctions. According to the *Wall Street Journal*, China in the first seven months of 2013 imported \$495 million worth of Iranian fuel oil, compared to \$1 million in 2012. While fuel oil is less valuable and more difficult to refine than crude oil, Chinese oil companies appear to have imported large amounts at discounted rates from Iran, enabling China to partially compensate for its reduction in crude oil imports.†⁴⁶ China’s energy relations with Iran thus adhere to the letter, but not the spirit, of U.S. sanctions.

*The State Department is scheduled to announce the next round of exemptions in December 2013.

†In July 2013, the U.S. House of Representatives passed H.R. 850 (“Nuclear Iran Prevention Act of 2013”), a bill that would, among other things, require countries to reduce their fuel oil as well as crude oil imports in order to qualify for the State Department’s exemption from sanctions. Wayne Ma and Tennille Tracy, “Sanctions Gap Allows China to Import Iranian Oil,” *Wall Street Journal*, August 21, 2013. <http://online.wsj.com/article/SB10001424127887324619504579026333611696094.html>.

Saudi Arabia, Iran, Iraq, and Oman: China's Major Energy Partners in MENA—Continued

Chinese companies have pursued several large investment contracts to develop Iranian oil and gas.* However, these projects have moved slowly, and some have stalled or been suspended in recent years.⁴⁷ According to Dr. Downs, “Reasons for the shrinking presence of China’s oil companies in Iran include sanctions that have made it difficult for China’s oil companies to secure equipment and technologies needed to operate in Iran, unhappiness with contract terms, uncertainty about whether Iran’s nuclear program will spark a military conflict, and reported guidance from China’s leadership to move slowly in Iran.”⁴⁸

Iraq: China is benefitting greatly from Iraq’s postwar oil production. Between 2008 and 2012, the value of Iraqi crude oil exports to China increased by almost 870 percent.⁴⁹ China also is the largest foreign investor in Iraq’s oilfields.⁵⁰ China National Petroleum Corporation (CNPC), a Chinese national oil company, and British Petroleum are jointly developing Iraq’s Rumaila field, which accounted for one-third of Iraqi oil production in 2012.⁵¹ Dr. Downs testified to the Commission that Rumaila in 2012 was CNPC’s most productive overseas project and accounted for nearly half of the company’s net overseas oil and gas production. CNPC also is invested in Iraq’s al-Adhab and Hal-faya oilfields.⁵² At the time of this Report’s publication, CNPC’s listed subsidiary PetroChina is in talks to become an investor in a \$50 billion Exxon Mobil-operated project to develop one of Iraq’s largest oilfields, West Qurna-1.⁵³

Oman: Oman increasingly is an important source of energy for China and was the fourth-largest source of Chinese crude oil imports in the first half of 2013.⁵⁴ In addition to Saudi Arabia, Iraq, and other producers, China has relied on Oman in 2012 and 2013 to compensate for decreases in imports from Iran. China-Oman investment ties in the energy sector are more limited than the previously discussed countries. CNPC has a production-sharing contract for a 50 percent stake in Oman’s Block 5, which has both oil and natural gas assets.⁵⁵

Fostering Friendly Relations in MENA

China seeks to develop and maintain friendly ties with all MENA countries (and the Palestinian territories) without being drawn into the region’s conflicts or power struggles.⁵⁶ Beijing hopes to leverage these relationships to extend China’s regional and global influence; portray China as a responsible global power; and promote regional stability with a view toward advancing its own economic, political,

* China’s potentially lucrative investments in Iranian projects have been facilitated in part by the fact that these projects have been abandoned or passed over by major Western companies due to political risk and sanctions on Iran’s energy and banking sectors. U.S.-China Economic and Security Review Commission, *Hearing on China and the Middle East*, written testimony of Erica Downs, June 6, 2013; Scott Harold and Alireza Nader, *China and Iran: Economic, Political, and Military Relations* (Santa Monica, CA: RAND Corporation, 2012), p. 5. http://www.rand.org/content/dam/rand/pubs/occasional_papers/2012/RAND_OP351.pdf.

and security interests. China's efforts appear to be working. A 2013 Pew Global Research study found that MENA countries tend to view China more as a partner than an enemy.* Dr. Murphy testified that government officials throughout the region have favorable views toward China, although they "do not want relations with China to endanger their existing close relationships with the United States."⁵⁷

At the same time, Beijing considers MENA a "graveyard of great powers" and generally seeks to avoid becoming involved in the region's rivalries and conflicts or being perceived as aligning with particular countries or stakeholders.⁵⁸ With a large degree of success, China to date has simultaneously fostered advantageous relationships with regional rivals such as Israel and the Palestinians, Israel and Iran, Saudi Arabia and Iran, and even Iraq and Iran when they were at war in the 1980s.† Beijing's reluctance to overtly align with or against countries in MENA reflects pragmatic decision making aimed at maximizing China's economic and political advantage in the region.

China's Non-Interference Policy and MENA

China claims respect for other countries' sovereignty and opposes interference in the internal affairs of other countries.⁵⁹ This principle is rooted in Beijing's opposition to establishing an international precedent that legitimizes regime change, which it likely judges could have implications for Chinese Communist Party rule in the event of upheaval in China. The non-interference principle guides Beijing's approach and policies toward MENA and is reflected in Beijing's aversion to challenging sitting regimes or the political status quo in other countries and its reluctance to overtly align with any one side in a conflict or rivalry.⁶⁰

*The 2013 Pew Global Research study included Egypt, Israel, Jordan, Lebanon, the Palestinian territories, and Tunisia. Pew Research Center, *America's Global Image Remains More Positive than China's: But Many See China Becoming the World's Leading Power* (Washington, DC: Pew Global Research, June 18, 2013), pp. 25–26. <http://www.pewglobal.org/files/2013/07/Pew-Research-Global-Attitudes-Project-Balance-of-Power-Report-FINAL-July-18-2013.pdf>. Other studies from the late 2000s indicating positive views of China by Middle East countries include: Shibley Telhami, *2006 Annual Arab Public Opinion Survey* (College Park, MD: University of Maryland, February 2007), slide 9; Pew Research Center, *Rising Environmental Concern in 47-Nation Survey: Global Unease with Major World Powers* (Washington, DC: Pew Research Center, June 27, 2007), p. 29. <http://www.pewglobal.org/files/pdf/256.pdf>; and Julie Ray, "China's Leadership Better Regarded Outside the West," *Gallup World*, April 29, 2008. <http://www.gallup.com/poll/106858/chinas-leadership-better-regarded-outside-west.aspx>.

† China sold weapons to both Iraq and Iran during the war, using the conflict to advantage its ailing arms manufacturing industry. China's sales to each side did not attract serious criticism from either Iran or Iraq. If anything, it strengthened Sino-Iranian ties and mutual trust. John W. Garver, *China & Iran: Ancient Partners in a Post-Imperial World* (Seattle, WA: University of Washington Press, 2006), pp. 59, 82; U.S. Defense Intelligence Agency, "China's Defense Industrial Modernization and Arms Sales" (Washington, DC). <http://www.dia.mil/public-affairs/foia/pdf/CHINA/CHINA%27S%20DEFENSE%20INDUSTRIAL%20MODERNIZATION%20AND%20ARMS%20SALES.pdf>; and Scott Harold and Alireza Nader, *China and Iran: Economic, Political, and Military Relations* (Santa Monica, CA: RAND Corporation, 2012), p. 3. http://www.rand.org/content/dam/rand/pubs/occasional_papers/2012/RAND_OP351.pdf.

China's Non-Interference Policy and MENA—Continued

Yitzhak Shichor, professor emeritus at the Hebrew University of Jerusalem and the University of Haifa, asserts that China does in fact involve itself in the affairs of other countries when Beijing judges it is in China's national interest to do so. Dr. Shichor testified to the Commission that China applies the principle of non-interference in a "flexible, pragmatic, and creative" way.⁶¹ This appears to be the case in China's relations with MENA in recent years. For example, China in the name of non-interference and respect for sovereignty does not support United Nations (UN) Security Council action or sanctions to punish regimes in Iran and Syria for destabilizing activity, violence, and human rights abuses.⁶² Beijing quietly has supported regimes in both countries while Chinese diplomats stress China's impartiality to international audiences.*

Ensuring Domestic Stability and Control

One of China's objectives in its foreign relations with MENA countries (and to an even greater extent with Central Asia †) is promoting domestic security, particularly in Xinjiang Uighur Autonomous Region, home to many of China's ethnic Turkic Muslims. Episodic ethnic and political unrest in Xinjiang has in the past attracted support from overseas Muslim groups, particularly in MENA and Central Asia.‡ Beijing fears these overseas groups could encourage what it refers to as "separatist insurgencies."⁶³ In its diplomatic engagement with MENA countries, especially with CASCF, China solicits support for its policies to suppress "separatist" activities in Xinjiang. For example, the 2010 CASCF Communiqué states that the organization's Arab countries are "against religious extremist forces or ethnic separatist forces engaged [in] terrorism or anti-China separatist activities."⁶⁴

According to Dr. Murphy, "After the beginning of the Arab Spring, China's concern regarding domestic stability in relation to the Middle East has shifted from issues related to Xinjiang to a concern over preventing the spread of Arab Spring-style upheaval from the Middle East to China."⁶⁵ Starting in 2011, Chinese officials sought to ensure that unrest did not manifest in China by

*For example, Chinese Ministry of Foreign Affairs spokesperson Hong Lei in May 2013 asserted China's impartiality in the Syrian conflict, saying, "China has no selfish interests on the Syrian issue and has no intention to protect any party. China is positive and open to any resolution plan that is widely acceptable to all relevant parties in Syria." Ministry of Foreign Affairs (China), "Foreign Ministry Spokesperson Hong Lei's Remarks on the UN General Assembly's Adoption of the Resolution on the Syrian Issue," May 16, 2013. <http://www.fmprc.gov.cn/eng/xwfw/s2510/2535/t1040948.shtml>.

† Beijing's imperative for stability and control in Xinjiang is a key driver of China's foreign policy in Central Asia. For additional discussion, see International Crisis Group, *China's Central Asia Problem* (Bishkek, Kyrgyzstan; Beijing, China; Brussels, Belgium: February 27, 2013), pp. 6–8. <http://www.crisisgroup.org/~/media/Files/asia/north-east-asia/244-chinas-central-asia-problem.pdf>.

‡ Dr. Shichor testified to the Commission that "the Chinese [government has] been very careful so far not to allow external financial or any other kind of support to Muslims in China." Dr. Murphy elaborated, saying Beijing is "concerned about informal financing [for Xinjiang's Muslim groups] . . . especially from Turkey, [and] possibly from the Gulf states." U.S.-China Economic and Security Review Commission, *Hearing on China and the Middle East*, testimony of Yitzhak Shichor, June 6, 2013; U.S.-China Economic and Security Review Commission, *Hearing on China and the Middle East*, testimony of Dawn Murphy, June 6, 2013.

suppressing Arab Spring-inspired “Jasmine Revolution” protests, censoring related information on the Internet, and emphasizing through official and semi-official media outlets that popular calls for democracy across MENA were misguided.⁶⁶

Promoting Regional Stability

Beijing increasingly views stability in MENA as essential to protecting and advancing China’s expanding interests and ensuring China’s future security.⁶⁷ Some of China’s efforts, including offering support for the Israeli-Palestinian peace process, counterpiracy operations, and peacekeeping operations, promote stability in MENA.⁶⁸ At the same time, Chinese ties with rogue regimes and terrorist organizations and arms sales to the region have in the past undermined peace and security.

Support for the Israeli-Palestinian Peace Process: China maintains relatively positive ties with both Israel and the Palestinians. Though Beijing remains wary of becoming entangled in the conflict, it has since the late 1990s indicated a desire to play a greater role in the peace process.

Historically, China has strongly supported the Palestinians. Beijing first expressed support for Palestinian statehood in 1955 and provided arms, military training, and other aid to the Palestinian Liberation Organization and the Popular Front for the Liberation of Palestine through the 1980s.*⁶⁹ China did not formally recognize Palestine until 1988, however. Four years later, China formally recognized Israel, although Beijing had quietly cultivated economic and political ties with Israel since the late 1970s.⁷⁰ Following the establishment of diplomatic ties, Sino-Israeli economic, technological, and military ties grew substantially.

China made occasional statements supporting Israeli-Palestinian reconciliation in the 1980s and 1990s but became more actively invested in the peace process in the early 2000s. This appears to be largely due to requests from several Arab countries for Beijing to become more involved. These countries likely judged China could balance U.S. influence over the peace process given Beijing’s long-standing support for the Palestinians.⁷¹ In response, Beijing in 2002 established its first ever “special envoy” diplomat. The special envoy is responsible for the entire region but focuses on the Israeli-Palestinian conflict in particular. Observers note that this position entails gathering and sharing information more so than playing an active role in the mediation process.⁷²

In the spring of 2013, Beijing signaled a new willingness to engage in the peace process. Chinese President Xi Jinping in May issued a “Four Point Proposal” emphasizing a two-state solution, peaceful negotiation, the “land-for-peace” principle,[†] and “a greater

*The nature of China’s provision of arms to Palestinian organizations is not well documented. AK-47 assault rifles and other small arms appear to constitute the bulk of Chinese weapons transfers. China also provided training opportunities for Palestinian soldiers in China and in the Middle East. John K. Cooley, “China and the Palestinians,” *Journal of Palestinian Studies* 1:2 (Winter 1972): 26. <http://palestine-studies.org/files/Special%20Focus/Through%20the%20Eyes%20of%20Others/China%20and%20the%20Palestinians.pdf>; Dawn Murphy, *Rising Revisionist? China’s Relations with the Middle East and Sub-Saharan Africa in the post-Cold War Era* (Washington, DC: George Washington University, 2012), pp. 81–86.

†The “land for peace” principle originates in UN Security Council Resolution 242, which states, “The establishment of a just and lasting peace in the Middle East . . . should include the

sense of responsibility and urgency” among the international community to resolve the conflict.⁷³ This proposal reiterates China’s earlier statements on the conflict and is largely consistent with the official U.S. position.* President Xi publicized the proposal himself, indicating the importance China’s top leaders ascribe to the issue. The announcement of the proposal coincided with visits to Beijing by President Mahmoud Abbas of the Palestinian territories and Israeli Prime Minister Benjamin Netanyahu. China’s Ministry of Foreign Affairs at the time stated China “is willing to offer necessary assistance if the leaders of Palestine and Israel have the will to meet in China.”⁷⁴ Nevertheless, Beijing appears to have designed the leaders’ itineraries such that neither leader would be in the same Chinese city at the same time.⁷⁵ It remains to be seen if Beijing’s recent overtures will translate to concrete actions to facilitate the peace process.

Counterpiracy Operations: Since January 2009, China has sustained a naval task group in the Gulf of Aden to conduct counterpiracy operations.† This represents China’s largest overseas military presence. As of October 2013, China’s People’s Liberation Army (PLA) Navy had deployed around 10,000 personnel in 15 successive two- or three-ship task forces over four years. Chinese official media sources state the PLA Navy has protected more than 5,000 commercial ships from China and more than 50 other countries over the course of 500 escorts.⁷⁶ Chinese counterpiracy patrolers have made port calls for resupply or military-to-military engagements to 12 MENA ports: Algiers, Algeria (1 visit); Al Manamah, Bahrain (1); Alexandria, Egypt (1); Haifa, Israel (1); Shuwaikh, Kuwait (1); Casablanca, Morocco (1); Muscat, Oman (1); Salalah, Oman (15); Doha, Qatar (1); Jiddah, Saudi Arabia (4); Abu Dhabi, United Arab Emirates (1); and Aden, Yemen (8).⁷⁷

Beijing maintains it will not pursue a permanent military presence abroad. However, some Chinese commentators since the late 2000s have called for China to develop a permanent or semipermanent overseas naval presence in the Indian Ocean to address logistical challenges associated with sustaining the PLA Navy’s counterpiracy presence in the Gulf of Aden and help secure China’s maritime trade routes in the Indian Ocean. China could seek to establish repair, refuel, and replenishment stations in MENA or the

application of both the following principles: Withdrawal of Israeli armed forces from territories occupied in the recent conflict; [and] [t]ermination of all claims or states of belligerency and respect for and acknowledgement of the sovereignty, territorial integrity and political independence of every State in the area and their right to live in peace within secure and recognized boundaries free from threats or acts of force.” United Nations, “United Nations Security Council Resolution 242,” (New York, NY: November 22, 1967). <http://unispal.un.org/unispal.nsf/0/7D35E1F729DF491C85256EE700686136>.

* Beijing’s position on the conflict was formally established in 1997. It was slightly revised in 2003 to reflect the “road map to peace” proposed by the United States, the European Union, Russia, and the UN in 2003. Dawn Murphy, *Rising Revisionist? China’s Relations with the Middle East and Sub-Saharan Africa in the post-Cold War Era* (Washington, DC: George Washington University, 2012), p. 217.

† For past Commission reporting on China’s counterpiracy operations, see chapter 2, section 1, “Military and Security Year in Review,” of this Report; U.S.-China Economic and Security Review Commission, *2009 Annual Report to Congress* (Washington, DC: U.S. Government Printing Office, November 2009), pp. 118, 123, 125, 127; U.S.-China Economic and Security Review Commission, *2011 Annual Report to Congress* (Washington, DC: U.S. Government Printing Office, November 2011), p. 162; and U.S.-China Economic and Security Review Commission, *2012 Annual Report to Congress* (Washington, DC: U.S. Government Printing Office, November 2012), pp. 135, 138.

Indian Ocean to address logistical challenges associated with sustaining the PLA Navy's counterpiracy presence in the Gulf of Aden and help secure China's maritime trade routes in the Indian Ocean. Such a logistics hub also could facilitate potential future missions in the region, such as noncombatant evacuations, disaster relief, defense of maritime trade routes, and limited force projection.⁷⁸ Countries in the Gulf of Aden, particularly Oman and Yemen, have allowed frequent PLA Navy port visits over the past four years and likely would be top candidates for China's first logistics hub.⁷⁹ China probably will not pursue traditional overseas bases in the near term due to longstanding political restraints, Beijing's concern about international backlash against a larger overseas military presence, and the current absence of a strategic requirement to persistently project power globally.⁸⁰

Peacekeeping Operations: China has participated in four UN peacekeeping operations in MENA since 2001: UN Truce Supervision Organization,* UN Iraq-Kuwait Observer Mission, UN Interim Force in Lebanon, and UN Supervision Mission in Syria. More than 3,200 troops have participated in these missions.⁸¹ As of September 2013, China had four peacekeepers in the UN Truce Supervision Organization and 343 peacekeepers in the UN Interim Force in Lebanon.⁸²

Chinese Activities that Undermine MENA Security

While China generally seeks stability in MENA, some Chinese activities in the region undermine security and stability.

- *Commercial ties to rogue regimes:* Chinese companies frequently invest in and trade with authoritarian regimes in MENA and elsewhere in the world. This is typified by Chinese national oil companies, which have profited from Iran's international isolation.⁸³ For example, China's national oil companies seek to exploit Tehran's sanctions-crippled economy† to negotiate advantageous contracts and barter agreements and secure lucrative investments. Chinese state-owned Zhuhai Zhenrong Corp. in 2012 reportedly ordered an \$80 million shipment of Syrian crude oil in defiance of Western sanctions.⁸⁴ In a June 2013 interview for the *Financial Times*, Syrian Deputy Prime Minister for the Economy Kadri Jamil said China, Russia, and Iran are "supporting us [the Syrian regime] politically, militarily—and also economically."⁸⁵

*The UN Truce Supervision Organization, established in 1948, "monitor[s] ceasefires, supervise[s] armistice agreements, prevent[s] isolated incidents from escalating and assist[s] other UN peacekeeping operations in the region to fulfill their respective mandates" in MENA. United Nations, "United Nations Truce Supervision Organization." <http://www.un.org/en/peacekeeping/missions/untso/>.

†An Iranian manufacturing company owner interviewed by the *New York Times* in September 2013 characterized Iran's oil trading relationship with China as an "oil-for-junk program." Thomas Erdbrink, "Iran Stagers as Sanctions Hit Economy," *New York Times*, September 30, 2013. <http://www.nytimes.com/2013/10/01/world/middleeast/iran-stagers-as-sanctions-hit-economy.html?pagewanted=all&r=0>.

**Chinese Activities that Undermine MENA Security—
Continued**

- *Arms sales:* In recent years, China has sold arms in limited quantities to MENA countries.* According to the Stockholm International Peace Research Institute, China delivered arms to Algeria, Egypt, Iran, Saudi Arabia, and Syria from 2008 to 2012 in fulfillment of orders made between 1992 and 2009.† For the past decade, Iran has been the primary beneficiary of Chinese arms (mostly antiship cruise missiles) and dual-use technology transfers to the region.⁸⁶ Moreover, U.S. officials have indicated Chinese entities may not be in full compliance with international nuclear nonproliferation efforts aimed at Iran, though the Chinese government claimed it ceased assisting Tehran's nuclear program in 1997.⁸⁷

In some cases, Chinese arms used in MENA appear to have been acquired via third countries or from Chinese weapons manufacturers without necessarily being sanctioned by the Chinese government.⁸⁸ Chinese weapons manufacturers have sold or attempted to sell arms or dual-use technologies to Iran and Libya in violation of international and U.S. sanctions.⁸⁹ Chinese officials usually deny the sales or offers were made with the knowledge and consent of the Chinese government. Regardless of Beijing's level of involvement, its lax enforcement of export controls allows this proliferation to occur.⁹⁰

- *Ties with regional terrorist groups:* Beijing maintains official ties with both Hamas and Hezbollah, although the United States, the European Union, and other powers designate both Hamas and the military wing of Hezbollah terrorist organizations. Both groups reportedly have used Chinese-made arms in attacks on Israel, though it is unclear if the Chinese government sanctioned or was aware of the transfer of these arms. According to news reports, Hamas in 2006 launched around 50 Chinese rockets in attacks on Israel, and Hezbollah in 2008 attacked an Israeli naval vessel with a Chinese-made C-802 antiship missile transferred from Iran.⁹¹ In 2012, families of Israeli students killed in a 2008 terror attack by Hamas filed a lawsuit against a New York City branch of the state-owned Bank of China for providing support for Hamas terrorist activities.⁹² Bank of China rejected the allegations as groundless.⁹³

*This was not always the case. From the 1950s to the late 1970s, China donated large quantities of small arms and provided military training to revolutionary groups in the region. In subsequent decades, China's arms transfers have been more limited. Dawn Murphy, *Rising Revisionist? China's Relations with the Middle East and Sub-Saharan Africa in the post-Cold War Era* (Washington, DC: George Washington University, 2012), p. 84; Stockholm International Peace Research Institute, "SIPRI Arms Transfers Programme." <http://portal.sipri.org/publications/pages/transfer/splash>.

† These transfers included towed guns (Algeria); trainer/combat aircraft and unmanned aerial vehicles (Egypt); armored personnel carriers and possibly portable surface-to-air missiles and antiship missiles (Iran); self-propelled guns (Saudi Arabia); and air search radar (Syria). Stockholm International Peace Research Institute, "SIPRI Arms Transfers Programme." <http://portal.sipri.org/publications/pages/transfer/splash>.

China's Geopolitical Challenges in MENA

China faces several geopolitical challenges in MENA. Instability, regime changes, and power shifts in recent years likely have demonstrated to Beijing that its preferred low-key method of managing its relationships in the region is unsustainable. In addition, Beijing's positions on Syria and Iran implicate China in violence, human rights abuses, and weapons proliferation and put China at odds with the United States in the region.

Regime Change and Unrest: Tunisia, Egypt, Libya, and Syria

China was unprepared to respond to the abrupt political upheaval and regime changes of the Arab Spring.⁹⁴ This likely is due to Beijing's inclination to cultivate relationships with ruling parties and its overall lack of experience in the region. Both Chinese and Western observers note the relative inexperience of China's diplomatic corps in MENA as a reason for its difficulty in responding to sweeping changes in the region. Director and professor of the Middle East Studies Institute at the Shanghai International Studies University Liu Zhongmin assessed "China's response to the political unrest [in MENA] was somewhat lagging behind." He continued, "China's contacts and communication with the political opposition in the Middle Eastern countries were not active enough."⁹⁵ According to Jon B. Alterman, director of the Middle East Program at the Center for Strategic and International Studies, "China's [MENA] diplomacy has been more cautious than it has been deft."⁹⁶ In his testimony to the Commission, he elaborated that "China's policy toward unrest in the region is uninformed, 'in part because [China] does not know [about the region's opposition groups], but also because it has not paid close attention to the societies from which they have sprung."⁹⁷

Tunisia: Beijing moved quickly to censor domestic news about the Tunisian uprising and took steps to form ties with the transitional government in January 2011.⁹⁸ A Chinese Foreign Ministry spokesperson stated China's hope for a peaceful resolution to the unrest and the resumption of friendly ties with the Tunisian government regardless of the uprising's outcome. However, after that initial statement, Beijing was silent on the unrest and transition, at least in public.⁹⁹ Chinese diplomats were and to an extent remain unfamiliar with Tunisia's Islamist political groups, including the ruling Ennahdha party, which was voted into power in late 2011.¹⁰⁰

Egypt: Prior to the overthrow of former Egyptian President Hosni Mubarak, Beijing had been cultivating relations with the Mubarak regime in order to expand its economic profile, secure ties to one of the most powerful countries in the region, and promote access to critical infrastructure in Egypt, including the Suez Canal.¹⁰¹ In the months following the uprising and overthrow, Chinese diplomats reportedly struggled to forge relations with the transitional Egyptian government, apparently due to suspicions on the part of Egypt's new leaders, who considered Beijing to have been a strong supporter of the Mubarak government.¹⁰² Nevertheless, Egypt's newly elected president Mohamed Morsi in August 2012 chose

China for his first state visit outside the Middle East. Relations between Beijing and Cairo remained stable and positive throughout the Morsi Administration. Bilateral trade increased by 27 percent between 2010 and 2012, and the two sides signed several agreements on investment and science and technology cooperation.¹⁰³

After the Egyptian military removed President Morsi from power in July 2013 and during subsequent months of unrest and violence, Chinese officials were circumspect in their official statements on the situation. Public reticence notwithstanding, Beijing appears to be observing developments in Egypt closely: Chinese Minister of Foreign Affairs Wang Yi spoke over the phone with his Egyptian counterpart in the new government 16 times between President Morsi's removal and August 16.¹⁰⁴ Minister Wang expressed that "China attaches high attention to the situation in Egypt, and has called on all parties concerned to give up violence to avoid bloodshed and to prevent more casualties. China supports [*sic*] to resolve differences through dialogues and consultations, to restore law and order, and to advance steadily the process of inclusive political transition."¹⁰⁵ Minister Wang further asked the Egyptian government to ensure the safety of Chinese citizens, enterprises, and institutions in the country.¹⁰⁶

While Sino-Egyptian economic ties remained largely unaffected by the transition from the Mubarak to the Morsi governments, bilateral trade appears to have faltered somewhat in 2013 amid renewed unrest surrounding removal of the Morsi government and installment of the military government.¹⁰⁷ It is unclear whether the decrease in bilateral trade in 2013 can be attributed to the ongoing political unrest. Chinese investment in Egypt continued in 2013, with Sinopec purchasing a stake in U.S. energy company Apache's Egyptian oilfield operations in August. According to Apache, the company's "exploration and production operations, which are located in remote, unpopulated areas, remain unaffected by political events in the region."¹⁰⁸

Libya: More so than during the relatively quick power transitions in Tunisia and Egypt in 2011, China faced challenges on several fronts during the months-long Libyan conflict. Instability and violence threatened the safety of Chinese citizens and the security of Chinese investments and trade ties.¹⁰⁹ China in early 2011 evacuated 35,000 citizens from Libya in its first major noncombatant evacuation operation.¹¹⁰ As violence by then Libyan President Muammar el-Qaddafi's regime escalated, China in February 2011 voted to approve UN Security Council Resolution 1970, which imposed sanctions on President Qaddafi and his close associates, imposed an arms embargo on Libya, and provided humanitarian assistance, among other things.¹¹¹ Less than three weeks later, China abstained from the vote on UN Security Council Resolution 1973, which authorized the Security Council to establish a no-fly zone and pursue an immediate ceasefire in Libya.¹¹² China almost certainly understood that its abstention would enable military intervention in Libya, but it also allowed Beijing flexibility to publicly hew to its policy of non-interference and express surprise and regret when North Atlantic Treaty Organization (NATO) forces predictably intervened in Libya.¹¹³

Nevertheless, through the spring and summer of 2011 China appeared reluctant to sever ties with the Qaddafi regime. Journalists from Toronto's *Globe and Mail* found evidence suggesting state-owned weapons manufacturer Chinese North Industries Corporation had offered at least \$200 million in arms to the Qaddafi regime while the arms embargo (which China had voted for) was in place.¹¹⁴ China also was the only UN Security Council member not to call for Qaddafi to step down and the last UN Security Council member to recognize Libya's new transitional government in the fall of 2011.¹¹⁵ Despite a decline in 2011, bilateral trade (particularly Chinese exports to Libya) rebounded in 2012 and the first half of 2013.¹¹⁶

Syria: Despite its emphasis on neutrality and peaceful resolution in public statements,* China takes a hardline stance on the Syrian conflict. Beijing's position seems to be based on an ideological opposition to foreign intervention (China has limited economic or strategic interests in Syria). Beijing likely fears actions designed to overthrow a sovereign regime could legitimize regime change and external intervention and thus threaten China's own core interests of sovereignty and territorial integrity. This position seems to be reinforced by China's apparent regret over its abstention from, and thus tacit support for, foreign intervention in Libya authorized by UN Security Council Resolution 1973.¹¹⁷

China repeatedly has used its veto power to prevent the UN Security Council (and other UN bodies) from singling out, blaming, or imposing sanctions on the Syrian government.¹¹⁸ China has vetoed three UN Security Council resolutions to take action against President Assad and exercised three "no" votes to punish President Assad in the UN General Assembly and UN Human Rights Council.¹¹⁹ China also has opposed any military action, even in support of humanitarian efforts, in Syria.¹²⁰ In response to the Obama Administration's August 2013 statements suggesting possible unilateral air strikes against Syria, a Chinese Ministry of Foreign Affairs spokesperson stated, "China is highly concerned about the relevant country's [United States] plan on taking unilateral military action." The spokesperson then said the international community should "avoid complicating the Syrian issue and dragging the Middle East down into further disaster."¹²¹

China's position on the Syria conflict aligns with the Russian position, though the two countries may have different motivations for their respective stances.¹²² China and Russia have voted the same on issues related to Syria in the UN Security Council, and China supported a Russian proposal that the Syrian government hand over the country's chemical weapons under UN supervision. Foreign Minister Wang in mid-September 2013 said, "China welcomes the framework agreement reached between Russia and the U.S. in Geneva on the issue of chemical weapons in Syria. We believe it

*China's stated position on the Syrian conflict emphasizes an end to violence, political transition under the guidance of the UN and the Arab League, and humanitarian assistance. Beijing endorsed the UN's "six-point plan" for peace in Syria developed by former UN-Arab League envoy to Syria Kofi Annan, although it has rejected efforts within the UN to pressure President Assad to acquiesce to UN resolutions or step down. Priyanka Boghani, "Syria peace plans: China vs. United Nations," *Global Post*, November 1, 2012. <http://www.globalpost.com/dispatch/news/regions/middle-east/syria/121101/syria-peace-plans-china-vs-united-nations>.

will ease the tense situation in Syria, and open a path for the chemical weapons issue to be resolved.”¹²³ Beijing and Moscow in September 2013 released a joint statement on the Syrian conflict, conveying shared concerns about the security and humanitarian situation and supporting an “accurate and objective international investigation” into the reported use of chemical weapons in Syria, among other things.¹²⁴

According to the Stockholm International Peace Research Institute’s Arms Transfers Database, China has not delivered or approved the sale of weapons to Syria since 2010.*¹²⁵ The most recent Chinese arms transfers to Syria were four Type-120 air search radar systems, which were ordered in 2009 and delivered in 2010.¹²⁶ Unconfirmed reporting also suggests that Chinese-made shoulder-launched FN-6 anti-aircraft missiles were transferred by third parties to Syrian rebels.¹²⁷

Beijing has expended considerable diplomatic energy and incurred widespread criticism for its position on the Syrian conflict. In her testimony before the Commission, Dr. Murphy asserted Beijing’s position on Syria marks a departure from China’s historical approach to the Middle East insofar as it alienates other countries in the region and represents a firm and sustained opposition to U.S. interests.¹²⁸ Many in the international community, including the United States, assert China’s position protects the Assad regime and prevents necessary international measures to promote the peaceful resolution of the conflict. Then U.S. Ambassador to the UN Susan Rice in February 2012 said the United States was “disgusted” by China’s (and Russia’s) vetoes of otherwise unanimous UN Security Council resolutions on Syria and remarked that the UN’s mission was being “held hostage” by China and Russia.¹²⁹ Moreover, whereas MENA countries (and public opinion) generally favor China’s presence and policies in the region, this has not been true regarding the Syrian conflict. Several Arab League countries, particularly Saudi Arabia and Qatar, criticized China for its position on Syria.¹³⁰ At the time of this Report’s publication, China appears to judge the benefits of continuing to shield and enable the Assad regime outweigh the potential costs of supporting international efforts to hold the regime accountable.

Iran

The Commission has in recent years reported at length on Sino-Iranian economic, political, and military relations.† This section

* China provided arms to Syria before 2010, however. According to the Congressional Research Service, China since 2004 signed arms transfer agreements with Syria worth \$800 million (representing about 9 percent of global arms transfers to Syria from 2004 to 2011). Richard F. Grimmett and Paul K. Kerr, *Conventional Arms Transfers to Developing Countries, 2004–2011* (Washington, DC: Congressional Research Service, August 24, 2012), pp. 44–45. <http://www.fas.org/spp/crs/weapons/R42678.pdf>.

† Commission publications on China and Iran from 2011 to 2013 include Marybeth Davis et al., *China-Iran: A Limited Partnership* (Washington, DC: CENTRA Technology, Inc. for the U.S.-China Economic and Security Review Commission, April 2013). http://origin.www.uscc.gov/sites/default/files/Research/China-Iran_A%20Limited%20Partnership.pdf; U.S.-China Economic and Security Review Commission, *2012 Annual Report to Congress* (Washington, DC: U.S. Government Printing Office, 2012), pp. 334–336; and U.S.-China Economic and Security Review Commission, *2011 Annual Report to Congress* (Washington, DC: U.S. Government Printing Office, 2011), pp. 252–260.

discusses China-Iran ties in the context of China-MENA relations specifically.

Beijing's relationship with Tehran is simultaneously China's closest and most problematic bilateral relationship in the region.¹³¹ The multiple facets of this relationship—including energy ties, arms and dual-use technology sales, and diplomatic support—have enabled Tehran's destabilizing policies and damaged U.S.-China relations and China's international reputation. However, Beijing appears to judge these consequences are worth the energy security benefits gained from continued cooperation with Iran. China also likely prefers that the United States not enjoy unchecked power and influence in the Middle East.¹³² According to a report by CENTRA Technology, Inc. sponsored by the Commission, "China has used its relations with Iran to balance against U.S. interests and what it sees as hegemonic policies in the Middle East."¹³³ However, should China seek a more robust political and security presence in MENA, countries of the region could seek to pressure China to reconsider its support for Iran.

China's reduction in Iranian crude oil imports in 2012 and 2013 was made possible by Saudi Arabia, Iraq, Oman, and other countries' willingness and ability to compensate for the lost barrels of oil. Significant increases in Iraqi oil production expected in the coming years and decades could provide a reliable alternative source of oil for Beijing should it seek to further decrease Iranian imports.¹³⁴ Moreover, Saudi Arabia, a powerful regional player and energy powerhouse with its own concerns about Iran, has demonstrated a commitment to Chinese energy security. As China increasingly relies on these countries for its energy, Beijing may determine it can moderate its support for and ties with Tehran without sacrificing the energy security benefits it currently gains from the relationship. However, Beijing at present does not seem to assess that sacrificing its relationship with any of its major oil suppliers is in its interests. As long as this remains the case, Beijing is unlikely to seriously revise its relationship with Tehran on this basis.¹³⁵

Beijing does not appear to judge Iran's nuclear program as a serious threat to Chinese economic or security interests or to security in MENA.¹³⁶ Joel Wuthnow, researcher at CNA China Studies, testified to the Commission, "Although some Chinese analysts accept the premise that an Iranian nuclear weapon might spark a regional arms race, few have publicly discussed whether and how such an outcome may damage Chinese interests."¹³⁷ However, as China's presence and influence in the region grows, Dr. Wuthnow suggested Middle Eastern countries and the United States may find opportunities to persuade China that Iran's behavior poses a risk to "regional security, and thus to China's own interests in Iran and the region."¹³⁸

Implications for the United States

The United States has deep and longstanding interests in MENA, which it seeks to protect and advance through economic engagement, strategic partnerships and security arrangements, and a large military presence. As China's interests and presence in the

region grow, they inevitably will impact U.S. objectives and influence there.

Beijing recognizes the United States is the most influential external power in MENA and formulates its regional policies with this in mind. A Saudi Arabian ambassador to China remarked, "In order to understand China's relations with the Gulf states, one must understand Sino-American relations."¹³⁹ Historically, China has sometimes opposed or resented U.S. influence and policies in MENA, but has sought to avoid directly challenging the United States in the region.¹⁴⁰ According to Dr. Alterman, "Chinese officials are keenly aware of the advantages of supplementing the United States in regional affairs, but they show little interest in supplanting the United States . . . [China] studiously avoids forcing countries to choose between the United States and China."¹⁴¹ Rather, in preferring a minimally involved role in the region, China benefits from the U.S. security presence there.

- *"Free riding" on U.S. security efforts:* China is in many ways a "free rider" on U.S. power and influence in MENA, while contributing relatively little to regional security itself.¹⁴² Associate Professor and Deputy Director of the Department of Arabic Language and Culture at Peking University Wu Bingbing asserts, "The United States provides the ultimate strategic security guarantee to Saudi Arabia . . . China lacks the ability to provide such a security guarantee, and is not sure how far the Sino-Saudi friendship can go."¹⁴³ China's successful investments and growing energy trade with Iraq, which has experienced a postwar oil boom, is another example of China reaping benefits from U.S. security efforts in the region.¹⁴⁴
- *Learning from U.S. military activities:* China's military since the 1990s has gained insight into modern warfare and, more specifically, U.S. military strategy and capabilities from studying U.S. military campaigns in the Middle East.¹⁴⁵ Dr. Shichor testified to the Commission that MENA is "the key region in the world that serves as a laboratory for testing [and] experimenting . . . with Western weapons [and] state-of-the-art American military technology, which provides a very significant input into China's defense modernization."¹⁴⁶

Recently, however, Beijing has been more willing to assert its priorities and worldview, even at the expense of its broader relationship with the United States. For example, Beijing's relationship with Tehran and its position on the Syrian conflict undermine U.S. objectives in the region. Dr. Murphy testified that China's position in the UN Security Council on Syria represents China's most strident challenge to the United States in the region to date and suggested China's position on Syria could represent a turning point in China's MENA policy toward a greater willingness to assert its own interests even if at the expense of its broader relationship with the United States.

* Dean Cheng, research fellow at the Heritage Foundation's Asian Studies Center, similarly asserts that both U.S. wars in Iraq are "very influential" to the PLA's tactical, operational, and strategic thinking. Dean Cheng, "Chinese Lessons from the Gulf Wars," in Andrew Scobell et al., *Chinese Lessons from Other Peoples' Wars* (Carlisle, PA: U.S. Army War College Strategic Studies Institute, November 2011), pp. 153–199.

China is becoming a more influential power in the region overall by virtue of its growing economic interdependence with the region's oil producers, particularly Saudi Arabia. According to Dr. Alterman, "Many [MENA] petroleum producers see China as the future, a rising power that will be consuming their oil for decades more. China's eagerness for economic growth makes [China] a necessarily less fickle power, and one with a reliance on the Middle East that the United States does not share in the same way. Some see the U.S. relationship as something that can only diminish, while the relationship with China is something that will only grow."¹⁴⁷

Dr. Murphy testified that alignment in values between the Chinese government and some MENA governments could be a cause for concern in Washington as China's influence in the region grows. Regarding sovereignty, respect for human rights and democracy, and the role of the state in the economy, Dr. Murphy testified, "Many states in the Middle East share ... China's view of the world on those issues more than they share the U.S. view."¹⁴⁸ This kind of ideological alignment could have implications for relative U.S. and Chinese influence in the region in the future.

Conclusions

- China is expanding and deepening its trade and investment ties with countries in MENA. More than half of China's crude oil imports are from MENA producers, and China increasingly looks to the region as an export market for manufactured goods and services.
- Energy security is a key driver of China's engagement in MENA. As China's continued economic growth becomes more dependent on a steady supply of oil and natural gas from the region, Beijing likely will augment already robust economic ties with stronger political and security engagement.
- China, driven primarily by its growing demand for energy, seeks to promote a framework for stability in MENA that supports its own economic, political, and security interests. These efforts include supporting the resolution of the Israeli-Palestinian conflict, conducting counterpiracy operations, and participating in UN peacekeeping missions. Conversely, China's position on the Syrian conflict and its support for Iran undermine peace and stability in the region.
- China struggled to diplomatically adapt to regime changes across MENA during and after the Arab Spring. Beijing's instinct has been to support sitting regimes in Egypt, Libya, and Syria and to oppose international intervention in these countries.
- Most MENA governments appear to judge China plays a positive role in the region. Oil- and natural gas-producing states in particular look to China as their future primary market. Moreover, governments in China and some MENA countries appear to share similar stances on issues of sovereignty, human rights and democracy, and the role of the state in the economy. However, many MENA countries have criticized China for its support for the Assad regime in Syria.

- Historically, China largely has avoided challenging U.S. influence and power in the Middle East. In recent years, however, when key Chinese interests are at stake, China has made use of its permanent membership in the UN Security Council to oppose U.S. policies and objectives in the region.

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