

Lessons Learnt

Adapting to the 'Arab Spring'



Dr Kun-Chin Lin and
Professor Rory Miller

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Adapting to the 'Arab Spring':

Chinese Economic Statecraft and the Quest for
Stability in the Contemporary Middle East

**Report for the 'History of British Intelligence
and Security' research project**

December 2012

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Contents

Background	2
<i>The Current Project</i>	2
<i>Executive Summary</i>	4
<i>Editor's Notes</i>	5
Adapting to the 'Arab Spring'	6
<i>Introduction</i>	6
<i>Coping with Complex Interdependence</i>	8
<i>Libya: The Exception that Proves the Rule</i>	9
<i>Syria: Reverting to Norm</i>	11
<i>Between Iran and the GCC</i>	12
Conclusion	20

Background

The 'Lessons Learnt' project was originally funded by a grant from King's College London. In May and June 2010 Robert Dover and Michael Goodman, with AHRC funding, ran a series of 5 policy seminars on *Lessons Learnt from the History of British Intelligence and Security*. These were held in partnership with the Foreign and Commonwealth Office (FCO), the Cabinet Office, King's College London and The Royal United Services Institute (RUSI). Just under 180 people attended the seminar series in total, from both academia and government. The output from these has subsequently been published in a book called *Learning from the Secret Past: Cases in British Intelligence History* (Georgetown University Press, 2011). The rationale for this initiative and the current one have come from the 2004 Butler Report into the Iraq war (and the intelligence situation that contributed to it), which concluded that the historical lessons had been forgotten, and that a regular review process should be instigated.

The Current Project

This current project aims to build upon the 2010 seminars, improving and developing the relationship between researchers and government via the production of research and briefing papers, and seminars held in Whitehall. The primary impact is on improving national security, achieved via academics contributing to the development of the government's analytical capability.

The project is split into two halves:

- Highlighting historical examples of good analysis.
- Improving understanding of regions of current interest.

Leading academics have been specially commissioned to produce research and briefing papers for a Whitehall audience. This publication series reproduces the reports.

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Executive Summary

For much of the time since becoming a member of the UN Security Council in 1971 China has been reluctant to take a pro-active role in the diplomacy of the Middle East. But Beijing is finding it increasingly difficult to avoid entanglement in the politics of the region. Complex interactions of commercial interests, post-Cold War statecraft, and economic integration in the region have prompted Beijing to revamp its image and actions as a responsible external stakeholder in the region. At stake are valuable commitments in infrastructure projects, resource extraction deals, and military-industrial contracts.

This report draws historically-informed lessons of Chinese interventions in the political economy and geo-politics of the Middle East to provide a contemporary analysis of China's evolving approach to, and role in, promoting stability in this turbulent region.

For policy lessons related to Chinese approaches to the key geo-strategic challenges facing the region, the analysis focuses primarily on the impact of China's energy security needs and issue-linkages of China's energy thirst to infrastructure projects, the provision of aid and preferential loans, and diplomacy among the Middle Eastern countries and with the Western powers in particular the US and the UK. How these disparate issues are substantively or tactically linked bear direct implications ranging from the high politics of China's UN Security Council voting patterns to the grassroots politics of local labour markets and economic protectionism.

This report also examines the Great Power competition in a region where the US, leading EU member states, Japan, Russia and Turkey all vie for influence. In these terms this study considers the general thesis that not only is the Chinese state "culturally realist", but it sees global politics in essentially Cold War terms of US hegemony. To date, Chinese firms' commercial opportunism has dovetailed with Beijing's overtures to Middle Eastern states to balance against historical US and UK influences in the region. However, this discourse is far from sustainable as Chinese investments in Africa have raised alarms of neo-colonialism. Similarly, Southeast Asian countries have reacted to Chinese claims of "harmonious rise" by renewing their alliance with the US.

Directly related to this is the report's analysis of China's role in the region's nuclear diplomacy vis-à-vis Iran, weighed against local political party attempts to balance the influence of external powers. The authors also consider conditions under which the Chinese might be inclined to support an institutional approach to regional harmonization and integration. In these terms it is of note that the final communiqué issued at the fourth meeting of the China-Arab Cooperation Forum in late May 2010, expressed a Chinese willingness to upgrade its strategic cooperation in the areas of politics, culture, media and

education as part of the evolving Sino-Arab relationship. Since that 'milestone' meeting (as Chinese foreign minister Yang Jiechi described it) Arab leaders now accept China officially as a central external player in the region. As such it is increasingly in the Middle East where China's newfound international political role has highlighted the dilemmas inherent in its traditional foreign policy approach. How China addresses this will not only be crucial to how it contributes to regional stability in the future but will also influence its own evolution as an economic and political superpower in the twenty-first century.

A final, but no less important focus will be on the state's handling of civil societal demands for democratisation reflected in the Arab Spring. Notably, the Chinese decision not to veto the March 2011 UNSC resolution 1973 approving a 'no fly zone' over Libya and the use of 'all necessary measures' to prevent civilians being attacked by the Qaddafi regime marked a new Chinese willingness to support UN-backed humanitarian military ventures against sitting governments.

Editor's Notes

This report brings together two regional experts – one on China, the other on the Middle East – to offer a unique insight into Chinese actions and views towards the Middle East. The subject has perhaps never been as important as it is today. Regional instability in the region, coupled with the global recession, have ensured that the fate of the region is intimately connected to the actions of external actors. In seeking to tackle this the authors tackle two critical questions: How is China's energy dependency and growing international political role shaping its approach to stability in the Middle East? Would China ever seek a greater role in promoting or even guaranteeing regional stability? Their conclusions are fascinating:

- The Chinese response to the Arab Spring highlights that Beijing is already actively attempting to contribute to regional stability.
- Ensuring access to hydrocarbon fuel supply remains the most powerful driver of Chinese strategic engagement in the Middle East.
- China has little interest in playing the role of strategic balancer in the region.
- China's is prepared it to adopt active policies to protect its assets and key regional relationships.

Robert Dover and Michael S. Goodman

Introduction

The diplomatic isolation that followed the ‘Tiananmen’ Square protests of 1989 played an important role in the intensification of China’s involvement in the Middle East from the early 1990s onwards.¹ The appeal of the lucrative weapons market arising from regional turmoil at the end of the Cold War was also a factor. As was the country’s rapid domestic economic growth, its take-off as an exporting power and the related energy demands of both – China became a net oil importer in 1993.

In the two decades since, analysts have noted several crucial trends in the Chinese perception, expressed preferences, and strategies toward securing its core interests in the region. Notably, economic concerns – in particular, China’s access to hydrocarbon fuel supply – have been presented as the most powerful driver of Chinese strategic engagement in the Middle East.²

Commercial interests have also driven engagement with the rapid stockpiling of Chinese investment in the region and bilateral agreements entrenching the energy

¹ John Calabrese, *China’s Changing Relations with the Middle East*. London: Pinter Publishers, 1991; Lillian Harris, *Managing Barbarians: China Considers Middle East*. London: I.B. Tauris, 1993; P. R. Kumaraswamy, ed., *China and the Middle East: The Quest for Influence*. New Delhi: Sage, 1999; Mohamed Bin Huwaidin, *China’s Relations with Arabia and the Gulf*. Routledge-Curzon, 2002.

² Michael D. Swaine, *America’s Challenge: Engaging a Rising China in the Twenty-First Century*. Washington, D.C.: Carnegie Endowment for International Peace, 2011; Daniel H. Rosen and Thilo Hanemann, “China’s Changing Outbound Foreign Direct Investment Profile: Drivers and Policy Implications.” *Peterson Institute for International Economics Policy Brief*, No. PB09-14, June 2009; Zhang Weiping, “Overseas energy strategy needed,” *China Daily*, November 7, 2005; Special issue on Energy and Security, *The China and Eurasia Forum Quarterly* 3(3), November 2005; Liangxiang Jin, “Energy First: China and the Middle East,” *Middle East Quarterly* 12(2) (2005); Andrew-Speed, Philip, Xuanli Liao, and Roland Dannreuther, *The Strategic Implications of China’s Energy Needs*. Oxford University Press, 2002; Amy Myers Jaffe and Steven Lewis, “Beijing’s Oil Diplomacy.” *Survival* 44(1), 2002, pp. 115-34; Zha Daojiong, “Oiling the Wheels of Foreign Policy? Energy Security and China’s International Relations.” *Asian Security Initiative Policy Series*: RSIS Working Paper No. 1, March 2010, Singapore; Christina Lin, *The New Silk Road: China’s Energy Strategy in the Greater Middle East*, *Policy Focus*, No. 109, The Washington Institute of Near East Policy, April 2011 <http://washingtoninstitute.org/pubPDFs/PolicyFocus109.pdf>

supply exchanges with various commitments by the Chinese government and firms to infrastructure projects, manufacturing, trade and services.³

There is agreement on the centrality of economics in the short- to medium-term calculus of Chinese strategies in the regional. But the intensification of exchanges between China and Middle Eastern countries – captured by the concept of “complex interdependence”⁴ in international relations – has not to date diminished the importance of strategic and security considerations in China’s regional engagement.

There have, however, been differences among analysts over what this means in the longer-term. Reworking the theme of *doux commerce*, Beng and Li⁵ have pointed out that in its pursuit of energy security, China has managed risks conservatively as evidenced by Chinese oil companies’ avoidance direct confrontation with Western multinationals in competing for equity oil contracts. To them, this behavior pattern contradicts the realist predictions of aggressive potentials of a rising power.⁶

This ties in with the view that China is in a unique position to separate itself clearly from the other Great Powers in the region – the US and Russia. China has no history of hegemonic intentions in the region and as such can bring to the region a nominally depoliticized approach to trade and investment agreements, credit availability and beneficial tie-ups between state-owned firms. No less important, it can play the role of Great Power sponsor of the multi-polar distribution of power model.⁷

In contrast, analysts of a neo-mercantilist perspective argue that Chinese policymakers should be expected to respond to attempts by the US (and other external powers such as

³ K. C. Lin, “Regional Integration through Transport Infrastructure Connectivity: China’s Reach in Asia.” A presentation at the conference *European Union – ASEAN: regional integration from two perspectives*, 2011, CERl Sciences Po, Paris, 1 December. Available online at: www.sciencespo.fr/coesionet/content/european-union-asean-regional-integration-two-perspectives; Steve Yetiv and Chunlong Lu, “China, Global Energy, and the Middle East.” *Middle East Journal* 61(2), Spring, 2007; J. Peter Pham, “China’s Interests in the Middle East and North Africa in the Light of Recent Developments in those Regions.” Testimony before the US – China Economic and Security Review Commission Hearing on “China’s Current and Emerging Foreign Policy Priorities”, April 13, 2011 Atlantic Council, Washington DC.

⁴ Robert Keohane and Joseph Nye, “Power and Interdependence Revisited.” *International Organization*, 41(4), 1987, pp. 725-753.

⁵ Phar Kim Beng and Vic Y.W. Li, “China’s Energy Dependence on the Middle East: Boon or Bane for Asian Security?” in Special issue on Energy and Security, *The China and Eurasia Forum Quarterly* 3(3), November 2005, pp. 19-26.

⁶ The domestic drivers of the competitive dynamics and investment decisions of Chinese oil companies abroad are discussed in: K. C. Lin, “Macroeconomic Disequilibria and Enterprise Reform: Restructuring the Chinese Oil and Petrochemical Industries in the 1990s.” *The China Journal*, No. 60, July 2008, pp. 49-79; Steven W. Lewis, *Chinese OCS and World Energy Markets: CPC, Sinopec and CNOOC*. James A. Baker III Institute for Public Policy, Rice University, 2007; Erica S. Downs, “The Chinese Energy Security Debate.” *The China Quarterly* 177, 2004, pp. 21-41.

⁷ Yitzhak Shichor, *The Middle East in China’s Foreign Policy, 1949-1977*. London: Cambridge University Press, 1979.

Russia) to extend its domination of the region in a counter-hegemonic fashion by placing economic power at the service of consolidating and extending its regional influence.⁸

The so-called Arab Spring of 2011 which saw popular revolt and regime change in Tunisia, Egypt and Libya and challenges to the ruling elites in Bahrain, Syria and Yemen has, in the words of two senior members of the China Institute of Contemporary Relations (CICR), added an 'urgency' to China's 'soul searching' about the 'limits and focus of its global reach'.⁹ By examining the Chinese involvement in, and responses to, the Arab Spring this paper will provide a re-assessment of Chinese economic statecraft in the region as it continues to strive to contribute to stability in a vitally important region.¹⁰

Coping with Complex Interdependence

In 2005, China and the 22 member states of the Arab League held the first annual China-Arab Cooperation Forum. The following year, at the forum's second annual meeting, China and the Arab States described their relationship as a 'new partnership'.¹¹ The two-day meeting of the 2010 China-Arab Cooperation Forum went even further. The meeting's theme was "Deepening All-Round Cooperation for Common Development". The final joint communiqué and action plan issued at its conclusion agreed to upgrade existing ties to the level of a strategic relationship. It also expressed a Chinese willingness to increase its direct involvement in security and political issues of concern to the Arab States.

It is possible to see political alignment with some Arab political positions at the UN and in its public and private diplomacy over this time period. Most notably, it is possible to recognise a more pro-Arab tilt in the Chinese approach to the Palestinian question especially in the staunch criticism of Israeli policy and its regular reminder that, in the words of the Foreign Ministry, China was 'one of the first countries to support the PLO and the State of Palestine'.¹²

Thus on the eve of the Arab Spring China was increasingly viewed by Arab policymakers as a key external player in the region whose political influence was expected to grow quickly not simply in the economic but also in the security and strategic spheres.

⁸ Jon B. Alterman, John W. Garver, *The Vital Triangle: China, the United States, and the Middle East*. Center for Strategic and International Studies, 2008, p. 12; John Calabrese, "China and the Persian Gulf: Energy and Security," *Middle East Journal* 52(3), Summer 1998, pp. 351-366; Flynt Leverett and Pierre Noel, "The New Axis of Oil," *The National Interest* 84 (Summer 2006), pp. 63-71.

⁹ Li Shaoxian and Huang Jing, "What do Arab uprisings mean?," *China Daily*, 14 September 2011.

¹⁰ Teresita cruz-del rosario and Wang runfei phillie, "Libya: Litmus Test in China's Foreign Policy Shift", <http://english.alarabiya.net/articles/2011/07/26/159338.html>

¹¹ "China-Arab strategic ties serve fundamental interests: Premier Wen", *Xinhua*, 14 May 2010.

¹² 'China and Palestine', Statement by the Ministry of Foreign Affairs of the People's Republic of China, 22 August 2011.

Certainly China's strategic interests in the region are both complex and multifaceted. They can be disaggregated into a matrix of relationships between issue areas and between geographical entities. All the more so as in recent years new infrastructural developments have altered trans-regional considerations relating to Central, South and Southeast Asia and have changed the calculus of tradeoffs in alternative alliances, military frontiers and transport routes.

Notable Chinese strategic interests in the Middle East include:

- Mercantilist goals such as energy security, general commercial interests, and weapons sales
- Defining relations with the US, the dominant military and strategic power in the region
- Establishing a workable strategy for securing bilateral relations with traditional rivals including Iran and the Saudi-led Gulf Cooperation Council (GCC), Israel and the Arab world and Iran and Israel
- Using economic statecraft and traditional methods of diplomacy to influence regional organizations such as the Arab League, the GCC and OPEC

Libya: The Exception that Proves the Rule

On the eve of the Arab Spring China had significant economic interests in Libya. It imported about 11% of Libyan crude oil. It also had an interest in fifty projects in the country in the infrastructure and telecoms sectors as well as energy worth an estimated US\$18.8 billion and employing more than 30,000 Chinese citizens who had to be evacuated on chartered flights and ships when the fighting broke out in late February. The initial catalyst for the speculation that Chinese diplomacy in the region was undergoing a significant change in response to regional events was Beijing's decision not to utilize its veto at the UN Security Council (UNSC) on 17 March 2011 in order to block UNSC Resolution 1973. This authorized the establishment of a "no fly zone" over Libya and the use of "all necessary measures" to protect civilians from targeting by the Qaddafi regime.

This was interpreted as a new departure in Chinese regional policy because for the first time that Beijing chose not to veto a UNSC-backed military action against another government on human rights or humanitarian grounds.¹³ During the Gulf Crisis of 1990-1, China had supported 11 UNSC resolutions intended to force Iraq out of Kuwait, including those that imposed economic and military sanctions against Iraq (Resolution 661) and a

¹³ Jonas Parelló-Plesner, "Libya shows China the burdens of being a great power," *East Asia Forum*, 6 March 2011.

naval and air blockade (Resolutions 665 and 670 respectively). But China had refused to support Resolution 678 of November 1990, which authorized the use of force to expel Iraqi troops from Kuwait.

In doing so, China underlined its profound opposition to military intervention in the region even under UN auspices.¹⁴ In 1997-8, China once more refused to back a US attempt to garner international and regional support for limited military action against Saddam Hussein's regime. However, in the post-9/11 era, China demonstrated some willingness to moderate its opposition to US-led attempts to force regime change in Iraq. It showed relative restraint towards exploiting the Oil-For-Food scheme and quietly reined in Chinese firms' involvement in fibre-optics network upgrading for Saddam Hussein. It also showed relative restraint, compared to either France or Russia, in its opposition to US attempts to gain support for an invasion of Iraq at the UNSC in 2002.¹⁵

In the months following the passing of UNSC Resolution 1973 in March 2011 Beijing actions, when combined with its stance at the UNSC, could be interpreted as an implicit endorsement of regime change. Most notably, in June and July 2011 representatives of the Benghazi Interim Government received a public and positive reception in Beijing. The Director-General of Asian and African Affairs at Foreign Ministry was also sent to meet the Libyan rebel leaders. As He Yafei, China's permanent representative at the UN acknowledged in early September, his government had 'kept contacts' with Libya's National Transitional Council (NTC).¹⁶ Later in the same month China officially recognized the NTC as the ruling authority in Libya.

The Chinese approach to the Libya crisis was however, not evidence of a new enthusiasm for regime change as an instrument of regional diplomacy. Rather, it was influenced by a number of factors that made it politically acceptable to endorse the NATO-led military campaign.

- European rather than American command of the NATO mission.
- Arab League support for any UN-backed military action.
- A calculation that instability in Libya would be contained.

¹⁴ Yitzhak Shichor, "China's Voting Behaviour in the UN Security Council", 31 October 2006 www.asianresearch.org/articles/2947.html

¹⁵ Jon B. Alterman, John W. Garver, *The Vital Triangle: China, the United States, and the Middle East*. Center for Strategic and International Studies, 2008, pp. 28-9. In return for its low-key posture in the UN the Bush administration's acceptance of China's designation of the East Turkestan Independence Movement as a terrorist organization which is associated with Uyghur separatism in Xinjiang, as well as a benign U.S. position toward the Chinese acquiring Iraqi oil in the post-Saddam Iraq.

¹⁶ "Interview with Ambassador HE Yafei", *Le Temps*, 1 September 2011.

- A presumption that military operations would be limited to humanitarian protection rather than regime change.

Throughout the Libya crisis Chinese officials were adamant that, as Foreign Minister Yang Jiechi explained in May, Libya's 'sovereignty, independence, unification and territorial integrity should be respected'.¹⁷ Following the end of the military campaign and the overthrow of the Libyan regime, senior officials looked to restate the Chinese position. Ambassador He Yafei explained that, despite any appearances to the contrary, the Chinese refusal to veto UNSC 1973 was not evidence of an 'important change for Chinese diplomacy', and there would be 'no change' in China's traditional engagement in the region.¹⁸ China also reverted to its norm in insisting that the country's post-war reconstruction take place under the auspices of the UN.¹⁹

Syria: Reverting to Norm

On 4 October 2011 China vetoed a UNSC draft resolution condemning the Syrian government and opening the way for the imposition of international sanctions on the Assad regime. Russia joined China in vetoing the proposal and during October and November both countries engaged in a series of consultations that led to the publication of a joint communiqué expressing Chinese and Russian commitments to the principles of 'state sovereignty and territorial integrity of the Middle East countries, to have extensive dialogues by peaceful means, and make active efforts to seek solutions to the crisis.'²⁰

From a Chinese perspective this approach is fully consistent with its traditional doctrine of "non-intervention in domestic affairs" in the wider region.²¹ In September 2004 and May 2006, for example, China abstained on two UNSC draft resolutions calling for the withdrawal of Syrian military forces from Lebanon (Resolutions 1559 and 1680 respectively) on the grounds that the problems reflected Lebanon's internal affairs and thus should be settled by the parties concerned without external interference.

As such, since the start of the Syrian crisis China has favoured a resolution by the local parties and called on the Assad government to 'implement its relevant reform commitments' as a 'priority' and to make an 'early start' at a 'Syrian led-inclusive

¹⁷ "Interview with Foreign Minister yang Jiechi", *Xinhua News Agency and CCTV*, 4 May 2011, Ministry of Foreign Affairs of the People's Republic of China.

¹⁸ "Interview with Ambassador HE Yafei", *Le Temps*, 1 September 2011.

¹⁹ Wang Yan and Zheng Yangpeng, "Give UN a big role" in Libya Rebuilding", *China Daily*, 19 September 2011.

²⁰ "China, Russia Hold Consultations at the Vice Foreign Ministerial Level on the Middle East and African Affairs," Statement by the Embassy of the People's Republic of China in the Kingdom of Sweden, 14 October 2011, www.chinaembassy.se/eng/xwdt/t868162.htm

²¹ Shi Yinhong, "How the Middle East's uprisings affect China's foreign relations." *East Asian Forum*, May 17th, 2011.

political process'. The only role China has endorsed for the international community in Syria is providing 'constructive assistance to facilitate the achievement of those above-mentioned objectives'.²² In the pursuit of these objectives in late October 2011 Beijing dispatched Wu Sike, its special envoy to Middle East, to Damascus at the end of October 2011.²³

China has also been adamant that any resort to UN approved sanctions in the case of Syria is unnecessary, illegitimate and potentially de-stabilising for the wider region. This is in line with its long-time approach to the region. In December 2000 China abstained on UNSC Resolution 1333 that imposed broad sanctions against Taliban authorities in Afghanistan in the wake of the September 2001 Al-Qaeda attacks on the US. China did so on the grounds that such measures should only be introduced as a last resort and with great sensitivity to their actual long-term consequences for regional stability.

Even prior to its early October veto of the UNSC draft resolution, Chinese officials had repeatedly warned that it would oppose any UN move that contained even an implicit reference to sanctions. As UN representative Li Baodong explained during the UNSC debate on Syria in October 2011, 'sanctions or threat of sanctions does not help resolve the Syrian question...it will further complicate the situation'.²⁴ Subsequently Foreign Ministry spokesperson Ma Zhaoxu argued against any UN measures that 'willfully pressures Syria' and rejected sanctions as 'not conducive to easing the situation' and complicating attempts to 'facilitate political dialogue'.²⁵

Between Iran and the GCC

Over the last decade China has in the words Foreign Minister Yang Jiechi 'rapidly and comprehensively'²⁶ developed links at a sub-regional level with the Gulf Cooperation Council (GCC). This has led to the establishment of a number of bilateral forums including the China-GCC Economic and Trade Cooperation Forum and the China-GCC Strategic Dialogue, which held its first meeting in 2010.

China has also increased high-level bilateral engagement on matters of regional security with key GCC states, most notably Saudi Arabia. In 2010 China and Saudi Arabia signed

²² "Foreign Ministry Spokesperson Ma Zhaoxu's remarks on the UN Security Council's Draft Resolution on Syria", 5 October 2011.

²³ "FM urges Syria to fulfil reform promises", *Reuters*, 26 October 2011

²⁴ "China calls for restraint in Syria, non-interference in its internal affairs", *Xinhua*, 5 October 2011.

²⁵ "Foreign Ministry Spokesperson Ma Zhaoxu's remarks on the UN Security Council's Draft Resolution on Syria", 5 October 2011. Salman Shaikh, "Preventing a Syrian Civil War", *The New York Times*, 12 October 2011.

²⁶ "Interview with Foreign Minister yang Jiechi", *Xinhua News Agency and CCTV*, 4 May 2011, Ministry of Foreign Affairs of the People's Republic of China.

two cooperation agreements in the field so of security and law enforcement. In the same year both the Chinese foreign minister (Yang Jiechi) and his deputy (Zhai Jun) visited Saudi Arabia with Jun participating in what was described by the foreign ministry in Beijing as political consultation' with his Saudi counterpart.²⁷ Chinese officials have also utilized high-level meetings with the Saudis to set out their preferences on urgent sub-regional issues including the Chinese intention to formulate a free-trade agreement (FTA) between Beijing and the GCC.²⁸

This increased interaction has engendered a new expectation amongst GCC states that China shows an increased sensitivity to their strategic and political concerns. It has also resulted in a new willingness across the GCC to leverage whatever influence it has over China to influence the latter's approach to regional issues.²⁹

This was evident during the Libya crisis. The GCC states had vigorously supported the NATO-led operation. Qatar and the United Arab Emirates (UAE) had made the groundbreaking decision to participate in the air campaign under NATO command. As such, there was significant diplomatic pressure on China to go along with the international community over Libya, as well as constant criticism of Chinese policy on the influential Qatar based satellite news channel *Al Jazeera*.³⁰

Despite attempts at energy diversification China is still the largest consumer of Middle Eastern oil. According to International Energy Agency (IEA) data, oil sourced from the Middle East as a percentage of China's total crude import rose from 40% in 1994 to 60% in 1997 to 80% in 2010. Currently, China purchases just over 10% of crude oil shipped from the Persian Gulf and imports 14% more barrels per day (bpd) from the region than the US (1.94 million).

Oil imports have been leveraged into trade liberalization for Chinese exports, dramatically increasing the importance of the Middle East in Chinese global trade and helping to balance the current account for the China. This dynamic is particularly true in regard to the wealthy, energy producing GCC states. The UAE is currently China's second

²⁷ "China and Saudi Arabia", Statement by the Ministry of Foreign Affairs of the People's Republic of China, 22 August 2011

²⁸ Posted on the website of the Chinese Embassy in Saudi Arabia, 29 October 2011.

²⁹ Michael Singh, Jacqueline Newmyer Deal, "China's Iranian Gambit." *Foreign Policy*, October 31, 2011; Chris Zambelis, "Shifting Sands in the Gulf: The Iran Calculus in China-Saudi Arabia Relations." *China Brief of the Jamestown Foundation*, Vol. 10 Iss. 10, 13 May 2010; Mahmoud Ghafouri, "China's Policy in the Persian Gulf." A Journal Essay of the Middle East Policy Council, published online on 11 JUN 2009. www.mepc.org/journal/middle-east-policy-archives/chinas-policy-persian-gulf; Sanam Vakil, "Iran: Balancing east against west." *The Washington Quarterly* 29(4), Autumn 2006, pp. 51-65.

³⁰ Liu Kang, "China must sell its values to developing world", *Global Times*, 5 May 2011; "Unfriended: Arab leaders are at last starting to desert the Syrian regime", *The Economist*, 13 August 2011.

largest trading partner in the Arab world and a key hub for Chinese goods entering Middle Eastern and North African markets.³¹ In January 2012, both countries signed an agreement to use the Yuan for their oil transactions in a deal worth an estimated US\$5.5 billion.³²

As well as being China's number one trading partner in West Asia and Africa with bilateral trade reaching USD\$40 billion in 2010,³³ Saudi Arabia has been China's largest supplier of crude oil in the world since 2002. China surpassed the US to become the bigger consumer of its crude in 2009. According to a Chinese foreign ministry statement of late 2011, the country is 'expected to remain' in this position for the foreseeable future.³⁴ In January 2012, the relationship moved to a new stage when the two countries signed an agreement to enhance cooperation in the development and use of atomic energy for peaceful purposes.³⁵

This bilateral relationship is a direct consequence of the explicit efforts of Saudi Arabia to build its energy, trade and strategic relationship with China in the post-9/11 era in response to tensions in the bilateral relationship with the US and the changing strategic paradigm in the region. It also stems from China's growing realization in the late 1990s of the centrality of what Chinese President Jiang Zemin described as a 'strategic oil partnership'³⁶ during a 1999 visit to Riyadh.

Since then some aspects of China's energy engagement in Saudi Arabia have been driven less by economic than by political considerations related to consolidating strategic relations. One such example is China's state-owned oil company Sinopec's successful 2004 bid for one of three concessions awarded by the Saudis to foreign energy companies to develop the s non-associated gas resources in the country.³⁷ More generally, China's domestic refining capacity favours several sources of sweet light crude including Oman and Yemen. Whereas oil from Saudi Arabia generally requires a more sophisticated

³¹ "China and the United Arab Emirates", Statement by the Ministry of Foreign Affairs of the People's Republic of China, 22 August 2011

³² "China and UAE ditch US Dollar, will use Yuan for oil trade", *Commodity Online*, 24 January 2012
www.commodityonline.com/news/china-and-uae-ditch-us-dollar-will-use-yuan-for-oil-trade-45444-3-1.html

³³ Carrie Liu Currier and Manochehr Dorraj, ed., *China's Energy Relations with the Developing World*, London, New York, Continuum Books, 2011.

³⁴ "China and Iran", Statement by the Ministry of Foreign Affairs of the People's Republic of China, 22 August 2011

³⁵ Summer Said, "Saudi Arabia, China Sign Nuclear Cooperation Pact", *Wall Street Journal*, 16 January 2012; John Calabrese, "Saudi Arabia and China Extends Ties beyond Oil." *The Jamestown Foundation*, September 27, 2005, pp. 3-4.

³⁶ Flynt Leverett and Jeffrey Bader, "Managing China-US Energy Competition in the Middle East", *The Washington Quarterly*, Vol. 29, No. 1, pp. 187-201, p.191

³⁷ Leverett and Bader, "Managing China-US Energy Competition in the Middle East", p.192. This is natural gas found in geologic formations that do not also contain crude oil. See also Henry J. Kenny, "China and the competition for oil and gas in Asia", *Asia-Pacific Review*, Vol. 11, No. 2, 2004 pp.36-47.

refining capacity, the upgrading of which the Saudis have actively supported through joint-venture refineries with Chinese national oil companies.³⁸

One can also observe an emerging pattern of interrelated bilateral exchanges between the US, Saudi Arabia, and China based on the hedging principle of improving ties to all and increasing communication to prevent diplomatic isolation and insensitivity to the priorities of key regional partners. If these dynamics become institutionalized into a triangular relationship termed by Kenneth Waltz and Lowell Dittmer as “ménage à trois,” they could provide a powerful force of stability in the region.³⁹

This triangular relationship underscores China’s reluctance to draw key regional states away from the US security (as opposed to economic) orbit.⁴⁰ Saudi leaders have shared a similar concern and, in May 2005, Foreign Minister Prince Saud Al-Faisal acknowledged that rising economic ties with China should by no means be interpreted as reducing in any way his country’s special relationship with the US.⁴¹

The three-way Sino-Saudi-US relationship also highlights the pivotal role of Saudi Arabia as a regional political economy. Notably, the US has looked to provide China with guarantees that the Saudi-led GCC would be prepared to offset any disruption in Iranian energy supplies to China following the imposition of sanctions⁴². During Prime Minister Wen Jiabao’s visit to Saudi Arabia in early January 2012, it was reported that Sinopec had signed a joint venture agreement with Saudi Arabia’s Aramco worth at least US\$8.5 billion. The deal gave the Chinese company a 37.5% stake in an oil refinery in the Red Sea port of Yanbu. The operation, slated to begin by 2014, is to process some 400,000 barrels of crude a day.

Others have also argued that Saudi Arabia is developing into a ‘go-to regional powerbroker’ and a mediator between the US and China over the Iranian issue.⁴³ This was

³⁸ Julian Madsen, ‘China’s Policy in the Gulf Region: From Neglect to Necessity’, *Power and Interest News Report (PINR)*, October 27, 2006, www.gees.org/documentos/Documen-01736.pdf

³⁹ Lowell Dittmer, “The Strategic Triangle: An Elementary Game-Theoretical Analysis.” *World Politics*, vol.33, no.4 (July 1981), pp.485-516.

⁴⁰ John Garver, Flynt Leverett, and Hilary Mann Leverett, “Moving (Slightly) Closer to Iran: China’s Shifting Calculus for Managing its ‘Persian Gulf Dilemma.’” *Edwin O. Reischauer Center for East Asian Studies, Asia-Pacific Policy Papers Series*, October 2009.

⁴¹ “‘Like a Virus That Spreads’; The Saudi foreign minister on women, nukes and the U.S.(Prince Saud al-Faisal) (Interview).” *Newsweek*, March 7, 2005.

⁴² Chris Zambelis and Brandon Gentry, ‘China Through Arab Eyes: American Influence in the Middle East’, *Parameters*, Spring 2008.

⁴³ Chris Zambelis, “Shifting Sands in the Gulf: The Iran Calculus in China-Saudi Arabia Relations.” *China Brief of the Jamestown Foundation*, Vol. 10 Iss. 10, 13 May 2010; Geoffrey F. Gresh, “China’s emerging twin pillar policy in the Gulf,” posted on Foreign Policy.com, Monday, November 7, 2011, http://mideast.foreignpolicy.com/posts/2011/11/07/chinas_emerging_twin_pillar_policy_in_the_gulf

arguably the case up until the Arab Spring. But in its wake the dynamic has changed. In response to what it viewed as Iranian agitation of Bahrain's Shiite population Saudi Arabia has found itself championing the anti-Iranian coalition in the Arabian Peninsula. As China attempts to balance its economic engagement with both Iran and Saudi Arabia, it will inevitably become more difficult to sustain its role as a disinterested actor in the region.

Since the late 1990s Chinese companies have been engaged in the development of oil fields in the Caspian Sea and the construction of a pipeline from Neka (on Iran's southern coast of the Caspian Sea) to refineries in Tehran and Tabriz. Iran also chose Chinese firms to assist it in developing its deep-sea technology for future drilling in the Caspian. In March 2004, China's state-owned oil trading company, the Zhuhai Zhenrong Corporation, signed a 25-year deal to import 110 million tons of liquefied natural gas (LNG) from Iran. The following October, Sinopec, Chinese state-owned oil company, and the National Iranian Oil Company drafted a memorandum of understanding for the development of the massive Yadavaran oil field. This was China's biggest ever deal with Iran. It included a €78 billion agreement to import a 250 million tons of LNG from Iran's Yadavaran oilfield over the subsequent 25 years. The deal also provided China with 150,000 bpd of crude oil over the same period.

This came at a time that Washington was lobbying support for referring the Iranian nuclear file to the UNSC. It was interpreted as a political move intended to underline Chinese independence of action on the nuclear issue. All the more so as it was accompanied in the same month by a statement by then Chinese Foreign Minister Li Zhaoxing that his country would not support UNSC action against Iran's nuclear energy programme.

However, in 2006 in response to Iran's stated intention to go ahead with uranium enrichment, China was compelled to agree to gradual sanctions.⁴⁴ This evolving position is the result of three factors. The first was the Chinese acceptance of Washington's strategic and military dominance of the region, at least in the medium term. In 1997, as part of then Party-Secretary Jiang Zemin's formal visit of the US, China agreed to American demands to end nuclear and cruise missile cooperation with Iran, even going beyond the requirements of the 1992 Non-Proliferation Treaty (NPT).⁴⁵ More recently, Beijing demurred from accepting Iran as a full member of the Shanghai Cooperative

⁴⁴ Willem van Kemenade, "China vs. the Western Campaign for Iran Sanctions." *The Washington Quarterly* 33(3), July 2010, pp. 99-114;

⁴⁵ Dingli Shen, "Iran's nuclear ambitions test China's wisdom." *The Washington Quarterly* 29(2), Spring 2006, pp. 55-66; Scott D. Sagan, "How to Keep the Bomb from Iran." *Foreign Affairs* 85(5), Sep-Oct, 2006, pp. 45-59; Michael D. Swaine, "Beijing's Tightrope Walk on Iran." *China Leadership Monitor* 33, 2010. "The Iran Nuclear Issue: The View from Beijing." *International Crisis Group, Update Briefing, Asia Briefing*, No. 100, February 17, 2010.

Organization, a proposal spearheaded by Russia, in consideration of the likely American adverse response to the perceived formation of an anti-U.S. coalition.⁴⁶ This is not to say that the Chinese have categorically deferred to American interest, but where it has invested political capital such as in softening American punitive measures against Iran it has done so mainly through international institutions such as the International Atomic Energy Agency (IAEA) and the UN.⁴⁷

The second is the increased importance that Beijing now attaches to non-proliferation in international affairs.⁴⁸ This rising Chinese belief in the intrinsic value of non-proliferation is partly a consequence of the ongoing proliferation challenge on the Korean Peninsula.⁴⁹

The final factor is Beijing's increasing disillusionment with the role of Iranian President Mahmoud Ahmadinejad who is viewed as detrimental to its own extensive economic investment in the country, as well as to the stability of a key region.⁵⁰ In these terms, despite real philosophical and practical concerns over a US-led sanctions regime, there is no support in Beijing for Iranian intransigence on the nuclear issue. It is precisely those times (2006 and 2010) when Iranian actions have been viewed as destabilizing the region that China has supported the imposition of sanctions.⁵¹ It is also of interest to note that on other occasions Beijing has been most strident in its opposition to sanctions when Russia, a major regional competitor, has presented itself as a champion of Iran.⁵²

In line with its disillusionment with the Ahmadinejad regime, China has looked to reduce its reliance on Iranian oil. In 2001 China's imported 18% of its oil from Iran. By 2005 this had dropped to 11%. This has fallen to 8.7% more recently. In the first half of 2010 Chinese crude oil imports from Iran dropped by 35%. This sudden Chinese move

⁴⁶ Chien-peng Chung, "Shanghai Cooperative Organization: China's changing influence in Central Asia." *The China Quarterly* 180 (2004): pp. 989-1009.

⁴⁷ Flynt Leverett and Jeffrey Bader, "Managing China: U.S. energy competition in the Middle East." *The Washington Quarterly* 29(1), Winter 2005-6, pp. 187-201; Bates Gill, "Chinese Arms Exports to Iran." *Middle East Review of International Affairs* 2(2), May 1998, pp. 55-70; Kerry Dumbaugh/Congressional Research Service, "China's Foreign Policy and 'Soft Power' in South America, Asia, and Africa." A study prepared for the Committee on Foreign Relations, United States Senate, April 2008, www.gpoaccess.gov/congress/index.html; Song Rong and Bai Jie, "(PRC-foreign exchange) special interview: Rebuild the Silk Road, erect bridge of peace, security for Asia – interview with Iranian ambassador to China Fereyduh Verdinezhad," *Xinhua* (New China News Agency), 14 June 2005.

⁴⁸ Dingli Shen, "Iran's nuclear ambitions test China's wisdom." *The Washington Quarterly* 29(2), Spring 2006, p. 62.

⁴⁹ K. C. Lin, "Rhetoric or Vision? Chinese Responses to U.S. Unilateralism" in V.K. Aggarwal, M.G. Koo, S. Lee, C.I. Moon, ed., *Northeast Asia: Ripe for Integration?* Berlin: SpringerVerlag, 2008.

⁵⁰ Chu Shulong and Rong Yu, "China: Dynamic Minimum Deterrence", in Muthiah Alagappa, *The Long Shadow: Nuclear Weapons and Security in 21st century Asia* (Stanford, CA: Stanford University Press, 2008), p.177; Afshin Molavi, "Buying Time in Tehran: Iran and the China Model." *Foreign Affairs* 83(6), Nov-Dec 2004, pp. 9-16.

⁵¹ Elaine Kurtenbach, "Ahmadinejad slams US during Shanghai Expo visit after China's about-face on Iran sanctions", *Associated Press*, June 11, 2010; Sanam Vakil, "Iran: Balancing East against West", *The Washington Quarterly* (Autumn 2006), Vol. 29, no. 4: 51-65, p. 55.

⁵² Michael D. Swaine, "Beijing's Tightrope Walk on Iran." *China Leadership Monitor* 33, 2010.

coincided with the US effort to get Beijing to support UN sanctions, which included pressuring the Saudi government to guarantee oil supplies to China.⁵³ At the beginning of 2012, as tensions between Iran and the international community once more intensified, China reduced its imports of oil from Iran by roughly half in January, reducing its purchase to 285,000 bpd from their average in 2011 of 550,000 bpd.

Though the ostensible reason for this Chinese move was a dispute over payment terms it is a stark reminder that China has the potential to be the 'linchpin'⁵⁴ of the international sanctions regime against Tehran.⁵⁵ Aware of this, Iran has worked hard to bind China to its side and has regularly called for the development of high-level political trust and cooperation in international affairs to uphold peace and stability in the region.⁵⁶

At the same time China's diversification of its oil needs away from Iran towards Saudi Arabia and its refusal to use its veto to block UN sanctions has fuelled tensions with Iran. To express its displeasure with China's support for UNSC Resolution 1929 of June 2010 sanctions, the Iranian parliament's national security committee pledged to launch an inquiry into Chinese-Iranian relations. Soon after the UNSC resolution was passed, Tehran even briefly agitated about the plight of China's Muslim population, even though over the past decade Beijing has looked for its good relations with Iran as offering the potential to reduce tensions in China's Xinjiang province.⁵⁷

As noted above, Chinese foreign policy makers have an instinctive distaste for the use of sanctions as a tool of foreign policy. Moreover, there is a general acceptance that as former Middle East envoy Sun Bigan acknowledged, the imposition of sanctions on Iran could create tensions 'detrimental not only to the region but also to ourselves'.⁵⁸ As such, Chinese companies for the most part only adhered to letter of Resolution 1929, which contains no explicit restrictions on energy investment or trade. The Chinese government has also been vocal in defending its business interests in Iran in the face of US pressure. In early 2012, for example, Beijing castigated Washington for imposing sanctions on a Chinese firm that sold gasoline to Iran.

In early 2012, Chinese premier Wen Jiabao was categorical that 'China adamantly opposes

⁵³ Erica Downs and Suzanne Maloney, "Getting China to Sanction Iran" *The Chinese-Iranian Oil Connection*, *Foreign Affairs*, Vol. 90, No 2, pp.15-21, p.19

⁵⁴ *Ibid.*, p.15

⁵⁵ David Ignatius, "Iran is finding fewer buyers for its oil", *The Washington Post*, 17 January 2012.

⁵⁶ "China and Saudi Arabia", Statement by the Ministry of Foreign Affairs of the People's Republic of China, 22 August 2011

⁵⁷ See, for example, Brian Fishman, "Al-Qaeda and the Rise of China: Jihadi Geopolitics in a Post-Hegemonic World", *The Washington Quarterly*, Vol. 33, No. 3, pp.47-62

⁵⁸ Rory Miller, "China has more reasons than ever to enter Middle East debate", *Irish Times*, 5 September 2006

Iran developing and possessing nuclear weapons'.⁵⁹ But China's preference has been for the issue to be addressed via the IAEA. In late October 2011, Beijing, along with Moscow, issued a diplomatic note critical of IAEA chief Yukiya Amano for his 'groundless haste' in publishing a report claiming that Iran was looking to develop a military nuclear capability. The official Sino-Russian note urged Amano to 'act cautiously' on the grounds that any such report would 'drive the Iranians into a corner making them less cooperative'.⁶⁰ Asked about the note Jiang explained that 'we hope the IAEA can uphold the just and objective position, bring into full play their professional advantage, engage in contact and interaction with Iran and play a constructive role for solving the Iranian nuclear issue through diplomatic means'.⁶¹

⁵⁹ Eli Clifton, "George W. Bush's CIA Director Cautions Against Iran Attack", ThinkProgress.Org, 20 January 2012, <http://thinkprogress.org/security/2012/01/20/407999/michael-hayden-iran-airstrikes/?mobile=nc>

⁶⁰ George Jahn, "Note shows big power split on Iran", *Associated Press*, 24 October 2011. See also Simon Sturdee, "Russia, China pressuring IAEA on Iran", *AFP*, 24 October 2011.

⁶¹ "China to send envoy to Syria, says it hopes government will deliver on reform pledges", *Washington Post*, 25 October 2011.

Conclusion

As recent events have demonstrated the Middle East remains in a precarious state of disequilibrium. The Chinese response to the Arab Spring highlights that Beijing is already actively attempting to contribute to regional stability. China has taken the initiative to launch multilateral dialogues and expressing its preferences for stability and encouraging multilateral solutions. While it experienced some friction with GCC states over Iran, and to a lesser extent Libya, China has reiterated its preference for compromises to be made under the auspices of the regional organizations.

This preference is most strongly stated toward the current crisis over Syria, in which China overtly warns of the destabilizing effect of multilateral intervention if regional collective action is unsuccessful. As one informed Chinese commentator explained, 'if the UN had passed the proposal to intervene in Syria, not only Syria, but also the entire Middle East would have soon become mired'.⁶²

As such, in the wake of the Arab Spring as far as engagement in diplomacy of the Middle East is concerned the principle of "non-intervention in domestic affairs" and "soft power" diplomacy will continue to take precedence over military or diplomatic power and the country's 'ultra-pragmatism', as some informed Chinese commentators have put it, 'will prevail'.⁶³

China has little interest in playing the role of strategic balancer in the region and for the foreseeable future it will continue (as in the case with Japan and the European Union) to look to be the main beneficiary of the US security guarantee in the Persian Gulf.

China's preference for regional "status quo" does not necessarily mean that it will always act conservatively on issues related to its core interests.⁶⁴ We would point to recent rapid changes in the Chinese position on a range of crucial issues, for example, in Sudan and Angola. Thus it is likely that though it has not done so overtly in the past in the Middle East, China's pragmatic and therefore flexible position will allow it to adopt active

⁶² Wang Jinglie, "Syria is not another Libya", *China Daily*, 21 October 2011

⁶³ Li Shaoxian and Huang Jing, "What do Arab uprisings mean?", *China Daily*, 14 September 2011.

⁶⁴ Alastair I. Johnston, "Is China a Status Quo Power?" *International Security* 27(4), Spring 2003, pp. 5-56.

policies to protect its assets and key regional relationships with little regard for domestic consequences and significant sacrifices to other diplomatic relations.⁶⁵

⁶⁵ Peter Drysdale, "China takes on the mantle of a great power." *East Asian Forum*, March 7th, 2011.



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