



**Statement before the  
U.S.-China Economic and Security Review Commission**

***“China and the Middle East”***

Testimony by:

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Commissioner Friedberg, Commissioner Stivers, distinguished members, I am honored to share my views with you on China's Middle East ties. CSIS does not take policy positions, so the views represented in this testimony are my own and not those of my employer.

In my testimony, I would like to give you my assessment of China's ambitions in the Middle East, and the Middle East's ambitions with China. I have been exploring this subject for almost 20 years, and it has evolved considerably. It is my strong sense that we wrongly assume that China is interested in winning a symmetrical competition with us, and we underestimate the extent to which China is seeking to reshape competition on more favorable terms. We also underestimate the extent to which our partners in the Middle East welcome Chinese influence as a check on what they see as U.S. excesses. They seek to sustain their strong ties with us while simultaneously building stronger ties with China. The consistent message from China is that doing so is both possible and desirable, and they should undermine U.S. efforts to divide them from China. In the process, China seeks to peel the region away from the United States and advance China's strategic goal of a more globally unaligned world.

### **China's Regional View**

China became a net oil importer in 1993, since the beginning, about half China's oil has come from the Middle East. China therefore has found itself persistently reliant on a region that the United States continues to dominate, and its investments have been steady for decades.

Chinese strategic thinkers see the Middle East as a place with far more peril than promise. The region has a history of both intra-regional strife and domestic unrest, and China is concerned that extremist ideologies originating in the region will infect western China. China is also concerned that the Middle East is well within the U.S. sphere of influence, and differences over the region could precipitate a U.S.-China conflict. As I understand it, China feels it cannot afford to be disengaged in the Middle East, but its engagement must be selective. In addition, China's actions in the Middle East are clearly subordinate to its global strategic concerns, the most significant of which is its rivalry with the United States.

The Chinese position in the Middle East has been dynamic for the last quarter-century, not least because the U.S. position in the region has been dynamic. China has developed strong relations with U.S. allies and adversaries alike, building robust commercial ties all along the way. Several years ago, Indian Minister of External Affairs S. Jaishankar said, "For the last 20 years, the United States has been fighting but not winning in the Middle East, and China has been winning but not fighting in the Middle East." That seems accurate to me.

To a remarkable degree, there is great regional enthusiasm for stronger relationships with China. In part, this stems from a general sense that China is a rising power in the world, and closer ties with the country are prudent. But the most significant driver of this enthusiasm is a mutual belief that energy brings the two regions together. Beginning in the late 20<sup>th</sup> century, China became the single largest driver of energy demand growth in the world. The rapidly expanding Chinese industrial base was hungry for oil, and the Middle East has the only exporters who could meet that growing need. As demand plateaued in the United States and began to fall in Europe, it was

China's growth that kept global demand growing. It became unthinkable for energy producers not to seek to grow their relationships with China as a consequence.

There is also deep admiration for China's economic growth, and quiet appreciation for the fact that China has grown strongly without making the concessions to the political, economic, and social liberalism that Western states often insist are necessary for prosperity and stability. The Belt and Road Initiative was a masterstroke of branding, persuading state after state in the Middle East that it could play a central role in the geostrategic calculations of the world's greatest rising power, with each imagining the growing power it would accrue as a result. Of course, the dividends of the Belt and Road initiative in the Middle East are scant, but the residual desire to engage more closely with China endures.

The Middle East also has suffered from growing disenchantment with the United States. For decades there has been disappointment with U.S. policy toward the Palestinian-Israeli conflict, and this disappointment and anger has become acute in the last six months. There was also frustration that U.S.-led wars in Iraq and Afghanistan had little justification in the international law the United States claimed to be upholding, and the United States prosecuted the wars while indifferent to the civilian casualties they imposed. Governments were discomfited by the U.S. embrace of democratization in the Arab Spring, they complained of U.S. abandonment as the Obama administration announced its rebalancing toward Asia, and Arab governments complained that U.S. policy toward Iran was recklessly empowering the Islamic Republic.

Countries and populations felt that a closer relationship with China would give them the ability to resist U.S. hegemony and resist demands to reshape their domestic and foreign policy to reflect U.S. preferences. Even U.S. partners and allies felt that the U.S. had enjoyed monopoly power in the Middle East for too long, and competition would benefit them.

In this, China had a great deal to offer. Not only did China have the aura of geostrategic heft, but it brought economic resources to bear. Trade relationships have grown exponentially over the last two decades, through massive energy exports, the importation of Chinese manufactured goods, and the extensive use of Chinese companies to build infrastructure, housing, factories, and more. Where Western companies moved slowly toward agreements, sought external financing, and had extensive regulations that governed everything from environmental protection to anti-corruption statutes, Chinese companies were one-stop shops in league with the government, they were happy to build things quickly if not always well, and they were open to the costs of doing business in an environment with extensive patronage networks.

China doesn't want to supplant the United States in the Middle East but wants to supplement the United States in the Middle East. China also doesn't want to sacrifice much to advance any of its interests in the Middle East. Where it invests, it does so deliberately.

China, as you know, has created a hierarchy of relationships, with the most elevated being a "comprehensive strategic partnership." In the Middle East, it has such a partnership with Saudi Arabia, the UAE, Iran, Egypt, and Algeria. The latter, it feels to me, is mostly sentimental, tied to the links the two revolutionary countries established in the 1950s and have sustained in the

decades since. As China has become more market-oriented, it has turned a mercantile eye toward regional states, making shrewd efforts to build ties where they have the most potential for China.

### **Saudi Arabia**

Saudi Arabia has been among the Middle Eastern countries most interested in courting China. Part of the interest is simply about energy: China was driving global growth, and Saudi Arabia has the world's largest proven oil reserves. As Saudi Arabia sees its role as "the world's central banker of oil," it would be ludicrous in the Saudi view not to build a close relationship with the world's largest customer for imported oil. Strategically, Saudi Arabia also sought to displace Iran as China's largest foreign supplier of energy. From a Saudi perspective, closer trade relations with China puts a cap on how close Iranian-Chinese relations can grow and gives the Saudis some assurance that China will not advance Iranian interests in international forums.

Saudi Arabia began engaging more deeply with Chinese firms when it sought low-cost construction options amidst a slumping economy in the 1990s. When oil prices rose in the 2000s and the Saudi economy was flush with cash, Chinese-Saudi trade grew strongly. In 2012, China and Saudi Aramco agreed to build a massive refinery together in Yanbu, on the Red Sea. Within four years, the refinery was operational, processing about 400,000 barrels per day of crude. China has built some of the country's most important projects in the last two decades, including light rail, desalination plants, and industrial estates. China is intimately involved in building out the Saudi IT backbone, and Chinese firms are key partners in constructing NEOM, the futuristic city on the Red Sea.

China has explicitly sought to portray itself as an essential strategic partner to Saudi Arabia. It has done so partly in the wake of Saudi concerns that the United States has been abandoning the Middle East as it pivots toward Asia, and partly by marketing the idea that the Chinese experience in economic growth holds lessons for Saudi Arabia's own ambitious economic diversification efforts. China has portrayed itself as an essential partner to Saudi Vision 2030, which Crown Prince Mohammed bin Salman has used as a focus for Saudi Arabia's economic planning.

In recent years, Saudi Arabia has had a sustained but superficial fascination with Deng Xiaoping's efforts in the 1980s to transition China from a relatively poor and parochial Maoist dictatorship to a robust and cosmopolitan global economic powerhouse. I recently wrote a paper on Middle Eastern states' understanding of the China model, and one of the fascinating examples is a modern art exhibit in Diriyya a couple of years ago that was curated by an American curator of modern Chinese art. The exhibit was entitled, "Crossing the River by Feeling the Stones," a phrase attributed to Deng Xiaoping. An explanatory panel explained, "When it was coined, this maxim referred to strategies for implementing and adapting to the massive economic and cultural transformations that were then taking place. Saudi Arabia finds itself today in a similar moment of optimistic energy, willingness to ask questions, and openness to new futures."

The Chinese-Saudi relationship is more robust than merely an energy relationship. There is also a military strand that runs through bilateral ties. Starting in the 1980s, Saudi Arabia occasionally saw China as a source for weapons that the United States would not provide, such as the CSS-2 missiles. This trend has continued, with China reportedly selling Saudi Arabia drone aircrafts

and helping Saudi Arabia build ballistic missiles. There seems to be extensive Chinese involvement in efforts at domestic surveillance.

Even so, when it comes to human capital, the Chinese are not very present. The Chinese have no role, for example, in extensive Saudi efforts to reform their defense establishment, which are being done along an Anglo-American model. There's also little evidence that China helps provide management training to senior Saudis, whose experience is almost entirely Western (and mostly American). Given that there is such a huge need in the Kingdom for management expertise for a vastly growing enterprise, and given the role of Western institutions providing it, this appears to provide a ceiling for how closely Chinese ties can develop.

Even so, ties are clearly developing. Saudi interlocutors have told me that Chinese representatives often come in and explicitly red team the United States. When they make an offer, they also predict what the United States would do, the kinds of conditions it would impose and the timelines it would give. They explain why their offer is better, and by Saudi estimates, they understand the U.S. position as well as Americans.

The Saudi ambition to draw closer to China grew after U.S. outrage at the murder of Jamal Khashoggi and now-President Biden's promise during the 2020 presidential campaign that he would treat the Saudis "like the pariahs that they are." This ambition has dampened in recent years, partly because the Biden administration has reassured Saudi Arabia that it is not hostile, and because China's regional diplomacy has demonstrated it is no substitute for the United States. While some expected that the Chinese role brokering a Saudi-Iranian agreement a year ago was a sign of China's regional diplomatic clout, it was largely Saudi determination that drove the diplomacy—including China's own involvement—and China has played no serious role trying to resolve the conflict in Gaza or resolving issues in Yemen, which is a long running Saudi security concern.

It is clear to Saudis that the country needs a robust relationship with China. Even if China doesn't replace the United States, Saudi Arabia sees China as an important check on the United States, and an important supplement to what the United States is willing to provide to China.

### **United Arab Emirates**

The UAE has an even more complicated relationship with China than Saudi Arabia, in part because the UAE has distinctive sets of interests within a single country. Dubai has been a trading entrepot for centuries, and China's global trade and Dubai's role as a vital global transshipment point have grown in tandem. Today, 60 percent of China's trade with Europe and Africa passes through the UAE (mostly Dubai), as does a large percentage of its trade with the Middle East. About a quarter-million Chinese live in the UAE, again mostly in Dubai, compared to only a million Emirati citizens in the whole country. Chinese firms have driven much of the construction in Dubai, and the country's mercantilist spirit jogs quite well with the Dubai business community. Chinese organized crime operates in Dubai as well, including gambling enterprises, and the Dubai police closely monitor its progress.

Abu Dhabi is less interested in transshipment and trade, and much more focused on its role as a major oil exporter. As such, the Abu Dhabi leadership concentrates on security and geopolitics.

As in Saudi Arabia, there appears to be extensive cooperation between the national government and China on domestic security issues including surveillance, but Abu Dhabi works extensively with other security providers including Israel to bolster its surveillance capability. Abu Dhabi had a close partnership with China in the early months of the COVID pandemic on both testing and vaccines, although that cooperation dimmed when evidence emerged that the Chinese vaccine was much less effective than Western versions. While there were reports about a year ago that China was working closely with Abu Dhabi on artificial intelligence (ironically or perhaps significantly, led by a company chaired by the UAE national security advisor), some of that cooperation seems to have cooled, presumably in alignment with U.S. concerns.

The Abu Dhabi government increasingly has sought to strike an “active neutrality” posture in the world, retaining intimate ties with the United States but growing substantial ties with Russia and China. After the invasion of Ukraine, billions of dollars and thousands of Russians found safe haven in the UAE, despite—and arguably because of—U.S.-led sanctions on Russia. In a widely reported incident, in late 2021 the UAE shut down construction of what U.S. officials claimed was a Chinese military facility in Khalifa Port in Abu Dhabi, although there have been scattered reports that construction has continued.

The issue is not so much that there is overt tension between the United States and the UAE, but rather that the UAE has a growing sense that it is large enough and powerful enough to advance its own interests and should not slavishly follow the diktats of the United States. Whereas Saudi Arabia feels like it is embarking on a transformation, the UAE is more self-confident that its transformation has been underway for decades. The UAE sees itself as a regional thought leader, and the model it has demonstrated is one of careful balance between regional and global concerns, Western and Arab mores, and private and public capital development.

The UAE’s balancing reflects itself in complicated ways in domestic affairs. In foreign policy, though, it feels more straightforward. Perhaps surprisingly, the tiny UAE seems to be adopted a foreign policy that is in line with that advocated by India, a growing global heavyweight. Ties between the two, which date back centuries, are interesting. India is closer to the UAE than Kuwait, and there are more than two and a half times as many Indian citizens in the UAE as Emiratis in the UAE. Despite the large disparities in size—with India’s population almost 15 times that of the UAE when the UAE includes expatriates, and 150 times its size without them—the two countries have leaders with strong domestic support who share a vision of not needing to fall in line with a world that's broken into blocs.

## **Iran**

Rather than seek to balance within the global system like the UAE, Iran seeks to undermine the structure of that system, which the Iranian leadership sees as hostile to Iran. In this effort, China is an eager partner. Both countries share discomfort with what the United States claims is a “rules-based order” and which China and Iran agree is an order that is intended to constrain them. In addition, China prefers a world in which the United States is bogged down in the Middle East and alienates much of the Global South through its actions there. In a way, sustained U.S.-Iran tensions are a manifestation of the United States trying to impose its will on a smaller state, and many countries feel some combination of solidarity and sympathy with Iran. China is eager to stand by Iran, as long as it doesn’t cost China much. In 2021, China and Iran made

headlines by signing a 25-year cooperation agreement that promised a \$400 billion investment in the Iranian economy. While the agreement made headlines, implementation has been weak at best, and the more Iran has seemed desperate for Chinese investment, the scarcer it has proven to be.

Despite common cause, there are vast disparities between China and Iran. The starkest area is economics. China represents about a third of Iranian trade, but Iran represents less than one percent of Chinese trade. It is clear who is in control of this relationship. Time after time, China has instrumentalized its relationship with Iran in order to advance Chinese interests. In political science terms, the Iranian-Chinese relationship is always a dependent variable based on China's other interests in the world. The Iranians both resent this and know there's nothing they can do about it.

It was a little bit surprising to me China has not been more outspoken about Houthi attacks on Red Sea shipping. Iran supports the Houthis with arms, cash, and reportedly with some targeting data. Attacks on shipping does more than hurt Chinese trade with Europe. Chinese ships have now been attacked despite Houthi promises they would not be, and the need to circumnavigate Africa has added to costs delays. In addition, the Houthis attacks have cut Suez Canal revenues in half since the first of the year, denying billions of dollars in hard current to a country with which China has a comprehensive strategic partnership and in which China has invested billions of dollars in recent years. It seems to me that's a reflection of two things. The first is that China has decided it can't have much of an impact. But the second and more important aspect is that it reveals that virtually everything China does in the Middle East is with an eye toward its most serious consideration: strategic competition with the United States.

China plays off the two beautifully. In circumventing U.S. sanctions by purchasing Iranian crude oil, China simultaneously undermines the U.S. ability to use the international financial system to sanction adversaries while gaining access to discounted oil. For China, this is a win-win solution, but the strategic goals (constraining U.S. hegemony, undermining the centrality of the global dollar economy, and demonstrating the inability of the United States to strangle the economies of its adversaries) are even more important than near-term economic benefit. China is guarding against a world in which the United States might seek to isolate China, and chipping away at its ability to do so is a central Chinese concern.

## **Israel**

Israel is a close U.S. ally that actively courted China starting in the early 2000s, and China responded in kind. China not only sought Israeli counterterrorism assistance in the years after 9/11, but it also saw Israel is an important source of technical expertise. Chinese firms began investing in Israel, for example buying the country's largest dairy producer in 2014, but that wasn't where the real news was. About a decade ago, concern began to grow in the United States that China would use Israeli technology and the infrastructure it was building in Israel to advance Chinese espionage efforts. Israelis were dismissive of that fear 10 years ago, but in the last five have seemed to be more open to U.S. concerns. Whether that is a result of what Israelis themselves saw, what Americans were able to persuade them of, or a general assessment that the U.S. relationship needed to be protected is unclear.

But the largest shift in China-Israel ties came in the weeks and months after October 7. China has been openly critical of Israel and has shown little sympathy for Israel's assertions that it is in an existential struggle against a terrorist group. Instead, China has swung firmly behind a strategy of showing solidarity with the Global South, and thus siding with Palestinians over Israelis. We haven't yet seen this manifest in terms of disinvestment, but there is certainly less engagement, and the scars of this conflict are likely to run deep. Even so, it is likely that China will seek to reassert itself when the conflict begins to ebb. If there is some sort of broad international effort to resolve the conflict between Israelis and Palestinians, China is certain to pursue a central role in that effort as a matter of prestige. From that position, China is likely to seek to revive its relationship with Israel.

### **China And the Global South**

China's role in the Gaza conflict now has been almost entirely opportunistic. While China's default position has been to favor states over non-state actors, China slid quickly into a position expressing solidarity between the countries of the Global South and Palestinians. China has had little positive to say to Israel, and its messaging stresses the hypocrisy of a U.S. position that on the one hand advocates international law but also turns away from any responsibility to protect Palestinian civilians from Israeli Army assault.

The difference between Chinese relations in the Middle East versus a place like Latin America or Africa is that China sees the region as having difficult—some in China would say intractable—security challenges. China sees little advantage in working to resolve them, and little capacity to do so. Instead, China seeks to position itself behind the United States, allowing the United States to get sucked in. China is focused on two things in the region: ensuring its competition with the United States does not escalate to outright conflict, and not replacing the United States. Instead, China sees the Middle East as the point of the spear of creating a different world which is more mercantilist and less committed to international law and multilateralism. The more international relations revolve around the bilateral relations between states, the better it is for China, which is the stronger party in all of its bilateral relations except with the United States.

### **Recommendations**

1. While the overall frame of U.S. foreign policy is increasingly focused on competition with China, the USG must understand that China is committed to asymmetrical competition in the Middle East. At the same time, Chinese strategy in the Middle East is focused on China's global rivalry with the United States. Understanding these two distinct points is vital to constructing an appropriate U.S. policy toward China's role in the region.
2. Similarly, it is appropriate to understand the Chinese-Iranian relationship for what it is, and not mistake it for what it isn't. Iran is a tool for China to use in China's relations with the United States, and China will not make sacrifices for Iranian benefit. There is no alliance here, and the prospect of one should be less alarming to U.S. officials than many seem to assume.



3. It is important to continue to articulate the USG view that while it is appropriate for countries to develop close economic ties with China, it is also appropriate to be wary of China's actions. China has an interest in saying the United States is forcing countries to choose, and they should resist out of their own economic interest. It cannot be repeated enough that the volume of U.S. trade with China is *prima facie* evidence that the United States does not object to economic ties.
4. China's passivity and frequent irrelevance to addressing the robust security challenges facing the Middle East today, and the central role U.S. diplomacy plays in seeking to resolve them, should give lie to the theory that the United States is leaving the region and China is the rising power in the Middle East. Neither is true, and the USG should remind regional governments why.
5. There are any number of polls that attest to the popularity of China and the unpopularity of the United States in the Middle East, yet public opinion polls on foreign policy are not reliable indicators of Middle Eastern governments' behaviors. Regional rulers are presumed to have the prerogative to make foreign policy as they see fit. Regional leaderships are fascinated by China in a superficial way, but they don't know much about China. They are mostly interested in the way China's example seems to refute Western insistence on their need to adopt liberalism. The United States should focus less on issues of political ideology and more on the fact that human capital development is the only way the Middle East can make it through the energy transition whole. The unique value proposition of Western education and training versus the Chinese model is irrefutable and gives a strong strategic advantage to sustained influence of the United States and its allies.