

## Testimony before the U.S.-China Economic and Security Review Commission

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### Introduction

I thank the Commission for the opportunity to testify before it on the topic of China and the Middle East. My comments below directly respond to the eight questions posed by the Committee.

The following comments focus on China’s post-Cold War relations with the Middle East (1990-2012). In all of the below discussion, the Middle East is defined as including Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, the Palestinian Territories, Qatar, Saudi Arabia, Syria, Tunisia, Turkey, the United Arab Emirates, and Yemen.

My comments are heavily influenced by fifteen months of fieldwork conducted in China and Egypt from 2009 through 2013, including over 120 interviews. While a Visiting Scholar at the Chinese Academy of Social Sciences, Institute of World Economics and Politics, in Beijing, China, (September 2009 through May 2010), I conducted intensive research regarding Chinese academic work on this topic; collected data; and interviewed Chinese scholars, government officials, and economic actors as well as a number of Middle Eastern embassy officials. As a Visiting Research Fellow at the American University in Cairo, Egypt, (September 2010 through December 2010), I interviewed relevant scholars and government officials and identified pertinent scholarly work produced within the Arab world. Finally, in 2013 I conducted follow-up interviews in Beijing regarding the impact of the Arab Spring on China’s interests and behavior after 2010. Over the course of those fifteen months of field research, I officially interviewed Middle Eastern government officials with China-related responsibilities from Bahrain, Egypt, Iraq, Israel, Jordan, Oman, Palestine, Tunisia, Turkey, and the United Arab Emirates.

### Question 1:

**What drives Chinese policies, activities, and interests in the Middle East? Broadly speaking, what are China’s economic and strategic interests in the region? How does Beijing balance these with its larger foreign and domestic interests?**

In the post-Cold War era, China’s interests in the Middle East are promoting China’s own economic growth, fostering support for China in the international system, ensuring China’s own domestic stability, and advocating for developing country causes.

China’s most important interest in the Middle East is promoting its own economic development. Natural resource supply and export markets for Chinese goods and services are at the heart of this interest. China’s imports from the Middle East have rapidly increased during the last two decades. China became a net oil importer in 1993 and today it is the world’s second largest importer (5.5 mn. bb/d) after the United States.<sup>1</sup> As a result, China’s imports from the Middle East (primarily composed of petroleum and gas)

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<sup>1</sup> U.S. Energy Information Administration, *Country Analysis Briefs: China*, last updated September 2012, [www.eia.doe.gov/countries/cab.cfm?fips=CH](http://www.eia.doe.gov/countries/cab.cfm?fips=CH) (accessed May 22, 2013).

grew from \$3.8 bn. in 1999 to \$160 bn. in 2012.<sup>2</sup> As of 2011, the Middle East accounted for 55% of China's crude oil imports.<sup>3</sup> China's top crude oil suppliers in the region are Saudi Arabia (22%), Iran (12%), Oman (8%), Iraq (6%), Kuwait (4%), and the United Arab Emirates (3%).<sup>4</sup>

Although China's natural resource acquisition needs are a key component of its interest in promoting its own economic development, China's search for export markets in the Middle East is equally significant. China views the region as an immense economic opportunity for Chinese firms. China's product exports to the Middle East have dramatically increased over the last twenty years. They ballooned from \$6.47 bn. in 1999 to \$121 bn. in 2012.<sup>5</sup> China's top five export destinations in 2012 were the United Arab Emirates (\$30 bn.), Saudi Arabia (\$18 bn.), Turkey (\$16 bn.), Iran (\$11 bn.), and Egypt (\$8 bn.).<sup>6</sup> China's primary exports were light industrial products (including consumer electronics and appliances), textiles, clothing, machinery, and automobiles.<sup>7</sup>

In addition to product exports, the Middle East is a huge service export market for China's construction, telecommunication, and finance industries. Contract services by construction firms are a particularly important segment of these services. In 2011, China's construction services in the Middle East were \$21 bn.<sup>8</sup> China's 2011 top construction service markets in the Middle East were Saudi Arabia (\$4.4 bn.), Algeria (\$4.1 bn.), Iran (\$2.2 bn.), United Arab Emirates (\$1.9 bn.), and Iraq (\$1.8 bn.)<sup>9</sup>

Foreign direct investment is not a major interest for China in the Middle East. Compared to its exports of goods and services, China's overseas direct investment (ODI) in the region is minimal. In 2010, it was merely \$1.3 bn.<sup>10</sup>

Related to China's interest in promoting its own economic growth are its concerns about economic security and regional stability in the Middle East. The region is viewed as a turbulent, U.S. dominated area which is a hotbed of great power competition, especially after the United States' invasion of Iraq in 2003 and the beginning of the Arab Spring in 2011. In order to ensure continued access to resources and markets in this region and to protect its own businesses and citizens operating in the region, China wants stability between countries and within countries.

After promoting its own economic growth, China's second most important interest in the Middle East is fostering international support in an emerging multipolar world order. Since the end of the Cold War, China has perceived an emerging multipolar order. Its proclamations regarding the inevitability of the trend toward multipolarity intensified after the 2008 Global Financial Crisis.<sup>11</sup> It envisions developing

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<sup>2</sup> Data compiled from International Monetary Fund (IMF), *Direction of Trade Statistics Database*, [www.imfstatistics.org](http://www.imfstatistics.org) (accessed May 22, 2013).

<sup>3</sup> U.S. Energy Information Administration, *Country Analysis Briefs: China*, last updated September 2012, [www.eia.doe.gov/countries/cab.cfm?fips=CH](http://www.eia.doe.gov/countries/cab.cfm?fips=CH) (accessed May 24, 2013).

<sup>4</sup> Ibid.

<sup>5</sup> Data compiled from International Monetary Fund (IMF), *Direction of Trade Statistics Database*, [www.imfstatistics.org](http://www.imfstatistics.org) (accessed May 22, 2013).

<sup>6</sup> Ibid.

<sup>7</sup> See Wang Lian, "Economic and Trade Relations Between China and Middle Eastern Countries," *International Studies*, No. 4 (2008), p. 26; and Jon B. Alterman and John W. Garver, *The Vital Triangle: China, the United States, and the Middle East*. (Washington, D.C.: CSIS Press, 2008), p. 57.

<sup>8</sup> Data compiled from *China Statistical Yearbooks 2000-2012*. China National Bureau of Statistics.

<sup>9</sup> Ibid.

<sup>10</sup> Data compiled from *Statistical Bulletin of China's Outward Foreign Direct Investment* (China Ministry of Commerce, 2009), p. 78-83, at <http://chinainvests.files.wordpress.com/2010/12/2009-mofcom-investment-report1.pdf> (accessed on March 17, 2011) and *Statistical Bulletin of China's Outward Foreign Direct Investment* (China Ministry of Commerce, 2011), p. 82-84, at <http://images.mofcom.gov.cn/hzs/accessory/201109/1316069658609.pdf> (accessed on May 24, 2013).

<sup>11</sup> For example, see *The Diversified Employment of China's Armed Forces* (2012). White Paper, Beijing, China: Information Office of the State Council of the People's Republic of China, April 16, 2013 (accessed on-line on May 30, 2013 at

countries (including those in the Middle East) as playing an increasingly important role in this new order. As a result, one of its major interests in the Middle East is gaining political support from these countries through South-South Cooperation.

In addition to promoting its own economic growth and fostering support in the international system, China's third most important interest is ensuring its own domestic stability. Due to religious and ethnic strife in Xinjiang, China's Muslim dominated province, the Middle East is perceived as a potential source of domestic instability for China. In particular, Turkish support for insurgency activities (due to shared ethnic heritage with the Uigurs) is a key concern. This domestic stability interest in relation to the Middle East intensified after September 11, 2001 and became particularly acute after the Xinjiang riots in 2009.<sup>12</sup> To maintain domestic stability, China seeks support from Middle Eastern governments for its suppression of insurgency activities in Xinjiang. 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.<sup>13</sup>

Finally, China also has a strong interest in advocating for developing country causes. In the post-Cold War era, China has consistently called for the establishment of a just and equitable new international economic and political order which better represents the needs of developing countries. At the heart of this envisioned order is addressing economic and political inequalities between the developing world and the developed world, between the global South and the global North. During the Hu Jintao administration, China's self-identification as a developing country and calls for establishing this new order escalated.<sup>14</sup> The 2008 Global

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[http://www.china.org.cn/government/whitepaper/node\\_7181425.htm](http://www.china.org.cn/government/whitepaper/node_7181425.htm)); *China's National Defense in 2010*. White Paper, Beijing, China: Information Office of the State Council of the People's Republic of China, March 31, 2011, (accessed on-line on June 7, 2011 at [www.china.org.cn/government/whitepaper/node\\_7114675.htm](http://www.china.org.cn/government/whitepaper/node_7114675.htm)); *China's National Defense in 2008*. White Paper, Beijing, China: Information Office of the State Council of the People's Republic of China, January 20, 2009, (accessed on-line on June 7, 2011 at [http://www.china.org.cn/government/whitepaper/node\\_7060059.htm](http://www.china.org.cn/government/whitepaper/node_7060059.htm)); *China's Foreign Affairs: 2009 Edition*. Beijing, China: Department of Policy Planning, Ministry of Foreign Affairs, People's Republic of China, World Affairs Press, 2009, p. 1-3; *China's Foreign Affairs: 2008 Edition*. Beijing, China: Department of Policy Planning, Ministry of Foreign Affairs, People's Republic of China, World Affairs Press, 2008, p. 1-2.

<sup>12</sup> In July 2009, there was large scale violence between ethnic Han Chinese and Uigurs in Xinjiang. According to Chinese authorities, 137 of those killed were Han, 46 were Uighur and 1 was from the Hui ethnic group. See Edward Wong, "China Raises Death Toll in Ethnic Clashes to 184," *New York Times*, July 10, 2009, available at: <http://www.nytimes.com/2009/07/11/world/asia/11china.html>.

<sup>13</sup> For example, see Bruce Dickson (2011). No "Jasmine" for China. *Current History*, 110(737), 211-216.

<sup>14</sup> For example, see *China's National Defense in 2002*. White Paper, Beijing, China: Information Office of the State Council of the People's Republic of China, December 2002, (accessed on-line on June 7, 2011 at <http://www.china.org.cn/e-white/20021209/index.htm>); *China's Foreign Affairs: 2003 Edition*. Beijing, China: Department of Policy Planning, Ministry of Foreign Affairs, People's Republic of China, World Affairs Press, 2003, p. 1,6; "Comparison -- Text of Wen Jiabao's Speech at China-African Cooperation Forum," Xinhua Domestic Service, December 15, 2003, accessed via World News Connection on June 10, 2011; "Full Text of Hu Jintao Speech at North-South Leaders' Dialogue Meeting," Xinhua Domestic Service, June 1, 2003, accessed via World News Connection on June 10, 2011; *China's Foreign Affairs: 2004 Edition*. Beijing, China: Department of Policy Planning, Ministry of Foreign Affairs, People's Republic of China, World Affairs Press, 2004, p. 1, 7-8, 35-36; "Wen Jiabao Delivers Speech Marking Five Principles of Peaceful Coexistence Anniversary," Xinhua Domestic Service, June 28, 2004, accessed on-line via World News Connection on June 10, 2011; *China's National Defense in 2004*. White Paper, Beijing, China: Information Office of the State Council of the People's Republic of China, December 2004, (accessed on-line on June 7, 2011 at <http://www.china.org.cn/e-white/20041227/index.htm>); *China's Peaceful Development Road*. White Paper, Beijing, China: Information Office of the State Council of the People's Republic of China, December 12, 2005, (accessed on-line on June 7, 2011 at <http://www.china.org.cn/english/features/book/152684.htm>); "Full Text of Hu Jintao's Speech at UN Summit 15 September," Xinhua Domestic Service, September 16, 2005, accessed on-line via World News Connection on June 10, 2011; "Full Text of Hu Jintao Speech at Asia-Africa Summit in Jakarta 22 Apr," Xinhua Domestic Service, May 5, 2005, accessed on-line via World News Connection on June 10, 2011; "Full Text of Hu Jintao's Speech at Asian-African Business Summit Reception," Xinhua, April 21, 2005, accessed via World News Connection on June 10, 2011; "Comparison -- Full Text' of Hu Jintao's Speech at Opening of G-20 Meeting," Xinhua Domestic Service, April 16, 2005, accessed on-line via World News Connection on June 10, 2011; *China's Foreign Affairs: 2006 Edition*. Beijing, China: Department of Policy Planning, Ministry of Foreign Affairs, People's Republic of China, World Affairs Press, 2006, p. 3-4, 6, 38; "Text of Hu Jintao's Speech at Opening Ceremony of China-Africa Summit 4 Nov," *Xinhua Domestic Service*, November 6, 2006, accessed via World News Connection

Financial Crisis also amplified China's demands for a new, more inclusive order.<sup>15</sup> Middle Eastern states are seen as key partners in South-South cooperation and pursuing this new order.

## **Question 2:**

### **Characterize China's economic, diplomatic, cultural, and military engagement in the Middle East.**

Since 2000, China relations with Middle Eastern countries have rapidly expanded to include a vast array of political, economic, cultural and military interactions. The following describes major aspects of that engagement: Cooperation Forums, the Middle East Issues Special Envoy, strategic partnerships, top leader visits, United Nations Security Council voting, the China-GCC Free Trade Agreement, government support for Chinese companies, special economic zones, Confucius Institutes, United Nations Peacekeeping Operations, antipiracy operations, conventional arms sales, and military exchanges.

#### Cooperation Forums

China has established two Cooperation Forums that include Middle Eastern countries, the Forum on China-Africa Cooperation (FOCAC) and the China-Arab States Cooperation Forum (CASCF).<sup>16</sup> These Cooperation Forums are China's primary multilateral coordination mechanisms with the Middle East.

FOCAC was established in 2000. The entire continent of Africa (including North Africa) is included in the organization. The current members of FOCAC are the People's Republic of China (PRC) and fifty African nations.<sup>17</sup> Four African countries (who still recognize the Taiwan) are not members of FOCAC: Burkina Faso, Gambia, Sao Tome Principe, and Swaziland. In North Africa, there are a number of countries that are members of both FOCAC and CASCF due to their affiliation with the Arab League. Those dual member countries are Algeria, Djibouti, Egypt, Libya, Mauritania, Morocco, Somalia, Sudan, and Tunisia.

CASCF was established in 2004. The League of Arab States represents its twenty-one members in this forum. Those states are Algeria, Bahrain, Djibouti, Egypt, Jordan, Iraq, Lebanon, Libya, Kuwait, Mauritania, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, United Arab Emirates, and Yemen. All of these states recognize the PRC (as opposed to Taiwan). As a result of coordination by the Arab League, in CASCF the Arab States actively negotiate for the inclusion of

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on June 10, 2011; *China's National Defense in 2006*. White Paper, Beijing, China: Information Office of the State Council of the People's Republic of China, December 2006, (accessed on-line on June 7, 2011 at <http://www.china.org.cn/english/features/book/194421.htm>); "Full Text of Hu Jintao Speech at Dialogue Between G-8, Developing-Countries," Xinhua Domestic Service, June 9, 2007, accessed on-line via World News Connection on June 10, 2011; *China's Foreign Affairs: 2007 Edition*. Beijing, China: Department of Policy Planning, Ministry of Foreign Affairs, People's Republic of China, World Affairs Press, 2007, p. 4-5; "Full Text of Hu Jintao Speech at G8 Outreach Session 9 July in Toyko, Japan," Xinhua Domestic Service, July 10, 2008: accessed on-line via World News Connection on June 10, 2011; and *China's Peaceful Development*. White Paper, Beijing, China: Information Office of the State Council of the People's Republic of China, September 6, 2011, (accessed online on October 14, 2011 at [http://www.china.org.cn/government/whitepaper/node\\_7126562.htm](http://www.china.org.cn/government/whitepaper/node_7126562.htm)).

<sup>15</sup> For example, see *China's Foreign Affairs: 2009 Edition*. Beijing, China: Department of Policy Planning, Ministry of Foreign Affairs, People's Republic of China, World Affairs Press, 2009, p. 4-5.

<sup>16</sup> Official website for FOCAC is [www.focac.org](http://www.focac.org). The CASCF website is [www.cascf.org](http://www.cascf.org).

<sup>17</sup> African members of FOCAC include Algeria, Angola, Benin, Botswana, Burundi, Cameroon, Cape Verde, Central Africa, Chad, Comoros, Congo (Republic of), Congo (Democratic Republic of), Cote d'Ivoire, Djibouti, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sierra Leone, Seychelles, Senegal, Somalia, South Africa, South Sudan, Sudan, Tanzania, Togo, Tunisia, Uganda, Zambia, and Zimbabwe.

collective projects involving multiple Arab countries (e.g. railway projects, nuclear power projects, and Dead Sea initiatives).<sup>18</sup>

FOCAC meets every three years and most meetings are conducted at the ministerial level. From 2000 through 2012, five meetings were held: 2000, 2003, 2006, 2009, and 2012. The 2006 meeting was a summit which included most of the top leaders from African countries. The CASCf meets more frequently, every two years (2004, 2006, 2008, 2010, and 2012). To date, all CASCf meetings have been held at the ministerial level.

Both FOCAC and CASCf emphasize political cooperation between China and Middle Eastern states. The foundations of political cooperation in the Forums are China's Five Principles of Peaceful Coexistence (mutual respect for territory and sovereignty; mutual non-aggression; mutual non-interference in internal affairs; equality and mutual benefit; and peaceful coexistence),<sup>19</sup> South-South Cooperation, the One China Principle, and support for Arab political causes (especially regarding the Arab-Israeli conflict). As already discussed, China's second most important interest in the Middle East is promoting international support for China in an emerging era of multipolarity. China utilizes these Forums to gain that support.

As discussed earlier in this testimony, China's most important interest in the Middle East is promoting its own domestic economic growth by acquiring resources, developing markets, and ensuring stability in the region. FOCAC and CASCf are the primary multilateral mechanisms through which China coordinates economic activities with the Middle East to support these interests. The main areas of economic cooperation in these Forums are trade, investment, infrastructure, and economic security.

Although China has established a Cooperation Forum with another region that does emphasize military cooperation (the Central Asian Shanghai Cooperation Forum), military cooperation is not a major component of CASCf or FOCAC. Military issues are referred to very broadly, usually just articulating regional support for China's multilateral military activities outside the Forums.

Though they will not be discussed in detail in this testimony, in addition to the areas of cooperation discussed above, both FOCAC and CASCf contain clauses for cooperation in the areas of environmental protection, cultural exchange, media, tourism, sports, legislative interaction and building party-to party ties.

### *Middle East Issues Special Envoy*

China's Middle East Issues Special Envoy was the first special envoy ever appointed by China. The Envoy is focused on the Middle East peace process and other issues of concern in the region. China established the Envoy in 2002. The main reason that China established the Special Envoy was due to urging by Arab states for China to become involved in the issue.<sup>20</sup> Many Arab states perceive China to be

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<sup>18</sup> Interview, Embassy of the Hashemite Kingdom of Jordan, May 24, 2010, Beijing, China; and Interview, Former League of Arab States official, October 26, 2010, Cairo, Egypt.

<sup>19</sup> The 5 Principles of Peaceful Coexistence were originally developed by China in the early 1950's. See <http://www.fmprc.gov.cn/eng/ziliao/3602/3604/t18053.htm>.

<sup>20</sup> Many interview respondents cited Arab expectations as the main reason for formation of the Envoy. Some examples include Interview, Beijing University Scholar, April 14, 2010, Beijing, China; Interviews, CIIS, March 30, 2010, Beijing, China; Interview, Embassy of the Sultanate of Oman, March 31, 2010, Beijing, China; Interview, Former Arab League official, October 26, 2010, Beijing, China; and Interview, Former African Union Official, November 9, 2010, Cairo, Egypt. See also, "Xinhua: Egypt Welcomes China's Active Role in Mideast Peace Process," *Beijing Xinhua in English*, November 7, 2002, accessed via World News Connection on October 16, 2006; "Syrian Vice President Discusses Mideast Situation With Visiting PRC Envoy 10 Nov," *Xinhua Hong Kong Service*, November 10, 2002, accessed via World News Connection on October 16, 2006; and

a more balanced player in the Middle East Peace Process than other great powers (especially the United States) due to China's historical support for the Palestinians.

To date, the Special Envoys appointed have all been seasoned diplomats with deep experience in the Middle East: Wang Shijie (2002-2006), Sun Bigan (2006-2009), and Wu Siki (2009-present).

China appears to have multifaceted strategic interests in the Middle East Peace process supported by the Special Envoy. First, similar to China's behavior in the CASCF, it appears to genuinely support the cause of the Palestinians and other Arabs involved in the Arab-Israeli conflict in seeking a solution to the conflict. Second, as discussed earlier in this testimony, regional stability in the Middle East is very important to China. It wants peace in the Middle East in order to ensure a stable international environment for its own economic growth and prosperity. China perceives the Arab-Israeli conflict as the core of problems in the Middle East, so solving this dilemma would help to guarantee peace. Third, China appears to consider its involvement to be the proper conduct for a great power who is a permanent member of the UN Security Council. Finally, China appears to see itself as uniquely positioned to function as a liaison and peacemaker between disputing powers because it maintains relatively good relations with all of the parties involved in the conflict.

Although the Arab states may want China to exert more influence in the Middle East Peace Process on their behalf, the specific role of the Special Envoy to the Middle East appears to be to gain a deeper understanding of the conflict and to serve as a liaison between various parties. At this point, its most important mission is to encourage the parties to negotiate at all. China's specific stance on the Middle East issue was most succinctly stated in its 2003 Five Point Proposal.<sup>21</sup> Basically, China supports the "road map" approach, peaceful negotiations, an end to violence, an independent Palestinian state, the establishment of an international supervisory mechanism, the land for peace principle as a basis for negotiations, negotiations with Palestine, Lebanon and Syria, and greater involvement of the international community in the peace process. In many press statements China has made clear that part of its "land for peace" concept is that the borders should be negotiated to pre-1967 lines, the Golan Heights should be returned to Syria, and Jerusalem should be the capital of Palestine. Even though China has maintained normal state-to-state relations with Israel since 1992, it appears to support the Arab side of the conflict more. Although China often points out that Israel's statehood is a fact and that its security must be protected, its criticism of Israel's aggression appears to be stronger than its condemnation of terrorist activities perpetrated by Hamas or Hezbollah. From 2002 to 2012, China's position on these issues has remained quite constant.

### *Strategic Partnerships*

Starting in the mid-1990's, China introduced a new diplomatic mechanism called "strategic partnership." These strategic partnerships are established with individual countries and groupings of countries. China's strategic partnerships are not military alliances (or quasi-military alliances). These relationships are labeled as strategic by the Chinese government because they include all aspects of bilateral relations (e.g.

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"Jordan's King Welcomes China's Role In Mideast Peace Process," *Beijing Xinhua in English*, November 11, 2002, accessed via World News Connection on October 16, 2006.

<sup>21</sup> See "PRC Middle East Special Envoy Elaborates 5-Point Proposal on Middle East Issues," *Beijing Xinhua Domestic Service in Chinese*, May 28, 2003, accessed via World News Connection on October 16, 2006.

economic, political, cultural and military) and because both sides make a long-term commitment to bilateral relations.<sup>22</sup>

China established a strategic partnership with Africa as a continent at the 2006 FOCAC Summit<sup>23</sup> and with the League of Arab States via the CASCf at the 2010 Tianjin Ministerial Meeting.<sup>24</sup> To date, China has initiated strategic partnerships with the following individual countries in the Middle East: Egypt (1999), Saudi Arabia (1999), Algeria (2004), Turkey (2010), and the United Arab Emirates (2012).<sup>25</sup>

### Top Leader Visits

China's leadership has frequently visited Middle Eastern countries over the last two decades. Between 1990 and 2002, top leadership of the Jiang Zemin administration (President Jiang Zemin and Premiers Zhu Rongji and Li Peng) visited the following countries (number of visits in parentheses): Egypt (3), Morocco (3), Algeria (2), Turkey (2), Iran (1), Israel (1), Libya (1), Palestine (1), Saudi Arabia (1), and Tunisia (1).<sup>26</sup> Continuing an emphasis on the diplomatic importance of Middle Eastern countries, from 2003 to 2012 the Hu Jintao Administration (including President Hu Jintao and Premier Wen Jiabao) visited: Egypt (3), Saudi Arabia (3), Morocco (2), United Arab Emirates (2), Qatar (1), and Turkey (1).<sup>27</sup>

### United Nations Security Council (UNSC) Voting

In general, China votes in alignment with the other permanent five (P5) members of the United Nations Security Council. That said, there are two issue areas in which China and U.S. votes tend to differ: territorial integrity and the Arab-Israeli conflict.

In the 1990's, China's UNSC vote differed from the United States in fifty cases. 22% of those votes involved Middle East issues. In the 2000's, there was a dramatic increase in the percentage of differing votes involving the Middle East. Out of thirty-three cases where votes differed between the China and the United States, 55% of differing votes were related to Middle East. Before 2011, China rarely utilized its veto power in the Security Council, but instead often employed abstention to voice disapproval without directly confronting the United States and other P5 members.<sup>28</sup> That pattern changed with the beginning of the Arab Spring. Out of seven differing votes from 2011 to 2012, three were vetoes over resolutions about Syria. Overall, in those two years, 72% of votes that differed between the U.S. and China involved the Middle East.

During the entire timeframe under consideration, the vast majority of China's abstentions were over issues of territorial integrity, particularly sanctions and jurisdiction of criminal courts. These votes

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<sup>22</sup> For a detailed discussion on China's strategic partnerships, see Evan S. Medeiros, *China's International Behavior: Activism, Opportunism, and Diversification* (Santa Monica, CA: RAND, 2009), 82-89.

<sup>23</sup> See "Declaration of the Beijing Summit of the Forum on China-Africa Cooperation." November 5, 2006. [www.focac.org](http://www.focac.org) (accessed November 28, 2011).

<sup>24</sup> See "Enhancing Mutual Understanding, Learning from Each Other, and Joint Contribution: Speech by President Jiemian Yang of Shanghai Institutes for International Studies (SIIS)," *Shanghai Institutes for International Studies*, [http://www.siiis.org.cn/en/zhuantu\\_view\\_en.aspx?id=10118](http://www.siiis.org.cn/en/zhuantu_view_en.aspx?id=10118) (accessed February 16, 2012).

<sup>25</sup> See Medeiros, *China's International Behavior: Activism, Opportunism, and Diversification* and various interviews and Chinese news reports.

<sup>26</sup> Jiang Zemin, Zhu Rongji, and Li Peng travel data compiled from various news reports collected via World News Connection on September 24, 2011 and data from Deborah Brautigam, *The Dragon's Gift: The Real Story of China in Africa* (Oxford: Oxford University Press, 2009), p. 84.

<sup>27</sup> Hu Jintao and Wen Jiabao travel data compiled from China Vitae Website, accessed on September 24, 2011 and May 25, 2013 at <http://www.chinavitae.com/vip/index.php?mode=officials>.

<sup>28</sup> Between joining the United Nations in 1971 and 2010, China only exercised its veto nine times in total. See Medeiros, *China's International Behavior*, 190, for a detailed list of vetoes 1971-2010. In 1972, its veto was used to support Palestine's PLO.

directly correspond to China's promotion of the Five Principles of Peaceful Coexistence described in the above section on Cooperation Forums, especially the principles of mutual respect for territory and sovereignty and mutual non-interference in the internal affairs of other states. From 1990 to 2012, China's support for these norms was relatively constant. In fact, based on China's veto behavior in relation to Syria in 2011 and 2012, it could be argued that China's support for these norms actually increased over the last few years. That said, there are a few inconsistencies in China's behavior. In the 1990's, there were a number of cases where China abstained from votes concerning actions against Iraq. In the 2000's, there were not any Security Council votes on Iraq where China's vote differed. Also, in direct conflict with its general opposition to sanctions, it voted for sanctions targeting Iran's developing nuclear program. For example, China voted yes for the following UNSC Resolutions implementing sanctions on Iran: S/RES/1737(2006), S/RES/1747(2007), S/RES/1803(2008), and S/RES/1929(2010). One possible explanation for these discrepancies is that China did not want to oppose the United States on issues which involved vital national interests for the U.S. As discussed earlier in this testimony, China perceives the Middle East to be in the U.S. sphere of influence and does not want conflict with the United States in the region. As a result, it may have been more cooperative on issues (such as the 2003 Iraq War and actions against Iran's nuclear program) that were arguably vital national interests for the U.S.

China's yes votes that differ from the United States tend to involve Chinese support for the Palestinians in the Arab-Israeli conflict. These yes votes significantly increased in the 2000's. This directly corresponds to China's pledges via CASCF (and the China-Middle East Special Envoy) to support the Palestinians in the international arena.

#### *China-GCC Free Trade Agreement*

In July 2004, China and the GCC signed a Framework Agreement on Economic, Trade, Investment, and Technological Cooperation and announced the launch of free trade agreement negotiations.<sup>29</sup> GCC (Cooperation Council for the Arab States of the Gulf) country membership includes the United Arab Emirates, Bahrain, Saudi Arabia, Oman, Qatar and Kuwait.<sup>30</sup> The proposed FTA would include goods, services, and investment.<sup>31</sup> Between 2004 and 2012, six rounds of negotiations were held. Negotiations are ongoing and both sides appear to be optimistic that a final agreement will ultimately materialize.

#### *Government Support for Chinese Companies*

One of the most active and vigorously criticized facets of China's interactions with the Middle East is the engagement of Chinese companies in the region. As discussed earlier in this testimony, China's economic interests in this region (for resources and markets) dramatically increased from 1990 to 2012. In the Middle East, the vast majority of Chinese company activity is in three sectors: energy, construction and telecommunications. Chinese state owned enterprises (SOE's) are the most prominent Chinese corporate actors in the Middle East. Over the last two decades, the Chinese government has actively encouraged these enterprises to pursue opportunities globally and specifically in the Middle East. In addition to the fact that these enterprises are ultimately owned and controlled by the Chinese state, the Chinese state guides the behavior of these enterprises through a number of initiatives. These companies receive direct and indirect government subsidies; favorable financing in the form of generous credit lines and low

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<sup>29</sup> See "The Joint Press Communiqué between the People's Republic of China and The Cooperation Council for the Arab States of the Gulf (GCC)," *Ministry of Foreign Affairs of the People's Republic of China Website*, July 7, 2004, <http://www.fmprc.gov.cn/eng/wjdt/2649/t142542.htm>, accessed January 12, 2010.

<sup>30</sup> For more information on the Gulf Cooperation Council (GCC), refer to its website at <http://www.gcc-sg.org/eng/indexc64c.html?action=GCC>

<sup>31</sup> See PRC Ministry of Commerce, *China FTA Network (China-GCC FTA Page)*, <http://fta.mofcom.gov.cn/topic/engcc.shtml> (accessed January 12, 2012).

interest loans from state-owned banks; preferential awarding of construction contracts tied to China's foreign aid and concessional loans;<sup>32</sup> and expedited mandatory approvals for large scale OFDI activities.<sup>33</sup> These companies have been encouraged to pursue overseas opportunities in target industries and regions through the creation of national champions and the Chinese government's "going out/ going global" programs. These companies have also been encouraged to aggressively pursue economic engagement through initiatives announced in the FOCAC and CASCF. Finally, the Chinese government provides strong political support for these companies.

### Special Economic Zones

Between 1990 and 2012, China launched two Special Economic Zones (SEZ) in the Middle East: Egypt (1994) and Algeria (2006).<sup>34</sup> The Egyptian Suez Canal SEZ is strategically located near port facilities on the Suez Canal. Longer term, this location will facilitate product shipment to Europe as well as the Middle East and Africa for manufacturers in the zone. The SEZ encompasses 6.6 square kilometers of space, but only one square kilometer is currently utilized.<sup>35</sup> As of the end of 2010, \$300 million USD had been invested in the SEZ.<sup>36</sup> The main Chinese company involved in the project is TEDA.<sup>37</sup> The SEZ is targeting the investment of small enterprises.<sup>38</sup> Specific industries include textiles, electronics, chemicals, automotive products, transformers, and pipes for transporting petroleum.<sup>39</sup>

The Algeria SEZ was suspended in 2006. The Chinese companies involved in establishing the SEZ were Jiangling Automobile and Zhongjing International. The primary industries targeted were automotive assembly and construction materials.<sup>40</sup>

### Confucius Institutes

Since 2004, China has established Confucius Institutes in the following Middle Eastern countries (number of institutes in parentheses): Egypt (2), Turkey (2), United Arab Emirates (2), Iran (1), Israel (1), Jordan (1), Lebanon (1), and Morocco (1).<sup>41</sup> The purpose of these institutes is to promote Chinese language learning and cultural awareness in host countries.

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<sup>32</sup> See Nargiza Salidjanova, *Going Out: An Overview of China's Foreign Direct Investment*, USCC Staff Research Report, U.S.-China Economic & Security Review Commission, 2011, p. 11.

<sup>33</sup> See Andrew Szamosszegi and Cole Kyle, *An Analysis of State-owned Enterprises and State Capitalism in China* (Washington, D.C.: U.S.-China Economic and Security Review Commission, 2011), p.89.

<sup>34</sup> For a detailed discussion of these SEZs see Deborah Brautigam and Xiaoyang Tang. "African Shenzhen: China's Special Economic Zones in Africa," *Journal of Modern African Studies* 49, no. 1 (2011): p. 27-54.

<sup>35</sup> Interview, Egyptian Ministry of Foreign Affairs, November 24, 2010, Cairo, Egypt.

<sup>36</sup> Ibid.

<sup>37</sup> Interview, Egyptian China Business Council, November 7, 2010, Cairo, Egypt.

<sup>38</sup> Ibid.

<sup>39</sup> Interview, Egyptian Ministry of Trade and Industry, November 22, 2010, Cairo, Egypt; and Interview, Egyptian China Business Council, November 7, 2010, Cairo, Egypt.

<sup>40</sup> *China Africa Economic and Trade Cooperation*, White Paper, Beijing, China: Information Office of the State Council of the People's Republic of China, December 23, 2010, accessed on-line on June 7, 2011 at [http://www.china.org.cn/government/whitepaper/node\\_7107834.htm](http://www.china.org.cn/government/whitepaper/node_7107834.htm); and Deborah Brautigam Xiaoyang Tang. "African Shenzhen: China's special economic zones in Africa," p. 32.

<sup>41</sup> Confucius Institute Website administered by Han Ban, accessed online on May 28, 2013 at [http://english.hanban.org/node\\_10971.htm](http://english.hanban.org/node_10971.htm).

### United Nations Peacekeeping Operations

China is a relative newcomer to United Nations peacekeeping operations.<sup>42</sup> Its first contribution of UNPKO troops anywhere in the world did not occur until 1991.<sup>43</sup> China did not begin to contribute UNPKO troops to Middle East operations until after 2001. To date, China has participated in the following four UNPKO operations in the Middle East: UNTSO UN Truce Supervision Organization (1990-present, 108 observers, staff or police); UNIKOM UN Iraq-Kuwait Observer Mission (1991-2003, 164 observers, staff or police); UNIFIL UN Interim Force in Lebanon (2006-present, 3197 troops, 58 observers, staff or police) and UNSMIS UN Supervision Mission in Syria (April 2012-August 2012, 9 observers, staff or police).<sup>44</sup>

### Antipiracy Operations

The free flow of goods through the Gulf of Aden has become an important national interest for China due to its connection to China's promotion of its own economic development. The Gulf of Aden leads to a number of African countries, Middle Eastern countries, the Suez Canal, and is the quickest sea route from China to Europe (and many countries in the Americas).

In 2008, China's trade shipments through the Gulf of Aden were increasingly threatened by piracy. Numerous Chinese vessels were hijacked.<sup>45</sup> In response to these threats to its economic interests, for the first time in modern history, China's navy (People's Liberation Navy or PLAN) deployed to engage in an operational mission outside East Asia and the Pacific.<sup>46</sup> The purpose of the mission was combating piracy off the Horn of Africa. The primary objectives of these operations were to protect Chinese ships and personnel, guard ships delivering humanitarian supplies for international organizations, and to the degree possible shelter passing foreign vessels from pirate attacks.<sup>47</sup>

Overall, China's antipiracy operations in the Gulf of Aden have been cooperative with other nations and in alignment with relevant UN Security Council resolutions. Although China has cooperated with other nations and has participated in multinational initiatives, its involvement with antipiracy operations has been different from its other multilateral military behavior in the Middle East - UNPKO. UNPKO are commanded by an international organization, the United Nations, and Chinese troops are often commanded by military officials from other countries. Chinese antipiracy initiatives in the Gulf of Aden are conducted in cooperation with other countries, but all Chinese naval forces remain under Chinese control in these operations. China's reluctance to formally join multinational taskforces is likely due to the fact that the antipiracy taskforces in the region are led by Western governments or organizations which do not include China as a member. The primary taskforces are the United States' CTF-151, the NATO Operation Protector, and the EU Atalanta.<sup>48</sup>

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<sup>42</sup> For a detailed analysis of China's global UNPKO involvement, see Bates Gill, Chin-hao Huang, and J. Stephen Morrison, *China's Expanding Role in Africa: Implications for the United States*, A Report of the CSIS Delegation to China on China-Africa- U.S. Relations, November 28- December 1, 2006 (Washington, D.C.: CSIS, 2007), accessed online on April 10, 2009 at [http://www.csis.org/index.php?option=com\\_csis\\_pubs&task=view&id=3714](http://www.csis.org/index.php?option=com_csis_pubs&task=view&id=3714).

<sup>43</sup> China's first UNPKO troops were deployed to Cambodia in 1991.

<sup>44</sup> See *The Diversified Employment of China's Armed Forces*.

<sup>45</sup> See Kuang Peng and Jiao Wu. "China's Piracy Fight to Boost US Ties." *China Daily*, December 12, 2008: (accessed online on January 11, 2012 at [http://www.chinadaily.com.cn/china/2008-12/22/content\\_7327363.htm](http://www.chinadaily.com.cn/china/2008-12/22/content_7327363.htm)).

<sup>46</sup> See Alison A. Kaufman, *China's Participation in Anti-Piracy Operations off the Horn of Africa*, Conference Report, Center for Naval Analyses, July 2009, 1, accessed online on May 18, 2011 at <http://www.cna.org/sites/default/files/Piracy%20conference%20report.pdf>.

<sup>47</sup> See *China's National Defense in 2010*.

<sup>48</sup> See Erik Lin-Greenberg, "Dragon Boats: Assessing China's Anti-Piracy Operations in the Gulf of Aden," *Defense and Security Analysis* 26, no. 2 (June 2010): 215, accessed online via EBSCO on January 12, 2012, p. 220.

One major reason China has chosen to participate in multinational antipiracy initiatives (as opposed to more unilateral action) is to demonstrate that China is a responsible great power and to improve China's international image.<sup>49</sup>

### Conventional Arms Sales

Since the end of the Cold War, China's conventional arms sales to countries in the Middle East have been consistently limited. Between 1990 and 1999, China's top conventional arms customers in the Middle East were Iran (\$1.4 bn.), Egypt (\$164 mn.), Yemen (\$150 mn.), Algeria (\$130 mn.) and Tunisia (\$38 mn.).<sup>50</sup> From 2000 to 2012, China's top customers in the Middle East were Iran (\$874 mn.), Egypt (\$423 mn.), Algeria (\$116 mn.), Kuwait (\$87 mn.), and Saudi Arabia (\$66 mn.).<sup>51</sup> In 2012, China's conventional arms sales to the entire region totaled a mere \$45 mn. (\$44 mn. to Iran and \$1 mn. to Egypt).<sup>52</sup>

### Military Exchanges

Between 2001 and 2010, China performed high level military exchanges with every Middle Eastern country except Iraq. China's highest volume of military exchanges (number of exchanges in parentheses) in the Middle East were with Egypt (29), Turkey (20), Syria (10), Jordan (9), and Tunisia (8).<sup>53</sup>

### **Question 3:**

**Does China seek to cultivate relationships with Middle Eastern states in order to advance and garner support for its positions and objectives in international organizations like the United Nations? Explain.**

As discussed earlier in this testimony, one of China's major interests in this region is developing support for China in the international system during a time of emerging multipolarity. One important forum for China's behavior in the international arena is the United Nations. In the United Nations, China seeks support for the Five Principles of Peaceful Coexistence as the norms for interactions between states in the international system and attempts to shield itself from foreign interference and criticism of its domestic political system. Middle Eastern states are important partners in those efforts. Also, Middle Eastern states are important partners in China's quest for a greater voice in the international system for developing countries.

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<sup>49</sup> See Kaufman, *China's Participation in Anti-Piracy Operations off the Horn of Africa*; Lin-Greenberg, "Dragon Boats: Assessing China's Anti-Piracy Operations in the Gulf of Aden"; Jonathan Hogslag, "Embracing China's Global Security Ambitions," *The Washington Quarterly*, (July 2009): 105-118, accessed online on January 11, 2012, via EBSCO); and Andrew S. Erickson and Justin D. Mikolay, "Welcome China to the Fight Against Pirates," *U.S. Naval Institute Proceedings*, March 2009, 34-41, accessed online on January 11, 2012, via EBSCO).

<sup>50</sup> Data compiled by author from SIPRI Arms Transfers Database at <http://www.sipri.org/databases/armstransfers>, accessed online on May 11, 2011 and May 26, 2013.

<sup>51</sup> Ibid.

<sup>52</sup> Ibid.

<sup>53</sup> Data compiled from appendices of *China's National Defense in 2002*, *China's National Defense in 2004*, *China's National Defense in 2006*, *China's National Defense in 2008*, and *China's National Defense in 2010*. 2010 Appendices acquired online on March 26, 2012 at [http://eng.chinamil.com.cn/special-reports/node\\_47506.htm](http://eng.chinamil.com.cn/special-reports/node_47506.htm)

#### **Question 4:**

**Which Chinese actors (official, semi-official, and unofficial) are most heavily involved in developing and implementing policies related to the Middle East?**

China's foreign policy decision making for developing policies related to the Middle East is not transparent.<sup>54</sup> The most important official actors in implementing policy towards this region are the Ministry of Foreign Affairs, the Ministry of Commerce, and the International Department of the Chinese Communist Party (CCP). State-owned enterprises (SOEs) are also important players.

Influential think tanks and academic departments informing debates on China's policies towards the Middle East include the Chinese Academy of Social Sciences (CASS), Institute of West Asian and African Studies (IWAAS); China Institutes of Contemporary International Relations (CICIR); China Institute of International Studies (CIIS); Shanghai Institutes of International Studies (SIIS); Chinese Academy of Trade and Economic Cooperation; China Reform Forum; and Peking University's School of International Studies.

#### **Question 5:**

**How do Middle East States (governments and people) view China? How do they view China's engagement in the region, especially vis-à-vis the United States? Do Middle East states seek increased Chinese involvement in the region as a counterbalance to U.S. influence? Explain.**

In general, the Middle Eastern government officials I have interviewed from Bahrain, Egypt, Iraq, Israel, Jordan, Oman, Palestine, Tunisia, Turkey, and the United Arab Emirates are quite positive about the impact of China in the Middle East. They view China as a formidable economic partner and a country that shares many of their worldviews as developing countries. China is also seen as a relatively balanced power in relation to the Arab-Israeli conflict which is positively received by Arab states and the Arab League. Government officials also tend to stress the long historical relationship between China and their countries and often reference appreciation for China's past stance in this region against colonization. Generally, Middle Eastern officials do not want relations with China to endanger their existing close relationships with the U.S., but they do want to continue to actively build relations with China.

It is important to note that China's vetoes in the UNSC regarding Syria (discussed above) did appear to negatively impact China's relations with some members of the Arab League, particularly Saudi Arabia and Qatar. My impression is that friction caused by this disagreement is temporary and that relations between these countries and China are already improving.

Although it is limited, public opinion polling from the region indicates that the broader public also views China favorably. For example, in recent years PEW's Global Attitudes Project reports the following country responses to the question "Do you have a favorable view of China?": Tunisia 69% (vs. 45% for the US); Lebanon 59% (vs. 48% for the US); Egypt 52% (vs. 19% for the US); Jordan 47% (vs. 12% for the US); Palestinian Territories 62% (vs. 18% for the US); Turkey 22% (vs. 15% for US); and Israel 49% (vs. 72% for the US).<sup>55</sup> Every Middle Eastern country polled (except for Israel) has a higher favorability score for China than for the US. Even the Turkish population, many of whom have deep concerns about China's treatment of Uighurs, has a higher favorability rating for China than the US. BBC Polling data

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<sup>54</sup> For a discussion of China's general foreign policy making process, see David Shambaugh. *China Goes Global: The Partial Power*. (New York: Oxford University Press, 2013).

<sup>55</sup> See PEW Global Attitudes Project. *Key Indicators Database*. <http://www.pewglobal.org/database/> (accessed May 29, 2013). Data for Tunisia, Lebanon, Egypt, Jordan and Turkey are from 2012. Data for the Palestinian Territories and Israel are from 2011.

reflects similar results for Egypt. 50% of Egyptian views of China were mainly positive in 2012 compared to 37% for the U.S.<sup>56</sup>

**Question 6:**

**Historically, China has been widely perceived as reluctant to challenge U.S. interests and influence in the Middle East. Assess whether this is true today, and whether it is likely to be true in the future. As China and Middle East states likely become more deeply engaged in the coming years and decades, will China seek an expanded role in the region? Why or why not?**

Yes, in general China still appears to be reluctant to challenge U.S. interests and influence in the Middle East. China's relative cooperation with the U.S. on various actions against Iran targeted at limiting Tehran's nuclear program is an example of China attempting to avoid confrontation in the Middle East over an issue that is vital to the U.S. That said, in recent years China is becoming more willing to challenge the US in the region. For example, although China abstained on the UNSC vote that ultimately resulted in NATO intervention in Libya in 2011 (in alignment with the wishes of the Arab League), China has broadly criticized the US and NATO for the military action that resulted. Also, despite heavy pressure from the United States, China has cast three UNSC vetoes on the Syrian issue in 2011 and 2012 in coordination with Russia.

Based on interviews I conducted in January 2013, my general impression is that as a result of China's increased confidence in the wake of the 2008 Global Financial Crisis, concerns over foreign interference in fragile Middle Eastern states since the beginning of the Arab Spring, and an escalated perception that China's relations with the United States may be deteriorating as a result of the U.S. Pivot to Asia, China may be becoming more willing to stand up to the United States in regions outside of Asia. To date, the only example of newly assertive behavior in the Middle East is China's behavior related to the Syria issue.

**Question 7:**

**Are there ongoing Track 1.5 or Track 2 dialogues between the United States and China regarding the Middle East, or between the United States and other partners regarding China in the region? If so, discuss the participants, objectives, and effectiveness of these dialogues.**

I am not aware of any Track 1.5 or Track 2 dialogues that specifically work on issues related to China in the Middle East.

**Question 8:**

**The Commission is mandated to make policy recommendations to Congress based on its hearings and other research. What are your recommendations for congressional action related to the topic of your testimony?**

China and the United States share common interests in the Middle East including a desire for energy security, regional stability, and economic and social development in the region.<sup>57</sup> As a result, I would

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<sup>56</sup>See *Views of Europe Slide Sharply in Global Poll, While Views of China Improve*. BBC World Service Poll, 2012, (accessed online on May 29, 2013, at [www.worldpublicopinion.org](http://www.worldpublicopinion.org)).

<sup>57</sup> For a more detailed discussion of shared interests between the United States and China in the Middle East and opportunities for cooperation, see David Shambaugh and Dawn Murphy. "U.S.-China Interactions in the Middle East, Africa, Europe, and Latin America" by David Shambaugh and Dawn Murphy in *Tangled Titans: The New Context of U.S.-China Relations*, edited by David Shambaugh. (Lanham, Md.: Rowan and Littlefield, 2013).

suggest that joint initiatives in the following areas could be pursued to foster cooperation between the U.S. and China: energy source exploration; alternative energy research and development; further anti-piracy initiatives; joint economic policy guidance to emerging markets in the region; and water security projects. In light of the perception in the Middle East that China is a relatively balanced actor in relation to the Arab-Israeli conflict, the United States could also more actively involve China in Middle East Peace Process efforts. Formal dialogues discussing Chinese and American interests, activities, and opportunities for cooperation in the region would also be beneficial.