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Chietigj Bajpaee

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By Chietigj Bajpaee

Two regions have emerged as the most likely sources of great power conflict in the 21st century. The first is the Middle East, which is the focal point for the U.S.-led war on terrorism. The region is important both as part of a global ideological struggle against Islamist extremism and in the quest for oil and gas resources. The second is Asia, as the rise of China presents competition for both intangible and material resources on the world stage.

On the ideological front, China's model of protecting one-party rule by improving the economic livelihood of the people and emphasizing the principles of sovereignty, non-interference and territorial integrity while calling for a multi-polar international system challenges the U.S.-led international order, which favors democracy, human rights and humanitarian intervention. China's rapid growth, development and modernization is also proceeding in tandem with China's growing resource needs, which are placing pressure on raw material prices and fueling a global competition for certain resources, notably energy resources given China's position as the second-largest oil consumer after the United States. See: "China's Geostrategy: Playing a Waiting Game"

However, events in these two regions are not mutually exclusive. China's growing economic influence has proceeded in tandem with a growing military capability and more proactive political and diplomatic policy on the world stage, including in the Middle East. Its policy toward the Middle East has emerged as a microcosm of its foreign policy throughout the world, being driven by a desire to maintain a stable international environment in order to focus on its internal development, forming a close bond with the developing world, gaining access to raw materials and markets, and elevating its status on the world stage.

China's Relations with the Middle East

China's relations with the Middle East are rooted in China's support for anti-colonial struggles during the Cold War. Beijing's wave of diplomatic recognition with the Arab world began in 1956, with China's establishment of diplomatic relations with Egypt, and completed in 1990 when Saudi Arabia established diplomatic relations with China. With the end of the Cold War and China's emergence as a net oil importer in 1993, China's primary interest in the Middle East has been to gain access to the region's vast oil and gas supplies. While China is trying to diversify its energy import supplies, it still depends on the Middle East for half of its oil imports, with Saudi Arabia and Iran providing approximately 30 percent of China's oil imports.

Meanwhile, numerous states in the region have agreed to invest in China's downstream infrastructure as demonstrated in December 2005 when Kuwait signed an agreement to invest in refinery and petrochemical infrastructure in Guangdong province. Also in December, China and the Organization of Petroleum Exporting Countries (O.P.E.C.) launched an energy dialogue. In fact, many recent diplomatic initiatives by China toward the Middle East can be seen through the prism of China's growing energy needs.

For example, the visit by Saudi King Abdullah bin Abdul Aziz to China in January was the first by a Saudi monarch to China. This visit demonstrated the deepening relationship between the world's fastest growing source of oil demand (China) and the world's biggest oil supplier (Saudi Arabia). Since 2002, Saudi oil shipments to the U.S. have been declining while shipments have been increasing to China. Indeed, last year Saudi Arabia was China's leading source of oil imports.

China has secured numerous energy exploration agreements with the Saudi government. For example, Sinopec has won the right to explore for natural gas in Saudi Arabia's al-Khali Basin, while Saudi Arabia has agreed to assist China in the development of its strategic petroleum reserves and upgrade China's downstream refinery capacity as demonstrated by the construction of a refinery for natural gas in Fujian Province.

Sino-Saudi relations extend beyond the energy sphere. Both countries maintain close relations with Pakistan and China has sold Saudi Arabia CSS-2 "East Wind" intermediate range ballistic missiles. Saudi Arabia has also emerged as China's leading trade partner in the region with Sino-Saudi trade amounting to US$14bn in 2005.

A similar deepening of relations can be seen in the case of Sino-Iranian relations. While China abstained in the vote to refer Iran's nuclear ambitions to the United Nations Security Council at the meeting of the International Atomic Energy Agency (I.A.E.A.) in January 2006, it still maintains strong relations with Iran. When the Iran issue will be discussed at the U.N. Security Council, China could employ a similar tactic to what it employed over the issue of Sudan, which is also a significant oil supplier to China; in 2004, the U.N. Security Council was forced to water down a resolution condemning atrocities in the Darfur region to avoid a Chinese veto.

China's relations with Iran, while rooted in centuries of history from the "Silk Road" and the voyages of Zheng He, have recently blossomed as a result of China's growing energy needs. China has signed a US$100bn deal with Iran to import 10 million tons of liquefied natural gas over a 25-year period in exchange for a Chinese stake of 50 percent in the development of the Yahavaran oil field in Iran. China has also expressed a desire in direct pipeline access to Iran via Kazakhstan.

Relations in the economic sphere have also continued to blossom as bilateral trade reached

US$9.5bn in 2005, fueled by growing Chinese investment in Iran's infrastructure. Iran has also been drawn into China's sphere of influence by its observer status at the Shanghai Cooperation Organization. Given the ongoing frictions between Iran and the West, Sino-Iranian relations are also a source of potential friction for Sino-U.S. relations. For example, while China has voiced its commitment to the non-proliferation regime, Chinese companies have been the subject of numerous sanctions for the transfer of ballistic missile technologies to Iran. Since the mid-1980s, China has sold Iran anti-ship cruise missiles such as the Silkworm (HY-2), the C-801, and the C-802.

While gaining access to the region's vast energy resources is China's primary motivation for deepening relations with the region, there are a number of other factors driving China's Middle East policy. As the ideological center of the Islamic world, China has attempted to maintain good relations with the Arab world in order to get their support on the Uighur insurgency in Xinjiang Province and maintain amicable relations with the 55 million Muslims residing in China.

While China's main efforts in preventing external actors from fueling the Uighur insurgency have focused on Central and South Asian states, countries in the Middle East, most notably Saudi Arabia and Iran, have also had an important role to play in quelling the insurgency given their moral and material support. Most notably, Wahabbi Islam, which is an export from Saudi Arabia, has played a significant role in the rise of extremist, fundamentalist Islam in Pakistan, Afghanistan and the Central Asian republics on China's western borders.

In order to garner the goodwill of the region, Beijing has made numerous symbolic gestures. For example, in September 2002 Beijing appointed its first Middle East peace envoy. While this has had little significance for the Israeli-Palestinian peace process, it has nevertheless demonstrated China's increasing attention to the region.

Similarly, while China has maintained a low-profile in the U.S. intervention in Iraq, in May 2004 China submitted a document to the U.N. Security Council proposing that U.S.-led forces withdraw from Iraq. China has also consistently called for a larger U.N. role in Iraq. China is deepening its economic cooperation with the region through the China-Arab Cooperation Forum and the Framework Agreement between China and the Gulf Cooperation Council, which includes negotiations for a free trade zone.

While China has maintained a historically close relationship with the Arab world, including sympathizing with the Palestinian cause, it has nevertheless also pursued an increasingly close relationship with Israel in recent years. Israel is one of only a handful of countries that has never granted diplomatic recognition to Taiwan. In recent years, Sino-Israeli relations have been fueled by China's growing dependence on Israel for arms imports and upgrades, particularly hard-to-find U.S.-made weapons platforms. Israel is now China's second largest supplier of weaponry after Russia. Most notably, Israel has sold China "Harpy" anti-radar drones and Python-3 air-to-air missiles.

Nevertheless, there are limits to Sino-Israeli relations given the close relationship between Israel and the United States as evinced by Israel's decision (under U.S. pressure) to cancel the sale of the Phalcon airborne early-warning radar system to China in July 2000 and its decision not to upgrade harpy drones for China in 2004. See: "Return of the Red Card: Israel-China-U.S. Triangle"

Potential for China-U.S. Rivalry

While China and the United States are not engaged in an overt competition in the Middle East, it is not difficult to envision that the

region could emerge as the stage for future Sino-U.S. rivalry. Not only are the United States and China dependent on energy resources from the Middle East, but both states offer competing models for international conduct, with the Chinese model becoming increasingly popular in the region.

While the United States has become more willing to engage in humanitarian intervention, preemptive action and regime change, with the Middle East emerging as the most likely candidate for the U.S. to practice these policies, China retains a preference for a traditional Westphalian-style of conducting international relations with emphasis on non-intervention, state sovereignty and territorial integrity.

Since 9/11 and the launch of the U.S.-led war on terrorism and the Greater Middle East Initiative to spread democratic principles across the Middle East, regimes in the region, including those that have traditionally maintained close relations with Washington such as Saudi Arabia, have deepened relations with Beijing in order to hedge their bets against a downturn in relations with the U.S. China's relations with pariah, terrorism-sponsoring governments in the region including Iran, Libya, and Syria, as well as the proliferation of ballistic missile technologies and other weapons platforms to these countries, has already created a source of tension between the United States and China.

The implications of Sino-U.S. energy competition in the Middle East extend beyond the region. At present, China has to depend on the U.S. to patrol sea-lanes through which its oil imports from the Middle East transit. Beijing is attempting to reduce this dependence by diversifying to access oil and gas imports from other regions and developing port facilities through which China can import oil by pipeline. This "String of Pearls" strategy, as it has been characterized, has been made apparent by China's development of port facilities at Gwadar in Pakistan, which is on the doorsteps of the Persian Gulf and the Strait of Hormuz. China has also expressed a desire to augment its blue water naval capability over the long-term, which could be used to compete with the U.S. in policing waterways in the South China Sea and Indian Ocean. See: "The Modernization of the Chinese Navy"

Conclusion

Sino-U.S. competition in the Middle East is by no means inevitable. The Middle East may emerge as a stage for cooperation between the world's major energy consumers, including the United States, China, Japan and India. This has already been seen with the joint bid by China National Petroleum Corporation (C.N.P.C.) and India's Oil and Natural Gas Corporation (O.N.G.C.) for energy assets in Syria, and China and India having a 50 percent and 20 percent stake respectively in the development of Yahavaran field in Iran.

The growing dependence on Middle East energy by China, India and Japan may also encourage these states to play a more proactive role in resolving long-standing disputes in the region, bringing peace and stability. China's low-key presence in the ongoing debate over the U.S. intervention in Iraq and abstention over the vote to refer Iran to the U.N. Security Council also suggests that China does not seek to engage in open confrontation with the United States over issues in the Middle East. There are also technical barriers to China's access to Middle East oil given that China lacks the refineries to process the heavy sour crude from the region.

Nevertheless, Chinese and U.S. interests in the Middle East are not identical. In many ways, there has been a role reversal for the United States and China on the world stage -- while China had originally fueled revolutionary change through sponsoring anti-colonial struggles and communist insurgencies, it is

now the United States that is attempting to fuel change in the international system by rejecting international conventions (e.g. Kyoto Protocol, A.B.M. Treaty) and norms (preemptive action, granting recognition to India as a nuclear power).

On the other hand, while the United States has traditionally favored stability even at the cost of supporting unsavory regimes, it is now China that increasingly favors stability in the international system, even if it means supporting pariah regimes such as Burma, Iran, Nepal, North Korea, Uzbekistan and Zimbabwe. In the Middle East, the volatile mix of long-standing disputes, great power competition and Islamist extremism create the recipe for further instability in the region.

Chietigj Bajpaee is a Researcher for Civic Exchange, a Hong Kong-based public-policy think-tank. He.wrote this article for the Power and Interest News Report on March 10, 2006. http://www.pinr.com. Published at Japan Focus on March 15, 2006.