A HOOVER INSTITUTION ESSAY

Enter the Dragon

CHINA'S GROWING INFLUENCE IN THE MIDDLE EAST AND NORTH AFRICA

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Bertrand Russell, writing in the year 1922, was prescient when he stated: "By her resources and her population, [China] is capable of being the greatest Power in the world after the United States."[1] Nearly a century ago, it was not obvious to many others that China would rise to become the second largest economy in the world, nor was it obvious even a quarter century ago. Today, China is indeed the greatest power in the world after the United States, and American policy makers are coming to terms with this basic geopolitical fact. There is arguably no more important foreign policy issue facing policy makers today than managing the rise of China.

Across the Middle East and North Africa (MENA) region, China has also come to loom large in strategic, commercial, and political thinking. In Russell's classic work *The Problem of China*, he writes, "All the world will be vitally affected by the development of Chinese affairs, which may well prove a decisive factor, for good or evil, during the next two centuries."[2] The world is indeed being "affected by the development of Chinese affairs," and Russell's framing of the matter—"for good or evil"—seems to be the question on the minds of many US policy makers as they grapple with today's China question.

The administration of President Donald Trump has clearly fallen closer to the "evil" ledger on the China question, but in a surprisingly bipartisan fashion, US policy makers across the board are framing the Asian giant as a central challenge to US foreign policy and warning our allies to beware of China's intentions and actions. China, this argument goes, to varying degrees, is not a "responsible stakeholder."[3] That train has left the station. Rather, to its sharpest critics in the Trump administration, China is a malign force that seeks hegemony wherever it goes. To its less razor-edged observers in the camp of president-elect Joe Biden, China is, as senior foreign policy adviser and secretary of state nominee Antony Blinken put it, "a growing challenge, arguably the biggest challenge, we face from another nation state."[4]

To get a sense of how much of the world is now viewed through a China prism, consider the unveiling of America's Africa strategy in late 2018. Only two countries were mentioned more than ten times in the speech outlining the strategy by then national security adviser John Bolton: the United States and China.[5]

But what of America's Middle East allies? They, too, are experiencing a rapid increase in Chinese investment and commercial cooperation. In addition to rising capital, investment, and trade flows, we are witnessing a rise in "head of state flows" or "senior official flows" as Chinese president Xi Jinping and senior officials make more frequent trips to the region, and Middle East monarchs, emirs, presidents, and foreign ministers are regularly turning up in the Great Hall of the People. Do these visits portend more strategic cooperation, or are they simply the result of rising commercial cooperation? What might expanding Chinese ties with Persian Gulf oil producers mean for Gulf security?

For countries across the Middle East and North Africa region, is China a threat or an opportunity? If there is an emerging bipartisan consensus in Washington on the China "threat," it's fair to say that the opposite seems to be true across Middle East capitals. From Rabat to Riyadh, officials are courting Beijing, and several key US allies—from Israel to Saudi Arabia to the United Arab Emirates (UAE)—have witnessed rapid growth in their commercial and diplomatic ties with China. While America's top Arab allies are careful not to get too close to China on security and military matters, commercial relations have been growing rapidly across the region, particularly among the leading oil and gas producers.

Where one stands on the subject of China's intentions—good or evil—often depends on where one sits. As a senior official from a US ally in the Persian Gulf region put it to this author: "Our American friends seem to be obsessed with China as a negative force, and they want the rest of us to be obsessed too. For us, China is a new player in the region, one that we can do business with, one that brings capital and technology for projects across our region, and buys a considerable amount of oil and gas. It is hard for us to see this in a negative light. This does not mean we no longer value the US as a strategic partner, in fact, our most important strategic partner, but we do not see this as a zero-sum game."[6]

This is still an early and evolving story, and China's strategic intentions in the region are still unclear. American Enterprise Institute scholar Karen Young, an astute observer of China's ties across the Middle East and North Africa region, is skeptical of the idea that a grand strategic alliance between China and, in particular, the Gulf Arab states is in the works. In a column for Bloomberg News that challenged the notion of China's rising primacy in the region, she notes: "In a public-relations success most Middle Eastern leaders would envy, Beijing has claimed the mantle of a great power in the region without a commitment to wider economic development or security." She acknowledges that the Gulf Cooperation Council (GCC) states—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates—see in China "a promising export destination for hydrocarbons, and a middle-class consumer base for a full cycle of energy-based products, from plastics to refined liquids," but ultimately notes that "this is a bilateral interdependence, driven as much from the GCC as it is from China—a diversification strategy and a bid for market-share. Proclamations of great strategic alliances are, as yet, unfounded."[7]

On the other hand, Michael Doran and Peter Rough at the Hudson Institute argue that "China is very actively engaged in a hard-power contest with the United States—a contest that the Chinese occasionally acknowledge and are capable of winning." They go on to argue that "China is advancing on the Middle East with ruthless determination, because the region is of more vital interest to China than any other, aside from the Western Pacific. Indeed, China is actively working to oust the United States from the Middle East—a reality that the American strategic community would overwhelmingly prefer not to recognize, but one that is nonetheless becoming glaringly obvious."[8]

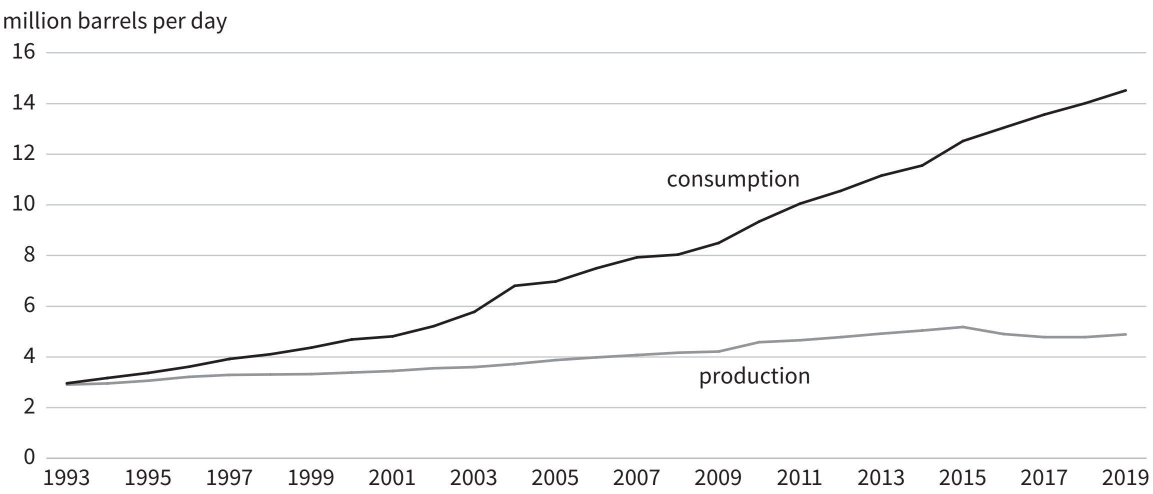
One way to unpack this evolving story is to "follow the money." While the money trail will not necessarily lead to the grand strategy trail, it will give the reader a broad sense of where we stand and, as a result, where we might be going.

A good place to start is the year 1993.

The 1993 Inflection Point

While Chinese officials are fond of invoking "ancient bonds" forged by Silk Road trade routes, it was in 1993 that, for the first time, China's oil demand could no longer be met by its domestic supply. (See figure 1.)

Figure 1. China's petroleum and other liquids production and consumption, 1993–2019



Source: "Short-Term Energy Outlook," US Energy Information Administration, August 2020.

China's economic transformation was underway, and the great Chinese demand engine for commodities—especially oil and gas—would reshape global markets over the next two and a half decades. It was inevitable, therefore, that the great Chinese demand engine for oil would meet the world's great supply engine in the MENA region. At the same time, China's extraordinary export engine was sending goods all across the world, including to the MENA region. From this starting point in 1993, what began to emerge was a simple transactional arrangement: rising Middle East crude sales to China accompanied by rising Chinese manufactured goods exports to the region.

The relationship, however, did not remain so simple. Chinese investment began pouring into construction projects and, to a lesser extent, foreign direct investment (FDI) into the region. On the flip side, Gulf sovereign wealth funds began chasing deals in China. When Agricultural Bank of China issued an initial public offering (IPO) in 2010, sovereign wealth funds from Kuwait and Qatar served as anchor investors.[9] Those same sovereign wealth funds—the Kuwait Investment Authority and Qatar Investment Authority—previously piled into the 2006 offering for Industrial and Commercial Bank of China, the largest IPO on record at the time.[10]

Throughout most of the Mao era, China's foreign policy in the Arab world focused mostly on the nonaligned, pan-Arabist, "nationalist" states. China established diplomatic relations with Egypt and Syria in 1956 and with Iraq and Algeria in 1958.[11] The Gulf Arab states were largely seen as part of the "American camp" or "imperialist camp" and thus viewed with suspicion or simply ignored as irrelevant.[12] The Arab world looks a lot different to current Chinese leaders than it did to Mao. One could almost sense Mao Zedong spinning in his grave as Gulf sovereign wealth funds invested in his prized Agricultural Bank in a deal handled by Goldman Sachs, Morgan Stanley, and J.P. Morgan, among others.[13]

As China began opening its economy gingerly in 1979 and more robustly throughout the 1980s, its demand for oil and gas inevitably grew, hitting the 1993 inflection point. While China had already established diplomatic relations with Kuwait (1971) and Oman (1978), its relations with its two most prominent regional trade partners today—the United Arab Emirates and Saudi Arabia—were not established until 1984 and 1990, respectively (see table 1). Whatever lingering suspicions the Gulf Arab states had about China—owing partly to Mao's foreign policy, including support for a Leninist-Marxist separatist rebellion in Oman that was ultimately quashed—had seemingly been washed away by China's new look as a trading nation and growing purchaser of oil.

In the year 2015, China became the biggest global importer of crude oil, and it remains so today. Roughly half of China's supply emanates from the MENA region, mostly the

Table 1. Gulf Arab states' diplomatic relationships initiated with China

Country	*Year diplomatic relationship initiated*
Kuwait	1971
Oman	1978
United Arab Emirates	1984
Qatar	1988
Bahrain	1989
Saudi Arabia	1990

Gulf Arab states, plus Iraq and Iran (see table 2). According to most energy forecasts, China will remain a key figure in increased demand for crude oil and natural gas. While talk of decarbonization fills many a seminar at the United Nations or on college campuses, massive crude oil tankers will continue to quietly ply the waters around China, releasing their cargo, for at least the next two decades. BP forecasts that China will experience a 19 percent increase in global oil demand by 2040 and a 166 percent increase in gas demand. While China's demand for renewables will soar higher, it's still far too early to write the obituary for the fossil fuel trade to China (or worldwide for that matter).

In 2019, Saudi Arabia was China's largest foreign supplier of oil and remains in close contention with Russia for the top spot today as the two countries have become enmeshed in an expanding web of energy partnerships.[14]

The United Arab Emirates have become a linchpin of China's Belt and Road Initiative, owing to its globally connected logistics networks, prompting direct investments from Chinese state-owned and private enterprises in the UAE's ports, retail sector, and infrastructure. Chinese entities have also been investing significantly in UAE oil concessions. All told, China has engaged in some $33 billion in projects in the UAE, ranking second only to Saudi Arabia in the MENA region.[15] To determine where China may be going in the region, we should begin by following where its money has been going.

The $20 Billion–Plus Club

Where is China pouring its resources in the region? Not surprisingly, its regional projects are heavily skewed toward oil-producing countries that can pay for Chinese state-owned enterprises to build or enhance ports and roads and subways and energy grids and retail developments and beyond. The one exception is Egypt, where China

Table 2. China's top ten oil suppliers, January–August 2020

Country	*Barrels per day supplied to China*
Russia	1.724 million
Saudi Arabia	1.683 million
Iraq	1.314 million
Brazil	880,000
Angola	835,000
Oman	734,000
United Arab Emirates	649,000
Kuwait	547,000
Norway	283,000
United States	212,000

Source: "China," *Petroleum Intelligence Weekly*, October 2, 2020.

has engaged in some $27 billion in projects since 2005, fueling fears of a rising debt load to China.[16]

Let's start with the $20 Billion–Plus Club—countries that have exceeded that figure in investment or construction projects by Chinese companies. They are, in order of magnitude of investment, Saudi Arabia, the United Arab Emirates, Egypt, Iran, Iraq, and Algeria (see table 3). In most of these cases, construction projects comprise the majority and thus would not be classified as foreign direct investment. Iraq demonstrates the most balance between FDI and construction projects, given the wide-ranging presence of Chinese energy companies in Iraq's oil sector. In terms of FDI, Chinese firms have put their own skin in the game with long-term investments in Iraqi and UAE oil fields, pipelines and refineries and power companies in Saudi Arabia, ports from Israel to the UAE, and greenfield industrial and real estate developments in Oman and Egypt.

Five of the top six destinations for Chinese investment and construction projects—Algeria, Egypt, Iran, Saudi Arabia, and the UAE—also hold China's highest diplomatic status: a comprehensive strategic partnership (CSP). According to Degang Sun, a well-connected Chinese scholar of the Middle East region, China views those five countries as "pivot states" that are "politically, economically and militarily strong, and crucial to China's interests in the Maghreb, the Red Sea area and the Persian Gulf, respectively."[17] How does China select countries for its highest level of diplomatic partnership? According to Georg Strüver, editor of the *Journal of Current Chinese Affairs*, countries

Table 3. The $20 billion–plus club: Chinese projects (investments + construction) in the MENA region, 2005–20 (in US billions)

Recipient	*Chinese projects (in US billions)*
1. Saudi Arabia	$38.64
2. UAE	$33.53
3. Egypt	$27.25
4. Iran	$26.56
5. Iraq	$24.15
6. Algeria	$23.85
Other notable recipients of Chinese projects (in US billions)	
7. Israel	$12.97
8. Kuwait	$10.75
9. Qatar	$7.72
10. Jordan	$6.34
11. Oman	$5.81

Source: China Global Investment Tracker, American Enterprise Institute.

that achieve the CSP status must have "political trust, dense economic ties, cultural exchanges, and good relations in other sectors."[18]

China's relatively quiet but robust presence across the oil sector in Iraq has prompted the quip "Who won the 2003 Gulf War? Chinese state-owned energy companies." All told, Chinese companies are involved in some 2.5 million barrels of production per day in Iraq—more than half of the OPEC member's production. Iraq, like many other Middle East oil producers, has become dependent on Chinese refineries buying their product. All told, Iraq sold some $24 billion worth of crude oil to China in 2019, accounting for nearly a quarter of all of the country's oil and non-oil exports.[19] The region has largely avoided falling heavily into debt to China, though Oman's and Egypt's debt loads should be watched closely.

Those quiet tankers that drop their cargo for a hungry consumer, along with China's growing commercial ties across the region, help explain the deafening silence of the vast majority of MENA states regarding China's mass internment of up to a million Uighur Muslims in western China in "re-education camps" under extremely harsh conditions.

So, how reliant are US allies on Chinese oil purchases?

The Crude Truth: Regional Export Dependence on China

A close examination of the six GCC countries, plus Iran and Iraq reveals a region with growing dependence on China as a key export destination, with two significant exceptions. According to an examination of International Monetary Fund (IMF) and national government trade figures, the United Arab Emirates and Bahrain are least dependent on China for their total export flows, with roughly 5 percent and 8 percent respectively of their total exports flowing to China. The UAE is not a major source of China's oil imports, ranking eighth in 2019, according to *Petroleum Intelligence Weekly*. Still, the UAE's global logistics hubs have attracted China's shippers and traders. In fact, by some estimates, up to 60 percent of all of China's exports to the Middle East, Africa, and Europe flow through UAE ports, principally Jebel Ali Port in Dubai, the ninth busiest container terminal in the world.[20] In terms of exports, however, the UAE demonstrates little dependence on China, selling three times more oil to Japan than it does to China.

By contrast, Oman and Iran are the most highly dependent on China for total exports, with some 43 percent and 37 percent of total flows headed there in 2019, according to this author's examination of IMF and national trade figures. Next up are Kuwait and Iraq, with some 25 percent and 23.5 percent of total export flows headed to China, followed by Saudi Arabia and Qatar, with roughly 19 percent and 14 percent.[21] All told, these eight states derived some $142 billion in revenue from exports to China in 2019 (mostly oil sales, but also natural gas in the case of Qatar). By contrast, total exports to the United States amounted to some $36 billion, roughly a quarter of the China total.

While export dependence is only one data point and should not be extrapolated too far in analyzing the geopolitics of countries, it is still worth comparing the relative dependence on the China market versus the US market, particularly in an era of rising US energy independence (see table 4). According to *International Oil Daily*, an industry publication, US purchases of Middle East crude are at lows not seen since 1993.[22] This does not simply reflect a COVID-19 slowdown in demand. It has been a trend over the past decade as US shale oil production boomed, and it will likely continue to do so over the next decade. To further complicate the picture, US oil sales to China are also rising significantly, making the United States a competitor for market share in the Middle Kingdom with its Middle East allies. By contrast, the United States remains a considerably more important export destination for Israel, Turkey, Morocco, Jordan, and Algeria.

The Free Rider Issue and Evolving Saudi-Chinese Ties

Roughly three out of four barrels of oil that exit the Persian Gulf head to Asia, with the largest segment going to China. The rapid growth in oil exports to China from the Middle East region raises the "free rider" issue as China benefits from the US protection of oil shipping lanes. As Jonathan Fulton, an insightful analyst of Chinese–Middle Eastern ties based at Zayed University in the UAE, notes: "The US security umbrella

Table 4. Ranking of China and United States as export destinations by country, 2019

Country	*Value of exports to China (and ranking of China as export destination)*	*Value of exports to the United States (and ranking of the United States as export destination)*
Saudi Arabia	$47.6 billion (1)	$13.3 billion (5)
Iraq	$22.4 billion (1)	$6.6 billion (4)
Iran	$20.7 billion (1)	N/A
Oman	$15.3 billion (1)	$597.4 million (10)
UAE	$14.2 billion (3)	$4.1 billion (15)
Kuwait	$13.6 billion (1)	$1.74 billion (9)
Qatar	$9.0 billion (3)	$993 million (14)
Bahrain	$641.6 million (4)	$783.3 million (2)

Sources: IMF Direction of Trade Statistics, 2019. Rankings based on author tabulations and comparisons from IMF Direction of Trade Statistics. Kuwait figures from 2018 OEC, https://oec.world/en/profile/country/kwt/.

helped China establish itself as a major economic and political power in the Middle East. Beijing has built its presence there through strategic hedging—steadily increasing in its economic engagement with the region, establishing relationships with all states there, steadfastly alienating no one, and avoiding policies that would challenge American interests in the region."[23]

It should be pointed out, however, that oil exports from the region are not solely headed to China. Other major buyers that are equally or even more dependent on MENA oil and gas include US allies Japan, South Korea, Taiwan, India, and Singapore. While China sourced some 50 percent of its oil from the Middle East region in 2019, for Japan that number was closer to 90 percent and for South Korea 85 percent. So, the policing of oil shipping lanes by the United States not only benefits Washington's allies among the Gulf Arab states, but also its Asian allies. Fulton also argues that the free rider question is not one asked in the region. He points out that China's infrastructure investments and "its substantial investments, trade, and aid come at a time when the West suffers from Middle East fatigue." As such, the perception goes: "Rather than free-riding, China is providing public goods that can contribute to Middle Eastern development and stability."

Still, the free rider question remains, posing this further question: When will China play a larger role in regional security? Thus far, there are no signs that the Gulf Arab states are eager to replace the United States as their main extraregional security partner. US security ties with the Gulf Arab states and Iraq dwarf China's ties, and both China and the Gulf Arab states seem content with this bargain administered by the US military. China, too, likes to tout its "noninterference" policy, despite robustly

In 2019:

Saudi Arabia exported 3.5x more to China than to the United States.

Oman exported 25x more to China than to the United States.

The UAE exported 3.5x more to China than the United States.

Qatar exported 9x more to China than to the United States.

Kuwait exported 8x more to China than the United States.

Bahrain exported roughly 20% more to the United States than China.

Iraq exported 3.4x more to China than to the United States.

interfering in other areas that it deems vital to its interests, like the South China Sea. At some point, however, China may have trouble with its balancing act in the region. As Camille Lons of the International Institute for Strategic Studies wrote recently, "Beijing will likely struggle to maintain its neutral narrative as Chinese interests in the volatile region grow."[24]

Still, many Chinese policy makers think of the region in the way Li Shaoxian, a former vice president at the China Institutes of Contemporary International Relations, put it: "The Middle East is the graveyard of great powers. . . . China doesn't really care who takes the presidency in Syria in the future—as long as that person could stabilize and develop the country, we would agree."[25]

And how do key US allies like Saudi Arabia view the basic bargain of the US security umbrella? It is no longer the bedrock principle it once was, in many eyes across the region. The summer 2019 attacks on oil tankers and regional shippers off the coast of the UAE and in the Gulf of Oman, widely attributed to Iran, were met with a muted response from Washington. More alarmingly for Riyadh, the Islamic Republic of Iran's widely believed involvement in the attack on the Abqaiq refinery in eastern Saudi Arabia—the heart of the country's oil industry—represented a failure of the US security umbrella and the basic bargain. In response to the attack, President Trump said, "That was an attack on Saudi Arabia, and it wasn't an attack on us." In some ways, he was channeling both a growing body of opinion within Republican policy circles as well as progressive circles in the Democratic party—both of which have grown fatigued over regional wars.

Trump's decision to strike and kill Iran's Revolutionary Guards commander Qassim Soleimani in early 2020 was likely well received in Riyadh, long frustrated with Iran's regional policies led by Soleimani, which had allowed Tehran to—as is often stated—"control" four Arab capitals: Beirut, Damascus, Sanaa, and Baghdad. Still, for Saudi Crown Prince Mohammad bin Salman—the architect of the country's policies under the broad reach given to him by his father, King Salman—questions likely abound regarding US intentions. He undoubtedly watched the US elections closely, as he is almost certain to be challenged more vigorously by the Biden administration. The crown prince's close ties to President Trump's son-in-law, Jared Kushner, tied Riyadh, in many Democrats' eyes, too closely to the Trump administration, which they revile. What's more, the assassination of Saudi journalist and *Washington Post* columnist Jamal Khashoggi in the Saudi consulate in Istanbul has made the crown prince, as South Carolina Republican senator Lindsey Graham put it, "toxic" in Washington.

If China was looking for a wedge to pry into the US-Saudi relationship, it may now have an opportunity. When Mohammad bin Salman visited China in February 2019, a few months after the Khashoggi killing, he was already under intense global scrutiny, particularly in the United States and Europe. President Xi of China welcomed the Saudi crown prince as "a good friend and partner" and praised him for the "efforts you have made" in building ties between the two countries. The visit was long on ceremony and pomp, and several multibillion-dollar deals were signed. There was a sense of normalcy to the visit for the crown prince—diplomatic pomp and big business deals—after a tumultuous few months. Strikingly, he could never have made such a visit to the United States—Saudi Arabia's top security partner—in February 2019.

Reports about Chinese cooperation with Saudi Arabia in searching for uranium deposits in the country have fueled speculation that Beijing might be helping Riyadh develop the kind of nuclear energy that can be converted into a weapons program. A domestic source of uranium would help any aspiring nuclear weapon state. Mohammad bin Salman stated in 2018 that the Saudis would not hesitate to pursue a weapons program if Iran announces a bomb of its own. Still, the Chinese geologists scrambling for uranium deposits in the sweltering heat this past summer were fulfilling a contract signed in 2017, one that could just as well be viewed as purely commercial from the Chinese side—whatever the motives may be in Riyadh.

To be sure, Saudi Arabia has publicly stated its intent to pursue a uranium enrichment program to feed what it hopes will be sixteen civilian reactors over the next twenty to twenty-five years at a cost of more than $80 billion. Companies from the United States, South Korea, China, France, and Russia will be vying for a piece of that large nuclear-energy pie. US secretary of state Mike Pompeo has publicly raised the alarm bell on Saudi Arabia's uranium enrichment goals, warning Riyadh not to go further down that line, while China quietly scours Saudi Arabia for uranium deposits. How those geologists ended up in the Saudi deserts is, to a great extent, a result of the landmark visit by Chinese president Xi to the Middle East in 2016.

President Xi and the 1 + 2 + 3 Strategy

In early 2016, Xi made a tour of three of the region's most powerful capitals: Riyadh, Tehran, and Cairo. Few world leaders could have threaded the needle with a Riyadh and Tehran visit within a few days of each other at a time of heightened tensions between the two regional powers. Shortly before Xi's visit, Saudi Arabia executed a dissident Shi'a cleric and Iranian protesters stormed—and torched—the Saudi embassy in Tehran. All three capitals rolled out the reddest of the red carpets for President Xi, who was mostly interested in talking business, not politics. In Saudi Arabia, he visited a refinery that was a joint venture between state-owned energy company Sinopec and Saudi Aramco, the national oil giant. In Tehran, he talked business and trade with Iranian leaders eager to attract investment following the signing of the Joint Comprehensive Plan of Action—the nuclear deal. And in Cairo, he doled out some largesse, offering $1 billion of financing to Egypt's central bank and a $700 million loan to the state-owned National Bank of Egypt. Also in Cairo, he delivered a speech at the Arab League that was laden with bromides about "win-win" cooperation and making multibillion-dollar pledges of aid.

Shortly before Xi's visit, China's Foreign Ministry laid out its vision for relations with the Arab world. It centered on something Beijing calls the "1 + 2 + 3 strategy." The *1* in this formulation represents the core, and it is focused on energy cooperation. The *2* refers to the two "wings": infrastructure construction and trade and investment facilitation. The *3* refers to the triumvirate of "high and new tech fields of nuclear energy, space satellite, and new energy"—the "three breakthroughs." In many ways, the paper, with the workmanlike title "China's Arab Policy Paper," encapsulated what the country did in the past, with a preview of where it hopes to go in the relationship.[26]

The paper is laced with the usual language of "win-win" development and noninterference in each other's affairs. It describes relations between the Arab world and China as "a model of South-South cooperation." The following excerpt gives you a sense of the tenor:

> Over the past 60 years, China-Arab friendly cooperation has made historic leaps in breadth and depth. It has become a model of South-South cooperation and gained the following successful experience: both sides have always respected and treated each other as equals and remained brothers, friends and partners no matter what happens on the world arena; both sides have insisted on the principle of mutual benefit, win-win and common development and have pursued common interest and sustainable development no matter what changes or developments take place on either side; and both sides have promoted dialogue, exchanges and mutual learning among civilizations, and have always respected each other's social system and development path no matter what differences exist in ideology.

You need to dive deep into the paper to find references to military cooperation, but they are indeed included in this aspirational document. In Part III, an exhaustive list of aspirational goals, items 5.1 and 5.2 refer to regional security and military cooperation.

The two passages are as follows:

> 5.1 Regional Security—China calls for a concept of common, comprehensive, cooperative and sustainable security in the Middle East, and supports Arab and regional countries in their efforts to build an inclusive and shared regional collective cooperation security mechanism, so as to realize long-term peace, prosperity and development in the Middle East.
>
> 5.2 Military Cooperation—We will deepen China-Arab military cooperation and exchange. We will strengthen exchange of visits of military officials, expand military personnel exchange, deepen cooperation on weapons, equipment and various specialized technologies, and carry out joint military exercises. We will continue to support the development of national defence and military forces of Arab States to maintain peace and security of the region.

In practice, military cooperation has grown, as noted in the document, but on a comparative basis, the United States remains an order of magnitude more entwined in regional security with its key Arab allies. All told, the United States operates more than a dozen military bases and facilities in the region. China operates just one, in the small East African country and Arab League member Djibouti. The Chinese Navy has been active in the Gulfs of Oman and Aden, supporting freedom of navigation to protect Red Sea shipping lanes, but it is barely present in the Persian Gulf, except for the occasional joint naval or military drill. When it comes to joint maneuvers, drills, training, and the like, the United States is again leagues ahead of China in the region.

One area of growth has been Chinese arms sales to Gulf Arab states, notably drones. In response to a ban on the sale of US drones to Saudi Arabia and the UAE, both of those states turned to China, which has sold its CH-4 Unmanned Aerial Vehicle widely in the region. That includes deals with Algeria, Pakistan, Iraq, and Saudi Arabia. In fact, reports surfaced in 2017 that Saudi Arabia would join with the Chinese maker of the CH-4, China Aerospace Science and Technology Corporation, to manufacture the drone on Saudi turf. Even if this transaction goes through, Saudi Arabia remains firmly in the US camp on arms purchases. According to the Stockholm International Peace Research Institute, the Saudis accounted for about 22 percent of all US arms sales worldwide from 2014 to 2018.[27] But when it comes to drones, they saw no choice aside from China.

The drone purchases reflect a common refrain among Gulf Arab policy analysts: "What is the alternative?" When the United States refuses to sell drones to Gulf Arab states, the refrain goes, what is the alternative? This line of reasoning is also prevalent in the debate over Huawei telecommunications equipment for 5G. As one senior Gulf-based official put it: "The Americans tell us not to buy Huawei, but they don't give us an alternative for 5G. Where is the American Huawei that we can use instead?"[28] United States allies Saudi Arabia, Qatar, and the UAE are already deploying Huawei in their 5G plans. Israel has pledged to cut Huawei out of its 5G plans, but Israel is no stranger to Chinese investment in its technology sector and infrastructure—a sore point in Washington–Tel Aviv ties.

During the 2018 China–Arab States Cooperation Forum, held in Beijing, Chinese leaders announced loan, aid, and development packages totaling some $23 billion. Oman has already received two loans through the Asian Infrastructure Investment Bank (AIIB), launched by China as an alternative to the World Bank and the Asian Development Bank. Every major Arab state and Iran have signed on as members of the AIIB, as have many of America's European allies. Of course, multibillion-dollar announcements do not always materialize into hard cash, but the numbers reflect clearly that China does not see the region as merely an "oil play" or commercial opportunity and is seeking ways to become more closely entwined with the region's development.

The UAE Trade Hub, Qatari Gas, and the Egypt and Oman Questions

Of all the countries in the region, the United Arab Emirates fit most perfectly into China's commercial-driven 1 + 2 + 3 strategy. The UAE's vast logistics infrastructure has made it one of the world's leading trade hubs. Chinese container ships routinely call on Jebel Ali Port, a key re-export hub for the Middle East, Africa, and wide swathes of Europe. In fact, according to *The Economist* magazine, some 60 percent of China's exports to Africa, the Middle East, and Europe flow through Emirati ports.[29]

Chinese state-owned enterprises have been actively engaged in investing in the UAE oil sector, as well as ports infrastructure. The newly minted CSP Abu Dhabi Terminal at Khalifa Port in the UAE capital is operated by China COSCO Shipping Ports Limited, a major global ports operator and state-owned entity. Chinese companies are also the largest investors in the Khalifa Industrial Zone Abu Dhabi, a free-trade zone for industrial manufacturing. Just down the road, a Chinese firm recently announced a $2.4 billion investment in Jebel Ali Port in Dubai to create a traders' market on 800,000 square meters of land, dedicated to Chinese firms.

There is an air of inevitability to China's growing commercial ties with the UAE. The world's largest trading nation, China, was bound to link up with one of the world's leading trade hubs at the nexus of East-West flows. The UAE, however, attracts investment from dozens of countries worldwide and its trade profile is highly diversified, so there seems little prospect of falling into overreliance on China.[30]

Qatar, like the UAE, demonstrates a symbiotic relationship with China, or to borrow from China's Foreign Ministry lexicon, a win-win. China is now the second largest buyer of liquefied natural gas (LNG) and promises to be a vital market for Qatar, the world's largest supplier of LNG. In 2018, Qatargas signed a twenty-two-year deal with PetroChina International Co. to supply China with some 3.4 million tons of liquefied natural gas per year. Also benefiting from the deal are ExxonMobil and French energy firm Total, partners with Qatar Petroleum in the field that will supply the LNG. As China continues to replace coal as a cleaner burning fuel, Qatari LNG will play a key role.

All of that LNG will require a large tanker fleet for transport. In April 2020, Qatar Petroleum announced a partnership with Hudong-Zhonghua Shipbuilding Group Co. to reserve shipbuilding capacity for its future building requirements through 2027. While much attention is paid to crude sales to China, Qatar's flourishing LNG relationship with China aligns the two countries on key mutual goals. Qatari LNG is in high demand in South Korea, Japan, and elsewhere, and thus it is unlikely to be overreliant on China.

Oman, on the other hand, faces much broader reliance on China. The vast majority of Oman's oil heads there. Chinese state-owned entities are pouring billions of dollars into building an industrial zone attached to a modest port in the city of Duqm, on the Arabian Sea. It's the sort of investment that does not carry the immediate sense of commercial inevitability, as is the case with the UAE, where China was investing in established infrastructure along well-established trade routes. Duqm looks more like a strategic play.

In 2017, Oman received a $3.5 billion loan from a group of Chinese banks, and it is reportedly seeking more. With its government bonds receiving junk ratings from all three major credit agencies, Oman will likely lean more heavily on China as it faces widening fiscal pressures in the face of persistent low oil prices. As Ziad Daoud, chief emerging markets economist for Bloomberg, notes: "Out of the six Gulf countries, Oman is the most vulnerable to current oil prices. Its ratio of debt to GDP is among the highest but its net foreign assets are among the lowest—and it's the least likely to receive support from its neighbors in case of need."[31] The reason its neighbors are unlikely to come to Oman's rescue is Muscat's independent foreign policy, often out of step with GCC powerhouses Saudi Arabia and the UAE. Oman's role in brokering the Iran nuclear deal of 2015, unpopular in Riyadh and Abu Dhabi, still rankles, although a new leader at the helm following the death of Sultan Qaboos bin Said in January 2020 could offer a fresh start to its strained ties with the two GCC powers.

Like Oman, Egypt has been on the receiving end of significant loans from China. When it turned to the IMF in 2016 in search of a $12 billion loan facility, the Washington-based lender told Cairo to come up with $6 billion of its own in order to gain access to the first tranche of funding. So Egypt turned to some familiar sources: Gulf Arab state powerhouses Saudi Arabia and the United Arab Emirates and a less familiar one, China. The UAE, the World Bank, and the G7 reportedly combined to offer Egypt $3 billion, while Beijing delivered the other $3 billion Cairo needed to secure the IMF funding. China has provided Egypt with another $3 billion loan for construction of the main business district of the country's new administrative capital project, an ambitious effort to create a massive new hub for business and government ministries on undeveloped land forty-five kilometers east of Cairo.

China State Construction Engineering Corporation, the company leading the project, has reported that it is on schedule to deliver the twenty commercial towers of the central business district beginning in late 2021, including what will become Africa's tallest tower, by 2022. The project officially got underway in May 2018, so a 2022 delivery will be the equivalent of construction at warp speed. The tallest structure, known as Iconic Tower, is going up at a rate of one floor every six days or so, according to reports.

The completed construction area will comprise 1.9 million square meters. It will represent a powerful Chinese flag planted on a high-profile project, one that is close to the heart of Egyptian president Abdel Fattah El-Sissi. So, the question that emerges regarding Egypt and Oman: Will their growing reliance on Chinese investment make them vulnerable to extreme Chinese influence on their foreign policies? Thus far, there are no signs indicating a significant break in traditional objectives from either Muscat or Cairo, and countries have more agency than they are given credit for in how they deal with Beijing, but this space should still be watched carefully.

Among other North African countries, Algeria is notable for its robust Chinese presence. Chinese companies have funded or built major projects like the Algiers Opera House (a gift from the Chinese government), the Great Mosque of Algiers, a major east-west highway, and even a Sheraton Hotel. At one point, Algeria hosted some fifty thousand Chinese workers. A "Chinatown" has emerged in an Algiers suburb. In Morocco, Chinese companies are investing in a major new technology-free zone, and Chinese auto manufacturers have joined their European counterparts in setting up shop in the North African state to build cars for European and African markets. Most of North Africa's export profile, however, remains far more closely tied to Europe than to China.

China's Iran Strategy

When President Xi Jinping landed in Tehran in January 2016, he was the first major international leader to visit Tehran in the wake of the nuclear deal that lifted a wide range of sanctions on the country. The two sides signed seventeen agreements in fields ranging from energy to trade to industry, and they set the eye-popping aspirational goal of increasing their bilateral trade more than tenfold within a decade, shooting for $600 billion. To many observers, the visit suggested a dramatic ramp-up in ties that were already perceived as strong and rapidly growing. Beneath the surface, however, and beyond the headlines, China's ties with Iran did not live up to the hype.

Iran's technocrats at the National Iranian Oil Company (NIOC) were likely far more eager to work with European majors than Chinese energy giants in a post-sanctions world. A thread of tension ran through NIOC's relations with Chinese energy majors. Over the previous decade, Chinese firms signed a long string of memorandums of understanding with NIOC, many of which came to naught. In one case, NIOC booted China National Petroleum Corporation (CNPC) out of a potential $5 billion natural gas deal in 2012 for lack of progress. Why? Despite Chinese government complaints about US secondary sanctions on Iran threatening non-US firms, Chinese energy companies and refiners rarely chose to buck the United States, dragging their feet on investments and limiting their purchases of Iranian oil. Chinese energy giants were thus making a calculation: Should they antagonize the largest and most important economy in the world (and a major shale player) for the sake of a country with a GDP the size of Ohio's, and one with onerous terms in its oil production contracts? As for Chinese refiners, they could always purchase oil elsewhere or squeeze Iran on price, citing sanctions risk (which they did often).

As for Iran, a post-sanctions world offered it the promise of a more diversified base of partners, in particular the opportunity to welcome European oil majors back into its sector. Statements from Iranian officials about a "look east" policy were more of necessity than desire. Iranian officials were well aware that China was hedging, balancing its ties with the United States and key US allies, being careful not to antagonize Washington or Riyadh, for that matter, by getting too close to Iran. As European oil and gas majors sized up Iranian assets, the Chinese were no longer the only players in town.

The election of Donald Trump changed the dynamic dramatically. As the Trump administration ramped up sanctions and ultimately pulled out of the Iran nuclear deal, European companies that had returned to Iran began to quietly exit projects. In fact, CNPC, having been turned out by Iran once before, partnered with Total of France to win a contract for the same deal. But when Total exited in 2018, owing to pressure from Washington, CNPC dragged its feet again and was ejected for the second time in 2019.

In this context, news broke in early June 2020 of a major strategic alliance in the works between China and Iran. The evidence: a document leaked by Iran's Ministry of Foreign Affairs. Once again headlines screamed of an emerging Beijing-Tehran axis, complete with news of a potential $400 billion Chinese investment program in Iran. The reality, once again, was much less dramatic than the hype. In a detailed examination of Chinese-Iranian ties by Lucille Greer and Esfandyar Batmanghelidj for the Wilson Center, the authors conclude that Iran might be considered "last among equals" in China's eyes compared with other major regional states. The $400 billion figure? A "completely fictitious number." They note, further, that "the leaked document speaks to Iranian frustrations regarding the relative weakness of its bilateral relations with China when compared to the political, economic, and military ties that its neighbors enjoy with Beijing."[32]

The authors also point out that China began growing its economic footprint in Iran, particularly in the sale of industrial machinery in 2008, just as European companies were exiting owing to sanctions. While China remains a very important buyer of Iranian crude, it has generally retained more of a transactional relationship with Iran rather than a strategic one. Unlike with Saudi Arabia, where the two sides have jointly invested in long-term projects like refineries—the investment equivalent of a marriage—Iran's energy ties run shallow.

China has lowered its imports dramatically, according to official numbers. However, it is hard to estimate the amount of Iranian oil that finds its way there via high-seas, illicit, ship-to-ship transfer or through third party sellers in Singapore and Malaysia. These "gray zone" sales invite wide-ranging opportunities for corruption among Iran's ruling elite, a pernicious problem in the state's oil sector that has become part of the political discourse. Former president Mahmoud Ahmadinejad often lamented what he called Iran's "oil mafia," and current president Hassan Rouhani has cited corruption in "the billions of dollars" in the oil sector. In a remarkable study published by the University of Utah's Hinckley Institute of Politics, author Khosrow Semnani notes that the total economic damage to Iran from decades of oil corruption, sanctions, and "murky deals" with China and others could amount to some $1 trillion.[33]

As Iran's economy further deteriorates in the face of a rising tide of sanctions, China will not be the country's savior. Only a lifting of sanctions could offer Iran some reprieve, a prospect heightened by Joe Biden's election as US president.

Conclusion: The Future of China in MENA

Over the next decade, we are likely to see further growth in commercial and economic ties between China and major MENA states, though the speed of that growth will likely decrease. China will continue to be a major buyer of oil, gas, and petrochemicals from the region and will continue to seek partnerships to bolster its long-term energy security. Additionally, it will continue to explore Belt and Road Initiative opportunities for investment, particularly in well-established trading hubs like the United Arab Emirates or strategically located states like Egypt and Oman. Cash-rich Gulf Arab entities will likely continue to look for ways to invest in China's growing middle class, and Saudi Arabia and China are likely to continue their robust and strategic energy partnership. As for Iran, absent a lifting of sanctions, it is likely to remain, as the Wilson Center report noted, "last among equals," though opportunities will abound for opaque deals in the gray zone, which could enrich elites on both sides.

As for a potential Chinese role in regional security, growing US fatigue with regional wars may eventually impel a greater role for Beijing, but the unwinding of the American security umbrella on Persian Gulf sea-lanes will likely take far longer than a decade. In China's ties with the region from the 1993 inflection point until the middle of the century's first decade—call it China-MENA 1.0—relations were characterized by oil flows for manufactured goods. As the relationship matured, we began to see deeper trade and commercial ties, foreign direct investment going both ways, limited arms sales, and active "heads of state flows" to go along with capital and trade flows. This China-MENA 2.0 phase represents denser commercial ties across many more countries, but still falls short of a security partnership.

The question, then, emerges: Will China-MENA 3.0 include deeper security and military partnerships, even a Chinese gambit to replace the US as the major security player in the Persian Gulf? We still seem far from that, but the rise of China in the MENA region will remain one of the most important geo-economic stories of the next decade, if not yet a defining geopolitical one.

NOTES

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