

PowerPlay

China sees rich pickings in the Middle East

A confluence of factors offers China opportunities to expand its diplomatic and economic footprint. But it is far from dislodging the United States as the ultimate guarantor of security in the region.

• Power Play is a weekly column that looks at various facets of US-China rivalry and its implications for Asia.



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Chinese President Xi Jinping made two noteworthy phone calls at the end of last month – one to United Arab Emirates (UAE) President Mohamed bin Zayed Al Nahyan, and the other to his Zambian counterpart Hakainde Hichilema.

This came just days after the United States had unveiled its Indo-Pacific Economic Framework, the Biden administration's plan to push back against China's growing economic clout in Asia.

It was also around the same time when Chinese Premier Li Keqiang convened an emergency meeting of thousands of officials to stabilise the tanking economy.

If those events had created doubts over China's commitments to its partners in the developing world, President Xi wanted to quash them. In those calls, he pledged to step up cooperation on trade, investment and infrastructure – especially under China's Belt and Road Initiative (BRI).

At a time when Washington is gathering allies to face off against China, it was a signal that Beijing, too, was shoring up its own relationships in the Global South – and especially in the Middle East where China's economic and diplomatic footprint has been growing in recent years.

Experts say countries in the Middle East are increasingly looking to China for infrastructure funding, new technologies and trade at a time when the US is taking a step back – last year, Washington withdrew troops from neighbouring Afghanistan – and turning its focus to the war in Ukraine, and to the Indo-Pacific.

At the start of this year, a procession of six foreign ministers from the region – Saudi Arabia, Bahrain, Kuwait, Oman, Turkey and Iran – visited China in quick succession to talk trade and investment. Among them, the oil-rich Gulf states are also in talks to push through a free trade agreement with China.

Beijing has managed to cultivate good relations with bitter rivals – among them the Iranians, the Saudis and Israelis – in the Middle East so far, offering trade and investments while trying to keep from getting entangled in security issues and politics. But as its stake in the region deepens, experts say China will find this balance increasingly difficult to strike.

TRADE AND ECONOMICS

On the face of it, it seems like China is capitalising on the shift in American attention to make gains in the Middle East, especially if Chinese Defence Minister Wei Fenghe's visit to Iran in late April is considered, during which he discussed expanding military cooperation with Teheran.

Iranian President Ebrahim Raisi said at a meeting with the Chinese minister that both sides shared similar concerns, stressing that Teheran opposed “unilateralism, hegemony and external interference” – terms that Beijing also uses to criticise Washington.

But geopolitics is not the main reason Beijing has been able to forge ties with countries in a region as divided as the Middle East.

“Trade drives a lot of political relations in both Asia and the Middle East, and China is a trade superpower,” said senior non-resident fellow at the Atlantic Council Jonathan Fulton.

He pointed out that there is a “complementarity between China's interests in the Middle East and North Africa (Mena) region, and Mena's interests with China” driving these relations.

“(Trade in) energy is the obvious factor, but there is also China's ability to support Middle East countries' development agendas through artificial intelligence and related tech platforms,” said Professor Fulton, who is also from Zayed University in the UAE.

In other words, the prospect of massive trade and investments has enabled China to sign a 25-year investment agreement worth US\$400 billion (S\$554 billion) with Iran in March last year, while also negotiating a free trade agreement with the bloc of oil-rich Gulf states.

When Mr Xi made his first of two visits to the region in 2016, he travelled to both Saudi Arabia and Iran, a rare feat for any world leader.

Today, China is the largest trading partner of and investor in the Middle East – two-way trade has risen from under US\$60 billion in 1995 to about US\$367 billion last year.

Over half of China's crude oil imports comes from the Middle East.

China has been able to cultivate these ties because it does not have the same “historical baggage” in the region as powers like the US and Russia, said Professor Fan Hongda of the Middle East Studies Institute at Shanghai International Studies University.

Chinese experts say Beijing offers trade and investments and the prospect of development without getting involved in issues such as human rights.

“China's core pursuits in the Middle East are still economic and trade cooperation,” said Prof Fan.

ALTERNATIVE TO THE U.S.

But he noted that as global competition with the US intensifies, China's inroads into the region are being read as moves to replace the US as the dominant power in the region.

“Frankly, I disagree with this view. The influence of the United States in the Middle East will still be unmatched by other countries for a long time to come,” he said.

His point is that while China might be deepening its economic ties, the reality on the ground is that the US is still the ultimate guarantor of security in the region.

Retired Singapore diplomat Bilahari Kausikan pointed out that the US Navy is based in Bahrain; the US Air Force's F-22 jets fly out of the UAE; and US Patriot

anti-aircraft batteries have been deployed in Saudi Arabia and the UAE to defend against attacks from Houthi rebels.

“The US is moving from a position of direct intervention to that of an offshore balancer,” said Mr Kausikan, chairman of the Middle East Institute at the National University of Singapore, at an online talk last month on China's growing influence in the Middle East.

“The role of offshore balancer is sometimes mistakenly depicted as a retreat or withdrawal, but it is not that – it is taking a step back, but not withdrawing.”

That said, the US' repeated claims that China is its top adversary and pacing challenge are also giving the impression that it is “decreasing its role” in the region, said Dr Amr Hamzawy, director of the Middle East Programme at the Carnegie Endowment for International Peace, at the same event.

This was pushing countries, even those that are traditional partners of the US, such as Egypt and Saudi Arabia, to hedge their bets and seek greater Chinese engagement.

He said it was notable that there was a reluctance even among US allies in the region to adopt its position regarding the war on Ukraine.

In votes at United Nations sessions condemning Russia, traditional US allies and partners like Saudi Arabia and the UAE were among Middle Eastern

countries that abstained.

“It is the first time in a big international crisis where the Chinese position (of neutrality) is being pushed forward by the Middle East,” said Dr Hamzawy.

“This region knows its diplomacy, it knows very well how to hedge its bets, and how to engage great powers in their competition over the natural resources, over oil and strategic assets in the region.”

MAKING HAY

For now, China is making hay, ramping up its investments in the region.

Under the BRI, Arab and Middle Eastern countries saw Chinese investments increase by about 360 per cent and construction engagement increase by 116 per cent last year compared with the year before, according to a report from Fudan University's Green Finance and Development Centre in Shanghai.

Iraq was the biggest beneficiary, with China investing US\$10.5 billion under the BRI into construction projects in the country.

Syria also signed on to join the BRI this year, which could herald an influx of Chinese investment in a country still reeling from sanctions and civil war.

Chinese tech companies such as Huawei, Alibaba and SenseTime are also investing in and developing digital infrastructure

in countries such as Saudi Arabia, the UAE and others.

That said, as China's economic ties deepen in the region, experts say Beijing will begin to face problems. For one thing, it will find it tricky to be friends with everyone in such a divided region.

“The deepening of China-Iran relations has already drawn the attention of some countries in the region. In Israel, there are already increasing negative views towards China because of this,” said Prof Fan.

But perhaps the biggest issue China will face is how to keep from getting militarily involved in the region as its economic stakes grow.

Ironically, it has been the US' Fifth Fleet stationed in the region that has ensured trade routes stayed open and that flows of Gulf energy made it to China.

“Chinese policymakers have been very cautious about taking on a larger security role in the Middle East... but if its economic interests grow large enough, it will be forced to pay more attention to this,” said Prof Fan.

Whether this will lead to a Chinese base in the region or a greater naval presence is up for debate, but China's days of staying out of the fray are numbered.

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