

China debates its future role in the Middle East

By Stig Stenslie

■ Executive summary

China will be considerably more dependent on oil imports in the coming years because its growth in consumption far exceeds domestic production. As result of this growing energy demand the country will inevitably be more reliant on the Middle East. Despite the absence of an overall long-term strategy, there is no shortage of debate about China's future role in the Middle East, although the debate is more about the relationship with the U.S. than anything else. Two opposite views appear: on the one hand, it is claimed that the U.S. position in the Middle East is weakening and that Beijing should adopt a more assertive approach to strengthen Chinese influence in the region. The alternative argument is that the Chinese government should maintain its current cautious approach, avoid contesting the U.S. hegemony, and let the U.S. war machine bleed to death in the troubled region. So far, China has benefitted from its low-key approach to the Middle East. Beijing will most likely try to maintain this policy; however, this might become increasingly difficult as its economic involvement in and dependence on the region become more complex.

Introduction

China will be considerably more dependent on oil imports in the coming years because its growth in consumption far exceeds domestic production. As result of this growing energy demand, the country will inevitably be more reliant on the Middle East. Meanwhile, the U.S. is moving in the opposite direction: increasing domestic production means that the U.S. is becoming less dependent on oil imports and Washington is signalling that it seeks to adopt a lower profile in the Middle East. The fact that the U.S. is moving towards energy independence while China is becoming increasingly dependent on imports could have significant geostrategic consequences. Against this backdrop, China is debating its future role in the Middle East.

Booming trade and investments

In 2009 China's dependency on foreign oil exceeded 50% for the first time, marking that oil imports had replaced domestic oil output to meet the majority of China's oil consumption. In the same year China overtook the U.S. to become Saudi Arabia's top oil customer. The country's import dependency is growing rapidly: three years later, in 2012, the country was 58% reliant on foreign supplies, and

in September 2013 China leap-frogged the U.S. to become the world's largest net oil importer.

China is expected to be even more dependent on oil imports in the future. The International Energy Agency predicts that the country's dependence on foreign oil will increase to 60-70% of its total consumption in 2015 and to as much as 75% in 2035.

China is seeking to diversify its oil imports among regions, with Russia, Africa and Latin America becoming key Chinese oil suppliers in the decades to come. Nonetheless, China will have to rely on the Middle East because of the simple fact that the region has the world's largest oil reserves. The country is already the Middle East's largest oil customer and imports more oil from this region than any other in the world.

Furthermore, the Middle East has witnessed a significant rise in inward foreign direct investments from China. Most of these investments are driven by state-owned enterprises (SOEs). Under China's "Going Out" policy – which is a slogan adapted by Beijing to encourage investments and acquisitions abroad, particularly by large state-owned

industrial groups – Chinese SOEs have two major missions: one is to become internationally competitive enterprises; the other is to secure supplies of the resources China needs domestically.

No grand strategy

Most observers agree that China's Middle East policy is not led by long-term geostrategic aims, but is rather dictated by immediate needs – above all energy supplies. To secure the uninterrupted flow of energy, the country desires regional stability; however, so far China lacks the means to stabilise the Middle East.

China's approach to the Middle East – like its policy towards other regions peripheral to the Middle Kingdom – is pragmatic and opportunistic. Beijing seeks to keep its head low, stay out of trouble, and cultivate good relations with all the countries in the Middle East, prioritising Turkey, Israel, Pakistan and Saudi Arabia as partners. China has no formal alliances, which gives it flexibility in its dealing with the Middle East, in contrast to the highly cemented politics of the U.S. in the region. The Chinese government adheres to the principle of non-intervention in other states' affairs and takes care to hide behind Russia in matters of UN sanctions against countries like Iran and Syria.

Chinese companies' involvement in countries such as Iran, Iraq and Libya shows these companies' opportunism and willingness to accept risk. With government backing, these companies are willing to accept contracts with lower earnings, partly because they have lower operating costs than other international companies and partly because their investments are based on national interests – to meet China's growing oil needs – rather than profit.

Notwithstanding the absence of a grand strategy, there is no shortage of debate about China's future role in the Middle East. It is widely believed that the debates within the party leadership in Beijing reflect the public debates that take place among Chinese think tanks and foreign policy observers. However, the Middle East debate is more about the relationship with the U.S. than anything else.

Two opposite views can be discerned: on the one hand, it is claimed that the U.S. position in the Middle East has been weakened and that Beijing should adopt a more assertive approach to strengthen Chinese influence in the region. On the other hand, it is argued that the Chinese government should maintain its current cautious approach, avoid contesting the U.S. hegemony and let the U.S. war machine eventually bleed to death in the troubled Middle East.

Voices advocating a more assertive approach

Wang Jisi, a professor at Peking University and one of China's leading experts on international relations, forcefully advocated a more assertive Chinese involvement in the Middle East after the Arab uprisings. In October 2012

he presented his geopolitical strategy, "March West", in the *Global Times*. This strategy has the same connotations as previous concepts that Beijing has promoted, under names such as "Development of the West", "Opening to the West", "Building a New Silk Road" and the "Greater Periphery", but it has clearer geopolitical aims.

The core of Wang's idea is close to Mao Zedong's legendary military strategy: "The enemy advances, we retreat; the enemy camps, we harass; the enemy tires, we attack; the enemy retreats, we pursue." The Obama administration's "rebalancing" or "pivot" strategy directed towards the Asia-Pacific region – apparently at the expense of the Middle East – is interpreted by Beijing as an attempt by the U.S. to contain China. The U.S. seeks to rebalance its foreign policy by, among other things, strengthening bilateral security alliances, interacting effectively with multilateral institutions, expanding U.S. trade and investment, and maintaining and projecting a broad-based military presence in the Asia-Pacific region.

Instead of seeking to challenge U.S. influence in the Asia Pacific, Wang believes that China should assume a greater role in the area west of the country. As a result of the U.S. withdrawal from Iraq and Afghanistan, as well as signals of a foreign policy reorientation away from this region, the argument goes, China now has the opportunity to fill a void in Central Asia, South Asia and the Middle East. Wang claims that this will give Beijing greater strategic leverage towards Washington because the Americans will need all the help they can get in trying to stabilise the Middle East. According to the "March West" strategy, Chinese authorities should more aggressively promote their interests in the region through increased diplomatic and economic presence.

Voices advocating a cautious approach

Some Chinese strategic thinkers indicate that there might be some advantages in the U.S. being "strategically trapped" in the Middle East, because this might weaken the "rebalancing", or "pivot", to Asia. Qu Xing, president of the influential China Institute of International Studies, emphasises the Middle East's strategic importance for China because the problems in the region prevent Western countries from engaging strongly in the Asia-Pacific region. According to him, the unstable situation in the Middle East hampers the declared U.S. intention of a reorientation to the Asia Pacific – which serves Chinese interests. Qu therefore argues that China is best served by maintaining the non-interference line towards the Middle East and should avoid challenging the U.S. position in the region – in line with Deng Xiaoping's renowned advice to "keep a low profile". Meanwhile, it is also important for China to work to prevent the West from provoking regime changes that could harm Chinese interests in the Middle East. Qu stresses in particular that China must avoid Western countries' use of UN Security Council resolutions as a tool for regime change.

Tang Zhichao, Middle East researcher at the think tank China Institute of Contemporary International Relations, which is under the Ministry of State Security, expresses scepticism about the U.S. role in the unrest that has characterised the Middle East since 2011. He believes that the U.S. government is using this turbulence to resume its geopolitical status in the region, maintain its hegemony and undermine its rivals. This is done by pushing oil prices up, which in turn prolongs the economic crisis in the European Union and delays the internationalisation of the Chinese currency. Nonetheless, Tang argues – as Qu Xing does – that China should not challenge U.S. dominance in the Middle East, because Chinese interests benefit from U.S. political, military and economic resources being strategically tied up in the region, resources that otherwise could have been used to contain China in East Asia. In Tang’s words, “the strategy of pivot to Asia would be greatly challenged by the increasing austere Middle East situation such as the Syria crisis and the Iranian nuclear issue, and President Obama would likely have to pay more concerns to this region”.

Future policy

Until now China has arguably benefitted from its low-key approach to the Middle East. The U.S. has borne the political, economic and military costs of stabilising the region, while China has benefitted from stable energy supplies. Today’s “free-rider policy” might continue to serve Beijing – as long as the U.S. seems to have too many interests apart from oil to protect in the Middle East to scale down its presence substantially. Although China has few incentives to radically change its approach to the Middle East, it might turn out to be increasingly difficult for Beijing to stay out of the region’s conflicts as its economic involvement there becomes more complex. Actors both within and outside the region will inevitably expect China – as a key stakeholder – to take a stand and sometimes choose sides. ■

■ THE AUTHOR

Stig Stenslie is head of the Asia Branch of the Norwegian Defence Staff. He has held visiting fellowships at, among others, the Norwegian Institute for Defence Studies in Oslo, the National University in Singapore and Columbia University in New York. He holds a doctorate in political science from the University of Oslo and is the author of several books on the contemporary Middle East and China, the most recent being, with Marte Kjær Galtung, *49 Myths About China* (Rowman and Littlefield, forthcoming 2014), *Regime Stability in Saudi Arabia: The Challenge of Succession* (Routledge, 2011) and, with Kjetil Selvik, *Stability and Change in the Modern Middle East* (IB Tauris, 2011).

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