February 3, 2016
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Fate of the Dragon in the Year of the Red Fire Monkey: China and the Middle East 2016

February marks the beginning of a new phase in the Chinese lunar calendar, drawing to a close a year marked by heightened risks and fortuitous gains in China’s efforts to secure its interests in the Middle East and North Africa (MENA) region. It was also a year that culminated in the issuing of China’s first “Arab Policy Paper,” which coincided with President Xi Jinping’s long-awaited, previously canceled, visit to the region—the first such visit by a Chinese leader in seven years.

How well has China adapted to the conflict and instability that have swept the region? And as we enter the Year of the Red Fire Monkey, what are the concerns that are likely to preoccupy Chinese leaders? And what, if any, policy adjustments by Beijing, can realistically be expected in light of the current circumstances and uncertain prospects for the region and for China itself?

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Energy has been, and remains the bedrock of Sino-Middle Eastern relations, and energy security the highest priority for the Chinese leadership as it conducts relations with its regional counterparts. About half of China’s oil imports are sourced from the Middle East, most of that from the Persian Gulf.[1] In addition, over the years, Sino-Middle Eastern economic relations have become multi-dimensional, with extensive networks of interdependence developing in both the energy and non-energy sectors. The official launch in November 2013 of President Xi Xinping’s foreign policy initiative—known as “One Belt, One Road” (OBOR)—has, if anything, increased the salience of the region, as the Middle East is viewed as one of three main corridors aimed at linking China to the African and European markets.
In a nutshell, since the early 1990s, China's interactions with the MENA region have grown exponentially; and the region figures prominently in Beijing's ambitious plans going forward. As a consequence, China is a major stakeholder in regional stability. Nevertheless, as many observers have noted, China remains a marginal actor in regional, political, and security affairs, largely as a matter of choice and not capabilities. Yet, at the same time, Beijing's approach to the region has been more pragmatic than might seem obvious, or that Chinese officials, themselves, might be prepared to acknowledge publicly. The combination of domestic imperatives on the one hand, and pressures and incentives from the region on the other has impelled China to become more actively engaged in Middle East affairs—though not necessarily less cautious. In pursuing its interests in the Middle East as the new Lunar New Year unfolds, China faces a global energy market in flux and a region experiencing unprecedented turmoil.

The “Soft” Global Oil Market—Windfall for China?

Since emerging as a net oil importer in 1993, China has come to rely heavily on oil originating from the Middle East. As a consequence, China has been living under the ever-present threats of possible supply disruptions and price spikes. In order to mitigate the risks associated with such threats, China has employed an array of measures—ranging from efforts to purchase security at the wellhead through purchasing equity stakes in foreign oil and gas blocks, to diversifying its sources of supply away from and within the Middle East and establishing a strategic petroleum reserve (SPR).

Over the past several years, the global energy market has undergone profound changes. The combination of soaring U.S. oil production and high output by Russia and OPEC members, coupled with softening global demand, has caused prices to tumble. China has been an important factor on the demand side of the energy equation. Chinese oil demand has faltered, as the world’s second-largest economy struggles to transition from energy-intensive industrial growth, toward a consumption-led model of development. Weakening Chinese demand has reinforced the downward price pressure, fueling the contest being waged by the Persian Gulf’s biggest oil producers—Saudi Arabia, Iran, and Iraq—as they attempt to capture or preserve market share in China in particular, and in Asia as whole.[2]

Yet, the persistent glut, which has driven benchmark oil prices to a 12-year low, has been a boon for China. Soft oil prices have enabled China to boost its strategic petroleum reserves (SPR)[3] and have enhanced China's ability to diversify its foreign sources of supply. The continuation of this trend could result in substantial foreign exchange savings and reduce expenditures in downstream industries. At the same time, the benefits to China of low oil might not be that extensive, given the larger structural problems of the economy. Nor have all the effects of low prices on China been positive. Falling prices took a large bite out of the profitability of the state-run China National Petroleum Corporation (CNPC) and China National Offshore Oil Corporation (CNOOC) in 2015, leading both entities to cut spending.[4] In addition, low prices have placed a fiscal strain on China’s Gulf partners.

Heightened Exposure to Terrorism—China Joining the Fight?

Violence and instability have swept across the full breadth of the MENA region—with sectarianism, extremist ideologies, and proxy warfare becoming ever more prominent features of the conflict landscape. The net effect of these developments has been 1) to heighten China’s exposure to the threat of domestic terrorism and place increasing risk on the safety of Chinese workers and the security of China’s investments in the region, and 2) to subject China to persistent, if not stronger demand signals for political support from regional counterparts who are themselves at loggerheads.
China’s ‘Going Out’ strategy, which enlarged the Chinese footprint in the MENA region and elsewhere, has compelled Beijing to rethink how to protect the growing number of its citizens and burgeoning assets abroad.[5] In at least three recent instances, Beijing conducted mass evacuations of Chinese nationals from the Middle East. The first such instance occurred in March 2011, with the evacuation of over 35,000 Chinese (plus 240 Nepalese) from Libya, using a combination of People’s Liberation Army Navy (PLAN) vessels and PLA Air Force (PLAAF) aircraft diverted from ongoing anti-piracy operations in the Gulf Aden and along the coast of Somalia.[6] In 2014, the Chinese embassy in Iraq, working in close coordination with its Iraqi counterparts, successfully evacuated hundreds of Chinese workers from the northern city of Samarra.[7] China again diverted PLAN resources in March 2015 to evacuate its citizens as well as hundreds of foreign nationals from the deteriorating situation in Yemen.[8]

To be sure, protecting Chinese overseas workers has become a more salient and challenging policy issue for Beijing in recent years. However, Beijing’s highest priority is the threat that transnational terrorism poses to domestic security and political stability. Chinese officials have expressed heightened concern about terrorism, which they have come to regard as an increasingly active and lethal domestic threat. Fueling this concern has been the uptick of unrest in the northwestern province of Xinjiang. The region has experienced scores killed over the past two years;[9] recent efforts to recruit Chinese nationals into the ranks of ISIS;[10] and the murder of four Chinese nationals in the span of a week last November in two separate terrorist incidents—including the killing of a hostage in Syria by ISIS.[11]

Chinese officials have long claimed that they are facing a sustained terrorist campaign by religious extremists. They have frequently invoked the international terrorist threat, partly, if not entirely as a means of deflecting attention from the complex sources of unrest in Xinjiang province and as part of the official narrative perpetuated by the state in order to justify its policies there.[12] Accordingly, Beijing’s standard approach to terrorism has been to place emphasis on what the international community can do to counter threats of domestic terrorism in China.[13] Nevertheless, it is important to note that the Chinese government’s response to the changing nature of terrorism in China has evolved. Beijing has taken a number of steps to strengthen counterterrorism cooperation, primarily through regional frameworks (e.g., the Shanghai Cooperation Organization) and bilateral channels.[14]

Unsurprisingly, Chinese officials’ current attention is sharply focused on ISIS, which they claim, has succeeded in recruiting Uighurs from Xinjiang.[15] The Global Times has, on several occasions over the past 18 months, reported the arrests of “terrorist suspects” and cases of Chinese nationals fighting alongside ISIS in Iraq and Syria.[16] Although it is difficult to judge the veracity of these claims, as well as to gauge both the extent of the terrorist threat and its connection to ISIS, there are indications that not all of them are exaggerated.[17]

There is clear evidence, for example, that ISIS has stepped up propaganda efforts aimed at recruiting not just Uighurs but Han Hui as well. Last July, Islamic State released a video in which Muhammed Amin, an 80-year old Turkic-speaking cleric from Xinjiang, called upon all fellow Muslims to join ISIS and kill “Chinese infidels.”[18] That same month, in a speech delivered in Mosul, Abu Bakr Al-Baghdadi explicitly identified China as one of the countries where “Muslim rights are being forcibly seized.”[19] In December, Al-Hayat Media Center, Islamic State’s media arm, released a Mandarin chant (nasheed) in December, which it distributed through Twitter, glorifying jihad and exhorting Muslims to rise up.[20] The next month, Islamic State hackers breached and defaced the Tsinghua University website.[21]
In recent months, some of China’s regional partners, notably Iran, have publicly urged Beijing to play a more active role in the fight against ISIS.[22] To date, however, Chinese officials have shown no interest in coordinating strikes or attacks on terrorists, though have gone as far as to declare ISIS “the common enemy”[23] and have acknowledged that “we [the international community as a whole] should address both the symptoms and the root causes and let the United Nations fulfill its coordinating role.”[24] In addition, they have called for new thinking and proposed measures to counter international terrorism, such as the creation of a counterterrorism database and information exchange platform.[25]

China’s Arab Policy Paper does pledge to support Arab governments in their struggle against terrorism through establishing a long-term security mechanism, strengthening policy dialogue and intelligence sharing, and carrying out technical cooperation and personnel training.[26] However, the paper is short on specifics. It remains to be seen whether, when, and how these elements might be fleshed out.

Meanwhile, because Beijing’s top priority continues to be countering homegrown terrorism, China’s most assertive, concrete actions have been taken on the domestic front. One such measure, taken against the backdrop of terror attacks in Paris and the bombing of a Russian passenger jet over Egypt, was the Standing Committee of the National People’s Congress promulgation of China’s first counterterrorism law.[27] A particularly noteworthy provision of the new law stipulates that the PLA and People’s Armed Police may stage overseas anti-terrorism operations with the approval of the Central Military Commission and the consent of the relevant country.

However, it is important to emphasize that the primary purpose of the new law—the latest in a series of security-related measures[28]—is to curtail the activities of militants and political activists in China. For this reason alone, China’s overseas anti-terrorism operations, at least for the foreseeable future, are likely to be confined to intelligence gathering and other, similar activities. Furthermore, while adjusting the legal structure is one thing, being able to execute overseas anti-terrorism missions is another. To be sure, China’s 2015 defense white paper establishes as a goal the complete transformation of the role of the military, including expanding it to include the protection of Chinese interests abroad. However, providing the training and developing the requisite transport and logistical capacity to conduct major operations abroad will take time. Thus, for the time being, all that can reasonably be expected is for China to be able to field teams capable of conducting small-scale hostage rescue missions.

Conflict at the Center—Diplomacy at the Margins?

As previously mentioned, the ongoing conflicts in the Middle East have underscored the increasing vulnerability of Chinese citizens, assets, and longer term energy interests; moreover, they have fueled greater concern among Chinese officials. In addition, they have revealed, if not sharpened two unyielding dilemmas that China faces in managing its affairs in the Middle East: reconciling its traditional foreign policy of non-interference with its growing economic presence, and balancing its relationships with regional partners that are themselves at cross purposes.

China scholar Davis Shambaugh has described China as a “partial power”—one whose diplomacy “often makes it known what it is against, but rarely what it is for” and whose foreign policy in many regions of the world is “hesitant, risk averse and narrowly self-interested.”[29] Nonintervention has been the cornerstone of Beijing’s longstanding “principled” approach to regional and international conflict. China’s policy in the MENA region is no exception. However, as Xinhui Jiang notes, “From Beijing’s perspective,
adherence to the principle of nonintervention is not synonymous with inaction. Nor does it preclude the United Nations from acting.”[30] China’s responses to the conflicts in Syria, Iraq, and Yemen, particularly over the past year, confirm the validity of both of these observations.

Beijing has long preferred dealing with established governments, regardless of their political orientations and domestic policies. Prior to the Arab uprisings in 2011 Beijing had hewed to this practice, expending little effort to develop ties with domestic opposition groups. Since then, however, Beijing has expanded ties with a wide range of groups, as exemplified by the cases of Yemen and Syria. President Xi welcomed his Yemeni counterpart Abed Rabbo Hadi to Beijing in November 2013, signing a loan deal for development of the Port of Aden.[31] Yet, when Hadi’s government was chased from power, Chinese officials met with Houthi leaders in Sanaa, reportedly to discuss possible future economic ties.[32]

Similarly in the case of Syria, as far back as 2012 China has invited opposition groups to Beijing.[33] In September 2013, China hosted a delegation of the Syrian National Dialogue Forum.[34] When visiting Damascus, Vice Foreign Minister Zhai Jun met with President Bashar al-Assad but also with representatives of Syrian opposition groups, including the Syrian National Coordination Committee for Democratic Change, the Popular Front for Change and Liberation, and the Syrian State Building Movement.[35]

In general, Beijing has followed Moscow’s lead at the U.N. Security Council, for example blocking resolutions that would have increased pressure on the Assad regime.[36] Early on in the conflict, China’s then-foreign minister, Yang Jiechi, announced a “Four-Point Plan” for Syria that called on all sides to stop fighting, end the crisis, and initiate a political transition[37]—an initiative that apparently generated little international interest or serious discussion.[38]

Yet, recently Beijing has intensified its diplomatic activities and has assumed a higher public profile in addressing the Syrian conflict. At the international level, China joined with the United Kingdom to issue a statement in January endorsing the International Syria Support Group’s (ISSG) efforts and pledging to work with countries from around the region to ensure a “Syrian-led and Syrian-owned” political transition based on the 2012 Geneva Communique.[39] Beijing has thrown its support behind the Vienna Process,[40] and stepped forward in an effort to coax both the Assad regime and its political opponents to the negotiating table.[41]

By thus playing, and by being seen to play a more visible and constructive diplomatic role, Beijing can perhaps limit the damage to its image while managing to delicately balance its relations with Tehran and Riyadh—which the conflicts in Syria and Yemen have made increasingly difficult. However, it is the United States, Russia, Iran, and Saudi Arabia—not China—that are most heavily invested in the conflict, that are leading the process, have the greatest leverage over the parties, and are therefore best positioned to shape the outcome.

“Chinese Wisdom for Middle East Problems”?[42]

President Xi Jinping’s recently concluded five-day visit to the Middle East was hailed by Chinese-owned state media outlets as a fruitful effort to portray China as the world power best equipped to play a constructive role in the region.[43] Xi arrived in the Middle East with the stated objective of blazing a new path to resolve Middle East crises and promote regional stability by applying the Chinese experience to the region.
In a speech at Arab League headquarters in Cairo in which Xi outlined his vision for the Middle East, emphasizing “dialogue and development” as the twin remedies for the region’s thorny problems, he promoted China as being uniquely suited to building a “cooperative partnership network for win-win outcomes.” Xi described the parameters of this partnership within the One Road, One Belt (OBOR) framework, his signature foreign policy initiative, which, first articulated in 2013, has over the past year begun to take shape with the release of an action plan and the establishment of the China-led Asian Infrastructure Investment Bank (AIIB). Each of the three countries on Xi’s itinerary—Saudi Arabia, Egypt and Iran—is an important partner for China in its own right. All three are also critical pieces in Beijing’s ambitious strategy to link the Chinese economy to markets in Central Asia, the Middle East, and Africa.

Xi arrived in the region armed not simply with exhortations but with wallet in hand—pledging aid, concessional loans, and other forms of financial support amounting to $55 billion—in a bid to plant the flag for Chinese business. The first stop on Xi’s tour, Saudi Arabia, was marked by the inauguration of the Yasref oil refinery, a joint venture between Saudi Aramco and China’s Sinopec. During the trip, Xi also signed a framework agreement for strategic cooperation during, estimated at between $1 billion and $1.5 billion. The third leg of Xi’s trip, to Iran, which took place just one week after international sanctions were lifted, culminated in the signing of 17 agreements on a range of issues from energy to boosting trade to over $600 billion in the next decade.

But while Xi’s visit spotlighted China’s aspirations and comparative advantages, it also laid bare China’s vulnerabilities and limitations. Xi’s arrival in the region came amid mounting tensions over the war in Syria and a sharp deterioration in Saudi-Iranian relations. The trip also came just days ahead of the January 25 anniversary of the 2011 uprising that ended Hosni Mubarak’s 30-year rule—a stark reminder of the political and commercial risks associated with building the intensive networks of connectivity that form the core of the “Belt and Road” concept.

The current and past volatility are also a reminder that OBOR’s implementation will ultimately depend on China’s partners. Thus, the future of the “One Belt, One Road”—the very initiative that Beijing is intent on utilizing in order to help address the region’s problems—could, itself, become a casualty of them.

Over the long term, China’s “One Belt, One Road” strategy might well turn out to be—as hoped and as advertised—transformative. Yet, pursuing this strategy will significantly raise the stakes for China, as new infrastructure and energy projects will increase both the number of Chinese workers in the region and the attendant security risks. Managing these risks will require momentous choices and changes. It has already entailed the de facto repudiation of Deng Xiaoping’s guiding principle of Chinese foreign policy, namely “keeping a low profile.” It will also require enhanced power-projection, analytic, and
diplomatic capabilities. Above all, it will require breakthroughs in the conflicts in Syria and Yemen, and the fight against ISIS. At the present time, it seems unlikely that such fundamental shifts can, or will, occur in the coming year.


Regarding Chinese threat perceptions and policies in Xinjiang, see for example, Julia Famularo, “How Xinjiang Has Transformed China’s Counterterrorism Policies,” The National Interest, August 26, 2015, http://nationalinterest.org/feature/how-xinjiang-has-transformed-china%3C%20%3E.


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See https://ia902501.us.archive.org/2/items/hym3_22aw/english.pdf.


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On the genesis of OBOR and how it relates to China’s Mideast policy, see Xuming Qian, “The ‘One Belt, One Road’ Strategy and China’s Energy Policy in the Middle East,” Middle East-Asia Project (MAP), May 20, 2015, http://www.mei.edu/content/map/%E2%80%9Cone-belt-one-road%E2%80%9D-stra...


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