



Statement before the
House Foreign Affairs Subcommittee on the Middle East,
North Africa, and International Terrorism

“Chinese and Russian Influence in the Middle East”

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Mr. Chairman, Mr. Ranking Member, it is an honor for me to appear once again before this subcommittee, this time to discuss China's engagement in the Middle East and its implications for U.S. interests.

It's important to remember that, 20 years ago, every government in the Middle East was either friendly to the United States government or seeking to become more so. While the United States was not exactly triumphant, it was unquestionably dominant. A great deal has happened in the last twenty years, and the United States is now struggling to determine what its position in the region should be, while Russia and China carefully advance their interests.

As we consider conditions now, we should recall that, 20 years ago, China was completely peripheral to the region. It had shallow diplomatic relations and only a few national interests. Decades as the fading sponsor of revolutionary movements, and as the supplier of low-cost, low-quality weapons, marginalized China from the broader trends of economic reform and peacebuilding that were salient at the time. China's status as a growing importer of Middle Eastern oil mattered in the 1990s, but China was starting from a low base. China only became a net oil importer in 1993, and while about half of its imported oil came from the Middle East in 1999, the United States imported eleven times the amount of crude oil China did. Even Canada imported more oil, and its population was only 2.5 percent that of China.

China's economy was growing swiftly, though, and the United States was distracted. While the United States reeled after the 9/11 attacks, prosecuted wars in Iraq and Afghanistan, and undertook ambitious efforts to promote moderation and reform in the Middle East, China got down to business. It expanded its economic ties throughout the region, and deepened its diplomatic ties, too. By 2010, China was not merely the world's fastest growing major economy (in 2000, China's GDP in current dollars was \$1.2 trillion, and by 2010 it had quintupled to \$6.1 trillion). As it grew, China also became the principal driver of oil demand growth around the world. In 2000 China imported \$13.7 billion worth of crude oil; by 2010 that number had risen to \$127 billion.

Not surprisingly, China's Middle East ties have grown alongside growth in its overall economy and its oil demand. In 2000, Chinese-Saudi bilateral trade totaled \$3 billion, dominated by crude oil. By 2010 it was \$41.6 billion. While the pace of trade growth has slowed, it continues to grow by double digits in most years, and China has advanced plans with several regional states to double trade within a decade. While the plans sound ambitious, they have precedent. China established the China-Arab States Cooperation Forum in 2004, and thirteen years later China-Arab trade had quadrupled.

What is important to grasp about China's approach to the Middle East is how deliberate it is, and how limited it is. My understanding of Chinese foreign policy is that alongside the overarching desire to restore China to its rightful primacy of place among world powers is a profound sense of China's vulnerability and insecurity. In the words of Sulmaan Khan, who recently completed a book on China's grand strategy, China's modern leaders have all seen China "as a brittle entity,

in a world that was fundamentally dangerous. Their main task was to protect it.” China has no missionary zeal to persuade the world of the virtues of Chinese civilization, nor any desire to operate in a world of like-minded states. The Chinese government’s goal is to foster a world driven by the bilateral relations of states. Such a world creates tremendous advantages for China, in part because it is the larger economy and more populous power in any relationship except one with the United States. The Chinese government has no formal allies, while alliances have been a foundation of U.S security policy for three-quarters of a century.

China’s presence in the Middle East seems reluctant. For a quarter century, Chinese leaders have been looking to reduce the Middle East fraction of its oil imports, but the Middle East is where the oil is, and China has few options. The country still buys almost half its imported crude oil from the region, despite a recent spike in Russian imports that have displaced Saudi Arabia as China’s leading supplier. China’s zeal to embrace electric vehicles is in part a response to oil dependence, as is China’s embrace of renewables. It is hard for the math to add up, though. China’s appetite for oil is large, its oil deposits are limited, and it lacks the geology for a fracking revolution. China will need oil for decades to come, and much of that oil will need to come from the Middle East.

Much of China’s global trade transits the Middle East as well. An estimated 60 percent of China’s European and African trade passes through the UAE, for example, and much of China’s European and Mediterranean trade sails through the Suez Canal, creating a potential chokepoint for Chinese goods. The region’s chokepoints—the Strait of Hormuz, the Bab al-Mandeb, and the Suez Canal—are China’s chokepoints.

China has benefitted tremendously from articulating a “Belt and Road Initiative” (BRI) that is sufficiently concrete as to persuade Middle Easterners that it will be transformative, but (like all skillful acts of politics and marketing) sufficiently vague for a diverse array of them to imagine playing a key role in its execution. Rich and poor states alike are judging that China’s future in the region is both large and bright, and China will bring prosperity after a 75-year *pax americana* has brought conflict. Much less remarked on is that China has actually engaged in relatively few BRI-related projects in the Middle East, and that China is coming under increasing scrutiny for embracing ill-considered development projects abroad that do more for China than the host governments.

In the Middle East, as in much of the world, China is trying to use economics as its calling card. China has militarized the South China Sea, opened its first overseas military base in Djibouti in 2017, and continues to pour resources into the development of Gwadar Port in Pakistan in a way that puzzles businesspeople who see little economic justification for it. Despite this, I see China as being very reluctant to use the military tools that Great Powers have deployed for centuries. In the Middle East, China’s goal is to embed itself more deeply in the economics of the region without provoking a response from the United States or its allies. China’s attraction to regional governments is offering a more “a la carte” kind of engagement, devoid of the notions of

Western states that economic growth must necessarily be accompanied by a set of changed social and political norms.

For all of China's growing interest in the Middle East, the country continues to see the region as a place where the United States has the preponderance of power. The U.S. Fifth Fleet dominates the Persian Gulf, and the Sixth Fleet watches over the Mediterranean. The United States has more than 20,000 troops in the region, with bases in every GCC country except Saudi Arabia, as well as in Iraq, Jordan, and Syria. Not only does it have a NATO ally in Turkey, but it has declared seven Middle Eastern states "major non-NATO allies," tying them closer to the United States.

In my judgment, China has no intention of displacing the United States from the Middle East, confronting the United States in the region, or engaging in a rivalry with the United States there. In part, China feels ill-prepared to engage in a conflict with the United States in a region far from China. But equally importantly, China sees no need to. It feels that stabilizing the region is beyond its reach and doing so would likely do more to antagonize potential partners than advance stability. Such tasks are better left to the United States.

Instead, China is happy to have the United States incur costs in the region while China derives benefits. China's narrower security interest is ensuring that instability in the Middle East does not blow back on China. For Middle Eastern countries, China benefits from high hopes and low expectations. China is a newcomer to the scene, with relatively little history in the region but a domestic economic track record that is enviable by almost any measure. In some ways, China is in the place that the United States was after the First World War, a dimly understood global power holding out the promise of a better future untainted by an imperialist history.

China also promises not to disrupt social values in societies undergoing profound change. That is, China promises access to the Chinese economic miracle while expressing none of the Western concerns about fostering systems that produce resilient societies. The China model—robust economic growth under an authoritarian political framework—has become even more attractive to Middle Eastern governments after the Arab uprisings of 2011, which reminded governments of the perils that more open political space can pose to governments lacking the support of their populations. While regional governments often seem to seek U.S. hegemony as protection against external foes, a growing focus on the threat of internal disorder, and a strong conviction that U.S. recipes for openness threaten chaos, makes alternatives to the U.S. more attractive. Further, concern that growing U.S. energy self-sufficiency will draw the United States away from the Middle East calls for a hedge.

Embedded in the Chinese strategy to promote economic ties is an effort to embed Chinese technology in infrastructure. Modern computing relies on complex code being layered over complex code, rendering large blocks of code a sort of black hole whose contents are not understood, even by programmers themselves. This is especially true in the field of artificial intelligence, a premise of which is that it is the computer that directs an activity rather than a

programmer. Immense arrays of code, whether applied to 5G technology, self-driving cars, computer chips, or any of a wide range of technologies open the door both to surveillance and to the installation of “kill switches” that can cripple devices at will. Since the Chinese government and Chinese industry are, by law, intertwined, the spread of Chinese technology also spreads Chinese security capacity into the heart of potential adversaries without a single soldier being deployed or a shot being fired.

One might argue that China is devising a new mode of imperialism, whereby Imperialism 1.0 was European imperialism, and Imperialism 2.0 was the U.S.-led rules-based international order. Imperialism 3.0 (or perhaps, Mercantilism 2.0), is a set of wholly interest-based, government-to-government ties that allow the rapid exploitation of economic opportunities on what is, at least initially, a consensual basis. Chinese state-owned enterprises, Chinese construction firms, and Chinese technology flow in, creating an engagement that may turn into dependency. China certainly represents a challenge for Western governments that seek to use “whole of government” solutions to fight corruption, pursue technical excellence, and encourage environmental stewardship. China advertises that it provides a shortcut to resources.

Of course, China is not relying on economics alone to advance its interests. China also deploys traditional statecraft to advance its interests and confound its adversaries. It is useful, in that regard, to consider China’s approach to Iran. For Chinese strategists, not only is Iran’s current international position acceptable, but the current U.S. strategy toward Iran is a gift. China (along with Russia) was willing to go along with Obama-era sanctions on Iran and agree to the JCPOA, but the Trump administration’s strategy much more closely serves Chinese interests. From a Chinese perspective, maintaining ties with Iran is a vital strategic imperative, for the following reasons:

- 1) Iran is a hedge against a cutoff in oil sales because its hostility to the United States makes it unlikely to join a U.S.-led effort to embargo China in the case of heightened tension. All of the other Middle Eastern producers have close U.S. ties.
- 2) Tensions with Iran help ensure that the United States cannot fully focus its military attention on the western Pacific. If the United States puts two carrier strike groups off the coast of Iran, and it can only have three on station at any given time, that means that the United States only has one it can dedicate to China.
- 3) Tensions over Iran's activities disrupt U.S. ties with its allies, diminishing U.S. global leadership and creating the more bilaterally-driven world that China seeks. A fractured Western alliance is much less threatening to China than a united one.
- 4) Close ties to Iran drive Saudi Arabia to seek even closer ties to China. That leads the Kingdom to offer China high volumes of discounted oil, drives bilateral investment, and creates opportunities for Chinese construction firms in the Kingdom.
- 5) Iran represents an investment opportunity for China. As a distressed asset, China sees tremendous opportunities in Iran, with prime geographic location, its educated and relatively large population, and relatively diversified economy. China faces little competition investing in Iran.

- 6) Iran is by far the weaker party in this bilateral relationship. China represents more than 30 percent of Iran's import and export markets, but Iran represents less than 1 percent of China's. Iran clearly needs China, but China has alternatives to Iran.

What is especially notable is how effective China has been in developing its ties with Iran without disrupting its other ties to Chinese partners in the Middle East. China seems to have mastered the art of deriving benefits from its relations with Iran without paying heavy costs.

As I see it, China has four principal regional partners besides Iran. Importantly, President Xi has visited three of them in the last five years, signaling the importance that China attaches to each relationship.

The first is Saudi Arabia, which is China's largest trading partner in West Asia and the wealthiest country in the region. China, in turn, is Saudi Arabia's largest trading partner and largest oil customer. Chinese construction firms have been playing a growing role developing Saudi infrastructure; meanwhile, Saudi Arabia has been especially eager to build refineries and petrochemical production facilities in China that are specially tailored to use Saudi grades of crude oil.

President Xi visited Saudi Arabia in January 2016, and King Salman made a rare trip to China in March 2017. His son, Crown Prince Mohammed bin Salman, traveled to Beijing in February 2019, when he was still persona non grata in much of the world after the October 2018 murder of Jamal Khashoggi in Istanbul. The Crown Prince reportedly signed economic agreements totaling \$28 billion and broadcast that Saudi-Chinese trade had shot up 32 percent in the last year alone.

Saudi Arabia seems to be developing China as a hedge against a decline in Western oil consumption, as a well as a hedge against Western discomfort with authoritarianism within Saudi Arabia. In addition, wooing the Saudis allows China to play Saudi Arabia and Iran off against one another.

China's Arabian Peninsula ties extend beyond Saudi Arabia. China is also the United Arab Emirates' largest trading partner, and Dubai Port is a vital global shipping and logistics hub for Chinese goods. More than 200,000 Chinese nationals live in the UAE, which is emerging as a sort of entrepot for Chinese traders who want to be closer to overseas markets.

While the UAE has been aligning more closely with the United States for decades, the leadership clearly sees such an orientation as being wholly compatible with closer ties to China as well. The UAE sees a leading role for itself as a consequence of the Belt and Road Initiative, building out on what is already a robust trading relationship.

In July 2018, China and the UAE used the occasion of President Xi's visit to the UAE to announce that they had upgraded their 2012 "strategic partnership" to a "comprehensive strategic partnership," outlining cooperation in nine fields including politics, trade and economics,

technology, energy, renewable energy, and security. The two countries set a goal of doubling bilateral trade by 2022, and the UAE recently allowed Chinese visitors visa-free entry.

In the last five years, as China has grown increasingly concerned with transit through the Suez Canal, there has been significant growth in Chinese involvement in Egypt. Chinese firms are deeply engaged in constructing Egypt's new administrative capital in the desert outside of Cairo, and they are developing a Red Sea port and industrial zone in Ain Sukhna. During a September 2018 visit to Beijing, President Sisi reportedly signed \$18 billion worth of deals with China, covering rail, real estate, refining, and energy projects. In fact, President Sisi has made at least six trips to Beijing since taking office in 2014, compared to just two trips to Washington.

Despite this, trade figures between Egypt and China are dwarfed by China's trade with other major regional partners. In addition, China struggles to find goods to buy from Egypt. Oranges are a key export, and China has been working for a decade to boost Chinese tourism in Egypt as a way to reduce trade imbalances. Chinese companies reportedly cooled on Egyptian investments about a year ago, convinced that the Egyptians were intent on ensuring that profits only accrued to the Egyptian side. Those concerns appear to have been assuaged, and the larger strategic reality – that the Egyptian leadership is clearly courting China (as it is also courting Russia) – has become the dominant theme. This is seemingly as a hedge against Western countries turning their back on the country.

The last key country is Israel. About a decade ago, a delegation from Israel came to Washington and asked experts here how Israel could remain strategically important to China after the United States put a definitive end to cooperation on military technology that had U.S. roots. Israel seems to have solved that equation, developing deep commercial relationships in advanced technology and government-to-government cooperation in the security and counterterrorism fields.

It is remarkable just how quickly these ties have developed. According to Thompson Reuters, Chinese investment in Israel increased tenfold between 2016 and 2017, totaling more than \$16 billion. Chinese firms are deeply engaged in building Israeli infrastructure, building tunnels for light rail, expanding port facilities in Ashdod and Haifa and striking agreements to operate the ports for 25 years.

In recent months Israelis have been discussing the implications of greater Chinese involvement in Israel. According to *Foreign Policy*, Israel's National Security Council was expected to release a report to the Israeli government in March 2019 that outlined steps Israel should take to protect its national security as it welcomes international investment. Reportedly, the main target was China. China's footprint in Israel could not only give China insight into matters regarding Israeli security, but could also provide pathways to surveil U.S. naval operations in Haifa Port and provide access to technologies being developed by Israel or that play a role in U.S. defense systems.

China's advantage in all of this is the government seems to know what it is trying to do, and what it is not trying to do. China has a strategy that is elegant in its simplicity, seeking ways to encourage governments open the door wide to Chinese engagement. The United States, by contrast, is engaged broadly and deeply around the world, seeking to foster the sort of long-term changes that helped generate economic growth and political liberalization in South Korea, Japan, Taiwan, Germany, and elsewhere. The sting in the U.S. model is that it has not led to similar development everywhere. The Middle East, Latin America, and Africa are full of examples where U.S. development efforts failed to meet their goals. China is promising a different approach, and a different set of results.

What we don't know yet is how well this will all work. As noted above, China is building military facilities abroad to protect Chinese trade routes, but the country's footprint remains light, and its efforts to build a blue-water Navy are decades from completion. China may not only be unable to secure its trade routes; it may also find itself unable to deter or to coerce states into defending Chinese security interests. The Chinese base in Djibouti is relatively small—perhaps housing 400 personnel—and it may be more effective to keep track of U.S. forces in nearby U.S. Camp Lemonnier and monitoring the passage of ships through the Bab al-Mandeb than in projecting Chinese force in times of peril.

In addition, with millions of Chinese workers overseas—perhaps 600,000 in the Middle East alone—protecting those workers is a growing challenge. China did relatively well evacuating 30,000 workers from a collapsing Libya in 2011, but protecting those workers from every eventuality in a growing array of countries will be an increasing burden.

China may find, as the United States did, that being a global power with global interests carries high global costs, as well. The discipline of non-intervention in other states may be harder to maintain when interests become deeper and broader, and when economic tools prove inadequate to secure those interests. In addition, a more checkered track record may take the bloom off the image of Chinese investment, and governments and populations may come to feel coerced into accepting economic agreements that favor Chinese interests over host country interests. China, after all, is a behemoth in bilateral ties with almost every country in the world. What neighbors interpret as Chinese aggression tends to draw neighbors closer to each other and seek closer relations with the United States.

In addition, the whole Chinese model may collapse under its own weight. As the Belt and Road Initiative has grown in complexity it has encountered complications, and the Asian Infrastructure Investment Bank remains a relatively small operation after opening with high hopes three years ago. China is increasingly sensitive to charges that it is creating debt traps for its borrowers, despoiling the environment, and contributing to political corruption.

But from a U.S. perspective, we need to be mindful that the Chinese model may pose a formidable challenge. To me, this is all a little bit personal. I grew up in Poughkeepsie, New York, a city that in the 1960's and 1970's was dominated by the world's largest computer

manufacturer at the time, IBM. IBM mostly made mainframes and typewriters, and beginning in 1981, it manufactured its first personal computer. Because of antitrust concerns, IBM contracted out the disk operating system for its new personal computers to a small company called Microsoft, and the chips to a California outfit called Intel. IBM made most of the hardware, which accounted for most of the cost of the new computers.

But IBM had its model wrong. Microsoft spent just a few pennies manufacturing floppy disks with DOS on them—or sometimes just sold a license—and charged many dollars for the right to install it. Microsoft understood that the real money to be made in the computer world was in the world of intellectual property, where investment costs were relatively high but the marginal cost of production approached zero. Microsoft became a software behemoth. IBM got tired of trying to extract profits from expensive manufacturing processes and exited the personal computer business less than 15 years later.

IBM popularized personal computers, but its business model of manufacturing costly office machines was rendered obsolete. Cheap manufacturers like Gateway and Dell undercut them on price. Google and Facebook created free services that booked billions in annual profits from selling information about the users. Amazon created a retail business model whereby merchandising takes a back seat to logistics. IBM dramatically reduced its footprint in Poughkeepsie, and the company has largely walked away from manufacturing computers altogether, instead positioning itself as a solution provider to large organizations.

We can all think of organizations that are like IBM in 1985, completely dominant in their field but facing systemic challenges because that dominance is of diminishing value. In the 1980s, Sears dominated the catalog business, Kodak dominated film, and Xerox dominated photocopying. Sometimes dominance becomes too expensive to maintain, but more often it seems that paradigms shift to make the entire enterprise less valuable.

China is, to my mind, seeking to exploit an emerging paradigm shift. It does not hope to be the Commodore or Kaypro or Compaq computer, taking on a deep-pocketed behemoth with what it hopes is a better idea for a personal computer. Instead, China is seeking opportunities to create new a new model whereby it does not confront its adversaries head-on nor do expensive things that serve other nation's interests. Instead, China is focused exploiting opportunities that others ignore, carving out profitable activities where others see obstacles, and building on a base that others have created and sustained.

To me, the biggest danger we face in the Middle East is assuming that our adversaries will confront us in the ways we are most prepared to be challenged. Facing insecurity, we double down on troops and materiel. Confronted with hostility, we respond with force. For decades, our strategy has been hegemony, which is becoming increasingly expensive to sustain. China seems to harbor no hegemonic ambitions in the Middle East and finds the doors thrown open to its influence. The United States is blamed for what goes wrong while getting little credit for what

goes right. China seems to be seeking ways to compete without becoming a rival, and its early results seem positive.

China's challenge is not that of a peer that is seeking to displace us in the Middle East. Instead, it is of an upstart that is seeking to render our entire model obsolete. China's challenge needs to be taken as a reminder we must be more deliberate about what we need to do in the Middle East. It is a reminder that we need to explore new models of relations, rather than merely doubling down on what we have done for last 50 years. And it is a reminder that our goal must be not merely to reinforce the status quo, but to lead the world to a better future. It is what we have sought to do for much of our history. We must continue to do so, and we must continue to find success.