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CHINA'S SOFT POWER IN THE MIDDLE EAST

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Summary Points

- China's interest in the Middle East is shaped by its energy needs. China was self-sufficient in oil until the early 1990s, but since then it has become more engaged in the Middle East.
- Increasing patterns of cross-border investment suggest growing ties.
- China's growing profile in the region accompanies the Middle East's growing dissatisfaction with the United States.
- Middle Eastern countries are more interested in China displacing the United States than China is interested in doing so.

Overview

China's interest in the Middle East has grown steadily in pace with its energy interests in the region. Self-sufficient in oil until 1992 or 1993, China has steadily become a significant oil importer, with something over half of its annual imports coming from the Middle East. The growing importance China attaches to the Middle East puts the country in danger of confrontation with the United States, which has been the unparalleled power in the region since the British withdrawal from the Persian Gulf more than three decades ago. Chinese officials are keenly aware of the advantages of supplementing the United States in regional affairs, but they show little interest in supplanting the United States. China's current engagement in the Middle East has almost no military component, and the consequence is that China remains reliant on the United States to secure the energy supply that is the country's lifeblood. Instead, China has pursued a patient and quiet strategy of building a wide array of commercial interests in the region, supplemented by diplomatic gestures and cultural ties.

Many Middle Eastern countries seek to use a relationship with China to supplement their bilateral relations with the United States and sometimes to give themselves the freedom of greater distance from Washington. China is playing the game well. Unlike the Soviet Union, whose frequently heavy-handed reach in the Middle East often prompted countries to flee for the U.S. security umbrella, China's approach is to entice with economics and flattery. In addition, it studiously avoids forcing countries to choose between the United States and China. China's economic expansion and its example as an ancient but rapidly modernizing society also far exceed the draw of the former Soviet Union. As a result, Middle Eastern states have been eager to deepen their ties with China.

Trade in Energy and Other Goods between China and the Middle East

At the heart of Beijing's interest in the Middle East in the early twenty-first century is energy security. According to the International Energy Administration, in 2004 China produced about 54 percent of the oil it consumed. The rest was imported, and about half of it has come from the Middle East. China's energy shortfall is projected to grow rapidly, and the International Energy Agency estimates that by 2030 China will need to import 75 percent of its energy.¹ Chinese analysts note that countries that industrialized in earlier periods enjoyed few constraints as they ensured access to energy, and energy shortfalls could hobble China's rapid economic development.

China's exports of goods and services to the oil-based economies of the Middle East are the flip side of its energy imports from that region, and they have also expanded rapidly. The Middle Eastern oil states are major consumers of Chinese light manufactured goods, machinery and equipment, vehicles, foodstuffs, and engineering and labor services. Bilateral trade has skyrocketed; since 2000, Chinese exports to the Middle East have increased more than seven times while imports have grown five times.² In 2006, total Gulf Cooperation Council (GCC)–China trade stood at more than \$40 billion, the vast majority of which was Middle Eastern hydrocarbon exports to China.³ More broadly, total Chinese trade with the Middle East exceeded \$76 billion.⁴

Still, it is important to see China's Middle Eastern trade, including oil imports, in the perspective of China's overall trade figures. In 2005, for instance, China's total two-way trade with Saudi Arabia, then its number one oil supplier, represented just 7.6 percent of two-way China-U.S. trade, 8.7 percent of China-Japan trade, and 1.1 percent of China's total exports and imports.⁵ China's two-way trade—including Chinese oil imports—with all Middle Eastern and North African countries accounted in 2005 for only 4.2 percent of its global trade. There is a steady but gradual growth in Sino–Middle Eastern trade, but China's global trade is simply so great that the entire Middle Eastern region still plays a relatively minor role.

In absolute terms, however, Sino–Middle Eastern trade is growing, and investment is growing in ways that will promote trade long into the future. Unlike Western countries, China is a growing energy market with extensive opportunities for infrastructure investment. In 2004, SINOPEC (the China Petroleum and Chemical Corporation, China's second-largest oil firm after China National Petroleum Corporation) joined with Saudi Aramco and the American firm ExxonMobil to undertake a \$3.5 billion refinery complex at Quanzhou in Fujian Province, tripling its refining capacity and allowing it to process “distressed” Saudi crude. The project was a win-win enterprise, giving China long-term supply and Saudi Arabia an outlet for distressed crude, which has fewer buyers. Sino Saudi Gas, a joint venture of Aramco and SINOPEC, is jointly exploring for gas in

1. *World Energy Outlook* (Paris: International Energy Agency, 2008), p. 105.

2. Lee Hudson Teslik, “Backgrounder: China-Gulf Economic Relations,” Council on Foreign Relations, June 4, 2008, www.cfr.org/publication/16398/chinagulf_economic_ties.html.

3. “With Cash to Burn, China and Mideast Eye Each Other's Riches,” *Financial Times*, September 6, 2007, <http://search.ft.com/ftArticle?queryText=China+and+GCC+trade&y=0&aje=true&x=0&id=07090600687&ct=0>; “Delegates Push for Closer Ties between GCC and China,” *ArabianBusiness.com*, September 3, 2007, <http://www.arabianbusiness.com/499054-hina-gcc-investment-set-to-surge>.

4. *Direction of Trade Statistics Quarterly* (Washington, D.C.: International Monetary Fund, December 2007): pp. 96–97.

5. *China Statistical Yearbook 2005* (Beijing: China Statistics Press, 2005), 740–741.

Saudi Arabia's Empty Quarter. In 2006, China and Saudi Arabia agreed to build jointly an oil storage facility capable of holding 62.9 million barrels of oil on the Chinese island of Hainan adjacent to an economic development zone where SINOPEC was building an oil refinery; Saudi Arabia also invited Chinese firms to participate in infrastructure developments worth \$624 billion.⁶ From both the Saudi and Chinese perspectives, the deals made sense, and the Saudi oil minister, Ali Naimi, has remarked that Asia is the logical market for the Middle East.

Outside of oil, Middle East producers have sought to take advantage of China's ongoing construction boom, and appetite for raw materials more broadly. China's demand for aluminum, for example, is predicted to rise 20 percent annually until 2010.⁷ The Persian Gulf is well placed to meet this demand, as local production of the metal has increased dramatically, with the number of aluminum extrusion presses (key inputs in aluminum production) rising from 25 to 85 in the Middle East in 2007 alone. While 90 percent of product goes to the local construction sector, much of the surplus capacity is exported to Asian markets.⁸

Chemical and petrochemical manufacturing has flourished in the GCC as well. The Saudi Basic Industries Corporation (SABIC) exports to China annually \$2 billion of goods like fertilizers, synthetic fabrics, iron, steel, and plastics.⁹ Following President Hu Jintao's April 2006 visit to Saudi Arabia, SINOPEC and SABIC, the largest chemical production company in Saudi Arabia, signed a joint venture agreement to create an ethylene derivative production facility in Tianjin, in northern China. SINOPEC will invest \$1.7 billion in the venture, scheduled to open in fall 2009.¹⁰

The composition of China–Middle East trade is very much consistent with the Chinese strategy of using comparatively cheap labor to produce low-cost goods, from ready-to-wear fashion to cars, in abundance. To cite a few examples, in early 2004, a significant amount of consumer goods on the Libyan market was of Chinese origin, reflecting trends elsewhere in the region (the value of official Chinese exports to Libya rose from \$216 million in 2003 to \$1.3 billion in 2005).¹¹ Egypt projects that China will replace the United States as its largest trading partner as early as 2012 and is aiming to increase its share of Chinese exports and re-exports to Europe through the Suez Canal by lowering transit fees.¹² The Middle East also constitutes a major market for Chinese car and motorcycle exports, which have grown dramatically since 2000.¹³ According to the World Trade Organization, China exported to the Middle East (excluding North Africa) \$1.35 billion in

6. "China's Hainan Kicks Off Oil Storage Project," *Platts Oilgram News* 85, no. 247 (December 14, 2007): p. 3; "HK Paper: China, Saudi Arabia to Jointly Build Hainan Oil Reserve Base," *Wen Wei Po*, January 24, 2006.

7. Xiao Yu and Damien Ryan, "Citic to Construct Smelter in Egypt," *International Herald Tribune*, September 12, 2006, <http://www.ihf.com/articles/2006/09/11/bloomberg/bxcitic.php>.

8. "Aluminum Extrusion Rides Region's Construction Boom," *gulfnews.com*, February 20, 2008, <http://www.gulfnews.com/business/Construction/10190986.html>.

9. "China Inks Energy Deals with Saudis," *Taipei Times* (Associated Press), April 24, 2006, <http://www.taipetimes.com/News/world/archives/2006/04/24/2003304288>.

10. "Sinopec to Set Up JV with SABIC," *China.org.cn*, February 1, 2008, <http://www.china.org.cn/english/business/241713.htm>.

11. "Economic Cooperation between China and Libya," Embassy of the People's Republic of China in the Great Socialist People's Republic Libyan Arab Jamahiriya, February 12, 2007, <http://ly.china-embassy.org/eng/jmgx/t297043.htm>.

12. "Chinese Chemicals Giant Launches Middle East Expansion in Egypt," *ExpansionManagement.com*, January 5, 2007, <http://www.expansionmanagement.com/cmd/articleDetail/articleid/18256/default.asp>.

13. Thomas Lum and Dick Nanto, *China's Trade with the United States and the World*, Report no. RL31403 (Washington, D.C.: Congressional Research Service, January 4, 2007).

automotive parts and another \$2.19 billion in other transportation equipment, including motorcycles.¹⁴ To help meet its goal of bringing Middle East trade to \$100 billion by 2010, from \$51.3 billion in 2005,¹⁵ China has been investing heavily in marketing infrastructure. The United Arab Emirates (UAE) is quickly becoming one of China's most important trading partners in the Middle East, and there are reports of Chinese goods flooding UAE markets. More than 1,000 Chinese companies are in the UAE, and the emirate of Dubai is home to Dragon Mart, a 150,000-square-meter mall and one of the largest regional showcases of Chinese consumer goods.¹⁶

The Middle East is both a supplier and a recipient of capital. As a supplier, it seeks markets that promise the highest returns, and the recent boom in oil prices has made the GCC states the biggest capital holders in the Middle East. GCC investors poured some \$540 billion offshore in 2002–2006, 11 percent of which went to Asia.¹⁷ While the United States was the principal destination for most Gulf money in the 1970s, a desire for greater returns, combined with anger at the United States and a fear that antiterrorist zeal would inhibit the movement of capital into and out of the United States, has pushed many to consider alternative markets. GCC investors in this regard see China as a particularly promising prospect for investment given the high returns possible there. One high-profile example is the purchase by the Kuwait Investment Authority (KIA) of \$720 million worth of shares in the Industrial and Commercial Bank of China (ICBC), which is China's largest bank.¹⁸ In announcing the purchase, KIA's managing director noted that "this participation demonstrates Kuwait's deepening economic ties with China as well as showcases the long term strategic value of KIA as a core investor. This participation also marks the beginning of KIA's long term strategic investment plan in China, which KIA hopes to extend to many other sectors."¹⁹ The Qatar Investment Authority also invested \$206 million in ICBC, and the bank will be opening a branch in Doha and is planning another in Dubai.²⁰

Yet parts of the Middle East are consumers of capital as well, particularly the energy-poor states in the Levant and North Africa. Jordan, for example, has opened its first car manufacturing plant. Hebei Zhongxing Automobile of China has partnered with the Iyas Company for Manufacturing Automobiles and the Jordan Investment Board to build a \$30 million facility to produce cars for sale to Arab and Eastern European markets.²¹ In addition, Jordanian engineers will train

14. "Statistics—Technical Notes," World Trade Organization, http://www.wto.org/english/res_e/statis_e/its2003_e/technotes_e.htm.

15. "Middle East Next Hot Global Market for China Manufacturers—Global Sources Survey," Global Sources, June 4, 2007, <http://www.prnewswire.com/cgi-bin/stories.pl?ACCT=104&STORY=/www/story/06-04-2007/0004600622&EDATE=>.

16. "What to Do in Dubai: Dubai Dragon Mart," Dubai City: Your Online Guide, 2008, http://www.dubaicity.com/what_to_do_in_dubai/dubai_dragon_mart.htm; "Chinese Deputy Prime Minister Zeng Pei-yan's Visit to Dragon Mart," 2005, <http://www.chinamexmart.com/english/news/20050614.htm>.

17. *Strengthening MENA's Trade and Investment Links with China and India*, p. 53.

18. "Kuwait to Buy Large Stake in IPO of Chinese Bank," *International Herald Tribune*, September 25, 2006, <http://www.ihf.com/articles/2006/09/24/business/hot.php>.

19. "Kuwait Investment Authority Is a Cornerstone Investor in Industrial and Commercial Bank of China," Kuwait Investment Authority, n.d., <http://www.kia.gov.kw/KIA/Press+Room/Press+Releases/EN/PressRelease.htm>.

20. "ICBC Says to Set Up First Gulf Branch in Qatar," Reuters, February 1, 2008, <http://www.reuters.com/article/fundsFundsNews/idUSPEK18526420080201>.

21. "Chinese Manufacturer Opens Jordan's First Car Plant," Middle East Business Intelligence, February 12, 2008, http://www.meed.com/news/2008/02/chinese_manufacturer_opens_jordans_first_car_plant.html.

in China as part of the agreement and then return to manage the local plant.²² In Egypt, the China Export-Import Bank granted a \$16.3 million loan to the Egyptian Holding Company for Cotton Spinning and Weaving to refurbish a polyester factory, as well as a \$20 million loan to renovate the Cairo International Conference Centre (CICC) and build its hotel.²³ The Citic Group, China's largest state-owned company, also plans to invest \$800 million in an aluminum plant in Ismailia, and most of the output of that plant will go to China.²⁴ Aluminum of China (Chalco), China's largest aluminum producer, signed an agreement in October 2007 with Malaysian and Saudi partners to build a \$3 billion aluminum facility in Saudi Arabia.²⁵ Finally, the China National Chemical Engineering Company (CNCEC) contracted with the Al-Kharafi group of Kuwait to construct a \$700 million chemical plant in Fayoum, Egypt.²⁶

The World Bank estimates that Egypt is now one of the main destinations for Chinese green-field foreign direct investment, with contracts for joint ventures totaling \$2.7 billion in 2006.²⁷ Meanwhile, in Algeria, the "largest construction sites are virtually run by Chinese firms,"²⁸ and Chinese workers account for half of all foreign workers in the country.²⁹ China currently has more than \$18 billion in projects in Algeria alone, largely in construction but also including water conservation, telecommunications, and energy. Algeria has become China's most important project contracting market worldwide, with more than 300 agreements with no less than 30 companies.³⁰

China's Use of Its Military in the Middle East

China sees trade as a relatively uncontroversial way to extend its influence in the Middle East. When it comes to military affairs, Beijing treads far more lightly. China has been a major beneficiary of the enormous U.S. efforts to maintain stability and security in the greater Middle East. Chinese leaders are not completely content with Washington's management of regional security affairs and have sometimes pursued policies and trade relations that undermine U.S. efforts, yet they have avoided challenging U.S. predominance or major policy initiatives. In response to U.S. pressure, Beijing has curtailed certain arms sales to Iran and supported UN Security Council efforts to encourage Iran to suspend its uranium enrichment program.

22. "Jordan to Establish First Car Assembly Plant," Al Bawaba, February 4, 2008, <http://www.albawaba.com/en/countries/Jordan/221834>.

23. "China Invests \$16m for Textile Makeover in Egypt," Embassy of the People's Republic of China in the Arab Republic of Egypt, November 21, 2005, <http://eg.china-embassy.org/eng/dsxx/t223560.htm>; "Economic and Commercial Report for the Month of November 2005," Embassy of India in Cairo, http://www.tradeindia.com/newsletters/country_focus/country_focus_3_jan_2006_cairo.html.

24. Xiao Yu and Damien Ryan, "China to Construct Smelter in Egypt," *International Herald Tribune*, September 12, 2006, <http://www.iht.com/articles/2006/09/11/bloomberg/bxcitic.php>; "China and Egypt Go Hand in Hand," Jane's Information Group, January 18, 2007, http://www.janes.com/security/international_security/news/jiaa/jiaa070118_1_n.shtml.

25. Soraya Permatasari and Theresa Tang, "MMC and Chalco Plan Saudi Aluminum Plant," *International Herald Tribune*, October 4, 2007, <http://www.iht.com/articles/2007/10/04/business/sxmmc.php>.

26. "Chinese Chemicals Giant Launches Middle East Expansion in Egypt," ExpansionManagement.com, January 5, 2007, <http://www.expansionmanagement.com/cmd/articledetail/articleid/18256/default.asp>.

27. *Strengthening MENA's Trade and Investment Links with China and India*, p. 61.

28. *Ibid.*, p. 59.

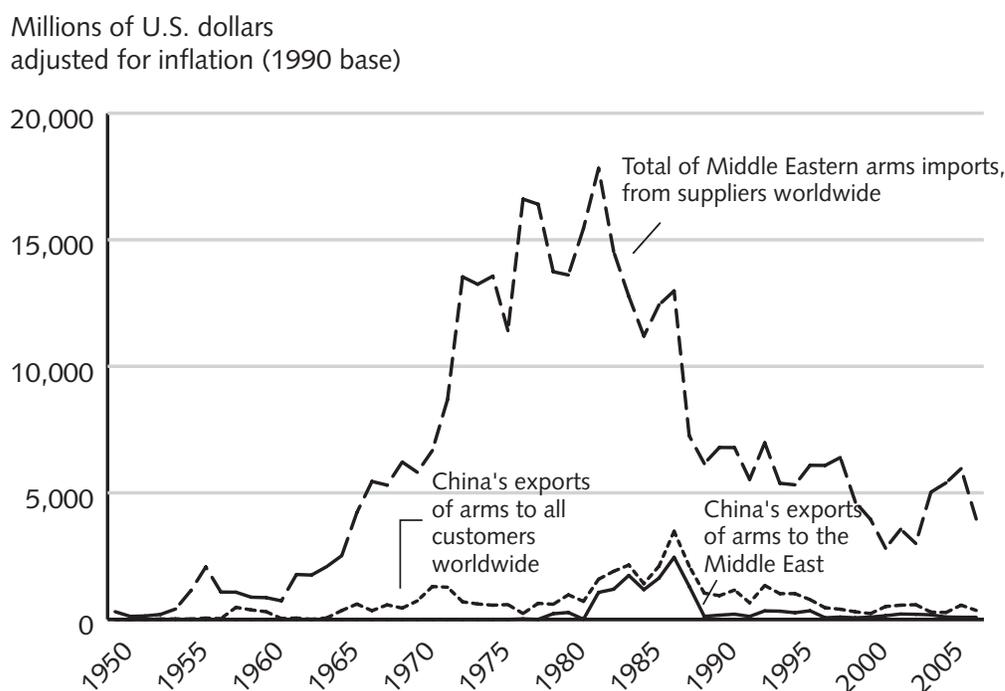
29. John Gee, "Middle East-Chinese Trade Ties Renew Old Links," *Washington Report on Middle East Affairs*, July 2007, p. 25.

30. Chinese embassy official no. 1, interview, Algiers, November 16, 2008. By far the largest contracts are to build two-thirds of a highway that runs East to West across the country and to build subsidized public housing.

China's military engagement in the Middle East has included arms sales and transfer of dual-use technologies, participation in the UN peacekeeping mission in Lebanon (UNIFIL), and very limited military-to-military contacts.

China has not always been so cautious. During the 1980s, China was the world's third-largest arms exporter, accounting for 8 percent of the total arms trade by 1989. The Middle East was a major destination for inexpensive Chinese small arms and low-end military equipment. Beijing sold weapons to both sides during the Iran-Iraq War, and other clients included Syria, Saudi Arabia, Jordan, Oman, and Egypt.³¹ While Chinese exports to the Middle East during the 1980s made up the majority of China's global arms trade, its share of total Middle East arms imports was rather small. During the past 20 years, countries with sizable resources, including most buyers in the Middle East, have been able to afford more technologically advanced U.S., Russian, and European weapon systems, and China is now a minor supplier to the region. By 2007, China's share of global arms exports shrank to less than 1.5 percent. Figure 4-1 shows Chinese arms sales to the Middle East between 1950 and 2007.

Figure 1. China–Middle East Arms Transfers



Source: Arms transfer database, Stockholm International Peace Research Institute, http://www.sipri.org/contents/armstrad/output_types_TIV.html.

Notes: Figures are SIPRI trend indicator values expressed in millions of U.S. dollars at constant (1990) prices; all data were generated on December 9, 2008.

31. Richard F. Grimmett, *Conventional Arms Transfers to Developing Nations, 1999–2006*, Report no. RL34187 (Washington, D.C.: Congressional Research Service, September 26, 2007), <http://www.fas.org/sgp/crs/weapons/RL34187.pdf>; see also the SIPRI Arms Transfers Database, Stockholm International Peace Research Institute, http://www.sipri.org/contents/armstrad/at_db.html.

Beijing still exports some arms and munitions to several Middle Eastern states, including more advanced weapons systems. Iran is China's largest arms client in the region. Recent arms sales to Tehran have included 40 TL-10/C-701 anti-ship missiles and 6 air surveillance radars, delivered between 1998 and 2004. In addition, China sells kits for a weapon system that the Iranians are licensed to assemble locally. These include approximately 280 C-802/CSS-N8/Saccade anti-ship missiles, approximately 1,000 QW-1 Vanguard portable surface-to-air missiles, and, most recently, C-801/CSS-N-4/Sardine anti-ship missiles. An Iranian-made Chinese C-802 anti-ship missile hit an Israeli warship during the 2006 Israel-Hezbollah conflict.³² Some of these arms sales to Iran run counter to Beijing's interest in reducing military risks to shipping in the Persian Gulf, but they reflect countervailing imperatives to maintain good relations with a leading energy supplier and growing trading partner.

The extent of China's involvement in the Iranian nuclear program is unclear, but suspicion over technology transfer from China to Iran has long centered on uranium enrichment and ballistic missile technologies. In 2004 and again in 2007, the U.S. government imposed sanctions on several Chinese companies for allegedly selling dual-use technologies to Tehran.³³ Furthermore, recent attempts by the West to constrain Iran's ballistic missile ambitions were hampered by Beijing and Moscow, both of which have vested interests in Tehran's ballistic missile and space program.³⁴

China has tried to burnish its image as a responsible stakeholder and gain some influence in the Middle East peace process through its engagement in the United Nations Interim Force in Lebanon (UNIFIL). In early 2006, China deployed 182 engineers to UNIFIL to support rehabilitation of infrastructure damaged during the Lebanese civil war. Following the 2006 summer war between Israel and Hezbollah, despite the fact that one Chinese observer was killed by Israeli shelling of a UN observer post, Beijing offered to increase its contributions to UNIFIL to 240 in response to UN calls for assistance in expanding the scope of the mission. During visits to France and Italy, two other major UNIFIL troop-contributing countries, Premier Wen Jiabao pledged to increase China's contingent to 1,000 troops and to provide \$5 million in humanitarian assistance to Lebanon.³⁵ China has not fulfilled this higher troop pledge. During 2007–2008 it has had about 343 People's Liberation Army (PLA) troops deployed in southern Lebanon, primarily field engineers engaged in repair of infrastructure and de-mining activities, along with 60 personnel who staff a UNIFIL field hospital.³⁶

Chinese military-to-military contacts in the Middle East have been significantly lower than in other regions of the world, including Africa and Latin America. Since 2001, high-level PLA officers have visited counterparts in Egypt and Syria on a number of occasions and have also gone to Jordan, Lebanon, and Israel. China has hosted senior military officers from Iran, Kuwait, UAE, Syria, and Qatar.

32. Alon Ben-David, "Hizbullah Hits Israel's INS Hanit with Anti-Ship Missile," Jane's Information Group, July 18, 2006, http://www.janes.com/defence/news/jdw/jdw060718_1_n.shtml.

33. Robin Wright, "Iran's New Alliance with China Could Cost U.S. Leverage," *Washington Post*, November 17, 2004, <http://www.washingtonpost.com/wp-dyn/articles/A55414-2004Nov16.html>.

34. Ariel Cohen, "Russia, China Boost Iran's ICBM Program," UPI.com, October 3, 2008, http://www.upi.com/Security_Industry/2008/10/03/Russia_China_boost_Irans_ICBM_program/UPI-80291223055428/.

35. Sam Knight, "China to Send 1,000 Peacekeepers to Lebanon," *Times on Line*, September 18, 2006, http://www.timesonline.co.uk/tol/news/world/middle_east/article642625.ece.

36. Department of Peacekeeping Operations, "Monthly Summary of Contributors of Military and Civilian Personnel," United Nations, <http://www.un.org/Depts/dpko/dpko/contributors/>.

China's Detachment from Middle Eastern Regimes

Overall, China has had a strikingly unsentimental approach to the Middle East, which sometimes stands in contrast with the often emotional overlay as Middle Eastern states search for an alternative to reliance on the United States. Many Middle Eastern states have had long and involved histories with the United States, but they see China as an investment in their future. Contemporary Middle Eastern views of China are similar to Middle Eastern views of the United States a century ago, when many in the Middle East looked to the United States to rescue them from European imperialism. Aloof from the struggles that had tested the Middle East throughout the nineteenth century and largely without clients in the region, the United States was viewed by an earlier generation of Middle Easterners as precisely the kind of honest broker that could help forge states from the ashes of the Ottoman Empire. President Wilson's championing of the idea of self-determination had helped buff U.S. credentials, and although there was disappointment in some quarters that the United States would not accept the mandate for Palestine, the refusal served to reinforce the notion that, unlike European countries, the United States sought neither power nor subjects in the Middle East. Contemporary Middle Eastern views of the United States tend to take the opposite view, seeing the United States inheriting the role of imperial Britain and shaping its policies in such a way as to advance imperial power at the expense of subject peoples.

It was confidence in the sincerity of U.S. anticolonialism a century ago that paved the way for U.S. influence in the Middle East. The United States was in the practice of sending businesspeople, not viceroys, and was welcomed in the region because of it. Lacking both scholarship and administrative experience in the Middle East—and with few Americans other than missionaries who had spent much time in the region at all—the United States won affection for exercising a light hand in Arab lands. One hears echoes of these views in early twenty-first-century perceptions of China. External pressure for political reform in the Middle East has generated significant concern among Arab regimes. Not only has the Iraqi example been particularly frightful, but no regime is eager to open space for opposition movements that may threaten its power. President Bush's "freedom agenda" has been the embodiment of this U.S. effort, and U.S. allies and enemies alike in the Arab world have sought to block its effectiveness. Although the particularities of individual regimes may differ, there is widespread agreement among Arab states that U.S. pressure for reform is unwelcome.

Beyond this opposition to U.S. democracy efforts is an appreciation of China's avowed disinterest in Arab reform. Arab regimes and intellectuals alike hold China as a model: it is a lucrative trading partner and objective observer in international affairs, but it is absent from their domestic politics. China makes no claims on Arab regimes as to their treatment of the opposition, human rights, or elections, nor is it in the Chinese Communist Party's interest ever to do so.

Some countries, such as Egypt, seem especially eager to court Chinese interest. Egypt capitalizes on its status as both a Middle Eastern country and an African one to elicit attention. Egypt is one of the United States' most important allies in the Middle East, and it has received more than \$60 billion in U.S. aid since the Camp David peace treaty with Israel was signed in 1979. Looking forward, Egypt will not only look to the West. Egypt is the cochair of the Forum on China-African Cooperation, and its minister of the economy vows that, before long, China will become Egypt's leading trading partner.³⁷

37. "The New China Syndrome," *Business Today Egypt*, November 2007, <http://www.businesstoday-egypt.com/printerfriendly.aspx?ArticleID=6998>.

Decline of U.S. Prestige and Increase in Respect for China in the Middle East

Public opinion polls have borne out the precipitous decline of the standing of the United States in the Middle East. Although the causes for this shift are still debated, the succession of the Palestinian issue and two U.S.-led wars (in Iraq and Afghanistan) have largely paralleled the downturn. Strikingly, publics in even U.S. allies like Jordan, Egypt, and Morocco have grown sour about the U.S. role in the Middle East and the state of its relationships with local regimes. Whether this changes with the introduction of a new administration or new policies is unclear, but the recent trend has been undeniable.

In a 2006 Arab public opinion survey conducted by Shibley Telhami and Zogby International, 78 percent of respondents listed their views of the United States as either somewhat or very unfavorable.³⁸ Jordan, Saudi Arabia, and Morocco, all U.S. allies in the region, had the highest percentages of very unfavorable views of the United States. Similarly, Jordan, Egypt, and Morocco had the lowest confidence ratings in the United States.

In addition, stringent new visa requirements and screening of Arab travelers have made visiting the United States more frustrating, and an increasing number of Arabs are looking to universities in Britain, Australia, and New Zealand because of easier visa processes.³⁹ Similarly, congressional opposition to the Dubai Ports World deal in early 2006 and recent fears about Arab sovereign wealth fund investments have increased apprehensions in the Middle East.⁴⁰ Overall, as more Arabs doubt their prospects for visiting or studying in the United States, fewer personal connections are being forged.

Conversely, Middle Eastern views of China have risen dramatically in recent years. In the same Telhami-Zogby International poll, respondents ranked China second after France as the country they would most like to be a superpower in a world with only one superpower.⁴¹ According to the Pew Global Attitudes Project, Egyptians were twice as likely to have a favorable view of China as an unfavorable one in 2007, and Kuwaitis were three times as likely.⁴² Gallup found in 2008 that 40 percent of Middle Eastern publics approved of China's performance as a world leader compared with 17 percent that approved of the U.S. performance.⁴³

38. "Anwar Sadat Chair for Peace and Development University of Maryland/Zogby International 2006 Annual Arab Public Opinion Survey," Brookings Institution, Saban Center for Middle East Policy, Washington, D.C., February 8, 2007, <http://www.brookings.edu/views/speeches/telhami20070208.pdf>.

39. "Restrictions in U.S. Prompt Arabs to Study Elsewhere," *Washington Post*, December 19, 2007, <http://www.washingtonpost.com/wp-dyn/content/article/2007/12/19/AR2007121902501.html>; "New Zealand Universities Attract over 300 Saudi Arabian Students," *workpermit.com*, February 7, 2007, http://www.workpermit.com/news/2007_02_07/new_zealand/saudi_arabia_scholarship_university.htm.

40. "U.S. Lawmakers Criticize Ports Deal," *BBC News Online*, February 21, 2006, <http://news.bbc.co.uk/2/hi/americas/4734728.stm>.

41. "Anwar Sadat Chair for Peace and Development University of Maryland/Zogby International 2006 Annual Arab Public Opinion Survey."

42. Jordanians, Lebanese, Palestinians, Israelis and Moroccans were all evenly split. Pew Global Attitudes Project, June 27, 2007, p. 39, <http://pewglobal.org/reports/pdf/256.pdf>.

43. "China's Leadership Better Regarded Outside the West," April 29, 2008, <http://www.gallup.com/poll/106858/Chinas-Leadership-Better-Regarded-Outside-West.aspx>; "U.S. Leadership Approval Lowest in Europe, Mideast," April 2, 2008, <http://www.gallup.com/poll/105967/US-Leadership-Approval-Lowest-Europe-Mideast.aspx>.

China is new to the Middle East and offers an inspiring model for how an ancient civilization can grow and prosper in the modern era. Arab intellectuals have particularly seized on this point, and numerous articles and statements have identified China's path to modernization as worth studying for the Arabs. Naguib Mahfouz argued that Arab societies should diversify what they borrow from abroad to include lessons from China, as its historical and social traditions resemble the Middle East's more closely.⁴⁴ An author writing recently in a newspaper in the UAE suggested that the "China model" proves "there is another pathway for governments of the world to follow in order to successfully pursue economic growth."⁴⁵ Abdel-Moneim Said of the Al-Ahram Centre for Political and Strategic Studies in Cairo noted the discrepancies between Arab and Chinese responses to grave social challenges and concluded that China's path to development had something to offer Arabs.⁴⁶

China's improving image is due in some measure to charity. For poorer Middle Eastern countries such as Yemen, China has provided substantial health aid and medical assistance in return for small but ever increasingly significant market access and energy supplies.

More than 2,000 Chinese medical personnel were sent to Yemen in the past 40 years,⁴⁷ and 163 members serve there now.⁴⁸ In July 2007 China's health aid to Yemen was formalized with a memorandum of understanding on health care,⁴⁹ in keeping with China's recent pledges to deepen health cooperation with all Arab League nations.⁵⁰ Because Yemen has only two physicians for every 10,000 people, Chinese assistance makes a material difference to many Yemenis and has done so for decades.⁵¹

China's interest in Yemen is not purely altruistic. Yemen has abundant natural gas, a \$3 billion annual trading relationship with China, and a strategic location astride the Bab el Mandeb and opposite the Horn of Africa.⁵² As one of the poorest countries in the Arab world, with only moderate natural resources and a relatively low purchasing power parity (\$2,750 compared with the UAE's \$37,000), Yemen might seem like a surprising investment for China. Yet China has managed to

44. "China for Us," Al-Ahram Weekly Online, Issue no. 571, January 31–February 6, 2002, <http://weekly.ahram.org.eg/2002/571/op6.htm>.

45. Mohammad Ben Hwidan, "Al Arab wal-Namudhaj al-Sini [Arabs and the Chinese example]," *al-Bayan*, March 6, 2008, <http://www.albayan.ae/servlet/Satellite?c=Article&cid=1201709073896&pagename=Albayan%2FArticle%2FPrint&sType=print>.

46. Abdel-Moneim Said, "Shared Past, Different Futures," Al-Ahram Weekly Online, Issue no. 756, August 18–24, 2005, <http://weekly.ahram.org.eg/2005/756/op3.htm>.

47. *Ibid.*

48. Economic and Commercial Counsellor's Office of the Embassy of the People's Republic of China in the Republic of Yemen, September 13, 2007, <http://ye.mofcom.gov.cn/article/ddfg/division/200709/20070905093449.html>.

49. Ministry of Health of the People's Republic of China, n.d., http://www.moh.gov.cn/sofpro/cms/previewjspfile/ldzz/cms_0000000000000000087_tpl.jsp?requestCode=22550&CategoryID=5927.

50. "Action Plan of the China-Arab Cooperation Forum (2008–2010)," Foreign Ministry of People's Republic of China, <http://www.fmprc.gov.cn/eng/yfgk/t466439.htm>.

51. Chinese embassy official no. 1, interview, Algiers, November 16, 2008. China has similar agreements with many developing countries, dating back to the 1960s. Under a long-running program, China has paired its provinces with individual foreign countries, sending medical personnel on two-year tours. Between 1963 and 2007, China sent 2,700 people from Hubei Province to Algeria; it has 116 medical personnel currently in Algeria at 11 different sites.

52. Chris Zambelis, "Burgeoning China-Yemen Ties Showcase Beijing's Middle East Strategy," Association for Asian Research, July 07, 2006, <http://www.asianresearch.org/articles/2899.html>.

reap benefits from its investments. It has found strong market access for its goods in Yemen, with trade between the two countries reaching \$3 billion in 2005.⁵³ Providing medical assistance is one way China courts Yemen by humanitarian means, thus deepening its relationship with an increasingly important country in the region.

The increased public and elite interest in China has manifested itself in growing educational and tourist links. Centers for studying China are multiplying in the Middle East. About 1,500 Egyptian college students study Chinese annually, and up to 1,000 Egyptians outside of universities can study at the Chinese Cultural Center and the Egypt-China Friendship Association.⁵⁴ Ain Shams University hosts the largest Chinese department in Africa, with 500 undergraduate Chinese majors, while Al-Azhar hosts 200 students of Chinese.⁵⁵ Cairo University also launched its own China program in 2004 with China's vice minister of education in attendance for the opening ceremony, and the Chinese government donated 1,000 Chinese-language books and magazines to support the department.⁵⁶ In 2005, Egyptian and Chinese education officials agreed to establish the "Egyptian Chinese University" in Cairo, making it the first Chinese university in the Middle East.⁵⁷ In September 2008, China and Egypt signed a protocol to open a Chinese school on the outskirts of Cairo. According to an Egyptian newspaper, parents of 1,500 children applied for 87 kindergarten spots in the inaugural year. The school cost \$3.75 million to build; the protocol calls for China to build a similar school in each of Egypt's 29 governorates.⁵⁸ In addition, about 300 professionals receive training in technical subjects every year in China, largely under a Chinese initiative to train 10,000 Africans as part of the Forum for Chinese-African Cooperation.⁵⁹

In Saudi Arabia, Saudi students are studying directly in China on scholarships awarded by Chinese companies operating in Saudi Arabia.⁶⁰ The Chinese government is also offering scholarships directly to students and professionals for further training.⁶¹

Each Middle Eastern country does not seem equally eager to develop cultural ties with China. In Algeria, for example, which has seen bilateral trade explode from \$290 million in 2001 to an estimated \$4 billion in 2008, there are few opportunities to learn Chinese, even as the demand for people who speak both Chinese and Arabic is growing. According to the Chinese embassy, a proposal to the Ministry of Education to open a Confucius Institute has gone unanswered, and the

53. "China-Yemen Trade Volume Hits 3 Billion U.S. Dollars in 2005," Xinhua, January 25, 2006, http://english.peopledaily.com.cn/200601/26/eng20060126_238422.html.

54. Jiang Bo, Chinese embassy in Beijing, e-mail correspondence, November 21, 2008.

55. Tu Longde, "Chinese Craze' Rising along the Nile," Hanban (Chinese Language Council International), October 12, 2004, <http://english.hanban.edu.cn/market/HanBanE/412128.htm>.

56. "Chinese Studies Available in Egypt's Top University," People's Daily Online, October 10, 2004, http://english.peopledaily.com.cn/200410/10/eng20041010_159608.html. Apparently, although the agreement has been signed, a formal partnership between Beijing University and Cairo University has not yet been implemented.

57. "China, Egypt Sign Agreement on Establishing Chinese University," China Education and Research Network, April 27, 2005, http://www.edu.cn/Internationaledu_1499/20060323/t20060323_124312.shtml.

58. "The Chinese Arrived," Al-Ahram Weekly Online, Issue no. 915, September 18–24, 2008, <http://weekly.ahram.org.eg/2008/915/eg4.htm>.

59. Jiang Bo, e-mail correspondence.

60. "Near East Meets Far East: The Rise of Gulf Investment in Asia," Economist Intelligence Unit, 2007, http://www.arcapita.com/media/pdfs/EIU_WhitePaper-web.pdf.

61. Roula Khalaf, Richard McGregor, and Sundeep Tucker, "The Great Bridge of China: How Energy-Hungry Beijing Hews Its Mideast Links," FT.com, February 12, 2007, <http://www.ft.com/cms/s/0/582bb7aeba3d-11db-89c8-0000779e2340.html>.

Chinese language classes at the National Library cannot meet the demand. Many Chinese companies have resorted to teaching their Algerian workers informally.⁶²

A growing source of cultural exchange is tourism. The number of Chinese tourists worldwide is predicted to reach 100 million by 2015, creating a lucrative market that Arab businesses hope to reach.⁶³ The Egyptian Tourism Authority is basing part of its future tourism strategy on attracting Chinese tourists.⁶⁴ Since China and Egypt signed an agreement in October 2001 to open Egypt to Chinese tourists, 35,000 Chinese visited Egypt in 2005, and that number is set to grow above 80,000 in coming years.⁶⁵ China is eager to develop tourism to countries such as Egypt as a way to help address the stark trade imbalance between the two countries—a balance that is currently 10 to 1 in China's favor. The anticipation of Chinese tourism helps drive Arabs into Chinese language classes in the hope of tapping into the China trade. Chinese tourism to Dubai more than doubled between 2004 and 2006 simply upon the introduction of direct flights by Emirates Airlines.⁶⁶ Three hundred Egyptians visited Beijing in the summer of 2008—they were the cast, orchestra, and crew for a Cairo Opera House production of *Aida*, the opera Giuseppe Verdi wrote to commemorate the opening of the Suez Canal.⁶⁷

China also has stepped up its efforts to reach Arab audiences with an Arabic version of *China Today*. The monthly magazine has a regional office in Cairo, and some two-thirds of its regional distribution of 15,000 copies goes to Egyptian readers. *Al-Sin al-Yawm*, as it is titled, is a slickly produced magazine of more than 80 pages with articles clearly targeted at an Arab audience. Each issue contains a section entitled, “We’re All East,” highlighting joint activities between Arabs and Chinese, in addition to sections on Chinese life (“A Changing Society”), Money, and Economy. Recent issues have closed with eyewitness accounts of an Arab in China, entitled, “In a Coffeehouse on a Chinese Street.”

While *al-Sin al-Yawm* is in many ways an impressive publication, it also highlights just how much more energy Western countries have put into building ties in the Middle East than China does today. For all of its ambition, *al-Sin al-Yawm* is a far less ambitious effort than the U.S.-produced, now-shuttered *Hi* magazine, an even glossier effort that compared favorably to top-quality lifestyle magazines in the United States. China's efforts at teaching foreign languages pale when compared with the far more ambitious efforts the British Council (which directly trains between

62. Chinese embassy official no. 1, interview, Algiers, November 16, 2008.

63. “Chinese Tourists Welcomed in Foreign Countries,” People's Daily Online, February 15, 2008, <http://english.people.com.cn/90001/90782/92900/6354887.html>.

64. “Shifting Tourist Sands,” Al-Ahram Weekly Online, Issue no. 777, January 10–18, 2006, <http://weekly.ahram.org.eg/2006/777/eg3.htm>.

65. “Chinese Ambassador Welcomes First Group of Chinese Tourists to Egypt,” People's Daily Online, May 6, 2002, http://english.peopledaily.com.cn/200205/06/eng20020506_95200.shtml; “Interview: Egypt Welcomes More Chinese Tourists,” People's Daily Online, October 20, 2006, http://english.peopledaily.com.cn/200610/20/eng20061020_313829.html. Also Chinese embassy official, interview, Cairo, November 20, 2008.

66. Lu Haoting, “Arabian Flights,” ChinaDaily.com.cn, December 31, 2007, http://www.chinadaily.com.cn/bw/2007-12/31/content_6360999.htm; “Emirates Set to Serve Dubai-Shanghai Route Twice Daily,” Travel Café, August 26, 2007, <http://www.travelscoop.co.nz/emirates-set-to-serve-dubai-shanghai-route-twice-daily/>.

67. “Cairo Opera Aida to Be Performed in Beijing,” CriEnglish.com, July 8, 2008, <http://english.cri.cn/4026/2008/07/08/164s378011.htm>.

20,000 and 25,000 Egyptians in English every year),⁶⁸ as well as the U.S. Agency for International Development. Both the United States and the United Kingdom, as well as other Western embassies, sponsor a wide range of cultural programs that touch on everything from arts to life skills. The United States brings more than 500 Egyptians, ranging from promising youth to rising government officials, to the United States each year at U.S. government expense.⁶⁹ The British Council's budget in Egypt alone is £7 million per year,⁷⁰ a number that seems more impressive when one considers the low per capita income in Egypt.

Chinese diplomats in the Middle East profess some confusion at why their relatively modest efforts at cultural bridges, very much along the lines of what the United States and other Western powers have done for more than a half century, draw so much concern from the West. They seem especially confounded because the U.S. interest in the Middle East appears to largely be driven by security, and current Chinese policy is content with U.S. leadership on that issue. One Chinese diplomat in Algeria was especially pointed: "How about you do security," he said, "and we do business?"⁷¹

The growth and dynamism of China—combined with its avowed disinterest in power politics—make it a country of increasing interest to governments and populations in the Middle East. Up to now, it has been careful to arouse little opposition and to benefit from the U.S. security umbrella without explicitly supporting it. Cultural diplomacy is, for China, still in its early phases, and Chinese diplomats artfully reinforce basic commonalities with regional governments to build sympathy.

Equally clear is that China is trodding a well-traveled road, building precisely the kinds of language programs and exchanges that have been the bread and butter of Western cultural programs for decades. China benefits now because people in the region see it as a country of remarkable promise, yet one which is not seeking to exploit the peoples or resources of the region in a neocolonial way. That is, Middle Easterners see Chinese policy in their region principally as an exercise of soft power rather than hard power. China's commitment of peacekeeping troops to Lebanon in 2006 combined with the dispatch of a naval ship to guard against pirates off the Somali coast in 2008 suggest that Chinese power in the region is destined to become more balanced between hard and soft power over time. As Chinese influence in the Middle East grows, China will find itself saddled with many of the same liabilities that have constrained outside powers for centuries. China's increasing emphasis on soft power in the Middle East is a sign that it understands just how difficult it will be to guarantee its interests in the region as the country's exposure increases, and it is a likely precursor to greater hard-power efforts as well. Making greater efforts in the Middle East is no guarantee of achieving greater results, however, as U.S. and British policymakers—and others—have learned all too well.

68. Reena Johl, assistant director, Communications and Business Support Services, British Council, Cairo, e-mail correspondence, December 18, 2008.

69. Haynes Mahoney, public affairs officer, U.S. Embassy, Cairo, telephone conversation, December 11, 2008.

70. "Media in Society," British Council, Middle East and North Africa, <http://www.britishcouncil.org/annual-report/nena2.htm>.

71. Chinese embassy official no. 2, interview, Algiers, November 16, 2008.

Recommendations

- Engage Chinese partners in consequence management exercises so as to increase a sense of Chinese responsibility for the actions of its trading partners.
- Involve China in efforts—such as naval patrol protocols in the Gulf—to contribute to stability in the Middle East.
- Because China’s growing engagement in the Middle East is inevitable, the United States needs to help create patterns of cooperation with China on regional security issues so China’s growing role is in the direction of cooperation rather than conflict.