

COMPETENCE AND INCOMPETENCE: THE POLITICAL ECONOMY OF CHINA'S RELATIONS WITH THE MIDDLE EAST

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In Mao Zedong's years China's main interest in the Middle East had been to undermine the presence of foreign powers, considered a threat to its security. There had, however, been little that Beijing could have done as it lacked diplomatic relations, political influence, economic wealth and military capabilities. Since Mao's death China has gradually become more active economically with the Middle East, primarily as a labor and arms exporter and as an oil importer. Yet politically, Beijing still plays a marginal role in the Middle East, giving priority to stability, a precondition for economic growth, and implicitly, grudgingly, and perhaps temporarily accepting Washington's predominance in the region. Beijing's increasing economic power has not yet been translated into political effectiveness.

Key words: China-Middle East relations, Chinese foreign policy in the Middle East, Iran

Introduction

Post-Mao China's Middle Eastern presence has undergone some remarkable changes, yet within a framework of equally

remarkable continuity.¹ Its recent interactions with Saudi Arabia on the one hand and with Iran on the other illustrate these complexities. In late January 2006, King Abdullah of Saudi Arabia visited China as a part of his trip to Asia. In many respects this was an outstanding visit. For one, not only was this the king's first trip abroad since he had assumed power, but China was his first stop. In view of the tense Sino-U.S. relations—and Saudi-U.S. relations—this was a clear message. For another, this was not an ordinary visit. Both Riyadh and Beijing referred to it as a “milestone,” launching “a new strategic relationship” and “substantial energy cooperation.”² Indeed, the meaning of the king's visit, regarded by some as the initial step toward an informal “alliance,”³ goes far beyond energy. It cautiously legitimizes Beijing as a “pole” in the reemergence of a bipolar international system and, not less so, as an alternative and a substitute on which Saudi Arabia and other “Third World” countries could depend. Unlike the unsuccessful “revolutionary” model of Mao's China, post-Mao China's “evolutionary” model combining capitalist economic development and a non-democratic political system is becoming more and more attractive to developing countries.

This is definitely true of Teheran, which is more closely associated with China than Saudi Arabia. Yet, while underlining the changes in its Middle Eastern policy, China's relations with Iran also reflect the continuities, primarily in politics. China has indeed become a considerable economic factor in the Middle East, both as a customer and as a supplier, but its ability—and even more so willingness—to provide political support and backing on a bilateral and a multilateral level is still extremely limited. Although as a permanent member of the United Nations Security Council the People's Republic of China (PRC) could have used, or at least threatened to use, its veto power, thereby preventing or deterring the proposal to impose sanctions on Iran in late 2006, it

did not display any sign of readiness to do so and challenge Washington. This evasiveness, also demonstrated in earlier crises over Iraq, is typical of China's time-honored Middle Eastern policy. For all their increased economic power and enhanced international standing, the Chinese still prefer not to be directly—or even indirectly—involved in regional conflicts so as to avoid alienating any side and undermining their interests.⁴

But what are China's interests in the Middle East? What does China want to achieve? What are the means used for accomplishing its aims? How successful is China in the Middle East? How does the Middle East react to China's policies and interests? What are the implications of China's increased activism in the Middle East in terms of the other regional and global players? These are some of the questions to be discussed in this article. It is divided into two parts. The first deals with economics—undoubtedly the positive side of China's Middle Eastern policy. The second deals with politics—still the negative side of China's Middle Eastern policy. Apparently, Beijing's increased economic activism in the Middle East should promote its political role in the region. Yet, giving the highest priority to economic relations may, in fact, constrain China's political options. If true, such a process could be called the “Japanization” of China. Viewed in this perspective, China's Middle Eastern profile is an outcome of this basic dialectical tension between economics and politics. While economic relations reflect revolutionary change, political relations still reflect conservative continuity.

Economic Relations: Revolutionary Change

Until the 1990s, the Middle East was of marginal economic value to China—and vice versa. Economics served less as an end in itself and more as a means to promote other ends, primarily political, ideological, and strategic. These included the undermining of the predominant presence of the United States and later the Soviet Union; winning the goodwill and recognition of

1. An earlier version of this article was presented at the 58th meeting of the Association of Asian Studies (AAS), San Francisco, April 6-9, 2006.
 2. For example, see the editorial, “New Strategic Relationship,” Arab News (Jedda), January 23, 2006, in U.S. Consulate-General, Hong Kong, Foreign Broadcasting Information Service (FBIS).
 3. Lecture by Prof. Li Shaoxian, China Institute of Contemporary International Relations, Jerusalem, February 21, 2006.

4. The definition of the “Middle East” in this article includes most of the Arab League members in West Asia and North and East Africa, as well as Turkey, Cyprus, and Iran.

regional leaders; and indoctrinating regional national liberation movements and revolutionary organizations. Yet, China's limited economic capabilities—which could by no means compete with those of the West or the East, not to mention both—consistently failed to accomplish these objectives. By the end of the Mao era the Chinese were inconsequential economic players (at best) in the Middle East, just as they had been at the beginning, thirty years earlier.

Since the early 1980s, however, post-Mao China's priorities have changed. Economic development and modernization have topped the national agenda, undoubtedly at the expense of ideological considerations though not necessarily of strategic ones. In fact, much like Japan, a booming economy has been regarded as the essential component of China's "comprehensive national strength." Deliberately relying on free market and capitalist principles, the Chinese economy began not only to grow steadily and briskly but also to diversify. In addition to their traditional international economic activities, the Chinese began to adopt new international economic activities never before undertaken. Within a quarter of a century, both growth and diversity have made China an economic giant, a substantial supplier and a huge customer. This is evident worldwide, as well as in the Middle East.

Labor and Construction Services

In addition to trade, to be discussed below, the main economic activity of Mao's China in the Middle East was foreign aid. By 1976, the average share of the Middle East in China's aid offers to the Third World was 10 percent (compared with 28 percent for Asia and 57 percent for Africa). Even at its peak in 1964 and 1976, the value of Chinese aid to the Middle East was less than one third of the total. China's share in the aid offered to the Middle East by communist countries was no more than 8 percent, compared to 52 percent by the Soviet Union and 40 percent by Eastern Europe.⁵ This activity could not and did not entail significant dividends, politically or economically. Associated with Mao Zedong's revolutionary pretensions, foreign aid policy

was one of the first to be abandoned since the late 1970s, although some symbolic projects of doubtful economic value are still undertaken, more recently in Africa than elsewhere.

Instead, since the late 1970s Beijing has allowed individual workers, and then groups and companies, to undertake labor export, construction projects and consultation services in foreign countries. Begun on an experimental basis, not to say voluntarily, this move is firmly based on economic considerations and has become an integral part of China's international economic relations and open-door policy reforms. This new activity, though it raised memories of the coolie trade and stirred an ideological debate as to its conformity to socialism, has gathered momentum, achieved success, and gained legitimacy. In the 1980s, most exported Chinese labor—now official—poured into the Middle East, primarily to Persian Gulf countries, many of which still did not have diplomatic relations with Beijing.

Beijing's choice of this region for launching its labor export and construction services policy was determined by the wealth accumulated by these oil-rich countries, by their need for manpower, and by the opportunity to collaborate with foreign companies and thereby absorb new technologies. These countries have welcomed the Chinese workforce not only because of their shortage in skilled manpower but also because the Chinese were not Muslim, did not intend to settle down, and were well organized, disciplined, and industrious. By the late 1980s about 70,000 Chinese workers were employed in the Middle East, mostly in Iraq and Kuwait. Thus, by 1987 Iraq had become China's number-one market for labor export (known also as labor service cooperation), valued at close to \$658 million, or nearly 70 percent of the total. Iraq had also become China's primary market for contracted projects (construction services), valued at over \$670 million, or over 18 percent of the total.

Kuwait also absorbed a good deal of PRC labor and contracted projects, to the value of nearly \$125 and \$364 million respectively. After Saddam Hussein launched his invasion against Kuwait in 1990, some sixty Chinese companies and some 4,000 Chinese workers were stranded in Iraq. Gradually, however, as China's international economic system consistently expanded, labor export was directed to other countries and regions. Consequently, while China's foreign economic activities in the Middle

5. Yitzhak Shichor, *The Middle East in China's Foreign Policy, 1949-1977* (Cambridge: Cambridge University Press, 1979), pp. 210-11.

Table 1. China's Foreign Economic Relations with the Middle East, 1998-2005*

(in million US dollars)

Country	2005	2004	2003	2002	2001	2000	1999	1998
Bahrain	0.07	0.17	0.11	0.07	0.10	0.31	0.03	0.24
Cyprus	3.17	22.71	28.96	11.74	16.94	13.91	8.56	26.51
Iran	652.74	385.85	337.17	382.75	215.32	368.05	205.82	178.87
Iraq	12.59	8.99	129.95	153.25	110.17	79.48	43.91	5.40
Israel	104.04	100.60	116.96	152.30	133.07	88.34	75.40	89.60
Jordan	112.12	120.33	76.79	90.08	32.20	19.73	12.53	9.24
Kuwait	214.94	126.54	27.17	13.59	18.33	64.41	215.80	71.49
Lebanon	11.82	0.40	22.74	0.04	0.17	0.28	0.16	0.04
Oman	87.25	34.16	14.53	1.79	4.74	23.19	0.47	11.77
Palestine	3.60	—	—	—	3.05	0.06	0.11	0.15
Qatar	24.10	7.94	15.99	27.47	45.97	10.50	2.52	4.12
SA**	331.27	129.77	47.45	63.87	44.68	32.13	45.40	231.14
Syria	18.15	12.21	6.89	22.71	179.04	4.69	8.06	20.76
Turkey	74.09	47.77	21.09	25.12	8.92	6.52	3.63	11.07
UAE	340.10	358.84	162.89	85.70	55.16	47.78	44.87	64.71
Yemen	89.16	70.82	58.39	66.56	62.63	97.92	96.68	169.15
Algeria	1,065.35	829.96	500.26	227.12	98.11	47.10	106.67	83.13
Egypt	276.53	73.86	24.31	30.75	15.82	7.83	16.00	21.04
Libya	132.21	72.34	161.50	21.94	7.87	7.30	11.71	10.92
Morocco	49.44	44.13	37.43	28.45	27.63	16.55	15.46	17.83
Sudan	1,342.78	725.65	488.54	440.32	262.64	118.82	743.37	635.84
Tunisia	65.49	41.27	24.34	34.41	9.99	3.87	10.27	0.48
Subtotal	5,011.01	3,214.31	2,303.46	1,880.03	1,352.55	1,058.77	1,667.43	1,663.50
Total	26,776.05	21,368.98	17,233.93	14,352.22	12,139.31	11,325.36	11,234.58	11,773.23
Share	18.7%	15.04%	13.37%	13.1%	11.1%	9.35%	14.8%	14.1%

Source: *China Statistical Yearbook*, various years.

* Including labor export, construction projects and consultation services.

** Saudi Arabia.

East were still growing steadily, the share of the Middle East in China's total foreign economic activities declined, from an annual average of some 56 percent of the total turnover (of which over 48 percent represented contracted projects and over 86 percent labor services) in 1976-1987 to an annual average of nearly 13 percent in

1998-2004.⁶

In 2005 China's economic cooperation with the Middle East increased, reaching 18.7 percent of the total. Within six years (2000-2005) the value of China's economic cooperation with the Middle East multiplied 4.7 times—from \$1.05 billion to \$5.01 billion. In 2005, two countries (Sudan and Algeria) accounted for over 48 percent of this total. Together with Iran, the United Arab Emirates (UAE), and Saudi Arabia, these five countries have absorbed nearly 75 percent of China's economic cooperation projects in the Middle East. They constitute Beijing's main outposts in the Middle East (see *Table 1*).⁷ One of the interesting manifestations of these activities is that in 2002 Israel became China's sixth market in the world (in terms of value) for labor export, following such economic dynamos as Singapore, Japan, South Korea, and Hong Kong, and almost equal to the United States. China's increased international economic expansion since then has pushed Israel to the fourteenth place in 2005.

Foreign Trade: Arms Exports and Imports

Given the predominance of its competitors, both East and West, and its own economic backwardness, there was very little that Mao's China could export to the Middle East and even less it could import. Therefore, the share of the Middle East in China's total foreign trade was small (around 2-4 percent) and China's share in the Middle East's overall trade was even smaller. But this handicap was soon to change dramatically, not just because of China's impressive economic growth and increased involvement in the international community but more specifically thanks to two "commodities" that have transformed the marginal nature of Sino-Middle Eastern economic relations: massive and unprecedented arms export in the 1980s and equally massive and unprecedented oil import since the 1990s.

6. On the decline of China's labor export to the Middle East see also Zhang Jianwu, "Zhongguo dui Zhongdong laowu shuchu de qianjung yu duice" (China's Perspectives and Counter Measures toward Labor Export to the Middle East), *Xiya Feizhou* (West Asia and Africa), No. 6 (2000), pp. 56-60.

7. All data from *China Statistical Yearbook* 2003, 2004, 2005, and 2006.

Although arms transactions, both exports and imports, are usually interpreted primarily in a military perspective (to be discussed below), they also have economic benefits—and costs. For thirty years this component of China's international economic relations had not been available. For one thing, Mao's China had not regarded arms sales as an economic activity. Primarily reflecting strategic and geopolitical considerations, most of China's arms had been given free of charge mainly to three countries: North Korea, Vietnam, and Pakistan. For another, Mao's China had not only downplayed the Middle East as a significant component of its defense perimeter but had also failed to penetrate its arms market. Until the late 1970s, China had been an insignificant arms supplier to the Middle East. This region had been completely saturated by relatively advanced weapons provided by the Soviet Union, the United States, and their allies; there was no way that China could have penetrated this market, let alone with its limited diplomatic network. In any case, China—whose military technologies were inferior to Soviet and Western technologies—had little to offer to the Middle Eastern countries.

By the late 1970s, however, these two constraints had been removed. To begin with, the reluctance, or even refusal, of traditional military suppliers to transfer weapons to some of their traditional Middle Eastern clients, first and foremost Egypt, Iraq, and Iran, had paved the ground for Chinese arms sales. Furthermore, since the early 1980s Iran and Iraq had been engaged in a war of attrition that hungrily consumed countless weapons. These developments created a rare—and brief—window of opportunity for Beijing to penetrate the Middle East arms market for the first time and to upgrade its significance for China. It is in this regional perspective that Beijing's crucial decision to launch arms sales should be interpreted. As the military was officially accorded the lowest priority among post-Mao China's "four modernizations," from the early 1980s on, the Middle East became the main destination for Chinese arms sales. The sales surged to unprecedented dimensions and value—only to diminish a decade later. This drastic break with Mao's policy had been aimed at increasing China's export earnings that could be used, at least partly, to supplement its shrinking defense expenditures.

As China's predominant military customer in the 1980s, the Middle East absorbed an average of 86.8 percent of its total arms

deliveries, occasionally even 100 percent (e.g., in 1985), and an average of 74.2 percent of arms agreements, occasionally nearly 95 percent (e.g., in 1986). Arms exports became the predominant component of China's total exports to the Middle East in the 1980s, reaching as much as 78 percent in 1984, 72 percent in 1987, and over 50 percent in 1983 and 1986 (see *Table 2*).⁸ As impressive as they are, these figures are still overshadowed by those of other arms suppliers to the Middle East. China's average share was small, around 7-8 percent, reaching over 19 percent only once, in 1987.

Table 2. China's Arms Transfers to the Middle East, 1983-1990

(in billion US dollars and percent)

Year	Deliveries				Agreements			
	PRC Total	Middle East	Share of PRC*	Share of Total**	PRC Total	Middle East	Share of PRC*	Share of Total**
1983	1.6	1.4	87.5	7.0	0.8	0.7	87.5	NA
1984	2.1	1.9	90.5	7.3	0.3	0.1	33.3	0.3
1985	0.7	0.7	100.0	3.5	1.4	1.3	92.9	3.6
1986	1.3	1.1	84.6	5.2	1.8	1.7	94.4	11.1
1987	2.1	1.9	90.5	7.1	4.7	4.3	91.5	19.2
1988	3.0	2.6	86.7	13.7	2.5	1.7	68.0	5.3
1989	2.8	2.3	82.1	13.2	1.4	0.4	28.6	3.0
1990	2.3	1.9	82.6	10.3	2.2	1.0	45.5	4.0
Total	15.9	13.8	86.8	8.4	15.1	11.2	74.2	6.7

* Share of the Middle East in China's total arms sales.

** Share of Chinese arms sales in the total arms sales to the Middle East.

Source: Adapted from U.S. Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers* (Washington, various years).

While the economic (or military) benefits of China's arms exports are hard to evaluate, two things should be taken into consideration. First, some of the income—perhaps one-third—was

8. Data calculated from U.S. Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers* (Washington, D.C., hereafter ACDA) and International Monetary Fund (IMF), *Direction of Trade Statistics* (Washington, D.C.), various years.

spent on arms acquisitions from Israel.⁹ Unknowingly and indirectly, it was Iraq and Iran that contributed (through the Chinese) billions of dollars to Israel's defense industrial establishment. Second, this window of opportunity for military transactions with the Middle East (both exports and imports) opened only briefly. From the late 1980s through the early 1990s, China's arms sales to the Middle East began to gradually decline, drying up almost completely by the late 1990s. While China's total arms sales fell by 50-60 percent, arms sales to the Middle East fell by over 80 percent (see Table 3). This decline was an outcome of the arms embargos imposed by the UN and the United States on some of China's best clients (such as Iraq and Iran); of the U.S.-led crusade against military proliferation; of the emergence of alternative arms customers (mainly in south and southeast Asia), as well as suppliers; and of the realization of the Middle Eastern governments that

Table 3. China's Arms Transfers to the Middle East, 1991-1999

(in billion US dollars and percent)

Year	Deliveries				Agreements			
	PRC Total	Middle East	Share of PRC*	Share of Total**	PRC Total	Middle East	Share of PRC*	Share of Total**
1991	1.4	0.6	42.8	3.8	0.6	0.4	66.6	1.7
1992	1.1	0.3	11.1	1.8	0.5	0.1	20.0	1.0
1993	1.1	0.4	27.3	2.5	0.6	0.2	33.3	0.7
1994	0.7	0.2	28.6	1.4	0.6	0.1	16.7	0.5
1995	0.7	0.2	28.6	1.2	0.2	-	0.0	0.0
1996	0.6	0.3	50.0	1.8	1.0	0.3	30.0	2.8
1997	1.0	0.4	40.0	2.0	1.3	0.7	53.8	6.1
1998	0.7	-	0.0	0.0	0.9	-	0.0	0.0
1999	0.3	-	0.0	0.0	2.6	0.4	15.4	3.4
Total	7.6	2.4	31.6	1.6	6.3	2.2	34.9	1.8

* Share of the Middle East in China's total arms sales.

** Share of Chinese arms sales in the total arms sales to the Middle East.

Source: Adapted from U.S. Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers* (Washington, various years).9. For a detailed discussion see Yitzhak Shichor, "Israel's Military Transfers to China and Taiwan," *Survival*, vol. 40, No. 1 (1998), pp. 68-91.

Table 4. China's Arms Imports, 1990-2005

(in million constant US 1990 dollars and percent)

Year	Russia	Ukraine	France	Israel	Others	Total
1990	81	0	17	18	52	168
1991	151	0	26	18	28	223
1992	1,096	42	10	18	12	1,178
1993	1,027	55	6	18	13	1,119
1994	79	22	30	18	35	184
1995	464	0	16	18	26	524
1996	1,066	83	33	18	25	1,225
1997	579	78	17	18	14	706
1998	111	87	9	28	20	220
1999	1,383	97	28	28	76	1,612
2000	1,700	82	9	18	36	1,845
2001	2,964	102	9	18	50	3,143
2002	2,429	118	11	0	88	2,646
2003	1,997	78	4	0	17	2,096
2004	2,581	108	26	0	45	2,760
2005	2,564	83	12	0	37	2,696
Total	20,272	1,035	263	236	574	22,345
Percent	90.72	4.63	1.17	1.06	2.57	100.0

Source: Adapted from SIPRI (Stockholm International Peace Research Institute) Arms Transfers database.

Chinese arms, although inexpensive, were also inefficient and ineffective under battlefield conditions.¹⁰

Since the early 1990s, China's arms imports from Israel have also begun to decline, along with the decline in China's arms exports to the Middle East. Some of this decline—by no means all of it—should be attributed to Washington's increased pressure on Israel to reduce its arms sales to China and even to stop them altogether. However, most of this decline was due to Beijing's improved relations with Moscow following the Soviet collapse. Soon afterwards Beijing resumed acquisitions of Russian

10. Yitzhak Shichor, "The Year of the Silkworms: China's Arms Transactions, 1987," in Richard H. Yang, ed., *SCPS Yearbook on PLA Affairs 1987* (Kaohsiung: Sun Yat-sen Center for Policy Studies, 1988), pp. 153-68.

arms that are familiar, easy to integrate and operate, and more advanced than China's. Within a few months of the Soviet disintegration, Russia became China's number-one arms supplier, providing 91 percent of Beijing's military imports. With 4.6 percent, Ukraine comes second, while Israel's share is a little over 1 percent. Since the early 2000s, there have been very few Israeli arms deliveries to China (see *Table 4*).

In sum, arms transactions with the Middle East played a limited economic role only in the 1980s, generating income that could have been used for civilian modernization, or for military modernization. To some extent, China's Middle Eastern arms export and import policy represented a departure from time-honored legacies and a boldness that proved to be temporal. Since the 1990s, instead of wholesale export of weapons to the Middle East, China began wholesale import of oil from the Middle East.

Foreign Trade: Energy

Inflated in the 1980s by its military transactions, Sino-Middle Eastern trade resumed its traditional and modest proportions in the early 1990s. By the mid-1990s, however, China's

trade with the Middle East began to increase steadily, multiplying nearly five times within five years, from some \$10.7 billion in 1999 to \$69.3 billion in 2004 (see *Table 5*). This is a dramatic increase, despite the fact that the share of the Middle East in China's total foreign trade remains rather small at 4.88 percent in 2005 compared to nearly 3 percent in the late 1990s. For much of this period, China has managed to maintain its traditional trade surplus with the Middle East by a substantial growth of exports to offset the equally substantial growth of imports, mostly of oil.¹¹

Small quantities of crude oil imports from the Middle East began as early as the 1980s when China was still self-sufficient and a net oil exporter. Most of China's oil imports at that time came from Southeast Asia, though some already came from Persian Gulf and South Arabian countries, notably Oman and Yemen. Yet gradually, as domestic oilfields' output could no longer cater to China's increasing energy demand and fast economic growth, Beijing began to increase its oil imports, primarily from the Middle East. This policy gathered momentum after 1993 when China became a net oil importer. Within three years, by 1996, the Middle East provided—for the first time ever—more than half of China's crude oil imports (see *Tables 6, 7*).

Concerned about their growing dependence on the unstable and unpredictable Middle East, the Chinese have been trying to diversify their external sources of crude oil. Yet, while Beijing has managed to stabilize the share of its Middle Eastern oil imports at around 60 percent, in the long run the share of the Middle East in China's oil imports is bound to grow. The reasons are obvious. More oil is available in the Middle East than in any other region in the world, while shipping it is relatively inexpensive, quick, and convenient. China can also offset much of its oil costs by exporting construction and labor services and civilian goods, as well as conventional and non-conventional military technologies and equipment. China has also been investing in the Middle Eastern energy infrastructure and drawing loans from oil-rich Persian Gulf countries. Therefore, as much as they dislike this dependence, the Chinese have little choice: In the

Table 5. Sino-Middle Eastern Trade and Share in Total PRC Trade, 1998-2005

(in billion US dollars, rounded)

Year	Trade Turnover			Export			Import			Balance
	Total	Change	Share	Total	Change	Share	Total	Change	Share	
1998	9.61	4.2%	3.0%	6.17	19.3%	3.4%	3.43	-15.0%	2.5%	2.74
1999	10.69	11.3%	3.0%	6.81	10.4%	3.5%	3.87	12.8%	2.3%	2.94
2000	20.02	87.3%	4.2%	8.96	31.5%	3.6%	11.06	185.5%	4.9%	-2.10
2001	20.27	1.3%	4.0%	9.64	7.6%	3.6%	10.63	-3.9%	4.4%	-0.99
2002	24.39	20.3%	3.9%	13.13	36.2%	4.0%	11.26	5.9%	3.8%	1.87
2003	35.54	45.7%	4.2%	18.67	42.2%	4.3%	16.87	49.8%	4.1%	1.80
2004	49.63	39.6%	4.3%	24.58	31.6%	4.1%	25.04	48.4%	4.5%	-0.46
2005	69.34	39.7%	4.9%	33.52	36.4%	4.4%	36.12	44.2%	5.5%	-2.60

Source: *Almanac of China Foreign Economic Relations and Trade; China Statistical Yearbook*, various years.

11. *Almanac of China Foreign Economic Relations and Trade and China Statistical Yearbook*, various years.

Table 6. China's Crude Oil Imports from the Middle East, 1998-2005
(in million metric tons, rounded)

Source	2005	2002	2001	2000	1999	1998
Iran	14.273	10.630	10.847	7.000	3.949	3.620
Iraq	1.170	0.537	0.372	3.183	0.974	0.607
Kuwait	1.646	1.070	1.460	0.433	0.330	0.282
Oman	10.835	8.045	0.814	15.661	5.021	5.793
Saudi Arabia	22.179	11.391	8.778	5.730	2.497	1.808
Sudan	6.621	6.425	4.973	3.314	0.266	—
Yemen	6.978	2.262	2.287	3.612	4.132	4.043
Qatar	0.343	0.458	1.326	1.599	—	—
UAE	—	—	0.650	0.430	—	0.515
Libya	2.269	—	0.250	0.130	0.133	0.138
Egypt	—	—	—	0.120	0.113	0.199
Total Middle East	66.314	40.817	31.758	41.214	17.415	17.005
Total	127.083	69.406	60.255	70.265	36.614	27.323
Middle East Share	52.18%	58.81%	52.71%	58.65%	47.56%	62.24%

Source: *Almanac of China Foreign Economic Relations and Trade*, various years. Yu Jing, "2005 nian gao youjia xia woguo shiyou jinchukou maoyi de tedian," (The Characteristics of China's Oil Export and Import Trade under High Oil Prices in 2005), *Dangdai shiyou shihua* (Petroleum and Petrochemicals Today), vol. 14, No. 3 (March, 2006), p. 36.

Table 7. China's Crude Oil Imports from the Middle East, 1997-2005
(Share of Total Crude Oil Imports, in percent)

Source	2005	2002	2001	2000	1999	1998	1997
Iran	11.23	15.32	18.00	9.96	10.79	13.25	7.77
Iraq	0.92	0.77	0.62	4.53	2.66	2.22	0.67
Kuwait	1.30	1.54	2.42	0.62	0.90	1.03	0.19
Oman	8.53	11.59	1.35	22.29	13.71	21.20	25.47
Saudi Arabia	17.45	16.41	14.57	8.16	6.82	6.62	1.41
Sudan	5.21	9.26	8.25	4.72	0.73	—	—
Yemen	5.49	3.26	3.80	5.14	11.29	14.80	11.43
Qatar	0.27	0.66	2.20	2.28	—	—	—
UAE	—	—	1.08	0.61	—	1.88	0.14
Libya	1.79	—	0.42	0.18	0.36	0.51	0.20
Egypt	—	—	—	0.17	0.31	0.73	0.81
Middle East Share	52.18	58.81	52.71	58.65	47.56	62.24	48.09

Source: Ibid.

long run there is simply no substitute for Middle Eastern oil.¹² One way to overcome this dependence is by investing in Middle Eastern oilfields and pipelines in order to become partners, and developing production sharing agreements (PSAs), thereby guaranteeing steady supply in the future.

Investments

Largely isolated from the international economic community for nearly two decades (1960-1980), Mao's China prevented foreign investment inside or Chinese investment abroad. Both prohibitions were removed in the late 1970s and early 1980s as a part of economic reforms, but it has taken a few years for the Chinese to become active in this field. Beijing's interest in energy PSAs had begun by the mid-1990s initially as another way to fuel China's accelerated economic growth. Within a few years Chinese involvement in energy exploration, production, and shipment spread all over the world—including the Middle East—making Beijing an important energy player, and in the case of Sudan, probably the most important.

As the predominant investor among several partners, since 1996 Beijing has become Sudan's most important oil producer, exporter, and importer. In addition to the energy sector (where they not only won concessions over a number of oilfields but also built refineries, pipelines, petrochemical projects and an oil terminal), the Chinese are also heavily involved in the construction of power stations, hydropower plants and dams, conference halls, and hospitals. Though hard to calculate, China's total investment in Sudan is estimated at \$15 billion. What has enabled Beijing to achieve this predominance is not just its urge to reach energy resources but also, and primarily, the vacuum created in Sudan by the withdrawal of U.S. and other Western companies that were concerned about the deterioration of the security conditions and the violation of human rights in Sudan.¹³ To be sure,

12. Li Weijian, "Zhongdong nengyuan yu Zhongguo de heping jueqi" (Middle East Energy and China's Peaceful Rise), *Dangdai shiyou shihua* (Petroleum and Petrochemical Today), vol. 12, No. 9 (2004), pp. 26-28, 38.
13. Yitzhak Shichor, "Sudan: China's Outpost in Africa," *China Brief*, vol. 5, No. 21 (2005), pp. 9-11.

China's pursuit of energy has been directed—by necessity rather than by choice—mainly to such countries, almost the only spaces left for Chinese operations.

One of those spaces was Saddam Hussein's Iraq, with which China signed oil PSAs in 1997. Beijing pledged an investment of \$1.26 billion in a twenty-two-year contract, expecting a significant supply of oil after the UN-imposed sanctions were removed. This explains why, in the next years, Beijing was so opposed to the sanctions. Yet Washington's orchestrated 2003 offensive defeated China's plans.¹⁴ Since Saddam's overthrow, the United States has practically monopolized Iraq's oil (whose full-scale production is still to be resumed); it immediately suspended China's (and Russia's) oil concessions.¹⁵ In an attempt to evade Washington's reach, Beijing turned to Teheran, yet another outcast.

Cultivated since the 1980s, China's relations with Iran reflect a contradiction. On the one hand, Beijing is concerned about Iran's fundamentalist Islam and potential impact on China's oppressed Muslims. On the other hand, Iran represents not only a source of oil and money but also a solid anti-American base in the Middle East. Yielding to the Chinese offer—which it could not refuse—Teheran's decision not to interfere in China's internal affairs solved the contradiction, thereby providing for a growing Chinese presence in Iran. Chinese companies are heavily invested in Iran's economy, expanding Teheran's subway system for \$680 million and building a car assembly line that will turn out some 50,000 cars a year, to name just two enterprises. Since the 1990s, Chinese companies have also been engaged in oil and gas exploration and in the building of a pipeline from Neka (on Iran's southern coast of the Caspian Sea) to the refineries in Teheran and

14. Shu Xianlin, "Lengzhan hou daguo Zhongdong shiyou zhi zheng yu Zhongguo shiyou anquan" (Great Power Competition for Middle Eastern Oil after the Cold War and China's Oil Security), *Changjiang daxue xuebao* (Journal of Yangtze University, Social Sciences ed.), vol. 28, No. 2 (2005), pp. 74-78; Guan Jincheng, "Mei-Yi zhanhou Zhongdong yuanyou shichang zoushi" (Middle East Crude Oil Market Trends after the U.S.-Iraq War), *Dangdai shiyou shi hua* (Petroleum and Petrochemical Today), vol. 11, No. 6 (2003), pp. 26-29.

15. Peter S. Goodman, "Big Shift in China's Oil Policy: With Iraq Deal Dissolved by War, Beijing Looks Elsewhere," *Washington Post*, July 13, 2005.

Tabriz, still on a modest scale.

Beginning in May 2004 Beijing became more heavily involved in Iran's oil production. China National Petroleum Corporation (CNPC) acquired the 49 percent Canadian share in project development and operation rights of an Iranian oilfield. This, however, is peanuts compared to the unprecedented \$70 billion oil and gas deal signed in late October by SINOPEC to buy 250 million tons of liquefied natural gas (LNG) over thirty years—in addition to the development of the giant Yad Avaran field—China's biggest deal with Iran ever.¹⁶ The PRC is becoming not only Iran's political supporter in the UN and its Security Council, but also an important player in Iran's energy industry and economy.¹⁷

China is also involved in the energy sector of other Middle Eastern countries to ensure future energy supply, though in a more limited way. Among them are Algeria, Libya, Tunisia, Egypt, Syria, Oman, Kuwait, and Saudi Arabia.¹⁸ Even Israel could be linked to China's pursuit of energy. In early March 2005, a CNPC delegation visited Israel to explore the possibility of shipping oil by reverse flow through the 254 kilometer long, 1.2 million barrels a day (30 million tons per year) Eilat-Ashkelon oil pipeline. Russian and Central Asian oil coming to Turkey's Mediterranean coast through the TBC (Baku-Tbilisi-Ceyhan) pipeline—which has just opened—could flow to the Red Sea Port of Eilat and then to China and the rest of Asia. This option is ten percent less expensive than going around Africa (the Suez Canal cannot accommodate big oil tankers).¹⁹ Incorporating Israel in its international

16. *China Daily*, October 31, 2004; Kaveh Afrasiabi, "China Rocks the Geopolitical Boat," *Asia Times*, November 14, 2004.

17. Borzou Daragahi, "China Goes Beyond Oil in Forging Ties to Persian Gulf," *New York Times*, January 14, 2005.

18. For example, see Liang Guoshi, "Aiji de youqi ziyuan yu Zhong-Ai maoyi" (Egypt's Oil and Gas Resources and China-Egypt Trade), *Alabo shijie* (Arab World), No. 3 (2003), pp. 28-31. See also Chris Zambelis, "Down the River Nile: China Gains Influence in Egypt," *China Brief*, vol. 5, No. 22 (2005), pp. 8-11.

19. *The Marker*, March 14, 2005. See also Yitzhak Shichor, "Bypass Surgery: China in Search of Oil Supply Short-Cuts," Inaugural Conference of the Center for Advanced Energy Studies on "Transit: Global Energy and Political Trends," University of Haifa, October 31-November 1, 2006 (unpublished paper).

energy policy could somewhat offset China's growing dependence on Persian Gulf oil.

In a comparative perspective, China's actual investments in the Middle East are relatively small, but gradually increasing. Through 2002, the share of the Middle East in China's total investments was 2.4 percent, but in 2002 alone it was 6.5 percent. Over two thirds of all Chinese investments in the Middle East go to four countries, which are (in order) Egypt, the UAE, Yemen, and Iran. They are followed by Sudan, Jordan, and Turkey (see *Table 8*). Middle Eastern foreign direct investments (FDI) in China are even smaller. Although they increased roughly 2.5 times from 2002 to 2005, their share in the total FDI in China reached only

Table 8. China's Investments in the Middle East to 2002

(in number of enterprises, million US dollars and percent)

Country	2002		Up to 2002	
	Enterprises	Investment	Enterprises	Investments
Iran	2	16.242	7	20.566
Turkey	—	—	13	11.082
Cyprus	—	—	3	0.32
Yemen	—	—	10	35.912
Saudi Arabia	1	3.571	4	4.431
Qatar	—	—	4	12.056
UAE	1	17.527	70	47.175
Syria	1	0.303	3	0.935
Jordan	1	2.00	12	13.216
Kuwait	—	—	4	0.911
Israel	3	1.30	4	1.36
Egypt	3	16.29	27	48.510
Libya	—	—	4	0.85
Algeria	1	0.12	9	2.614
Tunisia	—	—	6	3.025
Morocco	2	2.885	24	7.528
Sudan	3	3.505	13	15.28
Subtotal	15	63.744	217	225.772
Total	350	982.683	6,960	9,339.993
Percent	4.3%	6.5%	3.1%	2.4%

Source: *Almanac of China Foreign Economic Relations and Trade 2003*.

0.28 percent in 2005, still more than twice their share in 2002 (0.13 percent). The United Arab Emirates, the chief Middle Eastern investor in China, accounted for nearly 54 percent of all Middle Eastern investment in China in 2002-2005, followed by Israel (nearly 11 percent), Turkey (8.6 percent), and Saudi Arabia (6.4 percent). These four countries provide 80 percent of all Middle Eastern FDI in China (see *Table 9*).

Table 9. Middle Eastern FDI in China 2002-2005

(in million US dollars and percent)

Country	2005	2004	2003	2002
Bahrain	0.06	3.80	1.01	—
Cyprus	7.74	1.60	0.83	1.07
Iran	4.20	4.29	0.55	0.08
Iraq	3.11	5.49	0.07	1.50
Israel	6.33	23.30	15.73	9.52
Jordan	8.94	9.37	6.22	0.49
Kuwait	0.45	0.89	0.10	0.20
Lebanon	4.21	3.04	1.24	0.20
Oman	—	—	1.26	2.50
Saudi Arabia	9.37	7.01	3.55	13.14
Syria	0.96	0.64	0.39	0.04
Turkey	22.16	7.45	12.70	2.43
United Arab Emirates	92.03	85.65	69.58	32.30
Yemen	0.70	2.86	0.26	0.16
Algeria	1.01	2.06	1.83	1.08
Egypt	5.32	3.96	3.34	1.82
Morocco	1.66	0.97	0.76	—
Sudan	0.60	0.41	—	0.02
Libya	0.25	0.15	—	0.16
Tunisia	—	0.60	—	—
Subtotal	169.10	163.54	119.42	66.71
Total	60,324.59	60,629.98	53,504.67	52,742.86
Percent	0.28%	0.27%	0.22%	0.13%

Source: *Almanac of China Foreign Economic Relations and Trade; China Statistical Yearbook*, various years.

Political Relations: Conservative Continuity

Until the late 1970s China had failed to exert any significant political influence in the Middle East. Apparently, this was partially an outcome of geographical and cultural distance, but primarily of lacking political, military, and economic means to promote its goals and interests. Most important among its goals was removing a foreign power presence in the Middle East, regarded as an indirect threat to China's national security, as well as to its territorial integrity. Yet, there was very little Beijing could have done to change the situation. Politically, the PRC was not a member of the United Nations, let alone of the Security Council (and other international organizations). In the Middle East and elsewhere, its diplomatic network was limited and its relations with the region's predominant powers, the United States and the Soviet Union, had mostly been tense. Militarily and economically, the PRC was too backward to compete effectively and successfully with its rivals, both East and West, in supplying military and civilian goods to the Middle East. Crippled in diplomatic, economic, and military terms, Mao's China had no option but to cultivate nongovernmental unofficial actors by backing national liberation movements and revolutionary organizations, especially in the 1960s and 1970s. Ultimately, however, ideological rhetoric and indoctrination and limited material support backfired. In short, for its first thirty years, Beijing was mostly an outsider in the Middle East, playing only a marginal role.²⁰

By the late 1970s, many if not most of these parameters had changed, even dramatically. In October 1971 the PRC was finally admitted to the UN, becoming a permanent member of the Security Council. Relations with the United States began to improve, leading to a full diplomatic exchange. Gradually, all Middle Eastern states that had not already done so established diplomatic

20. For background see Shichor, *The Middle East in China's Foreign Policy*; Lillian Craig Harris, *China Considers the Middle East* (London: Tauris, 1993); Mohamed Bin Huwaidin, *China's Relations with Arabia and the Gulf* (London: Routledge, 2002); John Calabrese, *China's Changing Relations with the Middle East* (London: Pinter, 1991). For China's official views, see Zhang Xiaodong, "China's Interests in the Middle East: Present and Future," *Middle East Policy*, vol. 6, No. 3 (1999), pp. 150-59.

relations with China. By early 1992, Beijing maintained official relations with all Middle Eastern governments—Israel being the last—and developed into a respectable and prominent member of the international community. Also, as illustrated above, China's capabilities to provide arms to the Middle East and to play a significant economic role in this region have grown considerably. Under these circumstances it would have been fair to assume that post-Mao China's political influence in this region should increase. This, however, is not (yet) the case.

Traditional Constraints

While over the last quarter of a century there has been a revolutionary transformation in China's capabilities, primarily economic but also military, its political standing in and on the Middle East has remained fundamentally conservative, thereby reflecting more continuity than change. Post-Mao China, very much like Mao's China, prefers to continue maintaining a low profile and playing a limited role in the Middle East. This traditional and classical attitude (*zuoshan guan hudou*—"to sit on top of the mountain and watch the tigers fight") has been evident not only in intergovernmental relations but also in international organizations such as the United Nations.

Admitted to the UN and the Security Council in October 1971, it appears that the PRC has been very slow in fully grasping—not to mention using—the potential power and possibilities related to its presence in the UN.²¹ Thus, rather than voting for

21. Yitzhak Shichor, "China's Voting Behavior in the UN Security Council," *China Brief*, vol. 6, No. 18 (2006), pp. 4-6; Shichor, "China and the Role of the United Nations in the Middle East: Revised Policy," *Asian Survey*, vol. 31, No. 3 (1991), pp. 255-69. See also Samuel S. Kim, "China and the United Nations," in Elizabeth Economy and Michel Oksenberg, eds., *China Joins the World: Progress and Prospects* (New York: Council on Foreign Relations Press, 1999), pp. 42-89; Byron N. Tzou, "The PRC's Policy toward the UN Peacekeeping Operations," *Issues and Studies*, vol. 34, No. 5 (1998), pp. 102-22; M. Taylor Fravel, "China's Attitude toward the U.N. Peacekeeping Operations since 1989," *Asian Survey*, vol. 36, No. 11 (1996), pp. 1102-21. For a recent study see Lin Wen-cheng, "Zhonggong zai lianheguo anquan lishihui de toupiao xingwei fenxi (1971-2005 nian)" (An Analysis of China's Voting Behavior in the United Nations

(or against) UN resolutions on Middle Eastern issues, the Chinese delegate has usually abstained or, more often, been absent when the voting took place. Similarly, the Chinese have hardly used their power (and never their veto power) in an attempt to mediate or even resolve regional violent confrontations, such as the Iran-Iraq War, the Gulf Wars, or the Arab-Israeli conflict, and have failed to use their direct access to all the parties concerned. China could have vetoed the UN-sanctioned and U.S.-led offensive against Iraq in 1990-1991, but did not. Also, having publicly—although cautiously—criticized the U.S. offensive against Iraq in 2003 that sidestepped the UN, China nonetheless did not try to prevent it. Similarly, PRC participation in UN peacekeeping forces in the Middle East has been small both in relative and absolute terms. Beijing's announcement in 2006 that it would send 1,000 troops to Lebanon is part of its final acceptance of great-power status and the need to share global responsibilities. But its overall contribution to peacekeeping remains well below that of other, much smaller countries. Occasionally, and only in recent years, Beijing has sent a special emissary to the Middle East. Yet, except for meeting leaders and learning about the situation, nothing much has been achieved. In fact, one of the excuses used by Beijing to establish diplomatic relations with Israel was its supposed willingness to take an active part in settling the Arab-Israel conflict and the Palestine problem. The timing was also meant to enable the Chinese to take part at the Moscow conference, held in late February 1992 just several days after Sino-Israeli diplomatic ties were established.²² Since then, Beijing has hardly played any significant role in the Middle East peace process.

Thus, while Beijing allegedly wanted to become more involved in the Middle East as befits an emerging great power, its political or diplomatic mark on the region has still been minimal. The question is why.

Apparently Beijing could have assumed a higher profile in the Middle East, in line with its growing prominence in the

Security Council 1971-2005), *Wenti yu Yanjiu* (Issues and Studies), vol. 45, No. 3 (May-June 2006), pp. 1-38.

22. E. Zev Sufott, *A China Diary: Towards the Establishment of China-Israel Diplomatic Relations* (London: Frank Cass, 1997), pp. 119-26.

international community. Yet, old habits die hard. The main political constraints (either imposed or perceived) that affected Mao's China's Middle Eastern behavior still persist. This region—and its religion—with all its rivalries, conflicts, and instability, has always been beyond the PRC's immediate perimeter of interests and even more so its comprehension. As a result of the regional contradictions, Beijing has always preferred the (Confucian) middle way rather than to identify with any party. It is this "neutrality" that has fed Chinese political passivity in the Middle East. It has also been justified by the remoteness of the Middle East from the PRC. Proverbs such as "distant water cannot quench present thirst" (*yuanshui bu jie jinke*) or "distant water will not put out a fire close at hand" (*yuanshui jiubuliao jinhuo*) have conveniently and typically been used as an excuse for Chinese inactivity.

For all of its improved international stature and its impressive economic development, China's reluctance to becoming more involved in the Middle East has still to do with the presence and influence of other powers, notably the United States. Despite their growing and public irritation at Washington's behavior in the Middle East (and all over the world), the Chinese are careful not to tread on U.S. toes. They have not only explicitly failed, or not even tried, to undermine U.S.-led and initiated offensives in the Middle East, thereby implicitly supporting them. They have also bowed to U.S. pressure on a number of occasions, primarily related to nonconventional arms proliferation. Beijing's consistent attitude not to challenge Washington in the Middle East has paid handsome dividends in the past when China's abstention in the Security Council vote to use force against Iraq in 1990-1991 led to the resumption of economic and political exchanges with the United States—suspended since the Tiananmen massacre.²³

This, however, proved to be a short-term blessing. Despite Beijing's abstention, Sino-American relations began a steady and

23. For a detailed study see Yitzhak Shichor, "Decision-Making in Triplicate: China and the Three Iraqi Wars," in Andrew Scobell and Larry Wortzel, eds., *Chinese Decision-Making under Stress* (Carlisle, Penna.: Strategic Studies Institute, U.S. Army War College, 2005), pp. 185-222. See also Mohan J. Malik, "Peking's Response to the Gulf Crisis," *Issues and Studies*, vol. 27, No. 9 (1999), pp. 107-28 and Lillian Craig Harris, "The Gulf Crisis and China's Middle East Dilemma," *The Pacific Review*, vol. 4, No. 2 (1991), pp. 116-25.

consistent deterioration. Since the early 1990s China has become a “threat” to the United States and its primary rival, if not adversary, in Asia and globally.²⁴ In fact, the newly emerging U.S. presence in the Middle East and in Central Asia—replacing the Soviet’s—is now largely perceived by Beijing as being directed mainly against China. Nevertheless, Beijing’s reaction to the 2003 U.S. offensive against Iraq—which sidestepped and disregarded the UN—has been lukewarm and uncommitted (either way). Unlike the explicit public outcry against the war in many Western countries, Beijing practically suppressed anti-American demonstrations that it could easily have orchestrated. As mentioned above, the United States not only failed to compensate China for its moderation but also suspended its oil concessions in Iraq and excluded many Chinese companies from taking part in Iraq’s reconstruction.

The U.S. predominance in the Middle East also underlines China’s continuing military weakness. With few exceptions (such as the *Silkworm* HY-2 tactical missiles), China’s outdated arms supplied to Iraq and Iran in the 1980s proved ineffective in the region’s wars and have hardly been used.²⁵ For example, China’s DF-3 IRBMs (intermediate-range ballistic missiles) sold to Riyadh in 1988 failed to deter Saddam Hussein’s invasion of Kuwait, which also encroached on Saudi territory, and have never been used to retaliate.²⁶ This disadvantage is going to persist in the future as China itself increasingly depends on Russian conventional weapons—much as Mao’s China did in the 1950s. Never-

24. Herbert Yee and Ian Storey, ed., *The China Threat: Perceptions, Myths and Reality* (London: RoutledgeCurzon, 2002); Bill Gertz, *The China Threat: How the People’s Republic Targets America* (Washington: Regnery, 2000); James Mann, *About Face: A History of America’s Curious Relationship with China, from Nixon to Clinton* (New York: Vintage, 1998); Richard Bernstein and Ross H. Munro, *The Coming Conflict with China* (New York: Knopf, 1997).

25. For an Arab perspective, see Muhammad Nabil and Muhammad Fuad, “al-Sinaat al-Askariyyah al-Siniyya wa Bayya’atuha liDuwali al-Sharq al-Awsat” (Chinese Military Industries and Their Sales to the Middle East), *Al-Siyasah al-Dawliyyah* (International Politics), No. 140 (Cairo, 2000), pp. 213-19.

26. Yitzhak Shichor, *East Wind over Arabia: Origins and Implications of the Sino-Saudi Missile Deal* (Berkeley, Calif.: China Research Monographs, 1989).

theless, Beijing has managed to gain a solid foothold in the Middle East, notably in Iran.²⁷

The Iran Connection

Will Beijing act differently in the future, in line with its growing economic power and given its friction with Washington? The next item on the international agenda is Iran’s nuclear ambitions and program. As of the time of writing, the issue is being submitted to the UN Security Council, which could be asked to vote on the imposition of sanctions on Iran. Ever since the Iranian nuclear crisis erupted, Beijing has reiterated that it should be settled within the International Atomic Energy Agency (IAEA) and not through the UN Security Council. China’s stand has been interpreted not only as a challenge to Washington but primarily as an attempt to block sanctions on Iran in which China has significant energy interests. Allegedly, it is Beijing’s concern for its oil and gas supply that explains its cautious attitude toward Iran’s nuclear escapade.

One indication of the PRC’s future behavior is its agreement, on January 31, 2006, to transfer the treatment of Iran’s nuclear intransigence to the Security Council. How should China’s apparent change of mind be interpreted? A careful examination would show some realities. Beijing and Teheran are interlocked, partly by will and partly by necessity, in a marriage of convenience, not love. The fact that they ally with Iran to secure energy and at the same time to irritate the United States by no means implies that the Chinese approve of Iran’s Islamic radicalism, terrorism or, least of all, nuclear pretensions. Led by Mahmoud Ahmadinejad, whom Beijing apparently dislikes,²⁸ Iran has become a source of instability in the Middle East and the world at large, contrary to China’s most fundamental interests.

27. For a recent comprehensive study, see John W. Garver, *China and Iran: Ancient Partners in a Post-Imperial World* (Seattle: University of Washington Press, 2006).

28. For example, see Xiong Xiaoqing, Yang Xingli and Liu Jinzhao, “Neigu de zhizheng dui Zhong-Yi guanxi zouxiang de yingxiang” (Effect of the Ahmadinejad Government on the Sino-Iran Relationship), *Chongqing Gongxueyuan xuebao* (Journal of Chongqing Institute of Technology), vol. 20, No. 3 (March, 2006), pp. 72-75. See also n. 3 above.

As such, Iran has become more a liability than an asset.

To be sure, Iran is China's second-largest oil supplier (about 11 percent last year) and an important market for investment, primarily in energy and construction. Yet China is in no way dependent on Iran, which is not as important for China as may be assumed and certainly not indispensable. In fact, Iran is quite marginal in China's international economic and strategic relations. Although Iran's trade with China indeed increased in 2005 by 43 percent over 2004, its share in China's total foreign trade by that time had reached no more than 0.7 percent, or number 25 on China's 2005 list of trading partners. Iran's neighbors, the UAE and Saudi Arabia, play a more important role in China's economy. Iran's share in the Chinese foreign economic cooperation turnover (such as contracted projects and labor exports) is also relatively small, at around 1.9 percent in 2003, 1.8 percent in 2004, and 2.4 percent in 2005. Iran's FDI in China in 2005 amounted to \$4.2 million—compared to \$92 million invested by the UAE, over twenty times as much. In 2004, Israel's FDI in China reached \$23.3 million, over five times as much as Iran's \$4.3 million.²⁹

Similarly, China's "dependence" on Iran's oil supply has also been overstated. Already in the late 1990s Saudi Arabia told Beijing that it could supply all its oil needs single-handedly. This pledge was reiterated in late January 2006 when the Saudi king visited China, just one week before Beijing's decision to report Iran to the UN Security Council—probably not a coincidence. No details were given during the visit about the agreements signed with Saudi Arabia, which in 2005 was China's leading crude oil supplier with over 20 million tons. But the visit, which could become a basis for an alliance, was described as a "milestone," launching "a new strategic relationship" and leading to "substantial energy cooperation." While Beijing wants to avoid dependence on one oil supplier—especially in the unstable Middle East—Riyadh's pledge is comforting to the Chinese as much as Beijing's intention to become Saudi Arabia's main and long-term oil client is comforting to Riyadh. Reviving the traditional

29. See also Li Wei and Yang Xingli, "Jian lun Zhongguo-Yilang shuangbian maoyi tedian ji fazhan qushi" (Characteristics and Developing Trend of Sino-Iran Bilateral Trade), *Shijie Dili Yanjiu* (World Regional Studies), vol. 15, No. 1 (March, 2006), pp. 39-43.

policy of "playing barbarians against barbarians," Beijing is well aware of the mutual Saudi-Iranian animosity and exploits it fully to its advantage. UN sanctions on Iran may create difficulties for China's oil needs, but substitutes have already been secured.

For Beijing, friendship does not necessarily make Teheran indispensable—and rivalry does not necessarily make Washington dispensable. In fact, the United States is far more important for China than is Iran. Therefore, the bottom line is that if or when the question of Iran's nuclear intransigence entails UN sanctions, Beijing would face a *virtual* dilemma at best. Forced to choose between Iran and the United States, Beijing would abandon the former in order to avoid antagonizing the latter and would neither veto such a proposal nor a proposal to use force against Iran, if necessary. If the Security Council decides to impose sanctions on Iran—or even to use force—it is unlikely that China would dare undermine it. It seems that the PRC would not use its Security Council veto except in case of a direct national security threat (such as from Taiwan and, perhaps, the Korean peninsula).

Conclusion

Despite having turned into an economic giant in the course of the last quarter century, China is still a political dwarf. Reluctant to become actively involved in international affairs, in this case in the Middle East, Beijing has never been treated seriously as a legitimate and influential player in this region. Several "traditional" explanations were suggested above for this odd phenomenon, but there is a "modern" one that is most relevant. Paradoxically, instead of making China politically stronger, bolder, and potent, its accelerated economic growth, a *modern* phenomenon, has made Beijing politically weaker, feebler, and impotent. Beijing's overall priority on economic considerations, at home and abroad, has been pushing for the maintenance of stability almost at all costs and for a policy of avoiding conflict and disorder. Moreover, China's integration into the international economy subordinates the Chinese to a variety of norms, regulations, and rules that limit their room to maneuver. It is in this respect that post-Mao China has been "Japanized"—becoming economically strong but politically weak.

This is evident in the Middle East but should by no means be taken as the final word on the subject. Chinese academics believe that China's passivity in the Middle East is a passing phenomenon. As China's power grows, so will its interests and influence in the region. It is not only that China needs the Middle East but—at least from Beijing's perspective—that the Middle East needs China, not only in economic and political terms but also, and perhaps primarily, as a model. Amazed and dazzled by China's incredible economic development, Middle Eastern intellectuals and the media that are opposed to Washington's clumsy democratization crusade are beginning to appreciate the advantages of the so-called "Chinese model."

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