

## The International Relationship Between China (People's Republic) and The Middle East

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**Abstract:** The history of the Chinese civilization and that of the Middle East date back thousands of years ago. What is, however, striking is the significance that the China and the Middle East as a region constantly gain in the context of their political economic linkages. Looking at the recent readings and oft-quoted figures on China's development model and its foreign policy goals, one seems to reach a conclusion that beyond political nuances, there remains economic aspirations driven mainly by a new wave of mercantilism based on you yi (friendship) and (relations). This study seeks to articulate the historical context and the current scenario on the nexus between the China and the Middle East countries, specially Iraq, Iran, Saudi Arabia and Kuwait, among others. Both political and economic factors will be considered as tools to balance whatever conclusions both the reader and the author might reach as regards to the energy sectors of both regions and countries.

**Key words:** International law, international relationship, international relation between china and middle east

### A TERSE HISTORICAL OVERVIEW: 1960S AND BEYOND

China's foreign policy has over the year been understood as an independent one. This stems from the ideology of non-interference in the internal affairs of other states as a means of reciprocating and sustaining the relations between China and the rest of the world. Africa has witnessed this perspective (at least from the Chinese point of view) and so has the Middle East region. One would only need to look at the number of bilateral relations that China has sealed, not forgetting the rationale these have and are embedded upon, if any.

China's international relation emphasis on the Middle East as an energy market is said to be historically unique. Until the 1990s, the Chinese foreign policy toward the Middle East region reflected other goals. In the 1960s and through most of the 1970s, Chinese policy did little more than rhetorically aligning Beijing with certain countries in the Arab world. This was evident in Beijing's posture in support of the Palestinian cause, consistent with China's support for the national liberation movements in most parts of the world.

### THE PUSH FACTORS FOR MAKING INTERNATIONAL RELATION BETWEEN CHINA AND MIDDLE EAST COUNTRIES

Just as oil is seen driving American foreign policy, so too are China's geopolitical strategies increasingly influenced by the country's inability to meet its energy needs solely through domestic production. However, given this factor and the continued Chinese economic expansion and development, there simultaneously developed a growing need for energy in the context of

China's market-oriented reforms. In the context of market reforms, CNOOC's aggressive efforts to secure reliable supplies of oil and natural gas around the world reflect just how strong China's need for fossil fuels has become. China's oil imports doubled over the past five years and surged nearly 40% in the first half of 2004 alone. These increases vaulted the mainland ahead of Japan and into second place among the world's biggest oil consumers, behind only the U.S.

Oil and gas discoveries in the South China Sea and Bohai Gulf, where drilling began in 1979, made China seem all the more invulnerable to oil shocks and the country remained an oil exporter until 1993. Today, however, output from China's top four oil fields is in decline.

According to M. Forney<sup>[1]</sup> in Time Magazine, Political leaders in Beijing want to avoid the fate of other oil-poor countries like South Korea, which buys all of its crude on the open market and is, therefore, exposed to sharp price rises. The way to do that is to invest in exploration and development in countries that have oil fields but lack the capital or technology to exploit them. Once Chinese companies have a stake in oil coming out of the ground, even if it originates abroad, they will have secured long-term supplies independent of the world's inconsistent prices. The process of overseas exploration began in 1997, when Premier (Li Peng) encouraged state-run oil concerns to look outside China's borders for investment opportunities and in the past few years the search has ranged all over the world.

### MARKET REFORMS AND THE ENERGY QUEST

Amid the beginning of market reforms in the 1970s and early 80s, J. Zhang<sup>[2]</sup> highlights the five-level implication of China's oil diplomacy. These are:

Table 1: Terms of the statistics revealed

Unite EJ Year	Coal	Oil	Production natural gas	Hydro- electricity	Total	Coal	Oil	Consumption natural gas	Hydro- electricity	Total
1980	13.0	4.4	0.6	0.7	18.7	12.8	3.7	0.5	0.7	17.7
1981	13.0	4.2	0.5	0.8	18.5	12.7	3.5	0.5	0.8	17.4
1982	14.0	4.3	0.5	0.9	19.6	13.4	3.4	0.5	0.9	18.2
1983	15.0	4.4	0.5	1.0	20.9	14.4	3.5	0.5	1.0	19.4
1884	16.5	4.8	0.5	1.1	22.8	15.7	3.6	0.5	1.0	20.8
1885	18.3	5.2	0.5	1.1	25.1	17.0	3.8	0.5	1.1	22.5
1886	18.7	5.5	0.5	1.2	25.8	18.0	4.1	0.5	1.1	23.7
1887	19.4	5.6	0.5	1.3	26.8	19.3	4.3	0.5	1.2	25.4
1888	20.5	5.7	0.6	1.4	28.1	20.8	4.6	0.6	1.3	27.3
1989	22.1	5.8	0.6	1.4	29.8	21.6	4.9	0.6	1.4	28.4
1990	22.6	5.8	0.6	1.5	30.5	22.0	4.8	0.6	1.5	28.9
1991	22.8	5.9	0.6	1.4	30.7	23.1	5.2	0.6	1.5	30.4
1992	23.4	5.9	0.6	1.5	31.4	24.2	5.6	0.6	1.6	32.0
1993	24.1	6.0	0.7	1.7	32.6	25.4	6.2	0.6	1.8	34.0
1994	26.0	6.1	0.7	1.9	34.8	27.0	6.3	0.7	2.1	36.0
1995	28.5	6.1	0.7	2.1	37.8	28.7	6.7	0.7	2.3	38.4
1996	29.2	6.3	0.8	2.3	38.9	30.4	7.3	0.7	2.2	40.7
1997	28.8	6.6	0.8	2.5	38.8	29.0	8.3	0.7	2.5	40.5
1998	26.2	6.7	0.9	2.6	36.4	27.0	8.3	0.9	2.6	38.8
1999	21.8	6.7	1.0	2.4	32.0	25.9	8.8	0.8	2.5	38.1
2000	20.9	6.8	1.1	2.6	31.4	25.2	9.4	1.0	2.6	38.2
2001	24.3	6.9	1.2	3.1	35.4	25.8	9.6	1.1	3.0	39.5
2002	28.8	7.0	1.3	3.6	40.7	28.7	10.2	1.2	3.4	43.4

Source: China monitor<sup>[3]</sup>

- Strengthening international relations with the oil exporting countries by means of bilateral diplomacy to acquire stable exploiting rights over oil fields,
- Providing practical diplomatic assurance for overseas oil to be safely transported to China,
- Obviating the diplomatic efforts by a third state to disrupt the bilateral energy cooperation,
- Melting down the diplomatic art by enmity states to implement oil trade embargo against China and finally,
- China doing its very best to develop oil-based diplomacy, such as president diplomacy, regional diplomacy, great power diplomacy and multilateral diplomacy.

Taking the above-mentioned oil diplomacy themes from the Chinese side, it cannot be denied that China has over the years depended heavily on overseas oil. History shows that since 1993, China has moved from a net exporter to a net importer of oil. Zhang<sup>[2]</sup> further notes that in 1997, China's net imports were 800 000 barrels per day, twice the 1995 levels. Chinese oil imports could reach 7 to 8 million barrels a day by 2015 and 13 to 15 million barrels a day by 2025 (the United States currently imports about 8.4 million barrels a day). The above-mentioned point can be measured in terms of the statistics revealed Table 1:

The above figure shows that since 1981, oil production has been on a steady increase with 4.4% in 1981 and 7.0% in 2002. At the simultaneously, Consumption has been growing faster with 3.7% in 1980 and 10.2% in 2002. However the total energy consumption

between 1980 and 2002 reached 18.7% in 2002 while consumption reached 43.4% levels at the same time.

Due to brisk economic growth in China, oil security has not only triggered the attention of researchers in China and abroad, but also that of politicians (thus making it political economic). One can thus be tempted to conclude that once China's oil imports reaches 100 million barrels a day, the Chinese government foreign policy dictates would be influenced by diplomatic, economic and military measures to guarantee the her oil supply.

Furthermore, statistics show that China's total oil imports had reached 70.26 million barrels a day as early as 2000 while this figure has been on an increase to 96 million barrels in 2003. That been said, oil security has become a crucial driving force in China's diplomatic transformation and military adjustment programs. Recent figures, however, show that According to statistics, China imported 105 million tons of crude oil in the first ten months of this year, rising 5.7% year on year and 25.69 million tons of refined oil, down 16% from a year ago. It is estimated that China will import 130 million tons of crude oil in 2005, rising only 6ix% year on year (Xinhuanet<sup>[4]</sup>) This means the rate of growth of oil imports has dropped 30%.

### OIL POLITICS AND AN INCOMPLETE PUZZLE OF CHINA

Theories of international relations reveal that oil is not only important in itself, but it's also an issue that involves aspects of both realism and complex interdependence. Interdependence is a given area often

occurs within a framework of rules, norms and institutions that are called a regime. The international oil regime has changed dramatically over the last decades. In the 1960s, the oil regime was a private oligopoly with close ties to the governments of the major consuming countries. Oil at the time sold for about \$2 a barrel and several large transnational oil companies, sometimes called "seven sisters", determined the amount of oil that would be produced. The price of oil then depended on how much the large companies produced and on the demand in the rich countries where most of the oil was and could be sold<sup>[5]</sup>.

During this period, the strongest powers in the international system in traditional military terms occasionally intervened to keep the system going. For example, in 1953, when the nationalist movements tried to overthrow the Shah of Iran, Britain and the United States covertly intervened to return the Shah to the throne. This meant that the oil regime remained largely unchanged. Change only occurred after 1973 when the oil producing countries set the rate of production and thus had a strong influence on price, rather than price being determined solely by the market in rich countries.

At this time, however, Chinese policy did little more than rhetorically align Beijing with radical movements of the Arab world and a posture in support of the Palestinian cause, consistent with China's support for nationalist movements elsewhere in the world. In particular, China sought to obtain support for China's military modernization, as well as cash for economic development by providing arms, not only to both sides of the Iran-Iraq War (1980-88) but also by cooperating with Israel in the 1980s to develop its F-10 fighter aircraft, selling Saudi Arabia CSS-2 intermediate range ballistic missiles in 1988 and engaging in discussions with Libya and Syria about the possible sale of M-9 ballistic missiles, which the United States tried to exert pressure upon for Beijing to halt<sup>[6]</sup>.

Further examples include the fact that Undaunted by such diplomatic sensitivities, Beijing has demonstrated its willingness to focus first on protecting its energy interests. Last month, the United Nations discussed imposing sanctions on Sudan as a punishment for the so-called sponsoring human-rights abuses in Darfur. China has invested a reported \$15 billion in Sudanese oil projects and Sudan nowadays supplies about 7% of China's oil imports. China, which sits on the U.N. Security Council, threatened to veto the sanctions. The U.N. instead passed a watered-down measure. In June 1997, a Chinese consortium China North Industries Corporation (Norinco) that is a significant arms producer and exporter and energy companies.

During the Saddam Hussein regime, it is reported that China's Norinco signed a 22-year production-sharing agreement with Iraq to develop Iraq's second-largest oil

field after the lifting of UN sanctions. However, in the post-Saddam era, the status of China's 1997 agreement with Iraq remains uncertain, but Chinese companies can be expected to compete vigorously for upstream opportunities (i.e. the exploration and production of crude oil) in Iraq once the security and political environments allow outside energy companies to operate there.

Today's global political economic developments reveal that China's search for oil is making it a new competitor to the United States for influence in the Middle East. Furthermore, this shows that if this new form of competition is not prudently managed, it will generate multiple points and forms of bilateral friction and damage the United States' strategic interests in the region.

### **AT GRASSROOTS LEVELS: CHINA**

Recent accounts show that China is not only relying on the Middle East for oil, but also relies on Africa and Russia. As Jize<sup>[7]</sup> reports:

Russia will build two large gas pipelines to China within five years... (while it will)... also continue a feasibility study on extending a Siberia-Pacific coast oil pipeline to China. (China Daily, 2006. March 22nd, p.1).

While these developments have been taking place, there have been several strategic agreements that have been sealed between Beijing and Moscow. These include a joint statement on energy which has been declared as one of the main components of Russia and the China's 'strategic partnership'. Both sides have planned to ...implement a strategy of energy diversification in the energy sphere<sup>[7]</sup>.

The resolutions concluded in the joint partnership agreements had two dimensions to it. Firstly, it was a concretization of the bi-national relations as it was a classic celebration of the Year of Russia. Secondly, it was a subtle confirmation of both countries' position at the United Nations Security Council (UNSC) as both countries are permanent members of the body. What this entails is that, China and Russia stand hand in hand as both countries need each other for the consolidation of China's relations with Asia and also with the neighboring Eastern European states. What this then suggests is that the global political economy is intertwined with global security concerns. In fact one can only deepen his eyes to see what the true direction is at which Beijing is handling its affairs with the rest of the international community.

One of the most crucial aspects is China and Russia's UNSC veto powers. China is mostly seen as a patron of the so-called global south particularly when it comes to issues that would have an influence on its domestic economic interests. However, this seems to be a neglected aspect of understanding the manner in which the Beijing is constructively engaging is political partners.

Of late, the United States has exerted a significant amount of pressure on one of the Middle East countries which has strong relations with the People's Republic of China, namely, Iran. One of the rationale behind the United State's actions is the claim that Tehran (Iran's capital) has weapons of mass destruction (WMDs). What remains appealing though is the manner in which China is dealing with Iran, while still consolidating her relations with countries such as Iraq , Yemen, Kuwait, the United Arab Emirates, Algeria, Egypt, Nigeria and Sudan, among others.

Leverett and Bader<sup>[6]</sup> reports that '...China's engagement in the Middle East has expanded economically, politically and strategically over the last several years. Since the late 1990s, Beijing policies toward the region have been closely linked to the objectives of the three major state-owned Chinese energy companies, the China National Petroleum Corporation (CNPC), the China National Petrochemical Corporation (Sinopec) and CNOOC, to seek access to Middle Eastern oil and gas, frequently on an exclusive basis....'

China's expanded import of crude oil in Iran comes in the midst of mixed feelings about Iran's dealings with the United States and the UNSC. For Iran, the political and strategic advantages of cultivating closer ties to China seem obvious. As Iran comes under increased international pressure over its nuclear activities, the support of a permanent member of the UNSC and the International Atomic Energy Agency (IAEA) Board of Governors provides much needed international political cover. Iran seems to be seeing China's support for watering down an IAEA resolution referring Iran's nuclear program to the UNSC and China's abstention on the final weakened resolution as an early benefit.

### CONCLUSION

China's energy engagement in the Middle East could also conceivably weaken strategic cooperation between the United States and Saudi Arabia on a number of fronts. Iran will remain a strong partner to China and Russia. This means that, beyond energy security, the United States should also engage China in order to increase Chinese leadership's interest in a peaceful Middle East. Furthermore, the United States has a duty to make a

persuasive case to China that its relationships with Iran and other Middle Eastern countries (including Sudan) not only run counter to the United States' interests but to its own by convincing China that they have a responsibility in assuring the international objectives that it shares with the United States, among others, the China's foreign policy on the other hand has appeared to be driven largely by energy security interests in the Middle East. Whether it will be able to avoid playing a 'big brother role' is yet to be defined by the way in which it deals with domestic affairs, particularly social development in the Western part of China where there are largely Arab-speaking Chinese. Furthermore, with Iran emerging as a more powerful state and a weakened Iraq unable to play its traditional role balancing it, China also remains with a duty of ensuring that collective cooperative security is a drive to promote collective security in the Middle East for whatever economic security might be agreed-upon with the Arab states and the region as a whole. This could also mean a re-definition of China's domestic political interests in the wake of energy competition and security.

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