

## Working Package

### The Role of China in the Middle East and North Africa (MENA). Beyond Economic Interests

To be led by CASE – Center for Social and Economic Research

#### Background

The Middle East and North Africa (MENA) region has traditionally been rather peripheral to China's interests. However, under President Xi Jinping this has notably changed. This has mostly been due to the MENA countries' strategic position on the rekindled Silk Road trade route, connecting China with Europe via Asia and Africa. The already strong trade relations between China and the MENA states have been providing a stable foundation for growing cooperation in other fields as well. Indeed, China's 2016 official Arab Policy Paper focuses not only on investment and trade but also underlines the need for political, cultural and social, as well as peace and security related cooperation. This approach has been reiterated by the Chinese officials during numerous recent (2016-2018) official visits to the MENA region, e.g. to Saudi Arabia, Egypt, and United Arab Emirates, as well as Ministerial Meetings of the China-Arab States Cooperation Forum (CASCF), which are annually taking place in Beijing. As it appears, then, China is no longer interested purely in purchasing oil from and investing in the countries in the region but wishes to expand its sphere of influence to the MENA as well.

#### Objective and Description

Against this background, the main aim of this Working Package is to explore the present and potential future role of China in the MENA region. Our study will build on the growing but still limited body of the related literature, providing a broader but at the same time more in-depth overview of the issue at hand. For instance, while A. Ekman (2018) focuses on the South-Western Europe and the Maghreb region and R. H. Linden (2018) on the North Mediterranean countries, we shall cover the MENA region in its entirety, including the Levant and the Gulf Cooperation Council (GCC) countries. Unlike J.Y.S. Cheng (2016), we will not focus solely on the diplomacy-related aspects of the relationship with the countries in the region, and we shall explore the issues related to Chinese involvement in the MENA region in significantly more depth than e.g. B. Khader (2018) or F. Godement et al. (2017) in their brief introductions to the topic.

Crucially, our analysis will be based not only on the already available data but we shall also conduct interviews with stakeholders from both the EU and the MENA region – policymakers, diplomats, journalists, researchers and other relevant persons – which will allow us to get unique insights and understand different points of view on the China's involvement in MENA, making our study richer, more in-depth and nuanced. To the extent possible and whenever relevant, we will also investigate the subject in a broader, African dimension, especially Chinese engagement in neighbours of the MENA countries under study in sub-Saharan Africa. Thanks to the inclusion of political, social, historical and economic perspectives, our analysis will explore the subject at hand in a comprehensive way, tackling issues such as religion (e.g. Is religion an issue when it comes to cooperation between openly atheist China and predominantly Muslims countries?) or geopolitics (e.g. What are the China-Russia power dynamics in the MENA region?). This comprehensiveness will be assured also thanks to the collaborative nature of the project, with participation of a number of experts from various countries from both shores of the Mediterranean, possessing different yet complementary language skills and academic as well as professional backgrounds and experiences.

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Some of the most important questions that we aim to address are: To what extent will China stick to a predominantly economically-driven engagement in the region? What security implications can its increasing presence in the MENA entail? What (if any) are the MENA countries' strategies towards China? What can China's further involvement mean for the balance of powers in the region? What (if any) are the consequences of China's growing presence in the MENA for the EU? In order to answer these questions, this Joint Policy Study developed under this Working Package will include the following Chapters<sup>1</sup>:

### **1. China-MENA Relations in the Context of Chinese Global Strategy**

Following the rapid socio-economic growth brought about by Deng Xiaoping's reforms of 1978, China has seen its economic power steadily and expeditiously grow. Building on this, Beijing has been seeking to increase the country's political power as well, not just in its immediate neighbourhood but also internationally. The key vehicle of this strategy has been the "Belt and Road Initiative" (BRI). Marrying China's economic and political interests, BRI is an umbrella development strategy encompassing a series of investments and policies implemented in the countries in Asia, Africa, and Europe. The MENA region is strategically placed on this new Silk Road. This Chapter will therefore explore China's relationship with the various MENA countries (and the region as a whole) against China's broader international strategy, putting it in historical, political, and socio-economic perspectives. We will also explore the way in which China and its engagement in the region are perceived by the local populations.

### **2. China's Economic Engagement in the Region**

The MENA region is China's main oil supplier (over 50% of Chinese oil imports come from there) and an important export market for its goods. Beijing invests in and trades with nearly all the countries in the region; it is Iran's top trading partner, with China-Iran trade exceeding USD 37 billion in 2017 (recording 19% year-on-year growth) and at the same time a major investor in Israel's ports and railways, as well as its developing high-tech sector. Investments are also increasingly made in Jordan and in Egypt. In the latter, Chinese banks agreed to provide funds for the otherwise internationally overlooked mega projects of President Sisi (such as the new political centre east of Cairo) and cooperate with Egypt over the new Suez Canal zone. Last but not least, China has recently (in 2017) strengthened its collaboration with Saudi Arabia, signing bilateral agreements in renewable energy, space, and oil sectors with a cumulative worth of USD 65 billion.

### **3. China's Political, Military and Cultural Engagement in the Region**

As already noted, the MENA region is increasingly perceived by China not merely as a market for its goods and an oil supplier. Indeed, Beijing has been increasingly if cautiously engaging into various regional conflicts, for instance by virtue of providing diplomatic support to the Syrian President Bashar Al-Assad and hosting a Peace Symposium for Palestinians and Israelis in December last year. Moreover, while outside of Lebanon (where Chinese peacekeepers and weapons were deployed during the 2006 Israel-Lebanon War) China's military footprint in the MENA is still rather minimal, Beijing has been making efforts to ramp up its military engagement in the region: from demonstrating its presence nearby strategic checkpoint such as the Suez Canal and the Strait of Hormuz, to conducting port calls in GCC, Israel, Egypt and Iran, to conducting joint naval exercises with the latter. This is on top of serving as a source of military equipment, sold to almost every actor in the region (and outside of it) that is willing to pay.

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<sup>1</sup> This Working Package was designed as a complementary sister-project to the ongoing Working Package: The Role of Russia in the Middle East and North Africa. Strategy or Opportunism?

#### **4. Chinese Involvement in the Region from the Perspective of the European Union and its Allies**

In this Chapter we will explore potential implications of China's engagement in the MENA for the EU and its allies (mainly the US). In its international relations China is advocating the so-called Five Principles of Peaceful Coexistence: mutual respect for sovereignty and territorial integrity, mutual non-aggression, mutual non-interference in each other's internal affairs, equality and mutual benefit, and peaceful co-existence. What it means in practice is that Chinese money, unlike the EU or US ones, are not conditional on a given country's respect for the rule of law, human rights or democratic processes (although admittedly they are usually provided in the form of pricey loans rather than grants and come with other strings attached). The Same applies to the sale of weapons. To what extent can the Chinese strategy have an impact on the interests of the EU and its Allies in the region?

#### **5. The Geopolitical Implications of China's Presence in the MENA**

While China, as already noted, is a relative newcomer to the region, it has already managed to get engaged with most of the local players. It trades with everyone from Israel and Saudi Arabia to Iran and the Syrian Kurds. As long as these relationships were mainly of economic nature, such a balancing act was possible to maintain. However, as China is increasingly building its political and military presence in the region this may prove difficult, especially given Russia's presence and interests in the MENA. Chinese support to any of the countries in the region may easily shift the balance of powers. Egypt and United Arab Emirates are for instance already warming up to Beijing. For the former, it means access to funds denied by the USA and the EU due to increasingly authoritarian character of the country. For the latter, forming a strong partnership with a powerful partner from outside of the region is a way of reinforcing its security and position in an unstable neighbourhood.

Within the scope of this Chapter we will prepare a set of suggestions for the EU as to how engage with China in the MENA region in a more constructive way and within a more coordinated framework.

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