



The Middle East and the Rising Asian Powers: Imagining Alternative Futures

Section 2: Gulf-China Relations

Scenario Prepared by
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In light of high interest in the growing ties between the Gulf region (in particular Iran, Iraq and Saudi Arabia) and the energy-hungry Asian powers (China, Japan, India and Pakistan), the Henry L. Stimson Center is releasing a set of papers that can inform the debate about the future of Middle East-Asia relations and the role of the United States.

In the Spring and Summer 2004, the Stimson Center contributed to the National Intelligence Council's Global Trends 2020 project (see www.dni.gov/nic) by convening a series of workshops with in-house and outside experts to consider how the interactions between and among the large states of the Middle East and the rising Asian powers might play out. The Stimson Center is grateful to the NIC for its support, and is pleased to share the products that resulted from the workshops.

A NOTE ON METHODOLOGY: These scenarios are developed by thinking about what is possible and what is plausible. They are NOT predictions, or based on any objective criteria for probabilities. We do not know which outcomes are more likely than others. These scenarios constitute informed speculation by people with in-depth knowledge of the politics, culture, and socio-economic conditions of the regions under consideration. They are intended to stimulate thinking about potential, alternative futures, not to describe or predict the policies and problems of these diverse countries out to the year 2020. As such, they should not be construed as representing any formal or official positions of the organizations or individuals who participated in developing them.

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China and Saudi Arabia in 2020: Closer Ties but no Strategic Partnership

Snapshot of 2020:

By 2020, China is recognized as one of the most important external players in the Middle East, alongside the United States and the EU. China's overall approach is to maintain friendly ties with all, to avoid the pitfalls of being seen as a patron of one particular protagonist in the region's chronic tensions and rivalries, and to avoid heavy reliance on any state that could face serious internal upheaval. These are lessons that China takes away from the perceived failures of American policies towards Iran, Saudi Arabia, Iraq and the Arab-Israeli conflict. China cares more about access to energy and stable economic relations than political transformation in the region, although generational transition and gradual liberalization of China's own politics make this subject to change. China tries to reassure the United States that its interests do not conflict with those of Washington, and it proposes some joint initiatives on humanitarian and development activities. Its key energy strategy is to maintain diverse supplies, with increasing emphasis on oil and gas that can be transported to China overland, to avoid vulnerability to disruption by the US or other unforeseen events. China gains marketshare in the Middle Eastern market for arms and technology.

For Saudi Arabia, this state of affairs is a disappointment; Riyadh spent several years after the departure of American forces in 2005 courting the Chinese and hoping to establish a new (and less controversial) partnership with the emerging superpower, one that would be more accommodating to local norms and help the al-Saud regime in Riyadh maintain normal foreign relations while dealing in its own fashion with internal threats. Saudi officials are also concerned that Chinese evenhandedness masks a strong preference for Iran, now a nuclear power, and this adds to Saudi uncertainty, pressing some in high councils to argue for an overt alliance with Pakistan. Despite the lack of a clear strategic commitment or security guarantee from China, China and Saudi Arabia negotiate sales of medium-range missiles, which have political as much as military importance for the Saudis, and help to diminish the Saudis' sense of vulnerability vis-à-vis larger Gulf neighbors, even though the Chinese avoid being associated with any one state at the expense of the others.

In American foreign policy circles, many are alarmed by Chinese inroads into the Middle East and bemoan the decline of US influence and presence in the region compared to the 1990s. Others are pleased that US industry appears genuinely committed to investments in new energy technologies, with the prospect of near-term reductions in dependence on imported oil. But the image of China jockeying with the United States as the major external actor in ME is the most frequently cited – and disturbing - example of China achieving peer status with US, and its success in attaining global power status.

Evolution of scenario

Due to the poor US image in the Islamic world and continued domestic turmoil in the Kingdom, the US presence in Saudi Arabia contracts, and defense cooperation with the most willing of Gulf partners in Qatar, Bahrain and Kuwait also scales back to accommodate local sensitivities. Chronic concerns about terrorism and other security risks to US presence also cuts into the US civilian presence, with most embassies operating in high security conditions, with limited contact with the local populations. Washington publicly defends these minor adjustments as appropriate to a more agile military configuration, but pundits see these developments as signaling the end of American hegemony in the region, the end of the special relationship with Saudi Arabia, and a strategic setback for the most ambitious of American aims in the region.

Fear of terrorism does not abate until after 2010, when Saudi security achieves new level of control over internal groups. There is progress in Saudi counterterrorism efforts, with scores of al-Qaeda operatives eliminated through the regime's active use of capital punishment and increasingly effective paramilitary operations against al-Qaeda strongholds. The government's move to stronger state control over civil society and religious organizations is supported by liberal elites and the business community, but the religious radicals go further underground and are presumed to remain a threat to the royal family. Saudi Arabia, however, decides that outside assistance in fighting terrorism is not helping the domestic situation, and it informs Washington that it no longer sees this as a bilateral issue, signaling a further drop in Saudi support for cooperation with the US.

Shift in Saudi Thinking Within the Saudi elite there is a debate, not at all transparent to the outside world, about finding a substitute for the 70-year old American partnership, which is perceived to have outlived its usefulness. Some, particularly younger princes poised to assume power when the sons of the Kingdom's founder Abd al-Aziz pass from the scene, prefer more Saudi independence and sovereignty. They see an analogy to Iran in the 1970s – overreliance on the United States fueled the revolution. Some argue that a national security strategy that does not rely on any one outside patron will help diminish the fervor of domestic opposition. Others believe that Saudi Arabia has no credible strategic force and must establish partnerships to counter regional threats, in particular from Iran or a Shia-dominated Iraq. Among those who prefer an outside patron are the brothers of the current King, whose own lives and fortunes have been shaped by the deep relationship with the United States.

Some Saudis favor a post-Pax Americana foreign policy that focuses primarily on the Muslim world, but others seek a replacement for the US security partnership among the great powers, a state that would provide deterrence to regional hegemon. Some favor close ties to Pakistan because of past ties and Muslim solidarity, but others believe China, by 2007 Saudi Arabia's largest oil customer, is the most desirable partner because it is the only actor other than the United States that could be a global superpower. Moreover, unlike the US, the Chinese are viewed as non-ideological and non-intrusive in

their foreign relations. Some Saudis recall the Chinese willingness to sell CSS-2s to the Kingdom at the time of the Iran-Iraq war, and believe it would be useful to develop the relationship by seeking a major new sale of Chinese missiles to deter Iran and Israel.

The Saudis Court China By 2012, the new generation of Saudi leadership decides to seek a more explicit security commitment from China, believing that the growing economic interdependence has created a pro-Saudi lobby in Beijing. The Saudis also see signs of Chinese assertiveness in global politics and think the Chinese will be pleased to have an important country in the world economy like Saudi Arabia openly seek an alliance or formal security commitment from the rising power. China's initial response to Saudi overtures is positive but low-key, making clear that China seeks good relations with all Middle Eastern countries, and wants to develop stronger ties in ways that do not create any imbalance in the international system (meaning that China does not want to antagonize the US or be forced to "choose" between Saudi Arabia and Iran).

Growing Economic and Security Interdependence Still the world's main energy player, Saudi Arabia's share in Chinese oil imports steadily grows, and growth in domestic production is not expected to keep pace with growth in demand, which rises annually between 1 and 2 million barrels a day through at least 2010. China persists in its strategy of energy diversification to guarantee a steady, reliable petroleum supply, both in terms of source of supply and type, developing natural gas as a balance to overreliance on oil. China's aversion to being locked in a mutual-dependency relationship preserves its good relations with other Gulf countries, including Iran, and with Central Asia, and beyond - increasing its presence in Chad and Sudan. Energy cooperation with Russia is problematic because Russia feels pulled between demands from both China and Japan for special relationships. Central Asia is also a key energy arena for China, but has its own vulnerabilities due to political instabilities and a continuing strong US military presence.

China invests heavily in upstream and downstream projects in Saudi Arabia. By building and upgrading refineries in the Middle East, China becomes a major player in the regional economy. Rather than relying only on Chinese demand, and in a bid to penetrate new markets, Chinese companies increasingly export refined oil to Europe and Asia, generating hard currency and imposing themselves as significant players in the global energy market.

The second leg of the Saudi strategy performs better. The kingdom's emphasis on the export of petro-chemicals and other high-value added goods such as steel gives the Saudis a stronger role as an overall trading partner, not just an energy supplier. As Saudi Arabia acquires and develops high-tech industrial units, Chinese factories develop strong ties with Saudi suppliers.

As a result of expanded economic awareness and interest, other trade begins to grow. By 2010, China is a major provider of a wide range of consumer goods, from uniquely Saudi products such as textiles for the hajj and traditional dress, to white goods, and personal information technology products. This trade creates opportunities for more societal contact, with a large increase in language learning and travel between the two

states. Saudi Arabia even encourages Chinese tourism, in state-controlled groups, to the coastal regions and to Riyadh, and the number of Saudi students studying Chinese in China increases each year, in part due to job opportunities and fewer chances to study in the West due to terrorism restrictions on visas and, later, cultural preferences. This growing cultural awareness has more consequence for Saudi Arabia than for China, where globalization's effects are truly global. The people-to-people contacts are far more meaningful for Saudi Arabia, with the prospect of profound generational shift from links to the west being replaced by links to China.

Reinforcing the government's decision to no longer rely on the United States as principal strategic partner, the Saudi defense institutions each systematically begins to cultivate European and Asian arms dealers. They hope that Japan will begin to export high-tech military items, but work closely with Chinese producers to develop products that will replace aging American systems, from air defense to components of satellite systems. Short-range missiles and artillery pieces are the first new procurements, with the expectation on both sides that China will increase its sales as the quality and reliability of Chinese production improves. But the United States does not sit idly, and makes serious efforts to retain its market share in arms and in a whole range of new counterterrorism products that support the growing industry for homeland defense.

Regional Dynamics In the region, other key actors are also courting China, and wish to avoid seeing China develop a "special" relationship with Saudi Arabia. Iran, somewhat resentful that China has "discovered" Saudi Arabia after its own long and important bilateral relationship with the PRC, decides to try to slow down any improvement in ties between Riyadh and Beijing. Its diplomats appeal to the Chinese to proceed slowly, providing Beijing with numerous reports of intrigue, corruption and political instability in the Kingdom. They hint that their analysts believe the royal family will not last beyond 2015, and offer to brief the Chinese on domestic turmoil inside the Kingdom. Iran also assures China that its views are consistent with experts in Washington, since Iran and Washington have begun periodic exchanges on regional security issues after the resumption of official relations in 2008. Iran promises to provide more energy at concessional prices, and to make a greater effort on China's behalf to resolve outstanding issues with respect to landroutes for pipelines from Iran across Central Asia into China. Iran also assures China that it will not target any of its presumed "special" weapons at oil facilities in the region that are important for China and for the stability of the global energy market.

As for Israel, military cooperation between Tel Aviv and Beijing evolves into a mutually important economic relationship. Tel Aviv, focused on markets for its high tech goods, tries to deflect concerns from Washington about technology transfers. It also argues to Washington that it has assurances from China that no Israeli goods will be resold to Saudi Arabia or other regional powers that could threaten Israeli or American interests, and that Chinese reliance on Israeli technology is a way of constraining Chinese activities vis-à-vis the Arab world.

Relations between Israel and Saudi Arabia remain tense despite occasional efforts to cooperate discreetly on counter-terrorism. The links between al-Qaeda and Palestinian groups grow stronger, so Jerusalem and Riyadh establish channels for intelligence sharing that are not acknowledged publicly. Israel also believes over time its good ties to China can be used to open a better channel to Saudi Arabia, given their common concern over Iran's nuclear program, and their common interest in having China play a role in preventing Iranian hegemony or aggression in the region.

Pakistan, in contrast, tries to encourage the Saudi-China relationship and sees itself as a key interlocutor. Some draw parallels to the role Islamabad played in connecting Beijing with Washington in the Nixon era. Policy makers see this as an opportunity to reinforce ties with China and avert its adopting a more neutral position vis-à-vis the India-Pakistan relationship in light of burgeoning Sino-Indian economic ties and a resolution of their border disputes. They think Pakistan would benefit from a closer China-Saudi tie, including as a transit route for trade, energy, and people. Islamabad pitches the Gwadar Port as an important conduit for both countries. It meets with mixed success largely due to periodic instability in Pakistan that clogs up land routes from the port into western China. Meanwhile, limited groups of Muslims from China, especially from Xinjiang, transit through Pakistan on their way to conduct Hajj in Saudi Arabia. Pakistanis also believe they can facilitate new military cooperation as trainers or maintenance crews in the Kingdom on weapons systems such as ballistic missiles and combat aircraft that Pakistan has integrated in its armed forces. Saudi economic reform, however, has some ominous implications for Pakistan. As the Saudi regime actively addresses the vast unemployment problem, locals displace the Pakistani labor force. This leaves Islamabad wrestling with a decline in critical remittances and a vast migration back to Pakistan that raises troubling questions regarding social stability.

The Debate in Beijing China's leaders debate the new strategy for the Middle East and whether China should openly seek to play a greater role in the region. Most elite figures favor this only if it is not seen as a direct challenge to the United States. That logic, however, is profoundly affected by events closer to home at the end of the time period. Tensions deepen across the Taiwan Strait as a determined independence advocate seems likely to win the Taiwan presidency in 2020. A strong and sustained conservative trend in the U.S. Congress leads to more outspoken support in the United States for abandoning the "One China" policy. As a result, in the PRC internal debate, the concern over adverse American reactions to PRC-Saudi relations is dismissed by some as of little importance. Chinese diplomats with long service in Tehran believe that Iran, with its greater military competence and potential for regional leadership, is the horse to back. Even from an energy perspective, Iran is at least as important as Saudi Arabia, because the sale of natural gas creates economic interdependencies that could be greater than the oil trade with Saudi Arabia. They debate whether China wants to take on the task of mediating between the regional powers – does China want to get bogged down in regional diplomacy like the United States did?

By 2015, younger Chinese diplomats and politicians also want to see a democracy and human rights dimension to China's growing ties in the region, at least to the extent of

not wanting to see China become overly dependent on non-democratic states. Some Chinese leaders believe this is naïve thinking, and insist on pursuing a more pragmatic policy.

Chinese officials also watch closely as Japan deepens its ties to Iran. They wonder whether Japan is better positioned for the long run, with its greater investment in non-fossil fuel energy technologies and its relentless efforts to establish energy partnerships with Russia at China's expense. Military officials are less alarmed about Japan as a competitor, and point to Japan's willingness to cooperate on sealanes safety – maritime cooperation in particular improves.

The Islamic Dimension Over time, the Islamic issue takes on more importance in relations between China and major Middle Eastern powers, although all of the parties work to minimize its impact and can behave very cynically vis-à-vis their Muslim interests. China's 20 million Muslims (including 8.4 million Uyghurs) have a stake in relations with Saudi Arabia. From 2000 on, the demand for annual Hajj flights and organized Hajj trips has grown exponentially, and returning Hajjis generate new demand. The Chinese state actively seeks Saudi rhetorical support in combating what it declares Islamic extremism and terrorism in Xinjiang, drawing parallels with Riyadh's own counter-terrorism efforts. It balances this by supporting mosque construction in Muslim areas, and does not object to some Saudi participation in such cultural initiatives (although Saudi investments in and travel to Uyghur areas are closely monitored and limited).

By 2011, however, tensions inside western China are building that could create political and emotional responses in both countries. Uyghur frustration with the inequitable distribution of resources and jobs, and continued human rights abuses and Han settlement take an ominous turn. Moreover, increasing exposure to Islam inevitably reinforces the Uyghurs' Islamic identity and their sense of alienation from Han dominated China. China's draconian policies aimed at combating Uyghur "terrorists" polarize moderate Uyghurs and create the very problem they are meant to "solve." The Uyghur discourse of resistance evolves from a nationalist cause to a religious one, where the Chinese are regarded as infidels. Central Asian groups such as the Islamic Party of Turkestan that seek to establish an Islamic state in Central Asia and Xinjiang gain wider legitimacy. Uyghur groups forge strong links with these groups and resort to acts of violence in and beyond Xinjiang. In turn, Beijing resorts to even more repressive policies in Xinjiang and becomes concerned that Uyghur discontent could spread to other Muslim citizens across the country. Their fears remain unrealized as most Chinese Muslims are not only sufficiently widely scattered throughout the country to prevent a coordinated uprising but also remain content with their lot and shy away from challenging the state. Meanwhile, Xinjiang continues to boil and becomes an awkward issue in relations with Saudi Arabia, which receives petitions from Uyghur activists in its role as custodian of the holy places of Islam. In the Kingdom, mid-ranking government officials consider options ranging from changing hajj quotas to provoke improved conditions for Chinese Muslims, to raising the status of Muslims in China in the Islamic Conference

Organization. The royal family tries to avoid making this issue an overt crisis in relations with Beijing.

Washington worries... The United States is still adjusting to the gradual decline in its preeminence in the Gulf, although casual observers would still perceive a major American role in the region economically, politically and strategically. But seasoned diplomats and businessmen realize that an era of American dominance is waning. Many see this shift in fortunes as the inevitable result of the cultural/civilizational war between the West and Islam, and accept the downturn in economic and political interaction. It is also seen as a serious strategic loss for the United States, and diminishes American power and its image worldwide. While the rise of China as an actor in the Middle East occurs gradually, it stimulates the debate about China as a peer adversary or as an existential threat to American interests, with the Middle East as a principal platform for this redistribution of global power.

The debate does not focus entirely on China's military capabilities or its still modest military cooperation in the region. Rather, the discussion among American pundits is on China's emergence as a global actor with political and economic clout, and with a willingness to enter difficult situations where the United States is not viewed as a credible interlocutor.

- The United States was both impressed and worried, for example, when China in 2015 was able to effectively mediate between Iraq and Saudi Arabia over Shia disturbances in the eastern provinces of Saudi Arabia.
- Chinese diplomats now state as a guiding principle that no issue in the Middle East can be resolved without Chinese participation.
- China increasingly uses the Shanghai Cooperation Organization as a pan-Asian forum (no US participation) with important Muslim states to promote counter-terrorism cooperation.
- It begins to give more attention to its observer status in the Islamic Conference Organization, where it symbolically can associate itself with Muslim culture in the great Eurasian landmass, and not be viewed as an external occupier.
- China also takes the lead in the movement to seat Palestine at the UN General Assembly despite the fact that Israel still refuses to recognize the state. China is seen as the only world power that is able to identify with the issues that animate the "South."