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Taking Advantage of the Waking Dragon:
Post Cold War Middle East-China Relations

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Abstract

This thesis attempts to examine the Middle East reaction to the Post Cold War China growth. The end of the Cold War and the collapse of the Soviet Union created a vacuum in the Middle East, and a new balance of power. China adjusted to the new situation, trying to enter to the vacuum created by the Soviets. This thesis examines the relations between the two most influential states in the Middle East, Israel, Iran, and China from a Middle Eastern perspective. The thesis focuses on economic relations, energy relations, and weapon relations. It will also look for the benefits of the Middle East countries from the emergence of China and the growing influence and involvement of China in regional affairs.



Table of Contents

Acknowledgment.....	i
Abstract.....	ii
Chapter I: Introduction.....	1
Post Cold War Middle East: Adjusting to a new world.....	4
Purpose of Research.....	9
Variables.....	12
Methodology.....	13
Analytical Framework.....	13
Interdependence.....	14
Sensitivity / Vulnerability.....	15
Chapters Outline.....	17
Chapter II: Cold-War Middle East-China Relations 1949-1990.....	21
PRC is Looking for Diplomatic Support in the Middle East.....	22
The Bandung Conference: The PRC getting closer to the Arab world.....	23
Ideologic Support: Looking for Communist movements in the Middle East.....	25
The Sino-Soviet Split: The Arab world turn their back to the PRC.....	27
Support for Revolutionary Movements: The PRC deepen their involvement in the Middle East.....	29
Post-Cultural Revolution Relations: The PRC enters the UN and improve its relations with the Middle East.....	32
Iran-Iraq War: Chinese massive weapon supply.....	36
Chapter III: Post Cold-War Middle East-China Relations 1990-2010.....	38

The First Gulf War: China choose non-intervention policy.....	39
Energy Relations: The core of the interdependence.....	43
Economic Relations: Mutual investments to strength the interdependence	46
Weapon Deals: Strengthening the relations.....	48
Cultural Integration: Beyond pure interests.....	50
Islam Based Relations: A bridge between China and the Middle East.....	51
The Second Gulf War: Hesitative Chinese reaction.....	53
Chapter IV: Iran-China Relations.....	57
Iran’s Nuclear Plan: Iran taking advantage of China.....	60
Energy Relations: Chinese capital for Iranian energy.....	65
Economic Relations: Chinese investments in Iran.....	69
Weapon Deals and Military Relations: Strengthening the Revolutionary Guards.....	72
Chapter V: Israel-China Relations.....	76
Weapon Deals: From honeymoon to total crash.....	80
Economic Relations: Israel is searching for a way to create interdependence.....	86
The Arab Israeli Conflict and Peace Process.....	89
Chapter VI: Conclusion.....	93
Bibliography.....	101
Table I: Agreements requiring substantial future investment in the Middle East.....	116
Table II: Iran- China bilateral trade.....	118
Table III: Israel-China bilateral trade.....	118
Table IV: China Crude Oil import from the Middle East.....	119

Chapter I: Introduction

All along history the Middle East had an important geostrategic meaning to China. China's relationships with Central Asia and the Middle East trace back to 138 B.C, in the Han Dynasty, under the leadership of Zhang Qian. Information about hitherto unknown states to the west generated much interest in the Han Dynasty court. Increased connections with those states gradually led to a growing trade between China and the Middle East, in what is known today as the Silk Road. The importance of the Silk Road reached its height during the Tang Dynasty. In the thirteenth century under the Mongol Empire of Genghis Khan, China was united with Central Asia all the way to Persia. However, after the decline of the Mongol Empire side by side with the growth of Islam and Chinese isolation, have led both areas developed in different ways.

The emergence of China in the 20th century has changed its role in the world. China today is one of the world strongest economies. As a consequence of its economic strength, and its position in the UN Security Council, China is also an important player in the world politics. In the aftermath of the collapse of the Soviet Union, and the end of the cold war, China found itself in a need to adjust to a new world. A world that in the following years it will have a key position in. The end of the Cold War has changed the world in every aspect and everywhere. Countries in different parts of the world woke up to a new situation which was either removing of a threat, or a loss of a big brother. The Middle East was no exception in that situation. From a region that was greatly dependent on the two Superpowers, the Middle East countries adjusted to a new situation, released out of the Cold War fears, the region's economy emerged with the world economy, by using its most precious resource, oil.

Most of the researches regarding the Middle East are focusing on the Great Powers point of view, as if the Middle East has been a play tool in their “great chess game”¹. However, the growing integration of Middle Eastern countries in the world economy, the regions growing nationalism, and resistance to what some like to call “Western Imperialism” as proven recently in the United States long wars in Iraq and Afghanistan, might point out that Middle Eastern countries would like to decide about their future and determine more when it comes to regional and sometimes even global affairs. Even in such countries that considered being American allies such as Saudi-Arabia, Egypt and even recently Israel, there are voices against the foreign involvement in domestic and regional affairs. The world growing dependence on oil, and in safeguard its way of transportation, has improved Middle Eastern economies, and geo-strategic importance.

From a global perspective, the Middle East is important for two reasons. The first one is its geo-strategic location, as it connects Europe, Asia, and Africa, and the second one is its energy resources, mainly oil. The importance of the region goes back to ancient times, when the Greeks, the Romans, and even the Mongols were all interested in controlling this region in order to control the roads for trade. Later in modern time, Napoleon Bonaparte and his army conquered vast part of the region and their successors were the Ottoman Empire rulers. However, it was only in the beginning of the 20th century that oil started to be used as a source of energy, leading the British, French, Soviets and later the Americans to a great interest in the region. After World War II it's

¹ For instance view, Emory C. Bogle, *The modern Middle East: from imperialism to freedom, 1800-1958*. (Upper Saddle River, N.J. : Prentice Hall, 1996)

the important of energy resources grew even further, and the region became an important arena during the Cold War.

Ever since the falling of the Ottoman Empire, the Middle East had been influenced by foreign powers. From the Sykes-Pico agreement, through the Cold War, and after the Cold War, the First and Second Gulf War the region has been interacted with foreign powers. Unlike the Sykes-Pico agreement, which was forced upon the local population, the Cold War was an era of independence and self control. However, during the Cold War the Middle East was divided by the two Superpowers, while each side was trying to promote its interests through its proxy's states. Although, gaining independence the Middle East countries were still vulnerable for the Superpowers decisions.

Each Superpower had its own allies promoting its interests. Israel, Saudi Arabia, and pre-revolutionary Iran allied with the United States, while Egypt, Iraq and Syria allied with the Soviet Union. The relations between Middle East countries and the Superpowers included weapons supply from the Superpowers and oil supply from the Middle East. However, some countries such as Egypt, Syria, and Israel, who do not have rich energy resources, still enjoyed the Superpowers support, mainly due to local strategic struggles of power and influence. Egypt's importance was mainly due to its geo strategic importance, as the country that connects Asia and Africa, and the country that hosts the Suez Canal, which connects Europe and Africa. Syria importance to the Soviet was mainly due to its position in the Arab world. Israel democratic regime was an important strategic asset to the Americans.

In this thesis I will focus on two Middle Eastern countries, Israel, and Iran. Both countries had an important role during the Cold War and still hold that importance.

Furthermore, each country presents a different case study for the Chinese interests in the region. Although not having much energy resources in its territory, Israel was supported by the United States as an important strategic ally. Despite the hostile environment, Israel managed to prove military superiority in the region, and also as represents the same democratic values as the United States. The case of Iran is more complex. During the days of the Shah, before the Islamic revolution in 1979, Iran was an important ally and oil supplier for the United States. However, following the revolution, Iran was the only country in the region that did not ally with none of the Superpowers.

The thesis will focus on Israel and Iran relations with China in the post-Cold War era. While China's relations with Iran were influence from domestic development in both countries, China's relations with Israel can be related to the end of the Cold War, and regional developments. Both countries see China in a different way, as will be explained later. However, both countries are taking advantage of the growing Chinese interest in the Middle East and the globalization process of the world economy. This thesis would like to present China as a strategic asset to both Israel and Iran, and the benefits of Israel and Iran in their interdependence relations with China.

Post Cold War Middle East: Adjusting to a new world

The Soviet Union collapse has changed the balance of power in the Middle East. In the aftermath of the Cold War the United States, have left as the only Superpower in the region, and the other regional players have adjusted to a new world.

Stephan Krasner presented three major implications for the post-Cold War Middle East;

- 1) Rules for international trade will increasingly differentiate across issue areas and countries, because existing regimes are not congruent with the interests and power of the Cold War Superpowers.
- 2) Progress in the Israeli-Arab conflict. Assuming both sides will not enjoy external support as they did in the past.
- 3) Conflicts among oil-producing states around the Persian Gulf are more likely, because the Superpowers are not in a position to constrain their allies².

The results of the prediction just mentioned were diverse. The Middle Eastern governments integrated with the world economy as part of the growing process of globalization. The Israeli-Arab conflict was looking to get on the right track, with the Madrid Peace Summit in 1991, the Oslo agreement in 1993, and the Israeli-Jordanian peace treaty in 1994. However, the Soviet anti-western approach was replaced by radical Islamic groups, thus the Arab-Israeli conflict has not been completely solved by now, and extended to anti-American conflict. Concerning the third point, the only conflict between oil-producing countries was in the first Gulf War.

The Middle Eastern oil-producers integration with the global economy, created regional interdependence among the major oil-producers that maintained peaceful development, all sides interested in maintaining their economic growth, therefore regional stability is important for the oil producers. The attempt by Iraq to break the balance with the invasion to Kuwait resulted in the first Gulf War. Despite the tension in the Middle East and Gulf region, beside the first Gulf War, there were no regional wars between oil producers. One of the great contributors for the stability between the great oil

² Stephan D. Krasner, "The Middle East and the End of the Cold War" In *The Middle East in Global Change: The Political and Economics of Interdependence Versus Fragmentation*, ed. by Laura Guazzone, (Basingstoke, Hampshire [England] : Macmillan Press ; New York : St. Martin's Press, 1997), 202-213.

producers Iran and Saudi Arabia is China. As both sides have close relations with the Chinese, and were able to enjoy stable oil export so far.

The falling of the Soviet Union in 1991 created a new reality in the Middle East, leaving the United States as the only Superpower in the region. Untroubled with the “Soviet threat”, the Americans tried to improve their position in the Middle East. Unwilling to band itself to American interests, some of the former Soviet allies, tried to fill the vacuum created by the Soviets. Iraq was the first one to try and take advantage of the new situation. The Iraqi invasion to Kuwait was the first challenge to the region, and to its hegemony. However, the American strong reaction towards this act showed the local players, that the United States is determined on keeping the stability.

The rise of radical Islam is one of the most dangerous threats for the region stability. The Middle East today can be divided into two camps: Countries that are willing to work in various forms of strategic partnership with the United States, and those who are not. The first camp includes Israel, and both of its neighbors which it have signed peace agreements with; Egypt and Jordan, along other moderate Arab countries, Saudi Arabia and the rest of the Gulf Cooperation Council. The other camp, led by Iran, includes Syria and prominent non-state actors such as Hamas and Hezbollah. Iran is one of the forces that seem to be trying to fill the vacuum created by the Soviet collapse by fighting against the United States for regional hegemony.

Another important actor that tries to enter the post-Cold War vacuum is China. However, unlike the Soviets, China is not looking for a regional hegemony. China’s interests are evolving around the Chinese local economy, and not the communist ideology. Starting from 1993, the Chinese interest in the Middle East moved to a higher level, after

China started to import crude oil from the Middle East. China's growing dependence for crude oil, and its growing involvement in world affairs, makes its involvement in the Middle East more important than at the Cold War time. China is the only country which keeps close relations with both camps that mentioned above, and it tries to serve as a mediator in conflicts, starting from the Iran-Iraq War, through the first Gulf War, the Arab-Israeli conflict, and recently the Iranian nuclear crisis. China's position as a permanent member in the UN Security Council enables China to influence the Middle East stability. China's position as a mediator in the Middle East conflicts is part of Beijing's growing interaction with the region. China is seen as a strong and legitimate global power that should be involved even in Middle Eastern regional issues. For example, China was called by the UAE to help to solve a dispute regarding three islands that were occupied by Iran in 1971. The islands are still under Iranian control, but the UAE hopes that China's close relations with both sides, and position in the UN Security Council, will help to solve the dispute³. The growing Chinese interests in the region can be reflected in the aftermath of the Second Gulf War from a Chinese point of view. The American aggressiveness and uncompromised war in Iraq has led some of the Gulf countries to look for a new market for their energy resources. China took advantage of this opportunity. Moreover, the chaos that exist in Iraq until today, have disrupted the accessibility to the Iraqi oil resources, the Chinese hunger for oil found an answer in Iraq's neighbors, Iran and Saudi Arabia.

³ Kareem Shaheen, "China Asks UAE to Argue Case for Island Occupied by Iran", *The National* September 21, 2010, <http://www.thenational.ae/apps/pbcs.dll/article?AID=/20100922/NATIONAL/709219911/1133/FOREIGN> (accessed October 24, 2010)

There are various reasons to focus on the post Cold War era as the time frame for this thesis; The Soviet collapse left China as the leader of the 'Communist world', in a new world without communist influence. China which started to open out to the Western world, in the late 1970's continued at the same time to play the role of the defender of the third world, therefore its importance in the Middle East was rising. In addition, unlike the Soviets, China still manages to keep close relations with the Western world as well. From Middle Eastern perspective, the old division between East and West was gone, and regional players started to think more globally. It was only after the Cold War that China established diplomatic relations, with two of the region most important countries, Israel and Saudi Arabia. These relations symbolized the great change in the post-Cold War Middle East, as international relations are motivated by interests and not by pure ideology.

China's great dependency on the Western economy, created a new globalized economy. The fact that China became a crude oil importer in 1993, changed its relations with the Middle East, and increased its importance in regional affairs. China's growing demand for oil to its boosting industry, created a great interdependence between China and the region. The fact the Gulf States members boast 45 percent of the world's recoverable sources of crude oil, promise that the close relations between the sides will continue. Nevertheless, China's importance increased beyond the economic aspects. The latest crisis around the Iranian nuclear proves a test for the Chinese relations with the Western world and with the Middle East, as Iran puts a threat to the regional stability.

Israel and Iran, will serve as model countries in this thesis, because each one of them represents different aspects of the regional balance of power. Iran represents an Islamic fundamental anti-Western approach, and Israel is a pro-Western countries that

proved to be a regional military and economical power that survives despite its hostile environment. In addition, both sides keep close relations with China, and China is expected to have a key role in the tense relations between Iran and Israel, and the Arab-Israeli conflict. Each country relations with China incorporate different interests, as will be broadly discussed later.

The Chinese interests in the Middle East are revolving around two main issues, energy, and weapon deals. The Iran-China relations are a vivid example for the great interest and importance of the Middle East energy resources for the Chinese. Regarding weaponry, the Israel-China arm deals, and the Iran-China arm deals, gives a great example for the big share weapon deals takes in the relations between China and the Middle East.

Purpose of research

The purpose of the thesis is to go through the regional and global process that led to the growing interdependence of China and the Middle East after the Cold War. To search for the ways Israel and Iran have been using the rise of China for their own causes, and to analyze the future implication of Israel and Iran relations with China. The basic assumption of the thesis is that the rise of China and its friendly approach to both countries under research, enables these countries to take advantage of the “new player” in the region. The advantage can be political in the case of Iran, that escapes isolation and sanctions due to its close relations with China, or economic, as both Iran, Israel and other Middle Eastern countries enjoys the Chinese economic growth.

The thesis will also show the long way China has went through from a young state without international recognition, to a major factor in the world politics and one of the decisions makers regarding the Middle Eastern agenda in the post Cold War. It is important to notice in that sense, that China today is a permanent member in the UN Security Council, important member of the G8, and one of the world's fastest growing economies, all this lead to a growing importance of China in the world affairs.

Eventually some questions should be asked; how does the Middle East benefits from the 'waking' of China and its great involvement in the region? The collapse of the Soviet Union and the rise of China created a new era when the Middle East and China has an economic interdependence. In difference from the Cold War era, the interdependence unlike dependence increases the leeway for the Middle East governments and with it increase the benefits. Each side brings its own dowry to these blooming relations. The Middle Eastern side brings, its natural resources, and the Chinese side brings its capital, and invests in infrastructures, along with an important political support that is backed up by Beijing's non-strings attached policy, that enables the leeway for the Middle Eastern regimes. The case of Israel, which is an exception to the tendency just mentioned, will be fairly discussed in this thesis. Israel, unlike its neighbors does not have any natural resources, and it try to use other measures to create economic interdependence with China. In addition, as a democratic country, Israel presents different values than China and other Middle Eastern countries.

Does the interdependence between China and the Middle East helps to promote the regional stability? The answer for this question is based on the growing economic interdependence between the region and China. The thesis will attempt to present this

increasing interdependence, by using Aysegul Aydin approach regarding the chances for regional wars in time of economic prosperity⁴.

China's support in the UN for Iran has prevented sanctions so far, but will it last for long? As will be presented later, China's part in the interdependence relations with Iran is China's support for Iran in the UN Security Council. However, the question of sensitivity/vulnerability regarding Iran's energy supply to China vis-à-vis China's behavior in the UN Security Council regarding the Iranians will be discussed in the thesis, in order to try and predict how obligated China will be to assist Iran to avoid sanctions.

Are some countries worried of the Chinese support for their enemies? China has close relations with all the Middle East countries. Nevertheless, the Chinese support in some cases might create a conflict in the region. The future conflict that will be discussed in this thesis is between Iran and Israel. In accordance with Aydin's theory analysis of major powers behavior in disputes, Israel need to bring China closer, through a deeper economic interdependence, in order to get Chinese support or at least neutrality in a possible conflict with Iran.

How did Israel and Iran adjust to the post-Cold War era that includes China's rise? The thesis will present the growing development of the Israel-China relations in the post-Cold War era, and examine the ways Israel created interdependence with China in the past, through arm deals, and the possibility for the development of the Israel-China relations in the future. In addition, the thesis will examine the interdependence between Iran and China, which assisted Iran to adjust to the post-Cold War era, despite Teheran's resistant to the United States.

⁴ Aysegul Aydin, "Choosing Sides: Economic Interdependence and Interstate Disputes". *The Journal of Politics* 70 (4, 2008): 1098-1108.

Can Israel get closer to China with other means beside arm deals? The thesis will further discuss the means in which Israel tried to create interdependence in the past, and the means Jerusalem might use in the future to increase primarily the economic interdependence.

As an Israeli who studied sinology and political science during his academic life, I feel obligated to conduct a research that combine the region I come from, with the country I am interested the most. The acceptance of the Middle Eastern countries of China's growing influence in the region seems to be suspicious, considering the fact that nationalism is one of the region's strong characteristics. While considering the Chinese involvement in the Middle East, I tried to use a perspective that I am more familiar with, the Middle Eastern point of view.

The Chinese support for Iran, a country that is threatening to destroy Israel, and threaten to force its power as a regional hegemony, makes some wonder, about the flexibility of the Chinese foreign policy. An example for that flexibility can be the weapons deals that China has signed with the Middle East over the years. China bought weapons from Israel, and as will be present later, sold these weapons to its greatest enemies.

Variables

As the thesis will focus on a specific time frame, the independent variable would be Israel and Iran relations with China, since both countries are interested in close relations with the 'Waking Dragon'. The interests that stand in the center of the relations,

such as regional stability, the nuclear crisis, oil supply, weapon supply, and economic interests will serve as the dependent variable.

Methodology

This thesis will rely upon primary data and secondary data. The Primary data includes such as UN general assembly protocols, UN Security Council protocols, and data published by the Chinese Embassies in the countries under research, as well as data published from the United States embassies in countries under research regarding China. The secondary data, obtained mainly from library research such as; books, e-journals, governmental documents, speeches by presidents, treaties, regulations, magazines, and newspapers.

Analytical Framework

The thesis will use the Interdependence Neoliberal theory as developed by Robert Keohane and Joseph Nye. The theory was first presented in the book “Power and Interdependence: World Politics in Transition” published in 1972 during the Cold War, in order to analyze the relations between the two Superpowers. Keohane and Nye used their theory to explain how international politics is transformed by interdependence. The theory gain strong support in the post Cold War era with the growing effect of globalization on the international relations. Following this starting point the thesis will examine issues related to the theory such as Asymmetric Interdependence, and the question of Sensitivity / Vulnerability.

Li Xin and Worm Verner, presents China's economic temptation as a mechanism of soft power that is being used by China, to alter other countries policy making, by using Beijing economic strength⁵. However, as the thesis will try to prove, the Chinese Middle Eastern case, presents a different pattern of behavior. Beijing's hunger for Middle Eastern energy helps Iran and other oil rich countries to take advantage of China and promote its own interests.

Interdependence

"In common parlance, dependence means a state of being determined or significantly affected by external forces. Interdependence, most simply definition means mutual dependence. Interdependence in world politics refers to situations characterized by reciprocal effects among countries or among actors in different countries"⁶. During the Cold War, the Middle Eastern countries were fully dependant in the great Superpower. Both Soviets and Americans supported their allies in the region, in a way that left them no other choice but to rely on the Superpowers. The falling of the Soviet Union and the growing process of globalization created a new reality in the Middle East. The rise of China that came in the aftermath of the Cold War, led to a growing process of interaction between China and Middle Eastern countries. Moreover, it led to decline dependant in the United States, and growing interdependence thanks to the new Asian alternative. Unlike the Soviet Union China is not interfering in domestic issues, the Chinese interests in the Middle East, are evolving around economic issues. Nevertheless, as will be presented in this thesis, some regional powers such as Iran, try to take advantage of the Chinese

⁵ Li Xin and Worm Verner, "Building China's Soft Power for a Peaceful Rise". *Copenhagen Discussion Papers* 28 (July 2009): 8.

⁶ Robert O. Keohane and Joseph S. Nye, *Power and Interdependence*. (New York : Longman, 2001), 7.

involvement in the region, and create an interdependence that will assist them in other fields beside the economic one. The Israeli case that will be examined will present the Israel's attempt to create a new interdependence equation, after the previous policy failed in the beginning of the 21st century.

“We must also be careful not to define interdependence entirely in terms of situations of evenly balanced mutual dependence. It is asymmetries in dependence that are most likely to provide a source of influence for actors in their dealings with one another. Less dependent actors can often use the interdependent relationship as a source of power in bargaining over an issue and perhaps to affect other issues”⁷. Wagner has shown that the question of asymmetry is neither necessary nor sufficient for a weaker actor, because weakness in one issue might be translated to strength in another issue⁸. In the cases that will be presented, it is obvious that in absolute terms China has the advantage upon Israel and Iran. However, as the thesis will try to prove the Asymmetric Interdependence enables Israel and Iran to take advantage of the China rise, by using their relative advantages, and the Chinese need for interdependent relations with them.

Sensitivity / Vulnerability

The most important question in interdependence is the Sensitivity / Vulnerability question. “Sensitivity involves degrees of responsiveness within a policy framework-how quickly changes in one country bring costly changes in another, and how great are the costly effects?”⁹ Vulnerability is about one country's ability to adjust to a change

⁷ Ibid., 9.

⁸ Harison Wagner, “Economic Interdependence, Bargaining Power, and Political Influence” *International organization* 42 (3, 1988): 461-483.

⁹ Robert O. Keohane and Joseph S. Nye, *Power and Interdependence*. (New York : Longman, 2001), 10.

regarding sensitive issues. For instance, the United States is less vulnerable than China in a case of a problem with oil supply from the Middle East, because it has an option to use its domestic oil.

By using cases from the last 20 years the thesis will try to prove, that interdependence controls the relations between China and the countries under research. The researches that will be used have been done by different scholars regarding the history of Chinese foreign policy, and Chinese relations with the Middle East. In addition, the thesis will use available data regarding bilateral ties of China with Iran and Israel, in order to check the vulnerability / sensitivity question, and to try to prove the bargaining that has been used by these countries to take advantage of the rise of China.

The basic assumption is that interdependence between Iran and China is the key motivation for the Chinese not to push forward to pressure Iran to stop its nuclear program. As for Israel, the Israelis are looking forward to increase the economic interdependence with China, in order to bring China closer to the Israeli position regarding regional affairs. This thesis will explain the steps that both Iran and Israel are taking in order to push furthermore interdependence with the growing power from East Asia.

While taking into consideration previous regional conflicts, such as the two Gulf Wars, and a possible future conflict involving Iran, the thesis will refer to Aysegul Aydin analysis in order to try and find explanations to the behavior of countries in dispute under Economic Interdependence frame. According to Aydin, “states that are interdependent with the conflict participants have a strong incentive to enter these conflicts on the side of

their trade partners while avoid supporting the opposite side”¹⁰. The Chinese approach to the Iranian regime before and after the Islamic Revolution might be explained according to Aydin in the fact that “States are concerned with the political and economic stability of their partners and have an incentive to produce policies to protect their important economic interests”¹¹. In some cases when a country is economically involved with both sides of the conflict, according to Aydin, the third country will not join the conflict “A potential third-party joiner that is economically interdependent with both sides of the conflict is less likely to join the ongoing conflict”¹².

The thesis will examine how the Economic Interdependence with China influences Middle Eastern states approach towards its relations with the ‘Waking Dragon’, and Beijing’s growing involvement in the Middle East.

Chapters Outline

The thesis will include six chapters;

The first chapter was the introductory chapter which included the background for the thesis, the analytical framework that the thesis will be based on, as well as the writer motivation.

The second chapter will present the Chinese foreign policy regarding the Middle East, during the Cold War. The chapter will discuss China’s Middle East policy from 1949 to 1990. After establishing the PRC in 1949, the new Chinese leadership was confronted with the need to establish its legitimacy in the world and looked for supporters.

¹⁰ Aysegul Aydin, “Choosing Sides: Economic Interdependence and Interstate Disputes”. *The Journal of Politics* 70 (4, 2008): 1099.

¹¹ Ibid., 1100.

¹² Ibid., 1101.

The relations between the PRC and the Middle East have been going through ups and downs. The region was taking important place in the Chinese foreign policy doctrine as early as the 1950's. Mao Zedong viewed the Middle East as an intermediate zone between the two Superpowers. China viewed the Middle East struggle as a struggle against the 'Superpowers Imperialism'. Starting from early 1960's until the late 1980's China's foreign policy in the Middle East was heavily influenced by the Sino-Soviet split.

The most important change in the Chinese foreign policy came after Mao Zedong's death and the rise of the pragmatist Deng Xiaoping. When Mao was alive, most of China's foreign policy decisions were made by Mao himself, with Zhou Enlai acting as his consultant. The process opened up somewhat under Deng, as China's relations with the international community proliferated, but ultimate decision-making remained highly centralized. China's foreign policy became more pragmatist than ideologist. Foreign relations were not a question of state's relations with the two Superpowers, foreign and domestic policies were all aimed at the economy rehabilitation following the Cultural Revolution.

The third chapter will present the Post Cold War Chinese Middle East Policy – this chapter will present the way China adjusted to the regional changes. In this era China started to get more involved in regional affairs, from its position in the UN Security Council. The fact that China became a crude oil importer in 1993, changed its relations with the Middle East, and increased its importance in regional affairs. China's growing demand for oil for its boosting industry, created a great interdependence between China and the region. China tries to feel the vacuum created after the collapse of the Soviet Union. Apart from using the region's energy resources, the Middle East is also a

developed region with growing demand for Chinese products, and Chinese technology. As China influence in world governance grows, the Middle East is taking important part in its foreign policy.

The fourth chapter will discuss the Iranian–China relations. This chapter will present the Iran-China relations after the Cold War, and the way Iran takes advantage of China rise, by using interdependence framework. The chapter will analyze the energy deals signed between China and Iran, the weapon deals signed between the sides, as well as the Chinese involvement in the development of the Iranian nuclear, and the Chinese approach towards the sanctions imposed on Iran. China is Iran’s biggest trading partner. In 2009 the bilateral trade, was US\$ 21.2 billion¹³. Relations with Iran also include political support in the UN Security Council. Iran tries to politicize its economic relations with China in order to increase the interdependence between both ties. In 1988 Iranian foreign minister Ali Akbar Velayati wrote a letter to Zhao Ziyang saying: “Bilateral cooperation between Iran and China is indisputably useful to maintaining regional peace, Asian peace and stability and security and even useful for upholding world peace”¹⁴.

The fifth chapter will discuss the Israel-China relations after the Cold War, the weapon deals signed between the sides and even more important the weapon deals that were canceled due to American pressure on Israel. China is Israel’s second largest trading partner. In the 2010, the Israeli export to China have recovered to 2.05 billion USD, and the import from China have grown to 4.73 billion USD, a total of almost 7 billion USD

¹³ Iran Daily, “China Top Trade Partner”, *Iran Daily*, April 17, 2010, <http://www.iran-daily.com/1389/1/28/MainPaper/3656/Page/4/Index.htm> (accessed May 5, 2010).

¹⁴ Willem Van Kemenade, *Iran’s Relations With China and the West*. (Netherlands Institute of International Relations ‘Clingendael’ 2009), 107.

trade between the sides, and if includes Hong-Kong the number is almost double¹⁵. The chapter will also present the economic relations between the sides, and will attempt to show how Israel is trying to use its industry to get closer to China. The Chinese involvement in the Arab-Israeli conflict, will also revealed the way Israel tries to take advantage of China rise.

The last chapter will be a conclusion chapter. This chapter will conclude the thesis, and will discuss the future of Middle East-China relations in an era of growing interdependence. After presenting the growing interaction between China and the countries under research, the chapter would discuss and conclude the thesis by using the examples that will be given in the thesis from the interdependence theory point of view. The conclusion will also include the Iran-China-Israeli triangle around the Iranian nuclear plan, future implications, and analyze of the relation between China and the Middle East.

¹⁵ “Israel’s Foreign Trade by Countries – 2010”- Israel Central Bureau of Statistics- On Line Documents http://www.cbs.gov.il/reader/newhodaot/hodaa_template.html?hodaa=201116011 (accessed May 5, 2011).

Chapter II: Cold-War Middle East-China Relations 1949-1990

Long before the establishment of the PRC, during World War II, the Communists in Yan'an watched the developments in the Middle East carefully. The Middle East had a strategic importance in Mao's view of global affairs. The Communists' greatest fear was that the Germans will take over the Middle East and use its great oil fields and strategic crossroads to take over Great Britain's colonies and then diverse powers into the Pacific. What worried China the most was that Germany and their ally Japan will control the Pacific.

World War II had weakened British and French power. New forces, the Soviet-Union and the United-States, came out stronger from the war and started to get greater influence on world affairs. In the International Relations framework, the power of decision making transferred from the League of Nations, to the United Nations. As a result of the British and French decline, all countries in the Middle East achieved independence. Although British interests and presence still existed in important strategic places like the Suez Canal and the Oil fields in Iraq, Britain was slowly losing its hold in the region to the two emerging great powers.

In the aftermath of World War II, Mao Zedong started to consolidate his foreign policy. According to Mao's view; the old colonial powers of Germany, Italy, Great Britain and France, were replaced by two new Superpowers the Soviet Union and the United States. To his perception these two Superpowers wanted to overcome each other, but that could only be achieved by gaining control over the vast area, or in Mao's words the 'intermediate zone' that separated them. The Chinese Communists were afraid of an American 'Imperialist' attack against the 'Socialist' camp. According to their doctrine

such an attack can only be possible after the Americans take over the colonial and semi-colonial states in the 'intermediate zone'. Thus, Mao gave great importance to the Middle East in his understanding of the world order.

From a Chinese perspective, a common 'Imperialist' enemy threatened both China and the Middle East. Guided by this thinking, during the 1950's China called the Middle Eastern Countries not to take part in American military pacts¹⁶. Until the Sino-Soviet split in 1961, China's foreign policy was according to the 'Treaty of Friendship, Alliance, and Mutual Assistance' signed by the sides in 1950, which meant following the Soviet policy. China adopted the Soviet side in order to keep on unity of the 'Socialist camp' in fighting Imperialism.

PRC is Looking for Diplomatic Support in the Middle East

After establishing the PRC in 1949, the new Communist leadership was confronted with the need to establish its legitimacy in the world and looked for international support. In its early years, the PRC's main goal was to establish international relations with other countries, not to mention, to gain recognition by other countries. Furthermore, the PRC hoped for a UN membership in order to take over the China seat from the ROC. However, most of the countries in the world decided to stay loyal to the old regime of China and recognized Taipei instead of Beijing. The Middle Eastern countries were no exception. None of them recognized the PRC, mainly due to heavy American pressure.

¹⁶ For example, the Baghdad pact, defense pact signed in 1955 between Turkey, Iran, Great Britain, and later Pakistan and Iraq, was encouraged by the United States and won some hostility in Beijing.

There was only one exception, Israel. On January 9, 1950 Israel became the first Middle Eastern government to recognize the PRC. As the two governments were fighting for legitimacy in the world, it was important for the new Israeli state to have as much as supporters as it can in the world sphere. However, in order to keep an open door for the Arab world, the Chinese did not welcome the Israeli support. In the contrary, the Arab world response did not show any intention to support the PRC aspirations. For example, Egypt voted on January 13, 1950, against the Soviet proposal to expel the ROC delegate from the Security Council, and on August 1950, the Arab League voted to recognize the ROC as the legitimate representative of China. In response, Beijing accused the Arab League of being an Imperialist puppet. The only connections between the PRC and the Middle East during the early 1950's were non-governmental. For example, in 1951 unofficial Egyptian delegates attended a World Peace Council meeting in Beijing¹⁷.

The Bandung Conference: The PRC getting closer to the Arab world

The big change came in 1955 after the Asian-African summit conference in Bandung, Indonesia. As just mentioned, until Bandung conference, official relations between the PRC and Middle Eastern countries barely existed. Eighteen out of the twenty nine countries that participated in the summit did not recognize the PRC. Bandung was a golden opportunity for the Chinese leaders to interact with leaders of the third world. Premier Zhou Enlai presented the in the summit his 'Five Principles of Coexistence': mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit and peaceful

¹⁷ Lillian Craig Harris, *China Considers the Middle East*. (London: I.B. Tauris, 1993), 81-82.

coexistence¹⁸. The 'Five principles' have been in the center of the Chinese agenda for anti-imperialism, and unity of the third world. The most important breakthrough during the Bandung summit was Zhou Enlai's first meeting with the Egyptian leader Nasser¹⁹. It was mostly important as Egypt had a great importance back then, as the leader of the Arab world. Later on Zhou visited Egypt three times in 1963-1965²⁰, understanding its importance in the Middle East and in African diplomacy.

As a result of the Bandung conference the PRC started to consolidate its ties with the Arab world. Egypt, Syria and Yemen established diplomatic ties with China in 1956. Within a year after the conference, PRC's trade and cultural delegations traveled to the Middle East and ten trade agreements were signed with Arab states. The PRC trade with the Arab world was politically motivated. Henceforth, the PRC sold Egypt 60,000 tons of steel, desperately needed for its Five Year Plan at prices 20 percent lower than those on the world market. Another economic development following the conference was the Chinese economic aid program to the Middle East. Egypt was the first one to receive aid from the PRC, in the shape of 5 million USD loan. Yemeni Crown Prince Mohamed Al Bader was the first Arab leader to visit the PRC in 1958. In response, the PRC gave Yemen a loan of 16.4 million USD. Both sides also signed a formal Treaty of Friendship. The PRC sent technicians to build textile plants in Sanaa, and began to build the first modern highway in Yemen²¹. However, it is important to notice that the Chinese capital and aid programs could not replace the Soviet nor the American programs. It was

¹⁸ Vang Pobzheb, *Five Principles of Chinese Foreign Policies* (Bloomington, Ind. : AuthorHouse, 2008), 1-2.

¹⁹ *Ibid.*, 2.

²⁰ 'Basic Facts' – Website of People's Republic of China Embassy in the Arab Republic of Egypt, March 17, 2004, <http://eg.china-embassy.org/eng/zaigx/zzgx/js/t76099.htm> (accessed May 5, 2011)

²¹ Lillian Craig Harris, *China Considers the Middle East*. (London: I.B. Tauris, 1993), 80-91

impossible for the PRC to establish ties with American proxies in the Middle East, and not all the other states were willing to give in to Beijing's demands. Lebanon's insistence on keeping its ties with the ROC, which resulted in the break of relations with the PRC, can point out the lack of ability by the PRC to combine the commercial relations with the diplomatic relations.

Ideologic Support: Looking for Communist movements in the Middle East

The PRC foreign policy during the 1950's was heavily influenced by its Marxist, revolutionary, anti-Imperialist ideology. Therefore, developments such as the military coup that overthrew King Farouk I in Egypt, followed by Nasser anti-western approach, the Iraqi anti-monarchy revolution lead by General Abd-al-Karin Kassem in 1958 or the nationalization of the Suez Canal in 1956, and the Yemeni claims in the port of Aden, all won sympathy from Beijing. From a Middle East point of view, in several cases the PRC intervention was too invasive and has been interpreted as interference in other's internal affairs, as oppose to the 'five principles'. For example, in 1957 the Jordanian parliament recommended the recognition of the PRC, however King Hussein decided not to do so, and Jordan eventually established diplomatic relations with the ROC²². As a result, the PRC encouraged Jordanian people 'resistance to Imperialism'. In the years to follow, the Chinese supported the Palestinians in their confrontation with Jordan. Between 1965 and 1970, and especially in 1970, China supported the Palestinians with weapons and ideology support²³.

²² Apparently, heavy American pressure made King Hussein make such a decision, as King Hussein received massive support and assistance from Washington.

²³ Lillian Craig Harris, "China's Relations with the PLO". *Journal of Palestinian Studies* 7 (1, 1977): 136.

From a Chinese perspective the Chinese fear of attack against the ‘intermediate zone’ became real during the Suez crisis in 1956. The Crisis started after Egypt decided to nationalize the Suez Canal in order to decrease the dependence in Great Britain. In addition Egypt denied American-British loan offer to build the Aswan Dam or any other compromise. One of the Egyptian anti-Western moves was the recognition of the PRC. There is no doubt that from a historic perspective, the decision to recognize the PRC had widened the gap between Egypt and the West during that time. The nationalization of the Canal badly hurt the Western interests in the region, especially those of Great Britain, and led to a blockade on Israel. The result was a British-French-Israeli military operation to liberate the Canal. The PRC backed the Egyptians and the Soviet in the days of the Crisis and supported Nasser’s anti-Imperialist approach. According to some reports, China supplied weapons to the Egyptians in 1955 through Czechoslovakian²⁴, this weapons were eventually used by the Egyptians during the Suez crisis. In the following years after the Suez crisis, the Sino-Egyptian trade had doubled, making PRC the second most important market for Egyptian export, after the Soviet Union.

The PRC’s growing diplomatic ties with the Middle East caused ideological disputes. If one examine the Chinese response to the establishment of United Arab Republic, it is easier to understand the ideological disputes between the PRC and the Arab world. From a Chinese perspective, such a union and a pan-Arab state should have been the milestone to fight imperialism, and unite the Arab world. Yet, the Chinese hopes were soon to be smashed by Nasser. His hostility towards the Kassem revolution in Iraq, his anti-Communist campaigns highlighted in an almost complete elimination of the

²⁴ John Calabrese, *China’s Changing Relations with the Middle East*. (London ; New York : Pinter Pub, 1991), 11.

Syrian Communist party, the biggest Communist party in the Arab world, and his willing to accommodate with the West, all led the PRC to the conclusion that despite his anti-Western approach during the Suez crisis, Nasser might not be on their side. China was accused of supporting local Communist parties and undermining Arab independence. Eventually, the Sino-Egyptian relations started to deteriorate following the Chinese dissatisfaction from Nasser's moves and attacks on communism.

After the Iraqi revolution in 1958 the center of the PRC support in the Arab world moved towards Iraq. The PRC was one of the first countries to recognize Kassem's new regime in Iraq. Kassem's revolution was followed by Iraqi withdrawal from the American sponsored Baghdad pact, to Beijing's satisfaction. In 1958 the Communist involvement in the Iraqi revolution, led the Chinese to believe that the first Maoist People's Republic in the Arab world might be on the verge. However, just like the Egyptian case, the Iraqis soon accused the Chinese of manipulating and supporting leftist Communists and supplying weapons for a Communist takeover of Iraq. After Kassem turned against the Communists the Chinese interest in Iraq was gone.

The Sino-Soviet Split: The Arab world turn their back to the PRC

Starting from early 1960's until the late 1980's China's foreign policy in the Middle East was heavily influenced by the Sino-Soviet split. The Arab Soviet allies preferred to cool down their relations with China, in order to keep good relations with the Soviets. The PRC adopted a more radical attitude than the Soviets in support of pan-Arab nationalists, but at the same time, its policies took on an anti-Soviet color, which had the paradoxical result of cooling relations with Soviet allies such as Egypt and Syria. The

PRC could not provide the same monetary and military support as the Soviets, therefore the Middle Eastern Soviet allies decided to stay loyal to Moscow. The Middle East changed from a region of Sino-Soviet cooperation, to a region of confrontation. During the period of the split, China tried to develop an independent foreign policy, and a socialist economic model. In the early stages of the Cultural Revolution, China's foreign policy was anti American-Imperialism and anti Soviet-Revisionism. From a Chinese point of view, both Superpowers had negative influence in the Middle East. It is important to notice that in the early stage of the Cultural Revolution, from late 1966 to mid-1967, China recalled all its ambassadors from the Middle East, except Huang Hua, the Chinese ambassador in Cairo²⁵.

During the Cold war both Soviets and Chinese competed about the lead of the 'Socialist camp'. Obviously, just like in any other arena, the Soviet Union had greater influence in the Middle East. Nasser's trip to Moscow in September 1965 and the Soviet-Egyptian communiqué issued on his departure have made a clear point to the Chinese. China's diplomatic efforts to create economic gestures were eventually denied as well. Both loans given to Egypt and Syria were never used, and the trade between China and the Middle East declined in 1967 to only one half of the previous year²⁶. China's efforts to press Middle Eastern regimes against both the Americans and the Soviets did not have any economic nor military backup. Since China could not compete with the Soviet Union, during the time its focus was on supporting those who oppose both the United States and the Soviet Union, and condemned those who allied with the new Soviet enemy.

²⁵ The great appreciation and importance of Huang Hua in Chinese diplomacy can be seen in his later positions, as the first Chinese ambassador in the UN Security Council, and the Minister of foreign affairs in 1976.

²⁶ Yitzhak Schihor, *The Middle East in China's Foreign Policy, 1949-1977*. (Cambridge ; New York : Cambridge University Press, 1979), 121-124.

Support for Revolutionary Movements: The PRC deepen their involvement in the Middle East

Unlike the Soviets, the Chinese supported ‘people’s revolutionary movements’ such as the Palestinian Liberation Organization, and People’s Front of the Liberation of the Occupied Arabian Gulf (PFLOAG)²⁷. China referred to the ‘people’s liberation movements’ as a force that will resist imperialism in the Middle East and will promote Chinese interests in the region²⁸. China saw the PFLOAG as a potential to promote Mao’s people’s war theory. The movement launched armed struggle in June 1965 against the Sultan of Oman, Said bin Taimur. Later on in June 1967, a delegation visited Beijing and received light armaments, together with Mao’s writings and Marxist literature. In 1968, following a British announcement that its military forces will withdraw from the Gulf within three years, the movement started to spread to Kuwait, and won the PRC sympathy for its fight against Imperialism²⁹.

Since 1963, the PRC took an active part in the Arab-Israeli conflict and supported the Palestinians. The Chinese support was motivated by strategic and revolutionary reasons. In 1963 during his visit in Egypt, Zhou Enlai referred to the Palestinian Issue in his press conference by saying “The Chinese people have always stood firmly behind the Arabs in Palestine in their just struggle for their legitimate rights...”³⁰ The Chinese support became more visible in the years to follow.

²⁷ Earlier named Dhofar Liberation Front (DLF)

²⁸ Yitzhak Schihor, *The Middle East in China's Foreign Policy, 1949-1977*. (Cambridge ; New York : Cambridge University Press, 1979), 12-14.

²⁹ Mohamed. Bin Huwaidin, *China's Relations with Arabia and the Gulf, 1949-1999*. (London ; New York : Routledge Curzon, 2002), 102-104.

³⁰ Yitzhak Schihor, *The Middle East in China's Foreign Policy, 1949-1977*. (Cambridge ; New York : Cambridge University Press, 1979), 115.

In March 1965 the first PLO delegation, headed by Ahmad Shukeiri, arrived in Beijing. PRC's top leaders including Mao met the delegation for talks. The joint statement can tell more than anything else about the Chinese support for the Palestinian cause: "The two parties agreed that the PLO shall set up a mission in Beijing to strengthen mutual co-operation. The Chinese people will make every effort to support the Arab people of Palestine in their struggle to return to their home land by all means, political and otherwise"³¹. Following the statement the PRC declared May 15 as Palestine day, the celebration took place during 1965-1971, including mass demonstrations. The Chinese support was not only ideological but material as well. The PRC had some military training programs for the Palestinians, and according to Israeli intelligence supplied 5 million USD worth weapons to the Palestinians in 1965-1969³². The most important thing for the Palestinians was the fact, that unlike the Soviets, the Chinese support had no strings attached. The relations with the PLO were strong all along Mao's era.

However, the reason why the PLO strengthened their ties with the PRC was purely opportunistic, even as some might say for lack of any other option. The PLO could not get American nor Soviet support. In its early years the PLO tried to get Soviet support, but got rejected. The fact that the Soviet still had diplomatic relations with Israel did not assist the Palestinians. In a later period the Soviets tried not to supply too much weapons to the PLO, from a concern to the regional stability. The Sino-Palestinian relations were fruitful for both sides. Despite the improvement of the relations with the Arab world after

³¹ "Joint Statement of the Chinese People's Institute of Foreign Affairs and the PLO", *Renmin Ribao*, 23 March 1965, in Survey of China Mainland Press, published by US Consulate General, Hong Kong, no. 3425 (26 March 1965), 36.

³² Lillian Craig Harris, "China's Relations with the PLO". *Journal of Palestinian Studies* 7 (1, 1977): 136-137.

the Bandung summit, China did not have a strong base in the Arab world. China wanted to use the PLO as a Maoist revolutionary group, to fight Imperialism. The PRC hoped that Mao's doctrine of constant revolution will be used by the PLO to pull the trigger in the Middle East against both the Americans and during the Sino-Soviet split, even against the Soviets. The PLO however, used the PRC for their independent cause.

In the aftermath of the Six Days War in 1967, the relations between the PRC and the PLO became closer. During the war, the PRC could not support Egypt and Syria with weapons, because of heavy Soviet influence in these countries. The PRC condemned the Soviets for not fighting side by side with the Arab world, and not doing enough to win the war. The peaceful solution for the Arab-Israeli conflict, as presented by the UN Security Council, was considered by the PRC as a new US-Soviet deal. According to the Chinese, the situation of "No Peace, No War" served the foreign interests of Western Imperialism and Soviet Revisionism. The PRC tried to provide some new solution for the regional problems, solution that will be initiated by the local actors and not be forced by alien actors. More than once had the Chinese stressed that the fate of the Middle East could no longer be determined in Washington, even with Soviet participation. The Middle Eastern countries, they said, 'are capable of managing and settling their own affairs'. Moreover, the Chinese opposed in principle any weapons embargo. They regarded weapons as a necessity for guarding the people's independence against Imperialism, and weapons deals as a legitimate and 'a normal commercial transaction between two countries' in which no one had any right to interfere³³.

³³ Yitzhak Schihor, *The Middle East in China's Foreign Policy, 1949-1977*. (Cambridge ; New York : Cambridge University Press, 1979), 62.

Post-Cultural Revolution Relations: The PRC enters the UN and improve its relations with the Middle East

After the violent part of the Cultural Revolution ended in 1969, the PRC started to rehabilitate its foreign policy. The two most important developments in the early 1970's were a friendlier Sino-American diplomacy, followed by the historical 'UN General Assembly Resolution 2758' accepted in October 25 1971, allowing the PRC to replace the ROC seat in the UN and even more important, in the UN security Council. Among the states that sponsored the 23 power draft resolution that led eventually to the acceptance of the PRC to the UN, were Iraq, Yemen and Syria, side by side with other countries from the Arab world, such as Sudan, and Algeria. On the other hand, one of the strongest oppositionist to the resolution was ROC strongest supporter in the Middle East, Saudi Arabia. The Saudis have presented two amendments in order to keep ROC as a UN member, however both failed. The Middle Eastern countries voted for the 23-Power draft resolution, to the acceptance of the PRC and the expel of the ROC as follow; In favor: Egypt, Iran, Iraq, Israel, Kuwait, Yemen, Syria, Turkey. Against: Saudi Arabia. Abstained: Jordan, Lebanon, and Qatar³⁴. Saudi Arabia was the only country in the Middle East and the Arab world to resist the resolution. As will be presented later, China's joined to the UN Security Council, resulted in China's becoming a meaningful player in the Middle East.

The breaking of the ice between the Chinese and Americans with Secretary of State Henry Kissinger's and President Richard Nixon's visits in Beijing, and the Chinese acceptance in to the UN, had its own effects on China's relations with Middle East, in the

³⁴ UN Chronicle, "China: Assembly Decides to Restore its Rights to People's Republic of China", *UN Chronicles*, 8(10, 1971): 34-61.

form of new diplomatic ties between Middle Eastern states and the PRC. Following the improvement in the Sino-American relations, the Iranian Shah decided to establish diplomatic relations with the PRC in 1971. Kuwait, Turkey, and Lebanon have done the same in 1971, while Jordan (1977) and Oman (1978) have waited a little bit longer to establish full relations with the PRC. However as mentioned earlier, the Chinese ability to create mutual dependence with the Middle East was limited. The main reason for it was the lack of Chinese ability to compete with the assistance provided by the two Superpowers.

Starting from 1971 China improved its economic relations with Middle Eastern countries. After establishing diplomatic ties with Lebanon, the National Bank of China opened a branch in Beirut that was considered back then as the financial and economic center of the Middle East. China's trade with the region increased from US\$ 59.37 million in 1968 to US\$ 140.7 million in 1972 and US\$ 483 million in 1975. The trade was not limited to those who had diplomatic relations with China. Bahrain, Oman, Qatar, UAE, and Saudi Arabia trade with China rose from US\$ 14.41 million in 1969 to US\$ 27.2 million in 1972 and US\$ 100.95 million in 1975. The increase can be attributed to the Chinese leaning towards the United States, and the will to establish a Soviet block in the Middle East³⁵.

China had their pro-Arab perspective to the October war in 1973 and the oil crisis. Trying to use their 'new weapon' of influence after the war, China refused to participate in two Security Council ceasefire resolutions. In addition, China encouraged the Arabs to reject the UN ceasefire resolutions, and keep on fighting with Israel, claiming that the

³⁵ Mohamed Bin Huwaidin, *China's Relations with Arabia and the Gulf, 1949-1999*. (London ; New York : Routledge Curzon, 2002), 107-108.

resolutions have been accepted after the Superpowers imposed their views on the Security Council³⁶. The Egyptian defeat in 1973 war, led to a great disappointment in the Arab world from the Soviets, and to a final dissolution from the Soviet dream. Under these new circumstances, the revolutionary movements were no longer playing a central role in the Chinese struggle against the Superpowers, the Middle Eastern governments became more important from a Chinese perspective.

Syria and Iraq were loosening their ties with the Soviets as well, and enjoyed more Chinese sympathy. The highlight was the abortion of the Soviet-Egyptian friendship treaty in 1976. China kept on pushing the Middle Eastern countries to loosen the Superpowers hug. The most significant sign of Middle Eastern independence from a Chinese point of view was in the Oil Producing and Exporting Countries (OPEC) oil embargo. OPEC members used for the first time the 'oil weapon' to stand on their interests, and demanded that the USA will assist them to achieve an Arab-Israeli peace agreement. Another demand was to raise the oil prices. The oil embargo and the oil crisis in 1973 won Chinese sympathy for standing against imperialism. The Chinese hailed the Arab policy and even gave considerable attention to Saudi Arabia, despite their close relations with the ROC. However, since China was not an oil importer during the time, the support had little effect³⁷.

The most important change in the Chinese foreign policy came after Mao Zedong's death and the rise of the pragmatist Deng Xiaoping. When Mao was alive, most of China's foreign policy decisions were made by Mao himself, with Zhou Enlai acting as his consultant. The process opened up somewhat under Deng, as China's ties with the

³⁶ Lillian Craig Harris, *China Considers the Middle East*. (London: I.B. Tauris, 1993), 133

³⁷ Hashim S.H. Behbehani, *China's Foreign policy in the Arab World, 1955-75: Three Case Studies*. (London ; Boston [Mass.] : Kegan Paul International, 1981), 227.

international community proliferated, but ultimate decision-making remained highly centralized³⁸. China's foreign policy became more pragmatist than ideologist. Foreign relations were not a question of state's relations with the two Superpowers, foreign and domestic policies were all aimed at the economy rehabilitation following the Cultural Revolution.

Deng's Four Modernizations Plan, for modernization of the army, agriculture, industry and education, implemented in 1978 found a fertile land in the Middle East and resulted in growing economic ties with the region. Middle Eastern countries started to take advantage of the great demand by the 'Waking Dragon'. The Israeli part in the modernization of the army and agriculture will be fairly discussed later. Egypt had also contributed to the modernization of the Chinese army and supplied Soviet Mig-23 aircrafts to China. In the agriculture sector, Jordan, Kuwait and Egypt have provided fertilizers and other chemicals to the development of the agriculture in China. Kuwait and Iraq started to supply oil to China's growing industry sector³⁹.

An important part of the rehabilitation of the economy was related to growing export and trade with the outside world. The Middle East became an important market to the Chinese weapon industry. The two Superpowers regarded China as a threat to the region's stability. After one decade of political turmoil, the Chinese economy did not have much to offer, weapons were regarded by the Chinese as a commodity that could be legitimately sold. The Middle East with its persistent conflicts had created an opportunity that Beijing could not afford to miss. Some of the Middle Eastern customers, who wanted more weapons, welcomed Chinese weapons because of their low prices, sturdiness, lack

³⁸ Evan S. Medeiros and Taylor M. Fravel, "China's New Diplomacy". *Foreign Affairs* 82(6, 2003): 29.

³⁹ John Calabrese, *China's Changing Relations with the Middle East*. (London ; New York : Pinter Pub, 1991),106-114.

of political preconditions, and last but not least, compatibility with familiar Soviet weapons. Tactical missiles deals were Beijing's most diversified weapon deals. At least ten different types of Chinese missiles have been supplied to Middle Eastern countries, most of them based on more primitive Soviet models. The most popular missile was the anti-ship Silkworms missiles. By the late 1980s, nearly 350 Silkworms missiles have been supplied to Middle Eastern countries including Egypt, Iraq and as will be discussed later, Iran.⁴⁰

Iran-Iraq War: Chinese massive weapon supply

The Iran Iraq war, can present the Chinese Middle Eastern policy from two different aspects: Chinese participation as a decision maker due to its role as one of the Security Council permanent member, and China's position as a weapon supplier. The Iran-Iraq war found China using a neutral policy for the first time. China's good relations with both Iraq and Iran could have made Beijing a mediator in the conflict. However, it was only in 1987, seven years after the war started that China's Qi Huaiyuan sent to the region as a special envoy. Qi Huaiyuan was the only Security Council member envoy sent to the region after UN resolution 598⁴¹.

It is hard not to wonder though, why only after seven years of fighting, China decided to take advantage of its close relations and send its envoy to the region. A possible explanation might be in the Chinese hesitant foreign policy. China was still a young member in the UN Security Council, and was still suspicious about the Security

⁴⁰ Yitzhak Shichor, "Mountains Out of Molehills: Weapons Transfer in Sino-Middle Eastern Relations". *Middle East Review of International Affairs* 4(3, 2000): 71.

⁴¹ The resolution called on Iran and Iraq to cease fire and start talks to seek peaceful settlement. For more information: U.N. Security Council, 2750th Meeting. "Resolution 598 (1987) [Iraq-Islamic Republic of Iran]" (S/RES/598). 20 July 1987.

Council intervention in conflicts. China did not want to pick a side between its two close friends. In addition, the Chinese have benefited from the situation. China had created a great dependence of the fighting sides on its weapons supply.

China refused to support the UN weapon embargo on the sides in conflict⁴². Beijing supplied weapons to both Teheran and Baghdad, taking advantage of the fact that the Superpowers decided not to arm the sides during the conflict. Beijing sold weapons to Iran out of fear that the Iranian will buy weapons from Moscow, and replaced the Soviet weapon supply to Iraq. Eventually, it is the weapon embargo that led both countries to purchase weapons from the Chinese, and not the quality of Chinese weapons. It is important to notice that China did not supply the weapon directly; it was all done by a third country. The sharp growth in Sino-Jordanian trade starting from 1982 can be explained by that⁴³. The weapon to Iran was apparently supplied by Syria and Pakistan⁴⁴. Iran and Iraq became the largest consumers of Chinese weapons. 70 percent of China's total weapons sales from 1982 to 1986, and 45 percent from 1987 to 1991, went to these two countries, and made China the world fifth largest military equipment seller⁴⁵. The Iran-Iraq war, proved to be a great economic opportunity for the Chinese, in the shape of hard currency that was needed to implement the economic reforms.

⁴² Shireen Hunter, *Iran and the World: Continuity in a Revolutionary Decade*. (Bloomington : Indiana University Press, 1990), 161.

⁴³ According to the International Monetary Fund, *Direction of Trade Statistics Yearbook 1983, 1990*. The Chinese export to Jordan jumped from nearly nothing in 1981 to 1.32 billion USD in 1982.

⁴⁴ Yitzhak Shichor, "Decision making in Triplicate: China and the Three Iraqi Wars". In *Chinese National /security Decision making Under Stress* ed. by Andrew, Schobell and Larry M., Wortzel, pp.191-228. (Virginia: Colonial Printing, 2005),196.

⁴⁵ Mohamed Bin Huwaidin, *China's Relations with Arabia and the Gulf, 1949-1999*. (London ; New York : Routledge Curzon, 2002), 114-115.

Chapter III: Post Cold-War Middle East-China Relations 1990-2010

As presented in the previous chapter, during the 1980's China started to integrate with the Middle East, in a more efficient way. Unlike Mao and Zhou Enlai's policy that was based on pure ideology in order to strengthen China's connection with the third world, Deng's foreign policy was more attractive to the Middle East. China started to be an alternative for countries that had difficulties with the Superpowers. As will be presented in this chapter, the Middle Eastern countries have been taking advantage of the Chinese hunger for energy resources, as today half of China's oil import comes from the Middle East. Middle Eastern countries have improved their economic situation, and enjoyed the Chinese no strings attached approach, in order to purchase weapons, and strengthen their regimes. However, the case of Iraq that will be fairly discussed might raise few questions about the Chinese commitment to each country in the region.

The bilateral relations between China and the Middle East have deepened beyond the energy sector. The Middle Eastern major oil exporters have expanded their investments in China. China has a growing number of projects in the Middle East, including a verity of industries such as health, construction and tourism. As a result China had expanded its export of labor services to the Middle East. According to Michael Thorpe and Sumit Mitra the attractiveness of China to the Gulf Cooperation Council countries⁴⁶ is beyond long-term oil and gas contracts, and also includes a sizeable domestic market for companies, a large expatriate labor force and the opportunity for the economies to play an entre pot role for shipping China's manufacturing exports into the

⁴⁶ Saudi Arabia, Kuwait, the United Arab Emirates, Oman, Bahrain and Qatar.

wider region. According to them the challenge for the GCC is to broaden its export opportunities to China⁴⁷.

The First Gulf War: China choose non-intervention policy

China and Kuwait's mutual interests led to growing interactions between the economies. In the 1980's Kuwait looked to the new emerging market of China as a potential to diversify its investment in a broader way. The Kuwait Fund for Arab Economic Developments (KFAED) provided China with approximately 200 million USD loans in the early 1980's for several projects. In September 1989, when the Western world withdrew its money from China after the Tiananmen incident, KFAED have provided a 21 million USD loan to help China finance a ductile cast-iron pipe project⁴⁸. From 1982 till May 2010, KFAED have approximately loaned 900 million USD to 33 different projects in China⁴⁹.

On November 23 1985, both sides signed an investment agreement for the promotion and protection of joint investments. China's cheap labor found its way to Kuwait's contraction projects. By the end of 1989 both sides signed 175 labor contracts, valued more than 530 million USD, and employing approximately 20,000 Chinese workers. The total value of trade in the 1980's was almost twice than that of the 1970's. The relation between the sides also improved in other fields. Chinese and Kuwaiti Muslim delegations visited each other, news agencies, established news exchanges, and the highlight was president Yang Shangkun visit in Kuwait on December 1989, in an era

⁴⁷ Michael Thorp and Sumit Mitra, "Growing Economic Interdependence of China and the Gulf Cooperation Council". *China & World Economy* 16(2, 2008) : 117.

⁴⁸ *Ibid.*,193-194.

⁴⁹ Kuwait Times, "KFAED Plans Education Project in China", Kuwait Times May 12, 2009, http://www.kuwaittimes.net/read_news.php?newsid=MTM2MDc4MTcyNw== (accessed October 17, 2010)

when China suffered from international isolation⁵⁰. Yang Shangkun visited Egypt and the United Arab Emirates in 1989 Middle East trip as well. Infact, the Middle East was the only place where China's leaders were welcome, after the Tiananmen incident.

Starting from the late 1970's, the relations between China and Kuwait's neighbor, Iraq, also significantly improved. As was mentioned in the previous chapter, an important part of the improvement in the relations between the sides was the weapon supply from China to Iraq during the Iran-Iraq war. Apart from weapon deals, China and Iraq signed several agreements in other fields. In order to develop the Chinese agricultural sector both sides signed an agreement in 1980 for the import of Iraqi nitrogenous fertilizers worth 46 million USD. According to another agreement signed in 1985, China imported Iraqi phosphate, palm dates and other agriculture products and in return Iraq imported Chinese textiles, light industry products, metal ware, and minerals⁵¹. Similar to Kuwait, Chinese labor contracts and projects between the sides increased dramatically. Form 1979 to 1986 nearly 20,000 Chinese workers were assigned in different projects, taking an important share in the Chinese foreign exchange during the time⁵².

In a similarity to the Iran-Iraq war, China's close relations with both Kuwait and Iraq encountered a serious test during the Iraqi invasion to Kuwait on August 2, 1990. However, at this time China was in a different situation facing deterioration in its relations with the Western world. The first Gulf War in August 1990- February 1991 was a test for the Chinese policy in a decline Soviet power era. There was no more Soviet and American position, both were on the same side. Following the Tiananmen incident in

⁵⁰ Mohamed Bin Huwaidin, *China's Relations with Arabia and the Gulf, 1949-1999*. (London ; New York : Routledge Curzon, 2002) 195.

⁵¹ Ibid., 143

⁵² John Calabrese, *China's Changing Relations with the Middle East*. (London ; New York : Pinter Pub, 1991),144.

1989 China faced pressures from the international community. Western-Japanese embargo was forced on China, which badly hurt China's foreign relations. Unlike the Iran-Iraq war, this time there was a clear asymmetry between the warring sides. In order to be able to fight with Iraq, Kuwait asked for Arab and international help against the Iraqi invasion. Iraq was without any doubt the aggressor. The Arab world faced a hard decision, when one member of the Arab League tried to conquer another. Saudi Arabia, which established diplomatic relations with China just a month before Iraq invaded Kuwait, was also facing a threat of Iraqi invasion to its borders.

The UN Security Council had to provide an answer to the Iraqi aggression. In previous conflicts, China was not in a position of a decision maker. However, as part of its role as a UN Security Council permanent member, for the first time China had to vote for a resolution involving a military intervention in the Middle East. Before voting for the use of force against Iraq in UN Security Council Resolution 678⁵³, in similar to any other vote, China faced three options. If China voted in favor, it could have risked its relations with Iraq, but on the other hand win the much needed Western appreciation. Voting against the resolution, using its veto, China could have won Iraq sympathy, but it would have led to a conflict with the Western world, and a vast majority of the Arab world. China chose the third option and decided to keep its non intervention policy, and abstained. Such a vote was more symbolic than meaningful. The Chinese decision to abstain from voting on the UN 678 resolution caused Arab dissatisfaction, the Iraqis and Palestinians on one side, for not preventing operation Desert Storm, and the moderate Arab coalition on the other side for not supporting the operation. In response to China's

⁵³ The resolution authorized the use of force by UN members against Iraq. For more information U.N. Security Council, 2963rd Meeting. "Resolution 678 (1990) [Iraq-Kuwait]" (S/RES/678). 29 November 1990.

decision not to defend its interests, Kuwait decided to suspend 300 million USD developments loans to China⁵⁴. Nevertheless, the fact that China did not put a veto on the resolution can be seen as an act of support.

Before abstaining in resolution 678, China voted in favor of eleven UN Security resolutions regarding the First Gulf War. Despite the heavy losses of the Chinese construction companies, the Chinese policy was Yes, to sanctions that might prevent Iraq from continuing its aggression and No, to military intervention. China decided not to favor a resolution that involves external military intervention, just as it traditionally did during the Cold War in other Middle Eastern conflicts. The Chinese traditional policy, as explained earlier, was that the countries in the region should solve their disputes by themselves.

China knew that alienating with the West in the war, could have been a way out to improve its foreign relations. On the other hand, turning their back on Iraq might be seen as a weakness and surrender to the Western world. However, from China's point of view, it was more important to improve its relations with the Western world, than keep its good relations with Iraq. The first Gulf War was also the first time that Arab countries created a coalition with an alien power against another Arab country. The strong Arab support for the Desert Storm operation put China's improving connections with Middle Eastern states in danger if the Chinese had not supported the move. Iraq failed to translate its close relations with China to a support in the UN Security Council. The Chinese dependence on the Western world was too strong. Iraq failed to make interdependent relations with China, thus China decided to sacrifice Iraq and making it the new pariah state. As both

⁵⁴ Lillian Craig Harris, "The Gulf Crisis and China's Middle East Dilemma". *Pacific Review* 4(2, 1991): 116-125.

countries interests were on a top priority, the Iraqi-China relations have stayed stable. Both Iraq and Kuwait did not create interdependence with China. Although China had its growing interests in both countries, there was not a mutual dependence, a change in China's relations with Iraq or Kuwait could not affect Beijing in a sense that will change the national interest. Nevertheless, China was dependant on the Western world, therefore Beijing decided not to resist a military operation against Iraq.

Energy Relations: The core of the interdependence

The end of the First Gulf War brought the region into a new era. The unity between Arab and Western forces in Desert Storm operation proved that there is only one clear hegemon left. There was no more a possibility to hide under the Soviet umbrella. The Chinese foreign policy changed as well and became more pragmatic. However, one thing has not changed, Middle East countries economies still relied on oil. The fast growth of the Chinese economy after the four modernization plan, have made China an important harbor for the world industry. Until 1992, China was a net oil exporter⁵⁵. However, in order to meet the demands of both the industry and the civilian sector, China decided to start importing crude oil in 1993. According to the U.S. Energy Information Administration, in 1993, China more than doubled its oil import compared to previous year⁵⁶, and there is a constant growing ever since.

⁵⁵ China exported 136 thousand barrels a day in 1992, in 1993 the number drop to 80 thousand barrels a day. It was only in 1997 that the number of barrels exported had surpassed 1992. Additional information can be find at U.S. Energy Information Administration website: <http://www.eia.doe.gov/>

⁵⁶ China imported 145 thousand barrels a day in 1992, and 354 thousand barrels a day in 1993. Additional information can be find at U.S. Energy Information Administration website: <http://www.eia.doe.gov/>

Relations between China and the Middle Eastern oil suppliers have increased dramatically in the post-Cold War era. Major players among the oil rich Gulf Cooperation Council states, have welcomed the new Chinese approach that was based on the economic incentive. The ‘Waking Dragon’ from the east, have provided the Gulf monarchies a new no string attached alternative, and a possibility to diversify the markets, or as Charles W. Freeman Jr., former U.S. ambassador to Saudi Arabia said, “The Arab Take a Chinese Wife, and since Saudi Arabia is a Muslim country, it does not mean that they divorce their former American wife”⁵⁷.

GCC member states with the exception of Bahrain are among the world's leading energy producers and their economy relies on export of their precious natural resources. Saudi Arabia is the world's largest oil producer and home to approximately one-fifth of the global proven oil reserves. Saudi Arabia is also a major source of natural gas. The UAE is the world's eighth-largest oil producer, and boasts the world seventh-largest oil reserves and sixth-largest natural gas reserves. Kuwait is the world's ninth-largest oil producer and has the world's fifth-largest oil reserves. Qatar boasts the world's third-largest natural gas reserves and is the world's top exporter of Liquefied Natural Gas (LNG). Qatar is also a major oil exporter and Oman is an important producer of oil and a potential exporter of LNG.

In 1990, Saudi Arabia, the world largest oil producer, was the last Arab country to establish diplomatic relations with China. The Saudis, who enjoyed American support during the Cold War, played an important role in China's growing relations with the

⁵⁷ Charles W. Freeman Jr, “The Arabs Take a Chinese Wife: Sino-Arab Relations in the Decade to Come” a speech given in Remarks to the World Affairs Council of Northern California, *Middle East Policy Council* May 17, 2006, <http://www.mepc.org/articles-commentary/speeches/arabs-take-chinese-wife> (accessed October 24, 2010).

region. The close integration between the world largest oil producer, and the world's second largest oil consumer, is natural. In 2010, out of 8.5 million barrels per day consumption⁵⁸, China bought one million oil barrels a day from Saudi Arabia. Since China is producing half of its consumption, Saudi oil is almost one quarter of the total oil import to China. If we take into consideration the Saudi and OPEC aspiration to sell one barrel at a price of 80 USD, it is 80 million USD a day. The interdependence between is increasing, as the Chinese need for energy make Beijing more sensitive, regarding the oil supply from the Middle East. On the other hand, as China deepen its investments in the energy sector in the Middle East, the region economies become more vulnerable to changes in the Chinese consumption.

In 2009 following the global economic recession China surpassed the U.S. as the largest export market for Saudi oil⁵⁹. Saudi Arabia is becoming less dependent on the American market. The growing Chinese need for energy resources, meets the Saudi need to diverse its market. Saudi opening to the Chinese market can be seen in a growing number of contracts given to Chinese companies in the energy sector. For example in 2004, China state own oil company SINOPEC, together with four other companies, have won the right to develop a new gas field in Saudi Arabia. SINOPEC outbid several American companies in this bid⁶⁰.

⁵⁸ Mark Shenk, "Oil Declines as Chinese Demand Growth Slows, Dollar Rebounds Versus Euro", *Bloomberg* October 22, 2010, <http://www.bloomberg.com/news/2010-10-21/oil-declines-as-chinese-refinery-demand-growth-slows-to-least-in-18-months.html> (accessed October 24, 2010)

⁵⁹ Jad Mouawad, "China's Growth Shifts the Geopolitics of Oil", *The New York Times*, May 19, 2010 <http://www.nytimes.com/2010/03/20/business/energy-environment/20saudi.html> (accessed October 25, 2010)

⁶⁰ Steven Mufson, "As China, U.S. Vie for More Oil, Diplomatic Friction May Follow", *The Washington Post* April 15, 2006 <http://www.washingtonpost.com/wp-dyn/content/article/2006/04/14/AR2006041401682.html> (accessed October 25, 2010)

Unlike Chinese investments in the energy sector in other parts of the world, the investments in the energy sector in the Middle East are not one way. Middle Eastern giants invest in Chinese energy market as well. In 2007 Saudi giant Aramco bought, 25 percent of Fujian's refinery and petrochemical joint venture⁶¹. Another Saudi giant, Saudi Basic Industries Corporation, has signed a 1.7 billion USD deal with Sinopec to establish a joint venture and build a one million ton ethylene derivatives complex in Tianjin⁶². Kuwait Petroleum Corporation started to build in Zhejiang, a 9 billion USD joint venture refinery and ethylene complex. The joint venture signed with Sinopec will produce, 300,000 barrels per day refinery oil, and 1 million ton per year of ethylene⁶³.

Economic Relations: Mutual investments to strengthen the interdependence

As presented above, oil is the core of China's relations with the GCC countries. However, China is interested to use its strong economy and create interdependence between the sides as well as decreases its trade deficit with the region. The GCC states are interested in expanding the relations with China to other fields in order to take advantage of the 'Waking Dragon' growing need for their 'black gold'. Bilateral trade between China and GCC has reached 70 million USD in 2008. For example, Saudi Arabia's 2008 trade surplus with China reached over US\$ 20.4 billion as part of 41.8 billion USD bilateral trade, as Saudi imported 10.7 billion USD and exported 31.1 billion USD. More than 70 Chinese companies are doing business in Saudi Arabia, of which 62

⁶¹ Reuters, "Aramco, Sinopec, Exxon Sign Fujian Refinery Deal", *Reuters*, February 25, 2007 <http://www.reuters.com/article/idUSL2549125020070225> (accessed October 24, 2010)

⁶² Reuters, "Sinopec, SABIC to Build 1-mln Tonne Ethylene Plant", *Reuters*, January 31, 2008 <http://www.reuters.com/article/idUST17341720080131> (accessed October 24, 2010)

⁶³ Aizhu Chen, "China grants Clearance to Sinopec-Kuwait Refinery", *Foxbusiness*, September 8, 2010 <http://www.foxbusiness.com/markets/2010/09/08/china-grants-clearance-sinopec-kuwait-refinery/> (accessed October 24, 2010)

are construction firms employing close to 16,000 Chinese people⁶⁴. China is exporting its cheap labor to build projects in the region.

On March 23-24, the first China-GCC business forum took place in Bahrain. The forum was part of the effort to strengthen the economic ties between China and the Gulf, in other sectors besides energy. Using the money earned from its vast oil fields, the GCC states are looking to diversify their investments. GCC producers are looking to take advantage of China's growing demand for raw materials such as aluminum. China tried to increase the trade with the Arab world. China built in Dubai the "Dragon Mart", a 150,000 square meter trading hub for Chinese products, the largest one outside China⁶⁵. The UAE largest private sector developer Damac is building a 3 billion USD mix-use project in Tanggu district in Tianjin. The project's total value is estimated around 7 billion USD⁶⁶. In September 2010 China-Arab States Economic and Trade Forum took place in Ningxia Muslim autonomous region, as part of the effort to increase the mutual trade. Similar to other markets, China is trying to take advantage of the growing consumer market in the Arab world and sell its relatively cheap consumer products to the big Arab market⁶⁷.

⁶⁴ The data are estimated and originally written in Saudi Riyal. John Sfakianakis, *Saudi-China Trade Relations: A Powerful New Trading Partner*. (Sabb, 2009).

⁶⁵ Lara Setrakian and Matthew Ghazarian, "New Silk Road Runs Through Dubai's Dragonmart", *ABCnews*, July 30, 2009 <http://abcnews.go.com/Travel/story?id=8200782&page=1> (accessed November 12, 2010)

⁶⁶ Saifur Rahman, "Damac Enters China With Dh10b Project", *Gulfnews*, June 18, 2006 <http://gulfnews.com/business/property/damac-enters-china-with-dh10b-project-1.241386> (accessed October 24, 2010)

⁶⁷ Yufeng Mao, "China's Interests and Strategy in the Middle East". In *China and the Developing World: Beijing's Strategy for the Twenty-First Century* ed by Joshua, Eisenman, Eric, Heginbotham and Derek Mitchell. (Armonk, N.Y. : M.E. Sharpe, 2007), 117-118.

Weapon Deals: Strengthening the relations

Traditionally, China's main export to the Middle East was and still is weapons. It is true that arm sales involves great capital and enlarges China's foreign currency reserves, however the basic assumption is that China's weapon sales, involves more than only business. Chinese arm sales to the Middle East have strengthen the ties between China and the region, but at the same time have caused growing tension with the U.S.

The 3.5 billion USD CSS-2 "*dong-feng*" intermediate range ballistic missile deal and 3.1 billion USD satellite deal, between China and Saudi Arabia in 1988 have paved the way to the establishment of full diplomatic relations between Riyadh and Beijing two years later. China was the only country that agreed to supply Saudi Arabia with such a weapon that improved the Saudi strategic position in the region. Over the last years there is a growing Saudi interest in the Chinese newer "*dong-feng*" missiles such as CSS-6⁶⁸. However, it is important to notice that the U.S. is still Saudi Arabia's main arm supplier, but unlike the Cold War days, Saudi Arabia has an alternative to the American weapons.

In 1997 Kuwait bought from China 18 self-propelled guns⁶⁹. The deal is symbolically important because it was the first time Kuwait bought weapons from China. There is also an important message, because the Kuwaitis have preferred the Chinese bid instead of American and British competing bids. Much more important agreement had been signed between China and Egypt in 1999. The sides signed an agreement of 374.4 million USD for co-producing 80 K-8E jet as well as providing Egypt with parts and

⁶⁸ Dan Blumenthal, "Providing Weapons: China and the Middle East". *Middle East Quarterly* 12(2), 2005): 15.

⁶⁹ Mohamed Bin Huwaidin, *China's Relations with Arabia and the Gulf, 1949-1999*. (London ; New York : Routledge Curzon, 2002), 200.

materials, maintain support and technical training for the jet⁷⁰. In addition to the airplanes, China also sold Egypt 72 HY-2 cruise missiles in the mid 1990's⁷¹.

Another Middle Eastern actor that is using the Chinese no strings attached policy is Syria. According to some sources, Syria attempted to purchase missiles and missile technology from China. According to one report, in July 1996, Syria bought missile components from China Precision Machinery Company, the company who make the M-11 missiles, a missile with a warhead of 500 kg, and 280 km ability. Apart from that, China sold Syria 30-90 tons of chemicals for WMD use in 1992⁷². The Syrian purchase is direct result of the fall of the Soviet Union and the end of the Cold War. Syria is interested to arm itself in case of a possible conflict with Israel. North Korea is the biggest weapon supply for Damascus, but according to some estimates, China and Iran have been actively assisting in selling Scud missile to Syria⁷³.

Apart from direct weapon sales, the PLA have improved its relations with several armies in the Middle East. As part of the rehabilitation of the Kuwaiti army after the First Gulf War, a Sino-Kuwaiti memorandum of understanding on military cooperation was signed in March 1995. This agreement was China's first military cooperation agreement in the Middle East. On July 2010, Qatar military chief of staff visited Beijing, in order to promote military cooperation between the ties⁷⁴. As mentioned earlier, China is usually not a threat to the U.S. when it comes to military cooperation with the Middle East

⁷⁰ Global Security, "K-8E Karakoram-8", *Global Security*, 25 January, 2010

<http://www.globalsecurity.org/military/world/egypt/k-8e.htm> (accessed October 25, 2010)

⁷¹ 'China's Missile Exports and Assistance to the Middle East' – Website of Nuclear Threat Initiative - <http://www.nti.org/db/china/mmepos.htm> (accessed May 13, 2011).

⁷² Anthony H. Cordsmen and Alreigh A. Burke, *If its Syria: Syrian Military Forces and Capabilities*, (Center for Strategic and International Studies, April 15, 2003), 8.

⁷³ 'China's Missile Exports and Assistance to Syria - Statements and Developments' – Website of Nuclear Threat Initiative - <http://www.nti.org/db/China/msyrchr.htm> (accessed May 13, 2011).

⁷⁴ An Lu, "China, Qatar to Advance Military Cooperation" *Chinese Government Website*, July 17, 2010 http://www.gov.cn/misc/2010-07/17/content_1656851.htm (accessed October 25, 2010).

countries, with only one exception, Iran. There is a growing strategic importance of the military cooperation between China and the Middle East, to both sides.

Cultural Integration: Beyond pure interests

China is putting a lot of effort into Soft Power in the Middle East, and emphasizing the importance of mutual coexistence and development of both civilizations. In recent years China is sponsoring more cultural activities in the Arab world⁷⁵. In the new millennium, China strengthens its ties with the Arab world through several mutual forums that includes both China and Arab countries. The Sino-Arabian Cooperation forum, established in 2004 is meeting once every two years in one of the member countries⁷⁶. The members of the forum are the 22 Arab League members and China. The forum mainly deals with economic issues, but also discusses geostrategic issues such as the Israeli-Palestinian peace process, and even simple issues such as media cooperation.

The Sino-Arabian forum is viewed by Middle East as an important mechanism to improve its relations with the China. On September 2004, eight months after the Chinese president Hu Jintao visited the Arab League headquarters and announced on the establishment of the forum, China's foreign minister, Li Zhaoxing, signed the forum treaty in Cairo⁷⁷. The forum is promoting the bilateral trade. The trade between China

⁷⁵ Yufeng Mao, "China's Interests and Strategy in the Middle East". In *China and the Developing World: Beijing's Strategy for the Twenty-First Century* ed. by Joshua, Eisenman, Eric, Heginbotham and Derek Mitchell. (Armonk, N.Y. : M.E. Sharpe, 2007), 123-124.

⁷⁶ The last meeting held in May 2010, was in Beijing.

⁷⁷ 'Chinese FM Attends Sino-Arab Cooperation Forum in Cairo' – Website of Embassy of the People's Republic of China in the Arab Republic of Egypt. September 15, 2004, <http://eg.china-embassy.org/eng/zagx/t157535.htm> (accessed May 5, 2010)

and the Arab League members has grown from 25.4 billion USD in 2003, to 132.9 billion USD in 2008⁷⁸.

The relations between China and the Middle East are not evolving only around economic issues. There is an interest to promote the education and cultural ties between China and the Middle East. Several agendas written in the program for the Sino-Arabian Cooperation Forum, are discussing the need to strength the relations in other fields besides the economic. Amr Moussa, Secretary General of the Arab League, called the Arab countries to know more about China, and called for more cultural cooperation, such as books translations, and scientific research⁷⁹.

In his last visit to China, on May 2009, Kuwait Amir Sheikh Sabah Al-Ahmad, has signed five agreements on energy, infrastructure, education, sport and environmental protection. In the same visit, Kuwaiti KFAED, mentioned earlier, agreed to provide 24 million USD soft loans for environmental protection, and development project in Xinjiang⁸⁰ Saudi Arabia is providing scholarships for Chinese students to study in the Kingdom's academic institutions. Since 2006 King Abdullah has also provided hundreds of scholarships for Saudi students to study in China. The fact that Saudi Arabia, was the largest aid donor in 2008 Wenchuan earthquake, can tell more than anything else about how close the relations between the ties are.

⁷⁸ Xinhua, "China, Arab World Working on New Silk Road", Xinhua, May 13, 2010, http://news.xinhuanet.com/english2010/china/2010-05/13/c_13292874.htm (accessed October 23, 2010)

⁷⁹ Xinhua, "Arab Countries Need to Know More About China: Moussa", Xinhua, May 13, 2010 http://news.xinhuanet.com/english2010/china/2010-05/13/c_13293370.htm (accessed October 23, 2010)

⁸⁰ Kuwait Times, "KFAED Plans Education Project in China", *Kuwait Times*, May 12, 2009 http://www.kuwaittimes.net/read_news.php?newsid=MTM2MDc4MTcyNw== (accessed October 17, 2010)

Islam Based Relations: A bridge between China and the Middle East

The relations between China and its Muslim population, especially the Uyghur population in Xinjiang, is another important aspect for the relations between China and the Middle East. In its early days, the Arab countries were suspicious about the intentions of the PRC, regarding its Muslim population. Furthermore, they looked upon the occupation of Xinjiang and suppress of Chinese Muslims as a conflict with Islam. In 1950, the “Turkestani community” in Cairo complained to King Ibn about the chaos and attacks on Muslims following the occupation of Xinjiang. In 1951 Turkestani circles in Cairo and Karachi complained about the Chinese communist suppress of Muslims, closing Muslim schools, appointing new imams etc.⁸¹.

In similarity to other ethnic minorities groups, the Muslims in China have suffered during the chaotic first three decades, after the establishment of the PRC. However, it was back in the late 1970’s that China started to understand the potential it has, for using the Muslim population, as a bridge to the Arab world. On the other hand, Middle East Muslims take advantage of the close relations with China to improve the Chinese Muslim population situation. Starting from 1979 Chinese pilgrimage delegations are participating in the Haji to Saudi Arabia. Muslim delegations often visit Xinjiang, Ningxia, and other Chinese community. Foreign funds from the Middle East have been used to reopen or establish mosques and Muslim schools, donate Korans and other religious materials books, and as mentioned earlier fund scholarships.

Nevertheless, there is another side to this coin, which is the Chinese communist regime, which finds itself sometimes in conflict with the Muslim population. The Muslim

⁸¹ Yitzhak Schihor, *The Middle East in China's Foreign Policy, 1949-1977*. (Cambridge ; New York : Cambridge University Press, 1979), 17-18.

world response to the July 2009 riots in Xinjiang is the strongest evidence concerning the good connections between Chinese leaders and Middle East leaders. Beijing was very careful in handling the riots, in order to keep its good relations with the Muslim world⁸². The Muslim reaction was rather mild, and barely existed. No Arab country responded to the riots. The Turkish reaction was very severe, as President Erdogan accused the Chinese for 'genocide'. Iran's reaction was very mild and in order to keep the close relations with China⁸³.

The Second Gulf War: Hesitative Chinese reaction

The first Gulf War ended in an Iraqi withdrawal from Kuwait, but Iraq was still considered as a threat to the Western world. In the aftermath of the First Gulf War, China wanted to use the potential of the Iraqi economy and therefore supported UN resolutions that called to lift the sanctions against Iraq. China along with Russia and France found themselves in constant conflict with the American-British front. The Security Council was in a blockade, regarding the sanctions. The American-British veto power, made it impossible to lift the sanctions that were decided during the first Gulf War. Furthermore, China tried to prevent any further foreign intervention in Iraq's internal issues. In 1997 for instance, China abstained UN Security Council resolutions condemning the refusal of the Iraqi authorities to allow access to sites designated by the UN Special Commission⁸⁴.

The Sino-Iraqi agreement of al-Ahdab oil field, might tell the difficulty for the Chinese of lifting the sanctions. China invested in the Iraqi oil, and signed in 1997 a 1.26

⁸² Raphael Israeli, "China's Uyghur Problem" *Israel Journal of Foreign Affairs* 4 (1,2010): 92.

⁸³ *Ibid.*, 96

⁸⁴ Sally Morphet, "China as a Permanent Member of the Security Council : October 1971-December 1999" *Security Dialogue* 31(June, 2000): 163.

billion USD deal with Saddam Hussein Government, for the development of al-Ahdab oil field, the deal was dependent on the removal of the sanctions and that in 2003, after the American invasion⁸⁵. It was only in 2009 when the deal was resumed and took into action⁸⁶. It is important to notice that although Chinese diplomacy tried to stand by Iraq, it had not prevented the British and American military forces to strike Iraq in December 1998.

The sanctions have created a heavy burden on the civil society, but did not affect the Iraqi regime. Slowly there was a strong black market created in Iraq. There was a partial success to ease the sanctions with the decision to implement the UN resolution 986, Oil for Food program in 1995⁸⁷. The Security Council controlled the Iraqi oil export, the revenues for the oil were allocated between humanitarian programs, Gulf War compensation, and UN expenses for weapon inspection and humanitarian purposes⁸⁸. The program ended in 2003, proved to be full of corruption, with bribe money given in the shape of oil coupons in return for assistance and payment to Saddam Hussein.

Following the September 11 attacks, the U.S. decided on its war against terror. The American investigation following the September 11 attacks led to Iraq. In addition, Iraq was accused for developing weapons of mass destruction. Unlike the First Gulf War, China had a much stronger position in the Security Council. The Chinese economy was much stronger than before, and China had more tools to influence the other decision

⁸⁵ Business Monitor, "China-Iraq Renegotiating Al-Ahdab Oil Field" *Business Monitor*, March 2008 <http://www.oilandgasinsight.com/file/62433/> (accessed May 13, 2011)

⁸⁶ People's Daily, "China kick starts al-Ahdab oil field project in Iraq", *People's Daily*, March 11, 2009 <http://english.peopledaily.com.cn/90001/90778/90857/90860/6612018.html> (accessed May 13, 2011).

⁸⁷ U.N. Security Council, 3519th Meeting. "Resolution 986 (1995) [authorization to permit the import of petroleum and petroleum products originating in Iraq, as a temporary measure to provide for humanitarian needs of the Iraqi people]" (S/RES/986). 14 April 1995.

⁸⁸ David M. Malone, *The International Struggle Over Iraq*. (Oxford ; New York: Oxford University Press, 2006).

makers. Despite the fact that China, Russia, and France, resisted an invasion to Iraq, the Americans managed to take over Iraq, together with the British, and capture Saddam Hussein, without the support of the Security Council.

In order to secure the supply of oil, China was looking for a stable Middle East. Due to the fact that Beijing was much stronger interacted with the Middle East, than the First Gulf War and Iraqi oil was more important to Beijing, China had to keep the stability in Iraq and resist any attack that might interrupt the Chinese interest in the Iraqi market. Chinese foreign minister, Qian Qichen tried to convince the Americans, that there are no weapons of mass destruction left in Iraq. However, it seems like China did not do enough to prevent an attack on Iraq. Iraq failed in creating a strong interdependence equation with China. Paris-Moscow-Beijing trio gave up to Washington-London 'war against terror' policy.

According to Yitzhak Shichor, China had increased its oil import from Africa and Russia, one month before the outbreak of the Second Gulf War. Despite the sanctions, China was involved before the war started, in 7 billion USD worth projects⁸⁹. In calculating the temporary halt of projects in Iraq vis-à-vis Beijing's relations with Washington, Beijing chose Washington once more in favor of Iraq.

Despite the Chinese objection, the U.S. invaded Iraq and opened a war. The Chinese kept low profile in resisting the war and this attitude might help China to take more active part in the rehabilitation of Iraq after the war. China considered Iraq rehabilitation as an important cause. Iraq has the world's second largest oil reserves, while taking part of Iraq rehabilitation China wanted to secure itself more energy

⁸⁹ Yitzhak Shichor, "Decisionmaking in Triplicate: China and the Three Iraqi Wars". In *Chinese National /security Decisionmaking Under Stress* ed. by Andrew, Schobell and Larry M., Wortzel (Virginia: Colonial Printing, 2005), 213-214.

resources and business opportunities. From a Chinese point of view the reconstruction of Iraq, should not be an American task like it was primarily done after the American invasion to Iraq. In April 2003, short time after the American operation started in Iraq, the Chinese State Councilor, Tang Jiaxuan have raised the Chinese principles for the reconstruction of Iraq. “First, the political independence, unity, sovereignty and territorial integrity of Iraq should be respected and preserved; Second, the post-war arrangements and other issues including economic reconstruction should be conducted within the UN framework, giving full play to the United Nations' important role; Third, the will of the Iraqi people and their choice about their future should be fully respected; Fourth, all nations' legitimate interests in Iraq should be respected and protected; and Fifth, the resolution of the Iraq issue should help promote long-term peace and stability in the Middle-east and in the Gulf region, especially in Iraq”⁹⁰.

⁹⁰ Xinhua, “Chinese State Councilor on principles for Reconstruction in post-war Iraq”, *Xinhua*, April 18, 2003 http://news.xinhuanet.com/english/2003-04/18/content_840026.htm (accessed February 27, 2010)

Chapter IV: Iran-China Relations

As previously presented, during Mao's era the Chinese foreign policy was influenced by its relations with the Cold War Superpowers. Iran was no exception. Teheran's close relations with the U.S., along with the Shah's fear of Communism, kept Iran resisting the Soviet camp, and allying with Washington. The Shah enjoyed American support against Communist forces and other Communist intervention that threatened his regime. During the Shah's regime, China in similarity to Beijing's effort in other countries, tried to establish diplomatic relations with Iran, but Beijing's Communist ideas frighten Teheran. The Sino-Soviet split decreased the Iranian fears from China. From Iranian perspective, Beijing was less a threat than Moscow, providing Iran an option to bargain with the Superpowers⁹¹.

The new approach in Beijing-Washington relations changed the Iranian perceptions regarding the 'Eastern Dragon' as well. Eventually, in August 17, 1971, China and Iran announced the establishment of diplomatic relations. The common fear of the Soviet enemy, was the foundation of the relations, however both sides had strengthen the ties in all fields. For example, in 1974, during Chinese Minister of Foreign Trade, Li Qiang, visit in Teheran China, signed a crude oil import agreement for the first time⁹². The peak point of the ties during the 1970's was CCP chairman, Hua Guofang's, visit to Teheran in August 1978. It was the first visit by a high ranking Chinese official to Iran. However, the Islamic Revolution that started a few months later put the relations into test.

⁹¹ John W. Garver, *China and Iran: Ancient Partners in a Post-Imperial World*. (Seattle : Univ. of Washington Press, 2006), 30-38.

⁹² John Calabrese, *China's Changing Relations with the Middle East*. (London ; New York : Pinter Pub, 1991), 87.

In retrospect, the timing of the visit could not been worse successful. Hua visited Iran when the crisis between the Shah and the opposition was at the peak. Few months later, the crisis turned into a revolution. The Islamic Revolution found China in a difficult situation. China's close relations with the Shah's regime were anathema by the new Islamic regime. It is reported that in July 1979 Hua Guofang apologized to Khomeini for his 1978 visit⁹³. China tried to bridge the gaps with the new regime in Teheran. Several Islamic delegations were sent to Iran to meet with high rank Iranian leaders. However, important regional developments were the most important catalyst. The Iran-Iraq War led both sides into each other "arms". Beijing's fear of Soviet intervention led to a massive weapon supply to Iran, which brought China closer to Iran. Teheran's desperate need to break the weapon embargo found a solid support in Beijing. The result as described in the first chapter was a massive weapon supply to Iran from Beijing.

After the Cold War, China and Iran strategic partnership started to grow. The Iran-China ties developed within a specific context where China's essential need for energy resources met Iran's need for security and capital. Both sides had mutual interest in strengthening the ties. China viewed Iran as an important energy supplier and a source of investment, while Iran viewed the oil as an option to strengthen the economic relations, and its own economic situation that suffered from a long war⁹⁴. Similar to other Middle Eastern countries, China saw Iran as a potential market for its commercial goods, and massive infrastructures projects.

⁹³ Aqil Hyder Hasan Abidi, *China, Iran and the Persian gulf*. (New Delhi: Radiant Publishers, 1982), 174-175.

⁹⁴ Edward Burman, *China and Iran: Parallel History, Future Threat?* (Stroud, Gloucestershire [England] : History Press, 2009), 113-122.

Following the successful weapon supply during the Iran-Iraq war, both Iran and China hoped to maintain strong military ties in the years to come. Today, China is Iran's largest trade partner with 29 billion USD, and Iran is one of the only countries in the world to have trade surplus with China. Iranian export to China in 2009 was 11.65 billion USD, and the import from China was 8.35 billion USD⁹⁵. Strategically, Iran hopes that strong relations with China will help Iran to oppose the strong American domination in the Gulf, after the Cold War.

Despite China's growing involvement in international affairs and Beijing's growing commitment to the international community and to the sanctions imposed by the UN Security Council, as will be presented in this chapter, Chinese companies still find their ways to assist the Iranian nuclear plan, and supply weapons to Iran. In his research about China's Weapons of Mass Destruction system of export control, Evan Medeiros, pointed on the Chinese bureaucracy low motivation to investigate such an export, vis-à-vis the Chinese firms high motivation to make easy profit, as the reason for Chinese involvement in WMD export in the past⁹⁶. However as the pressure from the United States becomes stronger, the Chinese government impose harder inspection on its export⁹⁷. The supervision on export is very complex and includes different governmental ministries. The top-tier players in the process include the Ministry of Commerce, the Ministry of Foreign Affairs, the General Administration of Customs, the China Atomic Energy Agency, the CWC Implementation Office, the Commission on Science, Technology, and Industry for National Defense, the Ministry of Public Security/Public

⁹⁵ "Economy: Iran" – The World Fact Book – CIA Website <https://www.cia.gov/library/publications/the-world-factbook/geos/ir.html> (accessed (July 12, 2010)).

⁹⁶ Evan S. Medeiros, *Chasing the Dragon: Assessing China's System of Export Controls for WMD-Related Goods and Technologies*. (Santa Monica, CA: RAND Corporation, 2005), 9.

⁹⁷ *Ibid.*, 17.

Security Bureau, and, in some cases, the General Armaments Department, of the People's Liberation Army.

Since the Chinese economy is based on export, the mission of enforcement the rules against export sensitive technologies, creates a dilemma for the Chinese bureaucrat⁹⁸. The question of WMD distribution is in the center of the tension between China and the West. Nevertheless, Chinese assistant to the Iranian nuclear plan, and weapon supply to Iran is also important aspect in the bilateral relations.

Iran holds great geostrategic significance for China. Iran is not only one of China's largest oil providers, but also a key potential energy transport hub between the Middle East, Central Asia, and Europe. The relationship is asymmetrical, though: due largely to its economic isolation, Iran needs China more than China needs Iran. Apart from the economic factor, the Iranians are trying to use China in their struggle with the U.S. for regional hegemony. Unlike in the Cold War days, China does not choose a side in this struggle, and unlike the Soviets, China is not interested in controlling the region. China's close economic ties with both Americans and Iranians enable Beijing to maneuver between them.

Iran's Nuclear Plan: Iran taking advantage of China

Iran's nuclear plan traces back to 1957, when Iran and the U.S. signed a civil nuclear cooperation agreement as part of the Eisenhower's 'Atoms for Peace' program, which provided technical assistance, leased several kilograms of enriched uranium, and called for cooperation in research on the peaceful uses of nuclear energy. In order to dismiss doubts regarding its nuclear plan, Iran signed the Non-Proliferation Treaty (NPT)

⁹⁸ Ibid., 88.

in July 1968. By the 1970's, France and Germany joined the United States in providing assistance to the Iranian nuclear program. By the mid-1970's Iran signed contracts with Western firms including France's Framatome, and Germany's Kraftwerk Union to build two reactors in Darkhovin, and Bushehr. However, the western support was soon replaced by a fear from Iranian nuclear weapon capabilities. In June 1974, the Shah declared that Iran will have nuclear weapons. The statement was later denied, but in February 1975 the Shah said that his country has "no intention of acquiring nuclear weapons but if small states began building them, then Iran might have to reconsider its policy"⁹⁹. The fears became much stronger after the Islamic revolution in 1979. Following the Islamic revolution, both France and Germany eventually canceled their contracts in Darkhovin and Bushehr¹⁰⁰.

Iran started to look for alternatives. Pakistan, North Korea and China, provided Tehran assistance to its nuclear plan. In December 1984 China helped Iran establishing a nuclear research center in Isfahan, and a year later China supplied Iran with a nuclear reactor. In the late 1980's China trained engineers for the Iranian Atomic Energy Organization. In 1991 according to an Iranian opposition group, Iranian scientific and technical delegation, visited China and North-Korea in order to purchase nuclear and ballistic missiles technologies. As part of its growing role in the international community, China began to adopt non-proliferation norms, only in the 1990's¹⁰¹. In March 1992, China signed the 'Non Proliferation Treaty', and committed itself not to transfer or to help acquisition of nuclear weapons by non-nuclear states. According to intelligence

⁹⁹ By saying small states, the Shah meant Israel and Pakistan.

¹⁰⁰ Iran's Profile Nuclear Chronology in Nuclear Threat Initiative Website: <http://www.nti.org>

¹⁰¹ Gerald Chan, *China's Compliance in Global Affairs*. (Hackensack, N.J. : World Scientific Pub, 2006), 140.

agencies, China did not supply any nuclear weapon assistance. However the nuclear assistance continued at least until May 2004 when China joined the Nuclear Suppliers Group control list, and signed a dual-use nuclear export control protocol.

In September 1992, during Iranian president Rafsanjani's visit to Beijing, the two countries reached a 900 million USD agreement on selling two Chinese 300 MW reactors to Iran. Three years later, U.S. Secretary of State, Warren Christopher, failed to convince China to halt the transfer of the reactors. The Americans were worried that the reactors will be used to enrich uranium to such a level that can be used for a nuclear bomb. The Chinese however denied all the accusations and claimed that China never exported any sensitive technology or equipment concerning reprocessing and enrichment of uranium and production of heavy water¹⁰². Eventually the agreement was canceled, due to economic problems in Iran¹⁰³.

In 1997, Chinese Foreign Minister Qian Qichen, , pledged in a letter to U.S. Secretary of State Madeleine Albright, that China will cease all new nuclear assistance to Iran. Despite this commitment, China was accused several times for keeping on negotiating with Iran about assisting Teheran in its nuclear plan. Nevertheless, American officials and the CIA support Beijing's claim for innocence regarding this issue. Furthermore, the deputy head of Iran's atomic energy organization confirmed that China is no longer working with Iran on nuclear projects. In November 2003 China supported the International Atomic Energy Agency decision to further inspect Iran's nuclear program. The Chinese delegation announced the UN that Beijing supports further

¹⁰² "White Paper-- China: Arms Control and Disarmament" - Information Office of the State Council of the Peoples Republic of China. November 1995.

¹⁰³ China's Nuclear Exports and Assistance to Iran – Statement and Developments in Nuclear Threat Initiative Website: <http://www.nti.org/db/china/niranchr.htm> (accessed April 10 2011)

inspections in Iran by the IAEA within its authorization and encourages Iran to clarify its nuclear activities by cooperating with the IAEA¹⁰⁴.

In order to prevent Iran from achieving nuclear abilities, and because of the Iranian refusal to cooperate with the IAEA and stop the enrichment of uranium, the UN Security Council had imposed sanctions against Iran. As a permanent member in the UN Security Council, China finds itself in a conflict, between its obligation to the Non Proliferation Treaty and regional stability, and its dependence on Iranian energy. China's foreign policy is traditionally in favor of a peaceful solution through negotiation and not through sanctions and external intervention. Therefore, China used its power in the Security Council to soften the sanctions against Iran in a way that will allow the Chinese to proceed with their interests in Iran.

During 2006-2008, the UN Security Council adopted three resolutions regarding sanctions on Iran. The three resolutions, 1737, 1747, 1803, have focused on preventing Teheran from progress in its nuclear program, and improving its military capabilities. According to the sanctions, assets of individuals and companies, involved in the Iranian nuclear plan and in the Iranian missile program, were frozen. China and Russia have agreed on these sanctions, but opposed any sanctions that could affect the Energy sector¹⁰⁵.

After two years of negotiations Beijing and Moscow finally agreed, in June 2010, to impose harder sanctions on Iran. UN Security Council resolution 1929, had "expanded the weapons embargo and tightened restrictions on financial and shipping enterprises related to 'proliferation-sensitive activities'... the Council decided that Iran should not

¹⁰⁴ Ibid

¹⁰⁵ U.N. Security Council, 5848th Meeting. "Resolution 1803 (2008) [Non-proliferation]" (S/RES/1803). 3 March 2008.

acquire interests in any commercial activity relating to uranium enrichment and other nuclear materials or technology in other States, and that all States should prevent the transfer to Iran of any tanks, armored combat vehicles, large-caliber artillery systems, attack helicopters, or missiles and related systems or part”¹⁰⁶. The Chinese UN ambassador, Li Baodong, said after the resolution “it (the sanctions) should help promote the current momentum of world economic recovery and avoid any impact on normal life of Iranian people and legitimate economic and trade relation between Iran and other states. The action taken by the Security Council should be appropriate, incremental, clearly targeted, and in line with the actual practice of Iran in the nuclear field, and it should reinforce the diplomatic efforts to resolve the Iranian nuclear issue¹⁰⁷”. As a permanent member of the Security Council and key Iranian ally, China could have vetoed the sanctions, but after considerable international pressure agreed to support them.

According to Xu Wei, Chinese Deputy Director of Ministry of Foreign Affairs West Asian Affairs Department Iran Division, Beijing does not see the Iranian developing of nuclear weapon as an immediate concern. In addition there are several other Chinese officials that doubt the Iranian abilities to achieve nuclear weapon¹⁰⁸. By helping Iran to progress with its nuclear plan, China pays their share in the interdependence relations. Regarding the nuclear plan, Iran is very sensitive for any change in the Chinese policy.

¹⁰⁶ U.N. Security Council, 6335th Meeting. "Resolution 1929 (2010) [Non-proliferation]" (S/RES/1929). 9 June 2010.

¹⁰⁷ 'Explanation of Vote by Ambassador Li Baodong on New Security Council Resolution on Iran Nuclear Issue' - Permanent Mission of the People's Republic of China to the UN, 9 June, 2010 <http://www.china-un.org/eng/hyfy/t707686.htm> (accessed October 30, 2010)

¹⁰⁸ Wikileaks, "PRC/Iran: China Seeks Clarity on U.S. Iran Policy, Offers Help in Talking to Iran", Wikileaks, 29 November, 2010 <http://213.251.145.96/cable/2009/03/09BEIJING560.html> (accessed December 5, 2010)

Energy Relations: Chinese capital for Iranian energy

Since Iran is OPEC second largest oil producer, second only to Saudi Arabia, the energy sector is Teheran's main export. During the Cold War, Iran based its close relations with the West on its natural resources. Washington's relations with Teheran were based on preventing the Soviets from getting an access to Iran's oil and gas fields. However, the Islamic revolution led to a complete elimination of the relations between Teheran and Washington. After the revolution, Iran was treated as a pariah state by the West, thus Iran started to look towards new market in East Asia. Japan was always an important market for post revolutionary Iran.

China's decision to import crude oil in 1993 opened another important market for the Iranians. Japan and China are the two largest markets for Iranian oil export today. According to Chen Wen-Sheng, China began to increase its oil import from Iran in the mid 1990's, as part of Beijing's 'Leapfrog Strategy in the energy Field', to secure more energy supply from overseas. In May 1995, Beijing negotiated with Tehran to increase oil imports from 20,000 barrels to 60,000 barrels per day. Beijing's imports from Iran averaged approximately 12.5% of China's total oil imports during 2002–2008¹⁰⁹. Iranian oil is important to China, Iran is currently China's third biggest oil supplier after Saudi Arabia and Angola. Despite the pressure from the Western world, to harden the sanctions against the Iranian economy in order to stop Iran's nuclear plans, National Iran Oil Co signed in January 2011 two new deals with Zhuhai Zhenrong Corp. and Sinopec for the export of 460,000 barrels per day¹¹⁰.

¹⁰⁹ Wen-Sheng Chen, "China's Oil Strategy: 'Going Out' to Iran". *Asian Politics & Policy* 2(1, 2010): 46.

¹¹⁰ Reuters, "China Renews Iran Crude Deal with Steady Volume-Sources", *Reuters* 20 January, 2011
<http://www.reuters.com/article/idUSTOE70K02B20110121> (accessed January 21, 2011)

China's importance to the Iranian energy sector grew further after U.S. President, Bill Clinton, has initiated the 'Iran and Libya sanctions act' in 1996. Taking advantage of its hegemony, after the Cold War, the American congress enacted the act. The sanctions put some limitations on firms from doing business with Iran and Libya. According to the act, companies were forbidden to invest more than 20 million USD in Iran, therefore oil investments were impossible. Chinese energy giants entered the gap created by the Americans¹¹¹.

In the 1990's, western companies undertook majority of investments in Iran's energy sector. By the late 1990's and 2000 things changed as the controversy over Iran's nuclear program gradually resulted in political pressure and eventually divestment and discouragement of oil giants from investing in Iran. Mahmoud Ahmadinejad's intentions of achieving nuclear weapon made the Western world more aware of the importance of sanctions against Iran. Given the fact that energy is the leading Iranian export, economic sanctions against Iran have affected the energy sector. In 2006 the 'Iran and Libya Sanctions act' was updated, Libya's name was taken out, making it 'Iran Sanctions act'¹¹². Following the UN Security Council 1929 Resolution, the EU imposed sanctions on Iran in October 2010, and put restrictions on foreign trade in general and several energy related companies in particular¹¹³.

According to Erica Downs and Suzanne Maloney, "Driven by economic interests, as well as sympathy for Iran's grievances, China is the only major player still active in the

¹¹¹ H.R. 3107--104th Congress: Iran and Libya Sanctions Act of 1996. (1996). In *GovTrack.us (database of federal legislation)* <http://www.govtrack.us/congress/bill.xpd?bill=h104-3107> (accessed April 15, 2011)

¹¹² H.R. 2194--111th Congress: Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010. (2009). In *GovTrack.us (database of federal legislation)* <http://www.govtrack.us/congress/bill.xpd?bill=h111-2194> (accessed April 15, 2011)

¹¹³ According to Article 16 in the EU council Regulation No. 961/2010

Iranian oil patch. Whereas firms from most other countries have retreated due to international pressure and Iran's unfavorable business climate, China and its companies adhere only to the letter of Resolution 1929, which contains no explicit restrictions on energy investment or trade. China has thus emerged as the linchpin of the international sanctions regime against Iran and, by extension, of the effort to forestall Iran from acquiring a nuclear capability¹¹⁴, therefore the attractiveness and the importance of the Chinese only grew following the sanctions imposed on Iran.

The core of the energy relations today is not the direct energy trade between the sides, but the Chinese mass investments in the Iranian energy sector. Yadavaran oil field is the symbol for the strength of Sino-Iranian energy relations. Located in southwest Iran, Yadavaran field is actually two fields that were connected to each other. The first field was discovered in 2000 named Koushk and the second one discovered in 2002, named Hossienieh. Yadavaran is the largest untapped oil field in the world, and it has potential of 300,000 crude oil barrels per day. In 2004, Iran started to negotiate with China's state owned energy giant Sinopec about developing the oil field. In 2007, Sinopec signed a 2 billion USD agreement with Iran to develop the field. According to the agreement, Sinopec will buy 10 million tons of liquefied natural gas every year, for 25 years. The total worth of the deal is 100 billion USD¹¹⁵.

Another major Chinese oil firm, CNPC signed two major deals for the development of Azadegan oil field. The deals for the development of the northern and southern parts of the field totaling 4.5 billion USD were signed in 2009. CNPC have also signed a 4.7 billion USD contract with Iran for the development of South Pars gas field

¹¹⁴ Erica Downs Suzanne Maloney, "Getting China to Sanctions Iran". *Foreign Affairs* 90(2, 2011): 15.

¹¹⁵ Teheran Times Economic Desk, "SINOPEC Starts Yadavaran Oilfield BOD Cooperation". *Teheran Times International Daily*, 18 September ,2008. pp.3

and replaced the French energy giant Total¹¹⁶. The reason for Total's withdraw from the deal was heavy American pressure. Total is not the only western company to reconsider its relations with Iran. British Petroleum, halted investments larger than 20 million USD, after the 'Iran and Libya sanctions act', and did it once more in 2009. Royal Dutch Shell, Norway's Statoil and Italy's ENI, have all decided to stop their activities in Iran, in order to evade penalties from the American's and the EU. Japan's Inpex sold some of their shares in Azadegan field to CNPC. Japan, South Korea and Australia have also imposed some sanctions on Iran, following the UN Security Council Resolution 1929¹¹⁷. Understanding the importance of the energy sector to the Iranian economy, the UN Security Council used energy as an incentive for Iran to cooperate with its nuclear inspector team¹¹⁸.

Due to the great importance to its economic development, China is interested in separating between the energy sector, and the negotiations about the Iranian nuclear plan. According to WikiLeaks Chinese Ministry of Foreign Affairs, Arm Control Director General, Cheng Jingye, was saying: "... there is a "misunderstanding" on the part of the United States. China has made clear its need for energy resources and has previously stated that its cooperation with Iran on energy has nothing to do with the Iran nuclear issue"¹¹⁹.

¹¹⁶ Reuters, "Factbox: Iran's Major Oil Costumers, Energy Partners" *Reuters*, 18 August, 2009

<http://www.reuters.com/article/idUSTRE57H1UJ20090818?pageNumber=1> (accessed October 30, 2010)

¹¹⁷ John Pomfret, "Major Oil Companies in Europe Pledge to End Iran Investments" *The Washington Post* 1 October, 2010 <http://www.washingtonpost.com/wp-dyn/content/article/2010/09/30/AR2010093007055.html> (accessed October 30, 2010)

¹¹⁸ UN Security Council Resolution 1929 is using the energy incentive. U.N. Security Council, 6335th Meeting. "Resolution 1929 (2010) [Non-proliferation]" (S/RES/1929). 9 June 2010.

¹¹⁹ Wikileaks, "Staffedel Januzzi Discusses Nonproliferation, Iran, and Dprk, With MFA Weapons Control Director General", *Wikileaks*, 29 November, 2010 <http://213.251.145.96/cable/2008/03/08BEIJING1141.html> (accessed December 5, 2010)

Although Iran is OPEC's second largest crude oil exporter, has the third largest crude oil reserves, and is the fourth largest oil exporter, the Iranian refineries are in low level and Iran is a major gasoline importer. As the sanctions get tighter, Iran finds it difficult to import gasoline from other countries. It is reported that Chinese companies have replaced other European companies supplying gasoline to Iran. Chinaoil, sold a total 600,000 barrels worth 55 million USD, Unipecc, and Zhuhai Zhenrong, along with other Russian firms, were the major gasoline exporter to Iran in 2010¹²⁰. According to the U.S. Government Accountability Office report, the three Chinese companies mentioned above, continued to export refined petroleum to Iran, despite UN Security Council Resolution 1929¹²¹. Although Iran's gasoline import has decreased, it still has the Chinese option. From the Chinese point of view, a new market has been opened.

Economic Relations: Chinese investments in Iran

Apart from the energy sector that is centering most of the bilateral economic relations between the sides, there are several other aspects that also increase the importance of the bilateral economic relations. The strong relations between the two countries seem to influence the business atmosphere between the sides. Both sides have their interest in increasing the trade between them. Iran isolated economy can find a welcoming business environment in China, while China is interested in decreasing its

¹²⁰ Luke Pachymuthu, and Seng Li Peng, "Exclusive: China's Top Oil Firms Sell Gasoline to Iran-Trade", *Reuters*, 14 April, 2010 <http://www.reuters.com/article/idUSTRE63D1CY20100414> (accessed October 30, 2010)

¹²¹ 'Firms Reported in Open Sources to Have Sold Iran Refined Petroleum: Products between January 1, 2009, and June 30, 2010' - United States Government Accountability Office, September 3, 2010 <http://www.gao.gov/products/GAO-10-967R> (accessed May3 2011)

trade deficit with Iran. Apart from the economic incentives, it is important for Teheran to deepen its relations with its closest ally in the UN Security Council.

In similarity to other Middle Eastern states, Chinese firms have signed some major infrastructure projects in Iran. Tehran Metro project was one of the first Chinese civilian projects in Iran. Despite the fact that China did not have a developed metro system in the early 1990's when the bidding went under way, China's CITIC won the bid for the project. It is believed that the great support by the Chinese government convinced the Iranian to choose the Chinese offer. In March and May 1995, 573 million USD contracts were signed between CITIC a Teheran Urban and Suburban Railway Company. In June 2000, during President Khatami's visit in Beijing, China agreed to finance and provide 500 million USD equipment for the extension of Teheran's metro. On May 2004, another Chinese company, Norinco won a 836 million USD bid for another extension. China totally invested 1.5 billion USD in the project¹²².

Another mega project, involving China is a railway line from Teheran to Khosravi, a town on the boarder with Iraq. This 2 billion USD railway line is part of a wider plan, to connect the Middle East to Beijing. This project also has strategic meanings for both China and Iran. From Iranian point of view, the railway will link Iran to Iraq, Syria and its Central Asian neighbors and will increase the Iranian influence in the region. From a Chinese point of view, such a project will give China vital overland freight route to Europe. In addition, the Chinese theoretically can use the land route in a state of war, when its sea route is blocked.

¹²² John W. Graver, *China and Iran: Ancient Partners in a Post Imperial World*. (Seattle: University of Washington Press, 2006), 261-264.

The sanctions imposed on Iran, have deterred the European countries and business community from dealing with Iran. Consequently, Iran is taking advantage of China rise by strengthening its ties with the Chinese economy. From Iranian point of view, China is a global force that can keep the Iranian economy stable. In order to keep close relations with Iran, China is trying to separate between the economic issue and the nuclear problem. “PRC-Iran economic cooperation should not be interpreted as an indication that China is not serious about concerns over nuclear proliferation or about working with the international community to deal with the nuclear issue”¹²³. However on the other hand, China is interested in decreasing the tension between Iran and Western world, in order to defend its massive investments in Iran. According to the American Embassy in Beijing, Li Guofu, Director of the Center for Middle East Studies at the Chinese Ministry of Foreign Affairs said, “...to prod the Iranians to show progress on the nuclear issue, the Chinese had warned them not to take China's economic interests in Iran for granted”¹²⁴. The Iranian economy is in high sensitivity to changes in the Chinese policy. The mechanism of energy for capital, create interdependence in the relations between the countries. However, as the sanctions against Iran are getting tighter it seems like Iran is becoming much more vulnerable.

¹²³ Wikileaks, “PRC/Iran: China Seeks Clarity on U.S. Iran Policy, Offers Help in Talking to Iran ” *Wikileaks*, 29 November, 2010 <http://213.251.145.96/cable/2009/03/09BEIJING560.html> (accessed December 5, 2010).

¹²⁴ *Ibid.*

Weapon Deals and Military Relations: Strengthening the Revolutionary Guards

Sino-Iranian military relations started during the Iran-Iraq War and since then have worried the Western world and Iran's neighbors. The United States has sustained the highest degree of opposition to Chinese weapons export to Iran. The United States watches Iran with a particular concern as a sponsor of international terrorism, as a threat to vital U.S. security interests in the Persian Gulf region and as a threat to U.S. allies in the Middle East, especially to Israel¹²⁵. The Americans are worried of a change in the regional balance of power because of the Chinese weapon supply. According to American intelligence Iranians transferred Chinese conventional weapons to militants in Iraq during the Second Gulf War. The U.S. is trying to press China to stop the conventional arms sales to Iran¹²⁶. From a Chinese point of view, Iran is a great market for Chinese weapons, enabling the Chinese to test their weapons in war time. In addition, the hard currency paid for the weapons assisted the Chinese economy in its early days of modernization.

In the 1980's during the Iran-Iraq War China supplied Iran with thousands of tanks, armored personnel vehicles, and artillery pieces, several hundred surface-to-air, air-to-air, cruise and ballistic missiles as well as thousands of antitank missiles, more than a hundred fighter aircraft and dozens of small warships. In addition, it is widely believed that China has assisted Iran in the development of its ballistic and cruise missile production capability, and has provided Iran with technologies and assistance in the

¹²⁵ Gill Bates, "Chinese Weapons Exports to Iran". *Middle East Review of International Affairs* 2(2,1998): 55-56.

¹²⁶ Wikileaks, "U.S.-China Security Dialogue Working Lunch: Strategic Security, Missile Defense, Space, Nonpro, Iran", *Wikileaks* 2 February, 2011 <http://213.251.145.96/cable/2008/06/08BEIJING2322.html> (accessed March 15, 2011)

development of its clandestine chemical and nuclear weapons programs¹²⁷. Apart from direct supply, China also supplied Iran with knowhow, technological support, and increased Teheran's capabilities of producing weapons. Despite the fact that China never signed the Missile Technology Control Regime, it agreed to abide its guidelines and parameters in 1991. However, there are several case studies indicating that China has not kept the promise.

Iran's most important strategic point is the Strait of Hormuz, the principal passageway for roughly two-fifths of the global oil trade. Therefore, Iran's anti-ship cruise missiles import and technology from China, is vital for Teheran to keep its control over the Strait of Hormuz. Starting from the mid 1980's China supplied Iran anti-ship cruise missiles. In that sense, the Silkworm missiles are the most important breakthrough in Iran's effort to create a tiebreak. In October 1987, Chinese made Silkworms shoot by Iran and hit an American owned tanker. In response, the U.S. has frozen any technology sales to China, including civilian technologies¹²⁸. However, China continued to supply Iran with anti-ship cruise missiles.

In the mid 1990's China provided C-802 cruise Missiles to Iran. Only in 1998, after 200 cruise missiles have already been supplied, Chinese Defense Minister Chi Haotian, promised to cancel all the cruise missiles deals with Iran¹²⁹, a promise that did not hold too long, when in 1999 Iran signed a 11 million USD deal with China, to upgrade Teheran's FL-10 cruise missiles¹³⁰. According to some sources, despite the UN

¹²⁷ Gill Bates, "Chinese Weapons Exports to Iran". *Middle East Review of International Affairs* 2(2,1998): 57.

¹²⁸ *Ibid.*, 58 .

¹²⁹ John Pomfret, "Cohen Hails Achievements in China Visit. *The Washington Post*, 20 January, 1998 pp. A11.

¹³⁰ Bill Gertz, "China Agrees to Deal With Iran on Missiles" *The Washington Post*, 19 August, 1999 pp.1.

Security Council sanctions, China assisted Iran to open a C-704 cruise missile plant in Iran on March 2010¹³¹.

Despite China's announcement, in August 2002, about new regulations concerning missile export, including end-user certification¹³², the reality is different. The end-user problem in China's weapon supply to Iran might be best presented in the coming case; In Summer 2006 Israel fought with Iran's protégé Hezbollah. During the war the Israeli Navy's Sa'ar 5-class was struck by an improved model of the Chinese cruise missile C-802, the Iranian cruise missile, Noor. Four sailors were killed during the attack which surprised the Israeli navy and caused some tension in Beijing's relations with Jerusalem and Teheran. China denied any direct supply to Hezbollah, or any other connection with the missile.

In addition to cruise missiles, China also supplied Iran with ballistic missiles. By having ballistic missiles, Iran is a threat to the American military bases in the region, and to its neighbors. According to Nuclear Treat Initiative, Beijing and Teheran signed and canceled several deals regarding the supply of M-9, M-11. However, Beijing supplied M-7 missiles, and apparently also assisted Iran in developing the Shahab-3, and Scud-B¹³³. Apart from that, according to some sources, Iran and China agreed on the selling of 24 J-

¹³¹ UPI, "China Opens Missile Plant in Iran", UPI 23 April, 2010
http://www.upi.com/Business_News/Security-Industry/2010/04/23/China-opens-missile-plant-in-Iran/UPI-82791272037022/ (accessed November 2, 2010)

¹³² Article 6 in Regulations of the People's Republic of China on Export Control of Missiles and Missile-Related Items and Technologies.

Regulations of the People's Republic of China on Export Control of Missiles and Missile-Related Items and Technologies – Website of China Atomic Energy Authority
<http://www.caea.gov.cn/n602670/n621894/n621897/32239.html> (accessed May 5, 2011).

¹³³ China's Missiles Exports and Assistance to Iran in Nuclear Threat Initiative Website:
[http://www.nti.org/db/china/miranpos.htm#\[13\]](http://www.nti.org/db/china/miranpos.htm#[13])

10 Chinese fighter jets¹³⁴. The military cooperation continued when Iran opened its airspace for Chinese airplanes in October 2010, during a Chinese-Turkish drill¹³⁵. In its tension environment it is important for Iran to have close military relations with the ‘Waking Dragon’. Despite the Chinese weapon supply, Beijing is not interested in any defense treaty with Iran. Teheran’s attempts to get into such a treaty with China and Russia through the Shanghai Cooperation Organization, were gently denied, as Iran is still waiting to upgrade its position from an observer to a full member in the organization.



¹³⁴ Richard Fisher Jr., “China to Sell J-10 Fighter Jet to Iran” *Accuracy In Media*, 2 November, 2007 <http://www.aim.org/guest-column/china-to-sell-j-10-fighter-jets-to-iran/> (accessed November 2, 2010)

¹³⁵ Press TV, “Iran Opens Airspace to China Warplanes” *Press Tv*, 3 October, 2010 <http://www.presstv.ir/detail/145078.html> (accessed November 2, 2010)

Chapter V: Israel-China Relations

The Jewish and Chinese civilizations are the most ancient civilizations known in the world today. After thousands of years in the Diaspora longing to come back to Zion Israel declared independence in May 1948. The PRC on the other hand, established their state a year later, in October 1949, after a long civil war against the Nationalist forces led by Chiang Kai-Shek. Israel and the PRC established their states in the late 1940's, however both went on separate ways ever since. While Israel May 14 1948 independence declaration gained support from both American and Soviets, and later in May 11, 1949 was approved by the U.N general assembly resolution 273, the PRC establishment in October 1, 1949 was supported by their Soviet Communist comrades, but was heavily resisted by the Americans and other Western powers. In its early years, Israel was still in an ideological split between East and West. Therefore, the split between the Communists and Nationalist in China placed Israel in a complex situation.

When the question of a Jewish state was raise in the UN, the ROC represented China in the UN. The ROC did not vote in favor of the UN 181¹³⁶ resolution for the partition of Palestine in November 29 1947. Nevertheless, its decision to abstain during the vote helped Israel to create the two-thirds majority needed to pass the resolution. After the nationalist withdrew to Taiwan, Israel decided to recognize the PRC as the legitimate government of China. From then on, Israel has not recognized the ROC. In its earlier years Israel was a socialist state that could have easily identified with the Communists ideas of the PRC. In its early days, Israel tried to establish full diplomatic relations with the PRC, but was denied by Beijing. After the Korean War, Israel decided

¹³⁶ U.N. General Assembly, 128th Plenary Meeting. " Hundred And Twenty-Eighth Plenary Meeting" (A/PV/128). 29 November 1947.

to step aside from its support of the PRC. Until the first Bandung conference in 1955, there were some meetings between Israeli and Chinese officials and the Israeli ambassador in Rangoon, David Hacohen met with Zhou Enlai during his visit to Rangoon in 1953¹³⁷. However, due to Arab pressure, both PRC and ROC did not recognize the state of Israel.

In accordance to the changes in the Chinese foreign policy, the Chinese approach to Israel started to change in the post-Mao era. After China failed in “teaching Vietnam a lesson”, during their war in 1979, the PLA started to look for advanced weapons that can give an answer to Soviet weapons in the battle field. Israel was one of the only countries able to supply this kind of weapons, and there are evidences that part of the PLA modernization during the 1980’s was achieved by purchasing Israeli weapons and technology¹³⁸. From a geo-political perspective, the peace treaty between Israel and Egypt and the declined Chinese support of the Palestinians, led to a slight improvement in the Israel-China relations, although such an improvement was not on official level. A March 1978 ‘People’s Daily’ editorial, presented a Chinese approach regarding the establishment of diplomatic Israel-China relations by offering a Chinese recognition in Israel, in return to Israel reducing what he called aggressiveness¹³⁹.

It took one more decade before the two countries advanced in the diplomatic field of their relations. Zev Sufott, an Israeli Ministry of Foreign Affairs senior diplomat, that later served as the first Israeli ambassador in Beijing, was one of the key figures behind

¹³⁷ Aaron Shai, *Sino-Israeli Relations: Current Reality and Future Prospect*. (Tel-Aviv: Institute for National Security Studies, 2009), 21.

¹³⁸ Yitzhak Shichor, “Mountains Out of Molehills: Weapons Transfer in Sino-Middle Eastern Relations”. *Middle East Review of International Affairs* 4(3, 2000): 73-75.

¹³⁹ John Calabrese, *China’s Changing Relations with the Middle East*. (London ; New York : Pinter Pub, 1991), 111.

the negotiations that eventually led to full diplomatic relations. In his book, 'A China Diary: Towards the Establishment of China-Israel Diplomatic Relations', Sufott revealed the Israeli enthusiasm for full diplomatic relations and the Chinese cautious approach towards its relations with Israel¹⁴⁰. As a small state, Israel was looking to take advantage of the new world order after the fall of the iron curtain. The end of the Cold War led to a change in the Israel-China relations, as such a move served the interests of both sides. On the one hand, there was Israel's close connection with the Western world, and improvement in the relations with the Arab world. On the other hand there was China's push for modernization, side by side with the Gulf War and China's need to regain the support from the West after the Tainanmen incident, have eventually led to full diplomatic relations between Jerusalem and Beijing, in January 24 1992. After establishing diplomatic relations with China, Israel had diplomatic relations with all five permanent members of the UN Security Council, a mission that seemed to be impossible few years earlier. It was an important development for Israel, a state that is in constant conflict with its neighbors, and facing UN Security Council resolutions often.

Since the Israeli and Chinese embassies opened in Beijing and Tel-Aviv high ranked officials paid several reciprocal visits, highlighted by Jiang Zemin six days visit to Israel in January 2000. Understanding the importance of China's position in world politics today, all four Israeli presidents have visited China since the establishment of the full diplomatic relations by the two countries. However, if one compares it to the frequent visits by their Israeli leaders and American counterparts, Israel and China relations lack any geostrategic dimension.

¹⁴⁰ Zev E. Suffot, *A China Diary: Towards the Establishment of China-Israel Diplomatic Relations*. (London ; Portland: Frank Cass, 1997).

The core issues involves in Israel-China relations are trade and weapon deals. Israel's innovative technology in the fields of hi-tech, agriculture and weapons found high demands in China. Some of the most important deals, especially in the agriculture sector and weapon deals have been signed between the governments. Apart from that, the Israeli government is encouraging local companies to deal with China. There are two main reasons for this policy: the first one is to decrease the Israeli trade deficit with China, and the second reason is to create closer relations between the countries through the economic sector. Israel and China trade in 2009 was influenced by the global economic recession and totaled in only 4.1 billion USD, 3.19 billion of it was Israeli import from China. However in 2010, the Israeli export to China has recovered to a record of over 2 billion USD, and the import from China has grown to 4.7 billion USD, a total of almost 7 billion USD, and if including Hong-Kong the number is almost double¹⁴¹.

Another important dimension in the relation that will be discussed in this chapter is the Arab-Israeli conflict. As mentioned earlier, the PRC took the Arab side in the conflict, and regarded Israel as a tool of Imperialism in the Middle East. Moreover, the PRC supported the PLO in their struggle against Israel. The establishment of full diplomatic relations with Israel had softened the Chinese position regarding the conflict. Since 2002, China is having a Special Envoy to the Middle East, to deal with the Arab-Israeli conflict among other regional conflicts. Appointing such an envoy by the Chinese Foreign Ministry reflects the change in the Chinese approach to the region. Appointing such an envoy reflects a change from the Mao's era when the Chinese traditional approach was of non-interference. AS China's role among the global decision makers is

¹⁴¹ "Israel's Foreign Trade by Countries – 2010"- Israel Central Bureau of Statistics- On Line Documents http://www.cbs.gov.il/reader/newhodaot/hodaa_template.html?hodaa=201116011 (accessed May 5, 2011).

growing, China is looking to be more involved in Middle Eastern issues. Nevertheless, the Chinese involvement in the Arab-Israeli conflict is not as significant as the American, the British or the European one.

Weapon Deals: From honeymoon to total crash

Unlike most of the weapon deals presented so far between China and other Middle Eastern countries such as Saudi Arabia, Iran, etc., the core of the Israel-China weapon deals is Chinese import. Starting from the late 1970's until 2000, China purchased from Israel weapons and military technology, for the improvement of its army. From a Chinese point of view, the Israeli weapons are based on advanced technology, and more important, have a proven record in the battle field. Israel proven experience in wars with its Soviet armed Arab neighbors, led into a growing innovation in the Israeli weapon industry. The Israeli and American weapon industries have been working together, in order to improve each other's military capabilities, resulting in the world most advanced weapon, intelligence and defense systems.

China's first weapons deal with Israel was in the post-Mao era, as China was waking up into a new world, a world where China lacked behind in innovation and advanced technologies. After its war with Vietnam, Beijing understood that after 20 years of isolation, its military forces need to rebuild their military capabilities. Thus it was not a surprise, that national defense was included in Deng's four modernization plan. From an Israeli point of view, the opening of the Chinese weapons market came in a good time, as Israel lost two of its biggest arm exports markets, in Iran and South Africa.

It is hard to know the exact amount of money involved in Israel weapon deals with China, as both sides tried to keep it in a low profile. In 1995 Israeli Ministry of Defense submitted a report to the U.S. State Department saying that the total value of weapons deals between Israel and China in 1990-1994 was \$31.5 million, exceeding \$10 million in only one year. According to that, Schihor was estimating that the most important long term deals were signed in the early 1980's¹⁴². The money coming from the weapon deals with China, prevented a crisis in the Israeli weapon industry, and above all, these weapons deals paved the way for the establishment of diplomatic relations between Jerusalem and Beijing. With no doubt, the weapon deals between the sides, have led to closer relations between both sides and changed Beijing's point of view towards Israel.

From the early 1990's until 2005 Israel became China's second largest weapon supplier after Russia. In the aftermath of the Tiananmen incident, the U.S and the E.U. forced a weapon embargo on China. Beijing's improving relations with Moscow, led to a growing number of weapons deals between the sides. After the collapse of the Soviet Union, Russia took its position as China's top weapons supplier. Israel also took advantage of the weapons embargo that was forced on China¹⁴³. The Chinese need for advanced weapons and technologies under the embargo, and the Israeli need for capital and a way to effect the Chinese decision makers not to sell weapons to its enemies, have created some interdependence although the Chinese vulnerability was much higher.

¹⁴² Yitzhak Schihor, "Mountains out of Molehills: Weapons Transfer in Sino-Middle Eastern Relations". *Middle East review of international affairs*, 4(3, 2000): 74.

¹⁴³ Yitzhak Schihor, "Competence and Incompetence: The Political Economy of China's Relations with the Middle East". *Asian Perspective*, 30(4, 2006): 48-51.

The end of the Cold War changed the American perspective about China's strategic importance in East Asia. The American threat of regional stability changed from the 'Soviet threat' to a 'Chinese threat'. Therefore, several weapon deals have caused some tension in the emerging Israeli-Sino-American triangle. In the early 1990's the U.S started to accuse Israel in an illegal American weapons technology transfer to China. Moreover, according to American sources some of the Israeli weapons eventually risked American soldier's lives. Here are some examples for deals that cause tension;

The Israeli Rephael developed Python3 air to air missile, allegedly based on the American AIM-9L, was sold to China in 1983, but according to Israeli sources did not include any American components. Eventually no measures were taken by the Americans, against Israel. Few years later, the Chinese started to produce their own version to the Python3 missile, PL-8, that was sold in one of its versions to Iraq¹⁴⁴.

Another case is the Patriot missile technology, allegedly sold by Israel to China. During the first Gulf War, the U.S. supplied Israel with the Patriot anti-ballistic missile in order to defend its airspace from Iraqi Scud missiles. The American suspected that Israel had provided China with the missile or at least with the technology of the missiles. However, Israel was eventually cleared out of the allegations¹⁴⁵. Similar accusation came from the Americans regarding Israeli assistant in developing China's J-10 fighter jet, using American technology provided to Israel for the use of its own Lavi jet project, in the 1980's. In this case as well, no steps were taken, since American technology was not involved in the development.

¹⁴⁴ David Isenberg, "Israel's Role in China's New Warplane", *Asia Times Online*, December 4, 2002 <http://www.atimes.com/atimes/China/DL04Ad01.html> (accessed December 15, 2010)

¹⁴⁵ David Hoffman, "Israel is Cleared in Patriot Case" *The Washington Post*, April 3, 1992. pp. A25

All of these three cases represent weapon deals that were signed, between the Israel and the China, despite American resistance. Nevertheless, the Phalcon and Harpy weapon systems present a different story;

The Phalcon became the symbol of the Israeli submission to the Americans demands in the Chinese front. The Phalcon is an airborne early warning system, produced by ELTA Electronics Industries, a subsidiary of Israel Aircraft Industries. Its system is primarily a defensive weapon, which can be installed on a variety of airplanes. In July 1996 Israel and China signed a 250 million USD deal over the supply of one Phalcon system that will be installed on a Russian airplane. While signing the deal, the Chinese indicated that they might buy additional three Phalcon system, if they will be satisfied with the first one. Therefore the total cost of the deal, potentially could have reached 1 billion USD, an impressive number in Israeli standards.

Following the tension and criticism caused by previous weapon deals between the sides, Washington was informed about the deal, but kept quiet until the Russian airplane landed in Israel. On October 1999, The Americans demanded Israel to halt the deal. Since no American technology was installed, the Americans could not blame Israel for illegal technology transfer. This time the American chose to point about the destabilizing of the East Asian military balance of power, especially in the Taiwan Strait. It is important to notice in that sense that since Beijing eventually purchased such a system from Russia the threat of destabilizing regional military balance of power existed anyhow.

During his visit to Israel in December 1999, Chinese premier, Li Peng's, visit in the Israel Aircraft Industries factory. The visit might point about a Chinese attempt to put some pressure on Israel not to halt the deal. Eventually, in July 2000, Israel decided to

cancel the deal, the cancelation came only three month after the historic visit of the Jiang Zemin in Israel. After a long negotiation Israel paid 350 million USD compensation to China¹⁴⁶. In 2004 Israel sold Phalcon systems to China's neighbor India, a move that for sure was not in favor of Beijing's decision makers. It took few more years, before Israel and China have resumed their defense ties. However, the next crisis involving the Harpy aircraft was right around the corner.

The Harpy is an Unarmed Aerial Vehicle produced by Israel's state controlled Aerospace industries. Unlike the Phalcon, the Harpy is an offensive weapon that can destroy radar systems. In 1999 Israel sold China 100 Harpy in a 70 million USD worth deal. From American point of view, just like the Phalcon, the Harpy changed the balance of power in the Taiwan Strait, and put the Island and the American forces in South East Asia in danger. However, no American veto was called when the deal was signed in 1999. As part of the agreement, China sent the aircraft to Israel for a routine maintenance in December 2004, however the Pentagon decided to object this part of the deal, because it suspected Israel is upgrading the Harpy. Moreover, the Pentagon demanded Israel not to return China its own repaired aircrafts¹⁴⁷. Heavy American pressures, and sanctions against the Israeli arm industry, have led Israel to choose the American side once more. In June 2005, Israel returned the aircraft to China. It is still unknown if Israel provided any service to the airplanes or returned it as is, but Israel did apologize to both the

¹⁴⁶ Amnon Barzilai, "China to Get \$350M for lost Phalcon Deal", *Haaretz*, March 14, 2002 <http://www.haaretz.com/print-edition/news/china-to-get-350m-for-lost-phalcon-deal-1.50444> (accessed December 15, 2010)

¹⁴⁷ Scott Wilson, "Israel Set to End China Weapons Deals Under U.S. Pressure", *The Washington Post*, June 27, 2005 <http://www.washingtonpost.com/wp-dyn/content/article/2005/06/26/AR2005062600544.html> (accessed December 15, 2010).

Americans and the Chinese. In addition, Israel paid once more compensation to the Chinese.

The Americans demands were extended, as Washington also demanded Israel to provide information regarding more than 60 deals signed with China, in order to estimate the damage caused to the Americans in the East Asian front. The crisis between Israel and U.S. ended only after the American forced the resign of Israel's Ministry of Defense director general Amos Yaron, in August 2005. Moreover, the Israelis agreed to a special restriction over its weapon export to China, saying any future arm deal, including dual use technologies has to be examined and approved by the Americans. The Israeli Ministry of Defense has no official restriction over weapons export to China¹⁴⁸, however due to past experience, it has become harder for Israeli weapon exporters to sign deals with China¹⁴⁹.

In the past Israel justified its military ties with China as a mean to influence the Chinese arms proliferation to its enemies. Despite promises given to Israeli officials in their visits in Beijing to stop the arms sales to Syria and Iran¹⁵⁰, as previously shown China sold missiles and missiles technology to Iran. However, as explained earlier, there is a difficulty in supervise the export control in China. Therefore, it is believed that as long as Israel sold military equipment to China, Beijing tried hard to enforce arm proliferation in the Middle East. The issue of Chinese arms proliferation was and still is a

¹⁴⁸ Ora Coren, "Military Export to China Back on Track", *Haaretz*, March 2, 2006
<http://www.haaretz.com/print-edition/business/military-exports-to-china-back-on-track-1.181618> (accessed December 15, 2010)

¹⁴⁹ Xinhua, "China Pledges to Enhance Bilateral Ties, Military Links with Israel", *Xinhua*, December 13, 2005 http://news.xinhuanet.com/english2010/china/2010-12/13/c_13647382.htm (accessed December 15, 2010)

¹⁵⁰ P.R. Kumaraswamy, "China and Israel: Normalisation and after". In *China and the Middle East: The Quest for influence* ed. by P.R. Kumaraswamy. (New Delhi [India] ; Thousand Oaks, Calif. : Sage Publications, 1999), 37.

core issue in the Israeli-Sino relations. Israel's IDF is interested in strengthening the ties with China's PLA in order to push forward for sanctions against Iran¹⁵¹. It is assumed that stronger ties between the militaries, as it previously was before the Phalcon and Harpy affair, can help Israel to promote its interests in its struggle against the Iranian nuclear plan. However, since China is not facing any concrete military threat, and is developing its own modern weapons, Beijing is less sensitive than before, when it comes to weapon deals with Israel.

Economic Relations: Israel is searching for a way to create interdependence

Apart from the weapon industry, Israel's hi-tech and agriculture industry are world famous for their innovative and efficiency. In accordance to Deng's four modernizations plan, the Israeli agriculture and advanced science and technology, is well appreciated by the Chinese. In the agricultural field both governments have mutual projects that are aimed to assist the Chinese agriculture. The patterns of the Israeli interest in the economic relations between the sides are similar to other markets interests in China. Israeli companies are trying to take a share of the 'big Chinese cake', while on the other hand, China tries to export its cheap consumer products to the Israeli market.

Despite Israel's business reputation was damaged as a result of the Phalcon and Harpy deals that were canceled, fortunately for Israel, China's interest in the Israeli civilian technology and need for more advance technology helped to put the trade between the countries back on track. In January 2002, Israel Aircraft Industries have signed a 180 million USD agreement of the supply of two AMOS communications

¹⁵¹ Amir Oren, "IDF Trying to Boost China Ties Ahead of Iran Sanctions Vote", *Haaretz*, April 2, 2010 <http://www.haaretz.com/print-edition/news/idf-trying-to-boost-china-ties-ahead-of-iran-sanctions-vote-1.283799> (accessed March 25, 2011)

satellites to China¹⁵². The agreement signed in Beijing with the presence of the Israeli Communication Minister, in order to show the strength of the ties between the countries, despite the Phalcon crisis was still undergoing during that time. The growing integration between the economies have led to major deals such as the 2.4 billion USD deal signed in January 2011, between Israel's agrochemical Makhteshim Agan Industries, and China's National Chemical Corporation. ChemChina bought 60% of Makhteshim shares¹⁵³.

Water technologies solution is another important field for Israeli export to China, as both countries suffer from lack of water resources. Israeli companies are involved in a growing number of projects in China. In March 2008, a Israel-China water technology cooperation conference, took place in Jerusalem. In April 2010 a Chinese delegation, came to Israel in order to discuss China's water problem. China is a big buyer of Netafim drip irrigation systems. Another Israeli company, Global Environment Services, is involved in a 5 million USD water purification project in Inner Mongolia¹⁵⁴. In October 2010, Israeli giant Strauss and Chinese technology giant Haier announced a mutual project to produce water filters for the Chinese market¹⁵⁵.

According to a white paper published on December 2007 by China, in the Twelfth Five Year Plan, "China gives top priority to developing renewable energy. The exploration and utilization of renewable energy resources plays a significant role in increasing energy supply, improving the energy mix and helping environmental

¹⁵² Amnon Barzilai, "IAI Sells China Two Amos Satellites for \$180 million, Beating European Rivals", *Haaretz*, January 8, 2002 <http://www.haaretz.com/print-edition/business/iaisells-china-two-amos-satellites-for-180-million-beating-european-rivals-1.55328> (accessed, December 15, 2010)

¹⁵³ TheMarker, "ChemChina Signs Agreement to buy Makhteshim-Agan from IDB", *The Marker*, January 10, 2011 <http://english.themarker.com/chemchina-signs-agreement-to-buy-makhteshim-agan-from-idb-1.336130> (accessed May 10, 2011)

¹⁵⁴ Dalia Tal, "Granite Hacarmel to Build Chinese Water Purification Plant", *Globes*, January 7, 2007 <http://www.globes.co.il/serveen/globes/docview.asp?did=1000170889> (accessed December 20, 2010)

¹⁵⁵ Shoshana Chen, "Strauss to Sell Water Filter in China", *Ynet*, October 23, 2010 <http://www.ynetnews.com/articles/0.7340.L-3971036.00.html> (accessed December 15, 2010)

protection, and is also a strategic choice of China to solve the contradiction between energy supply and demand and achieve sustainable development. China has promulgated the Renewable Energy Law and priority policies for renewable energy electricity, entailing priority to be connected to grids, acquisition in full and preferential price, and public sharing of costs. It has earmarked special funds for renewable energy development to support resource survey, R&D of relevant technologies...¹⁵⁶. Both countries have also cooperated in renewable energy projects, especially in solar energy. China's Suntech, built Israel's biggest solar power station, with an annual production of 85,000 KW. Another Chinese company, Sanhua invested 10 million USD in the solar energy Israeli startup company, HelioFocus.

Following the economic recession that started in 2008, side by side with the weakening of the American and European markets and currencies, Israel is looking for new markets for its export. The Israeli government encourages companies to look to the emerging markets of the East. In order to increase the number of exporter to the East, the Israeli government decided on April 2011 to invest 28 million USD to boost trade with India and China¹⁵⁷.

Israel is interested in using its good reputation in science and technology, in order to strengthen the relations between the sides. In his March 2011, China's Minister of Commerce, Chen Deming, visited in Israel and emphasized the need of both countries to enhance the cooperation in the Hi-Tech industry. In his meeting with Israeli president Shimon Peres, the Chinese Minister praised the Israeli cleantech industry "...I (Minister

¹⁵⁶ 'China's Energy Conditions and Policies' - Information Office of the State Council of the People's Republic of China, December 2007.

¹⁵⁷ Navit Zomer, "NIS 100M to Boost India, China Ties", *Ynet*, April 3, 2011
<http://www.ynetnews.com/articles/0,7340,L-4040491,00.html> (accessed April 5, 2011)

Chen) visited solar farms and agricultural farms, China is very interested in the technology to recycle and conserve water, as well as in alternative energy forms like ethanol, where you excel”¹⁵⁸. Israeli Ministry of Finance announced that Israel will set up four centers in China under the name Einstein Center, to provide physical infrastructure for Israeli companies in China. Israel is looking for ways to deepen its relations with China and create some interdependence, in order to affect Beijing’s decision makers to take more active position regarding the Iranian nuclear. In a case of a military conflict between Israel and Iran, Beijing will probably favor its interests in Iran, a damage in Iran’s infrastructure can be costly to China as well. For this reason a highly ranked Israeli delegation visited Beijing in February 2010, and presented the Chinese the cost of Israeli attack on Iran, in case Iran will continue to develop its nuclear bomb¹⁵⁹.

The Arab Israeli Conflict and Peace Process

As part of China’s rise and Beijing’s growing interaction with the Middle East, China had to make adjustments to its growing position among the global decision makers. If China wants to have a word in regional issues, it should be more involved in all issues. One of the core issues in the Middle East is the Arab-Israeli peace process. China interests in the Middle East have changed from ideological to financial. In the last two decades, China has its own interest for peace in the Middle East, in order to keep its oil resources and mass investments in the energy sector secured. Traditionally, China was

¹⁵⁸ ‘President Peres and Chinese Minister of Commerce agree to expand cooperation between China and Israel’ - Website of Israel Ministry of Foreign Affairs, March 2, 2011
http://www.mfa.gov.il/MFA/Government/Communiques/2011/President_Peris_Chinese_Minister_Commerce_expand_cooperation_2-Mar-2011 (accessed March 15, 2011)

¹⁵⁹ Andrew Jacobs, “Israel Makes Case to China for Iran Sanctions”, *The New York Times*, June 8, 2010
<http://www.nytimes.com/2010/06/09/world/middleeast/09israel.html> (accessed April 5, 2011)

pro-Arab concerning to the conflict. As mentioned earlier during Mao's era, China supported Egypt in its war against Israel during the Suez crisis, and morally supported the Arab armies during the 1967 and 1973 wars. In addition, China supported the PLO both ideologically and with weapons during its long armed struggle with Israel.

When Israel and China started to negotiate about establishing diplomatic relations, China felt a need to present its official position regarding the Israeli-Palestinian conflict, in order to dismiss the Arab world fears. Unsurprisingly, Premier Li Peng published in 1988, his five-point package to solve the Arab-Israeli conflict, at the same time as the negotiations started. The five points centered on mutuality: Israeli withdrawal from occupied Arab lands and a guarantee for Israel's security; the states of Israel and Palestine recognizing each other; Arab and Jewish peoples peacefully co-existing¹⁶⁰. From an Israeli point of view, the five points presented a change in the Chinese approach, as China recognized Israel's right for independence and security.

In the early 1990's after the collapse of the Soviet Union, the Arab world changed its approach towards Israel. The Madrid summit in 1991 followed by the PLO decision to recognize Israel in 1993, resulted in the Oslo accords, and Peace agreement between Israel and Jordan a year latter, all led to a softer approach in the Arab world towards Israel, highlighted in almost a total elimination of the Arab boycott on Israel. According to several scholars, these developments have led China to feel more secure in its relationships with Israel¹⁶¹. China's fears of the Arab world reaction were all dismissed, since Israel became more legitimate in the Arab world. Starting from 1991, as part of China's growing interest and involvement in the Middle East, Chinese diplomats have

¹⁶⁰ China Daily, "Li Suggests Five Steps for Middle East Peace", *China Daily*, 6 October, 1989, pp.1

¹⁶¹ Yoram Evron, "Sino-Israel Relations: Opportunities and Challenges". *Strategic Assessments* 10(2, 2007): 61-70.

attended more conferences on Arab-Israeli issues than before, including such events as the third phase of the Middle East Peace Conference in Moscow, conferences on economic cooperation in Casablanca and Amman, and on water resources in Musqat¹⁶².

In order to increase its involvement in the Arab-Israeli peace process, China decided in September 2002 to appoint a Special Envoy to the Middle East. The first envoy was Wang Shijie, which previously served as ambassador in Bahrain, Jordan and Iran¹⁶³. Wang and his successors, Sun Bigan, and Wu Sike, all supported previous initiatives for promoting the peace process. China has not offered its own initiative or a new solution to the conflict, but was naturally involved in the peace process as a permanent member in the UN Security Council, and even was invited by an Israeli-Palestinian delegation to join the Middle East Quartet¹⁶⁴.

The Chinese Mideast envoy, Wu Sike visited Israel in March 2011, and called once again to the Israeli and the Palestinians to resume direct talks. In addition, Wu emphasized that China together with the international community should promote direct talks, and peace between the sides¹⁶⁵. China supports of the 'land for peace policy' that was agreed on the UN Resolution 242¹⁶⁶, as the solution for the Israeli-Arab conflict. According to the Chinese embassy in Tel-Aviv "We (*The Chinese embassy in Tel-Aviv*) believe that the UN resolutions relating to the Middle East problem and "land for peace"

¹⁶² Guang Pan, "China's Success in the Middle East". *Middle East Quarterly* 4(4, 1997): 38.

¹⁶³ 'Foreign Ministry Spokesman's Press Conference on September 17, 2002' – Website of Ministry of Foreign Affairs of the Peoples Republic of China, September 19, 2002

<http://www.fmprc.gov.cn/eng/xwfw/2510/2511/t14663.htm> (accessed December 26, 2010)

¹⁶⁴ People's Daily, "Israel-Palestine Statement Hopes China Join Mideast Quartet", *People's Daily*, December 16, 2006 http://english.peopledaily.com.cn/200612/16/eng20061216_333190.html (accessed December 26, 2010)

¹⁶⁵ Xinhua, "Chinese Mideast envoy urges Israel-Palestinian talks back on track", *Xinhua*, March 25, 2011 http://big5.xinhuanet.com/gate/big5/news.xinhuanet.com/english2010/china/2011-03/25/c_13798256.htm (accessed March 28, 2011)

¹⁶⁶ The PRC was not a member state when the resolution was taken on November 22 1967.

principle set up in the Madrid Peace Conference are the basis for peace talks in the Middle East and the faithful implementation of reached resolutions and understandings by the concerned parties is the key in breaking the stalemate in peace talks”¹⁶⁷.



¹⁶⁷ 'Middle East Problem' – Website of Embassy of the Peoples Republic of China in the State of Israel, September 21, 2004 <http://il.china-embassy.org/eng/zt/dqwt/t159728.htm> (accessed December 26, 2010)

Chapter VI: Conclusion

This thesis presented the growing interaction between Middle Eastern countries and China. The deepest interaction is between the economies, China proves to be a significant factor in the Middle Eastern economies, in the post-Cold War era, an era which the Middle East slowly adjusted to the growth of the 'Great Dragon from the East'. China's involvement in the Middle East is constantly growing, and creating a growing interdependence. Unlike the U.S., so far China has not been involved in a military conflict in the region and is trying to keep close relations with all the countries in the Middle East. From a Chinese perspective, the Middle East is important for its massive energy resources, and thus China has an interest in a regional stability.

The Chinese growing dependence in oil led to a policy of acquiring equity stakes in overseas energy assets. China's growing energy demands and massive investments in this sector are welcome in the Middle East, as Middle Eastern oil exporters prefer contracting with foreign oil companies for capital and expertise. Side by side with China's raising power in the world economy, the three Chinese energy giants, Sinopec, CNOOC, and CNPC, have deepened their investments in the Middle East energy sector, in the last decade. In addition to the energy sector, over the last decade there is also a growing number of Chinese investments in manufacturing and services including finance, real estate, tourism, telecommunication, transport and construction. Nevertheless, the investments are not one sided, and over the last few years, several Middle Eastern oil exporter state own companies, have recycled oil revenues to investments in China.

From a Middle Eastern point of view, the collapse of the Soviet Union created a new era. During the Cold War, the Middle East was divided between the two

Superpowers, and each country had to choose between allying with the Americans or the Soviets. The collapse of the Soviet Union, and China's rise created a new situation. The Middle East countries found themselves as Charles W. Freeman Jr., former U.S. ambassador to Saudi Arabia said, taking a 'Chinese wife'. China's rise created a dual option for most of the countries in the region. The Middle Eastern potential market for energy export is constantly expanding and growing, due to the Chinese growing demand and Beijing's investments in the development of the energy sector in the Middle East. The Middle Eastern economies started to get dependent in the Chinese capital, as much as Beijing is dependant on their energy. China's Soft power and 'no strings attached' policy, is one of the keys for the growing integration between the Middle East and China. This 'no strings attached' policy importance increased after September 11 attacks and the American 'war against terror' as the gap between the Arabs and the Western world widened. China tries to act as a responsible partner in the region, but at the same time try to keep its hands out of regional issues.

According to Anthony Loh, China is behaving in a hegemon way in the Middle East. Loh presented four principles that guided the Middle east-China relations; the first one is asymmetry that is leaning towards China, since the Middle East is not a threat to China, China has a trade surplus with most of the countries in the Middle East, China have the veto power in the UN Security council that enables it to influence the regional politics, and finally the technological gap between China and the Middle East is widening. The second principle is exclusivity, meaning China is traditionally looking for loyalty and unipolarity from the Middle East countries. The third principle is hierarchy, viewing the Chinese as superiors to the Middle Eastern countries and taking advantage

of the Middle East in its war of world hegemony with the Superpowers. The fourth principle is sovereignty, as mentioned in the 'Five Principles of Peaceful Coexistence', but according to Loh, the Chinese interest is to take its hands out of regional conflicts, by using the sovereignty card to enjoy the Middle Eastern support vis-à-vis the other powers that intervene in local affairs¹⁶⁸.

However, there are few arguments to Loh position. China is not trying to achieve hegemony in the Middle East, since there is no Chinese military presence in the Middle East. The point of asymmetry is not in favor of the Chinese, since some Middle Eastern economies, such as Saudi Arabia's enjoy a trade surplus over China. Beijing has a political power in the UN Security Council and it is using it in the case of Iran. However, China's Security Council card is used in order to keep both countries economic interests. Loh's second point was right during the Cold War era. However, in the post-Cold War era, China is not looking for loyalty. Part of the change after the Cold War is that Middle Eastern countries can enjoy the rise of China, side by side with keeping its relations with the United States, and more important not to be subjected to any Communist influences. Therefore, China's relations with the Middle East in the post-Cold War era are not guided by hierarchy, China is not trying to impose its ideology or values on the Middle East. The relations between the sides are in equal terms and the core is the economic interest of both sides.

The sovereignty issue is mutual to both Middle Eastern and Chinese. As was presented in the two Gulf wars, and in the recent crisis with Iran, China is against any

¹⁶⁸ Anthony Alexander Loh, "The Hegemonic Motif: The People's Republic of China and the Middle East, 1949-1998" In *China and Israel, 1948-1998 : A Fifty Years Retrospective* ed. by Jonathan Goldstein, (Westport, Conn. : Praeger, 1999), 71-76.

intervention in domestic affairs, from obvious reasons; Beijing communist regime in similarity to the Middle Eastern Arab monarchic and authoritarian regimes find itself under Western criticisms in questions of democracy, human rights etc. China is also facing complex relations with the Western world regarding its territory evolving around the questions of Tibet and Taiwan. Sovereignty is one of the most delicate issues in China's foreign relations, thus it is important to China to show its great importance to sovereignty issues in the Middle East.

The Gulf wars present an interesting case study for the Chinese behavior in the UN Security Council, and a possible explanation for its approach to the Iranian nuclear crisis. During the First Gulf war, China's economic interests in the Middle East were in low profile, since China was not a crude oil importer yet. Furthermore, China was inferior to the Western world, and suffered from a boycott in the aftermath of Tiananmen incident. Looking at the scales when taking the decision to abstain from Resolution 678, China saw Iraq on the one side, and the rich Western world on the other side. From a Chinese perspective the conflict was not between Iraq and Kuwait, but between Iraq and the Western world. If analysing the case with Aydin's theory of "Economic Interdependence and Interstate Disputes" Iraq relations with China were not strong enough compare to China's interests in its relations with the West. Despite the fact that China had growing interaction with Saddam Hussein regime, Iraq failed to create any dependence from the Chinese side. In the Second Gulf, the sanctions regime imposed on Iraq, denied Iraq from having any interdependence with China. The American insistence to enter Iraq, led the Chinese to stand on the side and not to risk its close economic relations with the U.S for Beijing's interests in Iraq.

Another conclusion coming from the sanctions regime that was imposed on Iraq is that it was impossible for China to lift the sanctions as long as the Americans and British resisted it. Therefore, Beijing knows that it is better to compromise and support mild sanctions, than supporting hard sanctions against Teheran that might be impossible to cancel in the future. In addition, China's position in the UN Security Council is much stronger today than before. Today China is able to stand firmly against the Western demands, as can be shown in the Chinese behavior in Iran. In the global politics of today, China is less frightened to resist the sanctions imposed by the UN Security Council. The case of Al-Ahdab oil field project in Iraq seems to be imaginary in the case of Iran. The strong interdependence relations between Iran and China, along with China's strengthening position among the global decision makers, weaken the effectiveness of the sanctions imposed.

Unlike Iraq, its Eastern neighbor Iran is playing the right cards in its relations with Beijing. Iran's interdependence with China enables Teheran to continue with its nuclear plan, despite the great criticism and sanctions from the Western world. By using its "energy weapon" Iran has managed to bring China to defend its interests in the UN Security Council. China's growing interests and vast investments in Iran have created an equation that puts Teheran in level terms vis-à-vis China relations with the world. In addition, China knows it can play the Iranian card in order to get more global attention as an important decision maker. The economic sanctions imposed on Iran by the UN Security Council, the EU, and several other countries, are meaningless because Iran has China by its side. As long as Beijing is not willing to stand firm against Tehran's nuclear

plan, the UN Security Council is teeth less. China interests in Iran are much more important right now, than stopping the Iranian nuclear plan.

However, the equation gets more complicated if we put Israel and Saudi Arabia, two states that feel threaten by Iran and in the same time having close relations with China. Taking into consideration of the importance of energy to China, and Iran's reliance on the Chinese capital and political support for its nuclear plan, Saudi Arabia offered to supply China with the energy that will be lost in a case of military attack against Iran¹⁶⁹. In the interdependence between China and Saudi Arabia, it seems like China is more vulnerable especially in a case of a military attack against Iran. Israel included the energy sector as well, while trying to convince the Chinese to be more active against Iran. In February 2010 a high ranked Israeli delegation visited Beijing, and presented the Chinese the economic consequences of an Israeli attack on the Iranian nuclear. From an Israeli point of view, Israel can not live in peace with the development of Iranian nuclear weapon and China is the one that can prevent it from happen.

Although the temptation of selling weapons to the Middle East is high, China should consider its deals from a regional strategic point of view, and not only from an economic point of view. Any disturbance to the balance of power in the Middle East, might cause a war and a Chinese loss of energy contracts worth billions of USD. However, as long as the West is arming its Middle Eastern allies, China is not going to lag behind.

¹⁶⁹ Wikileaks, "Saudi Foreign Ministry Pressing China to Top Iranian Proliferation, Concerned About TSA Regulations", Wikileaks, 28 November, 2010 <http://213.251.145.96/cable/2010/01/10RIYADH118.html> (accessed December 5, 2010)

Unlike some other Middle East countries, polygamy is illegal in Israel, therefore Israel do not take itself a Chinese wife, it rather stay with its American wife. As was presented in the cases of the Phalcon and Harpy deals, Israel's American wife is very jealous of Israel relations with the 'Waking Dragon' from the east. Israel tried to get the Chinese closer with the weapon deals. Without a doubt, while negotiating and signing military deals Jerusalem decision makers have paved a way to Beijing's decision makers. China has a growing appreciation to the Jewish state, but as presented in this thesis, the Chinese are guided in the Middle East according to Beijing's economic interests in the region.

If one makes a triangle that includes Israel-China-Iran in a hypothetic world where China is the world hegemon, Israel is inferior to Iran in its relations with China. Israel is trying to find solutions in order to get closer to China and create economic interdependence. Israel try to use its high-tech developed industry to bring Beijing closer to its side. In an era when the Chinese industry is getting less labor intensive and more technology intensive, Israeli innovation can contribute China. Despite all the efforts by Israel, it seems that China is much more venerable in its economic relations with Iran, than its relations with Israel.

The Chinese involvement in the Arab-Israeli Peace Process is not a top priority among the decision makers in Beijing, but as presented, China's growing involvement in the Middle East will have its price in the near future. Beijing will have to be more involved in regional issues. Although it is not on the top of Chinese foreign policy priorities, China should understand that together with the energy, the Middle Eastern countries have demands as well. China will have to increase its involvement in the

Iranian nuclear and the Arab-Israeli peace process, and to present its own initiatives to solve these and other problems. Having close relations with all the major players in the Middle East, China is naturally a reasonable mediator to solve regional conflicts.



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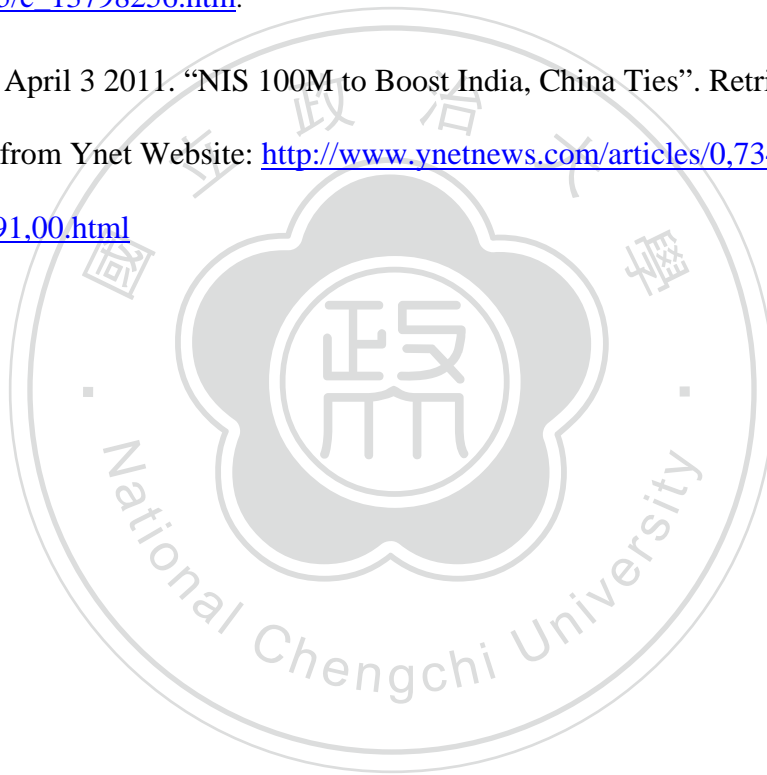


Table I: Agreements requiring substantial future investment in the Middle East

Date	Company	Country	Project Detail	Notes
May 2010	CNPC/ Petro China	Qatar	PetroChina signed a 30-year PSA with Qatar Petroleum and Shell to jointly develop natural gas in Qatar's Block D.	Shell will be operator, holds 75 % share. PetroChina holds 25%. In case of successful discovery, Shell and PetroChina to produce natural gas under supervision of QP, which agrees to buy all output.
May 2010	CNOOC	Iraq	Partnered with Turkish Petroleum (TPAO), won a technical service contract to develop Missan Oilfields. CNOOC holds 63.75% and is operator. TPAO and Iraq Drilling Company hold 11.25% and 25 % respectively.	CNOOC and TPAO to increase the daily output to 450 kb/d over six years. CNOOC will earn USD 2.3/b on incremental oil output once daily output increases by 10% from current level.
Dec 2009	CNPC	Iraq	Formed consortium with TOTAL and Petronas, won second-phase bidding. Will jointly develop Halfaya oil field for 20 years. (CNPC 37.5%, TOTAL 18.75%, Petronas 18.75%, Iraqi South Oil 25%)	Estimated reserve is 4.1 billion b/d. The consortium aims to increase production from 3.1 kb/d to 535 kb/d. Service fee is USD 1.4 per barrel after 70 kb/d.
Aug 2009	CNPC	Iran	MOU for buyback contract to develop South Azadegan field. (CNPC 70%, Inpex 10%, NIOC 20%)	CNPC to invest USD 2.25 billion and Inpex USD 0.25 billion for first phase of development.

Jun 2009	CNPC	Iran	Preliminary agreement to develop Phase 11 of South Pars field. (CNPC 40%, NIOC 50%, Petronas 10%)	Partners aim to produce 1.765 bscf/d natural gas and other products. CNPC to invest USD 4.7 billion.
Jun 2009	CNPC	Iraq	20 year service contract to develop Rumaila oil field. (CNPC 37%, BP 38%, Iraqi South Oil 25%)	Service fee of USD 2 per incremental barrel above baseline production of 1.75 mb/d. Consortium to pay USD 500 million soft loan to Iraqi treasury and commit USD 300 million to develop field in the short term. Long-term investment could be up to USD 20 billion for capital and operating expenses.
Jan 2009	CNPC	Iran	Buyback binding contract for exploration and Development of North Azadegan field for 25 years.	CNPC is expected to produce 75 kb/d in first phase and 150 kb/d in the second phase. It will invest USD 1.76 billion in the first phase and total investment increases to USD 3.5 to 4 billion in the second phase.
Re-signed in Nov 2008 (originally signed in 1997)	CNPC	Iraq	Exploration and development of Al-Ahdab oil field.	Plan is to produce 25 kb/d in 2011-2012, and to produce 110 kb/d for at least six years. CNPC will need to invest at least USD 1 billion for the exploration and development.

2008	Sinopec	Iran	In Dec. 2007, Sinopec signed a USD 2 billion deal to develop the Yadavaran field.	Under phase I, expected to produce 85 kb/d in four years, increasing by 100 kb/d in three years under phase II to reach 185 kb/d. Work started in Sep 2008.
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Sources: IEA research; FACTS Global Energy (2010); Interfax.

Table II: Iran- China bilateral trade (USD millions):

Year	Import	Export	Total
2002	978	198	1,176
2003	1,484	231	1,715
2004	1,970	266	2,236
2005	2,160	529	2,689
2006	2,671	1,052	3,723
2007	4,247	1,243	5,490
2008	4,914	2,003	6,917
2009	4,795	3,119	7,914
2010	5,743	4,574	10,317

*excluding energy trade

Source: Teheran Chamber of Commerce and Industries and Mines

Table III: Israel-China bilateral trade (USD millions)

Year	Import	Export	Total
2002	793	427	1,220
2003	1,008	613	1,621
2004	1,418	787	2,205
2005	1,888	748	2,636
2006	2,428	959	3,387
2007	3,477	1,024	4,501
2008	4,244	1,293	5,537
2009	3,520	1,044	4,564
2010	4,737	2,047	6,784

Source: Israel Statistic Bureau

Table IV: China Crude Oil import from the Middle East (thousands barrels per day)

Year	Saudi Arabia	Iran	Iraq	Kuwait	Qatar
1993	4	1	-	-	-
1994	3	1	-	-	-
1995	7	18	-	-	-
1996	4	46	-	-	-
1997	10	55	5	1	2
1998	36	72	12	5	-
1999	50	79	19	6	-
2000	115	140	64	8	32
2001	176	217	7	29	26
2002	228	213	10	21	9
2003	302	248	-	18	13
2004	346	265	13	25	3
2005	445	286	23	33	3
2006	479	336	21	29	3
2007	528	412	28	73	3
2008	730	428	37	61	9
2009	840	464	143	73	6
2010	896	428	225	197	5

Source: United Nations Commodity Trade Statistics Database

