

Beijing's Rising Star in the Gulf Region: The Near and the Distant Future

Paul Aarts and Machteld van Rijsingen

In collaboration with Floor Boon, Diane Bos and Ashana Heera¹

In recent years we have seen a notable shift in thinking about China's "peaceful rise." One flawed framework (a "China on steroids") is on its way to substitute for another one (a "weak China"). The People's Republic of China is an emerging superpower whose diplomacy has become distinctly more robust under its current President, Hu Jintao. This is also reflected in its policies vis-à-vis the Middle East, Iran and Saudi Arabia in particular. However, after close inspection, it appears that Beijing's relations with these two hydrocarbon superpowers are less established than assumed. China remains very far from ready to challenge the United States head on and still sees enormous benefits in keeping on good terms with its biggest export market.

In the Arabian Gulf region it is walking a political tightrope in its relations with Iran, while grasping the fact that Saudi Arabia is still handcuffed to the United States. Although China is trying to build up close ties with these countries, the relationships appear largely to be dependent on US involvement. In the immediate future China and the United States are therefore unlikely to head for a collision course, but careful scenario-writing reveals that this may change in the coming decades.

1. International Relations students at the Department of Political Science, University of Amsterdam.

Conflicting Views

Although Jintao likes to use the John Lenonesque phrase of a “harmonious world,” where different countries with different outlooks live in peace, his country’s foreign policy might be interpreted somewhat differently. In economic terms, the rise of China poses challenges for the rest of Asia and, indeed, for the rest of the world. Though militarily speaking, China’s ability to offer a convincing military challenge to the United States as reigning hyperpower is still a long way off,² its rapid rise is transforming its military into a better equipped fighting force and is giving the country greater clout in shaping its relations with other states in Asia and farther afield.

Over the past few years China has taken a more robust foreign policy, to a large extent based on the so-called ‘New Security Concept’ (NSC), elaborated upon by David Shambaugh.³ This is exemplified in a new proactive posture in virtually all policy spheres – economic, military, and diplomatic. In its regional setting, China’s new posture rests on four pillars: active participation in regional organizations (ASEAN and Shanghai Cooperation Organization, SCO); establishment of regional partnerships and deepening of bilateral relations (in particular with India, South Korea and Vietnam); expansion of regional economic ties (China being the engine of economic growth in Asia, among others having helped to pull Japan out of its decade-long economic slump); and reduction of distrust and anxiety in the security sphere (by developing different types of both bilateral and multilateral measures).⁴

One should note, however, that Shambaugh’s somewhat benign view that the NSC’s regional orientation is “premised on the principles of mutual trust, mutual benefit, equality, cooperation, and the peaceful resolution of differences”⁵ is not equally shared by all China watchers. In economic terms, China’s comparative advantage in labor and capital will never permit a level playing field for the smaller competitors. Though Prime Minister Wen may describe China as a “friendly elephant”, interested in only win-win commercial ties with its neighbors, several other states in the region worry that even a friendly elephant will trample grass in its path. Also, militarily speaking, not everybody in Asia is convinced about the “peace-

2. A recent US Department of Defense report concluded that China’s military power would not even reach tiny Taiwan’s level until 2006. T.C. Fischman., *China Inc* (Simon & Schuster, 2005), 289; also see p. 291.

3. Shambaugh, “China Engages Asia. Reshaping the Regional Order,” *International Security* 29, no 3 (Winter) 64-99; and P. Cozens, “On Contemporary China’s Diplomacy and Strategic Implications,” *Asian Affairs*, no 26, 2005, 33-35.

4. More details in Shambaugh, “China Engages Asia,” 72-89.

5. *Ibid.*, 89.

ful rise of China" to superpower status. Some predict a new Cold War in the region, others even do not exclude the possibility of war with Japan.⁶

Globally speaking, Bajpae has noted rightly that "[I]n many ways, there has been a role reversal for the United States and China on the world stage – while China had originally fueled revolutionary change through sponsoring anti-colonial struggles and communist insurgencies, it is now the United States that is attempting to fuel change in the international system by rejecting international conventions (e.g. Kyoto Protocol, ABM Treaty) and norms (preemptive action, granting recognition to India as a nuclear power). On the other hand, while the United States has traditionally favored stability even at the cost of supporting unsavory regimes, it is now China that increasingly favors stability in the international system, even if it means supporting pariah regimes such as Burma, Iran, Nepal, North Korea, Uzbekistan and Zimbabwe."⁷ Others, again diverging from Shambaugh's benevolent views on China's role in the world, do fear that its growing power and influence inexorably come at the expense of the United States and they tend to define Chinese-US relations largely in zero-sum terms.⁸ Some refer to lingering mutual suspicions⁹ or only foresee scenarios that will lead to confrontations between the United States and China over energy: oil wars.¹⁰

Stability First

China's different strands of nationalism – liberal and state nationalist – are united in striving for *qiangguomeng*, the dream of a strong China.¹¹ Since Deng Xiaoping

-
6. R. Kaplan, "Een Koude Oorlog tegen China" (A Cold War Against China), *NRC Handelsblad*, May 21-22, 2005, respectively W. Van Kemenade, "Will China's Rise Be Peaceful?" *IIAS Newsletter*, no. 37, June 5, 2005.
 7. Ch. Bajpae, "China Becomes Increasingly Involved in the Middle East," *Power & Interest News Report*, March 10, 2006, via <http://www.pinr.com>.
 8. A quick survey of the standard arguments in Shambaugh, p. 94 (note 94 more in particular), referring to John Mearsheimer's theory of 'offensive realism' as formulated in his classic *The Tragedy of Great Power Politics* (2001).
 9. K. Campbell, and R. Weitz, "The Limits of US-China Military Cooperation: Lessons from 1995-1999," *Washington Quarterly* (Winter 2005-06): 169-186.
 10. Mikkal Herberg, director of the Asian Energy Security Program at the National Bureau of Asian Research, as quoted by D. Zweig and B. Jianhai in "China's Global Hunt for Energy. A New Foreign Policy," *Foreign Affairs* 84, no 5, (Sept-Oct 2005), and – most explicitly – P.K. Lee, "China's Quest for Oil Security: Oil (Wars) in the Pipeline?," *The Pacific Review* 18, no 2, June 2005, 265-301. Also see the latest annual report by the US-China Economic and Security Review Commission, as quoted in *The Economist*, November 19, 2005, 22.
 11. S. Zhao, "Nationalism's Double Edge," *Wilson Quarterly* (August 2005): 76-82.

came to power in the late 1970s very few commitments to particular ideological principles have been left intact. Pragmatism rules, which allows for talking tough (but acting prudently) when needed.

Yet since President Jintao took over, there seems to be a change of accent. Much more than under his predecessors, it seems that China's potential as a global economic powerhouse (its GDP has grown at an average of nine percent a year for the past 25 years, and Chinese leaders set in 2005 a target of quadrupling it by 2020, making its economy only second to the United States if successful) has led to patterns of more assertive behavior.¹²

What do the Chinese leaders want? Paramount among the Politburo's goals is stability, both at home and in the region.¹³ This is, of course, true of most other states as well, but in China's case it is much more acutely felt. Now that Marxism fades away and no official public philosophy has taken its place, it is an improved standard of living which forms the basis of the social contract with the people, i.e. the legitimacy of a regime that never faces an election. For this to happen, uninterrupted economic growth is a matter of life and death.

Stability is not the same as immobility, which reveals itself clearly in the field of external relations. It goes without saying that one of China's main foreign policy goals is to maintain a peaceful environment in a complicated geographic situation. China is the only country in the world that has to deal with 14 neighbors, seven of which share borders of more than 600 miles. In the first 30 years of its existence, it fought several major wars and it was only after 1979 (when Deng's China attacked Vietnam to "teach Hanoi a lesson") that it didn't go to war again. By the turn of the 21st century – after its enhanced reputation in the aftermath of the 1997-98 Asian financial crisis (which left China undisturbed) – Beijing was, more openly than before, laying the groundwork for its own kind of Monroe Doctrine in East Asia and showing its firm intention to become Asia's leader.¹⁴

Energy security definitely is the essential premise for China to achieve its strategic

12. Some authors even assert that Hu introduced a new dictum, in particular vis-à-vis American diplomacy: "Cooperate – if it suits our purposes – but don't shy away from confrontation if toughness is required," or simply "Offense is the best defense." See W. Lam, "Hu's Doctrine on American Diplomacy," *China Brief*, Jamestown Foundation, April 26, 2006, via www.jamestown.org/. For a more sober assessment, see Z. Bijian, "China's 'Peaceful Rise' to Great-Power Status," *Foreign Affairs* 84, no. 5 (September/October 2005), [online]. Also see M. Bulard, "Diplomacy of the Status Quo. China: Middle Kingdom, World Center," *Le Monde Diplomatique*, English edition, August 2005, [online].

13. On internal stability *sec*, see Terrill, "What Does China Want?" *Wilson Quarterly* (Autumn 2005): 52-54 and 59.

14. Bulard, "Diplomacy of the Status Quo"; Terrill, "What Does China Want?" 55-58.

goal of quadrupling its GDP from 2000 to 2020 – thereby providing a “guarantee” for the regime’s survival. It is the world’s most populous and fastest-growing country and the second largest oil importer (after the United States). In 2005, China became the world’s fourth largest economy, with a GDP of \$2.3 trillion, surpassing France and the United Kingdom. By 2010, it is expected that GDP will total \$3.2 trillion.¹⁵ Although China has boosted its domestic oil production, and is planning to achieve higher rates of energy efficiency, the country is expected to be an ever-growing importer (it has been a net oil importer since 1993).¹⁶ The thirst for oil will only increase.

So energy security is serious business and as such China sees energy shortages as one of its biggest potential threats. To meet these challenges, it has created the State Energy leading Group, led by Premier Wen Jiabao, and it has established a team to draft the Energy Law, which will cover all fields, from energy exploration, production, and consumption, to international cooperation.¹⁷ In the context of this paper, it is the last aspect that is the most interesting.

Since the early 1990s, the Chinese oil industry started to internationalize, growing to sizeable numbers from the mid-1990s onwards. Its state oil companies (China National Petroleum Corporation, CNPC; China National Offshore Oil Corporation, CNOOC; and China National Petrochemical Corporation, Sinopec) initiated investments in several Middle Eastern countries, and in such locations as Sudan, Venezuela, Kazakhstan, Peru, Indonesia, Nigeria, Canada, Libya, West Africa, Angola and Chad (the list is not exhaustive). Not surprisingly, the Middle East (Iran and Saudi Arabia in particular) accounted for a growing share of China’s oil imports. In recent years, this has been accompanied by a slow but subtle change in China’s foreign policy that is gradually being transformed from “responsive diplomacy” to “proactive diplomacy.”¹⁸

15. X. Liu, “China’s Energy Security and Its Grand Strategy,” *Policy Analysis Brief*, The Stanley Foundation, September 2005, 2.

16. “China’s oil demand doubled from 1.7 to 3.4 million bpd between 1985 and 1995. It doubled again, reaching 6.8 million bpd by 2005, with the result that in 2005 China imported 2.46 million bpd – or about 40 percent of its oil needs. [...] The US Department of Energy expects that China’s imported oil will climb to 9.4 million bpd by 2025, an estimate that some energy analysts believe is conservative. For comparison, the United States currently consumes 20.7 million bpd, roughly 25 percent of the world’s production of 81.1 million bpd.” Liu, “China’s Energy Security and Its Grand Strategy,” 3. It is to be noted that to date China meets more than 90 percent of its overall energy demand with domestic supply. For more figures on China as a “world-class consumer”, see Flavin and Gardner, “China, India and the New World Order,” *State of the World 2006 (Special Focus: China and India)*, The World Watch Institute, 2006, 3-23.

17. Liu, “China’s Energy Security and Its Grand Strategy,” 4-12.

18. J. Liangxiang, “China and the Middle East: Energy First,” *Middle East Quarterly*, 2005, 8. For a Gulf states’ perspective, see Christian Koch, “The Gulf and the International System in 2005”,

The Middle Kingdom and the Middle East

Beijing is a relative newcomer to the Middle East and, unlike the other great powers, it has never played a major role in the region.¹⁹ Insofar as there were any relations, these were mainly rooted in the country's support for anti-colonial struggles during the Cold War years. All in all, during Mao Zedong's regime (that lasted until 1976), there was hardly any interest in diplomatic relations with most of the Middle Eastern capitals.²⁰ That started to change in the late 1970s when Beijing emerged from its seclusion and forged ties with Jordan, Syria and most of the Arab Gulf states.

For decades, energy concerns have not played a role in Chinese foreign policy. It was only after reforming the economy, a process that started in 1978, that the thirst for oil began to grow and energy became a major factor in Beijing's national security assessment – in particular since the country became a net importer in the early 1990s. It is estimated that China's oil imports from the Middle East and North Africa will make up over 70-80 percent of the country's total volume of oil imports by the year 2020, possibly much earlier.²¹ In broad terms, one might typify China's energy policy vis-à-vis the Middle East and North Africa region as a "two-imports and one-export strategy". Its state-owned energy corporations conclude long-term supply agreements for oil and gas, while at the same time the region's financially powerful (like Saudi Aramco and SABIC) are stimulated to invest in China's own downstream sector. This import dimension is bound up with a direct involvement of Chinese companies in the development of oil and gas fields as well as the production of oil.²² All this leads to classic symbiotic rela-

269-292, and Abdullah al-Madani, "The Gulf in the Policy of 'Looking East,'" 297-305 both in the *Gulf Yearbook 2005-2006*, (Dubai: Gulf Research Center, 2005). For a Chinese perspective, see Liangxiang, "A Review of Sino-GCC Energy Relations: Prospects and Challenges," *Dynamic Alliances: Strengthening Ties between the GCC and Asia*, (Dubai: GRC, 2006), 133-150. For a more general view, see Andrews-Speed *et al*, "Searching for Energy Security: The Political Ramifications of China's International Energy Policy," *China Environment Series*, no. 5, 2002, 13-28.

19. Luft and Korin, "The Sino-Saudi Connection," *Commentary* 117, no. 3, March, 2004 and Rahim, "Europe, the US and the Strategic Triangle," *Middle East Report*, no. 235 (Summer 2005): 42-45, 47.

20. Sino-Iranian relations had become official in 1971.

21. W. Lei, "China-Arab Energy Cooperation: The Strategic Importance of Institutionalization," *Middle East Economic Survey* XLIX, no. 3, January 16, 2006 ; F. Leverett and J. Bader, "Managing China-US Energy Competition," *The Washington Quarterly*, Winter, 29:1, 2005-06, 194; and J. Calabrese, "Dragon by the Tail: China's Energy Quandary." Middle East Institute. At this moment, 60 percent of China's oil imports stem from this region. For more figures, see note 16.

22. J. Steinhilber, "China. A New Actor in the Middle East and North Africa Region?" Friedrich Ebert Stiftung, *Occasional Papers*, no. 24, August 2006, 8-11.

tionships, in the jargon of the oil industry labeled as the process of “vertical (re-) integration”.²³

Saudi Arabia's Omnibalancing

The first major breakthrough in Chinese-Saudi relations did not occur in the energy field, but came with a controversial arms deal in the late 1980s. Though the scope of Chinese-Saudi security cooperation since then is hard to gauge by outside observers, it is generally assumed that China's arms supplies to the Kingdom have dwindled over the past decade. That might, however, change in the future.²⁴ More importantly, during the 1990s, the contours of a “strategic oil partnership” began to reveal themselves. A major event in the forging of this partnership was the 1999 visit to Saudi Arabia by then Chinese President Jiang Zemin. It was the first and clearly illustrative manifestation of the “two-imports and one-export strategy”. Apart from concluding long-term supply arrangements, Saudi Arabia also opened part of its domestic oil and gas market for investments in the upstream sector (like Sinopec's participation on two major new gas exploration/development deals in the Rub al-Khali). Equally important, if not more, is the second part of the “import dimension”, i.e. Saudi investments in the Chinese downstream sector (mainly in refineries, like in Qingdao, and petrochemical plants, like in Fujian province).²⁵

It goes without saying that 9/11, and the attendant erosion of the US-Saudi “special relationship”, gave an extra stimulus to Riyadh's “looking East” tendency. Quite a few Saudi merchants feared, rightly or wrongly, that their assets in US dollars in American institutions were no longer safe. Hence it made sense to them to find alter-

23. E.J. Mitchell, *Vertical Integration in the Oil Industry* (American Enterprise Institute for Public Policy Research, 1976) and P. Aarts and G. Eisenloeffel, “Kuwait Petroleum Corporation and the Process of Vertical Integration,” *OPEC Review* 14, no. 2 (Summer 1990), 203-223.

24. G. Nonneman, “Determinants and Patterns of Saudi Foreign Policy: ‘Omnibalancing’ and ‘Relative Autonomy’ in Multiple Environments,” in *Saudi Arabia in the Balance. Political Economy, Society, Foreign Affairs*, eds. P. Aarts and G. Nonneman (Hurst and New York University Press, 2005 and 2006), 344; N. Obaid, ‘Sino-Saudi Relations’, *The Sino-Saudi Energy Rapprochement: Implications for US National Security*, The Gracia Group, January 8, 2002, 32-34.; G. Bahgat, “Nuclear Proliferation: The Case of Saudi Arabia,” *The Middle East Journal* 60, no. 3, (Summer 2006): 424-425; and R. Russell, “China's WMD Footprint in the Greater Middle East's Door,” *The Middle East Review of International Affairs* 9, no. 3 (September 2005): 7-9.

25. S.P. Matthews, “China's New Energy Focus: Strategic Partnership with Saudi Arabia,” The James A. Baker III Institute for Public Policy of Rice University, July 18, 2005, via www.rice.edu/; Obaid, “Sino-Saudi Relations,” 30-32; Leverett and Bader, “Managing China-US Energy Competition,” 190-192; and Nonneman, “Determinants and Patterns of Saudi Foreign Policy,” 344, note 46.

native investment opportunities, for example by investing more at home. Like many other investors, they also increasingly put their money in Eastern markets. The result of all this is growing economic ties between the world's largest manufacturer and the world's largest supplier of energy, where economic realities are clearly trumping the political relationship. Nowadays, Saudi Arabia accounts for about 17 percent of China's imported oil, while total trade grew by almost 60 percent in 2005 to \$14 billion. China has become Saudi Arabia's fourth largest importer and fifth largest exporter, and the Kingdom is China's tenth largest importer and its second biggest oil supplier.²⁶

Sino-Saudi relations received another boost with the January 2006 visit to Beijing by King Abdullah – his first foreign destination since he came to power in August 2005. Three months later this was followed by a visit to Riyadh by China's President Hu Jintao, after having called in at Washington where he had received a rather lukewarm welcome.²⁷

Thus it is mainly commercial contacts that are blossoming, but at the same time there are indications that China is on its way to develop a more proactive diplomatic and strategic approach to the Middle East. Speaking about Sino-Saudi relations, there is a certain logic to these growing economic and political ties.²⁸ As former US ambassador Freeman astutely observed, "What do the Arabs and Chinese see in each other? Quite a bit. The Arabs see a partner who will buy their oil without demanding that they accept a foreign ideology, abandon their way of life, or make other choices they'd rather avoid. They see a country that is far away and has no imperial agenda in their region, but which is internationally influential and likely in time to be militarily powerful. They see a place to exchange their portraits of little dead Americans for things they can unwrap and enjoy. They see a country that unreservedly welcomes their investments and is grateful for the jobs these create. They see a major civilization that seems determined to build a partnership with them, does not insult their religion or their way of life, values its reputation as a reliable supplier too much to engage in the promiscuous application of sanctions or other coercive measures, and has no habit of bombing or invading other countries to whose policies it objects."²⁹

26. Liu, "China's Energy Security and Its Grand Strategy," 11; Sez nec, "Doubtful of the US, Saudi Arabia Begins Looking East," Saudi-US Relations Information Service, September 28, 2006, via www.saudi-us-relations.org/.

27. See C.W. Freeman, "The Arabs Take a Chinese Wife: Sino-Arab Relations in the Decade to Come," Saudi-US Relations Information Service, June 1, 2006, 2-3, resp. p. 5.

28. N. Janardhan, "GCC-Asia Ties: Economy First; What Next?" *Gulf in the Media: Araa Gulf Views*, February 18 and A. Sager, "Saudi-Chinese Ties: Energy First, But Not Last," *Gulf in the Media: Araa Gulf Views*, January 19, 2006, via www.gulfinthemedial.com/.

29. Idem, 4. Apart from all these 'warm feelings', there is at least one notably irritating factor: the Xin-

Saudi Arabia is trying to rebalance its international position by courting rising giants China and India. Actually, this act of (polygamous) “omnibalancing” is not a novelty in Saudi foreign policy but, as Nonneman convincingly argues, is simply one more application of the pattern of “managed multi-dependence” that has been established for more than a century.³⁰

While scholars passionately debate the likelihood that the Saudi regime, in security terms, will see China as a serious alternative to the United States,³¹ there is a certain logic to the Saudis wanting to increase their options. More than before, they will probably try to play off the two against each other, which is exactly the reason why Washington persists in courting the House of Saud, showing deference to keep them on their side.³²

Sino-Iranian Growing Business

At face value, Sino-Iranian relations look much more straightforward: Being on Bush's “axis of evil”, Iran is much less able to omnibalance. Hence Tehran's eagerness to develop a full-blown strategic partnership with Beijing.

Historically, Iran and China have a long record of relations. Both countries are the heirs to two great civilizations and centers of empire, dating back to more than two millennia. Both sides seem determined to kindle these deep historical roots of their contacts, which reflects not only a common desire to commemorate the past, but also to recreate it. There is a kind of “kinship of nationalisms” that pervades the present-day

jiang ‘problem.’ In this mineral-rich province more than 7 million Uighurs live, who are Muslims that have been subject to repression – more intensely so in the aftermath of ‘9/11’ under the rubric of China's own ‘war on terror.’ The Saudis are walking a tightrope, one made more complicated by the presence of radical elements within the Kingdom itself. For more on this issue, see Sager, “Saudi-Chinese Ties”; D. Blumenthal, “China and the Middle East: Providing Arms,” *Middle East Quarterly*, Spring 2005, 11-19; Jaffe, “China's Growing Energy Needs,” *The Gracia Group*, January 8, 2002, 35-37; M. Scheuer, *Imperial Hubris* (Potomac Books, 2005), 225.

30. Nonneman, “Determinants and Patterns of Saudi Foreign Policy,” 351.

31. E.g. see J.A. Russell, “Saudi Arabia in the 21st Century A New Security Dilemma,” *Middle East Policy* XII, no. 3 (Fall 2005): 64-78; Th. Woodrow, “The Sino-Saudi Connection,” *China Brief*, vol. 2, no. 21, October 24, 2002; Janardhan, “GCC-Asia Ties: Economy First; What Next?”; Seznec, “Crossroads in US-Saudi Relations”; Bronson, “Understanding US-Saudi Relations,” in Aarts and Nonneman (2005/2006), 372-398; Aarts, “Events versus Trends: The Role of Energy and Security in Sustaining the US-Saudi Relationship,” in Aarts and Nonneman (2005/2006), 399-429; Luft and Korin, “The Sino-Saudi Connection”; E. Morse, “Implications for United States” in *The Sino-Saudi Energy Rapprochement: Implications for US National Security*, The Gracia Group, January 8, 2002, 39-42; and Bahgat, “Nuclear Proliferation: The Case of Saudi Arabia.”

32. This argument is further developed in Aarts, “Events versus Trends” and below.

Sino-Iranian relationship. Both Chinese and Iranian national consciousness is deeply influenced by a sense of victimization and vulnerability, which is manifested in their commonly held preoccupation with issues of independence and sovereignty.³³

In contemporary times, relations have not always been friendly. In the early Cold-War days in particular – when Iran joined the Baghdad Pact (1955) and established diplomatic relations with Taiwan (1956) – frictions were quite manifest. Relations started to improve, however, from the mid-1960s onwards after China and the Soviet Union had broken their relations. Against the backdrop of “Moscow as a common enemy”, Beijing increasingly viewed Iran as a bulwark against Soviet ambitions in the Arabian Gulf region. Surprisingly, the Islamic revolution did not have any real effect on Sino-Iranian relations. As Calabrese rightly remarks, “The relationship progressed in spite of the two countries’ sharply diverging political orientations. [...] A combination of Iranian pragmatism and Chinese opportunism kept the relationship moving forward.”³⁴

In the course of time, China and Iran drew closer together. Several factors may explain this growing convergence of interest: on the Iranian side, deteriorating relations with the European Union after the suspension of the “critical dialogue” in 1997, and failed attempts to extend its presence in Central Asia; the Chinese, on their part, had become a net oil importer, and were eager to increase the export of household appliances and capital goods. Inadvertently, American foreign policy also contributed to closer Chinese-Iranian relations: US sanctions policies vis-à-vis Iran clearly stimulated the latter’s inclination to “Look East.”³⁵

It is clear that China’s economic potential is casting the country in the light of an attractive, multifaceted partner for Iran too. It is not only a trade partner (apart from Saudi Arabia, Iran, with a trade volume of some \$7 billion, is China’s most important trading partner in the region), but also an investor, a technology supplier, and it might even act as a provider of credit.

Unsurprisingly, energy cooperation is the backbone of Sino-Iranian economic relations. Iran indeed has become indispensable to China’s energy security: early

33. Calabrese, “China and Iran: Mismatched Partners,” *Occasional Papers*, The Jamestown Foundation, August 2006, 3. This section of the paper draws partly on Calabrese’s essay and on a personal communication with Dr. Nasser Saghafi-Ameri from the Tehran-based Center for Strategic Studies, May 2006.

34. *Ibid.*, 4.

35. Washington’s sanctions policy vis-à-vis the Islamic Republic of Iran has had the unintended effect of giving more space to non-US companies. This is particularly the case in the energy sector where not only Chinese companies but also Western firms (like BP, Shell and ENI) have taken the opportunity to do business in Iran.

this year, Iran replaced Saudi Arabia as China's number one source of imported oil. Apart from trade in oil, China has a growing interest in natural gas (knowing that Iran has an estimated 15 percent of the world's reserves), and increasingly wants to be active in the energy sector's upstream and downstream sector.³⁶ Most spectacularly, in 2004, the two countries signed a memorandum of understanding that awarded Sinopec the right to participate in developing the Yadavaran field, one of the world's largest undeveloped oil fields. Under the terms of the MOU, NIOC (National Iranian Oil Company) would sell 150,000 bpd of crude oil to China at market prices over a period of 25 years when the field becomes operational.³⁷ Other areas of cooperation in the energy sector are the upgrading of refineries, the enhancement of oil recovery, and the construction of oil and gas pipelines.

In the non-energy sector, Iran is China's biggest overseas market for large products and labor export. More than 100 Chinese companies are involved in the infrastructure sector and the auto industry.

In the military sector, Sino-Iranian relations started to develop during the eight-year Iraq-Iran war (assisting the development of Iran's asymmetric capability). Following this war, two major deals were struck (in 1992 and 1996), involving the development of Iran's ballistic and cruise missile production capability.³⁸ This has, however, not led to a change in the conventional military balance in the region. Most of Iran's hardware is still Western vintage. The two countries also work together in the nuclear field. China reportedly trained Iranian nuclear technicians in the mid-1980s and helped to build fuel fabrication and conversion facilities in Esfahan.³⁹ In recent years, it is much less material assistance that counts than political support that Beijing has extended, or might give, to Iran in the face of growing American (and possibly European) pressure.

Finally, it is worth noting that Iran has received observer status in the Shanghai Cooperation Organization (SCO). The SCO, established in 2001, grew out of the "Shanghai Five" group created by China in 1994. Present membership consists of China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. By joining this treaty and by attending its latest summit, in June 2006, in the person of Iran's

36. We are not aware of any Iranian downstream investments in China, like Saudi Arabia has undertaken.

37. This is in addition to imports of 10 million tons of liquefied gas per year. For more details on the Yadavaran deal, see D. Shen, "Iran's Nuclear Ambitions," *The Washington Quarterly*, Spring 2006, 61, and references there.

38. Russell, "China's WMD Foot in the Greater Middle East's Door," 9.

39. More details in M. Kibaroglu, "Good for the Shah, Banned for the Mullahs: The West and Iran's Quest for Nuclear Power," *The Middle East Journal* 60, no. 2 (Spring 2006): 217.

President, Mahmoud Ahmadinejad, a clear signal was sent to the United States.⁴⁰

One may wonder though whether President Bush may lose any sleep over Iran's message. All in all, when the chips are down, whose side will China take? Will it be prepared to sacrifice its US interests to save Iran when it comes to the nuclear dossier and the issue of sanctions connected to that? Equally, aren't the Saudis still too much handcuffed to the Americans to switch sides? For now, China seems to be carefully avoiding a collision with the United States in the Middle East.

The Story So Far: Beijing's Handicaps

If we take a careful look at China's policy vis-à-vis the Middle East, we notice that until now the country has, generally speaking, preferred to play the role of "free rider" rather than that of "spoiler".⁴¹ Increasingly, however, Beijing is walking a political tightrope. For, on the one hand, China cannot jeopardize its relations with the United States, which have improved significantly after 9/11, also knowing that the United States is a huge market for Chinese goods and investments. Moreover, at present China depends on the United States to patrol sea-lanes through which its oil imports from the Middle East transit. On the other hand, though, China's preference for a traditional Westphalian-style of conducting international relations with emphasis on non-interference, state sovereignty and territorial integrity, differs from the US policy of preemptive action and regime change. More importantly, its increasing energy needs lead to the development of its own political paths in the region – and this might eventually lead to clashes with the United States. To date, it doesn't seem that Beijing has a "grand strategy", but merely follows an opportunistic policy. That may change however. So how do the Arabian Gulf "superpowers" fit in that framework? And what role does the United States play in the region and in these countries in particular?

Saudi Realities

As argued above, now that Saudi Arabia is making a big effort to open up its economy towards China, some speculate that this will "automatically" lead to a change in the Kingdom's strategic relationship with Washington. In the post-9/11 world, the reliability of the United States as a weapons provider to Saudi Arabia is less certain

40. S. Blank, "China and the Shanghai Cooperation Organization at Five," *China Brief* 6, no. 13, June 21, The Jamestown Foundation, 2006 [online].

41. Calabrese, "Dragon by the Tail," 15.

than before and thus it is likely that China is going to provide an increasing amount of weapons systems and related technology.⁴² Moreover, China provides the Saudis with new investment opportunities for their oil wealth.⁴³ In line with this kind of “shifting-of-partnership” reasoning is the fact that the House of Saud does not want to wait around to find out if the neoconservative plan for targeting Saudi Arabia, after Iraq, turns out to be White House policy.⁴⁴ So they are covering their bets and trying to develop a more robust relationship with China.

Tightening ties between Saudi Arabia and China *could* have a negative impact on both US-Saudi relations and US-China relations. Whether this is going to happen will depend to a large extent on Saudi Arabia's policies. Let's imagine the situation where the Kingdom no longer wants to be the number one supplier to the United States. Why would that be? Apart from the 9/11 fall-out and the continuous Saudi bashing in US media, there is a strictly economic argument to that. If markets were left to their own devices, Saudi Arabia would no longer be the US's prime supplier. It is mainly due to Riyadh's benevolent pricing policy, i.e. discounting their oil for the US market, that this situation was established and endures until this very day. Without this special pricing, US imports of Saudi oil would probably drastically drop (from the current 25 percent to a level closer to 10-15 percent).⁴⁵ Following this scenario, one might expect the US public to turn away from support of America's role as protector of Middle East oil producers as well as of long-haul supply lines. In that case, other oil-importing countries in Europe and East Asia could move in and protect their own oil supplies directly. It is doubtful, however, that China – or any individual European country for that matter – would be willing (and able!) to fill the security vacuum – at least not in the foreseeable future.⁴⁶ Obviously, the regime in Riyadh is aware of that too.

Also from an oil supply perspective a hands-off attitude would be unwise. Even if the United States were to reduce its oil imports from Saudi Arabia or were to refrain from using Saudi oil altogether, it would still be in Washington's best

42. Matthews, “Energy Security: Implications for US-China-Middle East Relations,” 7. This, however, is far from the situation that China is going to come in and defend Saudi Arabia. See Seznec, “Crossroads in US-Saudi Relations”; and Bahgat, “Nuclear Proliferation,” 436-438.

43. There is also anecdotal evidence that the two countries may have informally coordinated to draw down their dollar-dominated assets. See Leverett and Bader, “Managing China-US Energy Competition in the Middle East,” 196-197.

44. R. Dreyfuss, “Pushing Saudi Arabia into China's Arms,” January 25, 2006, via <http://uruknet.info>.

45. For more details on this ‘hidden subsidy’ to the American consumer, see Aarts, “Events versus Trends,” 412-413; and Morse, “Implications for the United States,” 41 and 44.

46. “Aphorisms and Suspicions,” *The Economist*, November 19, 2005, 21-23.

interest to preserve friendly relations with Riyadh. Why is that?

By far the most important motive for the United States not to neglect the Saudis is the unique position of Saudi Arabia as the world's only "swing producer": the country retains the single largest spare production capacity of all oil producers.⁴⁷ This means that the world market – and the world's largest oil consumer in the first place – has a major interest in a cooperative Saudi government. Although it has declined in recent years, the national spare capacity allows the Saudis, for now and for the near future, to "control" the oil market to such an extent that they can fix or at least contain serious disturbances (but not control prices, as is often suggested). It takes them just a few days to gear up production or to ratchet things back down.⁴⁸ It is hardly imaginable that a serious disruption of the Saudi oil supply (and its attendant rise in oil prices) would be without consequences to the American market – even if the Americans would stop using Saudi oil altogether.

A second motive for continued American interest in Saudi Arabia has to do with the Bush administration's geostrategic thinking. This was first systematically formulated in its *National Energy Policy* (NEP) document, also known as the "Cheney document" (in early 2001). Close reading of this document shows that – apart from boosting production at home through the exploitation of untapped reserves in protected wilderness areas – its basic goal is less to focus on energy conservation than to find additional external sources of oil for the United States. Strikingly, the report also calls for substantially expanding Saudi capacity, preferably through increased US oil-company investments. Recently, the Cheney document was supplemented by the *National Defense Strategy of the United States*, issued by the Department of Defense (March 2005). The report's language is revealing: "Our role in the world depends on effectively projecting and sustaining our forces in distant environments where adversaries may seek to deny us access."⁴⁹ The military doctrine also envisions "pre-emptive military action" intended to cripple adversarial combat capabilities. In the face of perceived perils, the US government has placed an ever-

47. The following paragraphs draw partly on Aarts, "Events versus Trends." Spare capacity of the Saudis has been falling in recent years, though, and it is unclear whether they will regain it via production increases or demand decreases. See E. Woertz, "A New Age of Petrodollar Recycling?" Paper presented at the Eight Mediterranean Social and Political Research Meeting, Florence & Montecatini Terme, March 21-25, 2007, 11-12.

48. The United States, and the rest of the oil-consuming world, has depended since the mid-1970s on the Saudi capacity to "manage" the oil market in this way – and not only under "extreme" circumstances like in the aftermath of the Islamic Revolution, during the Iraq-Iran war, during the second Gulf War and, again, during the 2003 war against Iraq. Indeed, Saudi Arabia has fairly consistently performed this moderating role for the past quarter of a century (as have the other GCC states).

49. Department of Defense, *National Defense Strategy of the United States*, p. 13. More recent White House documents, like *The National Security Strategy of the United States* (March 2006), sing the same tune.

increasing reliance on the use of military force to protect the global access to oil and its transport.⁵⁰

A third motive might be termed “fear of the alternative.” The economic and security situations of the Kingdom nurture plenty of worries, not to mention the uncertainties and possible problems over the succession to King Abdullah. Nevertheless, the Al Saud remain in control of plenty of “capital” – economic, religious, political and symbolic. It is, moreover, in the best interests of the United States to see that the current regime stays in power. Washington simply cannot afford to witness regime change in Riyadh (let alone contribute to it). As recent history has shown, radical domestic political changes in oil-producing countries often lead to suppressed output, whether the change is “anti-American” (as in Iran) or “pro-American” (as was the case after the collapse of communism in the Soviet Union). It is rather difficult to imagine a situation where a radically different Saudi regime willingly cuts *all* its oil exports and orders its citizens to tighten their belts for more than one month or so.⁵¹

A different scenario – with no less damaging effects – is also conceivable. Consider the possibility of a flood-the-market approach, which is not unimaginable under a radical Islamist regime that could impose on its people the hardships and privation of lower prices “for the sake of a final victory over the enemies it deems unholy.”⁵² This would have a devastating effect not only on US oil production, but also negatively impact on Russian oil production, endanger Caspian Basin prospects, and halt new exploration and technology development. Consequently, within five to 10 years, the world would be even far more dependent on the Arabian Gulf than it is today, with no immediate way out – an outcome that would seem like a real vic-

50. One could argue about the real need for physical (military) presence in vital regions to exercise control. It might be sufficient to show that it has the *capacity* to intervene, just as the US nuclear umbrella shows that the United States does not have to use its nuclear weapons to elicit a degree of compliance from other countries. So there is no need to control vital areas directly (though exceptional circumstances may “force” them to do so); it merely needs to ensure that they do not fall under the control of a hostile great power and in particular not under the control of a so-called peer competitor. See S.M. Walt, “In the National Interest. A New Grand Strategy for American Foreign Policy,” *Boston Review*, February-March 2005, via <http://bostonreview.net/>.

51. M. Rodenbeck, “Unloved in Arabia,” *New York Review of Books*, October 21, 2004, 24. This is in line with the adage that “you cannot drink oil”, but one should seriously question whether *any* US administration would welcome such a scenario with all its attendant instabilities. Washington will always prefer market stability, and thus tries to be on the safe side, keeping the reliable partners in power, or – if the worst comes to the worst – occupy the Eastern oil fields (Baer, *Sleeping with the Devil*). Substantially higher prices would be the inevitable consequence, with concomitant effects on the global and US economies.

52. L. Maugeri, “Not in Oil’s Name,” *Foreign Affairs* 82, no. 4 (July/August 2004).

tory for a radical Islamist regime. Both scenarios would have negative effects for the US economy, which raises the question whether there is any practical alternative to the present Saudi regime that would really serve the interests of the United States. Washington's conclusion looks obvious: it is better to deal with the devil you know.

Despite 9/11 and regime change in Iraq, Riyadh and Washington still display many characteristics of Siamese twins. The pillars upon which the "special relationship" has been built remain essentially intact. Paradoxically, one might add the common interest in combating Islamic terrorism as an additional pillar. Although there has been a period of trial and tribulation, relationships recently returned to former levels of warm heartedness.⁵³ By this the US government shows its willingness to continue its decades-old policy of embracing convenient dictatorships, especially if they produce oil.⁵⁴

Iranian Dreams

It is clear that China's energy-driven initiatives have been generally well received in the region. In particular for Tehran, the political and strategic advantages of cultivating closer ties with Beijing are obvious. Given its pariah status, but more specifically because of its nuclear aspirations – which bring it under increasing international pressure – the support of a permanent member of the UN Security Council (and the International Atomic Energy Agency's Board of Governors) is mostly welcome. But diplomatic support does not satisfy Iran's current leadership. President Ahmadinejad speaks openly about Iran's imperative to build full-blown "strategic partnerships" with non-Western countries such as China, and seems to disdain Europe almost as much as the United States.⁵⁵

For sure, Iran is a strategically important partner for China and that is why Beijing is making an all-out effort to forge relations and tries to integrate Iran into forms of regional cooperation. At the same time, China has to perform a balancing act when it comes to Iran's nuclear enrichment program.

China has always tried to balance its interests in the nuclear standoff by emphasizing both Iran's rights and obligations under the Non-Proliferation Treaty (NPT). Given its own history, the Chinese are particularly sensitive to the im-

53. This was illustrated by the much-publicized visit of then Crown Prince Abdullah to President Bush's ranch in Crawford, Texas, late April 2005.

54. See P. Aarts, "The Longevity of the House of Saud. Looking Outside the Box," in *Debating Arab Authoritarianism*, ed. O. Schlumberger (Stanford University Press, forthcoming).

55. See, for instance, President Ahmadinejad's statements at the SCO summit in Beijing in June 2006 which illustrated Iran's attempts to use its energy assets as a political lifeline. Calabrese, "China and Iran," p. 12 and note 82.

portance of sovereignty and independence. That is why, from a legal point of view, China fully supports Iran's right to civilian nuclear energy based on the principle of sovereignty. At the same time, Beijing has made it explicit that non-proliferation is high on its agenda – cultivating an image as a “responsible stakeholder” of the international community – and expects Tehran to honor its treaty commitments and to cooperate fully with the IAEA. Because stability in the Middle East is China's first priority, it thinks that a more proliferation-prone environment complicates and harms its interests. Apparently it believes that the emergence of another nuclear power in this region – possibly followed by a nuclear arms race – would lead to destabilization and thus undercut China's pursuit of energy security.⁵⁶

It is an understatement that Beijing is caught in a dilemma vis-à-vis Iran's uranium conversion program, given its increasingly closer energy and economic ties with Tehran. Sooner or later, Chinese policy makers will have to decide whether to risk its energy and economic interests and join the international pressure group and support sanctions, or to use its veto power (or play a passive role of abstention without a clear position) and thus diminish its newfound role of “responsible stakeholder”, frustrating and angering the United States.⁵⁷

The “US factor” weighs heavily. It should be kept in mind that in terms of economic development – in the broadest sense of the word – the United States is China's single-most important partner. China's trade surplus with the United States for 2005 is forecast to reach \$200 billion, a figure vastly greater than the volume of Chinese-Iranian trade.⁵⁸ It doesn't seem farfetched to assume that China will choose the United States if it is under heavy pressure.

That is not the whole story yet. Another problem for Iran is that there are only three capital markets in the world capable of generating those levels of investment that the country is in need of: Europe, the United States and Japan. It is doubtful that the Chinese – or the Russians or Indians for that matter – could substitute for the West, at least not in the coming decade. What's more, there is the issue of superior Western technology. It is obvious that the Iranians would

56. D. Shen, “Iran's Nuclear Ambitions Test China's Wisdom,” 60.

57. A recent illustration of China trying to be such a “responsible stakeholder” is the deployment of 1,000 troops to the UN peacekeeping forces in Lebanon (installed after the Sixth Arab-Israeli war in the summer of 2006).

58. Shen, “Iran's Nuclear Ambitions Test China's Wisdom,” 61-62. Note that recent EU figures indicate that China-EU trade has reached €210 billion in 2005, which would make the EU China's first trading partner (ahead of both the US and Japan). See http://ec.europa.eu/trade/issues/bilateral/countries/china/index_en.htm [viewed on October 23, 2006].

prefer to have ExxonMobil, Total or Shell upgrade their oil infrastructure, rather than Sinopec or Lukoil.⁵⁹ In that context, it is not surprising that Iran's oil and gas deals with China have mainly been concluded with distinctly strategic purposes: building a political relationship and ensuring access to important export markets. The transfer of civilian technologies or infusions of capital seem to be much less important.

It is notable that even in the field where the Sino-Iranian relationship is the strongest – in the energy sector – friction is not absent. The much-touted Yadavaran deal, for instance, has yet to be finalized and Chinese investments are dwarfed by Iran's investment needs. China is consciously diversifying its overseas oil investments, not willing to concentrate in one or a few countries. More generally speaking, there seem to be inflated expectations from Tehran's side when it comes to economic cooperation with Beijing. Although trade figures have been rising rapidly, from \$200 million in 1990 to \$10 billion in 2005, this is not the whole story.⁶⁰ While China is Iran's second trading partner (after Japan), Iran only represents a small part of China's overall trade with the outside world. Notwithstanding the fact that Chinese officials do not get tired of singing the refrain of the economies' "high complementarity", there are quite a few mismatches between the two.⁶¹ And despite some impressive figures about Chinese involvement in Iran's economy, Iranian officials seem clearly disappointed about the level of private sector investment from China. What they do not acknowledge – apart from noting China's purposeful policy of casting a wide net – is the still not so friendly investment climate in Iran.

In conclusion, there is a clear gap between Iran's expectations and China's performance. In Tehran, there is a much stronger need and desire than in Beijing to build a full-blown strategic partnership. In a wider sense, Iranian officials seem to underestimate how much the Sino-American relationship means to China, and overestimate how far Beijing might be willing to go to support Tehran.⁶²

59. K. Pollack, "Iran" Three Alternative Futures," *The Middle East Review of International Affairs* 10, no. 2 (June 2006): 2.

60. Calabrese, "China and Iran," 13.

61. The term "mismatch" is borrowed from Calabrese, "China and Iran." The EU takes 35.1 per cent of all Iranian trade exchanges, ahead of Japan, China and Korea. On Europe's role, see J. Reissner, "EU-Iran Relations: Options for Future Dialogue," in *Iranian Challenges*, ed. W. Posch (Paris: Institute for Security Studies, Chailiot Paper no. 89, May 2006): 115-125. One might conclude then that China (and Japan) seems to be more 'model' than 'market' for Iran.

62. Calabrese, "China and Iran," 12-14.

US Presence

Up to now we have seen that there are several limitations that China faces in Saudi Arabia and Iran, which are mainly caused by US influence. The US presence in the Gulf region is strong and seems it is there to stay. Saudi Arabia's benevolent pricing strategy towards the United States works well for both parties involved. Without these favorable prices, it would be a lot cheaper for the United States to get its oil in its own region. But in this way Saudi Arabia is securing the continuous attention of its best customer and the House of Saud is retaining its most important supporter. The United States gets oil at a reasonable price and by being the largest customer in the meantime also preserves its influence in the Gulf region. The United States not only needs this influence to secure its own energy security, but also to make sure that the world has access to oil. An unstable Middle East leads to higher oil prices, which could have a negative impact on the world economy. A world recession is the last thing the United States, or China for that matter, is waiting for. On a very practical level this means that the United States is patrolling sea lanes in the Middle East and the Indian Ocean to make sure that all the oil tankers can reach their destinations in Europe, the United States and the rest of the world. Presently, about 40 percent of all the oil that is traded in the world goes through the narrow Strait of Hormuz which separates the Arabian Gulf from the Gulf of Oman and ultimately the open seas.⁶³ Iran has repeatedly threatened to block this Strait. The Strait of Malacca has a similarly important position. The US Navy has a considerable presence in that Strait, which is a haven for the new generation of pirates and the doorway to China. If China were to challenge the US position in the Middle East, it would also have to be prepared to take over its protective role in that region. Right now, China and its navy are in no position to do so and clearly benefit from US involvement.⁶⁴

To Be Continued

So far this article has looked at the near future. One can obviously never be sure, but it appears as if there is no momentum for a Chinese-US clash in the Middle East. Of course, one cannot rule out that China's rise *could* pose a threat to US security – and history shows that states engage in war for insufficient reasons – but, at least

63. See <http://www.globalsecurity.org/military/ops/Arabian-gauntlet.htm> for more information.

64. China is, however, investing in the modernization of its Navy, while at the same time trying to prevent fears of an arms race with the United States, as is shown by Adam Wolfe in a recent *Power and Interest News Report* (January 8, 2007).

for the foreseeable future, this seems not in the offing. The Middle Kingdom lacks the resources and the will to exert its influence globally. Its more proactive global posture should not necessarily be seen as a zero-sum game as the theory of offensive realism would predict.⁶⁵ Actually, there is little evidence that Beijing is actively pursuing a balancing policy against Washington. China is not “on steroids” and perhaps Charles De Gaulle’s notorious comment on Brazil could also apply to China: “It has great potential, and always will.”

All things considered, the status quo seems conducive for China’s main interest: access to energy resources, from the Arabian Gulf region in particular. Its priority is stability, both at home, in Asia and in the Middle East. Assuming that neocon thinking will not prevail in US foreign policy, and knowing that both the United States and China are long-term maximizers, one should not even rule out the possibility of policy coordination.⁶⁶

Scenario-thinking

However, 25 years from now, things may be very different. To get an idea of the possibilities that are in stock we have written four scenarios of the future of US-Sino relations with special attention to the Gulf Region. Scenario-thinking and writing is a method, first developed in business life, to look beyond the present into the uncertain future, in order to adapt policies to changing structures and events in a strategic way. A scenario is “a tool for ordering one’s perceptions about alternative

65. Shambaugh, “China Engages Asia,” *passim*, note 94 in particular for references to academic literature from this viewpoint. For an example of how to apply international relations theories to US-Sino competition over Gulf oil, see M. Van Rijsingen, “Fueling the Dragon US-Sino Competition over Oil in the Persian Gulf Region,” (MA Thesis, Department of Political Science, University of Amsterdam, 2006).

66. More on this, see Rosecrance, “Power and International Relations: The Rise of China and Its Effects,” *International Studies Perspectives*, 7, 2006; D.A. Lake, “American Hegemony and the Future of East-West Relations,” *International Studies Perspectives*, no. 7, 2006; Morse, “Implications for the United States”; S.W. Lewis, “Energy Security in North East Asia: The Potential for Cooperation among the Major Energy Consuming Economies of China, Japan and the United States,” The James A. Baker III Institute for Public Policy of Rice University, July 18, 2005; X. Liu, “China’s Energy Security and Its Grand Strategy,” The Stanley Foundation, Policy Analysis Brief, September 2006; A.M. Jaffe, “Energy Security: Oil-Geopolitical and Strategic Implications for China and the United States,” The James A. Baker III Institute for Public Policy of Rice University, July 18, 2005; A. M. Jaffe and S.W. Lewis, “Beijing’s Oil Diplomacy,” *Survival* 44, no. 1 (2002): 115-134; M.R. Greenberg, “On Leadership,” *The National Interest* (winter 2005/2006): 25-29; Andrews-Speed *et al.* “Searching for Energy Security”; and I. Bremmer, “Are the US and China on a Collision Course?,” *Fortune*, January 24, 2007.

future environments in which one's decisions might be played out."⁶⁷ Concretely, they are a set of stories, built around carefully chosen so-called driving forces, in either written or spoken form. Each story resembles a possible future environment on a larger or smaller scale. Building scenarios means applying systematic and strategic thinking to dynamic, complicated and seemingly unpredictable realities by exploring the inter-related imponderables between the different factors that influence those realities. Scenarios should not be seen as true predictions or indisputable schemes of the future, and may seem unrealistic sometimes, but they are based on plausibility and probability. Scenario writing is a way to map the future in all its complexities and inconveniences.

The choice for this method as an additional part of the article is based on the idea that the present situation on energy policies in China, the United States and the Middle East is rapidly changing. Speculations on China's growth, new nuclear powers in the Middle East and the role of the United States in the region are divided on a wide spectrum. In order to try to take a look into the uncertain future with regard to the relations between the present hegemonic power and one that is growing at an unprecedented pace, the intention is to present a set of scenarios which can help one to look beyond current events and the present day situation to the year 2030.

The process of scenario writing starts with the search for and articulation of the research question. In line with the discussed issues on the Middle Kingdom's oil policies, their dependence on the United States with regard to stability in the Middle East and the attitude of Iran and Saudi Arabia towards both powers, the central question is: What will the relationship between China and the United States be 25 years from now regarding their oil needs and policies used in the Middle East? This question contains the dual relation between two of the largest and most powerful countries in the world as well as their future actions, incentives and reactions to upcoming developments in the Gulf region.

The next step is to develop a system landscape, a scheme which contains the possible influences on the present situation. The landscape is grounded in facts and is used as an overview of logical, possible and plausible factors, which gives the first impression of possible future outcomes. After the system landscape is created, the key factors are distilled. Key factors reflect possible restraints and threats, possibilities and positive trends to the current situation. They represent possible pathways that deviate from the logical sequence of the present day situation.

67. P. Schwartz, *The Art of the Long View: Planning for the Future in an Uncertain World* (Doubleday Currency, 1996), 4.

With the research question in mind, the key factors function to choose the two opposing driving forces which eventually serve as the framework for the upcoming scenarios. Driving forces are the fundamental factors which determine the beginning and end of each scenario's outline. They are "the elements that move the plot of a scenario, that determine the story's outcome."⁶⁸ The actual choice of one's driving forces not only determines the eventual outline of the scenario, it also gives meaning to the deeper, more fundamental forces behind them. In other words: the driving forces should capture all evident and hidden factors that influence a certain situation. A necessary condition to achieve this is to pick two independent variables in order to give comprehensive answers to the formulated research question.

Within this necessary and extremely important process of formulating one's objectives and goals, possibilities and challenges for the hidden future, one should take all possible factors into account. In this case, the choice of the driving forces fell on China's economic growth versus the extent of stability (or instability) in the Middle East. The first driving force was chosen because the extent to which China is or may be a more or less equal competitor to the United States in its contemporary hegemonic position, is dependent on the way predictions about its economic growth are going to come true or not. Economic growth not only involves extension of the market share on a global scale, but inherently means domestic and foreign policy changes, growing oil needs, changing attitudes towards the United States and the Middle East, investment growth, privatization, urbanization, the opening of their economy and an expanding Chinese military. By the same token the extent of stability in the Middle East can also be seen on a broad spectrum of possibilities. Demographical changes, (nuclear) wars, civil unrest, changing occupation of foreign forces, regime stabilities in the Gulf and fluctuations in the oil branch are only a few of the possible outcomes.

The Scenarios

By taking these two broad forces as main factors of analysis, many obvious and hidden influences on the situation to examine are covered to pave the way to four possible future scenarios. They are based on knowledge and insights about present day situation and therefore reflect the now in different aspects of the uncertain future to come. Each scenario is based in 2030 and presents a different state of affairs. Table 1 represents the

68. Ibid., 101-102.

two broad forces and the scenarios that (could) follow from their different combinations. This section continues with an elaboration of each of the scenarios.

Table 1: The Four Scenarios

		ECONOMIC GROWTH	
		High	Low
S T A B I L I T Y	High	'The Two Powers'	'Fellowship of Oil'
	Low	'Return of the Middle Kingdom'	'Battle over Middle East'

'Return of the Middle Kingdom': Economic Growth in China versus Instability in the Middle East

Predictions about the highest percentage of growth in the Chinese economy have become facts. Since the new millennium an average annual growth of more than 12 percent has been reached and the call for energy is starting to surpass the means to supply the people. Growing urbanization and a shrinking agriculture are the main reasons for the inversely proportional demand for energy. The outbreak of the epidemic mad cow disease (BSE) in the second decade of the 21st century doubled the flight of farmers to the cities. Over the past 25 years the technological revolution in the industrial sector was able to provide China with a supply of 14 percent of its total use of energy from natural gas. Despite the fact that a great amount of coalmines have been closed, China still gains 55 percent of its energy from coal, but the remaining 31 percent of energy supplies has to come from abroad and most of that is oil. And although the strategic approach China used in the early 21st century to secure its oil supply from the Gulf region looked as if it would not last, it appears that it has. The world is changing rapidly and China can't wait to fill the new power vacuum.

A lot has changed since the beginning of the 21st century. Due to the ongoing civil war in Iraq and the retreat of the Americans from that region 15 years ago, the Gulf countries have seen themselves prolapse into a negative spiral towards what turned into a regional civil war between Sunnis and Shiites. In the meantime the United States started to put its main negative focus on Saudi Arabia the moment the House of Saud took the definite step to extend its flirting with China to a real love affair. China and the United States were silently fighting for the position of

main oil consumer in several Gulf countries, but new developments brought all attention to Iran.

The marking of a new era came with the self-proclamation of Iran as a fully-fledged nuclear power in 2025. This development tightened and tested all existing relations and brought the events from the past five years into fast acceleration. Faced with the lucid threat Israel responded by bombing not only Iran's nuclear industries, which resulted in nuclear fallout in the region, but also Iran's lucrative oil fields, which had the effect of burning them down. Iran retaliated by bombing Tel Aviv. The US immediately reacted by throwing bombs on Tehran and Iran's governmental facilities. In combination with the elevated levels of radioactivity in parts of Iran this has led to streams of refugees in neighboring countries. Iran is now too troubled with its domestic stability to pose any threat on the international level.

The instability in the Middle East now seems everyone's concern. The shift of the Saudis towards the East put heavy tensions on US-Sino relations, but since the nuclear incident in Iran both parties have remained silent for fear of an all-out confrontation. Saudi Arabia is now equally dividing its oil to both countries, but the Gulf region tends more towards the east than the west, especially after what happened in Iran. The US is still recovering from the military and financial costs of its adventures in the Middle East, but is relieved to be rid of its former headaches. China is faring very well. The world is covered with fear and expectation of what is coming next. Although it might be too early to tell, a hegemonic shift seems to take place behind the world stage of war and betrayal, arms races and newly structuring international relations. Who fills the clear-cut power vacuum that dominates the new anarchic order is now the main question.

'The Two Powers': Economic Growth in China versus Stability in the Middle East

The optimistic predictions about the Chinese economy that were made during the first years of this millennium have now become reality. China's economy is flourishing and has seen significant changes towards a more grown-up economic system. The decision of the Chinese government to upgrade the RMB yuan more than 20 years ago strengthened the Chinese currency and led to more balanced global trade relations, while Chinese growth nevertheless continued unabated due to an increase in domestic demand. Some of the extra money has been used as a first huge investment in the national army. Ever since, China has made significant progress in strengthening as well as innovating its army, which has now become a force to be reckoned with by the international community.

The Chinese industry has focused its production more on high-quality goods and one of the fields of industry in which China now excels, is alternative energy. Many breakthroughs have made alternative energy very reliable and in different parts of the world, alternative energy has been successfully introduced. Interestingly, China itself has not made any move towards the use of alternative energy and since the use of charcoal has been reduced because of new domestic environment regulations, oil has now grown to be the main source of energy. China is doing its utmost to protect the flow of oil into its borders.

An important part of the Middle East is now in the embrace of China. US policy in the Middle East has seen some significant changes. A solution for the civil war in Iraq was found in an international conference, in which Iraq's neighboring countries played an important role. The United States opted for a quick exit strategy and gave more power than anyone had ever expected to Syria, Iran and Turkey in finding a solution for the Iraq crisis. Iraq is now a country divided into three autonomous regions, which in practice only share oil revenues. Despite negative expectations, this system functions very well, and Iraq has been stable for over 15 years. The same goes for Afghanistan. Soon after the US forces left Iraq, the United States brought a reliable Afghan warlord to power. He kept his promise to hold elections after five years, but since then a democratically elected dictator has been in power. He has stabilized his country but does not show any openness towards the West. As soon as the US armed forces had left Iraq and Afghanistan, US business interests left these countries as well. The vacuum in developmental aid and investment was filled by the Chinese, who were just looking for places to invest their ample supply of cash. The Chinese way of investing in other countries, i.e. without judging the regime type or internal situation, has been highly appreciated by the receiving countries, and diplomatic relations between China and many Middle Eastern countries are very good now. China's power in large parts of the Middle East has grown and a lot of valuable black liquid flows from the Middle East into the People's Republic.

The Middle East is now a stable region of which both China and the United States control a certain part. The US focuses mostly on Saudi Arabia and Egypt, while China has good relations with Afghanistan, Iraq and Iran. China has succeeded in becoming a second hegemonic power, without challenging the United States. Instead of threatening each other, China and the United States are in a stable balance and know that they need each other. China still finds the American market a good place to sell goods, the United States has found a new market for their products since the upgrading of the Chinese currency, and both powers have enough access to oil through the Middle Eastern countries they chose to be friends with.

‘Battle over the Middle East’: Economic Slowdown in China versus Instability in the Middle East

Even though China’s growth remained impressive during the first decade of the 21st century, China’s boom eventually went bust. The Chinese growth model being very export-oriented, it depended for a very large part on its exports to the US and the deficit financed consumption over there. When the US housing bubble finally burst, its economy was hit hard. As a consequence, the US decided to put up more barriers to protect its economy. The result today is a handicapped and overheated Chinese economy plus a world economy on the brink of a serious crisis. Instead of the 10 percent growth rates in the beginning of the new century, China has to make do with a disappointing two percent growth per year. As a result, more and more dissenting voices can be heard and the streets of Beijing and Shanghai are regularly the stage for anti-government protests and riots. However, Chinese leaders are not willing to give up power without a fight. A protest on Tiananmen Square was violently crushed by the army, killing 3,000 civilians and injuring more than 50,000. The government warns that any further uprising will be dealt with in the same manner. Many Western countries – most notably the United States – are shocked by these measures and vehemently criticize the Chinese government. The Chinese leaders are growing increasingly tired of these complaints and warn the US to mind its own business. Their solution to the internal crisis is hardly innovative: grievances of the people are manipulated into nationalist and, more importantly, anti-American sentiments, which are further straining US-Sino relations.

The situation in the Middle East only makes matters worse. After a decade of sectarian violence, the United States was forced to partition Iraq into three regions with the Shiites controlling much of the oil rich-southern provinces and the Sunnis left with nothing. This has given hope to other Shiites in the Middle East, previously excluded from power and wealth. Sectarian violence began to spread throughout the entire region. The United States was not able to restore stability and with the still painful memory of so many American lives lost in Iraq it also did not want to interfere. Oil production has dropped immensely and prices have sky-rocketed due to regional instability, further exacerbating the economic recession.

At this point, China’s irritation with the United States reached its boiling point. Beijing is blaming the entire situation in the Middle East on the fall-out of the American invasion of Afghanistan and Iraq. The Chinese people’s impression that US policies in the Middle East were another important cause for hampering China’s economy further fueled anti-Americanism in the country but secured Chinese leadership. Yet with most Shiites sitting on (but not controlling) the oil

rich soils in the Middle East, and China not being able to restore stability through conventional military means, China has begun to secretly partner up with Iran, providing the country with essential material and know-how to finally build a nuclear bomb. China hopes that this will restabilize the region and secure a steady supply of oil for itself and the world economy, taking everyone out of the current recession. Right now the situation is likely to reach its next climax: Iran now possesses nuclear weapons and is able to enforce a “Shia crescent” that pierces right through the heart of the Arab world. The question is whether a nuclear Iran will bring stability to the Middle East or worsen the situation by trying to wipe Israel off the map. Iran’s next step will have global consequences. Sino-US relations might experience the worst crisis yet when it turns out China helped Iran to attack Israel.

‘Fellowship of Oil’: Economic Slowdown in China versus Stability in the Middle East

Even though China’s economy has grown tremendously in the past 50 years, economic growth has slowed down. In the early 21st century the Chinese economy was growing a staggering 8-10 percent per year. Despite China’s effort to curb that growth to prevent overheating of the economy, that’s just what happened. A second Asian crisis in 2017 was prevented by the quick action of ASEAN and the International Monetary Fund. However, China still has not fully recovered and at the moment a one to two percent growth is a good year for China. This not only means that the world economy is facing recession again (because everyone depends on China’s growth), this also has consequences for China’s internal situation. The Party needs economic prosperity to keep the Chinese people happy. The economic elites want to keep up with their international counterparts and the 900 million rural poor just want to get that security of food and money that they were promised. The masses see that the economic elite lives in prosperity, but don’t see how they can get there. Put on top of that the environmental disasters the country is facing every year, such as famines and polluted water supplies, the graying population caused by the one-child policy and the fear of job loss to Africa (where labor is still cheap), and it becomes clear why people are unhappy. This has resulted in a sharp increase in the volume of dissenting voices, which, in a desperate bid to save itself, the Chinese government is trying to manipulate towards nationalism; protest marches against China’s old enemy Japan have become a familiar sight on Beijing’s streets again.

The only ray of light for the Chinese government comes from the United States. The 5th Gulf War, this time in Iran, has been over for a while; the Palestinians and the Israelis have achieved a territorial settlement in the long-lasting Israel-

Palestine conflict; and the United States finally has a stable control over the entire Middle East and its oil supplies. This has resulted in oil prices that are moderately but not insanely high. The United States does not have to worry about its own energy security and has therefore put up a more relaxed attitude towards others. The United States has a far better current account balance than 25 years ago and the debts to China have almost been paid off. China is too worried about its domestic instability to pose any international threat. Because of the economic slowdown China has not been able to invest in its army. In short, the US hegemonic position has been secured for the coming decades. The only worry the United States has is that China's sluggish economy will trigger a world-wide recession. A collapse of the Communist Party would only make things worse, because there is no alternative. That's why Washington has been silently helping the Chinese government, for example with cheap oil packages, loans and solutions for environmental problems. For instance, the United States is helping China to implement the energy-saving measures that have reduced its own energy needs. Keeping the Chinese people happy has become one of America's top priorities. The United States has to keep this aid quiet, though, because the Party's move of turning China's dissenting voices into nationalist forces is backfiring and riots are becoming out of control.

The next few years will show whether the help of the United States is enough to save the position of the Communist Party and prevent an uprising, which could lead to instability and decades of slow economic growth. The Middle East being firmly in the hands of the United States means that China cannot expect any help from former allies Iran and Saudi Arabia, but will depend more or less completely on the United States.

Conclusion

This article has tried to look at both the short-term (five to 10 years from now) and the long-term (25 plus years from now) implications of China's involvement in the Middle East and the consequences this may have on China's relations with the United States. There is no scholarly consensus on how to evaluate the implications of China's "peaceful rise" in the world in the near future and the possibility of ensuing conflicts with the United States as the incumbent hegemonic power. Nor do China watchers and Middle East specialists agree on the perspectives of Beijing's rising star in the Middle East region. Some analysts are pessimistic and – in their worst-case scenarios – even foresee oil wars. They argue that possibilities for bilateral or multilateral energy cooperation are remote and that there is a great potential for misperception, misinterpretation and mis-

steps. Although it is realized that China, at present, has to depend on the United States to patrol sea-lanes through which four-fifths of its oil imports transit, conflicts may arise. In this view, for instance, China is seen as very much worried that in the event of a Sino-American confrontation over Taiwan, the United States might block the shipment of oil to China from the Middle East via the Strait of Malacca in Southeast Asia.⁶⁹ Focusing on the Middle East, some do not rule out a strategic realignment of the Saudi regime if there were a sudden crisis in the royal succession.⁷⁰ From another perspective, President Bush hinted at using a high-price strategy to contain China by putting pressure on its most vulnerable point, imported oil.⁷¹

However, as was shown in the first part of this article, the authors find no evidence of China challenging the United States in the Middle East in the next five to 10 years. Of course, there is always a large measure of uncertainty and we witness that China is also seeking to limit US dominance. But, all in all, in its policy vis-à-vis the Middle East, the Chinese leadership seems to be motivated mainly by pragmatic considerations. That is far removed from having a “grand strategy” for the region, let alone assuming the leadership of Samuel Huntington’s darkly prophesized “Confucian-Islamic connection.”

In its Middle East policy, Beijing is walking a fine line and will continue to do so in the near future. On the one hand, there is the plain fact that energy security is “serious business” which implies making its own political choices in the region – leading to frictions with Washington. On the other hand, knowing that the United States until further notice holds the key to China’s modernization goals, it has no interest in jeopardizing its relations with the reigning superpower. This is reflected in its attitude vis-à-vis Saudi Arabia and Iran, the countries which were part of the focus of this study. In both cases, though with different accents, there is no reason to overestimate the strategic significance of their relations with China.

In the more distant future this may change. Although the four scenarios prepared

69. In this regard, Lee’s “China’s Quest for Oil Security” is the most outspoken. For less dramatic but still pessimistic views, see Russell, “Saudi Arabia in the 21st Century,” 69; Bajpae, “China Becomes Increasingly Involved in the Middle East”; D. Zweig and B. Jianhai, “China’s Global Hunt for Energy,” *Foreign Affairs* 84, no. 5 (September/October 2005): 5-6; Woodrow, “The Sino-Saudi Connection”; Lam, “Despite Summit Rhetoric, US and China Remain Strategic Competitors”; Jiang, “Beijing’s ‘New Thinking’ on Energy Security”; and I. Storey, “China’s ‘Malacca Dilemma,’” The Jamestown Foundation, China Brief, , vol. VI, no. 8, April 12, 2006, via http://jamestown.org/china_brief/.

70. Woodrow, “The Sino-Saudi Connection.”

71. He did so during his June 2002 West Point speech, when he stated that the United States would not allow the development of any “peer competitors” in the world. See C. Hallinan, “Bush-Sharon: The Oil Connection,” *Foreign Policy in Focus*, May 24, 2004, via <http://www.fpiif.org/>.

for this article are not predictions of the future, they do show how that future might turn out. They were not based on mere speculation, but form four well-developed alternatives grounded in the present day situation, while looking at two variables which will inevitably have an influence on what's to come. Depending on China's economic growth, the country will need more or less energy and may be more or less able to develop its navy to a formidable presence. Being the source of most of the world's energy, the situation in the Arabian Gulf will undoubtedly be an influence on US-Sino relations. Great power politics are a function of many variables and this article's simple exercise in scenario-thinking reveals that economic growth (or slowdown) in China or instability in the Middle East may have world-wide consequences. It remains to be seen what is going to happen if, for example, the United States exerts its influence in the Gulf region to block China's access to energy and "oil wars" occur. However, the competition over oil could also lead to unexpected ways of cooperation between the two superpowers.

References

- Aarts, P. and G. Nonneman (eds.). 2005-06. *Saudi Arabia in the Balance. Political Economy, Society, Foreign Affairs*. Hurst & Co./New York University Press.
- Aarts, P. 2005/6. Events versus trends: the role of energy and security in sustaining the US-Saudi relationship, in Aarts and Nonneman 2005/2006, 399-429.
- Aarts, P. and G. Eisenloeffel. 1990. Kuwait Petroleum Corporation and the process of vertical integration, *OPEC Review*. 14, no. 2 (Summer), 203-223.
- Aarts, P. 2006-07. The longevity of the House of Saud. Looking outside the box. In *Debating Arab Authoritarianism* ed. O. Schlumberger. Stanford University Press, forthcoming.
- Al-Madani, A. 2006. The Gulf in the policy of "looking East." *Gulf Yearbook 2005-2006*, 297-305. Dubai: Gulf Research Center.
- Andrews-Speed, Ph., X. Liao and R. Dannreuther. 2002. Searching for energy security: The political ramifications of China's international energy policy. *China Environment Series*, no. 5: 13-28.
- Baer, R. 2003. *Sleeping with the Devil. How Washington sold our soul for Saudi crude*. Crown Publishers.
- Bahgat, G. 2006. Nuclear proliferation: The case of Saudi Arabia. *The Middle East Journal* 60, no. 3 (Summer): 421-443.
- Bajpaee, Ch. 2006. China becomes increasingly involved in the Middle East. *Power and Interest News Report*, March 10 [online].
- Bijian, Z. 2005. China's "peaceful rise" to Great-Power status. *Foreign Affairs* 84, no. 5, (September/October) [online].
- Blank, S. 2006. China and the Shanghai Cooperation Organization at five. The Jamestown Foundation: *China Brief*, vol. 6, no. 13, (June 21) [online].
- Blumenthal, D. 2005. China and the Middle East: Providing arms. *Middle East Quarterly*, (Spring): 11-19.
- Bremmer, I. 2007. Are the US and China on a collision course? *Fortune* (January 24): 24-25.
- Bronson, R. 2005/2006. Understanding US-Saudi relations, in Aarts and Nonneman 2005/2006, 372-398.
- Bulard, M. 2005. Diplomacy of the status quo. China: Middle Kingdom. World Center, *Le Monde Diplomatique*, English edition, August [online].

- Calabrese, J. 2006. China and Iran: Mismatched partners. The Jamestown Foundation: *Occasional Papers*, August.
- Calabrese, J. 2004. Dragon by the tail: China's energy quandary. Middle East Institute [online].
- Campbell K. and R. Weitz. 2005-06. The limits of US-China military cooperation: Lessons from 1995-1999. *The Washington Quarterly* (Winter): 169-186.
- Chan, S. 2005. Is there a power transition between the US and China? *Asian Survey* 45, no. 5: 687-701.
- Chen, X. 2005. The thirst for oil. *Arabian Trends* (February): 74.
- Cozens, P. 2005. On contemporary China's diplomacy and strategic implications. *Asian Affairs*, no. 26: 30-39.
- Department of Defense. 2005. National defense strategy of the United States. Washington D.C., March.
- Dreyfuss, R. 2006. Pushing Saudi Arabia into China's arms. January 25, <http://uruknet.info>.
- Fischman T.C. 2005. *China Inc.* Simon & Schuster.
- Flavin, C. and G. Gardner 2006. China, India and the new world order. In The World Watch Institute, *State of the World 2006 (Special Focus: China and India)*, 3-23.
- Freeman, C..W. 2006. The Arabs take a Chinese wife: Sino-Arab relations in the decade to come. Saudi-US Relations Information Service, June 1[online].
- Gong Li, B. 2004. Deng Xiaoping's ideas on policies towards the US versus Sino-US relations. *Foreign Affairs Journal*, no. 73 (September): 13-24.
- Greenberg, M.R. 2005-06. On leadership. *The National Interest* (Winter): 25-29.
- Hallinan, C. 2004. Bush & Sharon: The oil connection. *Foreign Policy in Focus*, May 24 [online].
- Jaffe, A.M. 2002. China's growing energy needs. The Gracia Group, January 8, 35-37.
- Jaffe, A.M. 2005. Energy Security: Oil - Geopolitical and strategic implications for China and the United States – Energy security: Implications for US-China-Middle East relations. The James A. Baker III Institute for Public Policy of Rice University, July 18 [online].
- Jaffe, A.M. and S.W. Lewis. 2002. Beijing's oil diplomacy. *Survival* 44, no. 1 (Spring): 115-134.
- Janardhan, N. 2006. GCC-Asia ties: Economy first; What next? *Gulf in the Media: Araa Gulf Views*, February 18 [online].

- Jiang, W. 2006. Beijing's "new thinking" on energy security. The Jamestown Foundation: *China Brief*, vol. VI, no. 8, April 12 [online].
- Kaplan, R. 2005. 'Een Koude Oorlog tegen China' (A Cold War Against China), *NRC Handelsblad*, May 21-22.
- Kemenade, W. van 2005. Will China's rise be peaceful? *ILAS Newsletter*, no. 37, June, 5.
- Kibaroglu, M. 2006. Good for the Shah, banned for the Mullahs: The West and Iran's quest for nuclear power. *The Middle East Journal* 60, no. 2 (Spring): 207-232.
- Koch, Christian. 2006, The Gulf and the international system in 2005. In *Gulf Yearbook 2005-2006*, 269-292. Dubai: Gulf Research Center.
- Kugler, J. 2006. The Asian ascent: Opportunity for peace or precondition for war? *International Studies Perspectives*, no. 7: 36-42.
- Lake, D.A. 2006. American hegemony and the future of East-West relations. *International Studies Perspectives*, no. 7: 23-30.
- Lam, W. 2005. Despite summit rhetoric, US and China remain strategic competitors. The Jamestown Foundation, *China Brief*, vol. 5, no. 24, November 22 [online].
- Lam, W. 2006. Hu's doctrine on American diplomacy. The Jamestown Foundation, *China Brief*, April 26 [online].
- Lee, P.K. 2005. China's quest for oil security: Oil (wars) in the pipeline? *The Pacific Review* 18, no. 2 (June): 265-301.
- Lei, W. 2006. China-Arab energy cooperation: The strategic importance of institutionalization. *Middle East Economic Survey*, vol. XLIX, no. 3, January 16 [online].
- Leverett, F. and J. Bader. 2005-06. Managing China-US energy competition. *The Washington Quarterly*, 29: 1 (Winter): 187-201.
- Lewis, S.W. 2005. Energy security in North East Asia: The potential for cooperation among the major energy consuming economies of China, Japan and the United States – Energy security: Implications for US-China-Middle East relations. The James A. Baker III Institute for Public Policy of Rice University, July 18 [online].
- Liangxiang, J. 2006. A review of Sino-GCC energy relations: Prospects and challenges. In *Dynamic Alliances. Strengthening Ties Between the GCC and Asia*, 133-150. Dubai: Gulf Research Center.
- Liangxiang, J. 2005. China and the Middle East: Energy first. *Middle East Quarterly* (Spring): 3-10.

- Liu, X. 2006. China's energy security and its grand strategy. The Stanley Foundation: *Policy Analysis Brief*, September [online].
- Luft G. and A. Korin. 2004. The Sino-Saudi connection. *Commentary*, vol. 117, no. 3, March [online].
- Matthews, S.P. 2005. China's new energy focus: Strategic partnership with Saudi Arabia – energy security: Implications for US-China-Middle East relations. The James A. Baker III Institute for Public Policy of Rice University, July 18 [online].
- Maugeri, L. 2003. Not in oil's name. *Foreign Affairs* 82, no. 4, July/August [online].
- Mitchell, E.J. 1976. *Vertical integration in the oil industry*. American Enterprise Institute for Public Policy Research.
- Morse, E. 2002. Implications for the United States. *The Sino-Saudi Energy Rapprochement: Implications for US National Security*, The Gracia Group, January 8: 39-42.
- Nonneman, G. 2005-06. Determinants and patterns of Saudi foreign policy: "Omnibalancing" and "Relative Autonomy" in multiple environments. In Aarts and Nonneman 2005/2006, 315-351.
- Obaid, N. 2002. Sino-Saudi relations. In The Gracia Group, *The Sino-Saudi Energy Rapprochement: Implications for US National Security*, 28-39. The Gracia Group, January 8.
- Pollack, K. 2006. Iran: Three alternative futures. *The Middle East Review of International Affairs* 10, no. 2, June [online].
- Qiang, Sh. 2005. New developments in evolving relationships among major powers. *Foreign Affairs Journal*, no. 75 (March): 27-33.
- Rahim, S. 2005. Europe, the US and the strategic triangle. *Middle East Report*, no. 235 (Summer): 42-45, 47.
- Reissner, J. 2006. EU-Iran relations: Options for future dialogue. In *Iranian Challenges*, ed. W. Posch, 115-125. Paris: Institute for Security Studies, Chailiot Paper no. 89, May.
- Rijsingen, M. van 2006. Fueling the dragon. US-Sino competition over oil in the Persian Gulf region. MA Thesis, Department of Political Science, University of Amsterdam.
- Rodenbeck, M. 2004. Unloved in Arabia. *New York Review of Books*, October 21, 22-25.

- Rosecrance, R. 2006. Power and international relations: The rise of China and its effects. *International Studies Perspectives*, 7, 31-35.
- Russell, R. 2005. China's WMD footprint in the Greater Middle East's door. *The Middle East Review of International Affairs* 9, no. 3 (September) [online].
- Russell, J.A. 2005. Saudi Arabia in the 21st Century: A new security dilemma. *Middle East Policy* XII, no. 3 (Fall): 64-78.
- Sager, A. 2006. Saudi-Chinese ties: Energy first, but not last. *Gulf in the Media: Aaraa Gulf Views*, January 19 [online].
- Scheuer, M. 2005. *Imperial hubris*. Potomac Books.
- Schwartz, P. 1996. *The art of the long view: Planning for the future in an uncertain world*, Doubleday Currency.
- Seznec, J-F. 2004. Crossroads in US-Saudi relations, (interview), *Saudi-US Relations Information Service*, September 14 [online].
- Seznec, J-F. 2006. Doubtful of the US, Saudi Arabia begins looking East. *Saudi-US Relations Information Service*, September 28 [online].
- Shambaugh, D. 2004-05. China engages Asia: Reshaping the regional order. *International Security* 29, no. 3 (Winter): 64-99.
- Shen, D. 2006. Iran's nuclear ambitions test China's wisdom. *The Washington Quarterly* (Spring): 55-66.
- Shichor, Y. 2000. Mountains out of molehills: Arms transfers in Sino-Middle Eastern relations. *Middle East Review of International Affairs* 4, no. 3 (Fall) [online].
- Steinhilber, J. 2006. China. A new actor in the Middle East and North Africa region? Friedrich Ebert Stiftung, *Occasional Papers*, no. 24, August.
- Storey, I. 2006. China's "Malacca dilemma." The Jamestown Foundation: *China Brief*, vol. VI, no. 8, April 12 [online].
- Terrill, R. 2005. What does China want? *Wilson Quarterly* (Autumn): 50-61.
- Walt, S.M. 2005. In the national interest. A new grand strategy for American foreign policy. *Boston Review*, February-March [online].
- Woertz, E. 2007. A new age of petrodollar recycling? Paper presented at the Eight Mediterranean Social and Political Research Meeting, Florence & Montecatini Terme, March 21-25, 2007, organized by the Mediterranean Programme of the Robert Schuman Centre for Advanced Studies at the European University Institute
- Wolfe, A. 2007. China pursues stronger navy and seeks to calm fears of arms race. *Power and Interest News Report*, January 8 [online]

Woodrow, Th. 2002. The Sino-Saudi connection. The Jamestown Foundation, China Brief, vol. 2, no. 21, October 24 [online].

Zhao, S. 2005. Nationalism's double edge. *Wilson Quarterly* (August): 76-82.

Zweig D. and B. Jianhai 2005. China's global hunt for energy. A new foreign policy. *Foreign Affairs* 84, no. 5 (September/October) [online].