



R4 Question #9: What are the medium to long term implications to US interests and posture of China’s economic, diplomatic and military expansion into South Asia, Middle East and Africa?

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Executive Summary

“It’s the Economy Stupid!”

Perhaps unsurprisingly, all the contributors to this question devoted attention to the outsized role economics—and especially the quest for natural resources—plays in the Peoples Republic of China’s (PRC) relationships in the MENA region. In general, the consequentiality of this factor trends negative when assessed through the lenses of either a) US policy goals or b) global liberal economic norms. Chow, for example, characterizes the failure of the US to more aggressively push back on manipulative PRC trade practices as “carelessness” and “empty rhetoric.” He also sees a direct line between the perceived cave-in on Washington’s part and Beijing feeling empowered to seize the initiative in other areas detrimental to US interest, such as increased militarization and aggressive behavior in disputed territorial areas.

Holslag points to a whole different array of challenges, identifying various ways in which the style of PRC economic engagement with developing nations and oil-states encourages those countries to behavior that is counter to western, liberal free-trade norms. He also makes a link directly from economics to geopolitics, claiming China’s economic statecraft “undermines Western economic and political influence.” Serwer and the editor both concur on a convenient shorthand from economic theory, labeling the PRC’s trade behavior essentially *mercantilist*—that is to say, viewing the world as a zero-sum-game with finite resources, in which a state-directed trade policy is built to benefit strategic national goals—as opposed to the profit and innovation oriented capitalist global order that has defined international norms since the end of the Cold War. However, Chow pushes back against the utility of characterizing China’s behavior as purely mercantilist. He notes that China’s actions are not significantly

different than French or Italian investments in the MENA region; the “real difference for US interest is France and Italy are allies and China is seen as a rival.”

Going back to Holslag’s assertion that China’s behavior is generally counter to western, liberal free-trade norms, he bounds his analysis neatly with two hard statistics:

1. China’s share in regional investment stock has increased almost ten fold in the last 15 years, while that of the US has declined and
2. the PRC is the largest creditor in the region—most of it in concessionary loans.

As he concludes, and the editor agrees, this has had the effect of increasing favorable views of future trade and FDI relationships with Beijing, while dimming the view of Western partners.

Finally, the “One Belt One Road” initiative to recreate both an overland and a maritime modern “silk road” must be mentioned. This framework is the clearest articulation of Beijing’s desire to tie infrastructure investments in trade partners directly to an enhanced geo-strategic position for the PRC. The degree to which the proposed elements of “One Belt One Road” can be realistically executed, versus its role as a piece of symbolic rhetoric delineating Beijing’s policy position, is open to debate.

Rising Powers – Be Careful What You Wish For

The contributors also find agreement on the fact that an increasing role for the PRC as an economic, political, and perhaps security player in the MENA region actually drives towards more adherence to the status quo—not away from it. The editor would point out that a theoretical debate has been raging in political science for some years about the extent to which the PRC is a disruptive power that wants to supplant the global order, versus the degree to which it will accede to existing institutions and norms as it grows into a leadership role. In general, the contributors tend to highlight evidence of the latter perspective. Beijing’s incentives in the MENA-South Asia region are largely meant to function as a status quo power when it comes to the international security regime—further destabilization and political violence is very much counter to the interests of the PRC. There is some irony that the mercantilist economic approach reinforces the same goal as that of the liberal international order, but it should not be overlooked. This may be one of the few regions in the world where PRC-US cooperation toward mutual goals is the obvious first-choice policy for both sides.

Holslag and the editor both highlight one particular set of interest as an especially salient example of these dynamics: the issue of PRC citizens living abroad in the region. Historically, the Chinese state’s relationship with its cultural diaspora has been defined as a kind of formal separation. Indeed in Mandarin, “overseas Chinese”—those ethnic Chinese living outside the mainland—are referred to using a different word from ethnic Chinese people living in China.¹ This idea of residence on the mainland defining belonging to the Chinese state is very culturally ingrained, and the PRC is now truly entering an era where it may become a challenge that shapes Beijing’s behavior in the MENA-South Asia region. No modern Chinese government has had to contend with the idea that large groups of its own citizens would be living in far flung locales, but still expect the protection and benefits conferred by being “Chinese.” The model for the last few hundred years has been that those Chinese who opened laundries

¹ A Chinese citizen (since the revolution, a PRC citizen, but prior to that anyone living in the Chinese state) is called a “zhongguo ren,” (中國人) a person of China, the country. Overseas Chinese are referred to as “hua ren” (華人) a person of Chinese ethnic origin.

in California, sugar plantations in the Philippines, or fishing operations in Singapore, were on their own. The PRC can no longer operate that way, and much remains to be seen about how that will shape their behavior when Chinese citizens abroad (especially those working on state-backed projects) come under threat of violence, persecution, etc.

Two significant, concrete signs that Beijing's reflex response to this problem is to sign up for the normative international order: 1) the decision to finally subscribe to the United Nations "Responsibility to Protect" or R2P framework and provide personnel to peacekeeping missions and 2) the deployment of Peoples Liberation Army Navy (PLAN) ships to the Indian Ocean to run shipping convoys during the height of the Somali piracy threat—to date the PLAN's furthest deployment, and a clear contribution to a massive international effort to protect global trade. Both indicate a recognition by the PRC that the existing international framework helps everyone by recognizing a state's rights to protect its citizens anywhere in the world, and encouraging all countries to pitch in to keeping that a viable option.

Outside the Box Thinking

In her contribution, Janet Breslin-Smith identifies a possible area of strategic gain for the US stemming from the increase in Chinese economic dominance in the region. She points to the general lack of cultural affinity between regional communities and the Chinese, and suggests that as the PRC comes increasingly to be identified with economic opportunity and investment, so Beijing may also come to bear an increasing share of blame and disgruntlement for what's not going right. "In a counter-intuitive way" she says, "the healthiest consequence of expanded Chinese interaction in the Middle East would be a recasting of the tension in the narrative of 'Islam versus the West' to 'Islam versus the East. And in that new Chinese/Islamic interaction, an interesting reality emerges."

Additionally, the editor would seek to add an important caveat to the economics analyses of the other contributors: mixed in with the regrettable elements of the way the PRC tends to structure investment in the developing world are nevertheless some real benefits. Chinese firms are building infrastructure, the Chinese government is pouring money into impoverished governments. It is the editor's opinion that too often the reflex of US perspective is to view being displaced as the number one as unambiguously negative. Given the failure of the Western world to make so many of the investments in developing countries in the MENA region that are garnering praise for Beijing, one wonders if that's not a stilted point of view? The overall evidence from 150 years of political science is that a richer, more developed world is a safer one—so from one point of view, the US should welcome Chinese investment in MENA and South Asia, and view it as burden sharing rather than competitive displacement. The US should seek to engage the PRC in defining norms for investment outcomes that promote the long-term economic health of the region and mitigate the negative potential outcomes foreseen by the other contributors.

Subject Matter Expert Contributions

Edward Chow, CSIS

China's interest in the region is a natural outcome of its almost forty years of continuous and robust economic expansion. China is the largest merchandise-trading nation in the world and its largest oil importer. This is a development U.S. policy largely encouraged. Yet our political leaders repeatedly fail to address this reality. Instead they throw around empty rhetoric like "responsible stakeholder" (then deputy secretary of state Bob Zoellick) and "free rider" (president Obama), while failing to acknowledge Chinese interest in international institutions like the IMF and World Bank and expecting China to go along with our policies without prior consultation, such as in Libya and sanctions against Iran.

Such carelessness only hastened Chinese actions in building a blue-water navy and their own competing international structures, such as the Asian Infrastructure Investment Bank. Fundamental examination of future U.S. interests in the region, while we move toward becoming a net energy exporter, and how they overlap or conflict with Chinese interests in the region is needed and has not been performed, at least not performed adequately. Given our global responsibilities, U.S. will still have important interests in stability of this region even when we are no longer reliant on it for oil imports. However, we will increasingly need to work with other major players with similar interests.

Unlike Russia, China favors the status quo in the region and has an important stake in the stability of the international system. It fully recognizes that it directly benefits from both. For example, in terms of dependency of oil imports from the Persian Gulf, China is no different from Britain or France after WWII, only China now possesses the capacity to project power overseas in the future and Britain and France no longer do. Major countries in the region, such as Saudi Arabia, already acknowledge this fact, while they hedge against U.S. constancy.

The strategic question is whether U.S. is willing to accommodate China's legitimate interests in this region and seek to work with it to achieve regional security and stability, or do we want to push China outside the global system that we still dominate and build its alternative structures with initiatives such as One Belt One Road. This is the trajectory we are on currently, with disastrous consequences likely for all.

A more coherent and imaginative policy would seek to work with China, along with other Asian allies and friends like Japan, Korea, and India with similar interest in stability in this region. Instead our current policies seek to pit these countries against China, with fanciful ideas such as using Japan and India to balance China. Most Asian countries have no interest to choose between siding with the U.S. or China, since China is their largest trading partner, even though they pay lip service to us in order to gain security assurances. This is an inherently destabilizing and unsustainable policy. U.S. policy lurches between coopting China and containing China, based on our own immediate needs without seeking to understand Chinese objectives. If continued, this will lead to unintended clashes between China and the U.S. in this region.

Jonathan Holslag, Free University of Brussels

Assessment (References and detailed sources available upon request)

China has become a more important economic partner to many countries in the area than the United States: that is the single most important change in the regional balance of power. Between 2000 and 2015, China's share in the region's total **exports** has increased from 3 to 9 per cent; whereas America's share dropped from 15 to 8 per cent, mostly as a result of reduced energy imports. To countries like Iran, Iraq, Saudi Arabia, Oman, Sudan, and Yemen, China is now the most important export destination.

In terms of **foreign direct investments**, as far as the data are reliable, China's share in the region's investment stock has increased between 2000 and 2015 from less than 1 per cent to 9 per cent, compared to a drop in the U.S. share from 14 to 11 per cent. In terms of **loans**, China has emerged as the largest creditor to the entire region, with most of this credit consisting of concessional loans and export credit tied to Chinese exported goods and services, like infrastructure development and telecom.

This shift and the increasingly negative perceptions of the economic climate in the West, has permitted China to cultivate expectations among political and economic elites for future trade gains. The promotion of the Belt and Road Strategy is a clear example. The main purpose of OBOR is to allow companies struggling with overcapacity to export, to continue to secure access to raw materials and to permit Chinese companies to increase their control over the global supply chain. It is a **connectivity war with the West**. One outcome is that it again raises expectations among local elites.

This has major consequences:

- 1) China is increasingly impelling countries in the region into **unequal economic partnerships**. Most countries run a trade and current account deficit with China, so that China can transfer some of its surplus back in the form of different investments, investments that allow it to gain more influence.
- 2) These unequal partnerships primarily imply that small countries are turned into **credit dependencies**. Democratically elected governments rely on financial support to win future elections; authoritarian governments on support in infrastructure to uphold their prestige.
- 3) Unequal partnerships also entail growing control over **strategic infrastructure**. China is developing large ports in over 14 countries in this region, mobile telecom infrastructure in at least 17 countries, and roads or railways in 19 countries.
- 4) The rising importance of China as an economic partner comes with an opportunity to step up its **prestige** and to promote its own political and economic **values**, often referred to as the *Beijing Consensus*, and in any case, often a challenge to Western liberal values.
- 5) Economic cooperation with China encourages to political **hedging behavior**. As countries reduce their reliance on the West, they seek to play off China against the United States and European countries so as to maximize returns in terms of economic and security, as well as to optimize their diplomatic maneuverability. This clearly undercuts American political influence.
- 6) India merits particular attention. India is considered as the main future regional counterweight to China, but China's assertive economic and trade policies make it almost impossible for India to catch up in terms of manufacturing, so that it fails to balance China, and even risks becoming dependent

on Chinese credit and investment as well. **China's smart economic statecraft reduces the prospect of India becoming a political counterweight.**

The main challenge emanates thus from China's economic statecraft. It undermines Western economic and political influence. But there is more to it: the very unbalanced nature of China's economic partnerships, their dependence on raw materials, the growing debt burden and the lack of transparency **increases the result of economic setbacks, regime instability, further social distress and insecurity in the region.** The falling commodity prices as a result mainly of China's economic slowdown already made that clear. This on its turn has other important consequences:

7) The United States will see China increasingly under pressure to secure expatriates, supply lines and strategic assets in instable countries and seas. The Chinese political elite has made it very clear that this has become a top priority and that it will develop both diplomatic and military means to that end. **The flag follows the trade.**

8) The guideline in this regard is **self-help and autonomy.** While China is ready to tactically work with the West, like in the Gulf of Aden, its main goal is to develop the independent capability to project power in the region, as it distrusts the United States and regional powers like India.

9) As it slowly develops its inroads, including permanent naval presence in the Indian Ocean, facilities in Djibouti and a growing intelligence network; as public support for protecting overseas Chinese grows; and as instability in the region will likely continue to grow, the likelihood of **Chinese interventions and unilateralism increases.** The traditional policy of self-restraint will make place for assertiveness.

10) China's military cooperation, educational exchanges, and equipment supplies, if they continue to expand, will have consequences in terms of interoperability and strategic/military culture.

Lastly, I would suggest approaching China's behavior from the viewpoint of the Pacific, the main arena of competition between China and the United States. China understands very well its vulnerability in both the Pacific and the Indian Ocean. Besides the A2AD-strategy in East Asia, this has instigated China to relentlessly diversify and secure its supply lines.

11) China seeks to develop **strategic depth** onshore by ramifying supply lines in Central Asia, South Asia and Southeast Asia. These will allow China to reduce distance to energy reserves as well as to the Indian Ocean. (N.B. Artic connectivity plays a role as well)

12) China's long term goal is to **reduce its vulnerability** to possible U.S. or Indian A2AD-responses in the Indian Ocean by developing its own forward bases and naval presence in this region. We are at the beginning of this endeavor, but the objective is clear.

In conclusion: China's direct political involvement in the region remains modest. It keeps a low profile in theatres like Iraq and Syria. By means of its economic statecraft, however, it undermines Western influence. Its growing economic influence is also followed by a clear ambition to secure its assets independently and an inevitable readiness to intervene should major challenges become manifest. China's presence in the region, however, is also a vulnerability, particularly in light of the geopolitics in

the Pacific, and this prompts Beijing to both diversify its supply lines and gradually to make its lifeline through the Indian Ocean less prone to denial operations.

Main tasks for US CENTCOM:

- 1) Facilitate inter-command and inter-department reflection on strategies to deal with China's economic statecraft, preferably with EU partners, which economically are still important.**
- 2) Work with European partners to strengthen military presence near major chokepoints (Suez, Bab el-Mandeb, Eastern Africa, Hormuz) so as to preserve the ability to pressure China on its long supply chains.**
- 3) Prevent, at any expense, that a formation of China-Russia-Iran, join their forces to initiate from the Eurasian heartland a pushback of Western influence and make China's supply lines shock proof.**

[Daniel Serwer, SAIS, Johns Hopkins University](#)

China's main initiatives in these areas are the One Belt One Road (which is many belts and not so many roads) and the Asian Infrastructure Investment Bank (AIIB), both of which aim to ensure China can import whatever it needs whenever it wants. While sometimes mercantilist in ways the U.S. may object to, China is wise to undertake these efforts to support its growing economy. Its investments are often welcomed in South Asia, the Middle East, and Africa. U.S. withdrawal from TTP and failure to join the AIIB will limit American economic influence in Asia and beyond.

The Chinese military challenge is obviously serious when it comes to Anti-Access/Area Denial within the first island chain, which could put in doubt U.S. defense commitments to the Philippines, Japan, and Taiwan. But the U.S. should welcome China's blue water capabilities, especially in the Indian Ocean, the Persian Gulf and Strait of Hormuz, the Malacca Strait, and other areas where the U.S. has limited capacities and China has real interests. Iran will not close Hormuz if the Chinese, their biggest customer, are patrolling there, which would best be done as part of a multinational effort. We need to use Chinese naval capabilities to good advantage in sharing burdens. Partnership with China, an emerging superpower with strong and diversified economic ties to the U.S., is a far better bet than partnership with Russia, which is a declining regional power with a petro-economy of no great merit.

[Janet Breslin Smith, Crosswinds Consulting, LLC](#)

A brief and unconventional note to address the potential impact of Chinese economic, diplomatic and military expansion into the Middle East. Traditionally, the Chinese respect sovereign rights, resist interventions, and prefer preferential economic relationships.

Most Saudi business leaders I know tend to dismiss the quality of many Chinese products and consulting projects. Language, quality of product, difficulty with after sales service, are but a few of the drawbacks to Chinese expansion.

However, and in a counter intuitive way, the healthiest consequence of expanded Chinese interaction with the Middle East would be a recasting of the tension in the narrative of “Islam versus the West”, to “Islam versus the East”. And in that new Chinese/Islamic interaction, an interesting reality emerges.

That is, a focus on “Islam vs the East” offers Muslims a comparative view of ideology and governance, order and growth. In Islam, virtue is encouraged by threat of punishment on the day of judgment by God. Without the total submission to Allah, to the rules and standards of Islam, a nation will fall into anarchy, chaos and evil. The Chinese model, based on Confucius, emphasizes respect for family and education. It achieves order and virtue without the inclusion of God, references to day of judgment, the fires and pain of hell.

Since the slogan of “Islam versus the West” is growing tired, but still compelling to those attracted to ISIS, the Chinese alternative may prove a challenge for Muslims to consider, and thus divert the ISIS fighter into a new and confusing enemy.

Biographies



Edward Chow

Edward Chow, a senior fellow in the Energy and National Security Program at CSIS, is an international energy expert with more than 35 years of industry experience. He has worked in Asia, the Middle East, Africa, South America, Europe, Russia, and the Caspian region. He has developed government policy and business strategy, as well as successfully negotiated complex, multibillion-dollar, international business ventures. He specializes in oil and gas investments in emerging economies. He has advised governments, international financial institutions, major oil companies, and leading multinational corporations.

Chow spent 20 years with Chevron Corporation in U.S. and overseas assignments. He was head of international external affairs at headquarters in California. He played a leading role in negotiating international commercial agreements. While he was Chevron's principal international representative in Washington, he worked closely with the White House, Capitol Hill, federal departments and agencies, foreign governments, international financial institutions, and the foreign policy community on international economic policy affecting worldwide energy investments. Between 1989 and 1991, he was based in Beijing as Chevron's country manager for China. Chow is a graduate of Ohio University with a bachelor's degree in economics and a master's degree in international affairs. He has published articles in leading academic and foreign policy journals on global energy developments, spoken on energy at international conferences, universities, and think tanks in the United States, Europe, and Asia, and appeared on major international media.

Jonathon Holslag

Jonathan Holslag is professor of international politics at the Free University Brussels, Special Advisor to the First Vice-President of the EU, visiting lecturer at the NATO Defense College, and lecturer at different EU defense academies. Latest book: *China's coming war with Asia* (Polity, 2015)



Daniel Serwer



Daniel Serwer is a Professor of the Practice of Conflict Management, director of the Conflict Management Program and a Senior Fellow at the Center for Transatlantic Relations, at the Johns Hopkins School of Advanced International Studies. Also a scholar at the Middle East Institute, Daniel Serwer is the author of *Righting the Balance* (Potomac Books, November 2013), editor (with David Smock) of *Facilitating Dialogue* (USIP, 2012) and supervised preparation of *Guiding Principles for Stabilization and Reconstruction* (USIP, 2009). *Righting*

the Balance focuses on how to strengthen the civilian instruments of American foreign policy to match its strong military arm. Facilitating Dialogue analyzes specific cases and best practices in getting people to talk to each other in conflict zones. Guiding Principles is the leading compilation of best practices for civilians and military in post-war state-building.

As vice president of the Centers of Innovation at the United States Institute of Peace (USIP), Serwer led teams working on rule of law, peacebuilding, religion, economics, media, technology, security sector governance and gender. He was also vice president for peace and stability operations at USIP, overseeing its peacebuilding work in Afghanistan, the Balkans, Iraq and Sudan and serving as executive director of the Hamilton/Baker Iraq Study Group. As a minister-counselor at the U.S. Department of State, Serwer directed the European office of intelligence and research and served as U.S. special envoy and coordinator for the Bosnian Federation, mediating between Croats and Muslims and negotiating the first agreement reached at the Dayton Peace Talks; from 1990 to 1993, he was deputy chief of mission and chargé d'affaires at the U.S. Embassy in Rome, leading a major diplomatic mission through the end of the Cold War and the first Gulf War. Serwer is a graduate of Haverford College and earned Masters degrees at the University of Chicago and Princeton, where he also did his PhD in history.

Janet Breslin Smith

Dr. Janet Breslin-Smith travels across cultures, both bureaucratic and geostrategic. As President of Crosswinds International Consulting, she draws on her 30-year career in public service, including leadership roles in the United States Senate, the National War College, and in Saudi Arabia, where she focused on higher education and outreach to women in the Middle East. She has written and lectured on strategy and culture, macro-economics and Islam, Women, Islam and Saudi Arabia. Her article, "The Struggle to Erase Saudi Extremism" appeared in November 2015 in the New York Times. She is the co-author of *The National War College: A History of Strategic Thinking in Peace and War*.



Dr. Breslin-Smith a Professor of National Security Strategy for 14 years at the National War College in Washington, DC, was the first woman to Chair the Department of National Security Strategy. She was named Outstanding Professor at the College in 2006. Prior to her academic career, she was Legislative Director for Senator Patrick J. Leahy and Deputy Staff Director of the Senate Agriculture Committee.

She resided in Riyadh, Saudi Arabia from 2009 through 2013, with her husband, Ambassador James Smith. Dr. Breslin-Smith developed extensive contacts with Saudi women leaders in higher education, medicine, business, banking, philanthropy, sports, and on-line entrepreneurship. She lectured at al Faisal University, the Diplomatic Studies Institute, and Cella+ women's business networks. She consulted with Saudi women members newly appointed to the Shoura Council.

Dr. Breslin-Smith earned her Ph.D. from the University of California at Los Angeles and her undergraduate degree in International Relations from the University of Southern California.

Devin Hayes Ellis



Devin Hayes Ellis is principal faculty specialist in the College of Behavioral and Social Sciences at the University of Maryland, and the Director of the ICONS Project - a groundbreaking simulation and gaming center located at the university. As part of the ongoing SMA Reachback Support to CENTCOM, Devin has been overseeing a series of snapshot wargames focused on potential courses of action by key actors in the Syria conflict under different hypothetical conditions of interest.

A policy analyst by training, Ellis' expertise is in the use of simulations for training and policy research, crisis management, U.S. national security and intelligence policy. He has published research on crisis communication and management, and has an active interest in understanding and improving the way governments and non-governmental actors understand and prepare for conflict. Ellis's academic background is in U.S.-China security policy, and he has lived and studied in China. Over the past decade he has been privileged to participate in several groundbreaking Track II dialogues on U.S.-China crisis management. Devin has designed or consulted on crisis management and planning simulations for a range of clients including: the National Security Agency, USAID, the World Bank, the Carnegie Endowment for International Peace, the Brookings Institution, the Center for Strategic and International Studies, the U.S. Office of Personnel Management, the National Defense University Af&Pak Fellows program, the U.S. Department of Homeland Security, the National Counter Terrorism Center, Ford Motor Co., ABInBev, the Fletcher School of Diplomacy, and the Kennedy School of Government, and various parts of the Department of Defense including the Joint Staff, CENTCOM, EUCOM, SOCOM, PACOM, SOCCENT, and USASOC.