

## China's Middle East energy policies

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### **Abstract**

*China overtook the U.S. as the number one oil importer on April 2015 in the world. Up to 1993, China had been oil exporter, but oil and other energy resources have been insufficient by increasing its share in world trade. Also, China has to persist production for sustainable development and keeping its place in world trade. China needs energy resources for sustainable production and stable export policies. Accessing energy resources is the main priority in agenda of Chinese foreign policy. Due to its energy resources and geopolitical location, Middle East has a crucial significance for China's needs. China considers all sides in a roundtable debates as an instrument and conducts a cautious diplomacy by non-intervening domestic affairs of states for easy access to energy resources. For decreasing costs in importing oil and natural gas from Middle East, China arranges armament agreements with oil exporter Middle Eastern states. In this paper, China's increasing position in region, obstacles for its interest and counter policies will be studied with regards to energy policies in Middle East.*

**Keywords:** China; Middle East; Oil; Energy Resources; Arms Sales

**JEL Codes:** N45

### **1. Introduction**

Middle East region is very significant in China's foreign policy especially as regard of importing of energy resources and exporting of arms sell. China needs of abundant oil and gas of Middle East in order to develop economic rise in the world and survival of Beijing regime. While China importing energy resources from Middle East countries, it has some concerns about security of energy on the transportation process to China. Since the import of energy from Middle East is very expensive and risky, China is trying to make it cheaper though selling arms to regional countries and regimes such as; Saudi Arabia and Iran. This study will take hand the China's Middle East energy policies in related with China's Middle East foreign policy, energy demand and energy security.

### **2. Chinese foreign policy in Middle East**

China worked hard after the Communist Revolution in 1949 to found close relations with lefts revolution groups in Middle East even though its struggles were broken by Arab nationalists (Kemp, 2010: 5). China has established diplomatically relations with Middle East countries through political organizations. In wake of Bandung Conference in 1955, China became closer to Middle East, especially after the 1958 revolutions in Iraq (Neill, 2014: 207). Chinese Communist Party Central Committee's historical meeting that Chinese administrators decided to do domestic reforms in 1978 and at the beginning of the 1990s to be able to get closer to the Western World.

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China not only engaged with West also deeply deal with the Middle East. (Leverett & Bader, 2005: 188)

China's energy demand getting increasing since 1990s and started to import from several oil exporter countries. In 1993 China became an energy importer from several oversea countries for the first time in its long self-reliance history (Lin, 2011: ix). Before the short time, China's oil companies get communicated with Middle East energy exporters and has started to invest oil exploration (Hongtu, 2010: 43). China pays significant attention and also it's interests growing in the Middle East. As for China, Middle East is closer proven reserves of oil than other oil rich lands in the world. China also was standing far away of non-intervention and desiring good relations with all countries in the Middle East (Alterman, 2011: 32-33). China has been importing several countries more energy and even, China did not want to be over-dependend only in Middle East energy resources but it is still irreplaceable for Chinese interests (Pan, 2008: 72).

China has been considering two side of same coin in related with oil and gas markets. First, is the increase of its energy security and second (China overtook the U.S. as the number one oil importer first time with 7.4 mln bpd, U.S. was 7.2 mln bpd in April 2015 (Pederson & Gloystein: 2015)) dealing with complex connections of regional and global ties that surely increase its geopolitics access (Herberg, 2014: 21). China has been showing soft power in its foreign policy also want to use its soft power instead of U.S.'s hard power in the Middle East (Kemp, 2010: 66). Because, unstability in the Middle East may create economical and energy problems to China, it is China's national interest to provide help solvign regional problems with dialog and supporting stability in the region.

Chinese foreign policy has also been focusing on economic development much more than ideology since the end of Cold War in the Middle East. According to Chinese diplomats' foreign policy should create a peaceful international environment with stable economic developments. For these reasons, China would like to found good relations with all countries, especially Middle Eastern countries (Hongtu, 2010: 59). China has principles of non-innervation on its Middle East policy. China also believe that foreign military operations increase radicalisation in Middle East. Therefore, Beijing has vetoed UN resolutions on Syria (Neill, 2014: 211).

### **3. China's demand energy and role in the Middle East**

China has been considering two side of same coin in related with oil and gas markets. First is the increase of its energy security and second, dealing with complex connections of regional and global ties that surely increase its geopolitics access (Herberg, 2014: 21). China's energy paradigm is strongly related with the role of state in energy sector that it is still governed by the state. Despite privatizations in many sectors of economy goes on controlling of energy sector (Andrews-Speed, 2014: 4). Middle East region has been a central area for power games and competition because of both its critical geopolitical position and abundant oil and gas reserves. Middle East countries also has significant position in China's foreign policy (Yao, 2007: 3). China is the leader trading partner of the Middle East countries. Most of Middle East oil producer countries are strictly dependent on China's income (Feng, 2015: 1).

### **4. China's security of energy over the Middle East resources**

China not had any energy policy on security of transportation till mid-1990s because of disconnection with international oil markets and no need to get more energy. China became an

energy importer in 1993 and Beijing had started to take care of energy security (Meidan, 2014: 180). China has been considering two side of same coin in related with oil and gas markets. First, is the increase of its energy security and second, dealing with complex connections of regional and global ties that surely increase its geopolitics access (Herberg, 2014: 21). Today China's local energy resources is not covering China's need. China also far from the land of energy resources and needs to bring it with long tankers from energy rich countries. China's biggest disadvantage of security of energy is the transportation road.

More than 80 percent of imported by China transits through Strait of Malacca (Ziegler, 2006: 8) Strait of Malacca is so significant for both demand and supply sides, which makes it important for China (Zhang, 2011: 7612). The worst estimation on China's energy security is a China-U.S. conflict over Taiwan that will cut China's reach to oil reserves. China has taken some measures such as; providing energy with pipelines across the Asian steppes to Myanmar port in order to bypass the American Navy control over the Strait of Malacca (Alterman, China's Balance Act in the Gulf, 2013: 5). As mentioned above, in order to maintain its oil supply, China is dependent on Malacca Strait and South China Sea which are controlled by U.S. and causes vulnerability for china (Herberg, 2014: 23). China has trying to find some solutions to this problem to ensure its energy supplies from some energy plans. China is not only meeting Central Asia countries in order to build long pipelines but also creating some railways and highways from the Gulf to China's border.

Pakistan is, an ally of China, a gateway to Strait of Hurmuz is not just the border of Indian Ocean but has also neighbour of two Islamic Republics states, Afghanistan and Iran that puts Pakistan in the centre of regional politics. As for Gwadar Port in Baluchistan province of Pakistan is the energy corridor (Malik, 2012: 57). In the case Malacca Strait blocked by U.S. Navy, Gwadar Port can serve the China as an alternative energy road and security (Malik, 2012: 58). Besides, it will help China to extend its influence into Persian Gulf and Arabian Sea where China is importing of 60 per cent of its energy (Khan, Summer 2013: 93).

### **5. China's Oil and gas imports from the Middle East**

China was exporting oil and coal until 1990 but since 1993 China does not anymore, a self-sufficient energy state. By the Deng Xiaoping's economic reforms created booming economy and made China into an energy importer and today, China's oil import dependency over 50 percent. China engaging maintaining affordable, secure and trustworthy access to energy resources like other huge energy consumer states (Howell, 2009: 191). Today China is exporting oil and gas from various countries of Middle East especially Saudi Arabia, Iran, Iraq, Qatar, Oman, Kuwait, Yemen is energy supplier of China today.

Saudi Arabia and China established bilateral diplomatic relations in 1990 (Pant, 2006: 45). Saudi Arabia getting become is the largest exporter crude oil of the China in a short time. In 2007 26,33 million tons, in 2008 and 2009 36,37 million tons exported from Saudi to China. In 2009 China exported crude oil much more than the U.S (Bingbing, 2011: 20). In 2011, 14% of Saudi oil flows to U.S., but more than half of total Saudi oil flows to China. Saudi ARAMCO owner also two refineries in Qingdao and Fujian. China has been investing of Saudi infrastructure and military (Lin, 2011: x). As we see above today import of crude oil which is more than 16 per cent from Saudi Arabia to China. Its expects more in the near future.

Saudi Arabia is a vital energy supplier to China as the largest oil importer, China has strong relations with Iran which is rival of Saudi Arabia. The trade between China and Iran has extended 50 billion dollars in 2012 (Kazemi & Chen, 2014). Relations between China and Iran its very strategical and deepened since three decades. Also, two ally countries has overcome some political challenges such as; ideology of regime, different interests and priorities (Harold & Nader, 2012: 23). China and Iran has bilateral relations that calling "win win" Iran is providing of China its oil and gas resources, China is helping Iranian Army modernization and preventing of the United Nations Security Council's embargo resolutions.

During the Iraqi wake of 1958 revolution China and Iraq has established political relations. When occurring some problems between Soviets and China, Arab countries including Iraq turned Soviets side instead of China (Bingbing, 2011: 11). In 1990 China stopped economical, trade and military relations because of the Gulf Crisis with accordance to the UN resolutions and after the war, China done trade exchange with Iraq in "oil for food plan" (Iraq, 2013). China has an influential economical role in Iraq after the ten years of U.S. invasion. Especially China's investments in Iraq not only making him a regional power but also an important partner in addition of U.S. and European investors. While China's investments mostly in southern of Iraq, U.S. and European companies preferring the northern Iraq because of security reasons in the country. China now is the strongest energy player in Iraq, since Chinese companies taking more risk-tolerance in the energy rich southern Iraq (Liu, 2014: 2). China imported 17,569-billion-dollar crude oil from Iraq in 2012 and it is still rising (Iraq, 2013).

China has also good relationships other Gulf Arab States. It's geopolitical, economic, trade, energy and non- traditional interests and relations (Bingbing, 2011: 10). China has been importing between 50 and 60 percent of oil from Gulf States, where becoming vital to China. (Ziegler, 2006: 5). China has not only relations with the Arabs and the Iranians but also has strong relations with U.S. allies such as; Israel and Turkey. Even some anti-American countries such as; Sudan, Libya (Zhu, 2007: 38).

## **6. China's arm sales to Middle East**

China became an oil importer state in 1993 and since then, China started to develop relations with oil rich Middle East countries (Zhu, 2007: 26). China not only has energy policy in Middle East but also has following of arms trade with countries in the region. China's arms have been existing as early as 1970s and have been used by Egypt, Saudi Arabia, Iran, Iraq, Syria and Sudan. China also not only selling the arms to Middle East countries but also purchasing developed weapons from Israel (Zhu, 2007: 29).

Saudi Arabia's first army supplier is the U.S. but whenever Washington and Riyadh relations getting down Beijing and Riyadh ties getting strengthening. Riyadh also has started to military cooperation with China rather than U.S. and purchased DF-21 missiles from China in 2014. (Neill, 2014: 205) China-Saudi Arabia military relations has also started before establishment diplomatic relationships between two countries. In 1980, Saudi Arabia has imported 50-60 CS-2 intermediate-range surface-to-air missiles and other strategical weapons (Matthews).

Iran, Arms sales is the important segment of China's Middle East policy since Iran-Iraq War. During the War China has exported around 12 billion dollar arms into whole Middle East. Especially Iran has imported missile technology, conventional weapons, equipment and ballistic missiles (Yetiv & Lu, 2007: 210). Arm sales not only bringing a lot of money to China but also

making lower China's research to build its own arms. In addition, increasing of Chinese oil purchase in Iran, would increase of China's arm trade (Rubin, 1999: 48). China's export rate is rising in the total import arms of Iran. China is not only providing conventional weapons to Iran but also generously supplying nuclear technology.

During the war of Iran-Iraq China has sold 5 billion worth arms to Iraq that it was double sold to Iran. After the end of Iraq embargo in 2004, China has started to sell small arms to Iraq (Weitz, 2012). In the wake of the withdrawer of U.S. army from Iraq China has started to engage with arming of Iraq after the Russia (Mustafa, 2014). As for the Israel does not product oil and gas but has high and sophisticate arms technology that supporting and providing of China's security. China and Israel relations also focusing on military interests more than energy interests. Official diplomatic relations were founded in 1992 even though two country started to strong military cooperation in 1980s, and approximately Israel sold arms of 4 billion dollars to China (Kemp, 2010: 139).

## 7. Conclusion

Strategic domination of U.S. makes China's energy policy vulnerable in Middle East. Therefore, China always demanding multi-polar world order in the international relations especially on energy market (Ziegler, 2006: 5) China is the hunger of the energy and its policies are creating complex problems between US and China (Zhu, 2007: 25). China has also some contradictions in his Gulf strategies. While China continue on relations with Iran also maintaining with both U.S. and Saudi Arabia (Bingbing, 2011: 21). China in Middle East still depending on U.S. navy control to security of its imported oil from Middle East. When in the case of a fight with U.S. cannot transport of energy resources from the Middle East and may damage its growing economy easily.

China doesn't have an any hegemonic role in the Middle East like other global powers. Its positive image making China stronger in Middle East. Some Chinese companies such as; Huawei, ZTE and China Unicom has a big role in the built of mobile Networks and digital Technologies in the Middle East region (Neill, 2014: 207). China also producing cheap consuming goods that cheaper than the European goods but of course not same quality. China also avoiding to deal with the military innervation and standing far from the touch states domestic policies.

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