

# **China and the Middle East**

## *The Quest for Influence*

*Edited by*  
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# ***China and Iraq: A Stake in Stability***

**John Calabrese**

*China's leaders have* long acknowledged the strategic importance of the Persian Gulf. Historically, they have regarded the Gulf as a focal point of great power rivalry, and have considered the region's vast energy resources to be a major source of this contention. Accordingly, they have traditionally opposed efforts by any foreign power, especially one hostile to China, to dominate the Gulf. This remains an important underlying objective of China's policy towards the Gulf.

In recent years, China has also developed economic interests in the Gulf. Increased economic involvement in the Gulf has heightened China's exposure to the region's problems and deepened its experience in dealing with them. Coupled with the changes brought about by the end of the Cold War and the collapse of the Soviet Union, this has led China to follow an approach towards the Gulf that is more nuanced and carefully managed than is commonly appreciated. This policy is partly motivated by the aim of checking the exercise of unrivalled US power. Yet, what is seldom mentioned and perhaps little understood, is that Beijing's policy towards the Gulf is also driven by China's need to shoulder responsibility as a rising world power and to fulfil its requirements for modernisation. China has a growing stake in the stability of the Gulf, and its policy towards Iraq reflects its struggle to ensure that this stake is protected.

## **LESSONS OF EXPERIENCE**

Prior to the eighties, Sino–Iraqi relations were neither strong nor deep. China had few interests and very limited involvement in Iraq. China's leaders viewed developments in Iraq, as elsewhere in the Gulf and the greater Middle East, primarily in global strategic terms: initially, as a part of the struggle against western 'imperialism' and later, as a part of the battle against Soviet 'hegemonism'. Generally, China's expectations were higher than its investment in Iraq, but those expectations were nonetheless frustrated.

The most promising period in Sino–Iraqi relations occurred immediately after the July 1958 Revolution in Iraq. Chinese officials defined the revolution in terms of

its international significance, and interpreted it as a blow to the west.<sup>1</sup> They were encouraged by the fact that Iraqi communists had played a decisive role in the revolution, and that, upon assuming power, Qasim had proclaimed a policy of Arab solidarity and neutralism. China quickly extended recognition to the new government in Baghdad. Thus began a 'sudden and enthusiastic' friendship between China and Iraq, but one of shallow depth and short-lived intensity.

China's support for Qasim was based mainly on the neutralist position he espoused. China had no significant economic interest in Iraq at the time. Iraq's oil was significant to China only insofar as foreign control over it constituted a residual form of western colonial domination.<sup>2</sup> Similarly, China's support to Iraqi communists was not substantial. Iraq's Communist Party belonged to the international communist movement, but it was neither China's invention nor its tool. There is no evidence that China created or exacerbated the internal divisions that bedevilled the party.

The friendship between China and Iraq wilted on the vine. The period of communist ascendancy in Iraq was brief. Discredited by their excesses and weakened by factionalism, Iraqi communists initially came under attack from pan-Arabists and later from Qasim, who brutally suppressed them.<sup>3</sup> If these political developments in Iraq contributed to China's disillusionment, differences over foreign policy further strained relations. China welcomed Iraq's formal withdrawal from the Baghdad Pact in 1959, but was displeased that Iraq did not completely dissociate itself from the west.<sup>4</sup> Iraq, meanwhile, was dissatisfied with some of the positions China took on regional issues. In 1961, after some initial hesitation, China became the first communist country to extend recognition to Kuwait, which had declared its independence from Great Britain. China's endorsement of Kuwait's independence diverged from the position taken by Qasim (who insisted on Kuwait's incorporation into Iraq), though it corresponded with the positions of the other Arab League members.<sup>5</sup>

During the course of the 1960s, the Sino-Soviet rift became public and intensified. During this time, Iraq looked to the Soviet Union for arms, as well as for economic and technical assistance so as to limit western influence over its oil industry. This enabled the Soviet Union, which sought a 'progressive partner' in the Gulf, to develop a more extensive relationship with Iraq than did China, a relationship that culminated in the signing of the Soviet-Iraqi Treaty of Friendship and Cooperation in 1972.<sup>6</sup>

As Majid Khadduri observes, Iraq never became a Soviet 'satellite' and the leadership in Baghdad was determined to retain Iraq's independence in foreign policy. Their

<sup>1</sup> Yitzhak Shichor, *The Middle East in China's Foreign Policy, 1949-1977* (Cambridge: Cambridge University Press, 1979), p. 86.

<sup>2</sup> *Ibid.*, p. 103.

<sup>3</sup> Majid Khadduri, *Republican Iraq: A Study in Iraqi Politics since the Revolution of 1958* (Oxford: Oxford University Press, 1969), pp. 114-32 and 141-44.

<sup>4</sup> *Ibid.*, p. 29.

<sup>5</sup> Hashim Behbehani, *China's Foreign Policy in the Arab World, 1955-1975* (London: Kegan Paul, 1981), pp. 189-216.

<sup>6</sup> See Galia Golan, *Soviet Policies in the Middle East: From World War II to Gorbachev* (Cambridge: Cambridge University Press, 1990), pp. 157-75.

ability to fulfil this objective was enhanced by Iraq's increasing oil revenues.<sup>7</sup> However, Chinese officials tended to view the Soviet–Iraqi relationship differently and they regarded Iraq as 'a possible outlet and outpost for Soviet penetration into the Persian Gulf'.<sup>8</sup> This concern prompted China to focus its attention on Iran—an important player in OPEC and the Third World, and a bulwark against possible expansion of Soviet influence. Beginning with the establishment of diplomatic relations in 1971, Sino–Iranian relations improved and its trade with Iran steadily increased, outstripping that with Iraq.<sup>9</sup>

The eighties were marked by China's enmeshment in the global economy. Under the leadership of Deng Xiaoping, China's foreign policy was propelled in new directions. One of the most striking changes was the emphasis Deng placed on developing a foreign policy that would complement his domestic economic reform programme. Another was his determination to craft a policy distinct from that of the US and the Soviet Union. The hallmarks of this 'independent' foreign policy were China's willingness to conduct normal relations with regimes of all types and to place business interests ahead of politics. China's foreign policy pragmatism was evident in its approach to the oil rich countries of the Persian Gulf, whose rulers were an eclectic group: emirs, kings, Shi'a *mullahs* and a Ba'athist dictator.

Whereas the eighties was a period of steady, if not perfectly smooth, transitions in China's foreign policy, it was marked by political turmoil and military hostilities in the Gulf. The Iranian Revolution and the Iran–Iraq War put China's pragmatism to the test. Following the Shah's demise, China extended recognition to the post-revolutionary government of the Islamic Republic of Iran. In the context of the Soviet occupation of Afghanistan and Soviet activity elsewhere in the Third World, China preferred a stable Iran to chaos, regardless of the nature of the regime. This is not to suggest, however, that China endorsed, or even approved of, Iran's subversive activities in the Gulf. On the contrary, China was concerned that Tehran's Islamic revolutionary message might lead to discontent among its own Muslim population. If anything, these concerns reinforced the desire to set relations with the new regime in Tehran on a stable footing.

The outbreak of war between Iran and Iraq posed a dilemma for China, which considered both countries its 'friends'. China sought to resolve this dilemma by declaring neutrality and urging a negotiated settlement and the Chinese officials frequently reiterated this position. They also expressed concern that the instability and conflict in the Gulf might lead to intervention by one or both of the super powers and these worries intensified towards the latter part of the war, when the US naval vessels entered the Gulf ostensibly to protect Kuwaiti oil tankers.

Throughout the Iran–Iraq War, Chinese officials called for reconciliation and blamed the Soviet Union as well as the United States for contributing to the stalemate in the conflict. However, Chinese officials refrained from taking any initiative

<sup>7</sup> Majid Khadduri, *Socialist Iraq: A Study in Iraqi Politics since 1968* (Washington, DC: The Middle East Institute, 1978), pp. 143–47.

<sup>8</sup> Shichor, *op. cit.*, pp. 174–75.

<sup>9</sup> *Ibid.*, pp. 33–34.

to try to bring the war to an end. Meanwhile, China's economic relations with the Gulf countries, including Iraq, thrived. China's arms sales to Iran and Iraq were its most lucrative business in the Gulf. According to some estimates, Chinese arms sales to Iraq, concentrated in the first half of the decade, totalled around \$3 billion. However, China's economic activities in the region encompassed the civilian sector as well. China's engineering and labour contracts in Iraq were also significant. Midway through the war, as many as 20,000 Chinese labourers were working on dozens of infrastructure projects in Iraq.<sup>10</sup>

Two things are striking about China's policy towards the Gulf during the eighties, and specifically about its approach to the Iran–Iraq War. One, while actively pursuing business opportunities in Iraq and Iran, China was decidedly passive on the diplomatic front. Two, in order to protect its strategic and nascent economic interests in the Gulf, China attempted to remain strictly impartial in regional disputes.

Beijing's approach towards the Iran–Iraq War—a bizarre concoction of 'principled neutrality' and commercial opportunism—worked well for China. For all of its complaints about the positions taken by the two super powers towards the conflict, China indirectly profited from their restraint. For, to the extent that the super powers contributed to containing the war, China benefited from their actions. China's own conduct during the war appeared to generate more controversy in Washington than in the Gulf itself and as the war drew to a close, China had managed to maintain its relationship with Iraq, while consolidating its relationship with Iran.

During the nineties, China has remained a reluctant and cautious player in Middle East politics, and has continued to aggressively promote its economic interests in the area. The Persian Gulf has been the primary arena of China's Middle East economic activity and diplomacy. This is partly a reflection of the stakes for China, for its strategic and growing commercial interests in the region lie primarily in the Gulf. It is also a reflection of developments in the Gulf, which have made it increasingly difficult for China to remain an interested bystander. At the centre of these developments has been Iraq, whose August 1990 invasion of Kuwait is directly responsible for having posed an unprecedented series of challenges and opportunities for China. The case of Iraq thus furnishes the clearest example of the extent to which China has managed to capitalise on, and avoid the hazards of, deeper involvement in the region.

China's policy towards Iraq has two interlocking dimensions. The first is concerned with addressing Iraq's aggression against Kuwait and the problems related thereto, and is shaped within a multilateral framework. The second, which is concerned mainly with securing China's long-term economic interests, is pursued within a bilateral framework. In the following discussion, these two aspects of China's policy towards Iraq are treated separately, mainly for the sake of convenience, though in practice they are closely entwined.

Bilateral relations between China and Iraq have been circumscribed by the multi-faceted sanctions regime imposed by the UN Security Council upon Iraq following

<sup>10</sup> See Lillian Craig Harris, *China Considers the Middle East* (London: I B Tauris, 1993), pp. 186–88; and John Calabrese, *China's Changing Relations with the Middle East* (London: Pinter, 1990), pp. 144–45.

the end of the Kuwait War. The basic parameters for dealing with Iraq are laid out in a series of Security Council resolutions that have the force of international law. Therefore, China, like the other permanent members of the Council, shares responsibility both for creating this system of restraints and for abiding by them. Yet, this is not to imply that China's interests in Iraq are identical to those of the other Security Council members, or that its positions regarding Iraq are in perfect harmony with them. Instead, China has followed a self-proclaimed 'independent' policy towards Iraq that reflects its attempt to balance competing interests. The substance and limits of this independent policy will be explored in the following.

### THE MULTILATERAL FRAMEWORK: THE GEOPOLITICAL DIMENSION

When the United States introduced the 'Iraq problem' into the UN Security Council in the fall of 1990, the Cold War had all but ended, the Soviet Union was on the verge of collapse, and the Chinese leadership was attempting to restore its international reputation (which had been severely tarnished by the 4 June 1989 Tiananmen Square massacre). In the immediate aftermath of the invasion, the extent of Saddam's military ambitions were unknown. The foremost concern of Saudi Arabia and the other Gulf Cooperation Council (GCC) states, then and thereafter, was to effect Iraq's withdrawal from Kuwait and avert the threat of further Iraqi aggression. Under these circumstances, it would have been naive or foolhardy for China to have acted other than the way it did: by condemning the invasion, acceding to sanctions, and urging a diplomatic solution. Nevertheless, saying all the right things did not prevent China from sustaining nearly \$2 billion in lost contracts and remittances during the ensuing crisis.<sup>11</sup> More awkward moments for China were yet to come.

The first real test for China occurred during the Security Council deliberations over the use of force which China, in principle, strongly opposed. China resolved this dilemma by casting an abstention on UN Security Council Resolution 678—arguably the boldest display to date of its dissenting views. Yet, this rankled leaders of the moderate Arab coalition, not to mention Kuwaiti officials, whilst failing to satisfy fully the Iraqi leadership.<sup>12</sup>

The Gulf War divided the Arab world, and thus placed China in the awkward position of trying to maintain at least the pretence of impartiality and when the Gulf War began, China urged a quick end to the hostilities. China (and the Soviet Union) quietly applied pressure on the United States in the Security Council, and might have influenced the US decision to suspend the ground campaign and negotiate a cease-fire with Iraq when it did. Meanwhile, Chinese officials manoeuvred behind the scenes to ensure that their objections to the use of force did not irreparably damage relations with Saudi Arabia, the exiled Kuwaiti leadership, or other Arab states. Compounding

<sup>11</sup> Craig Harris, *ibid.*, p. 246.

<sup>12</sup> *Ibid.*



China's difficulties were the sizeable tangible interests it had at stake in Iraq. China was ultimately less successful in protecting these, than in preserving or restoring its political relations with the Arab states.

The years since the end of the Kuwait War have been the most complicated and revealing in the history of China's relations with the Gulf countries. China's commitment to the multilateral approach signifies its acceptance of a trade-off between acceding to limitations on dealings with Iraq and enjoying leverage both in defining these limitations and in conducting relations with the United States. The Security Council resolutions governing relations with Iraq have, on the one hand, constrained China, and on the other hand, have levelled the playing field for China. Although acceding to the collective authority of the Security Council is clearly a suboptimal choice for China, as it is for the Council's other permanent members, it offers China the only realistic possibility of checking the exercise of unrivalled US power.

China's behind-the-scenes manoeuvring in the Security Council on the Iraq issue is part of the overall pattern of its cooperation and contention with the United States. China is prepared to surrender the initiative to Russia and France, and to align its position with theirs, in order to pressure the United States. For the same reason, China is determined to ensure, if possible, that the Security Council retains exclusive authority for evaluating, deliberating and responding to Iraq's conduct.

#### DIALOGUE WITH THE IRAQI REGIME

China has scrupulously avoided personalising the Iraq problem, and has maintained a dialogue with the Iraqi regime. Chinese statements critical of Iraq have focused on specific behaviour, rather than on Saddam Hussein or members of his inner circle. Senior Chinese and Iraqi officials have exchanged frequent visits. Predictably, some of these have occurred during crisis periods, initiated either by Iraq (to win China's support for its positions) or by China (to explore ways to counsel restraint and defuse tension). Yet, even during periods of non-crisis, the issues of Iraq's compliance with UN resolutions and the UN sanctions regime have dominated the agenda.

Meetings between Chinese and Iraqi officials have nonetheless included discussions on other subjects, especially bilateral economic cooperation. In August 1996, Shi Weisan, Director-General of the Africa and West Asia Department of the Ministry of Foreign Trade (Moftec) led a Chinese business delegation to Iraq.<sup>13</sup> Shi mentioned that Chinese firms were eager to help meet Iraq's needs for machinery, building materials, telecommunications equipment and labour.<sup>14</sup> In December 1996, shortly after the Security Council approved the United Nations Security Council Resolution 986 'oil-for-food arrangements', China's Assistant Foreign Minister Ji Peiding led a commercial delegation to Baghdad.<sup>15</sup> Six months later, another Chinese delegation

<sup>13</sup> *China Daily*, in *Foreign Broadcast Information Service Daily Reports, China* (hereafter *FBIS-CHI*), 24 August 1996.

<sup>14</sup> *The Independent*, 12 November 1996.

<sup>15</sup> See *Foreign Broadcast Information Service Daily Reports, Near East and South Asia* (hereafter *FBIS-NES*), 11 December 1996; and *BBC Daily Summary of World Broadcasts, Middle East* (hereafter *BBC-SWB-ME*), 11 and 17 December 1996.

arrived in Baghdad to survey and discuss the possibility of participating in the eventual reconstruction of Iraq's industrial installations and infrastructure.<sup>16</sup>

It is important to mention that Chinese officials have refrained from catering obsequiously to the Iraqi regime in the interest of securing an economic or political foothold in the country. In fact, the initiative often appears to have come from Baghdad, which has lobbied China to wield its influence in the Security Council on Iraq's behalf. This was the primary purpose, for example, of Iraqi Foreign Minister Mohammad Sahhaf's August 1994 and March 1995 missions to Beijing.<sup>17</sup> It is also important to point out that Chinese officials have sought to avoid identifying too closely with the Iraqi regime. They have carefully chosen their words in an effort to draw a distinction between being willing to engage the Iraqi leadership and seeming to approve of the regime's behaviour. Illustratively, Foreign Minister Qian Qichen's words, in his public remarks, expressed 'sympathy', 'support', and 'friendship' with 'the Iraqi *People*' (emphasis added).

Thus, it is clear that China is committed to working with the current leadership in Iraq, albeit within the strictures of the UN-mandated sanctions regime. From the Chinese vantage point, neither personal mistrust of Saddam Hussein nor the question of the legitimacy of his rule is fundamentally at stake and the nature of the Iraqi leadership has not been the major constraint on China's dealings with Iraq. The main impediment is Iraqi behaviour and its attitude to the UN-mandated sanctions regime—over whose interpretation China has differed with its fellow Security Council members, yet to which China has nonetheless strictly adhered.

#### OBJECTION TO THE USE OF FORCE

China has consistently objected to the use of force against Iraq. As previously mentioned, in the 1990 Security Council vote mandating military action to effect Iraq's withdrawal from Kuwait, China dissented by casting an abstention. Since the end of the Gulf War, when periodic crises have erupted, China has counselled against military action. In November 1997, for example, China's Foreign Ministry spokesman, Shen Guofang, spoke out strongly in favour of continued reliance on diplomacy.<sup>18</sup> During a visit by Gulf dignitaries to Beijing, President Jiang Zemin underlined China's opposition to force in a public statement, saying: 'China appreciates and supports diplomatic efforts made to ease tensions and seek a peaceful solution to the crisis, and it does not favour the use of force'.<sup>19</sup>

Chinese officials have objected most strenuously to the use of force in instances where they have judged the United States to have exceeded the UN mandate. For example, official statements, as well as commentaries in the Chinese press, denounced the August–September 1996 US missile attacks against Iraq as 'unilateral act(s)' that flouted international norms and risked making the situation in the Gulf more

<sup>16</sup> *FBIS-NES*, 30 May 1997.

<sup>17</sup> See *Xinhua*, in *FBIS-CHI*, 25 August 1994 and 3 March 1995.

<sup>18</sup> *Hong Kong Agence France Presse*, in *FBIS-CHI*, 13 November 1997.

<sup>19</sup> *Hong Kong Agence France Presse*, in *FBIS-CHI*, 17 February 1998.

unstable.<sup>20</sup> Over time, international opposition to further military strikes against Iraq, both in the Arab world and in the UN Security Council, has grown. China has welcomed this development as a much needed restraint on US 'power politics' and 'hegemonic practices'.<sup>21</sup>

#### APPROVAL AND OBSERVANCE OF ECONOMIC SANCTIONS

China has approved and strictly abided by the sanctions regime imposed upon Iraq, but clearly has had reservations about its scope and duration. These misgivings stem not only from China's commercial self-interest (as will be seen later), but also from political, pragmatic and humanitarian considerations. Chinese officials are generally uneasy about sanctions, in part because they view sanctions as coercive tools upon which the United States has increasingly relied to press its own agenda. To some extent, these sentiments are a reflection of China's experiences as a target of sanctions.

Chinese officials also have reservations about sanctions on practical grounds: they are sceptical that a sanctions-dominated approach will resolve the differences between the Security Council and Iraq, or between Iraq and its neighbours.<sup>22</sup> Furthermore, China shares the concern of others about the adverse impact of sanctions on Iraq's population and on its long-term development prospects.

The Chinese position on economic sanctions against Iraq boils down to significant, albeit subtle, distinctions regarding when, and under what circumstances, they should be lifted. On these issues, China's preferences and judgements roughly correspond with those of Russia and France, but diverge from those of the United States and the United Kingdom. China, like Russia and France, has appeared willing to settle for something less than Iraqi compliance with *all* of the relevant UN resolutions. Similarly, China, along with Russia and France, has called for the 'early lifting' of sanctions.<sup>23</sup>

Nevertheless, China has been unwilling to stake out a bold position of its own regarding the removal of sanctions, at least not in public. When pressed by Iraq to announce a specific timetable for the removal of sanctions, Chinese officials have been non-committal.<sup>24</sup> During Foreign Minister Mohammad Sahhaf's March 1995 visit to Beijing, Vice-Premier Rong Yiren pledged China's support for the lifting of sanctions at an 'early' but unspecified date. During the same visit, Qian Qichen indicated that China would help to ensure that sanctions were lifted 'as soon as possible'.<sup>25</sup> Whereas genuinely sympathetic to the plight of the Iraqi people and determined to preserve a working relationship with the Iraqi regime, Chinese officials are above all concerned

<sup>20</sup> See *Xinhua* commentary, in *FBIS-CHI*, 4 September 1996; and *Wen Pei Po* editorial, in *FBIS-CHI*, 4 September 1996.

<sup>21</sup> See, for example, Wang Xianyun, 'United States has Suffered Successive Setbacks in the Middle East', *Liaowang*, in *FBIS-CHI*, 7 October 1996.

<sup>22</sup> *Xinhua*, in *FBIS-CHI*, 16 November 1997.

<sup>23</sup> See, for example, remarks by Foreign Ministry spokesman Shen Guofang in *BBC-SWB-ME*, 8 May 1997.

<sup>24</sup> See remarks by Chinese ambassador to Iraq, Bi Gan, in *Agence France Presse*, 10 February 1996.

<sup>25</sup> *Xinhua*, in *FBIS-CHI*, 2 March 1995.

about keeping the Sino-US relations on an even keel and going no farther in conciliating Iraq than the latter's Arab neighbours. They are prepared to let others—Russia and France—take the lead in openly challenging the US position on Iraq and indeed, Chinese officials have stated explicitly that they 'support efforts *by others*' (emphasis added) to work through the problems with Iraq.<sup>26</sup>

Nevertheless, China has firmly opposed the idea of adding new elements to the existing sanctions regime. During the November 1997 showdown between Iraqi authorities and the United Nations Special Commission on Iraq (UNSCOM), the United States introduced a resolution in the Security Council proposing a travel ban on Iraqi officials who block UN weapons inspections and a suspension of reviews of oil sanctions. Although eventually voting in favour of the resolution, China's UN delegation, in conjunction with its Russian counterpart, worked to dilute its final content.<sup>27</sup>

#### QUALIFIED SUPPORT FOR THE WEAPONS INSPECTIONS REGIME

Chinese officials have consistently supported the weapons inspection regime, though over time their misgivings about the scope of UNSCOM's mandate and aspects of its performance have grown. China's support for the formation of the UNSCOM, and subsequently for its work, was largely attributable to the fresh memory of Iraq's aggression against Kuwait and the documented use of chemical weapons. This gave China little manoeuvring room to lobby for leniency on Iraq's behalf on the weapons issue. In addition, UNSCOM's initial activities in Iraq uncovered weapons of mass destruction (WMD) that were far more advanced and inventories that were far more substantial than anyone had previously believed. These revelations added to the pressure on China to see the process of dismantling Iraq's WMD capability through to completion.

Yet, from the Chinese perspective, the UNSCOM has always trod on sensitive ground. The weapons inspection process is the most extensive and intrusive aspect of the UN-mandated sanctions regime. However legally or otherwise justifiable, it constitutes a major infringement of Iraqi sovereignty and thus has an inherent political dimension. This fact coupled with the inspection regime establishing a precedent concerned China.

Over time, the UNSCOM operations in Iraq have become the main battlefield for determining when sanctions will be removed. From the time they first arrived in Iraq, the UNSCOM inspectors had to contend with Iraqi obstruction and obfuscation. This persisted throughout the first stage of the UNSCOM operation, which was chiefly devoted to disclosing and destroying Iraq's WMD inventories and facilities. During the operation's second stage—which began in 1994 and aims at instituting a permanent WMD monitoring and verification system—the routine stand-offs between the UNSCOM and Iraqi officials have escalated into intermittent crises.

<sup>26</sup> See remarks by Foreign Minister Qian Qichen, *Xinhua*, in *FBIS-CHI*, 24 August 1994.

<sup>27</sup> See comments by Chinese Foreign Ministry spokesman, Shen Guofeng, *Hong Kong Agence France Presse*, in *FBIS-CHI*, 13 November 1997.

The cumulative impact of these crises has changed the dynamics of the UNSCOM inspection process and, among other things, the burden of proof has seemed to shift from Iraq to the UNSCOM.

Although China has not been responsible for creating these new dynamics, it has moved cautiously and pragmatically to adapt to them. Over time, Chinese officials have shown greater sympathy for Iraq's position and have echoed the complaints of the Iraqi regime that the UNSCOM has become politicised and that some of its methods of conducting inspections are provocative. They have referred obliquely to a US bias against the Iraqi regime, and have suggested that this impedes a final disposition of Gulf War related problems. For example, Jiang Zemin stated, 'other parties should objectively assess the progress made in nuclear inspections so as to create conditions for solving as soon as possible the problems left over by the Gulf war'.<sup>28</sup> During the February–March 1998 crisis, China sided with Iraq in calling for greater diversity in the composition of weapons inspection teams.

China has walked a tightrope between showing sympathy for Iraq's position and avoiding giving the impression of pandering to the Iraqi regime. Foreign Ministry spokesman Shen Guofang conveyed China's attempt to balance its interests in a policy statement which said, 'the legitimate concerns of Iraq as a sovereign state should be respected and the work of the special committee should be improved'.<sup>29</sup> Chinese officials have frequently urged Iraq to 'earnestly' and 'comprehensively' implement the relevant Security Council resolutions.<sup>30</sup> In meetings with US Ambassador to the United Nations Bill Richardson during the February–March 1998 crisis, Qian Qichen reportedly expressed confidence in the UNSCOM and a desire to get the inspections back on track.<sup>31</sup> China even voted in favour of establishing an import–export monitoring system to ensure that Iraq does not re-acquire a WMD capability once sanctions are lifted.<sup>32</sup>

Nevertheless, China seems willing to settle for a lower threshold of compliance by Iraq than the United States is prepared to accept. As a condition for setting a timetable for lifting economic sanctions, China appears to favour some sort of compromise with Iraq on the weapons inspections, rather than Iraq's strict or absolute compliance. To some extent, this position reflects China's growing frustration—one widely shared in the region and by some other Security Council members—with an inspection process that has no clear end in sight. Coupled with this frustration is the Chinese officials' awareness that with every new crisis there is a possibility of a renewed military confrontation. This would not only pose an acute dilemma for China, but would also yield consequences which may further destabilise the region. This last point is important, for what is frequently overlooked in reporting about China's positions on these issues is its growing stake in the stability of the Gulf.

<sup>28</sup> President Jiang Zemin, *Xinhua*, in *FBIS-CHI*, 2 December 1997.

<sup>29</sup> *Xinhua*, *FBIS-CHI*, 11 January 1998.

<sup>30</sup> See interview with Wu Sike, Director of the Foreign Ministry's West Asian and North African Affairs Department, *Hong Kong Wen Wei Po*, in *FBIS-CHI*, 4 January 1997.

<sup>31</sup> *Xinhua*, *FBIS-CHI*, 14 February 1998.

<sup>32</sup> *Reuters News Service*, 28 March 1996.

## THE BILATERAL FRAMEWORK: THE ENERGY DIMENSION

China's economic stakes in the Gulf—particularly in the energy sector—are already significant and are growing. China's interest in the stability of the Gulf stems primarily from this fact. In evolving its policy towards the Gulf, China has looked to the first half of the next century, when the Gulf's energy resources are expected to become vitally important both to China's economy and to those of its Asian neighbours. In order to understand fully the substance and significance of the Sino-Iraqi bilateral relationship—one of whose central components is cooperation in the energy sector—it is important to set the relationship in this broader context.

### THE ASIA-GULF ENERGY NEXUS

The energy outlook for the first half of the next century reveals three trends which, viewed in combination, help to explain the motivations and significance of Sino-Iraqi energy ties. First, Asian demand for oil and gas is rising, and is expected to continue to do so over the long term. This growth in demand, moreover, has not been, and is unlikely to be, matched by supply increases from within the region. As this gap has widened, Asian import dependence, especially on the Persian Gulf suppliers, has risen. In short, the Persian Gulf has become the common focal point of Asia-Pacific countries' strategies to satisfy their future energy demand.

Second, in recent years North American and European countries—the Gulf's traditional energy customers—have secured an increasingly large share of their energy imports from Atlantic Basin suppliers. In conjunction with the rising Asian demand for Gulf energy resources, this trend indicates that Asia is rapidly becoming the largest energy market for Gulf producers.

Third, collectively, the countries of the Persian Gulf have an abundance of energy resources—sufficient in amount and convenient enough in proximity to Asian countries to justify their attention and commitment, as well as their concern. Together, Gulf producers possess about 60 per cent of the world's recoverable crude oil reserves and produce nearly 25 per cent of global oil supplies. As capacity expansion projects in the Gulf are implemented and as reserves of non-Gulf countries are depleted, Gulf producers' output level and share of global supply will soar.

### CHINA-GULF ENERGY TIES

That Asian countries—including China's historical rivals—are converging on the Gulf to secure their future energy supplies provides sufficient reason for Beijing to be attentive to developments in the Gulf. Accentuating the importance of these developments is the fact that China's own energy future is tied to access to Gulf energy supplies. Over the past decade, China's oil consumption has increased substantially. In 1994, as a result of this growth in demand, China emerged as a net oil importer.

Although China is not yet a *major* oil importing country, there is every indication that it will soon become one. With the continued expansion of China's economy, its oil demand is expected to climb from 3.8 million barrels per day (bpd) to as much as 7 million bpd by the year 2005.<sup>33</sup> Chinese authorities remain committed to raising domestic production in order to keep pace with demand growth, but they have had to revise downward their own original estimates. According to some projections, China's crude oil imports may reach 1 million bpd by the year 2000.<sup>34</sup>

Chinese authorities regard Gulf producers as 'key sources' of crude oil.<sup>35</sup> Currently, about 60 per cent of China's oil imports come from the Gulf.<sup>36</sup> Some analysts estimate that China's purchases of oil from Gulf producers will exceed 90 per cent of its total oil imports.<sup>37</sup> China's rapidly rising energy demand and increasing reliance on supplies from the Gulf to meet its energy requirements is, therefore, a major component of the overall growth of Gulf-Asia energy interdependence.

China's growing reliance on energy imports has necessitated adjustment of its energy policy. In order to expand crude oil production and refining capacities, China has permitted greater foreign participation in its energy sector. China has also adopted a more creative and aggressive approach to securing a strategic foothold in overseas energy markets. Although China has cast a wide net, the establishment of long-term energy relationships with the Gulf countries is central to its energy strategy. Accordingly, China's principal oil enterprises (for example, the China National Oil Company, CNOC) have negotiated long-term oil supply and production sharing agreements with Gulf producers, and are competing for contracts to undertake downstream projects in the Gulf countries. Meanwhile, Gulf based oil firms such as Saudi Aramco, the National Iranian Oil Company (NIOC) and the Kuwait Petroleum Company (KPC) are actively engaged in downstream projects in China.<sup>38</sup>

#### CHINA-IRAQ ENERGY COOPERATION

As the preceding discussion has shown, recent breakthroughs in Sino-Iraq energy relations should be viewed against the backdrop of growing Asia-Gulf energy ties, of which the inter penetration of the Chinese and Gulf energy markets is an integral part. The following discussion will demonstrate that Sino-Iraq energy cooperation, though consistent with these broader trends, is nonetheless distinctive. Iraq's energy profile is basically compatible with that of China: Iraq's vast oil resources complement China's oil deficiencies. Iraq has the world's second largest proven oil reserves, after Saudi Arabia. Many of Iraq's largest discovered fields have not yet been developed. In addition, Iraq

<sup>33</sup> *Middle East Economic Digest*, 31 October 1997, p. 3, citing figures provided by the Centre for Global Energy Studies (CGES), London.

<sup>34</sup> *Middle East Economic Survey*, 16 June 1997, p. A3.

<sup>35</sup> See, for example, *Xinhua*, in *FBIS-CHI*, 28 October 1994.

<sup>36</sup> *Oil and Gas Journal*, 28 August 1995.

<sup>37</sup> *Ibid.*

<sup>38</sup> For details, see John Calabrese, 'China and the Persian Gulf: Energy and Security', *The Middle East Journal*, Vol. 52, No. 3, Summer 1998, pp. 351-66.

has an impressive record of oil field development, that is, a high exploration success rate.<sup>39</sup> There is, however, no history of energy cooperation between China and Iraq to speak of. During the eighties, the most lucrative economic links that China forged with Iraq in the civilian sphere were labour and engineering contracts for infrastructure projects. There was comparatively little trade in oil between the two countries; also, China was not engaged to any significant degree in Iraq's energy industry.

The period of rapid growth in China's oil imports has coincided with the period during which international sanctions have been imposed on Iraq. Paradoxically, these sanctions have severely constrained and indirectly facilitated the development of Sino-Iraq energy cooperation. Sanctions have stifled Iraq's oil export trade and foreign participation in its energy industry. They have produced a very narrow, albeit level playing field. In recent years, China and Iraq have entered this playing field with a similar goal, albeit different primary motivations. As will be shown, China and Iraq have pursued and cemented a long-term energy relationship. However, whilst China's principal motivation for doing so is economic, Iraq's is mainly political.

In June 1997, China and Iraq signed a contract to jointly develop the Al-Ahdab field in Wasit Governorate, 250 km southeast of Baghdad. The agreement also called for setting up oil production and collection, gas and water treatment, electricity generating and services installations, and supply communications, control and civil work equipment.<sup>40</sup> Under the terms of the contract, a Chinese consortium led by the China National Petroleum Corporation (CNPC) and Norinco will supply technology, equipment and management personnel. Development costs for the project are estimated at \$1.2 billion and operating expenses at \$600 million, over a development period of twenty-six years and a production period of twenty-two years.<sup>41</sup>

The Iraqi leadership's efforts to conclude energy cooperation agreements with Chinese and other foreign firms has two political objectives: in the short term, the weakening of support for sanctions; and in the longer term, the preservation of Iraq's foreign policy independence through control over its energy assets. Iraq's parcelling out of oil development contracts to Chinese (as well as Russian and French) companies is a strategy both for undermining the political consensus which keep sanctions in force and for diversifying its foreign relations.

During fall 1996, when Baghdad's oil diplomacy intensified, Iraqi officials stated bluntly that they considered the possible signing of preliminary oil contracts with foreign firms to be a step towards breaking the embargo.<sup>42</sup> Reacting to the Al-Ahdab deal, Iraq's Deputy Prime Minister Tariq Aziz declared boldly: 'The strengthening of relations between Iraq and China will help restore a balance of power on the international scene, in the face of the policy of hegemony'.<sup>43</sup> Iraqi authorities made no pretence to conceal the fact that contracts were apportioned among Security Council

<sup>39</sup> Issam Al-Chalabi, 'Prospects for Iraq's Oil Industry', in John Calabrese (Ed.), *The Future of Iraq* (Washington, DC: The Middle East Institute), p. 51.

<sup>40</sup> *BBC-SWB-ME*, 26 November 1996; and *Xinhua*, 5 June 1997.

<sup>41</sup> *FBIS-NEA*, 5 June 1997.

<sup>42</sup> *BBC-SWB-ME*, 26 November 1996.

<sup>43</sup> Quoted in *Asia Times*, 6 June 1997.



members which were sympathetic to Iraq. Lt-General Amir Muhammad Rashid, Iraq's Minister of Oil, explicitly stated that the distribution of oil contracts was based on the show of support for Iraq in the UN Security Council.<sup>44</sup> Although there is no definitive evidence of a *quid pro quo*, perhaps not coincidentally, Qian Qichen arrived in Baghdad five days in advance of the announcement of the Al-Ahdab deal, offering assurances that China favours early lifting of sanctions.<sup>45</sup>

One should neither minimise nor exaggerate the significance of the Al-Ahdab agreement. This arrangement signifies China's successful penetration of the Iraqi energy market. In addition, the project is a multifaceted, long-term undertaking that demonstrates China's willingness to make a major financial commitment and take even higher risks than in the past.

It is important, however, to put the Al-Ahdab agreement in perspective. Iraq's 'choice' oil concessions have gone to firms in Russia and France: countries with which Iraq has traditionally had stronger relations than with China, and countries which have played leading roles in the Security Council in arguing for more flexible and lenient treatment of Iraq. The Al-Ahdab oil field is of relatively modest size, with a production capacity of only about 80,000 bpd.<sup>46</sup> Other fields that Iraq offered for joint development to foreign companies have much larger capacities. For example, the Majnoon, Nahr Umr, West Qurna and Halfaya fields have a total estimated capacity of 2 million bpd. Iraqi authorities reserved the Majnoon and Nahr Umr fields for the French firms Elf and Total. The second phase of West Qurna was assigned to a Russian consortium. Although Chinese and Iraqi officials have reportedly discussed jointly developing the Halfaya field (whose production capacity is estimated to be about 250,000 bpd), it is not clear that Iraq is prepared to offer this field to China.

Whilst Iraq has many suitors, China has other energy partners in the Gulf. In fact, the basic thrust of China's oil policy is to diversify its foreign sources of supply to the extent possible. China already buys significant quantities of oil from Gulf producers other than Iraq, and over the past several years has signed contracts with them to substantially increase the volume of supplies from them. In 1995, China signed a contract with Oman to boost purchases from less than 20,000 bpd to 100,000 bpd the next year. In 1997, China announced that it had agreed to increase Iranian oil imports from 70,000 bpd to 100,000 bpd in 1998 and to double the latter figure by the year 2000.<sup>47</sup> Chinese firms are also vigorously pursuing long-term supply contracts with non-Gulf producers. In fact, the deal to develop the Al-Ahdab field in Iraq was signed the same day that the China National Petroleum Corporation (CNPC) and Kazakhstan announced plans to jointly develop the Kazak Aktyubinsk field.<sup>48</sup> Just as Iraq is determined to distribute oil contracts among foreign firms in a manner that maximises its foreign policy independence, China is committed to diversifying its foreign sources of oil to ensure its energy security.

<sup>44</sup> *BBC-SWB-ME*, 3 June 1997; and *FBIS-NES*, 30 May 1997.

<sup>45</sup> *The Washington Post*, 24 May 1997.

<sup>46</sup> *Oil and Gas Journal*, 21 October 1996, p. 2.

<sup>47</sup> *Agence France Presse*, 11 June 1997; and *Middle East Economic Survey*, 16 June 1997, p. A3.

<sup>48</sup> *Asia Times*, 6 June 1997.

## CONCLUSION

China's policy towards Iraq, which is subsumed under its approach towards the Gulf and the greater Middle East, reflects its overall foreign policy objectives. In general, China's foreign policy is intended to serve two overarching purposes: fostering the trend towards global multipolarity and fulfilling the country's modernisation requirements.

The Persian Gulf is a region where China's geopolitical and economic interests intersect. It is the region where the United States, by projecting its unrivalled military power, has affirmed its global paramountcy. It is also the region where China's economic interests have grown, and will continue to do so. China is part of an emerging global energy equation that is marked by increasing energy ties between the Gulf and Asia-Pacific regions. The possible strategic and economic implications of this trend for the Asia-Pacific region is itself a major factor shaping China's policy towards the Gulf. Yet, China too is becoming dependent on Gulf energy supplies. This represents a qualitative change in China's stakes in the Gulf.

In an effort to promote and protect its interests in the Gulf, China has attempted to formulate a policy that satisfies two criteria: 'independence' and 'impartiality'. The criterion of 'independence' is intended both to distinguish China's policy from that of the United States and to blunt the effect of unchallenged US power in the region. The criterion of 'impartiality' is intended to enable China to avoid being drawn too deeply into conflicts between Gulf rivals, and thus protect its long-term economic interests.

These concerns and tendencies are graphically illustrated in China's policy towards Iraq. This policy is conducted through both multilateral and bilateral channels. In the multilateral context, China has accepted the trade-off of limiting its dealings with Iraq in exchange for having some bargaining leverage over the United States. China has maintained at least the appearance of 'strict objectivity' in interpreting and applying the terms of the relevant Security Council resolutions. In practice, this 'objectivity' represents China's efforts to balance its competing interests.

China has adopted a 'principled' position in consistently objecting to the use of force against Iraq, but has refrained from using its veto power to oppose it. Taking careful readings of the barometer of Gulf Arab and world opinion, China has adjusted its position on economic sanctions, calling for their 'early' removal, but without offering a specific timetable or a clear indication of its expectations regarding Iraqi behaviour. Similarly, China has referred, albeit obliquely, to a US 'bias' against Iraq, whilst urging Iraqi leaders to cooperate fully with the United Nations. China has supported diplomatic efforts made by other Security Council members and UN Secretary-General Kofi Annan, yet has chosen not to launch any initiatives of its own.

In the bilateral context, China has followed the practice of business-as-usual despite the extraordinarily unusual circumstances. Chinese officials have maintained a working relationship with the Iraqi regime. The issues of UN sanctions and Iraqi compliance with UN resolutions have been unavoidable, but have not monopolised the Sino-Iraqi agenda. Although Iraqi officials have intensely lobbied their Chinese

counterparts, the latter have not caved into the former's demands. The political support China has extended to Iraq has more than paid for itself in the form of a share in the development of Iraq's energy sector and possible future participation in the reconstruction of Iraq's severely damaged infrastructure.

China's policy towards the Gulf in recent years, exemplified by its policy towards Iraq, is largely a continuation of the approach it followed during the eighties. This policy is aimed primarily at placing politics in the service of commerce. This policy consists of passive Chinese diplomacy and aggressive promotion of Chinese economic interests. It is a policy marked by China's heightened confidence in its role as an emerging world power, and by China's increasing willingness to accept the responsibility that accompanies it.