

# Gold at the end of the rainbow? The BRI and the Middle East

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## Abstract

In 2013 China embarked on a new path of engagement with its Asian neighbours, a process which just three years later resulted in Asia's most daring and ambitious macro-economic undertaking – an 'initiative' now known as China's Belt and Road Initiative. The BRI has the potential to transform Asia's political economy and the level of political, institutional and financial support from Beijing is underlining the importance of this major initiative to the world's fast-emerging largest economy. The success of the BRI will place China at the heart of the international system and help it build strong organic networks across Asia, and into Europe and East Africa. But it is in the outlying regions such as Central Asia and the Middle East that the BRI's metal will be tested, as indeed China's resilience as a major power. If China is able to overcome the geopolitical, cultural, institutional and socio-economic barriers of these Asian regions then it will have made some headway towards creating Asia's first international community, arguably an 'Asian international society'.

## China and the BRI

China's 'New Silk Road' and 'Maritime Silk Road' concepts, launched in 2013, offered the opportunity to create new transport hubs across the countries of Southeast, Central Asia, the Middle East. What started out as a tentative attempt to extend China's economic relations with its Asian hinterland had ballooned, just two years later, into a major national priority of the People's Republic to change the political economy of Eurasia. China now has developed the vision, narrative, as well as the tools for a substantial global presence (Horesh, 2017). Thus, in May 2017 President Xi Jinping hosted the 'Silk Road Summit for International Cooperation', and in front of dozens of heads of state in Beijing he underlined China's resolve to proceed with the BRI. With \$1 trillion already allocated and "several more trillion [to] follow in the coming decade", no doubt has been left regarding the financial viability of the BRI and Chinese commitment to it (Cafiero, and Wagner, 2017). Making it 'a priority' and ensuring its inclusion in the Party's amended constitution at the 19<sup>th</sup> congress of the Communist Party of China in October 2017, the Chinese leadership has left little doubt as to the centrality of this initiative to its redefining of China's global role (Panda, 2017). The construction of the transport routes, ports and other infrastructural facilities, across over 65 sovereign countries, offers the promise of a new Eurasian order in which China provides the hub and its Silk Road partners the spokes of an integrated post-Western economic order. The BRI agenda is multifaceted; it is political (designed to enhance the legitimacy and valour of the Party at home – to build the 'China Dream'); it is economic (in not only aiming to spread economic growth to Chinese western regions but also

consolidating China's place at the centre of the global supply and manufacturing networks); it is geostrategic (in transforming China into Eurasia's great power); and it is strategic (in creating interdependencies which not only give Chinese corporations a comparative advantage but also enable China to broaden its soft power across Asia as it champions 'shared growth' and 'common interest'. Just as the United States' \$13 billion (\$132 billion in current dollars) Marshall Plan shaped post-War Europe and with it the West, so China's \$1 trillion BRI will arguably reshape Eurasia and with it the place of China in the world. To appreciate the true ambition of this project, its full and successful implementation will "connect 65 countries that represent 55 per cent of the world's GDP, 70 per cent of global population, and 75 per cent of known energy reserves" (Hong, 2016, p. 6). The success of the BRI depends on Chinese initiative and the engagement of its governmental and financial institutions, such as the new Asian Infrastructure Investment Bank with a \$100 billion loan capacity, the Silk Road Fund, and the overarching inter-ministerial BRI oversight committee. Progress is exemplified by the fact that despite a slower investment rate in the second year of its launch, by early 2017 47 Chinese state-owned enterprises were already working in the field, involved in 1,676 projects of varying sizes across the BRI countries (Wildau and Nan, 2017). The success of the BRI, however, is only partly contingent on China's financial and bureaucratic drive. For it to meet its lofty objectives it must be assured of the political stability, security and economic robustness of the Asian and African countries into whose territories Chinese influence will be extending. China is, in this initiative, dependent not just on the goodwill of others, but even more so on unpredictable geopolitical forces shaping the BRI's regions, countries and communities – Beijing will be dependent on social and political forces operating beyond its own territory, and certainly well beyond its control. Nowhere are the geopolitical, security and social pressures greater than in the Middle East.

The ambition is for China to play a central role in an emerging multipolar international system, assuming the mantle of leadership for global systemic change from the United States. As President Xi Jinping put it in October 2017, China is progressing towards becoming "a global leader in terms of composite national strength and international influence... and a proud and active member of the community of nations".<sup>1</sup> China's capacity to expand its ambitions rests on specific aspects of its recent economic and political development and its diplomatic stretch, and are uniquely founded on the long-held view that change is inevitable and should be embraced, and managed wherever possible (Gungwu and Yongnian, 2008). China's national economy has boomed in the decades following the 'four modernizations' and has blossomed since its joining of the World Trade Organization in 2001 and is set to succeed the United States as the world's largest before 2050. China is today the world's top exporter and importer of goods, and a massive consumer of the world's natural resources; what it does – and does not – do economically leaves a clear global impression. This growth comes on the back of a progressively more outward-looking development strategy which has resulted in a global presence of its state-owned enterprises and a massive rise in foreign direct investment from near zero in 2000 to over \$100 billion in 2013 (Parello-Plesner and

Duchâtel, 2015). China has rapidly cast off the cloak of political and diplomatic isolation, aiming to continue its own economic development through engagement in global production, exchange, finance, and power projection. To do this on favourable terms requires China to become a, and ultimately perhaps *the*, 'global governance' player, shaping the norms, institutions and practices which manage the global economy. Its engagement with international (governmental and non-governmental) organizations has accordingly accelerated and deepened (Montanino, 2017). While between 1977 and 1996 China's membership of international organizations grew from 21 to 51, by 2010 it had membership of a staggering 2,659 such bodies. Reinforced by an increasing willingness to develop a regional military profile, China has become prominently invested in re-shaping global governance instruments and regimes to serve its evolving interests, becoming an intriguing combination of both threat to, and champion of, other emerging countries.

This article considers the importance of the initiative in the Middle East in the context of four observations. First, that the BRI is likely to deepen Asia's uneven globalization, and in the Middle East it is the Persian Gulf subregion primarily and Eastern Mediterranean countries of Israel and Turkey which stand to take advantage of the trade and investment opportunities to be presented. There are, in other words, pockets of globalization driving the world economy but these stand out precisely because they represent concentrations of production, exchange, finance and all the related economic and intellectual activities. So, the individual nodes of global commodity chains are constituted as dense intra-regional constellations of economic activity, with the entire set of nodes forming an irregular world-wide mosaic. The BRI will inevitably plug into this irregular economic landscape and potentially reinforce the connectivity of the many existing Asian constellations.

The second observation is that globalization in the twenty first century can best be characterized as 'Asianization' of the world economy – increased intra-Asian ties and deepening cooperation. This is not simply the repetition of the 'Asian century' mantra but rather the argument that 'Asianization of production' which started in the early 1960s in Japan has spread rapidly across Asia. In this sense, the rise of the Asian Newly-Industrializing Countries in the 1970s and Japan before them were signalling the rise of East Asia as a formidable economic pole in the global economy (Funabashi, 1993). The origins of the Asianization of global industry that China and India represent today, therefore, are in the earlier period of Asian industrial drive. This dynamic group of Asian economies has arguably, by extension, also been Asianizing globalization: "Asia's 'Asianization' is paradoxically the result of globalization of its economy and media... [in which Asian countries] are starting to see neighboring countries as trading partners, providers of investment opportunities and competitors" (Ibid, p. 79).

China is the country which today leads this 'pack' regionally and globally. The Belt and Road Initiative is arguably one new and critical feature of this process and the ultimate builder of

what may be referred to as a form of 'formal-informal regionalism' (Acharya and Johnston, 2007).

Thirdly, it is argued that to understand the modern world we must understand regions and regional orders. Regions are not by any means flat structures and even platforms, nor are they static. Power within them, moreover, is unequal, relations can be hierarchical, and some regions (such as MENA) are not only dysfunctional but also penetrated by outside powers. But regions are also increasingly institutional, espouse new sets of identities, create new arenas of economic, cultural and political exchange (see special issue of *Review of International Studies*, 2009), and of course act as security complexes (Buzan and Waever, 2003). As we, arguably, move from one world of states into a multiple world of regions, regions become significant for both economic and security reasons, which are arguably increasingly interdependent realms (Hurrell, 2007). It is possible to argue that this process of regionalization may be leading to the establishment of what Van Langenhove has identified as a 'regional world order' (2011). So, regional systems form the horizontal planks of the international system whose vertical integration (supply and production chains) increasingly shape the networks of the international system. Asia, in this regard, drives change (Beeson and Stubbs, 2014).

Finally, the emerging patterns of cooperation, which in more recent times have come to define the process of uneven 'Easternization' of the Middle East, underline the fact that the Persian Gulf has emerged as the most 'Asianized' part of this region, followed by Israel and Turkey. The new clustering of international economic activity which is pushing the geographical edges of Asia closer together is creating an important strategic nexus which is at once both globalized and regionalized. These regions today in this sense mark the new boundaries of globalization. The relationships which have emerged are a product of modern industrialization, and a consequence of modern trade patterns largely dictated by the energy hungry economies of India and East Asia (ECSSR, 2008). In this cycle of global transition, the Persian Gulf greases the wheels of global industry which are increasingly located in Asia. But the Persian Gulf is not alone in supporting the industrial growth of East Asia and since the mid-1990s the heartland of continental Asia, namely Central Asia, has been raising its profile as a new subregion as well. Indeed this post-Soviet space is itself now a new security complex at the heart of Asia. Equally importantly, Central Asia is also becoming a credible Asian energy zone in its own right: The proven oil reserves of three key Central Asian countries (Kazakhstan, Turkmenistan and Uzbekistan) and neighbouring Azerbaijan have increased from just 7.7 billion barrels in 2001, to an impressive 38.2 billion barrels in 2016.<sup>2</sup> The bulk of the increase is due to Kazakhstan's emergence as an oil state, with proven oil reserves of 30 billion barrels and an output of 1.8 million barrels per day, and it is no surprise that China has leaned heavily towards its Central Asian neighbour as a new source of energy. These relatively new oil producers are not bound by the pressures of such cartels as OPEC and are therefore free to produce and market as much oil as the market can bear, thus making them important energy partners for Asia's hydrocarbons

hungry economies. But the pressures of geography have imposed such a strong conditionality on these countries that their exporting ability can only be accommodated through further integration into the Asian theatre. It is through access to the territories of Iran, China and Russia, in particular, that they can maximize their oil export potential. It is the energy riches of Central Asia which makes them so readily attractive to China's BRI, which in theory should facilitate easier flow of their oil and natural gas supplies eastwards.

Given these objective realities, the key questions for this paper are, how will the BRI affect Asia's regional systems in Central Asia and the Middle East? Can it build a community of nations on consent and what the Chinese leadership refer to as a 'shared vision'? How will its development in the coming years shape what, with reference to the English School of international relations and particularly Buzan's notion of a 'regional international society' (2012), might be termed as a rising 'Asian international society'?

### **Asianization of the world economy**

The economic transformation of East (north and southeast) and South Asia is the real motor of the dramatic shift Eastwards of global economic balance. If Japan's story is one of missing the historic moment to be the dominant global economy,<sup>3</sup> the same surely cannot be said of China. The People's Republic is well on its way to becoming the world's largest economy by mid-21<sup>st</sup> century and as it does, so it will suck into its orbit the economic energies of its vast hinterland. In this context the energy sustainability of Asia's new industrial giant and the inheritor of Japan's mantle becomes a significant strategic issue. To put energy security in a broader context, China's oil consumption in 1969 was no more than 400,000 bpd, well below Spain's (495,000) and not much greater than Denmark's (320,000), and as such the traumatic oil crisis of the 1970s did not directly affect its still nascent and centrally-planned industrial base in the ways that it did so many other fast-industrializing Asian and European countries. China did not feel the impact of the oil crisis partly because it was fairly immune at the time from the 1970s' massive oil price fluctuations, and also because throughout that period it had full diplomatic relations with only four Gulf countries, namely Iran, Kuwait, Iraq and Oman (in that order between 1971 and 1978).<sup>4</sup> So, unlike the neighbouring Asian countries, China's relationship with the oil exporters was hardly affected and thus the oil boycott of the West for its support of Israel in the 1973 October War was hardly a cause of concern in Beijing. Indeed, China loudly applauded the Arab states for standing up to 'imperial and revisionist powers' (Shichor, 1979). This was not the case for the Asian Tigers, however, which were already well on their way along the industrialization path laid by Japan in earlier decades when the oil crisis struck. For the Tigers and Japan the oil price rises of the 1972-75 period was a traumatic experience and was further compounded by the oil price hikes of the 1979-81 period which followed the oil market upheavals caused by the Iranian revolution and the start of the Iran-Iraq War in September 1980.

The pan-Asian forces at play are of course not operating in isolation, and to appreciate fully the broader context of these forces one would have to take account of the energies and pressures being generated by globalization. In today's globalized economic system, the Persian Gulf and South and East Asia have come to occupy a special place. With regard to the former, the GCC countries now represent the most globalized part of the Arab region (Coates Ulrichsen, 2016). They are heavily involved in international economic flows and their financial riches (through their sovereign wealth funds) have enabled them to penetrate Western and other Asian economies with great ease (Bazoobandi, 2013). Thus, such small countries as Qatar, Kuwait, and the UAE have become major asset holders of Western corporate interests; and, the Gulf's largest economy (Saudi Arabia) has been using its petrodollars to invest at home while also investing in Asia and the West. In China, for example, Saudi Aramco owns two refineries and is looking to invest more in China's energy sector. Israel, the Middle East's most sophisticated economy, exports over 40 percent of its output to Asia (13 per cent to China) and draws around 50 per cent of its imports from Asia (12 per cent from China).

On the other side of the spectrum, South and East Asia are the economic powerhouses which have been keeping the fuel in the tanks of globalization (Chu, 2017). With historically unprecedented economic growth rates, China in particular has continued to drive the expansion of the global economy (Schwarzer, 2017). China's global position has in turn facilitated the extension of pan-Asian links.

### **Uneven globalization and Asian regionalization**

The GDP size of the MENA region + Afghanistan and Pakistan, the geographical area that former President Bush referred to as the 'broader Middle East', stood at \$3.1 trillion in 2016. This figure, compared with China's GDP of \$11.4 trillion, is relatively small. But when compared with that of India's at \$2.3 trillion, Republic of Korea's at \$1.3 trillion, Russia's at \$1.1 trillion and even Japan's at \$4.4 trillion, the 'broader MENA' figure then appears relatively large.<sup>5</sup> The significance of the economic size of the 'broader Middle East' is underlined by the size of the region's population which today stands at over 400 million people, with a substantial proportion of young, energetic and ambitious people. They are at once a potential market and a large, and often well-educated, workforce. So, the MENA region is an area with substantial economic opportunities. But to reach its full potential the region will continue to be dependent on external assistance and that is where Asia comes in, as for the foreseeable future it will be Asia's powerhouses which will drive global growth, and it will be these countries' enterprises which will be securing investment opportunities in the economies of the Middle East and the wider Arab region (Ehteshami, Huber and Paciello, 2017). For the Middle East as a whole the BRI is an economic lifeline and additional help to accelerate trade and investment and the opportunities growth and employment opportunities. For the oil states and Israel and Turkey, the BRI offers the opportunity to

strengthen their already considerable presence in China and wider Asia, and in doing so also diversify.

But, and consistent with the theory of capitalist development, there will be many parts of Asia (in South and Central and Southeast Asia) which can only exhibit modest growth rates to 2030. If left unchecked such growth profiles will only aggravate the unevenness of Asian globalization, and it is for this reason that regional countries are – rightly or wrongly – looking at the BRI as the dawn of a whole new cycle of economic activity.

Uneven economic growth (and development) in Asia is a mirror image of the geopolitical map of the fact that Asia is in reality an amalgam of several regions. Asia comprises several regional systems, all co-habiting, cooperating and interacting with each other. Some of these regional systems, like South Asia, have tended to be relatively self-contained. But there are others, such as those closer to the Eurasian edge of Asia, which have been more interactive and extravert. The Middle East, comprising the Persian Gulf and the Eastern Mediterranean, is a case in point. The Persian Gulf, known for its rich hydrocarbons reserves, is arguably one of the most volatile security complexes of the international system (Gause, 2010), having experienced revolution, three major inter-state conflicts in less than 20 years, repeated military interventions by major powers, sectarianism, and terrorism (Ehteshami, 2012). So, the question to be asked is how will the BRI in fact manifest itself in Asia's regions? This question is important as Asia's regional systems which are now increasingly interactive and the BRI is going to accelerate interaction between these states as it pushes regions towards a process of integration. But Asia's uneven regions (in terms of GDP and population size, economic sophistication, economic capacity, and accessible raw materials and minerals) will directly affect the tempo and flow of Asian globalization. Thus, economies of the Persian Gulf appear far more globalized and globalization-capable than the landlocked countries of Central Asia, and are therefore more likely to be able to take advantage of the economic opportunities presented by the BRI, and do so more swiftly and more fully. Yet, in the Persian Gulf itself one can see uneven globalization in which the six Gulf Cooperation Council (GCC) group of countries are far more globally integrated than Iran (because of sanctions), Iraq (because of war and sanctions) and Yemen (because of weak state structures, violence, which are compounded by poverty and strong tribal tensions) (Ehteshami, 2013). Furthermore, hydrocarbons deposits are unlikely to provide sufficient force for driving globalization in the future, whether in Iraq and Iran, or in the former Soviet republics. These countries will therefore need to diversify, and yet approaches to diversification are unimaginative and largely dictated by global markets rather than through strategic planning by the elites of these countries. By contrast, Israel is already taking advantage of Indian and East Asian market and investment opportunities to expand its markets and to exploit lucrative military and high-tech partnerships with its Chinese and Indian counterparts, despite some concerns about intellectual piracy on the Chinese side (Evron, 2018).

In South Asia too we can expect uneven development in which we expect India's 'take off' in the 2020s while Pakistan, Afghanistan and Bangladesh remaining handicapped by weak governance structures, and in the case of Pakistan omnipresent political and security problems. India's rapid economic rise is yet to spread the benefits of its growth to the neighbouring countries and unlike East and Southeast Asia in which regional trade and investment drives development of the whole region, in Middle East, South and Central Asia inter-regional trade is still rather limited. Only amongst the Gulf Cooperation Countries of the Persian Gulf has regional trade significantly increased in recent years, rising from \$6.0 billion in 1984 to \$15 billion in 2003, and again by a massive 657 per cent to stand at \$115 in 2015 (*Kuwait News Agency, 2016*).

### **China and the making of the regional world order**

The rapid transformation of the international economic system has manifested itself in a systematic shift of the weight of the global economy 'Eastwards' (Ehteshami, 2015). Depicted as 'systemic shift', this process can be seen in the continuing deepening (and widening) of manufacturing base of East and Southeast Asian economies. Thus, by 2030, China's GDP will have grown to \$32 trillion, and India, with a GDP of \$8 trillion, will be the world's third largest economy. Japan is estimated to have a GDP of \$5.8 trillion by 2030, and Indonesia and Republic of Korea will have a combined GDP of \$2.5 trillion. These projected fluctuations are indicative of continuing substantial change in Asia. By contrast, the United States' economy will have grown to \$23 trillion by 2030, and the three largest European economies of Germany, France and Britain will have a combined GDP of \$12 trillion. Based on these projections, therefore, Asian economies will be dominating the world.

This phenomenon is starkly evident in the changes to the GDP makeup of Western economies and their leading Asian counterparts and their trade in manufactured products. Looking at trade in manufactures particularly, China by 2014 was responsible for 18 per cent of the world's exports in manufactures, and Japan and Republic of Korea for 4.9 per cent and 4.0 per cent respectively, with a big drop in Japan's global share from a high of 10 per cent in 2000. So, according to the World Trade Organization figures a total of 28 per cent of the world's exports in manufactures now originate in a handful of Asian countries. And if we now add the rest of Southeast Asia and India (a further 6 per cent of world total), then nearly one-third of the world's exports in manufactures are now in the hands of just eight Asian countries, compared with 38 per cent of it in the hands of 28 member European Union bloc, and 10 per cent of it in the United States (WTO, 2015). Asia then is driving systemic shift. This transition is taking place in the context of 'glocalization'.. China's BRI should be viewed as the arrival of a new engine to deepen regional world order and strengthen the place of Asia within it. In the emerging order a challenge is arising to the bipolar global order in which a small group of countries dominated the international system (Stuenkel, 2016). Going hand in hand with the shift Eastwards of the weight of the global economy, the BRI is in fact a new locomotive for the new regional world order and marks a new period of



multipolarity arising from the promise of Asia's economic integration. It is therefore not surprising that by 2014 77 of China's 118 bilateral or bilateral free trade agreements were with the countries sitting along the route of the BRI (Lai and Lingwall, 2015).

### **The BRI and the Middle East**

The simplest explanation of the growing links between China and the Middle East has been put thus: "China's rise is shaping up to be the most salient development of international politics and economics in the early 21st century, and Beijing is increasingly searching for stable sources of energy to power its ballooning economy. This has meant that China's relations with resource-rich Persian Gulf states have become more intensive even as Beijing has become more pragmatic in its approach to the region. Whereas once China viewed events in the Gulf region through the lens of its own revolutionary ideology, its relations with Middle Eastern nations are now driven more by energy concerns" (Wakefield, 2011, p. 2). There is much truth in this as the Middle East's role in China's economy has been growing steadily since the late 1990s ((Janardhan, 2011) and it has been energy – more specifically China's rising demand for hydrocarbons – which has determined this relationship so far (Liao, 2015). Energy partnerships became particularly significant when demand for imported oil from the US and EU plateaued into the 2000s (Horesh, 2016). Thus, "between 2000 and 2014, Sino-Middle East trade volume increased 17-fold from \$18 billion to \$312 billion. And in 2010, China replaced the US as the region's largest trading partner. Bilateral economic ties are still defined by China's enormous energy demands. In 2015, 51% of China's worldwide crude oil imports came from the Middle East, making the region China's principal supplier of hydrocarbons. Beijing has ensured the delivery of hydrocarbons by signing bilateral memorandums of understanding (MoUs) with all major crude oil supplying countries in the region. These MoUs are backed by numerous framework deals involving China's state-owned companies and their Middle Eastern counterparts" (Hornschild, 2016, p. 1).

The Middle East, arguably, forms the central plank of the BRI not just for its attractive markets and vast hydrocarbons deposits (home to over 50 per cent of world oil deposits and 47 per cent of world gas reserves), but for its timeless attribute as a global crossroads. New transport route, trade and investment and diversification of partners drives the interest in BRI, and for China it is about access, expanding markets and carving important areas of influence. This is a unique geographical space fought over many centuries and its geopolitical importance has been raised again since the end of the Cold War in 1989 and the collapse of the Soviet Union in 1991. So, it is not very surprising that "China has elevated the status of Middle Eastern states within its whole diplomatic architecture" (Jiadong, 2016, p. 25). Chinese narrative speaks of these countries in terms of enjoying a 'unique' and 'important' relationship with the People's Republic, and having 'rising status' in China's foreign relations (Quero, 2017) Indeed, in October 2013, the

Chinese central government held a high-ranking conference specifically on neighborhood diplomacy, and in November 2014, China declared that the neighborhood states are strategically significant for its development and the international environment. Through these statements, China has changed the priority list of its diplomacy and has raised neighborhood countries to a similar high level with world powers. The Middle East is also a part of China's Greater Neighborhood. The [OBOR] is the most ambitious initiative in China's diplomatic history. Even though energy ties between China and the Middle East may have been reduced temporarily, OBOR will increase the significance of the Middle East in China's strategic outlines. In the framework of a '21st Century Maritime Silk Road', the Middle East is the key node between three continents and also an important part of mutual communications and mutual linkages (Jiadong, 2016, p. 25).

Chinese overtures have been reciprocated: In November 2014, ruler of Qatar argued that the OBOR will provide important opportunities for China-Qatar cooperation in such key fields as energy and infrastructure development, and in December 2014, Egypt's president welcomed Belt and Road and the revival of the great ancient Silk Road between East and West (Jiadong, 2016). Equally strong views have been expressed by Iranian, Israeli, Saudi, Emirati and Turkish leaders.

However, broader discussion of the BRI in the region needs to be considered in the context of MENA region's own dynamics and the geopolitical forces which have been shaping the region over the last two decades. Of these forces, three stand out for closer scrutiny. First, the region, particularly at its Arab heart, is experiencing rapid decay. While today's crisis in the Arab region has deep roots, to be traced back to the 'Arab Cold War' of the 1960s and the onslaught of Iran's revolution in 1979, the acceleration in its collapse is alarming. The given Arab order which arguably never became a united front following its formal institutionalization in 1945 has since 2003 and the bloody war in Iraq been unravelling. Moreover, since the Arab uprisings of the 2010s its stability has been eroded as several of its – apparently – strongest politico-military elites have crumbled under the weight of their unrepresentative, corrupt, nepotistic, and overbearing authoritarian regimes. Thus, in three short years from 2011 to 2013 the long-standing regimes of Tunisia and Egypt eroded away, political systems of Libya and Yemen disappeared in the dust, and in Syria – arguably the Arab region's most durable regime – the Assad regime collapsed in on itself as it struggled to recover the country's sovereignty from opposition groups and violent insurgents. Regime collapse or weakness in so many geopolitically-significant Arab states and in such quick succession has left chaos and confusion in its wake. The rapid process of change has made the 'standing' MENA regimes suspicious, untrusting and more securitized than ever. But erosion of sovereign power has also encouraged communalization of societies and a growth in sectarianism and social polarity which is increasingly manifesting itself in the approaches and behaviour of ruling regimes. Regional disorder has raised disharmony in the MENA region.

Secondly, the process of regional fragmentation which had started in the 1970s – Egypt’s unilateral peace with Israel left the Arab states bereft of their leader (Egypt) and the Iran-Iraq war (1980-88) polarized regional politics as countries lined up behind their respective ‘champion’ – led to the subregionalization of the MENA regional order and facilitated the rise of MENA’s most durable inter-state (sub)regional organization, namely the GCC.<sup>6</sup> The GCC since its birth in 1981 has developed into a robust club of Gulf Arab monarchies who have not only taken steps to integrate their economies together but have moved to bring themselves closer politically as well. The GCC’s ability to encourage cooperation amongst its members started to pay dividends when oil prices began to rise sharply between 2004 and 2014. In this 10 year period the GCC oil exporters accumulated trillions of ‘petro-dollars’ which they used to develop their economies, while also accelerating their vertical integration in the international economic system. These countries, through their multi-trillion dollar sovereign wealth funds became financiers of the West’s enterprises and investors in Asia’s emerging economies (Ulrichsen, 2016). Polarization and fragmentation of the MENA regional order, in other words, combined by a period of rapid capital accumulation, created the conditions for the rise of the GCC states as important components of the globalizing world economy. But, their rise in the international system has taken place while the rest of the region has been suffering from economic decay, lack of opportunity and bad planning. It is worth noting that the rise of the GCC economies internationally has not been matched by the region’s other oil producers, so Iran, Iraq, Algeria and of course Libya remain non-performing internationally.<sup>7</sup>

The third geopolitical factor of importance, a driver of change if you will, is the United States’ changing relationship with the region. No longer dependent on the region’s oil as it had been into the 1990s, fracking has boosted America’s own hydrocarbons production so much that it has arguably made Washington somewhat immune to the MENA region’s instabilities (Daojing and Meidan, 2015). This is a region which from 1945 to the early 2010s had been of high national importance to the United States and whose stability was regarded in the strategic interest of the US. As the US appears less inclined to devote diplomatic capital, treasure, military force and personnel to address the many problems of the region, questions have been asked about the US’ long-term commitment to its (particularly Arab) allies in the region. Despite the US’ insistence that it was not abandoning its allies or presence in the region, erosion of trust in the United States has undeniably resulted in several cases in its Arab allies opting for unilateral action to secure their national interest. Indeed, several of Washington’s Arab allies have taken pride in pursuing a more independent foreign policy in the post-Arab spring regional disorder (Hinnebusch and Ehteshami, 2014). Loosening of ties with the US has generated its own tensions, of course, as in the case of Iran and Saudi Arabia in which Riyadh’s displeasure with the Obama Administration’s peaceful overtones towards Iran set Riyadh on a path of proxy confrontation with Tehran. The sense of abandonment, at the same time, also encouraged

the most mobile Arab states to consider upgrading what had thus far been transactional relations with the East into strategic ones. However, as Quilliam and Kamel argue, the West and Arab states have so many shared interests, networks and security partnerships which will keep the alignment of the so-called 'moderate' Arab states with the US and its European allies intact (Quilliam and Kamel, 2015). The warm reception given to President Trump's reengagement with the US' traditional Arab allies testifies to this observation. So, Eastward drift is unlikely to be at the expense of the West's political and security relationships in the MENA region, and this would be a welcome development given China's disinterest in political intervention in other countries or use of its military in regions beyond its immediate borders. But for those countries with little or rather flexible ties to the West – like Egypt, Iran, Israel, Turkey – deepening relations with China, and the other Asian powers, becomes an attractive possibility in this changing environment. Indeed, even those with strong Western links – Kuwait, Qatar, Saudi Arabia, the UAE – are also turning Eastwards economically.<sup>8</sup>

This is the strategic context for the BRI's arrival in the MENA regional system. The three factors noted above will each in their own way determine the fate of the BRI in the Middle East. BRI is arguably the key to unlocking the economic potential of inner Asia and the Middle East. It will of course strengthen China's presence and ties with the a dozen Muslim partners as the BRI's maritime, energy and transport corridors develop. But, the same process will also encourage broader regional cooperation, if not integration, as interdependencies along the Belt and Road Initiative inevitably emerge. Chains of relations will likely develop which will tie the fortunes and futures of the weaker economies to the larger and more prosperous ones. In principle, the BRI should enhance the opportunities for widening the net of development and provide an incentive for the partner countries to have a stake in the stability of their respective and adjacent regions and their neighbours. From a pluralist perspective, the potential for BRI to discourage animosity also exists, with each country having more to lose from an ungoverned neighbour than from a stable one. So, in the borderlands of Central, South and West Asia we can look forward to the possibility of cooperative dialogues emerging to ameliorate often long-standing tensions and animosities. The prospects of China doubling its investments in the Arab region to \$60 billion by 2023 provides a further, albeit indirect, incentive for engagement with the BRI and therefore also the prospects of cooperation between the MENA countries hoping to benefit from the influx of capital, technology and provision of goods and services from China.<sup>9</sup> President Xi Jinping's call for raising Arab-Chinese trade from \$240 billion in 2014 to a staggering \$600 billion in ten years underlines China's seriousness about economic engagement with this region. To further emphasize the importance of the Middle East and North Africa to its strategic thinking Beijing issued its first Arab policy paper in 2016, in which the Chinese government spelled out its planned strategy of engagement with the region. It thus pleaded for the promotion of what it called a "new type of cooperation mechanism featuring openness and reciprocity, mutual benefit and win-win results". But Beijing went further, much further, in

declaring that “China is willing to have pragmatic cooperation in the principle of mutual benefit and win-win results with Arab states. In particular, in the process of jointly pursuing the Silk Road Economic Belt and the 21st Century Maritime Silk Road initiative, China is willing to coordinate development strategies with Arab states, put into play each other’s advantages and potentials, promote international production capacity cooperation and enhance cooperation in the fields of infrastructure construction, trade and investment facilitation, nuclear power, space satellite, new energy, agriculture and finance, so as to achieve common progress and development and benefit our two peoples” (*Xinhua*, 2016). This, arguably, was a statement of a strategic realignment.

But there also exists some significant barriers to the full realization of the BRI. First, Belt and Road is likely to accelerate the uneven development of Asian territories west of China. Those countries with the means, infrastructure, personnel and bureaucratic capacity will internalize the benefits of the billions of dollars being invested on the BRI’s pathways. Unevenness will also create blockages along the pathways and could increase the costs of projects while generating friction between the ‘upstream’ and ‘downstream’ countries, as well in different economic sectors. China in such circumstances could well find itself in the contradictory position of mediator of disputes as well as the project manager. The former role China has assiduously tried to avoid in its international dealings. Secondly, while the GCC states, which account for 70 per cent of China’s trade with the Arab world (Niblock, 2017), will be delighted to conclude a Free Trade Agreement (FTA) with China, which Beijing has identified as a priority in its 2016 Arab policy paper, such an agreement could lead to the further fragmentation and polarization of the Arab region and thus accelerate the MENA region’s uneven development.<sup>10</sup> So, against the declared ambition of cooperation with the Arab region for mutual gain and prosperity, the China-GCC FTA might have to be augmented with a package of measures designed to help the weaker and more vulnerable Arab economies to cope. This is an externality and therefore an additional cost on China’s Arab strategy.

Thirdly, the BRI, as it develops and deepens in Asia, will test regional rivalries and can easily intensify geopolitical tensions. Two cases come to mind are: First, the deepening Iran-Saudi rivalries; and secondly the China-India-Iran-Pakistan relationship. China has warm and profitable political and economic relations with both Iran and Saudi Arabia and indeed regards both as reliable and important energy partners, but as Tehran and Riyadh extend their proxy war not only are tensions in their relations igniting fires in the rest of the Middle East, but also in Central, South and Southeast Asia. To enable the BRI to reach its full potential in these regions the Iran-Saudi rivalry will have to be moderated and contained, and in the absence of other ‘honest brokers’ the pressure on Beijing to mediate could well grow, thus placing on China open ended and unreasonable burdens. In any case, as the American experience in the Middle East has shown, there is no guarantee that any external intervention can reduce such tensions in this region, so there is perhaps little incentive for

China to get directly involved. The quartet of geopolitical tensions identified in the China-India-Iran-Pakistan relationship poses its own strategic problems and the deeper China's involvement in Pakistan and the closer Iranian-Indian perspectives on Iranian territory providing India access to inner Asia, the more suspicion there will be amongst the four actors. The potential security implications of a deepening Sino-Pak pact within the BRI has provided a further incentive for India to openly object to the BRI as unsound and interventionist, going so far as launching its own 'connectivity' project (Bagchi, 2017). Iran and Pakistan now find themselves on the horns of a potentially dangerous security dilemma.

Furthermore, and as a corollary of the above, while the Arab states have shown a readiness to reach accommodation with Israel and end the bloody cycle of mutual hostility with the Jewish state in the interest of peace and establishment of an independent Palestinian state in the Occupied Territories, Tehran remains impeccably hostile to Israel and now sees it as Iran's strategic rival in the region. The dangers of Iranian-Israeli tensions escalating to open conflict will not go away, despite both Tehran and Tel Aviv making every effort to avoid direct clashes. The fact that large segments of Israeli society and establishment also see the Islamic republic as an existential threat to the Jewish state, with every (even perceived) step in the region that the United States (Israel's premier security partner) appears to take, the greater will be the pressure in Israel for it to take on the responsibility of containing Iran's strategic threat. While the United States knows full well where it stands on the Iran-Israel strategic rivalry, China (and for that matter India) display a more ambivalent and therefore unstructured view of how escalation in this theatre could affect (damage) their interests. In the absence of decisive action taken by the major powers to contain regional tensions, brewing strategic rivalries arguably can only intensify in the short term and become more visible in regional relations. An upshot will be a deepening of geopolitical instabilities, which can adversely affect the smooth implementation of the BRI in this critical part of the world, and thus block its western growth into Europe. So, Europe too will need China to proactively engage as an 'honest broker'.

Fourthly, violence appears to have become a fixed feature of the MENA region's interstate and intercommunal relations and conflict therefore could pose a danger to the BRI, whether in inter-state conflagrations or through the actions of violent non-state actors. The protection of BRI projects from acts of violence adds a further premium on China's relations with the 'member countries' and will require of Beijing to engage with these governments in the interest of containing acts of violence and preventing escalation of hostilities to levels of conflict. Again, this imposes a cost on China.

As already noted above, the complex relations emerging in South Asia following the launch of the BRI sheds light on a complex geostrategic puzzle which locks into a fluid relationship Asia's two giant powers (China and India) and two of its 'middle powers'. The dangers of close and mutually-beneficial China-Pakistan relations pushing India to cultivate economic

and security links with Iran (China's trusted and 'strategic' partner in the Middle East) can destabilize Central, South and West Asian regions of Asia and also inject further mistrust into Indian-Chinese relations (Ruff, 2017).

### **The BRI in a changing international order**

So, the BRI – in terms of its ambition, design, allocated resources, and clear direction – is a beacon of hope for Asia's emerging and developing economies. But, given its complexity, multilaterality and interconnectedness, it is also pregnant with potential complications which may surface as much from geopolitical uncertainties as from economic fragility. The launch of the BRI carries within it the seeds of regeneration and development and while all the committed states hope to benefit from this ambitious project, China's twenty first century response to America's twentieth century Marshall Plan also requires of many to put behind them their parochialism and also exposes them to new pressures (from China), and to winds of globalization and change now blowing from the East instead of the West. Fear of change and suspicion of 'the other' has not gone away from these lands and vast territories and it is not at all certain that they can shun their prejudices in the face of the BRI's promise.

China's initiative holds the promise of being a catalyst for economic development and peaceful coexistence. As it brings development to poorer parts of Asia, its architects hope that so it will over time also bring peace to troubled regions and countries. So, in terms of its potential, the BRI provides an unprecedented opportunity for positive change, paid for by a country committed to non-interference and cooperation. Furthermore, the BRI has begun to gain momentum just as the Trans-Pacific Partnership (TPP) free trade regime championed by the United States has been eroded by the very architect of the scheme – the United States. Asia-Pacific countries have remained committed to a free trade deal in the meanwhile and several potential members of the TPP – Japan, Republic of Korea and Vietnam – have since autumn 2016 found themselves rudderless. With the new American president committed to abrogating the TPP agreement while pursuing a more protectionist approach to trade – the US proposed to put clear distance between itself and its Asian economic partners – one can see these old allies of the United States looking to China to widen the BRI for enhancing free trade opportunities of the Asia-Pacific as well. The dangers of a trade war have been raised through the rhetoric of the incoming US administration but, more importantly, China's Asian neighbours arguably have every incentive, and certainly no disincentive in terms of American pressure, to look at the BRI as a new and promising network for the further integration of Asia's economies from which they can equally benefit. In this environment the BRI will arguably also be acting as the vehicle for the consolidation of systemic shift and an underwriter of the prosperity of a regionalized world order in which it can take centre stage. The BRI's horizontal regionalization (spatial extent), therefore, can develop a vertical dimension (regional supply chains) to it in which BRI regionalization itself can further Asianize Asia-led globalization. Taken to its limits, as the transatlantic alliance

frays and the West arguably fractures (Schwarzer, 2017), so the BRI can sculpt an ultimate 'Eurasian region' led by 'the East' and impose China's authority on the regionalized world order.

### **The BRI in between two worlds**

Clearly, the international system is on the cusp of a new order in which China, for all its internal weaknesses (weak financial sector, debt-ridden banking sector and regional governments, loss-making state-owned enterprises, food insecurity, uneven regional development, extensive authoritarian practices, entrenched centralism, and dangerously tied to an indefinite growth path) is destined to play a greater role (Murray 2012). But as China interacts with Eurasia's regions and ties these together within the BRI, so it will have to turn the rhetoric of 'common destiny' into robust and viable governance regimes and structures with the autonomy and capacity to not only establish rules and cultivate norms, but also arbitrate and set standards. For an 'international Asian society' to exist several conditions will have to be met, the first of which is that mutual interest will need to evolve into an acceptance of mutual obligations between states. Following from that, Bull would argue, are the need for prescriptive rules that sustain the goals articulated in establishing shared interest, and the existence of robust institutions (Bull, 1977). China, thus far, has not been the leading players in these realms. If these are done fully and properly then the contours of a 'non-Western world' will have become clearer. Opinion remains deeply divided as to whether China will be able to build on the economic foundations of its global role to lead a new order in which it is central actor. To be so, it will need to articulate a global role for itself from which it can unreservedly draw influence and soft power (Jiang, 2017). But its strategy of domination in the South China Sea, and its blatant disregard for international rulings on its military-led unilateral interventions there do not bode well (Sajjanhar, 2017). Can the BRI be truly multilateral when its engine driver remains totally Sino-centric?

The rise of China as the "number one economy in the world" in mid-twenty first century was predicted some ago, but we were cautioned as far back as 1993 not to see China just as the next big player; rather, to anticipate its rise as the arrival of "the biggest player in the history of man", according to former Singapore prime minister Lee Kuan Yew (Kristof, 1993, p. 74). This is arguably the reality we are now pondering. The world is now arguably China's oyster but China's resilience and its institutional capacity and political commitment in the face of adversity remain untested. Further, Asia's other emerging powers and junior economies have to balance China's assertive rise against its evident structural fragilities – they will need to be convinced that a 'brittle but bold' China (Krolikowski, 2017) in the twenty first century is still better in the emerging non-Western world order than no leadership. For them, however – the fragile Central Asian countries, the polarized Middle Eastern states, and such nervous neighbours as India, Japan, and Russia – the calculation of managing an assertive China may be somewhat harder to make in a fragmented global order in which the larger



states appear unable to create balance. And it is in this that lies China's opportunity: To bring about change to the regionalized international system while avoiding the major tax associated with having to remake the order.

END.

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<sup>1</sup> Xi Jinping (2017) "Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era". Delivered at the 19th National Congress of the Communist Party of China. *Xinhua*, 18 October, p. 25.

<sup>2</sup> Based on BP's statistical review of world energy.

<sup>3</sup> After decades of rapid annual GDP growth since the 1990s Japan's economic growth has stagnated. Its deflationary slump has cost the country its place as the world's second largest economy and is expected to fall to eighth place in the league of world's top economies by 2050. See PwC (2017) *The Long View: How will the Global Economic Order Change by 2050?*. London: PricewaterhouseCoopers.

<sup>4</sup> By the late 1960s China had established diplomatic relations with the People's Democratic Republic of Yemen, building on steadily-growing ties from the mid-1960s.

<sup>5</sup> Statista Dossier (2016), *Global Economy – Statista Dossier*. New York, NY: Statista Inc., October. <http://www.statista.com/statistics/256725/consumerconfidence-worldwide/>

<sup>6</sup> A word of caution is necessary here as the crisis in the GCC in 2017 following a major confrontation between three of its members (Bahrain Saudi Arabia, and the UAE) and Qatar has created an existential threat to the longevity of this regional grouping, and even if the Council in its current form can be saved it is unlikely to organically grow and pursue its stated objective of further deepening the integration of its members' economies and societies.

<sup>7</sup> It should be noted also that not all the GCC countries are themselves in the same boat: While Qatar, Kuwait and the UAE have managed to reap the benefits of their globalization, Saudi Arabia – by virtue of being the region's largest economy – is bogged down in reforming its vast public sector, and Bahrain and Oman struggle to find alternative engines of growth for their dwindling hydrocarbons industries. Bahrain has focused on finance and Oman has tried to exploit new hydrocarbons deposits while working more closely with Iran to boost its economy.

<sup>8</sup> China is Saudi Arabia's top trade partner: \$26.7 billion in exports and \$23.4 billion in imports. The Kingdom's exports to the rest of Asia stood at \$50.5 billion in 2015. <http://atlas.media.mit.edu/en/profile/country/sau/>. In this case of the UAE, Japan, India and China form its top export destinations (\$50.9 billion), and China and India its top importing countries (\$67.1 billion). <http://atlas.media.mit.edu/en/profile/country/are/>. In case of Qatar four Asian countries account for the bulk of its exports (\$46.1 billion) and China is its top importing country. <http://atlas.media.mit.edu/en/profile/country/qat/>. In the case of Kuwait, the same four main Asian economies form its top export destinations, worth \$27 billion, and China emerges as its top importing country. <http://atlas.media.mit.edu/en/profile/country/kwt/>.

<sup>9</sup> The news of China's commitment to raising its non-financial investments in the Arab region from \$10 billion in 2013 to \$60 in 2023 broke at the China-Arab summit of June 2014 in Beijing.

<sup>10</sup> To say nothing of the friction such an FTA could cause in these countries relations with the US and the EU.