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INTRODUCTION

The 2022 US National Defense Strategy prioritized efforts to bolster deterrence, primarily by addressing the global and regional challenges posed by the growing influence of China and Russia. This could be viewed as the third American attempt to build a liberal international order. The first came in the aftermath of the Second World War, when the nations of the world were weary of conflict. The US stepped in to lead the international effort to introduce a set of global relationship rules founded on liberal internationalism and political and economic liberalism, leading to the signing of the United Nations Charter in 1945.

The second attempt involved the promotion of liberal democracy in 1989 and throughout the subsequent post-Cold War era following the collapse of the Soviet Union.

The US has succeeded best when it abides by the rules it helped create for building international coalitions. When it bends those rules, as it did in the 2003-2011 Iraq War, the results have been disastrous.

Nevertheless, the international liberal order, based on the rules of the UN, persists and is likely to continue to do so for decades to come. However it faces increasingly tough competition from illiberal forces such as China, in particular, which employs an “effective government” model to deliver economic growth and trade boosts. While Russia's global influence is on the decline, China's is growing. Both nations are in competition with the US to carve a bigger space for themselves in the international arena but their global appeal and influence vary significantly, with China having the greater potential to challenge the Americans.

This report will consider the basic questions surrounding Chinese-American competition, with a focus on the Middle East and the Arab World. In early December 2022, China’s president Xi Jinping concluded a three-day visit to Saudi Arabia during which he participated in three high-profile summits that brought together influential Saudi dignitaries, high-level representatives of other Gulf Cooperation Council member states, and leaders from the wider Arab world.

Signs of the intense competition between the US with China can be found not only in official American discourse but also in Chinese assertions, as evidenced by statements made by Xi during the summits in the Kingdom. He said that “China and GCC countries have similar culture and values” and they would work together to “promote the rich values of Eastern civilizations,” build “a Chinese-Gulf center for nuclear security,” and implement China’s “Global Development Initiative.”

These are the building blocks for an understanding, reached during the summits, “to establish and strengthen a China-GCC strategic partnership.” Xi went on to say that “the two sides need to jointly uphold the principle of non-interference in internal affairs, practice true multilateralism, and defend the common interests of all developing countries.”

He added: “China will continue to firmly support GCC countries in safeguarding their security, and support the efforts by countries in the region to resolve differences through dialogue and consultation and to build a Gulf collective security architecture.”

“China welcomes the participation of GCC countries in the Global Security Initiative, in a joint effort to uphold regional peace and stability.”

Xi also challenged the long-standing dominance, since 1973, of the petrodollar formula when he talked about conducting the settlement of oil and gas trade in the Chinese currency.

Regarding changes with implications for the established international order relating to nuclear power, he said that “a China-GCC forum on the peaceful use of nuclear technology and a China-GCC nuclear security demonstration center will be established. China will provide training opportunities to GCC countries on the peaceful use of nuclear energy and technology.”

American and Chinese literature published before and after these summits in Saudi Arabia posed a number of questions. For example, is China attempting to elbow out the US in one of its latter’s traditional spheres of influence, the Middle East, as a response to the heavy political and military presence in the Pacific, Indian Ocean, and the South China Sea? How certain is China of its appeal to Arabs in terms of values? Is it really a more appealing option than the US? Does the Chinese-Arab rapprochement signify a de-Americanization process in the Middle East and/or is there a strategy of “China-ization” in the region?

These are just a few of the many questions being asked across the region, and beyond, without any definitive answers as yet. This report will attempt to shed some light on trends relating to trade, global postures, foreign direct investment, aid, public opinion, and military and security issues, and consider what their significance might be to those burning questions.

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the tone for the others in the region in which we can observe similar patterns of significant growth in trade with China in the past two decades.

As of 2019, China was a bigger trading partner than the US with all GCC member states, along with Iraq and Egypt. Although oil exports from these countries to China account for most of the bilateral trade, imports from China also far outweigh those from the US. From a trade perspective, therefore, China has an edge over the US in its dealings with these regional economies.

How does China’s advantage over the US in trade with Arab countries compare with its trade relationships with other traditional US allies? Many of those allies, including Germany, Australia, Morocco, Jordan and South Africa do more trade with China than the US, and their imports from China far outweigh those from the US. Even in the US itself, the total value of bilateral trade with China in 2019 was $532 billion, of which imports from China accounted for $429 billion and exports only $103 billion. Given all of this, it is clear that trade alone does not automatically translate into overarching alliances; there are other factors at play.

GLOBAL POSTURE

Similar to the rise of Japan between the 1960s and 1980s, when views of the country as an emerging rival economic power to the US dominated discourse and there was a rush to learn Japanese, history is repeating itself with China in the ascendancy. However, there are some significant differences this time in terms of military posture and the implications for global-power competition. Japan did not pursue military competition during its resurgence — now it is reconsidering its militarization policy due to a perceived threat from China’s growing dominance of the East.
China is purposefully utilizing a combination of economic and military power as part of its efforts to establish global influence and dominance. The Chinese hegemonic posture was on display during the Riyadh summits, with the emphasis on areas such as infrastructure, global projects and nuclear deals, all framed by the values China said it shares with Arab countries. Such initiatives are bound to step on the toes of China said it shares with Arab countries. Such security architecture, global projects, summits, with the emphasis on areas such as influence in the region, remain well below the US in terms of economic and humanitarian aid.

**ECONOMIC AND HUMANITARIAN AID**

China’s development aid does not match the ambitious goals of the Global Development Initiative. The Japanese International Cooperation Agency estimates that foreign aid from China increased, on a grant-equivalent basis, from $5.1 billion in 2015 to $5.9 billion in 2018, and remained at $5.9 billion in 2019. The US Agency for International Development’s budget increased from $267 billion in 2018 to $477 billion in 2022, while Chinese foreign aid increased by very small percentages.

To further illustrate this point, in 2020 the US provided nearly twice as much assistance to the MENA region alone than China provided to the entire world. The Organization for Economic Cooperation and Development said that China distributed $2.94 billion in global aid. According to official website ForeignAssistance.gov, the US provided $5.5 billion for MENA.

The UN Office for the Coordination of Humanitarian Affairs said that China provided a record $228.5 million in 2017. Notably, this was less than one percent of the global total for humanitarian spending that year. In comparison, the US provided $6.89 billion of humanitarian assistance in 2017. In the years since, there has been no significant change in the amounts of Chinese humanitarian aid, despite a global increase as a result of the COVID-19 pandemic.

A region-wide comparison reveals that China lags far behind the US in terms of economic and humanitarian aid. If the objectives of the Chinese GDI discussed during the summits in Riyadh are to be achieved, it will require more-proactive Chinese spending on development projects.

**THE TECHNOLOGY RACE**

Although China has pushed for technology partnerships with Saudi Arabia, other nations in the Gulf and the wider Arab world, and was invited to do so, it continues to lag behind the US in terms of influence in the sector.

Data from Microsoft and Cisco reveals that in the past two years, the former has trained more than 2 million students in the region, and to date the latter has trained more than 2 million students in the region. This far surpasses Chinese company Huawei, which trains 45,000 students worldwide each year through its information and communication technology academies.

Meanwhile, the US continues to lead the

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**FOREIGN DIRECT INVESTMENT**

Analysis of FDI data, and figures for the financial assistance provided by the US and China, globally and to Middle Eastern countries, reveal a continuing US dominance and a long way for China to go if it wants to catch up. Between 2000 and 2019, the US invested three times more than China in the Middle East and North Africa, and Washington’s investment in the region grew faster than its investment in any other part of the world.

Total US FDI in MENA during that time amounted to $75 billion, according to the Atlantic Council. China invested $28.6 billion in the region during that same period, according to the ChinaMed, a specialist website that monitors Chinese activities in the Mediterranean region.

Therefore, the American regional presence is increasing rather than decreasing. Chinese investments in the region, after the abyss of the recent Chinese-Arab summits will determine whether Beijing is willing, and able, to match US FDI. There is also a correlation between FDI and aid. Usually, patterns of aid provision are associated with FDI, economic agreements, or military and security relations. Despite the Chinese supremacy in trade, its aid efforts fall significantly short of those of the US in the region.
In 2015, 2016 and 2018, Chinese attempts to acquire foreign chip manufacturers or technologies were blocked by the US or its allies. Perhaps one of the most significant blows came when Washington convinced the Taiwan Semiconductor Manufacturing Company not to provide its advanced chipsets to Huawei, effectively cutting the Chinese company off from its primary supplier.

Similar measures are likely to continue for the foreseeable future and will center around efforts to block Beijing’s access to critical semiconductor-manufacturing equipment; the supply chain for this equipment is so limited that it is an obvious target for Western export prohibitions and sanctions.

A quick review of political discourse in Washington reveals a technology war raging between the US and China. In November 2022, Foreign Policy magazine published a report headlined “How the US-Chinese technology war is changing the world.” It highlighted how Washington’s “crackdown on technology access is creating a new kind of global conflict.” The effects of this war between two giants are being felt globally.

**US-CHINA COMPETITION IN THE MIDDLE EAST: WHAT NEXT?**

Despite a trade balance that favors China with all countries mentioned in this piece (except Mexico), the US remains, as of 2021, a more appealing option for governments in the region in terms of arms supplies.

Meanwhile the people of the region prefer the US to all other countries for the provision of education, healthcare and professional training services. The US continues to have a stronger presence than China globally and in the Middle East. US foreign direct investment, humanitarian aid, technology, weapons sales and military bases are more prevalent in the region than those of China.

In 2021, for example, the US spent $767,380.13 billion, according to data from the Stockholm International Peace Research Institute. Fellow nuclear powers Canada, India, Russia, India, the UK, France, Israel and Pakistan spent a combined total of $55,850.46 billion, which is less than 72 percent of what the US spent. This makes the US indispensable to many countries as a security partner.

SIPRI data reveals that US arms sales to the MENA region totaled almost $50 billion between 2011 and 2021, while China’s sales during that time amounted to less than $5 billion.

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The US now ought to show Arab countries that it is still a “reliable and dependable” security partner, after neglecting them while they endured ongoing attacks by Iran-backed militias across the region. Arab countries are more likely to be worried about being neglected again than they are about being solely dependent on the US. Moreover, the US has solid security arrangements with more than 50 countries, including the combined firepower of NATO members.

Meanwhile China’s security relations in the region are limited to a small base in Djibouti and insignificant, though growing, arms sales. Between 2011 and 2021, Saudi Arabia spent nearly $250 million on Chinese weapons. The Kingdom was the biggest buyer of Chinese arms among Arab countries, followed by Sudan ($230 million), the UAE ($165 million) and Qatar ($120 million). However, these sums are insignificant in comparison to the value of US and European arms sales to Saudi Arabia and other GCC nations.

Aside from its technological advances and development levels, that are far ahead of those in China, the US has global appeal to people for a number of other reasons, including its liberal democracy, free capitalist markets, individual freedoms and civil liberties. These perceived values have made it possible for the US to develop alliances and partnerships like no other country.

Yet, not all societies and governments share these American values and this is where China can step in and offer a different, competing set of values. President Xi was quite vocal during the summits about Arab-Chinese “shared values” and the principle of non-interference.

He also said he spoke on behalf of “the developing world.” China’s approach to global influence is already evident in its membership of BRICS, a grouping of five leading emerging economies (Brazil, Russia, India, China and South Africa) that might be strengthened should Saudi Arabia also join.

In MENA, China has forged partnerships to build nine ports and four industrial parks across the region. Given the renowned Chinese persistence and determination, this infrastructure seems likely to expand as political relationships with Arab countries are further enhanced as a result of the Riyadh summits.

Despite this, it will be more difficult for China to establish military bases in the region on a similar scale to the US in terms of numbers, locations and sizes.

The competition remains wide open and the US and China are pursuing diversification in their economies as well as their international relations and alliances.
NOTES

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