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Exploring Avenues for China-U.S. Cooperation on the Middle East

CAP, CUSEF, and SIIS Dialogue

Edited by Rudy deLeon and YANG Jiemian July 2015



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Center for American Progress, Washington, D.C.
China-United States Exchange Foundation, Hong Kong
Shanghai Institutes for International Studies, Shanghai

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Introduction

By Brian Katulis, Center for American Progress and
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In early 2014, after presenting a paper on U.S.-China Relations titled “Toward A New Model of Major Power Relationship,” the Center for American Progress in Washington, D.C., the China-U.S. Exchange Foundation in Hong Kong, and the Shanghai Institutes for International Studies initiated a comprehensive exchange of ideas on areas of potential cooperation and common interest between the United States and China on the topic of the Middle East.¹

For more than 12 months, scholars at these institutions conducted an exchange of both ideas and papers. The exchange included several videoconferences between Washington, Shanghai, Hong Kong, and Beijing; papers reflecting the views of each side; and a joint exchange in Beijing in April 2015.

As two leading global powers, the United States and China have worked together over the past few years to build channels for constructive collaboration between the two nations. Most notably, in 2014, the two countries came together in an historic agreement on climate change—an effort that pragmatically recognizes climate change as a leading global security challenge and builds a framework for cooperation between the United States and China that could have broader global implications. This September, a major bilateral summit that brings the leaders of both countries together in the United States will offer another opening to deepen bilateral ties for the mutual benefit of both countries, as well as the rest of the world.

One area China and the United States should discuss in greater detail is identifying opportunities for cooperation in order to advance shared interests in the Middle East. The two countries recently worked quietly together on efforts to enhance stability and progress in Afghanistan, and these efforts could serve as a model for how the United States and China might work together throughout the Middle East and South Asia. The Middle East is fraught with major internal divisions and conflicts, and key countries in the region are in a period of intense

competition for power and influence. The United States and China should avoid picking sides in these conflicts and should instead work together to help the countries of the Middle East create the building blocks for greater prosperity, enhanced governance, and increased linkages to the global economy. One long-term strategic goal that both the United States and China can articulate is to help the Middle East move away from being an arc of crisis and a source of instability and toward becoming a bridge of opportunity that connects major regions globally.

The set of papers that follow offer detailed recommendations on several topics:

- The steps that can be taken toward sustainable security and prosperity—an essential cornerstone for overall regional stability—in Egypt, the Middle East’s most populous country.
- The generational challenge of countering violent extremism and reducing the threats posed by terrorist groups requires a multifaceted strategy that includes helping produce the building blocks for economies that create jobs.
- The opportunity to connect the Middle East with the rest of the global economy through the New Silk Road initiative offers a possible new frame of hope and progress, as the Middle East faces daunting challenges in the early years of the 21st century.
- Finally, the secure flow of energy resources from the Middle East to the rest of the world remains at the core of global security.

In all of these areas, the United States and China can explore more detailed ways to expand cooperation, and these papers are aimed at continuing the conversation.

China and the United States have distinct views and histories with the many parties of the Middle East, and those perspectives are reflected in the individual papers presented here. The P5+1 negotiations with Iran were ongoing throughout this period and were therefore not included in this exchange.

But, in other areas, common interests were identified and joint recommendations are presented. Those joint recommendations include objectives with Egypt; responding to the threat of extremism and counterterrorism; a joint response to enable the success of the U.S. and Chinese Silk Road initiatives, which can unlock key trade routes and enhance regional stability in Asia and the Middle East; and movement toward energy conservation and energy security. Indeed, these areas overlap and provide a range of collaborative opportunities.

The authors offer our thanks to all the participants for this valuable exchange: the Center for American Progress; the China-U.S. Exchange Foundation and its executive director, Alan Wong; and the Shanghai Institutes for International Studies.

Joint recommendations

Egypt

Objective

Help foster a stable and economically healthy Egypt that remains a dynamic regional and cultural leader that can emerge as a model of success in a region gripped by turmoil.

Overview

China and the United States have some shared interests in Egypt that could serve as a basis for U.S.-China cooperation. Both have a stake in the country's long-term stability and prosperity and regard Egypt as a key strategic partner due to its role in regional stability in the Middle East; its influential trade and commerce passages; and its historically pluralistic society.

Points of cooperation

- **Assist economic growth and integration:** Both the United States and China share a stake in Egypt's economic growth and integration into the global economy. With a population of 90 million, Egypt is an important African and Middle Eastern market for China, with an annual trade volume that exceeds \$10 billion.² Egypt is a key country for China's maritime Silk Road aspirations because of the Suez Canal and the potential for increased investments in a Suez Canal special economic zone. Exploration of joint investment opportunities in this zone, as well as other massive infrastructure projects, may offer an opportunity for collaboration, including better coordination with Egypt's Persian Gulf partners that may finance such projects. Both China and the United States

can help Egypt's economy by exploring joint-financing projects for small- and medium-sized enterprises, or SMEs. Financing SMEs is perhaps one of the most popular tools being advocated for by the U.S. government in its assistance to Egypt due to the fact that it fosters entrepreneurship and stems unemployment. So-called U.S. led enterprise funds projects could possibly work or coordinate with a Chinese partner as well.

- **Encourage good governance:** At this difficult juncture in Egypt's transition, the transfer of expertise and skills from the United States and China to help increase bureaucratic efficiency and improve governance is critical in achieving domestic stability. Both the United States and China can build stronger relations through the different facets of the Egyptian government receiving expertise. Fields that the Chinese and U.S. transfer of expertise and management practices can improve include anti-corruption practices, law and order, and social and economic management.
- **Coordinate security assistance:** Both the United States and China share an interest in Egypt developing security capabilities in order to address 21st century security challenges in a way that contributes to the long-term stability of the country and the region as a whole. Therefore, it may be useful to explore the possibility of coordinating the sale of equipment and provision assistance to focus on current asymmetrical threats as opposed to altering the regional conventional balance of power. It may also be useful to explore joint maritime exercises designed to maintain freedom of passage.
- **Strengthen Egypt's regional standing:** Despite recent setbacks to its regional standing due to internal turmoil, Egypt's role as a regional trendsetter in the Arab world can positively contribute to a diplomatic and political solution of regional affairs. China and the United States should cooperate to keep Egypt as a viable regional player. To that end, both countries can coordinate on advancing Egypt's portfolio in international conferences and backing Egyptian proposals that mutually advance the interests of both China and the United States, as well as the region as a whole.

- **Cooperate to counter violent extremism:** To the extent that a shared China-U.S. agenda on countering the spread of violent extremism in the region can be agreed upon, Egypt could serve as an important test case for cooperation. In fact, Egypt could directly tie in to the overall regional agenda focusing on countering violent extremism. Both China and the United States share common interests in enhancing Egypt’s capabilities against extremist thought and ideology, especially on the education front. One possibility includes investment in Egypt’s primary and secondary education system in an effort to broaden access to learning and improve the quality of education in both state and religious schools. Egypt also houses Al-Azhar University, a seminary and the Sunni world’s preeminent and oldest institution of learning. Al-Azhar has a reach into both East and Southeast Asia, as students flock to attend the university in order to become the Muslim religious leaders and thinkers of Asia. Al-Azhar’s school network is only second to the Egyptian governments’ school system in terms of reach. China and the United States should work together with the government in Cairo to encourage Al-Azhar to become a key pillar for moderate Islam.

Extremism and counterterrorism

Objective

To prevent the spread of regional extremism and help address its root causes.

Overview

The threat of terrorism and extremism is a challenge not only for the Middle East but also for the entire world. It will be a long-term struggle without simple solutions and will require a comprehensive strategy that will require multiple components, including intelligence sharing, the use of military force, political solutions to regional problems, deradicalization, national reconciliation, and economic development.

Points of cooperation

- **Expand and improve shared assessment:** The United States and China should work toward an analytical consensus regarding the root causes of, as well as the threats posed by, extremism in the Middle East. At the moment, the United States and China may have different views on both the nature of the problem and the challenges it poses. A shared assessment would be the first step in building the foundation for deeper bilateral cooperation. To achieve this, the United States and China should explore the use of high-level mechanisms such as the Strategic and Economic Dialogue. As part of this effort, the United States and China should also discuss ways to further share information and analysis through law enforcement and security institutions regarding the threats posed by transnational terrorist groups.
- **Enhance cooperation on the battle for hearts and minds:** The United States and China have a variety of hard-power tools at their disposal to counter the threat posed by extremism and terrorism. However, the challenge posed is fundamentally ideological in nature. The United States and China should explore avenues of mutual cooperation to advance anti-extremist discourse and exchange lessons and experiences in creating an atmosphere that is conducive to deradicalization. As part of this effort, special attention should be paid to initiatives advanced by regional stakeholders in the Middle East who are best placed to understand the nature of the ideological challenge in an Islamic context.
- **Combat illicit finance flows:** The United States and China already cooperate to combat illegal financial flows. But the rise of the Islamic State of Iraq and al-Sham, or ISIS, and other transnational extremist organizations underscore the need for the United States and China to redouble shared efforts in order to identify and disrupt these flows. Both countries could establish working groups to examine discreet aspects of the problem and propose issue-specific recommendations on how best to deepen both countries' cooperation.
- **Cooperate on development assistance:** As discussed in the Egypt set of recommendations, the United States and China could work on joint projects to improve the quality of the educational systems in key countries in the Middle East. These efforts should include helping countries upgrade technical education and establish schools that provide the Middle Eastern workforce with skills relevant to the 21st century economy as a means to counter the religious schools distinct from those such as Al-Azhar University.

- **Coordinate on countering ISIS and supporting the Iraqi government:** The United States and China should discuss ways to counter ISIS, with a particular focus on Iraq where the two countries share the same goals and tactics in supporting the Iraqi government to become more effective on law and order, as well as governance. China has been deeply engaged in Iraq’s oil industry, and these activities help Iraq become more economically viable. The United States and China should discuss ways to better coordinate their respective efforts in order to support Iraq’s national cohesion as a means to confront ISIS.

The New Silk Road

Objective

Develop a converging and complementary vision for integrated economic trade and regional stability by improving connectivity between Asia and the Middle East.

Overview

The United States and China have a shared interest in the development in Afghanistan, as well as Central and South Asia as a region, where economic prosperity can underwrite political and regional stability. In 2011, the United States called for a New Silk Road initiative that sought to integrate Afghanistan into the region through four primary needs: integrating regional energy markets; improving trade and transport routes; synchronizing customs and border crossings; and connecting businesses and people.³

In March, the Chinese government solidified their Belt and Road initiative, identifying five themes, or “connectivities,”⁴ which include projects that address a network of unimpeded trade, facilities connectivity, financial integration, policy coordination, and cultural exchanges.⁵ To accomplish these connectivities, the Belt and Road initiative is backed by multiple sources of Chinese funding. The initiative can draw directly from the Silk Road Fund of \$40 billion, which is expected mostly to consist of loans. The Belt and Road initiative is also expected to utilize the Asian Infrastructure Investment Bank’s, or AIIB’s, \$50 billion fund, as well as an estimated \$62 billion in capital from the three policy banks: the China Development Bank, China’s Export-Import Bank, and the Agricultural Development Bank of China.⁶

Based on the U.S. and China's proposals, there are several projects of common interest. In particular, given Afghanistan's economic transition, the United States and China should consider short-term efforts to bolster existing plans while considering long-term coordination for regional trade and development.

Points of cooperation

- **Coordinate through multilateral financial institutions to ensure rapid progress on Afghanistan, as well as other regional programs:** The World Bank, the Asian Development Bank, and the International Monetary Fund have significant medium- and long-term programs for Afghanistan and the region. However, these programs are proceeding slowly. The United States and China can align their support within these organizations to urge action. The United States should prioritize the World Bank's support to CASA-1000, as well as its justice-sector reform program in Afghanistan. The United States should help to review the association between the five emerging BRICS countries—Brazil, Russia, India, China, and South Africa—and the AIIB; both the BRICS countries and AIIB have funding streams related to the Chinese proposed Belt and Road initiative.
- **Align regional and bilateral priorities to press for regional transit trade pacts:** The United States and China could jointly urge regional partners to make progress on transit trade discussions. For example, Tajikistan and Turkmenistan have indicated interest in expanding regional transit trade, and therefore they may be effective initial partners in opening transit trade discussions. Together, U.S. expertise and Chinese political and economic support can create the incentives for the region's governments to develop a regional transit trade. The first step could be adding specific transit trade discussions to the next Heart of Asia conference.
- **Ensure that the Chinese Belt and Road initiative and the U.S. New Silk Road initiative mutually support and enhance each other's key pillars and aspirations:** The two countries should publically acknowledge and stress their complementary goals and approaches in forging unprecedented economic connectivity and trade through Central Asia. The United States and China should also work together to explore ways to build a new security mechanism to reduce the security risks and threats and manage possible crises along the Silk Road based on the ongoing cooperation between China and the United States in Afghanistan.

Energy security in the Middle East

Objective

Secure uninterrupted commercial access to global energy supplies and improve resiliency to global supply shocks.

Overview

The United States and China share a common goal of securing the uninterrupted commercial access of Middle Eastern energy supplies and improving resiliency to global supply shocks. In order to prevent sharp fluctuations in global energy prices, the United States and China should work together to ensure the safe and unimpeded flow of oil and natural gas from the Middle East, including through an expansion of existing counter-piracy cooperation and the inclusion of China in U.S.-organized demining exercises. With so much potential for solar energy expansion in the Middle East, the United States and China can work with countries in the region, such as Saudi Arabia and the United Arab Emirates, or UAE, to develop a framework for the financing and development of new solar projects, as well as the purchase of solar technology.

Points of cooperation

- **Ensure safe and unimpeded marine passage of energy supplies:** The supply of oil and natural gas from the Middle East is of vital importance to the global economy, as well as to both the United States and China—two of the top five importers of Middle Eastern oil. In order to prevent sharp fluctuations in global energy prices, the United States and China should work together to ensure the safe and unimpeded flow of energy from the region. The United States and China are already cooperating to reduce piracy in the Gulf of Aden, and this model of collaboration could be expanded.⁷
- **Enhance resiliency and market flexibility:** In the effort to enhance energy security, the United States and China should help bring together energy suppliers and consumers by enhancing energy resiliency and improving market flexibility. Such measures could include coordinating infrastructure financing for Asian

intraregional energy trading or coordinated use of each country's strategic petroleum reserve. For example, the United States and China could work together to expand regional pipeline infrastructure.

- **Develop and invest in alternative energy sources:** Ultimately, energy security will only be achieved by promoting a shift in global energy consumption toward more sustainable sources of energy. One such source of energy that has significant interest in the region and potential for expansion is solar energy. The United States, China, and various Middle Eastern countries, such as the UAE and Saudi Arabia, should develop a framework to finance new solar projects and purchase of solar technology. For example, the United States and China may consider options for expanding the U.S.-China Clean Energy Research Center, or CERC, to include third-party nations.

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YE Qing is the deputy director for the Department of West Asian and African Studies at the Shanghai Institutes for International Studies, or SIIS, where he specializes in China's diplomacy; emerging powers and international systems in transition; Middle East studies; and Islamism.

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New Anchors for U.S. Egypt Relations

By Brian Katulis and Mokhtar Awad

In 2014 and 2015, the fight against the Islamic State of Iraq and al-Sham, or ISIS, and the nuclear negotiations with Iran have dominated U.S. policy toward the Middle East. But Egypt, as the most populous Arab country, remains a central test in the broader battle to achieve stability and progress in the region. More than four years after the start of the Arab uprisings, Egypt continues to face many of the same economic, social, political, and security challenges that sparked the initial protests.

The United States and Egypt should try to work together to build a set of new anchors for progress and stability at this turbulent time of transition in the Middle East. The next year and a half offers potential opportunities, but it will require Egypt and the United States to learn some lessons from the past four years and to look to the future. The two countries need to move beyond the old way of doing business—a heavy focus on conventional military cooperation—and look to a future where the bilateral relationship includes expanded economic cooperation and a new, more constructive diplomatic and political dialogue.

Doing so will be difficult for the United States absent a major course correction by the new Egyptian government in its political transition. Efforts to enhance cooperation between the two countries will likely remain limited, and relations are likely to be strained as long as Egypt continues down its current path of restrictions on basic freedoms and political pluralism. Given the uncertainty of the moment, the United States should prepare for a wide range of possible scenarios emerging in Egypt in the next year. But it should make a determined effort to work with Egypt to build new anchors for the relationship over the next four years.

Egypt remains in the midst of unfinished political and economic transitions. Multiple waves of protests, leadership changes, and crackdowns have traumatized Egyptians. The overall political climate in Egypt is a complicated mix of anxiety, tension, exhaustion, and hope that the country will achieve more progress in the

next four years than it did in the past four. In the first half of 2015, Egypt has continued to struggle with major economic and political challenges, and the security environment remains unstable.

If Egypt can build a foothold of stability and achieve economic and political progress, it has the potential to offer immense resources to the cause of regional and global stability. But the only way for Egypt to achieve long-term, sustainable security is by updating its security and economic sectors and ushering in a competitive political environment where basic liberties are protected.

In the past two years, many Egyptians' overriding focus has been security—both basic law and order and economic stability. Ongoing violence in Egypt's Sinai Peninsula, Libya's fragmentation to the west, and Syria's ongoing bloody civil war are seen as vivid examples to avoid. The rise of ISIS and the growth of extremist groups across the region have had an enormous impact on threat perceptions inside Egypt. Next to security, Egypt's daunting economic troubles are a top priority; there is a dire need to produce economic growth and create jobs.

While President Abdel Fattah al-Sisi appears to enjoy broad political support from an exhausted population, important segments of Egyptian society have grave concerns about constraints on basic freedoms and the closure of political space. How Sisi governs and handles his country's momentous challenges will redefine what Egypt stands for as a country and its role in the region. Since the start of the 21st century, Egypt has seen its regional influence wane, held back by the sheer weight of its internal challenges and mismanagement of national assets.

The past four years have taken a serious toll on U.S.-Egyptian ties. The Egyptian view of the United States is perhaps the worst it has been in recent history. Many Egyptians think the United States backed the Muslim Brotherhood, or MB, when it was in power, and others believe the United States helped support former President Mohamed Morsi's removal to stamp out Islamists. There are widespread conspiracy theories that embrace the notion that the United States wants to undermine and weaken Egypt.

In the United States, top policymakers increasingly speak of Egypt as a problem to be managed, their attention focused on avoiding the worst-case outcomes of state collapse. Today, the United States looks less to Egypt and more to countries such as Jordan and the United Arab Emirates for regional security cooperation efforts such as the anti-ISIS coalition. Moreover, the central strategic rationale for

U.S.-Egyptian ties for the past 35 years—the role of the United States as guarantor of peace between Egypt and Israel—seems to have been undercut. Israeli and Egyptian leaders now tout that their bilateral relations are stronger with each other than with the United States, sending the message that Egypt upholds the peace treaty with Israel out of national self-interest, not because of U.S. assistance.¹

At the government level, Egypt's current leaders say that they are confused by U.S. policy, which continues to hold back delivery of some weapons systems because of America's concerns about Egypt's political transition and human rights record.² The Egyptian government argues that its actions against the MB and other Islamist groups are part of Egypt's fight against the same terrorists the U.S.-led coalition against ISIS is fighting.³

The continued rift between Egypt and the United States has motivated Sisi to seek to diversify Egypt's foreign support.⁴ Egypt remains in dire need of external assistance. It has received more financial support from Gulf Cooperation Council, or GCC, countries in the past year than it received from the United States over the past decade—at least \$20 billion from Gulf partners in the past two years compared with less than \$2 billion per year from the United States, or nearly \$15 billion in the past decade.⁵ Sisi has traveled to parts of Africa and to Europe, Russia, and China during his first seven months in office in an effort to boost support and strengthen ties.

Yet Egypt and the United States continue to share common, long-term interests in stability and economic prosperity. To build new anchors for the relationship, Washington and Cairo should use the upcoming strategic dialogue planned for this year to foster more constructive conversations and to look to build a new framework for bilateral relations by 2020.⁶ The countries should seek to develop forward-looking joint approaches on three fronts:

1. **Security: comprehensive security-sector modernization to meet new threats.** The evolving threat from militant terrorist groups challenging state sovereignty requires Egypt to update its overall security approach. Acknowledging that current U.S.-Egypt security cooperation was built in a different era, the two countries should use the proposed strategic dialogue to outline a program for security cooperation tailored to meet today's threats. In these future strategic dialogues, the United States should offer the prospect of delivering security assistance currently being held back, as well as the restart of joint military exercises contingent upon opening a dialogue on substantial reforms to Egypt's security institutions.

2. **Countering violent extremism: an open dialogue about pluralism and political reform.** Egypt's government has justified restrictions on basic freedoms and closing off political space in its anti-terrorism battle, but guaranteeing these basic liberties is needed to ensure political stability and the ultimate political defeat of extremists. Egypt needs a more sustainable political environment to implement massive economic reforms, and it requires an environment that allows political actors to mature and a new spectrum of voices to emerge that denies space for extremist ideologies to thrive. The limited efforts of the Obama administration to influence Egypt's political trajectory by holding back some types of assistance have not succeeded. But these issues are important to discuss, as sensitive as they are. The United States and Egypt should seek to expand people-to-people contact, educational exchanges, and more honest discussions on the need for pluralism, countering extremism, and political reform due to these issues' impact on Egypt's overall stability and the health of the bilateral relationship.

3. **Economy: organized international and multilateral support for Egypt's economic reform.** Egypt and the United States should work together and in closer collaboration with regional powers in the Gulf to reform Egypt's economy to spark inclusive growth and to create jobs, breaking the cycle of foreign-aid dependency and crony capitalism of the past decades. The United States has already gradually begun to reduce its economic assistance to Egypt, and as it continues this shift, it should look to other avenues, including the private sector, to help strengthen economic ties with Egypt.

*This essay is an excerpt from a January 2015 CAP report titled: "New Anchors for U.S.-Egypt Relations: Looking to the Future and Learning from the Past 4 Years After Egypt's Revolution." It is based on the Center for American Progress' ongoing analysis of regional trends and a trip to Egypt in late October 2014 that included interviews with more than three dozen Egyptian government officials, politicians, economists, businessmen, religious leaders, civil society activists, journalists, and independent analysts.

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U.S. Middle East Policy at a Time of Regional Fragmentation and Competition

By Brian Katulis and Peter Juul

The ongoing fragmentation in Iraq and Syria is the latest episode in a series of events that is shaking the foundations of today's Middle East. The region has entered a fluid period of transition involving the growing power of non-state actors, including new Islamist extremist groups, at a time of increased competition for influence among the key countries in the region.

For decades, the United States has grappled with formulating a Middle East strategy that advances both its interests and its values. Under President Barack Obama, the top U.S. priorities in the Middle East have included preventing a terrorist attack on the homeland; stopping Iran from obtaining a nuclear weapon; ending the Iraq War; maintaining a secure flow of energy from the region; and trying to broker Arab-Israeli peace.

The United States has struggled to define its position since the Arab uprisings in 2011, which sparked a new era of competition among the leading powers in the region. The role and status of Islamists such as the Muslim Brotherhood, which rose to power after the uprisings in some Arab countries, have been central in this intraregional struggle. Also, violent Salafi jihadists such as the Islamic State of Iraq and al-Sham, or ISIS, seek to break down national borders and establish an Islamic state by force. Some of the key lessons that should inform U.S. policy include:

- **The 2011 Arab uprisings sparked a regional competition in a new “Middle East cold war.”** The leading countries of the Middle East and North Africa are engaged in an intense, multipolar, and multidimensional struggle for influence and power. This competition goes beyond Shia-Sunni sectarian divisions and involves traditional tools of power projection—such as military aid and economic assistance—as well as new forms of power projection, including direct investments in media outlets, non-state actors, and political movements. The region's wealthier, more politically stable states compete with each other by proxy—and in some cases, directly—on the ground in poorer and politically polarized states. This competition has taken on many features of a cold war: different sides engaged in proxy battles across the region using multiple means of influence.

- **The status of Islamist movements is central to this regional competition.** The Muslim Brotherhood's empowerment and subsequent removal from power in Egypt has been a main event and central to this regional struggle. Some states such as Qatar and Turkey back the Muslim Brotherhood, while others such as Saudi Arabia and the United Arab Emirates, or UAE, oppose it. Another new dynamic is the rise of extremist Islamist groups that have challenged the Al Qaeda movement. New political openings, as well as ongoing conflicts such as the civil war in Syria, have enabled a range of political Islamist groups, including the ultraorthodox Salafists, to affect politics in countries such as Egypt and Tunisia and fostered a strand of Islamist extremist groups that has emerged in Syria and Iraq. The regional contest over the status of political Islamists has broad reach; it has contributed to disarray within the Syrian opposition, influenced relations among different Palestinian factions, and affected competition among the various armed groups in Libya.
- **The United States remains the dominant military power in the region but lacks sufficient diplomatic, political, and economic tools to influence regional political trends.** The new and still unfolding regional dynamics limit the effectiveness of a U.S. policy that maintains a heavy reliance on traditional tools of power, such as the military and intelligence. The current U.S. policy approach lacks a nimble and effective ability to engage multiple centers of power in the region politically and economically in strategies that emphasize political pluralism and prosperity. The Obama administration's engagement with political Islamist organizations such as the Muslim Brotherhood created confusion in the region about U.S. policy priorities and values. The U.S. response to the Arab uprisings and the new Middle East cold war has been uneven, and the United States has often appeared as little more than a bystander.

The major changes underway in regional power dynamics point to a need to make U.S. foreign policy in the Middle East and North Africa more adept at understanding and responding to political currents in a way that reflects both U.S. core security interests and values. Simply focusing on questions of how many troops are stationed in a particular country for what period of time or how much bilateral security assistance the United States gives to a particular country is too narrow and inadequate to deal with the historical changes sweeping the region and upending its political balance.

A wider range of state actors are seeking to advance their interests and values across the region, and the regional landscape now includes a number of non-state actors that have broader reach and impact than they did in previous eras. The United States will not be able to dictate or control events, but many in the region still examine what the United States says and does very closely. Most of its key governments take active steps to shape the trajectory of U.S. policy. The United States should make the most of these diplomatic engagements to craft a wiser engagement policy that seeks to isolate and defeat extremist ideologies in the ongoing battle of ideas.

*This essay is an excerpt from a June 2014 CAP report titled: "U.S. Middle East Policy at a Time of Regional Fragmentation and Competition: Lessons for U.S. Policy from the Past Three Years." It is based on field research conducted by Center for American Progress team members in the following countries during 2013–2014: Bahrain (December 2013); Egypt (November–December 2013 and January 2014); Jordan (January and March 2014); Lebanon (April 2014); Qatar (May 2014); Tunisia (December 2013); Turkey (November 2013 and April 2014); and the United Arab Emirates (January 2014).

U.S. and China Silk Road Visions: Collaboration, not Competition

By Ariella Viehe July 13, 2015

At the March 2015 Boao Forum for Asia, China’s premier development conference, Chinese President Xi Jinping placed the “New Silk Road and Maritime Silk Road” at the center of his 2015 economic development agenda.¹ Referred to in English as “Belt and Road initiative,”² the program aims to bring trade opportunities and economic development to “the belt,” the land route crossing Central Asia and the Middle East; and “the road,” the maritime route around Southeast Asia, the Persian Gulf, and the Horn of Africa. The initiative echoes and expands on several previous initiatives, including the United States’ New Silk Road initiative, or the NSR, the European Union’s Silk Wind initiative,³ Turkey’s Silk Road Project,⁴ and several others.⁵ The trend is clear: greater economic trade and integration across Eurasia is increasingly important for China, Central and South Asia, and global international trade.

Since the March announcement, the Belt and Road initiative has operated in the shadows of another Chinese international development initiative: the Asian Infrastructure Investment Bank, or AIIB. Initially opposed by the United States, the AIIB is a new international development bank spearheaded by China and seen by many as a new competitor to the World Bank, intended to address the massive infrastructure needs across Asia.⁶ U.S. opposition has centered on concerns about the potential for lower standards—environmental, physical, and labor—that AIIB may accept in its development pursuits. As a result, the Belt and Road initiative has inherited the same, albeit assumed, air of competition between the United States and China. Fu Ying, director of the Foreign Affairs Committee of the National People’s Congress, described official U.S. sentiment toward the Belt and Road initiative in a June 4 speech at the National Academy of Social Sciences in Beijing:

The United States has been swinging from supporting to doubting to opposing China’s role in maritime search and rescue operations, global economic governance, regional infrastructure construction and the fight against climate change. No wonder, the US’ reactions to China’s One Road, One Belt Initiative and the Asian Infrastructure Investment Bank have been mixed.⁷

In the United States, meanwhile, the Belt and Road initiative has garnered only a few public mentions, all of which have been narrowly confined to discussions of the United States' own NSR. Yet the assumption of U.S.-China competition overlooks a unique opportunity to transform U.S.-China cooperation in a region deeply important to both countries: Central and South Asia, in particular Afghanistan and Pakistan.

It will take concrete collaboration and projects between the United States and China to overcome these notions of inherent competition. This paper provides a brief overview of both the U.S. and Chinese initiatives, outlines areas of consistency and complementarity, and offers concrete areas of potential collaboration between the United States and China.

China's Belt and Road initiative

Chinese interlocutors define the Belt and Road initiative variably as a strategy, a framework, and an initiative, which indicates the vague and relatively early stages of its development, even among Chinese leaders. Following the Boao Forum in March, the Chinese government identified five themes, or “connectivities” to provide the basic contours of the initiative.⁸ These include a network of unimpeded trade, facilities connectivity, financial integration, policy coordination, and cultural exchanges.⁹

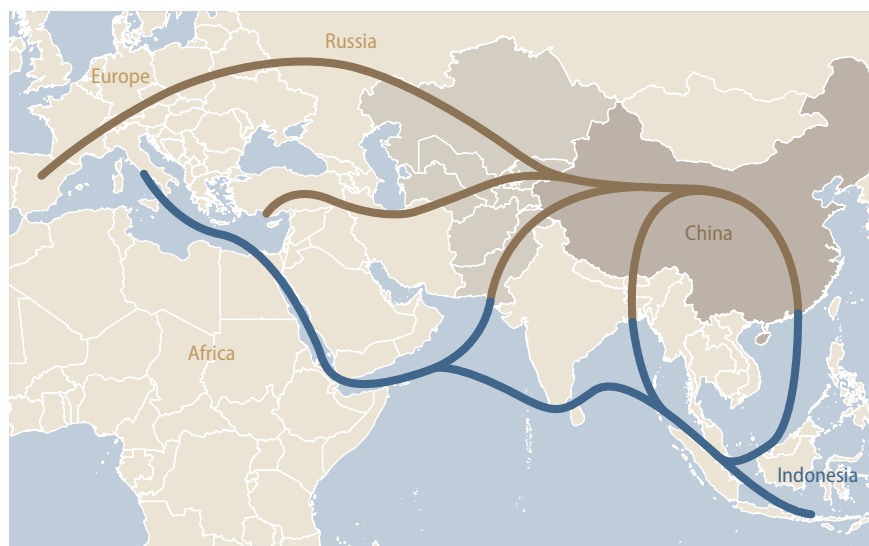
In a May visit to Pakistan, President Xi announced the China-Pakistan Economic Corridor, or CPEC, as one component of the Belt and Road initiative, bringing several existing development projects under the umbrella of Belt and Road. CPEC, which encompasses \$46 billion in projects and investments, has the potential to reduce transportation times by one week by giving China access to the Indian Ocean and avoiding the lanes through Southeast Asia.¹⁰ Such projects provide a glimpse of the Belt and Road initiative's sweeping ambition.

Chinese counterparts have cited ambitious, indeed global, goals for the Belt and Road initiative. In the face of slowing gross domestic product, or GDP, growth and reduced demand from traditional export markets—namely the United States and Europe—the Belt and Road initiative seeks to develop new markets for China's excess capital and commodities and to find cheaper routes to existing markets.¹¹ China's energy consumption continues to grow despite the overall slow-down in domestic growth, and the Belt and Road initiative can provide access to new and

cheaper energy markets in Central Asia and the Middle East.¹² The belt of Belt and Road initiative is also aimed at developing China's interior provinces, which lag behind their coastal counterparts.¹³ For example, the Yiwu–Madrid railroad runs through China's eastern, or Yiwu, and western, or Xinjing, provinces through Central Asia and Eastern Europe before terminating in Spain. This recently completed route reduces transportation by 14 days, compared with the maritime route through Southeast Asia and the Suez canal.¹⁴

FIGURE 1
China's Silk Road economic belt and maritime Silk Road

Routes as announced by June 2015



Source: Author's participation in "Unblocked Trade, Co-Build Prosperity," Silk Road Economic Belt Cities International Forum, Yiwu, China, June 18–19, 2015. Zhang Xiang, "Belt and Road Initiative open to all," *China Daily*, April 16, 2015, available at http://www.china-daily.com.cn/china/2015-04/16/content_20452313.htm.

Such massive projects are expected to be the hallmark of the Belt and Road initiative, which is backed by several sources of Chinese funding. Directly, the initiative can draw from the Silk Road Fund, a \$40 billion fund that is expected to consist of mostly loans. The Belt and Road initiative is also expected to access the AIIB's \$50 billion fund, as well as an estimated \$62 billion in capital from the three policy banks: the China Development Bank, China's Import-Export Bank, and the Agricultural Development Bank of China.¹⁵ This multibillion dollar level of funding far outpaces the funding for previous Silk Road efforts. At the same time, such high funding levels carry risk: the Belt and Road initiative could overlook previous Silk Road efforts, ignoring past lessons and opportunities for collaboration, or it could rely solely on financial ability to overcome obstacles.

The U.S. New Silk Road initiative

The United States' New Silk Road initiative, launched in 2011, was designed to integrate Afghanistan into the regional economy after three decades of conflict and isolation. It was also aimed at transitioning Afghanistan away from its dependence on foreign aid and military presence by tapping into the country's existing natural, human, and geographic resources.¹⁶ Further, regional economic integration presented a new opportunity for confidence building among governments whose bilateral relationships had often been defined by security and political tensions. The NSR sought to address persistent development challenges—such as stalled energy and transportation projects—by focusing on existing, well-developed, and highly efficient projects that would prove the benefits of regional economic development.¹⁷

Since 2011, the NSR initiative has evolved, accumulating lessons and adapting to new political and security developments in the region. In 2014, the NSR adopted a thematic approach that arranged its initiatives under four major themes: regional energy markets; trade and transport routes; improved customs and borders; and connecting businesses and people.¹⁸ Given the wealth of hydrocarbon resources across the Central Asian states and the growing demands in Afghanistan and Pakistan for energy to drive economic development, the United States has focused primarily on regional energy markets over the past year. For example, the \$1.2 billion CASA-1000 project to provide surplus hydroelectric power from Central Asia to Afghanistan and Pakistan is fully funded and beginning the implementation phase.¹⁹ Meanwhile, the Turkmenistan-Afghanistan-Pakistan-India, or TAPI, pipeline is making slow progress, awaiting political decisions within the host countries.²⁰

Unlike China's Belt and Road initiative, the NSR focuses less on infrastructure and more on technical and regulatory needs. To ensure that infrastructure is built to modern standards, the people using, maintaining, and overseeing the infrastructure at both the local and national level should have training in and exposure to best practices.

Over the past four years, the NSR has shaped a vision and a goal for the region, centered on improving the economic foundations of the north-south trade between Afghanistan, Pakistan, and Central Asia. The United States' experience has also exposed the depth of challenges and critical needs throughout the region. A sustained, committed, and coordinated effort will be required to meet the demands and, most importantly, the potential of the region.

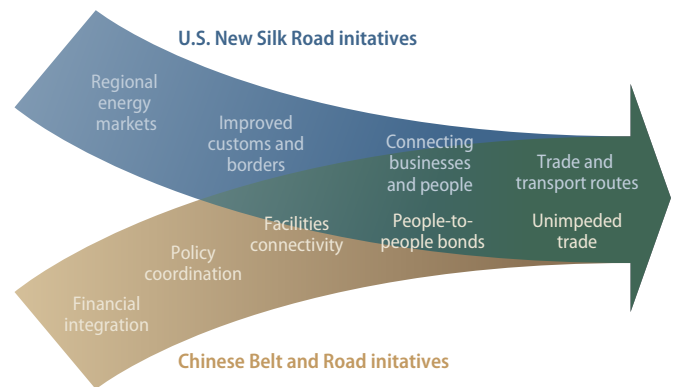
Areas of consistency

The U.S. and Chinese development efforts are complementary in both substance and aspiration. Both initiatives espouse a similar vision: to develop sustainable economic growth across borders. Both initiatives see Afghanistan and Pakistan, as well as Central Asia, as key regions to develop, both due to their economic potential and for the need to provide an alternative to the regional instability that threatens both China and the United States.

In specific economic themes, the two initiatives also share key pillars. In March 2015, the Chinese National Development and Reform Commission published five pillars for the Belt and Road initiative,²¹ similar to the four pillars under which the NSR has aligned its projects.²² The pillars for each initiative, and their areas of overlap, are shown in Table 1.

Both initiatives emphasize energy development, trade and transport across borders, and human relationships as critical aspects for a sustainable economic future. Many of the opportunities and challenges identified in the economic gap analysis completed by the NSR as part of its inaugural 2011 plan still remain. The Belt and Road initiative and the NSR can capitalize on these shared pillars and previously completed assessments to accelerate projects.

FIGURE 2
Complementary pillars of the U.S. and China Silk Road initiatives



Source: For U.S. New Silk Road initiative, see Fatema Sumar, "The New Silk Road Initiative in Action," *Foreign Policy*, April 29, 2014, available at <http://foreignpolicy.com/2014/04/29/the-new-silk-road-initiative-in-action/>; For Chinese Belt and Road initiative, see National Development and Reform Commission, "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road," March 2015, available at http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html.

Areas of complementarity

The two initiatives have different funding and project focuses. The NSR has access to comparatively little funding: —including from \$150 million in fiscal year 2014²³ and potentially more in fiscal year 2015.²⁴ This limited funding stream reflects the NSR's effort to leverage existing or planned projects underway through the World Bank, Asian Development Bank, Islamic Development Bank, and other regional forums. For example, one of the NSR's signature focuses has been the Turkmenistan-Uzbekistan-Tajikistan-Afghanistan-Pakistan, or TUTAP,

electrical grid, a collaborative project by the ADB to phase in complementary electrical grid networks that will secure hundreds of kilowatt-hours for the region.²⁵ The magnitude of economic need in the region has led the NSR to pool resources and funds around established projects rather than undertake new projects unilaterally.

This reliance on multi-stakeholder, multi-donor projects has allowed for larger projects with potentially transformative effects, but it has also subjected projects to a longer process of stakeholder discussion. For the NSR, this process has been as important as the actual project implementation. In a region that is so weakly integrated, these large, multi-stakeholder projects offer a forum for bilateral relationship and confidence building. U.S. officials view this process as politically and diplomatically important to building relationships and establishing political buy-in from all host governments. The multilateral NSR model assumes that such political engagement will underpin the sustainability of projects, particularly ones such as CASA-1000, which are several years into development, construction, and operation.

The NSR's approach of developing projects jointly has made the process of project development and implementation as important as actual project completion. Logistically, working through multilateral organizations requires multilateral meetings with extensive preparation, advance discussions, and decision making. The NSR's work has therefore been in many ways diplomatic, building consensus and action among partners in the World Bank, the ADB, and with the Central Asian governments. This process produces delays, both political and logistical. For example, all participating countries signed CASA-1000 in 2014 after three years of discussions and negotiations, while the TAPI pipeline remains stalled due to slow political discussions.²⁶

Opportunities for collaboration

Given the areas of overlap between the NSR and the Belt and Road initiative in vision, substance, and practice, the United States and China have a unique opportunity to collaborate in six key areas:

- **Dispelling notions of competition between the NSR and the Belt and Road initiative.** First and foremost, the two countries should stress their complementary goals and approaches. Public acknowledgment of this complementarity will encourage other regional actors to view the two as mutually reinforcing. Both the United States and China have, in general terms, welcomed the other nation's efforts. At the Boao Forum, President Xi Jinping said, "China's program for development will be open and inclusive, and not exclusive."²⁷ Similarly, U.S. Deputy Secretary of State Tony Blinken stated his strong belief that "many of the efforts that China is making, including through its engagement and its very significant investment, are very complementary with what we're trying to do, and will be very beneficial to people in the region."²⁸ While both statements were made domestically, the real audience was the countries of the Silk Road. The United States and China should expand these statements in international discussions—outside their own countries—to ensure wider audiences and acknowledgment.
- **Seeking joint projects in Central Asia, particularly Afghanistan.** The NSR's north-south work should serve as a foundation and opportunity for the Belt and Road projects in Central Asia, as well as in Afghanistan and Pakistan. It is precisely the gap analysis, priority projects, and lessons learned that can offer the Belt and Road initiative existing opportunities for returns on investments in the region. Both NSR and the Belt and Road initiative offer significant investments that can bolster Afghanistan's economic sustainability. Further, circumventing Afghanistan's geographic location would consign trade to longer and more complex routes to the Middle East.
- **Leveraging existing multilateral projects.** If the Belt and Road initiative and the NSR work in tandem, they can complete large, concrete projects in the region. The existing projects identified by the NSR and partners in the World Bank, ADB, and regional governments will stand a better chance of success if all donors and partners work together to leverage resources. Existing and planned projects that could benefit from joint U.S.-China support include:²⁹

 - Establishing a regional technical vocation training center
 - Developing a regional labor market and facilitation
 - Expanding the CASA-1000 electricity grid
 - Harmonizing customs procedures
 - Upgrading border crossings and multi-modal land ports
 - Negotiating transit-trade agreements with neighboring countries
 - Accelerating Central Asian Regional Economic Cooperation's four regional economic corridors linking China with Russia and Europe

- **Linking multilateral projects to job creation in Afghanistan and Central Asia.** The current and growing youth bulges in the region pose a significant risk to security and political stability. The projects above offer productive employment opportunities that are one step toward incorporating those youth into a stable region. The Belt and Road initiative and the NSR should collaborate to develop job-training components alongside infrastructure projects, thereby providing a sustainable development model for the region.
- **Tailoring the NSR and the Belt and Road initiative to support the United Nations' post-2015 development agenda.** Both the United States and China are leading supporters for the new United Nations' initiative for the post-2015 sustainable development agenda. As the name suggests, the agenda seeks both transformative and sustainable development. Given the objective of rapid economic growth in Silk Road countries, the United States and China can use the agenda's Sustainable Development Goals as guiding principles for projects. For example, SDGs share both nation's commitment to reducing climate change; The NSR and the Belt and Road initiative's projects can target both bilateral and SDG environmental goals.³⁰
- **Enhancing the region's existing institutions to achieve greater integration.** The NSR and the Belt and Road initiative aim to cultivate the ambitious networks and complex systems necessary for advanced economic development. Both initiatives could benefit from coordination with existing multilateral and regional forums focused on economic growth, such as the Central Asian Regional Economic Cooperation, or CAREC,³¹ and the global city forum, including the C40 forum that brings together leaders of global cities to discuss best practices.³²
- At the same time, the NSR and the Belt and Road initiative should use their momentum to enhance these regional institutions that are critical for regional cooperation.

Conclusion

As the Belt and Road initiative gains momentum, it has the opportunity to bring unprecedented infrastructure and economic connectivity to Central Asia, Pakistan, and in particular Afghanistan. Yet the depth of need in the region is extraordinary. The Belt and Road initiative and the NSR are more likely to succeed and generate significant returns if they complement one another rather than compete for the same resources. Complementary efforts could range from a simple declaration of noncompetition to coordinated U.S.-China projects in Afghanistan. So far, both countries have welcomed the other's initiative. Now is the time for each nation to follow through on their stated intentions and produce true cooperation.

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Overview on the Middle East Developments and the New Model of China-U.S. Relations

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By YANG Jiemian July 2015

The China-U.S. relationship is one of the most important bilateral relations in the present world and is rich in both context and content. In June 2013, Presidents Xi Jinping and Barack Obama agreed to build up a new model of major power relations, or NMMPR. The NMMPR has since experienced both advances and setbacks. In order to further the NMMPR process, both China and the United States need to find new momentum by, for instance, expanding their cooperation on issues in the Middle East.

Global and regional frameworks for China-U.S. cooperation on issues in the Middle East

The general situation in the world and the Middle East calls for closer cooperation between China and the United States.

First of all, the globalization and information revolution has increasingly bound the world together as a whole entity, which requires China and the United States to join their efforts in order to meet the various challenges ranging from climate change to international terrorism.

Second, the two countries have already built an all-prevailing network of material interests and cultural exchanges. On the positive side, the two countries could benefit immensely from cooperation in various fields such as economic and people- to-people relations. On the negative side, they cannot afford a head-on confrontation, as the stake is too high to come to bear.

Third, because of their involvement in the Middle East, both China and the United States need each other. China is entering a new stage of relations with the Middle East and confronting challenges, including anti-terrorism, religious extremism, and energy security. Two opposing forces are pulling the United States. On the one hand, the United States should continue the course of with-

drawing military forces from the Middle East and reducing its involvement, thus benefiting the shifting U.S. gravity toward the Asia-Pacific region. On the other hand, the United States can hardly shift its strategic concerns from the Middle East and concentrate its strategic attention in the Asia-Pacific region. As a matter of fact, the U.S. Secretary of State John Kerry seems to be busier with Middle East affairs than with the Asia-Pacific region.

Lastly, China and the United States want to ensure more predictability and stability in and related to the Middle East. Both China and the United States are global powers and have the responsibility to ensure peace and stability by responding effectively to issues such as the Arab Spring, the Palestinian/Arab-Israeli conflict, Gulf region instabilities, and newly emerged Islamic State of Iraq and al-Sham, or ISIS, issues.

New developments of the NMMPR

President Xi and President Obama formally endorsed the notion of building up a NMMPR between China and the United States at Sunnylands, California, in early June 2013. Since then, the two presidents, as well as other key officials, have repeatedly confirmed their commitments and worked at translating these notions into reality. Given the fact that the China-U.S. relations have seen both positive and negative developments, the two countries need to expel their strategic suspicions and expand strategic trust in order to advance the course of NMMPR in the future.

The positive developments

China-U.S. cooperation on Middle East issues is of strategic importance. First of all, both China and the United States have more constructive interaction in the Middle East than in some other regions of the world. For instance, in the Middle East, China does not intend to rebalance the United States but rather cooperate with it. The two countries have overlapping interests in the Middle East in maintaining peace and stability of the whole region in general and the Gulf subregion in particular by promoting the Arab/Palestine-Israel peace process; safeguarding the vital energy supply line; and supporting orderly and peaceful transitions of political, social, and economic systems in the countries concerned.

Moreover, both countries are facing new challenges related to international terrorism given the latter's trend toward regrouping and even so-called state building. However, international terrorism is not an isolated phenomenon and is closely related to economic poverty and social stagnation, which results in hotbeds for radical ideologies and extremist movements. China and the United States have realized the seriousness and damage that terrorism and extremism could bring to the region, as well as the world. There has been increasing awareness between the two countries to join their efforts in order to tackle the root causes and symptoms of terrorism.

Furthermore, the two countries must cooperate with other actors on Middle East hotspot issues. China maintains good relations with almost all the countries in the region. The United States is the most important actor in the Middle East. China and the United States, together with the European Union and Russia, succeeded in averting a war on the Syrian chemical weapon issue. More importantly, China-U.S. cooperation facilitated the easing of the U.S.-Iran tensions, resulting in more conducive conditions for the overall improvement of the Gulf region.

Last but not least, China and the United States are conducting regular consultation on Middle East affairs and furthering institution building. According to relevant arrangements of the fourth round of the China-U.S. Strategic and Economic Dialogue, the two countries started the process of consultations on Middle East affairs at vice foreign minister level in August 2012. Although these institutionalized efforts are still at their initial stages, they represent a good beginning.

Difficulties and challenges

However, not all the news is good. As for the NMMPR, there is a possible hard choice. Now, the two countries are confronting the challenge of whether they could continue this course or instead give it up for lower but more achievable objectives. There are also difficulties and challenges in the China-U.S. interaction related to Middle East affairs.

First, China and the United States have different—sometimes even colliding—philosophical and guiding principles. China has kept the principle of noninterference in internal affairs, especially in face of sudden and drastic changes resulting from the Arab Spring. The United States has stressed its leadership and the responsibilities to protect. The two countries differed in their policies in the Second Iraq War, the Libyan War, and Syrian Civil War.

Second, the two countries differ in their strategic weights and strategic goals related to the Middle East. So far, the United States is the most important outside player with political, economic, and military leverages, thus adhering to its dominant positions of international involvements. China's strategic goals and actual influence are much smaller and greatly restrained by its limited strength. Therefore, the two countries are actually asymmetrical in their interaction in the Middle East.

Third, both countries have problems readjusting their respective strategies and policies concerning the Middle East. The United States has the difficulties of winding down its involvements in the Middle East and maintaining a balance among different geopolitical forces. It also has to contemplate the extent that it allows China to play a greater role without damaging its vital interests. China is facing a dilemma too. China's stakes in the Middle East have risen in recent years. This calls for China to play a greater role and assume more responsibilities. But this will ask China to change its strategic thinking and actual policies dramatically and, in some cases, drastically. Besides, there is a big gap between China's real capabilities and the expectations from the countries concerned.

China's strategic visions and goals

Despite the fact that the current international situation and developments in the Middle East are undergoing tremendous changes with a lot of uncertainties and unpredictability, we still can detect the general trends and set up strategic goals accordingly.

China's strategic visions

Looking toward to the next 5 to 10 years and beyond, there are three trending developments related to China-U.S. interaction over Middle East issues. The most important trend is the directions of developments in the Middle East. The four-year ongoing upheavals in the region are the combined results of political dynamism, economic stagnation, social instability, religious conflicts, and an upsurge in terrorism. These upheavals have deep-rooted reasons and profound effects and will continue to unfold in the coming years. Moreover, these developments would still evolve in a direction of compound complication. In addition to the perennial Israeli-Palestinian conflict, additional challenges include a new wave of sectarian conflict; terrorist-controlled regimes; and the entangled relations between

and among Iran, Turkey, and Saudi Arabia. Most of all, the Syrian situation could develop in either a more complicated or easing way, which in turn will exert different consequences in regional—as well as international—relations.

Another important factor that will determine trends in the Middle East is how the outside players will interact among themselves and with the region. The most important single player is the United States. In the remaining two years of the Obama administration, the United States will tend to be less active and instead be more cautious. With its attention possibly shifting eastward, the United States could reduce its strategic focus and diplomatic inputs, thus leaving the radical forces in the region to be more dynamic and destructive. The involvement of the European Union, France, Germany, and the United Kingdom will also exert an important impact on the Middle East situation. The French intervention in Libya is a typical case of outside military interference. The European Union's unwillingness to push forward the Union of the Mediterranean represents the nonmilitary aspect of outside influence. Russia has special interests and military leverage in the Middle East. Compared with the aforementioned countries, China has less influence in Middle East affairs. For instance, China is even not a member of the so-called Middle East Quartet. However, China is a permanent member of the U.N. Security Council, or UNSC, and maintains good relations with all sides, which gives it some advantages in diplomatic mediation. Moreover, with its increasing stake and clout in the Middle East, China will enhance its responsibilities and involvements.

The would-be new element is the paralleled—or even coordinated—policies by China and the United States. Based on their common interests and strategic needs, China and the United States could reach a strategic understanding that their coordination and cooperation will benefit both nations. The possible cooperative policies could be in the fields of diplomatic dialogues between the opposing sides in the Middle East, the joint investment in some symbolic projects, the joint efforts in making the P5+1 talks productive, as well as other goals.

China's strategic goals

The Middle East holds important but not vital position in China's overall and global strategy. However, in the coming decades, China will attach growing importance to the region. Mainly, China has four strategic goals toward the Middle East as a whole.

First, China strives to maintain peace and stability in the Middle East. Regional peace and stability is an important part of the world's peace and stability. China has a great stake in the Middle East, as it needs the security and safety of energy supplies and transportations. With more than 55 percent of China's imported oil and gas coming from the Middle East and through the Strait of Hormuz, it is in China's strategic interests to maintain peace and stability in the region. China will not fundamentally change its principle of noninterference in internal affairs, but it will adopt a more proactive posture toward the regional affairs in the Middle East. More deeply, China wants to apply its domestic development-driven stability to the outside world. Therefore, China would further advocate and implement the concept of progresses in stability

Second, China wants to promote energy and non-energy cooperation. Admittedly, ensuring energy supply is one of the top priorities of China's strategic goal vis-à-vis the Middle East. China takes its legitimate right to promote energy cooperation with its partners, including Saudi Arabia and Iran. Moreover, China wants to transcend its economic relations over energy and extend into non-energy sectors such as investments in infrastructure and manufacturing industries. In addition to the bilateral cooperation, China is seeking more institutionalized interregional cooperation. There are a number of China-Middle East cooperation mechanisms, such as China-Arab dialogue, China-Gulf Cooperation Council dialogue, and the Silk Road Economic Cooperation Forum, both on the land and the seas.

Third, China wants to enhance cultural interchanges and civilization dialogues with Middle Eastern countries. Cultural exchanges have a special implication in the China-Middle East mechanism. China wants to enhance the cultural basis for the economic and social relations with the Arab world. China believes in coexistence and complementarities among various cultures and civilization. Besides, China has a sizeable population of Muslims and ethnic minorities. Therefore, external peaceful coexistence also benefits internal social harmony. In addition to China-Middle Eastern cultural relations, China also needs to explore more positive and constructive interaction with the United States and the West as a whole. Only by doing so can China achieve win-win solutions in terms of China's relation with the third parties.

Finally, China has neither intention nor capability to directly become involved with the knotty issues of the Middle East. According to China's own calculation, China will not be a full-fledged global power at the end of this century. Besides, the Chinese diplomatic philosophy and theories will continue to guide China to rely on political, diplomatic, and economic means rather than direct and military involvements. However, China will take a more productive part in international efforts to build up mechanisms and institutions to maintain peace and stabilities in the Middle East.

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The Regional Order in the Aftermath of the Arab Upheaval: Implications and Prospects

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By YE Qing July 2015

Since its outbreak in the beginning of 2011, the Arab transformation sweeping almost the whole Middle East has now entered its fourth year with its geopolitical implications beginning to unfold gradually. The Middle East has remained complex and volatile with the regional system evolving with shifting dynamics, demonstrating typical features of a regional order in transition. With the dynamic of change in the Middle East yet to fully unleash, more changes are expected in the years ahead and they will be accompanied by huge uncertainties and instabilities.

Major features of regional order in the Middle East

In retrospect, the principle characteristic of the Middle East is the interactions among various countries and among the political forces of various factions, as well as the two-way effects between the interactions and the regional architecture. The relations among big powers; between big powers and regional powers; among major regional players; and between the government and society constitute the main axis to ignite, reboot, or aggravate regional contradictions. Against this backdrop, we can roughly summarize the main features as the following.

First, the comprehensiveness, uncertainty, and fragility of regional transformation are still increasing. Comprehensiveness refers to the constant emergence of effects of regional transformation on Middle Eastern politics, economy, society, and religions. Uncertainty refers to the new change in the interconnection of Middle East issues. All issues are intertwined with each other so that a change in one will affect all. As uncertainty grows in each of the hotspot issues, it becomes even harder to predict the trends. Fragility is reflected in the swift shift of crises in different states. Since a situation may develop in the positive direction of political settlement, it may also deteriorate into another crisis. Any accident may become the last straw in disrupting the delicate balance.

Second, the fragmentation and disequilibrium of regional architecture continues to develop. Fragmentation means that—in the context of the shrinking U.S. presence in the Middle East and change of U.S. strategy—the balance of power has been undermined and the trend toward multipolarity seems inevitable both at the level of international systems and at the level of regional systems. In particular, in the process of decreasing strength of traditional powers, the competition for regional leadership has become fiercer. In addition, the original political orders have been broken in many Middle Eastern countries while a new order has not yet been established, and the strength of non-state actors has been growing steadily. As some observers rightly point out, the criteria to assess whether the Arab Spring has been successful or not is determined by whether or not an Arab country can complete the rebuilding of an independent political and social space—and whether such a space will appear in any Arab society—rather than by whether or not a dictatorial regime is toppled. Obviously, this is far from being accomplished. Disequilibrium means that the changing situation in the Middle East has turned the balance of Arab forces and non-Arab forces in favor of the latter.

Third, the simultaneous adjustments of both internal and external conditions needed for stability are elusive: Four years after the Arab upheaval, more and more people have come to realize that the Middle East is only in the beginning of a long cycle of historical transformation. Although the transformation has long been expected, there is the potential that this particular transformation will not bring about the necessary changes to the region. People's aspirations for better lives and governance must be matched with hard work on the ground. How to integrate democratic rules with Islamic values becomes a big challenge. The failure of establishing a Western-style democracy has resulted in a series of setbacks in nation-building efforts, which can be seen in Libya, Egypt, and even Tunisia. The real danger still exists that Arab politics may fall back to what it used to be, as was the case in Egypt after then-General Abdel Fattah el-Sisi became the president, reminding people of the Egyptian tradition of military rule. What's more, the transformation of some regional countries has been carried out against the backdrop of drastic development of political and social pluralism and intermingling of various kinds of contradictions. Middle Easterners aspiring for better lives began the Arab transformation, and a stable and functional political order is required in order to fulfill these aspirations. But the Arab Spring failed to establish a new political and regional order after destroying the old order. Although Iran avoided regime change, it is not immune to this trend. Current Iranian President Hassan Rouhani's overwhelming victory in the presidential election

in 2013 reflected people's desire to upgrade living standards. In the foreseeable future, the struggle for political capital will become the focus of all political powers, which will exert a fundamental effect on Middle Eastern countries to carry out more domestic-oriented policies.

Changes in the regional order

The transformation that the Arab world is undergoing is a historic event that will last for decades. After four years in turmoil, the goals and aspirations that inspired the Arab transformation have not yet been fulfilled. The economies keep declining rather than recovering, while people's living standards continue to deteriorate with more unstable and chaotic social disorder. These setbacks and unfulfilled dreams constitute the fundamental basis of current crises in the Middle East and have a duplicate effect on the evolution of a regional system, while the system itself has been undergoing profound transitions in recent years, especially after the Iraq War.

Conflicts and instability are not new to the Middle East and the region has been consumed by wars and confrontation since the end of World War II. But compared with the past, it has become even harder to predict the evolution of the regional system. The Arab transformation seems to have changed the rules of the game. The collapse of old regimes has set free new forces and new factors, thus adding more political and security risks to the region. Changes in the situation in the Middle East are now mainly reflected in following three imbalances.

First, the geopolitical balance has been broken, and it is the fundamental factor contributing to the shifting balance of power in the region. The Arab transformation has accelerated the pace of regional transition. As the transformation of regional systems continues and adjustments to U.S. policy accelerate, the rivalries between major powers in the region have also intensified in a competition to fill the security vacuum. As a result, the traditional rivalry between Sunnis and Shiites has been highlighted and become a self-fulfilling prophecy. The reassertion of Iran's influence in the Middle East after the Iraq War and Afghanistan War further polarized regional politics. The so-called Iran threat—no matter if it is real or perceptual—has become the main theme affecting the security policy of many Sunni Arab states. Many moves that some Arab countries adopted in the course of the transformation can be seen as an effort to contain Iran. But ironically, the more emphasis placed on Iran, the more influence Iran gains.

The Arab transformation has unleashed new dynamics and momentums in the region, creating space for new political forces to emerge. It also contributes to the resurfacing of old political forces in the Middle East, such as the Kurds, adding to the further fragmentation of the region.

Second, the balance between the government and society has become harder to maintain due to the widening gap between the two. The Arab transformation swept old regimes away and smashed the old pattern of governance, but new institutions have not been established. While taking different paths on their political transitions, some post-revolution countries are now coming to a similar point: social and political polarization combined with economic difficulties.

It is the growing social polarization that becomes the biggest threat behind political cleavage and confrontation. Street politics used to be one of the main features defining Arab politics in the past, reflecting the deep-rooted gap between the state and the society. Now, in the absence of a normal political order in the context of the ongoing transformation, states are becoming even weaker. The people are now fully mobilized, but the political institution cannot sustain itself. And the division and rivalry between the classes and ethnic groups further add to the difficulties of national reconciliation. When a nation state can no longer fulfill its role to protect its nationals, people tend to resort to religious sects, tribes, or other forms of governance or authority—usually accompanied with more violence and security threats—as is the case in Libya, Yemen, Syria, and Iraq.

Third, the balance between religion and nation state has almost been broken. We have observed a contradiction in the rise of political Islam. In the beginning of the Arab upheaval, mirroring peoples' expectations, Islamic parties soon rose to the forefront of the various revolutions, including in Egypt with the Muslim Brotherhood and in Tunisia with Ennahda. But with the military coup in Egypt that ousted then President Mohamed Morsi, the version of political Islam that seeks to seize state power through election seems to lose appeal, giving way to the rise of extremists and terrorist organizations, represented by the emergence of the Islamic State of Iraq and al-Sham, or ISIS, in Syria and Iraq in 2014.

The emergence of ISIS is not accidental and should be seen as a reflection of some of the deep-rooted problems in the region. In other words, it is a symptom of the problem, not the cause of it. There is always a tension between Islam and state in the Middle East. The failure to accommodate Islamic values in nation building led to the imbalance between state and religion and helped contribute to the rise of

extremists and terrorists. If put into historical perspective, the emergence of ISIS doesn't signify a new wave of Islamic renaissance, or al-Nahda al-Islamiyya, but instead the opposite: ISIS is the manifestation of stagnation and retrogression in the Arab world. It is more destructive than constructive and offers no real alternative to resolve the stalemate that the Arab world is facing today.

The Middle East as a platform for U.S.-China cooperation

The Arab transformation has introduced new uncertainty and instability into the region. In the context of greater uncertainty, it is a time full of challenges. However, it is also a moment of opportunity. The rapid development in the Middle East calls for greater cooperation among major powers in order to restore both the internal and external pillar of stability in the region.

First, the necessity and urgency of big power cooperation is on the rise. At the international systems level, the evolution of the regional system has much to do with international restructuring. In many aspects, some of the crises are not Middle East crises per se, but rather they are the result of the projection of global challenges reflecting the problems and issues of the international system in transition such as the shifting balance of power between emerging and status quo powers and the competition of different ideas and values. Therefore, it will surely help address and resolve more profound systemic problems in the process of dealing with Middle East issues. At the regional level, some of the Middle East crises are explosive, contagious, and vulnerable in nature. Take Syria and Iraq as an example: These two countries have now become the eye of the storm since all the forces are locked into a stalemate while Syria and Iraq are caught in the middle and lose control of their own destiny. If the situation continues to deteriorate, this situation will easily transform into a pan-regional crisis since the interests of all parties are at stake. So in order to prevent the crises from spilling over, the international society should cooperate with each other and try to find a political solution rather than offsetting each other's efforts.

Second, the room and scope for international cooperation has been widened. After more than three years of turmoil, both regional powers and big powers have come to realize that they all share the common goal of maintaining security and stability. Moreover, regional countries need outside help to go through this difficulty. So far, the international community has not been able to find ways to deliver meaningful economic assistance in light of the ongoing political turmoil.

Past experience has shown that the big powers should take two important lessons. The first lesson is that no single country can achieve security in the Middle East alone. Second, do not try to resolve political and strategic issues—such as nation building and transforming societies—through military means, which can only be used to achieve pure military ends. If these two important lessons can be well taken, it will help set up the basis for a consensus on greater cooperation and coordination between big powers. The Middle East has provided a rare opportunity and unique platform for big powers to cooperate in the future. It is time for big powers to strengthen cooperation in order to deal with Middle East crises. As one old saying goes, you need power to break an old order, while wisdom is much needed if you want to set up a new order.

As the largest developed country and developing country in the world, both the United States and China share much in common in terms of achieving peace and security in the Middle East. The Middle East provides a unique platform for the two great countries to strengthen cooperation in order to address global issues in the framework of the new model of major power relationship.

First, both the United States and China should work out a framework that may reflect the balance of power in the international system. The trend of power is shifting from the West to the East and from North to the South and will continue for the time to come. Balance of power is also projected into the Middle East, where regional countries are increasingly looking to the East, taking emerging countries such as Brazil, Russian, India, China, and South Africa, or the BRICS countries, as a resource that can be relied on moving forward. The increasing appeal of BRICS and more complementary cooperation between BRICS and Middle Eastern countries will render them with a greater role and responsibility in managing the Middle East crises. In this context, a new framework for better coordination between big powers is much needed.

Second, China and the United States should cooperate more closely in order to launch new initiatives in the security field under the auspices of United Nations. The existing regimes, such as P5+1 and the so-called Middle East Quartet, should be reformed to cope with the new situation and to incorporate more players into the scene. In addition to resolving old issues, such as Palestinian issue, new fields should be exploited such as anti-piracy and safeguarding the sea line of communication, among others. The basic principle should be integrating long-term vision with short-term solutions. For the time being, the emphasis should be put on maintaining stability in order to buy more time for a comprehensive settlement in

the future. And in the meantime, more efforts should be exerted on coordinating aid policies between big powers to help regional countries get through the growing pains associated with transformation.

Third, China and United States should develop certain rules and confidence building measures through cooperation in the Middle East. There is an increasing call from both sides to strengthen cooperation in Middle East affairs. The Middle East could become a touchstone for the new model of major power relationship. In dealing with Middle East crises, big powers can advance bilateral relations through multilateral cooperation, accumulate experience in security fields, and enhance mutual understanding of each other's core interests, eventually contributing to a closer partnership in global affairs.

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China's Energy Security Concept and Its Relevance to the Middle East

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Status and trends of China's energy development

In this century, with the continuous and fast economic growth—especially the scale expansion of the heavy and chemical industry—China's energy consumption has experienced a rapid increase. The consumption has increased from 1.5 billion tons of standard coal equivalent, or btce, in 2001 to 3.76 btce in 2013, representing 8 percent of average annual growth rate, equal to 190 million tons of standard coal equivalent per year. The share of China's primary energy consumption in the world has increased continuously, from less than 11 percent at the beginning of the 21st century to 21.9 percent in 2013. At the same time, China's per capita energy consumption has already exceeded the world's average level.

Recently, China's high-speed energy consumption growth trends have begun to change. The growth rate has sharply decreased to 3.9 percent in 2013 and may reduce further this year. There are several reasons why Chinese experts generally believe that China's energy consumption growth will keep relatively slow. One reason is the economic slowdown during the current in-depth economic adjustment. China is recently making an economic transition from the previous near 10 percent high-growth period to a moderate-growth period. For the next few years, around 7 percent annual growth will be the target. After 2020, the third growth rate will drop further, followed by a lower energy consumption growth rate. The other reason is the increase of additional value ratio during the economic growth model adjustment. China's economic growth can no longer rely on investment expansion or capacity growth. Instead, the increase of additional value ratio will become a main driving force. In the aspect of national income distribution, the share of labors' salary income should be increased, enlarging domestic consumption. In the production aspect, industrial structure needs to be adjusted, raising the proportion of tertiary industry in gross domestic product, or GDP, as well as the proportion of high value-added manufacturing industry in secondary industry. Energy-intensive industries producing raw materials—such as steel and cement—are enduring output saturation. Their production volume will decline in

the future. The industrial sector contributes to nearly 70 percent of China's energy consumption. Among which, energy-intensive sectors—including steel, cement, and others—account for 50 percent of this total. Therefore, once energy-intensive industries as a whole come into saturation, the increase of industrial energy consumption will sharply slow down, consequentially reducing the total energy consumption growth rate.

Among primary energy consumption, coal still accounts for about two-thirds of this total, followed by petroleum. Although hydropower, natural gas, nuclear power, and other renewable energies are developing quickly, their increment is still less than coal and petroleum. In this century, China's fixed-asset investment on energy industry has increased year by year. From 2001 to 2012, the accumulative energy fixed-asset investment has reached 16.7 trillion renminbi, or RMB. In recent years, annual energy investment is more than 2 trillion RMB, stimulating domestic energy-production capacity. China's coal production has already exceeded 3.6 billion tons. Natural gas production has also risen substantially to about 117.8 billion cubic meters in 2013—23 billion higher than 2010. Renewable energy develops quickly too. Installed capacity of hydropower, nuclear power, and grid-connected wind power have achieved outputs of 280 million kilowatts, 14.6 million kilowatts, and 75 million kilowatts and have respectively increased by 16 percent, 36 percent, and 116 percent since 2010. Solar photovoltaic, or PV, has also grown by leaps and bounds, with installed capacity of 14.79 million kilowatts in 2013. However, PV's power generation is limited and only accounts for 0.2 percent of China's total power generation capacity. China's primary energy production in 2013, which was 3.39 btce, is about 2.5 times higher than production in 2000. Since 2006, China has become the biggest energy producer in the world.

With the slowdown of energy consumption increasing, China's coal industry is faced with excess capacity. At the same time, the international coal market is also in oversupply, and China's coal imports aggravate its domestic imbalance. As a result, domestic coal price has fallen sharply, and this situation will last for an extended period.

China is more and more dependent on imported oil and gas. Although China continuously increases its oil investment, its scarcity of resources, low level of reserves, complicity of geological conditions, and high costs of exploration and development together hinder the oil production increase. From 104 million tons in 1978 to 208 million tons in 2013, oil production has only experienced annual growth of 2 percent. Most experts estimate that China's domestic oil production will keep around 200 million tons for a long time. While increasing quickly, China's natural gas production still has large growth potential, as its annual added proven reserves were more than 400 billion cubic meters for the past 10 years. For conventional gas, it is predicted that before 2020, the annual added proven reserves will further increase. For unconventional gas, such as shale gas and coal-bed methane, exploration and development will speed up. Therefore, China's domestic natural gas production will maintain its high growth—perhaps achieving more than 250 billion cubic meters by 2020.

Transportation industries develop quickly in China. More than 20 million vehicles are sold each year, and this number is still growing. Automobiles have already become an important transport means for Chinese households. Meanwhile, air and waterway transportation are growing quickly too. It is noteworthy that the consumption of petrochemicals made from petroleum and gas continues to expand. Because of the more and more severe air pollution caused by massive coal combustion, many Chinese cities naturally shift their energy consumption from coal to clean natural gas. That is why the consumption growth rate of petroleum and natural gas is much higher than the domestic production growth rate. China increases its oil and gas imports year by year. In 2013, its petroleum net imports reached 291.4 million tons, with 58.3 percent of external dependence; natural gas net imports reached 53.4 billion cubic meters, with 31.6 percent of external dependence. Import volume of petroleum and natural gas will further increase. Low coal prices in the international market promote China's energy import. In 2013, net coal imports to China were 320 million tons, and the external dependence reached about 8 percent. There are several reasons that urge China to import different types of energy. China cannot meet its domestic demand for petroleum and natural gas and must import them from international markets in order to satisfy its domestic needs. For coal, in contrast, the competitive international price leads to the import, which also leads to further domestic surplus production capacity. At present, about 85 percent of China's total energy consumption comes from domestic primary energy.

China's energy security concept and energy security strategy

China pays considerable attention to energy security issues, viewing energy security as an important component of economic security and national security; attaching sufficient importance to it; and taking all necessary measures to ensure energy security. The government aims to supply sufficient energy for economic and social development and protect people's production activity and daily life from energy shortage or supply interruption. Energy security also includes supply economy and affordability, thus avoiding too high of a cost for energy. Moreover, energy security should evaluate energy investment risk and try to avoid massive losses induced by noneconomic factors. In the energy security system, investment risk aversion is in the secondary hierarchy.

At the recent National Energy Security Meeting, President Xi Jinping expounded upon China's energy security strategy, asking for the promotion of an energy revolution and the enhancement of international cooperation in order to ensure energy security. China has already made progress on the concept of energy security and realized it must take both the demand side and supply side into security consideration—instead of unilateral supply side—to solve the energy security problem. In addition, China should consider the environmental security problem caused by the energy issue, as well as the challenges for traditional energy consumption and supply system caused by energy technology progress.

To solve the energy security problem, China should promote sustainable energy development and adjust its energy development strategy. President Xi has summarized five key points of China's energy development and security strategies.

First, it should promote an energy consumption revolution and restrain irrational consumption. The reduction of too-fast energy consumption is set to be the foundation of energy security. Only with reasonable energy demand can China ensure energy supply. The Chinese government has identified the policy to “impose a cap on total energy consumption” as an important target and will set national and provincial total energy consumption targets. China will insist on “energy-saving priority” and implement this policy throughout the whole process and in all fields of economic and social development. It should attach great importance to energy saving in the further industrialization and urbanization process. It should establish an energy-saving consumption pattern, as well as a thrifty consumption concept in order to build more quickly an energy-saving society. The specific goals will lead

to a significant decline in China's energy demand and toward a decline in energy consumption that will support economic growth and improve energy services. A lower energy consumption growth rate will be a necessary requirement for China to wean itself off overdependence on coal and oil imports, relieving security pressure from more and more energy imports. It will also benefit clean and low-carbon energy development. Since the beginning of the 11th Five-Year Plan—beginning in 2006—China has set the national and provincial valid energy intensity reduction targets, as well as a package of laws, regulations, and economic measures. China's energy consumption intensity decreased by 19.1 percent in five years. During the current 12th Five-Year Plan period, energy intensity will be further reduced by 16 percent.

Second, China should promote an energy supply revolution and build a diversified supply system. China will continue to rely on domestic resources and diversify its energy supply in order to ensure energy security. China will expand domestic oil and gas exploration and development, including unconventional resources such as tight oil and gas, shale oil and gas, coal bed methane, and others. Also, China will explore and develop offshore oil and gas in the Chinese exclusive economic zones in the East China Sea and South China Sea. China is willing to carry on cooperative oil and gas exploration with other nations, and that may ease and defer territorial disputes on related islands and reefs, which may not be solved easily. China has not set specific goals for offshore oil and gas production. The production volume from the South China Sea is not the core issue of China's energy security. Energy technology progress, especially non-fossil energy technology development, helps China reduce the proportion of coal in its energy mix while also increasing its energy supply at the same time. China will keep expanding the share of non-fossil energy and then establish a diversified and complementary energy supply system consisting of coal, oil, natural gas, nuclear power, and various renewable sources. Nowadays, the coal consumption of China is about 3.7 billion tons and will still be the main energy type in the next 10 to 20 years. China is making great efforts to develop clean and efficient coal utilization technologies. Besides efficient power generation and other conventional conversion and utilization technologies, China has made great investment in advanced coal-to-natural gas, coal-to-liquids, and coal-to-olefin industries and successfully established large industrial demonstration projects. The production capacity of coal-to-liquids, coal-to-natural gas, and coal-to-olefin industries will achieve some scale and will be able to supplement and substitute import oil and gas if necessary.

Third, to realize an energy consumption and production revolution, China should promote an energy technology revolution and make technology progress an important driving force for industrial upgrading. The energy technology development should be green and low-carbon oriented, focusing on high-efficiency utilization; clean and low-carbon energy technology; and improving industrial economic competitiveness.

Fourth, it should promote an energy system revolution and establish a competitive market structure and market system. China is going to boost energy price reform, and as a result, the market-pricing scheme will guide capital investment into those energy-saving, green, and low-carbon projects.

Fifth, China should strengthen international cooperation in all dimensions. Although the precondition of energy security is based on domestic supply, it is necessary to enhance international cooperation in the whole production and consumption areas and create a better global market. China will introduce advanced foreign technologies for energy exploitation, conversion, and utilization and further open its domestic energy market. Meanwhile, to contribute to international supply capacity and strengthen global supply and demand balance, China will enlarge overseas energy investment in all the places that are qualified for cooperation. That may increase global energy supply and enlarge China's import availability.

To cooperate with other countries, China has made great efforts in many aspects. As long as the counterpart has wishes and meets win-win cooperation requirements, China will actively launch energy cooperation. Based on practical condition, China values energy cooperation with neighboring countries. Russia and Central Asian countries are abundant in energy resources. Oil and natural gas export are important for their economic development. As their neighbor, China can import large quantities of energy resources from these countries through land transportation, especially by pipeline. That is why they are the most important energy cooperation partners for China, and they are increasingly playing more and more important roles in terms of China's energy imports. The Asia-Pacific countries, such as Southeast Asian countries and Australia, are close to China in terms of geography. If conditions permit, they will certainly be China's energy cooperation partners. The Middle East and Africa, in terms of their position in the international oil and gas market, are deservedly important cooperation regions for China. At the same time, China is willing to cooperate with America as well. Diversification is a major policy of China's international energy cooperation, and

China does not take political institution or ideology into its cooperation criterion. Energy cooperation must be mutually beneficial and in line with both sides' willingness and interests. From foreign cooperation experience and more than 20 years of increasing energy import practice, China has fully realized the great interest of energy resources for the local countries. Only mutually beneficial cooperation can be sustainable. In energy cooperation and investment projects, one must respect the sovereignty and interests of the local region. Moreover, national and regional peace and stability have significance for international energy investment and cooperation. China has deeply experienced huge interference and destruction in both the international energy market and investment efforts—caused by war or turmoil—during its overseas energy cooperation. Adhering to the Five Principles of Peaceful Coexistence, China will never set energy investment and project cooperation as its motivation and condition for interfering in another country's internal affairs. It is believed that only domestic people have the right to choose their political institution and governance pattern. Even if the counterparts have a different political pattern, China will still respect their choices and smoothly launch the energy cooperation efforts. Risk control means understanding and analyzing one's cooperation counterpart. Promote the qualified projects and reject the others. It is wrong to interfere or change others' political institution or governance pattern just for one's own energy interests.

Analysis of Middle East issues from the perspective of energy security

The Middle East's issues are extremely complicated. Conflicts are always breaking out, and, globally, most of wars fought in recent years have taken place there. It is difficult to judge the relationship between the Middle East's regional situation and global energy security. However, we can still deduce some relatively simple phenomena and conclusions regarding the Middle East's conflicts from the perspective of energy security.

First, the global energy market is in general balanced, and, as a whole, there is excessive supply for the foreseeable future. The energy consumption of developed countries has already peaked. In consideration of climate change mitigation and energy security, their oil and gas import demands are declining. Since the beginning of this century, developing countries, including China, have become major contributors to the global consumption increment. Also, their strong demand keeps the international oil and gas price high. High prices bring large profits for

the industry, which pushes increased investments. Because the explored reserve grows faster than it is consumed, the reserve-production ratio of oil and gas has increased, and the total supply capacity keeps improving. Meanwhile, high oil and gas prices stimulate the development of other energy resources, hastens the transition from traditional oil and gas, and promotes the development of renewable energy at a high speed. Oversupply in the oil and gas market may continue if the price remains at a high level.

Second, previous conflicts in the Middle East have resulted in substantial destruction to the Middle East's oil and gas production capacity. In fact, about 2 million or more barrels per day of oil production capacity have been destroyed or are out of the market. At present, the Middle East's regional tension has already been adapted by the sufficient oil and gas supply in the international market. Some analysts believe that the international oil capital intend to control the excessive oil supply capacity in order to keep oil prices higher, thus resulting in the Middle East's conflicts. Therefore, unless there is large-scale and widespread conflict, the loose supply situation in the international oil and gas market will not fundamentally change. The general regional conflicts will affect oil prices but not cause large-scale supply interruption.

Third, Middle Eastern oil producers and exporters are highly dependent on their domestic oil production. No matter who is in charge of the regime, it is crucial for these countries to maintain domestic oil and gas production and hold its global market share. Oil and gas embargos will no longer be effective or applicable political means for Middle Eastern countries.

For the above reasons, it could be concluded that limited conflicts in the Middle East will not be able to substantially threaten global energy security. But it is a huge risk for energy investment in the region.

The Middle East supplies most of China's imported oil, and it is also an important destination for China's overseas energy investment. As a result, its situation attracts China attention. However, China has its own opinions on the causes of the Middle East's conflicts, on how to release and mitigate conflicts, and on how to promote the stability and sustained peace in this region. China does not intend to be a so-called free rider. Actually, China is not willing to be involved in handling the problem with the current style of forcing intervention. It may be a more effective and long-term alternative to just allow Middle Eastern people to settle their problems with their choice of solution.

As a special and valuable endowment, oil and gas resources should have brought great wealth for the local people of the Middle East. By relying on them in a peaceful environment, Middle Eastern countries could recover and develop quickly. Turmoil and war can only induce destruction and losses, threatening international energy supply. China certainly looks forward to a peaceful and stable Middle East with quick economic development and improvements in living standards. Then, the international energy cooperation will have a supportive environment.

The United States has comprehensively intervened in the Middle East's issues, including direct military involvement. The effect has not been good up to now. At present, conflicts in the Middle East still take place frequently, and there seems to be no bright prospect for peace in the foreseeable future. To bring about a peaceful and stable Middle East, previous policies need to be reviewed. Are they reasonable or valid? Regarding the Middle East conflicts, it is sensible for China to stick to "the principle of non-interference in other countries' internal affairs." That also helps to avoid potential disputes between China and the United States in this region. China will continue its energy cooperation with Iran, not only for the sake of China's import diversification but also for Iran's basic economic and social stability, as well as Iranians' necessity of living.

In many places, China and the United States have broad cooperative space for energy security; energy-saving technology and policy; oil and gas, including shale gas, exploitation; clean energy and non-fossil energy development; and overseas joint investment. The two nations should enhance policy dialogue, discussing the causes and potential solutions for the Middle East's issues. Only then can both sides discover more common interests and launch better cooperation. Without a clear understanding of the reason or with dissent regarding the solution, our two parties' concerted action will lack a consensual foundation.

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