

Lucas Agudiez Roitman / Anshan Li / Suolao Wang

Chinese intervention in the Middle East and how it could shift the Balance of Power

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Chinese Intervention in the Middle East and How it could Shift the Balance of Power

Lucas Agudiez Roitman; Anshan Li, PhD. and Suolao Wang, PhD.



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ABSTRACT

In this paper, we analyze how China, as a rising world power, increases its authority for economic sanctions in the Middle East and how that affects the current negotiations between the United States, Arab countries and Israel. We will look into the deals and consensus that have been achieved between western countries and Middle Eastern ones, and what the interests for the United States are in order for it to invest its resources in foreign intervention in that area. At the same time, we will attempt to see how China is starting to intervene and what incentives China has for intervention or lack thereof, and how those incentives differ from the western incentives. Finally, we will look into how important issues such as nuclear terrorism, oil production and price-fixing,

Zionism and Islamic states can be influenced by Chinese-USA competition for natural resources and political support, which problems are being worsened and which ones are being solved by the rise of China as an economic and political partner for Middle Eastern countries.

KEYWORDS

China; Middle East; United States; foreign intervention; economic policy; nuclear terrorism; Zionism; Islamic states; OPEC; democracy; nationalism; natural resources

INTRODUCTION

The Middle East has been a battleground for oil and natural resources for a long time. The United States has been pushing for foreign policies that aim to divide or maintain the “division among the Arab states” in the region.¹ The purpose of this division is likely to discourage the union of the states that possess most of the world reserves of oil.

By always supporting the underdog rebel groups in these states, the United States prevents bigger and stronger groups from conquering and taking over other territories, which could lead to a bigger empire, and the centralization of power into a single system. If this happened, and an actual war took place without foreign

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Nazemroaya, Mahdi Darius. "America's "Divide and Rule" Strategies in the Middle East." Global Research. 2008.

intervention from the United States, it would result in a bigger territory owned by the winner of the war, and that means most of the oil reserves in the earth would be in the hands of a single empire. The United States does not try to get privileged access to oil from these countries, but it tries to “decrease the overall price for oil” in the market, to benefit all capitalist states.² However, since the United States has positioned itself at the top of the capitalist system, it benefits most from oil trade than any other country does.

For example, in the case of the First Gulf War, Iraq was invading Kuwait in order to enforce the quotas set by OPEC³ in order to try to keep prices of oil high. In other words, since Kuwait was selling oil to the world (mostly USA) at low prices, Iraq was also forced to compete in the market and reach a price point for oil that was not so beneficial for those oil-producing states. Because of this, Iraq tried to conquer Kuwait, its smaller neighboring country, and create a bigger empire, controlling both sources of oil.⁴ However, by invading, oil would be centralized in the hands of Saddam Hussein, president of Iraq. The United States thus had great incentives to militarily intervene and protect Kuwait (exporter of cheap oil) from being attacked and annexed into Iraq. The United States initially sent troops to Saudi Arabia since that is the biggest oil trading partner with the United States, and finally ended attacking Iraq with operation Desert Storm. Saudi Arabia was likely to be US’s biggest concern since it is a mass producer of

² Bromley, Simon. "The United States and the control of world oil." *Government and Opposition* 40, no. 2 (2005): 225-255.

³ OPEC: Organization of the Petroleum Exporting Countries

⁴ Chaudhry, Kiren Aziz. "On the way to market: economic liberalization and Iraq's invasion of Kuwait." *Middle East Report* (1991): 14-23.

cheap oil and has good trade relations with the USA. The attack of Kuwait could have been a stepping stone towards attacking Saudi Arabia and enforcing the OPEC trade agreement with them too. This could have had a major impact in the American economy, as previous instances of artificial oil quantity-fixation by a “cartel” have driven the price of oil so high that the United States started pushing policies for decreased use of oil.⁵

OPEC⁶

OPEC is an oil cartel organization that was created to counteract the oligopolistic price-fixing of international petroleum extraction corporations. As it says in its official website, since “the international oil market was dominated by the Seven Sisters multinational companies”, these corporations were the only ones offering the service of oil extraction, they were able to organize to collectively bargain for a profit distribution that benefited these private companies with a very small profit margin left for the nations that owned the natural resources.⁷ In response, OPEC was created to allow for collective bargaining from the side of petroleum-exporting nations to drive up the national profit.⁸ At the same time, most of these nations that are willing to engage in

⁵ Gately, Dermot. "A ten-year retrospective: OPEC and the world oil market." *Journal of Economic Literature* (1984): 1100-1114.

⁶ Organization of the Petroleum Exporting Countries

⁷ "Brief History." OPEC :. Accessed December 8, 2014. http://www.opec.org/opec_web/en/about_us/24.htm.

⁸

Citino, Nathan J. (2002), page 4, *From Arab Nationalism to OPEC: Eisenhower, King Sa'ud, and the Making of U.S.-Saudi Relations*. Bloomington, IN: Indiana University Press. "formed the Organization of Petroleum Export Countries (OPEC) to secure the best price available from the major oil corporations."

price fixing through OPEC have adopted nationalist governments and a strong anti-imperialist internal rhetoric.

AN ISLAMIC STATE

The situation in the Arab world is complicated but can be summarized into economic incentives that make leaders fight for territorial control. They do so by using both religion and nationalism as excuses to gain ideological followers but the ultimate goal of an “Islamic State” is to include most countries into a union that can increase the price of oil.⁹ The reason why such a system is necessary to control the price of oil is that even though most of the oil-producing countries are part of OPEC, this union for price-fixing has not been effective since most countries ignore the petroleum production quotas set by OPEC; as Jeff Colgan argues, “countries cheated on their quotas 96% of the time, largely neutralizing the ability of OPEC to collectively influence prices”.¹⁰

For example, Saudi Arabia, although a member of OPEC, decides to apply OPEC quota restrictions “depending upon the circumstances” and “acting independently from the rest of OPEC” at the time that Iraq invaded Kuwait and other politically important times when some countries tried to increase oil prices above usual.¹¹

⁹ Harding, Luke. "Inside Islamic State's Oil Empire: How Captured Oilfields Fuel Isis Insurgency." The Guardian. Accessed December 8, 2014.

¹⁰ Colgan, Jeff (16 October 2013). "40 years after the oil crisis: Could it happen again?". Washington Post. Retrieved 1 April 2014.

¹¹ Alkhatlan, Khalid, Dermot Gately, and Muhammad Javid. "Analysis of Saudi Arabia's behavior within OPEC and the world oil market." Energy Policy 64 (2014): 209-225.

The centralization of natural resources into a single Islamic state could significantly drive up the price of oil and even completely prevent western powers from accessing the fuel they need for their economies. If an Islamic or Middle Eastern state or union could negotiate the price of oil as a whole without competition and internal fights, they could successfully economically damage the United States in order to shift the balance of power towards underdeveloped countries or rising economies like China.

For example, in an OPEC meeting, the participating countries “called for stable and just commodity prices, an international food and agriculture program, technology transfer from North to South, and the democratization of the economic system”. These demands can be negotiated with a stronger advantage if most of the oil and territory in the Middle East was part of the same state.

The United States’ government understands this issue so it tries to control the situation in the Arab countries to avoid the union into a bigger Islamic state. It does so with the excuse of extremist religious groups and terrorism. But the economic incentive is simply based on the potential for monopolization of oil, which “has always been a major driving force behind foreign interests”.¹²

DEMOCRACY FOR ALL

¹²

Le Billon, Philippe, and Fouad El Khatib. "From free oil to 'freedom oil': Terrorism, war and US geopolitics in the Persian Gulf." *Geopolitics* 9, no. 1 (2004): 109-137.

Democratic nations have been statistically shown to avoid conflict with other democratic nations, following the democratic peace theory.¹³ And, in turn, the nations will favor developed nations more than underdeveloped ones. This is a consequence of the capitalist democratic system, where individual incentives are usually towards working with the most developed economies to individually benefit from them, instead of prioritizing other developing economies to achieve fairness or technology transfer from developed nations to underdeveloped ones.

However, the collective goal can more often be associated with protectionism, nationalism or achieving trade deals with other states in the region. Collective bargaining for natural resources is more easily achieved when territorial power is centralized and the masses cannot be easily influenced by foreign media. However, in a state where pure capitalism is respected, with freedom of media and democratic selection of representatives, developed economies like the United States have the upper hand: they are already richer, which means they have more capital to influence media and more educated people to convince the less-educated citizens of developing countries. In other words, democratic capitalism with free media perpetuates and incentivizes the divergence of rich and poor countries; rich countries will become even richer relative to poor nations as long as there is no technology transfer. The “North [is]

13

Minch, Michael. "Democratic Peace Theory." In *Encyclopedia of Global Justice*, pp. 245-247. Springer Netherlands, 2011.

exporting new products and importing old products. Higher Northern per capita income depends on the quasi rents from the Northern monopoly of new products".¹⁴

CHINA IS NOT A DEMOCRACY

The system that the United States pushes for adoption in other nations is one where the distribution of wealth and resources is unfairly allocated in the already wealthy nations. And that is the reason why it supports the system so strongly.

China, on the other hand, is not a democratic state with free media and free markets, and since it is still a developing country, it is probably a wise decision not to immediately embrace such a system where western countries can easily influence the masses and manipulate the country's decisions on important matters. An article that China is using as propaganda against the Hong Kong demonstrations for democracy states: "Public opinion is like the face of a toddler, constantly changing. Without a steady direction for policymaking, blindly following public opinion means that policy will constantly flip-flop".¹⁵ China provides a more "strategic" approach to governance that does not get directly shaped by public opinion, which is easily manipulated by wealthy western media.

¹⁴ Krugman, Paul. "A model of innovation, technology transfer, and the world distribution of income." *the Journal of political economy* (1979): 253-266.

¹⁵ "Read the Anti-Hong Kong Rant That's Going Viral in China." Foreign Policy Read the AntiHong Kong Rant Thats Going Viral in China Comments. Accessed December 8, 2014.

Because of this different system of governance, China is a big ideological and economic contender to the United States. It is an alternative point of view on the governance and comparative politics debate and is an alternative economy for Arab states to support and work with instead of the United States of America and the rest of the western countries that are part of the same market-driven system.

ISRAEL

There are multiple theories that point towards the idea that the state of Israel gained immense support from the United States because it allows the US to control the situation in the Middle East as a strategic ally in the area. They “tried to use oil to assure the integration of the Jewish state into the economic and political fabric of the Middle East”.¹⁶ The inclusion of Israel in between Arab countries allows for nationalistic and religious leaders in neighboring Arab nations to antagonize Israel, and at the same time allows Israel to antagonize terrorist groups and governments linked to these neighboring nations. In this way, Israel is an extremely useful tool to keep ally troops and a terrorist threat excuse for the United States to be prepared for another attempt from Islamic nations to conquer each other and form a bigger empire, monopolizing oil resources.

¹⁶

Segev, Zohar. "Struggle for cooperation and integration: American Zionists and Arab oil, 1940s." *Middle Eastern Studies* 42, no. 5 (2006): 819-830.

HOW CHINA IS INTERVENING

Since China is a rising world power, it is starting to be a major player in the international business and economic sectors. Because of the size of the Chinese economy and its centralized control, it is tough for other countries to impose economic sanctions on the nation. That is the reason why the United States does not apply more sanctions on the Chinese economy: it would hurt the American economy too much, and USA would lose competitiveness in the international economy. For example, Washington “threats were not only ineffective but also counterproductive” when trying to pressure China to stop its human rights violations.¹⁷

Based on the increased power that China has gained, it is now taking advantage of international conflicts (like the ones created in the Middle East) to receive preferential treatment in performing business with those Arab countries. Iran, for example, is economically sanctioned by the United Nations, so China has to comply. However, the United States imposes more sanctions on top of what the United Nations’ regulations state, so China can compete against the US as a partner for Iran, and gain some competitiveness for its economy at the expense of the United States.

CONCLUSION AND DISCUSSION

¹⁷ Cooper Drury, A., and Yitan Li. "US economic sanction threats against china: Failing to leverage better human rights." Foreign Policy Analysis 2, no. 4 (2006): 307-324.

In conclusion, since China is now an important state actor in the Middle Eastern wars for sovereignty, religion and oil control, it can shift the balance of power. Until now, the United States has been the leader and has positioned itself at the top by legitimate and also arguably unethical means. However, China is now the second biggest economy and keeps rising, so it can provide an alternative for Middle Eastern countries to trade with and to find an ally in the eastern country.

The result is that some Middle Eastern countries such as Iran can now more easily ignore economic sanctions by the United States and other western allies. This can lead to more difficult negotiations and bargaining between the United States and Middle Eastern governments (since the United States cannot simply force their will anymore). If these negotiations are suspended by the Chinese government taking a neutral stance and thus providing trade to these governments, Middle Eastern countries will just distance themselves from the western world and the conflicts among them will persist.

For example, in the case of Iran, if the United States keeps pushing the country towards a stronger partnership with China, Iran will never agree to negotiate its uranium enrichment limitations and could finally end up owning nuclear weapons that can be used by the state, which is highly suspected to have links with terrorist organizations, or it can be stolen by terrorist groups that do not have links with the government but that

have strong influence in the territory of Iran and surrounding areas.¹⁸ In the end, the United States' economic sanctions would have such a weak effect on Iran that the only way to control the state will be through military strikes. Diplomacy will be undermined by Chinese neutrality.

Another possible outcome could be that the United States has to give in to accommodate more to the demands of the Arab countries, and thus reach an agreement where the balance of power is now significantly shifted towards these oil exporting highly-religious nations. These demands can include the increase in the price of oil, the respect for their governance system even if it differs from the western ideals, and their sovereignty in matters of nuclear energy, foreign intervention, human rights issues and anti-Israel stance and rhetoric.

For example, in the case of Iran, the United States could be forced to give in to the demands from the government to allow the uranium enrichment program to continue its course at almost the same pace, which can still lead to risks of nuclear terrorism.

On the other hand, the United States will not remain in a position where it can easily maintain the divisions among the Arab nations without military intervention. And even with military intervention, these states that rebel against the western capitalist system will have a fallback for their economy and trade with China. This can also

¹⁸ Leverett, Flynt, and Hillary Leverett. "How US Policy Unites Iran and China." Consortiumnews. November 1, 2014. Accessed December 8, 2014.

encourage the creation of a centralized Islamic State, governed by Islamic law or, most importantly, one where most Oil resources are controlled by a single entity and are thus a monopoly that can more easily engage in price-fixing strategies.

Although China and the United States both benefit from keeping the Middle Eastern countries separated and divided, to keep the price of oil from increasing, China has a slightly stronger advantage if those countries are more united and nationalistic, since that comes with anti-American and anti-west rhetoric which can benefit China.

Because of this world power competition for the top position, China is supporting Iran in its nuclear technology development, a dangerous threat of nuclear terrorism, which could in the future result in a catastrophe for both the United States and China.

In conclusion, China and the United States will eventually need to come to an agreement to suspend competition and thus control potential threats in the Middle East. Besides these problems, the rise of China is providing more power to Arab states to maintain sovereignty over their natural resources and economy, successfully avoiding tight control by western economies through economic sanctions.

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