
The United States and China in the Persian Gulf: Challenges and Opportunities

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The combination of China's geopolitical ambitions, unquenchable thirst for foreign oil, and eagerness to boost arms sales has raised the worrisome specter that Beijing and Washington might be on a collision course in the Persian Gulf. In this view, as energy security in particular becomes a central component of China's national interests, Beijing will be compelled to increase its activism in the region and driven to challenge American hegemony there. The result could be a direct confrontation between China and the United States.¹

While this scenario highlights a potentially destabilizing dimension of Sino-American relations, it offers an unduly pessimistic vision. To be sure, Chinese and American interests in the Gulf will likely collide on some issues. However, these differences may prove to be manageable and need not result in conflict or a direct Chinese challenge to American preeminence. On the contrary, Washington and Beijing's common interest in regional stability and access to Gulf energy supplies provide an important opportunity for mutual cooperation. In order to avoid rivalry and to enhance the prospects for a productive relationship, the United States should pursue a proactive policy toward China that minimizes the potential for friction while exploiting the opportunities for cooperation in the Gulf.

The purpose of this article is to illuminate the prospects and possibilities for Sino-American cooperation and conflict in this highly sensitive region. It

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examines China's interests and intentions there and the implications its policies will have for both U.S. security policy and Sino-American ties. The conclusion sets forth policy recommendations that are intended to reduce the potential for confrontation and encourage bilateral cooperation in the region.

GEOPOLITICAL AMBITIONS

The potential threat of a Sino-American confrontation is most visible in China's burgeoning geopolitical ambitions. The successful U.S. military campaign in Afghanistan will no doubt reinforce these concerns. Chinese strategists predicted throughout the 1990s that the international system would devolve from an American-centric unipolar world toward multipolarity. As a consequence, the Persian Gulf has risen in prominence in Chinese strategic thinking as a stage for challenging U.S. hegemony. According to their forecasts, as the pre-

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eminence of the United States declines, China—along with other major states—will rise to become coequals.² Numerous Chinese observers have noted that America's unchallenged global power has already shown signs of decay in the Middle East, as manifested in widespread Arab resentment toward American support for Israel, America's unpopular dual containment policy against Iraq and Iran, and the European Union's more assertive role in the region.³ Moreover, China's economic success has augmented its "comprehensive national power,"

which in Chinese strategic thinking encompasses a broad range of economic, political, diplomatic, and military capabilities. Beijing believes that it can slowly maximize these hard-earned assets to exert its influence in the Gulf.

To be sure, the American-led NATO operation in Kosovo forced the Chinese government to reassess the international security environment, and aroused alarm in some quarters that the United States might reverse the trend toward multipolarity. The successful U.S. military campaign in Afghanistan will no doubt reinforce these concerns. Nonetheless, the notion that the process of devolution is well underway remains compelling, and Chinese analysts still concur that multipolarity is an irreversible trend. They differ only on the pace of change.

To counter American hegemony and to pave the way for multipolarity, China has articulated a “new security concept” as an alternative framework for the international order. This concept, which Beijing began promoting as early as 1995 but which dates back to the 1950s,⁴ consists of three core components: (1) mutual respect for territorial integrity and sovereignty, non-aggression, and non-interference; (2) mutually beneficial economic cooperation; and (3) promotion of trust through dialogue and settlement of disputes through peaceful means.⁵ The new concept also reflects growing Chinese recognition that fundamental changes in world affairs will not transpire as quickly as they had hoped. While the new security concept has been intended primarily for regional relations in Asia, the broad scope of this new vision suggests that China may be approaching security issues in global terms to include the Gulf.⁶

China’s geopolitical considerations in the Gulf extend to Russia as well. Far from posing a direct threat to Chinese interests, Russia is emerging as a strategic partner of China, who for its part is interested in using the new relationship to create joint opposition to American preeminence in the region. Indeed, since 1996 Moscow and Beijing have repeatedly pledged to counterbalance U.S. power, with efforts to forge closer ties culminating in a Sino-Russian Friendship Treaty signed in July 2001. The treaty reflected deep-seated mutual concerns over U.S. dominance in the international system.

Still, while it seems that both Russia and China have an incentive to collaborate with each other to undermine American standing in the Gulf, there are nonetheless limits to Sino-Russian cooperation. Given the long history of competition and distrust between the two powers, the strategic ties will remain shallow. Moscow and Beijing eye each other’s ambitions and gains in the region with both suspicion and ambivalence. Both are likely to compete for arms sales, lucrative oil contracts, and greater influence with Iran and Iraq. Indeed, the friendship treaty serves as a convenient mechanism for a wary Russia to manage China’s growing power. The treaty, as much as it articulated joint opposition, acted as an expression of their powerlessness to resist overwhelming American influence in world affairs. Both sides recognize that they do not have tangible power in the Gulf to reverse American inroads. As such, China and Russia are likely to confine their opposition to rhetoric rather than substantive action as each pursues its separate agenda. More importantly, Russian President Vladimir Putin’s post-September 11 decision to adopt a pro-American policy suggests that the priority of partnership and engagement with the United States will take priority over challenging American hegemony—a choice that could create tensions with China in the Gulf and elsewhere.

As Beijing seeks a more active role in the Gulf, how will China translate its ambitions into action? Given the lack of effective regional institutions to govern interstate relations and deep mutual distrust among the Gulf states, China will most likely exercise its hard-nosed realist approach. China’s relative weakness in

influence and in military power compared to its Western competitors will largely dictate Chinese behavior in the contest for influence. China will solicit the goodwill of adversaries and possibly even friends of the United States. China can exploit deep resentments in the Middle East, particularly in Iran and Iraq, toward Washington's policies to gain a political foothold in the region. The Gulf Cooperation Council (GCC), which consists of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates, collectively fears Iranian and Iraqi regional ambitions. As Beijing forges closer ties with Tehran and Baghdad, China could play on such insecurities among the GCC states to maximize its political leverage over them. China will no doubt exert its power in the UN Security Council to influence critical decisions on the fate of the region.

In bilateral terms, China has fostered closer ties with Iran, Iraq, and Saudi Arabia—the Gulf's heavyweights. Beijing regards Iran as an indisputable regional power and an indispensable partner for achieving China's regional goals. For example, both countries share a determination to oppose American hegemony in the Gulf.⁷ Thus, China will look to Iran as a major bulwark against American influence. In July 2000, Iranian president Mohammad Khatami visited China to enhance economic cooperation. As a part of the delegation, Iranian Defense Minister Ali Shamkahnî met with his Chinese counterpart to discuss military issues. Though the content of the talks remain a tightly held secret, it is suspected that arms sales played a role in those discussions.⁸ Meanwhile, since military ties blossomed during the Iran-Iraq war, Beijing's support for Baghdad remains strong. As the sanctions regime against Iraq has slowly eroded, China (along with Russia and France) has patiently chipped away at the UN edifice and may have defied UN sanctions with the transfer of dual-use technology to the pariah state. As the largest producer of oil, Saudi Arabia has also become an increasingly important partner for China in the Persian Gulf. In November 1999, President Jiang Zemin became China's first head of state to visit the kingdom. Jiang and Crown Prince Abdullah issued a joint communiqué promising to raise the level of interaction to strategic cooperation.⁹

Nonetheless, in China's hierarchy of national security interests, challenging American power in the Persian Gulf remains a relatively low priority. Security concerns closer to home already consume most of China's energy and resources. The uncertainties of the Korean Peninsula, anxieties over Japan's future path, and the unresolved question of Taiwan's political status are among the many issues that require constant vigilance. China also recognizes that the U.S. military presence in the Gulf ensures stability. An American withdrawal would almost certainly result in a major regional upheaval and possibly a conflict that would prove much more harmful to Beijing's interests compared to the status quo. China simply cannot afford the resulting strategic vacuum that would result from a U.S. departure. As long as China cannot supplant or replicate America's stabilizing role, Beijing will not attempt to alter the prevailing balance of power.

THE GROWING CENTRALITY OF ENERGY SECURITY

Viewed against the backdrop of American political and military dominance, Beijing's inability to secure its energy supplies in the Persian Gulf has heightened Chinese insecurities and increased prospects for competition between the United States and China. Historically, China's strategic interest in the Gulf has been relatively negligible. During the Cold War, the Middle East was a peripheral arena of ideological confrontation for China.¹⁰ In the 1990s, China's relative indifference dissipated as energy security began to demand strategic attention in Beijing. This shift in attitude resulted from China's continuing economic success, which unleashed an insatiable appetite for energy resources to fuel the nation's growth. Tremendous surges in demand for energy supplies have slowly outstripped China's declining domestic output. In 1993, China

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became a net importer of oil for the first time. By 2000, China imported 1.4 million barrels per day, constituting 30 percent of China's total oil consumption.¹¹ In the late 1990s, the Middle East provided approximately half of these imports, and that share will likely grow.¹² Given China's long-standing insistence on self-reliance, the growing proportion of foreign-supplied oil, particularly from the Persian Gulf, has triggered acute anxieties. Moreover, the volatility of the region has further heightened Chinese fears of unexpected, large-scale, and prolonged disruptions to energy supplies. As a result, energy security in the Gulf has become a central component of China's economic and strategic thinking.

The dim prospects for exploiting alternative sources of energy have exacerbated China's unenviable position, ensuring that the country's dependence on Middle Eastern energy supplies and its attendant insecurities will only grow in the coming years. China's indigenous energy resources are limited: its most productive oil fields in the east are already drying up and daunting technological and political challenges stand in the way of extracting oil reserves from Xinjiang Province.¹³ The promise of oil transported from the heartland of Eurasia to China through continental pipelines also remains elusive due to formidable technical, logistical, financial, and political obstacles.

The potential costs of exploiting the seabed of the South China Sea also outweigh the benefits. Oil exploration in the South China Sea has thus far yielded disappointing results. Furthermore, some major Southeast Asian states, such as Vietnam, the Philippines, Indonesia, and Malaysia, contest Chinese claims over large swaths of the area. As such, without substantial joint agreement among the parties to the territorial dispute, China's exploration of the area could heighten

regional tensions and the potential for conflict. Should China's aggressiveness in pursuing its energy-related interests trigger a backlash, China risks confronting a united front among Southeast Asian nations, a confrontation that may include U.S. involvement. Given these unpalatable choices, the Persian Gulf will remain the most viable energy source in the short- to medium-term. Over the longer term, a more promising area for oil imports is the untapped potential in the Russian Far East. Beijing and Moscow have already entered into feasibility talks on oil pipelines

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from Irkutsk to Beijing worth \$1.7 billion that promise a supply of 400,000 barrels of oil per day. The fate of this pipeline, and others, remains uncertain thus far.

From Beijing's perspective, America's unrivaled influence and substantial military presence in the Middle East represents a double-edged sword for China's energy security. On the one hand, without incurring any costs, China benefits from the stability that U.S. military forces bring to the region. On the other hand, Beijing fears that it could be held hostage to American threats to deny

China's access to oil during confrontations with the United States over other disputes.¹⁴ With the rise of Chinese nationalism, the notion that the supply of oil could be subject to Washington's goodwill chafes Beijing and adds to its insecurity. However, the practicality of an oil embargo is highly questionable. Cutting off oil supplies to a major power would be difficult to justify politically to the international community. In addition, as the current sanctions against Iraq demonstrate, monitoring supply routes that span the Persian Gulf, the Indian Ocean, the South China Sea, and the western Pacific would be a logistical nightmare. The attendant short-term shock to prices might also hurt more oil-dependent allies such as Japan. In short, Chinese concerns regarding America's military dominance in the Gulf are largely psychological; short of a major Sino-American war, there is almost no rationale for the United States to block the flow of oil to China. Nevertheless, for Beijing, energy security in the Persian Gulf demonstrates both the benefits of American power and China's potential vulnerabilities to U.S. global dominance.

Beijing must also engage in a delicate balancing act in its relations with the GCC states, Iraq, and Iran—all of whom are important oil suppliers to China. As mentioned above, Iraq and Iran are locked in an unending rivalry for regional dominance. The GCC states collectively fear the hegemonic ambitions of Iran and Iraq. Within the GCC, divergent threat perceptions often put the Gulf regimes at odds with each other. For example, Saudi Arabia fears Iraq while the United Arab Emirates has its gaze locked firmly on Iran. Managing this complex web of relations

without harming Beijing's oil interests will be an increasingly important and difficult task as its dependence on imports increases. Chinese ties with Iraq and Iran in particular heighten suspicions and alarm among the Gulf states. Coping with these regional relations has proved far more difficult for China than for the United States. All of the GCC states depend on America's security commitments for their survival and have shown little inclination to assert independent policies or to break away from their associations with the United States. So long as Iran and Iraq continue to pose credible threats to their security, they will continue to rely on Washington's military power as a credible deterrent. In contrast, China does not enjoy the level of influence and capabilities that the U.S. does, further complicating its foreign policy.

It is no surprise, then, that energy security has occupied an increasingly central place in Chinese strategic thinking. It has further reinforced China's need to secure its position as a major player in the Gulf. Indeed, while China is a relative latecomer to the Gulf in oil exploitation, it has rapidly internationalized the reach and scope of its national oil enterprises in recent years. After the collapse of oil prices in 1996, China began to penetrate the region as states were forced to open up their markets to foreign competition in oil production. In early 2001, the China Petro-Chemical Corporation (SINOPEC) and the National Iranian Oil Company agreed to operate jointly an oil and gas exploration project in Zavareh-Kanshan. SINOPEC is also involved in upgrading Iran's refinery facilities in Tehran and Tabriz.¹⁵ In 1997, the China National Petroleum Corporation secured a 22-year, \$1.26 billion contract to develop jointly half of Iraq's al-Ahdab oil field after the sanctions are lifted. This dramatic move, along with similar deals in Kazakhstan and Russia only four years after China began to import oil, surprised many observers.¹⁶ Beijing has also sealed successive rounds of UN-approved oil-for-food contracts with Iraq, and is eyeing further cooperation with Gulf countries, particularly Saudi Arabia and Kuwait.

ARMS SALES TO THE GULF

Beijing and Washington remain at odds over China's pattern of arms sales and related technology transfers, particularly in the area of weapons of mass destruction (WMD). Indeed, past disputes over nonproliferation have threatened to rupture China-U.S. relations. Beijing has delivered arms to prominent rogue states (Iran and Iraq) and moderate Gulf states (Saudi Arabia and Kuwait). The capabilities that China has transferred include a wide range of conventional arms, technologies related to the development and production of nuclear, biological, and chemical (NBC) weapons, as well as technologies for producing ballistic/cruise missiles.

From 1993 to 2000, China delivered \$2 billion worth of armaments to the region, including artillery pieces, a guided-missile boat, surface-to-air missiles, and anti-ship missiles.¹⁷ Even more worrying, over the past two decades China has

exported NBC technologies and related delivery systems. In this realm of unconventional military capabilities, China has delivered to Iran: (1) entire factories and supplies of dual-use items that can produce chemical and biological weapons; (2) nuclear technology and know-how for civilian nuclear programs; and (3) assistance in the indigenous production of long-range, ballistic missiles.¹⁸ Given the genuine threat that rogue nations pose to U.S. forces deployed in the Persian Gulf, such proliferation has been a core source of contention in Sino-American relations. For example, Tehran has purchased anti-ship missiles from China that can threaten shipping and U.S. naval forces passing through the Strait of Hormuz. Despite a series of promises not to violate arms control agreements, China has repeatedly broken its pledges to the United States.¹⁹

Why would China risk undermining an arguably far more critical bilateral relationship with a superpower for what appears to be short-term gains? The fact is that potential financial benefits motivate China to pursue a relatively lax arms sales policy. The Middle East, one of the most militarized regions in the world, has been and remains a lucrative arms market for China. Regional rivalries between the GCC states, Iran, and Iraq—as well as intra-GCC competition—have spurred demand. As China has been willing to proliferate particularly sensitive military technologies and weapons of mass destruction, those denied hardware from the West have turned to Beijing. This pattern of interaction has enabled Beijing to capture a “niche” market that other governments have been unwilling to penetrate. But it is not just the lure of profit that drives these sales: they also serve China’s strategic interests. Anticipating the demise of America’s dual containment policy against Iran and Iraq, Beijing has relied on proliferation in the hopes of earning preferential terms on oil concessions or discouraging attempts to deny access to oil. Conversely, some Gulf regimes have also exploited the promise of hard currency to secure political compromises from China. For example, Kuwait, eager to curry favorable Chinese votes in the Security Council to keep Iraq contained, has agreed to purchase arms from China.

Most important, arms sales are tied directly to broader developments in Sino-American relations. In zero-sum game terms, arms sales complement Beijing’s geopolitical maneuvers to undermine American standing in the Middle East. China’s arms sales to rogue states not only help cement ties with major oil producers, but also represent powerful symbolic gestures of defiance against U.S. dominance. Similarly, the Gulf states have turned to China to signal their displeasure at certain U.S. policies or to obtain support when it is not forthcoming from the United States. For example, Saudi Arabia purchased Chinese ballistic missiles partially as a response to Washington’s refusal to sell missiles or fighter aircraft to the kingdom. Beijing has also relied on the threat of proliferation as a counterweight to U.S. policies that threaten China’s interests. Most recently, American plans to sell a robust arms package to Taiwan and the potential delivery of theater missile defense systems to

the island in the future have compelled China to invoke its right to transfer weapons technologies to unidentified third parties.

While Chinese arms sales to the Gulf have served both as an end (by creating profits) and a means (by enhancing its status while undermining American influence), the proliferation of weaponry has thus far demonstrated limited utility. China has made only modest inroads, which peaked during the Iran-Iraq War. Despite the financial appeal of cheap Chinese weaponry, they do not provide the level of sophistication that many Gulf states have come to expect. China is not and has never been a serious competitor against Western suppliers in profitable big-ticket conventional items such as modern fighter aircraft. Russia has also emerged as a major competitor with cheap but significantly more sophisticated equipment. Since the late 1980s, the transfer of Chinese conventional arms has steadily declined. From 1987 to 1997, arms sales to the Middle East collapsed from \$1.5 billion to \$400 million in 1997 constant prices.²⁰ The value of arms deliveries in current U.S. dollars to the Middle East declined from \$1.2 billion during the 1993-1996 period to \$800 million during the 1997 to 2000 period.²¹ During these two periods, military sales to Iran dropped from \$900 million to \$400 million.²² As a result, the revenues generated from arms sales worldwide now account for a negligible percentage of China's overall export earnings.²³ While much of the profits are invested back into China's military modernization accounts, the persistent rise in the defense budget in the past few years has reduced the relative importance of the benefits of Chinese arms sales.

China should also be concerned that its arms sales policy could backfire, undermining its broader strategic interests in the region. For one thing, allowing WMD-related weapons to fall into the hands of rogue states with undisguised ambitions for regional dominance is highly destabilizing, to say the least. If Tehran were to acquire NBC capabilities, it would be able to coerce its neighbors or directly threaten American forward-deployed forces. The potential for such a nightmare scenario to become reality has a direct impact upon China's energy security concerns. China's arms transfers also risk provoking the United States, who could impose sanctions, further straining bilateral relations to the detriment of Chinese commercial interests. The threat of sanctions is credible, because Washington has often relied on this blunt instrument to deter or punish proliferation behavior. Finally, Chinese sales of advanced conventional weaponry to Iraq and Iran undermine its image among the moderate Arab regimes (such as Saudi Arabia and Kuwait), which are crucial suppliers of oil for China. Hence, arms sales represent a double-edged sword for Beijing.

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It remains somewhat unclear what role arms sales will play in China's overall strategy in the future. Despite the unwelcome trend toward selling unconventional weaponry during the past decade, there are some hopeful signs that China may be reversing its course. This apparent policy reversal may be linked to its recognition that arms sales hurt China's energy security interests and international image. In fact, recent actions point to this understanding. In 1997 and 1998, China pledged not to proliferate nuclear and missile technologies to Iran, and agreed to apply export restrictions on missile technologies in November 2000.²⁴ At the same time, however, there remains some compelling evidence of Chinese non-compliance. In July 2001, Washington formally issued a protest to Beijing on the continued proliferation of missile technologies to Pakistan and Iran.²⁵

IMPLICATIONS FOR U.S. POLICY

These three main drivers of Chinese policy in the Gulf—geopolitics, energy security, and arms sales—reflect disparate agendas that often clash with one another. The conflict of interests between arms sales and energy security is the most prominent example. As noted above, the potential instability that WMD sales could unleash would prove harmful to China's energy security, and rising tensions in Sino-American relations or American economic retaliation for such sales would hurt China's strategic and economic interests.

Because of these conflicting interests, Beijing must carefully weigh the trade-offs of any policy and organize them accordingly. How might China prioritize its policy agenda? The financial and political benefits of arms sales have been ambiguous at best. While fiery rhetoric often accompanies discussions of multipolarity, China does not yet possess the capacity to challenge American interests worldwide. It would appear, then, that energy security offers the most tangible and immediate benefits to China. China's comprehensive power depends largely on its economic vitality. Moreover, with the decline

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of ideology, economic success has become the only viable tool for maintaining the legitimacy of the Chinese Communist Party, as well as the stability of domestic political and social structures. Consequently, the energy resources that fuel China's economy will ultimately exert greater influence over China's Gulf policy.

What are the U.S. policy implications of China's obsession with energy security? The preceding assessment of Chinese interests suggests that China's threat to American interests will be low to moderate in the next 10 to 15 years. While China

is wary of America's potential capability to exercise a military veto over Chinese access to energy resources, there is significant overlap of interests between Beijing and Washington. Energy security is vital to China, the United States (in terms of global price stability), and America's allies in Europe and the Asia-Pacific. China recognizes that the United States has and will continue to play a stabilizing political and military role in the region. Accordingly, China will likely continue to support some U.S. policies, such as preventing the rise of a hegemon. In the event of a second Gulf war, China would be unlikely either to endorse openly any coalition action or actively resist one in the UN Security Council (a position it took during the 1991 Gulf War). Beijing's energy security stakes are sufficiently high that China would oppose the forcible occupation of vast swaths of territory in the Arabian Peninsula by either Iraq or Iran. It is doubtful, however, that Chinese opposition would go beyond rhetoric to include military participation in or support for a U.S.-led coalition operation.

There are those in the United States who worry that China might be able to intervene militarily in the Gulf in the future.²⁶ How plausible is such a scenario? China has no doubt embarked on an aggressive naval modernization program that could significantly improve its ability to project power beyond its shores. However, several geopolitical and military considerations would severely constrain China's military options. First, there are tremendous opportunity costs associated with an ambitious venture into the Persian Gulf that would amount to a strategic overreach. Over the next 10 to 15 years, China must contend with many other critical security concerns that are likely to occupy its attention. The volatility of cross-strait relations, the dangers of Korean unification, the uncertain future path of Japan, and the rise of India on China's southern flank are just a few of the major issues that will continue to dominate Chinese military strategy and thinking. China is not likely to expend military resources for the Gulf at the expense of the above exigencies. An expeditionary force is simply incompatible with China's narrower security interests, particularly concerning the unresolved Taiwan question.

Second, China does not have the military capability to impose its will in the Gulf. Most of China's more modern surface combatants and submarines are based in the East Sea Fleet for a Taiwan Strait contingency. The ships of the South Sea Fleet only have a limited capacity to patrol the South China Sea. Moreover, China possesses few modern ships and naval aircraft that can perform the necessary tasks of a blue-water navy. Ultimately, China will need to develop and deploy several aircraft carrier groups to project meaningful naval power in the Persian Gulf. Thus far, Beijing has not embarked on such an ambitious modernization plan. Even if China pursues such an option in the next decade, most of the carriers would likely be dedicated to a cross-strait contingency if the Taiwan question remains unresolved. In other words, Beijing recognizes that there is little that it could do to oppose U.S. military preponderance in the Gulf, a fact which further undercuts the rationale for developing force-projection capabilities for the region.

There are several "wild card" scenarios that could alter China's calculus. First, the analysis above suggests that America's political and military position in the Gulf is a major determinant of how China will define its long-term role in the Gulf. Should Washington falter, the strategic vacuum in the wake of a U.S. withdrawal could bring about tremendous instability that would harm China economic interests. In such a scenario, Beijing would then be confronted with a particularly acute quandary if it did not possess the capabilities to assert or defend its interests in the Gulf. Second, U.S. relations with Iran and Iraq over the next decade could fundamentally reshape the political map for China. Should a U.S.-Iranian rapprochement come to fruition, China's ability to pit Tehran against Washington would diminish significantly. Third, internal changes in Iraq, Iran, and the GCC states could have major policy consequences for Beijing. The triumph of reformers in Iran or the rise of a moderate regime in Iraq could limit China's ability to maneuver against the United States.

All three of these concerns are reflected in Chinese actions following the launch of the war against terrorism after the September 11 terrorist attacks in the United States. China's support for the military operation, a decision that would have been unthinkable given Beijing's vehement opposition to American interventions abroad, reflects a fundamental realignment of strategic priorities. As a victim of previous terrorists attacks from Muslim separatist movements in Xinjiang, China has a stake in supporting the United States. Indeed, America's ongoing global war on terrorism has eased the burden on China to hunt down terrorists who have reportedly received training from Al-Qaeda. Moreover, a successful operation that brings stability would allow Beijing to enjoy continued access to energy supplies.

There are, however, limits to China's acquiescence. China hopes to see the U.S. war against terrorism contained in Afghanistan, and would likely balk at any expansion of the war to Iraq or to countries in its backyard such as Indonesia and the Philippines. In strictly geopolitical terms, the collapse of Saddam Hussein's regime would be a major blow to China's quest for regional influence. As such, the potential for the United States to "settle old scores" and to alter the balance of power in the Gulf no doubt worries the Chinese. For these reasons, the level of Chinese collaboration in this campaign is likely to be limited. Nevertheless, China's conspicuous silence during the military campaign in Afghanistan underscores the fundamental compatibility of interests between the two powers, particularly in the area of energy security.

CONCLUSIONS AND RECOMMENDATIONS

In terms of concrete policy options, the United States needs an active policy to maximize cooperation while containing any challenges which might arise. The following are several recommendations:

1. Hedge against China's challenges in the Gulf. Washington should explore opportunities for minimizing bilateral tensions and objectionable Chinese actions while promoting cooperation where the United States and China have shared interests. Although Chinese arms sales behavior has improved, it is still the most worrisome component of Beijing's strategy. Recognizing that it will be extremely difficult to obtain a complete halt to Chinese arms sales, the United States should be prepared to wield a big stick to deter those Chinese nonproliferation activities that pose a real threat to regional and U.S. national security. In particular, the United States should respond vigorously to the transfer of WMD technology that would improve the ability of Iran or Iraq to attack the American homeland with long-range ballistic missiles. The United States should warn China that such transfers would compel it to enhance the capacity of America's missile defense systems currently under development. Given that an expanded capability would further blunt China's small nuclear deterrent, such a cautionary counsel would likely resonate powerfully with Beijing. Underscoring the reality that it is within China's power to influence the size and shape of U.S. missile defense would in fact prove beneficial

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because it would heighten mutual awareness of the inter-linkages between Chinese and American national security interests and would demonstrate that both sides share a stake in easing each other's anxieties. This line of reasoning applies to other issues relating to the Gulf as well. At the same time, Washington should tacitly accept that China has an equal right to deliver arms that are not destabilizing to the military balance in the Middle East. Differentiating among Chinese arms sales in this manner may in fact improve U.S. credibility in trying to dissuade truly destabilizing Chinese transfers.

2. Promote regional energy security cooperation. Washington should also undertake a series of initiatives with an eye toward the longer-term future. The United States has a promising role in dampening both the pressures of Chinese oil dependence and the associated incentives for Beijing to exert its influence in the Gulf. As noted above, the Russian far east contains tremendous energy potential for China. Washington should encourage multilateral efforts—including those by Japan, South Korea, China, and Russia—to explore, exploit, and share the resources in Russia as an alternative to the Gulf. Some have floated the idea of regional strategic oil reserves shared among the powers in Northeast Asia. Such initiatives would not only serve the economic interests of all parties involved, but

would also function as indirect confidence-building measures that have hitherto been absent. This lack of regional cooperation on energy security points to the need for regular high-level dialogue among the powers of Northeast Asia.

3. Pursue new dialogue on global security issues. More broadly, senior U.S. and Chinese government officials should meet regularly to discuss the Persian Gulf as part of a broader, sustained, and more substantive bilateral dialogue on global security issues. Such a dialogue, in fact, may go a long way toward harmonizing American and Chinese views on the role that U.S. military power plays in ensuring an uninterrupted flow of oil supplies in the Gulf, an important common interest. In parallel with these policy-level discussions, moreover, the U.S. and Chinese militaries should also begin a dialogue on peacetime military cooperation in the region. For example, Chinese military deployments to “show the flag” would signal that China, along with the United States and other Western countries, is resolved to protect Gulf oil supplies. There may be some practical steps the U.S. could take to facilitate these activities.

In sum, China has a clear set of vital national security interests in the Persian Gulf that will propel it toward heightened activism in the region. Some of these interests will directly conflict with American policies. Given that Beijing's efforts to advance its interests are likely to intensify in the coming years, the United States needs active diplomacy to manage increased Chinese involvement. Washington should stake out an unequivocal position against WMD and other threats to American interests. At the same time, the United States should seek out opportunities for dialogue and cooperation to avert the much-feared collision between the two powers. ■

NOTES

- 1 According to Kent Calder, a leading expert on Asian energy security, “as Chinese imports steadily rise, defending the fragile sea-lanes to the far-off Persian Gulf becomes a new security imperative for (China's) navy.” See Kent E. Calder, *Asia's Deadly Triangle: How Arms, Energy and Growth Threaten to Destabilize Asia-Pacific*, (London: Nicolas Brealey Publishing, 1997) and Thomas M. Kane and Lawrence W. Serewicz, “China's Hunger: The Consequences of a Rising Demand for Food and Energy,” *Parameters*, Autumn 2001.
- 2 Michael Pillsbury, *China Debates the Future Security Environment* (Washington, D.C.: National Defense University Press, 2000), 3-61.
- 3 Huai Chengbo, “Where Has U.S. Diplomacy in the Middle East Gone Wrong?” *Liaowang (International Commentary)*, February 28, 1998, as cited in FBIS, February 28, 1998.
- 4 Bates Gill, *Contrasting Visions: United States, China and World Order*, remarks presented before the U.S.-China Security Review Commission, August 2, 2001, 9.
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