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China weighs 'right side of history' in Gulf

By M K Bhadrakumar 1/17/2012

Rebuff the United States' entreaties regarding sanctions against Iran, then nonchalantly cross the Sunni-Shi'ite divide in the Persian Gulf while sidestepping the Arab Spring altogether and vaguely greeting Islamism, and all this as solo acts - Chinese diplomacy is on a roll in the Middle East.

Premier Wen Jiabao's current six-day visit to Saudi Arabia, the United Arab Emirates (UAE) and Qatar is a display of masterly diplomacy. China is probably the only big power today among the permanent members of the United Nations Security Council that can claim a strong partnership with Syria and Iran on the one hand and Saudi Arabia and Qatar on the other.

China is managing this political and diplomatic feat with the least wastage of resources and eschewing any flamboyant acts or rhetoric.

Practical and ideological

Yet China is incredibly active in the region and is purposively expanding its presence with the eye on the distant future.

Against the "grim political and economic backdrop of the international landscape" today - with the United States in decline and Europe in crisis - China has a particularly useful window of opportunity to present itself as the ideal partner for the Middle East in the "common task of warding off the negative impact of the global economic malaise" so that the two sides can take

"full advantage of their respective strengths and jointly strive for common development" - as Xinhua news agency described the "great significance" of Wen's regional tour.

The facts speak for themselves. China bought a combined 1.15 million barrels per day from the three Sunni-majority countries on Wen's current itinerary. In the first 11 months of 2011, Saudi supplies to China stood at 45.5 million tonnes of crude, showing an increase of about 13% over the corresponding period in 2010.

Qatar is a major supplier of liquefied natural gas (LNG) to China, and in the first 11-month period in 2011 it shipped 1.8 million tonnes, an increase of 76%. Trade with the UAE exceeds \$36 billion and the sheikhdom is emerging as a major trans-shipment point for Chinese exports to Africa and Europe.

Chinese investments in Arab countries amount to \$15 billion and the economic relationship is diversifying even as China has begun robustly pushing its project exports. In turn, the Persian Gulf is registering the highest growth as investor in China.

But China is also heavily buying oil from Iran. Around 22% of its total imports are of Iranian oil. Trade with Iran touched \$30 billion in 2010 and is expected to increase to \$50 billion by 2015. China now accounts for 10% of Iran's total imports and is the country's main trading partner.

The mutually agreed target for China's trade with Arab countries by 2015 is \$200 billion. By the end of 2011, however, it had already reached \$190 billion.

Wen witnessed in Saudi Arabia the signing of a contract between China Petrochemical Corporation (Sinopec) and Saudi Aramco to build an \$8.5 billion refinery with 400,000 barrel-aday capacity in Yanbu on the Red Sea coast by 2014, with the two sides holding 35.5%-62.5% stakes respectively. A memorandum of understanding was also signed between the Saudi petrochemical giant SABIC and Sinopec to build a petrochemical plant in Tianjin.

The two countries also signed a nuclear cooperation agreement during Wen's visit. Saudi Arabia plans to build 16 nuclear power reactors by 2030 and China has ambitions to emerge as an exporter of nuclear power plants.

Nonetheless, China is not only sticking to its strong ties with Iran but in a string of statements last week Beijing asserted the high importance it attaches to the Sino-Iranian relationship. It rebuffed demands by the United States to curb Iran's oil revenues and rejected out of hand the latest US sanctions against Iran as overstepping.

Washington taunted Beijing on Thursday by slamming sanctions on Chinese firm Zhuhai Zhenrong Corp for allegedly selling refined petroleum products to Iran. But China voiced "strong dissatisfaction and firm opposition" and expressed its intent to carry on "normal cooperation with Iran in energy, the economy and trade".

A factor of stability

Evidently, Washington's move was symbolic and done in haste and some despair - Zhuhai

Zhenrong doesn't have any assets in the US - while aimed at highlighting on the eve of Wen's arrival in Riyadh the strong flavor of the Beijing's relationship with Tehran, which is a rival for regional influence with Riyadh.

The point is, the Saudis were supposedly working at Washington's behest to strengthen ties with China and wean Beijing away from Tehran's embrace, but Riyadh and Beijing increasingly struck up a "stand-alone" agenda of their own, which can give space for either side's relationship with Iran.

The proposed Yanbu refinery will be in Saudi Arabia's Shi'ite-dominated eastern province. Saudi Arabia is greatly worried about the cascading unrest in the eastern provinces (which it fears Tehran could be fuelling) and yet China is investing in a big joint venture there.

The tantalizing fact is that the Saudis invited China to come in despite its strong ties with Iran. Obviously, the Saudis differentiate the Chinese already as a factor of stability in the region.

Conceivably, China could even play a role in a future scenario in the Saudi-Iranian rivalry. At any rate, throughout his stay in Saudi Arabia, Wen harped on the imperative of regional stability. This must come as music to Saudi ears.

Interestingly, in a commentary on Sunday devoted to Wen's tour of the Persian Gulf, the government-owned China Daily said:

Unlike Western countries, which tend to impose their own values and political systems on others, China interacts with the Arab world on the principle of equality, equity, mutual respect and mutual benefit ... The US, more often than not, tilts toward Israel in its conflict with the Palestinians, infuriating many in the Arab world. In contrast, China has always supported the rightful demands of the Palestinians.

China's stance has been increasingly welcomed in the Arab world and many Arab states have chosen to "Look East" for cooperation and support to deal with regional and world issues ... With the region undergoing profound changes since the Arab Spring began more than a year ago, regional stability will figure high in Wen's talks.

A 'green' future

Indeed, Wen told King Abdullah that China respects Saudi Arabia's political system, development mode and its culture and traditions. In response, King Abdullah proposed the setting up of a high-level committee to supervise cooperation between the two countries in the political, economic, cultural and security fields. King Abdullah said meaningfully, "It is the objective of Saudi Arabia's foreign policy to maintain regional peace and stability."

The king added: "Saudi Arabia and China enjoy a high level of mutual trust and share similar views on many issues. The Saudi side wishes to step up consultation and coordination with China."

In sum, Wen's tour underscores that China considers itself a "stakeholder" in the Persian Gulf.

What cannot escape attention is also that China is coming to terms with the ascendancy of political Islam in the Middle East. A commentary in the People's Daily last week concluded:

It [the Arab Spring] has changed the main color of the Arab political situation and formed a splendid "green" scene which worries or even scares the West. In fact, that is not a "backward" [retrogressive development] in the Arab's modernization and secularization course, but a retraction from the long-term excessive secularization and secularization of the regimes overthrown or a return to the traditional culture. It is also the common aspiration of the people ... Of course, the world should have a wider and more comprehensive mind to give best wishes to these countries. After all, it is the Arab people's own choice.

The inclusion of Qatar in Wen's tour itinerary brings out an intriguing salient that reveals the subtleties in the Chinese thinking. Admittedly, Qatar is China's biggest source of LNG. But Qatar played a big role in the regime change in Libya and is allegedly bent on overthrowing the regime of President Bashar al-Assad in Syria.

China opposes the Western intervention in Libya and Syria. Yet, despite the Russia-China coordination in the United Nations Security Council over Libya and Syria, Beijing is hoping for an expansion of the energy partnership with Qatar.

This stands in sharp contrast with Russia's ties with Qatar, which are in tatters today - ever since the Russian ambassador was manhandled a few weeks ago at Doha airport by the local security in what appeared to be a deliberate act of provocation or slight to Moscow. In sum, China is hedging. It hopes to be on the "right side of history" in the Persian Gulf.

Qatar would feel pleased by a People's Daily commentary on Saturday, which gently mocked the recent visit of the Russian aircraft carrier *Admiral Kuznetsov* to the Syrian port of Tartus.

The commentary debunked the prevailing impression regarding Russian support to Syria and insisted that, on the contrary, Russia acts in any given situation not out of friendly sentiments to another country but solely to protect its own strategic interests; and, its current "diplomatic posturing" over Syria essentially aims at "warning various political forces not to harm Russia's interests".

The commentary went on to visualize that the *Admiral Kuznetsov* might have gained practical experience when in future Russia might need to evacuate its nationals in Syria and "protect its assets". In sum, the commentary (which appeared on the eve of Wen's tour) seemed to imply that any Russian-Chinese coordination over Syria is a limited one and both countries are independently pursuing their own interests.