THE BROOKINGS INSTITUTION

BROOKINGS CAFETERIA PODCAST

GLOBAL CHINA IN THE MIDDLE EAST

Washington, D.C.

Tuesday, July 28, 2020

PARTICIPANTS:

Host:

LINDSEY FORD
David M. Rubenstein Fellow, Foreign Policy,
Center for East Asia Policy Studies
The Brookings Institution

Guests:

BRUCE RIEDEL
Senior Fellow, Foreign Policy, Center for 21st Century Security and Intelligence, Center for Middle East Policy
Director, The Intelligence Project
The Brookings Institution

NATAN SACHS
Director, Center for Middle East Policy
Fellow, Foreign Policy
The Brookings Institution

Closing Remarks:

FRED DEWS
Managing Editor, Podcasts and Digital Projects
The Brookings Institution

* * * * *

P R O C E E D I N G S

FORD: Hi, I'm Lindsey Ford, and you are listening to the Brookings Cafeteria, a podcast about ideas and the experts who have them. I am a David Rubenstein Fellow, in the Foreign Policy Program, here at Brookings, and I am back today for another special Global China episode of the Cafeteria Podcast. I am joined today by my colleagues, Natan Sachs and Bruce Riedel, to discuss papers that they have written exploring China's ties in the Middle East.

Natan is currently the Director of Brookings Center for Middle East Policy, and Bruce is a Senior Fellow in the Center for Middle East Policy, as well as the Director of Brookings Intelligence Project.

So, Bruce and Natan, thank you so much for joining me today.

SACHS: Thank you, Lindsey.

RIEDEL: It's a pleasure, Lindsey.

FORD: The Global China papers being published this month look at China's regional influence in strategy, and you two have written two great papers about China's ties in the Middle East. And I'm really glad we were able to put both of you together for today's conversation because your papers tackle China's relationship with two really key U.S. partners in the Middle East. And that's Israel and Saudi Arabia.

They are probably two of America's closest partners. Some people even describe them as allies, though, those of us who work on Asia love to point out that actually there are no treaty allies of the United States in the Middle East, but two of our closest partners there.

And, you know, up until probably a decade, 15 years ago, I think their ties to China were much more narrow and limited, but that's definitely been changing a lot in the last decade, largely, due to growing economic ties.

I think China is now Israel's second largest trading partner. And, Natan, you can expand on this, but I believe there has been some talk of maybe a trade deal on the horizon potentially.

And, Bruce, your paper points out that Beijing is now Saudi Arabia's biggest trading partner largely driven by the energy cooperation between the two countries.

So, my opening question to the two of you is: When you look at China's growing economic past and presence in the Middle East, how much does it matter? How much do you think U.S. policymakers should be concerned about this?

Bruce, I want to start with you because you say in your paper, "China-Saudi ties are all about the oil and it's rooted into any kind of strategic calculus." So let me come to you first.

SIEDEL: Sure. The interesting thing about the China-Saudi relationship is it started with a strategic matter, which was the Saudis badly wanted to buy medium-range ballistic missiles during the Iran-Iraq war, and nobody would sell them to them except the Chinese.

That broke the ice. China and Saudi before then had no diplomatic relations at all. Saudi Arabia was a firm supporter of the nationalist on Taiwan, a real true 1960s Cold War era country. That all changed when the ballistic missile deal was done.

Ironically, the ballistic missile deal strategically hasn't worked. It hasn't deterred anybody. The Houthis, the Iranians, have both fired missiles at Saudi Arabia's capital city in the last year, seemingly, oblivious to the existence of these missiles.

But what has developed is a very close trade and economic partnership, all centered around oil and energy. King Abdullah, when he ascended to the throne, made his first trip abroad to East Asia, stopping in China.

Crown Prince Mohammed Bin Salman made another trip to China last year. China has become a must-go stop for Saudi monarchs because of the importance of the export market for

the Saudi economy.

FORD: Thanks, Bruce. And I want to come back to the story that you have in your paper about the missile cooperation back in the eighties.

But, Natan, let me come to you for a second to weigh in on the Israel relationship.

SACHS: Sure. Thank you, Lindsey. And, thank you, Bruce.

The Chinese relationship is very important from the Israeli perspective but it's an odd one. As Bruce points out, for China this is, first and foremost, about energy. And Saudi Arabia, and Iran, and other countries are the major ones there.

Israel now has some energy, but it's not a major player; it's really not for China. And, yet, for Israel the Chinese trading partner potential there is huge, first of all, because of China's size, and to a certain degree because of complementarity.

It's a bit odd between countries of such different sizes, but Israel does not have a huge labor force. It does not produce manufactured goods like China does. It does offer other things the Chinese economy can use. And so there is already a lot of trade between the two countries, as you noted.

I will note that Europe is usually counted disaggregated and that's—and why China rises in the tables. When you count Europe together, Europe is much bigger. And that's very important from a geopolitical standpoint because Europe cares about different things than China does.

For Israel, though, the triangle, the U.S.-China-Israel triangle, is a huge one, and it's been a very rocky one in the past. No small part of the trade between the two countries is military, or military-related. And in recent years, it's technology and infrastructure-related, which can have security aspects. And those are things which the Americans care about a lot, and have not been

shy in the past to intervene in.

And so, for Israel, China is this huge opportunity, but also a huge risky opportunity, one that touches on a fundamental issue of national security in Israel, which is the alliance with the United States.

And I'll just point out, as a Middle East hand, it is true that Israel, and all of the other countries, except Turkey, are not treaty partners but Israel is designated as a major non-NATO ally.

FORD: Yes, fair point. This is the little thing that those of us who work on Asia love to always dig our friends who work on the Middle East that actually know real treaty allies like in Asia. (Laughter)

So let me follow up on one thing that you said here, Natan, getting at the point of the cooperation between Israel and China because it certainly has been very focused in the tech space. And that's been a big point of concern for the U.S. Government and is something that has been brought up.

And this isn't just recent. I mean this goes back to some earlier potential deals between Israel and China that U.S. Government has had concerns over. Israel has a new, sort of, investment screening mechanism that they put in place.

How much do you see that—is it enough? Do you think it will make a significant difference in terms of cooperation between the Israelis and the Chinese in the tech space? And do you think it will be enough to satisfy U.S. policymakers?

SACHS: The new mechanism is only that, it's a mechanism. It can be enough. It can be enough if the will is there at the highest levels. There are sort of two problems; one is simply a bureaucratic one. A lot of things can happen with Chinese firms without people knowing.

There is an enormous tech capacity there. There is a big tech sector in Israel, of course. China is huge in every aspect, and so you could have cooperation which Chinese companies all of the time. You do need a mechanism to oversee that, to raise a flag to say, "Wait, there is some geostrategic concerns here or diplomatic concerns with the United States.

The bottom line though is the political will at the top. So the mechanism can work depending on Israeli appreciation of the concern in the United States. In regard to issues in the past, they were major ones. Israel had deals to sell Falcon early warning aircraft. Kevin Huggard, my co-author and I, detail that in the paper. It was also upgrade of UAVs that were already in Chinese property.

These were scuttled by the United States, and these were major issues for Israel. It's not just a deal. A little country of the size of Israel, that's a major issue. So these things will demand political will at the top, and the Israelis now do I think appreciate much more the American concern.

But in the past there has been this sense that the Americans are a bit worried about it, but an underappreciation of both the depth of the concern in the United States, and how broad the concern is, meaning, how bipartisan it is.

It goes across from hawkish republicans to seemingly devilish democrats, all have raised very stern concerns on this in terms you usually don't hear Americans speak to their Israeli counterparts.

FORD: Thanks, Natan. So, Bruce, let me follow up here on the point that you made earlier, on Saudi-Chinese cooperation. Because sort of following up from this tech conversation, I thought it was so interesting in your paper that you start with this arms deal in the 1980s, as what really facilitated cooperation between the Saudis and the Chinese.

And it's interesting because most people think, "Oh, it's all about the oil," but you point out that it didn't actually start there. And, both you and Natan, I think raised the point that while the cooperation that China has with countries in the Middle East is largely economic, there is certainly a military angle of this as well.

Whether it's some of the dual-use technologies that there are such concerns about in Israel; or, I think, in the Gulf what's been interesting is China may not be the largest provider of arms but it's providing a very niche sort of arm. And so we're looking at missiles, and we're looking at UAV technology. And China is providing the kinds of arms that some of those countries can't get from anyone else.

So I wonder if you can speak a bit about what you see as some of the impact on regional stability in the Gulf from China's ability to sell technology, military technology, that they might not be able to acquire elsewhere.

RIEDEL: Well, you're absolutely right, Lindsey, it is these niche markets. China and Saudi Arabia—China is already selling UAVs, drones to the Saudis, and they're using them in the Yemen war; and back in the 1980s, it sold these ballistic missiles.

The ballistic missile in question is called the CSS-2. It's a missile that in China is only used to deliver nuclear warheads. It's kind of a waste to build a missile this large to put one ton of TNT on the top of it; particularly, as it has virtually no chance of hitting a particular target.

This is a missile that's used against a city. You don't use it against a building. It was a stunning development in the 1980s. I was working at the CIA when we discovered that the missiles were in Saudi Arabia and were almost operational. The talks between the Saudis and Chinese had been going on for more than two years, and the talks were led by the Saudi Ambassador to the United States, Prince Bandar.

The fact that he could get away with all of this in secret was a remarkable statement about the communication security of both the Chinese and the Saudis. We thought, at the time, that there was a very good chance the Israelis would take these missiles out; and that rather than deterring a war this missiles would actually provoke war. But the Saudis gave sufficient assurances, which we passed on to the Israelis that they did not.

The problem with the future, particularly for the Saudis, is the rest of their military is entirely dependent upon western source (phonetic) far Two-thirds of their air force is American; the other one-third is British; their tanks are all American; their infantry fighting vehicles all come from Canada. And, as time has shown over and over again, you can't just switch overnight.

You can't put a Chinese radar system on an F-15. Well, you can, but you're going to have a heck of a problem getting the plane to land when they're all done. So you're pretty much stuck with the technology you have. And for the Saudis, that's going to make a transition ion the United States, if it happens in November, very, very difficult for them.

Contrary to what President Trump often says about them buying elsewhere, when it comes to military hardware, except for the niche markets we've identified, they really can't go elsewhere. They need access to, especially, American military manufacturers.

FORD: That's a great point. So, on the point you made about the beginnings of this relationship and the surprise that U.S. policymakers face because of the degree of secrecy that was there, when you look at China's potential military cooperation today, do you have any similar concerns, Bruce, about what we're not seeing in public, and the kinds of military cooperation that China might be willing to pursue with countries that isn't out in the press?

And, you know, one relationship, I guess, I'm interested in here, we've seen some growing reports in the past couple of weeks about China's ties with Iran. So, from your

perspective, as somebody who has spent a lot of time in the U.S. Government and watching these issues, do you have concerns about growing security ties, potentially, between China and Iran, and what could be happening under the radar that we're not all seeing?

RIEDEL: That's a very good question. And these reports about a China-Iran possible treaty, a 25-year-long security pact, are quite worrisome. In effect, two of our biggest antagonists in the world, China and Iran, would be creating—to use an old phrase—"an axis of evil."

FORD: The new axis of evil.

RIEDEL: Whether it's—(Laughter) if it's—whether it's evil or not, it would be an axis. And it's clear that much of that attention of that axis would be directed against the United States, and potentially some U.S. allies. That's a story that—it's interesting—has not appeared in the Saudi press at all.

Clearly, the Saudis don't like this story. And when you're in a police state, there's a story you don't like, you just don't print it. But it's got to be of considerable concern to them for the Chinese and the Iranians to pull together more closely.

They're already upset that the Chinese have been very supportive of the Joint Comprehensive Plan of Action with Iran. China is a participant in that. China has also sold military equipment to Iran over the years.

And I guess the $64 million question for the Saudis would be: If China and Iran align themselves together, who are they aligning themselves against? In addition to the United States, does it start to align themselves against American allies in the region, like Saudi Arabia, like, potentially, Israel?

My guess, from the Chinese perspective, is they don't want to see it that way. They'd prefer this to be just an axis between them and the Iranians. But the Iranians are definitely going

to look for the Chinese for security help, particularly, against the Americans.

FORD: So, let me ask you both on this point because what's been interesting thus far—and, Natan, you talk about this in your paper—is China has basically done its best to stay out of some of the geopolitical divides in the Middle East. It doesn't want to get involved because it would like to continue to have ties with everyone, essentially.

So I'm curious, does that continue to be tenable? Can they continue to have tighter relationships with Israel, and Iran, and Saudi Arabia? Can they avoid? Or, at some point, would you see Israel, basically, saying, "Hey, if you are going to continue to work closely with Iran, that's going to have an impact on our relationship?"

SACHS: It's a really difficult dance. And it's one of the big advantages, tactical advantage, at least, that China has had, compared to the U.S., and many others, which is that it's had no enemies, in a sense, in the region. It's wanted to play well with everyone.

There has been a limited involvement. Obviously, the Middle East is not China's first priority but it is an important region, especially for energy. And with everyone, including Israel, not on the energy side, it has had good relations in the past.

And one of the biggest questions, I think going forward is, can it retain that, just as you asked. And I think there are two different things that could push it to have to choose sides.

One is the region itself. Saudi Arabia can get antsy about the Iranian issue; Israel can get a little antsy about the Iranian issue. And the second is global competition with the United States, would that translate back into the region?

If the U.S. and China tensions continue to rise and continue to last, which is certainly a distinct possibility, does that affect how they both play in the Middle East—not analogous to, but maybe reminiscent somewhat of the Cold War, where the Soviet Union and the United States

cared much more about each other and the Baltic Sea than they did about the Middle East, but they found each other in proxy wars, actual proxy wars, in the Middle East?

The first case where the region pushes China to choose sides, I still think is limited. And the reason is that China is huge. So if Israel wanted to threaten China, leverage China, tell it, "You can't play nice with Iran," it's Israel and which army?

China is much bigger, and Israel needs China. It buys from China. It sells to China. It wants to play nice with China. Those things could change in the future if there is already a lot of tension with the United States, et cetera.

But in the current reality, Israel is certainly not looking for a fight with China. And I would suspect that's the same for Saudi Arabia, and many other countries. There is a huge market, one that is not ideologically committed to someone in the region. Why would you want to force it to choose hands?

They probably read the Chinese the same way that Bruce does, which is to say, that China wants, perhaps, even a treaty with Iran. But it does not want to stop cooperating with Saudi Arabia or with anyone else. It really couldn't care less about the mutual nepotism.

Where Kevin and I write—and we think there actually is maybe more potential for China to have to choose sides—is if the global competition with the United States forces the hands of everyone to align one way or the other. If that is translated back and the United States is actually pulled back into the region more than it might want to, the U.S. energy interests and other interests are actually less than they used to be in the past.

If both sides find themselves in the region competing—again, not in the same way as the Cold War—but maybe somewhat reminiscent of it, then you may find China having to choose sides and finding itself on the Iranian side, as opposed to the Israeli one.

Where Saudi Arabia would be—does China have to choose between Iran and Saudi Arabia depends a lot on where the U.S.-Saudi relationship will be. We happen to have the best expert on the matter on the call, in Bruce Riedel. But that I think is a very important question and would affect the Iranian-Saudi question for the Chinese, which is very important.

FORD: Thanks, Natan. So, Bruce, let me come to you now. Because I think the point about where Saudi's relationship with China goes, in part, depends on where the U.S.-Saudi relationship goes is a really important one, especially as we're coming up to a presidential election.

The Trump Administration has really doubled down on ties with the current Saudi regime that you could anticipate a Biden Administration going in a fairly different direction, not just because there have been growing conversations about how the United States should pull back, per se, from the Middle East, but also a lot of concerns about these sort of increasingly illiberal and authoritarian influence of different countries and what we have seen under MBS.

The Khashoggi killing, certainly, I think, put a damper on a lot of people's feelings about ties with the Saudis. So, I guess, speak a little bit about what you see as some of the possibilities for how the U.S.-Saudi Arabia relationship could change in the coming years, and what that might mean for China-Saudi ties.

RIEDEL: Certainly, the reckless actions of Saudi Arabia in the last five years, starting a war in Yemen, which has turned into the world's worst humanitarian disaster—really, a catastrophe beyond anything we have seen elsewhere.

The assassination, the murder of Jamal Khashoggi in the Saudi consulate in Istanbul, Khashoggi famously was an author for the Washington Post. We have now had reports of the Saudis, perhaps, putting into their line of sight a former FBI officer, specialist in

counterterrorism, maybe being set up for the same kind of Khashoggi attack.

And just, lastly, on dangerous potential actions, Mohammed Bin Salman has had his predecessor, Mohammed Bin Nayef, arrested. And there is a social campaign against him, too. Mohammed Bin Nayef is an old friend of the United States. And there are many people in the CIA, FBI, and other quarters who are outraged that he has already been arrested and will be more outraged if he is put into some kind of criminal proceedings and convicted of corruption, or something else. And who knows what's going to happen after that.

So I see the U.S.-Saudi relationship heading towards, really, an existential crisis if Joe Biden is elected in November. Biden has said that the Saudis are pariahs who need to be "punished." And, certainly, that's where most of the democrats are, pretty much from the moderate center to the most progressive left. And there is a considerable number of republicans who will jump on the bandwagon.

Saudi Arabia has not ever been a particularly popular country in the United States. It's pretty easy to build political opposition to the Saudis. Many Americans in my generation remember sitting in your car, back in 1973 and 1974, when you couldn't get oil, you couldn't get gas, 9-11, all that has made it very difficult for the Saudis to find much popular support in the United States.

The other problem the Saudis have is their hand is really, really weak right now. Oil prices are down around $43 a barrel. That's less than half than what the Saudis need to break even, so the Saudis are now having to drawdown on their reserves.

They have drawn down a lot on their reserves already. They're stuck in a war in Yemen that doesn't seem to have any end in sight but costs them a fortune. It costs the Iranians a pittance. There are probably a couple of dozen Iranian advisors in Yemen.

Saudi Air Force is devoting strikes every day to this war. So this difference in cost is enormous. And, as far as we can tell, the pandemic is not going away any time in the near-term. It will probably be here in January, when this democratic transition takes place in the United States, as seems most likely. The Saudis are really in some tough spots.

The last thing I would say is MBS is also not that popular in the Royal Family in Saudi Arabia. They don't like seeing Saudi Arabia's international image tarnished. They don't like seeing Saudi Arabia associated with an American president, who has moved the American embassy to Jerusalem, whose deal of the century is great for Israel but not very good for the Palestinians.

And I don't think that they like seeing MBS take on his predecessor, MBN. All this behavior is very out of character for the Saudis. So we're entering into a tumultuous period, not just in China's role in the region and America's role in the region, but I think in Saudi Arabia's domestic stability and in its relationship with all of its neighbors.

FORD: One of the things you mention here, which is displeasure about how the U.S. has handled issues between Israel and Palestine, I think something that is interesting is you have not seen similar support, or really much of anything said from countries in the Middle East about another Muslim group that has been treated terribly in this case by China, which is the Uighurs in Xinjiang.

And not only have Middle Eastern countries not said much of anything about it, in the few instances that they have actually said something you saw a letter a coming from a bunch of ambassadors. Many Middle Eastern countries signed this letter essentially expressing support to China's approach in Xinjiang, which is obviously the exact opposite position of where the U.S. is right now.

So, I guess, my final question would be, to both of you, which is: How much do you see this sort of continued support for Chinese illiberalism becoming a problem creating greater rifts between U.S. relationships with some of our close partners in the Middle East?

There is obvious problems there with Saudi Arabia. But, Natan, Israel is a democracy, and yet they're not particularly speaking out on this issue either.

SACHS: Yeah. And I think it's true for many countries in the Middle East. China, we mentioned before, has a sort of advantage over the United States in dealing with countries in that it doesn't interfere in domestic affairs.

This gives a huge advantage when these countries themselves are not onboard with the United States with what used to be the democracy promotion campaign by the United States or these concerns about American perceptions on human rights.

And that is sort of the flipside of what we see with the Uighurs. These countries are perhaps unhappy with what's happening there but they don't care tremendously. And they are happy to give this kind of statement in support of China despite the horrific things happening because China has no qualms about what they might be doing domestically as well.

And that's a huge difference in the United States. The United States has been inconsistent about this throughout the years, to say the least, and may continue to be inconsistent. But it has at times voiced a lot of concern and it has sometimes even acted on this, so that is something that will continue to be an advantage for China. This illiberalism speaks very comfortably to many countries in the Middle East.

Israel is a bit different; it's a democracy. But, of course, that there is the Palestinian issue, which is huge, and is growing in the United States on partisan lines, and in that regard you will not see Israel turn to China.

China is no replacement for the United States, and there is no one in Israel who thinks that way. The breadth and depth of the relationship with the United States, there is no way to reproduce that with China, especially since as we started this conversation with the Chinese interest is first and foremost with energy. And that's not helping Israel, that's elsewhere.

So that is not going to change. But, nonetheless, especially on the democratic side in the United States, you're seeing a lot of growing concern about the potential for future resolution with the Israeli-Palestinian conflict. And that's something that the Chinese, although historically are pro-Palestinian, are not terribly concerned about on the geopolitical level. And that is, in the Israeli case, a very small advantage to that (inaudible).

FORD: Thanks, Natan. Bruce, let me come over to you.

RIEDEL: For the Saudis, the Uighur problem has not just been that they have been silent about what the Chinese have done. Crown Prince Mohammed Bin Salman, when he went to China, more or less, endorsed; he said publicly that China's counterterrorism operations are legitimate in reference to --

FORD: Well, this keeps coming from Saudi Arabia.

RIEDEL: Which is huge, exactly, and which is really out of the norm. Now, Saudi Arabia is not a paragon of human rights, has never been a supporter of human rights either in Saudi Arabia or around the world. But it has a long, long history of supporting Muslim causes, whether they were the Palestinians, or Bosnians, or Kosovo, or, most famously, the Afghan Mujahideen against the Soviets.

So kowtowing to China on the Uighurs is really out of step with the norm of Saudi policy. That doesn't mean they would break relations with China or stop selling Saudi oil to China, but you could see them in certain forms like the Islamic conference taking the lead in

(inaudible) hortatory resolutions that are critical of China.

That may not do anything for the Uighurs, but that would be much more typical of Saudi policy in the past. But, as I have said earlier, Saudi Arabia's hand right now is very, very weak; and, particularly, if a big crisis is brewing with the United States in early 2021, they're going to have to look for help wherever they can.

And I don't think that they're going to start to distance themselves from the Chinese. The China-Iran thing could lead to that but I—again, Saudi hand today is remarkably lacking in any hastest (phonetic) to put on the table.

FORD: Thank you, both. There are so many more issues we could discuss there. I think the bottom line is it's clear that as China continues to invest trade and to try to strengthen its relationships in the Middle East, they're going to be a lot more of these kinds of issues and questions to think about going forward in a part of the world where the United States for a long time was sort of used to being the only big player in town, especially on the securities side.

So I would really encourage folks—I hope they will go read the papers that the two of you wrote, along with other papers in this group. I think Suzanne has a paper on China and Iran, as well, which is obviously a hot topic at the moment.

And, thank you, both, very much for joining me for today's discussion.

SACHS: Thank you very much.

RIEDEL: It's a pleasure.

FORD: And, with that, I'm Lindsey Ford, and this has been another episode of the Brookings Cafeteria.

DEWS: (Music playing) The Brookings Cafeteria Podcast is possible only with the help of an amazing team of colleagues:

My thanks to audio engineer, Gaston Reboredo; Bill Finan, Director of the Brookings Institution Press, who does the book interviews; Marie Wilkin, Adrianna Pita and Chris McKenna, for their collaboration; and Camilo Ramirez and Emily Horne, for their guidance and support.

The Brookings Cafeteria is brought to you by the Brookings Podcast Network, which also produces, "Dollar and Sense," "The Current," and our Events podcasts. Email your questions and comments to me at bcp@brookings.edu.

If you have a question for a scholar include an audio file and I'll play it and an answer on the air. Follow us on Twitter @policypodcasts. You can listen to the Brookings Cafeteria in all of the usual places. Visit us online at brookings.edu.

Until next time, I'm Fred Dews.

* * * * *

CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Carleton J. Anderson, III

(Signature and Seal on File)

Notary Public in and for the Commonwealth of Virginia

Commission No. 351998

Expires: November 30, 2020