

Understanding the BRI in Africa and the Middle East

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Isaac Kfir

This Strategic Insight aims to expand on Paul Dibb and Richard Brabin-Smith's powerful, provocative paper, *Australia's management of strategic risk in the new era*. Dibb and Brabin-Smith, two of Australia's leading strategic thinkers, examined China's growing assertiveness in our region.¹

Here, I look beyond our region and beyond China's One Belt, One Road Initiative (BRI) to highlight how China is expanding its influence in Africa and the Middle East. I examine some selected cases, such as Zimbabwe, Israel, Turkey and Iran. I also try to situate the BRI in President Xi Jinping's grand strategy.²

The influence of the British political scientist and historian EH Carr permeates Dibb and Brabin-Smith's writings. Carr saw international power as existing in three categories: military (hard) power, economic power, and power over opinion.³ It's obvious that China has used these different conceptions of power to advance Xi Jinping's 'China Dream'—a reference to China's rejuvenation and evolving power.⁴



A China Shipping Line container ship, gp1974/flickr.

The BRI builds on China's 'Going Global Strategy.' It appeared somewhat suddenly in China's 13th Five-Year Plan, which guides national investment strategy from 2016 to 2020. At the 19th Communist Party Congress (18 to 24 October 2017), a resolution calling on the BRI to be written into the Chinese Constitution was adopted. Another resolution enshrined 'Xi Jinping thought on Socialism with Chinese Characteristics for a New Era'.

The key to understanding the breath of the BRI is to see how it connects the world to China and China to the world and how it allows China to project non-military power to shape public opinion, which it does through its economic, educational and cultural programs. China promotes its cultural efforts using entities such as the Confucius Institutes, which have been established across the BRI (there are 135 Confucius Institutes in the 51 nations along the BRI).

Much of the maritime component of the BRI is in the Indian Ocean, the world's busiest and the strategically significant trade corridor, through which much of the world's energy shipments and other cargo passes.⁵ By building ports along the Indian Ocean littoral in key places such as Pakistan (Gwadar/Jiwani), Sri Lanka (Hambantota) and Djibouti, China is able to provide maritime security, as some of the ports (Jiwani, for example) will accommodate visiting Chinese navy vessels.

Situating the BRI in Xi's domestic and foreign policies

In 2014, President Xi noted the need for China to adapt to being an industrialised country by referring to a Chinese saying: 'A wise man changes as time and circumstances change.'⁶ The China that Xi leads is an industrial powerhouse of 1.3 billion people accustomed to GDP growth of around 7% or 8% annually.

Xi's approach to international relations is driven by two considerations. The first is the recognition that China no longer operates as an extractive state, but rather as a newly industrialised economy. Its people are now more economically conscious, as they're no longer subsistence actors but rather consumers. This new reality could have major implications for the Chinese Communist Party (CCP), in that people are more likely to consider regime change when they're economically insecure or unhappy with their personal finances. Moreover, a poor economic situation greatly limits the regime's very ambitious structural reform program, particularly as the regime tries to address China's massive pollution problem, which has led to China adopting a new set of environmental regulations.

China is affected by economic inequality, as 5.6% of its rural population (around 70 million people) lives in extreme poverty (China's official poverty line is about US\$1 a day)⁷ and minimum wages in many Chinese cities are insufficient to meet basic living expenses.⁸

For Xi, the way to ensure the survivability of 'socialism with Chinese characteristics' is to maintain domestic economic stability based on stable growth, as opposed to rapid growth, while clamping down on any hope for political plurality. This requires China to remain the world's factory. However, in a competitive world, China must go out and acquire—conquer—new markets, which is one key feature of the BRI. It also means that, to continue as the world's factory, China must have energy and secure energy routes, which are also a key element of the BRI, as demonstrated by the massive investment that it's pouring into rail and port construction.

Concerns over low living standards, lack of political freedom and their links to political violence may sound like Western preoccupations, but Tiananmen Square undoubtedly remains very much ingrained in the party's psyche. In 2015, China experienced more than 130,000 protests, or almost 400 each day.⁹ Thus, concerns over China's economy (specifically, the level of prosperity and sustained growth) and apparent disenchantment with the party (particularly its upper echelons) explain why Xi pushed an aggressive anticorruption drive that punished 1.3 million officials between 2013 and 2017.

Xi's second consideration is that, while China can't act as Russia did in Ukraine, he believes that China has crossed into a 'new era', which means that it must use its economic might to assert itself if it's to become 'a leading global power'.¹⁰ This is manifested in his signature foreign policy: the BRI—a US\$1 trillion-plus program of infrastructure investment in more than 60 countries across Europe, Asia and Africa.¹¹

By appreciating the two pillars under which Xi understands international relations, it becomes possible to see the BRI as an extension of Xi's grand strategic thinking, which has two key characteristics:

- China will no longer 'hide and abide' its strength. For many Chinese, China has for centuries had to accept Western dominance, Western-imposed rules and Western demands. For example, the burning down of the Summer Palace in 1860 by a joint Franco-British force remains very important to many Chinese, who continue to visit the site and bemoan the impact of Western imperialism on China.¹² Throughout the Cold War, Beijing focused on shifting the international order from being bipolar to multipolar, with the aim of challenging US supremacy.¹³ Now that China is the second largest economy and is more involved in international peace and security, Xi wants China recognised and respected, which means that China will no longer apologise for its power. Xi captured this sentiment in his New Year speech, when he declared, 'As a responsible major country, China has something to say.' He added, 'China will resolutely uphold the authority and status of the United Nations, actively fulfill China's international obligations and duties, remain firmly committed to China's pledges to tackle climate change, actively push for the Belt and Road Initiative, and always be a builder of world peace, contributor of global development and keeper of international order.' He also said, 'The Chinese people are ready to chart out a more prosperous, peaceful future for humanity, with people from other countries.'¹⁴
- Xi is here to play the long game. He intends China to spend 2020 to 2035 completing its transformation to a fully industrialised country, after which it will spend the next 15 years attaining its true position of a 'leading global power'.¹⁵ As part of the transformation, he intends to relocate millions of poor rural Chinese to government-subsidised homes, which is winning him even more support among common Chinese.¹⁶

In September 2013, Xi announced the land component of the BRI; he announced the maritime component at the October 2013 ASEAN summit in Indonesia. The BRI aims to facilitate the transit of goods, capital, energy and raw materials by connecting markets with transport networks. The project is driven by China's massive investment capabilities, including foreign exchange reserves of more than US\$3 trillion at the end of 2016.¹⁷

The BRI has two components:

- An overland route (the 'Belt' component) will connect Xinjiang Province to Central Asia and into Europe. The land route gives China unparalleled access to Eurasia. By focusing initially on Eurasia, Xi seems to have embraced Halford Mackinder's famed 'heartland theory'—whoever rules Eurasia, the 'World Island', commands the globe.¹⁸
- A maritime component (the 'Road') is backed by China's commitment to build ports in Bangladesh, Cambodia, Djibouti, Israel, Mozambique, Myanmar, Sri Lanka, Pakistan and Tanzania.

Several corridors extend out from the main land and sea routes, creating a sphere in which China can project more power and influence.

These routes are closely linked to China's energy concerns. The land route opens new energy markets for China as well as ensuring that, should something happen to the sea routes, China will continue to have access to energy.

In his October 2013 speech, Xi made references to China constructing ports along the Indian Ocean and the Persian Gulf to aid maritime trade. At the November 2014 Asia-Pacific Economic Cooperation meeting, which was held in Beijing, he announced the creation of the Silk Road Fund with US\$40 billion of capital, which has since been increased to US\$100 billion.

Since the initiative was announced, Chinese companies have begun more than 60 energy projects in more than 20 countries along the Belt and Road. The Chinese Government has also supported the building of more than 50 industrial parks, creating 180,000 local jobs and embedding Chinese companies in local communities.¹⁹ This also allows China to shape public opinion, as not many people are likely to be critical of their employer. China is also shaping public opinion through elite convergence, encouraging former policymakers such as David Cameron and Sam Dastiyari to advocate on its behalf (Cameron is taking charge of a \$US1 billion UK-China investment fund, which is part of the BRI).²⁰

The corporations running the various projects don't have to worry about anti-bribery legislation; nor are they bound by any transparency requirements.²¹ What they do have to be conscious of is that the investment is strategic and benefits China. On 18 August, new rules were introduced to control Chinese overseas mergers and acquisitions. The rules are structured along three lines:

- Investments in the military, gambling and sex industries are *banned*.
- Investments in real estate and hotels, film and entertainment, sports, and those that don't comply with environmental standards are *restricted*.
- Investments in industries that promote the BRI and advance China's technology, R&D, oil, mining, agriculture and fishing sectors are *encouraged*.²²

Xi sees the BRI as a fresh choice for many countries that hope to hasten their development while maintaining their independence from the neoliberal, Western-based international system. He claims that the initiative is a 'win-win' for those countries that participate, as it promotes development, prosperity and security and aims to create a community of shared values.²³ Effectively, China has positioned itself as standing with the 'South' against the 'North', often by rejecting international human rights norms.

The BRI effectively means that, by building infrastructure, Chinese workers are leaving China's footprint wherever they go, as the railways, ports and bridges are being constructed to Chinese specifications, requiring adjustments to rail tracks and other infrastructure as new connections are made. Even cities and countries that aren't officially part of the BRI are being ensnared by the project.

The focus on the BRI has led some to ignore other areas where China is using economic power to assert itself in key strategic areas. Thus, the goal of this report is to highlight some examples of how China is seeking to achieve Xi's China Dream through economic statecraft that gives Beijing the ability to incentivise or induce countries to follow policies that are in China's national interests.

Economic power and power over opinion: China as a 'humanitarian actor'

Under Xi Jinping's presidency, China, the world's second largest economy, has become a major aid donor (aid is generally understood to refer to the provision of financial support to the economic and welfare conditions of a recipient). Due to the aid program's growing size (China committed US\$354 billion for international development between 2000 and 2014, whereas the US provided US\$394.6 billion during that period), its impact has become visible, leading to much more research on Chinese aid.²⁴

The Chinese Government regards the country's development aid program as a 'state secret', as it's integral to the way China uses aid to advance its national interests. Only 21% is truly aid; most of the rest is in the form of commercial loans, and China expects repayments with interest. However, whether some of the money will be repaid is unclear. For example, in January 2018, Nigeria announced that it would purchase two new satellites from China at a cost of US\$550 million. The Export-Import Bank of China (EXIM) would provide 85% of the total cost, with Nigeria paying the remaining 15%. However, the Nigerians then announced that they couldn't afford even the 15%, which then led EXIM and the China Great Wall Industry Corporation, which is building the satellites, to agree to pay for the whole project.²⁵

What makes the issue of China and aid so complicated is that in China there's no centralised aid agency similar to USAID. China tends to bundle aid and non-aid monies, and there's lack of clarity on the distinction between foreign aid and official development assistance, as defined by the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee. Thus, to China, military aid, which the OECD doesn't see as aid, amounts to official development assistance.²⁶

One explanation for why China is moving into the humanitarian aid space is that it's an economic power and wants to shape public opinion in recipient countries (aid can buy good press). In 2011, it established a mechanism to coordinate the efforts of 33 different agencies that deal with Chinese foreign aid. The chair is from the Ministry of Commerce, and there are two deputies, one from the Ministry of Foreign Affairs and another from the Ministry of Finance. The process is driven by the Ministry of Commerce's

Department of Foreign Aid, which drafts aid policies and regulations and approves projects and their management. The department has around 70 staff members, who are grouped into 14 divisions and one general office.²⁷

When we look at China's aid, including soft loan support, it becomes clear that it's targeted on promoting Chinese experts or helping to develop markets for Chinese exports. What attracts potential recipients to China is that, unlike money from the World Bank or the International Monetary Fund, Chinese aid comes with no substantive, open, demands for political or even economic reform.²⁸ China, in other words, has a less publicly invasive stance when it comes to the provision of aid: it ensures that recipient governments, rather than their citizens, know where the money's coming from.

Africa

China stands ready to take an active part in Africa's efforts in capacity-building for maintaining and strengthening peace and security and support Africa in its endeavors to speed up development, eradicate poverty and realize durable peace.²⁹

—President Xi Jinping, speech at the Africa–China Summit, December 2015

This statement by Xi Jinping highlights China's historical approach to Africa: China wants a peaceful, prosperous Africa and is willing to pay handsomely to achieve that goal, as such engagement gives it access to Africa's resources. By focusing on development and not on such issues as human rights or politics, China believes that it can shape public opinion and not come across as a neo-colonial actor.

Communist China's penetration of Africa began in the late 1950s, when Sudan became the first sub-Saharan country to recognise the communist regime. China forged ties with Sudan because it needed Sudanese oil, whereas Sudan needed investment.³⁰ During the Cold War, Sino-African relations were episodic, moving from periods of great activism, such as the 1960s and 1970s, to periods of limited interaction, such as the early 1980s. Throughout the period, China was willing to support African countries fighting for independence as long as those countries weren't receiving Soviet assistance. That stance shifted in 1979, when China adopted a more pragmatic approach to international relations, driven by Beijing's commitment to industrialising.

Under Deng Xiaoping's 'Open Door' policy, China adopted an agenda based on manufacturing consumer goods for export. By the end of the Cold War, it was searching for new markets, leading Beijing to devote vast resources to its engagement in Africa. As part of a strong diplomatic outreach policy, Foreign Minister Qian Qichen visited 14 African capitals between 1989 to 1992. This was also a time when China was seeking allies to balance the criticism it faced following the Tiananmen Square massacre. Put simply, China came to see Africa as a major source for its energy needs (from 1993, China became a net importer of oil), a potential market for its goods, and an ally to challenge Western criticism of its human rights record.

Africa is a prime example of how China seeks to develop new markets and win allies and supporters through economic engagement. A key event in the history of Sino-African relations was the November 2006 Beijing Summit of the Forum on China–Africa Cooperation (FOCAC), at which China announced eight measures that it intended to use to enhance the relationship. A key measure was trade and investment: Beijing announced that it would establish a China–Africa development fund worth US\$5 billion to encourage and support Chinese investment in Africa, including through low-interest or zero-interest loans. On the trade side, Beijing reduced the number of tariffs on African exports from 440 to 190.³¹

China has also provided 'gifts', such as the construction of the African Union headquarters in Addis Ababa, which cost US\$200 million.³² The building dominates the city's skyline and is its tallest building. In return, China gets access to African domestic markets and, more importantly, access to Africa's vast mineral reserves.³³ Its aid program is structured to be unpatronising, anti-colonial and fast, leading President Abdoulaye Wade, the former President of Senegal, to write, 'the Chinese model for stimulating rapid economic development has much to teach Africa.'³⁴

At the December 2015 FOCAC, Xi pledged US\$60 billion in financial support to Africa. The package included grants and interest-free loans.³⁵

Africans appear to increasingly accept China's assertion that 'development is the foundation for peace in Africa.'³⁶ By 2009, this reciprocal relationship and Beijing's repeated assertion that it 'respect[s] the sovereignty of African countries'³⁷ allowed China to leap ahead of the US and become Africa's largest trading partner—a position that it has maintained. China has highlighted its respect for African sovereignty by not engaging in discourses on human rights, political abuses or corruption, giving it a substantive edge over other countries.

Xi's signature BRI doesn't reach most of Africa (Egypt is the only African country to have been included), but the implications of the project for Africa are significant. By addressing global maritime congestion from East Asia to the West, by creating new ports and new overland routes and reducing trade transport costs, Xi is making it easier for China to export more to Africa.

Notably, China's engagement in Africa is financial. It's structured on Beijing's public claim of non-intervention and non-interference in the internal political affairs of countries, which is why, for example, Chinese officials are quick to stamp on allegations of political interference, often accusing the accuser of being anti-Chinese.

Beijing's public goal is to sell to Africa and to buy from Africa, which means that its involvement is transactional and that it steers clear of political or human rights issues. However, that approach doesn't mean that it isn't engaged in quiet diplomacy.

China has concluded more than 30 bilateral investment treaties with African countries (whereas in the 1980s it concluded one and in the 1990s it concluded 16).³⁸ Some see this diplomacy as mercenary, but it gives China an edge on its Western competitors and explains why, in a 2016 poll conducted in 36 African countries, 63% of respondents viewed China's economic and political influence as somewhat or very positive.³⁹

Interestingly, the injection of Chinese investment and business into Africa has also placed Chinese nationals under threat, as seen in the kidnapping of Chinese workers in Cameroon and Sudan.⁴⁰ The rise in Chinese presence on the continent often undermines China's stance of non-intervention and non-interference, as it must ensure that its nationals are protected. This has therefore meant that China is having to develop a new security strategy, which deviates from the straightforward security–development nexus that it has tended to promote, which included a security framework as a way to facilitate economic penetration. In this, China is substantially different from Russia, which seems to embrace insecurity to gain market share and influence, as seen in Syria and Libya, where the Russians have supported leaders—Assad in Syria and Field Marshal Khalifa Haftar in Libya—to undermine Western-led peace negotiations.⁴¹

The new security stance taken by the Chinese relies on multilateralism and bilateralism. In the multilateral sphere, China has embraced UN-based peacekeeping operations. Of the five permanent members of the Security Council, the Chinese are the largest contributors. China has dispatched more than 2,500 Chinese troops, police and military experts to serve in six UN peacekeeping missions in Africa, four of which are in Darfur, the Democratic Republic of the Congo, Mali and South Sudan (where three Chinese peacekeepers have lost their lives). The Chinese also have small contingents in Ivory Coast and the western Sahara.

In 2015, Xi pledged \$100 million in military aid to the African Union to help build African countries' capacity in areas such as defence and counterterrorism.⁴² In the same year, China published its second White Paper on Africa, in which the word 'security' appeared 19 times, 15 of which were in the context of peace and stability,⁴³ and the Standing Committee of the National People's Congress adopted a new counterterrorism law permitting the police and the army to engage in counterterrorism missions overseas.⁴⁴

In 2016, Xi Jinping committed 8,000 troops to the UN peacekeeping stand-by force and pledged US\$100 million to the African Union stand-by force.⁴⁵

Bilaterally, China is becoming a significant arms dealer on the continent. It's the third largest arms supplier to the continent after Russia and France and now sells weapons to about two-thirds of African countries. The allure of Chinese weapons is that they're cheap and often come with no demands or limits. The weapons range from unmanned aerial vehicles (for Nigeria) and patrol boats (Cameroon and Nigeria) to K-8 Karakorum combat-capable jet trainers (Egypt, Ghana, Namibia, Sudan, Tanzania, Zambia and Zimbabwe) and armoured fighting vehicles (Burundi, Ethiopia, Gabon, Kenya, Rwanda, Sudan and Tanzania).⁴⁶

In addition to the arms sell, China has also made it clear that it will support countries engaged in counterterrorism operations. In 2014, for example, Chinese Premier Li Keqiang met with Nigerian President Goodluck Jonathan and vowed to support Nigeria's efforts against Boko Haram. The Chinese have many interests in Nigeria, a key energy producer and ally of the US and the EU. Apart from China providing Nigeria with two satellites, a 2017 intelligence agreement between the two included Nigeria's recognition that 'there is only one China in the world'.⁴⁷

In 2008, China began to mount military counterpiracy operations off the Horn of Africa. It needed to suppress piracy because it was concerned about access to the Suez Canal, but also, most importantly, about the supply of energy from Africa. Much of China's oil imports are exported from the Middle East and Africa and transported through the Malacca Strait, which the Chinese don't control. This raises enormous concern in Beijing, as one clear way to undermine China would be to interfere with its energy flow.

China is constructing a naval base in Djibouti, which also houses an American air base and a French base. The 90-acre facility will house several thousand troops and will include storage structures for weapons, repair facilities for ships and helicopters, five berths for commercial ships and one berth for military vessels. One commentator has equated Chinese port building to what the British did 200 years ago: 'naval power expansion for protecting commerce'.⁴⁸

Many Africans are not wholeheartedly committed to Chinese penetration, as there's recognition that it's driven by Chinese interests. That explains why there's opposition to Chinese investment across the continent, especially as there are also questions about the utility and value of buildings that the Chinese are constructing.

Nevertheless, what makes Chinese investment attractive to many Africans is that it comes with few social, economic, ecological or political demands. Human rights considerations are generally ignored by the Chinese, as are issues pertaining to best practices, corruption ('gift giving') and value (often, no-one questions whether the community actually needs what the Chinese are offering).

Zimbabwe: a case study

Zimbabwe offers an interesting case study of how China seeks to exert influence.

Robert Mugabe, the country's former president—who in 1980 was told by his mentor, Tanzanian President Julius Nyerere, 'You have inherited a jewel. Keep it that way'—has greatly tarnished the jewel. The country, which was the breadbasket of southern Africa, is in dire need of support following Mugabe's disastrous decision in 2000 to approve radical land reform that allowed 'war veterans' to occupy some 4,000 white-owned commercial farms. The result was that, within a decade, farm exports fell from 40% of all exports to 3%; GDP almost halved; and the central bank's printing of banknotes led to hyperinflation, which meant that at one point a loaf of bread cost Z\$100 trillion.⁴⁹

China has the means and the will to provide Zimbabwe with the support that it needs to rebuild its shattered economy, especially through 'soft' loans that often include provisions calling for the employment of Chinese. Between 2000 and 2011, Zimbabwe was the largest recipient of Chinese aid, and it received very little aid from the West.⁵⁰ China or Chinese state-owned companies have financed such projects as Zimbabwe's National Defense College (US\$100 million), Longcheng Plaza shopping centre (US\$200 million), and 650-seat Parliament House (US\$650 million).⁵¹

Both Beijing and Harare used the Western sanctions imposed on the Mugabe regime to enhance their relations, and China often vetoed Security Council resolutions criticising Mugabe, a long-time ally. In 2015, following the cancellation of US\$40 million in debts, the Zimbabwean Government made the Chinese yuan legal tender, claiming that the move would help spur trade between the two countries.⁵²

A few days before Zimbabwe's bloodless coup in November 2017, General Constantino Chiwenga visited China, raising speculation that China may have known what the army was planning. What was particularly noticeable was Beijing's decision not to criticise the removal of Mugabe, as it's more concerned with an orderly succession and protecting Chinese investments in the country.⁵³

With Mugabe gone, China will probably look again at Zimbabwe, as the country needs a massive overhaul after decades of destruction (in December 2015, Xi Jinping promised US\$5 billion in aid and investment).⁵⁴ More than 70% of Zimbabweans live on less than US\$1.90 a day, and unemployment is at around 90%.

The Chinese embassy in Harare estimates that there are more than 10,000 Chinese nationals living in Zimbabwe, running restaurants and factories. That number is likely to grow as China increases its support for the country.

The key to greater Sino-Zimbabwean relations may be newly appointed President Emmerson Mnangagwa, whose relations with China go back to the 1960s, when China supported the Zimbabwe African National Union (ZANU), led by Mugabe, against the Zimbabwe African People's Union (ZAPU) under Joshua Nkomo. Both groups were fighting Ian Smith's Rhodesian government, but ZANU fighters were taught Maoist tactics.

Once Zimbabwe became independent, Mugabe received US\$55 million in loans from Beijing to help his new administration. It was therefore unsurprising that Mnangagwa, who knows China and who has committed himself to rejuvenating Zimbabwe, has secured a US\$153 million loan agreement from China to expand and refurbish the dilapidated Harare airport, as the government hopes that a newer airport will attract investors and tourists.⁵⁵

For the Chinese, Zimbabwe would be a good beachhead from which to extend their influence across much of southern Africa, where they already have a large presence through a raft of construction projects. Many of the projects have a strategic purpose, as seen in China's support for the Lesotho Highlands Power Project. The scheme is planned to generate 6 gigawatts of wind power and 4 gigawatts of hydropower, much of which will go to South Africa. The project will generate 25,000 jobs over 15 years in Lesotho alone.⁵⁶

Turkey: the gateway between East and West

Turkey has welcomed the BRI, which is expected to generate a US\$21 trillion trade cycle and cut overland China–Turkey travel time from 30 days to 10 days.⁵⁷ In 2008, Turkey floated the Caravanserai Project, involving Turkey, China, Azerbaijan, Iran, Georgia, Kazakhstan and Kyrgyzstan. The goal was to increase Turkey's trade with countries along the old Silk Road through an improved customs system. Turkey also initiated the Middle Corridor Initiative with the aim of establishing economic corridors between Turkey, China, Georgia, Azerbaijan, Turkmenistan, Kazakhstan, Afghanistan and Pakistan. However, when the BRI became a reality, Turkey recognised the value of the project to its economic development and joined the effort. Ali Murat Ersoy, Turkey's ambassador to China, said:

As there is no competition, but complementarity among our projects, the Middle Corridor Initiative and the Belt and Road Initiative, I don't see a reason for it—Turkey-China cooperation within the Belt and Road Initiative—not being successful.⁵⁸

Historically, pan-Turkish ideology has shaped Ankara's foreign relations, whether with the Central Asian republics or with China. A key sticking point was Chinese treatment of the Uygurs, a largely Muslim Turkic-speaking minority. In 2015, there were reports that Beijing had banned Uygurs from fasting during Ramadan.⁵⁹

When Beijing imposed heavy security measures across the Xinjiang region following the Kunming Station knife attack in 2014, Turkish President Recep Tayyip Erdogan not only criticised Beijing over its treatment of the Uygurs but accused it of oppression and 'genocide'.⁶⁰ However, that didn't stop China building a high-speed railway between Ankara and Istanbul. In 2015, relations were at a low because Erdogan opted to offer asylum to several Uygur nationals detained in Thailand, whom the Chinese Government wanted extradited to China.

Since then, relations between the two countries have radically improved. Erdogan and Xi have met four times in the past three years, and Erdogan was invited to attend the signing ceremony for the BRI in Beijing in May 2017. Xi has come to see Turkey as an important ally in dealing with Uygur Islamism, which is why China is conducting military and counterterrorism training along the land route of the BRI. In June 2017, Chinese and Kyrgyz border forces engaged in a military exercise observed by officials from

all countries in the Shanghai Cooperation Organisation. The operations followed a car bomb attack on the Chinese embassy in Bishkek in which three people were injured. It's believed that Uygur militants in Syria ordered the attack, which was carried out by the East Turkestan Islamic Movement.⁶¹

One explanation for the improvement in relations is that Erdogan has moved away from the European orbit and has actively courted Moscow, Tehran and Beijing, which ignore his egregious assault on Turkish democracy and human rights. Two areas have benefited greatly from improved Sino-Turkish relations: economics and security, both of which lie at the centre of China's belief that the way to ensure domestic political stability is through economic prosperity, which is linked to security.

From China's perspective, having good relations with Turkey makes great strategic sense because Turkey has historical, political, cultural connections with Europe, the Black Sea region, the Caucasus, Asia and the Middle East. Turkey is also a member of NATO and was once a key ally of the US (since 2016, relations between Washington and Ankara have soured). Chinese companies are now involved in building a high-speed railway from Kars in eastern Turkey to Edirne in the west.

In 2016, Sino-Turkish bilateral trade stood at US\$27 billion, a substantial increase from US\$1 billion when Erdogan became prime minister in 2002.⁶² Turkey has welcomed Chinese investment, especially as European investment has dried up due to concerns over Erdogan's erratic and hostile behaviour. In 2015, for example, China Merchants Holdings International Company led a group of investors who purchased a 64.5% stake in Kumport, Turkey's third largest container terminal, which is located on the European side of Istanbul, for US\$919.8 million. The terminal handles more than 1.5 million containers annually, although it has the capacity to handle more than 3 million.⁶³ Chinese companies are looking to develop the Candarli Port in the Aegean Sea, which should handle 12 million containers.⁶⁴ The Chinese have also indicated that they would welcome Turkish membership of the Shanghai Cooperation Organisation.⁶⁵

In a 2017 meeting between Xi Jinping and Erdogan, the Chinese leader reminded his Turkish counterpart that beyond economic cooperation the two also have common strategic interests that include the need to 'deepen security and counter-terrorism cooperation'.⁶⁶ From China's perspective, the BRI, especially the land route, could become a natural target for terrorists who want to disrupt the flow of goods and services, which is why Beijing has supported anti-terror drills with Central Asian countries and Pakistan (the China-Pakistan Economic Corridor is valued at over US\$40 billion).⁶⁷ Beijing has also demanded that Southeast Asian countries deal with extremist groups; in 2015, due to Chinese pressure, Thailand extradited a dozen Uygurs to China.

China is concerned about Uygurs turning to embrace *Salafi-jihadi* activism (Syria's ambassador to China has claimed that around 5,000 Uygurs are fighting in various militant groups in Syria).⁶⁸ As the conflict in Syria ebbs, Beijing, like many other countries, has expressed concern about returning Uygur fighters who are determined to establish an independent 'East Turkestan', leading Turkey to agree to designate the East Turkestan Islamic Movement as a terror group. And in a recent meeting in Beijing between Turkish Foreign Affairs Minister Mevlut Cavusoglu and his Chinese counterpart, Cavusoglu declared that Ankara would treat threats to China's security as threats to Turkey and that the Erdogan government wouldn't allow any 'anti-China activity inside Turkey or territory controlled by Turkey'.⁶⁹ In other words, Ankara no longer sees the Uygurs as oppressed Turkic people, but rather as a security risk.

Israel

Sino-Israeli relations have gone through three main phases. The first began in 1952 when Israel recognised Communist China. However, with China playing a major role in the Non-Aligned Movement, Beijing preferred strong relations with African and Arab countries, which led to limited interactions between Israel and China. The second phase began in the late 1970s and lasted until the early 1990s. During that phase, Israel sold military equipment to China and there were also some academic exchanges and limited business interaction. The limited engagement in the 1980s facilitated the opening of full diplomatic relations in 1992. China's willingness to have open relations with Israel stemmed from Beijing's Open Door policy and the fact that Israel was developing a reputation as a 'start-up' nation.⁷⁰

Over the past two decades, the two countries have recognised the value that each brings to the other: Israel is a source of technological innovation, which China desperately needs as its economy changes and becomes more reliant on advanced technology. The key to the relationship is defence procurement, and Israel has become China's second biggest military supplier.

For Israel, China is a massive market and a country that puts economic relations above politics (including human rights). And, beyond making perfunctory statements on the need to resolve the issue, Beijing has remained consistently quiet on the Israeli–Palestinian conflict. Interestingly, China has allowed the US-based pro-Israel advocacy group, StandWithUs, to operate in China.

In 2016, Chinese investment in Israel stood at over \$US16 billion, a significant increase from US\$50 million in 1992, when full diplomatic relations were established, leading the two in 2017 to announce the formation of a 'comprehensive strategic partnership'.⁷¹ In March 2016, Chinese Vice Premier Liu Yandong and Israeli Prime Minister Benjamin Netanyahu jointly announced the start of China–Israel Free Trade Agreement negotiations, which is very much linked to Xi Jinping's BRI project in that the agreement would cover such issues as standardisation and the removal of existing trade barriers and highlight areas of bilateral cooperation in the technological and economic sectors.⁷²

The growth in investment and interaction, including visits to China by Netanyahu in May 2013 and March 2017, has allowed private Israeli tech companies to raise \$US4.8 billion.⁷³ In 2010, China's Ministry of Commerce identified Israel as one of 20 countries with which China should seek high-tech cooperation, so it isn't surprising that Chinese investors have bought into the Israeli high-tech sector, formed joint ventures and hosted a trade conference.⁷⁴ Over the past few years, Chinese companies have undertaken a massive acquisition program that has included China National Chemicals Corporation (ChemChina) merging with Makhteshim Agan (renamed Adama in 2014) for US\$2.44 billion. ChemChina is a subsidiary of China National Agrochemical Corporation; Makhteshim is one of the world's major manufacturers and distributors of crop protection products.⁷⁵ In 2014, China's Bright Food secured 76.7% of Tnuva, Israel's largest food company, for about US\$2.5 billion.⁷⁶

Chinese companies are also running construction projects in Israel, including projects to build tunnels and ports. From 2021, the Shanghai International Port Group Company Limited (SIPG) will operate Haifa port for 25 years. Included in the deal is a promise by SIPG to invest US\$2 billion to build and upgrade existing port infrastructure. The SIPG success story came on the back of a bid by the China Harbour Engineering Company Limited (CHEC) to construct a private port in Ashdod (the initial tender was for two ports, one in Ashdod and one in Haifa, with the winner having the right to choose which port they wish to develop). CHEC's tender was for US1 billion; it was the lowest bid, which was significant because price counted for 80% of the points in judging the final bids.⁷⁷

As part of the 'Israel–China corridor' development, there are discussions about the potential for a 'Red–Med' railway, which would include developing the port of Eilat to accommodate more cargo ships.⁷⁸ Such a project has enormous value for China: the Red–Med railway would create a route to complement the congested Suez Canal route. The line would connect Eilat on the Red Sea to the port of Ashdod on the Mediterranean. China Ocean Shipping Company (COSCO) has operated Greece's largest seaport, Piraeus, since August 2016, so the Red–Med rail line would make it easier for China to ship cargo to Piraeus and then into the EU.

There's no evidence that the Chinese are exerting overt or covert political influence in Israel. This is unsurprising, as in Israel what matters is economic power; it's the business sector that wields influence over Israeli politicians, not the other way around. The fact that Israel actively courts China is a major boost for Beijing, which undoubtedly recalls that in the early 1990s it had agreed to purchase the Phalcon airborne early warning system from Israel Aviation Industries Ltd, only to have the sale prevented by the Americans, primarily for commercial reasons, as opposed to security concerns. The Israelis agreed to cancel the deal. In 2002, Israel paid China US\$350 million in damages.⁷⁹

Clearly, Israel is very focused on developing economic relations with China. In September 2017, Israeli Economic Minister Eli Cohen said, 'We are willing to see more Chinese companies operating in Israel and in the next 30 years we will see more tremendous technological change, and we are willing to increase the cooperation between China and Israel.'⁸⁰ From China's perspective, Israel is important as a technological hub (a 'start-up' nation) and because of its strategic location—a point made by Chen Xuyuan, the chairman of SIPG, who pointed out that 'Investing in Haifa will help strengthen relations between the Shanghai port and other ports along the maritime silk road and form a closer trade network between the Shanghai port and ports in Europe.'⁸¹

Egypt

Relations between Egypt and China began in 1955 at the Bandung Conference of Asian and African countries. However, they lost their way as Egypt sought to maintain its relations with the Soviet Union and later with the US, making Egypt the second largest non-NATO recipient of US military aid after Israel.

In 2012, China became Egypt's top trading partner and, in 2013, China's imports from Egypt passed those of the US. Notably, with an increased Chinese presence, Egypt-US trade decreased from US\$7.8 billion in 2014 to US\$6.1 billion in 2015. Since Xi's January 2016 state visit, the two countries have signed 21 memorandums of understanding on economic cooperation, electricity, energy, trade, civil aviation, science, technology, communications and aerospace. At the end of 2016, they were planning 15 projects in electricity, infrastructure and transport, involving investments that could total US\$15 billion.⁸²

Egypt's importance to China is substantial. First, Egypt is a key ally of the US, receiving around US\$1.6 billion in aid each year, so luring Egypt from the US camp would help to erode US influence in the Middle East. Second, Egypt is geostrategically important because it controls the Suez Canal, which is vital for the Chinese economy, so investing in Egyptian infrastructure would help to boost Chinese exports to the EU, which is China's biggest trading partner. Moreover, Egypt is a leading Arab, Muslim and African country and is a member of the Arab League, the Organisation of Islamic Cooperation and the African Union. In the words of President Xi, China:

supports Egypt's efforts to maintain stability, develop the economy, improve livelihoods, and supports Egypt to play an even greater role in international and regional affairs [which is why China is] ready to work with the Egyptian side to carry forward our traditional friendship, learn from each other, and deepen our practical cooperation in various fields under the Belt and Road Initiative, so as to let our people share development benefits and enjoy a better life.⁸³

Thus, since the Arab Spring, Egypt has seen a massive increase in Chinese investment and engagement. In 2014, Xi Jinping and his Egyptian counterpart, President Abdel Fattah el-Sisi, held talks to upgrade their countries' bilateral relationship to a 'comprehensive strategic partnership'. The goal was to boost political, economic, military, cultural and technological cooperation as well as to engage in better coordination at the regional and international levels.⁸⁴ It's notable that between 2014 and 2016 el-Sisi did not visit the US, and his second overseas state visit was to Beijing (in 2012, President Mohamed Morsi travelled to China, laying the foundation for better ties between the two countries). Xi reciprocated in 2016 with a visit during which he addressed the Egyptian Parliament. In November 2017, President Xi's Special Envoy and Education Minister, Chen Baosheng, met with el-Sisi, handed him a letter from the Chinese president and expressed China's hope for a long-term strategic relationship. Baosheng was in Egypt for the World Youth Forum, attended by 3,200 young people from 113 states, which el-Sisi founded in 2016, where he attended the opening ceremony. There were no senior American officials at the conference.⁸⁵

In 2015, Egypt joined the BRI and became the first African country to join China's Asian Infrastructure Investment Bank, so it's perhaps unsurprising that by 2017 Egypt had become home to around 10,000 Chinese nationals who came to work and study.⁸⁶ The key to the growing interaction between the two countries is China's approach: the Chinese highlight a shared history, as in an assertion by a Chinese geochemist that the origin of China's civilisation may have been in ancient Egypt. When the claim was reported on the Chinese travel site *Kooniao*, readers expressed happiness about it.⁸⁷

Egypt is desperate to revive its economy and address its massive unemployment problem. Its 2017 score on the 'misery index', which is based on the rate of annual inflation and unemployment, was at 45%, core inflation was over 30%, and food prices were rising at an annual rate of 39%.⁸⁸

One of Egypt's key advantages is its geostrategic location, which it seeks to exploit. The country has embarked on an ambitious economic program that includes launching the Suez Canal Economic Zone. Egypt intends to use the zone, which covers ports on the Red Sea and the Mediterranean, coupled with Egypt's good relations with African, Arab and European countries, to encourage export-oriented industries.⁸⁹

Because China is determined to step into spaces unexploited by the US, Beijing has come to play a key role in the financing and construction of Egypt's new administrative capital. The China Fortune Land Development Company committed US\$20 billion in

2016 and, in total, China will provide at least US\$35 billion for the US\$45 billion project.⁹⁰ This is a strategic investment, as it means that China is building relations with senior Egyptian policymakers as it helps design the city.

Beijing's savviness in working with the Arab world's most populous country was highlighted on 12 October, the day US President Donald Trump announced that he would pull the US out of UNESCO, when China withdrew its candidate for the director-general post, Qian Tang, and endorsed Egypt's candidate, Moushira Khattab. The Egyptian Foreign Ministry issued a statement praising China's 'wise decision, which would only come from an ancient state with an extended historical and cultural heritage such as China'.⁹¹

Iran

Over the past few decades, a broad partnership between Beijing and Tehran has emerged, driven mainly by pragmatism and not political ideology. This is all part of the Iranian regime's strategy of 'neither East nor West', as the focus of the government is on security and the longevity of the Iranian revolution.

With the announcement of the BRI, Tehran's importance to China has increased, as Iran connects East and West and has some of the largest oil and gas reserves in the world. This is why it was unsurprising that, within a year of announcing the formation of the Silk Road Fund, the University of Tehran established a Confucius Institute with the aim of promoting Chinese language teaching and cultural studies.

The Iranian Government has used the P5+1 Agreement as the launch pad for massive investment in its energy reserves, planning projects worth US\$185 billion by 2020. This has led the country to revise its oil contracts with foreign actors so that the contracts can now last for 15–20 years.⁹²

The relationship is based on trade and security. China needs energy, which Iran could and does supply on a regular and safe basis, especially if one considers the Malacca Strait as a volatile maritime route over which the Americans exert influence. This concern explains why China and Iran are constructing a natural gas pipeline from Iran to Pakistan to China as well as an Iran–Turkmenistan pipeline.

From Iran's perspective, China is important because Tehran is hampered by the sanctions regime, which makes Iran reliant on China to meet its various defence and security needs. This relationship made China Iran's biggest trading partner. The relationship has the added benefit of frustrating the Americans, who would like to see a stronger chokehold being placed on Iran.

Defence engagement between China and Iran occurs on two lines. First, China is a major arms supplier. It sells Iran anti-ship cruise missiles, long-range J-10 advanced fighter jets and other military equipment. Second, the two have also conducted joint military exercises that have brought Chinese warships into the Persian Gulf, which is of immense value to China due to its reliance on energy from the Middle East (in 2012, the Iranian Navy came to the aid of a Chinese cargo ship that was attacked by Somali pirates). The importance of these activities is that they enhance relations and ensure that, if Iran were to close the Strait of Hormuz, Beijing could use its ties with Tehran to cushion the impact that such a move would have on oil prices.⁹³

President Trump's belligerent rhetoric and stance on the Joint Comprehensive Plan of Action is helping to bring China and Iran even closer, as the Iranians are concerned that the President would torpedo the deal. That concern may explain the recent military exercises (most of which have been naval) and missile tests that the two have been conducting and a state visit by President Xi Jinping to Tehran in 2017.

Xi recognises Iran's importance to the BRI, which has led him to vow to boost bilateral trade to US\$600 billion by the late 2020s, beginning with the construction of high-speed railway lines so that a train leaving Shanghai would be able to reach Tehran, 3,200 kilometres away, in 12 days (a similar trip by sea takes 30 days).⁹⁴

The Iranians have recognised the value of the BRI. Ali Tayebnia, who was then Iran's Minister of Economic Affairs and Finance, stated in May 2017, 'Iran's position in Xi Jinping's innovative plan to revive the New Silk Road is spectacular and ideal. Therefore, we intend to play an effective role in its implementation.'⁹⁵ However, it's also worth noting that Iranian reformists (in Iran, one

can identify two sets of political elites: the conservatives and the reformists) are wary of China. First, they're concerned about the Sinicisation of the Iranian economy, which may limit Iran's ability to attract Western investment (mainly because the equipment is different, and they might not want to build two different platforms). Second, there are concerns that overreliance on China limits Iran's options.⁹⁶ Nevertheless, despite those concerns, it's likely that China and Iran will continue to enhance their relations, as both see mutual advantages.

Conclusion

Writing soon after Xi Jinping's speech to the 19th Chinese Communist Party Congress, Kevin Rudd noted that 'the west is increasingly self-absorbed, self-satisfied and globally complacent. China is marching towards its perception of its global destiny. It has a strategy. The west has none.'⁹⁷

Beijing has gone to great lengths to highlight that it has no veto power over the BRI, that there's no formal institutional structure and that the sole purpose behind the initiative is 'to stimulate Chinese and non-Chinese private capital, including for smaller ancillary industries'.⁹⁸ The issue, however, is that China controls all the resources in the construction of the BRI network, which gives it enormous leverage.

In the 21st century, economic statecraft has a tremendous impact on how countries manage their domestic and foreign relations. The BRI project ensures that China has leverage over other countries, as it could always threaten to pull out its investments, leaving thousands of people unemployed and destabilising host governments. In other words, even though ports and bridges are in the territory of sovereign states, threats to close down such facilities are likely to cause domestic instability, thus encouraging governments, especially weak ones, to negotiate.

The message of this Strategic Insight is threefold. The first is that China, if it can sustain its economic growth, will use economic power to attain influence beyond the BRI, which indicates that it's on its way to fulfilling Xi Jinping's vision of China as a leading global power. China is changing, and the Communist Party is aware that it faces many internal challenges that will become more acute if it can't keep ordinary Chinese happy, which is why the BRI has to be seen as a domestic initiative as much as a foreign one.

The second point is that there's so much that's unknown about the BRI, which may end up as a massive Ponzi scheme. It remains unclear how China is generating the trillion dollars to finance this huge, global infrastructure program, whether these projects are needed and even whether they'll pay for themselves. As things stand, world debt in 2017 approached US\$220 trillion or 325% of GDP, which illustrates the fragility of a global financial system that's still coming to terms with the 2008 global financial crisis.⁹⁹

The third point is that China is using the BRI to expand its influence, which means that we should not look only at the countries that are directly linked to the project. Israel isn't part of the BRI project but has an important role in it because of its strategic location and because it's a key ally of the US and a leading high-tech country. In the case of Zimbabwe, the close relations between Beijing and Mnangagwa will ensure that China will play a leading role in rebuilding the economy of a country that has enormous natural resources and is the key to projecting power across southern and central Africa. By developing close ties with Turkey, which is losing many of its democratic credentials, China can penetrate Asia Minor, the Balkans and the Eastern Mediterranean, projecting power in a space where it had little influence. The relationship with Iran is also significant because it gives China access to the Persian Gulf, while giving it more security in respect to the Indian Ocean and the China-Pakistan Corridor, all of which are vital to China's national security.

It is crucial to look beyond the BRI's obvious members and recognise that the project by appealing to developing countries, pariah states or those that are simply looking for investment and growth, China is penetrating new spaces.

The BRI is becoming a major feature in international relations. It enables Beijing to project power and establish relations and nurture relations through economic power and the power of public opinion. The danger however is that because not much is known about the actual mechanics and finance of the BRI, many of the countries that are relying on Chinese largesse, should there be a funding collapse could experience social, economic and political turbulence, which could impact Australia, as we are so connected to the global system.

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Acronyms and abbreviations

ASEAN	Association of Southeast Asian Nations
BRI	One Belt, One Road Initiative
CCP	Chinese Communist Party
CHEC	China Harbour Engineering Company Limited
EU	European Union
EXIM	Export–Import Bank of China
FOCAC	Forum on China–Africa Cooperation
GDP	gross domestic product
NATO	North Atlantic Treaty Organization
OECD	Organisation for Economic Cooperation and Development
SIPG	Shanghai International Port Group
UNESCO	United Nations Educational, Scientific and Cultural Organization
ZANU	Zimbabwe African National Union
ZAPU	Zimbabwe African People’s Union

About the author

Isaac Kfir joined ASPI in August 2017 as the Director of the National Security program and Head of the Counter-terrorism Policy Centre.

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ASPI

Tel +61 2 6270 5100

Fax + 61 2 6273 9566

Email enquiries@aspi.org.au

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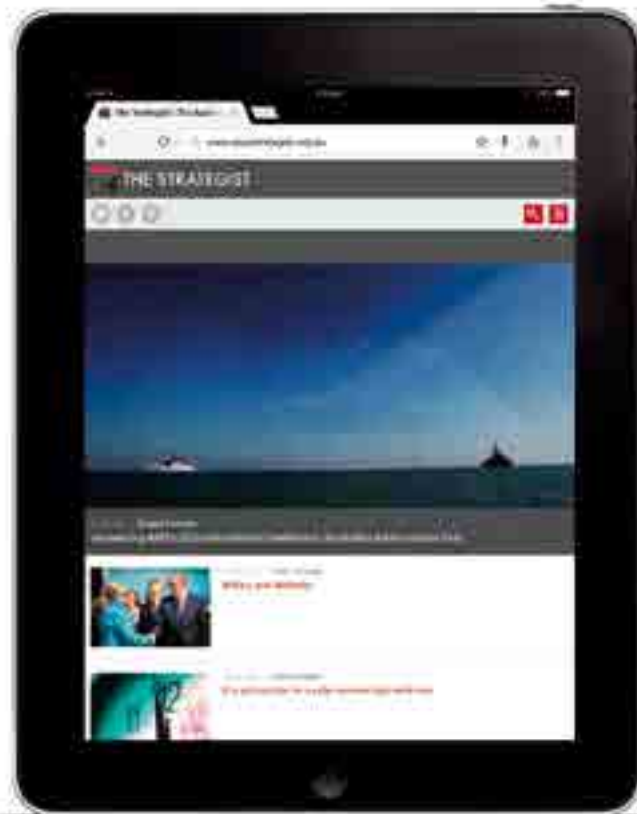


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