

# Hedging in the Middle East and China-US Competition

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## Abstract

This article examines policies of both China and the United States in the Middle East. It evaluates the effectiveness of Beijing's strategic hedging behavior against Washington's 'hard' power strategies by discussing several policy challenges in this region: energy security, the Iranian nuclear issue, terrorism, regional alliance structures, and the 'Arab Spring'. The results of this study show that the gradual retreat of the US from the region coincides with a stronger Chinese presence in the Middle East on several fronts. In examining Sino-US power competition in the Middle East, it contributes to the advancement of 'strategic hedging' as a still underdeveloped concept in the International Relations literature.

**Keywords:** 'Hedging' in International Relations, Sino-US relations, Sino-Middle East relations, US-Middle East relations.

## Introduction

Since the end of the Cold War, U.S. foreign policy has had an unmistakable bearing on the Middle East. Several examples of the use of American ‘hard power’ in the Middle East in the pursuit of US national interests are the Iraq wars, the threat of military strikes against Iran after the discovery of Iran's nuclear programme in 2002, and President Obama's talk of ‘red lines’ as a discursive military threat in the case of the Syrian conflict. These have resulted in increasing popular discontent with the United States in the Middle East. Despite Washington's efforts to regain the image of a benevolent superpower, public opinion polls in the Middle East indicate a sharp decline in the standing of the United States, especially after the wars in Iraq and Afghanistan. A poll by the Arab Centre for Research and Policy Studies (ACRPS), covering 84 percent of the population of the Arab world in 2011, shows that 73 percent of the people in the region regard the United States and Israel as the two most threatening countries to their interests (Bishara, 2012).

China, in turn, has followed a second-tier state policy of ‘strategic hedging’ – employing a wider range of both military and non-military strategies in order to improve its relations with Middle Eastern countries and thereby hedge against risks arising from more confrontational policies in the future. A Sino-U.S. military conflict is unlikely to take place in the near future due to the magnitude of U.S. military power as well as significant differences in their military capabilities. Beijing also avoids entering into an arms race with Washington because that could adversely affect domestic developments, as had happened in Soviet Russia as a consequence of the US-Soviet Cold War arms race (Foot, 2006:89). On the other hand, although economic growth and inflation in China are influenced significantly by international oil prices related to events in the Middle East, Beijing does not yet have an influential say in pricing policies in global oil markets (Du, et al. 2010:414). Therefore, even though Chinese energy policies could have significant repercussions on China's relations with the rest of the world, especially its relations with Washington (Cornelius & Story 2007:6), China is still asymmetrically dependent on global oil price developments. Hence, Beijing will not sacrifice its strategic relations with Middle Eastern countries only for the sake of accommodating Washington (Fuchang, 2010:14). As a whole, Beijing has attempted to take advantage of globalization to achieve a balance with Washington across multiple power dimensions (Foot, 2006:83).

In the literature theorizing on power poles and power balances, one stream of literature is typically attributed to a (neo-) realist school of IR thought, which argues that the concentration of ‘power’ is the most significant pillar that upholds the continuation of ‘unipolarity’, once a dominant actor has established itself as such. The logic of hard power as an option available to the system leader follows from such an account, as it allows him to consolidate a dominant position and to counter any attempt to change the prevalent power constellation. ‘Second-tier’ states, in the same systemic analyses, are precluded from relying on the ‘hard power’ option, in the absence of appropriate material capabilities. Most

second-tier states, it is theorized, prefer to use ‘soft balancing’ as a strategic option in order to protect their interests (Pape, 2005; Paul, 2005). The soft balancing concept, in this context, is an important one to understand the behavior of second-tier states towards the United States in a unipolar system. The concept’s prime focus, however, is not to analyse or predict future hard balancing actions in military terms. Second-tier powers usually resort to this behavior as a result of conflicting foreign policy interests with other international actors. This can be because of economic interest, security dilemma, and policy disputes (Brooks and Wohlforth 2005:74–75).

In response to these conceptual shortcomings, the concept of ‘strategic hedging’ has been introduced in an effort to provide a more specific concept than soft balancing. Despite the conceptual confusion in some empirical cases, strategic hedging is clearly distinct from soft balancing in significant respects. The hedging state is willing to suffer additional temporary costs in the present to better prepare for the future. Most importantly, strategic hedging addresses a wider range of strategies than traditional balancing approaches and also applies to other systemic power constellations where power diffusion may take the emphasis away from unipolar conditions (Tessman & Wolfe, 2011:220). Strategic hedging has a coherent long-term plan aimed at developing economic and military capabilities while avoiding direct confrontation with this leader (Tessman, 2012).

The concept of strategic hedging draws on the works of, i.a., Medeiros (2005/6), Foot (2006), Goldstein (2003), Goh (2007/08), Kwik (2008), Tessman & Wolfe (2011) Tessman (2012), Salman & Geeraerts (2015) and provides a theoretical model for analyzing the foreign policy behavior of ‘second-tier’ states toward a systemically dominant actor in the international system. In a situation of uncertainty about future developments, intentions or foreign policy reactions of this dominant actor, second-tier states opt to strategically hedge against potential risks arising from their foreign policies. In practice, this entails pursuing policies that are in their national interests (economically, regionally, security politically, domestically or otherwise) while not openly antagonizing ‘the hegemon’. Strategic hedging thereby avoids outright provocation of or confrontation with the latter, but still allows the hedging state to pursue policies that may run counter to policy preferences or interests of the ‘hegemon’. If the stakes are too high in risking a confrontation, hedging states would renounce policies provoking such a confrontation, thus accepting short-term costs (that the renouncing of these otherwise nationally advantageous policies would entail) for the sake of a *perceived* long-term necessity to uphold pragmatically stable relations with ‘the hegemon’. As such, this framework is “a way to understand much of the competitive behavior that second-tier states use to cope with structural incentives associated with a unipolar system”, Tessman & Wolfe write (2011: 214). Such a behavior practically amounts to an insurance policy in a world where strategic power constellations, economic interdependence, alliances, *as well as the perception thereof* dictate international

politics and has therefore also been referred to as a ‘neo-Bismarckian strategy’ (Goldstein, 2003) and ‘security dilemma dynamics’ (Medeiros, 2005/6: 146).

An analysis of Chinese and US foreign policies in the Middle East thus is a case study to shed light not only on the effects and perception of external power penetration in this region, but also on broader systemic implications of coexistence between a declining hegemon and a rising shaper of the global governance architecture. This paper is organized as follows: it first briefly reviews the literature of Sino-US competition in the Middle East and elaborates on the strategic hedging framework as a conceptual orientation. Second, it presents policies of both China and the United States in the Middle East and evaluates the effectiveness of Beijing's strategic hedging behavior against Washington's power strategies by discussing their engagement with security challenges in the Middle Eastern region. These challenges are energy security, the Iranian nuclear crisis, terrorism, regional alliance structures, and what has been termed the ‘Arab Spring’. Based on this analysis, a final section provides an outlook for US and Chinese foreign policies in the Middle Eastern region.

### **Sino-US relations and Strategic Hedging**

Ever since China became a major economic power in the world, the future of China-U.S relations has become a subject of controversy for International Relations scholars. In 2003, Salameh argued that the possibility of conflict between Washington and Beijing would increase in case of continued dependence on energy supplies from a volatile region like the Middle East. He also discussed the possibility of resolving potential conflicts through economic policies and investment, or through the diversification of energy sources, rather than through military force (Salameh, 2003:1085). Two years later, Leverett and Bader asserted that the US interests in the Middle East are threatened by China's efforts to secure energy market access that could lead to “unwelcome antagonism between the only superpower in the world and the world's fastest growing power” (Leverett & Bader, 2005:199). China's economic rise has inspired and informed a proliferating scholarship on the implications for structural political constellations and potential global power transitions that the emergence of this new power pole might bring about. The body of literature discussing Sino-US relations is burgeoning and at times heatedly discusses prospects of future cooperation as well as the possibilities of confrontation (cf. i.e. Chan, 1999; Chan, 2004; Chin & Thakur, 2010; Deng, 2006; He & Feng, 2008; Ikenberry, 2011; Johnston, 2003, 2004; Kissinger, 2011; Wei, 2007; Jisi, 2011; Zhao Suisheng, 2006; Zhu, 2010; Breslin, 2009). Underlying much of the literature is the recognition that China's unprecedented economic rise in the last 30 years is creating the conditions for an inevitable process of power diffusion (Schweller & Pu, 2011; Shambaugh, 2005; Yan, 2006). As the US is declining in its role as the architect of globalization, China's growing weight in

economic terms is thought to condition the erosion of the international financial and economic system based on and sustained by the United States. This development has profound political implications and will necessarily require a re-balancing of the power relationship between China and the US.

The application of the concept of ‘hedging’ in the context of Sino-US relations is not new in the International Relations literature. The classic definition of this term comes from Evelyn Goh (2005, 2007/2008) who understands hedging to be “a set of strategies aimed at avoiding (or planning for contingencies in) a situation in which states cannot decide upon more straightforward alternatives such as balancing, bandwagoning, or neutrality” (Goh, 2005:2). Medeiros (2005/2006) points out that hedging consists of pursuing strategies “that, on one hand, stress engagement and integration mechanisms and, on the other, emphasize realist-style balancing in the form of external security cooperation with Asian states and national military modernization programs” (Medeiros, 2005/6: 146). Tessman and Wolfe (2011) presented the strategic hedging behavior as “a structural theory of interstate competition”. They developed a four-step mechanism to analyze Chinese energy security strategy and found it to be a strong example of strategic hedging (Tessman & Wolfe, 2011:236). More recently, Tessman (2012) went to great lengths to differentiate hedging from soft balancing. Tessman’s argument is based on the assumption that hedging is not so much directed at opposing the target state as at keeping the actor’s options open in a wide array of contingencies. Thus, strategic hedging behavior serves to create a balance between ‘hard’ and ‘soft’ power; where the hedging state attempts to improve its competitive ability whilst avoiding direct confrontation with the system leader at the same time. In the remainder of the article, we proceed from the ‘temporal’ version of the hedging concept espoused by Tessman and Wolfe, rather than the ‘positional’ hedging described by Medeiros, Goh, and others. The former theorizes on the acceptance of some short term costs in the present to better prepare for the future, while the latter is about small states that wish to maintain a balanced relationship with two superpowers. In the absence of a second ‘superpower’ and in view of our analysis of Sino-US relations as an illustration of a coexistence between one superpower and a growing shaper of global governance mechanisms, such a conceptual angle is deemed appropriate.

Strategic hedging can be read as a willingness to bear an immediate economic cost in order to accumulate strategic reserves of an asset normally provided as a ‘public good’ by the international system’s leading power (i.e. the United States). This article will demonstrate how Chinese foreign policy is not always limited in this context of reserve accumulation (like securing access to Persian Gulf hydrocarbons). Instead, it will be suggested that Chinese foreign policy might include other costs (like diplomatic cost)<sup>1</sup> to protect strategic

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<sup>1</sup> “Observable costs can originate from inside or outside the hedging state. Examples might include diplomatic backlash or sanctions from other states, sizeable political opposition at home, and/or significant economic inefficiencies” (Tessman & Wolfe, 2011:223).

interests and to bolster long-term non-material strategic assets (e.g. China's Security Council vetoes on Syria). Chinese hedging, in other words, could be in various forms in order to achieve a coherent long-term plan. The remainder of this article will show how this applies to Chinese Middle East policies. We thereby aim to assess the relative importance and effects of strategic hedging in the light of China's increasing presence and America's declining impact on the Middle East.

### **A Geopolitical Shift in US Policies in the Middle East**

The US federal government has spent large amounts of money on defending its (actual or perceived) interests in the Middle East. Next to the argument of strategic assets that the region provides due to its vast oil reserves, the Overseas Private Investment Corporation (OPIC) has encouraged the US private sector to increase investments in the Middle East and North Africa (Dadush & Dunne, 2011:133).

Washington's initial interest in Persian Gulf hydrocarbons--during World War II and for a quarter century thereafter--came during a time when the United States was self-sufficient in oil supplies. The United States became a net oil importer only in the 1970s. However, crude oil supplies from the Persian Gulf region never constituted a high percentage of US oil imports. Persian Gulf hydrocarbons mattered to the United States because controlling strategic access to these reserves boosts U.S. influence in other strategically important parts of the world (e.g., Europe and East Asia). A one-dimensional presentation of US interests in the Persian Gulf or the wider Middle East as an extrapolation of its oil dependency thus does not fully capture a plethora of strategic foreign policy motivations that also had to be read in the context of a global Cold War power competition over proxy networks. Historical examples abound and include, but are not limited to, US geostrategic support for the Shah in Iran, the US alliance with the House of Saud in Saudi-Arabia, or US involvement in regional proxy conflicts in Lebanon.

In the 1990s and 2000s, the US military contributed to several military strategic operations in the Middle East that were deemed necessary to contribute to the crafting of a post-Cold War regional order. The 'liberation' of Kuwait from Iraqi occupation in the early 1990s, the invasion of Iraq in 2003, the support of Iraqi forces against 'terrorist' activities in the country, contributions to UN operations combating pirates near the coast of Somalia, or support for the Yemeni army in eliminating terrorist bases in Yemen (Barno et al, 2012:172) are but the best known overt operations. An inevitable side effect of such external interventions in the Middle East was the creation of strategic imbalances that may turn out to be long-term impediments to comprehensive peace solutions to the most pressing conflict zones in the region (Mousavian, 2013:129).

Since coming into office, President Obama has attempted to cure the trauma left behind by his predecessor, by seeking new ways to mend fences in US-Middle Eastern relations. On June 4th, 2009, Obama announced his intent to abandon US ‘unilateralism’ and expand multilateral cooperation and dialogue (Yang, 2010:10). Significant global and regional changes have led Washington to abandon policies that contributed to the perceived discontent with US foreign policy associated with the Bush administration. That way, the US administration abandoned long-standing regional allies like Hosni Mubarak in Egypt, showed reluctance to engage in new military adventures after the wars in Iraq and Afghanistan as illustrated by Obama's decision to ‘lead from behind’ in Libya, decided on the removal of its troops from Iraq and accelerated the troop withdrawal from Afghanistan, where the US contingent is now considerably reduced following the official end of the ISAF mission in 2014 (Barno, et al. 2012:158). Such shifts are the outcome of strategic decisions in the White House as well as policy reactions to unforeseen external influences, like the outbreak of popular uprisings across the Middle East, whose significance for regional alliance structures will be addressed in a later section. The conflict in Syria, violence in neighboring Iraq, and the rise of new transnational terrorist movements such as the so-called ‘Islamic State’, have presented the US foreign policy machinery with new and unforeseen challenges. In particular, the rapid advance of the ‘Islamic State’ in the summer of 2014 has prompted observers and commentators to link US foreign policy inaction in Syria to these new phenomena of religious extremism. It remains to be seen how US foreign policy will adapt to the re-balancing of power in the Middle East, and how a new US role in the region will be formulated in the wake of the apparent dissolution of the Sykes-Picot order in the Middle East.<sup>2</sup>

### **China's Engagement in the Middle East**

Energy security, arms sales and geopolitics are the most important material drivers of China's policy in the Middle East (Kemp, 2010:5; Yoshihara & Sokolsky, 2002:75). In what might be called military diplomacy, Beijing has provided weapons to the major oil producers in the Middle East like Saudi Arabia and Iran in order to secure a stable supply of energy (Newmyer, 2009:217). Such a policy has been pursued to avoid disruption of energy supplies through the improvement of relations with oil-producing countries, and through the domestic state-level support given to China's national oil companies (NOCs) (Tunsj, 2010:25-26). Short of overt military involvement (which in the theoretical literature would amount to hard balancing), such cautious strategizing fits a behavior conceived as ‘temporal hedging’ as worked out above. Moreover, China's leadership has followed a strategy of developing various military means to protect energy supply lines that stretch from the Bohai Sea to the Persian Gulf (Yoshihara & Holmes, 2008:123).

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<sup>2</sup> The Sykes-Picot agreement of May 1916 divided the Near East into French and British mandates and thus paved the way for territorial state-formation in the region for much of the 20<sup>th</sup> century.

Over the last several years, such a policy of economic-commercial expansion in Chinese relations with Middle Eastern countries has translated into a policy of domestic monopolization of Beijing's companies that are the industrial backbone of China's oil policies abroad. For instance, state-owned Chinese energy companies - such as the China National Petroleum Corporation (CNPC), the China National Petrochemical Corporation (Sinopec), and CNOOC- seek to secure Middle Eastern oil and gas on an exclusive basis (Leverett & Bader, 2005:187). China also reorganized the oil and gas sector by supporting state-owned energy firms' domination not only by providing exclusive access to oil assets, development, and distribution, but also by offering financial support from the state-owned banking sector (Lee, 2012:81).

On the military level, over the last ten years, senior Chinese military officers have visited their counterparts in Egypt, Syria, Jordan, Lebanon, and Israel. In return, Beijing has hosted high-level officers from Iran, Kuwait, the UAE, Syria, and Qatar (Alterman, 2009:69). An example for China's military engagement on an operational level is Beijing's participation in the peacekeeping mission in Lebanon in 2006. In 2008, it also sent a naval vessel to fend off pirates from the Somali coast.

In addition to the expansion of such ties on an economic and military level, cultural ties have been promoted to complement the expansion of politico-economic ties for public relations purposes: in 2001, the Chinese-Arab Friendship Association was established. China has also held major cultural activities in the Middle East. Examples are the 'Quanzhou and the Silk Road on the Sea Cultural Festival', the 'Chinese Culture Expo in North Africa', the 'China Cultural Week in the Gulf', the 'Egypt Cultural Week', the 'Syria Cultural Week', the 'Iranian Cultural Week', and the 'Arab Arts Festival' in China ( Mu, 2010; Salem, 2010; Xinhua, 2013; Yao, 2007:17).

Politically, such commercial planning and cultural diplomacy is flanked by the portrayal of China as playing a balancing role in the Arab-Israeli and other regional conflicts (Zha, 2006:181). The extent to which China shows an interest in balancing conflicting political interests and mediating positions, however, is a contentious question and one that is subject to debate among experts. For instance, China's participation ~~as a state party in talks on the Darfur conflict or~~ as a member of the P5+1<sup>3</sup> format negotiating with Iran over its controversial nuclear programme does not automatically indicate a Chinese readiness to effectively use its political clout to mediate in negotiations. This paper shows later that China's position in politically sticky issues like the Iranian nuclear crisis more often than not constitutes pragmatic tightrope walking, wanting to uphold the image as a 'responsible stakeholder' in the international arena, while partially pursuing (economic) policies that enter into contradiction with certain political framework conditions. In the raging conflict in Syria, four attempts to adopt a UN Security Council resolution have failed due to open

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<sup>3</sup> The P5+1 are the five permanent UN Security Council members, together with Germany.



opposition and veto by permanent UNSC members Russia and China. In both Beijing and Moscow, the view that a Western coalition had overstepped a UN mandate (UN Security Council resolution 1973) to topple Libya's Qaddafi in 2011 explains the firm opposition to what was perceived as attempts to legitimize military actions against Syria and thereby instigate eventual regime change (cf. Pieper 2014a). As such, China's stance in politically contentious conflicts conveys Beijing's unwillingness to further regional anarchy in a state of uncertainty surrounding the future of the Middle East. This hedging behavior, in other words, is 'temporal' by nature because it involves tolerating different costs to strengthen its long-term capacity in the region.

### **Hedging in the Middle East and China-US Competition**

US material interests in the Middle East are ensuring access to energy sources, halting the proliferation of nuclear, chemical or biological weapons, and combating global terrorist networks that could constitute a security threat to the US (Alterman, 2011:32; Barno, et al. 2012:159). On the other hand, the main drivers of China's policies in the Middle East are energy security, arms sales and what one might couch in terms of a geopolitical positioning in a process of power de-concentration in Central Asia, the Middle East and across the wider Islamic world (Kemp, 2010:5; Yoshihara & Sokolsky, 2002:75).

In what follows, we will evaluate the effectiveness of Beijing's strategic hedging behavior crafted against what were perceived as hard power strategies originating from Washington. This will be done by shedding light on China's policies regarding specific security challenges in the Middle East that serve to illustrate China's tightrope walk using a 'temporal' hedging approach. The policy issues discussed pertain to energy security, the Iranian nuclear crisis, terrorism, regional alliance structures, and the popular uprisings since 2011 that have come to be called 'Arab Spring'.

#### **1- Geostrategy: Energy Security and the Quest for Oil**

Energy security, in the Chinese view, demands a willingness to pay additional costs to protect energy supplies against potential threats (Verma, 2007:3281). In general, the diversification of sources is used as a strategy by policymakers to enhance energy security in the major oil importing countries, such as the United States and China (Vivoda, 2009:4615).

Washington is concerned about China's efforts to access new global oil markets; especially given that the rising Chinese oil demand has added up to several other factors leading to rising prices that reduce the purchasing power of other oil importing countries (Cornelius & Story, 2007:6). From a realist IR perspective, the main objective of the US presence in the Middle East was to protect oil supplies, and the cost of defending other (potentially non-material) interests was relatively low (Delucchi & Murphy, 2008:2256). Ultimately, however, Washington's involvement in the Iraq war could not be explained

solely by the existence of huge oil reserves in the Middle East, but arguably was a calculation accounting for wider strategic regional re-balancing considerations (Delucchi & Murphy, 2008:2253), underlining the importance of the political dimension of oil market access, and an implicit Sino-US competition in this regard.

As 2014 has seen a rapid drop in oil prices, with the oil barrel price dropping as low as US\$60 and even US\$50, the oil pricing system and its use as a political instrument has become even more a focus of attention for observers and analysts. Remarkably, US ally countries refused to cut oil production during the OPEC's last meeting in December 2014. This position unleashed a flurry of speculations as to the political motivation behind dropping oil prices. While low oil prices exert pressure on Iran at a time when a nuclear agreement is being negotiated, another main motivation perceived at the time of writing was an attempt to weaken Russia's economy due to its stance in the Ukraine conflict. Likewise, US attempts to become self-sufficient in energy production, as the exploration of 'fracking' methods has shown, adds another caveat to the portrayal of US Middle Eastern policies as being driven primarily by oil dependency.

On the other hand, oil price spikes that can happen as a result of political unrest or geopolitical events in the major oil exporting countries such as Saudi Arabia and Iran are also likely to impact on China's economy (Lee, 2012:84). Beijing is concerned that China's foreign energy supplies may in the future be subject to disruption either by such political factors in the supplying countries themselves or by strategic political decisions by geopolitical competitors such as the United States (Verma, 2007:3282). China's hedge to ensure future energy supplies is thus intended to protect Chinese economic interests such as the stability of oil supplies (Tunjsj, 2010:32). Its assistance in building-up the military capabilities of supplier countries through provision of logistical and weapons support serves as another element of that strategy<sup>4</sup> (Newmyer, 2009:205). Next to such projections of (indirect) military prowess, China is hedging against future uncertainties by contributing to the deepening of cultural ties and civil society exchanges as described above. In doing so, China has focused on improving its relationships with Iraq, Iran and Saudi Arabia, the three major oil-producing states in the Middle East. Other relationships were established with smaller Gulf producers such as Kuwait, the United Arab Emirates, Oman and Yemen, as well as with other energy producers in North Africa, including Algeria, Egypt, Libya, and Sudan. The support for China's national oil companies (NOCs) is also a state-led contribution to the profit-maximization of these companies out of an understanding of the critical necessity to respond to the country's energy needs (Tunjsj, 2010:31; Chen, 2011:600). In 1997, CNPC contributed the largest share in a project to explore and develop

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<sup>4</sup> Beijing could use its arms sales to "secure guaranteed supplies from the major Middle East producers (...) China might approach Riyadh and Tehran with offers of, respectively, intercontinental ballistic missiles and nuclear technology, and the latest anti-ship missiles. Beijing might also offer both states access to China's global positioning satellite and ISR-related assets" (Newmyer, 2009:217).

oil fields and extend pipelines in Sudan (Leverett & Bader 2005: 190). A similar investment policy was pursued in Iran, where China was given the license to develop the Yadavaran fields in Southern Iran and consequently profit from the exploration of Liquefied Natural Gas (LNG). China also is actively developing the North Azadegan field in Iran (Jacques 2012: 435). This is an intriguing investment policy from a geostrategic point of view, as it not only ties energy suppliers to Chinese economic investments, but also lets China develop critical energy infrastructure as if they were Chinese property. Such a policy is the geostrategic translation of long-term geopolitical calculations into commercial investment planning. Importantly, such an investment strategy can be read as a ‘temporal’ hedging that helps to increase the strategic reserve of a significant public good under uncertainty over the fluctuations of oil prices in the future.

## **2- The Iranian Nuclear Issue**

Washington's public diplomacy over Iran's nuclear programme, at least until the assumption into office of Barack Obama, deployed instrumental language that was indicative of its perception of the Iranians and their intentions. A ‘carrot-and-sticks’ rhetoric was aimed at forcing Iran to suspend nuclear activities that Tehran believed to be their ‘inalienable rights’ as a member of the nuclear non-proliferation treaty (NPT). In return for suspending its controversial uranium enrichment programme, Tehran would receive ‘carrots’ in the form of economic and technological incentives (delivered, it is important to emphasize, by the Europeans). With Iranian non-compliance and its lack of transparency with the International Atomic Energy Agency (IAEA - which was tasked to monitor compliance of each NPT member's with their Safeguards Agreements and verify the non-diversion of civilian nuclear energy to military means), US’s Iran policy clearly tilted toward an emphasis on the ‘sticks’ approach, which saw the imposition of a far-reaching sanctions regime, both by diplomatic persuasion and adoption of UN Security Council resolutions, and the imposition of unilateral US sanctions (Amirahmadi & ShahidSaless, 2013:147). The latter not only gradually dented the Iranian economy, but were also directly applied to other countries in an attempt to ‘extraterritorialize’ US legislation by punishing third country companies for doing business with Tehran (Sick, 1998:8). This is not a legislative endeavor that was limited to the Bush administration. The extent of US unilateral legislation with extraterritorial application (so-called ‘secondary sanctions’) in fact increased under the Obama administration. This has created a dilemma for many countries that attached political importance to good relations with the US, but who did not want to sacrifice their economic and commercial activities with Iran by siding with one side of the US-Iranian enmity (Pant, 2007:495). Even though an escalation with Tehran over its nuclear programme, let alone another war in the Middle East, is not in Washington's interest, it has been argued elsewhere that the dangerous level of inflammatory rhetoric on both sides raises the possibility of unintended policy consequences that threaten region stability as a whole (Arbatov & Dvorkin 2008; Sazhin

2012) – especially considering the geopolitical centrality of Iran and its potential to severely disrupt global oil flows and maritime and commercial traffic in the Persian Gulf region (Ekovich, 2004:75; Tunsj, 2010:39). It has also often been speculated that a nuclear Iran could trigger an arms race in the region (Patrikarakos, 2012: 244; 277; Kibaroglu, 2006: 224; Kaye & Wehrey, 2007; Edelman et al., 2011: 67) and severely endanger the legal and political value of the NPT. Several attempts at finding political solutions to the decade-old Iranian nuclear stalemate have been made, with the negotiating format of the P5+1 being at the forefront of diplomatic activity since 2006. Since the election of Hassan Feridoun-Rouhani as Iranian president in June 2013, Iran has initiated an unprecedented diplomatic outreach that culminated in an astonishing extent of US-Iranian contacts and exchanges on a working level, ever since diplomatic relations broke off following the Iranian Revolution in 1979. Following intense pre-negotiation talks, Iran and the P5+1 for the first time agreed on an interim solution on 23 November (Pieper, 2013a). It remains to be seen how an ‘endgame solution’ will be crafted and to what extent US-Iranian relations will normalize – this will not least depend on domestic obstacles both in Tehran and Washington, especially on Congressional hurdles in rolling back US Iran sanctions). After the P5+1 group and Iran failed to come to an agreement on a ‘Joint Comprehensive Plan of Action’ (JCPoA) to settle Iran’s final nuclear status by 24 November 2014, the deadline for such an agreement was extended to July 2015 – and a political framework agreement to serve as the basic parameters for this JCPoA was successfully reached on 2 April 2015.

China's Iran policy is conditioned by China's thirst for energy supplies that led to the development of Sino-Iranian relations and the expansion of oil trade as well as China's investment in Iran's energy infrastructure. In the above-described context of US efforts to exert economic pressure on Tehran, China saw itself torn between acknowledging US security interests (and thereby accommodating a US approach that was to China’s dislike) and its own commercial activities in Iran (Vakil, 2006:54). From the outset, China did not share the sense of urgency with which the US presented Iran as a rogue violator of the NPT, while nuclear activities of non-NPT members were being overlooked (Ekovich, 2004:79-80). Against the backdrop of the discovery of Iran's covert nuclear programme components in 2002, China was seen with suspicion in the West as having contributed to the development of Iran's nuclear programme under the nuclear cooperation agreement signed in 1985 and 1990. China has provided Iran with various types of critical nuclear technology and machinery and has assisted Iran in uranium exploration and mining as well as with the use of lasers for uranium enrichment (Djallil, 2011). Reportedly, China sold Iran 1.6 metric tons of uranium products in 1991 that allowed Iran to conduct lab-scale experimentation and played an important role in training Iranian nuclear engineers at the Esfahan Nuclear Research Centre (Davis, et al. 2012:35). Despite Beijing's pledge to cease all nuclear cooperation with Iran in 1997, evidence indicates Chinese continuing nuclear technology trade with Iran (Brandon, 2005:118). In addition to these nuclear sales, Beijing has supported Iran militarily, supplying Chinese arms to Tehran, including TL-10/C-701 anti-

ship missiles, air surveillance radars, C-802/CSS-N8/Saccade anti-ship missiles, QW-1 Vanguard portable surface-to-air missiles, and C-801/CSS-N-4/Sardine anti-ship missiles (Alterman, 2009:69). While Chinese motivations for lending support to Tehran have primarily been commercial, Sino-Iranian ties became a matter of concern in the West, as the latter had engaged in efforts to isolate Iran, for which it needed the (tacit) approval of the UNSC permanent member China (Harold & Nader, 2012:8). China has a track record of shielding Iran from pressure (Leverett & Bader, 2005:194), but has also abstained from vetoing UNSC resolutions imposing international sanctions on Iran for its lack of cooperation in the nuclear field. Yet, China has continuously worked – together with Russia – to water down the content of the resolutions and render them less hard-hitting. The Chinese bottom line here is that accommodation of and cooperation with the US through UN institutional mechanisms is preferable to an obstructive role that would allow the US to ‘blame’ China for vetoing UNSC resolutions. Engaging with its Western counterparts through the UN structures, and thereby balancing between diluting sanctions resolutions but eventually approving of them constitutes a tightrope walk for the Chinese government. Maintaining comity with the United States has been a central tenet of Chinese foreign policy since the 1980s. Sino-Iran relations were subordinated to the higher-valued Sino-US relations in cases where a political prioritization was necessary. It is in this context that John Garver (2006) calls the Sino-Iran relation a ‘second-order relationship’ (293). China is torn between resistance to the US’s Iran approaches out of commercial and geopolitical considerations, and accommodation with the US (Pieper 2014b). While its foreign policy discourse often suggests disagreement with US approaches towards Iran, it was especially the eventual adoption of sanctions resolutions that let Tehran question China’s ‘loyalty’ (Mousavian 2012: 443). Beijing’s calculation was that it needed to work through the UN Security Council to ‘avoid’ US behavior, rather than have the US deal with the Iran nuclear challenges outside of UN structures, even if that entailed eventually adopting sanctions – a temporal hedge essentially, against the backdrop of the uncertainty of future intentions. Beijing’s role in the Iranian nuclear file was therefore often seen with frustration on the part of its Western counterparts and was interpreted as an ambivalent tightrope walk in wanting to uphold commercial relations (especially its oil trade) with Iran, while not wanting to appear as a ‘spoiler’ in the West’s attempts at brokering a nuclear deal with Tehran (cf. also Pieper 2013b). As such, China’s Iran policy essentially constituted a strategic hedge in potential risks arising in the future from a deterioration of relations to either side (the West by potentially being seen as ignoring Western security concerns and continuing with controversial business with Tehran; and Iran by potentially being seen as conceding to US pressure too much and agreeing to sanctions rounds). While the impression hitherto prevailed that China was hiding behind a diplomatically more assertive Russian position, observers to the Iran nuclear talks in 2014 and early 2015 note that Chinese foreign policy may gradually be emancipating itself from a Russian diplomatic

‘tutelage’ – another separate hedging tendency whose repercussions will be sure to merit further research.

### **3- Hedging Against Terrorism and Shifts in Regional Alliance Structures**

Beyond the Iran nuclear talks, how does China position itself towards other, and broader regional alliance shifts? The following section seeks to answer this question by situating Chinese policies in the broader context of a perceived US declining role in the region. The United States has lost its position as a traditional security provider in the Middle East as a result of political developments that bring along shifts in traditional alliance structures. The September 11 attacks constituted a trigger moment for such regional structural shifts, as they had put a dampener on the strategic relationship between Washington and Riyadh when investigations had suggested that the terrorist operations had been funded by the Saudi private sector and fifteen out of the nineteen hijackers had carried Saudi passports. Even though Saudi Arabia still receives a substantial amount of arms supplies by the US and continues to be the most important oil supplier from the region, the remarkable pragmatic alliance between the US and the Wahhabi Kingdom was shaken. The sudden outspoken criticism emanating from certain US Congress members as well as a deteriorating US public opinion towards the Saudis was a case in point. As a mid-term consequence, the Saudi leadership seemingly has started to opt for a new strategy of hedging towards Washington and opening up to Beijing (Leverett & Bader, 2005:195). For instance, Saudi investments have turned to China, while the United States has decreased in economic attractiveness. These outbound investment flows coincide with a growing Chinese influence in the energy sector in the Middle East in general, alongside the declining strategic cooperation between Washington and Riyadh (Leverett & Bader, 2005:196). Next to the wretched public perception of the US involvement in the Middle Eastern region following the war in Iraq (Bahgat, 2003:448), these Saudi-US dynamics have cast doubts and stirred up debates on the future direction of US alliance structures in the region. At the time of writing, the unprecedented US-Iranian rapprochement following Hassan Rouhani's election as president of Iran and Iranian diplomatic attempts to steer the country out of its international isolation constitutes a historic watershed moment for US-Saudi relations, as a (partial) normalization of relations between the US and Iran will necessarily entail a re-balancing of previous alliance structures in the region, thus directly endangering the hitherto ‘special relation’ between the US and Saudi Arabia.

Regarding the credibility of the foreign policy discourse emanating from Washington, it has almost become a commonplace in the literature to point out the fuzzy relationship between US selective military involvement and alleged links to the prevention and containment of terrorism (Kroenig & Pavel, 2012:21). The Iraq war stands out as an example here, when the U.S announced in 2002 that it would replace Saddam Hussein by the use of military force ‘unilaterally if necessary’ although Iraq did not pose any direct threat to Washington (Pape, 2005:7). Historic reverberations of this episode were, of

course, the construed narrative to justify a war in Iraq because of the Iraqi regime's alleged pursuit of weapons of mass destruction and the allegation of an al-Qaeda affiliation (Kurth, 2005:305). Notwithstanding the obvious consequences for US public diplomacy and credibility, President Bush's Middle Eastern policies led to significant losses for the US economy – even though it remains difficult to estimate the size of the US military spending in the Middle East as a part of the defense budget spending (Delucchi & Murphy, 2008:2254). According to a report published on the occasion of the tenth anniversary of the Iraq war by the Watson Institute for International Studies at Brown University, the US war in Iraq has cost US\$1.7 trillion and the costs could grow to more than US\$6 trillion (including interest) over the next four decades. The report concludes with a withering assessment: “the war reinvigorated radical Islamist militants in the region, set back women's rights, and weakened an already precarious healthcare system; the US\$212 billion reconstruction effort was largely a failure with most of that money spent on security or lost to waste and fraud” (Trotta, 2013).

For China, the Middle East is and remains a region of strategic concern. Alongside the promotion and preservation of material (economic) interests as described in the previous sections, this region is important for China's security policies and its Western border stability in the wider nexus of the “three Forces of Terrorism, Extremism and Separatism” (Yao, 2007:12). Since the terrorist attacks against the US in September 2001, China has supported international efforts to curb and combat terrorism and has shown receptiveness to US political security concerns by, e.g., opening an FBI legal attaché's office in Beijing and tightening restrictions on the transfer of WMD components (Foot, 2006:87). Such an apparent closer Sino-US cooperation in security affairs was immediately met with anger on the part of those forces whose activities were being aimed at. In 2009, in response to clashes between Chinese security forces and Uighurs<sup>5</sup>, Al-Qaeda-affiliated groups threatened to attack Chinese targets around the world. Tellingly, Abdul Haq al Turkistani, leader of the Eastern Turkistan Islamic Party, uttered the warning: “The Chinese must be targeted both at home and abroad; their embassies, consulates, centers, and gathering places should be targeted. Chinese men should be killed and captured to seek the release of our brothers who are jailed in Eastern Turkistan” (Roggio, 2009). Unlike Washington, however, Beijing has not issued an official statement in response to terrorist and Al Qaeda-affiliated threats. China, whilst cooperating with the US on issues of common security concern in the Middle East and Central Asia post-9/11, has publicly attempted not to portray the image of a (hard) security provider and focused on economic interests and economic cross-border cooperation. While the United States and its Western allies are militarily muddled in Afghanistan and Iraq, with all its implications for political alliance structures and popular perceptions (Tharoor, 2009), China seems to have managed to steer its way through the delicate balancing act of paying lip service to international security

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<sup>5</sup> Uighurs is a Muslim group living in the Eastern Chinese province of Xinjiang.

cooperation and deepening its relations with Middle Eastern countries (Yao, 2007:3). While cautiously crafted for public relations purposes, such a positioning amounts to a hedging behavior in the face of uncertainty of future events and of other actors' intentions. Not being at the forefront of international security coalitions, China free-rides on Western political initiatives from which Beijing benefits in two ways: (1) they guarantee border stability and aim at curbing militant activities that are not in China's security interest (the upholding of the principle of 'territorial integrity' is ingrained in China's public diplomacy), and (2) they allow China to effectively hedge against risks arising from the deterioration of the regional standing of the US by allowing China to improve its own standing.

#### **4- The 'Arab Spring' and Chinese Hedging Policies**

Findings in China's response to the outbreak of the 'Arab Spring' suggest similar conclusions. The reproach of discursively relying on the promotion of democracy and human rights as a pretext for regime-change plans and the interference in the domestic affairs of other sovereign countries is long-standing and self-perpetuating in the literature (Foot, 2006:82). So is the public reference to democratic values that has too often been unmasked in the face of appalling double standards in the execution thereof. Washington's stated support for democracy in the Middle East with the concurrent upholding of its allegiance with repressive dictatorial regimes such as Hosni Mubarak's regime as a strategic ally in Egypt and the Wahhabi monarchy in Saudi Arabia are only two of the most prominent current examples. Before and after the Iraq war, the US administration attempted to unite its Western allies to spread democracy and freedom in Middle East countries (Yao, 2007:7)- efforts that were accompanied by practices to the contrary. When a wave of popular revolutions erupted across North Africa and the Middle East, which has come to be coined the 'Arab Spring', a torrent of political changes was unleashed that ushered in the beginning of a rebalancing of structures, with results less favorable to the United States and its allies (Barno, et al. 2012:162). Even though the US has been spending billions of dollars to support democracy in foreign countries, some 'Arab Spring' countries, such as Bahrain, did not receive any assistance from Washington (Brancati, 2013:28). Washington has also remained silent on the Saudi military invasion of Bahrain in March 2011 which effectively suppressed peaceful demonstrations in Bahrain, killing and injuring hundreds of civilians (Malas, et al. 2011; NCAFP, 2012: 258).

The Syrian civil war has become the focal point of contention in this regard and presents the starkest example of the perception of not only US, but Western foreign policy projection in the region in general (see Salman & Zahid, 2014). US President Barack Obama quickly joined in on the narrative of declaring Assad's regime an illegitimate one in 2011. Moreover, Washington had announced its support for 'moderate forces' of the Syrian opposition. This, however, is a daunting task in a situation where allegiances between oppositional groups shift, and where it proves hardly possible for US policy-



makers to prevent weapons from ending up in the hands of extremist forces that are certainly inimical to US security interests in the region. On his first official travel on February 28, 2013, US Secretary of State John Kerry announced that “the United States of America will be providing an additional US\$60 million immediately in nonlethal assistance to support the coalition in its operational needs day to day as it continues to organize and work for the political transition that we all want to see” (Jones, 2013). To be sure, the US administration's Syria policy has contributed to the sending of weapons to radical rebels fighting inside Syria (Mazzetti & Gordon, 2013; Madhani, & Michaels, 2013). Salafis, the backbone of Al-Qaeda, have been supported by Washington in their attempt to topple Assad's regime. Syria has become an explosive melting pot of Islamic rebels, including the Al-Nusra Front that has publicly pledged its allegiance to Al-Qaeda (Ardolino, 2013). Washington knows very well that these Islamist militias do not want to see the emergence of democracy in Syria but seek to establish an Islamist state. The scenario of sectarian infighting and the implosion of Syria, leading to a dangerous power vacuum and breeding ground for extremism in the region arguably helps explain Washington's hesitant approach to the Syrian crisis (Rubin, 2013; NCAFP, 2012: 258). In addition to the Sunni-Shia confessional divide and sectarian infighting, Syria's civil war has evolved into a full-blown proxy war between external forces with vested interests, that sees Russia, Iran, Hezbollah and the Assad government oppose Western governments, Turkey, Jordan, and Qatar (Mousavian, 2013:133; Taheri, 2012:308; Pieper 2014a).

China, in turn, has been very guarded in its public statements on the above conflicts (Liu & Chen, 2012:59). Beijing constitutes ‘an uncomfortable thorn’ in US efforts to promote democracy around the world, as Baogang puts it (2013:37). Nothing captured this perceived obstructionism as well as persistent Chinese-Russian objections to repeated attempts to pass a Security Council resolution on Syria between 2012 and 2014.

Similarly, in the domain of its geostrategic approach to energy security, for instance, China does not endorse Western efforts to export human rights, democracy, and economic reform in the world. China would thus not renounce lack of the same in resource-rich countries suffering from despotic regimes either (Lee, 2012:76). Moreover, although its foreign policies have partially opposed US and European interests, Beijing has continued close diplomatic ties with ‘undemocratic governments’ in Iran, Uzbekistan, Sudan and Venezuela (Zha, 2006:182). China's position in the Iranian nuclear issue has been analyzed as another case where Beijing's desire to be perceived as a ‘responsible stakeholder’ sometimes enters into contradiction with other, more material, strategic interests (Tunsj, 2010:37). In all these examples, Western uneasiness with China's foreign policy stems from a Western reading of Chinese intentions; from a frustrated recognition, in other words, that Beijing will not renounce certain core strategic interests for the sake of endorsing Western efforts to shape governance structures on the basis of normative assumptions that China does not necessarily share. The case of Syria represents the most recent, and arguably most

dramatic, case where China's vetoes in the UN Security Council have consistently blocked what it perceives as Western efforts to legitimize another international intervention in Syria – regardless of any Western normative narratives. This, goes a common Russo-Chinese rationale, will not be allowed to happen after the West had creatively overstepped its mandate in Libya and toppled Qaddafi on the basis of UNSC resolution 1973 (Mousavian, 2013:133). Such behavior comes under the context of strategic hedging with high diplomatic costs because it aims to protect strategic interests in order to achieve a coherent long term plan. China's hedging, in this case, seeks to avoid a state of anarchy associated with the change of ‘friendly regimes’, as in the case in Libya.

### **Conclusion**

This article has shed light on the competitive relationship between the Great Powers US and China from a structural point of view. We have sought to compare the effects of perceived hard power strategies and the effects of a strategic hedging behavior as a new approach in international relations.

As a case study, we focused on China-US competition in the Middle East, which serves to analyze not only the effects and perception of external power penetration in the region, but also to reflect on broader systemic implications of the coexistence between a declining hegemony and a rising power that will, one way or the other, be indispensable for the shaping of the global governance architecture. By way of illustration, this paper discussed several security challenges in the region: energy security, the Iranian nuclear issue, terrorism, regional alliance structures and the consequences arising from ‘the Arab Spring’. We find that the strategic hedging behavior has been employed by China in an attempt to position itself more advantageously in a gradual process of power diffusion. While the US may be en route to losing its momentum in the Middle East, China is hedging against the risks arising from the uncertainty that a geopolitical power vacuum can and will bring. The Obama presidency was confronted with negative perceptions of US foreign policy in the Middle East driven by the confrontational policies of Bush's neocon administration. In particular, the wave of popular uprisings starting in 2011 in Tunisia and sweeping across North Africa and the Middle East called for a rebalancing of American foreign policy on both a discursive and a behavioral level. The attempt to dispel impressions that the US would intervene in regional affairs yet again following the Libyan case in 2011 is a case in point. Against the backdrop of these developments in US foreign policy, China's influence in the Middle East is rising – because of an expanding web and combination of civil society exchanges, military sales, economic cooperation; but not least also because of Washington's burnt political capital in the region. The decline of the US as an order-constituting actor coincides with expanding Sino-Middle Eastern ties and inevitably brings along the potential for diplomatic frictions between both powers. While this is not to argue that Chinese foreign policy will be a challenge to US Middle Eastern policies by design, it has been argued how China's Middle East positions are by and large an attempt to

‘deconcentrate’ American power, and thus bring about a more equitable regional balance of power. It has been shown throughout the paper how a temporal strategic hedging fulfills this function.

Energy security is one such domain of US-Chinese competition in the Middle East, as this paper has analyzed. It remains unlikely; however, that China and the US will enter a direct confrontation over oil supply policies. Diversification policies and the search for new market access as well as investments in critical oil infrastructure on the Chinese side will make sure that China continues to build up its ‘hedge’ against potential future frictions with the (still) dominant United States.

On the Iranian nuclear issue, China's cooperation with Washington has been rather selective and conditioned on Chinese commercial interests in upholding good relations with Iran. This, however, has created a dilemma for Beijing when a clear choice either for or against UNSC resolutions imposing international sanctions on Tehran could not be circumnavigated anymore. Beijing's tightrope walk in the P5+1 is followed attentively both in Washington and in Tehran. So far, China has managed to hedge against political risks that may arise from an alienation from either side. Interestingly, Western negotiators are approximating more accommodating positions lately that have been advocated by China and Russia earlier, and that arguably made possible the interim deal on 23 November 2013. A looming US-Iranian rapprochement at the time of writing and the prospect of negotiating a ‘Comprehensive Joint Plan of Action’ (CJPOA) in 2015 can only be in China's interests, as it is conducive to overall stability in the Middle East – something that China is keen to preserve considering its energy needs from this region. The eventual lifting of Iran sanctions in the wake of a negotiated CJPOA, moreover, can serve to ‘legitimize’ Chinese trade with Iran – a crucial prospect given China’s dependence on Iranian energy supplies.

Finally, the US ‘Pivot’ to the Asia-Pacific region gives room for speculations about the future importance attached to the Middle Eastern region by US administrations. While the US legacy in the Middle East is historic, long-standing and bound to (at least publicly) unalterable allegiances like the US-Israeli relationship, it seems that we are witnessing a shift in world political power balances, in which the US will gradually be retreating from the Middle East as an order-constituting actor. China's strategic hedging policies as described in this paper have given Beijing the clout to exercise its power more assertively in the region. This, of course, will depend on political choices in Beijing and the extent to which Deng Xiaoping's doctrine of ‘maintaining a low profile’ and avoiding confrontation with the global hegemon is still a mid-term vision to be adhered to. It seems fair to suggest that rather than accumulating reserves in order to become an alternative ‘provider of public goods’, China's hedging in the Middle East has appeared in various forms with miscellaneous costs to bolster its future standing, at a time where the region undergoes fundamental political shifts that will have repercussions for future generations.

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