

LOOKING WEST

THE RISE OF ASIA IN THE MIDDLE EAST

edited by **Valeria Talbot** and **Ugo Tramballi**

introduction by **Paolo Magri**



ISPI

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Introduction

“Whoever controls Central Asia controls the world” said Halford Mackinder, the English father of geopolitics. He was looking at the world at the beginning of the 20th century, when the British Empire reached its apogee. It is ironic then that, only a few decades after he developed his ideas, great powers would almost forget about Central Asia and turn their attention back to the Middle East. The reasons? History, geography, and the discovery of vast hydrocarbon resources.

Over the past century, it has been an almost constant refrain: as great and middle powers rise, they will almost invariably look at the Middle East and North Africa (MENA) region. It was therefore to be expected that, with the world’s economic and political centre of gravity moving increasingly towards East and South Asia, a number of countries in these regions would devote more attention to the MENA region. China and India, in particular, have been at the forefront of an astonishing rise, as their GDP has grown respectively fourteen-fold and six-fold, at a constant rate, between 1990 and 2019, with China climbing from the eleventh to the second largest economy in the world, and India from the thirteenth to the fifth. With the unfolding of this monumental change, MENA countries have started to “look East” more and more and with a keener interest, also with an eye to rebalancing the influence and interference of “classical” non-regional actors such as the United States, Russia and a number of European countries (especially former colonial powers).

The current geopolitical landscape shares another element with Mackinder's times: a global pandemic sweeping across the globe at lightning speed, leaving economies and societies weaker and more fearful. Differently from the 1918-1920 Spanish flu, coming on the heels of World War I, the Covid-19 pandemic is accelerating global trends and dynamics, cementing the rise of Asia as the region where great power competition will most likely be played out in the near future (as highlighted by recent events in Hong Kong and the South China Sea). At the same time, however, the pandemic is also forcing countries to focus more on their respective domestic situation rather than projecting power externally, and to concentrate their international efforts on "core business", such as global governance summits or, at most, their own "backyards" rather than far-flung regions. Moreover, as the pandemic plunged the world into the deepest recession of the past century and more, the further dip in energy prices (which crossed into negative territory for a few days in April) even appeared to remove one of the Asian countries' biggest sources of interest in the MENA region: safeguarding oil and natural gas supplies.

Since then, however, energy prices have slightly recovered (crude oil now hovers at about US\$40 per barrel – still a far cry from the US\$100 of 2011-2014), leaving Asian powers wondering whether their current bargaining power will stay as high for much longer. Moreover, structural trade and investment trends are much harder to dent. China, in particular, has become one of the most important trading partners and direct investors in the region, and together with India, Japan and South Korea, forms part of a group of countries that imports around 30% of its crude oil and more than 40% of its natural gas from MENA countries.

This Report delves deeper into how four Asian countries (China, India, Japan and South Korea) have developed, and in many cases strengthened, their relations with countries in the MENA region.

In the first chapter, Zhao Jianming takes stock of the growth in China's role in the region over the past few decades. As the United States reviewed its foreign policy strategy, refocusing from the MENA region towards the Asia-Pacific, China was bolstering its position towards many MENA countries by launching the Belt and Road Initiative (BRI). On foreign policy, China has frequently played a less prominent role in the region, often choosing to strengthen ties without directly interfering in domestic and regional developments (in terms of political transitions, social unrest, or outright conflicts). Even as China soared economically, its relations with the MENA region have continued to focus almost entirely around energy supplies and economic and trade cooperation. Zhao argues that the BRI, while framing this approach within a more solid and coherent "going out" narrative, has not structurally shifted it from a geoeconomic to a geostrategic setting.

Turning to India, Kabir Taneja argues that the country's "Look West" policy is one of the oddest foreign policy successes of Prime Minister Modi's six-year government. During his tenure, Modi has visited three key regional powers (Iran, Israel and Saudi Arabia), taking advantage of New Delhi's historical posture of diplomatic engagement with single countries, but disengagement with respect to regional geopolitical dynamics. In a nutshell, India leverages its capacity to keep regional conflicts and distrust out of its bilateral dialogues by not siding with any one of the aforementioned three power "poles". However, while India maintains its neutrality, its economic and geopolitical rise over the past two decades has forced it to adopt a bolder foreign policy posture. As India moves forward, turning into one of the major powers on the international political stage, its stance of placid diplomacy is becoming less and less sustainable, as MENA countries that are approached bilaterally might resent the Indian government doing business with their regional rivals.

According to Adel Abdel Ghafar, Japan's posture towards the MENA region can be split into four different phases, starting

from the 1960s. Through the decades, Japan's MENA policy has continued to hinge upon the need to secure access to the Gulf region's energy resources. Still today, the country continues to import close to 90% of its oil from the region, even though less than 20% of its natural gas comes from MENA countries. During the 1980s, however, Tokyo's diplomatic posture towards the region gradually moved closer to the policy preferences of its US ally, distancing itself from post-revolutionary Iran and strengthening ties with Israel. Over time, and as Japan was increasingly concerned with China's rise in East Asia, its MENA policy became a means to enhance Japan-US relations. Finally, with the era of Prime Minister Shinzo Abe, Japan appears willing to play a greater, more assertive role on the world stage. As the author argues, Abe's frequent visits to the Gulf region have bolstered ties with the UAE and Saudi Arabia, but Japan has been able to carefully balance these ties by implicitly backing the Iran nuclear deal and the de-escalation of regional tensions in the Gulf.

Moving on to South Korea, Jeongmin Seo argues that Seoul's MENA policy has been often overlooked. With the major upheavals in international relations, security challenges and economic ups and downs of the past decades, the nature of bilateral collaboration between South Korea and MENA countries has become more intimate and more diversified as well as more subtle at times. This is due to the fact that, much like Japan, South Korea has been dependent on oil from the Gulf region since the end of World War II. Over the past two decades, both the international and the regional scenario have fitted into South Korea's foreign policy vision and strategy of "middle-power diplomacy" that has been prominent in its diplomatic narrative. As Seoul constantly strives to balance out the interests of MENA players, its posture towards the region remains one of steady and sustainable economic collaboration.

From a European perspective, the MENA region has long been one of the main sources of the European Union's interests, challenges and concerns, in both geopolitical and economic

terms. In the last chapter, Valeria Talbot and Ugo Tramballi analyse the ambitions and limits of EU policies in its volatile and unstable southern neighbourhood, going through the main phases from the launch of the Euro-Mediterranean Partnership in 1995 up to the recent coronavirus crisis. While the EU can hardly be considered a geopolitical player and has so far proved ineffective in promoting stabilisation and prosperity in the region, it undoubtedly plays a key role as an economic partner as well as a major provider of humanitarian aid and development assistance to MENA countries. However, the increasing presence of Asian countries in the region, not only of China but also of Japan, India and South Korea, might challenge its role and interests as well as translate into greater competition in the area.

Paolo Magri
ISPI Executive Vice President and Director

1. China and BRI: From Business to Geopolitics?

Zhao Jianming

Over the past few decades, China's economic and trade relations with the Middle East and its investment in Middle Eastern countries, especially infrastructure construction, have been expanding. China has become one of the most important trading partners and direct investors in the region. In 2013, China proposed the One Belt and One Road Initiative (OBOR, then renamed Belt and Road Initiative - BRI), which was seen by much of the world as a declaration of the country's entry into the Middle East. In contrast to China, the United States launched the Asia-Pacific Rebalancing strategy after the Iraq war, shifting its strategic focus from the Middle East to the Asia-Pacific, and from counter-terrorism to responding to the challenge of major powers. As a result, the United States is continuing to reduce its energy dependence on the Middle East, and its strategic retreat seems to be turning into a trend. These apparent changes in the behaviour of China and the United States have spurred Iran, Turkey, Saudi Arabia and other countries to launch their own versions of the Look East Policy. Recently, the Trump administration has removed Patriot missiles from Saudi Arabia, and claimed it is considering reducing military personnel in Iraq. Policy changes by China, the United States and the Middle Eastern countries seem to be sending a signal to the world, spearheaded by the BRI, Beijing's investment in the Middle East has profound geopolitical implications, and has even overtaken the United States. This has become a hotly debated topic.

China's Political Relations with Middle Eastern Countries

China's current Middle East strategy embrace the following point. The establishment of diplomatic relations between Beijing and Middle Eastern countries is complicated by the Taiwan issue. Israel became the first country to recognize New China in 1949, while Egypt was the first Middle Eastern country to establish normal diplomatic relations with China in 1956.

China's diplomatic relations with the Middle East experienced two peaks. In 1971 Mainland China replaced Taiwan as China's representative in the international community and became a permanent member of the Security Council of the United Nations; in that same year, it established diplomatic relations with Iran, Turkey and Kuwait. In the late 1980s and early 1990s, in order to break the diplomatic blockade after the Tiananmen Square Event, the regime adopted the New Thinking policy and improved its relations with the West by establishing ties with US allies in the region. China established diplomatic relations with Qatar in 1988, Saudi Arabia in 1990, and Israel in 1992. From then on, it has established diplomatic relations with all of the countries in the Middle East, overcoming the impact of the revolution, war, and ideological differences.

Beijing's political relations with the Middle Eastern countries have the following characteristics: First, 3+2 is China's main approach to the Middle East and its relations with that region are oriented toward major powers. Three non-Arab states – Iran, Turkey, and Israel – and two Arab states, Egypt and Saudi Arabia, are the axes of China's regional policy. Additionally, the country relies heavily on strategic relationships, and has now established strategic partnerships: Turkey, the United Arab Emirates (UAE), Iran, Saudi Arabia, Israel, and Egypt. Among them, the partnership with the UAE stands out. The UAE's stable political and social environment, its booming economy, and its role as a transportation hub have made it a top policy

priority for Beijing. China's partnership is more political and economic-oriented, without being directed against third parties. Its strategic relationship with Iran, for example, is not directed against the United States or Saudi Arabia.

TAB. 1.1 – CHINA'S STRATEGIC PARTNERSHIP
WITH MIDDLE EASTERN COUNTRIES

Country	Time	Name
Turkey	October 2010	Strategic Cooperative Partnership
UAE	October 2012	Strategic Cooperative Partnership
Iran	January 2016	Comprehensive Strategic Cooperative Partnership
Saudi	January 2016	Comprehensive Strategic Cooperative Partnership
Israel	March 2017	Comprehensive Innovative Strategic Cooperative Partnership
Egypt	September 2017	Comprehensive Strategic Cooperative Partnership

Source: Compiled by the author based on news reports

High-level official exchanges are another important part of China's political relations with Middle Eastern countries. Let's take Sino-Saudi relations for instance, Chinese President Hu Jintao visited Saudi Arabia in April 2006 and February 2009, and Chinese President Xi Jinping visited the Kingdom in January 2016. On the Saudi side, King Abdullah (January 2006), King Salman (March 2017), and Crown Prince Mohammed (February 2019) all visited China.

In addition to bilateral relations, China pursues multilateral relations. Significantly, it has established a long-term institutionalised relationship with the Arab League. On January 30, 2004, Chinese President Hu Jintao visited the Arab League's headquarters and met with Arab League Secretary-General Moussa and representatives of 22 Arab League countries. In January 2016, Chinese President Xi Jinping was invited to give

a keynote speech at the Arab League headquarters in Cairo, opening a new chapter in the relationship between China and the Arab League.

In recent years, the Shanghai Cooperation Organization (SCO) has become the main link between China and the Middle East. Iran and Turkey have shown strong interest and willingness to participate. The SCO has established cooperative relations with the Middle East through the expansion of its membership and other liaison mechanisms. At present, Iran is an observer and Turkey is a dialogue partner of SCO. In addition, the Qingdao Declaration and the Joint Statement on Trade Facilitation that was signed during the Qingdao Summit conference in June 2018 will usher in economic cooperation between SCO members and improve regional security.¹

China is also cooperating with the Gulf Cooperation Council (GCC). The GCC is a regional political, security, and economic organisation in the Middle East that is held together by Sunni identity and monarchic rule. GCC members are largely energy-based rich countries, so they play a pivotal role in the Middle East.² China and the GCC began negotiations on a free trade area as far back as 2004. In 2015, the two parties re-opened the Free Trade Agreement (FTA) negotiations.

Fourth, China-Arab Expo has become an important platform for China's trade with Middle Eastern countries. From 2010 onward, China has hosted the China-Arab Economic and Trade Forum in Yinchuan, Ningxia Autonomous Region, to promote exchanges and cooperation between government officials, business leaders, experts, and scholars. In 2013, the China-Arab Economic and Trade Cooperation Forum was upgraded to the China-Arab States Expo.³ Tens of billions of dollars'

¹ 《上合组织青岛峰会达成广泛共识、取得丰硕成果 上合扬帆再起航》，央广网，2018年6月11日，http://china.cnr.cn/yaowen/20180611/t20180611_524265191.shtml

² See chapter 5 in this Report.

³ 《关于中阿合作论坛》，中阿合作论坛网站，2009年3月6日，<http://www.casf.org/chn/gylt/#a>

worth of bilateral economic and trade agreements or memorandums of cooperation (MoU) have been signed, and bilateral people-to-people exchanges have become more frequent.

China's Energy and Economic Relations with Middle Eastern Countries in Retrospect

At present, China's economic development is still dependent upon chemical and heavy industry, which determines that China will consume a large amount of energy and natural resources. As its economy expanded, the country eventually became a net energy importer in 1993. Beijing's accession to the World Trade Organization (WTO) in 2001 ushered in a new opportunity for rapid development.

China is forced to pay special attention to the overseas market, hoping to obtain more and more energy and resources to sustain its own development. As these resources are particularly abundant in the Middle East, nicknamed the world's oil-tank, the region became a favourite supplier.

After more than three decades of development, China's economic relations with Middle Eastern countries have developed into a structure with 'One Body and Two Wings' (一体两翼结构), with energy cooperation as the main body, and infrastructure construction and trade as the two wings.

In terms of energy cooperation, China's total energy demand was about 308 million tons of oil in 2014. Of this total, 211 million tons were imported from abroad, of which 52.1% came from the Middle East. The main sources of crude oil include Saudi Arabia (16%), Oman (10%), Iraq (9%), Iran (9%), the United Arab Emirates (4%), and Kuwait (3%). China's insatiable demand for energy is making it a heavyweight buyer of Middle Eastern oil; indeed, it is currently the world's number one importer of oil and gas.

In addition to energy imports, China is actively promoting upstream expansion and strengthening energy cooperation with Middle Eastern countries. Generally speaking, however, Beijing is still far from being successful in this endeavour. Saudi Arabia, the United Arab Emirates, Kuwait, Qatar, and other countries have cultivated good relations with the Western countries in terms of energy exploration and development. Western countries need Middle Eastern oil, while Middle Eastern countries are dependent on Western advanced technology, financing, and risk-taking capacity. In monopolising the lubricated energy industry, the Middle East and the West have formed a reliable business consortium, leaving very little room for late-comer China. China used to regard Iran as the game changer. During the Iranian nuclear crisis, the two countries signed a series of energy agreements, exploring the South Pars gas field, the Azadagan oil field, the Yadavaran oil field and so forth. However, the suspicion remains that Iran is using these contracts as a fig leaf to evade international sanctions. In July 2017, a consortium of PetroChina and France's Total won the South Pas gas field project, with a contract value of US\$4.8 billion. However, this opportunity backfired when America threatened to impose sanctions on Total in August 2018. In addition, in May 2018, the Trump administration began imposing an energy embargo on Iran and banning it from SWIFT. Long-arm jurisdiction and settlement issues in the United States have resulted in a significant reduction in China's crude oil imports from Iran.⁴

In terms of bilateral trade, Saudi Arabia, the United Arab Emirates, Iran, Egypt, Israel, and Turkey are China's main trading partners. Saudi Arabia is China's top partner in the Middle East, as evidenced by the massive energy trade between the two countries. Bilateral trade between the two grew rapidly from US\$296 million in 1990 to US\$63.3 billion in 2018⁵. Bilateral

⁴ Y. Chazan, "US Sanctions Prompt China to Cut Most Iran Oil Supplies, Officially at Least", *The Diplomat*, 21 May 2020.

⁵ 《中国同沙特阿拉伯的关系》，中国驻沙特大使馆网站，2019年4月17日，<http://sa.china-embassy.org/chn/zsgx/jmhzt/t1655194.htm>

trade between China and Iran amounted to US\$23 billion in 2019, down from US\$50 billion in 2014, due to the oil price collapse and US sanctions. China's bilateral trade with Egypt is rather small given the population of these two countries; it amounted to just US\$13.2 billion in 2019.⁶ Bilateral trade between Beijing and Turkey was US\$23.6 billion in 2018, down from US\$28.3 billion in 2013.⁷ China's bilateral trade with Israel was US\$17.1 billion in 2017. Bilateral trade with the UAE is relatively stable, fluctuating between US\$45-58 billion in recent years. The UAE is appreciated by China for its unique re-export trade. China-UAE bilateral trade has grown at double-digit rates in recent years. Both China and the United Arab Emirates are interested in increasing bilateral trade to US\$70 billion.⁸ In addition, China is actively exploring the possibility of linking BRI with the medium and long-term development plans of Middle Eastern countries, such as Smart Dubai 2021, Saudi Vision 2030, UAE Vision 2030, New Kuwait Vision 2035, Morocco 2030, Egypt's Vision 2030, etc., hoping to achieve win-win cooperation between both sides.

Infrastructure investment is also a major driver of China's economic involvement in the Middle East. Chinese companies like China State Construction Engineering Corporation (CSCEC), China Railway Construction Corporation (CRCC), Huawei Global, and other companies actively explore the market in the Middle East. Quite a number of infrastructure projects have been acquired by Chinese companies, as can be seen below. In addition, Egypt, Bahrain, Kuwait, Saudi Arabia, and the UAE have shown strong interest in cooperating with China's Huawei to build 5G networks in their countries.

⁶ 《外贸中心与埃及工商联合会和伊朗-中国工商会“云签约”成功举办》。2020年6月18日，<https://3g.163.com/news/article/FFDAFMGG051484K7.html?from=history-back-list>

⁷ 伍香洲：《2018年中国与土耳其双边贸易全景图》，《前瞻经济学人》，2019年7月5日，<https://www.qianzhan.com/analyst/detail/220/190704-56463676.html>

⁸ HE Dr A. Obaid Al Dhaheri, “Golden Era of China-UAE Relations”, *China Daily*, 2 December 2019.

TAB. 1.2 – CHINA'S MAJOR INVESTMENT PROJECTS
IN THE MIDDLE EAST

Project	Investor	Value	Country
Dammam-Riyadh Freight Line	CRCC	US\$4.3 bn	Saudi
Lusail Development Project Primary Infrastructure	China International Water & Electricity Corp., CIWEC	US\$1.4 bn	Qatar
Viceroy Dubai Palm Jumeirah	CSCEC	US\$1 bn	UAE
Shamkha South Infrastructure LOT 3	CSCEC	US\$452 m	UAE
City of Light, Reem Island	CSCEC	US\$436 m	UAE
2022 World Cup Lusail Stadium	CRCC	US\$770 m	Qatar
Khalifa Port 2nd Container Terminal	COSCO Shipping Co.	--	UAE
Attarat Power Co, APCO	Guangdong Energy Group	US\$2 bn	Jordan
Tripoli Port Equipment	China Port Engineering Corp.	--	Lebanon
Hafa Port	Shanghai International Port Group	US\$2 bn	Israel

Source: Compiled by the author based on news reports

In addition to direct investment, China is also participating in equity investments in the Middle East. It is taking part in a US\$10 billion strategic investment fund headed by the UAE's Mubadala Investment Group, involving the China Development Bank and China's Foreign Exchange Administration.⁹ In 2014, Silk Road Fund, Sinopec, and China Investment Corp. negotiated to buy US\$50-100 billion of shares ahead of Saudi

⁹ J. Murray, "China leads investment for Middle East oil and gas projects worth \$75bn", *NS Energy*, 21 November 2019.

AMOCO's IPO. In February 2017, PetroChina and Huaxin Company acquired 8% and 4% of Abu Dhabi's Onshore Oil Company for US\$1.8 billion and US\$880 million respectively.¹⁰

In January 2016, Chinese President Xi Jinping said in a speech at the headquarters of the Arab League in Cairo that his country would invest US\$55 billion in Arab countries for industrialisation in the Middle East and bilateral capacity-building.¹¹ According to the Arab Investment Environment Report 2017, China became the leading investor in the Middle East in 2016, accounting for 31.9% of all foreign direct investment.¹²

The Nature and Background of China's Involvement in the Middle East

To assess whether BRI is aiming to compete geopolitically and strategically with the United States in the Middle East, we first need to review the background and basic nature of China's interaction with the Middle East. This will help us to understand China's proposed BRI and what new changes it will bring to the Middle East and to Sino-US relations.

First and foremost, China is a latecomer to the Middle East. In fact, its involvement in the region only dates back to the last two decades or so. Beginning around the year 2000, China's energy structure changed dramatically from self-sufficient to import-oriented, and the country really began to pay attention to energy security and the importance of Middle Eastern energy. To a certain extent, this is also the starting point for Beijing's involvement in the Middle East. Prior to this, the New China established diplomatic relations with Egypt (1956), Iran

¹⁰ 《阿联酋最大油田谈判敲定，中国确保顶级地位》，《21世纪经济报道》2017年2月24日。

¹¹ 《习近平在阿拉伯国家联盟总部的演讲》，新华社，2016年1月22日，http://www.xinhuanet.com/world/2016-01/22/c_1117855467.htm。

¹² 《中国超越美国成中东首要投资国，投资总额达295亿美元》，中华网，2017年8月6日，<http://news.china.com/international-gd/10000166/20170806/31044040.html>

(1971), Iraq (1958), and Syria (1956), but the establishment of diplomatic relations between China and Saudi Arabia and Israel lagged behind significantly. China established diplomatic relations with Saudi Arabia in 1990 and with Israel in 1992. Without these two countries, the two most important powers in the region, China's Middle East strategy would have been incomplete, to say the least. Even after China became involved in the Middle East in 2000, its relations within the region continued to revolve almost entirely around energy supplies and economic and trade cooperation. Beijing claims no say on issues such as the Palestinian-Israeli peace process and regional conflicts.

Another key point is that the Middle East as a region is dominated by the United States, and has been for more than half a century, although the security structure in the Middle East underwent profound changes after the 2003 Iraq War. Currently, the Middle Eastern regional structure features limited involvement of external powers and participation of regional countries and non-state actors, but the US is still the sole dominant country in the structure and the most influential in the region. US energy dependence on the Middle East has decreased in recent years, but the country retains a central strategic position in the region. Ensuring the free flow of energy and guaranteeing the security of its regional allies remain the most important US priorities in the Middle East. The dominant status of the US in the region is projected to continue for the foreseeable future, at least 10-20 years. The United States will never abandon the Middle East, and will never allow any country to challenge its dominance there, including China. Under such circumstances, what China as a latecomer can do is to find its own niche in the US-dominated Middle East framework, rather than challenge and replace the US's hegemony. Currently, China does not have the strength to do the latter.

Finally, and directly related to the above, China's biggest disadvantage is the imbalance between high and low politics and the severe deficiency of security infrastructure. China's limited

strength and capacity will restrict its willingness to act. First of all, it currently has a high-level and low-level political imbalance in the Middle East. On the low politics agenda, it plays a larger role in economic and trade investment, while on the high politics agenda, it plays a relatively limited role in the politics and security of the Middle East. For example, Beijing does not have the slightest say on the issue of the Palestinian-Israeli peace process. This imbalance between high and low politics will exist well into the future. Still, China has huge deficits in its hard and soft infrastructure in the fields of military facilities construction and alliance treaties. This also limits the country's effective response to regional conflicts, counter-terrorism, sectarian conflicts, and other major issues that plague the Middle Eastern countries, and further impedes its expansion in the Middle East. In addition, the current era is not an imperial one. How much strategic space China can gain in the Middle East heavily depends on how well it coordinates with other great powers, the United States foremost among them, and the degree to which they are willing to share power. Conversely, this depends on the assessment of China's behaviour and intentions in the Middle East by the United States and other countries. But coordination, cooperation, and complementarity should become the basic principles underpinning China's involvement in the Middle East and the template for Sino-US relations in the Middle East.

The BRI Is Never a Security Strategy

In recent years, as China has grown stronger, it has established closer economic, trade, diplomatic and cultural ties with the Middle East. China's establishment of strategic partnerships with major powers in the Middle East and Confucius Institutes that have opened in the UAE, Kuwait, Iran, and Turkey have enhanced its reputation in the region. BRI has further raised the expectations of the Middle East and the world for China. They all expect Beijing to play a much greater positive role in

the region, commensurate with its economic and trade status, and indeed this is a great challenge for the regime.

China proposed the BRI in 2013, and this date has some practical significance. First, in January 2012, US President Barack Obama proposed the “Asia-Pacific Rebalancing” strategy, which caused China to withstand pressure from the United States in the Asia-Pacific region. To this end, China proposed BRI in September 2013, seeking an outlet in the Middle East and other regions to evade US pressure. Therefore, BRI is a passive response to Obama’s Asia-Pacific rebalancing. After US President Trump took office, the United States launched the Indo-Pacific Strategy to once again counter the BRI.

Beijing’s economic development has forced it to seek new economic, trade and investment opportunities. After the reforms that opened up its economy, and with growing industrialisation and modernisation, the rise in production costs, labour costs, and environmental protection standards have led to a decline in the profitability of China’s low-end industries such as the textile and chemical sectors. This has compelled these low-profit industries and their companies to relocate to Central and West China – also known as China’s Midwest – and to provinces along One Belt and One Road. Still, mismanagement in industry planning and competition between central and local governments have led to over-capacity in China’s automotive, steel, chemical and other sectors. China is under pressure to transfer his surplus or remaining capacity to other regions of country, such as those known as its Midwest, Middle East and others. In addition, some Chinese companies such as CSCEC and China Harbour Engineering Company Ltd. (CHEC) are competitive enough to enter the fray in the Middle East and other regions. These companies would like the Chinese government to launch more assertive policies, which could facilitate their overseas expansion. These are the economic motivations driving BRI in China.

From a policy integration perspective, the BRI is akin a basket holding a variety of elements, including trade, security,

diplomacy, and cultural exchanges. Before the BRI was proposed, various cooperative efforts between China and Middle Eastern countries were already under way, especially after 2000, but these mutual interactions were more agenda-oriented and fragmented, and they have fewer connections with each other. The BRI is more like a policy tool of integration, and allows for some cooperation – such as China-Middle East cultural exchanges – to be carried out under its aegis.

On the surface, the BRI seems a good fit for every circumstance, but it is not a super strategy in itself. In particular, it is not a security strategy, with the military and security aspects given short shrift. If the BRI must be called a strategy, it is not offensive but defensive. Its aim is to evade US strategic pressure in the Asia-Pacific region, and not to open up new frontiers to counter the United States in the Middle East and other regions.

Although China has built a chain of ports in the Indo-Pacific sea, such as Sri Lanka's Hambantota port, Pakistan's Gwadar port, and Thailand's Laemchabang Port – these are all civilian in essence and in function.¹³ Due to the huge gap between military and civilian aims, it would be misleading to overestimate the military value of Chinese civilian ports. These ports are more like the supply stations established by countries such as Britain and France in India and other countries during the Great Navigation Era. It is difficult to imagine that these port clusters can be transformed into relay stations for military purposes.

At present, China's much-discussed Djibouti Support Facility may have some military significance, but it is surrounded by American, French, and Japanese military bases, while Saudi Arabia and India will soon open their own military bases in the country. China's Djibouti Support Facility is confined to responding to asymmetric pirate attacks and low-intensity military conflicts. To a considerable extent, Djibouti is the biggest winner of all, and has successfully attracted the external powers

¹³ P. Katoch, "China's Base in Sri Lanka Part of Its dominant Indian Ocean Presence", *Asia Times*, 6 August 2018.

and sold development rights for military purposes to many different countries.¹⁴

A Long Road Ahead for BRI

The BRI is an ambitious project. It takes time, and all relevant parties need to negotiate and reach a consensus. It is the concerted input of all parties involved that could push the initiative forward. The BRI is likely to be quite difficult to put into practice.

In fact, the BRI is not solely a Chinese project, but a joint project which requires China and the Middle East countries to work together. The Middle Eastern countries have hitched their own economic and social development plans to the BRI to achieve mutual development, a win-win scenario. But for all intents and purposes, the medium and long-term development of the Middle Eastern countries depends more on these countries themselves. China is an external force, and neither a saviour nor a philanthropist handing out dollars to any and all.

From a security standpoint, the political calculations of Middle Eastern countries, especially those that are US allies, will greatly reduce the significance of the BRI. Even if China hopes to treat the Middle East as a security buffer between itself and the United States, Middle Eastern countries are reluctant to choose sides between the two, and to support one against the other. They would see Beijing as one of several policy options that could allow them to enjoy more favourable positions. These calculations will encourage Middle Eastern countries to adopt more flexible policies and take advantage of Sino-US competition and cooperation, allowing them to position themselves as favourably as possible within the Sino-US strategic game. This scenario also applies to the US regional allies such as Saudi Arabia and the UAE.

¹⁴ T. Oladipo, “Why Are There So Many Military Bases in Djibouti?”, *BBC News*, 16 June 2015.

This multi-actor participation will result in a more complex balance for the BRI. As China and the Middle East work together to build the BRI, the numbers of participating actors will inevitably increase to encompass all levels of governments, tribal leaders, enterprises, environmental protection organizations, non-governmental organizations and even religious organizations. If some actors are excluded from the negotiation and project, or cannot obtain what they feel is their fair share by bargaining, they are likely to eventually change from active participants to obstacles creating trouble for the BRI project. The Mecca Light Railway project in Saudi Arabia and the Tehran-Shomal Freeway project in Iran are two such examples. Due to the nature of multi-actor participation, project times will inevitably be lengthened, and more uncontrollable factors will be introduced. While working in tandem to build a project is difficult, spoiling it is all too easy. As a consequence, it is unlikely that the BRI will make smooth and unimpeded progress.

The development of the Sino-US relations has influenced the advancement of China's BRI in the Middle East. The Sino-US trade war that started in 2018 eroded the strategic mutual trust between China and the United States. Additionally, the United States launched the Blue Dot Network in April 2020, to counter China's infrastructure investment in the Middle East.¹⁵ The coronavirus pandemic further deteriorated relations between Beijing and Washington. The confrontation between the two countries will eventually be reflected in China's BRI in the Middle East. Consequently, the geopolitical significance of the BRI for China will be greatly undermined.

Lastly, the deterioration of domestic circumstances in the Middle East has further affected the BRI. Relatively stable domestic circumstances and a relatively good regional environment are necessary conditions for the advancement of an ambitious long-term project, which requires large investments and

¹⁵ M.A. Kuo, "Blue Dot Network: The Belt and Road Alternative", *The Diplomat*, 7 April 2020.

slow returns. However, the Middle East remains a turbulent region plagued by poverty, military frictions, civil wars, and sectarian conflicts, especially after the 2003 Iraq War and 2011 Arab Spring. The increased medical and public health expenditure and the lockdown induced by the coronavirus pandemic, together with the current oil prices slump have increased the economic burden on Middle Eastern countries. This has further deteriorated their already-fragile economies, and made economic and social relations more tense. The slump in oil prices has jeopardised the stability of oil-producing countries in the Middle East. These circumstances may herald new political turbulence and social unrest in the region. The shaky and unstable situation in the Middle East inevitably hampers the advancement of China's BRI, which involves the reshaping of bilateral political-diplomatic relations and the implementation of specific projects.

From Business to Geopolitics?

Business is still business, and China will have to maintain its energy links and economic and trade relations with Middle East countries to keep its own economy running in the future. China needs the Middle East, hence the BRI will continue to be a linkage between the two regions. Nevertheless the notion of “seeking stability through development” (以发展求稳定) and “solving problems with development” (在发展中解决问题) are important mottos that China has brought to the Middle East.

But the BRI is not a security strategy. China, the United States and other countries are all expanding their interests in a manner acceptable to Middle Eastern countries. The BRI is not aiming at challenging or replacing the United States in the Middle East. Despite the many blemishes and criticisms of US Middle East policy, there is no doubt that the US is still the dominant country and stabilising force in the region. The United States still provides the public goods for the region, especially in the security sphere. Without the American intervention, Kuwait

would not have been liberated from Saddam Hussein's invasion, al-Qaeda would not have been defeated, and the Islamic State would still be ravaging the region.

Any attempt to turn the Middle East into a wedge between Beijing and Washington would be disastrous. Therefore, the best and safest strategy for China is to recognise the dominant position of the United States in the Middle East, and reorient his own position in the regional security structure, based on the principle of seeking truth from facts (实事求是). By doing so, it would refrain from challenging America while benefiting from being a free rider, coordinating with the United States and helping it better govern the Middle East. To a certain extent, China could look to the European Union as one important parameter, which could inform China's own principles and behaviours in the Middle East.

China's responsibility towards regional security in the Middle East comes from its permanent seat on the UN Security Council, rather than the BRI. In the period 2013-2015, China played a relatively active and positive role in the Iranian nuclear issue, and helped bring about the Joint Comprehensive Plan of Action (JCPOA), earning praise from the United States, the European Union and other countries. The Iranian nuclear agreement is also the first testing ground for Beijing on Middle East security issues. The P5+1's role in the Iranian nuclear issue will become the template for China's involvement in future security affairs in the region.

The Middle East needs the United States. It also needs the five permanent members of the United Nations Security Council and other regional powers. Therefore, playing a constructive role on specific security issues will be the main priority for China in the Middle East. The country could play an important role in conflict mediation, regional nuclear issues, and enhancing the capacity of weak states.

The Impact of the Coronavirus Pandemic on China in the Middle East

The outbreak of the coronavirus pandemic in 2020 is a major event for the Middle East and China-Middle East relations. First, the Middle East is one of the regions severely ravaged by the pandemic. Whether regional powers or small countries, affluent or under-developed, nearly all Middle Eastern countries have been affected. The number of confirmed cases in Iran, Turkey, and Saudi Arabia exceeds 200,000 in each. The coronavirus pandemic is putting a severe strain on financial resources and medical facilities throughout the region, and is a major public health emergency. The pandemic has sorely tested all aspects concerning hygiene, medical facilities, basic medicine R&D, and public and health emergencies, and even “good students” such as Saudi Arabia and the UAE have performed poorly.

The coronavirus lockdown has also brought all people/travel-intensive industries to recession. It has hit the aviation, tourism, and department store industries particularly hard. This in turn has affected the UAE, Qatar – which is known for its aviation hub and retail industry – and Egypt, Morocco, and Turkey, which are famous for their tourism industries. Since measures such as travel restrictions and border closures are still in effect, the recovery of these industries and countries will depend on the effective control of the pandemic, and on when economies will restart, confidence will be restored, and travel will be normalised. So far, we have not yet seen the light at the end of the tunnel.

Of particular relevance to the Middle East, oil-producing countries have been hit particularly hard by Covid-19. The pandemic, the state of the world economy, and falling energy demand have formed a mutually reinforcing vicious cycle. The pandemic has restricted economic activities in worldwide and caused the world economy to contract, which in turn reduced the world’s fossil energy consumption. This will directly put pressure on the economies of Saudi Arabia, Iran, UAE, and

other oil-producing countries. The February-April 2020 oil price collapse is the market's over-response to the coronavirus and pessimistic speculation on the world economy, accompanied by the failure of Russia and Saudi Arabia to reach a production reduction agreement.

Worryingly, if the pandemic cannot be effectively checked, a new round of social unrest and even political changes may occur in the Middle East. The coronavirus pandemic is an accelerator and will profoundly change the geopolitical structure of the Middle East. It has blurred the distinction between wealthy and underdeveloped countries. Although the wealthy countries represented by the Gulf states have relatively good fiscal reserves, it does not mean that they also have good public health infrastructure and social safeguard systems, let alone vaccine R&D for the coronavirus. In addition, religious and ethnic minority groups in Saudi Arabia and the Gulf States may not necessarily obtain equal access to medical and public health resources, and the already-existing dissatisfaction with the governments will deepen. A new round of profound social unrest is likely to occur in the Middle East, either in the underdeveloped countries or in the affluent ones.

Finally, the pandemic has led to a decline in the remittance income of labour-exporting countries. Economically, there is a parasitic relationship in the Middle East. Namely, oil-producing countries such as Saudi Arabia, Qatar, Kuwait, and the UAE obtain high oil revenues and fiscal revenues by selling oil and outsource their taxi industry, hotel services, and catering industries to foreign employees. They thus become a gold mine of sorts luring labourers from Egypt, Palestine, India, and Pakistan eager to earn precious foreign exchange. However, owing to the impact of the pandemic and subsequent slump in oil sales and prices, and accompanied by border closures and travel restrictions, the Gulf states have witnessed decline in foreign labour, which in turn has a negative impact on the labour-exporting countries. These problems will continue to persist well after the pandemic.

The coronavirus will surely have an impact on Beijing's Middle East strategy. Of immediate concern, the construction of China's projects, especially long-term ones, will be affected by the economic slowdown, border closures, and personnel evacuation in host countries. China's infrastructure construction has the characteristics of large, long-term investment and requires a relatively harmonious political and social environment. However, since the coronavirus pandemic is still ongoing, the future of these projects remains uncertain, and this will inevitably damage China to some extent. China should actively coordinate with the governments and parties concerned to discuss the resumption of these projects and assist in solving existing problems.

China's reactions with some Middle Eastern countries will further be affected by the hostility against it is brewing among some politicians and parts of the public. Egyptian lawyer Mohamed Talaat sued China for US\$10 trillion, claiming that the coronavirus was a biological weapon developed in a Chinese laboratory.¹⁶ Kianush Jahanpur, the spokesman of the Iranian Ministry of Health accused China of concealing the truth about the coronavirus pandemic and of exporting the virus to Iran.¹⁷ In addition, Chinese citizens were subject to insults and attacks in Egypt and Algeria, as their country was blamed for the outbreak of the pandemic in the Middle East. This also reminds Beijing that it is necessary to pay special attention to the voices of the people of the Middle East. Still, China should also find suitable channels and opportunities to communicate with religious institutions and civil organisations in these countries to influence public opinion and gain sympathy.

China is a friend of the Middle East, and the coronavirus is a common enemy of both. Although the number of confirmed cases is still on the rise, the peak of the pandemic has passed.

¹⁶ "Egyptian Lawyer to Sue China for \$10 Trillion over Coronavirus Damages", *Daily Saba*, 8 April 2020.

¹⁷ Z. Evans, "Iranian Health Official Calls Chinese Coronavirus Stats a 'Bitter Joke'", *National Review*, 6 April 2020.

Currently, the focus of Middle Eastern countries is how to strike the balance between preventing the pandemic prevention and re-starting the economy. China should help Iran, Turkey, Saudi Arabia, and other countries in this effort. In addition, it should cooperate with Middle Eastern countries on testing and vaccine R&D and in research on coronavirus mutations and regional differences.

Last but not least, China must be well-prepared to deal with any possible changes in the Middle East. Any pandemic is usually accompanied by social movements and political changes. The coronavirus pandemic has increased financial and health pressures in Middle Eastern countries and may trigger a new round of social and political crises. On the one hand, China should continue to strengthen bilateral cooperation with Middle Eastern countries to fight the pandemic together either on a bilateral and multilateral basis. On the other hand, it should also respect the Middle Eastern countries' own choices, based on the principle of non-interference, and look at the new round of political changes in the Middle East with a rational eye.

2. “Look West”: India's Outreach to the Middle East under Modi

Kabir Taneja

Arguably one of the oddest foreign policy successes from the six-year-old government of Prime Minister Narendra Modi and the Bharatiya Janata Party (BJP) has been in the Middle East (the region is known as “West Asia” in Indian diplomatic lexicon). Over the course of Modi’s first term, he visited the three poles of power in the region, namely Saudi Arabia, Israel and Iran, taking advantage of New Delhi’s historical posture of engagement with states but disengagement with regional geopolitics. India’s diplomacy relies on a multipolar region, or in other words, Indian engagement is based around the geographic differentiations between the Shia, Sunni and Jewish poles of power.

The Gulf and India have had a close relationship for many centuries. Today, as the Covid-19 pandemic forcefully pushes toward a new global order, and challenges globalisation itself, India’s outreach to the Middle East was expansive, ranging from bringing home thousands of stuck migrant workers and professionals to collaborating on medical personnel with the United Arab Emirates (UAE), Kuwait and others as part of its global and regional response. With more than 8 million Indians – more than the population of Norway – living in the larger Middle East region, the challenge for New Delhi is akin to managing a small country outside its own borders.

Modi's victory in 2014, emphatically defeating the Congress party which has ruled over the country for most of the post-independence era starting in 1947, came on the back of a diligently marketed economic agenda backed by the development of a cult of personality. With Modi also came calls for radical changes of the *status quo* that many believed had anchored India down in the past, and this included a fresh look at the country's foreign policy. Modi got the ball rolling on his swearing-in day by inviting the heads of states of India's neighbours, and this included the then-Prime Minister of Pakistan, Nawaz Sharif.

During his interim months, the Middle East's kingdoms and states took a slightly cautious approach as Modi came with some baggage. To begin with, he was from a Hindu-nationalist party, and second, he carried the legacy of the Godhra communal riots that took place in the state of Gujarat in 2002 when he was the Chief Minister of the State. The Gulf states offered their congratulations to him gradually, and were not among the first in line to do so. Since then, the situation has changed drastically; Modi became a regular name in visitors' books across the region and his re-election in 2019 saw UAE crown prince Mohammed bin Zayed Al Nahyan becoming one of the first world leaders to congratulate him. Fast-forward one year, amidst the pandemic, Modi tweeted a special greeting to the UAE crown prince on the festival of Eid-ul-Fitr, recognising the fact that the UAE-India dynamic was at the core of the Gulf's outreach to New Delhi and highlighting the bilateral efforts between the two in jointly fighting the Covid-19 pandemic.¹

Between 2014 and 2019, Modi made 12 state or official visits to the region, covering the length and breadth of India's interests, including a much-awaited visit to Israel in 2017 and even covering Palestine in 2018. This included two visits to Saudi Arabia, and an unprecedented three visits to the Gulf's power centres. To finish off India's historical trapeze balancing

¹ "Modi greets UAE crown prince, Bangladesh PM on Eid-ul-Fitr", *Outlook*, 25 May 2020.

act, 2016 also saw him visit Iran, months after the historic Joint Comprehensive Plan of Action (JCPOA) agreement between Tehran and the P5+1 countries over the Iranian nuclear program, where India also played its part to prod the Iranian government along in seeing the benefits of such an agreement. These visits set the stage for significant diplomatic feats as well, such as former Minister of External Affairs Sushma Swaraj’s historic speech at the Organisation of Islamic Cooperation (OIC) meeting in Abu Dhabi in 2019, where India was invited as a “guest of honour”, much to the dismay of Pakistan, a powerful member of the Islamic grouping.² Modi also took some unprecedented risks, such as hosting Saudi Crown Prince Mohammed bin Salman in New Delhi in 2019 during the thick of the Jamal Khashoggi murder affair.³

While India, a founding member of the Non-Aligned Movement (NAM), maintains its neutrality, its economic and geopolitical rise over the past two decades has forced its foreign policy to adopt a bolder posture. The reason why “forced” is an appropriate term here is that while NAM is an obsolete multi-lateral mechanism in 2020, the principles underpinning it are also responsible for India’s successes in the Middle East, namely having economic and political relations with Jerusalem, Riyadh and Tehran without stepping into regional rivalries.

However, as India moves forward, aiming for a more central role in international politics, analysts have argued that this posture of self-convenience and placid diplomacy is not sustainable, and taking decisive positions in certain geopolitical equations is an eventuality.⁴ In the context of Middle East, we can take this debate back to 2003, when two strong sections of the polity in New Delhi under the then-Prime Minister, Atal Bihari Vajpayee, who was also from the BJP, played tug-of-war

² “Foreign Minister Sushma Swaraj speaks at meet of Islamic nations (OIC)”, NDTV, 1 March 2019.

³ M. Joshi, “Why the Saudi Crown Prince’s visit to India was a diplomatic success”, *The Wire*, 24 February 2019.

⁴ H.V. Pant, “Gradually burying non-alignment”, *LiveMint*, 15 September 2016.

as he mooted the idea of India sending troops to Iraq as part of the American “war against terror” effort.⁵ In hindsight, not being involved with the fraudulent Iraq war bore fruit for New Delhi, but the idea to do so was not necessarily to be part of the “war on terror” policy, but to gain a strong foothold in India’s relations with Washington D.C. and the then-administration of President George W. Bush.

In May 2003, noted Indian scholar C. Raja Mohan wrote in an article that a military commitment by New Delhi to the American efforts would “signal to the world that New Delhi has finally broken out of the traditionally limiting political confines of the sub-continent”.⁶ Raja Mohan was not alone of this view. Along with other analysts, the idea of sending around 20,000 troops to Iraq found favour with some heavyweights as well, such as Lal Krishna Advani, who was the Home Minister and Deputy Prime Minister at the time (a reminder here that India was on good terms with Saddam Hussein’s Ba’athist Iraq). Had India gone ahead, it would have jeopardised the platform available since NAM. This platform was further expanded through the historic 2006 visit of Saudi Arabia’s King Abdullah as chief guest for India’s Republic Day celebrations and the resulting “Delhi Declaration”. It was followed by a reciprocal visit by then Indian Prime Minister Manmohan Singh in 2010, and the signing of the “Riyadh Declaration” set a new precedence in motion with the Gulf region.⁷ The oddity of Indian foreign policy and the historical baggage of NAM is evident in the Middle East, where India has successfully used it to its advantage, while NAM elsewhere is a mere relic. This was in full view in 1990 during the First Gulf War, when New Delhi evacuated 150,000 Indian workers by air from the Gulf over a 59-day period after the Iraqi invasion of Kuwait. Then-Minister of External Affairs, Inder Kumar Gujral, met Hussein (leading to an embarrassing

⁵ D. Mitra, “How India nearly gave in to US pressure to enter the Iraqi killing zone”, *The Wire*, 8 July 2016.

⁶ C.R. Mohan, “India’s decision time on Iraq”, *The Hindu*, 26 May 2003.

⁷ “India – Saudi Arabia bilateral relations”, Embassy of India, Riyadh.

picture of him hugging the Iraqi leader) to obtain permission for the eventual successful evacuation.⁸

This is an Indian history, in which Modi's own party often finds itself at odds with ideologically. Since his victory in 2014, the Prime Minister has been able to make a renewed push into the Middle East, with India's economy as the offering. Within this big-tent diplomacy push, there are certain variables that have driven Indian foreign policy in the region, and continue to be the pillars of Indian interest, specifically in the wider Gulf region. Oil, economy and the diaspora have been the driving factors, and the rise of the Indian market and a strongly observable shift in demand and consumption from the West to the East makes the country's US\$3 trillion economy, with its hunger for energy and investment, an inviting prospect.

The tilt in global economics also helped in shifting the current general approach of the Gulf states and their political leadership towards India. Much of the debate on India's "Look West" policy focuses on the rapid changes that have taken place in the sub-continent; however, equally rapid changes over the past decade have also taken place in the Middle East, both geopolitically and economically. The "Look West" approach is complimentary to the Gulf's view of India as a vibrant economy, and not just source of cheap labour.

The outlier part of Modi's outreach success has been Israel, and the very public bonhomie between him and Israeli Prime Minister Benjamin Netanyahu. While the Gulf outreach was an opportunity presented to Modi thanks to the foresight of his predecessors in New Delhi, the engagement with Jerusalem (though India's embassy in Israel remains in Tel Aviv) had started even before Modi became Prime Minister. Israel's "bold" approach against terrorism and the Hollywood portrayal of its security establishment, such as Mossad against Islamist terror, already had a "pop-culture" fan following among Modi's

⁸ J.M. Malik, "India's response to the Gulf crisis", *Asian Survey*, vol. 31, no. 9, September 1991, p. 847.

nationalist supporters. Moreover, Netanyahu and Modi connected well on an ideological level, so much so that the former even used Modi's imagery as part of one of his re-election campaigns⁹ along with the likes of President Donald Trump.

Energy Security

In 2015, Modi had asked his government to commit to a very ambitious aim, that of reducing India's oil imports by 10% by the year 2022. He wanted this capacity to be produced by India domestically, in an effort to bring down the exorbitant annual oil import bill. However, the Prime Minister's vision was scuttled by realities. In 2015, the oil import stake for India was 77%, and increased to 82.9% within a year and a half of Modi offering the reduction aim.¹⁰ There was a big distance between on-the-ground realities and big-ticket announcements.

Middle Eastern oil plays a crucial part in India's economic story, and by association its politics. Despite India's vast natural reserves, hydrocarbons are not abundantly available. In 2019, India imported 84% of its annual crude requirements, much of which came from the likes of Iraq, Saudi Arabia, Iran and the UAE.¹¹ During most the post-economic liberalisation that began in 1991, securing these supplies from the Middle East was a critical factor of the outreach.

For a long time, oil was a transactional matter, spurred by Indian demand and the heavy role it played in sustaining the Gulf's rich economies (as it still does today). However, this started to shift in 2004, a year after then-Indian President Avul Pakir Jainulabdeen Abdul Kalam visited UAE, the first Indian President to do so in 26 years. During that visit, Abdullah S.

⁹ "PM Modi features in Netanyahu's election campaign in Israel", *The Hindu*, 29 July 2019.

¹⁰ S. Sharma, "Modi's broken dream of cutting India's dependence on oil imports", *Financial Express*, 4 February 2020.

¹¹ "Iraq remains top oil supplier to India", *The Hindu*, 1 May 2019.

Jum’ah, the CEO of Saudi Aramco, the world’s largest oil producing entity, said at a conference in Goa that Saudi Arabia would stand by all of India’s energy security requirements.

Regional security is vital for New Delhi, along with safe access to critical oil supply lines such as the shipping lanes in the Strait of Hormuz, which carry oil from Saudi Arabia, Kuwait, UAE, Iraq and others. Over the past few years, as tensions between Saudi Arabia, US and Iran escalated with the American withdrawal from the JCPOA nuclear agreement, global oil supplies increasingly became intertwined with the region’s own geopolitical kerfuffle. The civil war in Yemen became a Saudi – Iran proxy war, while the Syrian civil war after the territorial disintegration of the so-called Islamic State allowed Iranian militias to gain a solid foothold on the borders of both Saudi Arabia and Israel. Large oil installations in Saudi Arabia, such as Abqaiq and Khurais, were attacked last year by unknown drones that Riyadh maintains were Iranian, targeting both Saudi and US pressure points.

As tempers in the region are historically prone to large political mood swings, New Delhi has also upped the ante on how it approaches its own energy security, and has increasingly brought its military posture into the fray by maximising the number of bilateral exercises it conducts in the region with various different players. To put this in perspective, India and Iran have held naval maneuvers in 2003 and 2006 and port calls in 2015 and 2018, despite US pressure and sanctions. While engagements with Tehran have remained lukewarm due to the US, on the other side of the strait, New Delhi had planned the first naval exercise with Saudi Arabia in March this year. In February, the maiden exercise with the UAE took place, while in November 2019 joint naval exercises with Qatar also materialised. Amidst this flurry of activity, reflecting the constant diplomatic engagement between the regions, India also secured access to the strategic port of Duqm in Oman for military use. This adds a second strategic advantage to go along with the much-ballyhooed Chabahar port project in Iran. Access

to Duqm in Oman, which plays the role of the Middle East's Switzerland with its uncharacteristic neutrality in the region, allows New Delhi to continue to manage its non-alignment while maintaining and increasing military access in and around the Gulf of Oman, and by extension, the Strait of Hormuz.¹²

While in Indian public discourse the Iranian port of Chabahar is seen as a strategic goal, mostly due to a false-equivalence of a militaristic comparison with Pakistan's China-backed Gwadar port, Duqm and the scattered military engagements across the Gulf offer more than just a new security apparatus between New Delhi and the Gulf capitals, but highlight the importance and criticality of these oil supplies to India, and more importantly the confidence and the military ability that the Indian polity now endorses to protect its strategic interests abroad.

However, the bluster remains untested, and this will change in due course. As India grows economically and its economic ties deepen globally, maintaining distance from global conflict theatres and geopolitical fractures that require taking sides may become increasingly difficult. For example, the killing of Iranian General Qassem Soleimani in Baghdad by a US precision airstrike merited a reaction from New Delhi. This reaction came in the guise of a statement, which perhaps perfectly illustrates the art of India's trapeze wire act of saying something while not saying anything as far as geopolitical tremors in the Middle East are concerned. So much so, the statement did not even mention Gen. Soleimani by name. The statement read:

We have noted that a senior Iranian leader has been killed by the US. The increase in tension has alarmed the world. Peace, stability and security is of utmost importance to India. It is vital that the situation does not escalate further. India has consistently advocated restraint and continues to do so.¹³

¹² S. Roy, "India gets access to strategic Oman port Duqm for military use", *The Indian Express*, 13 February 2018.

¹³ Ministry of External Affairs statement on the killing of senior Iranian leader by the US, 3 January 2020, https://mea.gov.in/press-releases.htm?dtl/32251/Killing_of_a_senior_Iranian_leader_by_the_US

India’s forays into Iranian energy economy also had their fair share of attempts, and initially, a much deeper energy cooperation between Tehran and New Delhi was afoot back in 2003 when India’s ONGC Videsh Ltd and the development of the Farzad B gas field was jointly agreed between the two states. Along with Chabahar, Farzad B was seen as a major strategic investment in Iran, giving India a strong footing for improving its ties with Iran and working towards more prudent energy security. However, after years of negotiation hurdles, squabbles over prices and contracts and other such hindrances, the deal today remains on the backburner due to the US sanctions, global economic downturns, and regional tensions. Iran, caught between a rock and a hard place due to these sanctions and tensions with the US along with domestic challenges, often made it clear to New Delhi that its non-committal approach to the development of the Farzad B field meant that Tehran could go forward with other partners (read China). Ideally, the sanctions period offered New Delhi a scenario where very few other competitors could take advantage of Iran’s vast energy reserves. However, balancing its relations with Washington D.C. ultimately proved to be a much more beneficial endeavour than bending over backwards for Tehran.¹⁴

During its ups and downs with Iran, New Delhi sought friendlier relations and more beneficial deals within the Gulf. During the oil crash in May this year when prices went below US\$1 per barrel, New Delhi saw the opportunity to enlist the help of Abu Dhabi and Riyadh in helping it to fill up its critical strategic oil reserves. UAE’s ANDOC and Saudi Aramco were approached as they announced that both would ramp up production while cutting prices, a boon for importers such as India, leading to billions of dollars in savings for the exchequer.¹⁵ This windfall was helped by the fact that due to the Covid-19 pandemic, surplus capacity is suddenly available in abundance.

¹⁴ K. Taneja, “Indo – Iranian stalemate over Farzad B”, *Live Mint*, 16 May 2017.

¹⁵ N. Verma, “India may top up strategic tanks with Saudi, UAE oil”, *Reuters*, 17 March 2020.

While oil dominates India's energy security narratives, Delhi's relation with Doha with regard to its imports of natural gas is an overlooked aberration. India imported 21.7 million tonnes of Liquefied Natural Gas (LNG) in 2018-19, out of which 8.5 million tonnes came from Qatar under the operationalisation of two major contracts.¹⁶ In 2008, New Delhi and Doha achieved a significant milestone with the signing of a defence agreement during Prime Minister Manmohan Singh's visit, which Modi followed up in 2016 by visiting Doha. However, the 2008 agreement raised some eyebrows. While its details and modalities remained murky, media reports quoting anonymous officials said that the agreement was "just short of stationing troops in the oil-rich Gulf nation".¹⁷

Over the last months, there have been situations where New Delhi could have been tested over its resolve and interests in the Middle East. While many have thought the trigger to be the Saudi and UAE-led pressure on Iran, including the war in Yemen, it was actually the internal break within the Gulf Cooperation Council (GCC) between Qatar, Saudi and the UAE over allegations against Doha that it was supporting terrorism. While Qatar suffered from an economic blockade by GCC members, and drifted towards Iran and Turkey to maintain supply lines open, it did not push India to aid with supplies such as food. Qatar's withdrawal from the OPEC last year helped cement its central position as one of the world's largest natural gas producers, and with climate change pushing countries towards clean energy, and India looking to capitalise on this by becoming an example of a transitional economy between dirty and clean fuels, Doha may become an even more important energy partner for New Delhi in the time to come.¹⁸

¹⁶ "Qatar rejects India's request for renegotiating existing LNG contracts", *Business Line*, 27 January 2020.

¹⁷ "India, Qatar ink key defence pact", *Financial Express*, 10 November 2008.

¹⁸ M. Sinan Siyech, *India – Qatar relations: Navigating Turbulent Seas*, Middle East Institute, 9 April 2019.

Doha was determined to show that it could flourish despite being chastised by the GCC, which it did; but the question remains, what would India have done if Qatar had asked for help? Would it have helped Doha, or would it have sided with the Saudi – UAE alliance? These are the questions that remain unanswered: how would India handle such a direct appeal from the region from a geopolitical ecosystem that is critical to its economy, and by association, polity?

The final part of this chapter of the paper deals with an issue that still needs to install itself firmly in the region’s energy debates: renewables. Renewable energy is not something directly identified with the Middle East, as the narrative and role of oil still plays the central role. With climate change becoming a serious issue, the increase in erratic weather patterns and the Covid-19 pandemic underscoring the fragility of the relations between humankind and nature, the future of energy cooperation between India and the Middle East has to include cooperation in renewables as well, with India taking the lead on the issue both for its domestic economy and from a global, multilateral perspective, by initiating the International Solar Alliance (ISA). From the Middle East, UAE, Saudi Arabia, Lebanon and Yemen have signed on as members of the ISA framework. At the bilateral level New Delhi has also aggressively pushed for cooperation on renewable energy, with the sector also finding favour with technology and innovation-heavy countries such as Israel. As part of its economic investments in India, renewables form a US\$130 million portfolio for Israeli firms in the Indian economy.¹⁹

The push for renewables can be interpreted as the economy taking centre stage in Indian diplomacy and foreign policy. As Gulf States work aggressively towards a post-oil future, both renewables and the Indian economy are set to play critical roles, perhaps for the first time, making New Delhi visible as an equitable global partner for the Gulf’s political monoliths.

¹⁹ S. Chakroborty, “[Israeli firms kickoff investment talks in India](#)”, *Business Standard*, 15 January 2018.

The Middle East and India's Economic Alignment

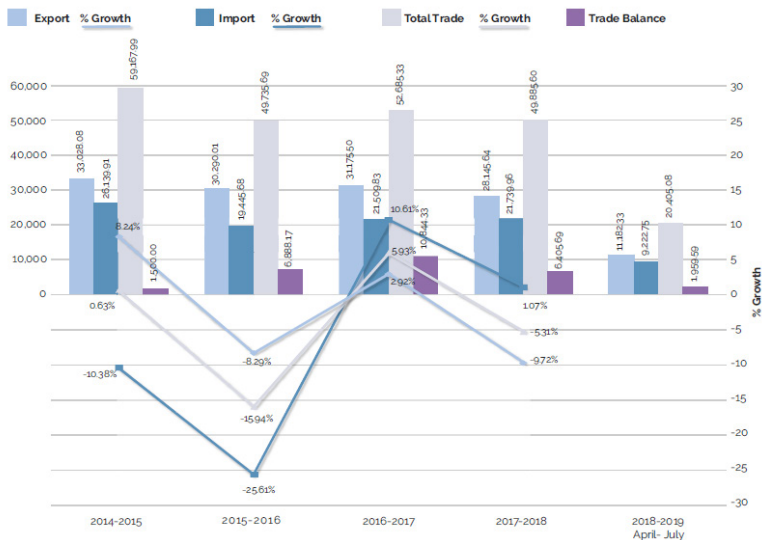
The import of oil from the Middle East means that India has become one of the largest trading partners for the Gulf region, and fluctuations in oil prices, demand and markets relay growth patterns between the two regions. The Asian growth story has highlighted the attractiveness of India's market and its 1.3 billion consumers for the Middle East as well. In fact, newer sectors such as finance, services, engineering, and IT are taking increasing precedence as attempts to break from "oil economies" continue. The rise of the economic partnership between the Arab world and India has many significant implications, from the geoeconomic probability of funding for large infrastructure projects to the geostrategic probability of elbowing Pakistan's influence out by weaponising economics for the good of both India and the Gulf.

The UAE alone is now India's third biggest trading partner after the US and China, with trade in 2018-19 surpassing the US\$60 billion mark. Abu Dhabi and New Delhi have set a target of US\$100 billion in trade by the end of this year, which at the moment looks highly unlikely due to the Covid-19 pandemic.²⁰ Modi's visit to the UAE in 2015 was the first by an Indian prime minister in 34 years, correcting a long overdue anomaly. Overall, the Gulf region as a collective trading block is India's largest trade partner in the world with trade worth US\$104 billion during the 2017-18 period.²¹

²⁰ W. Abbas, "India – UAE trade reaches \$60 billion", *Khalej Times*, 4 July 2019.

²¹ R. Roy-Chaudhury, "India and the Gulf region: building strategic partnerships", IISS, 29 August 2018.

FIG. 2.1 - INDIA – UAE BILATERAL TRADE (US\$ BILLION)²²



Source: Embassy website/MEA/Misc

Beyond oil, a large part of the economic relations between the two regions for long revolved around the Indian diaspora. Over 8 million Indians work in the larger Gulf region and send back over US\$50 billion in remittances, a critical annual infusion for the Indian exchequer. While India has been known as one of the primary providers of cheap labour, this transactional relationship between Gulf capitals and New Delhi has been changing. India is now a provider of skilled and highly skilled professionals to Dubai, Abu Dhabi, Doha, Riyadh and so on. UAE specifically is now one of the top importers of Indian businesses and entrepreneurs, and the Indian work force is a highly sought-after commodity in the Gulf’s growing businesses and infrastructure projects from construction to cyber space.

²² H.V. Pant and K. Taneja (eds.), *Looking back, looking ahead: Foreign policy in transition under Modi*, Observer Research Foundation, 24 July 2019, p. 60.

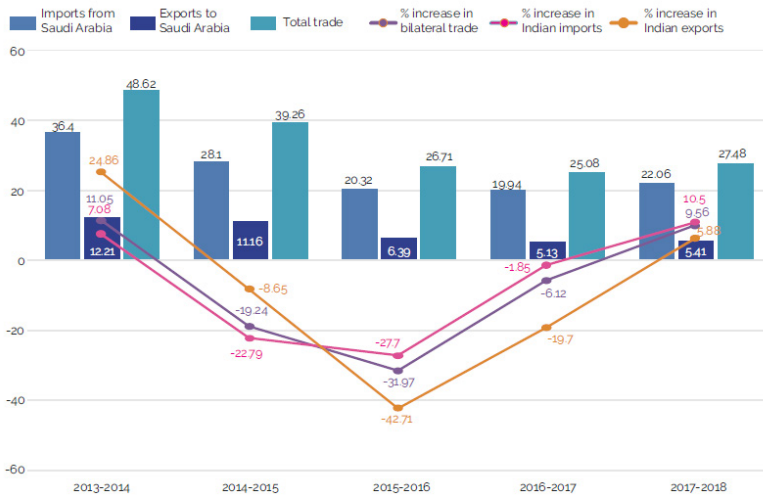
Within this, there is also recognition in New Delhi of what eventually is the most beneficial outreach as far as geoeconomics go. This can anecdotally be viewed with the fact that failures elsewhere in the region to capitalise on economic cooperation and mutual developments have very rapidly been developed over the past few years. Nonetheless, a lot of these commitments between the likes of India and the UAE, for example, still need to be converted into actual, visible investments on the ground.

One of the most celebrated recent deals between the Gulf and India was a Saudi-Indian mammoth oil refinery project, estimated to be worth US\$60 billion. Seen as the crown jewel of the growing India – Gulf economic partnership, the project however ran into familiar hurdles in India. Initially slated to be built in Ratnagiri, on the coast of Maharashtra, around 300 km from Mumbai, the project was stalled as the state government struggled to acquire the required land. Riyadh put the onus on India, saying the “ball is in India’s court” and as of today the saga of selecting a site continues.²³ Meanwhile, more than US\$75 billion worth of investments between India and the UAE remain in limbo as modalities of the India – UAE Infrastructure Investment Fund (UAEIND-IIF) remain unresolved. “The ball is in India’s court”, on the UAE front as well as the Gulf states’ envoy to New Delhi highlighted.²⁴

²³ G. Mohan, “Aramco awaits land acquisition in Maharashtra”, *India Today*, 1 November 2019.

²⁴ A. Mohan, “UAE says ball in India’s court to setup \$75 billion investment fund”, *Business Standard*, 24 January 2017.

FIG. 2.2 - INDIA – SAUDI ARABIA BILATERAL TRADE (US\$ BILLION)²⁵



Source: Ministry of External Affairs, https://mea.gov.in/Portal/ForeignRelation/India-Saudi_Bilateral_Relations_December_2018.pdf

Israel is also aggressively looking to increase its economic activities with India. Currently, much of the growth in bilateral trade is due to the defence cooperation between the two countries. The growth has been exponential, considering how sluggish New Delhi’s diplomatic approach had been for years. Since both countries established official diplomatic relations in 1992, trade has jumped from US\$200 million in 1992-93 to US\$5.84 billion in 2018. This trajectory is expected to continue, but both countries acknowledge a certain urgency in diversifying businesses away from the current over-reliance on the defence sector.²⁶

Finally, Iran remains the outlier, at least to a certain extent. While relations between the two countries remain cordial, with consistent high-level visits and cooperation on economy,

²⁵ H.V. Pant and K. Taneja (2019), p. 59.

²⁶ “Israel’s exports to India rise 9%”, *CNBC-TV18*, 25 November 2019.

culture and defence, the US sanctions and diplomatic pressure on New Delhi to disengage economic activity with Tehran in the run up to the 2015 JCPOA agreement created friction, and a certain level of positivity between the two. The India – Iran hinges almost entirely on energy trade, with a large trade deficit, which has not been addressed for a long time. This lays bare the major issue in the India – Iran dynamic, namely that it rests on one major variable, and beyond that the opportunities to capitalise upon have been far and between.

FIG. 2.3 - INDIA – IRAN BILATERAL TRADE (US\$ BILLION)²⁷



Source: Ministry of External Affairs, https://mea.gov.in/Portal/ForeignRelation/India-Iran_bilateral_August_2017.pdf

The above examples highlight why New Delhi is more inclined towards closer relations with the Arab world, backed by the simple fact that economic dividends and future opportunities are significantly higher in that part of the Middle East. C. Raja Mohan perhaps put it much more bluntly both for academic and New Delhi's benefit by suggesting that India is ignoring its interests by privileging Iran *vis-à-vis* the Arab world.

It is not a question of Delhi acknowledging, let alone accepting, the new dynamic in the Gulf. The foreign policy question is about how Delhi must deal with the rapidly changing situation

²⁷ H.V. Pant and K. Taneja (2019), p. 58.

in the Gulf region, whose economic and political salience for India is not matched by any other sub-region in the world. They (Gulf) are also frustrated that Delhi, which denounces Pakistan's destabilisation of the Subcontinent at every opportunity, never utters a word about Iran's effort to undermine the regional political order in the Arab world.²⁸

He wrote.

Religion, Culture and Diplomacy

The deep people-to-people ties between India and the Middle East are to a large extent at the core of their relationship. India is home to more than 200 million Muslims, and home to the third largest Muslim population in the world after Indonesia and Pakistan. Trade, cultural ties and people-to-people contact have been prevalent for centuries.

During the Covid-19 pandemic, the first cases detected in India are known to have come via air travellers from Dubai. And there was a very high number of evacuation flights and ships from the Gulf countries to India to bring back Indians. Even in pre-pandemic era, travel between Indian cities and ports such as Dubai, Abu Dhabi, Muscat, and Manama was extensive. Dubai-based airline Emirates alone operates 172 flights to nine Indian cities.

Indian Muslims also travel widely to pilgrimages across the Middle East region, with more than 81% of India's Muslim population being Sunni and 10-13% being Shia. Muslims as a whole make up around 13-14% of India's total population. Pilgrimages ranging from Hajj, to Saudi Arabia to the Shia pilgrimage of Arba'een in Karbala, Iraq and many others in between, all see widespread travel by Indian Muslims to the Middle East throughout the year.²⁹ However, despite the

²⁸ C.R. Mohan, "The Gulf in foreign policy", *The Indian Express*, 2 October 2018.

²⁹ U.H. Rizvi, "Undeterred by terror Indian Shias flock to Iraq for the world's biggest pilgrimage", *Scroll.in*, 2 December 2015.

divisions between Shia and Sunnis leading to violence in the Middle East, with Saudi Arabia and Iran at the centre of it, sectarian violence amongst Indian Shias and Sunnis has been very limited, and these regional conflicts generally do not make it back to India despite such mass movement of people. Indian migrant workers evacuated during the Covid-19 pandemic included Sunni Muslims from the state of Uttar Pradesh (which sends the highest number of workers to the Gulf) and Kashmiri Shia pilgrims evacuated from Iran (Shias have grown in numbers in Kashmir over the past few years).³⁰

India and the Middle Eastern states have only rarely been at odds due to religion. The influence of Saudi Arabia and UAE with Indian Sunni Muslims is strong, and Iran has reportedly been making more active connections with the increasing number of Shias in Kashmir, especially in the Kargil area where India and Pakistan fought a war in 1999.³¹

When Prime Minister Narendra Modi took the helm in 2014, his background of being close to the Hindu-nationalist group Rashtriya Swayamsevak Sangh (RSS) and his baggage of being the Chief Minister of Gujarat in 2002 when Hindu – Muslim communal riots that killed more than 1,044 people erupted was expected to make for a potentially contentious relationship with the Islamic world. However, perhaps to the surprise of many, the dynamic remained steeped in realistic national and diplomatic opportunities and as mentioned earlier, Modi's outreach and wide travels in the region prevented his past from interfering with his duties as India's Prime Minister. In fact, it was under his tenure that the UAE inaugurated their first project to build a Hindu temple in Abu Dhabi. Over this tenure, both UAE and Saudi Arabia conferred Modi with their highest civilian honours as well.

³⁰ Z. Majid, "COVID-19: Most of 254 Indians tested positive in Iran are from J&K", *Deccan Herald*, 18 March 2020.

³¹ A. Mohananey, "India shouldn't follow US narrative on Iran", *The Economic Times*, 7 January 2020.

This seemingly contrarian dynamic perplexed many. However, economics and political realities underpinned this bridge-building. While Gulf nations have in private raised concerns about increased violence against Muslims in India under a wider Hindu-nationalist mandate, at some level Gulf leaders also recognise that India has historically witnessed communal violence, and temperamentally, Modi’s centralisation of power around his huge political mandate was expected to make dealing with New Delhi easier. This was perhaps witnessed when Modi government intercepted a yacht carrying a UAE princess off the coast of Goa by Indian authorities, and the princess, who was allegedly escaping torture by her family, was returned to the UAE.³² The aftermath of this saw criticism against the Modi government, but also pushed a pro-India narrative in the Gulf, specifically on the issue of Pakistan and Kashmir. Interestingly, it can be argued that the “strong-man” image of Modi and his style of governance saw commonalities with the Arab capitals, offering one more area to capitalise on as far as the Modi – Gulf dynamics are concerned.

On the other hand, this bonhomie between New Delhi and Abu Dhabi, Riyadh and beyond was an opportunity for others to wedge themselves in. Both Iran and Turkey, being collectively at odds with the Saudi – UAE alliance, openly criticised India’s handling of issues relating to Kashmir, specifically after the abrogation of the Jammu & Kashmir region on 5 August 2019. Turkish President Recep Tayyip Erdoğan in February had vowed to support Pakistan in its quests over Kashmir during a period of communal unrest in New Delhi, and political issues within India such as the Citizenship Amendment Act (CAA) and the National Register of Citizens (NRC) and the criticism of these institutions as being anti-Muslim and anti-minority also brought criticism for the Modi government from the international community, including Islamic countries, some in public, and other raising their concerns privately.³³

³² P. Swami, “India returned runaway Dubai princess to protect strategic interests”, *Business Standard*, 27 April 2018.

³³ K. Taneja, “Why Saudi Arabia and UAE aren’t bothered by India’s Citizenship

Conclusion

Prime Minister Narendra Modi's outreach to the Middle East was developed on two fronts. First, it maintained India's historic stance in the region by, for example, engaging more with Israel but balancing New Delhi's stance on Palestine as well. Not disturbing this "Nehruvian" status quo allowed for economic diplomacy to flourish further by recognising the fact that oil-rich Gulf economies were looking for market alternatives to the West. The major breakthrough here was India recognising that for wooing foreign investments, the West was not the only destination, and the Middle East offered many opportunities as well with large sovereign wealth funds looking for healthy returns from fast-growing economies that will still require crude oil for the next two decades (or more).

Ultimately, the new-found relationship between the Middle East, specifically the Gulf and Modi, is a financial one with all other facets adjusting around it.

3. Not Only Oil: Japan's Soft Power and Engagement with the Middle East

Adel Abdel Ghafar

Since the end of World War II, Japan has been a democratic pacifist nation that has primarily used soft power to exert its influence across the world. Constraints imposed by its post-war constitution have meant there has been a limitation on the exercise of hard power specified in Article 9, and an aversion by the Japanese public to engagement in any military conflict. Prime Minister Shigeru Yoshida formulated Japan's post-war recovery plan, known as the Yoshida Doctrine, using a three-pronged strategy: reconstruction of the domestic economy with an emphasis on external trade, keeping a low profile internationally, and reliance on the US for security guarantees.¹ Yoshida famously remarked the US was simultaneously "Japan's most dangerous enemy and most desirable ally", and that henceforth the US security umbrella would be a cornerstone of Japan's security posture, both in Asia and the rest of the world, including in the Middle East.²

By 1955, Japan had regained its pre-war levels of industrial production. Its incredible economic and industrial growth meant Japan began to be described as a great power, albeit an economic one, by the end of the 1960s, and it had secured its position

¹ S.R. Choudhury, "Japan and the Middle East: An Overview", *Contemporary Review of the Middle East*, vol. 5, no. 3, 2018, p. 185.

² R.J. Samuels, *Securing Japan: Tokyo's grand strategy and the future of East Asia*, Cornell University Press, 2011, p. 31.

as an economic superpower by the 1980s.³ As Japan's economic might grew, it increased its participation in the international community through its Overseas Development Aid (ODA), and its involvement and support of multilateral institutions and instruments. While Japan was seen as a great power, it lacked one key prerequisite normally ascribed to such powers: the ability to deploy hard power to defend its interests. Leading Japanese international relations expert Kōsaka Masataka describes Japan as an “unbalanced great power”, since its great power, or superpower status, is based solely on its economic might.⁴

The Evolution of Japan's MENA Policy

While Japan was able to rely on US security guarantees and focus on growing its economy, the Middle East began to play a bigger role in Japanese economic and foreign policymaking. During the 1960s and 1970s, when it came to the Middle East, Japan was predominantly focused on securing access to energy resources from the Gulf region. As an industrial country with limited resources, Japan's dependency on petrochemicals from the Middle East has been high. Before the 1970s oil crisis, more than 90% of Japanese oil imports came from the Middle East.⁵ Broadly, Japan's policy towards the MENA region can be divided into three phases.

Phase one

A dependence on Middle Eastern oil supplies helped form Japan's policy towards the region during the 1960s and 1970s.

³ B. Edstrom (ed.), *Japan's Foreign Policy in Transition*, Institute for Security and Policy Development, 2011, p. 14.

⁴ K. Masataka, *Heiwa to kiki no kōzō: Posuto reisen no kokusai seiji (Peace and the structure of crisis: Post-Cold War international politics)*, Tokyo, Nihon hōsō shuppan kyōkai, 1995, pp. 43.

⁵ Y. Miyagi, *Japan's Middle East Security Policy: Theory and Cases*, London, Routledge, 2008, p. 62.

This policy entailed Japanese alignment with Arab political posture independently of US calculations. The policy included supporting the Palestinian cause with the expectation this would improve relationships with Arab countries.⁶ Japan's policy of seeking to secure its energy supplies through diplomatic positions sympathetic to the Arab and Islamic states carried over into it maintaining good relations with Iran, despite efforts by the US to isolate the country after the 1979 revolution and especially the US-embassy hostage crisis.⁷

Phase two

During the 1980s, Japan's position shifted mainly due to increased sensitivity in Japan towards the expectations and demands of its US ally. Japan moved towards a more neutral position on the Arab-Israeli conflict in response to pressure from the US government under President Reagan, who called for Japan to build ties with Israel. This was accompanied by an emerging interest among Japanese policymakers in playing an international role in the Arab-Israeli peace process, an ambition that emerged as a result of achieving international status as a top donor to developing countries and international institutions.⁸

Japan's political calculations about the Middle East became less driven by oil following Japan's deepening engagement with the US in areas other than the Middle East. Increasingly dependent on the US for support against the rise of China and North Korea's development of nuclear weapons, and worried its strategic value for the US had decreased after the end of the Cold War, Tokyo's Middle East policy became a means to enhance Japan-USA relations.⁹ Japan also began to steadily

⁶ Y. Miyagi, "Japan's Middle East policy: 'still mercantile realism'", *International Relations of the Asia-Pacific*, vol. 12, no. 2, 2012, p. 296.

⁷ R. Tateyama, "Japan, Iran and the United States: a delicate triangular relationship in the 1990s", *JIME Review*, Autumn, no. 22, 1993, pp. 27-38.

⁸ Y. Miyagi, "Japan's Middle East Security Policy: Rethinking Roles and Norms", *Middle Eastern Studies/Ortadoğu Etütleri*, vol. 3, no. 1, 2011, p. 17.

⁹ Y. Evron, "China-Japan interaction in the Middle East: A battleground of

assume a larger role in international affairs, including in the MENA region, which was in line with the belief that playing a role in the containment and resolution of the conflict in the region would enhance Japan's prestige and international standing.¹⁰ Recognising its over-reliance on Middle Eastern oil after the chaos of the oil crisis, Japan attempted to both reduce the share of oil in its energy mix and diversify its sources of petrochemicals. Since the 1990s, the Middle East's share in its imported oil has climbed again, however, following a decline in oil exports by other suppliers, such as Indonesia and China.¹¹

Phase three

The Gulf War of 1990-91 was a watershed moment in Japan's policy that ushered in a new era of international security commitments and a decidedly pro-US tilt in its Middle East policy. In that war, Japan faced unprecedented US demands for direct military cooperation. The aftermath of the war seemed to mark Washington's emergence as an undisputed global and Middle East hegemon, narrowing room for an independent Japanese policy in the region. It was also a turning point in that Japan began gradually to adopt, in the aftermath, the restrained use of military means in its security strategy.¹² Yukikio Miyagi argues the most significant change from Japan's traditional policy after the first Gulf War, however, was its rare use of its military. This started with the deployment of Maritime Self-Defense Force (MSDF) minesweepers to the Persian Gulf after the war, a mission Japan had previously declined during the Iran-Iraq

Japan's remilitarization", *The Pacific Review*, vol. 30, no. 2, 2017, p. 190. See also M. Tamamoto, "Japan's search for recognition and status", in W.S. Hunsberger (ed.), *Japan's Quest: The Search for International Role, Recognition, and Respect*, Armonk, M.E. Sharpe, p. 7, 1997; and T. Shinoda, *Koizumi Diplomacy: Japan's Kantei Approach to Foreign and Defence Affairs*, Seattle, WA, University of Washington Press, 2007, p. 5.

¹⁰ Y. Miyagi (2011), p. 18.

¹¹ Y. Evron (2017), p. 189.

¹² Y. Miyagi (2011), p. 18.

conflict. During the decade following the Gulf War, Japan expanded the use of the Self-Defense Forces (SDF) as a means of giving a high profile to its role in UN peacekeeping operations, gradually loosening restrictions so that the SDF could undertake more “tangible” support activities abroad.

In the post 9/11 era, the wars in Afghanistan and Iraq were also watershed moments for Japan's Middle East engagement. Similar to 1991, Japan came under pressure to take part in the US-led operations launched under the banner of a “Coalition of the Willing”, within the UN framework in the former case, but without it in the latter case. This precipitated a further activation of Japan's military capabilities, with the Japanese government legalising SDF participation outside the framework of UN peacekeeping operations by *ad hoc* legislation.¹³

In terms of energy, by the early 2000s Middle Eastern oil constituted over 85% of Japan's total oil imports, and in 2014 Japan was the world's largest importer of Middle Eastern oil: 3.7 million barrels per day (bbl/d) on average.¹⁴ Currently, 90% of Japan's oil imports come from the Middle East. By comparison, the US relies on the Middle East for only 21.8% of its oil, while the figure for European OECD nations is 23.8%.¹⁵ The 2011 earthquake led to a new realisation of the benefits of maintaining a share of global hydrocarbon output to support Japan's energy security.

The Abe era

The Abe era can be viewed as a continuation of Phase Three, in which Japan is seeking to play a larger role on the world stage, be more assertive in defending its interests, and promote its own vision of world order. In PM Abe's address to the Indian parliament in 2007, he spoke about “the Confluence of the

¹³ Ibid., p. 19.

¹⁴ Ibid.

¹⁵ “Japan Still Reliant on Middle Eastern Oil”, *Nippon.com*, 25 June 2019.

Two Seas”.¹⁶ Abe emphasised Japan’s “values laden diplomacy” and “proactive contribution to peace” in a strategy that sought to link economic and development issues with security architecture. He focused on turning Japan into a “normal country” that has the ability to defend its interests. Abe is seeking to unshackle Japan from what is perceived, in certain Japanese policy circles, as a constitution that inhibits its ability to defend its interests overseas.

To achieve this goal, he undertook a number of policy changes including increasing the Japanese defence budget, upgrading the Japanese SDF from an agency to a fully functioning Ministry of Defense, passing two crucial security reform bills through the Diet (the International Peace Support Bill and Peace and Security Legislation Development Bill) and finally relaxing restrictions on Japanese arms exports.¹⁷ When it came to the Middle East, Abe pursued a much more vigorous diplomatic approach than any previous Prime Minister. The two Iraq Wars (1991, 2003) had already provided Abe’s predecessors with a unique opportunity to break taboos by pushing Japan to play a bigger military role way beyond its borders.¹⁸ Abe was able to build on this legacy and deepen Japan’s engagement with the region.

Abe visited the Gulf numerous times and received Gulf Cooperation Council (GCC) leaders in Japan, including King Salman in 2017, the first state visit by a Saudi monarch for 46 years.¹⁹ Saudi – Japan ties are particularly deep, not only

¹⁶ Shinzo Abe, [Confluence of the Two Seas Speech](#), Parliament of India, 22 August 2007.

¹⁷ For an analysis of these changes, see for example C.W. Hughes, “Japan’s ‘Resentful Realism’ and Balancing China’s Rise”, *The Chinese Journal of International Politics*, vol. 9, no. 2, 2016, pp. 109-150; S. Maslow, “A Blueprint for a Strong Japan? Abe Shinzo and Japan’s Evolving Security System”, *Asian Survey*, vol. 55, no. 4, 2015, pp. 739-765; and A. Oros, *Japan’s Security Renaissance: New Policies and Politics for the Twenty-first Century*, New York, Columbia University Press, 2017.

¹⁸ S. Ikeuchi, *Chūtō kiki no shingen wo yomu (Reading the Epicenter of Middle East Crisis)*, Tokyo, Shinchosha, 2009, p. 79.

¹⁹ “Saudi Arabia’s King Salman Arrives in Japan”, *The National*, 13 March 2017.

in terms of energy (Saudi Arabia provides roughly one third of Japan's crude) but also as Japanese companies are contributing to a number of projects for the Saudi Vision 2030. Abe has been able to delicately balance the relationship with Saudi Arabia with their regional arch-rival Iran. Although Japan was not part of the negotiations for the Joint Comprehensive Plan of Action (JCPOA), Tokyo was eager to lobby, both officially and unofficially, for a swift settlement of the nuclear crisis. Japanese officials in different capacities reached out particularly to their American and Iranian counterparts to push them to narrow down their differences.²⁰ Since the breakdown of the nuclear deal, Abe has continued to engage with Iran, even visiting Tehran to attempt to mediate between the US and Iran.²¹

Most recently, Abe visited the Gulf region in January 2020 to attempt to reduce tensions between the US and Iran.²² There were predictions the trip would have been cancelled in light of the assassination of General Qassem Soleimani, but it went ahead and Abe stuck to his original schedule. Abe's efforts to defuse tensions were received positively in the region. The Saudi Arabian Foreign Minister told Japanese media the Kingdom "shares the same view of wanting to avoid armed conflict as much as possible." He added Saudi Arabia is looking to Japan to leverage its ties with Iran and serve as an intermediary, saying he hoped "Japan could contribute by delivering the international community's message to Iran".²³

Japan's current MSDF mission is limited in scope, focusing on information gathering. The fact Japan has not joined the naval coalition (similar to South Korea's approach)²⁴ is a reflection

²⁰ S. Azad, "Seeking a New Role: Japan's Middle East Policy under Shinzo Abe", *East Asia*, vol. 34, no. 4, 2017, p. 292.

²¹ N. Suzuki, "After Tehran visit, hurdles remain high for Abe in bid to mediate between US and Iran", *Japan Times*, 14 June 2019.

²² "Japan's Abe kicks off five-day visit to Middle East amid U.S.-Iran tensions", *The Japan Times*, 11 January 2020.

²³ Y. Takano, R. Toyooka, and R. Yamashita, "Saudi Arabia Thinks PM Visit to the Middle East will Ease Tensions with Iran", *Asahi Shimbun*, 12 January 2020.

²⁴ H. Won Jeong, "What Are the Implications of South Korea's Decision to Send

of its commitment to be neutral *vis-à-vis* any potential conflict with Iran, and thus it is not perceived as a threat by regional players. If the security situation in the region were to deteriorate, the situation would become more complex for the MSDF. Maritime security operations would be ordered based on the SDF law, with MSDF units being dispatched to protect vessels linked to Japan. Under international law, however, the MSDF units can only use force to protect Japanese-registered ships and cannot do so for foreign-flagged ships under armed attack even if they are operated by Japanese shipping companies.²⁵

On Palestine and Israel, Abe has continued to demonstrate Japan's neutrality towards the Israeli-Palestinian issue by holding simultaneous talks with both Israeli and Palestinian officials. These gestures of impartiality could provide Abe with a better opportunity to achieve Japan's long-standing ambition to play a mediating role in the long running conflict, though there is little hope in the region the limping peace process will reach a successful conclusion any time soon.²⁶

Syria is another challenging area for Abe and Japanese policymakers. The Syrian conflict has exacerbated regional and indeed international security issues, including the rise of radical groups such as ISIS, the humanitarian crisis and the ensuing refugee problems. Japanese nationals were kidnapped in Syria, and a number lost their lives. While Japan lacks the ability to influence the Syrian conflict, it announced a 3-pillar foreign policy in response to the murder of Japanese nationals: 1) strengthening counter-terrorism measures, 2) enhancing diplomacy towards stability and prosperity in the Middle East and 3) assistance in creating societies resilient to radicalisation.²⁷

a Naval Unit to the Strait of Hormuz?", *The Diplomat*, 28 January 2020.

²⁵ "Armed conflict response fears linger as MSDF's Middle East mission starts", *Japan Times*, 1 March 2020.

²⁶ S. Azad, "Seeking a New Role: Japan's Middle East Policy under Shinzo Abe", *East Asia*, vol. 34, no. 4, 2017, p. 298.

²⁷ Ministry of Foreign Affairs Japan, *3-Pillar Foreign Policy in Response to the Terrorist Incident Regarding the Murder of Japanese*, 17 February 2015.

In North Africa, the events of the so-called Arab Spring took Japanese policymakers by surprise. Shirzad Azad argues when Abe returned for his second stint as Prime Minister in 2012, three factors made Japan want to engage more with North African states, especially Algeria, Morocco, Tunisia and Egypt. First, Japan's "pivot to Africa" policy seeks to find more investment opportunities and markets for Japanese companies. Second, the perception China is winning the "scramble" for Africa reinforces this drive, suggesting that Japan needs to scale up its presence there and that Japan can no longer be a bystander. Finally, growing instability and humanitarian crises, and the potential implications for Japanese interests in the region, provide a further motivation.²⁸ Broadly, when it comes to the MENA region, Japanese policymakers face five interconnected challenges.

Five Interconnected Challenges Facing Japan in the MENA Region

Persistent dilemmas and the constant need to balance

This brief overview of the phases of Japanese policy towards the MENA region highlights the key dilemma facing Japanese policymakers. On the one hand, the importance of the US for Japanese security ensures a need to pacify a key ally. On the other, maintaining good relations with various states in the Middle East independent of the US requires some distance from that same ally. This dilemma manifests itself when it comes to relations with Iran as well as with the Israeli-Palestinian conflict. This dilemma means Japanese policymakers have to continually balance and rebalance relationships with countries in the region. In addition, Japan must also navigate a series of regional rivalries. The most difficult one is the Saudi-Iranian rivalry,

²⁸ S. Azad (2017), p. 300.

but also the one between Qatar and Turkey on one hand, and Saudi Arabia, Egypt and the United Arab Emirates (UAE) on the other.

Regional conflicts and potential flashpoints

As a result of these rivalries, regional conflict in the Gulf has become a real concern. In 2019, a series of attacks on ships, as well as the attacks on Saudi oil facilities, resulted in an escalation of tensions. The assassination of Iranian General Soleimani in January 2020 further added to the tensions. Continued instability is likely to impact shipping in the strategic Strait of Hormuz, thus affecting both Japan's oil supply, as well as the shipping lanes to Europe, both crucial for Japan's economy. In addition, Red Sea security challenges remain. Piracy from Somalia remains a concern, and continued tension between Egypt and Ethiopia is another potential flashpoint of conflict.

Inability to project hard power

A key challenge facing Japan is its inability to project hard power to address such flashpoints, and thus it must rely on diplomacy, economic relations and multilateral institutions and mechanisms to resolve conflict, or at least stop it from metastasising. Conflict aside, Japan currently does not have the military capability to fully protect shipping lanes. As the December 2019 attack in the Gulf of Oman on a Japanese tanker has shown, in any potential conflict between the US and Iran, Japanese interests can be directly targeted, or become collateral damage.²⁹

Socio-economic challenges and their impact on politics

Ten years after the so-called "Arab Spring", development in the Arab world continues to lag. Persistent youth unemployment, ineffective education systems, inefficient labour markets, a lack

²⁹ J. Fujita, "Flying objects' damaged Japanese tanker during attack in Gulf of Oman", *Reuters*, 14 June 2019.

of growth in the private sector and the persistence of authoritarianism all mean the conditions that led to the uprisings are still there, and in some cases have worsened. As the events in Algeria, Sudan and Lebanon have shown, much of the region's youth remains unsettled and the potential for further political upheaval remains a reality. Such instability can have a potential impact on Japan's relationship with Arab countries, its investments and the security of its nationals.

Competition from other Asian states

Japan is no longer the only game in town when it comes to technical knowhow, infrastructure development and technology from Asia. Other competing Asian powers such as China, South Korea and India continue to deepen their engagement with the region. According to a report by the European Council on Foreign Relations (ECFR), China has become an increasingly significant player over the past decade.³⁰ The MENA region is slated to be one of the key areas of the "One Belt One Road Initiative" (BRI), more closely linking Arab markets and Gulf oil supplies to China's expansive trading network. With the MENA region supplying over half of all Chinese oil imports, most BRI investments have accordingly focused on Gulf oil production and key seaports – including in Israel – as well as the Suez Canal in Egypt.³¹ China has developed a particularly close economic relationship with Iraq, benefiting from the skittishness of Western countries *vis à vis* Iraq's chronic post-invasion instability – China is now Iraq's top trading partner even as Iraq supplies China with oil second only to Russia and Saudi Arabia.³²

³⁰ C. Lons (ed.), *China's great game in the Middle East*, European Council on Foreign Relations, 21 October 2019.

³¹ L. Watanabe, *The Middle East and China's Belt and Road Initiative*, CSS Analyses in Security Policy, Center for Security Studies (CSS), no. 254, December 2019.

³² J. Calabrese, "China-Iraq Relations: Poised for a 'Quantum Leap'?", *Middle East Institute blog*, 8 October 2019.

South Korea is another Asian country that has deepened its economic and trade relations with the Middle East, especially the Gulf.³³ In particular, Saudi-South Korean relations have expanded.³⁴ South Korea has become Qatar's second largest trading partner with US\$15 billion worth of goods traded in 2018, and South Korean companies have a big share of the construction contracts for the 2022 World Cup.³⁵ In addition to its economic ties with the GCC, South Korea has also sought to develop security ties, in particular with the UAE. As part of a deal to build a nuclear plant in the UAE, South Korea has entered into a controversial pact that includes a clause it would intervene militarily should the UAE's security be threatened. South Korean Special Forces units, including the Akh Unit, have been stationed in the UAE since 2011.³⁶ While the deal has been politically controversial in South Korea, it follows in the tradition of GCC states using external actors to augment their security posture. Finally India is another Asian player who has always had strong ties with the Middle East, but has expanded these even further in the Modi era.³⁷

In short, Middle Eastern countries have a number of options when it comes to technical knowhow, technology and development coming from Asia, far more than in the 1960s, 1970s and 1980s when Japan dominated that space. This intra-Asian competition is likely to escalate in the coming decades.

³³ Middle East Institute, *Korea and the Middle East: A World Apart?*, 23 April 2014.

³⁴ T. Karasik, "Saudi Arabia's substantial, expanding ties with South Korea", *Arab News*, 26 June 2019.

³⁵ The Peninsula, *Qatar-Korea trade shows strength of bilateral ties*, 14 October 2019.

³⁶ J. Park and A. Ahmad, "Risky Business: South Korea's Secret Military Deal With UAE", *The Diplomat*, 1 March 2018.

³⁷ G. Burton, *India's 'Look West' Policy in the Middle East under Modi*, Middle East Institute, 6 August 2019.

Covid-19 and Its Impact on Japan's Relationship with the MENA Region

Short-term impact on demand for oil

Although Japan confirmed its first case of the novel Covid-19 in January 2020, the government did not impose a state of emergency until April. On 7 April, Abe announced a state of emergency in Tokyo and several other prefectures, which he then upgraded on 17 April into a nationwide national emergency. Citizens were asked to follow social distancing guidelines and transition to teleworking when possible.³⁸ A survey conducted by the Tokyo Metropolitan Government found the number of telecommuting employees in Tokyo grew by 50% in April, and the percent of Tokyo-based companies engaging in remote working had risen from 24% in March to 63% in April.³⁹ These changes were immediately reflected in the traffic patterns of the city; just two days after the initial state of emergency was announced, traffic in certain areas of Tokyo decreased by over 50%.⁴⁰

The decrease in commuters, both in Tokyo and across Japan, combined with the sudden slowdown in manufacturing and near-shutdown of air travel, caused Japanese demand for oil to fall by 10% by May 2020. As Japanese industry reopened and employees slowly returned to the workplace, demand slowly rose. Should oil prices continue to hover around US\$30 per barrel for the duration of the business year, Japan stands to cut over US\$9 billion from its annual oil import costs, a boon for Japanese manufacturers.⁴¹

³⁸ J.S. Bermudez Jr. and N. Szechenyi, *Japan's Response to Covid-19: A Work in Progress*, Center for Strategic and International Studies, 23 April 2020.

³⁹ "Use of Telecommuting in Tokyo Surged from 24% to 63% in Two Months, Survey Says", *The Japan Times*, 16 May 2020.

⁴⁰ J.S. Bermudez and N. Szechenyi (2020).

⁴¹ O. Tsukimori, "New Lows: What do Near-Negative Oil Prices Mean for Japan's Economy?", *The Japan Times*, 24 May 2020.

A McKinsey report models various outcomes for the oil industry. Under best-case circumstances, oil prices will likely recover to pre-Covid levels by 2021 or 2022, while more conservative models estimate such recovery may not occur until 2024. In the worst-case scenario, prices may never return to pre-Covid levels.⁴² Regardless of the permanency of low oil prices, it is economically advantageous for Japan to continue importing oil at the current or even a higher rate for the near future. However, doing so would contradict Japan's long-term goal of reducing reliance on fossil fuels. In 2015, Japan outlined a series of energy consumption goals, aiming for oil to only constitute 3% of its power sources by 2030; Japan reaffirmed this goal in 2018.⁴³ Whether or not that goal is achievable is questionable, as is Japan's commitment to reducing oil consumption in light of the historically low prices. Given that 90% of Japan's oil imports come from the Middle East, the future of Japanese oil consumption warrants close attention, as it will greatly impact the economic relationship between Japan and oil-exporting Middle Eastern states, particularly Saudi Arabia.

The Covid-19 pandemic has not tangibly altered Japan's security posture in the Gulf. The MSDF antipiracy mission in the Gulf of Aden and shipping lane information gathering mission in the Middle East are both reportedly underway. In May, the Ministry of Defence announced it was taking extra precautions to protect against Covid-19 by testing and quarantining all MSDF personnel before leaving Japanese waters, as well as continued testing during the missions.⁴⁴

⁴² F. Barbosa, G. Bresciani, P. Graham, S. Nyquist, and K. Yanosek, *Oil and Gas after COVID-19: The Day of Reckoning or a New Age of Opportunity?*, McKinsey & Company, 15 May 2020.

⁴³ "Japan Backs Role of Nuclear Power in 2030 Energy Plan", *Reuters*, 16 May 2018.

⁴⁴ "Japan's MSDF Ramps up Coronavirus Testing for Members on Middle East Mission", *The Japan Times*, 9 May 2020.

Covid-19 and Japanese public diplomacy in the MENA region

Japanese leaders joined a virtual pledge event in May organised by the European Union, Britain, Norway, and Saudi Arabia; the event succeeded in raising US\$8.1 billion in pledges for researching and manufacturing possible Covid-19 treatments and vaccines.⁴⁵ Japan also provided direct medical aid to select countries in the MENA region, including Kuwait. According to a June press release from the Kuwait News Agency, Japan sent a shipment of Avigan, a Japanese antiviral medicine exhibiting promising trial results, to Kuwait through the UN Office for Project Services (UNOPS).⁴⁶

The other MENA recipient of Japanese aid was Jordan. Prior to the spread of Covid-19, Japan funded several aid projects focused on improving Jordan's health sector.⁴⁷ Such funding continued during the pandemic. In May, Japan contributed US\$2.2 million to a UN Children's Fund (UNICEF) project aimed at bolstering sanitation and hygiene facilities and supplies in schools and refugee camps.⁴⁸ In June, UNOPS announced a US\$1.3 million project funded by the government of Japan to strengthen Jordan's Royal Medical Services. Although this project focused on upgrading female surgical and paediatric wards, its earlier phases provided funding for ambulances and hospital beds which were utilised during Jordan's Covid-19 outbreak.⁴⁹

⁴⁵ R. Emmott and F. Guarascio, "World Leaders Pledge \$8 Billion to Fight COVID-19 but U.S. Steers Clear", *Reuters*, 4 May 2020.

⁴⁶ "Kuwait to Receive Avigan COVID-19 Drug from Japan Next Week", Kuwait News Agency, 5 June 2020.

⁴⁷ "Assistance to Jordan", Embassy of Japan in Jordan, https://www.jordan.emb-japan.go.jp/eng_page/oda/en_health.htm. See also "Japan Donates Medical Equipment to Jerash Palestinian Refugee Camp", *Jordan Times*, 28 January 2020; and "Japan Extends over \$89k in Grant Assistance to East Amman Charity Hospital", *Jordan Times*, 17 February 2020.

⁴⁸ "Japan Donates \$2.2m to underpin UNICEF Jordan's Health, Sanitation, Protection Services", *Jordan Times*, 10 May 2020.

⁴⁹ "Japan, UNOPS Launch \$1.3m Project to Support Royal Medical Services", *Jordan Times*, 7 June 2020.

Contrasting Japan's and China's Covid-19 diplomacy

The Covid-19 pandemic has made minimal tangible changes to the MENA region's perception of and relationship with Japan. However, the pandemic has proven an opportunity for China to alter and improve its perception in the Middle East. Soon after the outbreak, public opinion of China quickly began to deteriorate across the region as anti-Chinese sentiments became commonplace on social media, as did instances of physical harassment of Chinese individuals across the region. On the political level, Bahrain, Iraq, Lebanon, Morocco, and Jordan enacted China-specific travel bans while Iran, China's regional ally, halted the issuance of visas for Chinese citizens. A spokesperson for Iran's Ministry of Health even publicly criticised China's response to the outbreak, calling its Covid-19 case tracking numbers "a bitter joke". The following day he backtracked, praising China's support for Iran in a tweet.⁵⁰

By April 2020 China had largely contained the pandemic in its territory, but it had been a global public relations disaster. The US administration had labelled it the "China virus" or the "Wuhan Virus", and global powers began calling for a UN enquiry into how the virus originated. Chinese diplomacy shifted gears and began engaging with its partners across the world, including the MENA region, sending tonnes of medical supplies, as well as Chinese doctors to help combat the virus.

Seeking to present itself as part of the solution, not the problem, China embarked on a highly publicised global campaign of aid distribution. Although early on in the outbreak, Qatar, Kuwait, the United Arab Emirates, and Saudi Arabia sent vast amounts of medical supplies to China, the direction of aid soon reversed. China sent medical equipment and teams to Iran, Israel, Palestine, Egypt, Tunisia, Morocco, Qatar, and Oman, among others,⁵¹ and it cut a US\$265 million deal with

⁵⁰ A. Hoffman and R. Yellinek, *The Middle East and China: Trust in the Time of Covid-19*, Middle East Institute, 12 May 2020.

⁵¹ L. Greer, *Solidarity and Strain: China and the Middle East During COVID-19*,

Saudi Arabia to provide test kits and medical expertise to bolster the Kingdom's health infrastructure.⁵² In addition to publicising such efforts on mainstream state media, Arabic-language Chinese state media also circulated conspiracy theories the virus had originated in the United States.⁵³ Given China's reliance on Middle Eastern oil, as well as its investment interest in the region, China is trying hard to cultivate and maintain a positive image across Middle East. In stark comparison to China, Japan has engaged in very little foreign aid distribution during the Covid-19 pandemic, which arguably is a missed opportunity.

Conclusion and Future Directions

Arguably, Japan's soft power is indeed its most powerful asset when it comes to the region. A 2019 poll conducted on perceptions of Japan in the Middle East found the country is viewed higher than any member of the Middle East Quartet (the US, UN, EU and Russia) as a neutral mediator between Palestinians and Israelis. The Arab News-YouGov poll of Arabic speakers in 18 countries indicates that Japan, a non-military nation that applies the principles of peace and stability, commands enormous soft power in the region.⁵⁴ Overall, Japan is perceived in a positive light and regarded as a trusted partner in the Arab world.⁵⁵ This is a powerful advantage Japan has over other Asian countries especially China, and indeed over Western countries themselves, whose legacy of colonialism continues to be remembered. Japan should continue to build upon its ODA in the region, as well as further develop cultural links and people-to-people relations.

Wilson Center, 21 April 2020.

⁵² S. Siddiqui, "China Ramps up COVID-19 Diplomacy in Mideast", *Al-Monitor*, 5 May 2020; L. Greer (2020).

⁵³ L. Greer (2020).

⁵⁴ E. Osmandzovic, "[Arab News-YouGov study reveals new Arab perceptions of Japan](#)", *Arab News*, 27 October 2019.

⁵⁵ *Ibid.*

While Japan should focus on soft power, it should not ignore hard power. Japan's security posture has been described as "bandwagoning" and as a security "free rider," given its dependence on the US security umbrella both in the Asia Pacific and the Middle East. However, as previously outlined, in the past years there has been an increased appetite among Japanese policymakers to deploy military resources, albeit under the auspices of the UN. Such deployments have varied and have been decided on a case by case basis. While it is unlikely Japan will become a key component or underwriter of regional security architecture, the deployment of more Japanese naval assets to protect freedom of navigation would contribute to regional security. In particular, policymakers might consider how Japan could partially compensate for the lack of US minesweeper capacity in the Straits of Hormuz.⁵⁶

It is unlikely Japan's relationship with the US will radically change in the foreseeable future, and the US security umbrella will remain the key factor in Japanese security planning. Having said that, the US is seeking to limit its exposure to upheaval in the Middle East. Japan can accordingly chart a more independent policy from the US, at least when it comes to the MENA region. According to one Japanese expert, "when it comes to the Middle East and policy coming from the White House, we see no long-term, cohesive policymaking. Japan should be very careful when it comes to following US policy in the region".⁵⁷

US policy towards Iran and the Israeli-Palestinian conflict, in particular, are not aligned with Japanese interests and policy. This begs a number of questions: are the solutions to US security problems necessarily suited to Japan all the time; and in the same light, can Japan reasonably expect their interests will necessarily coincide with Washington's most if not all of the time? Is it acceptable for Japan to follow the US, even if

⁵⁶ R. Faturechi et al, "US Navy Minesweepers Find Old Dishwashers and Car Parts", *Propublica*, August 2019.

⁵⁷ Interview with Senior Japanese Middle East Expert, The Canon Institute for Global Studies, 15 February 2020.

requests to support the alliance are often at odds with, or at great expense to, Japan's national interests? The costs are not just defined in financial calculations, but also in terms of diplomatic flexibility, political opportunities, national pride and democratic progress.⁵⁸ Japan has traditionally been very effective at maintaining its relationship with the US while also avoiding over-commitment to some riskier policies; however, the unpredictability and variability of policy decisions during Trump's first term has made this more difficult and fraught; if Trump wins a second term, this will be a key challenge for Japan, and may at times require difficult decisions related to Tokyo's Middle East policy.

Instead of over-reliance on the US, both European and Japanese policymakers should work to deepen their cooperation and engagement globally, and in the MENA region. During the Trump administration, both Europe and Japan have found themselves in uncharted waters. Both have relied on US security guarantees, as well as trade and access to US markets, to underpin their prosperity. Rising populism and US unpredictability have arguably shaken both relationships to the core. In addition, the rise of China also affects global order, and Japan's and Europe's positions in it. Thus, Japan and Europe, democratic states, G7 members and overall responsible actors in the international order find themselves aligned on a number of issues. Already, Japan and the European Union (EU) have signed an infrastructure deal to boost connectivity between Europe and Asia. The pact is being described as the EU and Japan's riposte to China's BRI.⁵⁹ In addition to government relations, Japanese and European institutions are seeking to deepen their cooperation as well. The Japan Bank of International Cooperation (JBIC) has also signed an MOU with the European Investment Bank to create business opportunities both within and outside of the EU.⁶⁰

⁵⁸ V. Teo, *Japan's Arduous Rejuvenation as a Global Power: Democratic Resilience and the US-China Challenge*, Partridge Macmillan, 2019.

⁵⁹ "EU-Japan take on China's BRI with own Silk Road", *DW*, 4 October 2019.

⁶⁰ European Investment Bank, *EIB Expands its Partnership with Japan's JICA*, 27

The Middle East can provide another arena for cooperation on security, diplomacy and trade between the EU and Japan. The Partnership on Sustainable Connectivity and Quality Infrastructure signed between the EU and Japan on 27 September 2019 provides an alternative model of governance to the Chinese BRI through a paradigm of infrastructure development based on sustainability and a level playing field. A report from the Spanish Elcano Royal Institute argues implementing such an ambitious agenda would require a significant and sustained financial commitment, as well as efficient coordination between the EU and Japan, and beyond, with the private sector and other like-minded countries.⁶¹

As the Covid-19 crisis has shown, in terms of public diplomacy China has really been able to take advantage of the crisis in ways Japan has not been able to. This was the case even before Covid-19. While Japan's ODA and infrastructure development in the MENA region has increased over the past years, there is minimal public recognition of such efforts among the region's public. The Chinese PR strategy has been arguably more successful,⁶² and BRI has become very well-known across the region. Overall, Japan has to do better to promote its contributions across the region.

Socio-economic challenges in the MENA region are likely to become domestic drivers of instability in the years to come. Thus, supporting the region's youth has become more crucial than ever. Already Japan has extensive aid and investments supporting youth in education and training in countries such as Egypt, Jordan, and Tunisia, via the Japan International Cooperation Agency (JICA) and other agencies. Such efforts should be increased and the Japanese schools' programme in

September 2019.

⁶¹ M. Esteban and U. Armanini, *The EU-Japan Connectivity Partnership: a Sustainable initiative awaiting materialisation*, Elcano Royal Institute, 4 February 2020.

⁶² Interview with Energy and Infrastructure Professor, Hamad Bin Khalifah University, Doha, Qatar, 10 February 2020.

Egypt rolled out to other countries across the region.⁶³ When it comes to wealthier countries in the region such as the countries of the GCC, Japan can also help. Even though countries in the GCC have invested heavily in their education systems, they are still not able to get adequate returns on their investment in human capital. According to a recent World Bank report, there is a need to accelerate human capital formation in the GCC through the adoption of holistic government strategies to improve educational outcomes.⁶⁴ Already Japan is deepening its cooperation with the UAE on technology, education and industry, such efforts should be expanded across the GCC.⁶⁵ When it comes to Saudi, Japan should also aim to expand technical vocation training programmes for Saudi workers.⁶⁶

While there are already MENA students studying in Japan, Japan should also increase its scholarships for students from the region. The benefits of this are twofold: first, students will come and learn at top-tier institutions and go back and contribute to the development of their individual countries; second, some of these students are likely to be from the elites of those countries, and will return to take positions in government, academia and the corporate world. This will ensure there is a generation of leaders who are sympathetic to Japanese opinions and views. Australia has done this effectively through the Colombo Plan⁶⁷ and the New Colombo Plan,⁶⁸ which has yielded some excellent results, and would be a model for Japan to replicate in the MENA region.

⁶³ S. Karuhisa, "Bringing Japanese Educational Approaches to Egyptian Schools", *Nippon*, 7 August 2019.

⁶⁴ "Building the Foundations of Economic Sustainability: Human Capital and Growth in the GCC", Washington, DC, World Bank Group, Gulf Economic Monitor, issue 4, April 2019.

⁶⁵ "UAE to strengthen ties with Japan in technology, education and industry", *The National*, 10 August 2018.

⁶⁶ Interview with Senior Middle East Analyst, The Japanese Institute of Energy Economics (JIME), 16 February 2020.

⁶⁷ National Archive of Australia, *The Colombo Plan*.

⁶⁸ Australian Government Department of Foreign Affairs and Trade, *New Colombo Plan*, 2020.

In addition to educating MENA students, Japan should also build up its capacity to study the MENA region. For a country whose prosperity partially depends on energy supplies from the Middle East, Japan does not have enough domestic analytical and research capacity focusing on the study of the region. While there are a number of Middle East departments at various Japanese universities, including Tokyo and Waseda University, much of their focus tends to be on historical aspects and the humanities and less on the social sciences.⁶⁹ According to a MENA expert and professor at a leading Japanese university, the gap between Japanese scholars studying Middle Eastern culture, language and history and others studying politics, international relations and economics is massive and hard to bridge.⁷⁰ Overall, there is a need for more domestic capacity to study the Middle East, not only in academic circles, but also in government, corporate and think tank circles.⁷¹ This can be done via further investments in universities and other institutions of learning, the creation of more undergraduate, masters and PhD positions focused on the MENA region, establishing more and more links between Japanese and MENA universities,⁷² and the organisation of more exchanges between Japanese students and students from the region.

To sum up, Japan has achieved much in the MENA region, but more can be done. In an increasingly challenging international and regional environment, there is a need for Japan to deepen its engagement with countries in the region to foster stability and sustainable development in the broader Middle East. Ongoing security challenges, growing economic pains and the potential for future instability provide increased impetus for

⁶⁹ K. Miyazi, "Middle East Studies in Japan", *Middle East Studies Association Bulletin*, vol. 34, no. 1, Summer 2000, pp. 23-36.

⁷⁰ Interview with Associate Professor, Waseda University, 10 February 2020.

⁷¹ Interview with Senior Japanese Middle East Expert, The Canon Institute for Global Studies, 15 February 2020.

⁷² See for example Waseda University, *Chair agreement with Qatar University to bolster collaborative research in Islamic area studies*, 3 January 2019.

Japan to continue developing its ties with the region in a strategic and forward looking way. While Prime Minister Shinzo Abe can be considered the most engaged Japanese leader when it comes to the Middle East, in 2019 he became the longest serving Prime Minister in Japanese history and is nearing the end of his term. The post-Abe era is fast approaching, but it remains to be seen if any of his potential successors, like Fumio Kishida, Shigeru Ishiba, Toshimitsu Motegi or Katsunobu Kato (or even rising star Shinjiro Koizumi, whose father had his own complex relationship with the MENA region) will be able to build on his legacy as Japan navigates the Middle Eastern tumult.

4. South Korea in the Middle East: Assets and Liabilities of a Middle Power

Jeongmin Seo

South Korea and the Middle East have enjoyed a cooperative relationship especially in the fields of construction and energy since the early 1970s. But with the major upheavals in international relations, security challenges and economic ups and downs in the XXI century, bilateral collaboration has taken on a more intimate, diversified nature that is also more subtle at times. In the XX century there were no obviously vital security or strategic dimensions to the increasingly interdependent economic and energy relationship between South Korea and the region. However, both parties have started to seek a more assertive, dynamic bilateral relationship in this century.

This is because the Middle East in the XXI century has witnessed, first, the straining of relations with the West, especially due to the events of 11 September 2001, the US invasion of Afghanistan, the 2003 invasion of Iraq, international terrorism by the Islamic State, and the Iranian nuclear issue; second, the growing and ever deeper tensions caused by continuing civil wars that exacerbate sectarian conflicts and intensify hegemonic rivalry between Saudi Arabia and Iran; and finally fluctuations in oil prices and the recent spread of Covid-19. These new and volatile international, regional, economic and medical panoramas have opened doors for this small Far Eastern country to play a more active role in various areas with its primary energy

suppliers.¹ Furthermore, both the international and the regional scenario have fitted into the Korean foreign policy vision and strategy of “middle-power diplomacy” that has been prominent in its diplomatic narrative for more than a decade this century. In seeking itself as a newly advanced Asian country in the post-Cold War era, South Korea has adopted a more proactive diplomatic role especially promoting a middle-power network.² This new identity and initiative have not only contributed to the country playing a more active role in the construction, trade and energy sectors, but also in strategic cooperation in the Middle East.

More than fifty years of South Korea-Middle East relations can be summarised into four key aspects: 1) Steady and sustainable economic collaboration; 2) South Korean military engagement in regional conflicts; 3) Strategic diversification of cooperation; and 4) Domestic and geopolitical constraints in partnership building. This chapter begins with an overview of the largely “positive” mutual economic cooperation on both sides. It then delves into how South Korea and the Middle East have navigated the turbulent XXI century, focusing not only on the former’s reluctant military engagement but also on the voluntary diversification of mutual cooperation, including in the security sphere. This chapter ends by providing a perspective on why such South Korea-Middle East interaction has not developed into more comprehensive partnership building or an ally relationship.

Steady and Sustainable Economic Collaboration

South Korea, which was established in 1948 and endured the Inter-Korean War (1950-53), was preoccupied with nation

¹ B.Y. Hwang, “The US Pivot to Asia and South Korea’s Rise”, *Asian Perspective*, vol. 41, no. 1, 2017, pp. 72-74.

² K. Sung-Mi, *South Korea’s Middle-Power Diplomacy: Changes and Challenges*, Research Paper Chatham House, June 2016.

building and reconstruction in the 1950s. This meant relations with the Gulf were not in South Korea's sphere of interest. During the first decade under President Park Chung-Hee (1963-79), the Gulf region remained relatively unimportant to the South Korean economy. Furthermore, Seoul was obliged to select its trading partners from the countries with which it could establish diplomatic relations amidst the Cold War division.³ In this diplomatic competition, South Korea found it relatively easy to build diplomatic relations with the pro-Western Gulf monarchies, rather than the socialist republics like Syria, Egypt and Algeria.

The 1973 oil shock was a turning point in economic relations between South Korea and the Middle East, with the decade of the 1970s witnessing a dramatic change in South Korea's foreign economic policy towards the region. Moreover, South Korea's economy was growing, with the emergence and increasing influence of business conglomerates. At the same time, the huge cost of energy imports into the energy-poor country necessitated a more assertive advance of the Korean government and companies in the Middle East. At the same time, the oil boom in the 1970s led many oil-producing Gulf countries to launch ambitious building infrastructure programmes, which provided opportunities for South Korean companies to expand their activities into the Middle East. Furthermore, the Korean government and companies were also very attractive because they did not show any perceived political, military and strategic agenda or ideological aspirations to influence the Gulf governments and people, only focusing on complementary trade.⁴ It is particularly notable this period was bereft of any military or security cooperation.

The 1980s and 1990s did not witness further acceleration of energy and construction cooperation between South Korea and the Middle East due to fluctuating oil prices and political

³ B.K. Gills, *Korea versus Korea: A Case of Contested Legitimacy*, London, Routledge, 1996, p. 64.

⁴ N. Disney, *South Korean Workers in the Middle East*, MERIP Reports, no. 61, p. 22.

instability in the Middle East. The Iran-Iraq War and the Gulf War emphasised the volatility of the region, while the drop in the oil price and the consequent decline of the oil boom in the mid-1980s led to fewer construction projects in oil-producing countries. Nevertheless, trade volume and energy imports had increased continuously thanks to fast growing South Korean industries. In construction, South Korean companies had sought alternative markets to the Gulf region and started to participate in riskier projects in Libya and Iraq.⁵ For example, Dong Ah Construction, a South Korean company, won the US\$9 billion project to build the system to distribute water to Libya's coastal strip. After the Iran-Iraq War, many Korean companies were involved in reconstruction projects in Iraq.

The new millennium began with improved economic relations between South Korea and the Middle East. Increased oil prices led to more mega projects that were open to Korean companies. South Korean construction companies won an increased number of contracts in various oil-producing countries. Major construction and engineering conglomerates such as Hyundai, Doosan, GS and Samsung won contracts worth billions of dollars in Saudi Arabia, the UAE, Kuwait, etc. At the same time, South Korean products exported to the Middle East became more diversified and high value, ranging from textiles to smart phones. This is because South Korea successfully transformed its industries from labour-intensive manufacturing to sophisticated technology-based and more value-added industries. This diversification into high-value products for export came inevitably with increasing competition from other developing countries such as China and India. These recently industrialising Asian giants started to challenge not only the dominant position of Korean companies in the Middle East construction market but also in the production of labour-intensive manufactured goods.

⁵ A. Levkowitz, *The Republic of Korea and the Middle East: Economics, Diplomacy, and Security*, Academic Paper Series of Korea Economic Institute, vol. 5, no. 6, August 2010, p. 5.

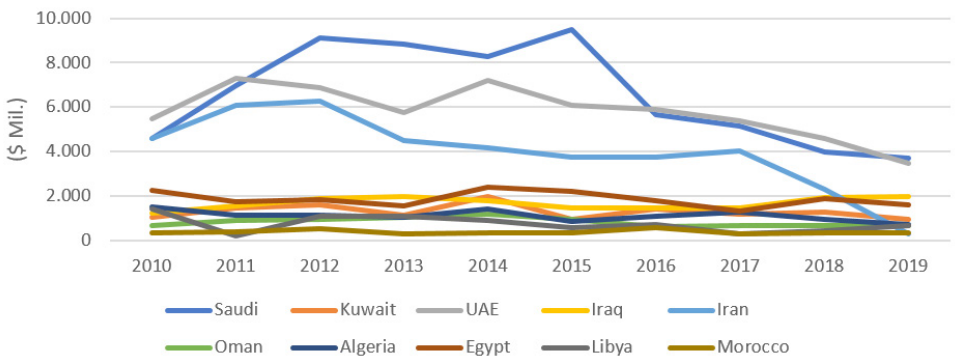
In the second decade of the new millennium, economic relations between South Korea and the Middle East experienced volatile fluctuations with the fall of oil prices in 2014 and the Iranian nuclear issue. As shown in Tables 4.1 and 4.2 and Figures 4.1 and 4.2, trade volume between South Korea and its 10 major trading partners in the region decreased dramatically after 2014. The spread of Covid-19 and the linked plunge in oil prices in the first half of 2000 have negatively impacted energy, trade and construction cooperation between the two sides. Thus, South Korea and Middle Eastern countries are currently facing a serious challenge to the mutual exchange of economic and human resources.⁶ Nevertheless, it is expected that both parties will be able to cope with the current difficulties and maintain steady and sustainable economic relations as they have done in times of other economic crises over the last five decades. This optimism comes from the fact Middle Eastern countries have been constantly working to improve their business climates, including investment law, to successfully achieve economic diversification. Such long-term efforts by Middle Eastern countries to reform the public sector, develop strategic industries and related infrastructure, and to promote small and medium-sized enterprises will provide good opportunities for South Korean businesses to further economic cooperation in the future.

⁶ L. Kwon Hyung et al., *Sustainable economic cooperation between Korea and the Middle East in times of lower oil prices*, KIEP Research Paper, World Economy Brief, vol. 7, no. 7, 2017, p. 2.

TAB. 4.1 - SOUTH KOREA'S EXPORTS TO THE TOP 10 MIDDLE EASTERN COUNTRIES

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Saudi	4,557	6,964	9,112	8,828	8,288	9,482	5,644	5,147	3,952	3,697
Kuwait	1,048	1,432	1,584	1,133	1,976	925	1,406	1,163	1,253	956
UAE	5,487	7,268	6,862	5,738	7,212	6,077	5,870	5,389	4,588	3,470
Iraq	1,201	1,535	1,866	1,973	1,798	1,428	1,440	1,462	1,912	1,945
Iran	4,597	6,068	6,257	4,481	4,162	3,731	3,717	4,021	2,295	282
Oman	664	907	924	1,007	1,172	939	616	641	675	643
Algeria	1,496	1,122	1,131	1,024	1,417	850	1,066	1,238	950	701
Egypt	2,240	1,727	1,807	1,535	2,364	2,179	1,769	1,325	1,847	1,573
Libya	1,411	181	1,077	1,064	893	544	717	280	423	632
Morocco	323	362	508	293	308	349	544	275	332	322

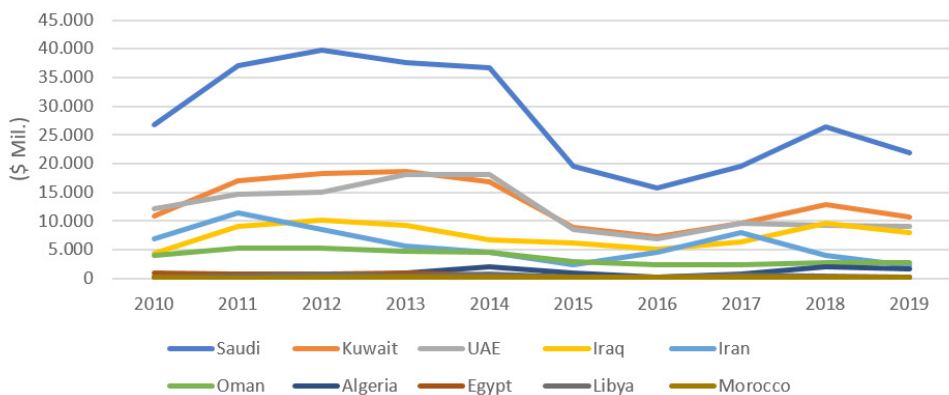
FIG. 4.1 - SOUTH KOREA'S EXPORTS TO THE TOP 10 MIDDLE EASTERN COUNTRIES



TAB. 4.2 - SOUTH KOREA'S IMPORTS FROM THE TOP 10 MIDDLE EASTERN COUNTRIES

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Saudi	26,820	36,973	39,707	37,665	36,695	19,561	15,742	19,590	26,336	21,841
Kuwait	10,850	16,960	18,297	18,725	16,892	8,973	7,262	9,594	12,794	10,771
UAE	12,170	14,759	15,115	18,123	18,123	8,615	6,941	9,557	9,287	8,991
Iraq	4,428	9,138	10,227	9,261	6,687	6,266	5,036	6,371	9,569	7,995
Iran	6,940	11,358	8,544	5,564	4,578	2,367	4,648	7,989	4,091	2,134
Oman	4,096	5,363	5,306	4,783	4,597	2,888	2,368	2,333	2,775	2,675
Algeria	287	130	302	893	1,948	865	200	713	1,965	1,746
Egypt	938	691	802	1,016	532	218	62	90	313	282
Libya	171	451	752	480	743	181	322	645	329	226
Morocco	153	137	218	166	237	154	159	187	182	160

FIG. 4.2 - SOUTH KOREA'S IMPORTS FROM THE TOP 10 MIDDLE EASTERN COUNTRIES



South Korean Military Engagement in Regional Conflicts

Before the Gulf War in 1991, there were no obvious security dimensions to the increasingly interdependent relationship between South Korea and the Middle East. Historically, South Korea had not played a meaningful part in overseas conflicts before, except in the Vietnam War, which the Korean government was eager to participate in as part of the war against communism, and as a means to sustain its alliance with US and gain financial compensation in return for supplying more than 300,000 soldiers.⁷ Its participation in the 1991 Gulf War was exceptional and involuntary. South Korea was not as enthusiastic about taking sides in this as it occurred after the Cold War ended. However, careful strategic considerations about the Korea-US alliance led Seoul to join the multinational coalition forces in a limited support role rather than a combat role, sending military medical and transportation units with 314 soldiers to Saudi Arabia.⁸

The new millennium brought increased South Korean military engagement in the Middle East.⁹ The regional security and strategic situation in the new era was a key factor for this move. The 9/11 attacks in 2001, the US “war on terrorism” policy, the Afghanistan War in 2001, the Iraq War in 2003, and the Israel-Hezbollah War in 2006 saw South Korea implicated in military operations. Seoul offered tacit support to the US “war on terrorism” and, under heavy pressure from Washington, Korea sent forces to Iraq in 2003, marking the second time it was involved in a military operation in the region. At that time, this

⁷ K. Pyong-guk, *The Park Chung Hee Era*, Cambridge, Harvard University Press, 2011, pp. 427-428.

⁸ “Seoul, Riyadh to Sign Accord on Korean Medical Team Members”, *Korea Herald*, 9 January 1991.

⁹ C. Davidson, *Persian Gulf-Pacific Asia Linkages in the twenty-first century: A marriage of convenience?*, Kuwait Programme on Development, Research Paper no. 7, Governance and Globalisation in the Gulf States, January 2010, p. 18.

caused heated debate, with people arguing for and against sending troops. Many parts of civil society in Korea had organised anti-US and anti-government demonstrations arguing the Iraq War was not a “just” war and Korea could not send “combat forces” abroad as Korea is technically at war as no peace treaty has been signed between North and South Korea. After long debate and much controversy, Seoul finally decided to send 3,500 South Korean soldiers to Arbil, a northern city of Iraq which was not in a battle zone. Nevertheless, the deployment of combat troops to Arab soil became a natural catalyst for South Korea to take its first step towards contributing to maintaining regional and international order.

After the “involuntary” sending of combat forces to the Middle East, South Korea’s military role in the region has become more “voluntary”. Three years after sending troops to Iraq, South Korea decided to send forces to southern Lebanon in 2007 as part of UN peacekeeping forces. Unlike the previous deployments to Saudi Arabia, Afghanistan, and Iraq, the Dongmyeong Unit in Lebanon was not sent because of US pressure but as a voluntary contribution to regional and international peace under the regime of the United Nations Security Council (UNSC) resolutions 425 and 426, activating the United Nations Interim Force in Lebanon (UNIFIL).¹⁰ The decision to send forces to Lebanon was based on the assumption that none of the sides in the conflict suspected Seoul of having a hidden political agenda. Thus, Seoul was a perfect candidate for participating in a peace force in the Middle East. The Dongmyeong Unit had 300 members, including one battalion of Korean special forces and specialist engineering, communications, transport, maintenance and medical support troops. Seoul’s more active military role can be seen in its involvement in the US-led antipiracy Combined Task Force (CTF-151) since 2009. This is the first and largest foreign deployment of

¹⁰ B. Lee, “South Korea to Field Troops for UN in Lebanon”, *Joongang Daily*, 15 January 2007.

South Korea's naval forces, with the major contribution of a destroyer, a helicopter, and special operations personnel to support counter-piracy efforts in the Gulf of Aden, the Arabian Sea, and the Indian Ocean. Korean warships have escorted many South Korean ships through the region and have moved in to ward off pirate attacks. The most dramatic of these was the rescue of the Korean-operated *Samho Jewelry* chemical tanker.

With the successful voluntary contribution of South Korean military forces to the security of the Middle East, more assertive security cooperation ensued. One good example is the dispatch of the Akh Unit to the UAE. The Akh Unit was sent to the UAE in January 2011 on a two-year mission to help train the UAE's special warfare troops. This was new step for South Korea because it has never sent troops abroad without the umbrella of a multinational force or peacekeeping operation. Such cooperation has resulted in other forms of cooperation with other Middle Eastern countries. For example, Saudi Arabia established a military attaché office in Seoul in 2012, the country's first in the Far East. In this climate, South Korean companies in defence industries have come to regularly participate actively in various defence-related exhibitions in the Middle East, such as the Doha International Maritime Defence Exhibition and Conference (DIMDEX) and the International Defence Exhibition and Conference (IDEX) in Abu Dhabi.

This deepening military relationship between South Korea and the Middle East can be explained by mutual security interests. Especially after the 9/11 attacks and the following two wars in Afghanistan and Iraq, some Middle Eastern leaders started to believe their reliance on a Western security umbrella was somewhat problematic and a reliable alternative to the West was required. South Korea was a candidate as a neutral military power as its traditional role in the region was very economy-oriented without any ideological or political agenda. Seoul has also needed to strengthen diplomatic and military ties with some Middle Eastern countries to face nuclear threats from North Korea over the last two decades. The South Korean

government and security officials believe that military cooperation between North Korea and Iran has made progress in the denuclearisation negotiations more difficult. This concern from Seoul has found some sympathy, especially from some Gulf countries such as Saudi Arabia and the UAE, which allege that Iran's WMDs (weapons of mass destruction), including nuclear capabilities, would threaten the regional stability.

Strategic Diversification of Cooperation

In the midst of South Korea's involuntary and later voluntary involvement in various security and military events, the 2009 nuclear deal between Seoul and Abu Dhabi has facilitated deeper, diversified strategic cooperation. The UAE selected a consortium led by KEPCO, a South Korean government-owned electric utility, for a US\$20 billion contract to design and construct four nuclear power reactors in Barakah. In addition to the nuclear deal, the two countries also agreed to cooperate in the military sector, renewable energy, education, shipbuilding, information communications technology and human resource development, as well as the strategic storage of six million barrels of Abu Dhabi oil in Korea.¹¹ The above-mentioned deployment of the Akh Unit was part of this military cooperation. The two countries also agreed to hold joint military exercises and exchange defence industry technology and high-ranking military officials.¹² This kind of regular-base exchange of human resources including military personnel was rare in their bilateral relations before the nuclear deal. According to *WAM*, one of the main criteria for awarding the contract to the South Korean consortium was Korea's "commitment and detailed planning for human resource development in the UAE in support of the development of a sustainable, domestically-sourced nuclear

¹¹ "The Comprehensive Deal with Abu Dhabi", *Yonhap News*, 29 December 2009.

¹² M. Berthelemy and F. Leveque, *Korea nuclear exports: Why did the Koreans win the UAE tender?*, CERNA Working paper, April 2011.

energy workforce that is dominated by competent national talent".¹³

Winning a deal to build a gigantic nuclear power plant in the UAE was a crucial turning point in Middle East-South Korea relations. The following year, Jordan signed a US\$130 million agreement with South Korea to supply Jordan's first nuclear research reactor. Another positive result of the nuclear deal was the so-called "second wave" of the Middle East boom. As shown in Tables 4.1 and 4.2, trade volume between South Korea and the top 10 Middle Eastern economic partners steadily increased until the 2014 fall in oil prices. In the same period, South Korean construction companies won many mega projects that required less labour-intensive work and more technological and skills-based building, such as power stations, desalination plants, refineries, and other sophisticated infrastructure. In 2013, one year before oil prices dropped, South Korean contractors won projects valued at US\$17.3 billion.¹⁴

Alongside the booming oil and non-oil trade, the relationship between South Korea and the Middle East has been greatly enhanced by the substantial flow of investments between the two regions. Significantly, such investments are in both directions and at all levels, including massive sovereign wealth investments. For example, Saudi Arabia invested billions of dollars in S-Oil, one of the major oil and petrochemical companies in South Korea, holding more than 50% of its stock. Although the majority of such investment is still connected to the oil and gas industries, there is compelling evidence an increasingly diverse range of joint ventures in other spheres is also being established. Up until the coronavirus pandemic and the plunge in oil prices in 2020, there was a dramatic increase between the parties in personnel exchanges, medical care collaboration, tourism

¹³ "UAE Selects Korea Electric Power Corp. Team as Prime Contractor for Peaceful Nuclear Power Programme", *WAM Emirates News Agency*, 27 December 2009.

¹⁴ M. Kown, "Dreaming a New Middle East Take-off", *Construction and Economy*, 23 January 2014.

cooperation, joint investment, cultural events, and other areas.

South Korea's increasingly active engagement in recent years in a range of Middle Eastern regional affairs and interests can be explained partly by the Korean government's middle-power initiatives. This Korean activism in global and regional multilateralism was officially launched when President Lee Myung-bak declared a new "global Korea" in the beginning of 2008.¹⁵ As a newly emerging middle power in world politics and diplomacy, the Korean government consolidated its relationship with Saudi Arabia in the G-20 and Seoul invited Mexico, Indonesia, Turkey and Australia to join a new middle-power caucus called MIKTA on the margins of United Nation General Assembly in September 2013. With support from Saudi Arabia and Turkey, Seoul has attempted to establish its status as a middle power in the Middle East, increasing its political and strategic involvement in the Middle East and diversifying its cooperation.

Seoul's deployment of PKO forces to Lebanon, participation in antipiracy operations, and increased support for humanitarian and peace-building projects in Sudan, Syria and Palestine was designed to develop and consolidate its new regional status while remaining politically and ideologically neutral in the region.¹⁶ The Korean government and people see the country's role as a rising middle power helping to protect global peace as a way to delegitimise North Korea's military provocations and persuade more countries not to assist or support North Korean nuclear weapons development. The military in South Korea believes playing an active role in international peace as a middle power should greatly increase actual warfare experience and develop skills needed to counteract possible military threats from North Korea.

¹⁵ L. Myung-bak, "Speech by President Lee Myung-bak of the Republic of Korea at Korea Investment Forum 2008", speech, Korea Investment Forum 2008, Cheong Wa Dae and the Korean Culture and Information Service, 19 April 2008.

¹⁶ A. Levkowitz, "South Korea's Middle East Policy", *Mideast Security and Policy Studies*, BESA, no. 106, December 2013, p. 25.

Domestic and Geopolitical Constraints in Partnership Building

Interaction and cooperation between South Korea and the Middle East has become more and more dynamic and multidimensional over the last few decades. Nevertheless, there is no denying economy-oriented trade, construction, and energy are the key elements that have constituted core mutual interests. Even in terms of economic cooperation, Free Trade Agreement (FTA) negotiations between South Korea and the Gulf Cooperation Council (GCC), which began in 2008, have failed to reach a conclusion until now largely because of the latter's reluctance. In spite of Seoul's continuous efforts to forge closer ties with each of the Middle Eastern countries, only the UAE has responded positively to building a strategic partnership. Finally, the active middle-power multilateral diplomacy initiated by the Lee Myung-bak administration did not attract more domestic and international attention during the Park Keun-hye government, which ended with her impeachment in late 2016. Incumbent President Moon Jae-in has also focussed almost entirely on diplomacy related to North Korea rather than international peace building.¹⁷ While during the Lee Myung-bak administration, the government promoted Korea's rhetoric and behaviour on green growth as one the key components of its middle-power diplomacy, the rhetoric on this topic lost momentum as many government offices were shut down or made less important under Park Geun-Hye and Moon Jae-In.¹⁸

Such difficulties have created various domestic and geopolitical constraints and obstacles for South Korea's engagement in the Middle East. Domestically speaking, adopting a Middle East-focussed paradigm has not been consistent among the different presidents, regimes or governments. In truth, it is possible

¹⁷ M.J. Green, "Is the Era of Korean Middle Power Diplomacy Over? A Realist Perspective", *The Korean Journal of Defense Analysis*, vol. 31, no. 1, March 2019, p. 2.

¹⁸ K. Jun Ayhan, "Rethinking Korea's Middle Power Diplomacy as a Nation Branding Project", *Korea Observer*, vol. 50, no. 1, 2019, p. 7.

to trace drastic changes of attitude and approach towards the region. For example, President Lee Myung-bak, who took over the presidency in early 2008, actively capitalised on potential economic opportunities in the Middle East, encouraging more companies to participate in diversified economic and strategic cooperation. As he had personally experienced the Middle East boom in the 1970s working on various construction sites in the region, he was eager to persuade Korean companies and youths to take advantage of the opportunities the region could offer. During his time in power, he frequently visited Middle Eastern countries and found business opportunities for Korean companies, at times even using his personal connections.¹⁹ However the incumbent President, Moon Jae-in, who took office in May 2017, has been busier in dealing with the North Korean issue and domestic political, economic, and social issues such as Chaebol reform, the minimum wage, and social justice. Furthermore, the Moon administration's platform of reduced reliance on nuclear power and the consequent cancelling of plans for six new reactors in South Korea is incompatible with the UAE nuclear reactor projects being built mainly by Korean companies. This impartibility and inconsistency within Korea may well cloud Korea's Middle East policy, making it rather confusing for its partners.

Turning to geopolitical difficulties, the most fundamental constraint is that South Korea and the Middle East are not "natural allies" as they do not share ideological, religious, cultural, linguistic, ethnic, geographical or any other such similarities that might help to form an intimate relationship.²⁰ Furthermore, both sides differ in sociocultural composition, their engine for economic growth and industrial structure. These differences have meant a decade of efforts to reach an FTA have been fruitless.

¹⁹ S. Azad, *Koreans in the Persian Gulf: Policies and international relations*, Routledge, 2015, p. 136.

²⁰ S. Sharma, "South Korea's Geo-economic Engagement in the Middle East: Obstacles and Opportunities", *East Asia*, vol. 32, no. 3, 2015, p. 317.

The geopolitics surrounding South Korea and the Middle East have also hampered partnership building between them. Seoul has always been busy balancing its diplomacy and economic cooperation among the major powers around the Korean peninsula. The Korean initiative of middle-power diplomacy is in many cases at the mercy of decisions made in Pyongyang, Beijing, Tokyo, Moscow and Washington. The deteriorating geopolitical situation, including the Sino-US strategic confrontation, suggests the current mode of Korean middle-power multilateral diplomacy will face challenges in the near future.²¹

The diverse and continuing tensions and conflicts in the Middle East have also been a serious constraint in partnership building between the two parties. Among the many issues of instability in the Middle East, the tension between the US and Iran and the rivalry between the Saudi-led anti-Shia bloc and Iran are the most challenging constraints in the region. Iran, which has traditionally been one of the most important markets and trade partners for South Korean companies, is at the centre of both cases. Although Seoul attempted to adopt a balanced position of the Iranian nuclear issue, it was eventually obliged to join the US-led comprehensive sanctions against Iran in 2018, again facing heavy pressure from the Trump administration. Thus, the Korean government and companies have practically given up partnership building with Iran and the pro-Iranian Shia bloc including Syria, Lebanon, and now Yemen.

The rivalry and hegemonic competition between the Saudi-led Sunni countries and Iran-led Shia belt countries in recent years has also aroused deep concern about South Korea's aspiration to form strategic partnerships with various Middle Eastern countries. It seems that Seoul has eventually decided to change Korea's active strategic cooperation in the region from "middle-power" assertiveness to more of a fence-sitting low profile or even a bystander approach, avoiding backing one side over the other. Koreans fully understand the government and

²¹ M.J. Green (2019), p. 13.

companies should carefully revise any Middle Eastern diplomacy and make sure the country avoids any situations that could push the country into an Iran-Saudi Arabia conflict.²²

Conclusion

As examined above, the relationship between South Korea and the Middle East has continued to be strengthened and extended over the past few decades. This relationship has also developed in the new millennium by improving non-economic ties as both parties have gradually shifted their interests in the region from pure economic cooperation to more strategic areas, such as the nuclear energy sector and military cooperation, ultimately leading to comprehensive strategic partnership building. However, in spite of steady and sustainable economic collaboration and successful diversification of cooperation, active partnership building has struggled, particularly since the slide of oil prices at the end of 2014. In more recent times, as Covid-19 has ravaged the planet, leading to an economic downturn and plunging oil prices, the conditions have not been suitable to allow partnership building between South Korea and the Middle East to flourish.

As a close ally of Washington, the current tension between the US and China over Covid-19 and trade is having a negative impact on South Korea's middle-power diplomacy as Seoul has to tread the tricky path between the two big powers.²³ The aggravation of the troubled relationship between the US and Sunni Arab countries and Iran has also pushed the incumbent Moon government into a predicament. Since the beginning of 2020, Seoul has faced an insistent demand from the Trump administration to take part in security operations in the Strait

²² Y. Song, "A Task to Appease Iran's Archrival Saudi Arabia", *Korea Times*, 3 January 2017.

²³ J. Min, "COVID-19, Global Leadership, and the U.S.-China Relations", *IFANS FOCUS*, May 2020.

of Hormuz, which is *de facto* directed against potential Iran action to block the strait and negatively impact global petrol and oil traffic. Thus, the South Korean government is again in an unpleasant situation. On the one hand, a defiant disregard for American demands may lead to retaliatory measures, which in the future could be painful for the South Korean economy. On the other hand, having South Korean naval forces in the Strait could be disastrous for the already deteriorating bilateral relations between Seoul and Tehran.

In these geopolitical difficulties, South Korea and the Middle East are currently constrained in their interactions and overtures for cooperation. However, both sides will be in this new context together and there is the desire to further enhance cooperation and future partnership building. Indeed, the historical relationship between the two parties has proven to be sustainable and complementary. The tensions and conflicts between Iran and the United States and the Sunni Arab bloc have not prevented Korean companies from seeking economic interests in the region. Additionally, since the oil-producing Middle Eastern countries depend heavily on the oil and gas sector and are facing an economic recession due to the worsening financial situation, a lack of liquidity and falling investment with the fluctuation of oil prices, they are seeking a more multidimensional cooperation framework with South Korea, especially for economic diversification and security.

5. Asian Players: Risks and Chances from Middle Eastern Perspectives

This chapter examines the MENA countries' perspective on the rise of Asian powers in the region.

The analysis focuses on the views of those regional states – the Gulf Cooperation Council monarchies, Egypt, Iran and Israel – which over the last decade have developed deeper energy and economic relations with Asia. Despite the different economic and political realities of these countries, as well as their different sizes and ambitions, they share the same interest in maintaining sound ties with Asian powers. In trade, industrial and energy relations, China, India, Japan and South Korea are replacing Western actors and traditional partners of Middle Eastern countries. The US and the European Union – as well as Russia, despite its direct military presence in the region – appear less and less competitive in relation to the extensive business opportunities at multiple levels offered by engagement with the Asia.

GCC Looking East Policy Revisited: New Challenges and Opportunities

Naser Al-Tamimi

The relationship between emerging Asian powers (China, Japan, India and South Korea) and the Gulf Cooperation Council (GCC) countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates) will be analysed from the Gulf perspective in light of the coronavirus pandemic, plummeting oil prices, and escalating tensions between the United States and China. However, before proceeding with this section, it is worth mentioning some important issues affecting the framework of Gulf-Asian relations.

The GCC countries do not conduct their foreign policies as a single bloc, but rather on a unilateral basis. This makes it difficult for the Gulf states to benefit collectively from their strategic location, relative economic importance, and their vital importance to global energy supplies.

So far, GCC countries (whether unilaterally or collectively) have not signed any free trade agreement with any of the Asian powers.

On top of all that, there is the ongoing crisis that is raging within the GCC since 2017 between Qatar on one hand, and Saudi Arabia, the United Arab Emirates (UAE) and Bahrain on the other. This situation made the Gulf Cooperation Council more divided and vulnerable to interference by external powers. In fact, some argue that the GCC has effectively ended.

These issues have certainly weakened the strategic importance of the GCC as a political and economic bloc, along with its bargaining power in any future Free Trade Agreement (FTA) talks or negotiations for major commercial and economic deals. They also negatively complicate the domestic dynamics of several countries in the Middle East and Africa due to competing agendas among Arab Gulf states. This sometimes goes against

the interests of certain Asian powers, as was the case, for example, in Libya, Sudan, and the Horn of Africa.

Logical factors behind growing ties

That said, GCC economic prospects remain closely linked to Asian markets. The scope of Asian powers' interests in the Gulf has grown in recent years – from a narrow focus on the hydrocarbons trade to wide-ranging investments in renewable and nuclear energy, infrastructure, industry, finance, transport, communications, and high-tech.

TABLE 5.1 - THE IMPORTANCE OF ASIAN POWERS FOR GCC COUNTRIES, (2019)*

	World ranking (by GDP) ¹	World ranking (projection by GDP 2034) ²	GDP (Nominal trillion dollar) ³	World ranking (by military expenditure) ⁴	Ranking as trade partner with GCC ⁵	GCC ranking in the country's list of top oil suppliers ⁶	GCC ranking in the country's list of top LNGs suppliers ⁷
China	2	1	13.84	2	1	1	2
Japan	3	4	5.41	9	3	1	2
India	5	3	2.93	3	2	1	1
S. Korea	12	10	1.63	10	5	1	1

*Unless otherwise indicated

Source: (1), (3) and (5) All figures adapted from IMF, *World Economic Outlook, October 2019*; (2) Centre for Economics and Business Research, *World Economic League Table 2020, December 2019*; (4) SIPRI military expenditure database; and (6) & (7) official data

China, Japan, and India are now the GCC's top three economic partners and South Korea is not far behind, ranking fifth after the United States (see Table 5.1). Also, in 2019 about two thirds of the Gulf Arab exports of crude oil, or around 9 million barrels, went to these four Asian countries alone.¹ Bilateral

¹ Collected by the author from the official data for each country.

trade² between Asian powers and GCC states nearly doubled to almost US\$464 billion in the decade between 2009 and 2019, accounting for 41% of GCC's total trade according to IMF (International Monetary Fund) data – and is projected to grow further in the coming years.

In this context, all Gulf states are seeking to achieve a number of strategic goals by strengthening their relations with Asian powers such as China, India, Japan, and South Korea. These goals include:

- Securing customers and markets for their energy exports. For Gulf states, safeguarding demand for their energy is integral to their national security and survival.
- Seeking new investment opportunities, whether in Asian markets or by attracting more foreign investments and advanced technology to support GCC domestic economic diversification plans.
- Ensuring food security through permanent flows of food commodities and products, or through investment in the agricultural sector. This trend may perhaps be strengthened after coronavirus pandemic disruptions.
- Diversifying their military cooperation and setting up an industrial base for military industries. This trend is clear in countries such as Saudi Arabia and the UAE.
- Cooperating in the fields of renewable or nuclear energy, energy efficiency and providing training opportunities and expertise for Gulf citizens.

This is in addition to, of course, guaranteeing access to cheap workers, mainly from India. According to some estimates over 8 million Indians live and work in the Gulf.³

The energy interdependence between GCC countries and Asian powers has reached high levels. Indeed, Arab Gulf states

² <https://data.imf.org/?sk=9D6028D4-F14A-464C-A2F2-59B2CD424B85>

³ A. Mitra and R. Kasliwal, *Twin crises in the Gulf: Implications for India*, ORF Special Report No. 105, Observer Research Foundation, April 2020.

sell more energy products to Asia than to the European Union and North America combined. Additionally, Asia, especially China, is a major destination for GCC petrochemical exports.

Asian powers have also become an important stakeholder in the GCC's economic diversification programs. Here, it can be said that there is a kind of division of labour between Asian powers; Korean companies are active in infrastructure projects such as refining, energy and water desalination, highways, airports, bridges and nuclear power plants in the UAE. Technologically-advanced Japanese companies, on the other hand, enjoy strong advantages in sectors such as oil and LNG (liquefied natural gas) projects, energy efficiency, and petrochemicals.

Chinese companies' investments are concentrated in public projects and utilities such as ports, train networks, and the telecommunications sector. The presence of Chinese companies, especially Huawei, has grown significantly in recent years. As for India, it is the largest investor in the Gulf countries. In addition, it has millions of its citizens who work and live in the Gulf region.

Nevertheless, the strategic importance of energy markets in Japan and South Korea to the Gulf states will diminish in favour of China and India. Japan and South Korea remain key importers, with by far the highest dependence on Gulf supplies. However, in the medium- and long-term, Japan's energy imports are likely to decline. Japan's energy diversification in the power sector continues to negatively impact the coal and oil sectors.

Additionally, Fitch Solutions' latest report⁴ on Japan argues that demographics point to a shrinking population which will slow the growth of energy demand in the long-term, shrinking market opportunities in the country. Some of these issues could be at play in South Korea and lead to slow growth or stagnation in the country's demand for oil and gas.

⁴ Fitch Solutions, "Japan Country Risk Q3 2020", Fitch Solutions Group, London, P6, 2020.

To be sure, the trajectory for China's and India's economies will be one of the key factors to monitor. Both countries will remain the key drivers for global growth for fuel consumption in the coming decades. In this context, the recent developments of the coronavirus pandemic, the plunge in oil prices, and the escalation of tension between the United States and China could have wider repercussions for the GCC countries.

China: A rising power

Three complementary factors define the China-GCC relationship: first, the perception of China as a rising power with an agenda free from political interference; second, energy interdependence; third, China becoming more adept in attending to broader GCC interests.

As an economic superpower, China has an ever more strategically important role for Gulf states. Already the world's largest energy consumer, China will be value dependent on oil and gas imports as its economy grows in the coming decades. In 2019 almost one-third of China's oil imports – or over 3.2 million barrels per day – came from GCC countries (with more than half of this coming from Saudi Arabia alone).

Furthermore, China is expected soon to overtake Japan as the world's largest importer of LNG. An overall trend towards oversupply has resulted in low prices of LNG in Asia, and thus China's capacity to meet its demand could be higher-than-anticipated. Additionally, escalating tensions between China and United States or Australia may provide opportunities for Gulf exporters – such as Qatar, the largest exporter of liquefied natural gas in the world – to increase their market share.

Against this backdrop, if US-China relations continue to deteriorate, as seems likely, both Washington and Beijing could pressure other countries to take sides in the US-China dispute. US Assistant Secretary of State for Near Eastern Affairs David Schenker recently stated “These [Gulf] states have to weigh the

value of their partnership with the United States ... We want our partner nations to do due diligence”.⁵

From the perspective of GCC countries, there are two dominant arguments in Gulf decision-making circles. First, despite the increasing uncertainty in US-GCC relations, the security umbrella⁶ provided by the American military will remain crucial for maintaining peace and stability within the Gulf and in defending Gulf countries’ wider regional interests for years to come. Second, Asian powers appear reluctant to adopt a geopolitical posture far beyond their borders. Importantly, GCC states do not believe that China or any of the Asian powers have the military or logistical capabilities (nor, possibly, the political will) to provide a credible alternative to the US security umbrella in the Gulf.

However, in the long-run, if Arab Gulf States such as Saudi Arabia or the UAE lose faith in the US’s willingness to defend their interests – perhaps due to Washington’s failure to halt the Iranian nuclear program – they will likely to seriously consider multiple politico-security arrangements which could include some Asian powers such as China.

India: A promising market

The other promising market for the Gulf states is India. With a population of around 1.4 billion and one of the world’s fastest-growing largest economies, India will be vital for the future of the global energy markets.⁷ The International Energy Agency (IEA), in a key report on India released last January,⁸ sees India’s oil demand growing strongly over the coming years, with the country overtaking China as the key source of global oil demand growth from the mid-2020s.

⁵ A. Cornwell, “Gulf states should consider U.S. ties when dealing with China-official”, *Reuters*, 7 May 2020.

⁶ C. Lons, J. Fulton, and N. al-Tamimi, *China’s great game in the Middle East*, European Council on Foreign Relations (ECFR), 21 October 2019.

⁷ IEA Country report, “India 2020”, *Energy Policy Review*, January 2020.

⁸ *Ibid.*

India is the world's third-largest consumer and importer of oil,⁹ and the fourth-largest oil refiner. India plans to increase its refining capacity to about 8 million barrel per day (mb/d) by 2025 from about 5 mb/d at present, priming the country for more refinery investment. Saudi Aramco and Abu Dhabi counterpart ADNOC are among the key Gulf producers that are eyeing major refining investments in India in a bid to cement a key market for their crude.

India is also planning to pursue the second phase of its strategic stockholding policy, which could add an additional 50 million barrels, and is preparing subsequent phases. Meanwhile, India's LNG imports could double by the end of current decade, providing opportunities for Qatar to increase its market share.¹⁰

Importantly, India is moving towards becoming a larger global manufacturing powerhouse. Given the worsening ties between the US (and other Western powers) and China as well as between New Delhi and Beijing, it is likely that India will seek to align itself closer to the West over the coming years to reap potential economic and diplomatic benefits in an increasingly divided world order. If this situation evolves into a new reality, then it is likely to open broad prospects for Gulf companies to invest in various sectors of the Indian economy.

Still, with the twin impacts of Covid-19 and the collapse in oil prices impacting GCC's fiscal positions, business sentiments, and economic growth, Asian powers have a high stake in all this; after all, they have strong economic and diaspora ties with the Arab Gulf states.

Worryingly, Gulf growth has also been underpinned by surging Asian markets – chiefly China and India – but this dependence could backfire as the economic slowdown begins to take hold. A slowing Asian economy could negatively affect GCC exports and the Gulf economies.

⁹ D. Workman, "Crude Oil Imports by Country", *World's Top Exports*, 23 April 2020.

¹⁰ "India Crude Imports: Iraq Still Top Supplier Despite Saudi Surge", *MEEES*, vol. 63, no. 6, 7 February 2020.

This situation should always remind the Gulf states that resolving their differences as soon as possible, deepening their regional integration, and diversifying their economies away from dependence on energy exports is the safest option.

The View from Egypt

Nael M. Shama

Egypt occupies a pivotal place in the Middle East, at the intersection of Africa, Asia and southern Europe. Owing to the country's geographical location and historical and cultural ties, Egypt's foreign policy has traditionally been concerned with Arab and African states, European countries, and the United States, the country's major global ally since the 1970s. The majority of Egypt's diplomatic activities, economic transactions, military ties and cultural encounters have been conducted within these four circles. However, the economic rise of the Asian tigers in recent decades and their increasing influence on the international stage, coupled with the growing weight of economic, technical and developmental considerations in the calculations of Egyptian leaders, have necessitated a slight change of course. The contours of what is often described as "the pivot to the East" in Egypt's foreign policy began to take shape in the late 1990s. Driven by its economy's vital need to attract foreign investments and open new export markets, Cairo has sought to foster closer economic and scientific relations with Asia's rising powers ever since.

Of the four countries covered by this study (China, India, Japan and South Korea), Cairo's focus has been on Beijing. Indeed, Sino-Egyptian relations have deepened and broadened so much over the past few years that some analysts estimate that if bilateral relations continue to grow, China may, in the near future, parallel, or even outbid the United States as Egypt's major international ally. Egypt doubtlessly views China as an

important and reliable economic partner, and as a donor whose aid and investment are not tied to political demands. China is also widely seen in Cairo as an economic model for an overpopulated state that has faced tremendous socioeconomic challenges but has nevertheless sustained high growth rates at home for decades and made inroads into the international economy.

Today, economic relations between Egypt and China are extensive and multifaceted. They include significant levels of trade and investment (albeit with the balance heavily tipped in favour of Beijing), a vibrant special joint economic zone in the Suez region,¹¹ close cooperation on energy, broad participation by Chinese companies in the construction of Egypt's new administrative capital, rising numbers of Chinese tourists visiting Egypt, and a potential role for Egypt's economy in China's hemisphere-wide Belt and Road Initiative, Beijing's main foreign policy scheme.¹² Since Abdel-Fattah El-Sisi became President of Egypt in 2014, the two sides have also signed a large number of bilateral economic agreements, memoranda and protocols.

In numerical terms, burgeoning Egyptian-Chinese relations have involved a surge in bilateral trade, from US\$8.8 billion in 2011 to US\$11.6 billion and US\$13.8 billion in 2014 and 2018 respectively.¹³ Since 2012, China has become Egypt's main trading partner, providing around 13% of Egypt's total import value in 2017 (almost double that supplied by Germany, the second largest exporter to Egypt).¹⁴ Chinese investments in

¹¹ For more information about the China-Egypt TEDA Suez Economic and Trade Cooperation Zone, see <http://www.setc-zone.com/eng/>

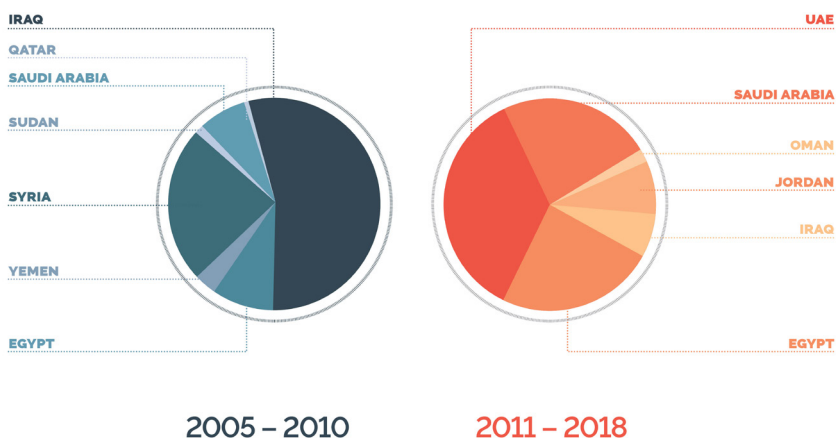
¹² For more details on Egypt's involvement in the Belt and Road Initiative, see M. Soliman and J. Zhao, "The Multiple Roles of Egypt in China's 'Belt and Road' Initiative", *Asian Journal of Middle Eastern and Islamic Studies*, vol. 13, no. 3, 2019, pp. 428-444.

¹³ E. Scott, *Sino-Arab, Sino-Egyptian Relations: 60 Years On*, CCS Commentary (Centre for Chinese Studies), 4 April 2016; F. Halime, "Chinese Firms Brave Uncertainty in Egypt to Gain a Foothold in Middle East", *New York Times*, 29 August 2012; and F. Farid, "Nightmare as Egypt Aided China to Detain Uighurs", *AFP*, 18 August 2019

¹⁴ D. Wood, "Egypt Loves China's Deep Pockets", *Foreign Policy*, 28 August 2018.

Egypt, diversified among various key sectors, including manufacturing, energy, construction and transport, have risen in parallel with this growth in bilateral trade, reaching around US\$15 billion by 2018.¹⁵ Comparing the periods 2005-10 and 2011-18, Figure 5.1 highlights Egypt's growing share of total Chinese investments in the Middle East.

FIGURE 5.1 - CHINA'S INVESTMENTS IN THE MIDDLE EAST
BY COUNTRY



Source: I. Fraihat and A. Leber, "China and the Middle East after the Arab Spring: From Status-Quo Observing to Proactive Engagement", *Asian Journal of Middle Eastern and Islamic Studies*, vol. 13, no. 1, 2019, p. 7.

Original Source: AEI and Heritage Foundation Chinese Investments Tracker.

Remarkably, military cooperation between Egypt and China has also expanded in recent years, signifying that bilateral relations are not limited to the economic realm only. Such cooperation has included arms sales, joint navy maneuvers, visits by warships and cooperation in the fight against terrorism.¹⁶

¹⁵ "Chinese Investments in Egypt Hit \$15B", *Egypt Today*, 14 November 2018.

¹⁶ E. Aoun and T. Kellner, "The Crises in the Middle East: A Window of Opportunity for Rising China", *European Journal of East Asian Studies*, vol. 14,

Sino-Indian rivalry notwithstanding, Cairo's closeness to Beijing has not stopped Egypt from pursuing closer ties with New Delhi too. In modern times, Egyptian-Indian relations were nurtured by close personal affinity between the two countries' leaders: Saad Zaghloul and Mahatma Gandhi in the 1930s and 1940s, and Gamal Abdel-Nasser and Jawaharlal Nehru in the 1950s and 1960s. Nasser and Nehru contributed to establishing the non-aligned movement, the largest grouping of states in the Cold War era. From the 1970s to the first decade of the XXI century, however, political relations were never restored to the heights of that golden age. Still, after President Sisi and Prime Minister Narendra Modi took office in 2014, a new chapter in bilateral relations has begun.

Sisi has met Modi four times since 2014,¹⁷ a record for any Egyptian president since diplomatic relations between the two countries were first established in 1947.¹⁸ Levels of ministerial visits have also intensified. Five Indian ministers, for instance, visited Egypt in 2015 alone (as opposed to only four visits in the entire period from 2006 to 2013).¹⁹ Egypt and India have also deepened their defense ties, which now involve counter-terror cooperation, joint military exercises and joint production of military equipment.²⁰ Economically, India's successes in space technology, small and medium-sized enterprises and information technology are looked upon with admiration in Cairo. India was Egypt's 10th largest trading partner in 2017-18 (the 7th largest importer of Egyptian goods and 11th largest

2015, p. 199.

¹⁷ S. Nasr, "Ministry of Foreign Affairs: India is Egypt's Eleventh Trading Partner", *Al-Abram*, 22 March 2018.

¹⁸ In contrast, former Egyptian President Hosni Mubarak visited India three times only (in 1982, 1983 and 2008) during his thirty years of rule (1981-2011).

¹⁹ M. Abdel-Gawad, "The Diplomatic Pivot to the East Takes Sisi to India", *Al-Masry Al-Youm*, 30 August 2016; and R. El-Berry, *The Economic Variable in Egyptian-Indian Relations from 1997-2014*, Noor Publishing, 2018, p. 38

²⁰ "India, Egypt Decide to Boost Defence Cooperation", *The Times of India*, 23 September 2018.

exporter to Egypt).²¹ Although bilateral trade declined from its peak of US\$5.4 billion in 2012-13 to US\$3.2 billion in 2016-17, it increased again to US\$4.5 billion by the end of 2018.²² Table 5.2 shows the growth of trade between Egypt and India from 2008 to 2018. Over 450 Indian companies operate in Egypt, investing more than \$3 billion and providing direct and indirect employment to around 35,000 Egyptians.²³

TABLE 5.2 - EGYPTIAN-INDIAN TRADE (2008-2018)

Fiscal Year (April-March)	Total Indian Exports to Egypt	Total Indian Imports From Egypt	Total Trade (in billion dollars)
2008-09	1,699	2,121	3,821
2009-10	1,403	1,692	3,096
2010-11	1,982	1,354	3,336
2011-12	2,421	3,002	5,424
2012-13	2,897	2,553	5,450
2013-14	2,562	2,338	4,951
2014-15	3,025	1,740	4,766
2015-16	2,337	1,221	3,558
2016-17	2,071	1,161	3,233
2017-18	2,392	1,292	3,685

Source: "India-Egypt Economic & Commercial Relation", Embassy of India, Cairo.

Original Source: DGCIS of INDIA.

Relations with Japan and South Korea figure prominently in Egypt's economic pivot to East Asia, but less prominently in its overall web of foreign political relations. The meager role played by Tokyo and Seoul in the international politics of the

²¹ *India-Egypt Economic & Commercial Relation*, Embassy of India, Cairo.

²² Ibid; and "Trade Exchange between Egypt, India Hits \$4.5B", *Egypt Today*, 21 October 2019.

²³ R. El-Berry (2018), p. 35; and S. Hameed, *India and Egypt: Economic Reconstruction and Stabilization*, Middle East Institute, 23 March 2017.

Middle East diminishes their importance in Egyptian eyes. In terms of trade, Japanese and South Korean products, especially vehicles, machines and electronics, are quite popular in Egypt. Nevertheless, though rising, Egypt's total trade with Japan and South Korea (which stood at US\$1.2 billion and US\$2.2 billion respectively in 2018) pale in comparison to its vast economic relations with China.²⁴ Japanese investments in Egypt amounted to US\$162 million in 2017-18 (a 74% rise from the previous year),²⁵ while South Korean investments totalled US\$570 million in 2018.²⁶ In recent years, Japanese agencies and companies have taken part in the expansion of the Suez Canal, the establishment of a metro line in Cairo,²⁷ the modernisation of the Borg el-Arab airport,²⁸ the construction of a large wind farm on the Red Sea coast,²⁹ and the erection of the Grand Egyptian Museum.³⁰ For their part, Korean companies have showed interest in investing in maritime transport, roads, railways and electricity.³¹ Scientific cooperation includes the establishment of an Egyptian-Japanese University of Science and Technology near Alexandria, and collaboration between Egyptian and Korean petroleum research institutes.³² Overall,

²⁴ "Trade Exchange bet. Egypt, Japan Hits \$1.2B in 2018", *Egypt Today*, 27 August 2019; "Volume of South Korea-Egypt Trade Records US\$2.2 bn: Ambassador", *Egypt Independent*, 30 October 2019.

²⁵ I. El-Khamisi and A. Eissa, "Infograph: Get to Know the Nature of Egyptian-Japanese Relations", *Akhbar El-Yom*, 27 June 2019.

²⁶ "South Korean Investments in Egypt Stand at \$570m", *Mubasher*, 8 October 2019.

²⁷ "Learn about Egypt-Japan Coalition to Build 4th Metro Line", *Egypt Today*, 7 September 2019.

²⁸ "Modernization and Extension of Borg El Arab International Airport", *Japan International Cooperation Agency*.

²⁹ "Inauguration Ceremony of 220 MW Gulf of El Zayt Wind Power Plant Project", *Japan International Cooperation Agency*, 24 July 2018.

³⁰ M. El-Shamaa, "Grand Egyptian Museum Symbol of Japan Cooperation", *Arab News*, 20 August 2019.

³¹ "Tay Yong: Korean investments in Egypt Maritime Transport Sector and Upgrading Alex Port Soon", Egyptian Ministry of Transportation (Maritime Transport Sector).

³² "E-JUST: The First Japanese University Outside its Borders", *Japan International*

Egypt perceives Japan and South Korea as significant trading partners and sources of investments, grants and loans.

In brief, over the past few years, Egypt has sought to diversify its international partnerships, lessen its dependence on Western powers, and benefit from the clout of those Asian economic powers which have made great strides in manufacturing, information technology and military industries. With regard to the Asian powers discussed in this report, Egypt has primarily focused on China. Indeed, the Cairo-Beijing relationship could be classed, both politically and economically, as a recent success story. While Egypt's spheres of cooperation with India include economic, political, and military dimensions, its ties with Japan and South Korea are limited to economic relations and technical cooperation. Asia's continued rise on the international scene, and Egypt's unceasing economic and developmental needs will, in all likelihood, lead to deeper ties between Egypt and Asian states in coming years. The majority of future bilateral interactions would most likely be economic in nature, but increased involvement by Asian countries in the political affairs of the Middle East would, no doubt, also lead to closer and more robust political relations with Egypt.

The View from Iran

Sara Bazoobandi

Over the past four decades, relations between Iran and the Asian economic powerhouses (i.e. China, India, South Korea and Japan) have become stronger compared to those with the West and particularly with the European Union. This is the result of: 1) the relatively neutral (and in the case of China indeed sympathetic) political position of Asia towards the Islamic Republic;

Cooperation Agency, February 2013; and S. Wahdan, *Egyptian-Korean Cooperation is Producing a New Patent*, Egyptian Petroleum Research Institute.

2) international economic sanctions. For decades, Asia (particularly India and China) have been Iran's largest trade and investment partners. From the Iranian side, the bulk of trade with Asia has been energy exports. Asia in return has exported a variety of goods and products including industrial and manufacturing products, raw materials, medical supplies and electronic products. Asian counterparts have collaborated with Iranian companies in areas such as construction, energy, automotive and telecommunications. Recent regional developments (e.g. in Iraq, Afghanistan and Syria) in which Iran's involvement has been confronted by western powers, and particularly by the United States, have raised a number of questions related to: 1) the strategic implications of the Asian countries' deeper involvement in the region; 2) the potential geopolitical roles and aspirations of the Asian powers in the region (including possible conflicts of interest amongst themselves) and, more recently, 3) the impact of the ongoing global pandemic on political and economic relations between the Asian economic powerhouses and the region. This essay will attempt to answer these questions by providing a brief review of Iran's relations with the four Asian economic powers (touching upon bilateral economic and political collaboration) and will finally offer some conclusions.

China

China is Iran's closest ally in Asia. The two countries have cooperated for decades in energy and non-energy trade, banking, arm sales and military developments. The Islamic Republic and the Chinese government share strong anti-western views that are deeply rooted in their political ethos. China's anxiety regarding the US's threats to its energy security has put oil at the heart of Sino-Iranian bilateral cooperation. By and large, China has been reluctant to support US-led sanctions on Iran. For several decades, China has maintained its trade and investment channels with Iran. As one of the largest buyers of Iranian oil, between 2017 and 2018, China imported more than 630,000

barrels of Iranian crude per day (nearly 30% of total exports).³³ The pressure of sanctions (particularly the US's refusal to extend China's 180 days oil trade waiver) has, however, put pressure on the country's energy imports from Iran. By January 2020, Chinese imports of Iranian crude had fallen to under 220,000 barrels per day.³⁴

Sino-Iranian relations extend beyond oil. The Islamic Republic views China as one its most reliable international partners. Chinese companies are involved in various economic activities in Iran (mostly in partnership with the government). These include manufacturing (e.g. automotive, steel, cement production), construction (e.g. roads, dams, electricity power plants), defence and cyber security, telecommunication technology and retail (particularly clothes and accessories). Over the past two decades, there has been a visible rise in the number of Chinese citizens living in Iran; a number of Chinese characters appear in popular Iranian soaps and the supply of Chinese products to Iranian consumers has grown. Various currency crises in Iran have made alternative products (often preferred by the average Iranian) extremely expensive, resulting in an increase in demand for Chinese products.

Recent American policies towards China and Iran have positioned the US as "the mutual enemy" of both nations and reinforced the synergy between them on all fronts. The recent trade-war between the US and China highlights the profound rift in bilateral relationships, despite two decades of economic normalisation following the historic US-China trade deal of 1999.³⁵ The possible lifting of the UN arms embargo on Iran in 2020 potentially opens new opportunities for arm sales, cyber and military cooperation with China.³⁶

³³ D. Katz, *Despite sanctions, China is still doing (some) business with Iran*, Atlantic Council, 2019.

³⁴ D. Khatinoglu, "China Has Reduced Oil Imports From Iran, Zero Revenues For Tehran", Radio Farda, 27 March 2020.

³⁵ "China drops trade barriers", *BBC News*, 15 November 1999.

³⁶ A. Mardasov, "How will Russia, China support Iran's military after UN arms ban ends?", *Al-Monitor*, 9 March 2020.

India

Over the past four decades, Iran and India have expanded their diplomatic, economic and security cooperation. India relies on imported energy for more than 80% of its demand and has been the second largest buyer of Iranian crude after China.³⁷ In 2018-19, India's total energy imports from Iran came to about US\$11 billion (around 170 million barrels).³⁸ The two countries have also engaged in negotiations over a number of investment projects (e.g. Chabahar Port and the Farzad 2 oil and gas field). Like other Asian economies, India has been under pressure from the US to limit its trade and investment links with Iran. After the US withdrawal from the Joint Comprehensive Olan of Action (JCPOA), energy-related trade between the two countries has depended largely on the feasibility of direct banking channels circumventing the sanctions. Investment projects have also been complicated due to a combination of US sanctions and negotiation failures.

Since 2018, India's unofficial support for Iran to sidestep sanctions, through a network of coverup companies and individuals, has visibly increased. A number of Dubai-based Iranian traders, in private conversations, shared stories prior to the drafting of this paper confirming that "an increasing number of Indian 'private sector businesses' in Dubai and India facilitate transactions that are directed to Tehran through international banks (in exchange for high commissions) without disclosing the real beneficiaries (i.e. Iranian entities and individuals) to the banks".

Indian leaders consider relations with Tehran of high strategic and geopolitical importance. Relations with Iran complement India's aspiration to expand its influence in a multipolar

³⁷ R.D. Desai, "Iran Sanctions Prompt Surge In U.S. and Venezuela Oil Exports to India", *Forbes*, 11 August 2019.

³⁸ A.K. Seshdari Chari, "India's changing dynamics with Iran on oil import", *Sunday Guardian Live*, 26 October 2019.

world system.³⁹ Strengthening ties with Tehran, as a gateway to Kabul and Central Asian capitals, has been an important element of India's foreign policy. India has also been determined to maintain economic and diplomatic ties with Iran in an effort to offset the influence of China and Pakistan. Moreover, India views Iran as an important pillar in its security. Based on this policy, the two countries reportedly share long-term strategic interests in the fields of arms sales, military cooperation, and the fight against terrorism and organised crime.⁴⁰

Japan

As a net importer of energy, Japan's economic relations with Iran have revolved around the energy sector, which, for several decades, made Iran one of the country's most important suppliers. Investment in Iran's energy sector has also been an area of collaboration between the two countries. Nevertheless, like the other two Asian economies discussed previously, energy trade and energy-related investments have both been affected by US sanctions. One of Japan's largest investment projects in the Azadegan oil field in southern Iran (a total of US\$2 billion), first negotiated in 2000, was terminated in 2010 after decade-long discussions. The United States' campaign for maximum pressure on Iran has renewed constraint on Japanese trade and financial links with the country. By 2018, Iranian oil formed only 4% of Japan's total crude oil imports,⁴¹ down from 16% in 2003⁴².

Japan's reliance on energy transfers through the Persian Gulf (nearly 80% of the country's total imports), closely ties the country's interests to the geopolitical stability of the region. Against this backdrop, the Japanese government initiated a mediation effort to resolve the Iran-US conflict. The country's

³⁹ G. Perkovich, "Is India a Major Power", *The Washington Quarterly*, vol. 27, no. 1, 2003.

⁴⁰ C.U. Bhaskar, "Russia-India-China meeting shows a multipolar works order is taking shape", *South China Morning Post*, 15 December 2017.

⁴¹ "Japanese Trade with Iran Under Pressure", *Nippon.com*, 9 January 2020.

⁴² "Iran and Japan Struggle Over Ties and Trade", *The Iran Primer*, 20 December 2019.

Prime Minister, Shinzo Abe, led efforts that relied on Japan's political capital in Tehran and Washington. Though the initiative was not fruitful, it was widely perceived, by both Iran and other (internal and external) powers in the region, as a strong sign of Japanese support for peace and stability in the Persian Gulf.

South Korea

Energy, trade and investment have been the three key areas of collaboration between Iran and South Korea. All three have been profoundly affected by US-led sanctions. This is reflected in declining trade volumes between the two countries. Before the sanctions, South Korea was the destination for about 10% (12 million barrels per month) of Iran's total crude exports. Until May 2018, South Korea was among eight countries included in the US waiver of oil sanctions on Iran. The country's crude imports from Iran nevertheless dropped by over 60% between 2012 and 2018. More than half of South Korean imports from Iran consisted of gas condensates from the South Pars field (purchased by famous South Korean companies like Hyundai and SK Innovation). To offset the decline of imports from Iran, since 2018, South Korea's imports from the US have reportedly increased by more than 300%. Russia and Kazakhstan are also increasing their supplies to South Korea.⁴³ Iran was also one of the largest markets in the region for South Korean exports. The country's home appliance manufacturers are among the top brands on the Iranian consumer market.⁴⁴ Fear of losing business in the US (due to the sanctions) slashed the country's exports to Iran by 90% in 2019.⁴⁵

After the JCPOA, South Korea was one of the nations hoping to enter the Iranian market free of pressure from sanctions. To that end, South Korean officials took diplomatically significant

⁴³ C. Lee, *South Korea's Iranian crude imports halted in May as US sanctions waiver end*, S&P Global-Platts, 17 June 2019.

⁴⁴ "US Sanctions Hit Iran's Trade With South Korea", Radio Farda, 9 July 2019.

⁴⁵ Yonhap, "S. Korea's exports to Iran dip nearly 90% in 2019", *The Korea Herald*, 12 January 2020.

steps to demonstrate willingness to enhance economic relations with Iran. The most high-profile event confirming this desire was the visit by former President Park Guen Hye in 2016. The country's large conglomerates, also known as chaebols, have been active across the region, including in the GCC. Progress towards the expansion of Korean Chaebols business in the Iranian market has, however, slowed down since the US government re-instated sanctions in 2018.

In the aftermath of the assassination of Major General Qassem Soleimani, given the risk of military escalation between Iran and the US, and growing threats to oil shipments in the Persian Gulf, South Korea announced plans to deploy naval forces to the region to enhance the security of energy transfers through the Strait of Hormuz. Tehran perceived this decision as a statement of hostility (regardless of the two countries' financial and economic ties) and as a signal that South Korea's policy towards Iran was closely aligned with that of the Western powers.⁴⁶ In an effort to show goodwill, in April 2020, South Korea obtained specific US approval to resume humanitarian exports (i.e. medicines and medical supplies).⁴⁷

Conclusion

The relations between Iran and the Asian economic powerhouses are of different natures. Having said that, all have one common interest centred around energy trade links with Iran. Due to US sanctions, South Korea and Japan have restricted their financial cooperation and limited their investment activities while China has maintained a much more active role in various sectors of the Iranian economy. India's relations with Iran have been expanded in multiple areas. Overall relations between Iran and India are expected to be maintained despite the pressure by the US

⁴⁶ “Iran's ambassador to South Korea summoned”, *Sputnik Farsi*, 11 January 2020.

⁴⁷ “S. Korea Says Will Resume Humanitarian Exports to Iran soon”, Tasnim News Agency, 11 April 2020.

government. Nevertheless, conflicting partnerships (e.g. Iran-China) and failed dialogues caused by sanctions and bureaucratic difficulties will continue to complicate bilateral relations. Japan's effort to maintain a relatively neutral position was demonstrated by the mediation initiative aimed at de-escalation between Iran and the US. However, when it comes to business and trade, the country has been strongly compliant with US demands. South Korea (by taking part in the international military coalition in the Persian Gulf) and China (through continued arms and cyber security cooperation with Iran) have positioned themselves on opposite sides of Iran-US hostility. As a result of deeper involvement by the Asian countries (who have different geopolitical interests and aspirations) in regional affairs, conflicts of interest will be inevitable. The ongoing global pandemic is expected to have long-lasting effects on all aspects of international cooperation, and will undoubtedly have profound implications for relations between the Asian economies and the region. Opposition to American hegemony (an ideological pillar shared by Iran and China) and aspirations to become a key player in a multipolar global structure (evident in the strategic policies of Iran, China and India) will dominate Iran-China and Iran-India collaboration in the post-pandemic global order. Military, cyber security and political collaboration are expected to increase between Iran and China. Given Iran's current sphere of influence across the region, such collaboration will pave the way for an increased Chinese presence, which in turn will likely lead to a rise in tensions with the US and other Asian economic powerhouses.

The View from Israel

Anshel Pfeffer

In December 1961, a few months after winning a fifth consecutive election victory, Israel's founding Prime Minister, David

Ben-Gurion flew off to an official visit to Burma. It was a rare trip. Israel at the time was still a relatively poor country and some in the media saw it as a frivolous waste of the Prime Minister's time. Especially when it emerged that he and members of his delegation had practiced Buddhist meditation while there.

But Ben-Gurion's life-long fascination with Buddhism was not the main reason for the trip. Burma (today Myanmar) occupied at the time a unique place in Israel's foreign policy. Six years earlier, U Nu, Burma's first Prime Minister, had become the first foreign Head of State to visit Israel in 1955. Nu, like Ben-Gurion, leader of a newly independent nation with an ancient heritage, perceived in Israel similar circumstances to Burma. Both countries had to contend with large, powerful and hostile neighbours.

Nu wanted to emulate Israel's collective agricultural communities, the *kibbutzim*, and sought to buy Israeli weapons as well. Israel, which at the time had yet to develop its strategic relationship with the United States, was still trying to break a diplomatic blockade imposed by its Arab neighbours. Burma was Israel's "gateway to Asia", where it hoped to find allies.

Not long after Ben-Gurion's visit, U Nu was toppled in a military coup, but the strong ties with Israel endured under the military junta.

However, while Israel maintained close relations buttressed by arms deals with some smaller Asian nations such as Myanmar, Sri Lanka and Singapore for decades, they were the exception in the Far East. Israel's ties with the main Asian powers remained strained or even non-existent.

Maoist China competed for many years with the Soviet Union to serve as a patron of radical Palestinian movements. The PRC didn't establish full diplomatic relations with Israel until 1992. That was the same year in which India and Israel finally established official ties. Under the Congress Party, India led the Non-Aligned Movement, in which many Arab states were members. As a result, and also out of consideration for its large Muslim minority, India supported the Arabs over Israel.

Even major pro-western Asian nations like Japan (which recognised Israel in 1952) and South Korea (which established diplomatic ties in 1964) were wary of developing these ties as their industrial corporations were heavily reliant on exports to Arab countries, which supplied them with oil. Until well in to the 1980s, the Arab League still enforced a boycott on trade with Israel.

The gradual opening of Asia to Israel was a direct result of the disintegration of the Soviet Union, Israel's peace agreements with Egypt and Jordan, and the "Oslo process" with the Palestinians. Israel's economic development and its transformation from the 1990s onwards into a high-tech powerhouse also played a central role. The Arab Boycott, which for decades deterred many global corporations from trading with Israel, had by then lost most of its potency.

Asia's main powers were changing as well. China was much more interested in promoting capitalism at home than fostering revolution abroad. Half a century after independence, India had its first Bharatiya Janata Party (BJP) government, whose Hindutva leaders, unlike their Congress rivals, no longer deferred to Muslim sensibilities. Suddenly Israel has multiple gateways to Asia.

Israel-India relations

For the second parliamentary election of 2019, Israel's ruling party selected the slogan "Netanyahu in a different league". It was aimed at convincing voters there was absolutely no substitute for the veteran Prime Minister's statesmanship. On the sides of Likud's Tel Aviv headquarters, a fourteen-floor office block, three massive pictures went up. The first showed Netanyahu together with US President Donald Trump. The second had him smiling next to Russia's Vladimir Putin. In the third he was side-by-side with Indian Prime Minister Narendra Modi.

Israelis weren't too impressed and in the election that took place on September 17 Likud came in second to its centrist rival Blue and White. But in India, Israeli tourists and

backpackers were constantly greeted by enthusiastic locals, eager to show them the Netanyahu-Modi election poster on their smartphones. When visiting certain countries, Israelis tend to hide their nationality, for fear of animosity. This is not the case in India, where they have never been so popular. In August 2019, the Modi government announced its military lockdown of Muslim-majority Kashmir. “Hindus are going to feel even closer to Israel now”, observed one journalist in New Delhi. “Kashmir is now our West Bank and both nations are fighting the Muslims, while being criticised by the rest of the world”.

The Jerusalem-Delhi relationship had become much closer even before Netanyahu and Modi met. From the mid-1990s Israel was one of India’s main arms suppliers and during the Kargil war with Pakistan, airlifts of Israeli artillery shells alleviated an Indian munitions shortage. “I wish I could say publicly how close our military and intelligence relationship with India is”.⁴⁸ “But India still has to be sensitive about its relations with Arab countries”. One of the targets of the Mumbai attacks, carried out by an Islamist extremist based in Pakistan, was a Jewish religious centre in which a number of Israeli citizens were also killed. This created a shared sense of destiny between Israelis and Indians.

Modi, who had already visited Israel back in the 2006 as the Chief Minister of his home state of Gujarat, became Prime Minister in 2014 and he quickly went about bringing the India-Israel alliance and his own friendship with Netanyahu out in the open. The two leaders took to tweeting each other greetings, Modi in Hebrew and Netanyahu in Hindi. In 2017, Modi became the first Indian Prime Minister to visit Israel. At one point during the trip, when they were driving by the Mediterranean coast, Netanyahu ordered his driver to stop the car by the beach. They took off their shoes and walked in to the sea together. The next year, Netanyahu arrived for a visit of his

⁴⁸ Author’s conversation with a Senior Israeli Officer at the time of the Mumbai terror attacks in 2008.

own to India, where Modi took three days out of his schedule to conduct him around Delhi and Mumbai.

For Netanyahu, the importance of his ties with Modi – and to a lesser extent other Asian leaders, such as Japan’s nationalist Prime Minister Shinzo Abe, with whom he gets along well – is not only advancing Israel’s trade and security interests. He sees these leaders as different from their western colleagues who regard the Israeli-Palestinian conflict as a major issue.

“Bibi loves meeting Asian leaders”, a senior Israeli diplomat who had accompanied Netanyahu on his visits to the Far East, told me.

They just want to talk business. Recently he sat down for an hour with the leader of one of the major Asian powers, and the entire meeting was about technology deals, until the last minute when one of the diplomats cleared his throat and put a note in front of the leader. It was a thirty-second statement on the importance of the peace process with the Palestinians. The leader read it and asked Netanyahu if he wanted to respond. Bibi said no, and they went off to lunch.

Benjamin Netanyahu’s foreign policy, for nearly four decades since he began his career as a diplomat at Israel’s embassy in Washington in 1982, has been focused on trying to push the Palestinian issue off the global agenda. In meetings with foreign leaders, when the Palestinians are brought up, he is automatically dismissive. Sometimes he calls the issue “a rabbit hole”, as he wrote mockingly in his book “A Durable Peace: Israel and its Place Among the Nations”:

Almost every discussion on the subject of “achieving peace in the Middle East” begins and ends with Israel and the Palestinians, as a consequence of a deliberate campaign to divert attention from the true sources of perennial turmoil in the Middle East. As we have seen, this is achieved by implanting belief in a false center of this maelstrom: the Palestinian Problem.

Time spent on the Palestinian issue is according to Netanyahu a diversion from the real threats facing Israel.

The real threat is always a much larger regional or even global enemy. Back in the 1980s it was still the Soviet Union, with its support for radical Arab regimes such as Syria and Libya. Then when the USSR broke up, there was the threat of Saddam Hussein's Iraq. And of course, all the time, Iran and its Islamic Revolution spreading across the Middle East.

Netanyahu truly believes in his threat analysis. And while he prefers not to make any concessions to the Palestinians, in the past, especially in the early years of the Obama administration, he was prepared to announce a temporary moratorium on West Bank settlement-building and agree in principle to the two-state formula, in the hope of getting the administration to join his tough line on Iran's nuclear program. But until the arrival on the scene of Donald Trump, he had little hope for changing the American perspective or that of the main leaders of Western Europe. This is why he has put such an emphasis on relationships with non-western leaders.

This has been Netanyahu's policy in Europe as well, where he has spent the last decade courting EU members who have less orthodox foreign policies, like Hungarian Prime Minister Viktor Orban. Netanyahu is relying on Hungary and other members of the Visegrad Group to work against the EU consensus on pressuring Israel to make some concessions to the Palestinians. The rise of nationalist and populist leaders, not just in the US and Europe, but across the world has given Netanyahu the opportunity to forge his own foreign policy on a global scale.

It goes much deeper than just Netanyahu's personal ties with like-minded leaders. His pivot to Asia is part of a much wider effort, which can be traced back to David Ben-Gurion, to create alliances for Israel that could transcend its regional conflict with the Arabs and would make it less dependent on a handful of traditional western alliances.

This has become one of Netanyahu's main objectives. He put a focus on developing ties with the Far East during the presidency of Barack Obama, when Israel began drifting away from its closest ally in Washington. And despite his closeness with Donald Trump, he has continued this policy, even risking angering Trump by signing major deals with the Chinese. In May 2020, at the height of the Covid-19 pandemic, US Secretary of State Mike Pompeo made a highly unusual foreign visit to Israel, in part to warn it not to allow China to continue participating in major infrastructure projects in Israel.

Israeli security chiefs have already been warning for years that Netanyahu's eagerness to build up ties with China could jeopardise the relationship with the US. For over two decades now, it has been causing tension in the US-Israel-China triangle. Originally, Israel believed it could get away with signing arms deals with the Chinese, but after a sale of killer-drones was followed by a deal to sell advanced early-warning aircraft (the Phalcon deal), the Americans put their foot down.

The Bush administration forced Israel in 2000 to cancel the sale of the Phalcon, leading to a period of cooling in the ties between Jerusalem and Beijing. Israeli leaders were forced to apologise profusely and pay hundreds of millions in compensation before matters were mended. Since then, Israeli arms sales to China have been taboo, but major civil deals – the sale of Israeli companies to Chinese corporations, Chinese investments in Israeli technology start-ups, and the award of major infrastructure contracts, such as the construction of a new port in Haifa, have become commonplace.

This has also raised the ire of the Trump administration. In May 2020, Secretary of State Mike Pompeo used a visit to Israel to warn Netanyahu against further dealings. Shortly thereafter, it emerged that Chinese corporation Hutchison had lost its bid to build a new desalination plant on Israel's Mediterranean coast. In a speech to a pro-Israel group in Washington, Pompeo said pointedly that the Chinese Communist party is "a growing challenge to the United States, Israel, and to all free people".

The warning was not lost, but Netanyahu has so far been careful not to establish clear rules for Israeli companies in their dealings with China, preferring to keep matters opaque.

“Netanyahu thinks he can play the US off against China and remain unscathed”, says Efraim Halevy, a former chief of Mossad, Israel’s intelligence agency. “Israel needs a sense of proportion. It isn’t a superpower, even if Netanyahu sometimes thinks it is”.

6. Between Competition and Cooperation: What Could the EU's Role Be?

Valeria Talbot, Ugo Tramballi

In mid-January 2020, just a few weeks before the world discovered Covid-19, the Indian Ministry of Foreign Affairs and the Observer Research Foundation (ORF) organised the “Raisina Dialogue” in New Delhi. There, Josep Borrell tried to explain to southern European and East Asian friends how complex the enterprise of the European Union (EU) is. The point of the High Representative of the Union for Foreign Affairs and Security Policy was to explain how EU common foreign policy is in fact not quite a single foreign policy. “I am a Spaniard,” Borrell said. “I lived most of my youth under a military dictatorship thanks to the Catholic Church and the United States, because both were supporting General Francisco Franco. On the contrary, my Polish friends believe they owe their freedom (from USSR) to the Catholic Church and the US.” Starting from this finding, “it is very difficult to share the same vision of the world”.¹

It is challenging indeed. By all means the southern shore of the Mediterranean and the larger picture of the Middle East and North Africa (MENA) region up to the Gulf are the main source of European interests and worries both in geopolitical and economic terms. The MENA region produces more instability and conflict than any other region in the world, and it is

¹ Josep Borrell, “Today, Power Politics Means That International Law Is Undermined”, Raisina 2020, https://www.youtube.com/watch?v=N_NAT3da-I

only a three-hour flight or less than three days' sailing from the European coastline. Incidentally, it is also one of the main energy sources for Europe. Energy, security and migration: arguably the three main concerns and challenges for the European Union.

However, for Poland and other Eastern European countries, the Mediterranean is far less relevant than it is for Spain and other southern European nations. The most compelling geopolitical concern for Warsaw is the EU's Eastern border: Ukraine, Belarus, Russia. And for the Northern countries, the Mediterranean is less engaging than the North Atlantic and the Arctic arenas. Last but not least, even the EU's southern members do not always act along the same lines in the Mediterranean. In the Libyan crisis, for instance, France is backing General Khalifa Haftar, but Italy – and most of the EU – endorses the Tripoli government led by Fayeze al-Serraj and recognised by the international community. As Borrell said in New Delhi, it is not easy “to forge a common understanding of the world, overcoming the history” of every single European nation.

On the top of this, the current “identity crisis” of the United States as a superpower has left room for new actors to emerge in the MENA region, or wider Mediterranean. Far more than in the past, Turkey, Iran and Saudi Arabia together with the United Arab Emirates have become key players in regional dynamics and conflicts, defining the geometry of the new alliances now shaping the region. The uncertain behaviour of the US, torn by the “should I stay or should I go” dilemma, and its perceived disengagement paved the way for the return of Russia, an old but still active player.

China, India, Japan and South Korea are seemingly steering to stay away from the complex, occasionally marshy diplomatic, religious and military cauldron of the Middle East. Business and oil are the name of the game for them. But sooner or later – maybe sooner rather than later – they may need to protect, in some form, their increasing economic interests in the region. It is already difficult to define the Chinese Belt and

Road Initiative (BRI) as just a trade and investment initiative. Like the devil, geopolitics is in the details of Beijing's new Silk Road in the Middle East – a crucial crossroads where the *Belt* joins the *Road*² – and in other parts of the world.

How could the European Union confront, react, adapt or turn this new reality into an opportunity? Not only in diplomacy, an active military presence and peacekeeping missions, but also in trade and investments projects, EU countries seem prone to going it alone. Whenever they remind themselves to be a Union, they find it extremely hard to behave as such, in politics as in business.

This was the picture of the wider Mediterranean diplomatic and economic landscape in February 2020. Then an unexpected and deadly “black swan” appeared: Covid-19. How is the virus changing the dynamics of regional conflicts? Will the coronavirus pandemic be a complicating factor or, as a sort of miracle, will it help to defuse the often perennial contrasts? Drawing on Pope Francis, are “we all in the same boat”? The virus is disrupting traditional trade routes and locking down the normal flux of business. But everywhere in the world, governments, people and economies are trying to figure out what the post-pandemic world will be like. How will the post-pandemic reality affect or change European and Asian behaviour towards the Mediterranean? Will the big economic depression that awaits us establish new winners and losers in the region?

The EU in the MENA Region: Ambitions vs Reality

The MENA region is an area of great geostrategic importance for the EU and its member states. This region, which has become more and more fragmented and unstable since the 2011 Arab uprisings, is at the same time a source of security challenges,

² F. Fasulo and V. Talbot, “The MENA region: Where the Belt Joins the Road”, in A. Amighini (ed.), *China's Belt and Road: a Game Changer?*, Milan, Edizioni Epoké - ISPI, 2017, pp. 75-95.

instability, energy supplies and trade flows. It is here that EU geostrategic, energy and economic interests overlap with long-standing conflicts and new crises.

From the Euro-Mediterranean Partnership (EMP) to the European Neighbourhood Policy (ENP) and the Union for the Mediterranean (UfM), over the last 25 years the EU has conceived several policies to foster peace, stability and prosperity in its Mediterranean neighbourhood, but results do not live up to the initial ambitions. The first EU comprehensive policy was the EMP launched in 1995. In parallel with the Israeli-Palestinian negotiations for a peace agreement – the “Oslo Process” sponsored by the United States – the EU promoted a new EMP, also known as the Barcelona Process, with North Africa and Near East countries, plus Turkey, Malta and Cyprus. The Gulf monarchies, Iran and Iraq were not included in this framework, and relations with this part of the MENA region have followed different bilateral tracks. The first summit held in Barcelona produced a formal declaration with the aim to create a “common area of peace, stability and shared prosperity” in the Mediterranean. Together with the political and security package, the Barcelona Process also included a financial and economic package to build up “a free trade area” by 2010, as well as a social, cultural and human partnership. Through both a bilateral and a multilateral approach, the EU, as a normative power, tried to foster a process of economic and political transformation in its southern partners by making the allocation of funding conditional on real and effective reforms.

Through this, the EU hoped to promote transformation in its southern Mediterranean partners, applying the same logic as the enlargement process, albeit without the final prize of membership. By making the allocation of funding conditional on the adoption of effective reforms, the rationale of the EU policy was that liberal economic reforms and the integration of Mediterranean partners into a free trade area with the EU would foster economic development, which was seen as a first step towards good governance, rule of law, democratisation and

respect of human rights. However, the conditionality clause, included in the Association agreements that each partner negotiated with the EU, was barely enforced in practice. In truth, the stability of the autocratic regimes in North Africa and the Middle East was privileged in a fast changing and volatile context where the fight against terrorism and the management of illegal migration flows became the priorities.

At the end of the day, nothing really happened. With the failure of the Oslo peace process following the outbreak of the second *intifada* in 2000, multilateral cooperation through the Barcelona Process proved to be highly unlikely and the entire EMP hardly worked. Political obstacles obviously became evident, but other constraints also emerged, preventing the functioning of the EMP: first, North-South asymmetry and the lack of co-ownership among partners in the process; second, different interests and perceptions of the security challenges between the EU and southern Mediterranean countries; last but not least, a significantly different level of economic integration. When the Barcelona Process started, intra-trade was very limited. But even today, after more than 20 years, integration in the region remains limited. In fact, the share of intra-regional merchandise trade is around 4% among North African countries, 10% in the Grand Arab Free Trade Area (GAFTA) and 2%³ in the Agadir agreement countries.⁴

Against this background, the EMP slowly faded away from maps to leave room for the ENP and the idea to create a “ring of friends” around the EU, sharing with them “everything but institutions”.⁵ Geopolitical transformations in Europe and in

³ M. Demertzis and F. Biondi, “Promoting intra regional trade in the southern Mediterranean”, in V. Talbot and S. Torelli (eds.), *Looking Ahead: Charting New Paths for the Mediterranean*, ISPI, MED Report 2017

⁴ The Agadir agreement is a free trade agreement signed in 2004 between Egypt, Jordan, Morocco and Tunisia. It entered into force in 2007.

⁵ Romano Prodi President of the European Commission, A Wider Europe - A Proximity Policy as the key to stability, “Peace, Security and Stability International Dialogue and the Role of the EU”, Sixth ECSA-World Conference. Jean Monnet Project. Brussels, 5-6 December 2002.

the MENA region also contributed to the definition of this new policy. Stressing exclusively the bilateral dimensions of relations with southern Mediterranean countries and adopting a more flexible and differentiated approach tailored on partners' needs, this time the aim was to bring the EU and its neighbours closer by extending "to this neighbouring region a set of principles, values and standards which define the very essence of the European Union"⁶ as well as offering access to the EU market. The transformative rationale at the core of the EU policy remained unchanged, as the EU tried to "export" its model of liberal economy and democracy to its neighbours.⁷ In 2008 a summit in Paris tried to resurrect the multilateral dimension of Euro-Mediterranean cooperation with a new name: "Union for the Mediterranean". However, it has largely remained a sort of informal venue to discuss regional issues in specific sectors.

Yet, the outbreak of the Arab uprisings in 2011 demonstrated the failure of EU policies towards its Mediterranean neighbours.⁸ Afterwards, in spite of several attempts to review the ENP, the policies and instruments at the EU's disposal proved to be inappropriate to face the growing instability and conflicts in MENA countries. At the same time, and more realistically, the EU's focus for its southern neighbourhood shifted from transformation to stabilisation.

As some analysts highlighted,

one of the main reasons behind the EU's inconsistencies and the lack of coherence between its discourses and the outcome of its policies is to be found in a widespread and oversimplifying idea. For decades, the EU has been trapped in what it perceived as a "dilemma between values and interests": if it wanted to be true to its values, it would have to press for genuine democratic reform, but if it tried to defend its immediate interests, it would have to maintain friendly relations with autocracies.⁹

⁶ Ibid.

⁷ R. Hollis, "No friend of democratization: Europe's role in the genesis of the 'Arab Spring'", *International Affairs*, vol. 88, no. 1, 2012.

⁸ Ibid.

⁹ H. Amirah Fernandez, *The EU's Addiction to False Dilemmas in the Mediterranean*,

However, even stabilisation has proven to be a very difficult task so far, as all of the limitations on the EU playing a key role in attempts to stabilise regional conflicts, both in Libya and Syria, and to manage crises have clearly emerged. In economics as in politics, Europeans have historically tended to approach the MENA region with national interests in mind, rather than with a common vision. Indeed, divisions and different, or sometimes opposing, interests – from the migrant and refugee crisis to the Libya war – among member states have often prevailed, greatly limiting EU foreign policy and its external projection. This has proven to be particularly evident in the Mediterranean neighbourhood where the lack of a coherent EU policy has greatly reduced European (geo)political leverage in the region. Here, the EU can hardly be considered, and perceived, as a geopolitical player, while other external actors, from Russia to China, along with a number of regional countries have increased their role and influence in different ways, also taking advantage of the United States' reduced engagement in the Middle East.

EU Interests at Stake

Notwithstanding its limited geopolitical role, for the EU stability/stabilisation in the MENA region remains a crucial priority, as its interests have remained unchanged. Especially over the past decade, Europe has been challenged by the spill-over effects of growing instability, conflicts and crises stemming from the Middle East and North Africa. In this transforming context, challenges have also come from the increasing penetration of other players in the region. While Russia has established itself as an assertive geopolitical power, the penetration of Asian countries has mainly been driven by economic interests. In a first phase, China, along with India, Japan and South Korea, saw the MENA region mainly as a source of fossil fuels to sustain their industrial growth. Except for the involvement in a few

UN peacekeeping missions, their geopolitical ambitions in the wider Mediterranean were nil and their investments in trade or infrastructure was limited, without geopolitical or other deeper economic aspirations. Then the BRI came. In the words of Odd Arne Westad, the Xi Jinping-led Chinese Communist Party “is nationalist rather than internationalist in outlook”.¹⁰ Hidden in the folds of this giant trade and infrastructural project, the geopolitical aim of BRI appears increasingly clear and it seems to resemble what the American Marshall Plan was in 1947: an economic investment also designed to bond Europeans to a political alliance with the United States.

While the EU as a whole is by far the largest trade partner for the Mediterranean countries, China and the other Asian economic giants have gradually gained economic ground and market share. When the Barcelona Process was launched, total EU-Med trade amounted to €82.7 billion.¹¹ Between 1995 and 2001 EU imports from Mediterranean partners grew by 110%, while EU exports rose by 49%. Turkey, Israel and Algeria were the three most important trading partners for the EU in 2001 and in 2016 the region represented 9.4% of total EU external trade.¹² Trade with the EU is dominated by three groups of products: energy (oil, gas), manufactured goods (leather, yarn, textiles, clothing, footwear, furniture) and machinery/transportation equipment. In 2019, EU-Med trade rose to €323.7 billion, with €150.5 billion in imports and €173.2 billion in exports.¹³ In the region, Turkey is the largest EU partner accounting for 3.4% (€138 billion) of EU trade with the world. Looking at the Gulf countries, the picture is quite different as here China has gradually become the main trade partner for Gulf Cooperation Council (GCC) states, surpassing the EU.

¹⁰ O.A. Westad, “The Sources of Chinese Conduct. Are Washington and Beijing Fighting a New Cold War?”, *Foreign Affairs*, September/October 2019.

¹¹ Eurostat.

¹² Eurostat.

¹³ <https://ec.europa.eu/trade/policy/countries-and-regions/regions/euro-mediterranean-partnership/>

In 2019, China's trade with the GCC amounted to €156.7 billion, while EU trade with the same countries was €129 billion. China is also the main trade partner of Iraq (€29.2 billion) and Iran (€17.3 billion).¹⁴ In general, while China has positioned itself as the main or one of the main goods suppliers for all MENA countries, India, Japan and South Korea rank among the top trade partners for Saudi Arabia, the United Arab Emirates, Kuwait, Oman, Qatar and Iran. Fossil fuel exports from the region account for a significant share of bilateral trade with Asian countries.¹⁵ Since 2015 China has become the main destination for fuel from the Gulf region, while Saudi Arabia has become Beijing's main oil supplier.

For foreign direct investment (FDI), the EU ranks among the top investors in the MENA region, although the area has witnessed a significant decrease in FDI since 2008 as a consequence of both the international economic crisis and the increasing instability and volatility that have characterised the region since 2011. In 2017, EU FDI stock amounted to US\$286 billion, while China's direct investment was US\$24.7 billion.¹⁶ Beyond investment the EU, together with its member states, is the largest donor in the area and globally, providing 47% of world official development assistance (ODA), more than double the ODA provided by the United States (at 20%). In 2018, with €9.43 billion the MENA region received the second largest amount of EU ODA after Sub Saharan Africa (€15.52 billion).¹⁷ As for humanitarian assistance from the EU, Syria has received the most, with €20 billion since 2011.¹⁸

¹⁴ Data from the European Commission, DG Trade, https://ec.europa.eu/trade/policy/countries-and-regions/statistics/index_en.htm

¹⁵ See chapter 5 in this volume.

¹⁶ K.W. Sidlo, "China's Economic Engagement in the MENA Region", in Idem (ed.), *The role of China in the Middle East and North Africa (MENA). Beyond economic interests?*, EuroMeSCo Joint Policy Study no. 17, July 2020.

¹⁷ European Commission, Overview, https://euaidexplorer.ec.europa.eu/content/overview_en

¹⁸ European Commission, European Civil Protection and Humanitarian and Operations, [Syria](#).

Turning to energy, in 2018, the EU imported 508.4 million tonnes (Mt) of crude oil from third countries, a decrease of 7.5% on 2008 (549.7 Mt). More than 25% of these imports came from four MENA countries: Iraq (9%), Saudi Arabia (7.4%), Libya (6.1%), and Iran (3.9%).¹⁹ In the same year, Algeria and Qatar were the third and fourth gas suppliers providing respectively 11.3% and 5.8% of gas to the EU. Looking at gas reserves and future connections, the importance of the Eastern Mediterranean for the EU goes far beyond current supplies. Since 2015, the EU has targeted the exploitation of gas in the Eastern Mediterranean as a key priority for its energy diversification strategy and the EastMed – an ambitious and costly 1,800 km undersea pipeline – is a high-value project to ensure a secure energy supply and reduce European dependence on Russian gas. However, the global economic downturn and the drop in energy demand amid the coronavirus pandemic crisis have changed priorities and put on hold drilling activities by international companies, while making the investment for the project more unlikely.

While so far the EU has not been able to transform its economic weight into geopolitical leverage in the region, it is not unlikely that the disruption of economic activities both in Europe and in the MENA countries will affect the path of their relations. However, it remains to be seen not only what the real impact will be in the medium-term and how Covid-19 might influence the reshaping of bilateral ties and the role of the EU in the region.

The most recent forecast from the International Monetary Fund (IMF) shows the Middle East and Central Asia countries will experience a sharp economic recession in 2020, estimated at -4.7%.²⁰ The latest forecast is two percentage points lower than the IMF's April estimate. In this gloomy picture, the oil exporting countries will contract more, -7.3%, because of the

¹⁹ Eurostat, "Where does the crude oil come from?", 7 May 2020.

²⁰ International Monetary Fund, *Regional Economic Outlook. Middle East and Central Asia*, July 2020.

combined effect of plummeting oil prices, while the oil importing countries are expected to contract by 1.1%. Recession all around the world and especially in the EU – whose real GDP is expected to contract by 9.3% in 2020 and then to grow by 5.7% in 2021 (IMF) – is reverberating in the MENA region that has witnessed a severe reduction in the value of trade in goods and services, FDI inflows, international tourism and remittances. According to the World Bank, remittances to the MENA region, which contribute to the GDP of many countries, are expected to fall by 19.6% to US\$47 billion in 2020, following the 2.6% growth seen in 2019 when remittances amounted to US\$63.6 billion. The decline is due not only to the global downturn but also to the impact of lower oil prices in GCC countries. Remittances from the EU would also decline because of the area's pre-Covid-19 economic slowdown and the depreciation of the euro against the US dollar. Nevertheless, in 2021 remittances to the region are expected to recover, albeit at a slow pace of around 1.6%.²¹ To sustain their economies, limit damage and stimulate growth, major regional countries, especially oil-rich Gulf states, are implementing large stimulus and relief packages. But this might not be enough in times of plummeting oil prices. Against this backdrop, in the medium-term, when world economic recovery is expected, it would be important for the Middle East governments to preserve relations with the EU and also the US, as so far both have been a source of foreign capital, significant export markets and key suppliers of goods and services. At the same time, it is equally important to maintain ties with Asian countries that remain major destinations of energy supplies from the region and significant investors, as in the case of China.

It is not by chance that when the pandemic affected MENA countries, Beijing was particularly active with its “health diplomacy” by providing medical supplies to its Middle Eastern

²¹ World Bank, “[World Bank Predicts Sharpest Decline of Remittances in Recent History](#)”, Press release, 22 April 2020.

partners. In doing so, China aimed to strengthen bilateral ties as well as to seek “to convince its partners of its commitment and dependability, and to make them overlook its mistakes and responsibilities in the early mismanagement of the crisis”.²² On its side, the EU provided financial support to face the pandemic by allocating €15.6 billion from existing external action resources for its partners.²³ Financial support for the neighbourhood amounted to €3.07 billion, of which more than 2.1 billion for the southern Mediterranean countries. In particular, €30.8 million were allocated for immediate needs, €572 million to strengthen the health sector, while €1.5 billion to support the social and economic recovery of the region in the short- and medium-term.²⁴ Addressing socio-economic inequalities, exacerbated by the pandemic crisis, remains a priority for the EU, although not always instruments and resources put in place live up challenges stemming from the region.

Covid-19 as a Game Changer?

“The coronavirus epidemic is a game changer in globalisation: we must draw all the consequences”, the French Finance Minister Bruno Le Maire said.²⁵ It was the end of February 2020: Covid-19 was not yet a global pandemic but it had already forced the Chinese government first to lockdown the city of Wuhan, then the whole country. The sudden break in activities in the warehouse and manufacturing heart of the world was already a gloomy warning of an unclear future in the global economy.

²² See Y.H. Zoubir, *China's 'Health Silk Road' Diplomacy in the MENA*, KAS, Med Dialogue Series no. 27, July 2020.

²³ European Commission, “[Coronavirus: EU global response to fight the pandemic](#)”, Press release, Brussels, 8 April 2020.

²⁴ “[EU response to the coronavirus pandemic in the Southern Neighbourhood](#)”, *reliefweb*, April 2020.

²⁵ “[Coronavirus : pour Bruno Le Maire, l'épidémie change la donne de la mondialisation](#)”, *La Tribune*, 25 February 2020.

Le Maire was trying to figure the future and its possible effects. One of the first consequences of the pandemic, he said, should be “the imperative need to relocate a certain number of activities and to be more independent on a certain number of production chains”.²⁶ In several important industrial sectors, such as automotive and pharmaceutical, Europe is heavily dependent on China and India.

But rethinking globalisation is not just about economic relations between Europe and East Asia: the wider Mediterranean could be important, too. When he gave his statement, the French Finance Minister was in Athens, in the heart of the Mediterranean, meeting with the Greek Finance minister Christos Staikouras, on his way back from a G20 summit in Riyadh. Alongside China and other relevant Asian players, the Gulf and countries of the southern shore of the Mediterranean are focal points for European trade, manufacturing investment and infrastructure schemes.

The global lockdown brought a painful freeze for many businesses. But in the short- and medium-term, its economic consequences could be far more painful for everyone, in every region. It is too early now to see any sign of a structural change and to assess the magnitude of the process. But the rethinking of globalisation in the aftermath of the pandemic seems to be unavoidable in Europe and in the rest of the Western world. Ultimately, the pandemic and the compelling need for every government to create jobs will compound an already existing nationalistic tendency in Europe. Roasting the “Brussels bureaucracy”, calls to “bring back home” factories from Asia and the Middle East and North Africa region, and appeals to limit or even remove globalisation have been key elements of the political debate in every single European country for a while now.

These relatively new EU stances add complexity to the wider Mediterranean, an area already torn by conflicts, regional political instability and more general instability across most of the

²⁶ Ibid.

Middle East and North Africa countries, stagnant or collapsing economies and the absence of reforms.

The wider Mediterranean region is one of the main junctions of the new Silk Road. Progress for this project, however, might be jeopardised by the effects of the pandemic. First, there will be a general rethinking of globalisation, and it will be influenced by China's botched handling of the virus, which has caused serious damage for the country's standing in Brussels and in most European countries. Furthermore, both before and during the spread of the pandemic, the Chinese effort to fragment the liberal international order and its bullying approach have made many Europeans fearful of China's President Xi Jinping. Outside the Mediterranean, such a feeling is shared by India, Japan and South Korea.

At the beginning of the pandemic, as cities, roads and skies around the world moved into lockdown, Saudi Arabia and Russia decided to engage into a foolish fight for shares of an over supplied oil market – not only suspending cuts, but even increasing their own oil production. That, combined with plummeting demand, caused an almost unbelievable fall in oil prices, worsening the already dire financial situation of MENA's energy producers. As some enter survival mode (e.g. Algeria, Iran) the richest kingdoms and emirates of the Gulf face a dilemma: should they spend the large cash reserves in their sovereign wealth funds to buy the distressed assets of European and American companies battered by the global crisis or do they use these enormous resources to contain their own crises. And there is the speculation on the dollar peg with their currencies, caused by the oil price drop. Mohammed al-Jadaan, Saudi Arabia's Minister of Finance, has already stated his country will "extremely reduce" budget expenditure.

Before his announcement, European investors were already becoming wary of Gulf megaprojects dubbed as the Saudi "Vision 2030" or Kuwait's "Vision 2035". Suddenly one of the richest regions in the world is not as attractive as it was before the pandemic. At the same time, governments and the EU also

are adopting barriers to protect themselves from the Gulf sovereign wealth fund and acquisitions by Chinese companies of the most important continental assets. The first Franco-German proposal for the €500 billion coronavirus recovery fund for the EU member states in trouble included “a specific demand for an industrial policy to protect Europe against investments by third countries in strategic sectors”.²⁷ But the most compelling matter for Europeans does not seem to be the sovereign wealth funds from the Gulf but rather the perceived aggressive Chinese expansionism. “Germany has imposed restrictions on predatory investment in high-tech industries. France has said it will do likewise. Mr Xi’s assertive stance in the South China Sea and Beijing’s coercive diplomacy elsewhere have prompted the EU to label China ‘a systemic rival’”.²⁸

In this context, counterbalancing the growing presence of China, along with other Asian players in search of geopolitical and economic gain/advantage, could become a necessity for the EU, and the US. It is not unlikely the EU may be facing increasing pressure from the United States regarding its ties with China and Chinese activity in its neighbourhood.²⁹ This potential new framework in the wider Mediterranean would bring more competition with China and, at the same time, much more cooperation with the other Asian players in the region. European reluctance to line up with Donald Trump’s aggressive China policy could drastically change if Joe Biden wins the presidential contest in November 2020.

²⁷ W. Munchau, “Beijing is putting EU countries against each other”, *Financial Times*, 25 May 2020.

²⁸ P. Stephens, “Three compass point for an EU-China policy”, *Financial Times*, 5 June 2020.

²⁹ K.W. Sidlo (2020).

Conclusion

Europe is the point. To be a leading force in the wider Mediterranean, the European Union now needs to be bold with a clear purpose about the future of the region. A vision that must not be detrimental to the interest and needs of MENA countries. It should be, on the opposite side, a common economic initiative aimed primarily at boosting regional development. Economic and social recovery in the MENA region – now even more necessary in the aftermath of the economic “black swan” caused by Covid-19 – means more political stability, a decrease in conflicts and a better approach to the question of refugees and illegal migration, a disrupting factor in almost every European country in terms of resurgent nationalism, racism and dangerous forms of anti-Europeanism.

First and foremost, the EU has the compelling obligation to reorganise itself, now more than ever. In some countries, the pandemic has already increased selfishness and the illusion of doing it better alone. Should this attitude prevail, it would be the final blow for the European Union. To avoid this outcome, solidarity among continental partners should be encouraged, while creating a wonderful opportunity to once again find the common purpose at the origin of the European endeavour. This is the only way to be a reliable partner for the wider Mediterranean countries, offering a credible alternative to our Asian competitors in the region.

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