



VOLUME XVI • ISSUE 2 • JANUARY 26, 2016

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## **In a Fortnight: Xi Jinping's Middle East Diplomacy**

In mid-January, Chinese President Xi Jinping embarked upon a high-visibility series of visits to Middle Eastern countries, with stops in Iran, Egypt and Saudi Arabia—three centers of power in the region. This marks the culmination of a long-term strategy to build Chinese national power in the Middle East. Though China is heavily invested in Middle Eastern stability, and likely with an eye on rolling back the influence of the Islamic State, Xi's visit is more directly an exercise in prestige diplomacy. Already known for his more active involvement in foreign policy, his visit to the Middle East comes ahead of a meeting scheduled for late January in Geneva of the international community and Syrian government and opposition figures to negotiate the future of Syria. Having played a constructive role in the Iran nuclear talks, China now seeks a more permanent place as a broker of peace and

stability in the region. Chinese Foreign Minister described the visits as “reaching a new height of relations” with countries in the region ([Xinhua](#), January 24).

Xi's visits have two hallmarks: that China offers a neutral, “win-win” partnership to build stability, and economic rewards. Speaking at the Arab League headquarters in Cairo, Xi noted that “the international community should respect local actors and not seek to force a solution from without” ([CNTV](#), January 21). As the secretary of the Arab League later pointed out in an interview, China is respected as a neutral actor and a supporter of the Palestinian cause ([Xinhua](#), January 19).

The promise of greater Chinese investment is omnipresent in Xi's speeches. In an open letter to the Saudi people, Xi invoked the historical ties China maintained with Arabia via the Silk Road and also recalled past days of Chinese naval power by referring to Admiral Zheng He's port calls to the region during the 15th century. Saudi Arabia and Iran both promised to expand economic cooperation through Xi's economic initiative to tie China's economies to wider Eurasia, the Maritime Economic Belt and New Silk Road Economic Belt and

21st Century Maritime Silk Road (the Belt and Road Initiative) (OBOR).

China, however, has chosen to show engagement and leadership in the region at an awkward moment. Saudi Arabian and Iranian ties—never robust to begin with—experienced a major rift over the course of 2015. Earlier this month, relations were shattered due to the execution of a popular Shia cleric Nimr al-Nimr and Iranian accusations that its embassy in Yemen—where Iran and Saudi are fighting a proxy war—was targeted during an air strike (China National Radio, January 8). Against this background, China is expanding its ability to project power throughout the region, reorganizing its counterterrorism apparatus, and exploring new avenues for energy and investment with its partners in the region (for more details on these topics, see the other articles in this issue).

Saudi Arabia has an impressive collection of allies, and outspends its much more populous rival Iran on defense. Despite low oil prices and continuing crises to the north in Iraq and Syria and to the South in Yemen, Saudi Arabia has a strong economy. By playing a leading role in the Gulf Cooperation Council, a group of aligned Arab Gulf States, Saudi Arabia has tremendous influence with the regions other “petro states.” With \$69 Billion dollars in bilateral trade and an estimated 16 percent of Chinese oil coming from Saudi Arabia, the Saudi relationship is one where China cannot afford to miscalculate. Unsurprisingly then, China’s relationship with Saudi Arabia has not just been about oil and romanticized history.

China has also chosen to continue building a strong relationship with Iran. Xi’s visit to Tehran during this trip saw the signing of agreements to cooperate on high speed rail projects, and to deepen oil and gas production (Sina, January 18). Chinese petroleum companies have partnered with Iran to explore Iran’s vast—though difficult to access—gas fields, and conventional oil exports made sanctions on Iranian exports a bitter pill. China has been building stronger military ties with Iran over the past few years (China Brief, February 4, 2015). Earlier in 2015, PLA General Staff Department (GSD) Deputy Chief Admiral Sun Jianguo, visited Iran (MOD, October 15, 2015). Perhaps in part due to this strong economic and military relationship, China has been able to act as a “neutral” party when international pressure comes to bear on Iran. State Councilor and

former Minister of Foreign Affairs Yang Jiechi met with Egyptian President Abdel Fattah al-Sisi in June of last year as part of China’s participation in urging Iran to accept a deal to deactivate its nuclear program (Xinhua, June 2, 2015; China Brief, July 17, 2015).

Where, then, do Chinese interests in the Middle East stand? Despite talk of “people to people” connections, national security and economic interests remain China’s primary reason for engagement in the Middle East. Though Chinese growth has slowed, and it has actively worked to diversify and expand both its energy production and sources, China will remain reliant on Middle Eastern oil for much of its energy. Its other economic interests in the region, though small compared to the trade for oil, are also growing and diversifying (See in this issue: *China and the United Arab Emirates: Sustainable Silk Road Partnership?*). Though China has committed itself toward building a strong relationship with Iran, the numbers seem to indicate a much deeper relationship with Saudi-aligned nations (see below).

<b>Chinese Interests in the Middle East</b>					
(Bilateral Trade in billions of US Dollars <sup>1</sup> , Oil Exports in Percentage of Chinese Total Imports <sup>2</sup> )					
Gulf Cooperation Council States			“Shia Crescent” <sup>3</sup>		
Saudi Arabia	\$69	16%	Iran	\$53.9	9%
United Arab Emirates	\$54.7	4%	Iraq	\$28.4	9%
Oman	\$25.8	10%	Lebanon	\$ 2.6	-
Kuwait	\$13.4	3%	Syria	\$ .9	-
Qatar	\$10.3	-			
Bahrain	\$ 1.4	-			

1. UN Comtrade, 2014  
 2. Energy Information Agency, 2014  
 3. Note this is a notional arc of states with large Shi’a Muslim populations whose foreign policy frequently aligns with Iran.

With a foreign policy that has been determinedly agnostic toward either side in Saudi-Iranian competition, China is more likely to leverage its influence in countries on both sides of the Sunni-Shia divide to maintain stability while growing its international prestige.

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## New Law Reshapes Chinese Counterterrorism Policy and Operations

By Peter Mattis

On December 27, the National People's Congress approved China's new Counterterrorism Law, establishing a legal basis for counterterrorism operations and the authorities delegated to the security services for that mission ([Xinhua](#), December 27, 2015). Earlier drafts of the law sparked international controversy after Beijing claimed the need for access to the communication and information system encryption keys used by Chinese and foreign companies operating in China. The Chinese state's role in intellectual property theft stoked fears that Beijing was using security concerns as an excuse to exploit foreign companies. Although this provision was softened, the approved text of the Counterterrorism Law still contains a number of expansive powers, such as restrictions on press coverage of terrorist incidents. The law's most important elements, however, address organizational changes to how the Chinese intelligence and security services conduct counterterrorism operations. The law creates a new counterterrorism policy system, which mirrors similar systems established for other security missions to improve coordination and information sharing.

### Highlights of the Counterterrorism Law

The new Counterterrorism Law outlines a broad set of authorities and practices for the Ministry of State Security (MSS), the Ministry of Public Security (MPS), and other parts of the political-legal apparatus.

*Cooperation:* Information technology and telecommunications firms are required to cooperate as requested by the appropriate authorities. This cooperation includes the possibility of providing encryption keys and data otherwise kept private within a company's records.

*Expanded Police Authority:* The police can restrain the activities of terrorist suspects, including preventing them from leaving a locality, meeting with others, and taking public transport.

*Use of Force:* The police are allowed to use weapons against armed terrorists in the middle of an attack without prior authorization. This strange provision seems to suggest either more police officers will be armed or that confusion about what police could do in the middle of an attack had stalled the responses to attacks, like the attacks at the Kunming train station in March 2014.

*Overseas Operations:* The People's Liberation Army and People's Armed Police are authorized to execute counterterrorism operations overseas with the approval of the Central Military Commission. The Ministry of Public Security is similarly authorized with the approval of the host country and the State Council ([Xinhua](#), December 27, 2015).

As with the Counterespionage Law passed in late 2014, the new Counterterrorism Law contains provisions that provide a legal foundation for activities that are probably already occurring ([China Brief](#), March 6, 2015). State media also pointed out that some of the practices formalized in the new law were drawn from studies of U.S. and European security legislation. Although this obvious propaganda point is intended to undermine Western criticism of some of the law's features, many of the authorities are not unlike how Western security services operate ([Xinhua](#), December 27, 2015; [Legal Network](#), December 29, 2015). The primary difference is the latter receive judicial and legal oversight for their operations and often do not possess the authority to proceed without that oversight.

The explicit discussion of Chinese armed forces and the security services operating abroad highlights Beijing's growing willingness to use force outside China and engage in joint operations to protect Chinese overseas interests, even if such operations are not necessarily related to terrorism. An incident on October 5, 2011, in which 13 Chinese riverboat sailors were killed by drug smugglers, galvanized the government to take action ([China Brief](#), November 11, 2011). After a flurry of negotiations, the MPS began coordinated river patrols on the Mekong River and

deployed officers to Laos to provide operational support in the hunt for the drug lord, Naw Kham, responsible for the murders ([Xinhua](#), September 19, 2012). The MPS has conducted joint operations in Angola to capture a Chinese criminal gang, and Xi Jinping's anti-corruption campaign led to MPS officers being deployed overseas to track fugitives and liaise with local authorities, as well as use Interpol channels to put pressure on those fugitives ([Xinhua](#), August 25, 2012; [SCMP](#), April 23, 2015; [Xinhua](#), October 29, 2015). The PLA's different service elements also appear to be seeking roles, as demonstrated by PLA Navy marines' participation in a recent training exercise in Xinjiang ([Xinhua](#), January 8). The need to protect Chinese citizens from kidnappings or worse (as Chinese deaths in the Boston Marathon bombings, the Islamic State execution, and the bombing in Bangkok amply demonstrate) and the inability of the Chinese government to do so probably generated momentum for the international aspects of the Counterterrorism Law ([Bangkok Post](#), August 19, 2015; [China Brief](#), February 3, 2012; [China Brief](#), May 11, 2012).

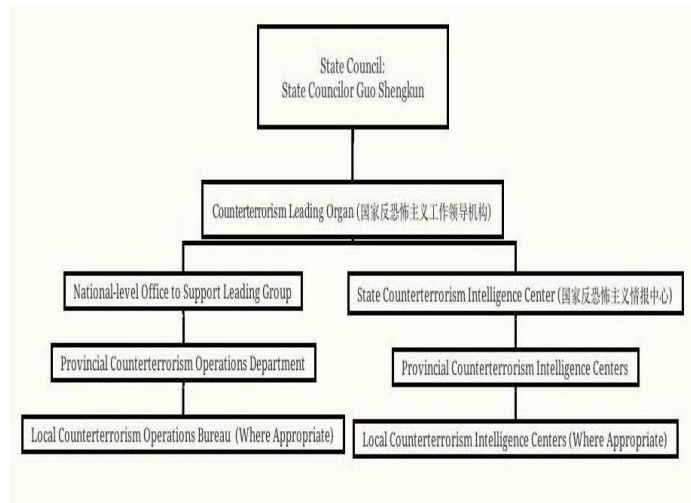
### Establishing a New Counterterrorism Structure

The most important provisions relate to a new policy and operations system focused on creating and implementing counterterrorism policy. The system will bring together counterterrorism elements of the MSS, MPS, and possibly the People's Armed Police under a quasi-autonomous structure, distinct from other policymaking bodies like the Political-Legal Commission. The law contains two provisions that outline the structure of the policy system:

*National institution for counterterrorism work* (国家反恐怖主义工作领导小组): This leading institution at the national level will be present at every level of government at least down to the municipality. The organizations in this structure will be responsible for conducting counterterrorism operations;

*State Counterterrorism Intelligence Center* (国家反恐怖主义情报中心): The State Counterterrorism Intelligence Center (SCIC) would serve as an interdepartmental and inter-regional clearinghouse for "counterterrorism intelligence information work" (反恐怖主义情报信息工作) and coordinating related resources. The MPS and MSS, as well as their provincial departments and sub-

provincial bureaus, therefore, would submit counterterrorism information to the SCIC. The work of the SCIC also will be buttressed by sub-national counterterrorism intelligence centers; however, the law is ambiguous about what level of government is required to set up a local center. The SCIC also will provide analytic reports and warning of terrorist activities to local security forces ([Xinhua](#), December 27, 2015).



The law mentions each of the major political-legal institutions contributing to the new counterterrorism institutions—namely, the MSS, MPS, People's Procuratorate, and the court system. The "relevant departments" (有关部门) could include the principal military intelligence departments within the PLA General Staff Department (or possibly the newly-established Strategic Support Force), the People's Armed Police, and the United Front Work Department (UFD). The relevance of the first two are obvious, but their role depends on whether the Central Military Commission authorizes their participation. The latter has responsibility for manufacturing consent among the ethnic minority groups for Beijing's rule, and some evidence suggests the United Front system has become more involved in managing unrest in Xinjiang ([China Brief](#), July 26, 2013). The UFD potentially adds capabilities, including intelligence, indoctrination, and the authority to integrate outsiders, albeit in a controlled form, into the party's political processes.

According to the law's text, the counterterrorism intelligence system will draw upon the full capabilities of the Chinese intelligence and security apparatus. The law authorizes MPS and MSS elements to recruit

sources as well as develop a broad network of contacts (“rely on the masses” and “establish a grassroots work force”) to provide tip-offs. Technical reconnaissance means, such as computer network operations, can also be employed, provided the information collected is used solely for counterterrorism operations. The law’s text is explicit on this point, probably to assuage concerns that Western companies providing their encryptions keys would be vulnerable to economic espionage ([Xinhua](#), December 27, 2015). Additionally, the MPS is singled out for its capability to collect information on and track an individual through their identification documents and biometrics, as well as real name registration for many telecommunications and Internet services. The law authorizes the MPS to gather this data, and employ it to restrict the movements of terrorist suspects. These capabilities have been under development for some time, and the wording of the law (and the specific omission of the MSS) suggests that, without the counterterrorism law, the MSS could not draw upon these resources for state security work ([China Brief](#), June 3, 2011). Integrating these collection capabilities under the SCIC might make the counterterrorism policy system the closest to an all-source intelligence system in China, second only to the military intelligence system.

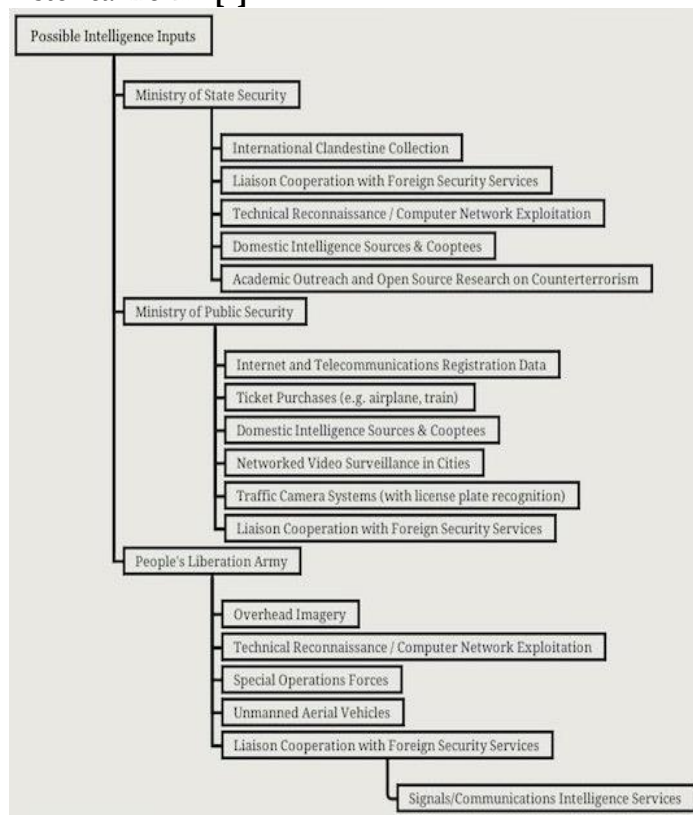
The organizational details described in the Counterterrorism Law offer only a glimpse of what probably will be built up in the coming months, but this is not Beijing’s first effort at integrating policy and operations against a particular challenge. The closest parallel to the new counterterrorism system is the structure of the 610 Office under the Leading Small Group for the Defense and Management of Evil Cult Issues (中央防范和处理邪教问题领导小组), established to target the *Falun Gong* quasi-spiritual movement. Beneath the leading small group is an executive office, the 610 Office itself, which staffs the group and formulates policy. Beneath the central 610 Office, every province and down to the county or municipal level has a local 610 Office. The personnel at each level are drawn from their local MPS and MSS bureaus, and they work in the 610 Office independent of their home element. By seconding police and intelligence officers away from their home ministry, the 610 Office sharply reduces bureaucratic friction and competition. Because the MSS adopted the police rank system in the early 1990s, performance evaluations can be standardized and being assigned to the 610 Office

does not obviously disrupt one’s career ([Xinhua](#), September 16, 1992; December 23, 1992). The effectiveness of Beijing’s campaign against Falun Gong over the last 17 years suggests the 610 Office structure streamlines domestic security intelligence and operations.

Comparing the available information on the counterterrorism system to the 610 Office structure raises a few questions about the new set of organizations and how they will function. First, this system will operate under the State Council, unlike the 610 Office, which operates under the Party’s umbrella. This could signal that the UFWD or related institutions would not be included in counterterrorism. Unless a counterterrorism leading small group is established inside the Party or the State Security Committee (中央国家安全委员会) to serve as the primary authority, the new system almost certainly will be focused narrowly on security operations rather than a comprehensive counterterrorism effort. An integrated approach would be signaled by making united front work as a constituent part of the system or placing senior counterterrorism officials in the Chinese People’s Political Consultative Congress separate from their home ministries. Otherwise, placing a Party organization like the UFWD under or integrating with a State–Council-led effort seems unlikely, if not unthinkable.

Second, the status of the counterterrorism personnel assigned to the new counterterrorism system probably will affect how well the system functions. In the 610 Office structure, police and intelligence officers are seconded over, removing them from their home agencies. For the operational elements of the counterterrorism system, mimicking the 610 Office may be the most beneficial option. The personnel work separately in an integrated office, but can later return to their home ministry. The SCIC and any sub-national elements, however, might be better served by a task force structure, more akin to the Olympic security intelligence organizations. The Chinese intelligence officers and information workers assigned would have direct connectivity back to their home offices with the ability to search for useful information and feed it into the SCIC rather than wait for the ministry to provide intelligence reporting as it determines relevance. The Olympics, however, were an exceptional political event, and Beijing may not be prepared to push such

integration in a system where rivalries have been the historical norm. [1]



## Conclusion

The Counterterrorism Law, in large part because of the organizational changes, marks a significant change in Beijing's intelligence and security operations against what it considers to be terrorist targets. Although counterterrorism probably will not be on par with similarly integrated systems (Taiwan, Falun Gong, and preserving stability) led by Politburo Standing Committee members, the new authorities and institutional structure likely will be sufficient to integrate policy and operations both at home and abroad. Though the implementation remains to be seen, there is little reason to doubt NPC Chairman Zhang Dejiang's assertions that the new law, by establishing the basic principles of counterterrorism operations, "will improve [China's] counterterrorism capability and level" ([Xinhua](#), December 27, 2015).

The new organizational structure for counterterrorism should smooth out some of the tensions between the MPS and MSS over which ministry has jurisdiction in terrorism cases. In China, the definitions of public security and state security complicate the handling of terrorism when the individuals involved are Chinese

citizens. Ostensibly, the MPS should have primacy, but, if there is an international dimension to why these people pose a threat, then the MSS should have primacy. The difference in political clout, however, is substantial. MPS officials frequently outrank their MSS counterparts at every level of the Political-Legal Committee structure, and the former has started to encroach on the MSS's national security prerogative ([China Brief](#), April 12, 2013).

In addition to streamlining operations, the counterterrorism system should improve the flow of information across the relevant ministries. The creation of a national-level intelligence center above the operational counterterrorism offices establishes a clear structure outside of the MPS and MSS for who should be handling what tasks. Instead of feeding a competing ministry, the agencies will be supporting a national policy system in which clearer directions and established overarching objectives ensure a basic level of cooperative effort as can be seen in operations against Taiwan ([China Brief](#), December 5, 2014).

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## Note

1. David Ian Chambers, "Edging in from the Cold: The Past and Present State of Chinese Intelligence Historiography," *Studies in Intelligence*, Vol. 56, No. 3 (September 2012), pp. 31–46.

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## China's First Overseas Base in Djibouti, An Enabler of its Middle East Policy

By Andrea Ghiselli

Although China has yet to achieve superpower status in the realm of security, it is certainly making concerted efforts toward becoming one. On November 26, Chinese Ministry of Defense spokesperson Wu Qian confirmed that China and Djibouti are holding negotiations over the construction of a logistic military base in the Horn of Africa ([China.com](#), November 26, 2015). Observers both in China and abroad have long

awaited an announcement of this kind. The visit of the People's Liberation Army Chief of General Staff Fang Fenghui to the East African country in early November last year was taken as a strong indication that a deal was being negotiated ([Global Times](#), November 14, 2015; [The Diplomat](#), November 14, 2015; [81.com](#), November 9, 2015). Many believed it was just a matter of time, although Beijing had dismissed rumors as attempts to fuel the so-called “China threat theory” ([Global Times](#), November 10, 2015).

Djibouti currently hosts U.S., French, Italian and Japanese troops close to Djibouti City, where both the Doraleh Multipurpose Port and the country's only international airport are located. This begs the question of where China would locate its own base within the small country. U.S. Army Gen. David Rodriguez, head of U.S. Africa Command, indicated that uncertainties remain as to where the base will be located, to the north in Obock or at the port of Doraleh to the west of Djibouti City ([USNI](#), November 25, 2015). Yet, for the time being, China Merchant Holding International—part of the state-owned shipping conglomerate China Merchant Group—has announced it will provide a large share of a \$590 million investment necessary to upgrade the Doraleh Multipurpose Port ([portstrategy](#), September 7, 2015). U.S. analysts Andrew S. Erickson and Gabe Collins have suggested that building a logistics base in Obock may best serve China's interests in the region ([China Signpost](#), July 11, 2015).

### Symbol or “Stepping Stone”

Just as China's first aircraft carrier, the Liaoning, acted as a both a symbol of China's rise and a platform to practice more complex operations, the future base will have a highly symbolic value as China's first “protective facility” abroad (保障设施) in the definition provided by the People's Daily ([People's Daily](#), November 26, 2015). Although it might be seen as a mere rhetoric exercise, usually the term “facility” is used to indicate a small base mainly used for logistic purposes, rather than for attack operations like those established by Western countries. The attention payed by Chinese officials to this matter is part of the efforts to present the country as a peaceful one. However, what the facilities will consist of and what they will be used for is still unclear. According to spokesperson Wu's brief statement, the base will “provide better support to the Chinese armed forces to carry out peacekeeping

operations, conduct anti-piracy operations in the Gulf of Aden and Somalia, and coordinate search-and-rescue humanitarian operations. It will help the People's Liberation Army fulfill its international obligations, and to play a more active role in ensuring peace and stability at a regional and global level.” In regards to better support for Chinese military operations abroad, it should be emphasized the fact that China is not only securing a stable foothold abroad, but it is also boosting its logistic capabilities with a growing fleet of both large and modern supply ships ([China Defense Blog](#), January 3, 2016).

Most Chinese media outlets have not published extensively on the issue. Commentators either quoted Wu Qian's statement, or repeated the usual theme—that China does not aim to achieve the status of a global hegemon, while also focusing on how it does not seek to compete against other state actors to carve a sphere of influence in the Middle East ([Global Times](#), November 26, 2015). Nevertheless, a recent article of the PLA Daily about peacetime military operations stressed the importance of “strengthening every kind of protective facilities and, in particular, speed up the construction of logistic footholds and facilities for joint antiterrorism training, with the main objective of protecting the troops while they carry out their tasks” ([81.com](#), January 12).

Journalist Xing Linan provided a number of interesting insights on how the PLA could make use of its new base in Djibouti ([China.com](#), November 26, 2015). The establishment of a new base must be understood in the context of China's military reforms toward the creation of a more agile a globally capable force. According to Xing, as well as providing the long-sought supply point for the PLA Navy, the base will be crucial to expand China's intelligence gathering capabilities in the area, and will offer to the PLA Air Force the long-sought opportunity to go global.

Indeed, the deployment of Shaanxi Y-9, Y-8 and Y-9 reconnaissance aircraft should not be ruled out. Yet, it should be pointed out that this would require an airstrip, forcing China to either establish the base close to Camp Lemonnier, or to build a new landing strip wherever the base is built, adding to the economic and political cost of the project. Moreover, Xing's article mentions the possibility of stationing 1,000 troops in

Djibouti, mostly veterans from the contingents that participated in past UN peacekeeping operations.

### The Japanese Model of Overseas Basing

Were 1,000 troops to be deployed in Djibouti, it would mean that the Chinese base is likely to be similar to Japan's base in the area; the Japanese base was established in 2011, and hosts between 600 and 700 troops. A further hint that Japan offers the most fitting model for China's new base can be found in a detailed study carried out by Chinese scholars on lessons learned from the process that led Tokyo to establish its first overseas military base since the end of World War II. [1] The article emphasizes the role of anti-piracy escorts and counterterrorism as reasonable justification to establish a military base abroad without attracting international criticism. Moreover, both Asian countries share the common trait of having only limited experience in carrying out overseas operations. Thus, it would make sense for China to emulate the Japanese model, rather than looking to states like France or the United States who have deployed many more troops overseas.

China's military involvement in the region is backed up with a number of recent policies. The "China's Arab Policy Paper" released in early December 2015 places an unprecedented emphasis on military and counterterrorism cooperation with Arab countries ([State Council](#), December 13, 2015). Moreover, these policy guidelines have been preceded by the creation of a new national security and antiterrorism law, as both lay down solid foundations for Chinese overseas military operations. In a rare interview, the officer in charge of the Central Military Commission's Legal Affairs Bureau clearly stated that for the first time, a Chinese law clearly allows for "carrying out UN-led peacekeeping operations, international disaster relief, maritime escorts and military operations to protect China's overseas interests" ([81.com](#), July 15, 2015). This series of developments comes at a critical moment for the Chinese presence in North Africa and the Middle East. The tragic killing of a Chinese hostage captured by the Islamic State and the death of three executives of China Overseas Engineering Group—among the casualties of a bloody November 2015 terrorist attack in Bamako, capital of Mali—are just the most recent reasons for China to strengthen security cooperation with the region. Indeed, growing concern

for the fate of Chinese citizens who work and live in unstable areas is clearly present in some articles appearing on the Chinese web in the aftermath of these tragedies.

### Non-Hegemonic Power Projection

Yet, assessing the impact of a larger military presence on the security of Chinese nationals is still difficult. Firstly, Chinese foreign policy is characterized by strong official opposition to permanent bases and military presence abroad. As stated by Professor Wang Hongwei from Renmin University: "China has a duty to protect its citizens and national interest from dangers and threats overseas, but the [commitment to] no military interference will not be easily abandoned" ([Global Times](#), November 19, 2015).

Secondly, even considering the increase of Chinese peacekeepers promised by Xi Jinping at the United Nations and the logistic "tail" provided by the base in Djibouti, the use of peacekeeping troops for such purpose is extremely difficult to organize due to logistic and bureaucratic reasons. Indeed, a former peacekeeper and security expert, Qian Liyan, regards the use of private security companies as more likely, although the Chinese companies in that sector are still unprepared for such a role ([China.com](#), November 22, 2015). Yet, as recent academic articles in Chinese journals have shown, it is unlikely that in the future Chinese companies will play a more prominent role in this regard. [2] Beyond the protection of its citizens abroad, China could use the base to play a more constructive role in the fight against global terrorism in general, and the Islamic State in particular. Andrew Small, Wei Zhu and Eric Hundman have already pointed out that China has supported a tougher stance against terrorist groups; a larger military contribution more likely in the form of logistic support as opposed to direct intervention in the fight would be imaginable if the political pieces of a grand coalition could be put together ([Foreign Policy](#), November 24, 2015). Chinese media outlets have observed the possibility for China to establish a base in Djibouti could be conducive for carrying out operations of this kind, and scholars affiliated with the People's Armed Police and Ministry of Public Security have examined the role played by the new National Security Commission in leading China's antiterrorism efforts, creating the necessary conditions to allow Chinese soldiers to operate in other countries



([Global Times](#), November 10, 2015). [3] Since the newly enacted counterterrorism law provides the legal authority for PLA and PAP soldiers to be sent abroad under command of the Central Military Commission, it can be argued that a base in Djibouti will prove to be of fundamental importance to China's efforts. However, having voted in favor of UNSC Resolution 2249 (2015) in November 2015, it is difficult to imagine China using this “ticket to Syria”—as Chinese netizens call the Resolution—to proactively intervene in the region ([Tieba.com](#), November 21, 2015).

### Conclusion

The establishment of a logistics base in Djibouti puts an end to the debate about the relationship between the People's Liberation Army and the One Belt One Road—Xi Jinping's flagship diplomatic initiative—thereby providing new options to China's policymakers and strategists ([China Brief](#), October 19, 2015). However, China's role in the region is still minute in comparison to traditional powers for whom operations in the area in large numbers and multiple regional bases are routine.

With Taiwan remaining the Chinese military's most important strategic mission, and maritime disputes in the East and South China Seas still far from being resolved, military operations in the Middle East will persist as an important learning tool for China's armed forces. However, the country will hardly engage in high intensity fights in the region. Rather, it is likely that China will seek to conduct some sort of “win-win global operations” with other countries, and its global military power projection capabilities will remain relatively limited compared to those of the United States. [4] The base will certainly assist the PLA Navy by providing a stable supply point for its anti-piracy task forces; more importantly, however, it should be considered as an important enabler of a more active Chinese engagement in the region, together with the larger contribution of troops and funds that China has secured for further UN peacekeeping operations. As of December 2015, UN peacekeeping data reports that China already has some 2,800 troops deployed in Africa under the UN's aegis, roughly 1,000 more than the number of troops sent the same month in 2014. The base represents the same mix of self-interest and desire to be perceived by other countries as a rising provider of public goods that motivated China to begin anti-piracy operations in late 2008.

If China's involvement in anti-piracy operations have helped the Chinese navy prepare for long-range operations, then the establishment of Djibouti can be viewed as yet another stepping stone to extend the reach and endurance of Chinese maritime strength.

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### Notes

1. 孙德刚 Sun Degang 陈友骏 Chen Youjun, “试析日本在吉布提军事基地的部署与影响” (Japan's Military Base in Djibouti and Its Implications), *国际展望 Global Review*, No.3 (2015), pp.142–61.
2. 赵可金 李少杰 Zhao Kejin Li Shaojie, “探索中国海外安全之力市场化” (On the Privatization of China's Overseas Security System), *世界经济与政治 World Economics and Politics*, pp.133–55; 刘波 杨甜娜 Liu Bo Yang Tianna, “私营军事公司及其对国际安全的影响” (Private Military Companies and Their Influence on International Security), *现代国际关系*, No.9 (2015), pp.28–36.
3. 李本先 梅建明 凌云翔 Li Benxian, Mei Jianming, Lin Yunxiang, “建立国家安全委员会主导的中国反恐机制” (On Building a Chinese Counterterrorism Mechanism Led by the National Security Commission), *国际展望 Global Review*, No.4 (2015), pp.70–84.
4. For more about the potential evolution of the PLA in the next decade: Bernard D. Cole, “The People's Liberation Army in 2020-30: Focused on Regional Issues” and Oriana S. Mastro, “A Global Expeditionary People's Liberation Army: 2025–30” in Roy Kamphausen and David Lai (eds.), *The Chinese People's Liberation Army in 2025*, (Carlisle Barracks, PA: United States Army War College Press, 2015), pp. 165–206 and pp. 207–234.

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## China's Counter-Terrorism Calculus

Jacob Zenn

China's growing global footprint, escalating conflicts and the spread of terrorism in theaters ranging from Syria to Afghanistan and Southeast Asia have created openings for non-state actors to target Chinese interests and citizens overseas. Traditionally, militant groups within China arose from independence movements with ethnically-linked narratives. Their suppression within China, as well as China's growing international exposure, led some of these groups to build relationships with international terrorist groups abroad: while they could not survive wholly within China, they found breathing room in the form of operational space with co-ethnics outside of the country. This is primarily the case for Uighur movements commonly referred to by the catch-all name "East Turkistan Independence Movement(s), or (ETIM)."

Given China's rising engagement in the Middle East—from President Xi Jinping's series of state visits this January, to a role in the Iran nuclear deal, to a growing military footprint on the peripheries of the region boosted by the recent commitment to building a base in Djibouti—an assessment of non-state terrorist threats, particularly from Al-Qaeda and its sub-affiliate, the Turkistan Islamic Party (TIP), and the Islamic State (IS) and its "Provinces," to China, as well as Chinese perceptions of them, is appropriate. This assessment is useful in understanding the differences in costs to China's *human security* versus *national security* objectives. As such, the knowledge of how non-state actors influence Chinese policy and actions is relevant for governments and analysts in assessing China's foreign policy, as well as providing opportunities for engagement on issues of overlapping concern.

### Al-Qaeda and Islamic State Threats to China

*Al-Qaeda / Turkistan Islamic Party (TIP)*

Anti-Chinese Uighur militants shifted from operating under the umbrella of the Islamic Movement of Uzbekistan (IMU) and Taliban in Afghanistan and Pakistan to forming the TIP in 2006 ([China Brief](#), May

23, 2014). Since then, the TIP has become part of Al-Qaeda's structure. Although it is not an Al-Qaeda "affiliate" on the level of AQIM in Northwest Africa, Al-Shabaab in East Africa, AQAP in Yemen and Jabhat al-Nusra in Syria, the TIP now operates alongside Jabhat Al-Nusra and can be considered a "sub-affiliate." Moreover, before the TIP adopted the Syrian war as its own cause in 2013 (in part to seek reciprocal support from jihadists for its goals in Xinjiang), leading Al-Qaeda figures, such as the late Khalid Al-Husaynan and late Abu Yahya Al-Libi, issued statements in support of the TIP ([Terrorism Monitor](#), May 24, 2015). More recently, in 2015, Abdullah Al-Muhyasini, a Saudi preacher close to Jabhat Al-Nusra, also issued statements supporting the TIP (Islom Awazi, December 2, 2015). Al-Qaeda affiliates, such as AQIM and Al-Shabaab, have formally promoted the TIP and its cause to "liberate East Turkistan," while the TIP, in turn, has also issued statements in support of mainstream Al-Qaeda figures, such as a eulogy for AQIM sharia official Abu al-Hassan Rashid al-Bulaydi on January 7, 2016.

Beyond its propaganda with Al-Qaeda, the TIP has often claimed responsibility for major operations domestically in China, including:

- Bus-bombings in several cities before the Beijing Olympics in 2008;
- A truck hit-and-run on pedestrians and mass stabbing attack in Kashgar on Ramadan Eve in 2011;
- A low-sophistication suicide car-bombing in Tiananmen Square in Beijing in October 2013;
- A mass stabbing at the Kunming Train Station in March 2014;
- An apparent double-suicide bombing (or suitcase bombing) at Urumqi Train Station in April 2014; and
- Car-bombings and explosions killing at an Urumqi market in May 2014 ([Terrorism Monitor](#), May 24, 2015)

However, as TIP's propaganda and fighters have shifted their focus from Afghanistan—and even Xinjiang—to Syria, the TIP has become involved in "cheerleading" attacks in Xinjiang than masterminding them. Rather, the "masterminding" of the most recent attacks in China appears to have been carried out by

loosely inter-connected cells across the country. These cells have some coordination with each other as well as with Turkey-based Islamist organizations that run fake passport schemes and assist Uighur men and their families migrate from China through Southeast Asia to Turkey (and sometimes to the TIP or other settlements under rebel control in northwestern Syria) ([Today's Zaman](#), January 14, 2015; [Yenisafak.com](#), June 30, 2014).

While the TIP may be primarily a propaganda platform for recent attacks in Xinjiang, Istanbul-based East Turkistan Education and Solidarity Association (ETESA) also praises—or at least justifies—attacks. These include the aforementioned attacks as well as others that the TIP has not claimed, such as the assassination of the pro-Chinese Communist Party leading imam at the Id Kah mosque in Kashgar in 2014, and a large-scale attack at a coal mine in Xinjiang in October 2015 ([SCMP](#), July 30, 2014). Either these attacks occurred outside the scope of the TIP or were so locally ordered and executed (and minimally reported on outside of China) that the foreign-based TIP did not take notice.

### *The Islamic State*

The Islamic State brought China into its focus in 2015, although a predecessor to the Islamic State in Iraq and Al-Sham (ISIS) featured at least one Chinese fighter in its propaganda as early as 2013 ([YouTube](#), March 18, 2013). The Islamic State's more recent focus on the Uighurs may have been a reaction to the increasing numbers of Uighurs—reportedly up to 1,000 fighters—fighting in the TIP (and therefore with Al-Qaeda affiliate Jabhat Al-Nusra). The Islamic State's promotion of the status and cause of Uighurs in its ranks included:

- Two videos and tweeted photos of an elderly Uighur man who made “*hijra*” (exodus or migration) from Xinjiang to Syria with his family ([shanghaiist.com](#), June 4, 2015);
- Suicide attack “martyrdom” claims of Uighurs (and other Central Asians) in Syria and Iraq; and
- An Islamic State-produced *nasheed* (Islamic chant) in Mandarin Chinese, which represented a general outreach to Chinese Muslims, including Huis, Kazakhs, and possibly Uighurs who speak Mandarin more fluently than Uighur (although the

quality of this *nasheed* was lower than typical Arabic language ones.

For China, the recruitment of TIP jihadists—China's traditional opponent—into Islamic State represents an evolved and hitherto unknown threat. While these recruits arguably make the TIP weaker, higher levels Uighur militancy in the Islamic State is a “devil that China does not know.” It is possible that the Islamic State could generate traction within China where, since 2006, the TIP has not—that is, if the Islamic State has the tools to be as effective in social media and propaganda outreach in a more closed media environment like China as compared to Europe.

The Islamic State has also likely begun to compete with the TIP in recruiting Uighurs along the trafficking networks in Southeast Asia that assist Uighurs to travel to Turkey and Syria. Four Uighurs stood trial in Indonesia in 2015 for trying to meet with the Mujahidin Indonesia Timor (MIT) in Sulawesi, which is a militant group based in Central Sulawesi, whose leader, Santoso, pledged loyalty to Al-Baghdadi in 2014 ([Jakarta Post](#), December 1, 2015). In addition, numerous Islamist organizations in Indonesia have expressed support for the Islamic State and served as feeders for Islamic State recruitment in Syria and Iraq. One man known as Alli, was part of a group of three Uighur militants arrested outside of Jakarta in December 2015 with a bomb-making manual and lists of jailed Indonesian terrorists, as well as Indonesians in Syria who joined the Islamic State. Counterterrorism officials suspected members connected to this cell were involved in the Erawan Shrine bombing in Bangkok, Thailand on August 17, 2015 ([Bangkok Post](#), December 26, 2015). Alli was also reported to be part of the network of Al-Raqqa-based Indonesian Islamic State militant Bahrin Naim before Naim masterminded a series of attacks in Jakarta on January 14, 2016 ([Jakarta Globe](#), December 24, 2015; [Time.com](#), December 28, 2015).

### **Assessment of Threats**

#### *TIP / Al-Qaeda*

Despite the increasing numbers of attacks by networks of Uighur militants in China, the threat to China from such attacks remains an issue of *human security*—not *national security*. The rising death toll of Chinese citizens

in these attacks are “only” in the several hundreds each year. Even if they were in thousands, however, this would hardly lead China to yield to the demands of groups like the TIP and ETESA for the construction of an Islamic state and ending, among other policies:

- The migration of Han Chinese from eastern China to Xinjiang;
- Use of Chinese language in schools in Xinjiang;
- Encouragement of inter-marriage between Han and Uighurs and job offers for Uighur women in eastern China (where presumably they would assimilate or marry Han Chinese);
- Restrictions on offspring (Uighurs and most Chinese minorities have, however, had fewer restrictions as part of the former “one-child policy” than Han families); and
- Testing of nuclear weapons in Xinjiang ([Militant Leadership Monitor](#), December 30, 2011)

Beyond attacks in China, what also could place pressure on China are actions by states. Thus, TIP, ETESA and other Islamist organizations have adopted a “Palestine strategy” of framing China’s rule in Xinjiang as an “occupation,” delegitimizing Chinese sovereignty, and ultimately seeking an international referendum on Xinjiang’s status (presumably parts of northwestern Xinjiang where Han already far outnumber Uighurs would not be included in such a vote). [1] This strategy may be of greater relevance to China as a state than the *human security* losses as resulting from Uighur militancy ([China Brief](#), May 23, 2014). While the prospects of any such referendum occurring in the near-term future is highly unlikely, there is some evidence that this narrative is finding sympathetic ears:

- Then Turkish Prime Minister Tayyip Erdogan called Chinese rule in Xinjiang a “genocide” in 2009 ([Hurriyet](#), July 14, 2009);
- The TIP held territory in northwestern Syria as part of the coalition with Jabhat Al-Nusra with support from Turkey or Turkey-based organizations, which furthered support and recognition of the TIP from supporters of Jabhat Al-Nusra around the Muslim world; [2] and
- The prospect of re-shaping the borders in the Middle East that could lead to new conceptions of sovereignty and statehood—not only in that region

but elsewhere throughout the Islamic World, including Central Asia and Xinjiang

Thus, it is the mobilization potential of groups like the TIP or ETESA, which merge pan-Islamist themes with Uighur nationalism while accepting—and even promoting—violent struggle, or “jihad” (even though ETESA may not directly participate in it) that may become the broader *national security* issue for China to deal with in the future. In fact, China’s counterterrorism success in preventing the TIP from gaining the traction to begin a full-blown insurgency in Xinjiang capable of anything beyond a few sporadic albeit deadly attacks may have forced the TIP and ETESA to become increasingly close in their respective “cheerleading” and “advocacy” roles.

#### *The Islamic State*

Despite the Islamic State’s overall expansion beyond Iraq and Syria in 2015, its direct threat to China is still low compared to other regions. The Islamic State announced it killed Chinese and Norwegian hostages in its magazine, *Dabiq*, in November 2015 after having first offered them for “sale.” But the focus of its propaganda in terms of killing hostages is still mostly on Westerners or, in some cases, their allies, such as the Japanese ([SCMP](#), November 20, 2015). Moreover, closer to China’s borders, Southeast Asian jihadists are not yet sufficiently unified for the Islamic State to announce a Province in South East Asia, despite the *bayat* (pledges) to Islamic State leader Abubakar Al-Baghdadi from several Indonesian and Philippine factions since 2014. Nonetheless, in terms of logistics the Islamic State has funding and immigrant support networks in the Persian Gulf region, Malaysia, Hong Kong and even Japan that can facilitate its “infrastructure-building” in Southeast Asia ahead of a possible Province announcement in 2016 ([isisstudygroup](#), October 15, 2015).

In addition, while the TIP has focused on appealing to recruits from the Chinese Hui and Chinese Kazakh minorities more than the Islamic State, the Islamic State does not appear to have any “local” traction within China. The Islamic State’s apparent hacking of the prestigious Tsinghua University’s website on January 18, 2016 highlights the possibility of the “Islamization” of anti-government sentiment in China, which could lead to the growth in support for the

Islamic State in the same way it has in Europe. [3] Some elites, including dissidents from Muslim minority communities, may also have sympathies for the Islamic State for religious, ideological or political reasons (SCMP, January 18).

While Islamic State consolidation in Southeast Asia and a smattering of support for it from within China would certainly be of concern within Chinese borders, no prospective Southeast Asian provinces or domestic pro-Islamic State movement would comprise a *national security* threat to major Chinese diplomatic or trade interests for the foreseeable future - even if they could harm the *human security* of Chinese nationals. Rather, China is likely more concerned about the arrival of the Islamic State in Afghanistan via its Khorasan Province, which subsumed the Islamic Movement of Uzbekistan (IMU) and is intended to include Xinjiang and to subsume all of Central Asia. [4] Khorasan province does not appear to be more powerful than the Taliban or likely to control large tracts of territory in Afghanistan, but even fighting between Khorasan Province and the Taliban and Al-Qaeda or the Afghan government could further destabilize and complicate the economic and political situation in Afghanistan. This, in turn, would undermine Chinese strategic interests in Afghanistan and objectives of China's New Silk Road and One Belt, One Road plan road at a time when China is considering elevating trade with Iran following the U.S. "Iran Deal" and its international profile with expected visits of President Xi to Iran and Saudi Arabia in 2016 (SCMP, January 15).

## Conclusion

The threat of non-state actors to China such as the TIP, Al-Qaeda and the Islamic State can influence Chinese state policies, priorities and objectives. Thus, even though this article assesses that these threats mostly concern the *human security* rather than the *national security* of China and its citizens, they do indirectly affect China's power projection, counter-terrorism calculus and foreign policy. These threats also have the potential to affect China's level of engagement abroad, including its use of special forces overseas, new counter-terrorism laws, pressure relationships with allies (such as Pakistan to crack down on anti-Chinese militancy), tacit support to other governments' foreign policies (such as Russia's airstrikes in Syria), and its academic understandings and trainings in

counterterrorism studies. Thus, the role of non-state actors is relevant not only in terms of security affairs but also in broader diplomacy, relationships, and engagement with China.

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## Notes

1. Author's Interview, ETESA supporter in USA, 2015
2. The start of the Russian bombing campaign in northwestern Syria in late 2015 appears, however, to have led to more than 30 TIP deaths and the destruction of TIP's main headquarters as well as settlements where militants were living with their families.
3. Oliver Roy, "International Terrorism: How can prevention and repression keep pace?" *BKA Autumn Conference*, November 18–19, 2015 [life.eui.eu](http://life.eui.eu), November 18, 2015
4. The Taliban nonetheless reportedly killed or captured the IMU leader, Usman Ghazi, and killed other IMU members after Ghazi pledged to Al-Baghdadi such that the IMU may now be near-elimination.

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## China and the United Arab Emirates: Sustainable Silk Road Partnership?

By April A. Herlevi

Among Gulf Cooperation Council (GCC) countries, the United Arab Emirates (UAE) is emerging as an important player through its relationship with China. Despite Saudi Arabia and Egypt's perceived dominance given their size and historic role in the Middle East, the UAE's increasing prominence as a regional trade and investment hub, along with its

energy diversification strategy could prove more fruitful in the long-run for China's foreign policy goals. One obvious reason for building partnerships with Gulf states remains China's insatiable energy demands. The December 2015 visit of Sheikh Mohammed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the Armed Forces of the UAE, signaled new avenues for cooperation ([Xinhua](#), December 7, 2015). Recent reports on China-Arab relations preceding the visit by Xi Jinping to the Middle East mirror many themes expressed in last year's "One Belt, One Road" (OBOR) vision ([China Daily](#), January 13; [China Daily](#), January 15; [NDRC](#), March 28, 2015). [1] The UAE is already playing a role in Chinese efforts to internationalize the renminbi, and green energy may provide a more balanced and sustainable partnership than Silk Road partners looking primarily for loans and infrastructure development. The UAE delegation's visit to China highlighted three prominent themes: currency cooperation, joint investment, and solar-based green energy.

The UAE officially established relations with China in 1984 and cooperation between China; the UAE has continued since with 36 agreements currently in place with China ([The National](#), December 12, 2015). China was one of the first countries to sign a bilateral investment treaty (BIT) with the UAE in 1993 and the UAE is a founding member of the Asian Infrastructure Development Bank (AIIB). [2] The primary English-language daily newspaper in the UAE dedicated an entire page to earlier visits to China by Sheikh Zayed bin Sultan Al Nahyan, founding father of the UAE ([The National](#), December 14, 2015). Other local Emirati commentary underscored the historic relationship with China calling attention to the original Silk Road, Zheng He, and early trade in pearls and porcelain ([The National](#), December 13, 2015). Previous visits to China by Sheikh Mohammed bin Zayed Al Nahyan occurred in 2009 and 2012 and relations between China and Dubai have been increasing steadily ([Emirates 24/7](#), December 9, 2015; [China Brief](#), May 29, 2015). [3] The UAE has become an important hub for the Gulf and ports such as Jebel Ali provide an important access point for China's efforts to build "smooth, secure and efficient transport routes connecting major sea ports along the Belt and Road" ([NDRC](#), March 28, 2015). Unlike its regional neighbors, the UAE offers infrastructure with global trade access and, most importantly, domestic stability.

## Currency Cooperation

In late December, China "renewed its renminbi swap agreement with the UAE in its latest move to internationalise the yuan" ([The National](#), December 14, 2015). The UAE likely was chosen as a currency partner because of its wealth, stability, and previous cooperation with China on investment. The announcement also comes on the heels of the recent IMF decision to include the renminbi in its basket of currencies, a strategically important moment for China ([IMF](#), November 30, 2015). Both of these steps are consistent with the OBOR's guidance to "expand the scope and scale of bilateral currency swap and settlement with other countries" in order to "deepen financial cooperation . . . building a currency stability system, investment and financing system and credit information system in Asia" ([NDRC](#), March 28, 2015).

China and the UAE signed their first bilateral currency swap agreement in 2012 for up to 35 billion renminbi ([PBOC](#), January 17, 2012; \$5.5 billion, at 2012 exchange rates). The UAE agreement was not as large as currency swap arrangements made with close trading partners such as Hong Kong, Singapore, or Korea, which range from 300 to 400 billion renminbi but the UAE was the first GCC member to sign a swap agreement. [4] Qatar followed suit in November 2014. [5] Unlike currency swaps intended to alleviate a liquidity crisis, China's arrangements serve an entirely different purpose. China's swap agreements are "a method to promote bilateral trade and direct investment between China and each partner in local currencies as opposed to the US dollar." [6] Renewing the China-UAE agreement is another sign of the continuing internationalization of the renminbi.

The currency swap agreement indicates China's inroads in the Gulf but it is important to note that the UAE currency, the dirham (AED), remains fixed against the U.S. dollar. Thus, the agreement primarily helps Chinese firms conducting business in the UAE but over the long-term should foster the UAE's ability to act as regional trade hub regardless of the currency used by firms. The announcement from the People's Bank of China (PBOC) highlighted the goal of the renminbi as a standard investor mechanism outside China's borders, in this case expanding the experiment to the UAE ([PBOC](#), December 14, 2015). [7] UAE

reporting focused on how the agreement helps it achieve its goal of becoming a “regional trading hub for yuan-denominated investment” (*The National*, December 15, 2015). Efforts to bolster Abu Dhabi and Dubai as export and trading hubs are not new, but the ability to conduct business in both dollars and renminbi fosters the UAE’s central financial role in the Gulf. All four Chinese banks have branches in the UAE and the currency bargain eases cross-border trade and investment for Chinese firms thus bolstering China’s global financial image (*The National*, December 12, 2015).

The currency arrangement with the UAE will be one to method of assessing China’s commitment to renminbi internationalization goals. Given the increasing pressure on the Chinese economy, which is likely to continue in 2016, continuation of these swap arrangements indicates China’s dedication to currency reform—despite challenges facing its domestic economy.

### Regional Investment

The United Arab Emirates may not yet have the international clout of its neighbors but the Emiratis have conducted air strikes in conjunction with the counter-Islamic State campaign and have sent ground troops into Yemen (*The National*, December 14, 2015; *The National*, December 30, 2015). The UAE’s outsized role in security complements the country’s role in economic initiatives. Minister of State Dr. Sultan al-Jaber has touted the country’s role in OBOR and highlighted the UAE’s status as “a founding member of the China-backed” AIIB (*Xinhua*, December 10, 2015; *The National*, December 9, 2015). The UAE contributions to the AIIB are slightly less than Saudi Arabia and Iran’s but higher than GCC peers Qatar and Kuwait. [8] In the Crown Prince’s press release, he stated that China’s “regional initiatives ... will reshape the very fabric of our wider region’s economic future” (*Xinhua*, December 14, 2015).

One concrete outcome from the Crown Prince’s visit to China is the creation of a new joint sovereign wealth fund. The Emirate of Abu Dhabi already has four major sovereign wealth funds and overall the UAE has eight. [9] During meetings in Beijing, Xi Jinping stated that the “joint investment fund is a highlight of cooperation” (*Xinhua*, December 14, 2015). The joint

enterprise between China Development Bank, the State Administration of Foreign Exchange, and Mubadala will be worth \$10 billion (*The National*, December 14, 2015; *NDRC*, December 15, 2015). The Chinese announcement listed traditional energy sources (传统能源) and high-end manufacturing (高端制造业) as areas for cooperation as well as clean energy (清洁能源) (*NDRC*, December 15, 2015). Separately, Mubadala also “signed a non-binding agreement for international exploration and production” with China National Petroleum Corporation (*The National*, December 15, 2015).

### Sustainable Energy Partnership?

The recent Paris climate change agreement focused international attention on sustainable energy. Some of the most unlikely, yet strongest proponents of green energy may be small Gulf states. The UAE has begun numerous clean energy initiatives and publicly announced goals meant to diversify the UAE’s energy supply. The Abu Dhabi Economic Vision 2030 explicitly notes the country’s high demand for energy and the government believes that “diversifying energy sources is a key strategy to ensure future energy security.” [11] Energy diversification is consistent with the AIIB’s purported “lean, clean, and green” approach and the UAE believes that “Beijing can cement UAE’s position as key player and architect of [the] GCC’s energy future” (*AIIB Website*; *The National*, December 14, 2015).

Dubai has been proactive about engaging China and green energy initiatives could be an effective way to broaden and deepen the relationship. [12] In November 2015, Sheikh Mohammed bin Rashid Al Maktoum, Vice President of the UAE and Ruler of Dubai “launched the Dubai Clean Energy Strategy 2050, which aims to make the emirate a global centre of green energy” (*The National*, November 29, 2015). During the inauguration of the second phase of the Mohammed bin Rashid Al Maktoum Solar Park, “plans for a new free zone called the Dubai Green Zone” were also announced (*The National*, November 29, 2015). The scale of this new zone is not yet apparent but just as the Jebel Ali Free Zone has been the centerpiece of the UAE’s integration into global trade and shipping networks the hope is that the Dubai Green Zone will become a hub for sustainable energy technology. This

latest zone affords China early opportunities for its emerging solar industry.

In Sharjah, the emirate north of Dubai, the government's focus is also on solar and Chinese firms are directly engaged in the process. During the China Trade Week exhibition in December, the Sharjah Investment and Development Authority - referred to as Shurooq - met with Chinese representatives to discuss joint ventures in solar. According to the official in charge of investment promotion at Shurooq, "The talks are at an early stage but there is great potential for the solar sector" with Shurooq estimating that the Sharjah "renewables market has the potential to reach \$51 billion" (*The National*, December 7, 2015). Since the Sharjah talks are in their infancy the Shurooq officials would not cite any specific Chinese companies involved in the negotiations but Jiangsu-based Changzhou Almaden (常州亚玛顿) recently broke ground on a solar panel factory in Dubai (*The National*, December 7, 2015; [Changzhou Almaden](#)).

As the joint investment fund took shape, Abu Dhabi also sought to move forward its energy initiatives. Abu Dhabi-based Masdar sent representatives in the UAE delegation to China. [14] Masdar's chief executive noted during the visit that "international partnerships are key to the diversification of energy sources . . . [and] long-term energy security and sustainable development" (*The National*, December 15, 2015). Masdar and the Chinese firm Vanke "agreed to explore opportunities for cooperation" and "a separate agreement for research cooperation was signed between Masdar Institute and Tsinghua University" (*The National*, December 15, 2015). With both Abu Dhabi and Dubai committed to energy diversification, ample opportunities exist for solar-based enterprises.

## Conclusion

China and the UAE may be opposites in geographic and population size but there are numerous avenues for cooperation between the growing Persian Gulf power and Asian economic giant. Announcement of further agreements are not expected immediately, but future progress on the agreements reached in Beijing will provide a sign of whether China and the UAE are committed to energy diversification, joint investment, and currency cooperation. Given Beijing's One Belt, One Road and Maritime Silk Road strategy, the UAE

has the potential to be a key partner for China's foreign economic policy. Despite its small size, the wealth, stability, and centrality of the UAE make it a strategic hub for Chinese engagement in the region.

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## Notes

1. Xi Jinping will visit Egypt, Saudi Arabia, and Iran, likely in an effort to balance Sunni-Shia divides in the region (*China Daily*, January 16).
2. For the China-UAE BIT, see UNCTAD's [Investment Policy Hub](#). For AIIB founding members, see <http://www.aiib.org/html/pagemembers/>.
3. *China Brief*, Volume 15, Issue 11 provides a summary of Dubai-China trade relations and the role of the Jebel Ali Free Zone (Jafza). Dubai Ports World, the company that manages Jafza, also operates container terminals in Hong Kong and Qingdao and is building ports in Tianjin and Yantai (*DP World*).
4. Steven Liao and Daniel McDowell, "Redback Rising: China's Bilateral Swap Agreements and Renminbi Internationalization," *International Studies Quarterly* 59: pp. 401–422, September 2015. Agreements and swap amounts through October 2013 are in Table 2, p. 406.
5. *Xinhua*, *China Daily*, November 3, 2014; for Qatari announcement from the [PBOC](#).
6. Liao and McDowell, "Redback Rising," September 2015, p. 405.
7. The text (人民币合格境外机构投资者) was in reference to the "renminbi qualified foreign institutional investor" (RQFII) mechanism with the implications that the renminbi will eventually become a standard international currency.
8. The UAE accounts for 1.6 percent of shares among regional members. Saudi Arabia and Iran contributed 3.4 percent and 2.1 percent, respectively. Qatar and Kuwait is shares are approximately 0.8 and 0.7 percent. Author's



- calculations based on AIIB [Articles of Agreement](#), June 29, 2015.
9. Author interview, Abu Dhabi, May 20, 2015. Abu Dhabi's four major sovereign wealth funds are the Abu Dhabi Investment Authority (ADIA), the Abu Dhabi Investment Council (sometimes referred to as ADIA II), the International Petroleum Investment Company (IPIC), and Mubadala. Other Emirati funds include the Investment Corporation of Dubai, Senaat, Emirates Investment Authority, and the Ras al Khaimah Investment Authority (RAKIA).
  10. [The Abu Dhabi Economic Vision 2030](#), November 2008.
  11. China is now one of the top markets for Dubai ([China Outbound Tourism Research](#), November 11, 2015; [The National](#), June 17, 2014). There are now "over 3,000 Chinese companies registered in the UAE" and many of them are related to tourism or corporate events ([China Daily](#), June 3, 2015).
  12. Masdar is a wholly-owned subsidiary of Mubadala, one of the sovereign wealth funds owned by the Abu Dhabi government ([Masdar](#)). Minister of State Dr. Sultan al-Jaber, chairman of Masdar, and chief executive Dr. Ahmad Belhoul were both part of the UAE delegation to China ([The National](#), December 14, 2015).

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China Brief is a bi-weekly journal of information and analysis covering Greater China in Eurasia.

China Brief is a publication of The Jamestown Foundation, a private non-profit organization based in Washington D.C. and is edited by Peter Wood.

The opinions expressed in China Brief are solely those of the authors, and do not necessarily reflect the views of The Jamestown Foundation.

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