

BICOM Briefing | UK-China relations and the changing Middle East

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Executive Summary

In April 2019, the UK Foreign Affairs Select Committee (FASC) **argued that UK strategy vis-à-vis China is not based on the reality of “a more ambitious, more confident, and more assertive” foreign policy by the Chinese Communist Party under President Xi Jinping.** Subsequently, the FASC called for the Government to develop a single, detailed, public document defining the UK’s China strategy by the end of 2020.

The FASC report noted that Chinese investment in the Middle East need not inherently conflict with British interests. However, China’s economic footprint in the region has increased substantially over the last decade and it is believed that, at some point, China’s political engagement (and possibly military activity) in the region will have to increase in order for it to protect its economic interests. For UK policy-makers, it is important to recognise where areas of difference between the UK and China’s interests and values exist in order to build a coherent strategy for China that does not create tensions between the two sides in an already volatile region.

The UK and China have obvious shared interests in and for the region: Both countries need freedom of navigation in the Gulf to maintain stable energy prices and supplies; the Middle East is an important region for current and future bilateral investment opportunities; and both countries’ future trade growth in the region depends on regional stability. However, as China becomes increasingly invested in the Middle East, new areas of disagreement with the UK may emerge, in particular with respect to Iran and Syria, the importation of Chinese technology to UK regional allies, the UK’s relationship with the US, and the emphasis on liberal values and human rights in the region.

China and the UK are growing farther apart on the Iranian issue. Whilst both countries remain [committed](#) to the JCPOA nuclear agreement and to preventing Iran from gaining a nuclear weapons capability, their policies on non-nuclear issues differ greatly. The UK views Iran as a destabilising player in the region that should be confronted and constrained. For China, Iran is a key node for its Belt and Road Initiative (BRI) given its geographical positioning, and in June 2019 President Xi [re-affirmed](#) Beijing’s willingness to develop ties with Iran at a summit in Kyrgyzstan with Iranian President Hassan Rouhani. By 2017, China became the

largest trading partner with Iran with trade reaching \$37.14bn. In 2008, China surpassed Russia as Iran’s largest arms supplier, and has been a key partner in Iran’s military modernisation and nuclear development, as well as supporting the development of Iran’s own domestic military production capabilities.

The UK and China are on opposing sides in the Syrian civil war. The UK has been at the forefront of calls for Syrian President Bashar al-Assad to leave office as part of a transition to a new government. China has adopted the Russian narrative that the Assad regime is a bulwark against Islamic extremism in the region, and Beijing has [justified](#) Russia’s military role as “part of international counterterrorism efforts”.

China remains a human rights ‘priority country’ for the UK with the primary concern the government’s treatment and surveillance of its Uighur Muslim population and the minorities in China’s Xinjiang province. However, UK policy has been [criticised](#) by those who argue that with trade and investment becoming more important for a post-Brexit Britain, the UK’s performance on human rights in China has been “weak and pusillanimous” in practice.

Introduction

In April 2019, the UK Foreign Affairs Select Committee (FASC) published a [report](#) on “the implications for UK foreign policy of China’s growing role” in the international rules-based system. **The Committee argued that UK strategy vis-à-vis China is not based on the reality of “a more ambitious, more confident, and more assertive” foreign policy by the Chinese Communist Party under President Xi.** Subsequently, the FASC called for the Government to develop a single, detailed, public document defining the UK’s China strategy by the end of 2020.

Whilst the FASC noted that Chinese investment in the Middle East need not inherently conflict with British interests, China’s lack of human rights, its neutral stance to corrupt or despotic leaders, and its need to secure raw materials for its economic growth at any costs, could make a more involved Asian power in the Middle East a challenger to British interests.

The UK’s foreign relationship with China is based on the EU’s “One China” policy, as set out in a

2016 paper by the European Commission, titled [‘Elements for a new EU strategy on China’](#). The fundamental pillars of that relationship are: “principled, practical and pragmatic”; “based on a positive agenda of partnership coupled with the constructive management of differences”; “the promotion of human rights”; and that “it should take full account of the EU’s close relationships with the US and other partners”. As the UK leaves the EU, it will have the opportunity (and likely necessity) to build a new strategy toward China more suited to Beijing’s growing assertiveness and engagement in the Middle East.

Why is the UK’s relationship with China important?

Today China accounts for 13.4 per cent of the world’s GDP and 12.2 per cent of the world’s export market. **China is the UK’s third largest trading partner.** In 2018, trade in goods between the two countries [surpassed](#) \$80bn (£66bn) for the first time, and Chinese investment in Britain was up 14 per cent from 2017. Over 2018–19, the UK and China created over £1bn of new market access for UK firms in China. There are now 168 flights per week [connecting](#) the two countries and over 170,000 Chinese students are currently studying in the UK. Looking ahead, a 2018 [report](#) by the Office for Budget Responsibility said: “... it is likely that the larger, faster growing economies, in particular China and India, will account for an increasing share of UK export markets”.

Yet, the flourishing economic relationship was dampened in May 2019 when then Prime Minister Theresa May ordered that Chinese telecoms giant Huawei be banned from supplying core parts of the UK’s 5G network, amid warnings that the company poses a risk to national security. Following a meeting of ministers on the National Security Council, it was agreed that the firm be granted limited access to supply “non-core” infrastructure (antennas included). In response, China [warned](#) the UK that excluding Huawei from its 5G network “sends a very bad signal”.

This BICOM briefing examines British and Chinese foreign policy in the Middle East and highlights potential areas of disagreement between both countries’ policies and goals that could put at risk the burgeoning British-Sino relationship.

What is China’s Grand Strategy?

China has ambitions of creating a new global trade system, the driver of which is President Xi’s foreign policy plan titled the ‘Belt and Road Initiative’ (BRI). The plan aims for greater economic integration between Asia, the Middle East and Europe. BRI promotes connectivity as the main enabler of trade growth and trade-driven prosperity. Recent research by the World Bank shows that a 10 per cent improvement in connectivity (the frequency of calls and number of liner companies calling at ports) between countries along the BRI trade routes could cut the costs of

What is the Belt & Road Initiative?

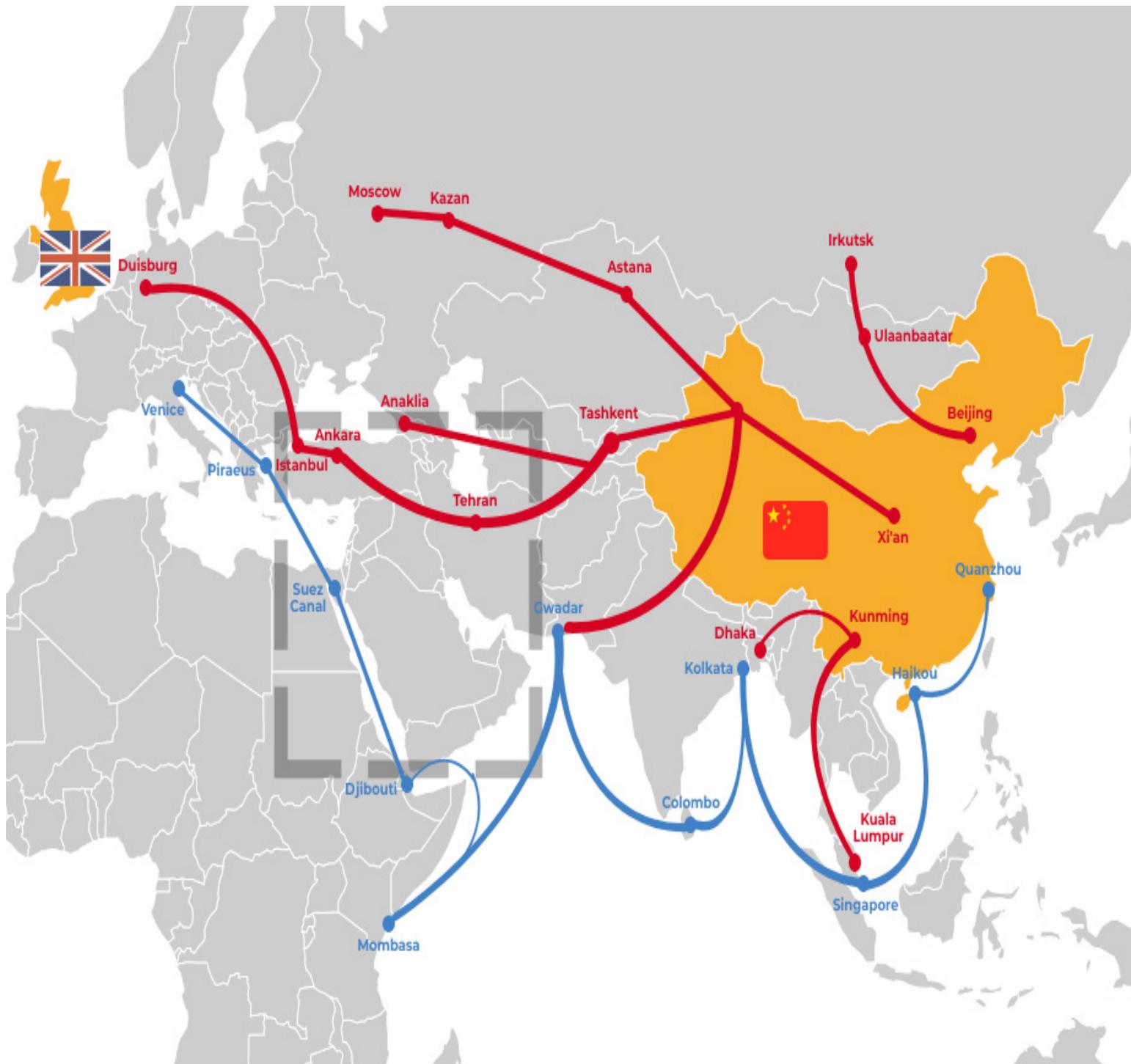
The BRI consists of two main trade routes: The Silk Road Economic Belt and the 21st Century Maritime Silk Road.

The BRI is based on revitalising (and expanding) what is historically referred to as the Silk Road, a trade route during the westward expansion of China’s Han Dynasty (206 BCE – 220 CE). Despite the BRI’s lack of clearly defined boundaries, over 60 countries have indicated their interest or have already signed up to BRI projects – for a combined potential population of 4.4bn, 40 per cent of global GDP and 70 per cent of the world’s energy reserves. Since 2013, China has participated in the construction and operation of 42 ports in 34 countries.

There is no single governmental agency or secretariat to manage the BRI, and the Chinese Government has not put down a masterplan for it. In fact, it is estimated that up to 15 ministries and agencies within the Chinese state are contributing to the initiative. In 2017 the 19th Congress of the Communist Party passed an amended constitution that included a clause requiring the government to prioritise the BRI in its foreign policy. China is likely to become more selective in which projects it will invest in the future, as its economy contracts and investment spending decreases.

The success of the BRI is dependent on countries’ willingness to accept it. In 2016, the Asian Development Bank, a Chinese-led financial institution set up specifically to fund the BRI, [estimated](#) that total infrastructure investment needs in the bank’s 45 member states amount to \$26 trillion till 2030 -- \$1.7 trillion per year. More modest [estimates](#) put China’s intended BRI investment in the \$1 trillion to \$8 trillion range.

The Belt and Road map



Where does the Middle East fit in?

The Middle East is a significant area for China's ambition, as the region acts as a bridge between Asia, Africa and Europe, and is home to vital maritime chokepoints that if interrupted could seriously impede global trade flows. For example, 59 per cent of Chinese trade is run through maritime transportation; [60 per cent](#) of China's \$1bn daily exports to Europe flow through the Suez Canal; and around [20-25 per cent](#) of the vessels transiting the Suez Canal are Chinese.

The Middle East is critically important for China's domestic energy needs as well. In 2015,

China surpassed the US as the world's [largest importer](#) of crude oil, with half the amount – more than six million barrels a day – imported from the Middle East. By 2034, when the Gulf is estimated to account for 29.5 per cent of the world's total oil reserves, China is [projected](#) to surpass the US in terms of oil consumption and, by extension, projected to double its Middle Eastern oil imports.

Britain's interest in the Middle East is long-lasting and has grown considerably over the past century. At a BICOM-RUSI [event](#) in July 2019 former UK Minister for the Middle East Alistair Burt broke down British interests in the region into four areas: (1) trade; (2) soft power and di-

plomacy; (3) defence and security arrangements; and (4) international development. According to a 2018 [BICOM paper](#), the UK's dependency on Middle Eastern oil and gas is expected to rise from 38 per cent in 2018 to 69 per cent in 2035. The Middle East will continue to be an important export and investment destination for British goods and services, as well as a source of vital inward investment for the UK in the post-Brexit era.

Thus, the UK and China have obvious shared interests in and for the region: Both countries need freedom of navigation in the Gulf to maintain stable energy prices and supplies; the Middle East is an important region for current and future bilateral investment opportunities; and both countries' future trade growth in the region depends on regional stability.

However, certain aspects of the BRI – such as a lack of transparency in its financing and tendering processes, adherence to social standards such as labour rights, and concerns over the debt sustainability of projects – have led the UK to stop short of signing a formal memorandum of understanding to support the initiative, as proposed by China. Moreover, as China becomes increasingly invested in the Middle East, new trigger points with the UK may emerge, in particular with respect to Iran and Syria, the importation of Chinese technology to UK regional allies, the UK's relationship with the US, and the emphasis on liberal values and human rights in the region.

British and Chinese interests in the Middle East

Military power

China aims to have a “modern” army and military sector by 2035, and to reach the level of “global superpower” by 2049 – the 100th anniversary of the establishment of the People's Republic of China. A Chinese defence '[white paper](#)' released in May 2015 outlined Beijing's ambitions to become a global maritime power. The role of the Peoples' Liberation Army (PLA) was significantly expanded to include protection of China's overseas investments. China's 2019 defence '[white paper](#)' further outlined the need “to build a strong and modernised naval force” that is capable of carrying out “missions on the far seas”.

What is China's current military deployment in the Middle East?

1. *Chinese Navy escort fleet in the Gulf of Aden.* From 2009 to 2015 China [launched](#) 19 naval escort fleets to the Gulf of Aden and the Somali waters. The countries visited include Djibouti, Kenya, Oman, Saudi Arabia, and Pakistan.
2. *Chinese Navy technical service stops in the Middle East.* China has a military-logistics base in Djibouti and [interim technical service](#) stops in Oman, Saudi Arabia, and Sudan (mainly used for ship fuel and material resupply). China also has a large ship repair centre in Pakistan. In addition to its base in Djibouti, China announced in August 2018 that it is fully funding and building a training camp in Afghanistan that will be used to improve the counter-terrorism capabilities of both Afghan troops and the PLA. A BESA Centre [report](#) argues that the Djibouti base may be a proving ground for further expansion of China's military intervention in the Middle East. In June 2018 China deployed its first aircraft carrier, the Liaoning, enabling the PLA to extend its reach into the South China Sea, the western Pacific, and the Indian Ocean.
3. *Chinese peacekeeping forces in the Middle East and North Africa.* As of 31 August 2019, China's [UN peacekeeping forces](#) consist of: 1,031 troops, 3 experts, 1 police officer and 17 staff officers in UN Mission in the Republic of South Sudan (UNMISS); 413 troops and 8 staff officers in UN Multidimensional Integrated Stabilization Mission in Mali (MINUSMA); 419 troops and 9 staff officers in UN Interim Force in Lebanon (UNIFIL); 6 staff officers in UN African Union Mission in Darfur (UNAMID); 12 experts in UN Mission for the Referendum in Western Sahara (MINURSO); 5 experts in UN Truce Supervision Organization (UNTSO, Arab-Israeli arena); and 4 police in UN Peacekeeping Force in Cyprus (UNFICYP).

As of 31 August 2019, the UK's UN peacekeeping forces in the above region consist of 281 troops and 8 staff officers in UN Mission in the Republic of South Sudan (UNMISS); 247 troops and 13 staff officers in UN Peacekeeping Force in Cyprus (UNFICYP), 13 troops for UN Support Office in Somalia (UNSOS); 3 experts in UN Assistance Mission in Somalia (UNSOM); 2 staff officers in UN Multidimensional Integrated Stabilization Mission in Mali (MINUSMA); and 1 expert in UN Support Mission in Libya (UNSMIL).

Navy capability	China	US	UK
Personnel	250,000+	329,850	32,350
Submarines	59	67	10
Surface combatants	87	112	20
Aircraft carriers	1	11	1
Destroyers	27	65	6
Patrol ships	205	61	22
Frigates	59	13	13
Landing craft	63	245	-
Amphibious ships	5	32	2
Logical & support vessels	145	14	4
Naval Aviation			
Personnel	26,000	98,600	4,650
Aircraft	385	1,007	12
Helicopters	143	670	58

Data: IISS Military Balance 2019

China overtook the US as having the largest navy in terms of ship numbers in 2018, with more than 300 compared to the US's 290, although its navy severely lags behind the US and Russia in terms of capability. The US fleet is much larger on a ship-by-ship basis, including eleven nuclear-powered aircraft carriers and an almost equal number of amphibious assault ships, and Russia has more ballistic missile submarines. According to [CSIS](#), 22 ships were commissioned by China between 2016 and 2017. By comparison, the US Navy commissioned 13 ships. Should China continue to commission at a similar rate, it could have 430 ships and 100 submarines within the next 15 years.

China currently favours military cooperation with Middle Eastern states over greater direct involvement. In July 2019, Abu Dhabi Crown Prince Mohammed bin Zayed al-Nahyan and President Xi [signed](#) a military and defence cooperation deal, which included, inter alia, a [commitment](#) to protecting the security and safety of energy supplies along the shipping routes in the Arabian Gulf and a call on the international community to cooperate in securing international navigation and to ensure secure access to energy. China also [signed](#) a defence cooperation agreement with Kuwait in July 2018. China has an interest in the US and its Western partners retaining a strong military presence in the region – and thereby carry the direct burden for upholding regional stability and freedom of navigation – as it enables China to maintain positions of neutrality and non-interference. An open question

is under what scenario would China feel compelled to directly intervene in the Middle East, and at a faster pace, than the US or Russia.

However, with rising investment coupled with the deteriorating security in the region, China is having to become more directly involved in securing its own maritime transport routes. In 2010 Rear Adm. Zhang Huachen, deputy commander of the East Sea Fleet, [said](#): “With our naval strategy changing now, we are going from coastal defence to far sea defence. With the expansion of the country’s economic interests, the navy wants to better protect the country’s transportation routes and the safety of our major sea lanes.” In June 2019 China and Iran [conducted](#) a joint naval exercise near the strategic Strait of Hormuz. The official *IRNA news agency* said the drill included an Iranian warship and two Chinese destroyers, a logistics ship and one helicopter. Beijing is also showing a greater willingness to use its naval forces when required, particularly in the evacuation of its citizens. In 2011, for the first time, the PLA’s air and naval units played a role in the evacuation of more than 35,000 Chinese citizens from Libya. The PLA navy also played a central role in removing 600 Chinese nationals from Yemen in 2015.

China is the world’s largest supplier of military drones, according to [research](#) by the Stockholm International Peace Research Institute (SIPRI). Most of its Middle Eastern exports in this area go to Iraq, [Jordan](#), the UAE and [Saudi Arabia](#), filling

a void left by the US, whose drone export policy had long been governed by both domestic export controls and international agreements, such as the multilateral Missile Technology Control Regime (MTCR). Whilst the Trump administration passed new export guidelines in 2018 to ease the sale of drones to foreign allies, China's "no-questions-asked" policy has made it a more attractive seller of drones for many Arab states. China now sells CAI-HONG series UAVs to Iraq, Pakistan, Saudi Arabia, and the UAE. A recent model, the Rainbow 5, is thought to have more limited endurance, range, speed, and detection capabilities than US's elite MQ-9 Reaper, but in November 2018, China unveiled the Rainbow 7 model, which is expected to be an advanced stealth drone. In March 2017, King Salman and President Xi Jinping signed a series of agreements worth \$60 billion, including a deal to construct a Chinese factory in the kingdom that will manufacture military UAVs for Saudi Arabia's expanding drone fleet.

What else does China sell to the Middle East?

Egypt has purchased the CH-4B and Wing Loong 1 UAV, the ASN-209 reconnaissance UAV and 120 K-8 Karakorum training aircraft. Iraq has purchased four CH-4B unmanned aerial attack vehicles, along with 20 FT-9 bombs and 20 AR-1 air-to-air missiles. In March 2018, it was reported that China offered Iraq HJ-10A anti-tank guided missile systems mounted on Chinese VN-1 APCs. Qatar has acquired SY-400 short-range ballistic missiles. China Shipbuilding Industry Corporation (CSIC) opened an office in Dubai in 2019 and unveiled at the 2019 International Defence Exhibition and Conference in Abu Dhabi an unmanned 20-tonne Aegis-class destroyer. The ship is dubbed the "mini Aegis" because it reportedly has an electronic system as advanced as America's Arleigh Burke-class destroyer. Developed by CSIC's 716 Research Institute, the "mini Aegis" can be [armed](#) with a 30mm cannon combined with small surface-to-air missiles, anti-ship and anti-aircraft missiles, and lightweight anti-submarine torpedoes, and it can track underwater targets 7km away.

China's growth in arm sales is a challenge for the UK Government. Since the Arab Spring, Middle Eastern monarchies and autocratic leaders have increasingly sought technology to counter domestic threats. China has found receptive buyers in the Middle East for its surveillance technology and Artificial Intelligence systems that enhance a state's ability to monitor its people. Some Gulf countries

are among the world's leading surveillance states. This puts at risk British personnel in those states, especially if they are perceived to be working against the interests of that state.

The UK's [decision](#) on 20 June 2019 to suspend new arms sales to Saudi Arabia over the latter's role in the Yemen conflict could push Arab buyers to purchase Chinese arms in the future, especially if China is willing to sell with no conditions attached. One example of China's lack of export regulations was during the 2006 war in Lebanon, when Hezbollah targeted an Israeli vessel with what weapons experts say was [likely](#) a Chinese C-802 anti-ship missile provided by Iran. A US Congressional Research Service [report](#) in 2010 claimed that China continues to sell sensitive missile technology to Pakistan, North Korea and Iran, despite previous Chinese commitments to apply the MTCR guidelines (its membership remains under review).

Today, China is no match militarily to Britain in the Middle East. The UK has made significant investments to support its capability to project force into the region. In the Gulf, Britain has its largest permanent concentration of military forces anywhere outside of the UK – in fact more than one-quarter of the Royal Navy's total operating fleet is deployed to the Gulf region at any time. Britain also has a military presence in Iraq, Jordan, Lebanon, and the Palestinian territories, as well as being a major contributor to the campaign against ISIS and long-standing missions to protect the region's maritime routes (for a comprehensive breakdown of UK forces in the region read BICOM'S ['British Middle East Strategy after Brexit'](#)). The ability to contribute to multi-national interventions and stabilisation efforts is key to the UK maintaining influence with regional powers and "a place at the top table" in international diplomacy.

If China does increase its naval presence in the Gulf, it will present an added factor for the UK to consider in terms of its own future maritime power projection. As stated above, current navy bases may be a proving ground for further Chinese military expansion in the Middle East. Whilst China could be a welcomed partner in the fight against maritime piracy and terrorism, it sees its leverage in the region as a counter to Western power. Britain's military installations may in future also depend on Chinese-financed ports and logistics centres. For example, the UK [recently agreed](#) to establish a permanent naval and army desert training centre at Duqm, Oman, which is also earmarked to receive

\$10.7bn worth of Chinese investment. Thus, the UK's ability to project military power could be, to a certain extent, dependent on agreements made between China and the host country.

Economic Ties/Trade in the Middle East

China's trade and economic leverage in the region towers above that of the UK's. According to 2017 official government figures, total Chinese trade with the Middle East was approximately \$219bn, whereas UK-Middle East trade was valued at \$58.21bn. More than half of China's trade was with the GCC countries at £128bn. According to the *Xinhua News Agency*, China's trade with the Middle East is [expected](#) to top \$500 billion by 2020.

In 2010, China [replaced](#) the US as the region's

largest trading partner. By 2017, China was the largest trading partner of Iran and ten Arab countries and the third largest trading partner of Israel. Major oil and gas producers generate significant revenues from Beijing, and China ranks as the top export destination for Saudi Arabia, Iran, Kuwait, and Oman.

In some cases, key British allies such as the UAE and Jordan have trade numbers nearly twice and three times as great with China than with the UK, respectively. Qatar and Bahrain were the only countries that had more trade with the UK than China in 2017, although this balance is likely to change in the future, if it has not already done so.

Egypt, Israel, and Jordan are historic allies of the UK, but they are also playing a larger role in the BRI. Egypt and Jordan are coordinating

Trade statistics for 2017 (\$\$ billions) (Based on 2017 exchange rate: £1=\$1.3)			
Country	China	UK	US
Bahrain	1.02	1.27	1.89
Egypt	10.82	3.8	5.63
Iran	37.14	0.63	0.19
Iraq	22.14	0.71	11.96
Israel	13.12	5.18	34.5
Jordan	3.08	0.89	3.61
Kuwait	12.04	4.43	8.02
Lebanon	2.03	0.79	1.35
Oman	15.7	4.82	3.05
Palestinian territories	0.06	N/A	N/A
Qatar	8.08	8.09	4.32
Saudi Arabia	50.13	4.4	35.23
Syria	1.1	0.05	0.01
UAE	41.03	22.45	24.32
Yemen	2.3	0.07	N/A
TOTAL	219.9	58.21	134.08

(Source: UK stats from [ONS](#), China stats from [China Statistic Yearbook 2018](#))

their own domestic economic plans vis-à-vis the BRI project proposals. As noted, the majority of Chinese goods going to Europe pass through the Suez Canal, and China is a key partner in expanding the Suez Canal Special Economic Zone (SEZ). The SEZ comprises four integrated development zones for various industry sectors and sub-sectors (Ain Sokhna, East Port Said, Qantara West, East Ismailia) and six maritime ports. Sectors included industrial and commercial enterprise, infrastructure and real estate development, renewable en-

ergy, logistics, amenities and ICT. Jordan joined the Asian Infrastructure Investment Bank (AIIB) in 2015, signing deals with China worth \$7bn. Moreover, Jordan may become a staging point for future Chinese investment in Syria if security improves in the war-torn country. And in Israel part of Haifa's new private seaport will be managed by the Shanghai International Port Group (SIPG) beginning in 2021 for a period of 25 years, raising [security concerns](#) inside the US Navy over Chinese surveillance and intelligence gathering (the US

Navy often makes calls at Haifa). China's Pan Mediterranean Engineering Company (PMEC) is, for its part, building Ashdod's private port and is due to complete the project in 2021. Israel is also pursuing two rail projects with Chinese firms: the light-rail Tel Aviv Metropolitan Mass Transit System, and a high-speed rail system that will connect Tel Aviv on the Mediterranean with Eilat on the Red Sea.

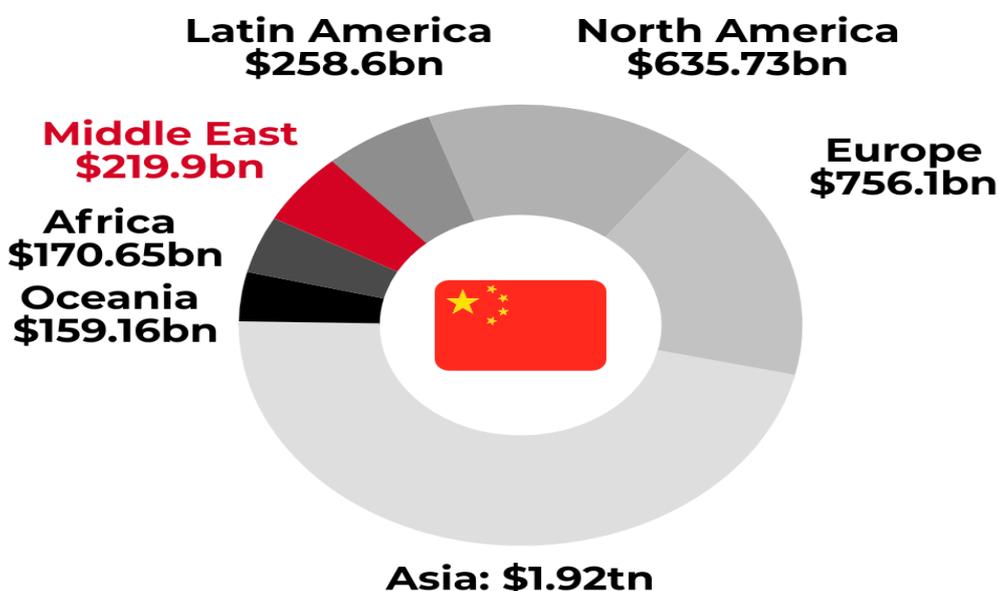
China is Israel's biggest trading partner in Asia.

In 2016 China's direct investment in Israel almost [tripled](#) to \$16bn (£12bn). However, according to the [IVC research group](#), Chinese investment on average

represented only 15-20 per cent of the total capital raised by all Israeli start-ups. That said, Chinese investment into Israeli tech initiatives reached \$325 million in 2018, compared with \$308 million in 2017, and \$274 million in 2016. (See Appendix 1 for a breakdown of some of the key BRI investment projects in the Middle East.)

However, in pure economic terms China's relationship with the Middle East can be considered asymmetrical: China is of greater significance for Middle Eastern states than the region is for China, when compared to Asia, US, the EU and Latin

Chinese global trade: how does the Middle East compare to the rest of the world?



How does China's investment in the Middle East differ to the rest of the world?

How does China's investment in the Middle East differ to the rest of the world?

In 2018 the Middle East ranked as the [second-largest recipient](#) (\$28.1bn) of Chinese investment and Chinese construction projects worldwide, only behind Europe (\$46.9bn). According to AEI research, since the BRI was launched in 2013, total Chinese investment in the Middle East (\$123.1bn) still lags behind that of Europe (\$302.1bn), Sub-Saharan Africa (\$182.8bn) and East Asia (\$180.4bn).

A 2015 [study](#) by the Rand Corporation provides a breakdown for the regional shares of total Chinese foreign aid from 2001 through 2014: Africa \$330bn, Latin America \$298bn, East Asia \$192bn, excluding the bulk of China's aid to North Korea), the Middle East \$165bn, South Asia \$157bn, and Central Asia \$69bn.

According to [statistics](#) from the General Administration of Customs of China, in 2018, China's total import and export volume with Africa was \$204.19bn. In January-June 2019, Sino-African trade volume was \$101.86bn, up 2.9 per cent from 2018 figures.

The China-Africa Development Fund (CADFund) was set up in 2007 with an initial size of \$5bn. By 2018, the CADFund had grown to \$10bn and invested more than \$4.6bn in over 90 projects in 36 African countries. CADFund projects are expected to boost local exports by US\$5.8bn and create local tax revenue of \$1bn. In September 2018, President Xi Jinping announced a \$60bn funding package for Africa and exempted a portion of African debt maturing at the end of 2018. The package consisted of \$15bn of interest-free or concessional loans, \$20bn of credit loans, \$15bn of special loans, and \$10bn in FDI.

Soft Power

China

The sources of China's soft power are its economic prowess and its foreign policy principle of non-intervention in the internal affairs of other states. Most Arab monarchies and authoritarian regimes in the region seek comfortable economic partners willing to ignore their anti-liberal/democratic policies. In return, China expects such countries to provide energy resources whilst equally ignoring its own human rights abuses. The clearest example of this relationship is the unanimous silence from Arab states on the Chinese treatment of its Uighur Muslim population. In July, Algeria, Bahrain, Egypt, Kuwait, Oman, Qatar, Saudi Arabia, Sudan, Syria, and the UAE signed a letter to the UN Human Rights Council saluting Beijing's "remarkable achievements in the field of human rights," and arguing that the Xinjiang crackdown was intended to combat terrorism, separatism, and religious extremism — three problems that "have seriously infringed upon human rights" in the province, including "the right to life, health, and development".

China's most effective soft power tool is its economic resources. One China-Gulf analyst told BICOM: "China has a model of sustained growth/limited reform which many MENA states want to (and can) emulate - particularly Gulf countries that have resources." In 2015, President Xi demonstrated the soft power side of China's economy when he [promised](#) to cancel debts to the world's least developing states including small islands nations, and announced China's plan to establish "centres of international development" that would produce studies on appropriate development practice and theory in developing countries.

China has sought to maintain relationships with all states in the region, known as a "hedging strategy". Over the past three years, China has signed comprehensive strategic partnerships – the highest diplomatic relationship in China's foreign policy – with Egypt, Saudi Arabia and Iran. The latter two were signed within the space of a few days in January 2016, demonstrating China's sensitivity to regional rivalry and its desire to maintain a neutral position. With Iran, China agreed to develop a 25-year roadmap for the strategic partnership and to increase trade to \$600bn by 2026.

China is a large contributor to UN peacekeep-

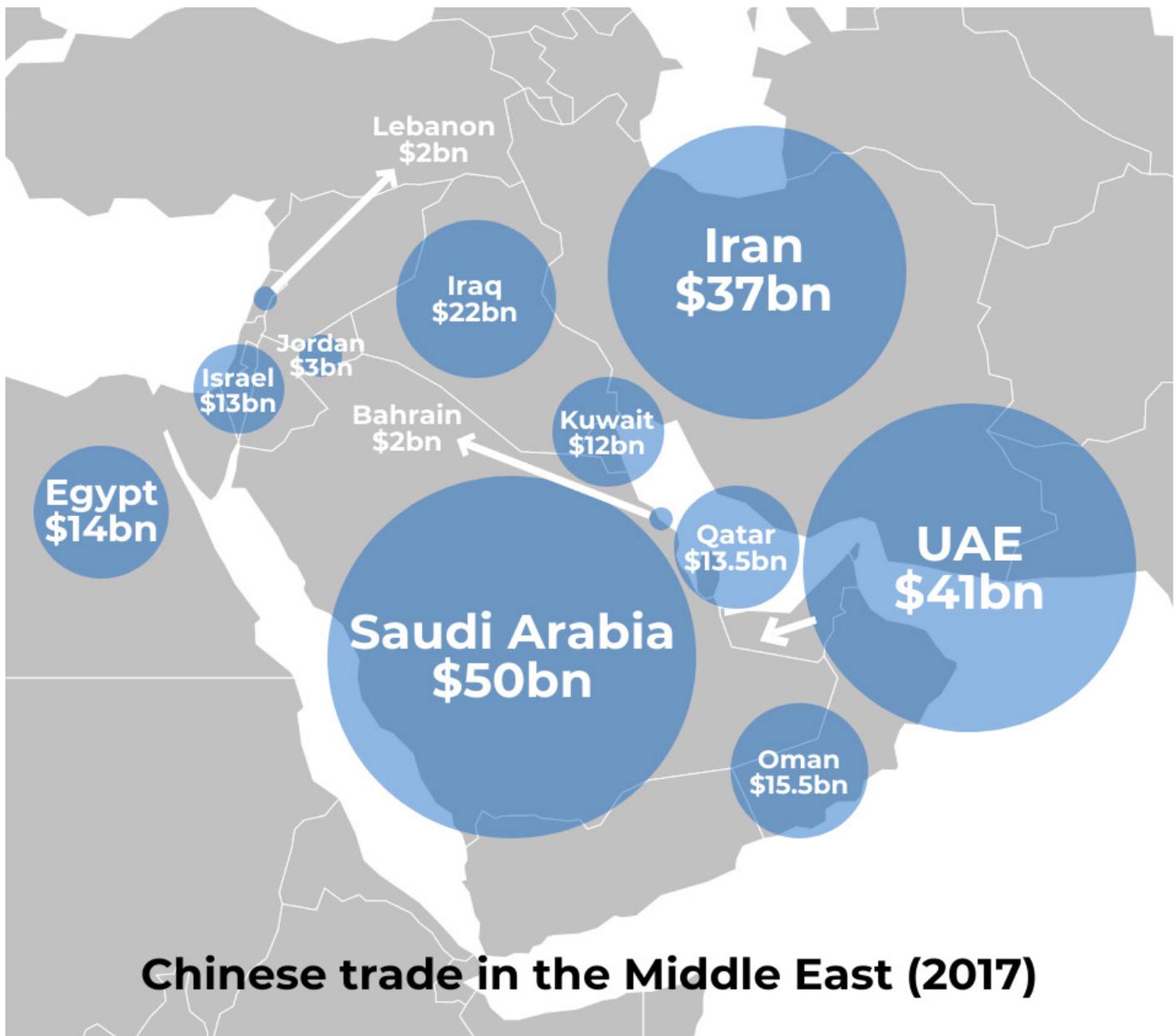
ing missions in the region. According to the US Defence Department, from July 2017 to June 2018, China funded 10 per cent of the total \$6.7bn UN peacekeeping budget, making it the second largest contributor after the US. As of September 2019, China was the tenth largest contributor of forces to UN peacekeeping operations (PKO) with approximately 2,521 personnel among 7 PKOs in Africa and the Middle East. Among the top ten are Ghana (2,796), Egypt (3,153), Pakistan (5,072), India (6,174), Rwanda (6,369), and Ethiopia (7,047).

In 2017, AidData released one of the most comprehensive [studies](#) on China's aid spending. **China gave \$409m in overseas development assistance (ODA) for the Middle East between 2000 and 2014 – this represented just 1 per cent of China's spending in those years.** The UK [gave](#) \$452m to the Middle East from 2013 to 2017. Most of China's spending in the Middle East is delivered in interest-free loans and concessional loans. Drawing on more than 5,000 projects across 140 countries from 2000-2014, **AidData calculated that China gave approx. \$354.3bn to the region, of which \$274bn was in the form of concessional and non-concessional state financing.** In comparison, the US gave \$394.9bn to the region in those years, of which approx. \$360bn was in foreign aid.

In July 2018, President Xi pledged a package of \$20bn in loans and approximately \$106m in financial aid to the Middle East as part of what he called an "oil and gas plus" model to revive economic growth in the region. The financial aid will consist of \$15m to Palestine to support economic development, and a further \$91m to Jordan, Lebanon, Syria and Yemen. The Palestinian aid will target economic development programmes and include donations to the UN Relief and Works Agency for Palestine. Palestinian Foreign Minister Riyadh al-Maliki proclaimed that Palestine would play an important role in the BRI, "becoming the hub which links Africa and Europe". A consortium of banks from China and Arab nations, with a dedicated fund of \$3bn, will also be established. It remains unclear what the relationship between the bank consortium, financial aid and the overall loan package would be.

UK

In 2017, the UK was the only member of the G7 to meet the UN target of spending 0.7 per cent of their GDP on foreign aid. The UK's Overseas De-



velopment Assistance (ODA) programme is spread throughout the Middle East. In the 2018/9 DfID budget, Syria will receive £140m, Yemen £120m, Lebanon £100m, Jordan £82m, Palestinian territories £59m and Iraq £30m. The UK also has a £50m development programme for good governance in North Africa, including promoting stability, institutional and political development and countering corruption in Egypt, Libya, Tunisia, Algeria and Morocco.

The UK is a leading contributor of humanitarian aid for the Syrian civil war and Yemen. As of March 2019 the UK had committed £2.8bn in response to the Syrian crisis, its largest ever response to a humanitarian crisis. The UK has further [pledged](#) £400m of life-saving aid for 2019 to help Syrians who need it most. The [total](#) UK humanitarian support for war-torn Yemen increased in 2019 to £770m.

The UK is active on most diplomatic, security and political fronts in the region. It continues to support the JCPOA nuclear agreement despite recently [falling more](#) in line with US policy. In the wake of Iran’s suspected strikes on Saudi Arabia, the UK, along with France and Germany, said: “... the time has come for Iran to accept negotiation on a long-term framework for its nuclear programme as well as on issues related to regional security, including its missiles programme and other means of delivery.” The UK remains committed to finding a political solution to the Syrian crisis through the UN-led Geneva Process. The UK forms part of the P3+1 group (along with the US, France and Italy) in support of the UN Action Plan for Libya, which aims to reconcile competing political factions and hold elections. And the UK is also the ‘penholder’ for Yemen at the UN Security Council, where former British diplomat Martin Griffiths spearheaded the [Stockholm Agreement](#) last December that withdrew Houthi rebels and UAE-backed Yemeni

forces from the port of Hodeida. And in 2018, the UK [announced](#) at a UNSC briefing on the Middle East that it “remains committed to a two-state solution which ends the Israeli-Palestinian conflict and we will support all and any efforts to that end”.

The UK’s long-standing role in the Middle East, along with its diplomatic ties and substantial aid programme, may provide a competitive advantage over China in terms of soft power projection in the region. But the momentum in the region towards counter-revolution and authoritarian consolidation could open the door for greater Chinese influence. One element of China’s soft power is its stated doctrine of not forcing other nations to adopt its cultural values. China’s policy in the Middle East is built on a “cooperative partnership network” for win-win outcomes, as highlighted by President Xi in a [speech](#) to the Arab League in 2016. This likely holds great appeal for a region sceptical of Western democracy-promotion initiatives. This, combined with China’s massive economic leverage and investments in education sponsorship programmes, could in the near future make it the most influential outside power in the region.

Areas of UK-China tensions

The FASC report noted that Chinese investment in the Middle East need not inherently conflict with British interests. However, **China’s economic footprint in the region has increased substantially over the last decade and it is believed that, at some point, China’s political engagement (and possibly military activity) in the region will have to increase in order for it to protect its economic interests.** For UK policy-makers, it is important to recognise where areas of difference between the UK and China’s interests and values exist in order to build a coherent strategy for China that does not create tensions between the two sides in an already volatile region.

Iran

China and the UK are growing farther apart on the Iranian issue. Whilst both countries remain [committed](#) to the JCPOA nuclear agreement and to preventing Iran from gaining a nuclear weapons capability, their policies on non-nuclear issues differ greatly. The UK views Iran as a destabilising player in the region that should be confronted and constrained. Prime Minister Boris John-

son recently told the London *Jewish News* that he was prepared to restart sanctions on Iran and, as Prime Minister, would do everything in his power to “constrain Iran’s disruptive behaviour in the region”. For China, Iran is a key node for its BRI given its geographical positioning, and in June 2019 President Xi [reaffirmed](#) Beijing’s willingness to develop ties with Iran at a summit in Kyrgyzstan with Iranian President Hassan Rouhani. And shortly after Iran was blamed for attacks on the Abqaiq and Khurais oil facilities in Saudi Arabia, General Ghadir Nezami Pour, head of international affairs and defence diplomacy of Iran’s General Staff of the Armed Forces, visited military and naval sites in China and [announced](#) that China, Russia and Iran are planning a joint naval drill in the Sea of Oman and northern Indian Ocean.

In 2008, China surpassed Russia as Iran’s largest arms supplier, and has been a key partner in Iran’s military modernisation and nuclear development, as well as supporting the development of Iran’s own domestic military production capabilities. In April 2018, the US imposed sanctions against seven Chinese entities for transferring missile technology to Iran. One [infamous](#) Chinese missile technology broker is Karl Lee (aka Li Fangwei), who the US believes plays a key role in Iran’s ballistic missile programme by providing equipment and components that contribute to the development of more sophisticated missiles with improved accuracy, range, and lethality. Between 2010 and 2018, China’s military exports to Iran [amounted](#) to 28 percent of China’s total military exports to the Middle East. According to a RAND report, from 2002 to 2009, the majority of Chinese arms sales to Iran were anti-ship and anti-aircraft missiles, which included C-801, C-802, and C-704 anti-ship cruise missiles and QW-11 man-portable surface- to-air missiles. In March 2010, Iran opened a Chinese-built plant for Nasr-1 radar-guided anti-ship missiles (the Nasr-1 is based on the Chinese C-704). China also helped Iran create its Noor anti-ship cruise missile, which is an upgraded version of the Chinese C-802. China has also improved Iranian UAV guidance systems with satellite navigation and communication links. In October 2015, Iranian electronic defence firm SaIran [signed](#) an agreement with Chinese firms to begin using their BeiDou-2 satellite navigation system for military purposes. The system’s military-grade signals are more accurate than commercially available GPS services, significantly improving Iran’s use of satellite navigation in its missiles, UAVs, and other hardware.

In September 2019, the Saudi Aramco-owned Khurais oilfield and Abqaiq oil processing facility were damaged by aerial strikes claimed by the Iranian-aligned Houthi movement. Though initial reports stipulated that the attack had been executed exclusively by unmanned aerial vehicles (UAVs), subsequent reports [indicated](#) that 18 UAVs had been fired at Abqaiq, and seven cruise missiles launched at both targets. Moreover, the US and other allies are increasingly of the view that the attack emanated, at least in part, from Iran. While some analysts identified the Soumar/Hoveyzeh and Quds 1 missiles, the former a derivative of the nuclear-capable Soviet Kh-55 and the latter employing a Czech-produced TJ100 turbojet engine, others [proclaim](#) that the missiles fired were from the Ya Ali variant, which bear resemblance to the elongated Chinese C-602. The incident raises serious questions about China's abetment of Iran's missile programme.

China continues to buy Iranian oil. In 2018 China imported 586,000 barrels per day from Iran, accounting for 6 per cent of all its imported oil globally. Since the end of a waiver on US sanctions at the start of May 2019, that figure has [dropped](#) to between 142,000 and 360,000. Senior Trump administration officials [estimate](#) that 50-70 per cent of Iran's oil exports are still flowing to China, while roughly 30 per cent go to Syria. It's also possible that Chinese oil imports are higher than public estimates, as Iranian and Chinese tankers have evaded sanctions by, for example, turning off their location transponders and changing their names. Other tankers transporting Iranian crude are known to have [changed](#) their names and identification numbers at sea to avoid detection. The UK has remained quiet on China's continued purchase of Iranian oil despite US sanctions, mainly due to the UK's desire not to see Iran pull out of the entire JCPOA agreement. The blacklisting of Chinese companies proves that at least some of China's oil imports violated sanctions. Also, to circumvent US sanctions China began stockpiling an [estimated](#) 20bn barrels of Iranian oil in storage. Most of this does not pass through local customs and is still owned by Iran (despite being on Chinese soil), which according to one [Chinese official](#) is not technically a breach of US sanctions. In response, the US [sanctioned](#) five Chinese companies and six Chinese nationals accused of importing oil from Iran.

The UK and China share an interest in securing

freedom of navigation in the Straits of Hormuz, including from Iranian interference, but China has yet to decide whether to contribute to maritime security in the area. After initial hesitation the UK has [signed](#) up to the US-led mission to assure the security of merchant vessels in the Strait of Hormuz. Reports have claimed that China is considering the US proposal. China's Ambassador to the UAE, Ambassador Ni Jian [told Reuters](#) in early August: "If there happens to be a very unsafe situation we will consider having our navy escort our commercial vessels."

Syria

The UK and China are on opposing sides in the Syrian civil war. The UK has been at the forefront of calls for Syrian President Bashar al-Assad to leave office as part of a transition to a new government. In April 2017, Boris Johnson, then Foreign Secretary, [described](#) Assad as a monster that needed decapitating, and in 2018 the UK joined the US and France in retaliatory strikes against Assad for the chemical weapons attack in Douma.

As the conflict has evolved, so too has China's policy. Initially, Chinese diplomatic activity, centred on the UN Security Council, aimed at preventing Western-led democratic regime change. In 2014 Beijing [issued](#) a vaguely worded four-point peace proposal that called for a phased ceasefire and a political transition. However, in August 2016, China [pledged](#) not only increased humanitarian assistance but also military-to-military cooperation between Damascus and Beijing. China also adopted the Russian narrative that the Assad regime is a bulwark against Islamic extremism in the region, and Beijing has [justified](#) Russia's military role as "part of international counterterrorism efforts". Additionally, China appointed its former ambassador to Iran to a new diplomatic post as a special envoy to Syria.

The UK and China differ over reconstruction in Syria. The UK, along with the US and EU, [say](#) they will not provide reconstruction assistance without a credible, substantive and genuine political process being firmly underway as called for in UNSC Resolution 2254. In February 2018, Chinese Ambassador to Syria Qi Qianjin [told Xinhua News Agency](#): "I think it's about time to focus all efforts on the development and reconstruction of Syria, and I think China will play a bigger role in this process by providing more aid to the Syrian people and the Syrian government."

China has been laying the groundwork to be engaged in post-war reconstruction efforts with the Assad regime. China has many incentives to cooperate with Syria as both governments share an interest in maintaining a status quo free of Western intervention. Qin Yong, vice chairman of the China Arab Exchange Association (CAFA), [made](#) four trips to Syria in 2017. In July 2017, Beijing [hosted](#) 1,000 Chinese companies for the “First Trade Fair on Syrian Reconstruction Projects” and pledged \$2bn for the construction of industrial parks. In 2018, during the China-Arab States Cooperation Forum, China [announced](#) a \$23bn loan and aid package, some of which is expected to be made available to Syria. And more than 200 largely state-owned Chinese companies were [reportedly](#) present at the 60th Damascus International Trade Fair in September 2018.

Huawei

The UK is deeply concerned about Chinese cyber interference in the UK and its allies. In December 2018, the UK and several allies [announced](#) that a group known as APT 10 acted on behalf of the Chinese Ministry of State Security to carry out a malicious cyber campaign targeting intellectual property and sensitive commercial data in Europe, Asia and the US. In April 2019, the UK’s National Security Council, chaired by then Prime Minister Theresa May, [decided](#) in principle to block Huawei from critical parts of 5G telecommunications networks but allow it into other, non-core areas. An official decision was supposed to have been reached in April but in July it was delayed, apparently indefinitely.

A decision by the UK to allow Huawei into its network could jeopardise its intelligence-sharing relationship with the US and Australia, who form part of the Five Eyes intelligence group (along with the UK, Canada and New Zealand). In February 2019, US Secretary of State Mike Pompeo said that: “If a country adopts this [Huawei technology] and puts it in some of their critical information systems, we won’t be able to share information with them.”

The US and Australia have banned Huawei from their networks, voicing concern over the nature of Huawei’s relationship with the Chinese government and military and the potential risk of espionage or sabotage. China’s 2017 National Intelligence Law stipulates that “an organisation

or citizen shall support, assist in and cooperate in national intelligence work in accordance with the law and keep confidential the national intelligence work that it or he knows”.

Huawei is a global problem that requires a global and unified response. The technology sector is monopolised by few key players, meaning that the UK, along with the rest of the world, has become over-reliant on Chinese technology. Thus, the UK should work with international partners to develop a common, global approach to improving telecoms security standards and ways to create greater diversity in the telecommunications market.

Human rights

China remains a human rights ‘priority country’ for the UK with the primary concern the government’s treatment and surveillance of its Uighur Muslim population and the minorities in China’s Xinjiang province. China is a signatory to the 1948 Universal Declaration of Human Rights and the International Covenant on Civil and Political Rights, yet as the FASC noted: “Uighur people and other minorities have been held in detention camps. This is a violation of universal human rights norms and laws.”

However, UK policy has been criticised by those who argue that with trade and investment becoming more important for a post-Brexit Britain, the UK’s performance on human rights in China has been “weak and pusillanimous” in practice.

China, like most Arab states, fears the spread of radical Islamist ideology. For China this threat is limited to its minority Muslim population (the Uighurs) that largely resides in the western region of Xinjiang. Reports have noted anywhere from [between 100 to 5,000 Chinese Uighurs](#) joining ISIS in Syria and Iraq. Overall, they represent a tiny minority of the [40,000 foreigners](#) from more than 100 countries who have fought for ISIS. By improving relations with many Arab states, China is hoping to prevent public criticism of its treatment of the Uighur population and material support from within the Middle East for the Muslim Uighurs.

There is concern that the UK’s growing relationship with China could be interpreted by Muslims in the Middle East as British complicity in, or at best ignorance of, China’s illegal treatment of the Uighur population. FAC chair Tom

Tugdenhat said: “The impact of the treatment of the Uighur Muslim population and the minorities in China’s Xinjiang province could have in stirring up resentment could affect other countries, includ-

Annex 1: China investment in the Middle East



Chinese investment in the Middle East has risen substantially in the past two decades. Below is a breakdown of some key investments in the region by country.

Bahrain

Sino-Bahraini bilateral trade has increased from \$0.121bn in 2000 to \$1.965bn in 2016, where

Chinese exports reached \$1.429bn and imports \$0.535bn.

In 2010 the Bahrain Chamber of Commerce and Industry and China Council for Promotion of International Trade established the Bahrain-China Joint Investment Forum (BCJIF) to promote investment initiatives by identifying opportunities to enhance finance, real estate and banking cooperation.

In December 2015 Bahrain launched the \$100m Dragon City, a 115,000 square meter mall based on Dubai's Dragon Mart, managed by the China Middle East Investment and Trade Promotion Centre (Chinamex). The complex hosts more than 500 Chinese companies, while the number of Chinese investors in the city is 300 (90 per cent of total tenants). For example, East Star Group has invested \$10m in an 18,000 square meter storage facility, generating 100 jobs. In January 2017, China International Marine Containers (CIMC) Vehicle Group announced that it would build a new reefer trailer manufacturing and export hub in Bahrain - their third outside of China.

China is also in talks with Bahrain in investing in natural oil and gas production. In April 2018, Bahrain discovered its largest shale oil and natural gas field since production began in 1932. Oil Minister Mohamed bin Khalifa Al Khalifa said: 'We have had talks with China National Petroleum Corporation (CNPC). I met the chairman a couple of weeks ago in India. We had a good discussion, and [after that] he sent a technical team to see what's available. We look forward to taking that [cooperation] further'.

China and Bahrain share a high level of cooperation in high-tech. In 2009 Huawei Technologies opened its Middle East headquarters in Manama. In May 2017 three memorandums of understanding (MoUs) were signed between the Bahrain Economic Development Board (EDB) and China Hi-Tech Transfer Centre, Shenzhen Belt and Road Economy and Technology Cooperation Association, and Shenzhen Cross-Border E-Commerce Association. In November 2017, a Bharani delegation signed MoUs on Shenzhen-Bahrain cross-border e-commerce, Shenzhen-Bahrain innovation and entrepreneurship and Huawei-Bahrain telecom talents training. In February 2019, the EDB announced it was in negotiations with two Chinese technology companies to establish operations in Bahrain, representing investments of 'tens of millions of dollars'. In the same month, VIVA Bahrain, a subsidiary of Saudi Arabian state-controlled STC signed an agreement to use Huawei products in its 5G network and in May 2019, Prime Minister Khalifa bin Salman Al Khalifa met with Huawei representatives to discuss steps to boost the Bahraini tech sector.

In May 2019, the EDB announced the establishment of a Manama-based Sino-Bahraini venture capital fund to 'bridge Bahraini entrepreneurs with Chinese business models'. In November 2018, a Bharani delegation signed eight MoUs with Chinese companies, including an EDB-Intellifusion

Technologies MoU advancing Artificial Intelligence (AI) dynamic portrait recognition, AI technology exchange and the establishment of an AI institute in Bahrain. The EDB also signed a MoU with Shenzhen to establish a mobile payment gateway in Bahrain and examine crypto-currency opportunities, and an MoU with Softbank China Capital to encourage Softbank China Capital and their investment portfolio companies to utilise Bahrain as a regional hub.

Egypt

According to the Economic and Commercial Counsellor of the Chinese Embassy in Cairo, **Sino-Egyptian bilateral trade has increased from \$0.907bn in 2000 to \$13.87bn in 2018.**

In December 2014, Egypt and China upgraded their relationship to a Comprehensive Strategic Partnership and signed agreements on defence, tech, economic cooperation, counter-terrorism and cybercrime. In January 2016, President Xi visited Egypt and praised Egypt's efforts to expand its economy: 'China supports Egypt's efforts to maintain stability, develop the economy, and improve livelihoods, and [...] play an even greater role in international and regional affairs'. The meeting produced 21 agreements covering food, medical equipment, banking, metal products, infrastructure development and chemical materials. This included MoUs concerning the construction of the first phase of a new Egyptian administrative capital, a \$1bn financing agreement for Egypt's central bank and \$700mn loan to the National Bank of Egypt. China also confirmed it would provide \$15bn in 'special loans' to boost industrial production in the region, \$10bn in trade credit for joint energy projects and \$10 billion in 'soft loans'.

Chinese companies are investing heavily in key infrastructure projects in Egypt. In 2018, Shandong Ruyi Technology Group agreed to invest \$830mn for the construction of a textile area in the Suez Canal Special Economic Zone (SEZ). In March 2018, Egypt signed a MoU with China State Construction Engineering (CSCEC) on constructing three gymnasiums in Sharm al-Sheikh, Hurghada and Luxor in preparation for the 2021 Men's Handball World Championship. In May 2018, Egypt signed a MoU with Chinese construction company CGC Overseas Construction group (CGCOC) to establish the first industrial zone in New Alamein City, and China's Shanghai Electric and Dongfang Electric Cooperation to build a 6000-megawatt coal-fired power plant in Hamrawein. In December 2018, Egypt's Arab Organization for Industrialization announced that China

Railway 20 Bureau Group Corporation would establish an industrial facility to manufacture monorails and express trains. In January 2019, Egypt signed a \$1.2bn deal with Export-Import Bank of China (EximBank) to finance a light rail system to New Alamein City.

In August 2019, Egypt and Hutchison Ports signed an MoU establishing a container terminal in the Egyptian port of Abu Qir and in September 2019, China and Egypt signed an agreement on water-saving irrigation technology at the fourth China-Arab States Expo. In September 2019, HSBC Egypt announced that it had started dealing in RMB for its corporate clients, following approval by the Central Bank of Egypt, enabling Egyptian businesses to ‘secure more attractive terms when doing business with China’. Egypt is the third largest recipient of Chinese foreign direct investment in the Middle East. Approximately 1,080 Chinese companies operate in Egypt in various sectors including industry and information technology. The number of Chinese tourists has increased from approximately 135,000 (2015) to 160,000 (2016), 300,000 (2017) and 500,000 (2018), rendering China the fourth largest tourist exporter to Egypt. In September 2018, the National Bank of Egypt said it had signed a \$600mn loan agreement with China Development Bank ‘to finance the working capital of NBE customers’.

In September 2018, President Sisi attended the 2018 Beijing Summit of the Forum on China-Africa Cooperation and signed MoUs worth \$18bn covering real estate, railway construction, energy projects, a textile industrial project, an oil refinery and a petrochemicals complex in the Suez Canal corridor.

In April 2019, President Sisi attended China’s second Belt and Road Forum for International Cooperation, his 6th visit to the country since 2014. During the forum, Chinese automaker Foton Motor and Egypt’s M1A1 Tank Factory signed a MoU covering joint manufacturing of electric vehicles in Egypt while the Government of Tianjin and the General Authority of the Economic Zone of the Suez Canal signed a MoU covering the development of the second phase of the Tianjin Economic-Technological Development Area (TEDA) industrial zone. The deal is expected to provide approximately 25,000 jobs through nine industrial sectors in the TEDA zone.

China is also a key investor in Egypt’s energy sector. China’s renewable energy company TBEA Sunoasis has constructed three solar power stations with an output of 186 megawatts as part of

giant under-construction Benban Solar Energy Park in Aswan. China’s Sinohydro will soon start the construction of a major pumped-storage hydro-power plant in Mount Ataka in northeastern Suez province, with a capacity of 2,400 megawatts.

Iran

Sino-Iranian bilateral trade has expanded significantly from £2.486bn in 2000 to \$37.139bn in 2017. The re-imposition of US sanctions on the Islamic Republic in November 2018 has significantly reduced Iran’s capacity to purchase Chinese goods, with imports from China decreasing from \$1.2bn in October 2018 to \$428mn in February 2019.

In January 2016, China and Iran upgraded their relationship to a Comprehensive Strategic Partnership and committed to expanding bilateral trade to \$600bn during 2016-2026. Xinhua News released an article under President Xi’s name entitled ‘Work Together for a Bright Future of China-Iran Relations’, which stated that China wanted to renew the ‘ancient Silk Road trade route’ through Iran. In June 2019, President Hassan Rouhani **declared** that “given its exceptional geographical location, Iran is ready to play an important role in the [BRI] and willing to continue cooperation with China in energy fields and the development of infrastructure”.

Iran is second largest recipient of Chinese FDI in the Middle East. The China Institute estimate that 49 per cent of Chinese investment in Iran targeted the energy sector, 18 per cent the metal sector, 17 per cent the real estate sector, 9 per cent the transportation sector, 6 per cent the agriculture sector and 1 per cent in other sectors.

Chinese companies have invested in key transportation projects in Iran. In July 2017, China signed a contract to provide \$1.5bn to finance the electrification of the 926-km railroad from Tehran to Mashhad (Khorasan Razavi Province). In January 2018, a subsidiary of China Railway Construction Corp won a \$513mn contract to build a 263-km railway in western Iran between Kermanshah and Khosravi, and in March 2018, China National Machinery Industry Corp won a contract to build an \$845mn railway connecting Tehran, Hamedan and Sanandaj. In June 2019, Iran Railways announced that a \$2.4bn letter of credit from Export-Import Bank of China would be paid to China Railway Engineering Corporation to build a 415-km high-speed rail line between Tehran and Isfahan via Qom.

US sanctions are having an impact on China's role in the Iranian energy sector. The China National Petroleum Corporation (CNPC) and Sinopec are heavily invested in Iranian 'upstream' (exploration and extraction) operations including in key Iranian oil fields Yadavaran and North Azadegan. However, In December 2018 CNPC announced it was suspending its investment in Iran's South Pars natural gas project following the reinstatement of US sanctions on Iran. In June 2019, Iranian Oil Minister Bijan Zanganeh denied CNPC a request to suspend work on Phase 11 of the project, emphasising the need for a 'clear cut' solution to the project.

China is also a major player in developing Iran's nuclear energy capacity. In January 2016, the Atomic Energy Organization of Iran announced that China would build two 1000 MW nuclear power reactors. The total budget for the project is estimated to be \$10bn. In March 2019, the deputy governor of North Khorasan province announced that Chinese investors would invest 5mn Yuan in North Khorasan mines.

Iran's flagging economy is causing it to increase its debt to China. In September 2017, a delegation led by the Central Bank of Iran and China's top financial institutions agreed financing and loan deals worth \$35bn in support of the Iranian economy. This included \$10bn, \$10bn and \$15bn credit offers from CITIC Investment Group, Export-Import Bank of China and China Development Bank to support water, energy and transport infrastructure and production projects.

Iraq

Sino-Iraqi bilateral trade has risen from \$0.975bn in 2000 to \$22.144bn in 2017. In May 2019, Chinese Ambassador to Iraq Zhang Tao claimed that Sino-Iraqi trade exceeded \$30bn in 2018.

In May 2015, Iraq and China upgraded their relationship to a Strategic Partnership. President Xi said the new partnership provided 'a solid foundation' for future advances in the relationship. Xi pledged Chinese assistance in 'energy, electricity, communication and infrastructure' projects in Iraq, tying them to the BRI, and both countries signed a MoU pledging a 'long-term and comprehensive strategic partnership on energy cooperation'. In March 2019, the Iraqi Ministry of Transportation announced it was considering joining the Asian Infrastructure Investment Bank (AIIB) to 'activate the role of Iraq in the Belt and Road Initiative'.

Iraq is sixth largest recipient of Chinese FDI in

the Middle East. The China Institute estimates that 88 per cent of Chinese investment targeted the energy sector, 7 per cent the real estate sector and 5 per cent in the utility sector.

Chinese investments in Iraq are predominately in infrastructure projects, such as power plants, cement factories and water treatment stations. In April 2019, a Chinese delegation stated that China would help rebuild areas destroyed during the war with ISIS while in May 2019, Iraq and China agreed a bilateral agreement providing \$10bn of credit in support of Iraqi reconstruction and infrastructure projects.

In August 2019, China Construction Third Engineering Bureau signed \$1.39bn construction package with Iraq comprising housing, medical, education, civil engineering infrastructure projects in Najaf, Karbala and Basra in southern Iraq.

China seeks long-term contracts in Iraq's energy sector. In 1997, CNPC signed a 22-year production-sharing contract worth \$1.3bn to develop the Ahdab Oil Field and in 2007, China reaffirmed its commitment to the deal and cancelled \$8bn of Iraqi debt. Other companies including Sinopec, China National Offshore Oil Corporation, China Petroleum Pipeline Engineering Corporation and Zhenhua Oil Corporation have been heavily involved in Iraqi oil infrastructure investment.

In March 2018, **Iraq signed a 25-year contract with China ZhenHua Oil Company to develop the southern part of the East Baghdad field.** The contract involved the construction of an industrial city and 'residential integrated city'. In April 2018, Iraq signed a contract worth \$10bn with PowerChina and Norinco International for the construction of a petrochemical plant and oil refinery with the capacity to produce 300,000 barrels per day in Basra, while China Petroleum Pipeline Bureau is projected to help construct a new Basra-Aqaba oil pipeline.

In August 2019, China Machinery Engineering [announced](#) that it has completed 80 per cent of a 1,260-megawatt power station in Salahuddin province. Up to 1,200 Chinese engineers are working on the \$1.2bn project expected to be finished by 2020.

In June 2018, Geo-Jade Petroleum, United Energy Group and China Zhenhua Oil won development deals to develop oil fields in Iraq and in May 2019, Iraq and China Petroleum Engineering & Construction Corporation (CPECC) signed a deal worth \$1.07bn to build and operate facilities pro-

cessing approximately 300mn standard cubic feet per day of natural gas extracted at Halfaya oilfield.

Jordan

Sino-Jordanian bilateral trade has increased from \$253mn in 2000 to approx. \$3bn in 2017.

Jordan is the 12th largest recipient of Chinese FDI in the Middle East. In October 2017, at the 7th session of the Joint Committee for Economic, Commercial and Technical Cooperation between Jordan and China, China's Deputy Minister of Commerce confirmed China was committed to providing financial support to Jordan. Both parties signed agreements covering tourism, transport, the economy and technical cooperation.

In February 2015, Jordan joined AIIB as a founding member and later that year announced the signing of \$7bn investment agreements with China, covering energy and trade - under King Abdullah's 'Pivot to Asia' strategy. This included a \$2.7bn agreement for the construction of a 900 MW shale-fired power plant and 1,000-megawatt renewable energy power plant by a consortium of Chinese companies, a \$2.8bn agreement for the national railway network, an agreement between Aqaba Special Economic Zone Authority (ASEZ) and Shenzhen Chamber of Investment to develop an industrial and logistics estate in the port city, and an agreement between Jordan's Ministry of Information and Communications Technology and Huawei to invest in Jordan's railway network. Jordanian Attarat Power Co has also agreed also a new credit line worth up to \$1.6bn with the Bank of China and the Industrial and Commercial Bank of China.

In August 2018, the Jordanian Ministry of Transport announced that Chinese company Touchstone would be contracted to deliver a \$4.23bn rail project through a 'build-operate-transfer' or 'build-own-operate-transfer' agreements. The project will connect major cities, industrial zones and logistical hubs to Aqaba and Syria, Iraq and Saudi Arabia borders. Vice Chairman of Petra Engineering Industries Company and Jordanian Exports Association President Omar Abu Wishah claimed that: "Connecting Jordan to the Chinese Silk Road project is of immense importance to the Jordanian economy [...] Even if the ministry's project does not seek to connect Jordan's railroads to the Chinese Silk Road, I would personally demand it."

In June 2019, the Royal Scientific Society signed two MoUs with Jiangsu Industrial Tech-

nology Research Institute, the body tasked with developing industrial technology research and commercialising advanced technologies for Jiangsu. The MoUs emphasised the implementation of joint research projects to strengthen technological innovation and industrial research and development in Jordan and China, with a particular focus on energy, big data analytics, water and environment.

In September 2019, the Jordan Industrial Estates Corporation [signed](#) an MoU with Arab Businessmen Forum to boost Sino-Jordanian investment cooperation. The deal highlights the promotional efforts of Jordanian industrial zones and entails the exchange of expertise and holding of promotional activities.

Kuwait

Sino-Kuwaiti bilateral trade has increased from \$615.5m in 2000 to \$12bn in 2017.

China and Kuwait have sought to strengthen bilateral ties through the BRI and Kuwait's economic policy 'Vision 2035'. Vision 2035 seeks to reduce Kuwait's dependency on oil exports and transform it into a 'regional financial and cultural hub' through strategic development programmes. In July 2018, both countries upgraded their relationship to a "Strategic Partnership" and President Xi stated that both parties should to enhance the alignment of development strategies, energy, infrastructural, finance, trade and investment cooperation, people-to-people exchanges and security and counterterrorism. Both parties signed 10 MoUs to boost economic relations (co-operation protocol, bilateral cooperation agreement and e-commerce cooperation included).

Kuwait is the 9th largest recipient of Chinese investment in the Middle East. The China Institute estimates that 30 per cent of Chinese investment targeted the energy sector, 27 per cent in the real estate sector, 24 per cent in the education sector and medical, and 19 per cent in the transportation sector.

Kuwait has awarded several key development and infrastructure projects to Chinese companies. In 2015, a consortium led by Sinopec Engineering Group was given a \$4.24bn contract to build the Kuwait New Refinery Project (NRP) in Al-Zou. The refinery will be the largest in the Middle East and will increase Kuwait's oil processing capacity of 31.5m tons of crude oil per year. In April 2019, Sinopec announced that the project was 80 per cent complete and would be launched at the

end of 2019. In January 2016, Kuwait University awarded a contract worth \$580m to China State Construction International Holdings for the construction, operation and maintenance of administration facility buildings at Kuwait University.

In March 2018, Kuwait and China announced the Northern Gulf Gateway project to connect Kuwait with the BRI. In November 2018, both countries China signed an MoU establishing a mechanism for the phased development of the 250 square mile Madeenat Al Hareer (dubbed the 'Silk City') and five Kuwaiti islands in northern Kuwait. The initiative is worth \$82.2bn and consists of large-scale infrastructure developments including major ports, airport, nature reserve, business and tourism facilities and the Burj Mubarak Al Kabir tower. China has established a \$10bn Kuwait-China Silk Road Fund to start phase 1 of the project, which will include the development of largest trading port in the region, Mubarak Al-Kabeer Port.

Lebanon

Sino-Lebanese bilateral trade has increased from \$0.289bn in 2000 to \$2.034bn in 2017. In January 2019 China ranked as Lebanon's top import trading partner with a share of 11 per cent of total imports.

Sino-Lebanese cultural cooperation has expanded exemplified by the establishment of the Confucius Institute at Beirut University teaching Chinese culture, history and language, while six Chinese delegations have visited Lebanon since 2017. The Silk Road Chamber of Commerce has granted \$2bn in low interest loans to Lebanon for road construction while discussions are ongoing concerning the construction of an airport in Koleiat. In February 2019, Chinese Ambassador to Lebanon, Wang Kejian, announced that China would integrate Lebanon's development plan (Lebanon Master Plan) with the BRI.

In March 2019, during the China Lebanon Investment Forum, Lebanon and the China Council for the Promotion of International Trade (CCPIT) signed an MoU promoting Chinese investment and collaboration on Lebanon's industrial zones and establishing the China-Arab Arbitration Center.

In May 2019, a Chinese delegation met Lebanon's public works and transport minister to discuss construction projects related to the rehabilitation of Lebanon's national rail network. This included proposals for a coastal railway between Beirut, Tripoli and Damascus. President of the China Arab Association for Promoting Cultural and

Commercial Exchange Eliana Ibrahim stated that the railway plan would only proceed if part of a broader effort to connect the region: 'We are ready to support Lebanon with our technical knowledge [...] But we are more interested in connecting Beirut to Tripoli, Tripoli to Aleppo, Aleppo to Damascus and so on'.

In November 2017, the Union of Lebanon's Tripoli Municipalities joined China's Silk Road Chamber of International Commerce. Tripoli is projected to become an economic centre to aid the reconstruction of Syria, while acting as a transshipment hub for the Eastern Mediterranean. **Chinese companies have won contracts to establish a \$58m quay in Tripoli, while a proposal to expand Tripoli's port by Chinese company Qingdao Heavy Duty Machinery is under review by the Lebanese government.**

Oman

Sino-Omani bilateral trade has increased from \$3.160bn in 2000 to \$15.699bn in 2017. During the first eleven months of 2018, China took 82.8 per cent of Oman's total crude exports, as well as being the fourth largest destination for Oman's non oil exports.

In May 2018, Oman and China signed an MoU upgrading their relationship to a "Strategic Partnership" and pledging to promote the "construction of the Silk Road Economic Belt and the 21st Century Maritime Silk Road".

Oman is the 15th largest recipient of Chinese investment in the Middle East. In March 2016, the China-Oman Joint Committee of Economics and Trade discussed joint projects within the fields of trade, finance, infrastructure, staff training, industrial parks, logistics and fisheries and signed Double Taxation Agreements expanding trade cooperation. In August 2017, the Omani Finance Ministry borrowed \$3.55bn from 'leading Chinese banks' - the largest loan deal established between China and a Gulf borrower.

Huawei, ZTE and other Chinese science and technology enterprises have settled in Knowledge Oasis Muscat Technology Park, while the Electric Power Construction Third Engineering Company of Shandong, affiliated by Power Construction Corporation of China, has been awarded a \$15bn contract to build Salalah port. China is also investing \$10bn in the Bagamoyo Special Economic Zone Project.

In May 2016, China and Oman signed an agree-

ment to build China-Oman (Duqm) Industrial Park, a 12.72-square-km industrial park at Duqm port. The development will feature a sea port, industrial area, new town, fishing harbour, tourist zone, a logistics centre and an education and training zone, supported by a multimodal transport system. Wanfang China will develop the park and co-operate with other Chinese companies to set up 35 projects and invest \$10.7bn in the Special Economic Zone. According to the park's director, 10 Chinese enterprises have signed agreements to open operations in the park. In August 2019, Hongtong Duqm Pipes Company (Sino-Omani partnership) announced the construction of Oman's first polyethylene pipe factory at Duqm, due to be completed in 2020.

Qatar

Sino-Qatari bilateral trade has increased from \$472m in 2000 to \$13.5bn in 2018, accounting for 11.7 per cent of Qatar's total trade volume. Fourteen Chinese companies and 181 joint Qatari-Chinese enterprises are operating in Qatar. China State Construction Engineering Corp and the China Harbour Engineering Corp are leading infrastructure projects.

Qatar is the 11th largest recipient of Chinese investment in the Middle East. In November 2014, the People's Bank of China and Qatar Central Bank agreed a currency swap agreement that established a reciprocal 3 year credit line worth \$5.7b to help facilitated trade and investment. The Qatar Investment Authority (QIA) has also launched a \$10bn investment fund with CITIC Group in areas including health care, infrastructure and real estate across the region.

In September 2018, PetroChina signed a 22-year deal with Qatargas Operating to purchase 3.4m tonnes of liquefied natural gas annually. In November 2018, QTerminals and China Harbour Engineering Company signed an MoU to identify global maritime investment opportunities. In January 2019, Qatar Free Zone Authority (QFZA) [signed](#) three MoUs with Chinese companies to "fuel further growth" within Qatari free zones and the wider Qatari economy. This included an agreement with China Harbour Engineering Company advancing co-operation on investments to establish a clean energy bus assembly factory within free zones and invest in marine and industrial products and services. In September 2019, QFZA signed two MoUs with Capital Nuts and Shenzhen Cross-Border E-Commerce Association during the Qatar-China Free Zones Forum. The latter establish cooperation guidelines to leverage the

booming cross-border e-commerce and modern logistics sector by promoting QFZA's availability of resources and SZCBEA business contacts.

In July 2019, InvestHK and the Hong Kong General Chamber of Commerce [signed](#) multiple MoUs with Qatar Financial Centre Authority (QFC) covering mutual investment, information sharing and investment promotion in the two jurisdictions.

In May 2019, it was reported that the China-Arab Economic Co-operation Committee, a sovereign non-profit promoting the BRI, is conversing with Qatar's Supreme Council for Delivery and Legacy to promote Chinese visitors at the 2022 FIFA World Cup.

Palestinian Authority

The China Institute approximates that Sino-Palestinian bilateral trade totalled \$70m in 2017, which is predominantly Chinese exports.

In July 2017, both countries signed four MoUs covering Palestinian Foreign Ministry support, human resources training and economic cooperation. China is supporting is the construction of Targomia Industrial Zone in Hebron. In October 2017, both countries signed an MoU on free trade while Palestine Development and Investment Co announced a plan to create a company dedicated to developing projects in Gaza in support of the BRI.

In October 2018, both countries signed an MoU agreeing to commence free trade talks, with Vice-President Wang Qishan declaring that China would continue to support Palestine's economic development and that it could join the BRI. In May 2019, Beijing announced that it would not attend a US-led workshop in Bahrain exploring economic initiatives/solutions to the Israeli-Palestinian conflict, in solidarity with the PA.

Saudi Arabia

Sino-Saudi bilateral trade has increased from \$3.099bn in 2000 to \$50.137bn in 2017. China is Saudi Arabia's top trading partner, and Saudi Arabia is China's top trading partner in the Middle East.

In January 2016, Saudi Arabia and China upgraded their relationship to a "Comprehensive Strategic Partnership" and the Saudi-Chinese High-level Joint Committee was established to coordinate policy collaboration between the BRI and Saudi's economic plan "Vision 2030". Saudi Arabia joined

the AIIB as a founding member.

Saudi Arabia is the largest recipient of Chinese investment in the Middle East. In February 2019, both countries signed MoUs covering oil, petrochemical, mining, electricity, ceramic, port and other industries. This included an agreement between the Saudi Ministry of Energy, Industry and Mineral Resources and Wyson Company to produce petroleum petrochemicals worth \$5.6bn, and an agreement between Saudi Arabia and Shanxi Sunway International Trade to establish a \$2.4bn fund to manufacture biotin and its derivatives and pharmaceutical materials in the Kingdom. In June 2019, Saudi ACWA Power signed an MoU enabling the Chinese Silk Road Fund to acquire a 49 per cent stake in ACWA Power Renewable Energy Holding Ltd.

In August 2017, The Saudi Ministry of Energy, Industry and Mineral Resources and the Chinese National Development and Reform Commission (NDRC) set up a \$20bn joint investment fund to provide financial support for infrastructure construction and energy development. China National Nuclear Corp is building the “Chinese Industry Park” in Jazan. In September 2018, Saudi Basic Industries Corp signed an MoU with China’s Fujian provincial government to build a petrochemical complex.

In August 2016, China and Saudi Arabia signed 15 agreements covering oil storage, water resources, science and technology and cultural cooperation. This included an MoU for building 100,000 homes in Asfar suburb of al-Ahsa. In March 2017, both countries signed 21 MoUs worth \$65bn covering traditional energy, solar energy and wind energy, technological and industrial capacity, investment, culture, education, aerospace and other areas. This included an agreement for Saudi Arabia to participate in China’s Chang’e-4 moon mission and an agreement for drone manufacturing.

In 2009, China Railway Construction Corporation (CRCC) Limited won a \$1.8bn contract to build and operate the 18-kilometer Mecca Light Railway. In April 2018, the CRCC entered into a new operations contract worth \$93m. CRCC and China South Locomotive and Rolling Stock are involved in the construction of Haramain High-Speed Rail project, which connects Mecca and Medina, while Huawei is running training initiatives for 10,000 Saudi staff.

Israel

Sino-Israeli trade flows have increased from \$0.864m in 2000 to \$13.178bn in 2017. In March 2017, Israel and China established an “Innovative Comprehensive Partnership”. Both countries signed three MoUs including an agreement allowing 20,000 Chinese workers to work on Israeli construction projects.

Israel is the 8th largest recipient of Chinese investment in the Middle East. In 2016, China National Chemical Corp (ChemChina) acquired the remaining 40 per cent stake in its subsidiary Adama Agricultural Solutions (previously Machesim-Agan) for \$2.8bn.

The IVC reports that the average quarterly number of direct Chinese investments in Israeli companies increased from 15 to 20 from 2017 to 2019 and that \$1.5bn was invested in approximately 300 Israeli companies from 2014 to 2019. In January 2019, Chinese e-commerce company Alibaba Group Holding acquired Israeli start-up Infinity Augmented Reality for \$10m. In May 2019, more than 100 Israeli high-tech entrepreneurs presented their innovations to 1,000 potential investors in China at the annual GoforIsrael China-Israel investment conference in Jinan City.

In September 2014 China Harbour Engineering Company won a \$930m contract to build a port in Ashdod. In March 2015, Shanghai International Port Group (SIPG) won a bid to operate the Haifa port on a 25-year lease. SIPG will invest \$2bn into building a 2296-foot-long harbour alongside port facilities and purchasing equipment. In May 2015, China Railway Tunnel Group was awarded a contract to build and operate the Red Line in the Tel Aviv Light Rail, and in May 2019, it was reported that four Chinese companies were among six international consortia seeking to win tender for the construction and operation of the Green Line and Purple Line.

In April 2016, a consortium including SinoHydro won tender to construct a 344-MW capacity hydroelectric pumped storage power station at Kokhav HaYarden. In June 2019, Huawei and Zing Energy signed an agreement to install solar inverters in several 30-megawatt solar farm projects across Israel.

United Arab Emirates

Sino-UAE bilateral trade has increased from \$2.494bn in 2000 to \$41.035bn in 2017. China

is the UAE's top trading partner and the UAE the single largest importer of goods from China in the Middle East.

The UAE is the 5th largest destination for Chinese investment in the Middle East, and in January 2012, became the first Gulf state to establish a 'strategic partnership' with China.

In December 2015, Crown Prince Sheikh Mohamed bin Zayed Al Nahyan of Abu Dhabi met President Xi in China. Both leaders witnessed the signing of a MoU between Mubadala, China Development Bank Capital and China's State Administration of Foreign Exchange establishing the China-UAE Investment Cooperation Fund. The fund enables both countries to deploy capital in jointly-approved investments in the UAE and China, and in July 2018, President Xi said that the fund had finalised plans for investment in 12 projects valued at \$1.07bn.

In December 2016, it was announced that the Industrial and Commercial Bank of China, Bank of China, Agricultural Bank of China, China Construction Bank and Silk Road Fund were among the investors in the \$3.4bn Hassyan clean coal power station, the first coal-based power plant in the region. In February 2017, the UAE awarded two Chinese companies combined 12 percent stakes in Abu Dhabi's onshore oil concession and in March 2018, the UAE awarded PetroChina another 10 percent stakes in two of Abu Dhabi National Oil Company's offshore concessions.

In September 2019, the National Petroleum Construction Company signed two MoUs with China Petroleum Engineering & Construction and China National Engineering to explore joint collaborative opportunities in onshore and offshore oil and gas at the 24th World Energy Congress in Abu Dhabi. During the same month, Abu Dhabi Department of Energy signed a preliminary agreement with the State Grid Corporation of China to boost cooperation in areas including utility-scale energy efficiency and clean energy.

In April 2018, it was announced that China's Shanghai Electric was part of the 700-MW Concentrated Solar Power project being developed by Dubai Electricity and Water Authority. Once developed, it will be the world's largest solar thermal power plant. In July 2017, Jiangsu Provincial Overseas Cooperation and Investment Company and Abu Dhabi Ports signed a 50-year agreement establishing the China-UAE Industrial Park which has attracted the investment of nearly 20 Chinese enterprises. For example, the New Chunxing Resource Recycling Group has signed an agreement

to establish a waste lead-acid battery processing and recycling plant in the park.

In April 2019, Vice-President and Prime Minister of the UAE and Ruler of Dubai Shaikh Mohammad Bin Rashid Al Maktoum announced two projects with China: a \$2.4bn 60-million square feet 'traders market' and a \$1bn 'vegetable basket' in Dubai. The latter project will be supported by the China-Arab Investment Fund and will be used to import, process, pack and export agricultural, marine and animal products through the Silk Road.

In May 2019, East Hope said it was working with Khalifa Industrial Zone Abu Dhabi (or Kizad industrial park) on a feasibility study for a three-phase, 15-year development at Khalifa Port worth \$10bn. Roadbot is developing a \$614m tyre manufacturing facility at Kizad, while Cosco Shipping Ports has also opened a regional hub at Khalifa Port. In August 2019, Abu Dhabi Ports and Jiangsu Overseas Cooperation Investment signed an MoU with Industrial and Commercial Bank of China enabling Chinese companies to do business faster at Kizad industrial park.

In 2013, the the Dubai-based port company DP World sold a 23.5 per cent stake in Doraleh Container Terminal to China Merchants Port Holding Company. In September 2019, Maanshan Iron and Steel Co formally established Masteel Middle East in Dubai's Jebel Ali Free Zone (Jafza). The organisation is expected to expand the company's export market for hot-rolled, section and cold-rolled steel.

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