

The Global Political Economy of Emerging Powers: Envisaging a Chinese Model in the Middle East?

Dr. Walid Khalid Abudalbouh*

Dr. Mohammad Alqatatsheh

Dr. Hasan Almomani

Dr. Abdulrahman Alfawwaz**

Received: 26/8/2019.

Accepted: 15/12/2019.

Abstrac

On the back of rising dissatisfaction across the developing world with the shortcomings of the Bretton Woods development system, many nations, including much of the Middle East, are turning to China as an increasingly preferred provider of development. China's rising role as a leading provider of global development has led many to question what implications for global political economy. Assertions abound that Beijing will look to transplant its domestic model of development (complete with its authoritarian accoutrements) to foreign regions, with concerns raised by many about what this poses for the health of global liberal democracy. The Middle East – both as a region of key investment and development focus for China as well as a region with regimes favourable to the authoritarian pillars of China's development approach – is a key case study in which to explore this situation. Accordingly, the question this paper seeks to answer is twofold. Firstly, is there a China Model of development emerging, or set to emerge, in the Middle East. And secondly, what does the presence of this Model, or its alternative if indeed there is no cohesive model, reveal or imply about the future of China's leadership in the region? To answer these questions, section 1 first examines whether the concept of a China Model is even an appropriate conception of China's overseas development approach. Section 2 builds on the conclusion reached in the previous section and applies it to the Middle East in order to provide a more accurate conception of what China's approach is. Section 3 provides discussion, specifically extrapolating the implications of section 2's findings vis-à-vis China's potential impact on Middle Eastern political economy.

Keywords: Belt and Road Initiative, International Political Economy, China Model, Political System.

* كلية الأمير حسين للدراسات الدولية، الجامعة الأردنية، الأردن.

** قسم العلوم الإنسانية، جامعة البلقاء التطبيقية، الأردن.

حقوق النشر محفوظة لجامعة مؤتة، الكرك، الأردن.

د. وليد خالد أبو دلبوح

أ.د محمد القطاطشة

د. حسن المومني

د. عبدالرحمن الفواز

ملخص

على خلفية الاستياء المتزايد في جميع أنحاء العالم النامي من أوجه القصور في نظام بريتون وودز للتنمية، تتجه العديد من الدول، بما في ذلك الجزء الأكبر من منطقة الشرق الأوسط نحو الصين بشكل متزايد كمزود مفضل لمشاريع التنمية. وقد أدى دورالصين المتنامي كمزود رائد للتنمية العالمية إلى التشكيك في الآثار المترتبة على الاقتصاد السياسي العالمي. وهناك تأكيدات كثيرة على أن بكين سوف تتطلع إلى نقل نموذجها المحلي للتنمية (مع مرافقها الاستبدادية) إلى مناطق أجنبية، مع مخاوف أثارها الكثيرون حول ما يشكله ذلك من أجل صحة الديمقراطية الليبرالية العالمية.

يعد الشرق الأوسط - كمنطقة ذات تركيز رئيسي على الاستثمار والتنمية بالنسبة للصين وكمنطقة ذات أنظمة مواتية للركائز الاستبدادية لنهج التنمية الصيني - نموذج دراسة أساسي لاستكشاف هذا الوضع. وتبعاً لذلك، فإن السؤال الذي يسعى هذا البحث لإجابة عليه ذو شقين.

أولاً: هل هناك نموذج صيني للتنمية ينبثق، أو يستعد للظهور، في الشرق الأوسط؟

وثانياً: ما الذي يكشفه وجود مثل هذا النموذج أو بديله (إن لم يكن هناك بالفعل نموذج متماسك)، أو على ماذا يدل في مستقبل قيادة الصين في المنطقة؟

للإجابة على هذه الأسئلة، يبحث الجزء الأول من البحث فيما إذا كان مفهوم النموذج الصيني مفهومًا مناسبًا للنهج الصيني للتنمية في الخارج؟ ويعتمدالجزء الثاني على الاستنتاج الذي تم التوصل إليه في القسم السابق له ويطبقه على الشرق الأوسط من أجل تقديم تصور أكثر دقة لما هو نهج الصين. ويقدم الجزء الثالث نقاشاً، ويبين بشكل خاص الآثار المترتبة على نتائج الجزء الثاني فيما يتعلق بتأثير الصين المحتمل على الاقتصاد السياسي في الشرق الأوسط.

الكلمات الدالة: الصين، الشرق الأوسط، الاقتصاد السياسي الدولي. مبادرة الحزام والطريق الصيني، النظام السياسي.

Introduction:

Many parts of the developing or underdeveloped world are becoming increasingly tired of relying on the Bretton Woods system and Western donors to spur their development-the significant accompanying political conditionality, low approval rates, and insufficient material resources to meet their needs being the prime complaints directed at this economic assistance.⁽¹⁾ Accordingly, many, including much of the Middle East, are turning to China, who over the past two decades has risen rapidly to become a leading overseas development actor.⁽²⁾ China has established a progressively more outward-looking development strategy over this period, with its state-owned enterprises (SOE's) entrenching themselves globally as key development players, and China's foreign direct investment rising from near zero in 2000 to over \$100 billion in 2013.⁽³⁾ However, it has been since 2013 and President Xi Jinping's unveiling of the precocious Belt and Road Initiative (BRI) - a financial and logistical trading network extending from China to Western Europe that will open up and link foreign markets to Chinese industrial overcapacity and excess capital - that China's push to consolidate itself as perhaps the world's key development power has taken off. Beijing has determined that China's ongoing economic growth will be predicated on proliferating its engagement in global production, exchange, finance and projection of smart power: a combination of cultural and economic power. However, to achieve this in the manner desired, China will need to become a leading, if not the leading, shaper of global economic governance.⁽⁴⁾

As China's alternative approach – centred on its successful unprecedented combination of a market economy and authoritarian political system – to the Bretton Woods system has gained increasing steam over the past two decades, the discussion of a “China Model” of development, also widely known as the “Beijing Consensus”, has become widespread in an attempt to try and parse the key pillars and implications of this Chinese approach.⁽⁵⁾ While China Model or Beijing Consensus are terms and concepts that have never been used or spoken by Beijing, China's own conception of its alternative approach to development has become something Zhongnanhai has been increasingly promoting as an answer to global development problems.⁶Representing a clear break with tradition, President Xi's opening speech at the Chinese Communist Party (CCP) Congress in October 2017 asserted that China would now seek to promote ‘Xi

⁽¹⁾ (Ying, 2017)

⁽²⁾ (Reardon-Anderson et al., 2017); (Gitter, 2017); (Zukus, 2017).

⁽³⁾ (Parello-Plesner & Duchatel, 2015).

⁽⁴⁾ (Ehteshami, 2018, p.388).

⁽⁵⁾ (Kai, 2017).

⁽⁶⁾ (Pham, 2018); (Mardell, 2017).

Jinping Thought on Socialism with Chinese Characteristics in a New Era' – the closest thing to a Beijing version of the China Model – to foreign nations.⁽¹⁾ In promoting this approach as an option for other nations, President Xi asserted that it provided a “new option” for “developing countries” to “achieve modernisation ... while preserving their independence,” going so far as to say “Chinese wisdom and a Chinese approach” could be employed in “solving the problems facing mankind.”⁽²⁾

The global promotion of Xi Jinping Thought has led some commentators to posit that China’s overseas development efforts may now be accompanied by the promotion of Chinese political governance methods.⁽³⁾ While this may be putting the cart before the horse, Xi’s publicly stated goal of China’s increased global engagement being to create a global “community of common destiny” - with China’s “reforming” of global governance geared to achieve this aim⁽⁴⁾ - means that truly understanding China’s overseas development approach and its implications is one of the key imperatives of contemporary international relations and political economy study. It is this imperative that this paper looks to meet, in the context of one of China’s key regions of development focus, the Middle East.

The Middle East is one of the most conducive case studies to begin building this understanding for multiple reasons. Firstly, it is a region of prime geostrategic importance for China and thus attracts a significant portion of its development attention.⁵ The Middle East is key to Chinese energy security⁽⁶⁾ (a key determinant of where Chinese development attention is focussed) and is also the most important conduit region for the BRI. While the Middle East has attracted 13% of BRI investments since 2013,⁽⁷⁾ this rate of investments has been increasing significantly in the past few years.⁽⁸⁾ For instance, the Middle East received 24% of BRI investments between 2014-16.⁽⁹⁾ Secondly, it is one of the regions where China will have the best chance to push to develop its image and position as the key global provider of development.⁽¹⁰⁾ Middle Eastern leaders are widely hungry for Chinese investment and Beijing-led

(1) (Pham, 2018); (Mardell, 2017).

(2) (Jinping, 2017).

(3) (Gitter, 2017); (Pham, 2018).

(4) (Mardell, 2017).

(5) (Lyll, 2019a).

(6) (Dusek & Kairouz, 2017).

(7) (Kong, Cochrane, Meighan, & Walsh, 2019, p.3).

(8) (ChinaMed, 2018).

(9) (Garcia Herrero & Jianwei, 2017, pp.1,2).

(10)(Lyll, 2019b).

infrastructure development. And the enormous infrastructure deficits in the region mean there is a huge lacuna for China to fill and see its development approach play out.

Accordingly, the question this paper seeks to answer is twofold. Firstly, is there a China Model of development emerging, or set to emerge, in the Middle East. And secondly, what does the presence of this Model, or its alternative if indeed there is no cohesive model, reveal or imply about the future of China's leadership in the region? To answer these questions, section 1 first examines whether the concept of a China Model is even an appropriate conception of China's overseas development approach. Section 2 builds on the conclusion reached in the previous section and applies it to the Middle East in order to provide a more accurate conception of what China's approach is. Section 3 provides discussion, specifically extrapolating the implications of section 2's findings vis-à-vis China's potential impact on Middle Eastern political economy.

China Model in the Middle East?

The tangible

Chinese overseas development assistance can be divided into two general areas: foreign aid, and development assistance and finance.⁽¹⁾ The former consists of grants (managed by the Ministry of Commerce), concessional loans (managed by China EximBank), and interest-free loans (managed by the Ministry of Commerce), listed here in order of descending size as a proportion of China's overall historical foreign aid.⁽²⁾ While China has become one of the world's major aid players – and is becoming an increasingly larger humanitarian actor,⁽³⁾ especially in the Middle East⁽⁴⁾– the dominant and most important aspect to examine of China's overseas development approach for our purposes is the latter aspect, development assistance and finance. This aspect consists of export buyers' credits, official loans at market rates, and strategic lines of credit provided to Chinese enterprises, largely facilitated by the two state policy banks, China EximBank and the China Development Bank.⁽⁵⁾ The centrality of the development assistance and finance aspect to the purposes of this paper is due to it being constituted by the institutions and processes through which China is pushing to establish a “new economic and political geography

(1) (Carter, 2017).

(2) (The State Council of the People's Republic of China, 2011); (Lu, 2018, pp.1,2).

(3) (Hirono, 2018).

(4) (Calabrese, 2019).

(5) (Lakatos, Maliszewska, Osorio-Rodarte, & Go, 2016, p.11).

of international development cooperation.”⁽¹⁾ The two key institutions and processes to examine here⁽²⁾ are the BRI and International Capacity Cooperation (ICC).

The BRI and ICC

The primary thrust of the BRI is to facilitate and roll out an unprecedented spread of transport, port and various other infrastructural facilities across Eurasia to proliferate regional connectivity between markets and orient China as the centre of a new economic order.⁽³⁾ Since its unveiling in 2013, The BRI has assumed the mantle as the champion of China’s overseas development presence, and the prime vehicle of Chinese diplomacy and efforts build the aforementioned “community of common destiny.”⁽⁴⁾ Under the banner of the BRI, Chinese SOE’s have so far allegedly undertaken 3116 projects across 185 countries, with the contract value of these projects exceeding \$500 billion and the total value of these overseas assets standing at over \$1 trillion.⁽⁵⁾ The cue provided by the CCP for Chinese enterprises to go forth into the world has left projections of the total value of China’s entire overseas assets saying they will triple from their 2017 level of \$6.4 trillion to \$20 trillion by 2020.⁽⁶⁾ As further evidence of the current and future centrality of the BRI to China’s global development designs, the initiative, alongside Xi Jinping’s abovementioned political theory, was enshrined in the CCP’s Constitution at the October 2017 Congress.⁽⁷⁾

ICC is the major avenue aimed to operationalise the BRI, and rests on facilitating and encouraging the transfer of production capacity from China to other countries resulting in the strengthening and integration of the “global industrial chain.”⁽⁸⁾ Drawing on traditional international industrial transfer, ICC is being established and marketed as a means through which developing countries can realise accelerated inexpensive growth while China can upgrade its industrial chains.⁽⁹⁾ China’s domestic development approach has always involved coordination and policy transmission between its public finance

(1) (Carey & Li, 2016, p.13).

(2) (Jiahua, 2017); (Kenderdine, 2018).

(3) (Ehteshami, 2018, p.387).

(4) (Xue, 2018).

(5) (Gang, 2019).

(6) (Anderlini, 2015).

(7) (Brînză, 2018).

(8) (Kenderdine, 2018); (Mei, 2016).

(9) (Mei, 2016).

institutions, central government ministries, local government industrial clusters, and industrial enterprises.¹ Now, this architecture is being deployed globally.

However, in its domestic iteration, this system lacked a vehicle to achieve the integration with foreign host economies now required. This is what ICC has been conceived to achieve.⁽²⁾ Here, the establishment of industrial clusters and industrial policy is aimed to enable Chinese industry, Chinese local governments, and Chinese policy banks to intersect with foreign economies, pairing these economies with conducive Chinese regions and industries.⁽³⁾ Chinese SOE's are now coordinated by industrial sector under ICC Enterprise Alliances (essentially reincarnations of traditional Chinese government industry associations that enabled the complete vertical integration of Chinese industries under the planned economy) which are then matched to regional specific policy bank funds (for instance, the China-Arab Investment Fund). These funds then channel the overseas activities of the SOE's, ensuring these activities: serve China's regional industrial restructuring needs; synergise with industrial complementarities in foreign host economies; and meet Chinese macro national strategies, like enabling China's shift from an export to import economy through the off shoring of Chinese industrial firms. As such, China's global development investment mechanism is centered on government associations (resourced by Chinese policy banks) that coordinate Chinese enterprises to achieve Chinese industrial policy aims.⁽⁴⁾ The use of state capital mechanisms to pursue state investment in foreign regions within BRI, combined with the industrial off shoring implemented by ICC, means China's overseas development approach can be described as a "state-capitalist Outward Direct Investment economic model."⁽⁵⁾

The Conceptual

So, does the above centralization of China's various economic forces to pursue China's development and geoeconomic aims abroad constitute a China Model or Beijing Consensus? As mentioned earlier, the Beijing Consensus is the concept, conceived outside of China, which has been favoured by many to conceptualise China's approach to development, both domestic and overseas.⁽⁶⁾ Largely, the Consensus consists of three pillars.⁽⁷⁾ Firstly, development should

(1) (Kenderdine, 2018).

(2) (Kenderdine, 2018).

(3) (National Development and Reform Commission of People's Republic of China, 2015).

(4) (Kenderdine, 2018).

(5) (Kenderdine & Lan, 2018, p.564)

(6) (Qasem, van Dongen, & de Ridder, 2011, p.2).

(7) (Cooper Ramo, 2004).

be innovative: each situation is unique and may therefore need new development approaches to be tried and then iterated on. Secondly, economic success is not measured solely by GDP or traditional ‘economic development’, but instead must account also for outcomes like sustainability and equality, and afford attention to indicators like the Human Development Index. Thirdly, external foreign pressure must be resisted and local authorities must be permitted to find their own way through the development process as they know best the exigencies of their situation. This last point has been a key point of attraction for foreign states of Chinese development solutions over the Washington Consensus and its Bretton Woods system – as Beijing supplies its assistance and resources without conditionality, only offering the lessons China has learned when asked for. More recently, this pillar in China’s conception of global development has been given increased emphasis by President Xi with his concept of “globalization with Chinese characteristics.” Here, China welcomes and promotes economic globalisation and integration, while rejecting the cultural and political globalization and integration that it accuses the West of pushing.⁽¹⁾ The Consensus is often coined as illiberal state-directed capitalism, and its operationalization inside China saw an economy dominated by large SOEs critical to national interests – energy, transportation, heavy industry, public utilities – with the private sector playing a supporting role, influenced by the political elite to further these national interests.⁽²⁾

Accordingly, it should be clear that, by definition, the Beijing Consensus is not a model, as its first pillar dictates the necessity to comprehensively adapt approaches to the local situation. Additionally, the ability of specific Chinese economic development practices to be mirrored or implemented in a foreign economy to the extent it could be called a “model” would be near impossible: China’s development has been predicated on a highly unique Chinese context and set of circumstances, ranging from a CCP pulling the levers of all aspects of society to an unprecedented base of industrial capacity and human capital.

Flexibility, Adaptability, and Internal Competition

If there isn’t a China Model of overseas development, how then can we best conceive of China’s development approach in foreign environments? While the centralisation inherent to ICC discussed above may hint otherwise, there are also considerable competing forces and decentralization within China’s overseas development system. Instead of a coherent overarching development strategy, or model, the agenda and outcomes of Chinese overseas

(1) (Zukus, 2017).

(2) (Halper, 2012).

development are often shaped by: the competition between China's aid and development institutions;⁽¹⁾ the power invested in China's provinces to implement their 'going global' strategy;⁽²⁾ and even the pursuit of individual interests by Chinese businesses and contractors.⁽³⁾ The formation of China's overseas economic development policy – which can best be understood as China's external trade and industry policy⁽⁴⁾ – is often a turf battle between a large range of Chinese ministries, such as the National Development and Reform Commission (NDRC), Ministry of Commerce (MofCOM), State-owned Assets Supervision and Administration Commission (SASAC), Ministry of Industry and Information Technology (MIIT), Ministry of Science and Technology (MoST), and relevant CCP and State Leading Groups.⁽⁵⁾ This ecosystem of competing forces, and often confusion, is exacerbated when provincial and local governments are added to the process. To give an idea of the confusion, while straight foreign economic policy is coordinated between MofCOM and the Ministry of Foreign Affairs (MFA), ICC geoeconomic policy is coordinated solely by MofCOM. Furthermore, general geoeconomic strategy is coordinated by the NDRC and the policy banks. But, finally, it is the provincial and prefectural governments who actually deploy policy, often assuming latitude to direct it as they best see fit.⁽⁶⁾

A further factor refuting the existing of a cohesive China Model is the flexibility and adaptability deliberately built into the Chinese development approach. While China's development approach was always built on innovation, this was magnified in China's 13th 5 Year Plan released in 2016, which unveiled a new development concept with the core principles of "innovative, coordinative, sustainable, open, and inclusive."⁽⁷⁾ This new concept was a notable development from the dominant focus on quantitative expansion in the previous development approach, and was in response to the 2015 unveilings of the United Nations 2030 Sustainable Development Agenda, Paris Climate Agreement, and Addis Ababa Action Agenda.⁽⁸⁾ Further evidence of this development approach flexibility was displayed at the 2019 Second Belt and Road Forum. In response to the concerns raised by BRI-partner countries relating to the BRI not providing enough involvement opportunities for host countries, as well as issues of financing and

(1) (Varrall, 2015).

(2) (Gu, Zhang, Vaz, & Mukwereza, 2016, p.1)

(3) (Zhang & Smith, 2017, p.12); (Gu, Zhang, Vaz, & Mukwereza, 2016, p.1).

(4) (Kenderdine & Lan, 2018, p. 562).

(5) (Hatton, 2013).

(6) (Kenderdine & Lan, 2018, p.562); (Kenderdine, 2017).

(7) (Goodman, Yu, & Remler, 2017, p.79).

(8) (Goodman, Yu, & Remler, 2017, p.80).

environmental sustainability, the MFA released a set of Forum outcomes that emphasized the need to focus on more inclusive agreements, multilateral frameworks, and people-to-people and cultural initiatives.⁽¹⁾ This Second Forum focused on policy coordination and facilitation of co-investment between China and host nations, all aimed to foster a more cooperative BRI paradigm and to better give voice to the host nations' conditions and needs.²

This flexibility inherent to the Chinese development approach is augmented by adaptability. China's development engagements with foreign countries has been characterised by co-progressiveness, where China's presence is typically defined by learning from the host country, offering China's own lessons learned, and by implementing and iterating an integrated approach.⁽³⁾ For instance, much of China's development experience in African and Latin American nations has seen China emphasise and benefit from the maintenance of proven local practices by augmenting them with China's resources.⁽⁴⁾ The innovative and experimental pillars of China's development approach, a product of its domestic development approach of "crossing the river by feeling the stones," means that China is largely only able to offer incremental or partial reform to host countries.⁽⁵⁾ While this adapt ability and the abovementioned flexibility have seen success relative to the traditional Western development approach in developing regions, these attributes also mean the Chinese approach lacks the systematization to be deemed a model.⁽⁶⁾ Indeed, this incrementalism, and the preference for targeted, limited approaches or interventions, are being increasingly reflected in Chinese conceptions of their overseas development approach. Instead of a "model," the Chinese are talking more about Chinese "solutions."⁽⁷⁾ The distinction is important, as while "model" implies top-down imposition, "solutions" imply more of a collaborative process of engagement between the entity facing the issue and the entity providing assistance. The concept of Chinese solutions – which centre on targeted goods provision and deploying localised approaches – rather than a systematised China Model, is a more appropriate paradigm to employ in order to better conceptualise China's international development method.

(1) (Parameswaran, 2019).

(2) (Ghosal Singh, 2019).

(3) (Nanfeng, 2017); (Goodman, Yu, & Remler, 2017, p.80).

(4) (Girard, 2018).

(5) (Yifu Lin & Wang, 2017).

(6) (Goodman, Yu, & Remler, 2017, p. 83).

(7) (Kai, 2017).

China's development approach to the Middle East China's Arab Policy Paper and ICC

The greater relevance of the concept of 'Chinese solutions' as opposed to a China Model to the Middle East is evidenced by China's 2016 Arab Policy Paper and the emerging prevalence of the ICC architecture in China's approach to the region. China's state-directed outwards direct investment plans for the Middle East was a dominant narrative throughout the Paper, with declarations such as "in the process of jointly pursuing the Silk Road Economic Belt and the 21st Century Maritime Silk Road initiative, China is willing to coordinate development strategies with Arab states, put into play each other's advantages and potentials, promote international production capacity cooperation and enhance cooperation in the fields of infrastructure construction, trade and investment facilitation, nuclear power, space satellite, new energy, agriculture and finance, so as to achieve common progress and development and benefit our two peoples."⁽¹⁾ The focus on ICC in the Paper pointed to plans to export or offshore Chinese production bases from various domestic industries to the Middle East,⁽²⁾ with these industries falling under the '1+2+3' policy. The '1+2+3' policy refers to the six key industries in three policy focus areas: 1 is energy; 2 is industry and trade; and 3 is civil nuclear, space industry (particularly involving the expansion of China's Beidou geosatellite constellation⁽³⁾), and new energy. Outside of these six areas of primary Chinese focus, the Paper also outlines the secondary Chinese strategic focuses of agriculture, aquaculture and port and trade logistics infrastructure.

Like the above outlining of the ICC architecture would suggest, this industrial transfer approach driving China's engagement with the Middle East is being facilitated by dedicated industrial transfer funds, external industrial associations, and the pairing of Chinese provinces with conducive Middle Eastern markets or regions.⁽⁴⁾ The key aspect of this industrial transfer is the increasing Chinese emphasis of this latter aspect of the geographical pairing that facilitates the transfer of liquid and fixed capital from China to foreign economies, as this approach is positioning these domestic Chinese entities as actors circumventing traditional international trade institutions.⁽⁵⁾ The important dynamic to note is these domestic Chinese economic actors at the implementation end of the industrial transfer process – the SOE's, private enterprises, and Chinese provincial/local governments – will be exercising a not

(1) (The State Council of the People's Republic of China, 2016).

(2) (Mei, 2016).

(3) (Kenderdine & Lan, 2018, p.565).

(4) (Kenderdine, 2018).

(5) (Kenderdine, 2018).

insignificant degree of self-direction in response to their individual interests and incentives. Yes, all Chinese trade and industry institutions that deploy Chinese capital, even private enterprises, will have embedded in them a degree of the State policy.⁽¹⁾ However, and especially in the Middle East, to conceive of the operations of this vast ecosystem of actors as a tightly CCP-coordinated and controlled system would be misguided.⁽²⁾ Yes, the central Chinese State has established and is deploying a cohesive economic development plan to direct and facilitate its desired industrial transfer by its domestic institutions to the Middle East, with this investment being characterized more as a governance chain than a value-chain.³ However, in terms of understanding China's development engagement with the Middle East, it is still essential to give due consideration to the role, scope, and agency that exists for the micro actors, such as SOE's, provincial governments, and private enterprises, and not just the macro actor/s of the central State. This pluralism of agency thus also highlights the appositeness of the incremental and diverse Chinese solutions paradigm over the systematized China Model concept.

Development with Chinese characteristics

The Arab Policy Paper makes clear that China's general approach to the Middle East is a geo-economic one, with the industrial transfer policy that is the key pillar of this approach amounting to what has been deemed a geo-industrial policy and a parallel trade strategy.⁽⁴⁾ The parallel trade strategy aspect relates to the goal of this industrial transfer being to offshore Chinese factories or production bases to Middle Eastern nations to then import the outputs of these off shored factories back to China,⁽⁵⁾ or export them to third countries (and by doing so avoiding anti-dumping regulations that would otherwise face China).⁽⁶⁾ This is a key process through which China is looking to ameliorate its well-publicised industrial overcapacity problems, by transferring this overcapacity to external geographies with conducive economies to these industries.⁽⁷⁾ In the Middle East, the key industries of overcapacity being transferred are energy production equipment (spanning nuclear, traditional, and new energy), with other important industries including steel, aluminum, cement, communications, construction, aerospace, transport agriculture and

(1) (Kenderdine & Lan, 2018, p.561).

(2) (Kenderdine & Lan, 2018, p.576).

(3) (Kenderdine & Lan, 2018, p.576); (Kenderdine, 2018).

(4) (Kenderdine & Lan, 2018, p.557).

(5) (Ohashi, 2018, p.94); (Kenderdine & Lan, 2018, p.572).

(6) (Kenderdine & Lan, 2018, p.566).

(7) (Mei, 2016); (Kenderdine & Lan, 2018, p.566).

aquaculture.⁽¹⁾ As a further example of this transfer-import cycle, the ‘stock’ outputs of the transfer of Chinese agriculture and aquaculture overcapacity to the Middle East will eventually then be used to establish a returning ‘flow’ of resources that will feed China.

The Chinese plan of transplanting the location of its industrial production bases to regions like the Middle East, while still maintaining Chinese State direction over this transplanted labour and capital (at least at a macro level), will enable China to continue its favoured state-capitalist development approach.⁽²⁾ In terms of meeting the current challenges facing Chinese economic development, the success of this geoeconomic plan will not only ameliorate such issues as the abovementioned domestic overcapacity, but will also move China closer towards the transition from a net-exporting to a net-importing economy.⁽³⁾ The process, or cycle, of transfer eventually followed by (quasi-re)importation is a key driver of the Chinese focus on port, rail and road infrastructure within the BRI.⁽⁴⁾ This increasing transport infrastructure focus is demonstrated clearly in the tables in Tables 1 and 2 examining Chinese investment and construction contract activity in the Middle East in the six years before and the six years after the announcement of the BRI.

Table (1)

Chinese investments and construction contracts in the Middle East in the six years before the BRI (by sector)	
Source: Data extrapolated from AEI China Global Investment Tracker	
Sector	Cumulative size of deals (\$ millions)
Energy	\$41,490
Real estate	\$18,480
Transport	\$7,000
Metals	\$4,220
Education	\$1,270
Chemicals	\$1,040
Tourism	\$590
Utilities	\$560
Health	\$350
Logistics	\$380
Agriculture	\$330
Industry	\$230

(1) (Xinhua, 2016).

(2) (Kenderdine & Lan, 2018, p.571).

(3) (Ohashi, 2018, pp.85, 93); (Kenderdine & Lan, 2018, p.573).

(4) (Kenderdine, 2018).

Table (1)

Chinese investments and construction contracts in the Middle East in the six years since the BRI (by sector)	
Source: Data extrapolated from AEI China Global Investment Tracker	
Sector	Cumulative size of deals (\$ millions)
Energy	\$47,645
Real estate	\$16,180
Transport	\$14,760
Utilities	\$8,320
Chemicals	\$3,460
Education	\$1,430
Metals	\$1,040
Agriculture	\$900
Industry	\$890
Tourism	\$780
Health	\$530
Entertainment	\$153
Logistics	\$120

The development policy bank-driven industrial transfer process is being framed by China as development financing, private equity investment, private enterprise investment, state aid, or multilateral international assistance loans.¹ And this process is likely to result in the strengthening of Middle Eastern industrial economies through the provision of new sources of fixed and financial capital.² However, the geostrategic character of the approach, and the aimed “vertical integration of China’s industrial production in external geographies” overseen by the central State, is undeniable.³ As shown by the data in Tables 3 and 4, the economic spatial planning approach, and the ensuing geo-industrial policy, is clearly targeting the major regional economies of Saudi Arabia, Iran, UAE and Egypt. Indeed, bilateral transfer agreements in civil nuclear electricity generation, space industries, traditional and new energy, and other technology are already established between China and these states.⁽⁴⁾

(1) (Kenderdine, 2018); (Kenderdine & Lan, 2018, p.576).

(2) (Ang, 2018, p.422); (Ang, 2017, p.2); (Ohashi, 2018, pp.93.94); (Kenderdine & Lan, 2018, p.576).

(3) (Kenderdine & Lan, 2018, p.569; (Kenderdine, 2018).

(Chen & Han, 2019); (Farid, 2017); (Adesnik & Ghasseminejad, 2018); (Das Augustine, 2019).⁴

Table (2)

Chinese investments and construction contracts in the Middle East in the six years before the BRI (by country)	
Source: Data extrapolated from AEI China Global Investment Tracker	
Country	Cumulative size of deals (\$ millions)
Saudi Arabia	\$16,280
Iraq	\$13,130
Iran	\$10,830
UAE	\$8,820
Egypt	\$7,390
Syria	\$3,770
Qatar	\$3,330
Jordan	\$1,890
Kuwait	\$1,600
Oman	\$880
Yemen	\$470

Table (3)

Chinese investments and construction contracts in the Middle East in the six years since the BRI (by country)	
Source: Data extrapolated from AEI China Global Investment Tracker	
Country	Cumulative size of deals (\$ millions)
UAE	\$23,160
Saudi Arabia	\$16,180
Egypt	\$15,690
Iran	\$11,290
Iraq	\$9,535
Kuwait	\$6,800
Jordan	\$4,500
Oman	\$3,490
Qatar	\$3,113
Yemen	\$510
Syria	\$0

This Chinese groundwork in the Saudi Arabia, Iran, Egypt nexus particularly has led some to paint it as China “laying the foundations of a state-controlled industrial matrix in the region.”¹ The dominant focus on Saudi Arabia, Egypt, UAE and Iran is likely to deepen the uneven trajectory of Middle Eastern development, this being alluded to by the vast disparities between recipients of Chinese investment and construction attention shown in Tables 3 and 4. But this limited focus by China is largely a commensurate response or reaction to the process of globalization creating geographic pockets or concentrations that are most primed to leverage a nexus of location, production and exchange, thus driving the global economy.² In other words, China’s development approach (read BRI) to the Middle East, is largely a case of plugging into and exploiting, and admittedly redirecting, existing economic dynamics and landscapes, rather than seeking to transform it for the sake of the host nations. The Chinese non-normative development paradigm of business first, second, and third is on display here in its full glory.

Discussion and conclusion: future trajectory and political implications

Section 1 of this paper illustrated the fallacy of the concept of a Chinese overseas model of development, pointing instead to how the Chinese overseas development approach is best conceived of through the paradigm of Chinese solutions. In other words, instead of a systematised approach that is set to be rolled out across the globe – with obvious political implications – Chinese development in foreign locations is more a case of collaboration, or maybe synergising, and China looking to augment the extant conditions with Chinese resources and the offering of limited relevant Chinese development experiences. Section 2 built on this distinction in the case of the Middle East, displaying how China’s development approach to the region is increasingly characterised by the pairing of Chinese provinces and industrial bases with conducive Middle Eastern regions and markets to leverage this complementarity and enable industrial transfer. This process of Industrial Capacity Cooperation (ICC) epitomises the concept of Chinese solutions, as ICC is a general framework that facilitates collaboration whereby host market capabilities and characteristics are integrated with Chinese resources and capacity. As shown, ICC (and China’s development approach to the Middle East in general) is about the facilitation of China’s domestic economic transformation and continued growth, not the transformation of Middle Eastern

(1) (Kenderdine & Lan, 2018, p.571).

(2) (Ehteshami, 2018, p.388).

political economy as a means to lay the foundation for future Chinese political leadership in the region.

Chinese investment in the region will not be norm-driven – i.e. with the aim of implementing widespread socio-economic development across the Middle East. Instead, China will focus the overwhelming majority of its attention on the geostrategic nations outlined above that possess the market conduciveness and location to act as powerful conduits for the BRI, connecting it to Europe or East Africa and establishing a Chinese-led trade architecture across the Indian Ocean.⁽¹⁾ This will not preclude the chance of the flow-off or spin-off effects of these hubs' development also pulling up the development of the surrounding underdeveloped nations, sub-regions and markets. But a comprehensive regional focus will not be China's focus. Accordingly, while it seems clear that China has a geo-economic strategy for the Middle East, this strategy, as it stands, is not comprehensive enough to have the geopolitical capacity to see China become the leader in the region. Not that China seems to desire this anyway. China's geopolitical presence in the Middle East is more reactive than proactive, as China very much acquiesces to the status quo set by Russia and the US, and avidly looks to avoid rocking the boat in the geopolitical domain.

The key dynamic of the BRI is facilitating movement of goods and capital through regions, with this dynamic relying on a focus on transit points and conduits, especially in the Middle East.⁽²⁾ The conception of the Middle East as a conduit is alluded to by its grouping under the “West Asia and Africa” spatial planning category by MofCOM. Accordingly, the last thing Beijing wants is to become bogged down in specific regions and waste time and resources trying to develop or exercise significant region-wide political leadership or power. To better conceive of the future political implications of China-led development in the Middle East, and elsewhere for that matter, it is worthwhile starting from the fact that the CCP is first and foremost concerned with the continuity of Party legitimacy, and thus rule, in China. The social contract that the CCP has with the Chinese people is built on the understanding that this legitimacy will only be conferred if the Party ensures continuous large-scale socio-economic development for the population. Chinese foreign policy, with overseas development policy being the key pillar, is thus conceived and implemented to achieve this aim.

(1) (Huaxia Jingwei Network, 2016); (Chatora, 2015); (Kenderdine & Lan, 2018, pp.571, 572, 573, 575).

(2) (Kenderdine & Lan, 2018, p.573).

As such, the question thus arises: what form of Chinese engagement in the Middle East will best achieve this aim? The answer is clearly not the expenditure of unprecedented political and material capital to push Middle Eastern nations towards resembling the Chinese economic model as a means of installing Chinese hegemony over global, or even regional, political economy. Even if China did desire this, it lacks the institutional capacity to achieve it, highlighted by the plurality of domestic Chinese actors, often with competing interests, at play in China's foreign economic engagement, undermining the cohesiveness needed to achieve such an outcome. We should conceive instead of a future where China looks to fashion a new trade and investment network, with the flows within this network better centred on and directed to China, enabling it to become a net importer and exercise greater influence on international economic rule-setting.¹ However, to achieve the re-orienting of the trade and investment paradigm, and to turn its proclivity for nebulous rhetorical frameworks like "community of common destiny" into functional systems, China will need to take a further step into the leadership limelight and work with the Middle Eastern BRI partners to establish revised collective economic governance structures that form new institutions, standards and norms, and then enforce them.² As Kenderdine puts it, "The rise of China in the Middle East is not so much an upset of the geopolitical order, as a subversion of extant institutional actors."³ In other words, focus less on Chinese executive politics and more on the refashioning of trade and industry dynamics in the Middle East and the increasing role of China's economic actors within this.

(1) (Ohashi, 2018); (Kenderdine & Lan, 2018, p.574).

(2) (Ehteshami, 2018, p.395).

(3) (Kenderdine & Lan, 2018, p.576).

References:

- Adesnik, D., & Ghasseminejad, S. (2018). Foreign Investment in Iran: Multinational Firms' Compliance with U.S. Sanctions. Foundation for Defense of Democracies.
- Augustine, B. D. (2019, July 20). Sheikh Mohammed's China visit to boost economic cooperation. Retrieved August 3, 2019, from Gulf News website: <https://gulfnews.com/business/sheikh-mohammeds-china-visit-to-boost-economic-cooperation-1.65301824#>
- Anderlini, J. (2015, June 25). China to become one of world's biggest overseas investors by 2020. Retrieved July 12, 2019, from Financial Times website: <https://www.ft.com/content/5136953a-1b3d-11e5-8201-cbdb03d71480>
- Ang, Y. Y. (2018). Domestic Flying Geese: Industrial Transfer and Delayed Policy Diffusion in China. *The China Quarterly*, 234, 420–443. <https://doi.org/10.1017/s0305741018000516>
- Ang, Y. Y. (2017). Industrial Transfer and the Remaking of the People's Republic of China's Competitive Advantage. Asian Development Bank Institute.
- Brînză, A. (2018, March 20). Redefining the Belt and Road Initiative. Retrieved July 12, 2019, from The Diplomat website: <https://thediplomat.com/2018/03/redefining-the-belt-and-road-initiative/>
- Calabrese, J. (2019). China and Syria: In War and Reconstruction. Retrieved July 6, 2019, from Middle East Institute website: <https://www.mei.edu/publications/china-and-syria-war-and-reconstruction>
- Carey, R., & Li, X. (2016). The BRICS in International Development: The New Landscape. Institute of Development Studies.
- Carter, B. (2017). A literature review on China's aid. Institute of Development Studies.
- Chatora, A. (2015, October 30). Tanzania breaks ground on \$10bn China-Oman funded port. Retrieved July 15, 2019, from This Is Africa website: <http://thisisafrika.me/tanzania-breaks-ground-on-10bn-china-oman-funded-port-project/>
- Chen, D., & Han, W. (2019). Deepening Cooperation Between Saudi Arabia and China. King Abdullah Petroleum Studies and Research Center.
- ChinaMed. (2018). Retrieved July 12, 2019, from <https://www.chinamed.it/chinamed-data/middle-east>

- Cooper Ramo, J. (2004). The Beijing Consensus. Retrieved from The Foreign Policy Centre website:
<http://www.chinaelections.org/uploadfile/200909/20090918021638239.pdf>
- Dusek, M., & Kairouz, M. (2017, April 4). Is China pivoting towards the Middle East? Retrieved July 7, 2019, from World Economic Forum website: <https://www.weforum.org/agenda/2017/04/is-china-pivoting-towards-the-middle-east/>
- Ehteshami, A. (2018). Gold at the end of the Rainbow? The BRI and the Middle East. *Global Policy*, 9(3), 387–397.
<https://doi.org/10.1111/1758-5899.12552>
- Farid, D. (2017, September 7). Dozens of agreements signed between Egypt, China. Retrieved August 3, 2019, from EgyptToday website: <https://www.egypttoday.com/Article/3/21508/Dozens-of-agreements-signed-between-Egypt-China>
- Gang, L. (2019). Review of the “Belt and Road” in Issue 79: Problems and Responses. Retrieved from Peking University Institute of International and Strategic Studies website:
<http://www.iiss.pku.edu.cn/research/bulletin/3589.html>
- Garcia Herrero, A., & Jianwei, X. (2017). How is the Belt and Road impacting the Middle East? Natixis.
- Ghosal Singh, A. (2019, April 26). China’s Belt and Road Debate. Retrieved July 15, 2019, from The Diplomat website: <https://thediplomat.com/2019/04/chinas-belt-and-road-debate/>
- Girard, B. (2018, July 13). Is There Really a ‘China Model’? Retrieved July 14, 2019, from The Diplomat website: <https://thediplomat.com/2018/07/is-there-really-a-china-model/>
- Gitter, D. (2017, October 28). China Sells Socialism to the Developing World. Retrieved July 1, 2019, from The Diplomat website: <https://thediplomat.com/2017/10/china-sells-socialism-to-the-developing-world/>
- Goodman, M., Yu, Y., & Remler, D. (2017). Parallel Perspectives on the Global Economic Order: A U.S.-China Essay Collection. Center for Strategic and International Studies.
- Gu, J., Zhang, C., Vaz, A., & Mukwereza, L. (2016). Chinese State Capitalism? Rethinking the Role of the State and Business in Chinese Development Cooperation in Africa. *World Development*, 81, 24–34.

- <https://doi.org/10.1016/j.worlddev.2016.01.001>
- Halper, S. A. (2012). *Beijing Consensus: how China's authoritarian model will dominate the twenty-first century*. New York: Basic Books.
- Hatton, C. (2013, March 19). Who makes China's foreign policy? BBC News. Retrieved from <https://www.bbc.com/news/world-asia-china-21826852>
- Hirono, M. (2018). Exploring the links between Chinese foreign policy and humanitarian action: multiple interests, processes and actors. Humanitarian Policy Group.
- Huaxia Jingwei Network. (2016, January 25). China's Answers 'Middle East Questions' - Interpreting Chairman Xi's Speech at the Arab League Headquarters. Retrieved July 16, 2019, from Huaxia.com website: <http://www.huaxia.com/zt/tbgz/16-003/4705141.html?id=sa=ih>
- Jiahua, L. (2017, May 18). China's new model of investment, explored. Retrieved July 9, 2019, from World Economic Forum website: <https://www.weforum.org/agenda/2017/05/chinese-overseas-investment-is-changing-and-the-rest-of-the-world-will-learn-from-latin-america>
- Jinping, X. (2017, April 11). Full text of Xi Jinping's report at 19th CPC National Congress - China - Chinadaily.com.cn. Retrieved July 8, 2019, from Chinadaily.com.cn website: http://www.chinadaily.com.cn/china/19thcpcnationalcongress/2017-11/04/content_34115212.htm
- Kai, J. (2017, September 3). Significance of China's Further Rise: A Chinese Model or Chinese Solutions? Retrieved July 3, 2019, from The Diplomat website: <https://thediplomat.com/2017/09/significance-of-chinas-further-rise-a-chinese-model-or-chinese-solutions/>
- Kenderdine, T. (2017). China's Industrial Policy, Strategic Emerging Industries and Space Law. *Asia & the Pacific Policy Studies*, 4(2), 325–342. <https://doi.org/10.1002/app5.177>
- Kenderdine, T. (2018, June 5). One Country, One Province: China's External Industrial Policy in the Middle East. Retrieved July 12, 2019, from Middle East Institute website: <https://www.mei.edu/publications/one-country-one-province-chinas-external-industrial-policy-middle-east>
- Kenderdine, T., & Lan, P. (2018). China's Middle East investment policy. *Eurasian Geography and Economics*, 59(5–6), 557–584. <https://doi.org/10.1080/15387216.2019.1573516>

- Kong, V., Cochrane, S., Meighan, B., & Walsh, M. (2019). *The Belt and Road Initiative—Six Years On*. Moody's Analytics.
- Lakatos, C., Maliszewska, M., Osorio-Rodarte, I., & Go, D. (2016). *China's Slowdown and Rebalancing Potential Growth and Poverty Impacts on Sub-Saharan Africa*. World Bank.
- Lu, S. (2018). *An Overview of China's International Development Finance - Issues and the Way Forward*. Agenda for International Development.
- Lyll, N. (2019a, February 25). *China's Rise in the Middle East: Beyond Economics*. Retrieved July 3, 2019, from The Diplomat website: <https://thediplomat.com/2019/02/chinas-rise-in-the-middle-east-beyond-economics/>
- Lyll, N. (2019b, March 4). *Can China Remake Its Image in the Middle East?* Retrieved July 3, 2019, from The Diplomat website: <https://thediplomat.com/2019/03/can-china-remake-its-image-in-the-middle-east/>
- Mardell, J. (2017, October 25). *The "Community of Common Destiny" in Xi Jinping's New Era*. Retrieved July 6, 2019, from The Diplomat website: <https://thediplomat.com/2017/10/the-community-of-common-destiny-in-xi-jinpings-new-era/>
- Mei, Z. (2016, August 19). *The Present and the Future of China's Production-Capacity Cooperation with Foreign Countries*. China Institute of International Studies. Retrieved July 12, 2019, from China Institute of International Studies website: http://www.ciis.org.cn/english/2016-08/19/content_8975283.htm
- Nanfeng, L. (2017, March 7). *China's aid to Africa is neither 'colonial' nor 'redundant' in nature*. Retrieved July 14, 2019, from Pengpai News website: <http://www.cwzg.cn/theory/201703/34680.html>
- National Development and Reform Commission of People's Republic of China. (2015, March 28). *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*. Retrieved August 1, 2019, from National Development and Reform Commission website: http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html
- Ohashi, H. (2018). *The Belt and Road Initiative (BRI) in the context of China's opening-up policy*. *Journal of Contemporary East Asia Studies*, 7(2), 85–103. <https://doi.org/10.1080/24761028.2018.1564615>

- Parameswaran, P. (2019, May 7). What's in China's New Belt and Road Recalibration? Retrieved July 16, 2019, from The Diplomat website: <https://thediplomat.com/2019/05/whats-in-chinas-new-belt-and-road-recalibration/>
- Parello-Plesner, J., & Duchatel, M. (2015). China's strong arm: protecting citizens and assets abroad. London: International Institute for Security Studies.
- Pham, T. (2018, January 11). China in 2018: What to Expect. Retrieved July 5, 2019, from The Diplomat website: <https://thediplomat.com/2018/01/china-in-2018-what-to-expect/>
- Qasem, I., van Dongen, T., & de Ridder, M. (2011). The Beijing Consensus: An alternative approach to development. World Foresight Forum.
- Reardon-Anderson, J., et al. (2017). The Red Star and the Crescent: China and the Middle East (Working Group Summary Report). Georgetown University in Qatar.
- The State Council of the People's Republic of China. (2011). China's Foreign Aid (2011) White Paper. Information Office of the State Council the People's Republic of China.
- The State Council of the People's Republic of China. (2016). China's Arab Policy Paper. Retrieved from The State Council of the People's Republic of China website: http://english.www.gov.cn/archive/publications/2016/01/13/content_281475271412746.htm
- Varrall, M. (2015). Domestic actors and agendas in Chinese aid policy. *The Pacific Review*, 29(1), 21–44. <https://doi.org/10.1080/09512748.2015.1066414>
- Xinhua. (2016, October 26). International production capacity cooperation "13th Five-Year Plan." Retrieved July 15, 2019, from Xinhuanet.com website: http://jjckb.xinhuanet.com/2016-10/26/c_135782137.htm
- Xue, L. (2018, October 20). China's strategy for developing countries in the context of the "Belt and Road." Retrieved July 12, 2019, from Caixin.com website: <http://xueli.blog.caixin.com/archives/190829#more>
- Yifu Lin, J., & Wang, Y. (2017). Going beyond aid: development cooperation for structural transformation. Cambridge: Cambridge University Press.
- Ying, F. (2017, June 22). China's Vision for the World: A Community of Shared Future. Retrieved July 1, 2019, from The Diplomat website:

<https://thediplomat.com/2017/06/chinas-vision-for-the-world-a-community-of-shared-future/>

Zhang, D., & Smith, G. (2017). China's foreign aid system: structure, agencies, and identities. *Third World Quarterly*, 38(10), 2330–2346.
<https://doi.org/10.1080/01436597.2017.1333419>

Zukus, J. (2017, May 9). Globalization with Chinese Characteristics: A New International Standard? Retrieved July 1, 2019, from The Diplomat website: <https://thediplomat.com/2017/05/globalization-with-chinese-characteristics-a-new-international-standard/>