

# Protecting Interests in Highly Volatile Countries

*China's engagement in Iraq and Syria*

China's engagement in the Middle East has traditionally revolved around energy sources such as oil and gas. However, as its presence in the region expands, Beijing increasingly faces security concerns, especially in highly volatile countries where conflict and terrorist movements threaten its interests. This policy brief addresses the question of how China navigates such complex environments through the cases of Iraq and Syria.

## Brief Points

- China's engagement in Iraq and Syria has mostly been driven by an economic logic, though Beijing has also shown interest in participating in post-conflict reconstruction and, to a lesser extent, security and military cooperation.
- The need to protect its investments and citizens in volatile countries might lead China to become more active in fighting terrorism, thus testing its traditional policy of non-interference.
- China's involvement in Iraq and Syria does not, however, seem to follow a clear pattern or strategy, but is rather a combination of piecemeal efforts to seek economic opportunities wherever they arise.
- Both countries' risky environments will require China to strike a careful balance between economic involvement and security concerns, likely leading to a cautious and pragmatic approach.

Ilaria Carrozza *Peace Research Institute Oslo (PRIO)*

Henrik Buljo Anstorp *Peace Research Institute Oslo (PRIO)*

## Introduction

The Middle East has been of interest to China since the 1980s, albeit to a different extent than today. Initially, the region was part of Beijing's strategy to promote its image as a global power; in the 1990s, it became an important supplier of energy sources; today, it has acquired even more geostrategic importance for China as part of its Belt and Road Initiative (BRI). In recent years, China has also deepened its security engagement with the Middle East, a policy shift that was prompted not least by the need to evacuate over 35,000 Chinese citizens from war-torn Libya in 2011 and reckon with the impact of local insecurities on its interests abroad.

As reflected in official documents such as China's Arab Policy Paper from 2016, as well as meetings of the China-Arab States Cooperation Forum, economic interests continue to dominate China's presence in the Middle East.<sup>1</sup> However, China has also shown concern for the stability of highly volatile countries such as Iraq and Syria and has been wary of the rise of Islamic movements and terrorism, which Beijing worries may spill over into its western region of Xinjiang and into neighboring countries. Insecurity and turmoil are furthermore a threat to China's infrastructures, investments, and citizens in the region. Despite these growing concerns, China's efforts to promote security in the Middle East have so far been limited to diplomatic activity, employment of non-combat military forces, deployment of a small number of troops to the UN peacekeeping missions to Lebanon (UNIFIL) and the Middle East (UNTSO), joint military exercises, anti-piracy operations in the Gulf of Aden, transfers of equipment and specialized technologies, and counter-terrorism capacity building.

Some scholars have concluded that the regional security architecture continues to be dominated by the US and that China has so far not attempted to replace it as the main hegemon, and indeed the two countries even share some interests in the Middle East. Yet, great power competition remains an important element of China's ambitions to exert its influence in the region.

Investments in the unstable environments of Iraq and Syria are risky and, arguably, hold more strategic importance for the fragile regimes in Damascus and Baghdad than for

Beijing. How these partnerships are pursued in practice, however, considering the political fragmentation and security situation in Iraq and Syria, provides a good case study for how China protects its interests while navigating highly volatile environments. With this policy brief, we seek to go beyond traditional areas of engagement (i.e., energy) and explore how China balances its interest in post-war reconstruction and expanding Belt and Road investments against the security concerns of operating in highly volatile countries.

We first introduce China's involvement in Iraq and Syria from a comparative perspective. We then analyze China's engagement in post-conflict reconstruction and security activities in the two countries. Finally, we suggest that the volatile environments in Iraq and Syria require China to balance between its economic involvement and its security concerns, likely pointing towards a cautious and pragmatic approach to the two countries in the future.

## China's Involvement in Iraq and Syria

Among China's collaborating partners in the Middle East, Syria and Iraq stand out as particularly volatile cases. Unlike China's richer and more stable trading partners in the Gulf, the insecurities in Syria and Iraq require a more careful approach to diplomatic relations and trade. Both have suffered through over a decade of war and civil conflict. Local infrastructure is in havoc and markets have plummeted. Regional powers like Iran and Turkey, in addition to several rebel groups, use these theaters to fight over influence and control, while global powers like Russia and the US supply the warring parties with political cover and enhanced military capabilities. Exacerbated by this international meddling, Iraq and Syria show signs of severe factionalization, as the warring parties are consolidating their control over fragmented parts of national territory and local economies.

Yet, China is not deterred. In Iraq, it continued its trade relations with the country throughout the US occupation and, after the US withdrawal in 2011, China quickly became one of Iraq's top trading partners. The need for post-conflict reconstruction, combined with Iraq's substantial oil reserves, proved ideal for China's commodity-based export market and appetite for importing oil and gas. To a lesser extent, China

has also shown interest in cultivating Syria as a potential economic partner, partly due to the country's geostrategic location, through measures such as investing in Syrian oil companies. Perhaps more importantly, the governments of Baghdad and Damascus see Beijing as a pragmatic and strategic long-term ally that does not balk at their partners' authoritarian measures. Nevertheless, China's positioning in Iraq and Syria requires tact due to the unstable security situation in both countries, the many factions laying competing claims to political legitimacy and territorial control, and the involvement of several other external powers.

## China in Iraq: In It Just for the Oil?

Politically, Iraq views China as a different partner than former colonial powers and the US, and its leaders find appeal in the Chinese "model" of rapid growth under authoritarian rule. The two countries established diplomatic relations soon after the 1958 Iraqi coup d'état. What followed was several turbulent decades with rapid regime shifts and wars in Iraq and its neighboring region. After Iraq's invasion of Kuwait in 1990, China abstained from vetoing two UN resolutions calling for a withdrawal of Iraqi troops and imposing economic sanctions. China officially opposed the 2003 invasion of Iraq, yet it did not attempt to stop it and voted in favor of the UN resolution that authorized the use of force.

Despite China's reluctance to oppose the UN resolution, Beijing's relationship with Baghdad continued to grow throughout the early 2000s. This period saw a sharp increase in Chinese exports to Iraq, and after concluding an agreement with the US on access to the Iraqi market, China quickly became one of Iraq's largest trading partners. Although business was disrupted between 2003 and 2007 and China was left out from post-conflict reconstruction (mostly due to the near-monopoly held by the US, as well as high levels of violence), in the following years Chinese companies managed to secure deals to develop several major oil fields. By 2020, Iraq accounted for as much as 10.9% of all Chinese crude oil imports, ranking third after Saudi Arabia and Russia.<sup>2</sup> Unlike Chinese investments in Gulf countries, however, these pose severe risks as oil installations in Iraq are known to be targeted by militias, disenfranchised locals and corrupt government officials.

## Post-conflict reconstruction in a volatile environment

More recently, China invested in areas that Iraqi forces have recaptured from the Islamic State of Iraq and Syria (ISIS), including through an aid donation of RMB 80 million.<sup>3</sup> In 2019, during Iraqi Prime Minister Adel Abdul-Mahdi's visit to Beijing, several collaboration agreements were signed, including a credit facility agreement, and Iraq was officially invited to participate in the BRI. The deal also opened for Iraq to set up bank accounts for oil funds in China, thus mitigating the impact of US threats to close Iraq's account in the Federal Reserve in New York.

However, this cooperation was not without risk: Shortly after the visit, mass protests broke out in Iraq against the corrupt and oversized Iraqi state apparatus. While the protests were largely unrelated to the Chinese visit, the pro-Iranian sections of the Popular Mobilization Units—an umbrella organization of predominantly Shia militias—accused the US of instigating the protests in an attempt to block China's growing role in the country.

Such incidents serve as important reminders for China of the risks involved when investing in lucrative but unstable post-conflict countries. It also shows how China cannot rely too heavily on one strong ally within fragmented states, as competing claims to power can quickly alter the power balance in the country. This is the case both when such claims are made through directly challenging the state, as popular movements and Shia militias have increasingly done over the past years, and when they are made through taking advantage of a dysfunctional government to consolidate control over de facto autonomous provinces, which the Kurdistan Regional Government (KRG) has done in Northern Iraq. China is nevertheless quick to capitalize on emerging opportunities caused by shifting power dynamics and has for instance expanded its diplomatic relations with the KRG after establishing a consulate general in Erbil in 2014. Chinese investments can now be found throughout several provinces under competing spheres of influence, where different Chinese companies operate in each province to subvert Iraqi laws prohibiting trade with non-government sanctioned actors.

## Security and military cooperation

Despite China's strong official policy of non-intervention in regional conflicts, weapons trading and military training nevertheless forces China to take a stance on which actors it relates to and consider what impact its support leads to on the ground. As one of China's top priorities in Iraq is making sure that Islamist extremists, such as ISIS, do not get a stronghold in the country, Beijing officially supports the fight against Islamist terrorism. China's formal support for such fights has been limited to vague official statements, some personnel training, and USD 10 million in humanitarian aid. Additionally, China has supplied government forces with Chinese drones: In 2014, Iraq purchased 12 armed unmanned aerial vehicles (UAVs) from China—the Caihong-4B—alongside 100 FT-9 guided bombs.<sup>4</sup>

Beyond these activities, however, China is cautious not to become entangled in the regional rivalries that are taking place in Iraq. In accordance with its traditional non-interference policy, Beijing's position on the Iraqi conflict follows a recognizable pattern of condemning all foreign military activity and pragmatically seeking trade relations with actors across dividing lines. This practice, combined with China's reluctance to deploy its own military forces abroad, means that Chinese investors might have to rely on local or private security forces to safeguard investments and personnel.

### China in Syria: An Emerging Actor?

In 2021, Sino-Syrian diplomatic relations turned 65 years old. While throughout this period China has not typically considered Syria a strategic partner, it has found a number of ways to engage with the war-torn country, guided by the primary policy aims of maintaining relations with a stable and friendly regime and promoting the BRI. Unlike other external powers such as Russia, Iran and Turkey, China avoided getting involved in the civil war that began in 2011, and has taken a mostly reactive and cautious approach. More active efforts have not gone beyond support for peace talks, as well as using its veto power to oppose coercive measures at the UN Security Council.

In general, China has provided the Assad regime with substantial political cover. In recent years, it has increasingly worked to legitimize Assad's government and consolidate his hold on the country, such as through acknowledging Assad's

reelection in May 2021, calling it a testimony to the Syrian people's faith in their leader, and through high-level state visits, such as Chinese foreign minister Wang Yi's visit to Syria in July 2021. During the visit, Wang reiterated China's commitment to support the Syrian peace process and stressed the importance of lifting international sanctions and trade embargoes to rejuvenate the economy, as well as supporting the Assad regime's fight against terrorism. Wang's Syrian counterpart, foreign minister Faisal Mekdad, welcomed China's commitment to solving the conflict, and invited the country to take a more active part in the peace process. Furthermore, determined to contain the potential spillovers of terrorist movements, China has since 2016 repeatedly offered humanitarian assistance.

## Post-conflict reconstruction

Given the disastrous effects of the war on the country's economy, people and assets, the Assad regime is in dire need of investors. These, however, have so far been limited to Iran and Russia, which have already secured several contracts. Simultaneously, media attention has since 2017 focused on whether Beijing would play a substantial role in the country's post-conflict reconstruction. And while the Syrian government is very keen on securing Chinese investments, it is likely that China will maintain a cautious approach going forward.

China has however committed to some limited investments. For instance, in 2017, vice chairman of the China Arab Exchange Association Qin Yong visited Syria four times, expressing interest to participate in infrastructure projects on behalf of several Chinese companies. In the same year, USD 2 billion were pledged for the construction of industrial parks, and several Chinese companies (mostly state-owned) were present at the 60th and 61st Damascus International Trade Fairs in 2018 and 2019.

China also has an interest in developing Syrian ports, as it searches for alternative routes to access the Mediterranean than the Suez Canal. However, the reconstruction landscape in the country remains fragmented, both geographically and politically, and affected by localized violence and corruption, especially as fighting for control of the northwest territories continues. Thus, scholars have suggested that China's contribution to Syria's future would mostly come from providing a model for development.

## Anti-terrorism efforts

During his visit to Damascus in July 2021, foreign minister Wang promised to “assist Syria in enhancing its ability to combat terrorism, in a manner that protects the national security of both states.”<sup>5</sup> The pledge was not followed up by any details of what the support would entail. This reluctance to commit to the Syrian fight against ISIS is arguably due to the US’ leading role in this effort over the past seven years. As US troops have now retreated from Syria, however, we might expect China to be less inclined to hold back on anti-terror support. Currently, Beijing’s primary security concern in Syria lies in the north-western Idlib region, where Uyghur militants are rumored to still be operating through Islamist groups, such as the Turkistan Islamic Party in Syria, whom, already in 2012, declared that “if China has a right to stand by Bashar al-Assad in Syria, we have an even bigger right to stand by our Muslim people in Syria.”<sup>6</sup>

It is somewhat difficult to gather reliable information on the kind of security and military support, if any, that China has provided to the Assad regime, and there have been many unconfirmed rumors in the last few years in this regard. For instance, in 2017 it was reported that Chinese special forces had been deployed to fight Uyghurs allegedly involved in fighting with rebel forces against Assad’s army, a deployment later denied by the Chinese Ministry of Defense.<sup>7</sup> Indeed, exact numbers of Uyghur fighters in Syria are hard to come by and estimates have ranged from a few hundred to up to 5,000 active fighters.

### Juggling Different Actors and Interests in Volatile Regions

The need to protect its investments in volatile countries such as Iraq and Syria might lead China to become more active in fighting terrorism, thus testing its traditional policy of

non-interference. However, Chinese investments in Iraq dwarf those in Syria, leading Beijing to welcome the US-led coalition against ISIS in the former country, whilst warning against similar interventions in the latter and generally showing support to the Assad regime. Beijing nevertheless remains worried that an increase in militant Islamist activities in the Middle East and countries such as Pakistan and Afghanistan might destabilize and undermine Chinese investments.

China does not seem intent on dominating the Middle East, nor on actively replacing US presence there. However, in Iraq and Syria, the retreat of the US and NATO impels China to reevaluate how to deal with the exposure of its investments in the region. These developments seem largely to be handled on a case-by-case basis, as China still shows that it is reluctant to steer the direction of regional conflicts and continues to pragmatically relate to both national governments and substate actors in the pursuit of economic and domestic security interests. One should perhaps not read too much into official Chinese political roadmaps, such as the Arab Policy Paper, as Beijing is known to engage in bilateral agreements or memoranda of understanding that are neither necessarily followed up on nor create significant impact.

The Chinese government and companies are generally more open than their Western counterparts to investing in countries with high levels of corruption and, to a certain extent, insecurity and financial instability. Beijing is, however, less willing to expose itself to political risks and tries to avoid becoming entangled in local power struggles and conflict. Concerns over Islamist terrorism and the need to protect growing investments also play an important role in setting policies towards countries such as Iraq and Syria. However, China’s opportunistic approach to economic investments, which often

sees it engaging with actors across conflict lines, is likely to create political tension, if only as a side effect of bilateral trade relations. Overall, Chinese engagements in Iraq and Syria do not seem to follow a clear pattern or strategy, but are more a combination of piecemeal efforts to seek economic opportunities where they arise. ■

## Notes

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## THE AUTHORS

Ilaria Carrozza is a Senior Researcher at PRIO, where she works on China’s foreign and security policy, artificial intelligence as a frontier of US-China competition, and dual-use technology.

Henrik Buljo Anstorp is a Department Manager at PRIO and specializes in Arabic language and Middle Eastern politics.

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## PRIO

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