

Introduction

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In early 2014, after presenting a paper on U.S.-China Relations titled “Toward A New Model of Major Power Relationship,” the Center for American Progress in Washington, D.C., the China-U.S. Exchange Foundation in Hong Kong, and the Shanghai Institutes for International Studies initiated a comprehensive exchange of ideas on areas of potential cooperation and common interest between the United States and China on the topic of the Middle East.¹

For more than 12 months, scholars at these institutions conducted an exchange of both ideas and papers. The exchange included several videoconferences between Washington, Shanghai, Hong Kong, and Beijing; papers reflecting the views of each side; and a joint exchange in Beijing in April 2015.

As two leading global powers, the United States and China have worked together over the past few years to build channels for constructive collaboration between the two nations. Most notably, in 2014, the two countries came together in an historic agreement on climate change—an effort that pragmatically recognizes climate change as a leading global security challenge and builds a framework for cooperation between the United States and China that could have broader global implications. This September, a major bilateral summit that brings the leaders of both countries together in the United States will offer another opening to deepen bilateral ties for the mutual benefit of both countries, as well as the rest of the world.

One area China and the United States should discuss in greater detail is identifying opportunities for cooperation in order to advance shared interests in the Middle East. The two countries recently worked quietly together on efforts to enhance stability and progress in Afghanistan, and these efforts could serve as a model for how the United States and China might work together throughout the Middle East and South Asia. The Middle East is fraught with major internal divisions and conflicts, and key countries in the region are in a period of intense

competition for power and influence. The United States and China should avoid picking sides in these conflicts and should instead work together to help the countries of the Middle East create the building blocks for greater prosperity, enhanced governance, and increased linkages to the global economy. One long-term strategic goal that both the United States and China can articulate is to help the Middle East move away from being an arc of crisis and a source of instability and toward becoming a bridge of opportunity that connects major regions globally.

The set of papers that follow offer detailed recommendations on several topics:

- The steps that can be taken toward sustainable security and prosperity—an essential cornerstone for overall regional stability—in Egypt, the Middle East’s most populous country.
- The generational challenge of countering violent extremism and reducing the threats posed by terrorist groups requires a multifaceted strategy that includes helping produce the building blocks for economies that create jobs.
- The opportunity to connect the Middle East with the rest of the global economy through the New Silk Road initiative offers a possible new frame of hope and progress, as the Middle East faces daunting challenges in the early years of the 21st century.
- Finally, the secure flow of energy resources from the Middle East to the rest of the world remains at the core of global security.

In all of these areas, the United States and China can explore more detailed ways to expand cooperation, and these papers are aimed at continuing the conversation.

China and the United States have distinct views and histories with the many parties of the Middle East, and those perspectives are reflected in the individual papers presented here. The P5+1 negotiations with Iran were ongoing throughout this period and were therefore not included in this exchange.

But, in other areas, common interests were identified and joint recommendations are presented. Those joint recommendations include objectives with Egypt; responding to the threat of extremism and counterterrorism; a joint response to enable the success of the U.S. and Chinese Silk Road initiatives, which can unlock key trade routes and enhance regional stability in Asia and the Middle East; and movement toward energy conservation and energy security. Indeed, these areas overlap and provide a range of collaborative opportunities.

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Joint recommendations

Egypt

Objective

Help foster a stable and economically healthy Egypt that remains a dynamic regional and cultural leader that can emerge as a model of success in a region gripped by turmoil.

Overview

China and the United States have some shared interests in Egypt that could serve as a basis for U.S.-China cooperation. Both have a stake in the country's long-term stability and prosperity and regard Egypt as a key strategic partner due to its role in regional stability in the Middle East; its influential trade and commerce passages; and its historically pluralistic society.

Points of cooperation

- **Assist economic growth and integration:** Both the United States and China share a stake in Egypt's economic growth and integration into the global economy. With a population of 90 million, Egypt is an important African and Middle Eastern market for China, with an annual trade volume that exceeds \$10 billion.² Egypt is a key country for China's maritime Silk Road aspirations because of the Suez Canal and the potential for increased investments in a Suez Canal special economic zone. Exploration of joint investment opportunities in this zone, as well as other massive infrastructure projects, may offer an opportunity for collaboration, including better coordination with Egypt's Persian Gulf partners that may finance such projects. Both China and the United States

can help Egypt's economy by exploring joint-financing projects for small- and medium-sized enterprises, or SMEs. Financing SMEs is perhaps one of the most popular tools being advocated for by the U.S. government in its assistance to Egypt due to the fact that it fosters entrepreneurship and stems unemployment. So-called U.S. led enterprise funds projects could possibly work or coordinate with a Chinese partner as well.

- **Encourage good governance:** At this difficult juncture in Egypt's transition, the transfer of expertise and skills from the United States and China to help increase bureaucratic efficiency and improve governance is critical in achieving domestic stability. Both the United States and China can build stronger relations through the different facets of the Egyptian government receiving expertise. Fields that the Chinese and U.S. transfer of expertise and management practices can improve include anti-corruption practices, law and order, and social and economic management.
- **Coordinate security assistance:** Both the United States and China share an interest in Egypt developing security capabilities in order to address 21st century security challenges in a way that contributes to the long-term stability of the country and the region as a whole. Therefore, it may be useful to explore the possibility of coordinating the sale of equipment and provision assistance to focus on current asymmetrical threats as opposed to altering the regional conventional balance of power. It may also be useful to explore joint maritime exercises designed to maintain freedom of passage.
- **Strengthen Egypt's regional standing:** Despite recent setbacks to its regional standing due to internal turmoil, Egypt's role as a regional trendsetter in the Arab world can positively contribute to a diplomatic and political solution of regional affairs. China and the United States should cooperate to keep Egypt as a viable regional player. To that end, both countries can coordinate on advancing Egypt's portfolio in international conferences and backing Egyptian proposals that mutually advance the interests of both China and the United States, as well as the region as a whole.

- **Cooperate to counter violent extremism:** To the extent that a shared China-U.S. agenda on countering the spread of violent extremism in the region can be agreed upon, Egypt could serve as an important test case for cooperation. In fact, Egypt could directly tie in to the overall regional agenda focusing on countering violent extremism. Both China and the United States share common interests in enhancing Egypt’s capabilities against extremist thought and ideology, especially on the education front. One possibility includes investment in Egypt’s primary and secondary education system in an effort to broaden access to learning and improve the quality of education in both state and religious schools. Egypt also houses Al-Azhar University, a seminary and the Sunni world’s preeminent and oldest institution of learning. Al-Azhar has a reach into both East and Southeast Asia, as students flock to attend the university in order to become the Muslim religious leaders and thinkers of Asia. Al-Azhar’s school network is only second to the Egyptian governments’ school system in terms of reach. China and the United States should work together with the government in Cairo to encourage Al-Azhar to become a key pillar for moderate Islam.

Extremism and counterterrorism

Objective

To prevent the spread of regional extremism and help address its root causes.

Overview

The threat of terrorism and extremism is a challenge not only for the Middle East but also for the entire world. It will be a long-term struggle without simple solutions and will require a comprehensive strategy that will require multiple components, including intelligence sharing, the use of military force, political solutions to regional problems, deradicalization, national reconciliation, and economic development.

Points of cooperation

- **Expand and improve shared assessment:** The United States and China should work toward an analytical consensus regarding the root causes of, as well as the threats posed by, extremism in the Middle East. At the moment, the United States and China may have different views on both the nature of the problem and the challenges it poses. A shared assessment would be the first step in building the foundation for deeper bilateral cooperation. To achieve this, the United States and China should explore the use of high-level mechanisms such as the Strategic and Economic Dialogue. As part of this effort, the United States and China should also discuss ways to further share information and analysis through law enforcement and security institutions regarding the threats posed by transnational terrorist groups.
- **Enhance cooperation on the battle for hearts and minds:** The United States and China have a variety of hard-power tools at their disposal to counter the threat posed by extremism and terrorism. However, the challenge posed is fundamentally ideological in nature. The United States and China should explore avenues of mutual cooperation to advance anti-extremist discourse and exchange lessons and experiences in creating an atmosphere that is conducive to deradicalization. As part of this effort, special attention should be paid to initiatives advanced by regional stakeholders in the Middle East who are best placed to understand the nature of the ideological challenge in an Islamic context.
- **Combat illicit finance flows:** The United States and China already cooperate to combat illegal financial flows. But the rise of the Islamic State of Iraq and al-Sham, or ISIS, and other transnational extremist organizations underscore the need for the United States and China to redouble shared efforts in order to identify and disrupt these flows. Both countries could establish working groups to examine discreet aspects of the problem and propose issue-specific recommendations on how best to deepen both countries' cooperation.
- **Cooperate on development assistance:** As discussed in the Egypt set of recommendations, the United States and China could work on joint projects to improve the quality of the educational systems in key countries in the Middle East. These efforts should include helping countries upgrade technical education and establish schools that provide the Middle Eastern workforce with skills relevant to the 21st century economy as a means to counter the religious schools distinct from those such as Al-Azhar University.

- **Coordinate on countering ISIS and supporting the Iraqi government:** The United States and China should discuss ways to counter ISIS, with a particular focus on Iraq where the two countries share the same goals and tactics in supporting the Iraqi government to become more effective on law and order, as well as governance. China has been deeply engaged in Iraq’s oil industry, and these activities help Iraq become more economically viable. The United States and China should discuss ways to better coordinate their respective efforts in order to support Iraq’s national cohesion as a means to confront ISIS.

The New Silk Road

Objective

Develop a converging and complementary vision for integrated economic trade and regional stability by improving connectivity between Asia and the Middle East.

Overview

The United States and China have a shared interest in the development in Afghanistan, as well as Central and South Asia as a region, where economic prosperity can underwrite political and regional stability. In 2011, the United States called for a New Silk Road initiative that sought to integrate Afghanistan into the region through four primary needs: integrating regional energy markets; improving trade and transport routes; synchronizing customs and border crossings; and connecting businesses and people.³

In March, the Chinese government solidified their Belt and Road initiative, identifying five themes, or “connectivities,”⁴ which include projects that address a network of unimpeded trade, facilities connectivity, financial integration, policy coordination, and cultural exchanges.⁵ To accomplish these connectivities, the Belt and Road initiative is backed by multiple sources of Chinese funding. The initiative can draw directly from the Silk Road Fund of \$40 billion, which is expected mostly to consist of loans. The Belt and Road initiative is also expected to utilize the Asian Infrastructure Investment Bank’s, or AIIB’s, \$50 billion fund, as well as an estimated \$62 billion in capital from the three policy banks: the China Development Bank, China’s Export-Import Bank, and the Agricultural Development Bank of China.⁶

Based on the U.S. and China's proposals, there are several projects of common interest. In particular, given Afghanistan's economic transition, the United States and China should consider short-term efforts to bolster existing plans while considering long-term coordination for regional trade and development.

Points of cooperation

- **Coordinate through multilateral financial institutions to ensure rapid progress on Afghanistan, as well as other regional programs:** The World Bank, the Asian Development Bank, and the International Monetary Fund have significant medium- and long-term programs for Afghanistan and the region. However, these programs are proceeding slowly. The United States and China can align their support within these organizations to urge action. The United States should prioritize the World Bank's support to CASA-1000, as well as its justice-sector reform program in Afghanistan. The United States should help to review the association between the five emerging BRICS countries—Brazil, Russia, India, China, and South Africa—and the AIIB; both the BRICS countries and AIIB have funding streams related to the Chinese proposed Belt and Road initiative.
- **Align regional and bilateral priorities to press for regional transit trade pacts:** The United States and China could jointly urge regional partners to make progress on transit trade discussions. For example, Tajikistan and Turkmenistan have indicated interest in expanding regional transit trade, and therefore they may be effective initial partners in opening transit trade discussions. Together, U.S. expertise and Chinese political and economic support can create the incentives for the region's governments to develop a regional transit trade. The first step could be adding specific transit trade discussions to the next Heart of Asia conference.
- **Ensure that the Chinese Belt and Road initiative and the U.S. New Silk Road initiative mutually support and enhance each other's key pillars and aspirations:** The two countries should publically acknowledge and stress their complementary goals and approaches in forging unprecedented economic connectivity and trade through Central Asia. The United States and China should also work together to explore ways to build a new security mechanism to reduce the security risks and threats and manage possible crises along the Silk Road based on the ongoing cooperation between China and the United States in Afghanistan.

Energy security in the Middle East

Objective

Secure uninterrupted commercial access to global energy supplies and improve resiliency to global supply shocks.

Overview

The United States and China share a common goal of securing the uninterrupted commercial access of Middle Eastern energy supplies and improving resiliency to global supply shocks. In order to prevent sharp fluctuations in global energy prices, the United States and China should work together to ensure the safe and unimpeded flow of oil and natural gas from the Middle East, including through an expansion of existing counter-piracy cooperation and the inclusion of China in U.S.-organized demining exercises. With so much potential for solar energy expansion in the Middle East, the United States and China can work with countries in the region, such as Saudi Arabia and the United Arab Emirates, or UAE, to develop a framework for the financing and development of new solar projects, as well as the purchase of solar technology.

Points of cooperation

- **Ensure safe and unimpeded marine passage of energy supplies:** The supply of oil and natural gas from the Middle East is of vital importance to the global economy, as well as to both the United States and China—two of the top five importers of Middle Eastern oil. In order to prevent sharp fluctuations in global energy prices, the United States and China should work together to ensure the safe and unimpeded flow of energy from the region. The United States and China are already cooperating to reduce piracy in the Gulf of Aden, and this model of collaboration could be expanded.⁷
- **Enhance resiliency and market flexibility:** In the effort to enhance energy security, the United States and China should help bring together energy suppliers and consumers by enhancing energy resiliency and improving market flexibility. Such measures could include coordinating infrastructure financing for Asian

intraregional energy trading or coordinated use of each country's strategic petroleum reserve. For example, the United States and China could work together to expand regional pipeline infrastructure.

- **Develop and invest in alternative energy sources:** Ultimately, energy security will only be achieved by promoting a shift in global energy consumption toward more sustainable sources of energy. One such source of energy that has significant interest in the region and potential for expansion is solar energy. The United States, China, and various Middle Eastern countries, such as the UAE and Saudi Arabia, should develop a framework to finance new solar projects and purchase of solar technology. For example, the United States and China may consider options for expanding the U.S.-China Clean Energy Research Center, or CERC, to include third-party nations.

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Endnotes

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