HOUSE OF LORDS

Select Committee on International Relations

Corrected oral evidence: Transformation of power in the Middle East and the implications for UK foreign policy

Wednesday 30 November 2016

11.30 am

Listen to the meeting

Members present: Lord Howell of Guildford (Chairman); Baroness Coussins; Lord Grocott; Lord Hannay of Chiswick; Baroness Hilton of Eggardon; Lord Inglewood; Lord Jopling; Lord Reid of Cardowan.

Evidence Session No. 6 Heard in Public Questions 49 - 54

Witnesses

I: Mr Henry Wilkinson, Head of Intelligence and Analysis, Risk Advisory Group; Professor Kerry Brown, Director, Lau China Institute, Kings College London.

Examination of witnesses

Mr Henry Wilkinson and Professor Kerry Brown.

Q49 **The Chairman:** Thank you very much for joining us this morning. I will explain the context in which we want to pick your brains and share some thoughts with you. I should first formally explain that this is a public session, which is being recorded. There will be a transcript, which will be made available to you. If you want to make changes or add to it, you are entitled to do so. In our discussion, if a question goes to one of you but the other would like to chip in, please feel free to do so. We are running it on a fairly relaxed basis.

The Committee is looking at the changing pattern of power in the Middle East and the implications for the UK, wrapped up with the implications generally for the UK with its potential new status as non-EU member. Even more, we are looking at the way in which the whole Middle East region is subject to entirely new forces. One that tends to be forgotten in the Atlantic centres and western press but is rising fast is the influence of Asia and the fact that the Middle East is looking east rather than west. Most of its resources and output from hydrocarbons are going eastwards. The great powers of Asia, which are now becoming the centre of the world's economic advance, face an increasing dilemma and an increasing policy task with their relations with the Middle East. Notably, what does great China think? For years, we have been getting the standard answer from Beijing: "We don't interfere with other people's foreign policy", and this, that and the other. Now suddenly that is no longer matched to the reality: China is involved. Let me ask you both—we will start with Mr Wilkinson, but please come in as well, Professor Brown—what about China and the Middle East now? How does China view the region in reality, as opposed to its official line of not interfering? It obviously is interfering. All its oil comes from the region. Stability of the region is important to it and it has its own internal Islam-related problems. How do you think that China is changing now in the face of all this? That is a big question, I am afraid.

Henry Wilkinson: Thank you for having me. That is a very big question. I suppose in the grand geopolitical scheme of things, it is inevitable that sooner or later China will have to engage and it is engaging. It is a major trading partner, interestingly, for Saudi Arabia and Iran, which are regional rivals. I think that China views the region in the first instance economically—it is a major market, it abuts major trading routes through the Indian Ocean, which is critical for China's exports, it is a major source of energy, for which China has huge demand, and it is an important market for Chinese products and Chinese labour. China's principal interest is to maintain as best it can stable and secure markets so that it can ensure that its energy requirements are supplied and so that it can maintain a stable place to which to export and to facilitate economic growth, which is a key issue in China. That is a very broad picture.

The Chairman: Professor Brown, would you just give your summary answer on that question as well?

Professor Kerry Brown: In the last 30 or 40 years, China has, remarkably, been able to maintain pretty positive relations with almost every country or partner in the Middle East. In Israel and the Occupied Territories, it has been able to maintain good relations with both. The issue now with the Trump presidency is that China is aware that, as Henry just said, it has significant economic and resource interests in the Middle East but is desperate to avoid being put in a position of having to take political or security leadership. It does not mind that in its own region—it wants to create spaces in the Asia region to have more dominance—but it knows that the Middle East will sap its diplomatic and political capital and that it has no real expertise. It does not want to be sucked into conflicts potentially with Russia, which is a big player there, and it does not want to be used by different parties or countries in the region in order to recruit it to their political purposes. It is very resistant to having a more dominant role, but it might have to have a more dominant role because of its material interests.

The Chairman: How does that match with the fact that China is taking its own initiatives to spread investments through the One Belt, One Road system right through central Asia and, according to the maps that we are shown, not only right into the Middle East but right into the heart of Europe? This is an initiative that the Chinese leaders keep proclaiming as their main aim. How does that match with not wanting to be involved? It does not make sense.

Professor Kerry Brown: It makes sense if it is linked to China's material interests—its resource interests and its investment. The further you get from China, the more it loses interest in security and political roles that do not directly relate to its investment and resource interests. I do not know whether that makes sense. Since 1978, China has benefited from being part of a global, rules-ordered, predictable environment and it still buys into that, but it does not really buy into the underlying American-led political or security narrative; it does not buy into those values. It sees the Middle East as a place where its resources and potentially its investments are important and it will do what it can to protect those, but it does not feel that it should have a stronger role in giving leadership to sorting out some of the diplomatic and political problems in the Middle East. In conclusion, it is really self-interested in the way in which it behaves and, the further you get from China and its immediate areas of interest, the more brutally self-interested it is.

Lord Reid of Cardowan: I understand what you are saying, which is the desire of the leadership to benefit from, spread and deepen its commercial involvement but to stay out of security and political involvement, but is it not the case that, up to this moment, they have had the advantage of being able to do that? The more they have global interests—in this case, in the MENA[1] area—and the more they have material circumstances on the ground in which they have invested commercial interest, which will presumably grow hugely, the more there

[1] Middle East and North Africa

is the compulsion to protect those. This happens with all empires. You could argue strongly that it is why the United States has, for the past 40 or 50 years, been in the Middle East to such an extent, as it has been utterly dependent on commercial products. On oil, with China becoming hugely dependent on oil from the Middle East, on investment and on land in some of the areas of food production, this becomes a domestic issue, because it is part of China's national interest. It is not that it wants to intervene, but it wants to protect. Over the next 10, 20, 30 years, how sustainable is the view that you could expand your commercial interests in these areas yet avoid at least the security aspect of it?

Henry Wilkinson: It is a very interesting question. The core of it relates to something that was said earlier, which is what getting involved means. We have the very western conceptualisation of getting involved in powers and we need to entertain the idea that China may have a very different idea of what that entails. Western foreign policy, in particular US and British foreign policy, in the Middle East over the years has come with certain baggage; certain terms and conditions have been attached to those transactions and relationships. China thinks of these things, it seems to me, quite differently. Its policy of non-intervention in sovereign matters has been a cornerstone of what it does. That is something that autocratic Governments appreciate and, when we look across the Middle East, we are looking mostly at autocratic Governments.

Lord Reid of Cardowan: Sorry to push on this. I understand that completely and I am not suggesting that they are going to try to impose their values. But many of the interventions, not just in the Middle East but throughout the world, by the western powers have been precisely in order to protect their investments in those areas, going back to Muhammad Ali and the effects on Egypt, with the threats that brought the French and the British to protect their investments in that area.

Up to this point, of course, China has not had that particular interest; it has not had the connection between its foreign and commercial interests. If, for instance, some of those commercial investments were to be threatened by a Government, is it sustainable to take the view that the Chinese will have an unalloyed non-intervention policy, when that directly affects their interests?

The Chairman: Let me add as a codicil that that has already happened. China is the largest investor in Iraqi oil; it has vast interests there. Are the Chinese just watching Mosul as somebody else's show, or are they wanting to involve themselves in the Mosul drama?

Professor Kerry Brown: The rhetoric of non-intervention ceased a long time ago. What the Chinese Government say and what they do are always different. How can you have the five principles of peaceful co-existence from the 1950s now that you have assets all over the world that you need to protect? There are a number of tactics. The Middle East is part of a Chinese world where they have a lot to lose in different spaces and different places; it is just part of that global story. As the Chinese rise to being predominant, which they clearly want to be, at least in the region, their priorities change. But their regional priorities are the most important and, although the Middle East is part of that story, they do not want to risk their central commitments. That is the most important thing.

Secondly, their resource needs are important—20% of their energy comes from oil and half of that is imported from the Middle East, so it is very important for them, but they want to diversify. They want to get away from this addiction, although it is not easy to do that quickly. Thirdly, tactically—with the Iran nuclear deal, for example—they want to take part in things multilaterally so that they are not exposed. They want to avoid exposure; that is the core thing. Multilateralism means, for example, that the Chinese vetoed the UN resolution on Syria because the Russians stepped in first. They do not want to take a step that makes them exposed.

Lord Reid of Cardowan: It was also because they felt cheated in Libya.

Professor Kerry Brown: Yes. Finally, there are their policy pronouncements on the Middle East. When Xi Jinping earlier this year, I think, went to the Middle East—to Egypt, Saudi Arabia and Iran, which are the key partners—the State Council produced a paper on the Middle East, but it was a very thin document; it had very few concrete policies in it. The Chinese have produced much more complicated documents about the European Union; they have produced two White Papers on the European Union, in 2004 and 2013. From this year's White Paper, you can see that they do not want to spell out clearly what they might want. They do not want to be exposed; they want to protect their interests. You are probably right that, as we go down the line in five or 10 years' time, especially if the Trump Administration withdraws as much as it says it is going to, they are almost certainly going to have to commit more and more and to put more risk mitigation into their engagements with the Middle East.

Lord Hannay of Chiswick: Surely they have already discovered the limits of non-intervention in Sudan, where they invested a lot in oil and it then became clear that they were about to lose their investment if they did not get involved in some way in the establishment of South Sudan. You would have thought that it was totally contrary to Chinese policy to allow a bit of a country to break away and turn itself into a new country—think Xinjiang or Tibet—but they allowed it. They seem to have responded with a more interventionist role when they sent troops into South Sudan with the UN. The piracy off the Horn of Africa is another example, surely, in which they have allowed themselves to be drawn into a security relationship that they probably would not have thought of off their own bat. That goes very much in the direction of what you are saying: they may want to uphold the five principles, but they are being gradually drawn into things that are a bit different.

Professor Kerry Brown: It is a strategic question for us—Europe or the UK—because clearly there are ways in which China has to get involved and we may be able to work with some of those. China is very aware of its knowledge deficit, its lack of experience and its exposure. We would sometimes regard Chinese involvement as problematic but, as the Iran non-proliferation deal showed, it will be positive in some areas. In the Middle East, China has extensive networks that are relatively unpoliticised. It has always been regarded as a bit of an honest broker. We would be comfortable working more deeply with China in those areas, although we know, deep down, that it does not subscribe to the same kinds of principles of international behaviour that we might feel that we do.

The Chairman: Mr Wilkinson, do you want to add to that?

Henry Wilkinson: There are some signs that China is taking steps to take on a more engaged role. It seems to be mainly under the umbrella of multilateralism. The base in Djibouti is part of a joint initiative to counter piracy, with the aim to protect China's critical interests in those sea lanes. We know that China is expanding its role in UN peacekeeping forces; if I am not mistaken, it is the major contributor to UN peacekeeping forces. Again, that provides its military with experience, but under the multilateral blanket, where it is able to maintain a position of relative neutrality.

When you look at what is happening in the Middle East, there are some signs that China is engaging. One of its most senior naval officers—a rear admiral, I believe—went to Syria recently and met the Syrian Defence Minister and the commander of the Russian Tartus naval base. There is obviously some level of engagement and you can see that China's preference is to support the Assad Government. In that respect, it is taking a line but, at the same time, it is not overtly intervening militarily, because it is trying to make sure that it is not drawn into the Shia-Sunni sectarian divide, which is becoming as much a geopolitical division as it is a societal one in these countries. That is the key point to bear in mind: the tectonic movements in the Middle East, in terms of the geopolitical risks, are increasingly around the sectarian dimension. There is very little sign that I can see that China has any inclination to get drawn into that conflict. It does not see it as being in its interests to get drawn in. If it looks at the experience of western powers in the Middle East, it will realise that there is probably little that it can do to delineate any outcomes that it wants. By participating, you invariably end up being drawn into one position or another.

It is interesting to look at Israel in the context of the region. If you look at Israel's policy towards Syria, you see that there is no real policy; it is just, "Stay absolutely quiet and don't tip anything in either direction". China has not made that kind of move, but if you take a look back and think about the UK's role in the region and speak with people there, you get a sense of this question: who is the most credible interlocutor on the geopolitical stage in the Middle East now? Russia is now by default in bed with the Shia bloc—that is a slight simplification—with Iran. America obviously has its position, whereas China is speaking with everybody and is doing business with everybody. There you have it. By not intervening, China is coming to this potentially very influential position where it is able to play a much more positive role. China's interest is to stabilise the region as much as possible. That is how it sees its economic interests, although I do not know whether it has an idea about how to do that. So far, its non-military approach seems to be paying dividends. Learning from the Libya experience that you referenced is obviously very important, because, as we all know, China backed the wrong horse in that case and that cost it.

The Chairman: We are getting on to the big one, as it were: China and America. Lord Jopling has a question on that.

Q50 **Lord Jopling:** It would be helpful if you would both speculate, as best you can, on the implications of the new Administration in the United States and suggest to us how you think the new mood in Washington might view what is clearly the increased Chinese commercial and political influence in the Middle East. You might find it more difficult to accept a greater military role as well—we have been talking about that—but the suggestion has been put to you that the Chinese might be forced to involve themselves in a more military way. The first question is: how do you think the United States Administration will respond to this situation and, conversely, how would China respond to a possible retrenchment of United States influence and participation in that area?

Professor Kerry Brown: The Trump presidency generally offers China a huge opportunity, but it also offers a big risk, which is exposure if there are areas in which the United States under Trump withdraws or retrenches. In the region, China regards less intense American interest—or containment, as it believes it to be—in the south-east China Sea and around it as a big opportunity and it will want to fill the spaces that America might leave. We do not know if that will happen under Trump, but there might be less intensity. The rebalancing that the Obama Administration sponsored created very big opposition in Beijing: they felt that their strategic space was being cramped and were very frustrated.

The Middle East is on the Belt and Road Initiative—this enormous Chinese geo-strategic idea of 65 countries, which started off as the new Silk Road and then became One Belt, One Road, which had the unfortunate acronym of OBOR. Then it became the Belt and Road Initiative, BRI, which is rather more palatable. The Middle East figures on that, as does Eastern Europe, partially. The initiative is to create the kind of huge economic region where everyone talks the same language of investment, with China being the principal trading partner and with everyone being very happy with this. It is also to keep America happy—it is only about the economics. Ironically, under Trump, I think he will be hawkish on the economics with China. I do not quite know how the Administration is going to repatriate these jobs which have supposedly gone to China. Apparently, in the phone call between Xi Jinping and Trump last week—their first real contact—there was a lot of speculation on whether Xi Jinping said to him, "We have to get on economically because we can't walk away from each other; there's too much integration".

Because the Middle East is slightly peripheral, apart from the energy interests, which are important, it is a question of the transactional nature of China's diplomacy. For China, diplomacy is transactional—it is not about principles but about deals. If Trump is a deal-maker, as he says he is, how does the Middle East figure in the deals that matter most to China? How does it give things that are relatively cheap to get things that are relatively useful for it? All the issues of the Middle East or any other peripheral diplomacy to China—Africa, Latin America—are related to how it can do things in those spaces to deliver what it really wants, which is a stronger regional role. A lot of that is about the narratives under Xi Jinping of great nation status and the restoration of China to its status in the world, and at the heart of that is reunification and the issue of Taiwan. The Chinese Government will regard the Trump presidency as possibly an enormous opportunity to deal with that issue. If China looks at the alliance system, the weakest treaty alliance is the Taiwan Relations Act, because it is not with a state—it is with a de facto state entity, from 1979. China will think, "Is America going to stand by that security commitment?" It is not about the military issues so much as China being able to put economic pressure on Taiwan to make it think about a reunification plan, which might take decades but at least it is a start. That is something Xi Jinping said a couple of years ago—"We can't keep on talking about the economics; we have got to talk about the politics of this issue". If it had been a Clinton presidency, I do not think it would have been as intense an issue, but with Trump for the next year China will look absolutely at the commitment of the United States to Taiwan and relate its actions elsewhere in the world to how it delivers on that deal.

The Chairman: Mr Wilkinson, do you want to add anything on America, and on the idea that the world is just a couple of superpowers, which to us looks absurd—but that is the way a lot of Americans think, and Chinese as well? Or do they?

Henry Wilkinson: To answer your questions as directly as I can, China will see tremendous opportunity in US retrenchment out of the Middle East. In an ideal world for China, the US would retrench completely from the world and the new Chinese-led international order would take root. I suspect that that is what China would really like to happen.

It is very interesting, particularly in the light of Mr Trump's remarks about the Trans-Pacific Partnership—you cannot help wondering what is happening to the pivot, and whether there is more of a retrenchment going on there as well, with the US handing over two major strategic regions and essentially signalling that it is not committed to either. As far as US interests go, that is a big problem for the United States going forward. There is a question of uncertainty—a lack of resolve and a willingness to abide by commitments, and to stand by institutions that have essentially guaranteed American power and influence since the end of the Second World War. These appear to be unravelling, and America seems to be playing a major role in doing that, in that it started breaking its own rules of the road with the intervention in Iraq and how it was done.

What we are looking at is essentially an opportunity for China to get in to the region, which raises questions around leadership and whether the Middle East will benefit from a new kind of regional leadership. On the one hand, you could say that American leadership has led it down a pretty disastrous path in recent years but what will happen if it leaves?. Yet you cannot ignore America; it is so powerful militarily, economically and diplomatically and it is not the case that it will disappear quietly into the night in the region. But at the same time, it has burned a lot of political bridges over the years; there is a lot of mistrust. Russia is doing the same by having taken such a partisan stance in Syria.

Where does this lead to? I suspect you are looking at a regional order where, if China is consistent in what it is doing, it will probably leave the regional powers to try to sort out the problems as much as possible among themselves. That is quite a troubling scenario, because essentially you are looking at blocs emerging with one led by Saudi Arabia on the one hand, and another with Turkey almost acting as a unilateralist autocratic power in the region, playing zero-sum game politics. Then of course you have a pro-Iranian bloc, which seems very unstable to me. The question is at what point, if America retrenches from the region, it will feel that it has to go back in—so it is not so much a pivot as a pirouette. I suspect that that is probably the scenario we are looking at, because the trajectory of the Middle East at the moment seems to be one of fragmentation, with weakening states and growing autocracy. It is a very unstable picture, and it is not the right time for America to be making dramatic statements on that sort of policy.

The Chairman: Do you think we should draw any conclusions from the glaring fact that Djibouti has an enormous American airbase and an enormous Chinese base within a few miles of each other? Is that a symbol of things to come?

Henry Wilkinson: That is a very interesting question. Quite probably. One question that we have to think about is allies, and whether China has any allies in the region. My understanding—Professor Brown knows more about this than I do—is that China does not think in terms of allies. It thinks in terms of partners, so you are looking at a partner-oriented policy whereby it is collocating in various places. That is a particularly interesting element. China's interest is in protecting that critical shipping route, and the rest of the world has an interest in doing that too—so it is a mutually beneficial area of military co-operation. In terms of resolving conflicts as complex as what we are seeing in Syria, China's position seems to be to stick with the incumbent state and back it in all circumstances. It has recently passed a law on counterterrorism whereby, if I understand it correctly, it can militarily intervene in other countries provided that it has the permission of the host Government. So it is giving itself some room to get involved, although we have not seen much yet. It is going to be complicated.

The Chairman: Do you want to add anything to that, Professor Brown?

Professor Kerry Brown: The longest relationship in the Middle East is the one with Egypt—that is the one that has always been a reliable ally. I think that in 1966, Egypt was the only country in the world where China still had an ambassador, Huang Hua, because of the internal dissent. So it has been very dependable, for cultural, security and political reasons, and I guess that everyone speaks a common economic language. That is a noticeable characteristic of China across the world—that any real cultural understanding or sympathy for each other is probably not that deep.

On Syria, China's position, like Russia's, was that if you have regime change you will deal with something that is even worse than what you have. It had 37,000 nationals in Libya whom it had to repatriate and it learnt, because of mission creep, to be very wary. It is learning—you mentioned Africa earlier. It has learnt from its mistakes or issues in the past and has become more risk averse, so sticking with the status quo is often what it wants to do. The only other issue in the Middle East broadly is Russia, which is obviously an important player there. We should not be complacent about China's relations with Russia despite all the nice rhetoric about them being big friends. They have a very long history of most spectacular fallings-out going back centuries, so the Belt and Road Initiative, because of its big role in central Asia, takes China economically right into Russia's space. The Middle East is also a space where greater Chinese activity will make Russia very nervous. I am sure that Russia's is a tenth the size of the economy of China; it is really the junior partner. Is it willing to have that kind of relationship in an area that Russia has regarded strategically as its own?

The Chairman: Lord Reid, did you want to come in on this US angle?

Lord Reid of Cardowan: No, I think it has been pretty well covered. It seems to me that the Americans want to get out of the Middle East to some extent, because they now have their own oil and fracking and so on, but they keep being pulled back in. So they are in an equivocal position. In the same way, they want to get out of Europe but keep being pulled back in because of Ukraine and so on. I am more interested in the Chinese, because they are now a pre-eminent world power. Over the next 20 or 30 years, they will reinforce that. Partly because of their own history and political position, they developed the policy of non-intervention and respect for the sovereignty of states. They have avoided the liberal interventionism of trying to go in for good reasons, human rights and so on. I am interested in whether that is a sustainable position given their increasing commercial interest in the Middle East. I fully accept that it is probably at the outer circle of their interests at present—cyber, rare earths, land ownership and strategic. They have an advantage over the West because they have had the dynamism of the market at the bottom ever since Deng Xiaoping, and longitude in their leadership. They do not have the same volatility, so they can combine long-term planning with dynamism at the bottom. Using their own interpretation of material conditions being the predominant determinant of politics, ideology and so on in the superstructure, I do not see how they can increase those material conditions in their own interest in these areas and stay out of super-structural aspects of politics and so on. To me, that is the most interesting thing about them. Who knows with Trump?

Professor Kerry Brown: That question, broadly, is what a world which had much greater Chinese influence across it would really look like. Clearly, the Chinese do not buy into the value system of the US-led order, so what is a Chinese values-led system? At the moment, it looks highly pragmatic and transactional, and it looks like relations will be built on mutual usefulness. At some point, of course, it is useful to have a deeper commitment from your allies. You are right that China does not have treaty allies—well, it has one: North Korea. With friends like that, you really do not need enemies. It is antagonistic to the obligations that treaty alliances give, but it is parasitical on the global rules-based, predictable order.

Lord Reid of Cardowan: One quick comment on the Americans: if President-elect Trump tries to back off the nuclear deal with Iran and at the same time back off from the American presence in the Gulf states, he has the ingenuity to alienate Shia and Sunni at the same time. If he does both of those, which is his expressed intent as far as I am aware, it must create a huge space, partly for Russia but partly also for the Chinese, who, as you point out, have been dealing very practically with the Iranians as well as with the Gulf states.

Q51 **The Chairman:** I want to focus a bit more on both Iran and Russia in the next questions, so could we tie up on America? I have one final America question. The Chinese spend a lot of time being antagonistic to Japan and use every opportunity to irritate it, and Japan becomes concerned about what they are doing. Might the fact that Japan is also increasingly involving itself in the Middle East, looking outward, exporting arms and so on, move the Chinese to say, "Well, we should be in on this, too"?

Professor Kerry Brown: On the Iran deal, I think China will be a big supporter of not touching it. It put a lot of political and diplomatic capital into it. Ironically, the best bet that that deal will be sustainable is China's pressure on Trump. This is the crazy world we now live in, where for climate change and issues such as this, China will be a stabiliser and Washington will be the problem. On the role of Japan, as the great Lee Kuan Yew said, the problem is that China forgets nothing and Japan remembers nothing. You have intense competition in an Asian region that has never had at the same time a strong China and a strong Japan. This framework is very new and we do not know how it will pan out. Abe has been to more countries than Xi Jinping. In the past three years, Xi Jinping has been to some 45 countries and Abe to 65. That shows the proactivity of Japan. But the bottom line is that China's economic attractiveness to Middle Eastern partners will be much greater than Japan's. Of course, Japan will be an important partner, but it will also have to think of ways of balancing that relationship. At the moment, China and Japan are entering a period of being more pragmatic with each other. They were having a terrible time until a couple of years ago, but Abe seems to have come up with a framework in which they can deal with their issues. In the

Middle East, I think that, on the whole, they will probably be co-operative.

The Chairman: If we can come to Iran now.

Q52 **Lord Hannay of Chiswick:** You have partly answered the question that I was going to ask, which was on the Chinese attitude to any attempt by a Trump Administration to nix or dismantle the P5+1 agreement or, at the very least, to withdraw from it. How far do you think the Chinese would go in seeking to preserve the P5+1 agreement, even without the Americans? For example, would they be prepared to use their diplomatic influence with Iran to stay with it? Of course, if Iran drops out at the same time, as a response to the Americans dropping out, there is nothing to preserve. If Iran says, "Okay, deal off. We're going to start reconstituting some of the programmes that we rolled back", there is nothing to preserve. How far would China go in pressing Iran to stay with it even without the Americans? To what extent is China able to offset any negative effects from the Americans pulling out in trade and investment terms? Will it become then a major investor in, say, Iranian oil and gas and the things it needs to develop? Perhaps China is not terribly well placed to do that in expertise terms, but not totally incapable of doing it. That is really the question: how far would it go, on the basis that we all agree, I think, with your judgment that it will try to preserve the P5+1 agreement if it can?

Henry Wilkinson: That is a very interesting question. I was contemplating the idea that it is a deal that America withdraws from and everybody else stays in. That would be a very unusual scenario.

Lord Hannay of Chiswick: It is like the sanctions on Cuba, of course.

Henry Wilkinson: As I understand it, China views Iran as an important market and Iran views China as important diplomatic cover and its main diplomatic guarantor—I do not know whether that is the right word, but there clearly is a relationship. As we were saying, China's interest is to keep the Middle East stable. If that deal were to collapse and Iran were to reactivate its military nuclear programme or a nuclear programme of any sort that could create immense instability. All the questions that we were dealing with would go back on the table. What is the risk of Israel mounting a pre-emptive strike? What is the risk of America mounting a pre-emptive strike? What is the risk of Iran using a deterrent against the Gulf states and the oil interests? We were grappling with all those questions before the deal and they would go back on the table. I suspect that China would be very keen to avoid that scenario.

I was in Washington recently talking about this. What is interesting and unusual is that we find ourselves in the curious position where we probably know more about Iran's intention than we do about America's, when you take Trump into account. That is a topsy-turvy situation. I think that Iran is seeing the benefit of its economy opening up. To think about our own interests, there is a lot of commercial and economic opportunity in Iran, which requires Iran to open up. If that door suddenly shuts and America tries to impose sanctions, that creates a counter-competitive situation for our interests, given that China, Russia and others would continue anyway. They are making commitments and I am not convinced that they will just walk away from them because of a mercurial Administration in the US.

Professor Kerry Brown: It is hard to know what China would be willing to do, but it is probably the only party that can do significant things. It is already a huge investor in Iran. It has a commitment there, it has leverage over the Iranian Government and it has relative neutrality. If the deal is threatened and someone has to seek an alternative, China is probably the only one that can, and it can get furthest. It is quite extraordinary that we have a deal. China is always accused of being fickle and unreliable, yet it is the one that is not going to walk away. The Chinese would think that, if such a deal is not sustainable when they have put so much effort into it, why bother working with the West elsewhere? Why bother working with other partners? It would have huge collateral fallout. I hope that, when the Americans are thinking about this, whoever comes to advise the Administration will factor that in: it would have a very negative impact. China will feel as though the American-led allies are very fickle and that, whenever they make agreements, they do not hold to them. On the whole, although it is difficult to make an agreement with China, once China has got there it will stick with it. This is a very important deal, not so much because of what it does, which is important in the Middle East, but because of its impact on working with China, which could be very negative if the deal is not held to.

The Chairman: What exactly are the Chinese investments in Iran? Are there new projects? Are there joint ventures between the British and the Chinese? Is that sort of thing on offer?

Professor Kerry Brown: Obviously, under the embargo, there were no joint ventures with non-Iranians, but there was an opportunity for BP, for instance, to work with the Chinese in Iran. That was discussed, as far as I remember. Their principal investments are in oil fields.

The Chairman: Lord Inglewood, I think that we have finished with that question for the moment, so would you like to talk about China and the Middle East generally?

Q53 **Lord Inglewood:** A number of our witnesses have commented on the fact that in a number of the Middle East states—I am thinking of Syria, Iraq, Yemen and possibly Libya—the idea of the old nation state is under threat and there are all kinds of sub-state actors. It is almost as though a de facto federal state is emerging by some evolutionary process. This obviously causes a lot of volatility, which presumably concerns China as an investor. Equally, it is hardly an encouraging precedent for China in its domestic politics. How do you think the Chinese are looking at that? What, if anything, might they do about it?

Professor Kerry Brown: They are not big fans of secession that is true. However, as with Russia and the Crimea, they do not relate that too much to their domestic situation because they think that they are unique—they are great exceptionalists. There is a security link inasmuch as in Xinjiang some small radical Islamic groups have been linked to the Middle East and to ISIS or Daesh or whatever it is called now. China is worried about that. Sometimes that is opportunism; saying that this is radical terrorism creates greater international support for what it is doing against groups in Xinjiang, whereas there are all sorts of domestic problems with economic issues in Xinjiang that are not associated with this. So sometimes it is opportunism, but there have been terrorist attacks in China in the last two or three years. There was a horrible knife attack in Kunming and a suicide bombing in Beijing, as well as other isolated attacks. There were a couple of big cases of violence in Xinjiang itself. China is very nervous about the internationalisation of these, which casts a shadow across its relations, particularly in Pakistan and central Asia, but also in the Middle East. One Chinese national was kidnapped and eventually killed. One of the vulnerabilities that China has with all this complexity of all these sub-state actors across the Middle East is its assets, which are considerably increasing, but also the fact that its experience of supplying security for those, either privately or through government, is not great. It does not have a lot of experience and it is very vulnerable. It is very aware that this is a point of vulnerability.

Henry Wilkinson: I agree. China's options for intervening are pretty limited in a region such as the Middle East, of which it has little experience. A lot of the forces that are pushing or breaking up the state and society in the Middle East are driven by religious elements. China is essentially an atheist state and you wonder how much it understands some of the issues that are challenging it. As for China's view on more federalist models, I do not know the extent to which China externalises any internal political views on to the international system. The Chinese Government is relatively controlling, whereas its attitude on international politics seems to be almost the opposite: "We'll treat you like grown-ups and you can get on with your own thing. We'll do business with you as long as we are getting on". It is not controlling in that respect, so there seems to be a bit of a paradox. On the breaking up of states, China would look at the situation as being more complicated than it would like it to be. It would prefer to have a much more centralised authority, as that makes relations much easier and the transactional element more straightforward.

The question hanging in my mind is: what can China do about it anyway? I do not think that China is in any better position than the US or anyone else to reverse some of these trends. Ultimately, in a lot of these cases, we are talking about the erosion of the central state, the fragmentation of society from the state and the diffusion of power to smaller and more peripheral interest groups and organisations, including religious groupings. What is the solution for that? One could argue that it could be federalism or more democracy, but it would be very optimistic to think that we will see those in the Middle East and in these countries in particular. That makes me think that, if there is to be a reversal, it will be as a result of greater autocracy and the establishment of much stronger and more controlling regimes, which China would probably favour. These conflicts may have to run their course in some respects, because there may be little that can be done when they have become so localised.

The Chairman: Finally, are China and Russia—the other two—allies or rivals in the Middle East and elsewhere?

Q54 **Baroness Coussins:** I want to come back to Syria and ask about China's position on it, given that there are clear signs that a Trump Administration, together with President Putin, would be favourable towards some kind of agreement with the Assad regime. Notwithstanding China's default position as a non-interventionist country, it sent a military adviser to Syria in 2015. What would you expect its position to be if such a deal with the Assad regime emerged? How would it respond to that?

Henry Wilkinson: Favourably.

Professor Kerry Brown: I agree. Whenever the Chinese have spoken about this in Beijing, they have regarded the American and other efforts in the region broadly, and in Syria, to be incredibly naive in believing that an opposition will exist that will deliver a lovely solution. They think of that as being very unlikely—and the turmoil there, and its continuation, has proved them right. They see no good in getting sucked into this too much. If it is a case of having Assad and the continuation of his appalling regime, rather than another probably equally appalling regime; they will stick with the devil they know.

You wanted to come back to the issue of China's influence. Clearly, China has no soft-power assets in the Middle East. It is not that the Chinese government model is looked on as being some big attractive thing that can be used in the Middle East. Sinified Marxism has limits to what it can deliver. It is not that there are great cultural affinities, but what is admired about China is that it is now a success. Russia is politically more powerful but, as I said, its economy is one-tenth of the size of the Chinese economy. For that reason and that reason alone, China has a story that it wants to tell and that people want to listen to, not only in the Middle East but elsewhere in the world. That does not mean that China is admired particularly for its vision of the world or its vision of diplomacy. That is probably what people still admire America for, despite what has recently happened. The question is in what ways China will try to build on its economic leverage to get more diplomatic and security influence. It is always good in this building to quote Mao Tse-Tung. He said, "There is chaos under heaven—the situation is excellent". For the Chinese our disarray at the moment is a wonderful thing.

The Chairman: What role do you think the new networks such as the Shanghai Cooperation Organization is playing in this new world that China has to address? Is it a power instrument for them, a protection or what?

Professor Kerry Brown: When that was set up in the 1990s and then reinforced in the early 2000s, it was a network away from the US. It gave China an extra space to speak, where the US was not present. Of course, that aroused a lot of suspicion. Under Xi Jinping that has been re-energised and has many observers, so it has an enhanced role and talks more about security issues than economic networks such as the Belt and Road Initiative. In principle, it could be a place where we see what a Chinese security vision is. What are its ideas about working with partners beyond the economic space? That is why it is important, although it is a small network at the moment, not a huge group of countries. I think it involves about six or seven countries.

The Chairman: They have just taken India in.

Lord Hannay of Chiswick: Picking up on that, you said in some of your earlier testimony that we should not forget that China and Russia have had a very fraught relationship over the centuries which has often broken out into really violent or certainly adversarial events. To what extent is the scope for that probably now greatest in the question of who is the controlling influence in central Asia—in the stans?[2] To what extent will China, which after all has the Xinjiang problem contiguous to it, feel the desire and the need to extend its influence into what President Putin presumably regards as his backyard and his sphere of influence?

Professor Kerry Brown: It is very real. The Belt and Road Initiative links the stan countries, and for most of them China is either the biggest investor and trading partner or the second biggest. It is a demonstration economically that China is now the main player in this region. China is giving a lot of face to Russia in deferring to it politically, but economically China is the key partner. When Xi Jinping and Li Keqiang, the Premier, go through the region, it is like an imperial visit—it is quite extraordinary. But, of course, China is very aware of the political and security problems throughout this region, so it is quite happy for Russia to continue having a role there and it does not want to get involved. It is the same story as the Middle East: it picks the things it wants to get involved with and walks away from things it does not want to get involved with. The question is whether other countries such as Russia and America have the capacity to get involved in the things China does not want to get involved with and, if they do not want to, what will China do? We will find out quite soon.

Henry Wilkinson: The One Belt, One Road initiative is a gigantic investment. I agree with that analysis. With regard to what we can expect in future from organisations such as the SCO,[3] China is creating a multilateral umbrella whereby it can leverage its partners to help to further its interests in maintaining stable markets, ensuring that those investments are protected and delivering returns. That is obviously what China is looking at. What is interesting in looking at the growth of the

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[2] The Central Asian countries whose names end with 'stan': Afghanistan, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan.
[3] Shanghai Coopoeration Organisation (also known as the Shanghai Pact)

SCO—as we have just remarked, it is getting bigger—is the emergence of international institutions that are not in the post-Second World War model of US-led liberal internationalist institutions. In tying these things together with US retrenchment, that is what we are really looking at: an emerging new international order, where US-led institutions are diminishing. The credibility of NATO has been called into question—for example, when particular treaties are not respected by the people who authored them. That creates a whole new level of uncertainty about whether those institutions are appropriate. We know that the BRIC[4] countries, for example, which are very important in this conversation, want to reform the UN. We are seeing the tide changing; these institutions will become increasingly important in how they frame the new international rules of the road, and how business is done on the geopolitical stage. The question we have to ask ourselves is whether or not they are willing to step up and lead, and to intervene in situations where intervention is required. That is the big question which we do not know how to answer at the moment.

The Chairman: Mr Wilkinson and Professor Brown, trying to cover China, let alone the Middle East, in an hour is fairly ambitious, and of course we have not really succeeded, but you have cast some sharp beams of illumination on many aspects of it, and we are extremely grateful to you both for this abbreviated session. Thank you very much.

[4] Brazil, Russia, India and China