

# Sino-Arab Economic and Trade Cooperation: Situations, Tasks, Issues and Strategies

QIAN Xuewen<sup>①</sup>

(Middle East Studies Institute, Shanghai International Studies University)

**Abstract:** *Sino-Arab economic and trade cooperation, which started a long time ago, has achieved a great headway since 2004 when it entered the fast track. In 2010, the China-Arab States Economic and Trade Forum was established, providing Sino-Arab economic and trade cooperation for further expansion with an effective new platform and mechanism. The main positive factors for their current economic and trade cooperation are: a good basis for cooperation, a strong economic complementarity, a good beginning for bilateral investment cooperation, the existence of common languages, and the accordance with common interests. The principles and ideas for developing future cooperation are: to play out in the role of the China-Arab States Economic and Trade Forum, and to treat Sino-Arab bilateral cooperation with a large field of vision; to promote Sino-Arab economic and trade cooperation by enhancing bilateral relations; to pay attention to handling Sino-US relations well when strengthening Sino-Arab economic and trade cooperation; to continue to expand market openness and promote trade liberalization positively; to expand economic and trade cooperation further on the basis of energy cooperation. In order to maintain and protect the growing overseas*

---

<sup>①</sup> QIAN Xuewen, Professor of Middle East Studies Institute, Shanghai International Studies University. This research is the product of Chinese Educational Ministry program “China’s National Interest in the Middle East (West Asia and North Africa)” (2009JJD810010), and it is also supported by the Shanghai International Studies University “211” program (Stage III) and Key Discipline of Shanghai (B702).

*interests of the Chinese government, a grand strategy of China's foreign should be established.*

**Key Words:** *Sino-Arab Economic and Trade cooperation; Sino-Arab Cooperation; China-Arab States Cooperation Forum; China-Arab States Economic and Trade Forum*

Comprehensively strengthening Sino-Arab friendly cooperation is an established policy of China, while economic and trade cooperation is also an important field of Sino-Arab cooperation. On the establishment of new Sino-Arab partnership, president Hu Jintao has proposed four proposals: "With the Arab countries, we should enhance our political relations on the basis of mutual respect, advance economic and trade exchange with the goal of common development, expand cultural contact with the content of learning from each other, and strengthen cooperation in international affairs for the purpose to safeguard world peace and promote common development" (Wang & Xu, 2004: January 20).

At the Third Ministerial Meeting of the China-Arab States Cooperation Forum, held in Manama, Bahrain on May 22, 2008, government officials of China and Arab countries had in-depth discussions on the development of a "new Sino-Arab Partnership for Achieving Peace and Sustainable Development". Through this meeting in addition, the two sides expressed their willingness to further strengthen their cooperation in various spheres - such as politics, economy, education, and culture-to promote the development of a new Sino-Arab partnership, they also decided to establish seminar mechanisms to enhance mutual investments, with an emphasis on strengthening the cooperation in the aspects of trade, environment, energy, and cultural exchange. They stressed the need to take active measures to expand trade and mutual investments, to provide each other with better market access conditions according to the current institutions and laws of both sides, to exchange experience in economic management, to carry out cooperation between small and middle enterprises, and to enhance bilateral information exchange and cooperation in the fields related to economy and trade.

## **Sino-Arab Economic and Trade Development: An Overview**

Since China's reform and opening up beginning in 1978, Sino-Arab friendly cooperative relations have kept developing under the joint efforts of the parties concerned. The complementary advantages between China and Arab countries are becoming increasingly distinct in capital, technology, resources, markets and other aspects, for they act in concert with each other, which makes their foundation of cooperation more solid. In 2004, the trade volume between China and twenty-two Arab states amounted to \$36.7 billion. The two sides also conducted fruitful cooperation in mutual investments, project contracting, economic and technological cooperation, personnel training and other realms. Since then, Sino-Arab economic and trade cooperation entered the fast track by leaps and bounds. According to the Chinese Ministry of Commerce statistics, in 2007, the Sino-Arab bilateral trade volume reached \$86.4 billion, up 32% over the previous year. In 2008, Sino-Arab senior leaders frequently visited each other, and the Chinese government held bilateral economic and trade joint committees respectively with the Yemeni government and the United Arab Emirates (UAE) government. Although in the second half of 2008 every country was subject to the enormous impact of the global financial crisis, the Sino-Arab economic and trade cooperation maintained rapid development under the joint efforts of relevant departments of both sides, in which one of the biggest bright spots was that the target was completed ahead of schedule causing the bilateral trade volume between China and Arab countries to amount to \$100 billion in 2010. The bilateral trade volume of that year reached \$132.84 billion, up 53.7%. In this data, China exported \$62.58 billion, an increase of 37.7%, and imported \$70.26 billion, up 71.5% (*The Arab World Briefing*). China's main exports are steel products, garments, mechanical and electrical products, and its main imports are crude oil and petroleum products. The amount of projects contracted between Chinese

enterprises and the Arab countries reached \$ 31.4 billion, up 85%, accounting for 30% of China's total global contracts. Those projects related to petroleum engineering, railways, highways, housing, ports, power plants and other fields. The direct investment of Chinese enterprises in the Arab countries was \$700 million, up 40%, while the actual investment of the Arab countries' enterprises in China was 400 million, an increase of 61%. The Industrial and Commercial Bank of China opened a subsidiary bank in Dubai and a branch in Qatar. Direct flights were launched between China and Algeria, making the number of Arab countries which launched direct flights with China increased to five. The collaboration in finance, aviation, tourism and other fields has become a new spotlight of Sino-Arab bilateral cooperation.

Although in 2009 the economic development of Arab countries faced difficulties due to the spread of the global financial crisis, their banking system kept stable in general and many of the Arab League countries still maintained a certain economic growth by undertaking several economic measures such as expanding investment and stabilizing their exports. While difficulties also existed for China's exports to Arab countries, new growth emerged in both sides' cooperation in energy, investment, infrastructure construction and other spheres. With the spirit of equality and mutual trust, pragmatic negotiations, and facing the future, the Chinese government and the Arab governments continued increasing their support for bilateral economic and trade cooperation, making new contributions for the common prosperity and stability in China and Arab countries and the peaceful development in the region and the world.

As the size of Sino-Arab trade is enlarging, their investment and cooperation kept has developed as well, with project contracting and labor cooperation from little to large amounts. In the 1980s, the labor service cooperation projects that Chinese enterprises contracted in the Arab League countries were primarily in road and bridge, housing and light industry, and then gradually expanded into energy, transportation, agriculture, communications, tourism and other fields. Now they have fully cooperated in many areas, such as two-way

investment, infrastructure construction, human resource exploitation, information technology, desertification control, water conservation, education, medicine, and textile. According to the spirit of China-Arab States Cooperation Forum, China had completed a commitment ahead of schedule, training 1,500 management and technical personnel for the Arab countries in three years. At the Ministerial Meeting of the China-Arab States Cooperation Forum in 2009, China committed to train another 1,000 technical and managerial personnel for Arab countries in the next three years.

### **Current Sino-Arab Trade in the Share of China's Foreign Economy**

The trade volume between Mainland China and her major trading partners in 2009 is as follows:

State or Region	Value(billion Dollars)			Up (%)		
	Amount	Export	Import	Amount	Export	Import
EU	479.71	311.24	168.48	3.18	3.18	3.19
USA	385.34	283.30	102.04	2.92	2.83	3.17
Japan	297.77	121.06	176.71	3.02	2.37	3.50
ASEAN	292.78	138.21	154.57	3.75	3.01	4.48
Hong Kong	230.58	218.32	12.26	3.18	3.13	4.09
Korea	207.17	68.77	138.40	3.26	2.83	3.50
Taiwan	145.37	29.68	115.69	3.69	4.48	3.50
Australia	88.09	27.23	60.87	4.65	3.19	5.41
Brazil	62.55	24.46	38.09	4.75	7.33	3.47
India	61.76	40.92	20.84	4.24	3.80	5.18
Global total	2972.96	1577.93	1394.83	3.47	3.13	3.87

Data Source: China Customs Statistics

In the table, no Arab country can go up into the top ten trade partners of China, while the EU and ASEAN have entered the ranks as regional trading partners. However, if the twenty-two Arab countries are also counted in that way, according to the announcements of

China's State Council Information Office, in 2005 the Arab countries as a whole had become the eighth largest trading partner, the seventh largest export market and the seventh largest source of imports of China (*The Development of Sino-Arab Economic and Trade Relations in 2005*). In 2009, the Sino-Arab trade volume which was affected by the financial crisis reduced slightly, to \$107.4 billion (Hui, 2010: September 27). However, in the first half of that year, Sino-Arab trade still kept growing, 52%, higher than the growth rate of China's total trade by 8.9 percentage points, and China's imports from the Arab League countries moved up to \$37.93 billion, an increase of 98.5%. Therefore, the Arab countries can clearly be called "important trading partners".

It is obvious that the Arab countries are important to China's foreign economic progress. First, the growth rate of Sino-Arab trade is much higher than that of China's total foreign trade, and their interdependence is still deepening. These facts not only indicate the vigor of Sino-Arab trade, but also mean that there exists a large potential to grow and willingness to promote in their cooperation. Second, many of the Arab countries are major oil-producing and oil-exporting countries in the world, while China is a major energy importing country. Currently, more than half of China's oil imports come from the Middle East, which equals to over 25% in China's annual oil demand. It is impossible for China's economy to run safely without such a large amount of oil supply. Therefore, it is obviously vital for China to ensure the energy imports from that region to protect her economic security and steady and orderly development.

In view of this, Chen Deming, the Chinese Minister of Commerce, lectured in the first China-Arab States Economic and Trade Forum held in Ningxia, and conveyed that China and the Arab countries should continue to expand trade and promote efforts, striving to make the trade volume reach or exceed \$ 200 billion in three to five years. It is a very real development target proposed for the economic cooperation between China and Arab countries in the future (Chen, 2010: September 29).

## **Building a New Platform for Sino-Arab Economic and**

## **Trade Cooperation**

In order to promote Sino-Arab economic and trade cooperation completely, China and the Arab countries pragmatically constructed the "Sino-Arab States Economic and Trade Forum" under the framework of "Sino-Arab States Cooperation Forum" in September 2010.

### **1. The Importance of Originating the China-Arab States Economic and Trade Forum**

1.1 The constitution of the forum is an integral part of the comprehensive implementation of *The Opinions by State Council on Further Promoting Ningxia's Economic and Social Development*, to accelerate the development of an inland open economy in Ningxia. Ningxia Hui Autonomous Region is located in the northwest of China. It has resource advantages formed by abundant minerals easily able to exploit; political advantages formed by national unity and social stability; geographical advantages formed by the unique location connecting neighbors; and cultural advantages formed by settlements of the Hui with their unique culture. These advantages benefit China's developing economic and trade relations with the countries of the Arab League and Islamic region, thereby establishing a platform for economic and trade exchanges and cooperation. Implementing the strategy of opening up to the countries in the Middle East and Arab League is one of China's strategic choices to construct a new pattern of an inland open economy in Ningxia.

1.2 The constitution of the forum is an integral part of earnestly pushing forward a new ten-year strategy of Western Development. On August 20, 2011, Premier Wen Jiabao proposed explicitly that "We must regard the western region as the strategic focus to open up and exploit in the new era." So, in the new ten-year process of Western Development, the western region will be treated as China's strategic focus of further opening up. Initiating the China-Arab States Economic and Trade Forum in Ningxia, building the strategic highland by opening up the western regions to the west, and making Ningxia the bridgehead and first district of China's opening up to the Arab League

and other Islamic regions to meet the need of further promoting the strategy of Western Development.

1.3 The constitution of the forum is consistent with new trends, new patterns, and new requirements of China's opening up. Since the 2008-2010 international financial crisis, world economic and trade patterns have suffered a dramatic change. In order to consolidate and enhance China's status as a large trading nation and to transform it into a trading power, exploring new markets has become the top priority of China's opening up. In this context, taking the large market space of Arab countries into account, the Ministry of Commerce and CCPIT logically regard exploring the Arab markets as the strategic focus of further opening up. The Ministry of Commerce has put forward clear requirements to achieve substantive progress in bilateral negotiations to accelerate the process of the China-GCC Free Trade Area (6+1). From the diplomatic level, the China-Arab States Cooperation Forum on the national level has been held many times with its influence growing. Premier Wen Jiabao used to point out: "Looking back at the history in the past two hundred years, China and Arab countries lost too many historical opportunities. We have thousands of reasons to rouse ourselves, strengthen cooperation and accelerate development, to catch up with the pace of the times, having no reason to doubt and hesitate. Any politicians, who responsible to his country and nation, and any entrepreneurs or any other people in the community, who have ability and ambition, should consciously see the historical responsibility on their shoulders" (Wen, 2009: November 8). Thus, founding the China-Arab States Economic and Trade Forum and developing an open inland economy, emphasizing facing Arab League countries and Muslim regions, are absolutely in line with the overall situation of China's opening up.

## **2. Setting Up China-Arab States Economic and Trade Forum in Ningxia Is A Considered Decision of the Chinese Government**

With the foundation of the China-Arab States Economic and Trade Forum and implementation of subsequent measures, Ningxia Hui Autonomous Region has become the first district of China's opening up to the Arab League countries, the strategic highland in the



western regions to open up, a junction for Sino-Arab personnel and commodity exchanges, a center for research, design, certification, manufacturing and transportation of international Islamic products, and a leisure and tourism destination for Muslims to enjoy the achievements of modern civilization. Holding the China-Arab States Economic and Trade Forum in Ningxia is an important strategic initiative to deepen the Sino-Arab economic and trade cooperation, aiming at strategic layout. Approved by the State Council, the China (Ningxia) International Fair for Investment & Trade (CIFIT) and China-Arab States Economic and Trade Forum will be held in Ningxia every year periodically. According to the Arab countries' specific circumstances, the fair and the forum will proceed in China as a part of competent countries first, and then gradually will extend to all Arab League countries. As the permanent host of the China-Arab States Economic and Trade Forum, Ningxia will provide participating merchants and customers with a platform for cooperation and communication, according to Chinese Government's requirements.

In summary, holding the China-Arab States Economic and Trade Forum in Ningxia strengthens Sino-Arab and China-Muslim countries cooperation in politics, economics and culture, and accelerates the development of the open inland economy. It is the strategic choice of China for the purpose to perfect the pattern of opening up and to promote a balanced development among regions, the real need of China's exploiting "two markets" and utilizing "two resources" to safeguard its national energy security, the only way for China to accelerate Western development and to explore new development space, and the important measure taken by Ningxia to change development modes and to promote sound and rapid development of the regional economy.

### **3. The Purpose of Organizing the China-Arab States Economic and Trade Forum - to Accelerate Sino-Arab Cooperation**

The first China-Arab States Economic and Trade Forum held in Ningxia was a meeting at a high level and providing the most influence for multilateral and bilateral international cooperation among China and the Arab League countries in the economic field . It

is another new platform for China's regional opening up besides China-ASEAN Expo and China Jilin-Northeast Asia Investment and Trade Expo. Its purpose is to further accelerate to implement the strategy of "opening up to the west" which faces the Islamic countries and regions, to make efforts to build a comprehensive, multi-level and wide-ranging new pattern of open inland China's economy, and to promote economic and trade cooperation, project negotiations and friendly communications around the world, especially among the Arab League countries, Islamic regions and Chinese provinces.

While the China-Arab Economic and Trade Forum mainly consists of China and the Arab countries, it remains open to other Islamic countries and regions, which offers China an opportunity to further expand the scale of foreign trade and deepen the cooperation on foreign investment with the Arab countries. The first forum identified the theme of "Inheritance of Friendship, Deepen Cooperation and Common Development", intended to construct a new international mechanism for Sino-Arab economic and trade cooperation.

#### **4. The Target - to Implement Common Development**

Following World War II, the Middle East had always been a focal point where the world's various forces competed. After the financial crisis, with the world situation undergoing profound changes, the Arab League countries began to transform toward multiple relationships for their own interests. With China's rising international status, the main Arab League member states had considered developing bilateral relations with China as their strategic focus. At the same time, as a large trading nation, China attached great importance to trade and communication with the Arab countries. The total market in the Arab League countries and Islamic areas was more than \$2 trillion, while the Sino-Arab trade volume reached only \$145.42 billion even in 2010 when the highest volume appeared and accounted for less than 10% of the total in the Arabs' foreign trade and only 5.8% in China's total foreign trade (2.5 trillion US dollars). It was shown that there existed a broad space of development and a great potential of growth between China and the Arabs. But for now, the

size of Sino-Arab bidirectional investment had just started, remaining still small. At the end of 2010, the contracts which China had signed with Arab countries amounted to \$146.9 billion (Tang, 2011: 24); the contracted projects completed by Chinese enterprises amounted to nearly \$100 billion; and the Sino-Arab mutual direct investment totaled more than \$5.5 billion (Ji, 2011: September 23). In the current situation, to develop its economy, to enhance comprehensive national strength and to improve people's living standards comprised the Sino-Arab's collective task, and the best way to achieve it has been to reinforce Sino-Arab cooperation and to realize a common development. This not only meets the joint needs of both sides, but also fulfills their obligations for world peace and development. In general, there are many complementary advantages in finance, energy, market, technology and other aspects in the Sino-Arab economic cooperation but to realize peace and development it still needs the two sides to make unremitting efforts.

## **Principles and Ideas for Future Development of the Sino-Arab Economic and Trade Cooperation**

### **1. To Play the Role of the China-Arab States Economic and Trade Forum, and to Treat Sino-Arab Bilateral Cooperation with A Large Field of Vision**

As an important way to promote Sino-Arab economic and trade cooperation, the China-Arab States Economic and Trade Forum was held in Ningxia, which was a result of Chinese government's careful consideration. Promoting economic development in northwest China through opening up to the west is conducive to the security and stability of the areas inhabited by ethnic minorities in north-western China, the national unity, and the achievement of harmony and common prosperity. In this process, it is important for China to treat cross-boundary cooperation with the Arab League countries by a broader vision, to position the China-Arab States Economic and Trade Forum at a high-end from the national strategic level, and to carry out public diplomacy actively for long-term win-win cooperation through

multi-level multi-channel communications, utilizing the geographical and cultural advantages of northwest China.

## **2. To Promote Sino-Arab Economic and Trade Cooperation by Enhancing Bilateral Relations**

China should continue to strengthen the bilateral or multilateral relations with Arab countries, to promote mutual trust, and to advance the economic cooperation by Sino-Arab good relations in politics. The relationship between China and the Arab countries is generally good, and China's status and political influences are recognized by the Arab countries. Therefore, China should treat the energy cooperation with the Arab countries as the focus in consciously developing bilateral economic and trade relations. China should take full advantage of high-level visits or other forms to directly handle the work about national leadership, facilitating Chinese enterprises to obtain various types of significant cooperation projects, including energy projects. At the same time, China should effectively manage and guide Chinese enterprises to prevent blindness (Wu, 2010: 8).

## **3. To Pay Attention to Sino-US Relations While Strengthening Sino-Arab Economic and Trade Cooperation**

Since there are respective important interests of China and the US in the Middle East, China must correctly handle China-US relations and meanwhile strengthening China-Arab economic and trade cooperation. No matter who occupies the White House in the coming years, the policy bottom line that the US must keep the dominance in the Middle East will not change; the concept of militarism to strengthen its military presence will not change as well. In view of this situation, China should dialectically persist in the Deng Xiaoping strategy of "keeping a low profile and making some difference" to face international affairs together with the United States in a cooperative manner; China should try to do its work about the United States, emphasizing their win-win cooperation; China should expand consensus and make long-term considerations (Gu, 2010: 8) to guide the United States to attach importance to China's interests and concerns, to ensure that China's interests will not be undermined;

China should not “play with fire,” to avoid the United States’ obstructing the peaceful rise of China. In foreign policy, the diplomatic philosophy of “Harmonious World” should be constantly implemented, advocated and constructed.

#### **4. To Expand Economic and Trade Cooperation for Further Steps on the Basis of Energy Cooperation**

Tradition should be maintained, and cooperation should be deepened. At the same time of sticking to energy, chemicals, machinery, electronics, clothing, telecommunications, labor, project contracting, road construction and other traditional advantageous fields, China should actively explore untouched areas, such as capital flows (investment financing), human resources training, agriculture, desert management, marine biology, climate monitoring, food, real estate, tourism, high-speed railways, civil aviation, shipping, and shipbuilding, by relying on the advantages of the domestic industry, the emancipated mind and the courage of innovation, to enhance the Sino-Arab economic and trade cooperation. As was mentioned earlier, Sino-Arab cooperation in the aspect of investment is still at the initial stage, so China should seize the opportunity to rapidly increase its efforts to actively encourage competent enterprises to invest and undertake projects in the Arab countries, even to engage in economic development zones in Arab countries which have good conditions, and to promote comprehensive investment cooperation. In the aspect of attracting investment, China should continue to create conditions and to improve the environment, to sincerely welcome the Arab companies to invest in China. Arab enterprises in China should be treated equally, enjoying the national treatment and the protection of intellectual property rights.

#### **5. To Promote the Development of the Sino-Arab Free Trade Area Actively**

Building the Sino-Arab Free Trade Area is an important strategic initiative of China, responding to the trend of world economy that foreign trade represents. The parties concerned to Sino-Arab Free Trade Area divide the procedure into three levels to be recognized: the first level is on the six GCC countries; the second level is on the

twenty-two Arab League countries; the third level is on the fifty-seven Muslim countries located in Southern Europe, the Middle East, North Africa, West Africa, Central Asia, South Asia, Southeast Asia and other regions (Zhao, 2011: March 30). From the current actual situation, China should begin do the work on the first level first.

At the first level, the construction of the China-GCC Free Trade Area has started since many years ago. In the first round of negotiations about the China-GCC Free Trade Area held in Riyadh, on April 23, 2005, the two sides exchanged views on goods trade, service trade, economic and technical cooperation and other issues, and made positive progress. On May 2, 2011, Yang Jiechi, the Chinese Foreign Minister, Sheikh Abdullah, the Foreign Minister of the UAE, the rotating presidency of GCC, Madani, the Minister of State for Foreign Affairs of Saudi Arabia, the next rotating presidency of GCC, and Al-Zayani, the GCC Secretary-General, co-chaired the second round of strategic dialogue of the China-Gulf Cooperation Council in Abu Dhabi, the capital of the UAE. In the press communiqué issued after the meeting, the two sides stressed their willingness to further improve bilateral cooperation in various fields of consultation, coordination and cooperation mechanisms, and agreed to continue to strengthen consultation and to complete the negotiations on FTA quickly (*The Press Communiqué of the Second Round of Strategic Dialogue of China-Gulf Cooperation Council*, on May 2, 2011).

The second level is to establish a free trade area with the Arab League. The League is a regional organization with a total of twenty-two member states, including six nations of the GCC. As China and the Arab League FTA negotiations are developing, China can carry out cooperation with those Mediterranean Arab FTAs whose constructions on FTA are comparatively mature first, and then stimulate the development of the China-Arab FTA. It seems too early to begin the third level of the Free Trade Area cooperation, but it still belongs to a part which can be considered to prepare for future development.

### **Arab Turmoil's Influence and Warning on Sino-Arab**

## **Economic and Trade Relations**

In early 2011, the Arab League countries that had kept relatively stable for a long period suddenly suffered a “volcano” eruption, the outbreak of the “Arab Spring” revolution, and serious unrest in politics. China lacked the experience and effective response on this kind of situation, resulting in huge losses in Sino-Arab trade. The Libyan turmoil alone caused billions of dollars in direct losses for China, including thirteen central enterprises and seventy-five private companies, with more than fifty projects interrupted and about 36 thousand people forced to evacuate from Libya to China. The impact on Sino-Arab trade formed by the regional turmoil was a fait accompli. However, everything has two aspects: on the one hand, the Arab regional turmoil brought huge economic risks and losses to Sino-Arab trade; on the other hand, there were advantages of earlier exposure which would benefit the market in the future. It not only exposed many problems and risks in the Arab market, but also provided China, whose economic aggregate has ranked second in the world, with an opportunity to adjust its economic tempo and pace. Some experts have given a judgment on trends of the turmoil in the Arab world, which claims that Sino-Arab trades are suffering a long-term pain this time (Li & Ma, 2011: August 15). It is necessary to have a comprehensive assessment on the impact that the “Arab Spring” has caused in Sino-Arab economic and trade relations, and to have an objective pre-judgment on its future development.

### **1. Western Countries’ Strong Involvement in the Arab Turmoil Makes Arab Countries More Wary, Even Feeling the Importance of Developing Better Ties with China**

When observing the same event, people from different positions often come to different conclusions. For example, in the Iraq War, the US, UK, and other countries warred against Iraq on the grounds that “Iraq has weapons of mass destruction”. However, the vast majority of Arab countries considered that Iraq lacked weapons of mass destruction in fact – if it had had WMDs, the results should have been different. In the recent issue of Libya, on the one hand, the Arab

countries recognize the fall of Gaddafi; on the other hand, they fear the way in which Gaddafi fell and was killed. Arab political systems can be mainly divided into two categories: monarchies and republics. The former is a hereditary system; the latter respects the hereditary system as well due to the traditional concepts. Many of the Arab republican countries, such as Saddam Hussein's Iraq, Assad's Syria, Hosni Mubarak's Egypt, and Gaddafi's Libya, used to pursue the hereditary system actively. Some of them have even succeeded, such as Syria at least until recently. According to the Western countries' values and criteria, the vast majorities of the Arab countries are identified as "absolute authoritarian governments" which must be transformed into democratic states. Certainly, not every Arab state is willing to accept such democratic transformation. From this view, the current Arab League countries are more willing to be closer to the Chinese government which actively advocates "the harmonious world", because at least they have clearly seen that the Chinese government is faithful in speech and resolute in action. Since the Chinese government made its Five Principles of Peaceful Coexistence at the Bandung Conference in 1955, China has always adhered firmly to the important principle of "non-interference in each other's internal affairs". Therefore, it can be said that the Arab turmoil has caused an unexpected result, highlighting the importance of improved Sino-Arab bilateral relations.

## **2. Arab League Countries Will Not Change the "Look Eastward" Policy**

Although the turmoil in Arab countries caused some damage to China's interests, the important position that China occupied in the Arab countries did not fall but rose, with more Arabian's political expectations and dependence on China. Reflected in the post-war reconstruction, the Arab countries have found that China is the very country that can help them out. Compared with the Western countries, China has great advantages not only in terms of capital and infrastructure, but also, even more importantly, in aspects of its attitude in cooperation and equality in its international and regional contacts. In summary, after the Arab wave, the Arab countries need to



solve the people's livelihood first, which will lead them to make unremitting efforts and continuous capital investment for economic recovery to promote economic growth as soon as possible. And then these measures will offer more room for Sino-Arab economic and trade cooperation, especially regarding the energy cooperation.

**3. The Problems Existing in the Economic Development of Arab Countries Cannot be Easily Solved through A Few Democratic Revolutions. And the Most Likely Change May be: Whom They Used to Depend on, and Whom They Are Turning to Now**

Currently, the main problems existing in the economic development of the Arab countries are: developments in the Arab countries are not balanced, and their integration constructions are immature; their economic structures are generally single, mostly relying on oil industry or tourism, which induces their poor ability to resist risks; as their industrial bases are relatively weak, and the degrees of their industrialization and information technology are still relatively low. The twenty two Arab League countries are located in Africa and Asia, with imbalance and large difference in their political environment, natural resources and economic development. Qatar's GDP per capita ranks No.1 in the world, and Kuwait's is No.14, while Egypt, Syria, Morocco and Iraq rank between No.104 and No.138. In infrastructure, the six Gulf countries enjoy a relatively fast development and modernization, while Mauritania, Somalia and Djibouti are still very backward. In the economic model, there is a Dubai model, which has surpassed the oil era bases on a high-end real estate and modern finance, and semi-agricultural and semi-animal husbandry economy mode, such as Yemen, Chad and Sudan. Obviously, having only one standard makes it difficult to accurately measure the status of Arab economic development (Li & Ma, 2011: August 15). From the current perspective, the Arab turmoil forming in the beginning of 2011 will not calm down in a short time. But foreign trade and communication is the only way to develop states and elevate the living standards of their people. In this regard, the strategy on Sino-Arab economic and trade should be adjusted in time. Whatever the final result of the political turmoil in the Arab countries

will be, the Sino-Arab trade and communication will continue to develop certainly, which is a golden and fated opportunity for Chinese enterprises.

#### **4. Arab Turmoil Makes Warnings to China's Foreign Cooperation in Economics and Trade**

The Arab turmoil has made three warnings to China's foreign cooperation in economics and trade:

4.1 As the strong position and the power of the Western world have not changed in the post-Cold War era, China must face the challenges from power politics and external intervention to pursue peaceful development and to safeguard its interests abroad. Peaceful development is China's established policy, but how to safeguard the country's growing overseas interests effectively is a consistent major task in China's adherence to peaceful development. Since it is difficult to predict emergencies correctly in advance, China must have both courage and adequate preparation to struggle with the reality that develops. China should give full consideration to the complex situation caused by the intervention and interference by Western powers and get ready to deal with the most difficult prospects, which is the important basis point of China's future strategic planning that must be undertaken clearly from now on.

4.2 It is difficult to change the soft underbelly of China's foreign strategy in a short time, which needs to be retrieved by enhancing political and diplomatic methods and trading-off in foreign economic relations. China's interests abroad will continue to expand in the future, but China lacks appropriate measures, especially military means to preserve them. In order to obtain or protect foreign interests, the Western countries not only dare to execute "global interference", but also like to use force, in which respect they perhaps have few scruples. China does not recognize using military forces overseas in general –even if China were to command the long-range delivery capability, it should not conduct "international intervention". Although the large evacuation from Libya was done very well this time, it exposed the soft underbelly of China's foreign strategy as well. If China were to encounter a similar situation next time, there should

be more positive responses in addition to its withdrawal. As an emerging great power and permanent member of the UN Security Council, China should be good at using her political and diplomatic influence to protect her overseas interests as much as possible. "The overturned cart ahead is a warning to the carts behind." China should take the warning from previous failures to give more prudent overall consideration to its investment overseas.

4.3 China needs to understand its international status objectively, for today's world is still potentially are under the rule of the jungle. In these years, if China's rapid economic development does not lead to more right discourse and acting right in the international community, the conclusions of international affairs still rely on "power" in many cases. For what happened in Libya, China is only able to express "regret", which is an examination and reflection of the true international influence of China. Chinese adhere to founding its contemporary nation on economy, science and technology, and keeps a low profile in its development of its national defense in the long-term, with something they dare not to do but want to do and something they dare not to disclose but have done. If China were in an international atmosphere that all countries stand for peace, development, and keeping reliable wholeheartedly, this Chinese approach might be feasible without losing the right to speak. But the world today is far from reaching a "harmonious" consensus; powers' holding sway is the grim reality. In this case, the most fundamental countermeasures are to enhance China's international influence and to accelerate the development of overall national strength including military forces.

#### **5. A Little Inspiration: Building A Grand Strategy for Safeguarding China's Interests Overseas**

"Stones from other hills may serve to polish jade." After the Western nations had lifted sanctions against Libya in 2003, the French investment for oil in Libya increased rapidly. It was reported that the French investment on Libyan oil was as much as 40 billion US dollars. In the Arab political crisis, France was the first country which recognized Libya's anti-government forces and broke off diplomatic

relations with Gaddafi. This was a risky move: once having chosen, it could only hold on straight to the end – otherwise the losses would be even greater. Therefore, France displayed an extremely prominent position in the fight against Gaddafi's capturing Benghazi, the last base camp of the opposition. If France had not done it in this way, it would have lost billions of dollars; her future would have been fraught with grim possibilities; and at least it would have been difficult for its companies to encroach on Libya's oil resources. In the first week of the NATO air strikes, Sarkozy, as he said, "did what he should do", which made him to receive about 70% of the polls in the French media and public. Some scholars believe that the French military action against Libya, which led the way and replaced the US to play a leadership position, was an inevitable movement under French national core interests and national grand strategy.

France's actions leave some thought to people: in the Western perspective, the oil consists of 90% politics and 10% economy, so national oil companies' strategies must conform to their countries' core interests and grand strategies. Only under the guidance and protection of the national strategy will the oil companies operate smoothly. And vice versa, the national grand strategy should consider and take care of the interests of oil companies in the energy industry as well; national fundamental interests cannot exist without those specific interests. Although the French interests in Libya are mainly embodied in oil, the reason is the same in the other economic fields. In the era of economic globalization, an explicit national grand strategy is the best guarantee for enterprises' development and international business. The significant interests of the enterprises that have entered the core national interests should be protected in international affairs by the national grand strategy; vice versa, the national grand strategy should consider the protection of the fundamental interests of citizens and businesses as its cornerstone.

In view of the lessons that Chinese enterprises learned from the damages in Libya, China should establish her own grand foreign strategy for the growing overseas interests.

## **Countermeasures: Early Warning, Hedging, and Adjusting According to Situations**

In order to fully promote Sino-Arab economic and trade cooperation and safeguard China's interests abroad, measures can be started from the following three aspects to put work into effect.

The Chinese should maximize a positive role of the China-Arab States Economic and Trade Forum, establish an early warning mechanism of strategy in Sino-Arab trade with a global perspective, make a comprehensive risk assessment on the economic and trade strategies of Arab countries in advance, and provide useful information to Chinese enterprises' going overseas. Wisdom comes from suffering. After the turmoil, Chinese enterprises must make risk assessments and emergency plans first, when carrying out economic activities in the Middle East. Although no one can guarantee 100 percent accuracy, halting in hesitation and worrying about risks are not a normal business management. Chinese enterprises should enhance the consciousness of self-protection, drawing on the advantages and avoiding disadvantages. Once circumstances are in the mutation, they should assess the situation immediately and cope calmly, to minimize the losses of possibility.

The Chinese should use economic means to make insurance to reduce risks. The China Export & Credit Insurance Corporation and the Export-Import Bank of China can provide commercial guarantee services, but the enterprises involved should be fully aware of the relevant country's laws and regulations, to take advantage of favorable conditions offered by the other side's policies. In addition, they have to understand the national conditions of the host country in order to hedge dangers flexibly. For example, according to the relevant provisions, any enterprise can use the Egyptian Certificate of origin, if its value has added 40-50% in Egypt. Egyptians often referred to the point that they hope Chinese enterprises will conduct business which will be allowed to radiate into the heart of Africa. Egypt's abundant labor force and high rate of unemployment cause the comparatively low wages, which provides the businesses entering

Egypt with human resource guarantees. Before the turmoil, the average monthly wage in Egypt was between \$65-200, while the workers in textiles, the leading industry of Egypt, got about \$110 as their monthly salary. These low wages can reduce a lot of cost to the local Chinese enterprises (Yang, 2011).

China should act according to circumstances, adjusting with situations, and adhering to "going global" and "bringing in" the policy of "walking on two legs." The current geopolitical environment in which the Arab countries locate is difficult to improve at once. In the situation that Arab chaos is nebulous; China should devote more efforts in "bringing in" as much as possible to create conditions to broaden the channels through which Arabian large amounts of money enter China, to deepen the situation of interdependence, and to ensure the strategic interests of both sides.

There are strong complementary and characteristics of mutual helping in the Sino-Arab economic and trade cooperation. As long as China and the Arab countries truly understand the situation, grasp the direction, and give judicious guidance according to circumstances, their economic and trade relations might rise to a new level, usher in a new state, and harvest new achievements. In short, the future and prospects of Sino-Arab economic and trade cooperation are worth expecting in the future.

## References

- Chen, D. (2010: September 29). Innovative cooperation and joint development: The address in the summit of the first China-Arab states economic and trade forum. *Ningxia Daily*.
- Gu, Z. (2010). China's opportunities and challenges in the Middle East. In Wang Zhengwei (ed.). *The proceedings of the theoretical symposium of China-Arab States Economic and Trade Forum*. Yinchuan: Ningxia People's Press.
- Hui, L. (2010: September 27). Cooperation, innovation and development: The speech in the summit of the first China-Arab states economic and trade forum. *Ningxia Daily*.
- Ji, H. (2011: September 23). Sino-Arab trade volume is over \$ 145.4 billion.

*Sino-Arab Economic and Trade Cooperation: Situations, Tasks, Issues and strategies*

*Yinchuan Evening News.*

Li, L. & Ma, X. (2011: August 15). Sino-Arab trade facing a long-term pain. *China Industry News.*

Ministry of Foreign Affairs. The press communiqué of the second round of strategic dialogue of China-Gulf Cooperation Council. Retrieved July 7, 2011, from <http://www.fmprc.gov.cn/chn/pds/ziliao/1179/t819920.htm>.

Sino-Arab States Cooperation Forum of the Ministry of Foreign Affairs. The Arab world briefing. Retrieved July 7, 2011, from <http://www.casfc.org/chn/albsj/>.

State Council Information Office. The development of Sino-Arab economic and trade relations in 2005. Retrieved July 7, 2011, from <http://www.scio.gov.cn/ztk/dtzt/07/11/200912/t485716.htm>.

Tang, J. (2011). The impact of Sino-Arab economic and trade cooperation by Arab upheaval. In Wang Zhengwei, ed., *The Proceedings of the theoretical symposium of second China-Arab states economic and trade forum*. Yinchuan: Ningxia People's Press.

Wang, T. & Xu, P. (2004: January 30). Hu's visit to Arab League Secretary General Moussa. *People's Daily.*

Wen, J. (2009: November 8). Respect for cultural diversity: The important speech at Arab League headquarters in Cairo. *People's Daily.*

Wu, S. (2010). View the cooperation with the Arab world through a large vision. In Wang Zhengwei (ed.) *The proceedings of the theoretical symposium of China-Arab States Economic and Trade Forum*. Yinchuan, China: Ningxia People's Press.

Yang, F. (2010: September). Middle East turmoil and its impact on Sino-Arab economic and trade relations. *Arab World Studies.*

Zhao, L. (2011: March 30). Play the bridgehead role of Ningxia in the construction of Sino-Arab free trade area. *Ningxia Daily.*