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The Arabs Take a Chinese Wife: Sino-Arab Relations in the Decade to Come

I want to speak with you this morning about foreign affairs, by which, of course, I mean failing marriages, extramarital relationships, and instances of bigamy, maybe even polygamy. It’s pretty racy stuff compared to most diplomacy. Those of you who may be offended should leave now.

I will be brief. Therefore, I will be superficial. But this doesn’t bother me at all. Decades ago, a wise man from the East told me that, if something is worth doing, it is worth doing superficially. I have always heeded his advice. He was, of course, from the East Coast of the United States.

The failing marriage of which I just spoke is not our relationship with the People’s Republic of China, though that is indeed troubled. Some of you may have noticed signs of this during Chinese President Hu Jintao’s visit to Washington in April.

For reasons best known to Karl Rove, our president declined to honor him with a state dinner. At the ceremony on the south lawn to welcome him, President Hu’s national anthem was announced as that of the “Republic of China,” the name of the rival Chinese regime in Taipei. The Secret Service allowed a protester to pose as a journalist, infiltrate the White House grounds, and shriek at the Chinese president for nearly three minutes before taking her into custody, despite the fact that she had been arrested for similar unjournalistic activity before. Protestors in Lafayette Square continued to make so much noise after 11:00 p.m., when their permit to demonstrate had expired, that President Hu and his wife were unable to sleep at Blair House. When President Hu’s staff complained, the White House referred them to the DC police, who had knocked off at 10:00 and refused to deal with the situation unless they were paid overtime.

Other things went wrong, but this is enough to give you a sense of the confused and inhospitable atmosphere that surrounded the visit. President Hu and his party went away convinced that, not content with offering him a tepid welcome, the Administration had actually gone out of its way to insult him and the nation he leads.

It’s really hard to believe an operation that choreographs every presidential appearance so meticulously that it won’t let a Democrat, still less a protester, anywhere near our president at public gatherings around the coun-

try could screw up so badly. But it happened. And it's pretty clear that it happened mainly because we Americans now don't know quite what to make of China.

Is China a friend or an enemy? An opportunity or a menace? Should we fête its leaders or fend them off? When it became apparent that President Hu would not be coming to present, on bended knee, major concessions that would appease anti-China sentiment in Washington, many inside the Beltway questioned why he was coming at all. In an ironic echo of the arrogant attitudes that ultimately did in the Chinese Empire, these American versions of the palace eunuchs of the Forbidden City asked, if Mr. Hu wasn't leading a tribute mission and wouldn't kowtow to our emperor, why should they go at all out of their way to be nice to him? So they didn't.

I mention all this because, as some of you know, President Hu flew directly from the United States to Riyadh, the capital of the Kingdom of Saudi Arabia, where there was no confusion at all about how to treat him. He was greeted there as a friend from afar who should be treated with respect and courted as the leader of a rising power. He was, in short, welcomed in a manner calculated to make him feel welcome and to want to come back. It was a really telling contrast.

This brings me to our own relations with the Arabs. We first met them about six decades ago. We had a common enemy in the Soviet Union. They liked to sell oil and we liked to buy it. Back then, it was just about as simple as that. We married ourselves to the Arabs and their oil. An infatuation with us on their part followed. We played along with this, even if we were somewhat distracted by the steamy affair we were even then carrying on with Israel.

As the Arab-American relationship matured, it came to embrace many dimensions. The elites in the Arab Gulf countries and their children oriented themselves toward the United States. Hundreds of thousands of Arab students came to live and study here. They took their kids to Disney World and had their annual physicals in Houston or Cleveland or other centers of VIP medical care. This was their second home. Saudis alone came to own about a hundred thousand houses in the U.S. And they spent a lot of money here. The United States enjoyed a commanding share of their market. Arabia became the only place outside North America where American cars dominated the market. (Like us, Arabs love gas guzzlers. Unlike us, they don't have to pay other people for the gas they guzzle.)

Basically, the Arabs give us oil and we give them back little green portraits

of dead American presidents. Until recently, they ploughed the money we paid them back into the American economy — about \$800 billion in private Arab investment by the turn of this century. And everyone benefited.

Then came 9/11. A few bad actors determined to wreck this happy partnership managed to do so. Arab students here received death threats. Their parents pulled them out of school and brought them back home. Arabs found it almost impossible to get American visas. Those that did get them found they had to run a gauntlet of abusively suspicious officials not just at the border but at every airport in the country. They stopped coming to the United States. American businesses could no longer bring Arabs to showrooms here or train them to use U.S. equipment. The American business presence in the Arab Gulf dropped to a fourth or fifth of what it had been as corporate counsel in our companies convinced management not to risk lawsuits by employees if frequent security scares in the region were to produce actual incidents. (In practice, they haven't, but that's another story.)

Mutual affection between Arabs and Americans has, in short, been succeeded by mutual fear and loathing, punctuated by occasional self-righteous American demands for major Arab behavior modification - demands that they embrace an American reform agenda of elections, women's liberation, religious pluralism. You know the list. The deterioration in mutual regard was much in evidence during the orgy of xenophobic demagoguery that killed the attempt by Dubai Ports World to buy cargo-management functions in some American ports from the British company that ran them. The furor against this convinced the world that Americans just flat out detest Arabs and are not prepared to do business with them - not even in the currency we exchange for their oil.

Somewhere along the line, before we got to this unhappy moment in US-Arab relations, we Americans met the Chinese. And we established a solid relationship with them, despite our differences. The major difference between us and the Chinese, of course, is that Americans like to buy and unwrap things, and Chinese like to make, pack, and ship things. Unlike us, they are unabashed in their lust for investments in the form of little green dead presidents. And they finance our budget deficits and lend us the money we have to borrow to do the inscrutable things Americans do - like make war in Iraq.

The Arabs, meanwhile, have been looking around for alternatives to dependence on the United States. They know they can't divorce us. We're too big and fat and too important as a source of income to throw out of the bed

we share with them. But now they've found the Chinese and the Chinese have found them.

If you ask folks in D.C. what's going on, they will tell you that the Chinese are courting the Arabs. Perhaps. But it's always hard to tell who's courting whom. Was it the dropped stuff from the purse or the strategic display of cleavage, or was it the fast talk and the foot rub that caused one thing to lead to another? Hard to tell, especially when the attraction is mutual, as it is in this case.

What do the Arabs and Chinese see in each other? Quite a bit.

The Arabs see a partner who will buy their oil without demanding that they accept a foreign ideology, abandon their way of life, or make other choices they'd rather avoid. They see a country that is far away and has no imperial agenda in their region but which is internationally influential and likely in time to be militarily powerful. They see a place to exchange their portraits of little green dead Americans for things they can unwrap and enjoy. They see a country that unreservedly welcomes their investments and is grateful for the jobs these create. They see a major civilization that seems determined to build a partnership with them, does not insult their religion or their way of life, values its reputation as a reliable supplier too much to engage in the promiscuous application of sanctions or other coercive measures, and has no habit of bombing or invading other countries to whose policies it objects.

In short, the Arabs see the Chinese as pretty much like Americans — that is, Americans as we used to be before we decided to experiment with diplomacy-free foreign policy, hit-and-run democratization, compassionate - can't make out the word — colonialism, — “compassionate colonialism,” that's it — and other “neocon” conceits of the age. And they see a chance to rebalance their international relationships to offset their longstanding overdependence on the United States. They know that they can't divorce us, even if they wished to do so. They are as addicted to our money as we are to their oil. We are locked in a Catholic marriage. But they are Muslims and they don't have to divorce us to take a second wife. Hence their romances with China and India. And these romances are taking place when international polls routinely show that, outside of Germany and our own country, China is now far more admired and trusted than the United States.

As for the Chinese, who were the first culture to recognize that gluttony, lust, and greed are what human nature is all about, well — they see oil, gas, and petrochemicals, added respect and influence for their country abroad, a

new market for their goods and services, and a new set of partners in global investment. Sounds like the basis for a relationship! And it's turning out to be the basis of a relationship that is developing very rapidly, not just in terms of trade and investment - though they are booming, but more broadly.

Some years ago, the management of Saudi Aramco, the world's largest oil company and the most Americanized of all major institutions in the Middle East, saw the future and planned accordingly. Saudi Aramco sent a couple of dozen very bright Arab teenagers to China to attend high school and university. The result is a batch of Chinese-speaking Saudis who took their engineering degrees at China's best universities. Despite efforts by Arab friends of our country, like King Abdullah bin Abdul Aziz of Saudi Arabia, to persuade young people to come to America for their education, there will soon be more Arab students in China than there are in the United States. Stepping up such exchanges was one of the topics President Hu discussed with King Abdullah during his stop in Riyadh.

But China's and Saudi Arabia's leaders talked about more than cultural exchange. They explored imaginative ways of collaborating to stabilize their energy relationship. In a remarkable development that passed wholly unnoticed here, Saudi Arabia agreed to do in China what it had once proposed to do in the United States — to build, own, and operate a strategic petroleum reserve. This has major advantages for the Saudis, who are always concerned that their ability to export oil might be cut off by war or political upheavals that block the Straits of Hormuz, the Bab al Mandeb, or the Suez Canal. Storing oil forward in the market in which it is to be sold is the most effective way to protect against that.

If the Sino-Saudi agreement on this mirrors the Saudi proposal we turned down, the oil will be stored in bond and sold only when the Chinese and the Saudis agree. Because it will not have been sold, it will not count against Saudi Arabia's OPEC quota. The Chinese, meanwhile, will have the benefit of an emergency oil supply on their territory. And anyone who might want to bomb Chinese fuel reserves — for example, the US Air Force or Navy in the context of a Sino-American war over Taiwan — will now have to take into account the fact that doing so could prove to be an act of war not just against China but also against Saudi Arabia, resulting in a cutoff of Arab oil supplies. So the deal enhances the national security of China not just in economic terms but also in military terms.

Why couldn't the United States accept a similar offer when the Saudis made it? Well, think about it. It would have involved allowing an Arab

country to bring oil into the United States tax-free, so as to store it in bond. The reaction in Washington was, “tax breaks for Arabs? You think the Congress would go along with something like that? You gotta be out of your mind!” So the idea never got anywhere here until it found its way to China.

With the Arabs and Chinese joining hands, are they destined to live together happily ever after? I don’t think so. It’s not just that no marriage ever works out quite the way those who contract it imagine it will. Some of the expectations the Arabs — and, for that matter, Americans — have for China in the energy context are almost certainly wrong.

President Bush observed that the United States is addicted to imported oil. The definition of an addict is, of course, someone who can’t do demand management, someone who blames the supply side for any problems he has feeding his habit. The President has us pegged. And he’s quite consistent. None of his proposals deal with demand management.

But the Chinese are determined not to follow us into an addiction for imported oil. Their new energy policy, unveiled this spring, relies heavily on demand management to reduce dependence on oil imports below the levels it would otherwise attain. China’s new policies treat oil as a fuel whose use should be restricted as much as possible to the transportation sector, not used to heat buildings or generate electricity.

They envisage phasing in increases in the price of oil so as to ease the pain of holding energy consumption down, promote greater energy efficiency, and reduce the burden on China’s already heavily polluted environment. Their emerging policy is essentially the opposite of the one we have followed. We have imposed gas mileage regulations on auto manufacturers rather than using price signals to discourage consumption. By contrast, China’s policy-makers appear to believe in using the power of the market, not bureaucratic regulation, to solve as many problems as possible.

The taxes that the Chinese will levy to raise prices will pay for a unified transport policy, not just highway construction, as in our country. China hopes to develop an integrated transportation infrastructure that links roads, high-speed railroads, airfields, and water transport for maximum efficiency. In this they are following the example of European countries, like France, but they hope to learn from European mistakes and to do even better.

The overall Chinese objective is to develop a more balanced and varied energy diet for their country, one in which renewable and non-fossil energy sources play the largest possible role. So, by 2020, China hopes to derive 15 percent of its energy from solar, wind, biomass, and other renewable sources.

And it plans to build two nuclear power plants a year - a total of 30 — to more than double the role of nuclear power in its economy. Meanwhile, it will explore new energy-efficient and environmentally harmless ways to use coal and turn as much as it can to the use of natural gas from Central Asia and Siberia.

All in all, I think, the Arabs are going to be a bit disappointed in their expectations for Chinese dependence on oil imports from the Middle East. They won't be another United States. The Chinese market will grow, but not as fast as most people now seem to expect. Not to worry. Given continued growth in US demand for oil, the Arab oil producers will make out just fine. No divorce by the United States is pending. And, if our affection has faded, no end to our addiction is in sight!

Last year, the rise in oil prices was almost entirely attributable to Americans, not Chinese, Indians, or other foreigners we prefer to blame rather than deal with our addiction. Our demand rose despite the rise in prices. Our demand is pretty inelastic. Our invasion of Iraq both removed that country as a reliable source of oil exports to the world and stimulated mounting concern about a spillover of terrorist activity to Iraq's neighbors. More recently, our threats to invade Iran have further boosted oil prices. So our addiction, compounded by our foreign policies, ensured that oil prices would rise. Al-Hamdu l'illah! I suspect that we, rather than the Chinese, are likely to remain the driving force — no pun intended — in global oil markets for the foreseeable future.

This may not, however, be the case with respect to other commodities. Supplies of iron ore, copper, aluminum and a host of other minerals and metals are increasingly short of demand in the rapidly expanding economies of China, India, and other Asian countries. Ironically, the dollars Americans exchange for imported oil are likely to fund partnerships between Arab investors and Chinese companies that will meet these demand requirements, while bidding up prices for everyone else, including us.

As I said, marriages never seem to turn out the way that those who enter them expected. But this one, with a solid foundation on the addictive behavior of the American consumer, shows every sign of being destined to last. And, at the moment, it is suffused with the joy of mutual discovery. You can call it infatuation, if you want. But it's close enough to love for government work.

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