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**THE RED DRAGON IN THE RED SEA: CHINA IN THE SUEZ**

by

(b) (6)

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Submitted to the faculty of the  
National Intelligence University  
in partial fulfillment of the requirements for the degree of  
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## The Red Dragon in the Red Sea: China in the Suez

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**ABSTRACT**

**TITLE OF THESIS:** The Red Dragon in the Red Sea: China in the Suez

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China is increasing its maritime activities in the Suez Canal. As Beijing seeks to achieve national rejuvenation and lead the world in a new order based on its community of common destiny by 2049, the Middle East is a critical region contingent to its economic success. Given its geostrategic location and importance in the Belt Road Initiative's maritime component, Egypt's Suez Canal represents a logistics linchpin for China. This thesis examines single case study using the Diplomatic, Informational, Military, Economic (DIME) analytical framework to assess Beijing's influences to strengthen its role in the Suez Canal and how China is capitalizing on Cairo's domestic development goals, financial struggles, and favorability with Egyptian leadership. Considering historical parallels to Beijing's actions in the era of strategic completion, this thesis approaches the research question considering China's activities within the Anglo-German naval arms race paradigm which defined great power competition leading up to World War I. Amid a tenuous regional security environment combined with Egypt's increasing preference for China's development model, this may lead to greater Chinese military presence in Egypt, providing China a strategic advantage in one of the world's most important waterways.

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This thesis examined the history of China's hegemonic ambitions since 1949 and how it applies in China's contemporary policy initiatives and relations with foreign partners, focusing on the Middle East and the Maritime Silk Road. The importance of the Suez Canal binds Beijing to Cairo; therefore, this study examines how China's BRI ambitions align with Egypt's Vision 2030 development goals, contrasting the parallels with U.S.-Egypt relations. Furthermore, because China's maritime defense strategy incorporates commercial ports into its naval support network, the study highlights how this approach applies to Egypt's ports. Overall, China's aims to make Egypt a nexus of its diplomatic, economic, and military efforts in the region. These actions may threaten the United States' access to the strategic waterway of the Suez and negatively impact the stability of the U.S.-Egypt relationship.

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### CHAPTER 1

#### Introduction

##### *Overview*

China has begun to invest in the Middle East through the Belt-Road Initiative (BRI), but a strategic vision for how the region will fit into the larger global plan for the BRI has yet to take shape. Maritime corridors in general, and the key waterway of the Suez Canal in particular, will undoubtedly be paramount concerns for Chinese policymakers and could pose challenges for the United States and its long-standing allies in the region. This research examines China's influence in Egypt and the implications for the United States, with a particular focus on maritime security and trade. Egypt is a key U.S. partner in security and trade, but Egypt's increasing ties to China threaten to displace that relationship.

##### *Purpose of Research and Relevance to the Intelligence Community*

The overall goal of this research is to understand China's strategy and the likely trajectory of its plans for engagement with Egypt's maritime infrastructure and logistics operations in the Suez Canal. There is a great deal of information available to draw a picture of current Chinese involvement in Egypt, but much of that knowledge has escaped the attention of subject matter experts because we lack a broader understanding of Chinese intentions and motivations in order to place the known facts into their proper context. However, when we take a step back and consider the scope and significance of China's role in Egypt and the critical position of the Suez Canal, what we see is a problem that has implications not only for the region but also for the United States. Accordingly, this thesis poses the question: "How will Chinese maritime activities in the Suez Canal impact U.S.-Egypt relations?" In the end, this thesis will conclude that China's plans for making Egypt into a centerpiece of its military, economic and



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diplomatic efforts in the region could jeopardize U.S. access to the strategic waterway of the Suez, though there is still time for the United States to shape perceptions and redirect both parties toward a different outcome.

This topic provides value to the U.S. Intelligence Community (IC) from a range of diplomatic, military, and economic perspectives. With twelve percent of global trade transiting the Suez Canal annually, Egypt is a commercial linchpin for both the United States and China.<sup>1</sup> On the one hand, total trade between the United States and Egypt is at its highest levels in history,<sup>2</sup> while on the other hand Egypt is the last node in China's maritime Belt Road Initiative (BRI) before reaching European markets.<sup>3</sup> From a security perspective, Egypt is a significant recipient of U.S. military aid and the United States has enjoyed priority placement in Suez Canal transits for its military ships precisely because of this enduring security assistance.<sup>4</sup> As China increases its military and security relations with Egypt, however, there is a significant risk that strategic competition could lead to heightened tensions or even conflict that could involve America on some level. This not only puts the balance of U.S. trade and military logistics at risk, but it also affects the stability of Egypt and other U.S. allies and partners in the region.

The first chapter will introduce the research topic in terms of its strategic relevance, along with the academic literature organized according to thematic issues and the methodology used to analyze the research question. The second chapter will examine China's recent history and its

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<sup>1</sup> Mohammad Soliman, "There Is No Indo-Pacific without Egypt and the Suez Canal," Middle East Institute, April 20, 2021, <https://www.mei.edu/blog/there-no-indo-pacific-without-egypt-and-suez-canal>.

<sup>2</sup> "U.S. Relations with Egypt," U.S. Department of State, accessed September 18, 2022, <https://www.state.gov/u-s-relations-with-egypt/>.

<sup>3</sup> John Calabrese, "Towering Ambitions: Egypt and China Building for the Future," *Middle East Institute*, October 6, 2020, <https://www.mei.edu/publications/towering-ambitions-egypt-and-china-building-future>.

<sup>4</sup> Soliman, "No Indo-Pacific without Egypt and the Suez Canal."

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ambitions to become the global hegemon, before examining how China applies its diplomatic and economic statecraft through the use of cooperative partnerships and BRI projects in the Middle East. The chapter will also look at how China balances its domestic treatment of a Muslim minority population with its diplomatic outreach in the Arab world. This latter topic has implications for how the Middle East's security environment may impact Beijing's crisis management capabilities, constraining Beijing's options or at least forcing the Chinese government to adjust its diplomatic and security approach.

The third chapter will examine the role that Egypt plays in China's overall strategy by exploring Egypt's own economic and political goals, its financial issues, and the scope of how China is helping Egypt to achieve those objectives. It is at this point that the relationship with the United States comes into view and requires us to consider how Chinese-Egyptian relations will impact U.S. ties to Egypt. The fourth chapter will examine the relevance of the Suez Canal since its nationalization in 1956, a milestone in U.S.-Egyptian ties that inaugurated a decades-long process of Washington searching for a new basis for relations with Cairo and eventually settling into the patterns and habits that sustain bilateral ties today. The chapter then examines China's maritime port strategy and how that strategy incorporates Egypt's ports, all of which provides the background for a consideration of the security environment of the Suez Canal and the potential for an increased Chinese military presence. The fifth chapter will present a summary of the findings and provide strategic implications for Washington policymakers with regard to Cairo's expanding relations with Beijing and their likely trajectory.

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### Literature Review

#### *The U.S. Relationship with Egypt*

Sahar Khamis argues that the anchor for relations between Egypt and the United States is Egypt's "safeguarding stability in the Middle East and maintaining strong relations with Israel."<sup>5</sup> For all of its efforts to uphold the 1979 U.S.-brokered Camp David Peace Accords with Israel, Egypt has been rewarded with the second-largest amount of U.S. military assistance.<sup>6</sup> Citing the enduring and consistent U.S. financial support throughout successive autocratic Egyptian regimes, Khamis finds that absent extreme repressive measures from Egypt or "uncalculated steps internationally toward U.S. economic and military rivals, especially China and Russia," the United States would be unlikely to impose punitive actions on Egypt.<sup>7</sup> Moreover, Khamis notes that the U.S. relationship with Egypt still prioritizes security cooperation and stability, which is consistent with U.S. relations with other illiberal Arab regimes.

Tamara Coffman Wittes, who was a key U.S. State Department official during the Arab Spring in 2011, contends that the unbalanced-U.S. policy toward Egypt is ineffective because it focuses too much on military aid to the detriment of the many political, economic, and human rights problems provoked by President El-Sisi's autocratic regime.<sup>8</sup> Additionally, Coffman Wittes argues that El-Sisi's obsession with his own regime security and predilection for

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<sup>5</sup> Sahar Khamis, *Agreements and Tensions in U.S.-Egyptian Relations*, The Arab Center in Washington DC (December 2, 2021), <https://arabcenterdc.org/resource/agreements-and-tensions-in-us-egyptian-relations/>.

<sup>6</sup> Khamis, *Agreements and Tensions in U.S.-Egyptian Relations*.

<sup>7</sup> Khamis, *Agreements and Tensions in U.S.-Egyptian Relations*.

<sup>8</sup> Tamara Coffman Wittes, *The Needed Reset for the U.S.-Egypt Relationship*, The Brookings Institution (March 9, 2022), <https://www.brookings.edu/blog/order-from-chaos/2020/09/10/the-needed-reset-for-the-us-egypt-relationship/>.

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conspiracy theories makes him an unreliable partner in Middle Eastern affairs, except with supporters who help him fight against his own regime's perceived threats, such as transnational Islamist political movements, Islamist state-sponsors like the governments of Qatar and Turkey, and other political dissenters within Egypt.<sup>9</sup> Coffman Wittes concludes that the United States should increase the conditionalities applied to American foreign aid in order to mitigate human rights abuses and expand the scope of U.S. economic development to target institutions that can directly improve the lives of the Egyptian people.<sup>10</sup> However, David Schenker, who served as Assistant Secretary of State for Near Eastern Affairs from 2019 to 2021, counters that a more prudent course of action would be to reduce the aid to Egypt, without sanctions or new conditionalities, to a level commensurate with Egypt's core value to U.S. interests in the region. He posits that the key interests are airspace clearances and priority canal access, all part of a strategy to limit Russia and China's encroachment into the region.<sup>11</sup> Moreover, though China and Russia may not be able to replicate the military assistance role the United States currently holds with Egypt, Schenker notes that Egypt does have a desire to work with Russia and China due to their respective lack of human rights considerations.<sup>12</sup> Schenker concludes that while small aid reductions may prolong the fiscal sustainability of the U.S.-Egypt relationship, such a move may at the same time undermine Egyptian cooperation on America's core priorities.<sup>13</sup>

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<sup>9</sup> Coffman Wittes, *The Needed Reset for the U.S.-Egypt Relationship*.

<sup>10</sup> Coffman Wittes, *The Needed Reset for the U.S.-Egypt Relationship*.

<sup>11</sup> David Schenker, *Getting Tough with Egypt Won't Work*, The Washington Institute for Near East Policy (March 25, 2021), <https://www.washingtoninstitute.org/policy-analysis/getting-tough-egypt-wont-work>.

<sup>12</sup> Schenker, *Getting Tough with Egypt Won't Work*.

<sup>13</sup> Schenker, *Getting Tough with Egypt Won't Work*.

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*The Underlying Nature of China's Endeavor: The New Global Leader*

Xuetong Yan argues that there is a fundamental change in China's ideology under Xi Jinping's leadership, a turn towards a theory of moral realism ("no rejection to those who come to learn and never go out to lecture others"), which marks a turn from an older "hide and bide strategy" in foreign policy toward one of "achievement."<sup>14</sup> Yan posits that China is no longer content to operate within its traditional sphere of influence and through this achievement strategy, as viewed through the lens of moral realism, China can develop both political strength and legitimacy. Overall, the author finds that China's new policy has brought benefits in terms of its new international relationships.

Liza Tobin analyses Chinese President Xi Jinping's statements and publications from the Chinese Communist Party (CCP) to expand upon Yan's notion of an achievement strategy. Tobin states that Beijing will have to restructure the global order to accomplish its integration goals of solidifying its legitimacy both at home and abroad.<sup>15</sup> In this respect, Chinese-led Socialism is central to its desire for a community of common destiny, and the BRI is its leading platform for realizing this community.<sup>16</sup> Tobin emphasizes, however, that the degree to which its messaging succeeds depends upon the reception from the international community. Finally, Tobin finds that an effective U.S. response to China is through broadening American policy approaches beyond the traditional range of economic, political, and security means to match China's efforts in the domains of development, culture, and the environment.<sup>17</sup>

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<sup>14</sup> Xuetong Yan, "From Keeping a Low Profile to Striving for Achievement," *The Chinese Journal of International Politics* 7, no. 2 (2014): 153-184, doi:10.1093/cjip/pou027.

<sup>15</sup> Liza Tobin, "Xi's Vision for Transforming Global Governance: A Strategic Challenge for Washington and Its Allies," *Texas National Security Review* 2, no. 1 (November 2018): 163, doi:10.26153/tsw/863.

<sup>16</sup> Tobin, "Xi's Vision for Transforming Global Governance."

<sup>17</sup> Tobin, "Xi's Vision for Transforming Global Governance."

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*China's Partnership Methodology*

Jonathan Fulton examines China's ambitions for greater influence in the Middle East and North Africa through the lens of its bilateral relationship hierarchies. Egypt holds a Comprehensive Strategic Partnership (CSP) with China, which is only matched in the region by Saudi Arabia and the United Arab Emirates. As the highest level of bilateral relations in China's international relations framework, a CSP status entails "full pursuit of cooperation and development on regional and international affairs."<sup>18</sup> Fulton finds that these relationships are part of China's proactive efforts to work within the current world order to achieve its BRI goals, latching onto these key U.S. partners to develop its own parallel relationships of a similar strategic value. At the same time, analysis from Quan Li and Min Ye indicates that China's use of partnerships is more of a defensive tool, driven by its needs to counter U.S. power while also promoting relations with countries that can benefit China's modernization goals.<sup>19</sup> Further to that, Jon Alterman concludes that each country in the region has different attributes that contribute toward Beijing's goals, and Beijing deliberately seeks to uphold its Middle East interests by keeping its bilateral relationships distinct and separate from one another. He concludes, however, that these partnerships as a whole challenge the U.S. policy approach to the region.<sup>20</sup>

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<sup>18</sup> Jonathan Fulton, *China's Changing Role in the Middle East*, The Atlantic Council (2019), 3.

<sup>19</sup> Quan Li and Min Ye, "China's emerging partnership network: what, who, where, when and why," *International Trade, Politics and Development* 3, no. 2 (2019): 66-81, <https://www.emerald.com/insight/content/doi/10.1108/ITPD-05-2019-0004/full.html>; Fulton, *China's Changing Role in the Middle East*, 3.

<sup>20</sup> Jon B. Alterman, *China's Middle East Model*, Center for Strategic and International Studies, (May 23, 2019), <https://www.csis.org/analysis/chinas-middle-east-model>.

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### *Sharp Power Tactics*

Glenn Tiffert and Oliver McPherson-Smith argue in their study of China's sharp power influence in Africa that China's relationships are built on a promise of domestic profit against massive debts.<sup>21</sup> Unlike Western countries, which support African nations financially through international organizations like the World Bank, China lends directly to African countries. Such loans are naturally an instrument of exercising China's national power overseas, designed for infrastructure and development that can open up markets to Chinese companies rather than opportunities to address humanitarian needs.<sup>22</sup> Its loans are used to garner influence and political support. Using debt-level data sets, the authors found that from 2008-2012, every \$1 billion dollars invested by China correlated with a 17 percent increase in sovereign debt by African nations.<sup>23</sup> The authors also note that the success of China's political and financial outreach is evident in the fact that Eswatini is the only African country to retain diplomatic relations with Taiwan.<sup>24</sup>

### *China's Influence on Regional Ports*

In their analysis of 15 Chinese-funded port projects in the Indo-Pacific region, Devin Thorne and Ben Spevak measure the impact of Chinese firms in commercial ports.<sup>25</sup> The authors assess that despite the way that Chinese companies emphasize how their investments are driven by Beijing's concept of win-win development, the projects nevertheless seem to create political

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<sup>21</sup> Glenn Tiffert and Oliver McPherson-Smith, *China's Sharp Power in Africa*, The Hoover Institution (March 21, 2022), 3-4, <https://www.hoover.org/research/chinas-sharp-power-africa-handbook-building-national-resilience>.

<sup>22</sup> Tiffert and McPherson-Smith, *China's Sharp Power in Africa*, 4.

<sup>23</sup> Tiffert and McPherson-Smith, *China's Sharp Power in Africa*, 4.

<sup>24</sup> Tiffert and McPherson-Smith, *China's Sharp Power in Africa*, 3.

<sup>25</sup> Devin Thorne and Ben Spevak, *Harbored Ambitions: How China's Port Investments are Strategically Reshaping the Indo-Pacific* (Washington, DC: Center for Advanced Defense Studies, 2017), 4.

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leverage and quietly enlarge the area of operations for China's military. For example, the authors note that in Pakistan, China's substantial BRI investments are mandating increased security for the Port of Gwadar.<sup>26</sup> Moreover, China-backed projects have limited Sri Lanka's government from costly and unprofitable ventures like the Hambantota Port, which effectively grants China enduring influence over Colombo's foreign policies.<sup>27</sup>

Furthermore, the authors note that China's opaque business practices helped Beijing broker a deal with Phnom Penh for 20 percent of Cambodia's coastline, which may potentially be a violation of Cambodian law, and its Koh Kong megaproject has resulted in major economic losses, environmental degradations and human rights violations. They conclude that a long-term cost-benefit analysis on the part of host nations regarding Beijing's motives for investments is necessary, and that if nations do not heed the lessons of the Indo-Pacific, China will "continue to pursue a security strategy that utilizes infrastructure investments to generate political influence, stealthily expand Beijing's military presence, and create an advantageous strategic environment."<sup>28</sup>

Moving to the Middle East, Arie Egozi, Ehud Eliam, and Roie Yellinek explore how China has leveraged its position at Israel's Haifa port. Since 2021, Israel has used a Chinese-government firm, the Shanghai International Port Group (SIPG), to operate its port in Haifa.<sup>29</sup> Initially, the prospect of Chinese investment in the Israeli economy was viewed as beneficial in

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<sup>26</sup> Thorne and Spevack, *Harbored Ambitions*, 4.

<sup>27</sup> Thorne and Spevack, *Harbored Ambitions*, 4.

<sup>28</sup> Thorne and Spevack, *Harbored Ambitions*, 66.

<sup>29</sup> "Israel's Ties with China Are Raising Security Concerns," *The Economist* (October 11, 2018), <https://www.economist.com/middle-east-and-africa/2018/10/11/israels-ties-with-china-are-raising-security-concerns>; Ehud Eilam, "Israel and China: The Bloom Is Off the Rose," Middle East Institute, December 1, 2022, [https://www.mei.edu/publications/israel-and-china-bloom-rose#\\_ftnref22](https://www.mei.edu/publications/israel-and-china-bloom-rose#_ftnref22); Roie Yellinek, "U.S.-Chinese Competition Over the Haifa Port," The Begin-Sadat Center for Strategic Studies, Perspectives Paper no. 1,071, January 23, 2019.



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terms of job creation; however, the contract process did not involve the Israeli Cabinet or the National Security Council.<sup>30</sup> Now, Israel has concerns of Chinese espionage capabilities being placed within port equipment and targeting both Israel and U.S. naval vessels.<sup>31</sup> Moreover, Galia Lavi and Assaf Orion find that Beijing can use SIPG to enable Chinese naval vessels to access the port or substantially disrupt port operations during emergencies.<sup>32</sup> While these issues may not ultimately disrupt the U.S. military's use of the Haifa port, disentangling the American use of the infrastructure and the Chinese companies operating there poses a long-term concern for Israel.<sup>33</sup>

Furthermore, in their assessment of China's first overseas military base, Guled Ahmed, Jonathan Fulton and others have found that Djibouti's port opening represented a prominent example of China's cunning acumen.<sup>34</sup> China holds 71 percent of Djibouti's sovereign debt, and in 2013 the Djiboutian government, in what Blanchard and Collins surmise to be a "payment in-kind on debt owed to China," sold a 23.5 percent share of its port authority to the China Merchants Group (CMG).<sup>35</sup> By 2014, CMG announced the building of new port operations,

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<sup>30</sup> Arie Egozi, "U.S. Presses Israel on Haifa Port Amid China Espionage Concerns: Sources," *Breaking Defense*, October 5, 2021, <https://breakingdefense.com/2021/10/us-presses-israel-on-haifa-port-amid-china-espionage-concerns-sources/>; Ehud Eilam, "Israel and China."

<sup>31</sup> Galia Lavi and Assaf Orion, "The Launch of the Haifa Bayport Terminal: Economic and Security Considerations," *Institute of National Security Studies Insight* no. 1516 (September 12, 2021), <https://www.inss.org.il/publication/haifa-new-port/>.

<sup>32</sup> Lavi and Orion, "The Launch of the Haifa Bayport Terminal."

<sup>33</sup> Roie Yellinek, "The Israel-China-U.S. Triangle and the Haifa Port Project," *Middle East Institute*, November 27, 2018, <https://www.mei.edu/publications/israel-china-us-triangle-and-haifa-port-project>.

<sup>34</sup> Guled Ahmed, "Djibouti Needs a Plan B for the Post-Guelleh Era," *Middle East Institute*, July 28, 2021, <https://www.mei.edu/publications/djibouti-needs-plan-b-post-guelleh-era>; Jonathan Fulton, "China-UAE Relations in the Belt and Road Era," *Journal of Arabian Studies* 9, no. 2 (June 24, 2020): 264, doi:10.1080/21534764.2019.1756135.

<sup>35</sup> David Styan, "China's Maritime Silk Road and Small States: Lessons from the Case of Djibouti," *Journal of Contemporary China* 29, no. 122 (July 10, 2019): 195, 203, doi:10.1080/10670564.2019.1637567; Max Bearak, "In Strategic Djibouti, A Microcosm of China's Growing Foothold in Africa," *Washington Post*, December 31, 2019, [https://www.washingtonpost.com/world/africa/in-strategic-djibouti-a-microcosm-of-chinas-growing-foothold-in-africa/2019/12/29/a6e664ea-beab-11e9-a8b0-7ed8a0d5dc5d\\_story.html](https://www.washingtonpost.com/world/africa/in-strategic-djibouti-a-microcosm-of-chinas-growing-foothold-in-africa/2019/12/29/a6e664ea-beab-11e9-a8b0-7ed8a0d5dc5d_story.html); Lauren Blanchard

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culminating with the Doraleh Multi-Purpose Port and what would become China's first overseas Navy base beginning in 2017.<sup>36</sup> Previously, the UAE's DP World Group held a concession to operate Djibouti's ports, but after citing infringement on its sovereignty in 2018 the Djiboutian government seized the UAE's operations, leaving CMG as the nation's preeminent port manager.<sup>37</sup>

David Styan offers a counterpoint for China's debt diplomacy and military actions in Djibouti, characterizing them as the result of circumstance and poor management on the part of both Beijing and Addis Ababa.<sup>38</sup> Moreover, Styan posits that while Djibouti's strategic location on the Red Sea is relevant, the primary factor of China creating a Navy base was due to the presence of the European Union, France, and United States already in the country, noting that location on the MSRI alone was not a necessary precursor to a Chinese military presence.<sup>39</sup>

*China's Civil Military Fusion Potential*

In the context of China using its armed forces to secure a hegemonic position, its use of civilian commercial entities to improve the prospects for Chinese military operations overseas is part of a national strategy. In this regard, Zachary Hutchings (in an unclassified partnership with the National Geospatial-Intelligence Agency) conducted an in-depth study of 17 seaports across the globe to consider the impacts of how China's BRI presence might be utilized in a military scenario. While the nature of the ports is purported to be for commercial objectives, this

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and Susan Collins, *China's Engagement in Djibouti*, Congressional Research Service (September 4, 2019), <https://crsreports.congress.gov/product/pdf/IF/IF11304>.

<sup>36</sup> Fulton, "China-UAE Relations in the Belt and Road Era."

<sup>37</sup> Al Jazeera, "Signaling Rift, Djibouti Seizes UAE-Operated Port," February 24, 2018, <https://www.aljazeera.com/news/2018/2/24/djibouti-seizes-control-of-dubai-run-doraleh-port>; Fulton, "China-UAE Relations in the Belt and Road Era," 264.

<sup>38</sup> David Styan, "China's Maritime Silk Road and Small States" 201, 203.

<sup>39</sup> David Styan, "China's Maritime Silk Road and Small States" 203.

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publicly-released study assessed that the “pre-placement of threat capabilities at the identified Belt and Road Initiative-related maritime infrastructures would enable China to deny freedom of navigation to U.S. and Allied maritime activities via all of the identified critical maritime chokepoints, with the exception of the Panama Canal.”<sup>40</sup> Specific to the Red Sea, this included the Suez Canal and the Bab Al Mandab.<sup>41</sup> Filip Medunic further contends that the *Ever Given* container ship blockage of the Suez Canal in 2021 highlighted the susceptibility of global trade to maritime choke-points, and that this vulnerability may increase due to the rising strategic competition, whereby states can weaponize their economic networks to affect policy.<sup>42</sup> He concludes by noting that Beijing is actively pursuing a strategy that enables it to leverage its networks in just such a manner.<sup>43</sup>

*The Synergy with Egyptian Goals*

Ofir Winter and Doron Ella view the political culture of Egypt as a natural fit for Chinese relations. They posit that the Chinese model of swift economic development and technical advancement promoting the authority of the host country’s central government is desirable to President El-Sisi’s regime.<sup>44</sup> While they find that Egypt may not be able to comprehensively adopt China’s model due to the radical change in political culture that this might require in some

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<sup>40</sup> Zachary Hutchings, “Chinese Maritime Expansion and Potential Dual-Use Implications on Critical Maritime Chokepoints” *National Geospatial-Intelligence Agency* (July 20, 2021), Unclassified, [https://www.tearline.mil/public\\_page/bri-maritime-dual-use-hypothetical/](https://www.tearline.mil/public_page/bri-maritime-dual-use-hypothetical/).

<sup>41</sup> Hutchings, “Chinese Maritime Expansion and Potential Dual-Use Implications.”

<sup>42</sup> Filip Medunic, “*A Glimpse of the Future: The Ever given and the Weaponization of Choke-Points*,” European Council on Foreign Relations, August 23, 2021, <https://ecfr.eu/article/a-glimpse-of-the-future-the-ever-given-and-the-weaponisation-of-choke-points/>.

<sup>43</sup> Medunic, “A Glimpse of the Future.”

<sup>44</sup> Ofir Winter and Doron Ella, *The Chinese Development Model: A Cure for Egyptian Woes?* Institute for National Security Studies (Israel) (2019), 3.

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areas, Egypt is determined to integrate the West's economic policies with China's rejection of Western political thought.<sup>45</sup>

John Calabrese also addresses the Chinese development model discussed by Winter and Ella and scopes it down to the economic relationship between China and Egypt. He notes how Beijing enables Cairo's "Vision 2030" economic development plan, which includes bolstering maritime logistics and commercial infrastructure.<sup>46</sup> Similarly, China's investment in Egyptian manufacturing helps it to gain access to regional markets in Africa and Europe. In this respect, the author notes that the priority project between Egypt and China is the Suez Economic and Trade Cooperation Zone, and this project is integral to the success of the BRI.<sup>47</sup> Ultimately, Calabrese finds that China's development model may benefit Egypt economically in the short run, but whether that will translate into sustainability and social reforms remains to be seen.<sup>48</sup>

*The Growing Concern of Security in Egypt*

David Shin examines China's BRI development strategy as a driver for China's military posturing. In his view, Egypt represents a convergence of interests in substantial investment in state-owned seaports, container storage, and logistics centers. Furthermore, Shin notes that even though China espouses non-intervention and avers direct military engagements, how China will defend its BRI investments will become an issue in what is an historically unstable region.<sup>49</sup>

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<sup>45</sup> Winter and Ella, *The Chinese Development Model*, 3.

<sup>46</sup> John Calabrese, "Towering Ambitions: Egypt and China Building for the Future," Middle East Institute, October 6, 2020, <https://www.mei.edu/publications/towering-ambitions-egypt-and-china-building-future>.

<sup>47</sup> Calabrese, *Towering Ambitions: Egypt and China Building for the Future*.

<sup>48</sup> Calabrese, *Towering Ambitions: Egypt and China Building for the Future*.

<sup>49</sup> David Shin, "China's Maritime Silk Road and Security in the Red Sea Region," Middle East Institute, October 4, 2022, <https://www.mei.edu/publications/chinas-maritime-silk-road-and-security-red-sea-region>.

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Thus far, China's only military presence in the Red Sea is in Djibouti, with a mission there to counter piracy in the Bab al-Mandeb and off the East African coast, but Shin finds that the vital economic links of the BRI in the Red Sea and the Gulf of Aden are essential to raise China from a regional to a world power.<sup>50</sup>

Mohammad Soliman examines the security perspective of the Suez Canal from the U.S. perspective. He states that the Suez Canal is a keystone to the U.S. military strategy in the Mediterranean Sea and Indian Ocean.<sup>51</sup> He also notes that in exchange for security assistance, the Egyptian government grants the U.S. Navy "preferential treatment...avoiding a lengthy wait time" on either side of the Canal.<sup>52</sup> Soliman finds that the United States views Egypt as the "local operator of the international chokepoint" rather than a strategic partner in its own right, and that Egypt's exclusion from a broader U.S. relationship (exacerbated by Egypt's domestic development needs) is pushing Egypt towards China.<sup>53</sup> Haisam Hassanein specifically addresses implications for U.S. policy. He finds that China has the potential to use Egyptian maritime infrastructure as intelligence collection sites against U.S. assets.<sup>54</sup> He also cites China's growing technological presence in Egypt as a counterintelligence risk and notes that China is a rising competitor to U.S. Foreign Military Sales.<sup>55</sup> Finally, he concludes that China's military forces may ultimately be able to create anti-access points in the Suez and Eastern Mediterranean.<sup>56</sup>

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<sup>50</sup> Shin, "China's Maritime Silk Road and Security in the Red Sea Region."

<sup>51</sup> Soliman, "There Is No Indo-Pacific without Egypt and the Suez Canal."

<sup>52</sup> Soliman, "There Is No Indo-Pacific without Egypt and the Suez Canal."

<sup>53</sup> Soliman, "There Is No Indo-Pacific without Egypt and the Suez Canal."

<sup>54</sup> Haisam Hassanein, "Egypt Takes Another Step Toward China," The Washington Institute for Near East Policy, August 19, 2019, <https://www.washingtoninstitute.org/policy-analysis/egypt-takes-another-step-toward-china>.

<sup>55</sup> Hassanein, "Egypt Takes Another Step Toward China."

<sup>56</sup> Hassanein, "Egypt Takes Another Step Toward China."

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### Gaps in the Literature

Overall, the literature does not sufficiently describe the future implications of the convergence of interests between Beijing and Cairo as the two sides explore an ever increasingly range of bilateral engagements. Considering the increasing diplomatic, military, and economic activities China is undertaking in Egypt, especially those intended to directly influence maritime infrastructure and logistics operations in the Suez Canal, a body of scholarly work and open source reporting suggests that U.S. relations have not evolved to match China's growing influence and presence. China's desire to elevate itself from a regional power to a global power, combined with its leveraging tactics and diplomatic approach, present a robust challenge for the United States to overcome. Furthermore, China's potential military-use of BRI ports presents a potential problem of denying the freedom of navigation to U.S. ships, and there is evidence to suggest that as China's economic footprint in a BRI country increases, so too may its military presence. This is a particular concern in Egypt, a country that has been a strategic partner for America's military both in the Canal Zone and in the region more broadly. American foreign policy may simply no longer be sufficient to guarantee Egypt's support in this era of strategic competition.

### Theoretical Lens and Approach

Although various scholars have considered different perspectives on China's influence activities, the most persuasive theory is Realism in terms of understanding the character of China's current international relations. Mearsheimer, Tsang, Yan and others all note that China's burgeoning hegemonic actions are consistent with its increase in economic and military power.<sup>57</sup> Moreover, China's party-driven policy is rooted in a fundamental shift in its national ideology

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<sup>57</sup> John J. Mearsheimer, "The Inevitable Rivalry," *Foreign Affairs*, June 30, 2022, <https://www.foreignaffairs.com/articles/china/2021-10-19/inevitable-rivalry-cold-war>.

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under Xi Jinping's leadership.<sup>58</sup> In this respect, China is no longer content to operate within its traditional sphere of influence, and through an "achievement" strategy it is gathering both political strength and political legitimacy. At the heart of this policy are China's international relationships, intended to further its goals of establishing regional hegemony pursuant to an international order that is more beneficial to Chinese interests.<sup>59</sup> Building upon this lens, McPherson-Smith, Tiffert, Walker and others examine China's foreign policy within the Realist view of "sharp power," in which China engages with another nation's institutions through political and economic coercion to gain influence.<sup>60</sup> This is not only done by the Chinese government itself, but also through companies which operate on its behalf.<sup>61</sup> Under the guise of welcoming soft power, China takes advantage of the "asymmetry between free and unfree systems to restrict free expression and [distorts] political environments in democracies while simultaneously shielding their country from outside influence."<sup>62</sup> This corrupting influence often bolsters illiberal actors as a result.<sup>63</sup>

China's rapid development and hegemonic aims do present a challenge to the U.S.-led international order, but they can also bolster global economic development, trade, and technological advancement through cooperation, so that conflict is not necessarily a foregone

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<sup>58</sup> Xuetong Yan, "From Keeping a Low Profile to Striving for Achievement," *The Chinese Journal of International Politics* 7, no. 2 (2014): 153-184, doi:10.1093/cjip/pou027.

<sup>59</sup> Steve Tsang, "Party-State Realism: A Framework for Understanding China's Approach to Foreign Policy," *Journal of Contemporary China* 29, no. 122 (July 2019): 304-318, doi:10.1080/10670564.2019.1637562.

<sup>60</sup> Christopher Walker, "What Is 'Sharp Power'?" *Journal of Democracy* 29, no. 3 (2018): 12, doi:10.1353/jod.2018.0041.

<sup>61</sup> Walker, "What Is 'Sharp Power'?" 12.

<sup>62</sup> Simon Shen, "The World Is Awakening to China's Sharp Power," *The Diplomat* (June 23, 2020), <https://thediplomat.com/2020/06/the-world-is-awakening-to-chinas-sharp-power/>.

<sup>63</sup> Tiffert and McPherson-Smith, *China's Sharp Power in Africa*, 3-4.

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conclusion.<sup>64</sup> Presently, however, both China and the United States are concentrating as much on trying to limit or exploit the other as cooperating.<sup>65</sup> Moreover, their primary security concerns now focus on military containment, meaning that any attempt to distinguish actions that are meant to limit from those that may lead to conflict is becoming difficult.<sup>66</sup> American and Chinese attempts to blunt the other's strategic influence and military power are trending toward a deterrence strategy that may uphold peace in concept, but in practice it only serves to further their warfighting capabilities.<sup>67</sup> Conceptually, these strategic events evoke what is commonly known as a "Thucydides' Trap" narrative, which Graham Allison describes as "the natural, inevitable discombobulation that occurs when a rising power threatens to displace a ruling power...[and] when a rising power threatens to displace a ruling power, the resulting structural stress makes a violent clash the rule, not the exception."<sup>68</sup> This is in reference to the Ancient Greek historian Thucydides and his narrative of the Peloponnesian War. That conflict served as the foundation of a theory in which Sparta's anxiety over a rising Athenian rival power shaped a security dilemma that first produced competition, then confrontation, and then war.<sup>69</sup> Although not an absolute predictor of hostilities, Allison found that in twelve of sixteen conflict cases since

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<sup>64</sup> Anthony H. Cordesman, "China and the U.S.," Center for Strategic and International Studies, September 19, 2021, <https://www.csis.org/analysis/china-and-us>.

<sup>65</sup> Cordesman, "China and the U.S."

<sup>66</sup> Cordesman, "China and the U.S."

<sup>67</sup> Cordesman, "China and the U.S."

<sup>68</sup> Graham T. Allison, *Destined for War: Can America and China Escape Thucydides's Trap?* (Boston, MA: Mariner Books, 2018), xv–xvi.

<sup>69</sup> Farah Mohammad, "Can the U.S. and China Avoid Thucydides's Trap?," November 5, 2018, <https://daily.jstor.org/can-the-u-s-and-china-avoid-the-thucydides-trap/>.



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the fifteenth century where a rising power threatened to usurp the authority of a ruling hegemon, war resulted.<sup>70</sup>

Given the importance of maritime strategy to Beijing's ambitions and the geostrategic relevance of the Suez Canal, this research considers the U.S.-China strategic competition as a key arena where this Thucydides' Trap might play out. For an example of exactly what that would look like, we might consider the Anglo-German naval arms race in the period leading up to World War I. In that instance, at the turn of the twentieth century Germany was the rising power in Europe and sought to establish itself as a major global player despite arriving late to the race for colonial possessions and markets overseas. To achieve this ambition, Germany changed its foreign policy focus from alliances on the continent to a more aggressive *Weltpolitik* that could rival Great Britain and the overwhelmingly dominant position that Britain exerted on the high seas.<sup>71</sup> This challenge led Germany to build an imposing fleet and deploy warships to the North Sea under the logic that showcasing its powerful military presence would alter its relations with Britain and garner it a place of prominence among the world powers.<sup>72</sup> Just as with China today, that German naval presence was intended with the dual purpose of signaling the ability to project force and securing commercial routes.

While a near-term military danger did not mandate naval expansion, Germany took a long-view approach of attempting to match Britain's naval and colonial capacity.<sup>73</sup> Germany's

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<sup>70</sup> "Thucydides's Trap Case Files," Belfer Center for Science and International Affairs, accessed June 1, 2023, <https://www.belfercenter.org/thucydides-trap/case-file>.

<sup>71</sup> Michelle Murray, "Identity, Insecurity, and Great Power Politics: The Tragedy of German Naval Ambition before the First World War," *Security Studies* 19, no. 4 (2010): 657, <https://doi.org/10.1080/09636412.2010.524081>.

<sup>72</sup> Murray, "Identity, Insecurity, and Great Power Politics," 657.

<sup>73</sup> Murray, "Identity, Insecurity, and Great Power Politics," 657.

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naval buildup was ultimately flawed in the sense that Britain did not pose a direct threat, and by adopting a seemingly aggressive posture, Germany only served to project an image of insecurity and a desire to revise the international order that ultimately increased the chance for war.<sup>74</sup>

Moreover, Germany's greatest security issues were on the European continent, not at sea, which should have driven a practical need for a larger army, while amassing a fleet of battleships was not economically viable in the long-term.<sup>75</sup> From the German perspective, the prevailing thought at the time was that if the British Navy could blockade Germany's growing global trade and network of overseas colonies during a crisis, its army would be useless by comparison.<sup>76</sup> Again, there is a comparison with a China today that is fearful of an international community imposing sanctions and cutting off Chinese access to vital commodities like oil. Ultimately, the Britain and Germany failed to balance their strategies of cooperation and competition, and instead built-up armed forces and alliances with warfighting capabilities that prepared the environment for outbreak of war and in some ways contributed to it.

Just like Germany and Britain in the early twentieth century, China is a rising economic and naval power challenging what it perceives to be a declining global hegemon in the form of the United States.<sup>77</sup> Furthermore, just as Britain had to relinquish its global maritime posture to dedicate resources toward countering Germany's military posturing in the North Sea, the United States is now reducing its military presence in the Middle East to focus on a pivot to the Indo-

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<sup>74</sup> Murray, "Identity, Insecurity, and Great Power Politics," 657.

<sup>75</sup> Charles L. Glaser, "When Are Arms Races Dangerous?: Rational Versus Suboptimal Arming," *International Security* 28, no. 4 (Spring 2004): 62.

<sup>76</sup> Howard J. Fuller, "Perils of the Quest for Supremacy," *Naval History Magazine*, January 2014, <https://www.usni.org/magazines/naval-history-magazine/2014/july/perils-quest-supremacy>.

<sup>77</sup> Kate Epstein, "Are Sino-U.S. Relations Really Comparable to the WWI-Era Anglo-German Rivalry?" *British Politics and Policy at LSE* (September 24, 2018), <https://blogs.lse.ac.uk/politicsandpolicy/are-sino-us-relations-really-comparable-to-the-wwi-era-anglo-german-rivalry/>.

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Pacific.<sup>78</sup> Economically, China now rivals America as the world's largest economy; similarly, from 1860 and 1913, Germany's share of global manufacturing increased from 4.8 percent to 14.8 percent, surpassing Britain as its share decreased from 19.9 percent to 13.6 percent.<sup>79</sup> In terms of foreign engagement, in much the same way that Germany obtained colonies in Africa, the South Pacific and elsewhere in the 1880s and 90s, China today is rapidly increasing its partnership network in what can plausibly be described as a neo-colonial push to establish dependent markets abroad.<sup>80</sup> Finally, although China's overseas military bases do not approach America's in terms of numbers or magnitude, Xi Jinping, much like German Emperor Wilhelm II, is determined that his nation become a global power with a powerful Navy.<sup>81</sup>

With that theoretical lens established, this research centers on an explanatory data conceptual framework to understand what factors influence outcomes. This framework is best suited to the task at hand due to the qualitative nature of the research project.<sup>82</sup> Moreover, since there is evidence to suggest that China's diplomatic and economic efforts will result in increasing both its economic and military positions in the Red Sea region,<sup>83</sup> the analysis will be structured using the Department of Defense's model for examining a country's capabilities for projecting influence. While not exhaustive in scope, the model appraises the activities of a state actor within

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<sup>78</sup> Epstein, "Are Sino-U.S. Relations Really Comparable to the WWI-Era Anglo-German Rivalry?"

<sup>79</sup> "Thucydides's Trap Case Files,"

<sup>80</sup> "Thucydides's Trap Case Files,"

<sup>81</sup> "Thucydides's Trap Case Files,"

<sup>82</sup> John W. Creswell and J. David Creswell, *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*, 5th ed. (Thousand Oaks, CA: SAGE, 2018), 104.

<sup>83</sup> David Shin, *China's Maritime Silk Road and Security in the Red Sea Region*.

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its diplomatic, informational, military, and economic (DIME) instruments of national power.<sup>84</sup>

Additionally, the DIME framework's broad perspective is useful in identifying U.S.-China strategic competition below the threshold of a military response from the United States or its allies.<sup>85</sup> Since many instruments of national power are often orchestrated together for greatest effect, this interconnectivity should be reflected across multiple facets of Chinese engagement in Egypt and provide an assessment of potential outcomes for China's position in Egypt.<sup>86</sup>

The key questions of the research will be categorized within the DIME framework, whereby China's actions are the independent variables:

- What are China's diplomatic efforts in Egypt?
- What informational campaigns is China utilizing in Egypt?
- What are China's military activities in the region?
- What are China's investments in Egypt?

The dependent variable of the framework is the Egyptian government's intentions and policy motives, both as they pertain to its maritime infrastructure and to engagement with China. U.S. government reactions to growing Egyptian-Chinese ties serves as an indirect variable.

### *Data Collection Strategy*

Given the large body of secondary, qualitative data on Chinese influence activities, this research used academic, archival, government, and news media sources that address strategic engagement between China and foreign partners. An assessment of China's overall strategy was reliant on publicly available sources ranked by their level of authority, starting with speeches

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<sup>84</sup> "Joint Doctrine Note 1-18 - Strategy," *Joint Doctrine Note 1-18 - Strategy*, Joint Doctrine Note 1-18 - Strategy § (2018), vii-viii.

<sup>85</sup> "Joint Doctrine Note 1-18 - Strategy," viii.

<sup>86</sup> "Joint Doctrine Note 1-18 - Strategy," viii.

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from CCP leaders such as the National Party Congress reports.<sup>87</sup> These were followed by external-facing foreign policy documents and white papers such as the Arab Policy Paper and similar strategic partnership documents. Finally, CCP party media, Chinese academics and think tank sources were studied to analyze China's goals within its own lexicon.

### *Analytic Design*

Yin notes that a case study is used to examine a “contemporary phenomenon within real-world context...when the boundaries of the phenomenon and context may not be clearly evident.”<sup>88</sup> In this regard, the global context of Chinese influence is known but how it affects the case of Egypt is not entirely certain. In this respect, Yin furthers that when there is substantial theory and data on a research area, case studies benefit from using the body of knowledge to “converge [it] in a triangulating fashion.”<sup>89</sup> A disadvantage of this design is that a single case study using the DIME framework may not be generalizable to the holistic relationship of China's goals in Egypt. Additionally, the notion of researcher bias must be considered and mitigated through rigorous systematic procedures.<sup>90</sup> As noted by Yin, the strategy of the design involves five steps.<sup>91</sup> Defining the research questions, propositions, and selecting the case that guides the research design toward the necessary data, comprise the initial phases.<sup>92</sup> The last two steps involve defining the judgments that connect the collected data to the propositions and that articulate the standards for interpreting the findings. These final steps will guide the analytic

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<sup>87</sup> Doshi 335-339.

<sup>88</sup> Robert K. Yin, *Case Study Research and Applications: Design and Methods*, 6th ed. (Los Angeles, CA: SAGE, 2018), 15.

<sup>89</sup> Robert K. Yin, *Case Study Research and Applications*, 15.

<sup>90</sup> Robert K. Yin, *Case Study Research and Applications*, 15.

<sup>91</sup> Robert K. Yin, *Case Study Research and Applications*, 34.

<sup>92</sup> Robert K. Yin, *Case Study Research and Applications*, 34.

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design into “anticipating [the] case study analysis, suggesting what is to be done after the data have been collected.”<sup>93</sup>

All thesis data were produced utilizing all available published sources and did not involve the use of human subjects.

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<sup>93</sup> Robert K. Yin, *Case Study Research and Applications*, 34.

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### CHAPTER 2

#### **What Does the BRI Mean for the Middle East?**

##### *Overview*

To begin to answer the research question, it is necessary to understand China's overarching global strategy. This chapter examines how China's goals to achieve national rejuvenation have underpinned its foreign policy objectives since the Chinese Communist Party's (CCP) ascension to power in 1949 and examines the evolution of Beijing's ambitions amid its rise in power from Mao Zedong to Xi Jinping. First, the chapter reviews China's recent history and determination to become the global hegemon. Second, it examines how China applies its diplomatic and economic statecraft through its use of cooperative partnerships and BRI projects. Third, the chapter assesses how China's global ambitions apply in the context of its Middle East relationships and how the region benefits from Chinese relations. Fourth, the chapter examines how China diplomatically balances its domestic treatment of its minority Muslim population with its strategy goals in the Arab world. Finally, the chapter considers the ramifications of the Middle East's security environment for China's developing crisis management capabilities and the implications for China's grand strategy.

#### **China's Quest for National Rejuvenation**

While the United States was becoming a republic in the 1790s, China's Qing Dynasty was at its apex, though domestic unrest and rigid governmental practices had already begun to contribute to its eventual decline.<sup>94</sup> Provincial unrest, exacerbated by the Opium Wars, commenced China's "Century of Humiliation," starting with the First Opium War in 1839 and

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<sup>94</sup> Rush Doshi, *The Long Game: China's Grand Strategy to Displace American Order* (New York: Oxford University Press, 2021), 27.

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lasting until the end of the Chinese Civil War in 1949.”<sup>95</sup> The struggles of nearly a century of civil strife and war created an ideological paradigm shift from a Confucian-based “rule of the virtuous” to an intellectual pursuit of wealth and national power aimed at regaining China’s former prominence.<sup>96</sup> After establishing China as a republic in January 1912, Sun Yatsen, the founder of the modern state and its first president, specifically championed national rejuvenation to reclaim China’s past glory.<sup>97</sup> This was also the slogan used by all Chinese leaders since the founding of the People’s Republic of China (PRC) in October 1949, from Chairman Mao Zedong to current President Xi Jinping.<sup>98</sup>

As a matter of international relations, China’s pursuit of achieving rejuvenation by the target date of 2049 – in commemoration of the centenary anniversary of Chinese Communist Party (CCP) rule – has come a long way from the nascent goal of development within the existing international order that was most notably articulated in Deng Xiaoping’s “*Tao Guang Yang Hui*.” That foreign policy strategy was developed in response to Western sanctions in the aftermath of Tiananmen Square protests.<sup>99</sup> The policy aimed to “hide China’s capabilities and bide its time,” with no stated goal in terms of global leadership or attempts to create an Asian hegemony to rival the United States or other nations.<sup>100</sup> In this respect, Mao Zedong and Deng Xiaoping did desire to reach the level of other preeminent nations and even exceed them, but

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<sup>95</sup> Alison Adcock Kaufman, “The ‘Century of Humiliation,’ Then and Now: Chinese Perceptions of the International Order,” *Pacific Focus* 25, no. 1 (2010): 1, <https://doi.org/10.1111/j.1976-5118.2010.01039.x>; Doshi, *The Long Game*, 27.

<sup>96</sup> Doshi, *The Long Game*, 28.

<sup>97</sup> Doshi, *The Long Game*, 28.

<sup>98</sup> Doshi, *The Long Game*, 29.

<sup>99</sup> Doshi, *Long Game*, 48.

<sup>100</sup> Doshi, *Long Game*, 48.



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primarily from a standpoint of economic and social development.<sup>101</sup> Moreover, this strategy was still evident in past CCP documents, which instilled these goals into the long-term planning and execution of China's investment planning, to be adjusted as necessary.<sup>102</sup> Furthermore, even when Deng Xiaoping initiated the Reform and Opening policy with the West in 1978 to increase economic prosperity, this was part of a broader objective to keep China free from international commitments until it had the ability to break free from the liberal international order.<sup>103</sup>

In the Xi Jinping era of Chinese foreign policy, however, there is an increasing shift from abiding by the Western-led order to pursuing a worldwide strategy in which Beijing leads a community of global governance.<sup>104</sup> Because there is no single document detailing China's grand strategy in all of its aspects, analytical inference about its national goals must be obtained by examining the compilation of its grand plans as articulated in a variety of CCP documents, the grand principles espoused by its leaders, and the behaviors observed in its international engagements.<sup>105</sup> For example, in the report issued to the 19<sup>th</sup> National Party Conference in 2017, the CCP's most authoritative event, Xi defined what China's dream of rejuvenation means for the international order by mid-century when he stated that "China would become the global leader in terms of national strength and international influence," possessing a "world-class army," with prominence in "global governance" that will foster a new type of international

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<sup>101</sup> Daniel Tobin, "How Xi Jinping's 'New Era' Should Have Ended U.S. Debate on Beijing's Ambitions," 5.

<sup>102</sup> Thomas Fingar and Jean C. Oi, eds., *Fateful Decisions: Choices That Will Shape China's Future* (Stanford, CA: Stanford University Press, 2020), 242-243.

<sup>103</sup> Fingar and Oi, eds., *Fateful Decisions*, 243-244.

<sup>104</sup> Peter Mattis, "The Party-Congress Test: A Minimum Standard for Analyzing the Party's Intentions," War on the Rocks, January 8, 2019.

<sup>105</sup> Nina Silove, "Beyond the Buzzword: The Three Meanings of 'Grand Strategy,'" *Security Studies* 27, no. 1 (2017): 37-45, <https://doi.org/10.1080/09636412.2017.1360073>.

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relations and build a community with a shared future.<sup>106</sup> Moreover, Xi stressed that China will prioritize its effort to see that, by 2035, its national defense enterprise is modernized to the degree that “by the mid-21st century, our people’s armed forces have been fully transformed into world-class forces.”<sup>107</sup> This political rhetoric not only reflects the CCP consensus, which has always maintained its role as the source for China’s rejuvenation, but it highlights the perception of an impending attainability for its national dream.<sup>108</sup>

In addition to an approaching mid-century deadline for its rejuvenation endeavors, Beijing sees the West in disrepair, as evidenced by economic and political setbacks, such as the 2008 U.S. financial crises and the United Kingdom’s Brexit from the European Union, suggesting that the West’s most powerful countries are weakening and breaking with their own international order.<sup>109</sup> Additionally, from Xi Jinping’s viewpoint, this is opening a “period of historic opportunity” to expand China’s aperture from an Asian purview to a global one.<sup>110</sup> Furthermore, combined with the trade war enacted against China in 2018, China now sees it as advantageous to end its hide-and-bide strategy, and instead use its instruments of national power to modernize itself while also undermining America’s leadership of the international order.<sup>111</sup>

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<sup>106</sup> *China Daily*, “Full text of Xi Jinping’s report at the 19<sup>th</sup> CPC National Conference,” November 4, 2017, [http://www.chinadaily.com.cn/china/19thcpcnationalcongress/2017-11/04/content\\_34115212.htm](http://www.chinadaily.com.cn/china/19thcpcnationalcongress/2017-11/04/content_34115212.htm).

<sup>107</sup> *China Daily*, “Full text of Xi Jinping’s report at the 19<sup>th</sup> CPC National Conference,” 11/04/content\_34115212.htm.

<sup>108</sup> Doshi, *Long Game*, 32.

<sup>109</sup> Doshi, *Long Game*, 262.

<sup>110</sup> Doshi, *Long Game*, 262.

<sup>111</sup> Doshi, *Long Game*, 15.

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### Partnerships over Alliances

Beijing espouses its “community of common destiny” as beholden to its Five Principles of Peaceful Coexistence of “mutual respect for sovereignty, mutual non-aggression and interference with others’ domestic affairs, equality and mutual benefit, and peaceful coexistence.”<sup>112</sup> This is emphasized by Xi’s desire to cooperate with all countries, regardless of ideology: “Those who share the same vision and follow the same path are partners. Those who seek common ground while shelving differences can also be partners.”<sup>113</sup>

This strategy, presumably unlike security-driven U.S. military alliances, pursues goal-driven cooperative partnerships that are enticing to those developing countries that value China’s non-interference and economic support without any human rights conditions.<sup>114</sup> Additionally, such partnerships potentially serve as a method for China to further its national rejuvenation through global economic relations that do not openly oppose the United States or threaten confrontation with other Great Powers.<sup>115</sup> Moreover, given the investments, capital, and market access needed to sustain China’s development rise and goals for mid-century modernity, the more partner nations can accommodate these requirements, the higher they rank in the partnership hierarchy.<sup>116</sup> Ranging from the lowest “friendly cooperation” level to the highest

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<sup>112</sup> Xinhua News Agency, “China’s policy paper on Arab countries,” January 16, 2016 , [http://news.xinhuanet.com/world/2016-01/13/c\\_1117766388.htm](http://news.xinhuanet.com/world/2016-01/13/c_1117766388.htm).

<sup>113</sup> Quan Li and Min Ye, “China’s Emerging Partnership Network: What, Who, Where, When and Why,” *International Trade, Politics and Development* 3, no. 2 (2019): 74, <https://www.emerald.com/insight/content/doi/10.1108/ITPD-05-2019-0004/full/html>.

<sup>114</sup> Tobin, “How Xi Jinping’s ‘New Era’ Should Have Ended U.S. Debate on Beijing’s Ambitions,” 10-11.

<sup>115</sup> Li and Ye, “China’s Emerging Partnership Network,” 74.

<sup>116</sup> Li and Ye, “China’s Emerging Partnership Network,” 74.

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“comprehensive strategic partnership (CSP),” each tier signals different priorities for Beijing’s engagement, but does so without obligating China into security alliances.<sup>117</sup>

Table 2.1 China’s Partnership Levels

Partnership Level	Priorities
<b>Comprehensive Strategic Partnership</b>	Full pursuit of cooperation, development on regional and international affairs
<b>Strategic Partnership</b>	Closer coordination on regional and international affairs – including military
<b>Comprehensive Cooperative Partnership</b>	Maintain momentum of high-level exchanges, enhanced contacts at various levels, and increased mutual understanding on issues of common interest
<b>Cooperative Partnership</b>	Developing cooperation on bilateral issues, based on mutual respect and benefit
<b>Friendly Cooperative Partnership</b>	Strengthening cooperation on bilateral issues, such as trade

Source: Data from Jonathan Fulton, *China’s Changing Role in the Middle East* (Washington, DC: Atlantic Council, 2019), 3, Table 1.

Moreover, unlike the Cold War era, which put the world into opposing camps, China leverages the mutual interdependence represented by globalization and the interconnected supply chains that come with it.<sup>118</sup> In this respect, Beijing’s partnerships can have the ability to blunt U.S. security alliances and counter military intervention strategies.<sup>119</sup> They also provide opportunities for additional influence through China’s parastatal institutions, including numerous State-Owned Enterprises (SOE) and other private companies that effectively serve as proxies for the state. With respect to economic leverage, for example, the Asian Infrastructure Investment Bank (AIIB) legitimizes Beijing’s coercive power and ability to acquire partner consent through

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<sup>117</sup> Li and Ye, “China’s Emerging Partnership Network,” 71.

<sup>118</sup> Tobin, “How Xi Jinping’s ‘New Era’ Should Have Ended U.S. Debate on Beijing’s Ambitions,” 15.

<sup>119</sup> Liza Tobin, *Texas National Security Review* 2, no. 1 (November 2018): 158, <https://doi.org/http://dx.doi.org/10.26153/tsw/863>.

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public goods distribution and financial leverage.<sup>120</sup> Moreover, China's ability to control loan terms and bank memberships gives it substantial statecraft potential in garnering support and mitigating disputes.<sup>121</sup>

Overall, the end-state of a China-led community of common destiny is one without U.S. alliances.<sup>122</sup> While many countries engage in partnerships, China is unique in that these agreements are central to its foreign policy strategy of creating a defensive parallel to the American-led international order.<sup>123</sup> Since its first partnership with Brazil in 1993, 110 countries and five regional organizations have signed cooperation agreements with China.<sup>124</sup>

### The Belt Road Initiative

Announced in 2013 as an economic initiative to establish trade routes from Asia, Africa, and Europe, and characterized by President Xi as *yidaiyulu* "One Belt One Road" (OBOR), the BRI represents the premier implementation of Xi's dream for national rejuvenation and mutual benefit to its partners.<sup>125</sup> In addition to being Beijing's primary instrument of economic statecraft to expand its global influence, Xi uses the BRI as the embodiment of his own political authority to signal China's rise to global power, evoking the glorious past of China's Silk Road

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<sup>120</sup> Doshi, *The Long Game*, 216.

<sup>121</sup> Doshi, *The Long Game*, 223.

<sup>122</sup> Liza Tobin, "Xi's Vision for Transforming Global Governance."

<sup>123</sup> Quan Li and Min Ye, "China's Emerging Partnership Network: What, Who, Where, When and Why," *International Trade, Politics and Development* 3, no. 2 (2019): 66-81, <https://www.emerald.com/insight/content/doi/10.1108/ITPD-05-2019-0004/full/html>.

<sup>124</sup> Filippo Boni, "Strategic Partnerships and China's Diplomacy in Europe: Insights from Italy," *The British Journal of Politics and International Relations*, 2022, 1, <https://doi.org/10.1177/13691481221127571..>

<sup>125</sup> Xi Jinping, "Strengthen Cooperation to Advance the Belt and Road Initiative," speech at the opening ceremony of the Ninth Ministerial Conference of the China-Arab States Cooperation Forum, Beijing, July 10, 2018, in *Xi Jinping: The Governance of China III* (Beijing: Foreign Languages Press, 2020), 556.

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prominence and imperial legacy.<sup>126</sup> For domestic audiences, Xi is styled as the successor to this glorious legacy. Beginning in 2015, CCP publications transitioned to “Belt Road Initiative” when referencing the OBOR strategy, to reflect the novel approach to solving common issues among international partners.<sup>127</sup> However, “OBOR” has remained the same in Chinese language texts since the inception of the global strategy.<sup>128</sup> These differences in the linguistic portrayal of the BRI for domestic and international audiences provide context for Beijing’s overall intentions, both for itself and its global partners.<sup>129</sup> For China’s domestic audience, the OBOR is meant to evoke the grandeur of China’s historical Silk Road, where its constituent nations paid homage to the Chinese emperor as part of its grand design. To foreign partners, however, the BRI is championed as the nexus of policy coordination, infrastructure building, financial integration, and people-to-people exchanges for China’s community of common destiny.<sup>130</sup> Although the BRI has multiple domains, including land-based and digital sectors, given that over ninety percent of China’s imports and exports are transported via maritime routes, its MSRI component has earned significant attention from the CCP, to the point of China establishing its first overseas naval military base in Djibouti. Nominally, this base was aimed at conducting anti-piracy

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<sup>126</sup> Eyck Freymann, *One Belt One Road: Chinese Power Meets the World* (Cambridge: Harvard University Press, 2020), 43.

<sup>127</sup> Freymann, *One Belt One Road*, xvii.

<sup>128</sup> Freymann, *One Belt One Road*, xvii.

<sup>129</sup> Wade Shepard, “Beijing to the World: Please Stop Saying OBOR,” *Forbes*, August 1, 2017, <https://www.forbes.com/sites/wadeshepard/2017/08/01/beijing-to-the-world-please-stop-saying-obor/?sh=21b656817d45>; Freymann, *One Belt One Road*, xvii.

<sup>130</sup> Nadège Rolland, *China’s Vision for a New World Order*, National Bureau of Asian Research Special Report no. 83 (Seattle: National Bureau of Asian Research, 2020), 40.

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missions and ensuring the safety of Chinese commercial shipping, but it also held enormous symbolic value.<sup>131</sup>

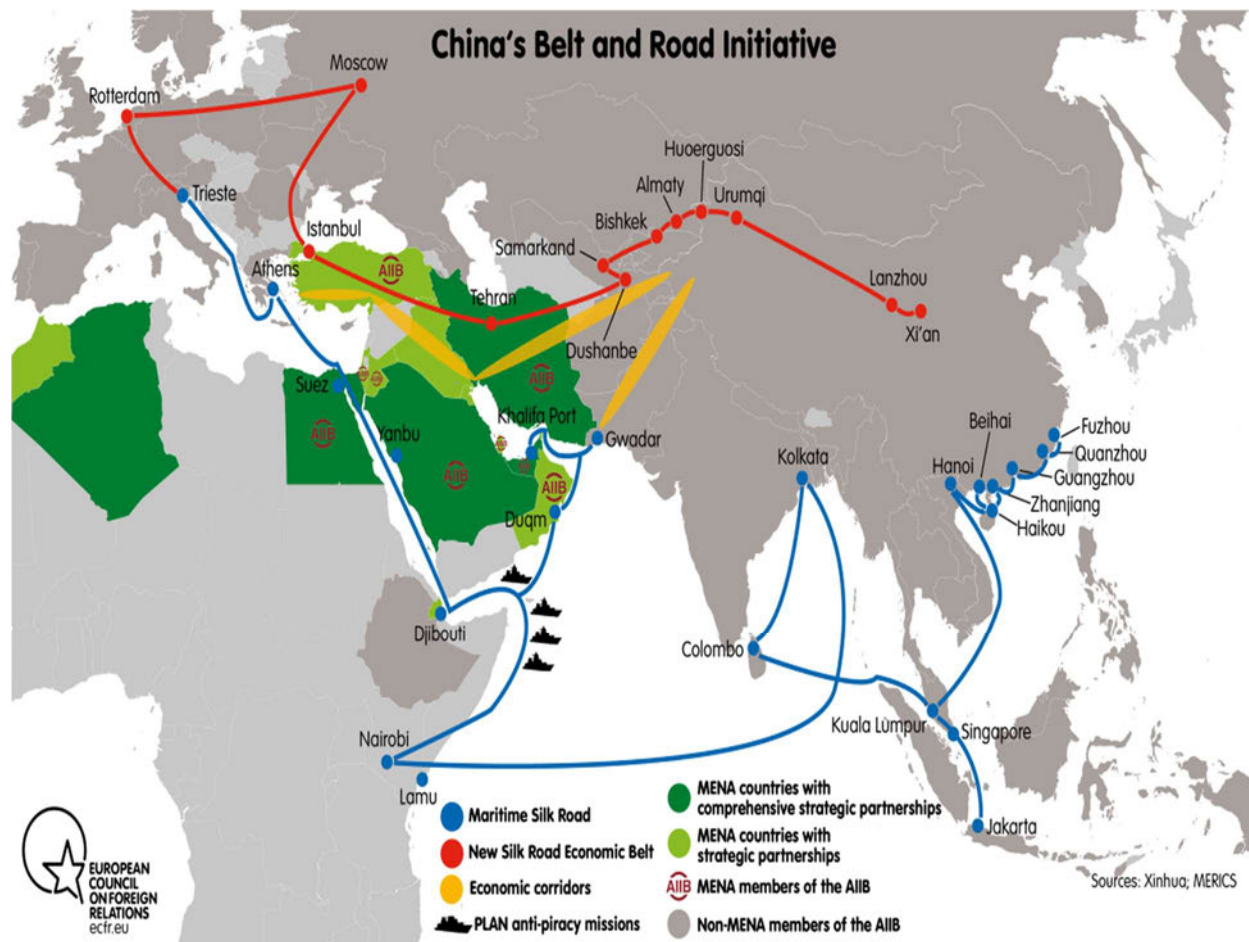


Figure 2.1. *Map of the Belt Road Initiative*. Map appeared in Jonathan Fulton et al., “China’s Great Game in the Middle East,” ed. Camille Lons, European Council on Foreign Relations, last modified October 22, 2020, [https://ecfr.eu/publication/china\\_great\\_game\\_middle\\_east/](https://ecfr.eu/publication/china_great_game_middle_east/).

Only a small portion of BRI projects are directly managed by the CCP, which often garner significant attention from the news media and receive attention from high-level CCP officials.<sup>132</sup> Most projects are executed through various Chinese SOEs and funded by state policy

<sup>131</sup> Tianhang Gao and Jing Lu, “The Impacts of Strait and Canal Blockages on the Transportation Costs of the Chinese Fleet in the Shipping Network,” *Maritime Policy & Management* 46, no. 6 (2019): 669, <https://doi.org/10.1080/03088839.2019.1594423>; Ahmed, *Djibouti Needs a Plan B for the Post-Guelleh Era*, Middle East Institute, October 26, 2021, <https://mei.edu/publications/djibouti-needs-plan-b-post-guelleh-era>.

<sup>132</sup> Freyemann, *One Belt One Road*, 11.

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banks.<sup>133</sup> Despite the decentralized management of BRI project companies, the SOEs are united in their respective desires to appease Xi and attract others to the benefits of China's partnerships.<sup>134</sup> Moreover, the absence of direct CCP management has the additional benefit of obscuring the extent to which the BRI is a top-down directed strategy with political objectives at the fore, as well as which projects the CCP considers primary over peripheral.<sup>135</sup>

In addition to its ambiguous project priorities, Beijing's total financial commitment to the BRI is also vague. Neither Xi nor any high CCP official has officially stated the total budget.<sup>136</sup> Public estimates of \$1.3 trillion are consolidated from reports of pledges from China's state-owned institutions such as the Silk Road Fund, the AIIB, and the China Development Bank.<sup>137</sup>

Determining the financing costs of BRI developments is also challenging because China often overstates the value of BRI projects by including constituent developments that have already been funded, as well as projected funding from unidentified private sector sources.<sup>138</sup> In broad terms of its most prominent projects, however, financing typically occurs directly between China and a partner government, and is then executed by respective SOEs.<sup>139</sup> Since Chinese SOEs do not release their financial statements, tracking the costs of projects is again

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<sup>133</sup> Freymann, *One Belt One Road*, 11.

<sup>134</sup> Freymann, *One Belt One Road*, 11.

<sup>135</sup> Freymann, *One Belt One Road*, 11.

<sup>136</sup> Nadège Rolland, *A Concise Guide to the Belt and Road Initiative*, backgrounder report (Washington, DC: The National Bureau of Asian Research, 2019), <https://www.nbr.org/publication/a-guide-to-the-belt-and-road-initiative/>.

<sup>137</sup> Rolland, *A Concise Guide to the Belt and Road Initiative*.

<sup>138</sup> Nadège Rolland, "A Guide to the Belt and Road Initiative."

<sup>139</sup> Freymann, *One Belt One Road: Chinese Power Meets the World*, 89.



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challenging.<sup>140</sup> Additionally, in cases where Chinese SOEs utilize “build-operate-transfer” agreements, profitability may not be known for several years.<sup>141</sup> Furthermore, recipient-nation leaders are complicit in this obfuscation, often out of concerns that criticizing the agreements with Beijing may lead to repercussions that diminish their domestic positions or threaten their relations with China.

While the precise terms of contractual financing between China and partner nations are often concealed, there is ample evidence that these agreements make extensive use of waivers of sovereign immunity, which remove the partner nation’s right to sue in a foreign court or pursue international arbitration.<sup>142</sup> Additionally, the contracts frequently stipulate that debt payment issues and financing extension requests are to be managed directly through consultation with the Chinese government and not through third-party arbitration.<sup>143</sup> Moreover, in addition to its debt leverage, the Chinese government utilizes foreign direct equity investments for its projects.<sup>144</sup>

The prospect of debt traps, in which sovereign states lose control of critical infrastructure used as collateral for unpaid debts, would indicate that countries would want to avoid economic entanglements with China, certainly after they recognize Beijing’s hegemonic intentions. However, many developing nations across Asia, Africa, and Latin America have signed onto the BRI.<sup>145</sup> This is not out of ignorance of the terms they are entering with China, so much as it is simply that beneficial for their leaders to gain China’s help in realizing near-term economic

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<sup>140</sup> Freymann, *One Belt One Road: Chinese Power Meets the World*, 89.

<sup>141</sup> Freymann, *One Belt One Road: Chinese Power Meets the World*, 89.

<sup>142</sup> Nadia Helmy, “The Future of Egyptian Debts to China,” *Modern Diplomacy*, August 23, 2022, <https://moderndiplomacy.eu/2022/08/25/the-future-of-egyptian-debts-to-china/>.

<sup>143</sup> Helmy, “The Future of Egyptian Debts to China.”

<sup>144</sup> Helmy, “The Future of Egyptian Debts to China.”

<sup>145</sup> Freymann, *One Belt One Road*, 19.

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gains, support from domestic populations, and power over rivals and international organizations.<sup>146</sup>

Overall, the BRI is a popular initiative that is continuing to grow. Although only ten countries signed BRI agreements within its first two years, as of 2023 the initiative has grown to 149 partner nations and 32 international organizations that include over two-thirds of the world's population and 40 percent of the global gross domestic product (GDP), and it comprises known projects valued at \$890 billion.<sup>147</sup> This political success is rooted in Xi's notion that "development holds the master key to all problems," and it leverages Beijing's relative strengths with partner-nation development strategies to promote short-term benefits to member countries regardless of their domestic or ideological policies.<sup>148</sup> In this respect, while partner nations' signatures on BRI documents relay adherence to the BRI concept, they also affirm China's position as the senior partner in a growing Sinocentric global order.<sup>149</sup>

### China's Interest in the Middle East

In the decades following its founding in 1949, Beijing's interests in the Middle East were primarily politically-motivated, with prioritization on obtaining international recognition by separating Taiwan from the global community and promoting the PRC as an alternative to the

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<sup>146</sup> Freymann, *One Belt One Road*, 19.

<sup>147</sup> Andrew Chatzky and James McBride, "China's Massive Belt and Road Initiative," Council on Foreign Relations, May 21, 2019, <https://www.cfr.org/backgrounder/chinas-massive-belt-and-road-initiative>; David Sacks and Jennifer Hillman, "Countries in China's Belt and Road Initiative: Who's In And Who's Out," Council on Foreign Relations, March 24, 2021, <https://www.cfr.org/blog/countries-chinas-belt-and-road-initiative-whos-and-whos-out>; Christoph Nedopil, "Countries of the Belt and Road Initiative (BRI)," Green Finance & Development Center, March 2023, <https://greenfdc.org/countries-of-the-belt-and-road-initiative-bri/>.

<sup>148</sup> Xi Jinping, "Work Together to Build the Belt and Road," essay, in *The Governance of China* (Beijing: Foreign Languages Press Company Limited, 2017), 559; Rolland, *China's Vision for a New World Order*, 40; Freymann, *One Belt One Road: Chinese Power Meets the World*, 12.

<sup>149</sup> Freymann, *One Belt One Road: Chinese Power Meets the World*, 12; <sup>149</sup> Rolland, *China's Vision for a New World Order*, 40.

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then-Soviet Union and the United States.<sup>150</sup> To achieve this influence, Beijing used its economic interests to realize political gains, for example, by purchasing cotton in 1953 from Egypt even though it did not need the commodity.<sup>151</sup> This conciliatory engagement began to change at the Bandung Conference in Indonesia in 1955, when China's Prime Minister Zhou Enlai and Egyptian President Gamal Abdel Nasser established a close friendship.<sup>152</sup> During the meeting, they reached a general policy of cooperation, announcing plans based on economics and trade, in which they would first set up business representative offices with each other and gradually normalize relations between the two countries.<sup>153</sup> This relationship contributed to a pivot in Chinese foreign policy from a previously pro-Israel position to pro-Arab, ultimately resulting in Egypt becoming the first Arab nation to recognize the PRC in 1956. This Egyptian move, in turn, persuaded Syria, Yemen, Iraq, and Morocco to follow with their own diplomatic recognitions.<sup>154</sup>

In contrast, the Gulf Cooperation Council (GCC) nations initially viewed China as an exporter of revolutionary and communist ideology, which drew scorn from the Arab Gulf monarchs.<sup>155</sup> Additionally, these royals disliked Beijing's support for non-state actors such as the

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<sup>150</sup> Sarah Kaiser-Cross and Yufeng Mao, "China's Strategy in the Middle East and Arab World," in *China Steps Out: Beijing's Major Power Engagement with the Developing World*, ed. Joshua Eisenmann and Eric Heginbotham (New York: Routledge, 2018), 171.

<sup>151</sup> Kaiser-Cross and Mao, "China's Strategy in the Middle East and Arab World," 171, 173.

<sup>152</sup> Duan Jiuzhou, "China-Egypt Relations during the BRI Era and Beyond," in *Routledge Handbook on China - Middle East Relations*, ed. Jonathan Fulton (Abingdon, Oxon: Routledge, 2022), 126.

<sup>153</sup> Jiuzhou, "China-Egypt Relations during the BRI Era and Beyond," 126.

<sup>154</sup> Kaiser-Cross and Mao, "China's Strategy in the Middle East and Arab World," 173; Jiuzhou, "China-Egypt Relations during the BRI Era and Beyond," 126.

<sup>155</sup> Jonathan Fulton, "China-UAE Relations in the Belt and Road Era," *Journal of Arabian Studies* 9, no. 2 (March 2019): 255, <https://doi.org/10.1080/21534764.2019.1756135>.

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Palestinian fedayeen groups and the separatist movement in Oman during the 1960s.<sup>156</sup> Yet, with the exit of the British from the Arabian Peninsula on the one hand and China's gradual end of materiel support to these terrorist and insurgent groups on the other, several Arab Gulf states turned to economic engagement with the PRC.<sup>157</sup> Many regional monarchs responded to the slow paradigm shift of the 1970s and 80s with diplomatic recognition, aiding China's taking of Taiwan's seat at the United Nations in 1971. This required a two-thirds majority (76 affirmative votes, 35 against, and 17 abstentions), though China was already a permanent member of the UN Security Council.<sup>158</sup> The notable exception to this *détente* was Saudi Arabia, which did not establish diplomatic relations with the PRC until 1990 and was the only Arab nation to vote against the PRC's accession to the UN.<sup>159</sup>

While not all Arab Gulf countries were enthusiastic about relations with the PRC, especially given its support to both sides of the Iran-Iraq War, Oman in particular hoped to build relations in order to influence the PRC's regional activities toward its policies.<sup>160</sup> In this regard, Muscat pledged to encourage all the Gulf rulers to recognize the PRC in exchange for Beijing's political endorsement of Arab policies.<sup>161</sup> From Oman's initial effort, regional diplomatic synergies grew throughout the 1980s, climaxing with President Yan Shangkun's visits to Egypt,

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<sup>156</sup> Fulton, "China-UAE Relations in the Belt and Road Era," 255.

<sup>157</sup> Fulton, "China-UAE Relations in the Belt and Road Era," 256.

<sup>158</sup> Kaiser-Cross and Mao, "China's Strategy in the Middle East and Arab World," 175.

<sup>159</sup> Fulton, "China-UAE Relations in the Belt and Road Era," 255-256.

<sup>160</sup> Fulton, "China-UAE Relations in the Belt and Road Era," 256.

<sup>161</sup> Fulton, "China-UAE Relations in the Belt and Road Era," 256.

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Kuwait, and Oman in 1989.<sup>162</sup> These were the PRC's first diplomatic engagements after the Tiananmen Square Massacre, and Beijing knew it would garner a favorable reception in the Middle East, where no leaders had been critical of the event.<sup>163</sup>

Contemporary relations between China and the GCC nations have continued to benefit all parties mutually. As the world's largest oil importer, China relies on the GCC for nearly 40 percent of its annual imports.<sup>164</sup> Moreover, China's BRI plans align well with the GCC countries' "Vision" plans for long-term economic development.<sup>165</sup> Beijing also gains favor from the GCC through its "friends with everyone" diplomatic approach that eschews political entanglements for monetary gains.<sup>166</sup>

*China's Arab Policy*

Despite its history of engagement within the region, China did not officially codify its policy on the Middle East until 2016, commemorating the 60th anniversary of diplomatic relations with Arab countries, of which Egypt was the first in 1956.<sup>167</sup> The Arab Policy Paper that China issued linked China's past to the Middle East through the ancient Silk Road trade routes, and emphasized past cooperation and mutual benefit between the respective regions.<sup>168</sup>

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<sup>162</sup> Yitzah Shichor, "China and the Middle East since Tiananmen," *The Annals of the American Academy of Political and Social Science* 519, no. 1 (1992): 89, <https://doi.org/10.1177/0002716292519001007>.

<sup>163</sup> Shichor, "China and the Middle East since Tiananmen," 89.

<sup>164</sup> "China Surpassed the United States as the World's Largest Crude Oil Importer in 2017," Energy Information Administration, accessed February 20, 2023, <https://www.eia.gov/todayinenergy/detail.php?id=37821>; "Crude Petroleum in China."

<sup>165</sup> Jonathan Fulton, "China-Saudi Arabia Relations through the '1 + 2+3' Cooperation Pattern," *Asian Journal of Middle Eastern and Islamic Studies* 14, no. 4 (January 2020): 527, doi:10.1080/25765949.2020.1841991.

<sup>166</sup> Jonathan Fulton, "China between Iran and the Gulf Monarchies," *Middle East Policy* 28, no. 3-4 (2021): pp. 203-216, doi:10.1111/mepo.12589.

<sup>167</sup> Kaiser-Cross and Mao, "China's Strategy in the Middle East and Arab World," 175.

<sup>168</sup> Xinhua News Agency, "China's policy paper on Arab countries."

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Moreover, the document affirmed China's endorsement of Arab sovereignty, including Palestine, in congruence with its Five Principles of Peaceful Coexistence.<sup>169</sup> Furthermore, the policy championed Arab nations' right to choose development paths suited to their respective conditions, which aligned with many of the countries' own development initiatives and the 2030 United Nations Sustainable Development Goals.<sup>170</sup> It further outlined the current priority for Beijing's Middle East engagement by articulating a diplomatic framework of partnerships with Arab countries to promote the BRI through a "1+2+3" cooperation pattern, where "1" reflects China's energy interests, "2" represents economic exchange and infrastructure development, and "3" embodies breakthroughs in nuclear, space, and new energy sources.<sup>171</sup> Finally, the paper solicited Arab nations to join the Asian Infrastructure Investment Bank (AIIB), which Egypt was the first in the region to do and is the first Arab nation member to obtain an AIIB loan.<sup>172</sup>

Furthermore, commensurate with China's increasing global ambitions, the levels of regional partnerships are indicative of the current and future expectations that Beijing expects from the Middle East.<sup>173</sup> This is particularly salient since China is apprehensive about creating CSPs, requiring extensive political and economic relations as well as engagement in other sectors.<sup>174</sup> Therefore, given that the majority of its regional partnership agreements have been

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<sup>169</sup> Xinhua News Agency, "China's policy paper on Arab countries."

<sup>170</sup> "Transforming Our World: The 2030 Agenda for Sustainable Development," United Nations Department of Economic and Social Affairs, accessed May 4, 2023, <https://sdgs.un.org/2030agenda>.

<sup>171</sup> Jonathan Fulton, "China-UAE Relations in the Belt and Road Era," *Journal of Arabian Studies* 9, no. 2 (March 2019): 264, doi:10.1080/21534764.2019.1756135.

<sup>172</sup> Degang Sun and Ruike Xu, "China and Egypt's Comprehensive Strategic Partnership in the XI-Sisi Era: A 'Role Theory' Prism," *Mediterranean Politics*, (March 2022), 13, <https://doi.org/10.1080/13629395.2022.2035139>.

<sup>173</sup> Georg Strüver, "China's Partnership Diplomacy: International Alignment Based on Interests or Ideology," *The Chinese Journal of International Politics* 10, no. 1 (2017): 45, doi:10.1093/cjip/pow015.

<sup>174</sup> Strüver, "China's Partnership Diplomacy," 45.

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signed within the last decade of BRI implementation, including many CSPs, the Middle East represents a growing strategic area for China.

Table 2.2. China's Partnership Levels

Country	Partnership Level	Year Signed
Algeria	Comprehensive Strategic Partnership	2014
Djibouti	Strategic Partnership	2017
Egypt	Comprehensive Strategic Partnership	2014
Iran	Comprehensive Strategic Partnership	2016
Iraq	Strategic Partnership	2015
Jordan	Strategic Partnership	2015
Kuwait	Strategic Partnership	2018
Morocco	Strategic Partnership	2016
Oman	Strategic Partnership	2018
Qatar	Strategic Partnership	2014
Saudi Arabia	Comprehensive Strategic Partnership	2016
Turkey	Strategic Partnership	2010
United Arab Emirates	Comprehensive Strategic Partnership	2018

Source: Data from Jonathan Fulton, *China's Changing Role in the Middle East* (Washington, DC: Atlantic Council, 2019), 4, Table 2.

### Rousing the Dragon: China's Realist Approach

As the United States seeks to reduce its regional footprint with less reliance on Middle Eastern oil and an end to decades of costly military conflict, China's strategic involvement with the region continues to grow.<sup>175</sup> Beijing's pragmatic cultivation of relations with all major nations without directly challenging U.S. interests has thus far kept Beijing free from political entanglements, allowing it to focus on its economic rise.<sup>176</sup> In this regard, over the last twenty years, China's trade in the Middle East has significantly risen, particularly in recent years,

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<sup>175</sup> Henrik Stålhane Hiim and Stig Stenslie, "China's Realism in the Middle East," *Survival* 61, no. 6 (2019): 153, doi:10.1080/00396338.2019.1688578.

<sup>176</sup> Henrik Stålhane Hiim and Stig Stenslie, "China's Realism in the Middle East," 156.

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increasing from \$180 billion in 2019 to \$259 billion in 2021.<sup>177</sup> Conversely, area trade with the United States fell from \$120 billion in 2019 to \$82 billion in 2021.<sup>178</sup> Moreover, China has become the largest trading partner for most of the Middle East. The region is also crucial for guaranteeing Beijing's energy security. China currently imports 65 percent of its oil and is projected to increase this deficit to 90 percent by 2030.<sup>179</sup> China's foreign direct investments are the largest in the Arab world.<sup>180</sup> In contrast to the mergers and acquisitions that predominate with Western business relationships in the region, many Chinese investments are "greenfield," run by Chinese firms.<sup>181</sup>

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<sup>177</sup> Amr Hamzawy, "The Potential Inroads and Pitfalls of China's Foray into Middle East," Carnegie Endowment for International Peace, March 20, 2023, <https://carnegieendowment.org/2023/03/20/potential-inroads-and-pitfalls-of-china-s-foray-into-middle-east-diplomacy-pub-89316>.

<sup>178</sup> Hamzawy, "The Potential Inroads and Pitfalls of China's Foray into Middle East."

<sup>179</sup> Hiim and Stenslie, "China's Realism in the Middle East," 155.

<sup>180</sup> Hiim and Stenslie, "China's Realism in the Middle East," 155.

<sup>181</sup> Hiim and Stenslie, "China's Realism in the Middle East," 156; James Chen, "Why a Green-Field Investment Appeals to Companies," Investopedia, May 4, 2023, <https://www.investopedia.com/terms/g/greenfield.asp>.



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Source: ChinaMed Middle East and ChinaMed North Africa.

Figure 2.2. *China's Top Regional Trading Partners*. Hamzawy, "The Potential Inroads and Pitfalls of China's Foray into the Middle East."

From a geostrategic competition standpoint, Western involvement in the Middle East has inhibited its greater deployment in the Asia-Pacific region.<sup>182</sup> Additionally, the Global War on Terror (GWOT) and its accompanying regional U.S. military activities have reduced China's security costs, permitting it to increase its force projection capabilities incrementally and avoid attracting attention.<sup>183</sup> However, this regional dynamic may, at last, be ending as the United States pivots to Asia.

<sup>182</sup> Hiim and Stenslie, "China's Realism in the Middle East," 156.

<sup>183</sup> Hiim and Stenslie, "China's Realism in the Middle East," 159.

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*Sino-Muslim Relations*

Concerns for Beijing also arise in terms of its international image and global public opinion, considering that 27 of its BRI partner nations have Muslim majorities.<sup>184</sup> In this respect, China's policy of repression of its Turkic Muslim Uyghurs has resulted in the detention of over 1 million Uyghurs in Xinjiang province between 2017-2019.<sup>185</sup> These Muslims have endured forced labor, torture, and calls from the CCP to renounce their Islamic beliefs in exchange for release, with some escaping to places like Turkey where they have sought political refuge and given interviews with Islamic media outfits.<sup>186</sup> The response to the plight of the Uyghurs from governments in the larger Muslim world has largely been tacit acceptance by many and even quiet endorsement by Arab Gulf powers like Saudi Arabia and the United Arab Emirates, which appear to support China's policy under the auspices of countering terrorism.<sup>187</sup>

In contrast to the Uyghur Muslims, China uses its Hui Muslims, who are ethnically and culturally like China's ethnic-majority Han people, as its model of a proper law-abiding Muslim community in shaping its relations with Islamic governments abroad.<sup>188</sup> In this respect, the CCP permits the Hui to preserve their religious identity and use the Arabic language, build mosques

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<sup>184</sup> Nabil Baydoun, Syed Aziz Anwar, and M. Sadiq Sohail, "The Perceived Determinants of Islamic Finance for China's Belt and Road Initiative," 21.

<sup>185</sup> Thomas Lum and Michael A. Weber, China Primer: Uyghurs, CRS Report No. IF10281 (Washington, DC: Congressional Research Service, 2023), <https://crsreports.congress.gov/product/pdf/IF/IF10281>.

<sup>186</sup> Lum and Weber, China Primer.

<sup>187</sup> Lucille Greer and Bradley Jardine, "The Chinese Islamic Association in the Arab World: The Use of Islamic Soft Power in Promoting Silence on Xinjiang," Middle East Institute, July 14, 2020, <https://www.mei.edu/publications/chinese-islamic-association-arab-world-use-islamic-soft-power-promoting-silence>.

<sup>188</sup> James D. Frankel, "Chinese-Islamic Connections: An Historical and Contemporary Overview," *Journal of Muslim Minority Affairs* 36, no. 4 (2016): 573, <https://doi.org/10.1080/13602004.2016.1248175>.

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and partake in Chinese Islamic Association-approved Hajj travel, all in order to mitigate criticism for the treatment of the Uyghurs and project China's image as a supporter of Muslims.<sup>189</sup> Comparatively, Arab powers like Saudi Arabia utilize the Hui to divert attention from the Uyghurs by capitalizing on the CCP's permission to supply Quran-based curriculum to Hui schools and funding for Hui mosques, which is notably forbidden to the Uyghurs.<sup>190</sup> Despite Beijing's concern with foreign influence, this cross-regional synergy is also exemplified by the annual Hui-brokered China-Arab States Economic Trade Forum and Halal food festival.<sup>191</sup>

Perhaps the greatest benefit of the Hui in Sino-Arab relations is their capacity as trustworthy interlocutors between Chinese companies and the Arab states.<sup>192</sup> For example, the Hui, who represent 10 percent of the Chinese population living in Dubai, are critical nodes for mediating business disputes and deconflicting cultural conflicts between Chinese nationals and Emirati citizens, thereby reducing the gap that emerges between non-official interactions among local entities and the official diplomatic exchanges between states.<sup>193</sup> While these relationships are necessary to facilitate regional BRI projects, reflecting over \$120 billion in investments, economics alone is not the Hui's only role in Chinese diaspora communities.<sup>194</sup> They also serve

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<sup>189</sup> Michael R. Auslin, "The Long Encounter: China and Islam's Irreconcilable Tensions," Hoover Institution (October 9, 2018): <https://www.hoover.org/research/long-encounter-china-and-islams-irreconcilable-tensions>.

<sup>190</sup> Frankel, "Chinese-Islamic Connections, 581; Jörg Friedrichs, "Sino-Muslim Relations," 63.

<sup>191</sup> Friedrichs, "Sino-Muslim Relations," 67.

<sup>192</sup> Auslin, "The Long Encounter: China and Islam's Irreconcilable Tensions,"

<sup>193</sup> Yuting Wang, "The Making of China's 'Good Muslims': From Middleman Minority to Cultural Ambassadors," *China Review* 18, no. 4 (2018): 134, <https://www.jstor.org/stable/26535094>.

2. Wang, "The Making of China's 'Good Muslims'," 150.

<sup>194</sup> "China Global Investment Tracker, American Enterprise Institute," accessed April 10, 2023, <https://www.aei.org/china-global-investment-tracker/>.

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as CCP soft power influencers in terms of how clerics, scholars, and philanthropists help advance the narrative that Chinese people are good citizens with the local Muslim populations.<sup>195</sup>

*China's Islamist Threat*

Relative to the United States and its regional allies such as Saudi Arabia, China has historically been a lesser priority for Islamist militant groups like Al Qaeda and the Islamic State in Syria and Iraq (ISIS).<sup>196</sup> Terror attacks on Chinese interests have largely been incidental, though there is an increasing shift in Islamists' anti-China rhetoric.<sup>197</sup> Both militant organizations have released statements threatening China over its treatment of Uyghurs and Muslims overall, though again, neither has conducted significant attacks against China.<sup>198</sup>

In Afghanistan, for example, the increasing anti-China position there is fueling Beijing's fears that Uyghurs might train in camps in the Central Asian states and launch attacks in China, which is driving China's need for assurances from the Taliban that it will prevent any such attacks.<sup>199</sup> Hoping to capitalize on BRI economic gains, the Taliban has stated that it would "not allow anyone to use Afghan soil against China."<sup>200</sup> This potentially places Afghanistan's 2,000 resident Uyghurs in a state of heavy monitoring and repression under the Taliban. The ISIS

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<sup>195</sup> Wang, "The Making of China's 'Good Muslims'," 150.

<sup>196</sup> Raffaello Pantucci, "How China Became Jihadis' New Target," Foreign Policy, November 22, 2021, <https://foreignpolicy.com/2021/11/22/china-jihadi-islamist-terrorism-taliban-uyghurs-afghanistan-militant-groups/>; Riccardo Valle and Lucas Webber, "The Historical Evolution of al-Qaeda's Positions on China," Hudson Institute, December 15, 2021, <https://www.hudson.org/national-security-defense/the-historical-evolution-of-al-qaeda-s-positions-on-china>.

<sup>197</sup> Pantucci, "How China Became Jihadis' New Target."

<sup>198</sup> Pantucci, "How China Became Jihadis' New Target."

<sup>199</sup> Emily Feng, "China's Support for the Taliban Could Complicate Its Relationship with Afghanistan's Uyghurs," NPR, October 15, 2021, <https://www.npr.org/2021/10/15/1042399659/china-taliban-afghanistan-uyghurs>.

<sup>200</sup> Joel Gunter, "Afghanistan's Uyghurs Fear the Taliban, and Now China Too," BBC News, August 26, 2021, <https://www.bbc.com/news/world-asia-58342790>.

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affiliate in the “Khorasan Province” (i.e. ISIS-K) has used this situation for propaganda, lambasting the Taliban’s supplication to China and promoting itself as a place for Uyghurs angered by China’s treatment of Muslim minorities.<sup>201 202</sup> Furthermore, as ISIS-K welcomes Uyghurs into its ranks, there is evidence that this recruitment tactic is working. For example, after the 2021 ISIS-K bombing of a Kunduz province mosque that killed fifty people, the group stated that “the attacker was one of the Uyghur Muslims the Taliban has promised to deport in response to the demands from China and its policy against Muslims there.”<sup>203</sup>

While China possesses a robust military complex, it has limited experience engaging in counterterrorism operations, generally relying on host nation forces to conduct such operations on China’s behalf.<sup>204</sup> In this respect, the consequences of this attack highlight pivotal issues in its relations with the Muslim world. First, the attack showcases host governments’ inability to protect minorities in the countries they claim to rule.<sup>205</sup> Second, Beijing’s oppression of Uyghurs is soliciting increasingly violent responses from Islamist groups. Third, these groups are achieving success in recruiting Uyghurs to conduct the very attacks that Beijing fears.<sup>206</sup>

*China’s Security Responses*

Considering that 555,000 Chinese nationals now live in the Middle East, approximately ten percent of China’s expatriate population, it is notable that the weak security provided by foreign partners has on several occasions forced Beijing to conduct overseas evacuations of its

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<sup>201</sup> Pantucci, “How China Became Jihadis’ New Target.”

<sup>202</sup> Pantucci, “How China Became Jihadis’ New Target.”

<sup>203</sup> Pantucci, “How China Became Jihadis’ New Target.”

<sup>204</sup> Pantucci, “How China Became Jihadis’ New Target.”

<sup>205</sup> Pantucci, “How China Became Jihadis’ New Target.”

<sup>206</sup> Pantucci, “How China Became Jihadis’ New Target.”

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nationals.<sup>207</sup> Amid riots and natural disasters, this has been traditionally accomplished through chartered flights for evacuees numbering in the hundreds, with the 2008 earthquake in Bangkok and the 3,346 Chinese nationals in place representing the largest evacuation achieved solely with charter aircraft.<sup>208</sup> All that changed with the onset of the 2011 Arab Spring in Libya, where riots prompted the evacuation of 35,800 Chinese nationals.<sup>209</sup> This event marked the first occasion in which China utilized its naval and air force assets, diverting them from anti-piracy operations in the Gulf of Aden.<sup>210</sup> This led President Hu Jintao to prioritize China's overseas nationals as a diplomatic priority in his report to the 18th National Party Congress.<sup>211</sup>

When the Arab Spring destabilized nations across the Middle East, China conducted additional evacuations in Egypt and Syria.<sup>212</sup> Moreover, as ISIS began its militant campaign, Beijing evacuated 10,000 people from northern Iraq.<sup>213</sup> Furthermore, at the outbreak of the Yemeni Civil War in 2015, as Western nations were closing their embassies and requiring their respective citizens to clear the volatile security environment themselves, under Xi's direct orders China dispatched two People's Liberation Army Navy (PLAN) frigates that had been conducting anti-piracy escort missions in the waters of the Gulf of Aden and Somalia.<sup>214</sup> Along with two supply ships, this fleet transported 579 Chinese nationals and 279 personnel from fifteen nations

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<sup>207</sup> Hiim and Stenslie, "China's Realism in the Middle East," 156.

<sup>208</sup> James M. Dorsey, *China and the Middle East: Venturing into the Maelstrom* (Basingstoke: Palgrave Macmillan, 2019), 200.

<sup>209</sup> Dorsey, *China and the Middle East*, 200.

<sup>210</sup> Dorsey, *China and the Middle East*, 199.

<sup>211</sup> Dorsey, *China and the Middle East*, 199.

<sup>212</sup> Dorsey, *China and the Middle East*, 200.

<sup>213</sup> Zachary Keck, "China's Deafening Silence on Iraq," *The Diplomat*, June 21, 2014, <https://thediplomat.com/2014/06/chinas-deafening-silence-on-iraq/>.

<sup>214</sup> "Noncombatant Evacuation Operation," *GlobalSecurity.org*, accessed May 16, 2023, <https://www.globalsecurity.org/military/world/china/neo.htm>.

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to its Djibouti port.<sup>215</sup> This marked the first time China used its warships stationed in foreign ports for actual overseas operations.<sup>216</sup>

As China's military strength has increased in the Xi era, Chinese foreign policy has gradually shifted from its socialist principle of non-interference abroad without regard to security issues to a strategy that articulates its overseas presence in terms of pursuing the mid-century ambition of possessing a preeminent military force.<sup>217</sup> Moreover, considering the lessons of its Arab Spring evacuations amid its increasing regional economic footprint, we can gain some insight into how China's own rules on crisis intervention provide lessons for future crisis interventions. Article 71 of China's first counterterrorism law that was passed in 2015 states: "The Chinese People's Liberation Army...may assign people to leave the country on counterterrorism missions approved by the Central Committee."<sup>218</sup> Notably, the 2014 draft of the law included a clause omitted from the final version that stated these operations would result from a process of "agreements reached with relevant countries" – agreements to be enacted by the Chinese National Party Congress.<sup>219</sup> While not necessarily an indicator of unilateral action, the law does apply the stance that China will not tolerate threats to its interests.

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<sup>215</sup> GlobalSecurity.org, "Noncombatant Evacuation Operation."

<sup>216</sup> GlobalSecurity.org, "Noncombatant Evacuation Operation."

<sup>217</sup> Rush Doshi, *The Long Game: China's Grand Strategy to Displace American Order* (New York: Oxford University Press, 2021), 31.

<sup>218</sup> Mathieu Duchatel, "Overseas Military Operations in Belt and Road Countries," essay, in *Securing the Belt and Road Initiative China's Evolving Military Engagement Along the Silk Roads*, ed. Nadege Rolland (Washington, DC: NBR, 2019), 10, [https://www.nbr.org/wp-content/uploads/pdfs/publications/sr80\\_securing\\_the\\_belt\\_and\\_road\\_sep2019.pdf](https://www.nbr.org/wp-content/uploads/pdfs/publications/sr80_securing_the_belt_and_road_sep2019.pdf).

<sup>219</sup> Duchatel, "Overseas Military Operations in Belt and Road Countries," 10.

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China's past behaviors may indicate how this future this use of force will be manifested.<sup>220</sup> The first approach will likely be to build more bases like its naval base in Djibouti. This is consistent with the Chinese Ministry of Foreign Affairs' insistence that overseas bases will be constructed as needed to protect Beijing's interests.<sup>221</sup> The second approach will likely be military cooperation, somewhat akin to the Quadrilateral Cooperation and Coordination Mechanism (QCCM) that has permitted Chinese troops to be deployed to participating Central Asian states for counterterrorism missions.<sup>222</sup> The last approach will likely mirror China's actions in Syria, where even though hundreds of Uyghurs are fighting with ISIS and Al-Qaeda groups to the detriment of Beijing's interests, China is free-riding on the gamble that Russia and the Syrian regime will defeat foreign fighters, thereby limiting the Chinese government's role to one of simply advising and intelligence collection.<sup>223</sup>

## Conclusion

China believes the West is in decline and now is the time to realize the dream of rejuvenation. Under Xi, China views it as advantageous to end its hide-and-bide strategy and use its instruments of national power to re-position itself as the global hegemon while undermining America's leadership over the international order.<sup>224</sup> With ambitions to create a new paradigm of international relations and build a community with a shared future, Beijing has invested nearly \$900 billion in over 100 countries. This represents an immense economic and political commitment to reshaping the global order. Moreover, through its growing strategic partnerships

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<sup>220</sup> Duchatel, "Overseas Military Operations in Belt and Road Countries," 12.

<sup>221</sup> Duchatel, "Overseas Military Operations in Belt and Road Countries," 12.

<sup>222</sup> Duchatel, "Overseas Military Operations in Belt and Road Countries," 13.

<sup>223</sup> Duchatel, "China's Foreign Fighters Problem," War on the Rocks, January 28, 2019, <https://warontherocks.com/2019/01/chinas-foreign-fighters-problem/>; Duchatel, "Overseas Military Operations in Belt and Road Countries," 14.

<sup>224</sup> Rush Doshi, *Long Game*, 15.



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rooted in development assistance, the BRI displays China's increasing global popularity in an era of strategic competition. By comparison, the American-led global order that promotes security agreements, transparent international institutions, and democratic ideals is losing ground in countries that desire China's development model. This shift may eventually tip the balance of the international order in China's favor.

With respect to the Middle East, like-minded leaders who value the BRI's synergies with their domestic agendas have become high-level partners with Beijing and have made China the region's top trading partner. Additionally, as the American military and economic presence is in decline, China's increasing reliance on Middle Eastern oil and Foreign Direct Investment suggest an enduring obligation to the region. Furthermore, to bolster its economic position, the CCP's use of the Hui as an instrument of diplomatic and economic statecraft has further benefitted Beijing's strategic goals. These Sino-Muslim interlocutors have also provided an outlet for Arab nations' engagement with China, helping to mitigate their silence on the CCP's treatment of the Uyghurs.

Yet, as the United States pivots from the Middle East to the Indo-Pacific, China is increasingly becoming a target for Islamic militant groups. With considerable investments at stake, China has demonstrated the ability and resolve to secure its interests with force. Although China has displayed behaviors of free-riding and cooperation to guarantee its security, high-value BRI projects have garnered greater military engagement. Moreover, as regional governments struggle to provide security for growing priority areas, increased Chinese military presence is likely to follow.

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### CHAPTER 3

#### What Does Egypt Want?

##### *Overview*

Following upon the assessment in the last chapter of China's overall foreign policy and how the Middle East aids Beijing's quest for national rejuvenation and global prominence, this chapter will examine the country of Egypt as a strategic linchpin in Beijing's strategy. By examining Egypt's goals and its issues in attaining them, this look at how Beijing responds to Cairo's needs is critical in determining Egypt's importance to China's overall strategy. Moreover, aside from mutually beneficial economic engagement, a glimpse into the ideological similarities between Chinese and Egyptian leadership will further highlight factors of convergence between the two nations – factors that the United States cannot easily accommodate. Consequently, this chapter will focus heavily on Egypt's economic endeavors in pursuit of its Vision 2030 development initiative, as well as its financial struggles. By way of conclusion, this chapter will summarize Egypt's relationship with the United States and how that relationship compares with China's level of engagement in this era of strategic competition, along with the implications for U.S.-Egyptian relations.

##### **Goals and Issues**

##### *Egypt's Vision 2030*

Since the Arab Spring uprising of 2011, the Egyptian economy has declined, with official unemployment rates as high as 13.4 percent and unofficial rates perhaps double.<sup>225</sup> At first, President El-Sisi refused to accept the reality of a highly uncompetitive private sector and a bloated and inefficient public sector, proposing several megaprojects that held out the illusory

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<sup>225</sup> David K. Bohl et al., "Sustainable Development Goals Report: Egypt 2030" United Nations Development Programme, November 2018, <https://www.undp.org/egypt/publications/sustainable-development-goals-report-egypt-2030>, 9.

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appeal of attracting FDI and tourist dollars. More recently, however, Cairo requested financing from the International Monetary Fund (IMF) to strengthen its macroeconomic position while also committing to a package of reforms including increasing taxes, decreasing energy subsidies, and allowing the Egyptian pound to become a floating currency.<sup>226</sup> Elements of this arrangement with the IMF were first proposed in an effort secure \$12 billion in loans in 2016, but Egyptian government hesitancy and reluctance at implementation dragged out the process for several years. In this respect, it is important to note that Egypt has some agency in the negotiations, as the conditionalities involved in IMF loans leave most of the control over policy and implementation in the hands of the borrowing nation.<sup>227</sup>

Egypt has an alternative approach to policy reform, and that is commonly known as Egypt's "Vision 2030." This domestic agenda aligns with the United Nation's Sustainable Development Goals to advance Egypt as a regional leader in economic growth, social development, fighting corruption, and climate sustainability.<sup>228</sup> Additionally, Vision 2030's megaprojects were intended to partially mitigate unemployment issues for Egypt's population.<sup>229</sup> Already the largest population in the Arab world at 105 million, Egypt is expected to grow 30 percent by 2030, creating the need for between 700,000 to one million jobs annually for new

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<sup>226</sup> Christine Lagarde, "IMF Executive Board Approves U.S. \$12 Billion Extended Arrangement under the Extended Fund Facility for Egypt," Press Release No. 16/501, November 11, 2016, <https://www.imf.org/en/News/Articles/2016/11/11/PR16501-Egypt-Executive-Board-Approves-12-billion-Extended-Arrangement>.

<sup>227</sup> "IMF Conditionality," International Monetary Fund, February 22, 2021, <https://www.imf.org/en/About/Factsheets/Sheets/2016/08/02/21/28/IMF-Conditionality#:~:text=When%20a%20country%20borrows%20from,able%20to%20repay%20the%20IMF>.

<sup>228</sup> "President El Sisi Unveils 'Egypt Vision 2030' Sustainable Development Strategy," Embassy of Egypt, Washington DC, February 24, 2016, <https://egyptembassy.net/news/news/president-el-sisi-unveils-egypt-vision-2030-sustainable-development-strategy/>.

<sup>229</sup> Sean Mathews, "The Competition for Egypt: China, the West, and Megaprojects," Al Jazeera, March 15, 2021, <https://www.aljazeera.com/news/2021/3/15/the-competition-for-egypt-china-the-west-and-mega-projects>.

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entrants into the labor force.<sup>230</sup> Ultimately, President El-Sisi hopes to raise Egypt's status to among the world's top 30 countries by gross domestic product (GDP).<sup>231</sup> While the results are still at a nascent stage, the United Nations assesses that while Egypt has many challenges to overcome across a variety of sectors to achieve its Vision 2030 objectives, "by implementing widespread and strategic policies today, Egypt has the potential to bring about transformative and lasting change."<sup>232</sup>

### *Megaprojects and Debt*

After years of protecting its state-owned and military enterprises in the pursuit of defense expansion, Egypt has assumed a substantial debt burden.<sup>233</sup> The country has a decades-long pattern of protecting the financial interests of military officers with rewards of senior corporate positions in almost every major company spread over a wide range of sectors – a self-perpetuating system whereby companies entering the marketplace must have military backing to succeed and whereby government regulators are complicit in preserving a civilian-military scheme that underpins political stability. The inefficiency has been propped up by government debt issuance for years. As of early 2023, the Egyptian pound had lost nearly 50 percent of its value against the dollar over the past year. This was due to three currency devaluations that resulted from Egypt's desire to protect its foreign reserves amid capital flight amid the Russian invasion of Ukraine and accompanying rising grain and fuel

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<sup>230</sup> "Egypt," Central Intelligence Agency, May 16, 2023, <https://www.cia.gov/the-world-factbook/countries/egypt/>; Mathews, "The Competition for Egypt: China, the West, and Megaprojects."

<sup>231</sup> Embassy of the Arab Republic of Egypt, "President El Sisi Unveils 'Egypt Vision 2030' Sustainable Development Strategy."

<sup>232</sup> Bohl et al., "Sustainable Development Goals Report," 31.

<sup>233</sup> "How the Arab World's Most Populous Country Became Addicted to Debt | CNN Business," *Cable News Network*, December 16, 2022, <https://www.cnn.com/2022/12/16/business/egypt-debt-crisis-mime-intl/index.html>.

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costs. As a consequence, Egypt's poverty rate has reached an estimated 60 percent of its population.<sup>234</sup> Other woes come from a decline in tourism revenues, resulting from the global pandemic and rising inflation, which have reached a five-year high of more than 40 percent in March 2023.<sup>235</sup>

Adding to Egypt's debt issues are El-Sisi's endeavor to create immense infrastructure projects, most of which have yet to generate revenue and some of which might never attain completion, such as a \$23 billion high-speed rail network and a \$25 billion nuclear power plant construction project. These projects have contributed to an increase in the country's debt-to-gross domestic product (GDP) ratio to nearly ninety-three percent.<sup>236</sup> Moreover, forty-five percent of total revenue is dedicated to paying interest on a \$30 billion debt deficit, of which China holds \$8 billion.<sup>237</sup>

Furthermore, in February 2023, Moody's credit rating agency downgraded Egypt's rating from B2 to B3, signifying the increasing risk as an investment.<sup>238</sup> Egypt had to devalue its

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<sup>234</sup> "How Deep Are Egypt's Economic Troubles?," Reuters, March 3, 2023, <https://www.reuters.com/world/middle-east/how-deep-are-egypts-economic-troubles-2023-03-03/>.

<sup>235</sup> Dominic Dudley, "Moody's Downgrades Egypt, Pushing Bonds Further into Junk Status," Forbes, February 8, 2023, <https://www.forbes.com/sites/dominicdudley/2023/02/07/moodys-downgrades-egypt-pushing-bonds-further-into-junk-status/?sh=608684f327c1>; Patrick Werr, "Analysis: Pressure Builds on Egypt to Devalue Currency Further," Reuters, March 28, 2023, <https://www.reuters.com/markets/currencies/pressure-builds-egypt-devalue-currency-further-2023-03-28/>.

<sup>236</sup> "Analysis: Egypt Faces Sharp Rise in Costs to Finance Proposed \$30 Billion Deficit," Reuters, May 16, 2022, <https://www.reuters.com/markets/deals/egypt-faces-sharp-rise-costs-finance-proposed-30-bln-deficit-2022-05-16/>; Khalil Al-Anani, "Egypt's Strategic Partnership with China: Opportunities and Implications," Arab Center Washington DC, January 27, 2023, <https://arabcenterdc.org/resource/egypts-strategic-partnership-with-china-opportunities-and-implications/>; Maged Mandour, "Egypt: Debt Crisis Has No Clear Exit - and Worse Is to Come," Middle East Eye, April 4, 2023, <https://www.middleeasteye.net/opinion/egypt-debt-crisis-no-exit-worse-to-come>; Aaron O'Neill, "Egypt: National Debt in Relation to Gross Domestic Product from 2016 to 2026," April 14, 2023, <https://www.statista.com/statistics/377984/national-debt-of-egypt-in-relation-to-gross-domestic-product-gdp/>.

<sup>237</sup> Reuters, "Analysis: Egypt Faces Sharp Rise in Costs to Finance Proposed \$30 Billion Deficit."

<sup>238</sup> Dudley, "Moody's Downgrades Egypt, Pushing Bonds Further into Junk Status."

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currency as part of the terms of the eventual \$3 billion IMF support package concluded in 2022, which in the end required Cairo to shift to a flexible exchange rate, decrease the government's role in the economy, and shift to a more flexible exchange rate regime with a monetary policy designed to reduce inflation steadily.<sup>239</sup> The faltering credit ratings and lack of investor confidence has meant that Egypt has been forced to refinance at higher interest rates. For example, in February 2023, Egypt issued \$1.5 billion worth of Islamic three-year *sukuk* bonds at 11 percent to help repay its \$1.25 billion in five-year Eurobonds that had originally been issued with an interest rate of 5.6 percent.<sup>240</sup>

Given the increasingly high cost of debt financing due to increasing interest rates and a weakening Egyptian pound, Cairo sees equity financing as an alternative to raising capital, even with its state-owned institutions.<sup>241</sup> To help cover its current obligations, the Egyptian government plans to raise funds by selling state-owned assets.<sup>242</sup> Strictly speaking, that does not mean the sale of tangible assets in terms of infrastructure or corporate holdings with proven track records of growth and profit. Rather, the Egyptian parliament has preliminarily approved foreign investment in a new \$4 billion "Suez Canal Fund," allowing private investment in the projects for the waterway in 2022.<sup>243</sup> While equity does not allow foreign control of the canal itself, there

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<sup>239</sup> "IMF Executive Board Approves 46-Month U.S.\$3 Billion Extended Arrangement for Egypt," International Monetary Fund, December 16, 2022, <https://www.imf.org/en/News/Articles/2022/12/16/pr22441-egypt-imf-executive-board-approves-46-month-usd3b-extended-arrangement>.

<sup>240</sup> Yousef Saba, "Egypt to Raise \$1.5 Billion with Debut Sukuk at 11% Yield," Reuters, February 21, 2023, <https://www.reuters.com/markets/rates-bonds/egypt-raisehhh,lmn-15-billion-with-debut-sukuk-11-yield-2023-02-21/>.

<sup>241</sup> Reuters, "Analysis: Egypt Faces Sharp Rise in Costs to Finance Proposed \$30 Billion Deficit."

<sup>242</sup> Reuters, "Analysis: Egypt Faces Sharp Rise in Costs to Finance Proposed \$30 Billion Deficit."

<sup>243</sup> Marita Kassis, "Egyptian Official Says Suez Canal 'not for Sale' amid Fears of Foreign Investment," Al-Monitor, December 23, 2022, <https://www.al-monitor.com/originals/2022/12/egyptian-official-says-suez-canal-not-sale-amid-fears-foreign-investment>.

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is potential for international companies to influence projects related to navigation, ship transit, logistics, maintenance, and financial services.<sup>244</sup>

*BRI Project Synergies*

China has found a keen partner in Egypt's President El-Sisi, who seeks to utilize China's development-centered 1+2+3 model to bolster his own Vision 2030 initiative's eight goals that cover the quality of life, equality and inclusion, robust economy, knowledge and innovation, sustainable environment, governance, peace and security, and leading stature. President Xi lauded this plan as being similar to that of China's dream of national rejuvenation, even declaring: "Egypt bears the hope of carrying forward a civilization and the mission of national rejuvenation. China firmly supports the efforts of the Egyptian government and people and looks to Egypt to become a pillar of stability and a model of development in the region."<sup>245</sup>

China's CSP with Egypt prioritizes seven domains of engagement that correlate with the BRI framework and Egypt's goals, spread across the areas of policy coordination, connectivity, trade, investments, energy, financial integration, military ties, and people-to-people ties.<sup>246</sup> Since the announcement of Egypt's Vision 2030, China has invested \$15.36 billion overall, including in almost every sector of the Egyptian economy.<sup>247</sup> Chinese firms are growing across Egypt in

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<sup>244</sup> Reuters, "Suez Canal Open to Foreign Investment, Sovereignty Protected," December 22, 2022, <https://www.reuters.com/markets/suez-canal-welcomes-foreign-investment-sovereignty-protected-chairman-2022-12-22/>.

<sup>245</sup> Xi Jinping, *On Building a Human Community with a Shared Future* (Beijing, China: Central Compilation and Translation Press, 2017), 335.

<sup>246</sup> Mordechai Chaziza, *China's Middle East Diplomacy* (Chicago, IL: Sussex Academic Press, 2020) 38.

<sup>247</sup> "China Global Investment Tracker," China Global Investment Tracker, accessed November 5, 2022, <https://www.aci.org/china-global-investment-tracker/>.

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consumer goods manufacturing, textile production, and railway construction.<sup>248</sup> Chinese firms are also working to bolster Egypt's position as a sustainable green energy producer, mainly from solar power sources.<sup>249</sup>

Perhaps the most-visible synergy between China and Egypt's Vision 2030 is the New Administrative Capital, which El-Sisi hopes will become the outstanding result of its development advancement goals.<sup>250</sup> Announced in 2015, the focal point of his \$45 billion endeavor is the Central Business District, which will house the Egyptian Government, provide homes for seven million people, and showcase what will be the tallest building in Africa. The China State Construction Engineering Corporation is managing this \$3 billion mega-project in coordination with Egyptian contractors, with 85 percent of the financing coming from Chinese banks.<sup>251</sup>

*The Suez Canal Economic Trade Zone*

The premier development project linking Vision 2030 to the BRI and most Chinese investment in Egypt is the Suez Economic and Trade Cooperation Zone (SETCZ).<sup>252</sup> This 461 square-kilometer industrial area along the banks of the Suez Canal comprises six ports and manufacturing facilities, resembling the Tianjin Economic-Technological Development Area (TEDA), China's most extensive trade and logistics hub.<sup>253</sup> The TEDA Corporation's influence

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<sup>248</sup> Calabrese, "Towering Ambitions."

<sup>249</sup> Calabrese, "Towering Ambitions."

<sup>250</sup> Calabrese, "Towering Ambitions."

<sup>251</sup> Mirette Magdy, "China to Finance Majority of New Egypt Capital's Tower District," Bloomberg, March 18, 2018, <https://www.bloomberg.com/news/articles/2018-03-18/china-to-finance-majority-of-new-egypt-capital-s-tower-district>.

<sup>252</sup> Chaziza, *China's Middle East Diplomacy*, 41.

<sup>253</sup> Chaziza, *China's Middle East Diplomacy*, 42.



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in the SETCZ has showcased the efficacy of state-run capitalism to Cairo. Moreover, its presence in Egypt has encouraged other Chinese firms to produce goods in the zone's industrial parks.<sup>254</sup> SCETZ lists 102 Chinese companies among its partners, features \$1.2 billion in investment, and provides 35,000 jobs for Egypt's economy.<sup>255</sup> In 2016, Xi and El-Sisi met at the commencement of the second phase of the SECTZ and signed a five-year blueprint promising to "double their efforts" to develop the zone.<sup>256</sup> Additionally, Xi recommended that the two countries collaborate to make Egypt a pivot location for regional activities along the Belt and Road. He also pledged that China would participate in Egypt's priority projects, emphasizing the development of the Suez Canal Corridor and Egypt's new administrative capital.<sup>257</sup> After a meeting in 2017 between the Egyptian Minister of Investment and International Cooperation and the chair of the Silk Road Fund, China's \$40 billion investment fund, the two sides agreed to cooperate on financing SCETZ and other priority transportation projects through Chinese investment capital.<sup>258</sup>

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<sup>254</sup> Calabrese, "Towering Ambitions."

<sup>255</sup> "Five Years on, Suez Flagship Project Tells Story of Dynamic China-Egypt Cooperation," Xinhua News Agency, January 24, 2021, [http://www.xinhuanet.com/english/2021-01/24/c\\_139693564.htm](http://www.xinhuanet.com/english/2021-01/24/c_139693564.htm); Al-Anani, "Egypt's Strategic Partnership with China: Opportunities and Implications."

<sup>256</sup> Xinhua News Agency, "Five Years on, Suez Flagship Project Tells Story of Dynamic China-Egypt Cooperation."

<sup>257</sup> Xinhua News Agency, "Five Years on, Suez Flagship Project Tells Story of Dynamic China-Egypt Cooperation."

<sup>258</sup> Shaimaa Raafat, "Agreement with Head of Silk Road Fund to Enhance Investments to Activate Joint Egyptian Chinese Projects," *Daily News Egypt*, May 15, 2017, <https://www.dailynewsegyp.com/2017/05/15/agreement-head-silk-road-fund-enhance-investments-activate-joint-egyptian-chinese-projects/>.

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Figure 3.1. *Suez Canal Economic Trade Zone Industries*. “The Suez Canal Economic Zone: An Emerging International Commercial Hub, Embassy of the Arab Republic of Egypt, August 23, 2016, <https://egyptembassy.net/egypt-today/fact-sheets/the-suez-canal-economic-zone-an-emerging-international-commercial-hub/>.”

### *Trade and Financial Integration*

As Egypt’s largest source of imports since 2011, representing 18.4 percent of the total, the trade relationship between China and Egypt is skewed in China’s favor.<sup>259</sup> Also consistent with the Arab Policy Paper’s energy priorities, China purchases petroleum products from Egypt while Cairo prioritizes electronics and machinery, matching the priorities for growth on either

<sup>259</sup> “China Exports, Imports, and Trade Partners,” Observatory of Economic Complexity, accessed April 18, 2023, <https://oec.world/en/profile/bilateral-country/chn/partner/egy?depthSelector=HS2Depth>.

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side.<sup>260</sup> Over the past two decades, Chinese exports to Egypt have grown at an annual rate of about fifteen percent, from \$464 million in 1995 to \$18.1 billion by 2021.<sup>261</sup> However, indicative of the improving ties between the two nations in the Xi and El-Sisi era, the annual rate from 2016 to 2021 has increased annually by an even larger amount of sixty-six percent.<sup>262</sup>

As part of the CSP, establishing financial integration is crucial for joining Egypt's Vision 2030 with the BRI. In addition to megaproject financing, this includes ensuring a stable currency system, improving financial cooperation, and expanding the range of bilateral currency swaps and options in the bond market.<sup>263</sup> With that in mind, the Central Bank of Egypt (CBE) signed a three-year agreement with China for 18 billion Yuan (\$2.62 billion) to enhance trade and provide foreign currency reserves to improve Egypt's liquidity issues in 2016.<sup>264</sup> This agreement was renewed in 2018, and in 2019 the Governor of the CBE stated that the arrangement stipulates that bilateral trade is to occur using Egypt and China's respective currencies rather than the U.S. dollar.<sup>265</sup> Furthermore, in 2022 Egypt's Deputy Finance Minister Ahmed Kouchock announced that the government aimed to issue \$500 million worth of Chinese Yuan-denominated "panda bonds" within the fiscal year.<sup>266</sup>

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<sup>260</sup> Observatory of Economic Complexity, "China Exports, Imports, and Trade Partners."

<sup>261</sup> Observatory of Economic Complexity, "China Exports, Imports, and Trade Partners."

<sup>262</sup> "Egypt Exports, Imports, and Trade Partners," Observatory of Economic Complexity, accessed April 28, 2023, <https://oec.world/en/profile/country/egy?yearlyTradeFlowSelector=flow1>.

<sup>263</sup> Chaziza, *China's Middle East Diplomacy*, 49.

<sup>264</sup> "Egypt, China Sign Currency Swap Deal," Ahram Online, December 6, 2016, <https://english.ahram.org.eg/News/251443.aspx>.

<sup>265</sup> Ahram Online "Egypt, China to Renew Currency Swap Deal."

<sup>266</sup> "Egypt Aims to Issue First Panda Bonds by End of Current Fiscal Year," Reuters, December 4, 2022, <https://www.reuters.com/markets/rates-bonds/egypt-aims-issue-first-panda-bonds-by-end-current-fiscal-year-official-2022-12-04/>.

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Institutionally, China and Egypt's relationship is also increasing. For example, the China Development Bank (CDB) approved a \$1.4 billion loan to Egypt's financial institutions in 2018, of which \$900 million went to the CBE, marking the first time China loaned money directly to a foreign central bank.<sup>267</sup> Egypt was also the first Middle Eastern country to secure a loan from the AIIB, represented by a \$150 million loan to aid in completing eleven solar power plants in 2017 and another \$200 million in 2021 for infrastructure development.<sup>268</sup> Moreover, in 2017 Egypt's Banque Misr opened a China office in Guangzhou, due to the port city's commercial potential to foster future financial activities for small and middle-sized businesses.<sup>269</sup>

### *Military Cooperation*

Since the Mao era, China has supported Egypt's security, initially providing weapons for liberation causes favored by the Egyptian government.<sup>270</sup> In 1979, Beijing agreed to export 50 Shenyang F-6 fighter jets and 248 engines to Egypt, marking the first time China sold its high-end weapons systems to another country.<sup>271</sup> Today, Egypt's Vision 2030 and China's BRI goals also find convergence through military engagement. Security cooperation is part of China's CSP with Egypt and includes counterterrorism, joint military exercises, and strengthening armed

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<sup>267</sup> Chaziza, *China's Middle East Diplomacy*, 50.

<sup>268</sup> Asian Infrastructure Investment Bank, "Egypt: National Bank of Egypt On-Lending Facility for Infrastructure," February 12, 2019, <https://www.aiib.org/en/projects/details/2019/approved/Egypt-National-Bank-of-Egypt-On-Lending-Facility-for-Infrastructure.html>; Asian Infrastructure Investment Bank, "AIIB to Further Support Infrastructure Sector Development in Egypt," October 28, 2021, <https://www.aiib.org/en/news-events/news/2021/AIIB-to-Further-Support-Infrastructure-Sector-Development-in-Egypt.html>

<sup>269</sup> Zheng Caixiong, "Egypt's Oldest Bank Sets up Base in Chinese Port City," Xinhua News Agency, April 20, 2017, [http://www.chinadaily.com.cn/business/2017-04/20/content\\_29014780.htm](http://www.chinadaily.com.cn/business/2017-04/20/content_29014780.htm).

<sup>270</sup> Jiuzhou, "China-Egypt Relations during the BRI Era and Beyond," 132.

<sup>271</sup> Christopher S. Wren, "China Is Reported Delivering Mig-19 Jets to Egypt," The New York Times, June 23, 1979, <https://www.nytimes.com/1979/06/23/archives/china-is-reported-delivering-mig19-jets-to-egypt-egypts-mig23s.html>; Jiuzhou, "China-Egypt Relations during the BRI Era and Beyond," 133.

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forces.<sup>272</sup> In this respect, the two nations held their first joint naval exercise in 2015 and have since trained together for counterterrorism and antipiracy missions.<sup>273</sup> Furthermore, in 2018 China's Minister of National Defense, Wei Feng, stated that Beijing attaches great importance to its military cooperation with Egypt and emphasized China's willingness to enhance activities between their respective militaries.<sup>274</sup> Moreover, that same year during Egypt's first international defense exhibition (EDEX 2018), Egypt signed an agreement to purchase Wing Loong II surveillance drones from China's National Aero Technology Import and Export Cooperation.<sup>275</sup> The central focus of military cooperation between Egypt and China is most often combating terrorism through information-sharing intelligence on terrorist groups and the repatriation of suspected terrorists.<sup>276</sup> In this respect, the El-Sisi regime detained 150 Uyghur students from Al-Azhar University, Egypt's pillar for Islamic education, in 2017 in support of Beijing's campaign against Islamic radicalization.<sup>277</sup> Those students who did not submit to detention and fled were arrested by Egyptian authorities, with many being deported.<sup>278</sup>

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<sup>272</sup> Chaziza, *China's Middle East Diplomacy*, 50.

<sup>273</sup> Al-Masry Al-Youm, "Egyptian-Chinese Naval Forces Begin Joint Training in Mediterranean Sea," Egypt Independent, August 22, 2019, <https://www.egyptindependent.com/egyptian-chinese-naval-forces-starts-training-in-mediterranean-sea/>; Jiuzhou, "China-Egypt Relations during the BRI Era and Beyond," 133.

<sup>274</sup> Chaziza, *China's Middle East Diplomacy*, 50.

<sup>275</sup> "EDEX 2018 Concludes with Several Arms Contracts," Egypt Defence Expo, December 6, 2018, <https://www.egyptdefenceexpo.com/news/edex-2018-concludes-with-several-arms-contracts>.

<sup>276</sup> Jiuzhou, "China-Egypt Relations during the BRI Era and Beyond," 133.

<sup>277</sup> Dorsey, *China and the Middle East: Venturing into the Maelstrom* 168.

<sup>278</sup> Jihad Abaza, "Uighur Students in Limbo after Crackdown in Egypt," Al-Monitor, August 2, 2017, <https://www.al-monitor.com/originals/2017/08/egypt-uyghur-community-crackdown-arrests.html>.

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*People-to-People Integration*

By encouraging cultural and academic exchanges, China's CSP further aligns Egypt's Vision 2030 and the BRI through educational exchanges and tourism between the two nations, that permits China to showcase the value of bilateral engagement to the Egyptian people.<sup>279</sup> Egypt hosts two of the eighteen Confucius Institutes in the Middle East, at Cairo University and Suez Canal University, along with three Confucius classrooms Ain-Shams University, Nile Thematic Channel, and South Valley University. These academic venues bolster Sino-Egyptian collaboration through Chinese language and cultural education, to further China's integration into the local culture.<sup>280</sup> Additionally, Ain Shams University, which has one of the world's largest Chinese language departments, established the Belt and Road Cooperation Research Center, in collaboration with China's Renmin University in 2019.<sup>281</sup> The second of its kind (the first being located in Russia), Ain Shams University President Abdel Wahab Ezzat stated that the Center's goals would advance economic, commercial, and technical studies for projects and cooperation between Egypt and China.<sup>282</sup>

Since the CSP was implemented, Chinese tourists have flocked to Egypt. Up from 65,000 visitors in 2014, the rate drastically increased to 500,000 before the global pandemic.<sup>283</sup> Such is Egypt's value to Chinese tourism that Cairo was Chinese Minister of Culture and Tourism Hu

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<sup>279</sup> Chaziza, *China's Middle East Diplomacy*, 51.

<sup>280</sup> Yanwei Wang, Chinenye Gerlof Uzodinma, and Caoyuan Niu, "The Path, Value and Limits of the Confucius Institute in Carrying Out Public Diplomacy," *Economic and Political Studies* 9, no. 2 (2021): 223, <https://doi.org/10.1080/20954816.2021.1914416>.

<sup>281</sup> Chaziza, *China's Middle East Diplomacy*, 51.

<sup>282</sup> "Spotlight: Belt and Road Cooperation Research Center Inaugurated in Cairo," Xinhua News Agency, January 14, 2019, [http://www.xinhuanet.com/english/2019-01/14/c\\_137741043.htm](http://www.xinhuanet.com/english/2019-01/14/c_137741043.htm).

<sup>283</sup> "Egypt Sees Surging Number of Chinese Tourists: Cultural Counselor," Egypt Today, June 14, 2019, <https://www.egypttoday.com/Article/6/71576/Egypt-sees-surging-number-of-Chinese-tourists-Cultural-counselor>.

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Heping's first official trip outside of China post-pandemic. While there in April 2023, he committed to increasing tourism between the two countries in response to Egypt adding China to its list of visa-on-arrival countries, which eases travel for tourists at its sea and airports.<sup>284</sup>

### China's Relationship with Egypt

#### *A History of Policy Cooperation*

China and Egypt have a historical relationship dating back to the second century BCE when China is first recorded as having sent representatives to visit Egypt.<sup>285</sup> Even in antiquity, China prized Egypt, with the relationship developing into a trade nexus on the Maritime Silk Road linking China with European markets.<sup>286</sup> Egypt's historical high regard for China also resulted in lengthy trips for high level visitors, so that in the year 1008 the Fatamid seafarer Domiyat traveled to China with gifts for Song Dynasty Emperor Zhenzong from the ruling Imam, Al-Hakim bi-Amr Allah.<sup>287</sup> Egypt was one of the only Middle Eastern nations to have diplomatic relations with China in antiquity, a symbolic historical marker that both countries have used in their recent public relations campaigns trumpeting the relationship.

Modern Sino-Egyptian relations began during the Bandung Conference in 1955, after Egyptian President Gamal Abdel Nasser and China's prime minister Zhou Enlai became friends

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<sup>284</sup> Salwa Samir, "Visa on Arrival: New Rules," *Egyptian Gazette*, March 27, 2023, <https://egyptian-gazette.com/egypt/visa-on-arrival-new-rules/>; Samir, "Chinese Tourism Minister in Egypt, First Visit Outside China since Covid," *Egyptian Gazette*, April 2, 2023, <https://egyptian-gazette.com/egypt/chinese-tourism-minister-in-egypt-first-visit-outside-china-since-covid/>.

<sup>285</sup> Jihong Yu, "Sixty Years of Sino-Egyptian Relations: Retrospect and Prospect," *Arab World Studies* 1 (2016): 5.

<sup>286</sup> Duan Jiuzhou, "China-Egypt Relations during the BRI Era and Beyond," 126.

<sup>287</sup> Duan Jiuzhou, "China-Egypt Relations during the BRI Era and Beyond," 126.

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with shared views on a range of issues including anti-colonialism.<sup>288</sup> When Egypt became the first African, Arab, and Middle Eastern country to diplomatically recognize the PRC in 1956, China rewarded Cairo by offering \$4.5 million in aid during the Suez Canal Crisis in the same year.<sup>289</sup> Since then, relations between the two nations have had varying degrees of amicability, but always with a fundamental base level of cordiality and respect.<sup>290</sup> Originally aligned through ideology centered on anti-imperialist sentiment, both nations championed an opposition to Western hegemony and support for Cold War liberation movements.<sup>291</sup> Moreover, during China's Cultural Revolution from 1966-1976, Egypt was the only country in the region where China maintained its ambassadors, affirming Egypt's position as a trusted partner.<sup>292</sup>

Under President Anwar Sadat, Egypt's turn towards closer U.S. relations that culminated in the Camp David Accords with Israel in 1978, came at the same time as a cooling of relations with China.<sup>293</sup> It is somewhat ironic, given Deng's economic reform policy began in 1978, so that China too was reaching out to the United States in pursuit of technological advancements and economic development.<sup>294</sup> When Hosni Mubarak assumed the Egyptian presidency, however, relations with China improved, with Mubarak quickly becoming the first president

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<sup>288</sup> Zhiqun Zhu, "China's Middle East Policy and Its Implications for U.S.-China Relations," essay, in *New Dimensions of Chinese Foreign Policy*, ed. Sujian Guo and Shiping Hua (Lanham, MD: Lexington Books, 2009), 171.

<sup>289</sup> Mordechai Chaziza, *China's Middle East Diplomacy*, 36; Al-Anani, "Egypt's Strategic Partnership with China: Opportunities and Implications."

<sup>290</sup> Sun and Xu, "China and Egypt's Comprehensive Strategic Partnership in the XI-Sisi Era," 2.

<sup>291</sup> Mohamed El Badri, "Egypt and China: Historical Relationship into the Future," *Global Times*, May 28, 2020, <https://www.globaltimes.cn/content/1189854.shtml>.

<sup>292</sup> "Egypt and China," Egyptian State Information Service, accessed May 23, 2023, <https://www.sis.gov.eg/Story/180247/Egypt-and-China?lang=en-us>.

<sup>293</sup> Gamal M. Selim, "Egyptian Foreign Policy after the 2011 Revolution: The Dynamics of Continuity and Change," *British Journal of Middle Eastern Studies* 49, no. 1 (2020): 7, <https://doi.org/10.1080/13530194.2020.1747983>.

<sup>294</sup> Sun and Xu, "China and Egypt's Comprehensive Strategic Partnership in the XI-Sisi Era," 2.



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from an Arab nation to visit China in 1983.<sup>295</sup> Later in the decade, Mubarak was instrumental in lessening China's diplomatic isolation in response to the Tiananmen Square massacre, by inviting Chinese Foreign Minister Qian Qichen to Cairo in 1989.<sup>296</sup> Egypt further enhanced ties with China by becoming the first country in Africa and the Middle East to establish a strategic partnership with China in 1999.<sup>297</sup> Even during the Arab Spring uprising of 2011, China did not seek to influence Egypt's domestic affairs, supporting Egypt's sovereignty and right to choose its political future.<sup>298</sup> Furthermore, the aftermath of the Arab Spring did nothing to blunt relations, as Mohamed Morsi was eager for Chinese investments to revitalize Egypt's economy and even traveled to meet with President Hu Jintao and sign an agreement for several projects, including a desalination plant, industrial bakeries, and internet infrastructure.<sup>299</sup> China did support the military ouster of the Muslim Brotherhood-backed government of Mohamed Morsi in 2013, largely out of fear of the connections between Egyptian and Chinese Islamist groups.<sup>300</sup>

*Xi and El-Sisi*

2014 was a pivotal year for its relations with China, beginning with Abdel Fattah El-Sisi assuming the role of president.<sup>301</sup> Upon taking leadership, El-Sisi's immediate desires were to establish a secular government that maintained a non-aligned political position akin to China's

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<sup>295</sup> Chaziza, *China's Middle East Diplomacy*, 258.

<sup>296</sup> Sun and Xu, "China and Egypt's Comprehensive Strategic Partnership in the Xi-Sisi Era," 2.

<sup>297</sup> Duan Jiuzhou, "China-Egypt Relations during the BRI Era and Beyond," 128.

<sup>298</sup> Gamal M. Selim and Rania S. Moaaz, "Sino-Egyptian Relations Post-2013: The Dynamics and Challenges of an Emerging Strategic Partnership," *Arab Studies Quarterly* 43, no. 4 (2021): 356, <https://doi.org/10.13169/arabstudquar.43.4.0349>.

<sup>299</sup> Al-Anani, "Egypt's Strategic Partnership with China: Opportunities and Implications."

<sup>300</sup> Selim and Moaaz, "Sino-Egyptian Relations Post-2013," 355.

<sup>301</sup> Selim and Moaaz, "Sino-Egyptian Relations Post-2013," 355-356.

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diplomatic model.<sup>302</sup> Within six months of taking office, El-Sisi met with Xi to advance Egypt's partnership to the CSP level.<sup>303</sup> Since 2014, El-Sisi has traveled to Beijing seven times to promote the CSP and Chinese investments in Egypt.<sup>304</sup> Additionally, China has been the top foreign destination overall for the Egyptian leader, compared to only two official visits to the United States during the Trump Administration over the same period.<sup>305</sup>

Both Xi and El-Sisi view themselves as heirs of a glorious national legacy and promote their nations as victors over colonialism, instilled with a strong value of non-interference in other nations' domestic affairs.<sup>306</sup> China and Egypt also serve common roles as regional interlocutors, with China promoting economic benefits and peaceful cooperation, which complements Egypt's position as a diplomatic mediator commensurate with its view of being the leader of the Arab world.<sup>307</sup> China and Egypt also support a two-state solution for the Palestinians and advocate for UN leadership in mediating conflicts in Syria and Yemen instead of military intervention.<sup>308</sup> The two nations also acknowledge each other's roles as major nations in the Global South, which Beijing and Cairo contend deserves a more prominent voice in global affairs.<sup>309</sup> In this respect,

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<sup>302</sup> Sun and Xu, "China and Egypt's Comprehensive Strategic Partnership in the XI-Sisi Era," 3.

<sup>303</sup> Sun and Xu, "China and Egypt's Comprehensive Strategic Partnership in the XI-Sisi Era," 3.

<sup>304</sup> Ahram Online, "Egypt keen to Boost Strategic Relations with China in All Domains: Sisi tells Xi," December 8, 2022, <https://english.ahram.org.eg/NewsContent/1/1234/482292/Egypt/Foreign-Affairs/Egypt-keen-to-boost-strategic-relations-with-China.aspx>.

<sup>305</sup> Selim and Moaaz, "Sino-Egyptian Relations Post-2013," 358.

<sup>306</sup> Sun and Xu, "China and Egypt's Comprehensive Strategic Partnership in the XI-Sisi Era," 7.

<sup>307</sup> Jon B. Alterman, *Making Choices: The Future of the U.S.-Egyptian Relationship* (Washington, DC: Center for Strategic and International Studies, 2016), 6, <https://www.csis.org/analysis/making-choices-future-us-egyptian-relationship>.

<sup>308</sup> Sun and Xu, "China and Egypt's Comprehensive Strategic Partnership in the XI-Sisi Era," 7.

<sup>309</sup> Sun and Xu, "China and Egypt's Comprehensive Strategic Partnership in the XI-Sisi Era," 7.

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each has endorsed reforms at the UN and the UNSC to increase the representation of developing countries.<sup>310</sup> Moreover, in their 2014 Joint Statement, China and Egypt declared:

Hegemonism and the use of force to interfere in others' internal affairs are on the rise, thus maintaining world security and peace requires more efforts from all countries in the world, including China and Egypt. The world is ushering in a new multipolar international system. With the deepening development of economic globalization, the strength of emerging market economies and developing countries has been strengthened, and more favorable conditions are available for maintaining the stability of the international situation.<sup>311</sup>

*Institutional Cooperation*

El-Sisi shares Xi's dissatisfaction with the Western-led international order and is receptive to China's model of developmental peace, which Xi espouses as the key to overcoming difficulties and accelerating progress.<sup>312</sup> Accordingly, China's parallel institutions that are intended to contribute to that vision of a new world order are to Egypt's benefit. For example, Egypt is a member of the AIIB, an observer member in the Shanghai Cooperation Organization (SCO), and seeks to join financial institutions associated with the BRI, like the BRICS New Development Banks and Contingent Reserve Arrangement.<sup>313</sup> In addition to Chinese-led institutions, Cairo benefits from Beijing's international advocacy in the United Nations, the UN Security Council, and the Group of 20 (G20).<sup>314</sup> Similarly, China welcomes Egypt's involvement

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<sup>310</sup> Sun and Xu, "China and Egypt's Comprehensive Strategic Partnership in the XI-Sisi Era," 8.

<sup>311</sup> "Full Text of the Joint Statement on Establishing Comprehensive Strategic Partnership between China and Egypt," Ministry of Foreign Affairs of the People's Republic of China, accessed May 24, 2023, [https://www.mfa.gov.cn/mfa\\_eng/topics\\_665678/2016zt/xjpdstajyljxgsfw/201601/t20160120\\_704467.html](https://www.mfa.gov.cn/mfa_eng/topics_665678/2016zt/xjpdstajyljxgsfw/201601/t20160120_704467.html).

<sup>312</sup> Sun and Xu, "China and Egypt's Comprehensive Strategic Partnership in the XI-Sisi Era," 8.

<sup>313</sup> Mohamed Fayez Farhat, "Egypt's Astute Move towards China's Belt and Road Initiative - Analysis," *Ahram Online*, May 2, 2019, <https://english.ahram.org.eg/NewsContent/44/0/330982/Analysis/Egypt-astute-move-towards-Chinas-Belt-and-Road-In.aspx>.

<sup>314</sup> Sun and Xu, "China and Egypt's Comprehensive Strategic Partnership in the XI-Sisi Era," 10.

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in regional institutions like the Arab League, the African Union, and the Organization of Islamic Cooperation, to expand its influence locally.<sup>315</sup>

Table 3.1. China-Egypt Complementary Partnerships

Regional and Global Institutions	Global/Regional	Type	China Has Greater Influence	Egypt Has Greater Influence
UN Security Council	Global	Comprehensive		
SCO	Regional	Political	✓	
G20	Global	Economic	✓	
BRICS	Regional	Political	✓	
AIIB	Regional	Financial	✓	
CICA	Regional	Political	✓	✓
Arab League	Regional	Comprehensive		✓
African Union	Regional	Comprehensive		✓
Organization of Islamic Cooperation	Regional	Political		✓
G77	Global	Political		✓

*Source:* Data from Degang Sun and Ruike Xu, “China and Egypt’s Comprehensive Strategic Partnership in the Xi-Sisi Era: A ‘Role Theory’ Prism,” *Mediterranean Politics*, 2022, Table 2, 11. doi:10.1080/13629395.2022.2035139.

### **Egypt’s Relations with the United States**

Contemporary relations between the United States and Egypt are rooted in the 1979 Peace Treaty between Israel and Egypt.<sup>316</sup> Although America was not a party to the treaty, nor

<sup>315</sup> Sun and Xu, “China and Egypt’s Comprehensive Strategic Partnership in the Xi-Sisi Era,” 10.

<sup>316</sup> Jeremy M. Sharp, *Egypt: Background and U.S. Relations*, CRS Report No. RL33003 (Washington, DC: Congressional Research Service, 2023), 18, <https://crsreports.congress.gov/product/pdf/RL/RL33003>.

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were any financial guarantees formally stipulated, U.S. assurances of massive foreign assistance, a greatly expanded diplomatic presence for America in Egypt and vice versa, and political support for ending Egypt's isolation within the Arab world played a major role in incentivizing the deal. In his letter at the time to the Egypt government, then-U.S. Secretary of Defense Harold Brown wrote the following:

In the context of the peace treaty between Egypt and Israel, the United States is prepared to enter an expanded security relationship with Egypt with regard to the sales of military equipment and services and the financing of, at least a portion of those sales, subject to such Congressional review and approvals as may be required.<sup>317</sup>

Since then, the United States has prioritized Egypt's security, making Egyptian peace and stability an anchor point to regional stability for the entire Middle East. As a result, U.S. policy reflects a strong predilection for security cooperation to bolster Egypt's military capabilities and combat terrorism.<sup>318</sup> Congressionally-appropriated Foreign Military Financing (FMF) funds have been the primary policy mechanism to support Cairo's security measures.<sup>319</sup> Since 1987, Congress has granted \$1.3 billion annually to Egypt's military, which accounts for over 90 percent of the total U.S. foreign assistance to Egypt.<sup>320</sup> Egypt has purchased U.S. defense platforms through FMF, including F-16 fighter aircraft, the M1A1 Abrams tank, the AH-64 Apache attack helicopter, and associated munitions.<sup>321</sup>

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<sup>317</sup> Harold Brown, "Letter from the Secretary of Defense (Brown) to the Egyptian Minister of Defense and War Production (Ali), March 23, 1979, 'United States Sales of Military Equipment and Services to Egypt,'" in *Foreign Relations of the United States, 1977-1980, Volume IX, Egypt and the Middle East*, ed. Adam M. Howard (Washington: Government Printing Office, 2019), <https://history.state.gov/historicaldocuments/frus1977-80v09/d2>.

<sup>318</sup> Sharp, *Egypt: Background and U.S. Relations*, 25.

<sup>319</sup> Sharp, *Egypt: Background and U.S. Relations*, 25.

<sup>320</sup> Sharp, *Egypt: Background and U.S. Relations*, 15.

<sup>321</sup> 1. "Arms Transfers to Egypt," Defense Security Cooperation Agency, accessed May 27, 2023, <https://www.dsca.mil/search/node?keys=egypt&page=2>.

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While American security support has been consistent, the declining purchasing power of its annual aid, combined with rising costs of modern defense programs, has restricted Cairo's ability to acquire and maintain systems from U.S. sources.<sup>322</sup> In this respect, the Stockholm International Peace Research Institute (SIPRI) has noted that from 2000 to 2009, Egypt's largest arms supplier was the United States, reflecting 75 percent of Cairo's total arms imports; however, from 2010 to 2019, American-sourced defense articles only accounted for 23 percent of Egypt's total arms imports.<sup>323</sup> Egypt is now looking to France and Russia for newer weapons systems.<sup>324</sup>

*Foreign Assistance Conditionality*

Since 2012, Congress has passed legislation that withholds the obligation of FMF funds to Egypt until the Secretary of State certifies that Egypt is making progress in its support for democracy and human rights.<sup>325</sup> Per year, \$335 million is subject to this withholding, though \$225 million can be released to Egypt using a national security waiver absent the mandated certification.<sup>326</sup> In addition, since 2013, every U.S. Administration has taken steps, such as suspending arms deliveries and ending cash flow financing, to attempt to limit military aid to

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<sup>322</sup> Sharp, *Egypt: Background and U.S. Relations*, 15.

<sup>323</sup> Alexandra Kuimova, *Understanding Egyptian Military Expenditure* (Solna, Sweden: Stockholm International Peace Research Institute, 2020), 13, [https://sipri.org/sites/default/files/2020-10/bp\\_2010\\_egyptian\\_military\\_spending.pdf](https://sipri.org/sites/default/files/2020-10/bp_2010_egyptian_military_spending.pdf).

<sup>324</sup> Kuimova, *Understanding Egyptian Military Expenditure*, 13.

<sup>325</sup> Sharp, *Egypt: Background and U.S. Relations*, 20.

<sup>326</sup> Sharp, *Egypt: Background and U.S. Relations*, 21.

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Egypt.<sup>327</sup> Most recently, the Biden Administration reprogrammed portions of Egypt's FMF in Fiscal Years 2020 and 2021, as leverage to promote greater respect for human rights.<sup>328</sup>

In assessing Egypt's stance on U.S. conditionalities, the Trump Administration in 2017 denied \$95.7 million and delayed \$195 million in FMF funding, due to Cairo's ties with North Korea. Egypt's Foreign Ministry declared that the action was "reflecting poor judgment of the strategic relationship that [tied] the two countries over long decades," and was "adopting a view that lacks an accurate understanding of the importance of supporting Egypt's stability."<sup>329</sup> For Egypt, the pillar of the U.S. relationship has been the security FMF aid brings, in large part because of all the military industries it sustains and the prestige it confers on the military as a core pillar of the regime and the country's stability. In turn, Cairo grants access to its airspace and transit priority for the U.S. Navy in the Suez Canal.<sup>330</sup>

## Conclusion

Sino-Egyptian relations are strengthening through China's CSP. Thus far, China has played the role of an economic benefactor to bolster support for El-Sisi's ambitious Vision 2030 megaprojects amid Cairo's increasingly dour financial horizons, which has mired Egypt with massive debt. Although many of Egypt's development projects have yet to provide revenue for Cairo's domestic needs, they do synergize well with Beijing's BRI goals, particularly along the Suez Canal, and Beijing has been keen to facilitate their completion. Additionally, China has extended its cooperation to include military exercises and academic engagements through its

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<sup>327</sup> Sharp, *Egypt: Background and U.S. Relations*, 22.

<sup>328</sup> Sharp, *Egypt: Background and U.S. Relations*, 21-22.

<sup>329</sup> Yara Bayoumy and Warren Strobel, "Exclusive: U.S. to withhold up to \$290 million in Egypt aid," Reuters, August 22, 2017, <https://www.reuters.com/article/us-usa-egypt-exclusive-idUSKCN1B225F>

<sup>330</sup> Farah Najjar, "Why Us Aid to Egypt Is Never under Threat," News | Al Jazeera, October 3, 2017, <https://www.aljazeera.com/news/2017/10/3/why-us-aid-to-egypt-is-never-under-threat>.

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Confucius Institutes and Belt and Road Cooperation Research Center, which further integrate China's ambitions within Egypt. Furthermore, the political cohesion between Xi and El-Sisi under the auspices of national rejuvenation, mutually reinforces each other's goals regionally and globally. With both leaders dissatisfied with the current Western-led world order, El-Sisi is steering Egypt towards China's conception of a new world order, while bolstering China's position in the Middle East.

Comparatively, U.S.-Egyptian relations are still, as they have been for decades, rooted in security cooperation. While American largesse has provided tens of billions in military aid over the years, defense systems continue to increase in complexity and costs to the point where the long-term fixed amount of FMF assistance may no longer suffice. Moreover, as pressure from the United States for Egypt to improve its human rights conditions increases in the face of threatened funding cuts, Egypt has steadily reduced its reliance on U.S. arms rather than accede to America's conditions. Overall, Cairo is looking East towards a multipolar world. The economic synergies between China's BRI and Egypt's Vision 2030 projects have effectively obligated the two nations toward the former's growing aspirations for the foreseeable future. In this respect, only time will tell if Cairo's vision is blindsided by Beijing's motives to secure its position atop a new world order.



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### CHAPTER 4

#### **The Centrality of the Suez Canal**

##### *Overview*

With an assessment of the expanse of China's strategic influence with the El-Sisi government from the previous chapter and its considerable project investments, this chapter focuses the research question on Beijing's maritime activities in Egypt's ports and the Suez Canal. First, the chapter examines the history of the canal since nationalization. Second, the chapter examines China's maritime port strategy. Third, the Chapter examines Beijing's influence in Egypt's ports. Last, the chapter considers the security environment of the Suez Canal and its potential to attract China's military presence.

##### **History of the Canal and Nationalization**

Since antiquity, canals were part of Egypt's logistical framework to connect the Mediterranean and Red Seas.<sup>331</sup> However, these canals were not generally direct and used the Nile River to connect Cairo to the Port of Suez.<sup>332</sup> Over time, these waterways fell out of use and were covered by the desert. Yet, the notion of their profitable potential remained in the minds of European merchants who, absent a direct route from South Asia, sailed around the Cape of Good Hope to connect with European markets.<sup>333</sup> When Napoleon Bonaparte conquered Egypt in 1798, he tasked his scholars with studying Egypt to determine how the land could best serve France's economic interests.<sup>334</sup> While these researchers desired to shorten the distance of trade between Europe and Asia, they mistakenly determined that a maritime canal would flood the

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<sup>331</sup> Zachary Karabell, *Parting the Desert: The Creation of the Suez Canal* (New York: Vintage Books, 2004), 7.

<sup>332</sup> Karabell, *Parting the Desert*, 7-8.

<sup>333</sup> Karabell, *Parting the Desert*, 7-8.

<sup>334</sup> Karabell, *Parting the Desert*, 8.

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fertile lands of the Nile River delta with salt water from the Red Sea due to elevation differences between the Mediterranean and Red Seas, so the consideration was dropped.<sup>335</sup>

Accurate measurements of the water levels were taken in 1830 by a British survey and confirmed in 1833 with a French survey supported by the Ottoman Ruler of Egypt, Muhammad Ali Pasha.<sup>336</sup> As interest in a canal grew with successive leaders, a French diplomat, Ferdinand de Lesseps, gained permission from Muhammad Said Pasha in 1854 to create a firm to construct and manage the canal in a 99-year agreement, after which operations would transfer to the Egyptian government.<sup>337</sup> The resulting Suez Canal Company (SCC) was established in 1858 and completed the Suez Canal in 1869.<sup>338</sup>

Although the canal's construction was a success, monetarily, the project was troubled throughout the process, and the SCC sought external investment to relieve its financial difficulties.<sup>339</sup> This aid came from the then-ruler, Ismail Pasha, who purchased 44 percent of the SCC's shares.<sup>340</sup> However, seeking to alleviate his debts resulting from the project's expenses, Ismail Pasha sold Egypt's shares to the British government in 1875 or £4 million (approximately \$439 million in 2023).<sup>341</sup>

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<sup>335</sup> Karabell, *Parting the Desert*, 8; Carmela Lutmar and Ziv Rubinovitz, "Introduction," in *The Suez Canal: Past Lessons and Future Challenges* (Cham: Springer International Publishing, 2023), viii.

<sup>336</sup> Wilson, *The Suez Canal: Its Past, Present, and Future* (New York: Oxford University Press, 1939), 7.

<sup>337</sup> Wilson, *The Suez Canal*, 12; Carmela Lutmar and Ziv Rubinovitz, "Introduction," in *The Suez Canal*, ix.

<sup>338</sup> Karabell, *Parting the Desert*, 11.

<sup>339</sup> Sarah Searight, "'A Dismal but Profitable Ditch': The Suez Canal Then and Now," *Asian Affairs* 47, no. 1 (February 2016): 96, <https://doi.org/10.1080/03068374.2015.1129870>.

<sup>340</sup> Searight, "'A Dismal but Profitable Ditch,'" 96.

<sup>341</sup> Arnold Wilson, *The Suez Canal*, 48-49; "Inflation Calculator," Bank of England, accessed February 25, 2023, <https://www.bankofengland.co.uk/monetary-policy/inflation/inflation-calculator>; "Convert British Pounds to U.S. Dollars," Xe, accessed February 25, 2023, <https://www.xe.com/currencyconverter/convert/?Amount=365289693.52&From=GBP&To=USD>.

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Although the French maintained a majority stake in the SCC, 80 percent of the vessels transiting the Suez Canal were British.<sup>342</sup> The government its equity in the canal to protect its maritime routes to India.<sup>343</sup> Moreover, once the British took over Egypt as a protectorate in 1822, though still officially part of the Ottoman Empire, it continued to enforce its presence along with the French through military bases close to the canal through an arrangement with Egypt's King Farouk until he was deposed in 1952 during the Free Officers' coup spearhead by Gamal Abdel Nasser.<sup>344</sup>

As Nasser secured his leadership position, he signed an agreement with the British and French to withdraw their military forces near the canal in 1954.<sup>345</sup> In addition, all parties agreed to continue the conditions of the 1888 Convention of Constantinople that guaranteed the free transit of vessels in the Suez Canal.<sup>346</sup> However, Nasser's relations with the Soviet Union and its recognition of the PRC over Taiwan prompted the British and United States to withdraw their financial support for the Aswan High Dam.<sup>347</sup> Seeking resources to fund the dam, Nasser responded by nationalizing the Suez Canal on July 26, 1956.<sup>348</sup> Nasser's actions sparked the Suez Crisis, which led to an Anglo-French and Israeli invasion in November 1956, hoping to

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<sup>342</sup> Searight, "A Dismal but Profitable Ditch," 97.

<sup>343</sup> Lutmar and Rubinovitz, "Introduction," in *The Suez Canal*, ix.

<sup>344</sup> Lutmar and Rubinovitz, "Introduction," in *The Suez Canal*, ix.

<sup>345</sup> Searight, "A Dismal but Profitable Ditch," 98.

<sup>346</sup> Searight, "A Dismal but Profitable Ditch," 98.

<sup>347</sup> Kissinger, *Diplomacy* (New York: Simon & Schuster, 1994), 529.

<sup>348</sup> Henry Kissinger, *Diplomacy*, 529; Carmela Lutmar and Ziv Rubinovitz, "Introduction," in *The Suez Canal*, ix.

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remove Nasser from power; however, under pressure from the United States and the Soviet Union, these forces withdraw by March 1957.<sup>349</sup>

### Challenges to Operate and Secure the Canal

#### *Keeping the Canal Open*

While the Suez Canal Crisis gave Nasser a nominal victory, it highlighted Egypt's struggle to ensure the operations of its prized waterway. For example, between 1956 and 1975, the Suez Canal experienced two periods of closure due to conflicts.<sup>350</sup> The first, lasting for six months, came from the attempted invasion in 1956, with Nasser ordering vessels to be sunk inside the canal to block its use from attacking forces.<sup>351</sup> The next, lasting eight years between 1957 and 1975, resulted from the Six Day War with Israel.

The outcome of this conflict was ultimately solved with the 1979 Israel-Egypt Peace Treaty that removed Israeli forces in the Sinai Peninsula and guaranteed Israeli freedom of navigation through the Suez Canal.<sup>352</sup> Yet, it also showcased the issue of Suez Canal ship blockages, with fifteen vessels remaining stuck in the canal during the years of closure, so long that they were named the "Yellow Fleet" due to being coated with desert sand.<sup>353</sup> Other blockages of the canal occurred in 2004 when an oil tanker became stuck for three days, with similar incidents occurring in 2006 and 2017, though these only stopped traffic for hours before

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<sup>349</sup> Searight, "A Dismal but Profitable Ditch," 98; Lutmar and Rubinovitz, "Introduction," in *The Suez Canal*, x.

<sup>350</sup> Searight, "A Dismal but Profitable Ditch," 98.

<sup>351</sup> Searight, "A Dismal but Profitable Ditch," 97.

<sup>352</sup> Lutmar and Rubinovitz, "Introduction," in *The Suez Canal*, x.

<sup>353</sup> Searight, "A Dismal but Profitable Ditch," 98.

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tugboats freed them.<sup>354</sup> Most recently, in March 2021, the cargo ship *Ever Given* became grounded in a narrow section of the canal for six days, causing over 300 vessels to be congested.<sup>355</sup> Additionally, the impact on global trade from the *Ever Given* incident was estimated to cost up to \$10 billion daily, decreasing annual trade growth by 0.4 percent.<sup>356</sup>

To increase the canal's efficiency and revenue, President El-Sisi announced a plan to deepen, widen, and construct a parallel channel to accommodate traffic in both directions in 2014, thereby nearly doubling the average daily vessel transits from 4shipsip to 97.<sup>357</sup> Surprisingly, in only eight days, this \$9 billion expansion was quickly sourced, through certificates issued to Egyptian firms and individuals.<sup>358</sup> Currently, second to tourism, the Suez Canal is Egypt's largest source of revenue and foreign currency reserves, garnering a record \$7 billion in transit fees from over 22,000 ships into 2022.<sup>359</sup> Upon complementing the expansion by 2023, Egypt projects canal revenues to increase to an estimated \$13 billion.<sup>360</sup>

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<sup>354</sup> Nabih Bulous, "Dredgers Try to Free Ship in Suez Canal, Scene of Plenty of Past International Drama," *Los Angeles Times*, March 26, 2021, <https://www.latimes.com/world-nation/story/2021-03-26/suez-canal-stuck-ship-international-drama-history>.

<sup>355</sup> Shaul Chorev, "The Suez Canal: Forthcoming Strategic and Geopolitical Challenges," in *The Suez Canal: Past Lessons and Future Challenges*, ed. Carmela Lutmar and Ziv Rubinovitz (Cham, Switzerland: Palgrave, 2023), 10.

<sup>356</sup> Chorev, "The Suez Canal," 10.

<sup>357</sup> Chorev, "The Suez Canal," 8.

<sup>358</sup> Maria Golia, "The New Suez Canal Project and Egypt's Economic Future," *Middle East Institute*, December 19, 2014, <https://www.mei.edu/publications/new-suez-canal-project-and-egypts-economic-future>.

<sup>359</sup> Nada Nader, "Egypt's Suez Canal Records Highest Ever Annual Revenue of \$7 Bln in FY2021/22 - Urban & Transport - Egypt," *Ahram Online*, July 4, 2022, <https://english.ahram.org.eg/News/471060.aspx>.

<sup>360</sup> Chorev, "The Suez Canal," 8.

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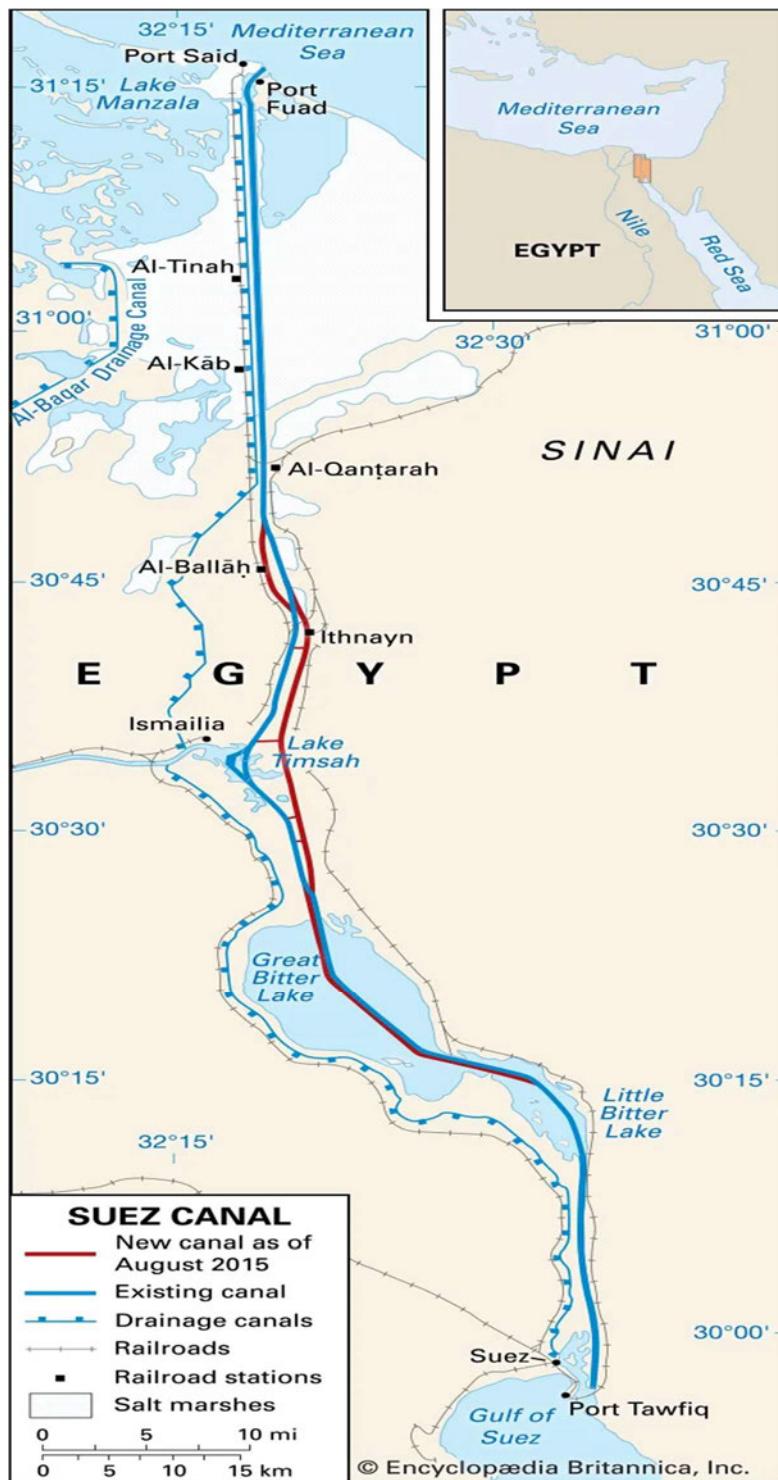


Figure 4.1 *Suez Canal Map*. *Encyclopædia Britannica*, s.v. “Egypt: Suez Canal,” map, accessed February 25, 2023, <https://www.britannica.com/topic/Suez-Canal/images-videos#/media/1/571673/153620>.

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*Freedom of Navigation Legal Framework*

Aside from the Canal's physical limitations, another significant concern for operations along the channel is the legal framework and how that has been upheld since Nasser's nationalization. The Suez Canal Authority (SCA) acknowledges four sources of legal authority governing the freedom of navigation in the Suez Canal.<sup>361</sup> The first document guaranteeing access through the Suez Canal is the 1888 Constantinople Convention, which states in Article I that the waterway "shall always be free and open, in time of war as in time of peace, to every vessel of commerce or of war..."<sup>362</sup> Similarly: "The Canal shall never be subjected to the exercise of the right of blockade."<sup>363</sup> Moreover, Article IV furthers states that during conflict, the nation controlling the Suez Canal (at that time the Ottoman Empire) will not restrict other warring nations' transits even if it was a belligerent party itself: "...no right of war, no act of hostility, nor any act having for its object to obstruct the free navigating of the Canal, shall be committed in the Canal and its ports, even though the Ottoman Empire should be one of the belligerent Powers."<sup>364</sup>

The second ruling affecting the Suez Canal was the 1956 Nationalization Decree which made the Canal the property of the Arab Republic of Egypt, to be managed by an independent company attached to the Ministry of Commerce, i.e. the Suez Canal Authority.<sup>365</sup> Finally, the last two statutes pertinent to Canal governance reflect Egyptian legislation in 1975 and 1978, which

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<sup>361</sup> "Canal Treaties & Decrees," Suez Canal Authority, accessed May 29, 2023, <https://www.suezcanal.gov.eg/English/About/CanalTreatiesAndDecrees/Pages/default.aspx>.

<sup>362</sup> Suez Canal Authority, "Canal Treaties & Decrees."

<sup>363</sup> W. A. White et al., "Convention Respecting the Free Navigation of the Suez Maritime Canal. Signed at Constantinople, October 29, 1888.," *American Journal of International Law* 3, no. S2 (1909): 123-127, <https://doi.org/10.2307/2212141>.

<sup>364</sup> W. A. White et al., "Convention Respecting the Free Navigation of the Suez Maritime Canal 123-127, <https://doi.org/10.2307/2212141>.

<sup>365</sup> Suez Canal Authority, "Canal Treaties & Decrees."

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codified the corporate structure of the SCA and made the Agency report to the Office of the Prime Minister.<sup>366</sup> Additionally, the Republican Decree Law No. 30 of 1975 reaffirmed its support of the 1888 Constantinople Convention, explicitly stating in Article 14 that “the SCA shall not take any procedures that go against the provisions of the Constantinople Convention of 1888 concerning the free navigation of the Suez Maritime Canal nor shall it give any privilege to a vessel or normal/legal person that is not given, in the same circumstances, to other vessels or normal/legal persons and nor shall it discriminate against some clients in favor of some other clients.”<sup>367</sup>

Egyptian legislation accords with SCA’s insistence that the country adheres to international convention and relative compliance with the notion of non-discriminatory practice regarding the Suez Canal, even when Egypt itself is a belligerent party. However, this adherence has not been absolute, as demonstrated by its periodic restriction of Israeli ships from 1948 until the signing of the peace treaty in 1979.<sup>368</sup> Moreover, further insights into Egypt’s perspective of its sovereignty over the Canal are reflected in its 1955 statement to the United Nations, where it justified its ability to block transiting vessels:

The Egyptian Government is entitled, in exceptional circumstances, to take measures prohibited to other States to ensure its own security and that of the Canal. These exceptions have been provided for Egypt, the territorial sovereign. Although the text of the article [referencing the Convention of Constantinople] seems to set no limits on the free use of the Canal, Egypt could not reasonably be required to permit the free use of the Canal by enemy shipping, since the security of the Canal would be threatened together with that of Egypt. Under the Convention of Constantinople, no formal obligation is imposed on Egypt to grant free passage to enemy shipping.<sup>369</sup>

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<sup>366</sup> Suez Canal Authority, “Canal Treaties & Decrees.”

<sup>367</sup> Suez Canal Authority, “Canal Treaties & Decrees.”

<sup>368</sup> Eitan Barak, “Between Reality and Secrecy: Israel’s Freed of Navigation through the Straits of Tiran, 1956-1967,” *The Middle East Journal* 61, no. 4 (2007): 657–79, <https://doi.org/10.3751/61.4.15>.

<sup>369</sup> “Security Council Official Records, 10th Year: 688th Meeting, 13 January 1955, New York,” *United Nations Security Council*, accessed May 29, 2023, <https://digitallibrary.un.org/record/631191>.



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Although this statement was made in 1955, it echoes current sentiments regarding Egypt's Canal ownership. In this respect, during an interview with *Al-Monitor*, an SCA official stated in reference to blocking ships that the decision to "prevent the passage of some ships in the Suez Canal is related to Egyptian national security requirements, which means that ships that pose a threat to the security of the country are restricted."<sup>370</sup>

*Egypt's Security Posture*

Regional security poses challenges for Egypt's military in protecting this strategic waterway. The Canal-adjacent Sinai Peninsula provides a haven for Islamic militants who have long waged a campaign against Egyptian forces to the detriment of the Canal's security. In November 2014, four boats of armed assailants with possible links to the Islamic State-affiliated group *Ansar Beit al-Maqdis* attacked Egyptian naval vessels, resulting in several injuries to military personnel.<sup>371</sup> The proximity of this attack to the Suez Canal sparked international concern, such that upon the opening of the expanded Canal in August 2015, many ships started transiting the Suez Canal with Egyptian security escorts.<sup>372</sup> However, the enlargement of the Canal has made ensuring security difficult due to the increasing number of vessels and the areas Egypt's forces must protect.<sup>373</sup> Overall, Cairo's security posture is lacking, with the Egyptian military prioritizing ad hoc responses to militants who are based within the Sinai rather than

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<sup>370</sup> Mohammed Hanafi, "Suez Canal Authority Remains Neutral in Russian-Ukrainian War," *Al-Monitor* (March 9, 2022), <https://www.al-monitor.com/originals/2022/03/suez-canal-authority-remains-neutral-russian-ukrainian-war#ixzz836xPBxGz>.

<sup>371</sup> "Egypt Navy Vessels Come under Attack," *Al Jazeera*, November 13, 2014, <https://www.aljazeera.com/news/2014/11/13/egypt-navy-vessels-come-under-attack/>.

<sup>372</sup> *Past Lessons and Future Challenges*, ed. Carmela Lutmar and Ziv Rubinovitz (Cham, Switzerland: Palgrave, 2023), 21.

<sup>373</sup> Shaul Chorev, "The Suez Canal: Forthcoming Strategic and Geopolitical Challenges," in *The Suez Canal*: Chorev, "The Suez Canal," 21.

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bolstering the protection of commercial vessels.<sup>374</sup> Notably, any increase in military presence is subject to the 1979 Israeli-Egyptian peace treaty, which restricts the number of troops Egypt can deploy to the Sinai without negotiation with Israel.<sup>375</sup> While Israel has been flexible on Egyptian deployments during the counterterrorism campaign and Cairo's efforts have reduced the frequency of terror events, as recently as May 2022, ISIS militants attacked a water pumping station near the Canal, killing 11 and wounding five Egyptian security personnel.<sup>376</sup>

### China's Interest in the Canal

#### *Maritime Soft Power*

In the Work Report to the 18<sup>th</sup> National Party Congress in 2012, President Hu Jintao declared for the first time that China's leadership needed to "build China into a maritime power" and "resolutely safeguard China's rights and interests."<sup>377</sup> Xi has reiterated this sentiment by stating that, "the maritime industry correlates with the 'rise and fall' of the country."<sup>378</sup> This was codified in the 2015 China Defense White Paper, where Beijing extended its notion of power projection beyond traditional homeland defense by linking its national sovereignty with its maritime interests.<sup>379</sup> In particular, the paper noted that a key facet of this aim is to "protect the

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<sup>374</sup> Chorev, "The Suez Canal," 22.

<sup>375</sup> Sharp, *Egypt: Background and U.S. Relations*, 8.

<sup>376</sup> Khalid Hassan, "Islamic State Claims Attack near Suez Canal," Al-Monitor, May 13, 2022, <https://www.al-monitor.com/originals/2022/05/islamic-state-claims-attack-near-suez-canal#ixzz8331JeiTN>.

<sup>377</sup> Embassy of the People's Republic of China in the United States of America, "Full Text of Hu Jintao's Report at 18th Party Congress," accessed May 30, 2023, [http://us.china-embassy.gov.cn/eng/zt/18th\\_CPC\\_National\\_Congress\\_Eng/201211/t20121127\\_4917578.htm](http://us.china-embassy.gov.cn/eng/zt/18th_CPC_National_Congress_Eng/201211/t20121127_4917578.htm).

<sup>378</sup> The State Council Information Office of the People's Republic of China, "China's Military Strategy (May 2015)," accessed May 30, 2023, [https://english.www.gov.cn/archive/white\\_paper/2015/05/27/content\\_281475115610833.htm](https://english.www.gov.cn/archive/white_paper/2015/05/27/content_281475115610833.htm).

<sup>379</sup> The State Council Information Office of the People's Republic of China, "China's Military Strategy."

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security of [strategic sea lines of communication] and overseas interests.”<sup>380</sup> To align with this new posture, the PLAN would gradually shift its focus from offshore defense to open waters force protection, emphasizing collaboration with foreign partners. The defense paper notes that “the key to safeguarding is achieved through...international peacekeeping, offshore escort, joint anti-terrorism, joint military exercises, overseas evacuation, and international rescue operations.”<sup>381</sup> This cooperative stance stems from China having only one foreign military base and, therefore, it must rely on commercial ports to increase its logistics support and intelligence collection capabilities.<sup>382</sup>

*Port Strategy on the MSRI*

The nature of its total trade, of which 90 percent is seaborne, consequentially binds Beijing to the Middle East’s waterways.<sup>383</sup> These maritime strategic sea lines of communication (SLOC) provide throughput for its commercial cargo by way of chokepoints at the Strait of Hormuz, the Bab Al Mandab Strait, and the Suez Canal, each of which represents a critical linchpin with which China must contend.<sup>384</sup> Since announcing its 11<sup>th</sup> Five Year Plan in 1999, China has encouraged its firms to expand into the construction and operation of overseas ports to bolster its economic position, and in the BRI era, critical nodes have become the priority.<sup>385</sup> In this respect, a 2015 central-level party document notes: “facilities connectivity is a priority area

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<sup>380</sup> Embassy of the People’s Republic of China in the United States of America, “Full Text of Hu Jintao’s Report at 18th Party Congress.”

<sup>381</sup> The State Council Information Office of the People’s Republic of China, “China’s Military Strategy.”

<sup>382</sup> Isaac B. Kardon and Wendy Leutert, “Pier Competitor: China’s Power Position in Global Ports,” *International Security* 46, no. 4 (Spring 2022): 14, [https://doi.org/10.1162/isec\\_a\\_00433](https://doi.org/10.1162/isec_a_00433).

<sup>383</sup> Kardon and Leutert, “Pier Competitor,” 11.

<sup>384</sup> Henrik Stålhane Hiim and Stig Stenslie, “China’s Realism in the Middle East,” *Survival* 61, no. 6 (2019): 155, doi:10.1080/00396338.2019.1688578.

<sup>385</sup> Kardon and Leutert, “Pier Competitor,” 11.

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for implementing the [Belt and Road]...with regard to transport infrastructure construction, we should focus on key passageways, junctions, and projects.”<sup>386</sup> In implementing this policy goal, China’s port strategy depends on three elements for power projection: the material network of international assets suitable for military use; the ability for Beijing to influence those assets as well as the foreign political environment; and the geostrategic and security environment.<sup>387</sup>

Table 4.1. Factors Affecting State Power Projection Overseas

Material	Political	Geostrategic
Transnational network of ports	Home state influence over firms	Location
Port suitable for military operations	Host nation support	Security environment

Source Isaac B. Kardon and Wendy Leutert, “Pier Competitor: China’s Power Position in Global Ports,” *International Security* 46, no. 4 (Spring 2022): 17, [https://doi.org/10.1162/isec\\_a\\_00433](https://doi.org/10.1162/isec_a_00433).

Beijing’s influential backing of Chinese port operators permits a long-term investment focus and deal-making with autocrats relative to the short-term outlooks and shareholder interests that dominate Western firms.<sup>388</sup> Moreover, China’s control over its port firms benefits its military goals. For example, China’s 2017 transportation law requires “Chinese enterprises (and their overseas agencies) engaged in the international transportation business shall provide for the supply and support of ships, aircraft, vehicles, and personnel of China’s military operations.”<sup>389</sup> Furthermore, the law notes that China’s military may station representatives

<sup>386</sup> National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce, “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road,” *Strategic Studies* 34/35 (2014): 211, <https://www-jstor-org.niu.idm.oclc.org/stable/48527488>.

<sup>387</sup> Kardon and Leutert, “Pier Competitor,” 17.

<sup>388</sup> Dorsey, *China and the Middle East: Venturing into the Maelstrom*, 41.

<sup>389</sup> Kardon and Leutert, “Pier Competitor,” 35.

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within these firms to coordinate civil-military interactions.<sup>390</sup> Like other blue-water navies, this is advantageous to the People's Liberation Army Navy (PLAN), which relies on international commercial ports to repair and resupply its military vessels.<sup>391</sup> A singular distinction for the PLAN, however, is its ability to use dual-use maritime assets controlled by Chinese companies through equity stakes or leasing agreements.<sup>392</sup>

Concerning strategic location, out of the 96 ports where Chinese firms have a degree of ownership and operations of terminals, 55 percent of China's port operations are within 480 nautical miles of a strategic maritime chokepoint, and two-thirds of those span the MSRI from the Malacca Straits to the Suez Canal.<sup>393</sup> Each can potentially provide support nodes for the PLAN during peacetime and even limited support during war. Moreover, 86 percent of China's 96 ports meet the requirement to dock China's *Shandong* aircraft carrier, which needs at least 315 meters in length and 9.1 meters draft to dock at a port.<sup>394</sup> This dual-use potential reflects how China regards the role of the U.S. Navy in protecting the world's SLOCs and port facilities. For Beijing, this aspect of U.S. military posture overseas is presumably viewed as a vulnerability in this era of strategic competition.<sup>395</sup> Moreover, China's global economic presence increasingly justifies its regional security needs in the Middle East. While China's naval power is not yet capable of surpassing the United States, Beijing sees ports as valuable for peacetime commerce

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<sup>390</sup> Kardon and Leutert, "Pier Competitor," 35.

<sup>391</sup> Kardon and Leutert, "Pier Competitor," 10.

<sup>392</sup> Kardon and Leutert, "Pier Competitor," 10.

<sup>393</sup> Kardon and Leutert, "Pier Competitor," 26.

<sup>394</sup> Kardon and Leutert, "Pier Competitor," 31.

<sup>395</sup> Kardon and Leutert, "Pier Competitor," 13.

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and intelligence collection, and a soft power projection predicated on expanding the range of its military during peace over outright combat capability.<sup>396</sup>

*Sinicizing the Suez*

Egyptian ports exemplify China's naval strategy and have accordingly attracted substantial Chinese investment. China's Hutchinson Port Holdings acquired a 50 percent share in 2005 through a joint venture with the Alexandria Port Authority to construct and manage container terminals in the ports of Alexandria and El Dekhia on the Mediterranean Sea.<sup>397</sup> Furthermore, since 2007 the China Ocean Shipping Company (COSCO) has owned a 20 percent share of the Suez Canal Container Terminal at the northern entrance of the waterway at Port Said.<sup>398</sup> Within the SCETZ, the China Harbor State Company began constructing a second basin for the Sokhna Port at the south opening of the canal in 2018. However, this has since developed into a partnership with the port's majority owner, Emirati firm DP World, and COSCO has come to utilize the new basin as the main port for deliveries related to BRI projects.<sup>399</sup> Furthermore, in 2023 COSCO acquired a 25 percent share of the new basin terminal and a 30-year operating lease.<sup>400</sup> Notably, COSCO is a central SOE, controlled directly by the PRC's Ministry of Transportation, which has taken considerable ownership in other key BRI ports that include a 90 percent stake in Abu Dhabi's Khalifa port and a majority share of the Piraeus port authority in

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<sup>396</sup> Kardon and Leutert, "Pier Competitor," 14-15.

<sup>397</sup> Chaziza, China's *Middle East Diplomacy*, 42.

<sup>398</sup> "COSCO Pacific Buys 20% Stake in Suez Canal Container Terminal," *Freight Waves* (March 2, 2019), <https://www.freightwaves.com/news/cosco-pacific-buys-20-stake-in-suez-canal-container-terminal>.

<sup>399</sup> "DP World Sokhna enters trilateral partnership," *Port Strategy*, accessed May 31, 2023, <https://www.portstrategy.com/news101/world/middle-east/dp-world-sokhna-enters-trilateral-partnership>.

<sup>400</sup> "China's Cosco Buys 25% Stake in Sokhna Container Terminal in Egypt for \$375mln," *Zawya* (March 16, 2023), <https://www.zawya.com/en/projects/industry/chinas-cosco-buys-25-stake-in-sokhna-container-terminal-in-egypt-for-375mln-eheeo6lf>.

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Greece. The latter arrangement includes total ownership and operations of two of the port's terminals.<sup>401</sup> COSCO's opaque transparency and its tendency to utilize Beijing's subsidies on its riskiest projects lend further credence to the idea that it will likely accommodate Chinese military use at its facilities.<sup>402</sup> In this respect, while the new terminal is yet to be fully utilized, it does possess the potential to care for China's largest warships.<sup>403</sup>



Figure 4.2. Zachary Hutchings, *Chinese Maritime Expansion and Potential Dual-Use Implications on Critical Maritime Chokepoints* National Geospatial-Intelligence Agency, July 20, 2021, [https://www.tearline.mil/public\\_page/bri-maritime-dual-use-hypothetical/](https://www.tearline.mil/public_page/bri-maritime-dual-use-hypothetical/).

<sup>401</sup> Isaac Kardon, "Research & Debate—Pier Competitor: Testimony on China's Global Ports," *Naval War College Review* 74, no. 1 (2021): 133-152, <https://digital-commons.usnwc.edu/nwc-review/vol74/iss1/11>.

<sup>402</sup> Kardon, "Research & Debate—Pier Competitor," 5.

<sup>403</sup> "Sokhna Port," SCZone, accessed May 30, 2023, <https://sczone.eg/services/ain-sokhna-port/>.

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*The Next Suez Crisis*

What makes the Suez Canal distinct from China's investments in the Arabian Gulf states, which are primarily focused on energy supply, is the Canal's critical geostrategic position along the BRI.<sup>404</sup> Aside from its proximity to the SCETZ, 60 percent of all China's exports transit the Canal annually, bound primarily for European markets.<sup>405</sup> Therefore, for China, the Canal's continued operation is essential. A closure results in shipping diversion around the Cape of Good Hope, adding transportation costs of five percent from distance increases between 4,000 and 6,000 nautical miles, and up to ten percent in added container costs.<sup>406</sup>

Although predicting the next event that might trigger a Chinese crisis response is difficult, if we consider China's foreign investments that might provide some clues as to its future military commitments. In this respect, just as anti-piracy contributed to China's need for a base in Djibouti to protect its shipping in the Red Sea and Gulf of Aden, China's substantial financial and equity investments in several of Egypt's ports and associated industrial zones like the SCETZ (which is replete with Chinese companies and workers) may drive a security response.<sup>407</sup> Yet, thus far, Beijing has relied on the Egyptian government's ad hoc efforts to protect the Canal, despite assaults on vessels.<sup>408</sup> For example, in 2013 a cargo ship belonging to COSCO was attacked with rocket-propelled grenades from the Al-Furqan Brigades, an Egyptian jihadist organization, which justified its attack by stating the Canal had "become a safe

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<sup>404</sup> Chorev, "The Suez Canal," 12.

<sup>405</sup> Dorsey, *China and the Middle East*, 201.

<sup>406</sup> Gao and Lu, "The Impacts of Strait and Canal Blockages on the Transportation Costs of the Chinese Fleet in the Shipping Network."

<sup>407</sup> Khalil Al-Anani, "Egypt's Strategic Partnership with China: Opportunities and Implications," Arab Center Washington DC, January 27, 2023, <https://arabcenterdc.org/resource/egypts-strategic-partnership-with-china-opportunities-and-implications/>.

<sup>408</sup> Ehud Gonen, "China and the Suez Canal—Politics, Economy, and Logistics," *Palgrave Studies in Maritime Politics and Security*, 2023, 27–41, [https://doi.org/10.1007/978-3-031-15670-0\\_2](https://doi.org/10.1007/978-3-031-15670-0_2).



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passageway for Crusader aircraft carriers to strike Muslims, and it is the artery of commerce of the nations of disbelief and tyranny.”<sup>409</sup> Conflict scenarios are yet untested for China’s military, but it is not too much of a stretch to conclude that Beijing could exploit its economic position within Egypt to coerce Egyptian government compliance with demands for an increased military presence in the Canal, possibly to include a Chinese military presence, which could potentially put the U.S. Navy’s current transit priority at risk.<sup>410</sup>

### Conclusion

The Suez Canal is an important node on the MSRI and a chokepoint to global trade. Since its nationalization, it has been a focal point for regional conflict and a reminder of the importance of seaborne trade. Despite Egypt’s insistence on neutrality regarding freedom of navigation in the Suez Canal, Cairo has a demonstrated history of restricting access when it feels its interests are threatened, which keeps closure of the Canal within the realm of possibility.

For Beijing, the Canal is the last crucial link on the MSRI before reaching European markets. In addition to its comprehensive political and economic engagement with Egypt, China’s investments in the Suez Canal correlate with its maritime power goals, synergizing its commercial port firms with its military capabilities. In this respect, as China’s economic influence in the Suez Canal expands, amid Egypt’s weak ability to protect the Canal, China may leverage its state-owned firms’ port networks as naval projection platforms to protect its exposed interests, commensurate with its counterterrorism law.

Overall, the nexus of threat perceptions between Cairo and Beijing drives potential Canal closures and PLAN presence. That may negatively affect regional U.S. military operations, as

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<sup>409</sup> Stephen Starr, “Attacks in the Suez: Security of the Canal at Risk?,” *CTC Sentinel* 7, no. 1 (January 1, 2014): 1–4, <https://ctc.westpoint.edu/january-2014/>.

<sup>410</sup> Kardon and Leutert, “Pier Competitor,” 14.

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Beijing's leverage over Canal assets and Egypt's government increases. Moreover, amid regional perceptions of a declining U.S. posture as it moves to the Indo-Pacific, Cairo may ultimately welcome Chinese military assistance in securing its robust partnership.<sup>411</sup>

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<sup>411</sup> Kaiser-Cross and Mao, "China's Strategy in the Middle East and Arab World," 187.

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### CHAPTER 5

#### **Implications for Egypt, China, and the United States**

##### *Overview*

In answering the research question, “How will Chinese maritime activities in the Suez Canal impact U.S.-Egypt relations?” this final chapter summarizes China’s influence activities and presents a summary of research findings according to DIME model to assess China’s emerging trajectory in Egypt and highlighting potential ramifications for the future of U.S.-Egyptian relations. First, the chapter provides a summary of findings using the DIME model. Next, the chapter offers a conclusion and strategic insights based on an assessment of the thesis research. Finally, offers considerations for U.S. policymakers, and areas for future research.

##### **Summary of Findings**

The goal of this research was to study the convergence of China’s hegemonic ambitions through its diplomatic, military, and economic activities with Egypt’s aspirations to determine how Beijing is specifically influencing the maritime infrastructure and logistics operations in the Suez Canal. In analyzing the culmination of evidence conveyed in the empirical chapters within the DIME model framework, the research has highlighted the array of Beijing’s influence from which to plot the likely trajectory of China’s presence in Egypt and the implications for U.S.-Egypt relations.

##### *Diplomatic*

The long history of relations between China and Egypt has grown over time and is now codified in a CSP reflecting Beijing’s highest level of diplomatic engagement. This expansive agreement encompasses policy coordination, connectivity, trade, investments, energy, financial integration, military ties, and people-to-people ties. Additionally, this high level of coordination

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is highly orchestrated to correspond with Xi and El-Sisi's highest priority initiatives, the BRI and Egypt's Vision 2030.

Political alignment between the two leaders is also strong. El- Sisi and Xi share discontent with the current Western-led international order and support China's model of developmental peace. For its part, Egypt is supporting China's parallel international institution-building through memberships such as the AIIB and SCO and desires to join BRI financial institutions. Beijing's diplomatic advocacy of the UN, UN Security Council, and G20 is also beneficial to Cairo, which Egypt reciprocates through support of China's involvement in regional institutions Arab League, the African Union, and the Organization of Islamic Cooperation.

### *Information*

China is broadening its government-level engagement to include cultural and academic exchanges with Egypt, aligning with Egypt's Vision 2030 and the BRI. These include Confucius Institutes and classrooms in Cairo and Suez, which provide Chinese language and culture education opportunities. Additionally, the Belt and Road Cooperation Research Center represents a collaboration between Ain Shams University and China's Renmin University is dedicated to advancing economic, commercial, and technical studies for BRI cooperation and projects. Additionally, Chinese tourism to Egypt has drastically increased since the CSP. This is in part due to China's Minister of Culture and Tourism commitments to expand tourism between the two countries, which Cairo has rewarded by granting Chinese travelers visa-on-arrival privileges.

### *Military*

China and Egypt have a long history of military cooperation that is continuing to expand and includes China's first foreign military sales to another nation in the form of reconnaissance drones in 2018. The priority for China-Egypt security cooperation is countering terrorism

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through joint naval exercises and information-sharing intelligence on militant organizations. For China this even includes its citizens studying abroad. In this regard, Egypt has detained Uyghur students in support of Beijing's campaign against Islamic radicalization.

Aside from direct engagement with Egypt's armed forces, China is furthering its maritime power projection to protect its overseas interests, in accordance with its 2015 China Defense White Paper. In achieving this policy goal, the PLAN is turning its operational focus toward collaboration with foreign partners through offshore escorts, joint military exercises, overseas evacuation, and international rescue operations. In this respect, China depends on commercial ports and the control leveraged by state-owned firms to increase logistics support and intelligence collection capabilities for the PLAN due to having only one foreign military base. These ports reflect China's geostrategic prioritization of SLOCs. Of the 96 ports where Chinese firms have some portion of ownership and operations of terminals, over fifty percent are within 480 nautical miles of a maritime chokepoint, and two-thirds are along the MSRI from the Malacca Straits to the Suez Canal. Furthermore, nearly ninety percent of all China's port investments are in locations able to host its aircraft carriers.

As this applies to Egypt, China has substantially invested in Egyptian ports, including joint ventures with the Alexandria Port Authority, the Suez Canal Container Terminal, as well as constructing a second basin at the Sokhna Port, where the Chinese state-owned COSCO has recently acquired an equity stake and thirty-year operating lease. Notably, COSCO has acquired equity in other key BRI ports and tends to use Beijing's subsidies on risky projects, increasing the likelihood it will permit Chinese military use at its facilities; for the Ain Sokhna port, this could potentially include Beijing's largest warships.

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Furthermore, in accordance with China's 2015 counterterrorism law, the security environment in the vicinity of the Suez Canal may also drive a military response from China to protect its investments and Chinese workers in Egypt's ports and industrial zones like the SCETZ. Based on its past crisis responses, China may pursue more permanent basing as it did in Djibouti to counter piracy. It may also increase its bilateral cooperation with Egypt to include deploying PLA troops to support counterterrorism missions like its QCCM model used with Central Asian partners, or it may maintain a military profile that primarily relies on the host nation and other foreign nations' security efforts as it does in Syria to counter Uyghurs who are fighting with Islamic militant groups.

*Economic*

Since 2011, China has been Egypt's largest trading partner, and Cairo is increasingly relying on China for its imports. Over the last twenty years, Chinese exports to Egypt have grown at an annual rate of about fifteen percent; however, under the CSP of the Xi and El-Sisi era between 2016 to 2021, this annual growth rate has increased by nearly sixty-six percent. Additionally, China's robust engagement is evident throughout nearly every sector of Egypt's economy, corresponding with its strategic location on the MSRI. Moreover, the synergies between China's development-focused 1+2+3 model and its BRI projects highly correlate with Egypt's Vision 2030. China has invested \$15.36 billion in Egypt since El-Sisi announced his initiative, and Chinese companies are increasing throughout Egypt in manufacturing, textile production, and railway construction, and green energy production. Moreover, the high-profile megaprojects, including the Central Business District of Egypt's New Administrative Capital are heavily leveraged by Beijing's financial capital. The most important of these for China, however, is the SCETZ. Replete with six ports, and industrial and manufacturing facilities from over 100 Chinese firms and 35,000 jobs, the zone is a geostrategic priority for Xi. So far, the

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SCETZ has garnered over \$1.2 billion in China's financial support and has promises of future project cooperation from the \$40 billion Silk Road Fund.

As part of the CSP, Beijing is also strengthening its economic influence by serving as an alternative to Western financial institutions by providing billions of dollars in loans from the AIIB and CDB for BRI-related megaprojects to the debt-laden Egypt. Moreover, to ensure the stability of currency exchanges, China is integrating the Yuan into its financial transactions through bilateral currency swaps and bonds issues by Egypt's CBE. This not only ensures trade is done in China's currency, but it also ensures Egypt's foreign currency reserves are beholden to Beijing over the U.S. dollar.

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### Study Conclusions

#### *China's Grand Strategy*

The evidence from this study shows that China is implementing a strategy to become the global hegemon by the mid-century, complete with a military that will rival the United States. Thus far, this is most evident through its economic statecraft which now includes nearly \$900 billion in over 100 countries for its BRI. China believes the West is in decline, and now is the time to realize the dream of rejuvenation through a community of common destiny which is secures though "win-win" development-based partnerships meant to outmaneuver Western alliances in the hopes of ultimately achieve an international relations paradigm without them. Additionally, China is further eroding the dominance of the current global order though its parallel institutions which provide diplomatic and financial backing to nations without conditioning support toward sound economic policies and human rights advancements. While in the near-term, this is mutually beneficial for improving the alignment between China and its partner nations, as Beijing's financial and political leverage increases, so may its capacity to

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undermine the sovereignty of these countries. Another key aspect this research highlights is that China's maritime activities are part of its overall defense strategy, which incorporates commercial ports into its military force projection capabilities and that when conditions of state-owned ownership and operations exists, so does the potential for these assets to be utilized by the PLAN.

*China's Trajectory in Egypt*

The political relationship between Xi and El-Sisi is showing no signs of weakening, with both leaders unified in their desires for a multipolar international order. Their ideological congruence is further in the expansive bilateral CSP that deeply integrates China's strategy goals *vis-a-vis* the BRI with Egypt's Vision 2030 across most of the Arab nation's economy. Given Cairo's need for financial support, it has become a key BRI partner in exchange for development gains from Beijing's lending largess for the foreseeable future. Yet, for all the ostensibly beneficial engagement with Egypt, China's geostrategic calculus in the Suez Canal area alludes to a partnership where it will have the long-term advantage. Whether by the result of a permissive political environment in which Cairo welcomes Beijing's security cooperation amid terrorist threats and a declining U.S. regional presence, or a crisis triggering a response to protect its interests, a Suez Canal highly influenced by China is a growing probability.

*Implications for the United States*

China's strengthening influence with Egypt presents destabilizing implications for U.S.-Egypt relations. The first area of concern is that China's lack of financial conditionality and insistence on adhering to Western conventions for human rights and democratic processes provides Beijing a potential near-term advantage over the United States considering Cairo's immediate focus on megaprojects and need to alleviate its financial issues. The second area of concern is that the long-standing U.S. security cooperation relationship, considering Cairo's

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decreasing dependency on American military equipment, may become an ineffective policy tool to uphold bilateral relations aligned with America's core interests. Finally, if China can exert greater control over the Suez Canal, the U.S. Navy's priority placement in transits, or even its freedom of navigation altogether may be jeopardized, adding substantial time and distance to its sea tours.

*Avoiding the Thucydides' Trap*

Like the Germans leading up to World War I, China is racing to bolster its naval capabilities to secure its rise as the economic challenger to the United States. Moreover, Xi's community of common destiny is a concerted effort by Beijing to revision the international order in its ideological image reminiscent of Germany's *Weltpolitik* foreign policy which is bringing nations across the globe into strategic competition. Through its network of partnerships, China is anchoring its position for the long term, and given the popularity its "win-win" cooperation model garners abroad, actions taken by the United States and its allies to sanction China's expansion may be ill-received by other nations, furthering the potential for conflict. Yet, for all China's amassing of forces to meet a midcentury deadline for national rejuvenation, in the near-term, its maritime strategy objectives cannot be achieved without the support of foreign nations. Except for its dedicated base in Djibouti, China's naval support facilities are still "dual-use," akin to Germany's pre-war fleet presence meant to display the ability to project force while securing commercial routes without openly deploying against Britain. Moreover, just as Germany's buildup of battleships was neither economically viable in the long run, nor relevant to its core security threats, China is heavily financially leveraged by its BRI projects and is still far outmatched by the U.S. Navy. Despite the increasingly contentious position Beijing is taking in its foreign policy to ensure its future hegemony, unlike Britain and Germany which failed to

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balance their competition strategies resulting in conflict, this contemporary rivalry presents opportunities for the United States to blunt China's sharp power through increased collaboration with foreign partners.

*Policy Recommendations*

Commensurate with reducing the potential for a Thucydides' Trap with China, this research has illuminated three policy recommendations to strengthen America's core relationship with Cairo:

- Broaden policy engagement to include development initiatives
- Reduce military assistance proportionately
- Maintain human rights conditionalities

The first recommendation is to expand assistance to Egypt for its development needs and progress initiatives to directly engage with the Egyptian people and promote their welfare. The fundamental relationship between Egypt and China is rooted in these same factors; therefore, being equally receptive to Cairo's economic and social development needs, backed by America's leading expertise across multiple sectors, further aligns the United States and Egypt ideologically. Moreover, compared to Beijing's opaque business practices with uncertain implications, the United States represents clear and open terms for engagement, making it a preferred partner.

The second policy recommendation is to reduce military assistance in proportion to the increase in other categories. Budgets are not infinite, and Egypt's reliance on American aid for its total military needs is in decline. Therefore, decreasing this support may have a minimal

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impact on the security environment relative to the welfare and human rights benefits gained through direct support.

The final policy recommendation, and most important, is for the United States to uphold human rights stipulations with Cairo for American funding assistance. Although Beijing may not condition its support in terms of human rights under the auspices of noninterference in others' domestic affairs, quality of infrastructure means little without a quality of life. In this respect, U.S. can help Egypt achieve both.

*Areas for Future Research*

Four research topics have arisen from this thesis analysis. First, China desires to be friends with everyone, but only comprehensive partners with a few. Research on how obtaining a comprehensive partnership with China affects a country's relations, both domestically and internally, could prove informative in assessing a nation's political alignment trajectory. Second, to what degree does Russia serve as a moderating variable to Beijing and U.S. strategic goals in the Middle East? Specifically, if Beijing can accommodate Cairo's economic development goals, is Moscow able to fulfill Egypt's military armament needs? Third, while relations with China are popular with Middle Eastern leaders, how is Beijing's influence received by the general population? Moreover, given China's expansive engagement across several economic domains, do some sectors favor Beijing more than others? Fourth, strategic competition is larger than Washington, Beijing, and Moscow. Given the potential for diplomatic, economic, and military benefits garnered from relations with these nations, what strategies do Middle East actors take to ensure their interests are met by major nations?



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