

# Immersion course

**Robert Lawrence Kuhn and Florence Eid-Oakden** say as US interest in the Middle East apparently wanes, China's appetite for its oil means it is beginning to play a bigger role in its affairs

Chinese Foreign Minister Wang Yi's (王毅) visit to the Middle East and North Africa – Palestine, Israel, Algeria, Morocco and Saudi Arabia – is noteworthy on several levels. It recognises the importance of the region for China's energy security and it reflects the country's growing participation in world affairs.

Both trends are likely to continue as China's position in the world rises and as it feels pressure to protect its vital interests. It is in this context that we explore China's Middle East strategy.

In past decades, it was the United States that needed to immerse itself deeply in Middle Eastern affairs, due to its dependence on oil imports. In a historic turn of fortunes, now it is China's chance.

China imports about 60 per cent of its oil from Middle East countries. This compares with about 25 per cent of US oil imports from the region. With the upsurge in American domestic oil and natural gas production, US oil imports from the Middle East are projected to drop to almost zero. China, by contrast, could see its Middle East oil imports more than double, to nearly 7 million barrels per day, becoming a major dependency for China.

Saudi Arabia is China's largest supplier, accounting for about 20 per cent of crude oil imports. Happily, the kingdom is a secure and reliable source, navigating intelligently the volatility that surrounds it. However, China needs more oil, including from Iran and Iraq, each with its own set of problems.

Especially worrying are threats to the free flows of oil and the uptick in violence directed towards Chinese oil installations. China's non-interference policy no longer serves its national interests.

Since the introduction of its "Going Out" policy in the 1990s, China has pursued a strategy of gaining influence in the Middle East through the soft power of economic interdependence. By refraining from intervening in the region's complex politics, China managed to reap the benefits of abundant natural resources while mitigating risks of backlash. But with conflicts mounting, particularly in the protracted Syrian crisis, China is no longer shielded from repercussions – physical attacks as well as political backlash.

The regional dynamics underscore the significance for China of the nuclear deal with Iran. Even as an interim arrangement, with a shelf life of six months, it can provide substantial relief to Iran's battered economy and has already affected forward contracts for oil. If Iran fulfils its commitments and the world rewards it, there will be

incentive to craft a larger deal. Should sanctions be incrementally lifted, investment opportunities in this diversified and under-served market of almost 80 million people will abound.

Iran is the third largest source of Chinese oil imports. Chinese firms also have sizeable vested interests in the Iranian hydrocarbon industry, such as the China National Petroleum Corporation contract to drill 19 natural gas wells in Iran's southern fields.

But the major impact from a nuclear deal will be on regional security. We can think of Iran today as holding two bombs: One has to do with its nuclear programme, and the other with the sectarian proxy wars it is fuelling regionally against its Sunni rivals. With the Gulf Co-operation Council (GCC) states arming rival factions, the fighting in Syria and resultant spillover into Lebanon and Iraq have taken a deeply sectarian and radical turn.



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As a framework for understanding the region, three potential scenarios could affect China.

One, nuclear negotiations fail and, after the six-month deal expires, sanctions are reinforced and expanded. China would be pressured not to deal with Iran for oil and other business.

Two, nuclear negotiations succeed. Iran strikes a deal with the West but continues to be broadly hostile to its Sunni neighbours in the region. This could prolong the war in Syria and intensify security concerns in the GCC. While easing sanctions would enable China to seek energy investment opportunities, the geopolitical risk will remain high and likely increase.

The third potential scenario is of course somewhere in between, which could leave a climate of uncertainty and continued volatility.

None of these scenarios are especially good for China, although successful negotiations are obviously best. Better still, of course, would be a changing mindset in Iran's regional policies. Should the Syria war wind down, reconstruction can begin, with Lebanon and Iraq spared. This would then facilitate regional opportunities and reduce the geopolitical risk.

What about the historic reversal between China and US interests in Middle East oil? No one is predicting a large-scale American withdrawal, because concerns over terrorism, nuclear proliferation, free-

flowing oil and Israel will continue. Yet China must plan for the unexpected.

What if US budgetary constraints combine with wavering public opinion to pressure the administration to reduce substantially its military commitment that keeps the oil flowing? What if China's energy lifeline were threatened by local events? What if the Strait of Hormuz were closed? What if the US were no longer the world's policeman?

More broadly, as China becomes the world's largest economic power, it will have an obligation to humanity as well as to itself.

China needs world stability to continue its massive domestic development. Foreign Minister Wang's trip to Israel and Palestine, as the highest-level Chinese official to visit in years, focused on Iran and Israeli-Palestinian negotiations.

China has a new supporting role on the world's diplomatic stage, and the contesting parties, at least initially, seem to appreciate it. China's entry into the Middle East is a new factor in world geopolitics. It's worth watching.

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## More to offer

**Maggy Lee** laments that the talent of women expatriates, including those who come here as accompanying spouses, too often go untapped

Hong Kong continues to lure large numbers of transnational professionals who live, work and enjoy their leisure in the territory.

As a transient minority, expatriates' experiences and contributions are often ignored or overlooked, particularly those of women who may be joining the Hong Kong community as an accompanying spouse. But understanding what expatriate mothers think about Hong Kong as a place to live and raise a family can enhance the city's standing as a desirable location for business, as well as its social and cultural development.

Over the past two years, we interviewed 40 highly skilled expatriate women who relocated to Hong Kong either as independent professionals or as accompanying spouses. Their length of residence in Hong Kong varies from three months to 30 years. Their stories reflect the changes in the city's colonial history and localisation of the civil service, as well as the restrictions imposed by immigration policies.

All of our participants, regardless of age or length of stay, view Hong Kong as "a land of opportunity" for career progression and self-development.

Many enjoy a sense of safety and freedom and feel able to walk around Hong Kong without fear of harassment or being gawked at. Single women find it easier to break away from the constrictive gender roles and family life they were confined to in their home countries and embrace a new and largely self-defined social role. Most describe their lifestyle in Hong Kong as "liberating".

However, choosing to lead an expat life in Hong Kong comes with trade-offs. Like many local women, some female expatriates have to shoulder the expectation and stress that accompanies having to care from afar for elderly parents often with health problems, made especially harder in the current era of economic austerity.

Some accompanying spouses struggle to maintain their financial independence or to find part-time employment due to visa restrictions and a lack of family-friendly workplace policies in Hong Kong. Additionally, they have to cope with the rising cost of housing and a shortage of English-language school places for their children.

Although local policies tend to focus on the economic contributions of transnational professionals, this does not mean that female expatriates' social contributions should be devalued. Many women in our study actively take part in a range of voluntary work and local residents' committees. Some follow local politics and exercise their right to vote with enthusiasm; others advocate for positive change in social and environmental policies.

Given their high level of education and skills, expatriate women clearly represent an important yet largely untapped resource in Hong Kong that, if harnessed appropriately, could reap benefits for the economy and society at large.

Our challenge is to come up with more systematic efforts and both formal and less formal channels to make sure that they are socially and culturally integrated citizens.

Maggy Lee is an associate professor in the Department of Sociology at the University of Hong Kong. This article is part of a monthly series on women and gender issues, developed in collaboration with The Women's Foundation

## As the internet and technology evolve, so must the role of the governments

**Andrew Sheng** says protecting privacy and ensuring level playing field should be priorities

As the year comes to a close, we need to reflect on what are the most important things that have affected our lives in the recent past. In my view, the internet continues to change our world. The most significant internet event this year was not the listing of Facebook, which was priced at US\$104 billion, but the revelation by Edward Snowden of the surveillance of the internet in June, which showed that Big Brother, friend or foe, is really watching.

On the plus side, Singles' Day – November 11 – garnered 35 billion yuan (HK\$44.7 billion) in online sales in China. Since China already accounts for one-third of the smartphones in the world, and the country can make and sell smartphones at one-third the price of iPhones or Samsung, it is not surprising that e-commerce in China is set to overtake the US in volume, probably next year.

Online business is here to stay. What the combination of the internet and smartphone means is that a person in the remotest part of Indonesia can sell his or her craft to buyers worldwide, and collect the payment over the smartphone.

I am amazed at the apps that are downloaded to maximise personal efficiency, and being able to share interesting news through WeChat. Free internet services are rising so fast that mobile phone company revenue from SMS text messages is slowing down.

In all of this, what is the proper role of the government?

Nobel laureate economist Joseph Stiglitz was one of the first to write about *The Role of Government in a Digital Age*, the title of a report he authored with Peter and Jonathan Orszag in 2000. They recommended 12 principles for the government's role. The first three concern what the government should do: provide public data and information, improve services and support basic research.

The next six principles are areas where the government should exercise caution, including adding specialised value to public data and



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ensuring that mechanisms exist to protect privacy, security and consumer rights online.

The "red light" areas for governments include entering markets in which private-sector firms are active.

The Stiglitz-Orszag report was written for the US market, but the general principles are useful guides for other governments. Snowden showed that the US government may not have followed some of these guidelines. We do know that governments are more intrusive

and becoming more so over the internet, and such behaviour inhibits competition and innovation.

Because the internet is evolving very fast, the appropriate role of the government must also evolve. Businesses are becoming even more service- and information-oriented, and more will be digital and in the cloud. This means that governments will be struggling with three major issues – protecting people's privacy; ensuring a level playing field for competition; and figuring out how to tax online activities.

Governments must also sort out jurisdictional duties and powers, because the cloud, the ability to run a programme or application on many connected computers at the same time, is global, and taxation and regulation are not only national, but also departmental.

It is as if each small part of the bureaucracy is trying to regulate the cloud. We can all touch and feel its power, but there is no overall central authority that can control the cloud.

The problem with trying to protect privacy is that hacking is a real threat, and the biggest hacker is not some nerd or weirdo, but big government everywhere.

If Google has maps and it can monitor everything I do through my smartphone, does that information belong to Google or me? If it belongs to the large platforms, does that not confer tremendous informational advantage to them?

How can governments

ensure that there is a level playing field between these humongous online platforms and the small businesses that have no such information or may have to pay the platform to obtain it?

The third area is taxation. Online commerce has not been taxed because it was an innovation. But bricks and mortar shops have rents, create jobs and pay value-added taxes. If everything moves online, the government loses the ability to tax. Retail shops complain that they are losing out to larger and larger platforms. Bookshops around the world started closing when everyone could order through Amazon.

There are no easy answers to these tough questions. The interdependent and interconnected nature of the internet means that regulatory action in one part of the world could affect the system as a whole.

What we do need is better transparency, better education, wider access and also some key principles of fair competition that should be enforced for online business to innovate.

Year-end reminder: when you make a phone call in the toilet, someone (not Snowden) can hear you flush.

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## Hall of shame vote to Legco for not honouring Mandela

**Stephen Vines** says majority excel at showing how small-minded they are

Have you ever heard of Sheriff Rick Clark of Pickens County, South Carolina? No? I thought not, and only mention this nonentity because he is one of the very few officials in the world who managed to find an excuse not to honour the memory of the late and great Nelson Mandela.

Clark refused to lower the US flag at his office despite a presidential executive order to do so.

There is one other name to be added to this tiny roll call of shame – it is the Legislative Council of Hong Kong.

The world was hardly shaken by news that a majority of members in Hong Kong's legislature found a procedural excuse not to hold an adjournment debate in honour of this remarkable leader, but it is certainly a matter of concern for local people.

The majority in Legco have rarely missed a chance to miss a chance, but in this instance the undistinguished coalition of non-elected representatives from the rotten boroughs and their best friends from the elected side of the pro-government camp have excelled by joining forces to demonstrate that when it comes to being small-minded they are truly world-beaters.

Avoiding the real point at issue, they chose instead to proffer a slew of procedural excuses for not holding this rather modest debate designed to show Hong Kong's deepest respect for Mandela.

Behind this shameful behaviour was a fear that any

debate would raise the dreaded issues of human rights and democracy, with pointed comparisons being drawn between Hong Kong and South Africa. On an even more petty level there was the reflex reaction of simply voting against anything that had emanated from the democratic side of the Legco fence.

Here, laid bare for all to see, was the staggering parochialism of the Legco majority, who are so wrapped up in their petty concerns that they seem hardly aware of what is happening in the rest of the world.



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This was a vivid demonstration of the extent to which the legislature is simply not fit for purpose.

Although it was constructed to provide the administration with tame voting fodder for its policies, it does not even do that well and it is constitutionally designed to block policy alternatives coming from outside the ranks of the administration.

And even when it comes to simple gestures that are compatible with Hong Kong's

status as an international centre, Legco shirks its responsibility to do the decent thing.

Cynics will merely shrug and ask: what do you expect?

But cynicism is a kind of poison that serves as an excuse for inaction. We lower our expectations of what to expect from legislators, then complain when they do not even match these lowered expectations.

Little will change as long as the current system of rotten boroughs remains in place.

It may be argued that a failure to honour Mandela is very much a side issue in this whole debate, but it is often what happens around the edges that tells us a great deal about what is happening at the core.

In fact, this is quite a good example of why the city that portrays itself as being an Asian global centre is slipping slowly and sadly into becoming a backwater.

All is not lost because, as ever, the magnificent people of Hong Kong responded to the death of Mandela in a much more impressive way than the weasels in Legco.

This was reflected in a number of ways, such as the many postings on local social media sites, events held at schools and by an impressive service of remembrance at St John's Cathedral.

Is it really too much to expect that the legislature at least vaguely comes up to the standards of the people it purports to represent?

Stephen Vines is a Hong Kong-based journalist and entrepreneur