

July 25, 1983

Overview of Communist China's Entry into the Middle East

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Summary:

A diplomatic report from the South Korean Embassy in the United Arab Emirates to the Minister of Foreign Affairs, summarizing Communist China's political, cultural, military, and trade activities in the UAE. The report analyzes competition with South Korea in the UAE market and outlines countermeasures, while also assessing the possibility of North Korean penetration into the region.

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Contents:

Translation - English

“Reform’s Long Shadows: Global Reactions to Perestroika and ‘Reform and Opening Up’” October 5-7 2023

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Embassy (of South Korea) in the United Arab Emirates

1983.7.25

Recipient: Minister

CC: Head of the Middle East Department

Subject: Overview of communist China’s entry into the Middle East

1. Political, cultural, and military relations

- a. The United Arab Emirates does not have diplomatic relations with communist China and the East-European block such as the Soviet Union. Therefore, there are no direct exchanges [between them] in political, cultural, and military sectors.
- b. However, in the past several years, communist China has been trying to develop ties in economic and commercial sectors with the UAE, with Oman as the base. On the surface, it seems that [communist China] is restraining itself from advancing political and diplomatic relations (this seems to be a strategic consideration, to not incite the UAE).
- c. Although communist China does not have official relations with the UAE, it has had its ambassador in Oman oversee the region. In the latter half of 82 and the first half of 83, [the ambassador] visited this place, and contacted the government (Ministry of Foreign Affairs). There are efforts to enter the country by holding commercial trade exhibitions.
- d. The UAE adopts an open attitude in advancing commercial relations even with countries with which it does not have diplomatic ties. A group from the Abu Dhabi Chamber of Commerce has visited communist China (early 82), communist China has participated in exhibitions in this place, and held independent exhibitions.
- e. The UAE has also exchanged visiting groups of the Chamber of Commerce with Taiwan (no diplomatic relations), and has overlooked its appointment of an honorary ambassador in Dubai (not written on the foreign diplomatic list)

2. Overview of Trade Relations

a. Trade

Unit: one million USD (market share percentage)

Year	Communist China	Taiwan	Korea
1978	73.8 (1.4%)	76.41 (1.3%)	56.- (1.3%)
1979	115.57 (1.6%)	126.25 (1.7%)	119.57 (1.7%)
1980	137.35 (1.5%)	156.47 (1.8%)	189.- (2.3%)
1981	148.11 (1.5%)	157.37 (1.6%)	180.302 (1.7%)
1982	116.48	132.54	152.53

b. Penetration of labor, etc.

- 1) Regular operation of civil airline of communist China
 - Weekly service of European lines that transit in the “Sharjah” emirate
- 2) Opening of communist China’s hospital
 - Operation of a hospital in “Sharjah” that consists of 20 medical personnel from communist China (opened in 81)
- 3) Strengthened participation in commercial exhibitions
 - Small-scale, roving exhibition for miscellaneous products (using hotel lobbies) since 82
 - Participation in the Sharjah global exhibition as an independent booth (82.11) and the opening of an independent commercial exhibition in Abu Dhabi (82.12)
 - Attended and presided by the [Chinese] ambassador in Oman and communist China’s representatives of the Council for the Promotion of International Trade
- 4) Chamber of Commerce’s visiting group in communist China
 - Official visit from the Abu Dhabi Chamber of Commerce to communist China (early 82), and the visit of the representatives of communist China’s Council for the Promotion of International Trade (to preside over the exhibition)
 - Support of Abu Dhabi Chamber of Commerce for communist China’s commercial exhibitions
- 5) Establishment of joint construction companies
 - To enter the construction market, communist China established, jointly with Dubai’s big businessman ALGHURIA ARAB, CHINA CONST ENGINEERING CORP. (name of the company from communist Chinese side: CHINA CONST ENG CORP).

- Technical services, construction materials, execution of works, labor, etc. were to be provided, but nothing has been accomplished so far, and there has been no participation in major biddings.
3. Competition with our country and prospects
- a. The advance of communist China in the markets is prominent; especially in the sectors of manufacturing and basic construction materials, it is encroaching on our country's market. As for low-income foreign labor in the region, [communist China] is almost monopolizing the consumer market. Ordinary business actors evaluate communist China's products as "cheap and consistent in quality."
 - b. Although there are still shortcomings for products that require a level of technology, increases in [communist China's] entry in the machine work sector are predicted.
 - c. Competition in the construction sectors is not an immediate concern, but once the initial steps are secured, there is a concern that cheap labor and cheap material/equipment will be injected, which may severely weaken our country's companies' competitiveness. In other parts of the Middle East, evaluation on communist China's labor capabilities (in terms of diligence, discipline, construction capacity) seems to be improving.
 - d. Increases in communist China's entry into the market, as mentioned above, can be interpreted as a result of its strengthened efforts to hold exhibitions for its products. Through frequent exhibitions, impressions on communist Chinese products are improving.
 - e. Considering the openness of the UAE's policies, there are no institutional limitations to communist China's advances into the market. Politically as well, improving pragmatic ties with communist China, with an eye for keeping the Soviet Union in check (as in the example of Oman), is desirable. This kind of atmosphere may encourage communist China's advance in this region.
4. Countermeasures from our country
- a. Improve perceptions on our country's products
 - Need efforts to dispel the perception that [they are] "low quality but high price"
 - b. Strengthen frequent commercial exchange exhibition activities
 - c. In consideration of the practical nature of Chambers of Commerce in each emirate compared to other regions, [we] need to encourage their visits to Korea during their tours in Asia.
Strengthen our country's business people's visits and contacts
 - d. Continuous participation in various local trade fairs
 - e. Push for the holding of roving, comprehensive exhibitions for our country's products that are self-standing
 - f. Expand exchanges with the UAE in diverse areas (especially culture)

5. Possibility of the North Korean puppet regime's penetration, taking advantage [of communist China]
 - a. As the UAE implements open policies, there is a possibility of the North Korean puppet regime advancing into the economic sector independently. Even at present, [it is] undertaking activities in Dubai, in the form of joint companies. Although there are no cases yet of [the North Korean puppet regime] taking advantage of communist China's entry into the Middle East, there is sufficient possibility that it would do so in the future, for political penetration.
 - b. While the UAE at present is considering establishment of diplomatic relations with the Soviet Union and the East-European block in concrete ways, it has not been able to decide, in consideration of Saudi Arabia etc. However, it is receiving encouragements to do so, headed by Kuwait. East-European block is also attempting to make increased practical contacts, through the dispatch of ambassador[s] in Kuwait and participation in local exhibitions, among others. This kind of trend seems to work in favor of the North Korean puppet regime's penetration into the UAE.
 - c. Although the North Korean puppet regime's attempts to make political advances in the UAE have failed, there is a possibility that it [the North Korean puppet regime] will redirect its strategy to promoting commercial relations, as with communist China and other parties of the East-European block.
 - d. On the other hand, open atmospheres in northern Emirates (especially Dubai and Sharjah) are making the entry of the East-European block easier.

Appendix: Related data

Trend of our country's competency, by item

(based on the customs statistics in the port of Dubai. Statistic data from other ports such as Abu Dhabi have been excluded (about 5%), but as the majority of the UAE's imports transit in Dubai, general trends can be extracted).

Country	Food stuff, Animal	Drinks, Tobacco	Processed raw materials	Fuel, lubricants	Animal/vegetable oils	Chemicals	Manufactured articles	Mechanical equipment	Other misc. Manufactured items	Misc.	Total
Taiwan (no. 11)	16,189	398	99	360	-	24,851	107,022	68,991	266,669	514	485,096
Communist China (no. 12)	54,795	-	8,009	216	-	9,463	175,328	15,785	162,087	631	426,318
Korea (no. 14)	6,737	149	976	5,453	54	13,693	310,815	24,515	47,353	1,403	411,151

Unit: 1,000 Dirham

1\$: 3.66 Dirham

State of Communist China's Commercial Exchanges with the Middle East

Country	1981 (estimate to be ¼)	1980	1979	1978
Imports				
Middle East (total)	87.3	302.6	190.6	155.8
Iraq	17.8	60.1	43.5	30.3
Kuwait	26.4	89.1	27.0	22.8
Saudi Arabia	3.7	9.7	1.8	.0
Syria	5.0	26.5	30.4	33.2
U.A.E.	.0	.0	.0	.0
North Africa	44.9	149.7	77.6	109.1
Egypt	22.3	75.0	31.2	64.8
Libya	1.1	3.6	2.6	1.8
Exports (FOB)				
Middle East	289.1	1088.0	762.3	564.9
Iraq	32.6	121.1	83.3	59.9
Kuwait	53.1	197.8	125.3	91.5
Saudi Arabia	58.3	215.0	127.9	90.3
Syria	9.5	40.0	47.2	47.4
U.A.E.	32.6	126.8	105.7	73.8
North Africa	74.5	277.3	173.8	167.4
Egypt	17.4	65.2	29.9	52.0
Libya	27.6	102.5	70.5	70.5

(\$1 million)

State of Communist China's Exports to the U.A.E. (Trend for major products, for the nine months between 82.1-9)

Item	Amount (US \$)	Cf
RICE	3,964,143.83	
CANNED FRUITS	2,714,530.68	
STUDENTS EXERCISE BOOKS	552,086.85	
SILK FABRICS	846,629.04	
SYNTHETIC FABRICS	8,948,267.94	
BLANKETS	899,881.10	
TOWELS	2,329,434.24	
BED LINEN	3,005,317.26	
CARPETS	2,619,500.27	
POTTERY	414,319.18	
STEEL BARS	1,398,511.78	
NAILS	662,418.35	
HAND N MACHINE TOOLS	666,028.49	
FURNITURE	1,801,302.74	
SUITCASES	3,075,979.72	
HANDBAGS	380,866.57	
GARMENTS	8,531,314.79	Gen's garments
	3,683,788.22	Ladies' "
HANDKERCHIEFS, etc.	1,131,600.55	
CAPS, HATS, etc.	1,528,490.68	