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Introduction

The Arab world was once a global commercial hub lying at the intersection of three continents. Arab traders shipped goods between Asia, Africa, and Europe crossing vast expanses of land and sea. However, the world's center of gravity subsequently shifted toward the West and the Arab world's fortunes faded. The caravans traveling the Silk Road, linking Asia to Europe, all but disappeared. It spelt the end of a remarkable period of commerce. But the center of gravity is shifting once again. The Arab world is rising. Dubai's skyline is jammed with gleaming skyscrapers. Foreign banks are opening branches in Syria's business districts. Cairo's five-star hotels are filled by Arab holiday-makers. The Gulf countries are building a mighty fleet of Airbus and Boeing aircraft to ship goods and people around the world as their ancestors once did.

What makes the story so powerful is that the rise of the Arab world is taking place simultaneous to the rise of China. It isn't a coincidence. The two were once trade partners via the Silk Road. Today, the rise of China's economy is an accelerant for the Arab world. Its demand for oil has helped fuel the Arab economies. Its factories churn out consumer goods to fill Dubai and Riyadh's air-conditioned malls. Events after September 2001 have also helped to strengthen ties between the two historic powers. The Arab world's relations with America and Europe are increasingly strained. The rise of China offers an alternative strategic partner. It offers a way for the Arab world to hedge its relationship with the West. The resurrection of the Silk Road is a timely reminder that the world's center of gravity may not always lie in the West.

The rise of China has captured media headlines as a result of its double-digit growth rates and booming demand for commodities. Less well known is the rise of the Arab world. However, the Arab economies have recently expanded at their fastest rates in decades. The Arab oil producers, in particular, have posted the same rates of growth as the four "Asian Tiger" economies. Oil is still a major engine of growth and the region's governments

are using this most recent oil windfall to embark on grand infrastructure projects. However, oil is no longer the only engine of growth. Arab governments have slashed trade barriers, developed financial markets, and encouraged the expansion of their non-oil sectors. Dubai, Oman, and Qatar are recreating themselves as financial and tourist hubs. Even Saudi Arabia is opening its doors, gradually, to foreign investors.

Yet, the changes are hard to observe. It is individuals, not governments or corporations, who are the lifeblood of the New Silk Road. Their actions are like individual threads. The story of a single Arab trader in the coastal Chinese city of Yiwu is easily overlooked. But this single thread, when woven together with the many thousands of other threads, is part of a larger trade corridor. The New Silk Road looks for threads not just in the Arab cities, such as Cairo, Damascus, Riyadh, but also in market towns across China and the country's political capital Beijing. Each chapter offers a different perspective on the rise of the Silk Road economies. The stories often appear unrelated, but they are in fact part of a larger global rebalancing that represents the rise of the East after centuries of Western dominance.

The starting point for the journey is 2001. This was the year of the September 11 attacks. It was also the year China entered the World Trade Organization. The events in 2001 and subsequent years acted as a spur for the rise of the Arab world. I found myself in a privileged position. I had lived in Amman, Beirut, Damascus in the early 1990s, before working for nearly a decade in Hong Kong as a China economist for two large foreign investment banks. I was able to observe the way apparently isolated events collided to push the Arab world and China closer to together. I watched as the financial crisis weakened faith in America and Europe's economic model. Yet, I find it striking how the events are still viewed as isolated and the rise of the Arab world treated as a different story to the rise of China. I have written this book to join the dots.

This book is divided into two parts. The first examines the economic threads of a new Silk Road. As an economist I have relied heavily on statistics. But statistics don't always tell the entire story. They don't help to identify the Arab traders who are turning Chinese cities into Arab market towns, the Chinese

officials who are building mosques to attract more Arab traders, or the female Chinese traders who have spread from Dubai to Damascus and are known as “Female Heroes” back home. These stories are more useful in revealing the global rebalancing taking place today. Chapter 1 is a collection of these individual stories that often go unreported by the international media, or are lost amid more headline grabbing events, such as surging oil prices, rising unemployment rates, and strife in Iraq.

Chapter 2 examines oil relations. The rise of China has contributed to a rise in oil prices above their historic lows. The Arab traders are still spending part of the windfall in such Chinese cities as Yiwu. Yet, the policy makers in Beijing worry about a day when the oil runs dry and factories close putting millions out of work. Oil lies at the heart of relations between the Arab world and China. It is a relationship that must inevitably tighten. Indeed, China’s President Hu Jintao visited Riyadh in May 2006, or just four months after Saudi Arabia’s King Abdullah visited Beijing. Is there reason for the West to worry about its position in the Arab world? Perhaps. Yet, the relationship between the Arab world and China is more complex than it first appears.

The Arab oil producers have meanwhile accumulated incredible wealth as a result of rising oil prices. Today, the Arab wealth funds are giants in the financial markets. Worth over \$1,400 billion, the funds rank alongside the world’s largest asset managers. Foreign investment bankers fill the business-class flights to Abu Dhabi and Riyadh preparing their PowerPoint slide pitches in the hope of managing even a small share of this wealth. Chapter 3 tracks the rise of the Arab wealth funds, which, like the Arab market towns in China, are another important thread of the Silk Road. I believe the funds will reshape the Arab world, in the same way the discovery of oil did in the 1930s. It is a change that has important implications for the world’s financial markets, especially amid the turmoil of financial crisis in America and Europe.

However, the importance of China to the Arab world extends beyond oil and the creation of wealth. It is also a point of inspiration. Arab Presidents and Prime Ministers have visited China regularly since the early 1990s. They have watched the economy grow from less than \$500 billion dollars to a \$3,300 billion giant

today. They have watched Shanghai's skyline rise steadily higher and Western multinationals flock to open up corporate headquarters in Beijing. Chapter 4 examines how the China growth model offers a vision of rapid growth and social stability to such countries as Syria and Egypt. This is compelling for an Arab leadership who must find jobs for a large and rising youth population, even as Iraq is wracked by civil strife. Financial crisis and global recession have only spurred the search for an alternative, more stable, growth model.

The Arab world's economic rise isn't guaranteed. China's growth model relies heavily on the young women who migrate to work in dormitory factories in the country's eastern coastal provinces. The Arab world isn't likely to replicate the neon-lit Chinese city of Shenzhen and its army of female workers. Moreover, unemployment rates are high among Arab youth, as a result of inflexible labor markets. Arab governments must create jobs not just to guarantee the region's growth prospects, but also its social stability. It isn't clear if China will help or hinder the efforts of Arab governments. So far, China's export factories have largely replaced similar factories in the Arab world. Yet, in 2008, there were early signs of change as China's export factories stuttered. Chapter 5 discusses the role of women and youth in today's Arab world.

Neither is the rise of the Arab world and its relations with China limited to economics. The second part of the book examines the cultural threads of the New Silk Road.

The rise of the Arab media is among the most important. Al Jazeera and the Arab news stations are only the first signs of change. Today, Chinese officials appear on Al Jazeera speaking in Arabic directly to the average Arab household. They view the Arab news station as a useful ally, not adversary, in the Arab world. The Chinese-language media is meanwhile an insightful source on the economic changes in the Arab world today. The Silk Road economies have issued a challenge to the CNN, or Western view of the world. In Chapter 6, I examine the "Al Jazeera effect," or the rise of a new media. The Arab world is at its vanguard. But China has noticed Al Jazeera's success and is spinning its own message to the world.

Language is another cultural thread. Today, it is possible to hire an Arabic-speaking Chinese translator for less than \$30 a day even when the American security services are struggling to find sufficient translators of their own. The large number of Chinese Muslims is easily overlooked amid China's billion person population. But translators, such as the stocky Ma Zhong who hires himself out to Arab traders, are an important glue binding China to the Arab world. The Chinese government recognizes the importance of language to its relations with the Arab capitals. It has nurtured Arabic speaking officials for decades. This is striking at a time when the Western capitals often find themselves at odds with the Islamic world. English is the world's language. But, as Chapter 7 explains, speaking only English isn't enough in today's changing world.

Among all the actors in this story, America has most to lose. It is geographically challenged. It lies on the opposite side of the world to the events I describe in this book. An increasingly "Flat World" helps to combat the tyranny of distance. But the American government and its corporate sector are challenged to remain engaged with global rebalancing. America's share of global GDP has fallen since 2001. Trade between America and Europe is likewise falling as a share of the global total. These are not statistical blips, but long-term changes in the global economy. It was only time before historic economic powers and trade routes resurrected themselves. But their rise now appears inevitable and America must find a place for itself in this new "Old World." Yet, as I conclude in Chapter 8, it is not immediately apparent that America, or the other Western countries, is ready for the change.

Above all, I am impressed by the speed at which the changes are taking place. Less than a decade ago China barely attracted investors' interest. We sat in our office putting out the occasional report to a largely disinterested investor community. Today, China strides across the global economy like a giant. Likewise, I recall receiving puzzled looks when I spoke of a rising Arab world. Yet, investors are taking its rise increasingly seriously today to judge by the number of foreign bankers in Dubai. It appears that the Arab world is set on reversing centuries of decline. This in itself

is an important change. But the fact it is taking place simultaneous to the rise of China makes the change more real and more powerful. This book is intended to provide a roadmap to the changes taking place as we watch two historical powers reclaim their economic and cultural global primacy.

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