

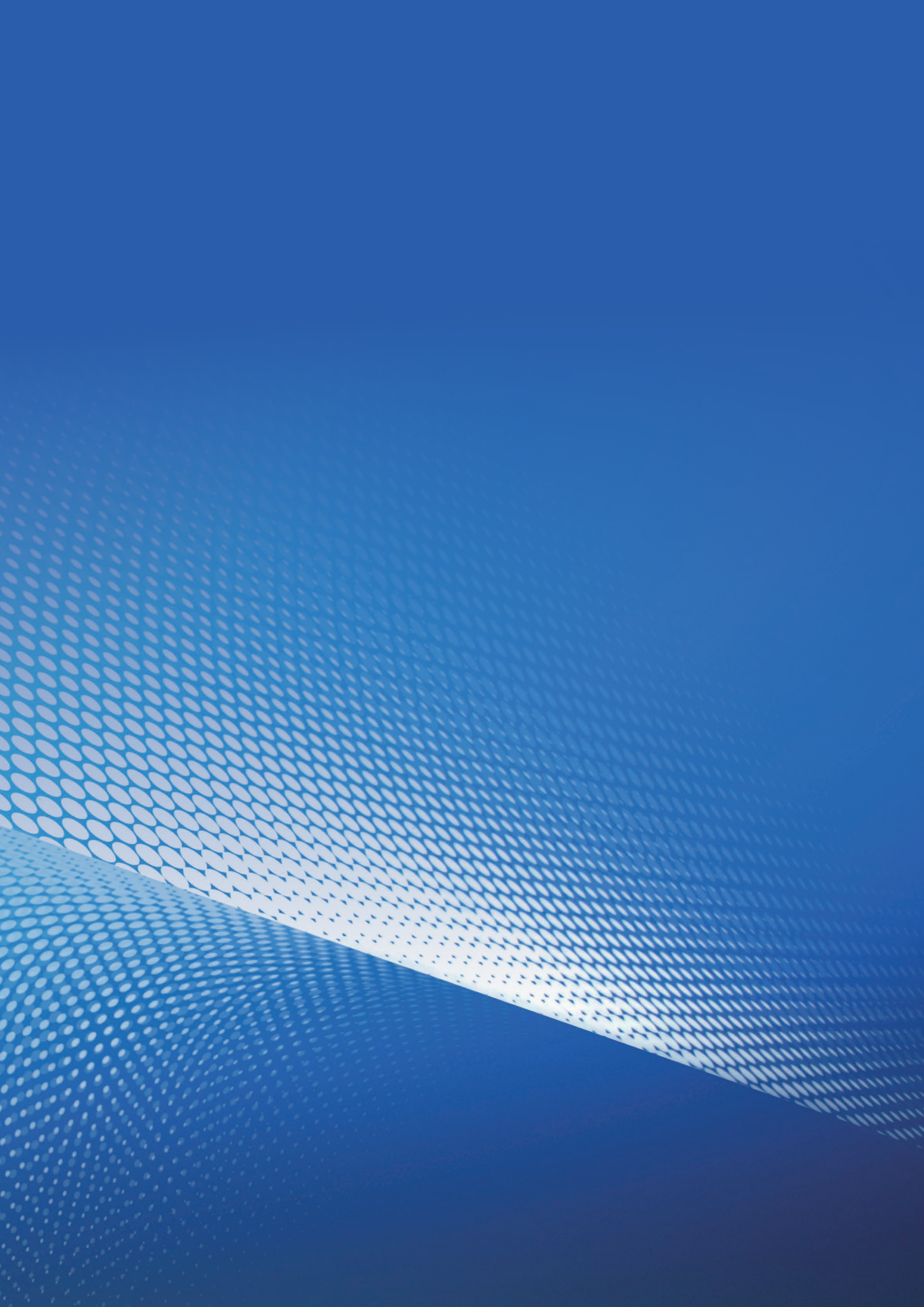
CHINA–MIDDLE EAST RELATIONS

GROWING AMIDST TURMOIL

Dr. Naser Al-Tamimi



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EXECUTIVE SUMMARY

- Multiple factors drive China's engagement in the Middle East. First, it serves as a platform for global power projection without confrontation with the U.S. Second; the region is vital for China's energy security, offering oil, gas, renewables, and strategic logistical advantages. Third, the relations are significantly influenced by shared ethnic and religious connections, especially among Chinese Muslims and the Uyghur community in the Xinjiang Autonomous Region in China. Lastly, it is crucial to China's Belt and Road Initiative.
- The Middle Eastern perception of China is shaped by three key elements: China's image as a rising power free from political interference, growing economic interdependence focusing on fossil fuel (oil and gas), and its pivotal role in global energy consumption, which is crucial for the region's green energy initiatives.
- China has prioritized five key states in the Middle East and North Africa (MENA) for strategic partnerships: Algeria, Egypt, Saudi Arabia, Iran, and the United Arab Emirates.
- China may broaden its security involvement through initiatives like the Global Security Initiative (GSI) and aims to bolster its influence through organizations like the Shanghai Cooperation Organization (SCO) and BRICS.
- The Middle East region also holds promise for renewable energy, particularly photovoltaic demand, which could comprise over 10 percent of China's total exports by 2025.
- China's economic influence in the Middle East has expanded beyond hydrocarbon trade, encompassing investments in infrastructure, renewable energy, technology, finance, transportation, and communication, aiding economic diversification efforts in the region.
- U.S. efforts to limit China's technological growth might affect Middle Eastern countries like Saudi Arabia and the UAE, both heavily invested in Artificial Intelligence (AI) development.
- China's economic slowdown poses a significant challenge to the Middle East, impacting oil and non-oil GDP. Reduced oil prices and demand affect the region's revenues, as China is a major oil consumer.
- China aims for energy security via peace, economic ties, and interdependence with energy producers. In MENA, it leverages its economy and UN position to navigate geopolitics, using diplomacy and economics to minimize risks from the U.S.
- Countries in the Middle East, notably Gulf nations, are unlikely to swiftly pivot to China for military backing despite China's readiness. Relations with the U.S. are vital, yet there is a drive to reduce reliance over the coming years.

INTRODUCTION

China has become a major global economic force, boasting the world's largest economy by purchasing power and second in market value to the U.S. It is expected to overtake the U.S. as the leading economic power within a decade or so. Since opening up in 1979, China's GDP has grown 68-fold, from \$263.7 billion to around \$18 trillion in 2022.¹ The International Monetary Fund projects that by 2028, China's GDP will increase by \$6 trillion, almost twice the present total GDP of the Middle East region.²

China's rapid economic growth over the past thirty years has transformed its strategic landscape, resulting in increasingly resilient relations between China and the Middle East.³ China now stands as the primary buyer of the region's energy, a leading economic partner for many countries⁴, and a key investor. Beijing's introduction of the Belt and Road Initiative (BRI) in 2013 has further cemented these relationships. Almost all Middle Eastern states (including all Arab countries, Türkiye, and Iran) have joined the initiative. Meanwhile, China has upgraded its relationship status with numerous Middle Eastern states to “comprehensive strategic partnerships,” including Algeria, Egypt, Iran, Saudi Arabia, and the UAE.

This transformation can be attributed primarily to two factors. Firstly, China's remarkable economic growth over the past three decades has significantly boosted its energy demand. As a result, the Gulf Cooperation Council (GCC) countries⁵, known for being the top exporters of oil and liquefied natural gas (LNG), have become the center of gravity for China's economic engagements in the Middle East. Secondly, the change is influenced by increasing doubts about the region's role in the United States' global strategy. This is coupled with a widespread aspiration among Middle Eastern nations to diversify their economies and strengthen their strategic autonomy.

In light of the above discussion, this paper investigates China's involvement in the Middle East, exploring its relationships with the region and examining the challenges that hinder the development of connections between the two sides. The study assesses whether Beijing is ready

1 The World Bank. (2023). *World Bank Open Data*. Accessed January 19, 2024. <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>.

2 IMF. (2023, October 5). *World Economic Outlook Database*. Accessed January 19, 2024. <https://www.imf.org/en/Publications/WEQ/weo-database/2023/October>.

3 The paper defines the Middle East as Egypt, Türkiye, Iran, Iraq, Israel, Jordan, Lebanon, Palestine, Syria, the Gulf Cooperation Council (GCC) countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE), and Yemen.

4 Consisting of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE).

5 The region contains Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, Syria, Türkiye, UAE, and Yemen.

to take on increased responsibilities or encounter heightened regional risks as it pursues its diplomatic and economic objectives. In doing so, the study seeks to address the following key questions:

1. What role does China assume in the Middle East?
2. How does China strategically approach the region to further its interests?
3. What obstacles does Chinese engagement face in the region?
4. Could the competition with the U.S. impact China's interests in the Middle East?

This research incorporates an extensive literature review, utilizing international and official statistical data, document analysis, and interviews to present its arguments. The chosen secondary resources, encompassing qualitative and quantitative materials, primarily include authoritative sources such as official speeches and data, interviews, and statistical economic reports from international organizations. The literary research also encompasses books, magazines, newspapers, pamphlets, grey literature, laws, and published statistical material.

This study is divided into five main sections. The first section explores the region's strategic motives and interests, focusing on China's recent initiatives in the Middle East. The following part centers on energy relations, which form the central aspect of this interaction. The third section comprehensively examines economic connections covering trade, infrastructure, investment, digitalization, finance, and the challenges facing the deepening of China–Middle East ties. Military ties are discussed in the subsequent section, highlighting key issues in this domain. Finally, the study illuminates the evolving dynamics of Middle East relations within the context of prevailing U.S. influence in the region. It argues that despite existing challenges, the relationship between China and the Middle East shows potential for further growth.

CHINA'S STRATEGIC AND POLITICAL INTERESTS

1.1 Interests: economy first

Four factors primarily influence China's engagement in the Middle East. Firstly, the region is a stage for China to assert its status as a global power without actively confronting the United States. Secondly, the Middle East is vital for China's energy security, encompassing oil, gas, renewable market, and strategic logistical benefits. Thirdly, due to ethnic and religious ties; particularly with Chinese Muslims and Uyghurs, the region is seen as an extension of China's sphere. Lastly, the Middle East plays an important role in the Belt and Road Initiative, a major diplomatic effort initiated by President Xi Jinping in late 2013.⁶

The Middle East is a region brimming with potential due to its rich hydrocarbon resources. In 2022, this region played a significant role, contributing approximately one-third to global crude oil production and 18 percent of its natural gas. It also dominates exports of over 35 percent in oil⁷ and 25 percent in liquefied natural gas (LNG).⁸ Most importantly, the Middle East is home to over half of the world's confirmed reserves⁹ and almost 39 percent of gas reserves while maintaining low production costs.¹⁰ While the region has abundant oil resources, their regional distribution is unequal. Saudi Arabia, Iran, Iraq, the United Arab Emirates, and Kuwait collectively hold more than 53.3 percent of the world's total crude oil reserves.¹¹

The Middle East is situated at the intersection of Asia, Africa, and Europe, making it a crucial crossroads for trade, cultural exchange, and strategic military positioning. The region also includes critical maritime routes such as the Suez Canal and the Strait of Hormuz. These waterways are essential for international trade, and their control or disruption can have significant global economic impacts. Approximately 30 percent of the world's shipping containers make their way through Egypt's Suez Canal, and Gulf airports handle 16 percent of international air cargo.¹²

6 See Scobell, A. (2018). Why the Middle East Matters to China. In Anoushiravan E. and Niv H. (Ed.), *China's Presence in the Middle East: The Implications of the One Belt, One Road Initiative*, (pp. 9–23). Routledge. And Sukhankin, S. (2023, August 28). *Chinese PSCs in MENA: The Cases of Iraq and (South) Sudan*. Accessed October 29, 2023. The Jamestown Foundation. <https://jamestown.org/program/chinese-pscs-in-mena-the-cases-of-iraq-and-south-sudan/>.

7 Energy Institute. (2023). *Statistical Review of World Energy*. Accessed October 18, 2023. <https://www.energyinst.org/statistical-review>.

8 International Group of Liquefied Natural Gas Importers (GIIGNL). (2023). *The LNG Industry Annual Report*. Accessed October 18, 2023. <https://giignl.org/giignl-releases-2023-annual-report/>.

9 OPEC. (2023a). *Annual Statistical Bulletin*. Accessed November 3, 2023. https://www.opec.org/opec_web/en/publications/202.htm.

10 Xu, C., and Bell-Hammer, L. (2023, December 4). *Global Oil and Natural Gas Reserves Both Increase*. Accessed December 8, 2023. Oil & Gas Journal. <https://www.ogj.com/general-interest/economics-markets/article/14302481/global-oil-and-natural-gas-reserves-both-increase>.

11 OPEC. (2023a). *Annual Statistical Bulletin*, op. cit.

12 The Economist. (2023, September 7). *The Gulf Countries Want to Reshape the Middle East in Their Image*. Accessed October 26, 2023. <https://tinyurl.com/ywc9fnm3>.

Within this strategic backdrop, three complementary factors may shape China–Middle East relations: First, the perception of China as a rising power with an agenda free of political interference. Second, there is growing economic interdependence with a focus on energy. Finally, China has become more skilled in managing its diplomatic relations with regional countries. Simultaneously, Beijing is working to solidify its “one China principle” concerning Taiwan, a fundamental element of its diplomatic engagements with countries in the Middle East. It is also striving to prevent any increase in unrest within the Xinjiang region in northwestern China, where the majority of Uyghur Muslims reside.

The most evident proof of China's expanding influence can be seen in the widespread support from Middle Eastern nations for China's policies regarding Hong Kong, Tibet, and Xinjiang. These countries agree that issues in these areas are China's internal concerns only.¹³ However, the Belt and Road Initiative (BRI) has arguably brought significant changes in China's foreign policy towards the Middle East. Since it launched in 2013, China's growing economic influence has prompted broader engagement in the region. Almost every country in the Middle East has partnered with China¹⁴, acknowledging the advantages this cooperation can offer, although each nation has engaged with China with different objectives. Nevertheless, from the viewpoint of the Middle East, it appears that the strengthening relationships between the countries in this region and China are founded on five fundamental aspects:

- From an economic perspective, China has the world's largest market and ranks second-biggest economy worldwide. It is expected to become the leading economy over the next ten years. Therefore, economic objectives are the foremost priorities for both sides.
- As the world's foremost energy consumer and the largest oil and liquefied natural gas (LNG) importer, China is projected to remain a key force driving global energy demand growth for years. Crucially, in their quest for sustainable “green energy,” Middle Eastern states acknowledge the critical role of Chinese companies, which are noted for their large-scale production capacities and significant influence over supply chains.
- Regarding military strength, China boasts the world's largest army and is a recognized nuclear power. It has the second-highest military expenditure, trailing only behind the United States. Additionally, China's military technologies are advancing consistently, and the country is anticipated to bridge the technological divide with Western nations within the next decade or two.
- Politically, China holds a permanent seat on the UN Security Council, and as its economic and military strengths expand, its political influence is expected to rise significantly over time. Alternatively, as expressed by Qin Tian, the deputy director of the Institute of Middle East Studies at the China

13 See Anderlini, J. (2020, September 9). *China's Middle East Strategy Comes at a Cost to the US*. Accessed October 17, 202. Financial Times. <https://on.ft.com/3bNPFmD>. And Zhang, C., and Xiao, C. (2020). Bridging the Gap between Overseas and Chinese Perceptions on Sino-Middle Eastern Relations: A Chinese Perspective. *Globalizations* 18 (2): 273–84. <https://doi.org/10.1080/14747731.2020.1777626>.

14 See Green Finance & Development Center. (2023). *Countries of the Belt and Road Initiative (BRI)*. Accessed January 10, 2024. <https://greenfdc.org/countries-of-the-belt-and-road-initiative-bri/>.

Institutes of Contemporary International Relations (CICIR), a prominent think tank affiliated with China's Ministry of State Security: "The Arab world's [Middle East's] quest for strategic autonomy requires the support of major powers rather than intervention (...) Similarly, at a time when the U.S. is continuing its containment and oppression of China, Arab countries are firmly supporting us in safeguarding our [China] sovereignty, security, and development interests."¹⁵

- At a strategic level, countries in the Middle East increasingly engage with China to demonstrate to the United States that they possess alternative options. At the same time, China aims (at least for now) to avoid confronting the interests of the United States, especially the role of the U.S. as the leading provider of security in the Middle East. This approach stems from China's aspiration to maintain regional stability, which is crucial for optimizing its economic benefits and keeping out of the complexities of regional politics.

1.2 Cooperation: partnership, not alliance

China's cooperation in the Middle East manifests in two distinct structures: bilateral and multilateral engagements. Bilaterally, China's approach to expanding its geopolitical sway in the Middle East hinges on forging strategic partnerships centered on economic ties. This strategy seeks cooperation in various sectors, including trade, investment, energy, and technology. It also gives prominent Chinese companies the advantage of positioning them to vie directly with Middle Eastern states for infrastructure and digital project contracts.

China pursues different diplomatic ties, notably focusing on "strategic partnerships" and the more esteemed "comprehensive strategic partnerships." The latter is regarded as the highest level of collaborative agreement with China. This partnership level is generally considered limited to a select group of countries, mainly those with substantial international economic or political stature.¹⁶

China focuses on creating partnerships rather than alliances, aiming to keep amicable ties with every regional state actor. In a departure from traditional alliances like NATO that demand binding defense promises, China's model of strategic partnerships offers a lower level of risk and more flexibility. This model prioritizes shared interests in various areas rather than focusing on military commitments. China employs a layered approach in its diplomatic dealings in the Middle East, emphasizing

¹⁵ Geddes, T. D. G. (2022, December 16). *China & Middle East, Energy Security, WTO-US-China*. Accessed November 17, 2023. Sinification Blog. <https://www.sinification.com/p/china-and-middle-east-energy-security?s=03>.

¹⁶ See Loft, P., Ward, M., and Curtis, J. (2022, August 26). *China and the US in the Middle East: Iran and the Arab Gulf*. Accessed October 22, 2023. The House of Commons Library (UK). <https://commonslibrary.parliament.uk/research-briefings/cbp-9612/>. And Dezan Shira & Associates. (2023). *BRICS & MENA: China's Growing Influence in the Middle East*. Accessed October 22, 2023. Asia Briefing. <https://www.asiabriefing.com/store/book/brics-mena-china-s-growing-influence-in-the-middle-east-9774.html>.

Table 1 Four layers of China's partnerships in MENA

Partners	Roles of partners	Year of partnership	Category of partnership	Region	Notes
Algeria	Pivot state	2014	Comprehensive strategic partnership	The Maghreb	These countries are important for China's core interests and tend to have more political content. Complete dedication to fostering cooperation and progress in regional and international affairs.
Egypt	Pivot state	2014	Comprehensive strategic partnership	The Red Sea	
Saudi Arabia	Pivot state	2016	Comprehensive strategic partnership	The Gulf	
Iran	Pivot state	2016	Comprehensive strategic partnership	The Gulf	
UAE	Pivot state	2018	Comprehensive strategic partnership	The Gulf	
Türkiye	Node state	2010	Strategic cooperation partnership	Eastern Mediterranean	"Node states" refer to specific countries with distinct statuses, enabling them to act as pivotal links and facilitate engagement between China and other significant major global powers. They are essential in advancing China's broad interests across the Middle East. Türkiye and Israel exemplify such node states. Türkiye serves as a vital passageway for the transit of Chinese products into the European marketplace. At the same time, Israel operates as a mediator to improve diplomatic ties between China and the United States.
Israel	Node state	2017	Innovative, comprehensive partnership	Eastern Mediterranean	
Sudan	Key state	2014	Strategic Partnership	The Red Sea	"Key states" describe intermediate-sized nations in the Middle East with significant economic capacity and potential for development, capable of influencing their neighbors. Among China's partners in the Middle East, Sudan in the Red Sea region, Iraq in the Gulf, and Morocco in the Maghreb stand out as examples. These countries play important roles in their respective areas, even amidst their turbulent domestic political situation.
Iraq	Key state	2015	Strategic Partnership	The Gulf	
Morocco	Key state	2016	Strategic Partnership	The Maghreb	
Qatar	Stronghold state	2014	Strategic Partnership	The Gulf	"Stronghold states" denote countries that, although small in geographical area, population, and economic capacity, maintain a strong affinity and enthusiasm for deepening economic and trade ties with China. Consequently, these nations act as crucial strongholds in defending distinct Chinese interests within the Middle East. The countries identified as these strategic partners include Qatar, Oman, Djibouti, Jordan, and Kuwait.
Jordan	Stronghold state	2015	Strategic Partnership	The Red Sea	
Djibouti	Stronghold state	2017	Strategic Partnership	The Red Sea	
Kuwait	Stronghold state	2018	Strategic Partnership	The Gulf	
Oman	Stronghold state	2018	Strategic Partnership	The Gulf	
Syria	Stronghold state	2023	Strategic Partnership	Eastern Mediterranean	
Palestine	Stronghold state	2023	Strategic Partnership	Eastern Mediterranean	

Sources: Sun, D. (2021). *China's Partnership Diplomacy in the Middle East*. In Routledge eBooks, 299–311. <https://doi.org/10.4324/9781003034520-24>. Author's work based on information from the Ministry of Foreign Affairs, the People's Republic of China website: https://www.mfa.gov.cn/web/gjhdq_676201/.

economic interests, regional influence, domestic stability, trade dependencies, and political relations with the countries involved. The states of utmost importance to China are called “pivot states,” which play a crucial role in enhancing China's influence in the region.¹⁷

Under this strategic framework, Beijing has pinpointed five key states in the Middle East and North Africa (MENA) as central to advancing China's interests. These nations are pivotal in their influence and importance. Accordingly, China has formed a “comprehensive strategic partnership” with each of these countries: Algeria in 2014, Egypt in 2014, Saudi Arabia in 2016, Iran in 2016, and the United Arab Emirates in 2018.¹⁸

- **Saudi Arabia** is globally recognized for its paramount religious significance to Muslims and is the world's leading oil exporter. In 2022, it emerged as the largest economy in the MENA region, with its annual GDP surpassing \$1.1 trillion and hosting a population of over 32 million. The Kingdom's membership in the G20 underscores its significance globally.¹⁹ Additionally, its strategic location between the Red Sea and the Gulf region amplifies its importance in the Belt and Road Initiative.

China views Saudi Arabia as a key partner in diversifying its overseas investments, especially under Saudi Arabia's Vision 2030, which aligns with China's Belt and Road Initiative (BRI). Saudi Arabia is also an important market for Chinese goods and services, from technology to construction. Strengthening ties with Saudi Arabia, a leading power in the Middle East, bolsters China's geopolitical influence.

As the world's leading oil exporter, Saudi Arabia is critical in ensuring China's energy security. Reliable access to Saudi oil is crucial for sustaining China's economic growth.²⁰ In 2022, Saudi Arabia possessed approximately 15 percent of the global proven oil reserves and made-up 21 percent of the proven oil reserves within OPEC. During that year, Saudi Arabia ranked as the third-largest producer (behind the U.S. and Russia) of crude oil and condensate globally, leading the world in crude oil exports and serving as OPEC's leading producer of crude oil.²¹

Considering Saudi Arabia's longstanding relationship with the United States, it is premature to assert that Riyadh has fully aligned with China's sphere of influence. While Beijing is actively extending its influence in Riyadh, this effort faces challenges, including the ongoing export of U.S. arms to

17 See Sun, D. (2021). *China's Partnership Diplomacy in the Middle East*. In Routledge eBooks, 299–311. <https://doi.org/10.4324/9781003034520-24>. And Niblock, T. (2020). China and the Middle East: A Global Strategy Where the Middle East Has a Significant but Limited Place. *Asian Journal of Middle Eastern and Islamic Studies* 14 (4): 481–504. <https://doi.org/10.1080/25765949.2020.1847855>.

18 See Wu, B. (2021). China and New Middle East. *Journal of Balkan and Near Eastern Studies* 23 (3): 443–57. <https://doi.org/10.1080/19448953.2021.1888248>.

19 See Heath, T. R. (2021). *China's Quest for Global Primacy: An Analysis of Chinese International and Defense Strategies to Outcompete the United States*. RAND Corporation. <https://t.ly/sOxbb>.

20 U.S. Energy Information Administration. (2023, November 14). *Country Analysis Brief: China*. Accessed November 20, 2023. <https://www.eia.gov/international/analysis/country/CHN>.

21 U.S. Energy Information Administration. (2023, October 11). Accessed October 18, 2023. *Country Analysis Brief: Saudi Arabia*. <https://www.eia.gov/international/analysis/country/SAU>.

Saudi Arabia and the stationing of thousands of U.S. military personnel in the kingdom. Additionally, complex regional dynamics persist, highlighted by Riyadh and Tehran's continued backing of rival groups in the region despite their recent reconciliation brokered by China.²²

- The **United Arab Emirates (UAE)** is vital in China's economic relations with the Middle East. Dubai is a central hub for Chinese enterprises operating in the Middle East and Africa. The UAE's strategic location at the intersection of Europe, Asia, and Africa heightened its significance, making it an important component of China's Belt and Road Initiative (BRI).

In this setting, the UAE has emerged as a key transit hub for Chinese businesses aiming to expand into the Middle East, Africa, and Europe. Over 6,000 Chinese companies operate within the UAE. Chinese firms have been significantly engaged in developing infrastructure in the UAE, encompassing ports, roads, and telecommunications networks. Consequently, the UAE has emerged as the primary market for Chinese exports and the second most important trade partner (following Saudi Arabia) in the MENA region.²³

The UAE is a major oil producer, and China, one of the world's largest oil consumers, relies on it for a substantial part of its energy needs. This makes the UAE an important part of China's energy security strategy. The UAE is also keen on developing a knowledge-based economy, and China is a global leader in technology and innovation. Collaborations in artificial intelligence, renewable energy, and smart cities are key aspects of their relationship.

China and the UAE maintain robust relations, exemplified by Chinese senior diplomat Wang Yi's praise of their partnership as a model in global diplomacy. However, the UAE cautiously approaches its collaboration with China in the Horn of Africa (HoA) under the Belt and Road Initiative (BRI). The UAE is primarily concerned with expanding China's maritime power through the BRI, potentially disrupting the regional balance, and undermining its strategic autonomy.²⁴ Notably, the UAE took a step back following U.S. objections to Chinese construction activities at Khalifa Port in Abu Dhabi to balance its ties with the United States and China.²⁵

- **Iran** is a major force in the Middle East, possessing considerable military capabilities. Its influence stretches from Gaza to Yemen. Iran's importance to China combines strategic, economic, and political factors, making it a key partner in China's global strategy. Iran is one of the world's largest oil and natural gas producers. As the world's largest oil importer, China views Iran as crucial in

22 Garlick, J. (2023). China's Hedged Economic Diplomacy in Saudi Arabia and Iran: A Strategy of Risk Mitigation. In Kim, Y. (Ed.), *China's Engagement with the Islamic Nations: A Clash or Collaboration of Modern Civilisation?* (pp. 117–136). Springer Nature. <https://doi.org/10.1007/978-3-031-31042-3>.

23 See IMF. (2023a). *Direction of Trade Statistics (DOTS)*. Accessed January 14, 2023. <https://data.imf.org/?sk=9d6028d4-f14a-464c-a2f2-59b2cd424b85&sid=1515619375491>.

24 Zhang, C., Ashwarya, S., and Wen, S. (2023). The Interplay of China and Gulf Countries in Third-Party Market Dynamics: An Asymmetric Competition Perspective on the Belt and Road Initiative. *The Pacific Review*, 1–26. <https://doi.org/10.1080/09512748.2023.2299836>.

25 Ibid.

securing its energy needs.

Iran occupies a strategic position in the Middle East, bordering several countries and controlling a portion of the Strait of Hormuz, a vital maritime route for oil transport. China's partnership with Iran helps it to increase its influence in the Middle East and Central Asia, regions critical for global politics and trade routes. Iran is also key to China's Belt and Road Initiative, an international infrastructure development strategy. Iran's location makes it a valuable partner in creating land and sea routes that connect China with markets in Europe, Africa, and the rest of Asia.

China can counterbalance Western (mainly U.S.) influence in the Middle East by strengthening ties with Iran. This is crucial for China's broader strategy to expand its global influence and present an alternative to the Western-centric world order. Both countries share similar views on many global issues, often opposing Western policies. This diplomatic alignment allows for a cooperative approach in international forums and strengthens their global stance against common challenges.²⁶

Iran's primary benefit for China lies in its lack of political or economic ties with Western nations and its willingness to collaborate with Beijing regardless of the cost to fulfill its economic requirements.²⁷ This collaboration helps Tehran mitigate the impact of U.S. economic sanctions, as Tehran has strong political and diplomatic motives for seeking Chinese investment and oil purchases.²⁸

The foundation for enhanced cooperation was set in 2016 by creating a Comprehensive Strategic Partnership. This led to a 25-year collaboration pact in 2021, reflecting a sustained dedication to shared objectives and interests. Iran's incorporation into the Shanghai Cooperation Organization (SCO) in 2022, an organization spearheaded by China and Russia, further strengthened these ties. Iran's elevation to membership in BRICS in 2024 also signifies another crucial landmark in this evolving relationship.²⁹

Against this backdrop, China's reluctance to partner with Iran stems from fears of a possible Iran–U.S. military confrontation or war, which could destabilize energy markets crucial for China's growth.³⁰ Over

26 Sevilla, H. A. Jr. (2023). Iran's Pragmatic Approach in Accommodating China's Belt and Road Initiative: A Determinant for Future Closer Bilateral Cooperation. In Kim, Y. (Ed.), *China's Engagement with the Islamic Nations: A Clash or Collaboration of Modern Civilisation?* (pp. 99–116). Springer Nature. <https://doi.org/10.1007/978-3-031-31042-3>.

27 Dolatabadi, A. B. (2023). Coercion or Choice: Opportunities and Challenges of a 25-Year Agreement for Iran and China. In Kim, Y. (Ed.), *China's Engagement with the Islamic Nations: A Clash or Collaboration of Modern Civilisation?* (pp. 59–78). Springer Nature. <https://doi.org/10.1007/978-3-031-31042-3>.

28 Simon, S. (2021, September 21). *China and the Persian Gulf in the Aftermath of a U.S. Withdrawal*. Accessed November 11, 2023. Quincy Institute for Responsible Statecraft. <https://quincyinst.org/report/china-and-the-persian-gulf-in-the-aftermath-of-a-u-s-withdrawal/>.

29 See Zimmt, R., Rymon, Y., and Zuckerman, Y. (2023, March 27). *Whither Iran and China? A Limited Partnership, yet Deep and Durable*. Accessed December 4, 2023. INSS.

30 The U.S.-China Economic and Security Review Commission. (2021). *China-Iran Relations*. Accessed December 4, 2023. <https://www.uscc.gov/research/china-iran-relations-limited-enduring-strategic-partnership>

the last decade, China has also strengthened ties with Middle Eastern nations such as Saudi Arabia, the UAE, and Israel, requiring careful navigation between these relationships and their differing goals. While Iran seeks Chinese trade and investment, it is wary of over-reliance on China economically.³¹

- **Egypt** boasts a robust military presence and wields considerable political sway, particularly in Africa and the Eastern Mediterranean. As the most populous Arab nation, it represents a burgeoning market for Chinese goods and investments. Furthermore, its strategic control of the Suez Canal enhances its commercial significance within the Belt and Road Initiative framework. Egypt also plays a role in China's soft power strategy, serving as a cultural and educational bridge between China and the Arab-speaking world.

Egypt's geographical position is key, serving as an entry point for China to amplify its impact in Africa and the Arab world, where China aims to broaden its economic and political reach. As a major target for Chinese infrastructure investments, Egypt aligns with China's Belt and Road Initiative (BRI) goals. It also stands as a vital marketplace for Chinese products and services. In Egypt, China's investments span multiple infrastructure, telecommunications, and energy sectors. Moreover, China has strengthened its economic ties with Egypt, notably becoming the top investor in the Suez Canal Area Development Project.³²

- China places significant importance on **Algeria** due to various crucial economic, political, and strategic factors. Algeria's strategic geographical position at the intersection of Africa, the Mediterranean, and Europe holds immense significance. It is a pivotal component of China's broader geopolitical strategy, granting access to European and African markets.

Algeria is the largest country in Africa in terms of land size. It possesses considerable natural resources, notably oil and natural gas. This has led to the significant involvement of Chinese firms in Algeria's energy industry, which encompasses activities like oil exploration and infrastructure development.³³

China's Belt and Road Initiative (BRI), aiming to enhance regional connectivity, has found a strong partner in Algeria.³⁴ Chinese firms have been instrumental in developing significant infrastructure

31 Ibid.

32 Dezan Shira & Associates. (2023). *BRICS & MENA: China's Growing Influence in the Middle East*, op. cit. And Chaziza, M. (2023). *Egypt in China's Maritime Silk Road Initiative: Relations Cannot Surmount Realities*. In Blanchard, J. M. F. (Ed.). *China's Maritime Silk Road Initiative, Africa and the Middle East Feats, Freezes, and Failures*. (pp. 255–282). Springer Nature. <https://doi.org/10.1007/978-981-33-4013-8>.

33 See The National. (2023, July 18). *China and Algeria to work more closely on energy and petrochemicals, says Xi*. Accessed October 29, 2023. <https://t.ly/N3FVS>. And Okafor, C. (2023, July 21). *China is set to invest \$36 billion in some of Algeria's key economic sectors*. Accessed October 29, 2023. Business Insider Africa. <https://t.ly/jgc9U>.

34 China's Ministry of Foreign Affairs. (2023, July 18). *President Xi Jinping Holds Talks with Algerian President Abdelmadjid Tebboune*. Accessed October 28, 2023. <https://t.ly/8jOTK>. And Global Times, (2023, July 19). *China, Algeria to Deepen BRI Cooperation amid Tebboune's Visit*. Accessed October 29, 2023. <https://www.globaltimes.cn/page/202307/1294686.shtml>.

projects in Algeria, such as roads, ports, and housing projects. These investments bolster China's regional economic presence and provide Algeria with much-needed infrastructure development.³⁵

China values Algeria's influence in the Arab world and Africa, making it a strategic partner in these regions. Their relationship is often characterized by mutual support in international forums, including the United Nations. China and Algeria have a history of military cooperation. Algeria has purchased various military hardware from China, and military training and expertise exchanges have occurred.³⁶

For China's expansive Middle East policy, states like Saudi Arabia, the UAE, Iran, Egypt, and Algeria are paramount. Each country contributes distinct strategic assets in energy security, trade, infrastructure development, or conduits to a more significant regional presence. China's collaborations with these states are strategically designed to diversify its global alliances, protect essential trade routes, and bolster its geopolitical influence.

Although the MENA region holds considerable potential for economic growth and emerging business opportunities, it is plagued by various conflicts and instabilities, particularly in countries like Syria, Iraq, Iran, Libya, Yemen, and Palestine. These ongoing conflict areas pose significant security risks to China's strategic interests and investments. The security environment in these nations has been drastically affected by enduring internal strife, regional disturbances, and external interferences, adding complexity to the scenario.

Meanwhile, the United States is increasingly focused on China's global activities, particularly in the Middle East. During his testimony before the U.S. Senate Committee on Armed Services, Gen. Michael Erik Kurilla, the head of U.S. Central Command (CENTCOM)³⁷, highlighted key Chinese operations in the Middle East. He portrayed the situation as a competitive 'race' where the United States is striving to build stronger ties with allies in the Middle East to outpace China's growing influence in the region.³⁸

35 Algeria's Ministry of Foreign Affairs. (2023, December 5). *Algeria, China sign two plans to strengthen comprehensive strategic partnership*. Accessed October 28, 2023. <https://t.ly/YknsS>.

36 See Zoubir, Y. H. (2022). Algeria and China: Shifts in Political and Military Relations. *Global Policy* 14 (S1): 58–68. <https://doi.org/10.1111/1758-5899.13115>. And Woo, R., Orr, B., Cao, E., and Cash, J. (2023, July 18). *China to deepen security, defense cooperation with Algeria*. Accessed October 28, 2023. Reuters. <https://tinyurl.com/mrv8v796>.

37 United States Central Command (CENTCOM) has command authority over U.S. forces in the Middle East and West/Central Asia. The Department of Defense (DOD) formally established CENTCOM on January 1, 1983. CENTCOM denotes its area of responsibility (AOR) as 21 countries: Afghanistan, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Lebanon, Oman, Pakistan, Qatar, Saudi Arabia, Syria, Tajikistan, Turkmenistan, United Arab Emirates (UAE), Uzbekistan, and Yemen. For source and more details, see <https://csrreports.congress.gov/product/pdf/IF/IF11428>.

38 Statement by General Michael Kurilla, Commander, US Central Command. (2023, March 12). Full Committee Hearing: U.S. Military Posture and National Security Challenges in the Greater Middle East and Africa. *U.S. Senate Committee on Armed Services*. Accessed October 28, 2023. <https://shorturl.at/ikrtR>.

Stone, J. (2023, December 22). *US Bans Pentagon from Using Chinese Port Logistics Platform*. Accessed December 22, 2023. Voice of America. <https://www.voanews.com/a/us-bans-port-logistics-platform-china-offers-free-worldwide-/7408269.html>.

Table 2 U.S. CENTCOM summary of China's activities in the Middle East

Area	Action
Iran – Saudi Arabia	The renewal of diplomatic relations between Iran and Saudi Arabia in March 2023 signifies China's increasing role in regional diplomacy.
Energy	More than half of all the oil and more than a third of all the natural gas imported by China is supplied by countries within the CENTCOM area of responsibility.
Beyond energy-based investments	China is also moving beyond energy-based investments to encompass physical and telecommunications infrastructure.
Military	Beijing also encourages greater military cooperation in the Middle East and Central Asia, aiming to challenge our regional standing. Beijing's expansion of regional arms sales provides economic opportunities, expands influence, and increases the People's Republic of China's regional interoperability.
BRI	Of the 21 countries comprising the CENTCOM area of responsibility, 19 have Belt and Road Initiative agreements with China. Three Belt and Road Initiative land corridors and one of the three maritime corridors transit the CENTCOM area of responsibility.
5G	Chinese Huawei has 5G contracts with 19 of the 21 countries in the CENTCOM region.

Source: Compiled by the author from the Statement of General Michael Kurilla, Commander, US Central Command. (2023, March 12). Full Committee Hearing: U.S. Military Posture and National Security Challenges in the Greater Middle East and Africa. *U.S. Senate Committee on Armed Services*. <https://shorturl.at/ikrtR> (accessed October 28, 2023).

1.3 Multilateral: fora with Chinese characteristics

China's engagement with Middle Eastern countries through multilateral forums typically involves participation in various international and regional organizations, initiatives, and conferences. These forums are platforms for dialogue, cooperation, and policymaking on multiple issues, including economic development, security, and cultural exchange.

Beijing's engagement in these forums is also part of its broader foreign policy strategy, which emphasizes multilateralism, economic cooperation, and the creation of a multipolar world. This approach benefits China's financial and strategic interests and allows it to become a major global player in regional affairs. These forums also often facilitate cultural and educational exchanges and economic and security issues, helping foster better understanding and relationships between China and Middle Eastern societies.

- **Economic sphere:** China sees the Middle East as vital for its economic interests, especially regarding energy resources and the Belt and Road Initiative (BRI). By engaging in multilateral forums, China can facilitate discussions on infrastructure projects, trade agreements, and investments that align with its economic goals and the needs of Middle Eastern countries.

China has established comprehensive strategic partnerships or strategic partnerships with more than 17 Middle Eastern countries and 20 signed cooperation agreements under the Belt and Road Initiative framework. Also, 17 Arab countries have supported President Xi's Global Development Initiative, and 15 have joined the Asian Infrastructure Investment Bank.³⁹

Furthermore, considering China's goal of expanding its production capacity worldwide, shifting focus to developing nations or the global South becomes a crucial strategic approach, especially when collaboration with Europe and the United States poses challenges. With its relatively abundant resources, capabilities, and favorable conditions, the Gulf region holds significant global importance for the international expansion of Chinese industries.⁴⁰

In December 2022, Chinese President Xi Jinping participated in three key meetings in Riyadh, the capital of Saudi Arabia: First China–Arab States Summit, the China–GCC Summit, and the China–Saudi Arabia Summit. The Chinese government described these summits as “the largest and highest-level diplomatic event between China and the Arab world since the founding of the People's Republic of China (...) [and] another successful example of major-country diplomacy with Chinese characteristics.”⁴¹

During Xi's visit to Saudi Arabia, China, and the Arab League agreed on a joint plan covering eight areas: (1) development support, (2) food security, (3) public health, (4) green innovation, (5) energy security, (6) inter-civilizational dialogue, (7) youth development/exchange, (8) and security and stability. China has also agreed to economic cooperation with the GCC in eight areas: (1) energy, (2) trade, (3) investment, (4) finance, (5) industry, (6) high-tech, (7) space, and (8) public health. This suggests that China's impact in the Middle East is expanding across various sectors.⁴²

The “Riyadh Declaration” was released at the First China–Arab States Summit, along with a framework for the Comprehensive Cooperation Plan between the People's Republic of China and the Arab

39 See Green Finance & Development Center. (2023). *Countries of the Belt and Road Initiative (BRI)*. Accessed January 10, 2024. <https://greenfdc.org/countries-of-the-belt-and-road-initiative-bri/>. And Diabat, Kheir. (2023, May 10). *BRI Brings Development of China and the Middle East Closer than Ever*. Accessed November 3, 2023. China Daily. <https://www.chinadaily.com.cn/a/202305/10/WS645ad037a310b6054fad2003.html>.

40 Wu, B. (2022). *Why is the first China-Arab Summit of epoch-making significance?* (Wu Bingbing: Weishenme shoujie ZhongA fenghui juyou huashidai yiyi?). Accessed October 31, 2023. <https://www.igcu.pku.edu.cn/info/2271/4972.htm>.

41 See China's Ministry of Foreign Affairs. (2022, December 12) *Foreign Ministry Spokesperson Wang Wenbin's Regular Press Conference*. Accessed October 24, 2023. <https://shorturl.at/EHIJQ>. And Li, S. (2023, April 20). *Turning Point*. Accessed November 14, 2023. China Daily.

42 See China's Ministry of Foreign Affairs. (2022, December 10). *Riyadh Declaration of the First China-Arab Summit*. (Shoujie ZhongA fenghui liyade xuanyan). Accessed December 16, 2023.

States and a document focused on enhancing the Sino–Arab strategic partnership for peace and development. There was a mutual agreement to establish a China–Arab community with a shared future in this new era.⁴³

Three months after the inaugural China–Arab summit in March 2023, China successfully mediated a deal to restore diplomatic ties between Saudi Arabia and Iran. Riyadh and Tehran agreed to base their relationship on respecting each other's sovereignty and refraining from meddling in internal matters. This instance probably marked the first time China utilized its regional diplomatic connections to settle a major international political conflict.⁴⁴ Should the ongoing tensions between regional powers such as Saudi Arabia and Iran sustainably decrease, China's ambitions under the Belt and Road Initiative would gain significantly from such a development. Reducing conflict could give Chinese firms more opportunities and a more comprehensive range of activities.

In August 2023, during a summit held in Johannesburg, the BRICS nations – Brazil, Russia, India, China, and South Africa – decided to expand their membership in 2024 by inviting six new countries to join the group, including four from the Middle East: Egypt, Iran, Saudi Arabia, and the UAE. Including Middle Eastern nations in BRICS could significantly bolster its power, potentially elevating it to a global economic force akin to the Group of Seven Industrialized Countries (G7). This development continues Beijing's efforts to strengthen its political influence in the MENA region. It is significant to mention that this followed the inclusion of various Middle Eastern nations into the Shanghai Cooperation Organisation in 2022.⁴⁵

Yet, if Middle Eastern countries deepen their ties with China amid escalating tensions between China and the United States, they may find themselves caught in the crossfire of this growing rivalry. At the same time, rising military tensions in the Middle East could jeopardize China's economic endeavors, making it increasingly difficult for Beijing to maintain its neutrality.

- **Regional security:** China's involvement in multilateral forums also allows it to address regional security issues. These include discussions on conflict resolution, counterterrorism efforts, and regional stability. China's principle of non-interference often characterizes its approach to the internal affairs of other countries, which resonates with many Middle Eastern states.

43 Ibid.

44 See Hafezi, P., Abdallah, N., and El Yaakoubi, A. (2023, March 10). *Iran and Saudi Arabia agree to resume ties in talks brokered by China*. Accessed October 28, 2023. Reuters. <https://tinyurl.com/2vrp5ks9>. And Nasr, V., and Fantappie, M. (2023). *A New Order in the Middle East? Iran and Saudi Arabia's Rapprochement Could Transform the Region*. Accessed October 28, 2023. Foreign Affairs. <https://www.foreignaffairs.com/china/iran-saudi-arabia-middle-east-relations> Crisis Group. (2023, April 19). *The Impact of the Saudi–Iranian Rapprochement on Middle East Conflicts*. Accessed October 28, 2023. <https://www.crisisgroup.org/middle-east-north-africa/gulf-and-arabian-peninsula/iran-saudi-arabia/impact-saudi-iranian>.

45 Alhasan, H., Hammad, N., and Alajlouni, L. (2023). *With BRICS Expansion, China and Middle Eastern Powers Draw Closer*. Accessed October 17, 2023. IISS. <https://www.iiss.org/online-analysis/online-analysis/2023/08/with-brics-expansion-china-and-middle-eastern-powers-draw-closer/>.

China's involvement in the Middle East is chiefly motivated by economic objectives, especially its quest for energy security. Given its reliance on importing oil from this region, any disruption in the Middle East could significantly threaten China's energy stability and economic balance. Concurrently, China is increasingly participating in diplomatic endeavors in the region, such as initiatives to resolve conflicts.

China strives to maintain what Wu Bingbing, director of the Arabic Department, School of Foreign Languages, Peking University, describes as a “positive balance” in its engagement with the region, focusing on a strategy of “neither choosing sides nor making enemies.”⁴⁶ China has put forward a series of proposals to address various Middle Eastern conflicts: a “five-point peace initiative” for the Palestinian–Israeli conflict, a “three-point basic principle” for addressing the Libyan issue, a “six-point proposition” for the Syrian crisis, and a “five-point initiative” aimed at enhancing security and stability in the Middle East. Although these proposals and principles might not substantially impact the situation in the region, they underscore the stark contrasts in perspectives and strategies between China and the United States.⁴⁷

In February 2023, China unveiled a detailed Concept Paper on the Global Security Initiative (GSI).⁴⁸ The Initiative contains six core values and principles: (1) pursuing common, comprehensive, cooperative, and sustainable security; (2) respecting the sovereignty and territorial integrity of all countries; (3) abiding by the purposes and principles of the UN Charter; (4) taking the legitimate security concerns of all countries seriously; (5) peacefully resolving differences and disputes between countries through dialogue and consultation; and (6) maintaining security in both traditional and non-traditional domains.

The GSI suggests that China could offer some security assistance to help maintain the stability and security of the Middle East. It also highlights the roles of the Shanghai Cooperation Organization (SCO), BRICS, and the Middle East Security Forum as key platforms to advance the principles of the Global Security Initiative in the region.

“Implement the five-point proposal on realizing peace and stability in the Middle East, including advocating mutual respect, upholding equity and justice, realizing non-proliferation, jointly fostering collective security, and accelerating development cooperation, to jointly establish a new security framework in the Middle East (...) The international community should take practical steps to advance the two-state solution to the Palestinian question, and convene a larger, more authoritative and more influential international peace conference, to achieve a just solution to

46 Wu, B. (2022). *Why is the first China-Arab Summit of epoch-making significance?* op. cit.

47 Niu, X. (2023, February 9). *Coexisting with the United States: New Challenges for China's Middle East Policy*. (Niu Xinchun: Yu Meiguo gongchu: Zhongguo ZhongDong zhengce de xin tiaozhan). Accessed November 2, 2023. [aisixiang.com. https://www.aisixiang.com/data/140576.html](https://www.aisixiang.com/data/140576.html).

48 China's Ministry of Foreign Affairs. (2023, February 21). *The Global Security Initiative Concept Paper*. Accessed November 3, 2023. https://www.mfa.gov.cn/eng/wjbxw/202302/t20230221_11028348.html.

the Palestinian question at an early date.”⁴⁹

The GSI indicates a deficiency in solid security architecture in the Middle East. However, China faces challenges in Middle Eastern security involvement. It lacks the intent and capacity to dominate like the U.S. and is wary of alliance politics. An inclusive engagement strategy is needed, but growing China–West tensions could complicate cooperation on Middle Eastern issues.

The United States has historically backed its regional allies through military bases and arms deals. Yet, it has not established a comprehensive regional system encompassing all Middle Eastern countries, Iran included. Even with a possible strategic scaling down in the Middle East, it is improbable that the U.S. will completely pull out due to the region's crucial role in maintaining connections with the Indo-Pacific and Europe. Importantly, recent events in Yemen and Gaza in the Middle East suggest that the policies of the United States might need to be better received by several key states in that region.

China acknowledges the increasing autonomy of Middle Eastern countries, leading to heightened attention from other key global players such as Russia and India. This evolving scenario highlights that the importance of the Middle East is determined not solely by the U.S. but through a multifaceted interplay of regional and global influences, with China playing a key role.

From the viewpoint of China, there are currently two primary concerns in the Middle East: firstly, the peace process in Palestine or broadly in the Middle East, and secondly, the security arrangements across the Gulf region. Addressing these two matters provides a comprehensive understanding of the Middle East's central and most critical issues today. China successfully mediated a deal for Iran and Saudi Arabia to re-establish diplomatic ties, ending seven years of overt conflict. This achievement may partly stem from China's consistent endeavors. Yet, whether this agreement signifies a notable shift from China's historically limited diplomatic impact in the region remains to be seen.

China also offered to mediate the conflict between Israelis and Palestinians. In June 2023, during the visit of Palestinian Authority President Mahmoud Abbas to Beijing, Chinese President Xi Jinping proposed a three-point plan (Adherence to a two-state solution, land for peace, and international support and guarantee) aimed at mediating the conflict between Israelis and Palestinians. This initiative was part of China's efforts to play a more prominent role in Middle Eastern affairs.⁵⁰

China has taken a traditional approach in its diplomacy concerning the Gaza conflict, urging for de-escalation and a ceasefire. It has reaffirmed its consistent objective of pursuing a “just, lasting, and all-encompassing settlement” of the Israel–Palestine issue. China has also proposed a five-point peace plan emphasizing the United Nations' involvement. The plan calls for executing all relevant UN resolutions related to the conflict and suggests that the UN host an international conference. This

49 Ibid.

50 China's Ministry of Foreign Affairs. (2023, June 14). *Xi Jinping Holds Talks with Palestinian President Mahmoud Abbas*. Accessed November 4, 2023. https://www.mfa.gov.cn/eng/zxxx_662805/202306/t20230618_11099414.html.

conference is intended to facilitate a two-state resolution, with the whole procedure overseen by the Security Council.⁵¹

Nevertheless, China's stance on the Gaza conflict has also introduced additional complexities and generated various conflicting reactions. Many in Israel view China as favoring Palestine. They point to China's failure to denounce Hamas and the presence of anti-Israel sentiments on Chinese social media as evidence of China taking sides. This perception has led to a belief among many Israelis that their country is not a major factor in China's strategic plans.⁵² An Israeli expert went further to suggest that the war in Gaza has damaged China's standing in the Middle East and highlighted its limited influence. Meanwhile, the United States has bolstered its standing as the region's primary defense and protection provider.⁵³

At the official level, China's neutrality has drawn criticism from U.S. and Israeli officials, with some saying it undermines Beijing's claims to be an unbiased peace broker in the region.⁵⁴ Israel's government perceives China's position as pro-Palestinian, prompting it to take diplomatic action. In collaboration with 51 other countries, Israel condemns China's policies in Xinjiang against the Uyghurs, stating that these actions "may constitute international crimes, in particular crimes against humanity."⁵⁵ Some in Israel even proposed that China's strategy might foster a stronger bond between Israel and Taiwan.⁵⁶

Conversely, there are expectations that the Gaza conflict might yield geopolitical benefits for China. The escalating situation in the Middle East could work in China's favor by diverting Western attention

51 China's Ministry of Foreign Affairs. (2023). *Xi Jinping Sends Congratulatory Message to U.N. Special Commemorative Meeting in Observance of the International Day of Solidarity with the Palestinian People*. Accessed November 6, 2023. <https://tinyurl.com/mr23vuc3>. And Dunne, C. W. (2023, December 22). *Russia and China on Gaza: Sidelined, Lurking—or Winning?* Accessed December 23, 2023. Arab Center Washington DC. <https://arabcenterdc.org/resource/russia-and-china-on-gaza-sidelined-lurking-or-winning/>.

52 Leonard, M. (2024). *China's Game in Gaza: How Beijing Is Exploiting Israel's War to Win over the Global South*. Accessed January 9, 2023. Foreign Affairs. <https://www.foreignaffairs.com/china/chinas-game-gaza>. And Elazar, G. (2024, January 5). *Why China Is Siding with the Palestinians in the Israel-Hamas War*. Accessed January 9, 2023. Haaretz. <https://t.ly/NVdxA>. And Wong, H. (2023, November 2). *Israel's Close Economic Ties with China Worked Well – until the Gaza Conflict*. Accessed January 9, 2023. South China Morning Post. <https://tinyurl.com/bdhe2sp6>.

53 Lavi, G. (2023, November 6). *The War in Gaza has Damaged China's Standing in the Middle East*. Accessed December 8, 2023. INSS. <https://www.inss.org.il/publication/china-swords-of-iron/>.

54 Pomfret, J., Cash, J., and Chen, L. (2023, October 12). *Israel-Hamas conflict tests limits of China's approach to the Middle East*. Accessed October 29, 2023. Reuters. <https://www.reuters.com/world/middle-east-crisis-test-limits-chinas-diplomatic-push-2023-10-10/>. And Chaziza, M. (2023, November 7). *Is China a Friend? Time for Israel to Decide*. Accessed November 9, 2023. The Diplomat. <https://thediplomat.com/2023/11/is-china-a-friend-time-for-israel-to-decide/>.

55 The UK Foreign, Commonwealth And Development Office. (2023, November 9). *Human Rights Violations in Xinjiang: Joint Statement at the UN Third Committee*. Accessed November 10, 2023. <https://www.gov.uk/government/speeches/joint-statement-on-human-rights-violations-in-xinjiang-at-the-un-third-committee>.

56 Haime, J. (2023, December 14). *As China Sides with Palestinians, Gaza War Could Strengthen Israeli Ties with Taiwan*. Accessed December 20, 2023. Haaretz. <https://t.ly/wKMpU>.

away from its efforts to contain China's influence in the Indo-Pacific region.⁵⁷ Furthermore, it may impede American initiatives in the Middle East, such as the ongoing peace talks between Israel and Saudi Arabia and the progress of the India–Middle East–Europe Economic Corridor (IMEC).⁵⁸ China's unwavering support for the Palestinians could enhance its strategic position throughout the Arab world and a sizeable portion of the Global South, a term frequently used to refer to developing nations in regions such as Africa, Latin America, and various parts of Asia.⁵⁹

Zeng Ji, Director of the Center for Middle East Studies at Sun Yat-sen University, Guangzhou/Zhuhai, China, has put forth a different perspective. According to this view, neutrality should not be mistaken for inaction. China maintains a steadfast and proactive stance, focusing on averting humanitarian crises, fostering a solution acceptable to all parties involved, and persistently advocating for the establishment of a fully sovereign Palestinian state without indefinite delay.⁶⁰ “Neutrality should not be understood as passivity. China's policy is constant and active: to prevent humanitarian crises, promote a solution most likely accepted by all sides, and repeatedly emphasize that establishing a Palestinian state of full sovereignty cannot be delayed forever,” he asserted.

According to Zeng, the escalation of regional conflicts poses a risk to China's economic interests, potentially leading to the suspension of numerous projects, including those related to the Belt and Road Initiative (BRI). However, China currently prioritizes stability over economic considerations or geopolitical ambitions. A peaceful and stable Middle East is crucial for China and all nations in the region.⁶¹ “... The escalation of conflicts could damage China's economic interests. Many projects could be suspended, especially those related to BRI. However, for China, it is not the right time to focus on economic gains or losses or to pursue geopolitical interests—in fact, geopolitics represents a Western mindset, not China's. Why can't people think and act beyond 'geopolitics'?”⁶²

A former Chinese ambassador who is well-versed in Middle Eastern matters shared insights with the author, indicating that China–Israel relations face considerable obstacles. These challenges are due to Israel's stance on Palestinian issues and the United States' attempts to limit these relationships. While China has been striving to maintain friendly relations with both Palestine and Israel, there is

57 Neumann, S. (2023, December 3). *How the Gaza Crisis Harms US Interests*. Accessed November 23, 2023. Eurasia Review. <https://www.eurasiareview.com/03122023-how-the-gaza-crisis-harms-us-interests-oped/>.

58 Ibid.

59 See Leahy, J., White, E., and Lin, A. (2023, October 15). *Israel– Hamas War Tests China's Middle East Ambitions*. Accessed November 3, 2023. Financial Times. <https://www.ft.com/content/dbb1c37f-d261-4338-b585-04dfd93d9e55>. And Latham, A. (2023, November 3). *Israel– Hamas War Puts China's Strategy of 'Balanced Diplomacy' in the Middle East at Risk*. Accessed November 5, 2023. The Conversation. <https://theconversation.com/israel-hamas-war-puts-chinas-strategy-of-balanced-diplomacy-in-the-middle-east-at-risk-216246>.

60 Author's electronic conversation with Zeng Ji, Director of the Center for Middle East Studies at Sun Yat-sen University, Guangzhou/Zhuhai, China. October 21, 2023.

61 Ibid.

62 Ibid.

an increasing perception in Beijing that the momentum in China-Israel relations has diminished in recent years.⁶³ The ambassador pointed out that the ongoing conflicts in Gaza could further estrange Israel on the global stage, making it more susceptible to American influence and potentially leading to more hostile policies towards China.⁶⁴

Niu Xinchun, the Director of the Institute of Middle East Studies at the China Institute of Contemporary International Relations in Beijing, captured the essence of Chinese thought with captivating words: “The conflict in Gaza is by no means the product of the great power game. It is a disaster for the people of the Middle East and all mankind, and consequently, it does not make sense to interpret it through the lens of the China–U.S. rivalry. From a moral and national interest perspective, China is a beneficiary of peace in the Middle East, not disaster or turmoil.”⁶⁵

• Championing Global South

China is actively working to enhance its influence through organizations like the Shanghai Cooperation Organization (SCO) and BRICS. It aims to attract more regional countries to these groups, making them more inclined to participate in China-led multilateral initiatives. Additionally, China seeks to sway regional states to vote in line with its preferences in the United Nations by remaining neutral or directly supporting China's stance.⁶⁶ In August 2023, China played a pivotal role in expanding the BRICS group of emerging nations by incorporating four Middle Eastern countries: Egypt, Iran, Saudi Arabia, and the United Arab Emirates.⁶⁷ This move signified a major shift in efforts to reform the antiquated global order. The new members from the MENA region are eager to enhance their global geopolitical position, boost their strategic autonomy, and capitalize on economic prospects while maintaining their ties with Western countries.

With the expansion of BRICS, it is anticipated that there will be a greater effort to reform the global financial system and to develop an alternative to the U.S. Dollar. Although it may not be feasible to replace the dollar in the near or intermediate future, enhanced trade among BRICS nations could considerably reduce their reliance on the dollar and more evenly spread economic risks. Additionally, BRICS is nearing a point where it can become more substantial and impactful, particularly in advocating for the interests of the Global South.

63 Author's conversation with Chinese former ambassador, November 19, 2023.

64 Ibid.

65 Niu, X. (2024, January 2). *Does China Benefit from Gaza Conflict?* Accessed January 4, 2024. China–US Focus. <https://www.chinausfocus.com/peace-security/does-china-benefit-from-gaza-conflict>.

66 Haenle, P., Yahya, M., Ho, B., and Yu, J. (2023, June 27). *China's Rising Influence in the Middle East*. Accessed November 14, 2023. Carnegie Endowment for International Peace. <https://carnegieendowment.org/2023/06/27/china-s-rising-influence-in-middle-east-pub-90053>.

67 Du Plessis, C., Miridzhanian, A., and Acharya, B. (2023, August 25). *BRICS welcomes new members in push to reshuffle world order*. Accessed December 7, 2023. Reuters. <https://www.reuters.com/world/brics-poised-invite-new-members-join-bloc-sources-2023-08-24/>.

Globally, Beijing has launched several initiatives to reform international governance, strengthen the multipolar framework (or diversify alternatives beyond the dominance of American and Western influence), and institutionalize China-led groups. Initiatives like the “Community of Common Destiny,” “Global Development Initiative,” “Global Security Initiative,” and “Global Civilization Initiative”⁶⁸ aim, as James Kynge, the global editor for China at the Financial Times, candidly stated:

Xi’s initiatives show China’s most apparent intention yet to update the rules of global governance that the collective West wrote in the aftermath of World War Two. The initiatives illuminate Beijing’s moves to carve out its own space in international affairs because it is firmly convinced that China’s relations with the collective West will remain turbulent for a decade to come.⁶⁹

Table 3 China’s Global Initiatives

2013	Belt and Road Initiative: A China-led infrastructure project to improve inter-regional connectivity.
2021	Global Development Initiative: A broad plan to help developing countries overcome poverty, food insecurity, and climate-related issues.
2022	Global Security Initiative: An umbrella plan designed to strengthen security and military cooperation.
2023	Global Civilization Initiative: This strategy aims to promote the development of a community and a shared future for humanity by fostering cultural exchange, dialogue, and cooperation.

Source: Yiu, P. (2023, November 6). *Israel–Hamas war tests China’s global diplomacy ambitions*. Accessed November 12, 2023. Nikkei Asia. <https://t.ly/MjzpK>

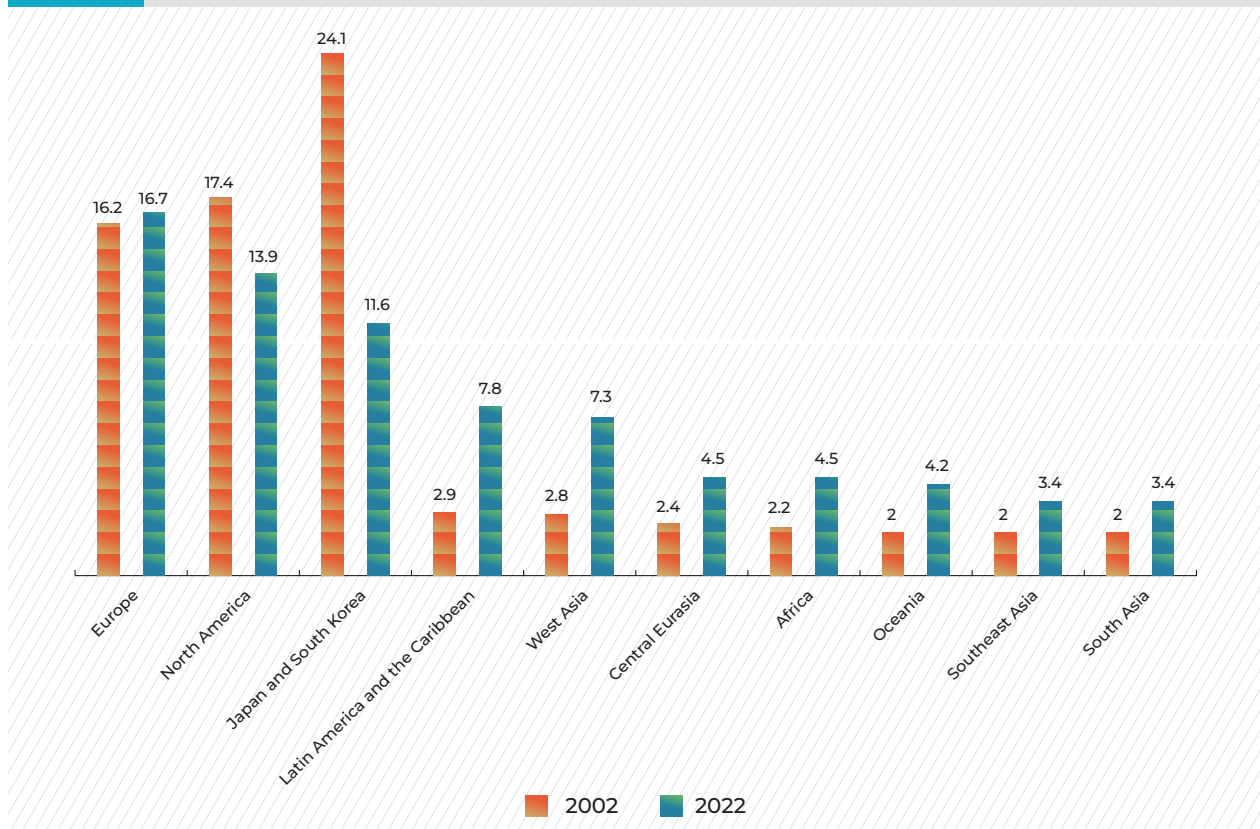
China is utilizing regional and international platforms to enhance its influence, positioning itself as a counterweight to Western dominance. Its goal is to become a pivotal ally for countries in the Middle East and to assert its role as a major force among the developing and non-aligned countries in the Global South. Beijing also seeks to establish and maintain unrestricted pathways for Chinese trade and investment on a global scale. The growing importance of China’s exports to regions linked with

68 *China Daily*. (2023, March 16). *Global Civilization Initiative Outlines the Way to Transcend Estrangement, Clashes, and Superiority*. Accessed November 14, 2023. <https://global.chinadaily.com.cn/a/202303/16/WS641303a9a31057c47ebb4e73.html>.

69 Kynge, J. (2023, August 22). *China’s blueprint for an alternative world order*. Accessed November 22, 2023. Financial Times. <https://www.ft.com/content/8ac52fe7-e9db-48a8-b2f0-7305ab53f4c3>.

the Belt and Road Initiative is particularly noteworthy. These exports will soon exceed the combined exports to the United States, the European Union, and Japan.

Figure 1 China's trading partners: exports plus imports by region (as a share (%) of the total, 2002–2022)



Source: World Trade Organization (WTO).

ENERGY: BEYOND FOSSIL FUELS

Energy plays a pivotal role in the relationship between China and the Middle East, mainly due to China's substantial energy demands and the region's abundant oil and gas reserves. This multifaceted relationship involves more than just the exchange of fossil fuels. It includes investments, infrastructure projects, and joint ventures in renewable energy technologies.

For China, ensuring a steady and dependable energy supply from the Middle East is crucial for its national security. As China's economy has grown, so has its reliance on foreign oil, making it the largest oil importer globally. Conversely, Middle Eastern nations exporting oil and gas seek reliable markets to secure long-term agreements. The enduring energy partnership between China and these Middle Eastern countries fundamentally relies on their mutual dependence on oil and gas.

Recently, there has been an increased emphasis on cooperation in renewable energy, driven by the need for energy security, economic diversification, and efforts towards decarbonization. The collaboration between China and Middle Eastern countries in renewable energy is becoming more prominent. This evolving partnership is now a key aspect of their bilateral relations, extending beyond the traditional focus on fossil fuels.

2.1 Oil & Gas: intensifying interdependence

China is the world's top oil importer and largest consumer of liquefied natural gas (LNG). In 2022, the country depended on external sources for nearly three-quarters of its oil needs, and 41 percent of its gas consumption was met through imports.⁷⁰ Since China became a net oil importer, its consumption has risen significantly, doubling nearly fivefold in three decades, increasing from 2.9 million barrels per day (mb/d) in 1993 to about 14.3 mb/d in 2022.⁷¹ As a result, China's crude oil imports have grown rapidly, rising from zero in 1993 to over 10.2 mb/d.⁷²

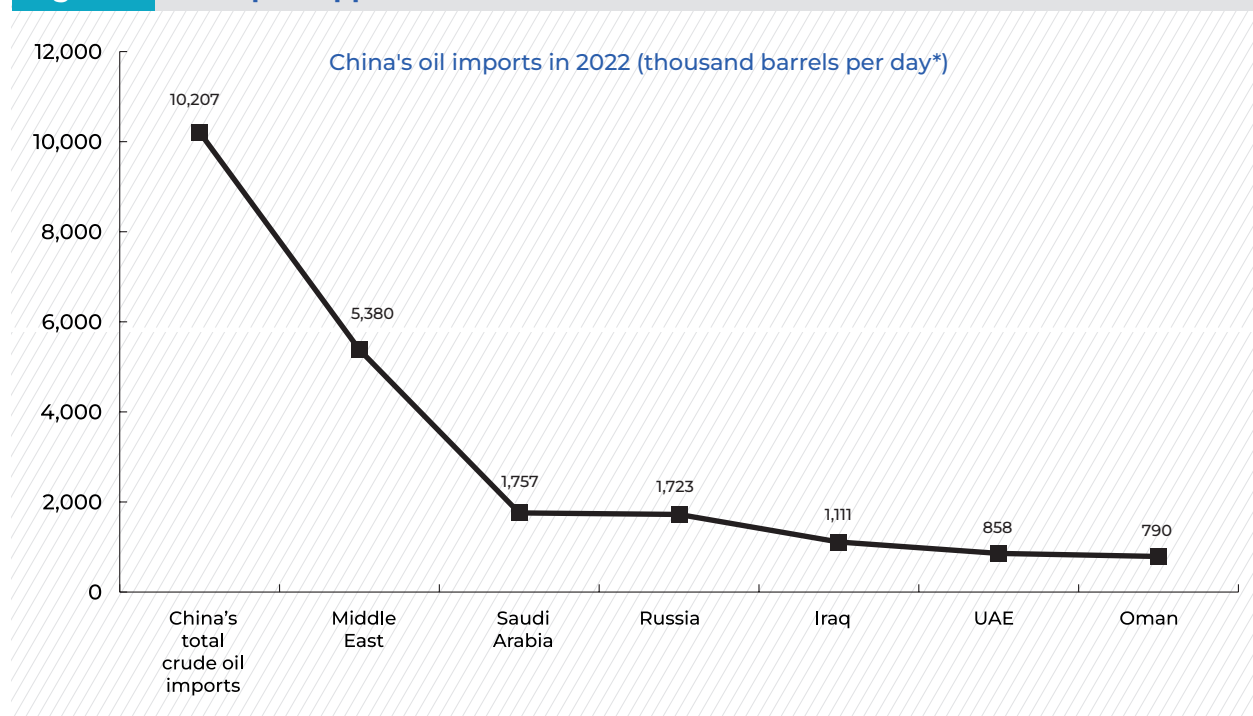
China has consistently worked to expand its variety of supply sources for many years. Despite these efforts, China remains substantially dependent on the Middle East. In 2022, China obtained nearly 53 percent of its crude oil and 16 percent of its liquefied natural gas (LNG) from the region. Conversely, Middle Eastern countries exported about one-third of their crude oil and 18 percent of their LNG to China.⁷³ Over the last decade alone, China's oil imports from the Middle East have significantly

70 Meidan, M. (2023). *The outlook for China's fossil fuel consumption under the energy transition and its geopolitical implications*. Accessed November 3, 2023. The Oxford Institute for Energy Studies. <https://www.oxfordenergy.org/publications/the-outlook-for-chinas-fossil-fuel-consumption-under-the-energy-transition-and-its-geopolitical-implications/>. Tan, C., and Lee, D. (2024, January 2). *China Retakes Reins of Asia's LNG Demand Recovery*. Energy Intelligence. <https://www.energyintel.com/0000018c-a9ff-dd84-a3fd-bbffb1de0000> (accessed January 3, 2024).

71 Energy Institute. (2023). *Statistical Review of World Energy*, op. cit.

72 Ibid.

73 Zheng, X. (2023, September 20). *Greater scope likely for energy, renewables biz with Arab nations*. Accessed November 14, 2023. China Daily. <https://www.chinadaily.com.cn/a/202309/20/WS650a4bc4a310d2dce4bb6a2c.html>. And Cockayne, J., and Byrne, M. (2023, January 27). *China 2022 Crude Imports: Saudi Holds off Russia, but Only Just*. Accessed November 3, 2023. MEES. <http://archives.mees.com/issues/1990/articles/61750>.

Figure 2 The top 5 suppliers of crude oil to China in 2022

Source: General Customs Administration of China, <http://www.customs.gov.cn/>.

***Note:** All numbers are converted from tons. one ton = 7.33 barrel

increased, rising nearly sevenfold from around 0.8 mb/d in 2003 to about 5.4 mb/d in 2022.⁷⁴

Among China's top five sources of crude oil imports in 2022, four are from the Middle East, with Saudi Arabia still ranking first, followed by Iraq, the United Arab Emirates, and Oman ranking fourth to fifth, respectively. At the same time, China is the first or second largest export destination for the countries mentioned above.⁷⁵ Consequently, the trade volume between China and Middle Eastern countries saw a significant surge, increasing over 15 times from roughly \$31.4 billion in 2003 to about \$480.21 billion in 2022. Energy trade, primarily in oil and gas, accounts for 47.34 percent of the bilateral trade between China and the Middle East.⁷⁶

The trade in natural gas between China and the Middle East predominantly consists of China importing liquefied natural gas (LNG) from Qatar. In 2022, Qatar ranked as the second-largest provider of LNG to China, delivering 15.73 million tons (equivalent to 21.39 billion cubic meters). This constituted

⁷⁴ See International Trade Centre (ITC). (n.d.) *Trade Map*. Accessed January 15, 2023.

⁷⁵ CNPC. (2023, March 28). *Focus on the 10th anniversary of 'Belt and Road' energy cooperation*. (Jujiao yidai yilu nengyuan hezuoshi zhounian). Accessed November 18, 2023. China Petroleum News Center. <https://news.cnpc.com.cn/system/2023/03/28/030096988.shtml>.

⁷⁶ International Trade Center (ITC). (n.d.). *Trade Map*, op. cit.

24.7 percent of China's overall LNG imports.⁷⁷ It is anticipated that the demand for natural gas will increase over time, establishing itself as a key market for Qatar's LNG exportation.

The energy relationship between Qatar and China has intensified., with Chinese companies increasingly relying on LNG imports. In 2022, China surpassed India and South Korea, becoming Qatar's top importer of LNG, a trend likely to continue.⁷⁸ QatarEnergy has signed eleven LNG Sale and Purchase Agreements (SPAs) with state-owned and private Chinese entities. Three agreements could position Qatar as China's primary LNG supplier by 2026, surpassing Australia.⁷⁹ This development is expected to further solidify the interdependence between Qatar and China in the years ahead.⁸⁰

China is also an important market for petrochemical exports from Middle Eastern countries, mainly from the Gulf states. According to the Gulf Petrochemicals and Chemicals Association (GPCA), the chemical sector of the Gulf Cooperation Council (GCC) countries produced export revenues of \$70 billion in 2022. During this period, China became the primary trade partner for the GCC in chemical products, accounting for 25.3 percent of the region's total chemical exports.⁸¹

Nevertheless, introducing new technology enabling the direct production of chemical feedstock from crude and fuel oil will empower China to reduce its reliance on imported petrochemicals.⁸² China's push for self-sufficiency is attracting more Middle Eastern investments, compensating for reduced exports. In April 2023, Saudi Aramco announced a multi-billion-dollar investment in China's petrochemical sector, including a new refinery. This deal involves acquiring a 10 percent stake in Rongsheng Petrochemical for \$3.6 billion and a long-term agreement to supply 480,000 barrels per day to Zhejiang Petroleum and Chemical Company.⁸³

In early 2023, the company, alongside Norinco and Panjin Xincheng Industrial Group, began building the Panjin refinery and an integrated cracker capable of refining 300,000 barrels per day and producing 1.65 million tons annually. Expected to operate fully by 2026, this facility will process 210,000 barrels of crude oil from Aramco daily.⁸⁴ Notably, in October 2023, Aramco signed a Memorandum of

77 CNPC. (2023). *Focus on the 10th anniversary of 'Belt and Road' energy cooperation*, op. cit.

78 Marriot, J. (2023, November 10). *Qatar & China Deepen LNG Relationship with Sinopec Deals*. Accessed December 2, 2024. MEES, <https://www.mees.com/2023/11/10/corporate/qatar-china-deepen-lng-relationship-with-sinopec-deals/4726de50-7fd6-11ee-b49d-dfb81836a4bc>.

79 BMI. (2023, June 22). *Qatar Gas Trade Forecast*. Accessed November 23, 2023. *LexisNexis Academic*.

80 Ibid.

81 Pratap, J. (2023, October 31). *GCC chemical industry accounts for \$70bn exports in 2022: GPCA*. Accessed December 13, 2023. Gulf Times. <https://tinyurl.com/yfhh9szb>.

82 McMillan, G. (2023, September 27). *What 'peak oil' will mean for China*. Accessed October 1, 2023. Financial Times. <https://www.ft.com/content/6acfcbb4-0a29-4f4a-bf13-d0242072fdae>.

83 BMI. (2023a). *China Petrochemicals Report*, Q3 2023. Accessed November 23, 2023. *LexisNexis Academic*.

84 Kebaier, S. B. (2023, October 27). *Enhancing Economic Prosperity: The Case for a Chemical Industry Free Trade Agreement (FTA) Between GCC and Key Partners*. Accessed November 19, 2023. GPCA. <https://tinyurl.com/z485k957>. And Marriott, J. (2023, October 13). *Gulf Refiners Lead Global Downstream Boom With 1.3mn b/d in Near-Term Projects*. Accessed October 28, 2023. MEES. <http://archives.mees.com/issues/2029/articles/62610>.

Understanding (MoU) with Nanshan Group Co., Ltd., Shandong Energy Group Co., Ltd., and Shandong Yulong Petrochemical Co., Ltd. This agreement sets the stage for Aramco's possible acquisition of a 10 percent strategic equity stake in Shandong Yulong Petrochemical Co., Ltd.⁸⁵

Meanwhile, Chinese firms increasingly invest in the Middle East's energy sector, particularly oil and gas. By 2022, these companies had partnered in approximately 20 regional oil and gas projects. Their aggregate crude oil output has surpassed 100 million tons, more than two million barrels per day. This represents around 7 percent of the Middle East's aggregate oil production.⁸⁶

In 2022, China witnessed a significant surge in its spending on crude petroleum imports, reaching a staggering \$365.5 billion. Approximately 54 percent of this expenditure, equating to \$197.3 billion, was attributed to imports from Middle Eastern nations. This escalating reliance on energy imports, especially in light of China's economic deceleration and the looming possibility of trade imbalances, has the potential to exert considerable financial strain. To alleviate these economic pressures, China may need to reassess its approach to international trade and explore alternative strategies for securing energy resources.

Table 4 Sino–Middle East trade in crude oil (2017–2022)

Year	China's total crude imports (m/bd)	From the Middle East (m/bd)	The Middle East share of total imports (%)	Crude trade (billion U.S. Dollars)	The Middle East of total trade (billion U.S. Dollars)
2022	10,208	5,388	52.8%	365.5	197.4
2021	10,305	5,182	50.3%	258.1	129.6
2020	10,880	5,083	46.7%	178.5	83.6
2019	10,126	4,501	44.4%	242.4	107.7
2018	9,246	4,050	43.8%	239.2	105.6
2017	8,406	3,653	43.5%	162.2	71.4

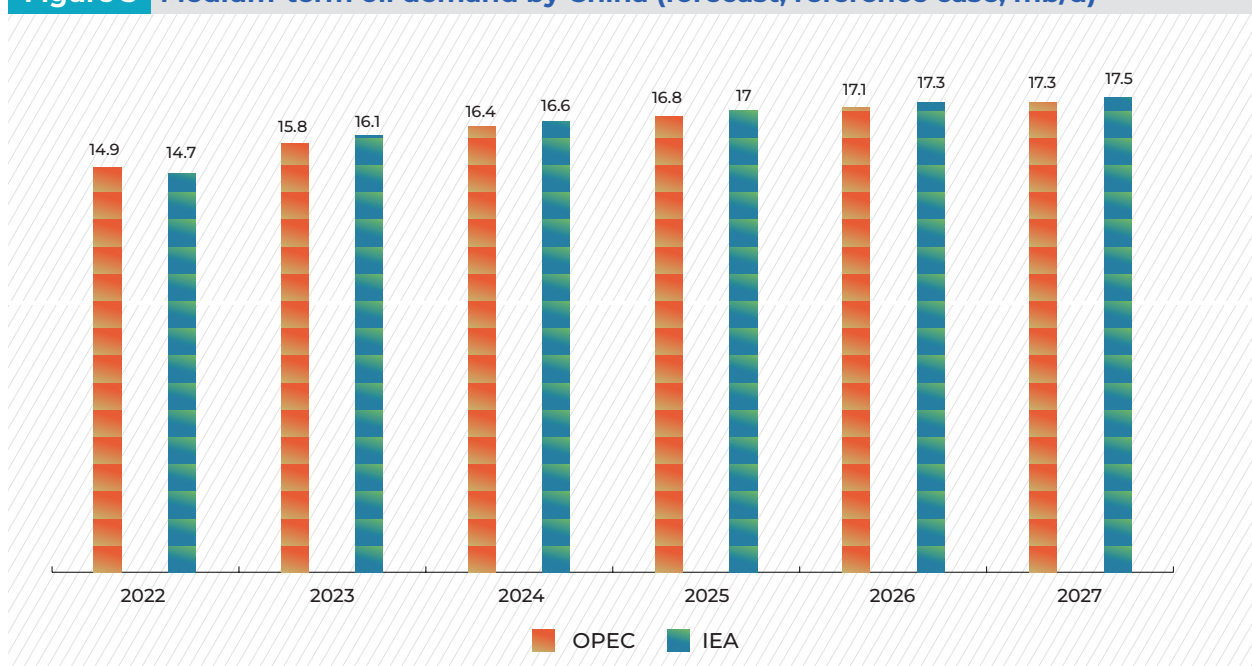
Source: MEES various issues, and ITC. (n.d.) *Trade Map*, op. cit.

85 Mikkelsen, D. (2023, October 13). *Aramco's Strategic Deal in China's Petrochemical Hub*. Accessed November 14, 2023. Oil & Gas Middle East. <https://tinyurl.com/2a6xz5ez>.

86 Zuo, Q., and Hu, X. (2023, December 4). *Geopolitical changes in the Middle East and Central Asia*. (ZhongDong, ZhongYa diyuan zhengzhi bianju xia). Accessed December 9, 2023. Cinda Securities. <https://file.iyanbao.com/pdf/0aa37-11995938-e505-4f32-92fd-fc3f2522d4b2.pdf>.

Regarding the outlook for future demand, both OPEC and the International Energy Agency concur that China's demand will persist in increasing in the near and mid-term. However, their forecasts vary when it comes to long-term predictions. The annual World Energy Outlook, published by the International Energy Agency (IEA) in October 2023, estimates that China's oil imports will rise in the medium term up to 2030, marking the end of sustained growth. Following this, a steady decline is anticipated, with imports reducing to 12 million barrels per day (mb/d) by 2050.⁸⁷

Figure 3 Medium-term oil demand by China (forecast, reference case, mb/d)



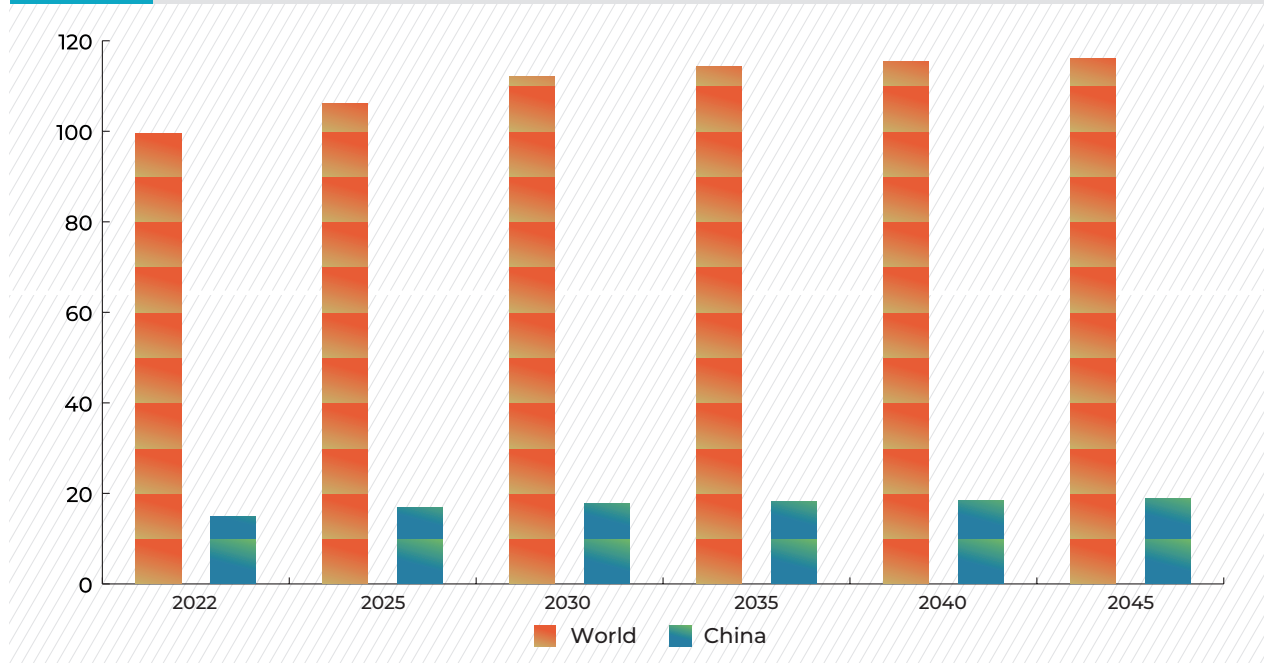
Source: OPEC. (2023b). *World Oil Outlook 2023*. Accessed October 29, 2023. https://www.opec.org/opec_web/en/publications/340.htm. And IEA. (2023, June 14). *Oil 2023: Analysis and forecast to 2028*. Accessed December 14, 2023. <https://www.iea.org/news/growth-in-global-oil-demand-is-set-to-slow-significantly-by-2028>

Contrary to the IEA's stance, the Organisation of Petroleum Exporting Countries (OPEC) released its World Oil Outlook for 2023 in the same month. China's oil demand is projected to grow from 14.9 mb/d in 2022 to 18.8 mb/d in 2045, representing an overall demand increase of 4 mb/d.⁸⁸ This demand increase, however, is front-loaded, with around 2.9 mb/d materializing during the current decade. This means that China's oil demand will continue growing, albeit at lower rates.⁸⁹

⁸⁷ IEA. (2023). *World Energy Outlook 2023*. Accessed October 19, 2023. <https://www.iea.org/reports/world-energy-outlook-2023>.

⁸⁸ OPEC. (2023b). *World Oil Outlook 2023*. Accessed October 29, 2023. https://www.opec.org/opec_web/en/publications/340.htm.

⁸⁹ Ibid.

Figure 4 Long-term oil demand by China (mb/d)

Source: OPEC (2023b). *World Oil Outlook 2045*, op cit.

The International Energy Agency (IEA) is optimistic about the prospects of the electric vehicle (EV) revolution. In contrast, the Organization of the Petroleum Exporting Countries (OPEC) foresees a rise in oil demand as global policymakers reassess their strategies for feasible energy transition routes. The shift to renewable energy will encounter challenges that could slow its progress. Although there is disagreement regarding the trends in China's demand for oil, there is a unanimous consensus on the growing significance of the Middle East in this context.

The U.S. growth slowdown is expected to allow Middle Eastern oil producers, led by Saudi Arabia, Iraq, and the UAE. This will likely boost MENA's market share from 30 percent in 2023 to 32 percent in 2028.⁹⁰ The Middle East's share in global oil production is set to grow, with exports increasing from 18.3 million barrels per day in 2022 to nearly 26 million barrels per day by 2045. The Asia-Pacific region is projected to be the primary market, absorbing about 85 percent of these exports by 2045.⁹¹ Meanwhile, Qatar, currently leading globally in LNG exports, intends to increase its production by 63 percent by

90 IEA. (2023, June 14). *Oil 2023: Analysis and forecast to 2028*. Accessed December 14, 2023. <https://www.iea.org/news/growth-in-global-oil-demand-is-set-to-slow-significantly-by-2028>.

91 OPEC. (2023). *World Oil Outlook 2023*, op. cit. And White, E. (2023). *How China Cornered the Market for Clean Tech*. Accessed October 19, 2023. Financial Times. <https://www.ft.com/content/6d2ed4d3-c6d3-4dbd-8566-3b0df9e9c5c6>.

2027⁹² and almost 85 percent from current levels before the decade's end.⁹³

Meanwhile, China's ambitious target to increase the share of natural gas in its total energy mix has significant implications for the global LNG market. The Chinese government's strong policy support for LNG as a transition fuel aligns with its broader 'coal to gas' fuel switching policy, which is part of China's commitment to achieving carbon neutrality by 2060.⁹⁴ If China effectively enhances its dependence on natural gas, it has the potential to significantly boost its demand for liquefied natural gas (LNG). This surge in demand is expected to have positive implications for prominent LNG suppliers like Qatar and various Middle Eastern nations, as it would expand their market presence within China.

2.2 Renewable cooperation: looking ahead

Collaboration in energy extends past oil and gas, encompassing the significant effects of climate change experienced by China and Middle Eastern nations. This mutual concern fosters joint efforts to transition to a more sustainable economy. The Middle East is rapidly adopting clean energy practices, and China, a prominent figure in the renewable energy sector, sees this as a chance to expand its investments and participation in developing renewable energy both in the Middle East and beyond.

China commands the global clean energy sector, leading various clean energy technology supply chain segments. China is actively expanding its capabilities as the top producer of solar photovoltaic (PV) panels, wind energy equipment, batteries, heat pumps, and hydrogen production electrolyzers. The country manufactures approximately 90 percent of the world's rare earth elements. It dominates the production process of solar panels (with control over at least 80 percent of all stages) and 60 percent of the market for wind turbines and electric vehicle batteries.⁹⁵

China's dominance in the solar panel industry is anticipated to continue throughout this decade and potentially longer. According to a recent International Energy Agency report on renewable energy, the global distribution of solar panel manufacturing is unlikely to change substantially in the next five years. This forecast is attributed to China's extensive investment strategies in this sector. It is projected that by 2028, China will manufacture 90 percent of wafers, 85 percent of polysilicon and cells, and 75 percent of modules.⁹⁶

92 The Economist. (2023, September 7). *The Gulf Countries Want to Reshape the Middle East in Their Image*. Accessed October 26, 2023. <https://tinyurl.com/ywc9fnm3>.

93 Millard, R. (2024, February 25). *Qatar to Increase LNG Export Capacity in Bet on Asian Demand*. Accessed February 26, 2024. Financial Times. <https://www.ft.com/content/dee71c1d-cb62-4fa0-909d-c59814e54f9d>.

94 BMI. (2023b). *China Oil & Gas Report, Q3 2023*. LexisNexis Academic. (accessed November 4, 2023).

95 IEA. (2023). *World Energy Outlook 2023*, op. cit. And White, E. (2023). *How China Cornered the Market for Clean Tech*. Accessed October 19, 2023. Financial Times. <https://www.ft.com/content/6d2ed4d3-c6d3-4dbd-8566-3b0df9e9c5c6>.

96 IEA. (2024, January 11). *Renewables 2023*. Accessed January 12, 2024. <https://tinyurl.com/5arrsxf6>.

In this context, it is unlikely for countries in the Middle East and much of the rest of the world to achieve their challenging climate change targets without a strong partnership with Beijing. This includes the United States, which, despite its greater financial resources and more robust political backing for “decoupling” from China, will encounter significant challenges in establishing a clean technology supply chain that does not involve China.

The renewable energy sector in the Middle East is projected to expand annually by over 13 percent through 2028, with potential further growth after the United Nations Climate Change Conference.⁹⁷ This trend suggests that within the next few years, the region could become the third-largest market for renewable energy.⁹⁸ Notably, the Middle East shows immense promise in photovoltaic (PV) demand, and by 2025, exports of photovoltaic components from China to this region could represent over 10 percent of China's total photovoltaic exports.⁹⁹

Chinese firms have constructed and operated major regional solar plants, including Qatar's 800 MW Alcazar, Saudi Arabia's 300 MW Rabigh station, and UAE's 2100 MW Al Dhafra. In 2022, China's photovoltaic module exports to the UAE and Saudi Arabia rose significantly. Additionally, the technical and financial aspects of these collaborations are evolving.¹⁰⁰ Shandong Electric Power Construction's partnership with Huawei in Saudi Arabia notably focuses on large-scale photovoltaic and energy storage projects. Also, the China Silk Road Fund's acquisition of a 49 percent stake in ACWA's new energy unit marks a new form of China–Saudi Arabia energy cooperation.¹⁰¹

During the first six months of 2023, China experienced a significant boost in its solar panel exports to the Middle East, recording a 64 percent jump (2.4 GW) compared to the same period in the previous year.¹⁰² Saudi Arabia's solar module imports from China increased significantly to 2.8 GW, contributing to large-scale projects. Between the second half of 2022 and the first half of 2023, total shipments reached 3.6 GW, meeting 2 percent of the country's annual electricity needs. This surge is crucial for Saudi Arabia's goal of obtaining 50 percent of its energy from renewables by 2030.¹⁰³ In the first half of 2023, the UAE's import of solar panels from China rose by 33 percent, reaching 1.4 gigawatts. Over a year, from mid-2022 to mid-2023, this totaled 4.1 gigawatts, meeting about 4 percent of the UAE's annual electricity needs. This aligns with the UAE's aim for 30 percent clean energy by 2030 and

97 CNPC. (2023). *Focus on the 10th anniversary of 'Belt and Road' energy cooperation*, op. cit.

98 Chi, J. (2023, November 10). *China, Middle East countries eye each other's markets, vow to increase investment, deepen cooperation*. Accessed December 13, 2023. Global Times. <https://www.globaltimes.cn/page/202311/1301585.shtml>.

99 Shan, J. (2023, December 6). *Green Engine: Chinese New-Energy Tech Draws Attention at COP28, Empowers Carbon Reduction in Middle East*. Accessed December 14, 2023. Global Times. <https://www.globaltimes.cn/page/202312/1303150.shtml>.

100 CNPC. (2023). *Focus on the 10th anniversary of 'Belt and Road' energy cooperation*, op. cit.

101 Ibid.

102 Hawkins, S. (2023, September 14). *Solar exports from China increase by a third*. Accessed December 2, 2023. Ember. <https://ember-climate.org/insights/research/china-solar-exports/>.

103 Ibid.

suggests potential for further growth.¹⁰⁴

China has provided financing and technology for solar projects in Egypt, such as the Benban Solar Park, one of the largest solar installations in the world.¹⁰⁵ In December 2023, China Electric Power Equipment and Technology Co. entered into an MOU with the Egyptian government for a 10 GW solar energy project.¹⁰⁶ This initiative is a component of Egypt's "Green Corridor Initiative," which seeks to boost renewable energy utilization, reduce reliance on fossil fuels, and promote sustainable development. It aligns with Egypt's targets to reach a 42 percent share of renewable energy in its energy mix by 2030, as outlined in the National Climate Strategy 2050.¹⁰⁷

However, Chinese renewable energy companies are increasingly focusing on the Saudi market due to margin pressures in China and trade tensions with the U.S. and its allies. A Bloomberg report indicates this trend, noting Saudi Arabia's low-cost electricity, international connections, and strategic location, which appeal to firms like TCL Zhonghuan Renewable Energy Technology Co., which plans to establish a 20-gigawatt solar wafer factory there.¹⁰⁸ Given the global shift from this primary income source (fossil fuels), this strategy supports Saudi Arabia's goal to diversify its economy beyond oil. Partnering with Chinese companies may establish Saudi Arabia as a major renewable energy player while enhancing Beijing's influence in a region crucial for energy security.¹⁰⁹

China has increasingly invested in renewable energy in Saudi Arabia, aligning with the latter's 2060 net-zero goal and China's Belt and Road Initiative. Significant deals include China Energy Engineering Corp's 300-megawatt solar project in Rabigh (2021), Silk Road Fund's stake in Acwa Power's renewables (2020)¹¹⁰, and Envision's wind turbine contract for the world's largest renewable hydrogen plant in Saudi Arabia (2023), involving Acwa Power¹¹¹. These moves mark a significant shift towards sustainable development in the region.

104 Ibid.

105 African Development Bank. (2023, March 29). *Egypt: Benban, a model of clean energy production in Africa*. Accessed October 22, 2023. <https://www.afdb.org/en/success-stories/egypt-benban-model-clean-energy-production-africa-60169>.

106 Meza, E. (2023, December 28). *Chinese Company to Develop 10 GW of Solar in Egypt*. Accessed December 29, 2023. Pv Magazine International. <https://www.pv-magazine.com/2023/12/28/chinese-company-to-develop-10-gw-of-solar-in-egypt/>.

107 Ibid.

108 Bloomberg. (2023, December 13). *China's Ailing Clean Energy Industry Eyes Remedy in Saudi Arabia*. Accessed December 13, 2023. <https://www.bloomberg.com/news/articles/2023-12-13/china-s-ailing-clean-energy-industry-eyes-remedy-in-saudi-arabia>.

109 Ibid.

110 Demongeot, M., and Bakr, A. (2023, April 13). *China's Role in Realizing Saudi Arabia's Vision*. Accessed November 14, 2023. Energy Intelligence. <https://www.energyintel.com/00000187-7583-dc67-a1c7-77bf110f0000#>.

111 Demongeot, M. (2023, August 17). *China: Belt and Road Policy Widens New Energy Reach*. Accessed November 6, 2023. Energy Intelligence. <https://www.energyintel.com/00000189-f7f1-de73-a1cb-f7f713f00000>.

ECONOMIC MOTIVES: THE ESSENCE OF DIVERSIFICATION

The background of the slide is a solid blue color. In the lower half, there is a large, abstract graphic element. It consists of a series of white dots arranged in a pattern that forms a wave-like shape, sloping upwards from the bottom left towards the right. The dots are more densely packed in some areas and more sparse in others, creating a sense of depth and movement.

Economic motives are critical in strengthening the relationship between China and the Middle East. The region has become a key destination for Chinese products and a lucrative center for construction projects led by Chinese companies. Notably, China is the leading trading partner of many countries in the Middle East, such as Saudi Arabia, the UAE, Iraq, Iran, and Egypt.

China's role as a major economic player has become increasingly significant in the Middle East. Its interests there have grown, moving beyond focusing on hydrocarbon trade to substantial investments in diverse areas like infrastructure, renewable energy, technology, finance, transportation, and communication.

Moreover, China plays a significant role in supporting the Middle Eastern nations' efforts to diversify their economies, aiming to reduce dependence on energy and primary resources. To align with China's Belt and Road Initiative, these countries have launched various projects, such as Kuwait's Five Islands Development Project, Saudi Arabia's Jizan Industrial City, Oman's Duqm Special Economic Zone, Egypt's Suez Canal Economic Zone, and Abu Dhabi's Khalifa Industrial Zone.

3.1 Trade

Amidst global geopolitical shifts, the economic ties between China and the MENA region have grown substantially. China's burgeoning economy has created a greater need for energy, which matches the Middle East's interest in importing consumer goods from China. The trade volume between China and the entire MENA region surged 76 percent over ten years, with trade with Gulf countries increasing threefold in the same timeframe.¹¹² China's total annual bilateral goods trade volume with countries in the MENA region reached approximately \$504 billion in 2022, rising from \$395.8 billion in 2021.

The economic and trade exchanges between China and the Middle East are mutually beneficial. The Middle East has a high demand for Chinese industrial and consumer products, like textiles and machinery, known for their affordability and quality. Conversely, the Middle East's oil resources are vital for satisfying China's energy needs, resulting in a mutually advantageous trade relationship.¹¹³

HSBC's recent report predicts a significant increase in business and investment between China and the Middle East, North Africa, and Türkiye (MENAT) in the next five years.¹¹⁴ In 2021, trade between the Gulf Cooperation Council (GCC) and China exceeded that of the U.S. and Euro Area combined, highlighting China's growing trade significance. Moreover, by 2027, an untapped trade potential with

¹¹² Keller, K., and Simpfendorfer, B. (2023, August 16). *Why China and the Gulf's deepening economic ties are about more than just oil*. Accessed October 29, 2023. World Economic Forum. <https://tinyurl.com/375ztd4u>.

¹¹³ Duan, J., and She, G. (2021). Initiative and Visions: Synergy between Development Strategies of China and the Arab States. *Asian Journal of Middle Eastern and Islamic Studies* 15 (3): 379–97. <https://doi.org/10.1080/25765949.2021.1985854>.

¹¹⁴ HSBC UAE. (2023, August 25). *China-MENAT Corridor 2023: Unlocking Growth Potential*. Accessed December 4, 2023. <https://www.business.hsbc.ae/en-gb/insights/growing-my-business/china-menat>.

Table 5 Trade between China and MENA (Unit: U.S. Dollar thousand)

	2017	2018	2019	2020	2021	2022
MENA Aggregation						
Middle East	241,630,577	286,976,153	295,695,343	272,153,342	371,643,597	480,208,370
Maghreb	16,622,219	23,187,802	23,546,051	17,737,548	24,197,462	23,639,983
Total trade	258,252,796	310,163,955	319,241,394	289,890,890	395,841,059	503,848,353
GCC Aggregation						
Total trade	127,778,596	162,890,568	179,579,234	161,750,582	232,896,871	315,800,239
(%) of MENA	49.5%	52.5%	56.3%	55.8%	58.8%	62.7%

Source: ITC calculations based on General Customs Administration of China statistics

Notes: Excludes trade with Hong Kong and Macau.

The Gulf Cooperation Council (GCC) includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE).

The Middle East includes Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, Syria, Türkiye, United Arab Emirates, and Yemen.

The Maghreb includes Algeria, Libya, Mauritania, Morocco, and Tunisia.

Table 6 China's trade with the Middle East (2023, Unit: U.S. Dollar thousand)

Trade Partner	Exported value in 2022	Imported value in 2022	Total Trade (Exports + Imports)
World	3,593,601,450	2,715,998,754	6,309,600,204
Middle East Aggregation	209,506,353	270,702,017	480,208,370
Saudi Arabia	37,990,175	78,045,605	116,035,780
United Arab Emirates	53,861,687	45,407,517	99,269,204
Iraq	13,989,337	39,384,745	53,374,082
Oman	4,205,491	36,239,772	40,445,263
Türkiye	34,033,749	4,520,330	38,554,079
Kuwait	4,969,911	26,509,941	31,479,852
Qatar	3,988,918	22,557,802	26,546,720
Israel	16,481,074	8,966,864	25,447,938
Egypt	17,170,217	1,019,820	18,190,037
Iran	9,440,300	6,355,060	15,795,360
Jordan	5,707,280	743,806	6,451,086
Yemen	2,797,613	633,257	3,430,870
Lebanon	2,515,757	64,027	2,579,784
Bahrain	1,772,209	251,211	2,023,420
Syria	424,505	2,241	426,746
Palestine	158,130	19	158,149

Source: Compiled by the author from ITC. (n.d.). Trade Map, op. cit.

the MENAT region is forecasted to reach \$178 billion.¹¹⁵

That said, trade between China and the GCC accounts for approximately two-thirds of the Middle East's total trade volume. As of 2022, Saudi Arabia has emerged as China's leading trade ally in the region, achieving a bilateral trade value exceeding \$116 billion.¹¹⁶ Meanwhile, the United Arab Emirates, China's second-largest trading partner in the Middle East, witnessed its non-oil trade with China exceed \$72 billion in 2022. This marks an 18 percent growth compared to the prior year, nudging the aggregate trade between the two nations toward the \$100 billion threshold.¹¹⁷

Negotiations for a Free Trade Agreement between China and the GCC are ongoing, potentially impacting different industries through trade, investments, and technology transfer. The GCC's strategic location enhances China's Belt and Road Initiative (BRI), highlighted by President Xi's visit to Saudi Arabia in December 2022 and the signing of 34 investment agreements worth \$30 billion in various sectors.¹¹⁸ Unlike the United States, China currently has no bilateral free trade agreements (FTAs) with countries in the MENA region. (The United States has FTAs with Israel, Jordan, Bahrain, Oman, and Morocco). However, the PRC government has pursued several initiatives in this area.¹¹⁹

Nevertheless, China's trade imbalance with Middle Eastern countries, characterized by energy imports from and industrial exports to the region, is mitigated by varying trade deficits and surpluses, reflecting different dependency levels.¹²⁰ Efforts to enhance economic ties include China's increased purchases from non-energy producers and Middle Eastern investment in China's oil sector, aiming for a stable oil and gas trade.¹²¹ While vital to the Middle East, this trade forms a minor part of China's global trade, accounting for 8 percent in 2022.¹²²

3.2 Infrastructure

Middle Eastern countries occupy a unique position in the global endeavors of Chinese engineering contracting enterprises, exerting a considerable influence on the international expansion of these

¹¹⁵ Ibid.

¹¹⁶ See International Trade Centre (ITC). (n.d.). *Trade Map*. <https://www.trademap.org/Index.aspx>.

¹¹⁷ Ibid.

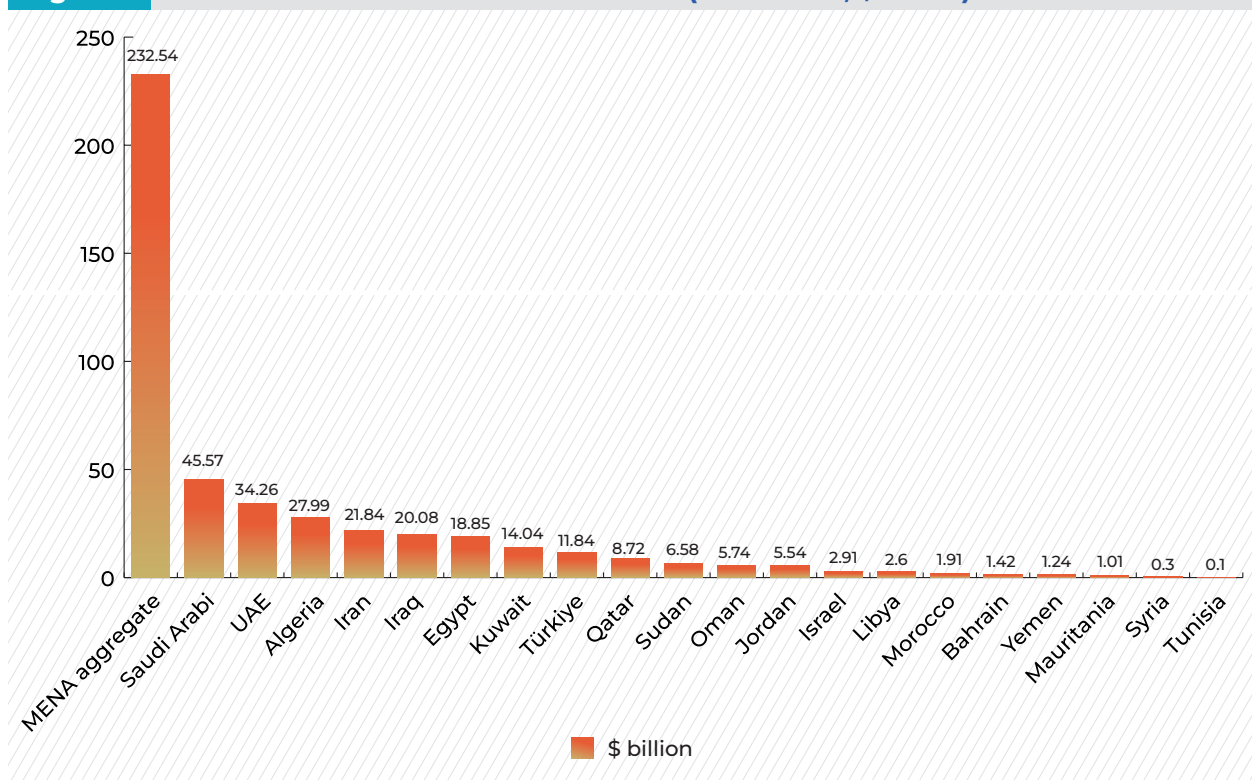
¹¹⁸ Mukhtar, N. (2023, March 2). *China and the GCC – Fueling a Green Future for Fertilizers*. Accessed December 14, 2023. GPCA. <https://www.gpca.org.ae/2023/03/26/china-and-the-gcc-fueling-a-green-future-for-fertilizers/>.

¹¹⁹ Blanchard, C. M., Barrios, R., Brown, P., Campbell, C., Ratner, M., and Sutherland, M. D. (2023, March 23). *Middle East and North Africa–China Relations*. Accessed October 26, 2023. Congressional Research Service. <https://crsreports.congress.gov/product/details?prodcode=R47482>.

¹²⁰ Duan, J., and She, G. (2021). *Initiative and Visions: Synergy between Development Strategies of China and the Arab States*, op. cit.

¹²¹ Ibid.

¹²² See International Trade Centre (ITC). (n.d.). *Trade Map*. <https://www.trademap.org/Index.aspx>.

Figure 5 China's MENA construction contracts (2005–2023, \$billion)

Source: AIE. (n.d.). *China Global Investment Tracker*. <https://www.aei.org/china-global-investment-tracker/>

Chinese firms. Through their involvement in foreign project contracts, these enterprises have played a pivotal role in boosting China's exports of mechanical and electrical products and significantly enhancing the export of high-tech products. China has signed construction contracts worth \$232.54 billion with the MENA region since 2005, with over 43 percent involving GCC countries. Chinese companies signed new construction contracts worth \$36.7 billion with Arab countries in 2022, up 38 percent year-on-year.¹²³

Saudi Arabia leads the MENA region in project market size, primarily due to its five major Giga projects.¹²⁴ Egypt and the UAE follow, executing projects worth over \$85 billion in various sectors. Construction is the dominant sector, succeeded by transport, oil, and power, with regional governments prioritizing infrastructure and energy projects.¹²⁵ Chinese companies dominate

¹²³ Wang, K., and Hu, D. (2023, September 22). *Sino-Arab ties set to deepen on all fronts*. Accessed January 3, 2023. China Daily. <https://www.chinadaily.com.cn/a/202309/22/WS650ce804a310d2dce4bb721b.html?s=03>.

¹²⁴ For more details about these projects, see Saudi Giga Projects. <https://t.ly/BvXIY>.

¹²⁵ MEED. (2023). Belt and Road woes could benefit the Gulf. *MEED Business Review*, May 2023, 8 (5): 68–69.

international contractors, surpassing South Korean and Italian firms, and securing 28 percent of projects among non-Arab contractors.¹²⁶

In 2022, Chinese firms secured multiple contracts in Saudi Arabia, including for solar power plants and various infrastructure projects. In the UAE, they are involved in key projects like Etihad Rail and solar and coal-fired power plants, along with investments in oil and gas, including a stake by China National Offshore Oil Corporation in Abu Dhabi. Additionally, they are participating in port and industrial park developments.¹²⁷

China is also active in Egypt, contributing to the New Administrative Capital and a new industrial zone in the Suez Canal Economic Zone to boost foreign investment. Xinxing Ductile Iron Pipes is planning a \$2 billion investment in the Suez zone. In Iraq, Chinese companies dominated the 2022 oil, gas, and power contracts, securing 87 percent.¹²⁸ This highlights China's expanding role in these regions' energy sectors. MEED Projects reports upcoming projects worth \$1.3 trillion across these countries, indicating significant opportunities for further Chinese engagement.¹²⁹

In Saudi Arabia, an extensive investment of \$847.4 billion is projected for different projects by 2050, with only \$29.8 billion allocated as of now, as per *HSBC Global Research*.¹³⁰ The Kingdom intends to allocate over \$186 billion towards transitioning to a green economy in the upcoming years.¹³¹ In 2022, Chinese contractors secured orders worth \$4.1 billion in Saudi Arabia, representing 50 percent of international contracts and 13 percent of the kingdom's market.¹³² Saudi Arabia is looking to invest heavily in domestic infrastructure initiatives, such as organizing the 2030 World Expo and the 2034 men's football World Cup.

According to Goldman Sachs, the Kingdom is expected to allocate approximately \$1 trillion by the end of this decade to various sectors, including clean technology, mining, and the development of Neom, a proposed futuristic city.¹³³ Indeed, events of this nature present significant prospects for Chinese firms,

¹²⁶ Ibid.

¹²⁷ Foreman, C. (2023, March 31). *Belt and Road woes could benefit the Gulf*. Accessed November 23, 2023. MEED. <https://www.meed.com/belt-and-road-woes-could-benefit-the-gulf>.

¹²⁸ Ibid.

¹²⁹ Ibid.

¹³⁰ HSBC UAE. (2023, June 6). *Booming MENAT a Magnet for Chinese Investors*. Accessed November 1, 2023. <https://www.business.hsbc.ae/en-gb/insights/growing-my-business/booming-menat-a-magnet-for-chinese-investors>.

¹³¹ Ibid.

¹³² Foreman, C. (2023, January 31). *International Firms Return to Saudi Construction*. Accessed November 23, 2023. MEED. <https://quest.meed.com/international-contractors-return-to-saudi-construction/>.

¹³³ Kerr, S., Raval, A., and Wiggins, K. (2023, December 7). *China Deepens Ties with Saudi Arabia at Hong Kong Gathering*. Accessed December 13, 2023. Financial Times. <https://www.ft.com/content/33e1e11d-b44e-4d51-9e35-65620bb2571f>.

as past instances have demonstrated, notably about the 2022 World Cup in Qatar.

Meanwhile, the UAE is set to invest \$163 billion to reach net-zero emissions by the year 2050.¹³⁴ Chinese construction firms have invested heavily in the UAE, totaling \$39.2 billion, mainly in construction, which accounts for 80 percent of this investment.¹³⁵ Key interests include power generation projects like the 1,177 MW Sweihan solar plant and significant developments such as the Mohammed bin Rashid Solar Park, Hassyan clean coal power station, and Etihad Rail network. Additionally, the China-UAE Industrial Capacity Cooperation Demonstration Zone, part of the Belt and Road Initiative, focuses on advanced manufacturing and various industries.

3.3 Investment

China's economic ties with the Middle East, particularly in investment, have grown substantially in recent years. By the end of 2023, Chinese investment in the MENA region exceeded \$77 billion, with two-thirds focusing on energy. Iraq was the top recipient, followed by Saudi Arabia. Middle Eastern countries doubled their share of Chinese investments to 21 percent compared to 2021.

China's involvement in the Gulf Cooperation Council (GCC), mainly through BRI, spiked by 244 percent to \$9.3 billion in 2022, with Saudi Arabia receiving over half. Despite a slight decline in overall BRI spending, Saudi Arabia emerged as a key BRI partner, second only to Hungary.¹³⁶ Meanwhile, foreign direct investments are increasing rapidly although still limited in their scope, with China's 2022 investment in Arab countries reaching \$2.62 billion, a 13 percent increase, and Arab countries' new investments in China hitting \$1.05 billion, nearly nine times the previous year's amount.¹³⁷

Despite the tensions in the Middle East, many Chinese investors are placing their bets there, especially in the Gulf countries. A recent international survey of 118 Chinese companies in the Middle East, primarily in infrastructure, reveals that over 80 percent of the region's investors plan to invest in the next 3-5 years, favoring the UAE and Saudi Arabia. However, political instability and restrictive legal/taxation policies in some Middle Eastern countries pose significant challenges to these investments.¹³⁸

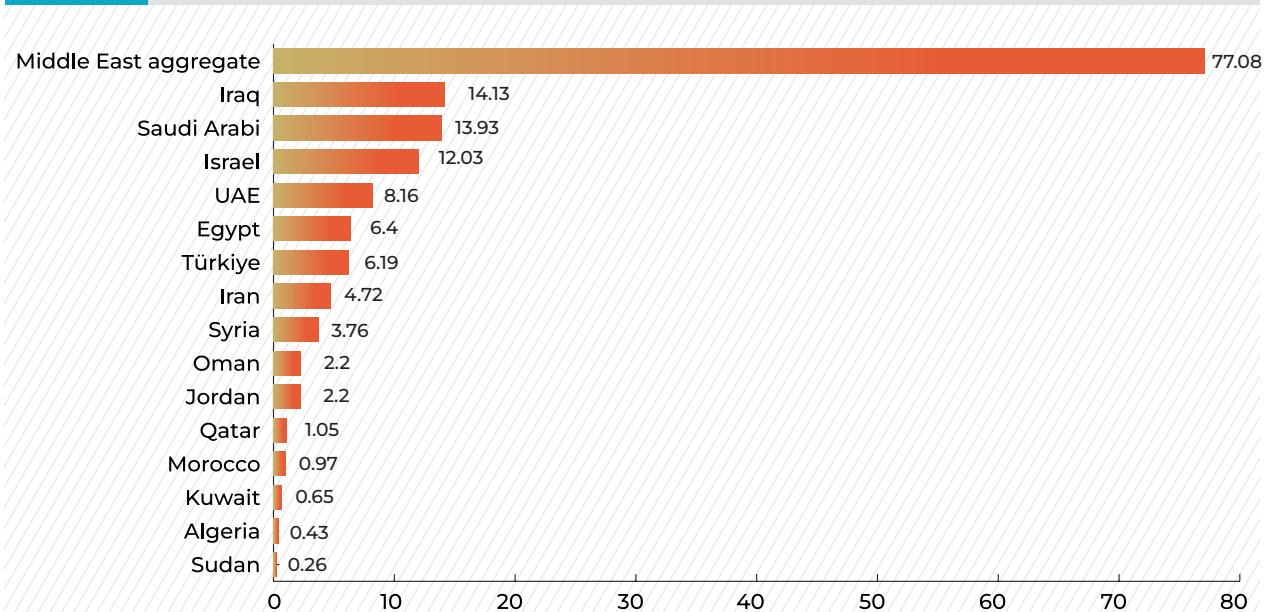
¹³⁴ HSBC UAE. (2023, June 6). *Booming MENAT a Magnet for Chinese Investors*, op. cit.

¹³⁵ Ibid.

¹³⁶ Wang, C. N. (2023, February 3). *China Belt and Road Initiative (BRI) Investment Report 2022*. Accessed November 11, 2023. Green Finance & Development Center. <https://greenfdc.org/china-belt-and-road-initiative-bri-investment-report-2022/>. Green Finance & Development Center. (2023). *Countries of the Belt and Road Initiative (BRI)*. Accessed January 10, 2024. <https://greenfdc.org/countries-of-the-belt-and-road-initiative-bri/>.

¹³⁷ Wang, K., and Hu, D. (2023, September 22). *Sino-Arab ties set to deepen on all fronts*, op. cit.

¹³⁸ PricewaterhouseCoopers (PwC). (2023). *Report on Chinese Investors' Confidence in the Middle East*. Accessed December 4, 2023. <https://www.pwc.com/mj/en/publications/report-on-chinese-investors-confidence-in-the-middle-east.html>.

Figure 6 China's MENA investment (2005–2023, \$billion)

Source: AIE. (n.d.). *China Global Investment Tracker*, op. cit.

Table 7 Top 10 most attractive destinations for Chinese investors in 2023

Investment destination	Ranking in 2023	Ranking in 2013
Singapore	1	2
Indonesia	2	44
Malaysia	3	18
Hong Kong	4	3
Thailand	5	35
Vietnam	6	41
Switzerland	7	7
UAE	8	11
Saudi Arabia	9	15
Chile	10	22

Source: EIU. (n.d.) *China Going Global Investment Index 2023*. <https://www.eiu.com/n/campaigns/china-going-global-investment-index-2023/>

The ties between China and the Middle East also foster opportunities in the reverse direction. Middle Eastern sovereign wealth funds are entering into agreements or discussions with Chinese companies seeking to restructure their oil-reliant economies into more sustainable ones. Over the past two decades, MENA region investors, including sovereign wealth funds from the UAE and Qatar, have significantly increased their investments in China, motivated by its economic growth and burgeoning trade relationships.

The UAE's Mubadala has invested in over 70 Chinese ventures through a \$10 billion partnership, while Qatar has formed a \$10 billion joint venture with CITIC Group and acquired a 22 percent stake in CITIC Capital.¹³⁹ In 2023, Gulf wealth funds increased their investments in China to \$2.3 billion, up from \$100 million in 2022, and continued significant investments in the U.S. Globally, they spent \$89 billion in 2022, focusing on Europe and North America.¹⁴⁰ Abu Dhabi's Mubadala is expanding in China, and UAE's G42, with a new ex-JD.com executive, is intensifying its tech investments in China. While Gulf officials maintain that the U.S. remains a key partner, these moves have raised concerns in Washington amidst heightened scrutiny of China-related investments under the Biden administration.

Mubadala has been an investor in the Chinese artificial intelligence company 4Paradigm since at least 2021.¹⁴¹ Qatar Investment Authority will invest \$200 million for a stake in the firm, opening the door for Chinese Kingdee to tap the burgeoning Middle Eastern market. This is the most significant single investment by a Middle East sovereign fund in China's software sector and a Hong Kong-listed company since 2019.¹⁴² Saudi Aramco invested \$3.6 billion in Rongsheng, a Chinese petrochemical refinery, and collaborated with the Saudi Public Investment Fund (the sovereign wealth fund) and Baosteel to produce high-quality steel in Saudi Arabia.¹⁴³

Meanwhile, the BRI plays a pivotal role in the auto industry by facilitating collaboration and investment opportunities among auto-related stakeholders. In particular, there is a growing trend where China-based electric vehicle (EV) manufacturers and mining companies capitalize on existing BRI relationships in the upstream (metals and mining) segment of the EV supply chain.¹⁴⁴

139 Blanchard et al. (2023, March 23). *Middle East and North Africa–China Relations*, op. cit.

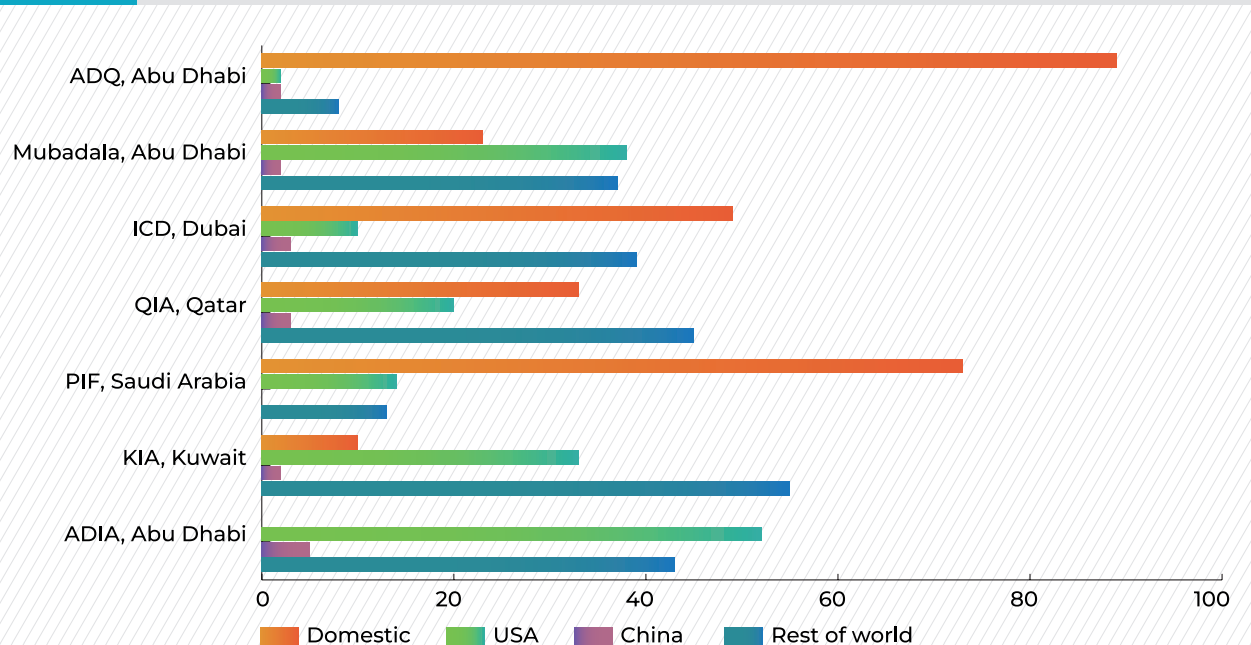
140 Bartenstein, B. (2023, November 26). *Mideast Wealth Funds Draw Greater U.S. Scrutiny over China Ties*. Accessed December 16, 2023. Bloomberg. <https://t.ly/dW1WJ>.

141 Yu, E. (2023, July 7). *A Trillion-Dollar Opportunity: China's Pivot to the Middle East Set to Fuel Investment Boom*. Accessed October 24, 2023. WSJ. <https://www.wsj.com/articles/a-trillion-dollar-opportunity-chinas-pivot-to-the-middle-east-set-to-fuel-investment-boom-1f4bb5a2>.

142 Liao, S. (2023, December 21). *Kingdee Soars as Qatar Sovereign Fund Invests USD200 Million in Chinese Software Giant*. Accessed December 22, 2023. YicaiGlobal. <https://www.yicaiGlobal.com/news/kingdee-soars-as-qatar-sovereign-fund-invests-usd200-million-in-chinese-software-giant>.

143 The Economist. (2024, January 4). *Can Sino-Arabian Business Ties Replace Sino-American Ones?* Accessed January 4, 2024. <https://www.economist.com/business/2024/01/04/can-sino-arabian-business-ties-replace-sino-american-ones>.

144 BMI. (2023c). *Belt & Road: Complex Challenges amid Geopolitical Disruptions*. LexisNexis Academic. (Accessed November 6, 2023)

Figure 7 Gulf Sovereign Wealth Fund allocations

	ADQ, Abu Dhabi	Mubadala, Abu Dhabi	ICD, Dubai	QIA, Qatar	PIF, Saudi Arabia	KIA, Kuwait	ADIA, Abu Dhabi
Domestic	89	23	49	33	73	10	
USA	2	38	10	20	14	33	52
China	2	2	3	3		2	5
Rest of world	8	37	39	45	13	55	43

Note: Numbers are rounded, so may not add up to exactly 100%

Source: SWF. (n.d.). Tracker. <https://globalswf.com/>

As of October 2023, investors in the Middle East, particularly from Saudi Arabia, have significantly funded China's smart vehicle sector, investing \$13.72 billion across over seven startups, including Nio and Pony.ai. Major deals include a \$5.6 billion venture between Shanghai's Human Horizons and Saudi Arabia for automotive R&D¹⁴⁵ and sales and a \$2.2 billion investment in Nio by Abu Dhabi's CYVN Holdings, part of a total \$3.2 billion CYVN investment in 2023. This enhances Sino-Middle Eastern ties in clean technology and supports Nio financially.¹⁴⁶

Middle Eastern sovereign funds, like the UAE's ADIA and Kuwait's KIA, are increasingly investing in Chinese companies across various sectors due to more robust trade and diplomatic relations. They have significant stakes in firms like China Shenhua Energy and Zijin Mining.¹⁴⁷ The Stock Connect program via Hong Kong, which now includes ETFs, has made China's onshore market more accessible, aligning with the growing Middle Eastern and Asian interest in ETFs for regional exposure.¹⁴⁸

The GCC's foreign assets are expected to hit \$4.4 trillion in 2024, mainly from oil-related surpluses of \$146 billion. About two-thirds are managed by sovereign wealth funds, with investments in equities (35 percent), bank deposits (22 percent), foreign direct investments (17 percent), and others like U.S. Treasuries and bonds. Most investments are in North America and Europe (65 percent), Asia Pacific (20 percent), and other MENA regions (10 percent), with a small share in Sub-Saharan Africa and Latin America.¹⁴⁹

While investments from Middle Eastern countries in China remain relatively modest compared to their available financial assets, Nicolas Aguzin, the head of the Hong Kong Stock Exchange, expresses considerable optimism. He anticipates that the largest sovereign wealth funds in the Middle East may allocate anywhere from \$1 trillion to \$2 trillion of their investments into China by 2030. Aguzin envisions that significant sovereign wealth funds, which currently invest only 1 percent to 2 percent of

145 Li, F. (2023, October 30). *Middle East Investors Eye Chinese Startups*. Accessed January 4, 2024. China Daily. <https://www.chinadaily.com.cn/a/202310/30/WS653f13f8a31090682a5eb6b1.html> And The Economist. (2024, January 4). *Can Sino-Arabian Business Ties Replace Sino-American Ones?* Accessed January 4, 2024. <https://www.economist.com/business/2024/01/04/can-sino-arabian-business-ties-replace-sino-american-ones>.

146 White, E., and Campbell, P. (2023, December 18). *Tesla Rival Nio Secures \$2.2bn Investment from Abu Dhabi Fund*. (accessed December 18, 2023). Financial Times. <https://www.ft.com/content/121e662c-a4c6-45eb-82c3-ae348a302971>.

147 Xue, J., and Zhen, S. (2023, April 14). *Middle East sovereign funds hungry for China stocks*. Accessed January 4, 2024. Reuters. <https://www.reuters.com/article/china-markets-mideast-idINL4N36G3FP/>.

148 HSBC Insight. (2023, September 5). *Middle East-Asia Corridor – a New Conduit for Global Capital*. Accessed January 4, 2024. <https://www.gbm.hsbc.com/en-gb/feed/financing/middle-east-asia-corridor-a-new-conduit-for-global-capital>.

149 See Augustine, B. D. (2023, December 19). *GCC Countries' Gross Foreign Assets Will Swell to \$4.4 Trillion by next Year, IIF Says*. Accessed December 22, 2023. The National. <https://www.thenationalnews.com/business/economy/2023/12/19/gcc-countries-gross-foreign-assets-will-swell-to-44-trillion-by-next-year-iif-says/>. And Farraj, Y. A. (2023, December 22). *IIF: GCC Gross Foreign Assets Set to Reach \$4.4 Trillion by 2024*. Accessed December 22, 2023. Economy Middle East. <https://economymiddleeast.com/news/iif-gcc-gross-foreign-assets/>.

their total assets in China, could potentially increase this allocation tenfold in the coming years.¹⁵⁰

3.4 Digitalization

In 2015, China introduced the Digital Silk Road (DSR) to boost digital infrastructure in the Belt and Road region. The Middle East, particularly the GCC countries, is embracing the DSR; despite U.S. security concerns, they opt for more affordable 5G equipment from Huawei and other Chinese firms, alongside agreements with Huawei since early 2019 to build 5G networks. Saudi Arabia and the UAE have collaborated with Chinese companies on AI, machine learning, and robotics technologies.¹⁵¹

The project aims to create a digital economy based on China's model, focusing on technologies like satellite, undersea cables, and surveillance, with key firms like Huawei leading the deployment of 5G and advancements in cloud computing, smart cities, and mobile payments in developing nations.¹⁵² This strategy, in line with “economic diversification 2.0”, enhanced China–Middle East digital collaboration, featuring Saudi Arabia's cloud computing agreement with a Chinese ICT firm, 5G projects in Gulf states, a UAE–Chinese tech payment service partnership, and a joint AI lab in Saudi Arabia, with ongoing interest in Chinese technologies and expected continued cooperation.¹⁵³

Huawei signed an MOU with Saudi telecom operator Zain in 2019 to introduce the first phase of its 5G network. Since then, more MOUs have been signed, including cloud computing and high-tech complexes in Saudi cities. Huawei is reportedly planning to move its Middle East headquarters to Saudi Arabia.¹⁵⁴ Saudi Telecommunications Company (STC) and China Telecom Global (CTG) are collaborating to develop Internet of Things (IoT) applications and services in Saudi Arabia, focusing initially on the connected cars segment. This move aligns with the growing popularity of Chinese auto brands in Saudi Arabia (the largest importer of Chinese cars in the GCC) and the Middle East. The partnership will leverage STC's investments in digital infrastructure, including 5G and AI, and CTG's support for Chinese companies' expansion in the Middle East, enhancing the consumption of Chinese digital content.¹⁵⁵

150 Middle East Briefing. (2023, October 19). *The Gulf Cooperation Council Countries to Replace the United States as the Primary Source of China FDI*. Accessed October 22, 2023. <https://www.middleeastbriefing.com/news/the-gulf-cooperation-council-countries-to-replace-the-united-states-as-the-primary-source-of-china-fdi/>.

151 IISS. (2021). Relations between China and the Arab Gulf States. *Strategic Comments* 27 (10): iv–vi. <https://doi.org/10.1080/13567888.2021.2021685>.

152 Albeck, Y. (2023, July 13). *Xi Jinping's Vision for the Middle East*. Accessed October 21, 2023. Hudson Institute. <https://shorturl.at/czB39>.

153 Wong, F., and Xiao, A. (2023, August 23). *East meets East: Economic links between the Middle East and China*. Accessed October 23, 2023. Invesco Middle East. <https://www.invesco.com/middle-east/en/insights/east-meets-east-economic-links-between-the-middle-east-china.html>.

154 Demongeot, M., and Bakr, A. (2023, April 13). *China's Role in Realizing Saudi Arabia's Vision*, op. cit.

155 BMI. (2023d). *Middle East And North Africa Telecommunications Report, Q4 2023*. LexisNexis Academic. (Accessed November 23, 2023).

The maritime domain is also essential to digital cooperation between China and the Middle East. China's BRI combines port infrastructure investments with advanced technologies like 5G, AI, big data, IoT, blockchain, and cloud computing, known as the Digital Silk Road. Huawei, a key digital partner in the Gulf region, secured 11 5G contracts across all GCC countries, paving the way for further ICT integration in maritime ports.¹⁵⁶

China is on track to control 60 percent of the submarine cable market by 2025, which is vital for 95 percent of global data and \$10 trillion daily in financial transfers. This dominance is notable in the MENA region, crucial in China's Digital Silk Road and Belt and Road Initiative, where countries increasingly depend on Chinese networks for data transmission due to their strategic location near key cable choke points like the Suez Canal, Red Sea, and the Bab el-Mandeb Strait.¹⁵⁷

3.5 Finance

China is actively engaged in the Renminbi (RMB) internationalization for strategic purposes. Firstly, it intends to shield itself from any adverse consequences stemming from what it perceives as unfavorable economic policies pursued by the United States. Secondly, the objective is to reduce vulnerability to financial sanctions like those imposed on Russia. Thirdly, China seeks to enhance its economic ties by encouraging other nations to adopt the yuan. Lastly, the widespread acceptance of the yuan aligns with China's aspiration for a multipolar financial system.

Chinese President Xi Jinping proposed using the RMB for energy trades during his Riyadh 2022 visit, marking a shift from the U.S. Dollar. China's first RMB-based LNG purchase occurred in 2023 through CNOOC from the UAE via TotalEnergies. Although Iraq continues oil dealings in dollars, it now allows RMB for non-oil trade with China.¹⁵⁸ Beijing and several countries in the Middle East have expanded central bank swap agreements, including a three-year currency swap agreement worth RMB 50 billion with Saudi Arabia¹⁵⁹ and China's RMB 35 billion currency swap deals with the UAE and Qatar.¹⁶⁰

156 Robinson, N. (2023, October 12). *Why the U.S. Must Break China's Emerging 'String of Pearls' in the Arabian Gulf*. Accessed October 19, 2023. The Heritage Foundation. <https://www.heritage.org/middle-east/report/why-the-us-must-break-chinas-emerging-string-pearls-the-arabian-gulf>.

157 Aluf, D. (2023, May 30). *China's Subsea-Cable Power in the Middle East and North Africa*. Accessed December 4, 2023. Atlantic Council. <https://www.atlanticcouncil.org/in-depth-research-reports/issue-brief/chinas-subsea-cable-power-in-the-middle-east-and-north-africa/>.

158 The U.S.–China Economic and Security Review Commission. (2023, November 13). *2023 Annual Report to Congress*. Accessed November 19, 2023. <https://www.uscc.gov/annual-report/2023-annual-report-congress>.

159 Montagner, D. (2023, December 18). *China Courts Saudi Arabia as Part of Its De-Dollarisation Strategy*. Accessed December 29, 2023. The Banker. <https://www.thebanker.com/China-courts-Saudi-Arabia-as-part-of-its-de-dollarisation-strategy-1702895025>.

160 Wong, F., and Xiao, A. (2023, August 23). *East meets East: Economic links between the Middle East and China*, op. cit.

China is also promoting its international cross-border payment system, CIPS, which could extend to the Middle East. This integration of banking payment systems could enhance financial flows between them.¹⁶¹ Furthermore, we may witness more financial market connections between the Middle East and China, as both regions share similar economic governance models with prominent state-owned enterprises and a parallel progression toward capital market liberalization. This opens opportunities for collaboration in this area.¹⁶²

Despite these developments, the U.S. Dollar still maintains an 80 percent share in global oil sales, and major exporters like Saudi Arabia continue to use the dollar exclusively. The growing prominence of the Chinese RMB in international trade, driven by China's financial strategies, suggests a gradual shift. However, a complete transition from the U.S. Dollar to the RMB remains distant.¹⁶³ Given the vast revenues generated from their oil trade, GCC states heavily depend on the United States for security and financial stability.¹⁶⁴

Barriers to GCC de-dollarization include the absence of a credible alternative currency. The yuan is inadequate due to capital controls and its limited global trade share (4.14 percent).¹⁶⁵ Accepting yuan could set precedents for other oil importers, risking the GCC's partnership with the U.S. Iraq faces a different de-dollarization challenge due to low public trust in its dinar currency. While GCC states are not likely to abandon the U.S. Dollar soon, they are exploring diversification strategies, including experimenting with central-bank digital currencies (CBDCs).¹⁶⁶

3.6 Challenges

Economic ties between China and the Middle East have significantly strengthened in recent years, yet they still encounter numerous challenges that should not be overlooked. From China's perspective, the potential risks in the Middle East can be grouped into three distinct types. Initially, the instability of political regimes poses a risk; sudden governmental collapses can disrupt China's ongoing collaborations with these nations.¹⁶⁷ Additionally, the region is prone to military conflicts, representing another risk layer. Lastly, the United States policy towards the Middle East is a significant

¹⁶¹ Ibid.

¹⁶² Ibid.

¹⁶³ The U.S.–China Economic and Security Review Commission. (2023, November 13). *2023 Annual Report to Congress*, op. cit.

¹⁶⁴ Wu, B. (2022). *Why is the first China–Arab Summit of epoch-making significance?* op. cit.

¹⁶⁵ IISS. (2023). The State of De-Dollarisation in the Gulf Region. *Strategic Comments* 29 (4): iv–vi. <https://doi.org/10.1080/13567888.2023.2232258>.

¹⁶⁶ Ibid.

¹⁶⁷ Garlick, J. (2023). *China's Hedged Economic Diplomacy in Saudi Arabia and Iran: A Strategy of Risk Mitigation*, op. cit.

factor; whether the U.S. chooses to engage, impose sanctions, or undertake military interventions in a country directly influences the prospects of China's investments in that area.¹⁶⁸

On the other hand, China has emerged as a point of contention in the relationship between the Middle East (GCC in particular) and the U.S., leading to increased tensions. A veteran American diplomat has observed that this matter is causing strained ties amid growing pressure to take a definitive stand.¹⁶⁹ Brett McGurk, the Biden administration's top Middle East official, also warned, "There are certain partnerships with China that would create a ceiling to what we can do."¹⁷⁰ The U.S. closely monitors foreign investments in strategic technology sectors, especially from entities with ties to China. This scrutiny, which began under the Trump administration, involves the Committee on Foreign Investment in the United States (CFIUS) evaluating deals, including those with Gulf sovereign investors, for national security risks.¹⁷¹

U.S. efforts to limit China's technological growth might affect Middle Eastern countries like Saudi Arabia and the UAE, both heavily invested in AI development. These countries rely on U.S. techs, such as Intel and Nvidia chips, for AI projects, but President Biden's policy targeting Chinese tech could create challenges.¹⁷² The UAE's 'Falcon' Arabic AI model and Saudi Arabia's \$120 million investment in a ChatGPT-like language model at King Abdullah University of Science and Technology (KAUST) involving Chinese researchers demonstrate their AI ambitions. Gulf states seek to balance their tech advancements using Chinese and U.S. resources, as shown by Riyadh hosting Huawei's cloud division while utilizing U.S. chips for AI development.¹⁷³ Nevertheless, the threat of U.S. punitive measures remains constant.

Washington is also increasingly worried about Riyadh's strengthening relationship with China, especially in telecommunications, security, and defense. This apprehension extends to companies like Huawei and SenseTime, which the U.S. has sanctioned. The concern is compounded by a notable Saudi Arabian investment in a collaborative artificial intelligence laboratory venture with SenseTime.¹⁷⁴

¹⁶⁸ Ibid.

¹⁶⁹ England, A., and Kerr, S. (2021, September 22). *Gulf geopolitics: 'More of China, less of America': How Superpower Fight Is Squeezing the Gulf*. Accessed October 19, 2023. Financial Times. <https://www.ft.com/content/4f82b560-4744-4c53-bf4b-7a37d3afeb13>.

¹⁷⁰ Al-Atrush, S. (2022, December 9). *Gulf Arab States Draw Closer to China as Xi Visits Riyadh*. Accessed December 14, 2023. Financial Times. <https://www.ft.com/content/ed8734cd-1866-4b28-82c8-367ad6a85b21> (accessed December 14, 2023).

¹⁷¹ Swfi. (2023, November 29). *Why Is the U.S. Scrutinizing Middle Eastern Sovereign Wealth Funds When It Comes to China?* Accessed November 30, 2023. <https://www.swfinstitute.org/news/100699/why-is-the-u-s-scrutinizing-middle-eastern-sovereign-wealth-funds-when-it-comes-to-china>.

¹⁷² Thompson, N. (2023, September 14). *Mideast AI: Saudi, UAE Chip Imports from US Imperiled by Their Close China Ties*. Accessed January 4, 2024. Informed Comment. <https://www.juancole.com/2023/09/mideast-imports-imperiled.html>.

¹⁷³ Ibid.

¹⁷⁴ The Economist. (2022, December 7). *The Gulf Looks to China*. Accessed November 23, 2023. <https://www.economist.com/middle-east-and-africa/2022/12/07/the-gulf-looks-to-china>.

Saudi Arabia has shown interest in discussing technology transfer to the Kingdom. Chinese electric vehicle companies plan to construct manufacturing facilities within Saudi Arabia, which aligns with the nation's objective of creating a significant global presence.¹⁷⁵

Saudi Arabia has also attracted Chinese expertise in high tech. However, deeper collaboration threatens to limit the kingdom's access to U.S. chips needed to power competitive supercomputers, given Washington's concerns about China.¹⁷⁶ Meanwhile, G42, founded in 2018 in the United Arab Emirates, is being probed by the C.I.A. and other American spy agencies for its collaboration with large Chinese companies, including the U.S.-sanctioned Huawei Technologies. U.S. officials are concerned that UAE's G42, an emerging AI industry leader, might enable American technology to be transferred to Chinese companies or their government.¹⁷⁷

A slowdown in China's economy is another challenge that could substantially affect the GCC's oil and non-oil GDP due to reduced oil prices and demand. China, a major global oil consumer, significantly influences the GCC's oil revenues, especially since 20 percent of the GCC's hydrocarbon exports now go to China.¹⁷⁸ This economic shift may prompt the GCC to reconsider public and sovereign wealth fund expenditures. Given their strong trade connections, China's reduced growth could also impact the GCC's non-oil GDP. China is a key market for GCC exports like chemicals, plastics, and machinery, and a source of tourism and investment, with Chinese FDI in the GCC doubling to over \$15 billion post-pandemic.

¹⁷⁵ Kerr et al. (2023, December 7). *China Deepens Ties with Saudi Arabia at Hong Kong Gathering*, op. cit.

¹⁷⁶ Ibid.

¹⁷⁷ Mazzetti, M., and Edward, W. (2023, November 28). *Warnings Emerge over Emirati A.I. Firm G42's Ties to China*. Accessed October 26, 2023. The New York Times. <https://www.nytimes.com/2023/11/27/us/politics/ai-us-uae-china-security-g42.html>.

¹⁷⁸ IMF. (2023b). *Gulf Cooperation Council: Economic Prospects and Policy Challenges for the GCC Countries*. Accessed December 15, 2023. <https://t.ly/c30WH>.

MILITARY COOPERATION: COMPLEX PICTURE

The U.S. and China have different interests in the Middle East, but China is not trying to replace the U.S. China aims to secure oil and market access while avoiding conflict. This creates a competitive influence dynamic between the U.S. and China, with regional powers balancing both without taking sides. Despite having the world's largest military personnel, China is behind the U.S. in military expertise and capabilities.¹⁷⁹ The U.S. surpasses China with its global military bases and arms market dominance. Bill Emmott summarizes this by noting, "China is a massive market for their oil, is a valuable investor, and is a useful balancer against American power, but in a crisis, it is no substitute. Nor, as we are seeing, does it want to be."¹⁸⁰

The United States remains the leading and most proficient foreign military force in the MENA region. A significant number of U.S. troops are stationed in various MENA states. In contrast, Chinese military presence in the MENA region is not as extensive, limited mainly to participation in United Nations peacekeeping missions, China's anti-piracy initiatives, and their sole foreign naval support base in Djibouti.¹⁸¹ Nevertheless, the U.S. Department of Defense (DOD) reports that China's government will seek to use its military to ensure China's access to vital energy and other resources transiting the region's sea lines of communication, and DOD expects China's global military footprint to grow.¹⁸²

In this context, China is expected to focus on two key strategies to strengthen its defense and security relationships with MENA countries. Primarily, the provision of arms and weapons will be the main foundation of these regional partnerships. Additionally, China is intensifying its endeavors to set up naval bases in the region. However, considering the present circumstances, this seems less feasible, at least in the current strategic environment.

4.1 Arms sales

China and the Middle East have grown economically and diplomatically, yet their military ties remain limited. They focus mainly on joint exercises, counterterrorism, and specific arms sales, including unmanned aerial vehicles (UAVs). Beijing struggles to compete with Western arms manufacturers, and the Middle East's reliance on American military equipment complicates the integration of Chinese weapons. Changing arms suppliers or moving towards domestic production is lengthy, often taking

179 See Cook, S. A. and Green, J. (2023, August 9). *China Isn't Trying to Dominate the Middle East: But U.S. Retrenchment Might Allow It To*. Accessed November 11, 2023. Foreign Affairs. <https://www.foreignaffairs.com/articles/united-states/2021-08-09/china-isnt-trying-dominate-middle-east>. And Young, M. (2023, June 5). *China's Middle Eastern Moment*. Carnegie Middle East. Accessed November 11, 2023. <https://carnegie-mec.org/diwan/89867>.

180 Emmott, B. (2023, December 18). *Middle East Reassurance on State of US-China Rivalry*. Accessed October 30, 2023. Asia Times. <https://asiatimes.com/2023/12/middle-east-reassurance-on-state-of-us-china-rivalry/>.

181 Blanchard et al. (2023, March 23). *Middle East and North Africa-China Relations*, op. cit.

182 The U.S. Department of Defense. (2022, November 29). *Report on Military and Security Developments Involving the People*. Accessed December 2, 2024. <https://www.defense.gov/News/Releases/Release/Article/3230516/2022-report-on-military-and-security-developments-involving-the-peoples-republi/>.

years, if not decades.

In the next decade, Chinese firms might increase their defense contracts in the Middle East, leveraging their growing, competitive defense sectors. Middle Eastern countries, particularly in the Gulf, could strengthen ties with Beijing to access technologies like drones and missiles. Historically, the Middle East has relied heavily on the U.S., France, Russia, and Italy for arms, with China's share under two percent between 2018 and 2022.

The U.S. remains the primary arms supplier to the Middle East (54 percent), especially to Saudi Arabia, the second-largest global arms importer, receiving 78 percent of its imports from the U.S., according to SIPRI.¹⁸³ In the decade from 2012 to 2022, China provided approximately \$2.4 billion in arms to countries in the Middle East, North Africa, and Türkiye, known collectively as MENAT. In contrast, the United States exported arms worth nearly \$53 billion to this region during the same period. Thus, in the past decade, the volume of American arms sales to the MENAT region has surpassed Chinese weapons sales by over 22 times.

China's dominance in the Middle Eastern arms market is primarily attributed to its drone technology. This includes Unmanned Aerial Vehicles (UAVs) like the Wing-Loong I and II and the CH-3 and CH-4 models.¹⁸⁴ Over the past ten years, China has sold more than 280 combat UAVs, roughly a third of which go to Middle Eastern countries. Significant purchasers from the MENA region, including Algeria, Egypt, Iraq, Jordan, Saudi Arabia, and the UAE, have shown a preference for Chinese drones.¹⁸⁵

Yet, countries in the Middle East, particularly those in the GCC with robust military connections to the United States, might restrict their receptiveness to an expanding Chinese military influence in the region, at least for the foreseeable future. The ability of these states to navigate the growing tensions between the U.S. and China is expected to face challenges soon. The United States may exert pressure on them to reduce their engagements with China, particularly in the context of heightened tensions and potential secondary sanctions from the U.S. against Beijing.

183 Wezeman, P. D., Gadon, J., and Wezeman, S. T. (2023, March 13). *Trends in International Arms Transfers, 2022*. Accessed October 30, 2023. SIPRI. <https://doi.org/10.55163/CPNS8443>.

184 The U.S.–China Economic and Security Review Commission. (2023, November 13). *2023 Annual Report to Congress*, op. cit.

185 Choi, S. H. (2023, November 25). *Drone Tech Gives China an Edge in Middle East Arms Sales, but Israel–Gaza War Brings Risks: Analysts*. Accessed November 27, 2023. South China Morning Post. <https://tinyurl.com/4duupiyj>.

Table 8 Arms exports from the United States and China to MENA

The cumulative sum in billions of dollars from 2012 to 2022		
	The U.S.	China
TOTAL	52.713	2.396

Source: Compiled from SIPRI. (n.d.). *SIPRI Arms Transfers Database*. <https://www.sipri.org/databases/armstransfers>

4.2 Ports strategy

China has outlined an ambitious initiative known as the Maritime Silk Road (MSR), which links China's bustling ports to Europe through a network spanning the South China Sea, Indian Ocean, Arabian Gulf Region, and Mediterranean Sea. This endeavor serves multiple purposes, such as safeguarding China's trade routes, expanding its influence in the broader Indo-Pacific area, and advancing its strategic goals.¹⁸⁶

The main impetus behind China's extensive growth in global port infrastructure can be attributed primarily to commercial motivations. By the end of 2022, Chinese companies had either obtained ownership or secured operational interests in 95 ports in 53 different countries, encompassing all continents except Antarctica.¹⁸⁷ Within this framework, 57 percent of China's foreign port projects are near key maritime chokepoints, including the Strait of Hormuz and the Malacca Straits.¹⁸⁸

The U.S. is concerned about China's growing maritime power, seen in its vast fleet of commercial vessels and shipbuilding capabilities. This control over global supply routes could disadvantage the U.S. in conflicts. Another worry is that China may use overseas ports owned by Chinese firms for military purposes. This control also gives China economic and political influence in host countries and the ability to gather data on global maritime traffic and commodity flow, which could be used to support military efforts during conflicts.

China's extensive involvement in building and running ports across the Middle East could complicate U.S. military access and intelligence efforts. The sale of Chinese technologies, like Huawei's 5G

¹⁸⁶ Sarkar, M. G. (2023). China's Regional Engagement and Quad: Mapping Conceptual Dynamics. In S. Singh & R. Marwah (Eds.), *China and the Indo-Pacific*, (pp. 171–194). Palgrave Series in Asia and Pacific Studies. Palgrave Macmillan. https://doi.org/10.1007/978-981-19-7521-9_9.

¹⁸⁷ Kardon, I., and Leutert, W. (2023, May 22). *China's Port Power: The Maritime Network Sustaining Beijing's Global Military Reach*. Accessed October 19, 2023. Foreign Affairs. <https://www.foreignaffairs.com/united-states/chinas-port-power>.

¹⁸⁸ Ibid.

infrastructure, to countries with U.S. bases in the region raises intelligence concerns. U.S. defense officials worry that Chinese investments may lead to economic coercion and strain relationships with partner countries.¹⁸⁹ To address this, the U.S. Congress has passed legislation prohibiting the Pentagon from using ports reliant on China's National Transportation and Logistics Public Information Platform, branded as LOGINK, which has expanded its international presence since 2014 with agreements involving at least 24 ports globally, including three in the Middle East (Abu Dhabi, Jebel Ali, Dubai, and Haifa, Israel).¹⁹⁰

LOGINK, administered by China's Ministry of Transport, is a digital logistics and trade platform. It gathers data from over 450,000 Chinese users, five million trucks, 200+ global logistics warehouses, numerous ports, and other databases. It is a comprehensive tool for logistics data management, shipment tracking, and information exchange.¹⁹¹ China encourages global adoption by offering it for free and promoting logistics data standards. The next generation of LOGINK will be a cloud-based suite with advanced analytics and business tools. However, this could pose economic and strategic risks for the U.S. and other nations as it might undermine competitive American firms and provide extensive insight into global commercial activities, including potential tracking of U.S. military cargo on commercial ships.¹⁹²

Against this backdrop, China has emerged as the world's largest trading nation and the second-largest economy, with approximately 95 percent of its foreign trade carried out via maritime routes.¹⁹³ This significant reliance on sea lanes might be a key reason behind China's substantial investments in the world's most interconnected ports and global trade supply chains. Notably, commercial ports are generally unsuitable for complex and contested military operations. While they can handle peacetime logistics and intelligence missions, wartime use is limited. Chinese forces using a commercially leased foreign port face political and technical challenges in a conflict.¹⁹⁴ Host governments control facility use, and China's access is not assured without military access agreements. Commercial ports lack the necessary armament, force protection, secure communications, and specialized personnel for

189 Wasser et al. (2022). *Crossroads of Competition: China, Russia, and the United States in the Middle East*. Accessed December 2, 2024. RAND Corporation. https://www.rand.org/pubs/research_reports/RRA325-1.html.

190 Stone, J. (2023, December 22). *US Bans Pentagon from Using Chinese Port Logistics Platform*. Accessed December 22, 2023. Voice of America. <https://www.voanews.com/a/us-bans-port-logistics-platform-china-offers-free-worldwide-/7408269.html>.

191 Dunlevie, T. (2023, July 25). *Securing Maritime Data: The Battle against China's LOGINK in U.S. and European Ports*. Accessed October 22, 2023. Center for Maritime Strategy. <https://centerformaritimestrategy.org/publications/securing-maritime-data-the-battle-against-chinas-logink-in-u-s-and-european-ports/?s=03>.

192 The U.S.–China Economic and Security Review Commission. (2023, August 8). *LOGINK: Risks from China's Promotion of a Global Logistics Management Platform*. Accessed October 22, 2023. <https://www.uscc.gov/research/logink-risks-chinas-promotion-global-logistics-management-platform>.

193 Liu, Z. Z. (2023, November 6). *Tracking China's Control of Overseas Ports*. Accessed November 9, 2023. Council on Foreign Relations. <https://www.cfr.org/tracker/china-overseas-ports>.

194 Kardon, I. (2023, January 26). *Hearing on China's Military Diplomacy and Overseas Security Activities*. Accessed November 22, 2023. The U.S.–China Economic and Security Review Commission. <https://www.uscc.gov/hearings/chinas-military-diplomacy-and-overseas-security-activities>.

contested military support. China's sole military base in Djibouti does not enable widespread power projection.¹⁹⁵

Table 9 Dependence on oil imports from the Middle East (2022)

	Total crude imports (mb/d)	Imports from the Middle East (mb/d)	(%) of dependence on Middle East oil	Top oil supplier
China	10,207	5,380	52.7%	Saudi Arabia
U.S.	6,281	740	11.8%	Canada
India	4,886	2,932	60%	Iraq
South Korea	2,776	1,890	68.1%	Saudi Arabia
Japan	2,661	2,497	93.9%	Saudi Arabia
Taiwan	821	608	74%	Saudi Arabia

Source: Compiled by the author based on official data

Japan: Petroleum Association of Japan. (n.d.). *Oil Statistics*. <https://www.paj.gr.jp/english/statis>

India: DGCIS. (n.d.). *Data Query By Principal Commodity*. <https://ftddp.dgciskol.gov.in/dgcis/principalcommoditysearch.html#!/freeuser>

The U.S. Energy Information Administration. (n.d.). *U.S. crude oil imports*. https://www.eia.gov/dnav/pet/pet_move_impcus_a2_nus_epc0_im0_mbbldpd_m.htm

China: GACC. (n.d.). <http://english.customs.gov.cn/>

Taiwan: Statistics database query. (n.d.). <https://portal.sw.nat.gov.tw/APGA/GA28E>, (accessed January 10, 2023)

***Note:** All Asian figures are converted from tons. one ton = 7.33 barrel

¹⁹⁵ Ibid.

LOOKING AHEAD: GREAT POWER COMPETITION

China's expanding presence in the Middle East prompts scrutiny regarding its aims concerning the United States and the region's security dynamics. Central concerns revolve around whether China seeks to supplant the U.S. as a dominant power in the Middle East and if it intends to bolster its military footprint in the region. These potential scenarios are likely shaped by various factors, including the degree to which the United States diminishes its engagement in the region, the quest of Middle Eastern countries for alternative partners, and China's inclination and capacity to undertake such a role.

Lately, there has been increasing speculation regarding the possibility of the United States reducing its military presence in the Middle East and North Africa (MENA). This speculation stems from the United States achieving “energy independence” by developing unconventional oil and gas sources, particularly the shale gas boom in North America. Other contributing factors include a rising trend of domestic isolationist sentiments and a growing emphasis on addressing challenges related to China.¹⁹⁶

While the United States has achieved greater energy independence and is encountering new global challenges, its military involvement in the MENA region remains substantial, with no apparent signs of a significant reduction in the near future. The continued presence of the U.S. military in the region is driven by its strategic interests, as well as the persisting conflicts and threats that necessitate a robust military presence. Wang Jian, director of the Center for West Asian and North African Studies of the Shanghai Academy of Social Sciences, pointed out that the United States is “shifting from its original negative strategic contraction to its active strategic contraction in the Middle East and is trying to re-integrate the Middle East into its containment of China.”¹⁹⁷

To establish adequate and efficient capabilities to counter the United States, China would need to, at the very least, deploy a military force on par with that of the United States. Anything less than that would not effectively address China's vulnerabilities. Some estimates suggest that the U.S. allocates more than \$70 billion to its military operations in the Middle East and North Africa (MENA), constituting approximately 8 percent of its defense budget. This includes efforts to secure strategic maritime routes. With a defense budget of \$224 billion in 2023, China must dedicate nearly one-third of its defense spending to equal the U.S.'s expenditure in the MENA region.¹⁹⁸ Niu Xinchun

196 BMI. (2021, March 2). *US Unlikely To Substantially Reduce Gulf Military Presence Over Next Decade*. Accessed November 23, 2023. <https://www.fitchsolutions.com/bmi/defence-security/us-unlikely-substantially-reduce-gulf-military-presence-over-next-decade-02-03-2021>.

197 Shanghai Institutes for International Studies. (2022, September 29). *China's Middle East Diplomacy and Relations with Middle Eastern Countries under the Current Situation: Opportunities, Challenges and Responses*. (Dangqian xingshi Zhongguo de ZhongDong waijiao ji yu ZhongDong guojia de guanxi: jiyu, tiaozhan ji yingdui). Accessed October 24, 2023. Fudan University. https://brgg.fudan.edu.cn/articleinfo_5219.html.

198 See Sun, Y. (2023, June 3). *Will China Build a Military Presence in the Middle East?* Accessed October 27, 2023. Asia Times. <https://asiatimes.com/2023/06/will-china-build-a-military-presence-in-the-middle-east/>. And The U.S. Department of Defense. (2022, December 23). *Biden signs National Defense Authorization Act into law*. Accessed January 15, 2024. <https://www.defense.gov/News/News-Stories/Article/Article/3252968/biden-signs-national-defense-authorization-act-into-law/>.

stated, “Without the stimulus of major emergencies, China will not take the initiative to make major adjustments to its current Middle East policy but will carefully observe and adjust the interaction between China and the United States.”¹⁹⁹

Instead of heavy military spending, China seeks to ensure energy security through peace brokering, economic integration with regional players, and creating interdependence with energy-producing states. The Chinese strategy in the MENA region involves using their strong economy and UN Security Council position to navigate the geopolitical landscape effectively. They employ diplomatic and economic tools to achieve their goals while minimizing risks from the U.S. and other powers. It is worth noting that China is not seeking to establish a sphere of influence in the region, and Beijing is unlikely to change its balancing strategy.²⁰⁰

Many decision-makers across Middle Eastern capitals remain skeptical about China's ability to offer a reliable alternative to the U.S. security presence in the Gulf region. They doubt China's military, logistical, and even political readiness to assume such a role in the short to medium term. While China's establishment of a base in Djibouti holds significant geopolitical weight, its naval and air forces still fall short of matching the United States' capabilities. K. Shanmugam, Minister for Home Affairs & Law in Singapore, argues that the Middle East recognizes that there is no substitute today for the United States regarding the region's security. However, he said, “they can no longer be sure if the U.S. is as reliable a security partner as it was in the past.”

In a competitive landscape, countries like Iran, Saudi Arabia, Türkiye, and the UAE might assume positions traditionally occupied by global superpowers to bolster their influence and maintain stability within their respective regions. These regional actors may utilize major powers to amplify their advantages while minimizing potential conflicts. This dynamic represents a precarious balancing act, and it remains uncertain whether they can maintain this equilibrium over an extended period, especially if tensions between the United States and China intensify.

Meanwhile, China's energy security revolves around production and transportation. In the Middle East, domestic instability or interstate conflicts threaten energy production. At the same time, transportation faces challenges like regional instability, sea-lane disruptions, piracy, and the worst-case scenario of a naval blockade. These risks persist as long as China heavily depends on Middle Eastern energy. Given the ongoing escalation of tensions between Washington and Beijing, U.S. policymakers continue to emphasize their geopolitical strategies, which encompass the potential utilization of oil to exert influence over China. Some influence voices in Washington believe that their predominant

199 Niu, Xi. (2023). *Coexisting with the United States: New Challenges for China's Middle East Policy*, op. cit.

200 Tham, Y. (2023, June 1). *China's Middle East Presence Could Grow, but No Alternative to US Security Umbrella*: Shanmugam. Accessed November 11, 2023. The Straits Times. <https://www.straitstimes.com/singapore/politics/china-s-security-presence-in-the-middle-east-could-grow-as-trade-links-grow-says-shanmugam?s=09>.

presence in the Middle East equips them with substantial leverage in their dealings with China.²⁰¹

U.S. Central Command (CENTCOM) has openly discussed using its influence in the Middle East to exert leverage over China in case of potential conflict between the two superpowers. General Erik Kurilla, the CENTCOM commander, mentioned this possibility during a congressional hearing in March 2023, stating, “God forbid there’s ever a conflict with China, but we could hold a significant portion of their economy at risk in the CENTCOM region.”²⁰² In 2022, Washington’s U.S.–China Economic and Security Review Commission recommended that the Pentagon produce a classified report on the military requirements of a blockade on China’s energy shipments.²⁰³

Implementing oil-related economic blockades or sanctions against China poses significant risks for the U.S. and the world economy. Given China’s critical global economic influence (China is the world’s second-largest economy in terms of gross domestic product. It also leads globally in manufacturing, exports, and trade in goods and holds the largest foreign exchange reserves),²⁰⁴ such actions may trigger a global backlash and face difficulties in effectively targeting China. Moreover, China’s strategic petroleum reserves (stockpiles), import ties with Russia and Central Asia, and domestic economic strategies provide it with some resilience. Furthermore, the intricate nuances of international commerce could complicate the enactment of these sanctions, potentially leading to substantial economic and political repercussions.²⁰⁵

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Table 10 China's MENA port investment by country*

Country or territory	Total Chinese investment in ports	Port projects	Port projects with physical potential for naval use	BRI signatory
Saudi Arabia	\$1.2 billion	3	1	Yes
Israel	\$1 billion	1	1	No
Türkiye	\$940 million	1	1	Yes
Qatar	\$880 million	1	0	Yes
Egypt	\$721 million	3	2	Yes
Djibouti	\$606.7 million	2	2	Yes
Yemen	\$508 million	1	1	Yes
Mauritania	\$453.8 million	3	3	Yes
UAE	\$227.5 million	2	2	Yes
Sudan	\$97.5 million	1	1	Yes

Source: Liu, Z. Z. (2023, November 6). Tracking *China's Control of Overseas Ports*, op. cit.

*Note: As of the end of September 2023.

CONCLUSIONS

Middle Eastern countries perceive China as an emerging superpower and anticipate it as a significant market for their energy exports in the coming few decades. Therefore, it seems logical for them to deepen ties with this ascending global player. Concurrently, China's role and influence in the Middle East are expected to expand in the near future.

Nonetheless, it seems unlikely that countries in the Middle East, especially those in the Gulf region, will quickly shift towards China as an alternative to the United States for military support, even if China is prepared to play such a role. Maintaining good relations with the United States remains a crucial foreign policy goal for most MENA countries. However, these states are also eager to decrease their dependence on the United States. Consequently, countries such as Saudi Arabia, Iran, the UAE, and Egypt have adopted a two-pronged approach. They are strengthening their military capabilities and broadening their economic and military relationships with key global powers, particularly China.

Should the United States lessen its role in the Middle East or if its ties with Arab and Gulf countries become tense, Middle Eastern states, particularly those within the Gulf Cooperation Council (GCC), may begin to pursue multiple political and security partnerships. This could lead them to seek stronger relationships with major powers such as China, India, various European countries, and Russia. This scenario could lead Arab countries like Saudi Arabia and the UAE to strengthen their military and security relationships with China. It might even result in them welcoming Chinese military presence, such as naval bases.

In this evolving geopolitical landscape, regional players like Iran, Saudi Arabia, Türkiye, and the UAE are poised to adopt roles traditionally held by global superpowers. They aim to increase their regional influence and foster stability. Over the next few years, one can expect these roles and strategies to adapt, with these nations potentially leveraging major powers to maximize their benefits and avert conflicts.

Regarding China, the escalating strains with the United States and Western nations are prompting it to strengthen its economic and political partnerships. This approach is yielding strategic advantages while simultaneously diminishing the potential for the United States to establish a coalition in the Middle East aimed against China. The United States will likely continue its military presence in the Middle East for some time. However, this ongoing American involvement could heighten tensions with China and pressure nations in the region to lessen their strategic ties with Beijing.

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