

Taking Stock of the Sino-GCC Rapprochement

Implications of A Deep Yet Limited Partnership

Fuad Shahbazov

Relations between China and the most active countries that make up the Gulf Cooperation Council (GCC) are evolving in new directions, as Beijing eyes opportunities to fill the gap that is emerging in the region in light of America's waning influence and interest. Although the rapprochement between China and the GCC countries, particularly the Kingdom of Saudi Arabia (KSA), is a source of concern for the United States, which still seeks to preserve its role as the region's leading security patron, it is unlikely that Beijing's influence in the critically important Gulf region will soon decline strategically as a result.

Indeed, China's deepening engagement with the region is seen as a counterbalancing factor against Western influence, although all GCC states, including the KSA, understand clearly that there is no alternative right now to the American security umbrella. Hence, it is safe to note that the GCC states have no intention of fundamentally altering their respective security relationships with the United States, despite the burgeoning partnership they are forging with China.

Dawn of A New Era in the Beijing-Riyadh Partnership?

On 9 December 2022, China's Xi Jinping paid an official visit to Saudi Arabia to attend the GCC-China Summit for Cooperation and Development. After years of pause due to the onset of the pandemic and other factors, Xi's visit to Riyadh aimed to boost Beijing's image as a new powerful and reliable partner. It was also meant as a clear signal to the West.

Fuad Shahbazov is a policy analyst covering regional security issues in the South Caucasus. He is a former Research Fellow at the Center for Strategic Studies of Azerbaijan and a former Senior Analyst at the Center for Strategic Communications, also in Azerbaijan. He has been a visiting scholar at the Daniel Morgan School of National Security in Washington, DC. He tweets at @fuadshahbazov. The views and opinions expressed herein are solely those of the author.

Beijing's attempts to obtain a more significant role in the GCC coincides with America's strategic distraction by the conflict over Ukraine. While the full-scale war in Eastern Europe caused a sharp economic and energy recession throughout the West (and beyond), it forced the U.S. and the European Union (both as an entity and its 27 member states) to focus on tackling a preexisting energy crisis (one that was obviously exacerbated thanks to the sanctions regime the West imposed and the Russian reaction to this). As a result, U.S. influence in the GCC region was steadily neglected, though not fully diminished.

The KSA, the world's largest crude oil supplier, and China, the world's largest energy consumer, are well-positioned to help each other achieve their respective economic expansion goals. The fact that China became the top destination for Saudi Arabia's fossil fuel exports establishes a relevant precedent for other regional states to follow suit. Hence, Xi's agenda during the visit also included the inking of an initial agreement of \$29.26 billion that will further facilitate the bilateral partnership, which will in turn enable Beijing to exert further influence over the region.

China's heightened focus towards the GCC states came amid America's gradual disengagement, for reasons noted above, as well as Washington's ongoing attempt to complete its "pivot to Asia." Hence Beijing's calculation that it is presented with an opportunity to fill the shoes the United States. Although Saudi Arabia remains America's main strategic economic ally in the region, as well as its largest foreign military sales customer (this is valued at some \$100 billion), Riyadh seeks alternative ways to avoid reliance on a single great power. And China perfectly matches these requirements. Moreover, recent serious surveys suggest that China's popularity rises significantly among Arabic speaking countries compared to the United States. As such, many Arabic-speaking countries, particularly the GCC states, favor better economic ties with China over better economic ties with the United States. Such and similar tendencies have enabled Beijing to plug the Chinese yuan to GCC partners by urging them to utilize the Shanghai Petrol and Gas Exchange as a potential alternative to the U.S. dollar for oil and gas sales.

In this vein, Saudi Arabia and other GCC states like the United Arab Emirates see China as an effective counterbalance against long-term Western dominance. China's involvement in the GCC region is generally explained as being driven mainly by economic motives and tightly linked to energy security needs; it is also seen as being a potential investment market for heavy industry infrastructures such as ports and railways and also as a destination for Chinese technology. The region is also attractive to China due to its role as a leading non-Western global financial hub and the benefits this can offer.

Although the region is not a core part of China's flagship Belt and Road Initiative (BRI), it is indeed an important (and growing) destination for Chinese infrastructure investments. The execution of infrastructure projects in domains like new energy corridors, seaports, highways, and railway connections within the context of BRI ensure

better connectivity and facilitate energy flow from the GCC side of the Gulf to China. In addition, close engagement with China within the context of BRI facilitates relations between the GCC states and allied countries like Türkiye, Pakistan, and Egypt, including non-regional partners in the South Caucasus and Central Asia. Lastly, the conflict over Ukraine has heightened the strategic importance of the Middle Corridor, which bypasses Russia whilst still allowing Chinese goods to be delivered to Türkiye and Europe via this route, of which Azerbaijan is an indispensable component.

American Concerns

The heightened flow of Chinese direct investments into Saudi Arabia, the UAE, and other GCC states would enable the countries of the region to build new industries and diversify away from hydrocarbons whilst reducing their dependency on the West for doing so. Contrary to some experts who claim that China-GCC rapprochement is a recent phenomenon, the GCC states, particularly the KSA, have actively courted and showcased their relationships with China and its long-term partner Russia for the past several years. During these years, high-level visits, economic deals, security dialogue, and political messaging have become key hallmarks of their ties.

Therefore, it should not come as a surprise that Xi Jinping's remarks in Riyadh regarding the region's geostrategic importance triggered concerns in Washington about decreasing U.S. leverage in the region. Indeed, unlike former U.S. President Donald Trump, who enjoyed friendly relations with the KSA, relations with the United States significantly soured under Trump's successor Joe Biden due to his vocal criticism of Riyadh's oil production cuts and human rights record. Riyadh's snub could thus be interpreted as being directed more specifically at Biden and the Democratic Party and less at the United States as a whole, as KSA is still dependent on its longtime ally. Therefore, Riyadh reorienting its security alliances away from the U.S. towards China is unlikely at this point.

Still, the U.S. is cautiously watching the deepening engagement of the KSA and other regional states with China, while Biden vowed that "there will be consequences for Riyadh's close partnership with China." As a result, Biden self-sabotaged his own efforts to "reorient U.S.-Saudi relations" and received a muted reception upon his official visit to Riyadh in July 2022. In a broader context, the Biden Administration's bellicose rhetoric was not the only catalyst behind growing discontent in Riyadh. The current U.S. president's intensive attempts to revive the Barack Obama-era Iranian nuclear deal that Trump took off the table ruffled Saudi feathers and alienated the kingdom's de facto leader, Crown Prince and Prime Minister Mohammed bin Salman.

The U.S. appears to be concerned with China's possible inroads into the region's arms and telecommunications markets and, therefore, openly warned that any security/defense deal between GCC states and China "would force Washington to curtail its own

cooperation with Gulf partners.” Despite rising fears in Washington, Xi’s meeting agenda in Riyadh did not appear to include any discussion regarding a security partnership, although he did sign a new memorandum of understanding for further work with Huawei that will lay the foundation for Chinese investment in areas such as green energy, information technology, transportation, cloud services, medical industries, logistics, construction, and housing. The fact that preparations for Xi’s visit to Riyadh were announced in August 2022 suggests that they began long before Biden’s visit in July 2022.

It is noteworthy that Beijing is keen to enhance its technical, economic, and energy partnership with the GCC states while it is less enthusiastic about enhancing security/defense partnership in the fragile region—this is surely due in part to China’s strategic partnership with Iran, which lies on the other side of the Gulf. Thus, China is signaling that it is unwilling at present to replace the U.S. as a regional security arbiter, much less pick up the mantle of regional security superpower. On the contrary, Beijing has always been keen on economic expansion in the region, as it plays an outsize role in the Gulf’s economic reorientation. Thus, China’s trade with GCC states has doubled since 2010, and last year marked a milestone: the GCC’s trade with China exceeded its trade with the United States and the eurozone for the first time, hitting \$81.7 billion.

Limited Partnership Amidst Rising Discontent

As this IDD analytic policy brief argues, the China-Saudi partnership is fundamentally limited to economic, energy, and technical fields. Although Riyadh and its partners like the UAE strive to expand cooperation in vitally important security fields, Beijing appears to be reluctant to do so (at least in public). One of the main limiting factors is the inescapable fact that Saudi Arabia still remains almost entirely dependent on the U.S. for its security, while the US’s successful Middle East policy depends on a close partnership with the KSA. Moreover, Sino-Saudi bilateral weapons sales amounted to only \$245 million between 2003-2021, compared to \$17.85 billion between the U.S. and Saudi Arabia during the same period.

As briefly noted above, from Beijing’s perspective, a possibly intensive security partnership would yield certain troubles with Iran, China’s other long-term strategic partner and a convenient (and cheap) energy exporter. Notwithstanding international sanctions, China has maintained close relations with Tehran for many years, although it has abstained from unconditionally supporting Iran’s actions in the Middle East as well as its rivalry with the U.S. and the GCC states. The delicate distance in relations with Tehran enables China to avoid additional troubles in relations with the United States. However, China’s refusal to cut any ties with Iran, despite friendly relations with the GCC states, is likely attributed to its desire to act as a global actor and counterbalance Western influence.

Notable, in this context, is the American decision to switch to coercion by adopting a “soft punishment” strategy to prevent its GCC partners from deepening security ties with China. Unsurprisingly, this decision backfired, as the UAE walked away from purchasing America’s most advanced F-35 Joint Strike Fighter and instead purchased a dozen Chinese-made L-15 training jets in an unmistakable signal to Washington. Indeed, the Biden Administration’s execution of plans to actively prevent the regional states’ close security partnership with China has, in fact, opened more opportunities for it.

However, the UAE and the KSA cannot count on China’s comprehensive support to boost their defense capabilities, particularly in the field of air defense. In this regard, Saudi Arabia and other neighboring states rely on U.S.-provided defensive weapons and intelligence, even as they seek in parallel a deeper partnership with China. The air defense issue remains the GCC states’ most sought-after element of military hardware, as they collectively face the threat of Iran’s missiles and drones. The U.S. has heavily supplied Ukraine with air-defense missiles in light of Russia’s military intervention, which has placed even more strain on typically thin U.S. stockpiles. As such, some sources have even reported that America is discussing the possibility of removing National Advanced Surface-to-Air Missile System (NASAMS) air defenses from Oman and Qatar in order to send them to Ukraine. If such a move actually ends up happening, it will inevitably expose the vulnerability of Saudi Arabia and other GCC states to Iran’s possible drone attacks on strategic targets.

The rising discontent of the GCC states regarding America’s neglect of their national security concerns pushed the Biden Administration to offer alternative ways of ensuring the region’s stability. On 1 December 2022, the U.S. State Department approved the sale of 10 Fixed Site-Low, Slow, Small Unmanned Aircraft System Integrated Defeat Systems (FS-LIDS) counter-drone systems to Qatar. This could be seen as an alternative security option offered by the United States. Nevertheless, the GCC states will likely keep exploring additional options, including those offered by China. Simultaneously, on 28 November 2022, Chinese media sources reported that Saudi Arabia had agreed to purchase some \$4 billion worth of TBOO1 armed drones, YJ-21 hypersonic anti-ship ballistic missiles, and Poly Technologies’ Silent Hunter laser counter-drone platform from Beijing, though no official confirmation has been forthcoming.

Although the United States and Saudi Arabia vocally express their respective discontent regarding changing security paradigms, neither side seems interested in fundamentally changing the nature of their long-term partnership, which dates back to the World War II era. It is unlikely that the U.S. will withdraw from the Gulf region after being present for almost nine decades: this would leave a power vacuum that could then be filled by a concert of non-Western powers led by China, Iran, and Russia.

At the moment, Beijing wisely abstains from openly challenging American authority in the Gulf due to its limited resources and influence, thus restricting its presence in the

region within the context of BRI. Such a limited role perfectly suits Chinese interests at present, as it offers a plethora of economic benefits and provides a stable environment for trade and investment without the need to compete with Washington's massive military presence in the region.

Delicate Balance: Friends with Benefits

The continuous high-level dialogue between China and Saudi Arabia (and other GCC countries) enabled them to bring bilateral cooperation up to a strategic-partnership level, shifting the balance of power in the region. The official visit of Xi Jinping to Saudi Arabia has added extra impetus to China's deepening ties with the kingdom. The partnership between Beijing and the GCC states could be fostered further with the successful conclusion of negotiations on the China-GCC free trade agreement, which is reportedly in the final and critical stage.

At bottom, China's successful inroad into the Gulf region depends on its positive relations with Saudi Arabia. Although Iran—China's other long-term partner and the KSA's sworn enemy—opposes Beijing's burgeoning friendship with the GCC states, China should be able to continue to delicately balance between Tehran and its neighbors across the Gulf. On the other hand, by playing the "China card" against the U.S., the GCC states get powerful leverage in addition to having a chance to diversify and globalize their respective economies. China will likely boost economic and technical partnership with Saudi Arabia and other regional states—particularly in the field of artificial intelligence—in the next few years. However, the further improvement of ties with Beijing still will not become a crucial factor for GCC states to turn away from Washington as their most significant partner and security guarantor. At least for now.