

The GCC's New Affair with China

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Chinese President Xi Jinping's January visit to Saudi Arabia continues a pattern of gradually strengthening ties between China and the six states of the Gulf Cooperation Council. Dubai-based Gulf analyst Dr. Theodore Karasik discusses the growing convergence between China and the GCC that is set to underpin a stronger relationship in the economic and security sectors. The GCC is set to play an important role in China's One Belt, One Road project, particularly in keeping vital sea lanes open and ensuring a continued flow of energy supplies for the oil-thirsty Chinese market. The future is bright for Chinese-GCC relations with trade between the two projected to reach \$350 billion in the next decade, and China already surpassing the United States as the main exporter to the GCC. There may also be room for China to play a role in forging the new security architecture of the region, as the GCC reassesses its strategic outlook in light of America's declining presence in the Middle East.

KEY POINTS

- ◆ Chinese trade with the GCC is four times that of China's trade with Iran, ensuring a continued balance in its relations with both sides of the Gulf.
- ◆ GCC-Chinese security ties have developed since China deployed naval vessels to the antipiracy mission off the Somali coast. Saudi and Emirati forces in Yemen have also been using Chinese-made UAVs.
- ◆ Two arteries of China's One Belt, One Road project abut GCC maritime lanes, providing an incentive for deeper relations.
- ◆ The GCC is not alarmed by China's close relations with Iran, but instead has sought to embrace Beijing to ensure a balance in relations in the Gulf.
- ◆ The United States risks seeing the GCC shift closer to China as economic ties deepen, and Washington reduces its role in the Middle East.

INTRODUCTION

Chinese President Xi Jinping's visit last month to Saudi Arabia, Egypt, and Iran represented the first, full frontal launch of China's One Belt, One Road (OBOR) strategy in the Middle East. The visit has wide implications for Gulf Cooperation Council (GCC)-China relations as the geopolitical chessboard undergoes a major realignment.

The GCC recognizes that Beijing is expanding its OBOR to include two arteries: the Silk Road Economic Belt and the 21st Century Maritime Silk Road. Xi's January visit to these three major Middle Eastern countries plays a major role in this Chinese plan. First, from the Chinese viewpoint, it is about land and potential for strategic minerals and energy. The other factor, and this is critical for the GCC states, is that the two arteries cross and abut the GCC maritime sea lanes around the Arabian Peninsula. The GCC knows that China sees these sea lanes as critical to OBOR's success. Consequently, the GCC and China need to work together to keep these maritime sea lanes free of threats, which is the main reason why Xi expressed support for the Saudi-backed Yemeni government in Aden.¹ To be clear, Beijing sees itself as a negotiator that stands above the geo-sectarian front by promoting economic development and ignoring what it sees as low-level reli-

1 "China offers support for Yemen government as Xi visits Saudi Arabia," Reuters, January 20, 2016, accessed February 23, 2016, <http://www.reuters.com/article/us-saudi-china-yemen-idUSKCN0UY0C1>.

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gious-political disputes. China is, as ever, taking a long-term approach in its dealings with the Middle East.

Importantly, given that OBOR's strategic nodes cross in and around the Middle East and Iran, the emerging relationships will take on security dimensions. Combined with the rise of China's Asian Infrastructure and Investment Bank (AIIB), the multilateral ties emerging will focus increasingly on the safety and security of the economic interests and investments of all countries, including the GCC states. The United Arab Emirates, in particular, embraces the AIIB and its objectives given that Abu Dhabi is a founding member of the group.² The Shanghai Cooperation Organization (SCO) is also a factor. If the SCO upgrades Iran from observer to member status, then

2 "UAE becomes founding member of AIIB," Gulf News, June 29, 2015, accessed February 23, 2016, <http://gulfnews.com/business/sectors/banking/uae-becomes-founding-member-of-aib-1.1542695>.

the calculus may change as Beijing, and by extension Moscow, will arrive at the Gulf through a Persian doorway. Remarkably, all of this activity plays into current GCC sensibilities.

THE MILITARY DIMENSION AND THE RISE OF ECONOMIC INTERPLAY

GCC states have long had a problem with the close relations between Beijing and Tehran. While China and Iran first established diplomatic ties in 1971, before the bulk of the Gulf states existed in their current form, the UAE established diplomatic relations with China in 1984, Qatar in 1988, and Bahrain in 1989. Saudi Arabia was the last among the GCC states to establish formal ties with China in 1990 in the wake of the Iran-Iraq War and on the cusp of Iraq's invasion of Kuwait.³ At first, the GCC states, were, to be blunt, suspicious of China's intentions in Iran, particularly as Chinese-Iranian ties grew across several fields, including arms technology and energy. The GCC states also saw early on that Chinese

3 Joseph Y. S. Cheng "China's Relations with the Gulf Co-Operations Council States: Multi-Level Diplomacy in a Divided Arab World," in *The Politics of World Politics*, eds. Paul-Erik Korvela, Kari Palonen & Anna Björk (Finland: University of Jyväskylä, 2015), 330-361, accessed February 23, 2016, <https://jyx.jyu.fi/dspace/bitstream/handle/123456789/46807/978-951-39-6284-5.pdf#page=330>. It is interesting to note that this state post-dates the sale of Chinese ballistic missiles to Saudi.

engineers were building bridges, dams, railroads and tunnels throughout Iran, including the Tehran metro. Why, they clamored privately to the United States and Europe, was China helping their enemy in such a manner?⁴ That thinking appeared to be the mantra of the day. According to a retired GCC official, "The Chinese relationship with the Islamic Republic 30 years ago was seen as a major shift and threat to us. But the GCC saw a requirement to engage, which is our historical norm."⁵ The GCC began to warm up to Beijing not only out of economic interests, but also militarily as the Gulf states' approach to China has gradually shifted from alarm to embrace over the past three decades.

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What initially alarmed the GCC was the Chinese arms trade with Iran. Since the early 1980s, China's arms trade with Iran has included the provision of thousands of tanks, armored personnel vehicles, and artillery pieces, several hundred surface-to-

4 Interview with former GCC official, February 20, 2016.

5 Interview with former GCC official, February 20, 2016.

air, air-to-air, cruise, and ballistic missiles as well as thousands of anti-tank missiles.⁶ In addition, China has assisted Iran in its ballistic and cruise missile production capability. Perhaps most importantly, China appears to have made significant contributions to Iran's indigenous military production capability through the provision of scientific expertise, technical cooperation, technology transfers, blueprints, and dual-use transfers.⁷

Given the historical backdrop, the GCC enacted a plan—at times jointly, other times individually—in the 2000s to reach out to China in a robust manner to bring a balance to Beijing's Iran policy through economic engagement. For instance, King Abdullah's 2006 visit to China was his first stop to a foreign country upon assuming the throne.⁸ Bahraini King Hamad bin Isa al-Khalifa's visited to China in September 2014 while serving as GCC president to build new opportunities through sustainable development.⁹ Other GCC states reached out to

6 Bates Gill, "Chinese Arms Exports to Iran," *Middle East Review of International Affairs*, No. 2 (1998): 55-70, accessed February 23, 2016, <http://www.rubincenter.org/meria/1998/05/gates.pdf>.

7 "Defense Industrial Policy the Iranian Way," *Center for Strategic & International Studies*, No. 28 (2012), accessed February 23, 2016, http://csis.org/files/publication/120326_DIIG%20Current_Issues_28_Iran.pdf.

8 Daniel Wagner & Theodore Karasik, "The Maturing Saudi-China Alliance," *Real Clear World*, April 7, 2010, accessed February 23, 2016, http://www.realclearworld.com/articles/2010/04/07/the_maturing_saudi-china_alliance_98904.html.

9 Krishna Kumar Vr, "Sino-Gulf ties on upward

Beijing to sign investment deals with various Chinese companies, as well as free zones and logistic parks over the past decade.¹⁰ The GCC states saw that a nuclear Iran and regional arms race would be a negative for its growing economic hub of the GCC and sought Chinese links to help re-balance the Gulf's strategic positioning in the world economy.

Indeed, economic relations between GCC and China today is more important than Beijing's ties to Iran, simply due to expediency. The total trade between the GCC as a whole and China is more than four times Chinese-Iranian trade. In 2012, trade between China and the GCC was valued at \$155 billion, compared to \$37 billion with Iran.¹¹ These numbers have surely shifted upwards in the current environment. In fact, China has overtaken the United States as the largest exporter to the GCC with exports growing to \$60 billion a year in the last decade.¹² Furthermore, the GCC coun-

curve," *China Daily*, January 3, 2014, accessed February 23, 2016, <http://epaper.chinadailyasia.com/asia-weekly/article-1689.html>.

10 See, for example, "UAE Looks East, Eyes Larger Trade With China," *Gulf Business*, February 14, 2015, accessed February 23, 2016, <http://www.gulfbusiness.com/articles/intelligence/uae-looks-east-eyes-larger-trade-with-china/>.

11 Naser al-Tamimi, "Why China is still dealing with Iran?," *Al Arabiya*, February 10, 2013, accessed February 23, 2016, <http://www.alarabiya.net/views/2013/02/10/265463.html>. It is important to note that accurate figures are considered state secrets in many of these countries so an actual real accounting of trade is difficult to ascertain.

12 "China And GCC: Growing Ties," *Gulf Busi-*

tries provided China in the same year with more than quarter of its oil imports, versus less than 9 percent from Iran.¹³ This shift is illustrative of the GCC's forward leaning

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approach to their current relationship with China and bodes well for the future: GCC trade with China is expected to more than triple to at least \$350 billion in the next decade, according to some estimates.¹⁴

Interestingly, inter-defense affairs rose slowly over the years. By far the biggest indicator is the Chinese sale of CSS-2 ballistic missiles to Saudi Arabia in 1988. These two dozen missiles are maintained by Chinese technicians and were prominently displayed during the Sword of Abdullah military exercise in 2013.¹⁵ An additional sale

ness, April 16, 2013, accessed February 23, 2016, <http://www.gulfbusiness.com/articles/insights/china-and-gcc-growing-ties/>.

13 Naser al-Tamimi, “Is China pivoting to the Gulf?” *Al Arabiya*, April 28, 2013, accessed February 23, 2016, <http://english.alarabiya.net/en/views/business/economy/2013/04/28/Is-China-pivoting-to-the-Gulf-.html>.

14 Naser al-Tamimi, “Why China.”

15 Zachary Keck, “China Secretly Sold Saudi Arabia DF-21 Missiles With CIA Approval,” *The*

of a more accurate solid fuel intermediate range missiles occurred in 2007.¹⁶ China's naval participation through the People's Liberation Army Navy (PLAN) deployment of several vessels in counter-piracy operations off the coast of Somalia resonated with the GCC by showing that Beijing is a reliable security partner in keeping maritime sea lanes open. Notably, a Chinese colonel attended regular meetings of Shared Awareness and Deconfliction (SHADE) mechanism in Bahrain as part of the information sharing nexus against maritime piracy in

the Gulf of Aden and beyond.¹⁷ Currently, both the Saudis and the Emiratis are using Chinese UAVs in their military action in Yemen—against Iranian-supported Houthi rebels.¹⁸ This shows that the GCC-Chinese relationship is above ideology, and that Chinese pragmatism extends to the Arab

Diplomat, January 31, 2014, accessed February 23, 2016, <http://thediplomat.com/2014/01/china-secretly-sold-saudi-arabia-df-21-missiles-with-cia-approval/>.

16 Jeffery Lewis, “Why Did Saudi Arabia Buy Chinese Missiles?” *Foreign Policy*, January 30, 2014, accessed February 23, 2016, <http://foreignpolicy.com/2014/01/30/why-did-saudi-arabia-buy-chinese-missiles/>.

17 Andrew Erickson and Austin Strange, “China and the International Antipiracy Effort,” *The Diplomat*, November 1, 2013, accessed February 23, 2016, <http://thediplomat.com/2013/11/china-and-the-international-antipiracy-effort/>.

18 Jeremy Binnie, “UAE, Saudi Arabia operating Chinese UAVs over Yemen,” *IHS Jane's 360*, December 17, 2015, accessed February 23, 2016, <http://www.janes.com/article/56742/uae-saudi-arabia-operating-chinese-uavs-over-yemen>.

Gulf states. Clearly, the GCC is welcoming Chinese military technology and security assistance at a time of need, but also to balance against Iran's military posturing.

THE GCC'S CURRENT VIEWS IN LIGHT OF XI'S TRAVELS: CONVERGING INTERESTS

The GCC welcomed Xi's trip to the Gulf littoral and Egypt as part of the OBOR process. Xi's visit came at a critical time. GCC-China ties, from Gulf capitals, is seen now as establishing a strong, deeply rooted relationship, well founded in the political, economic, trade, military and security sectors. In other words, a paradigm shift is occurring in the GCC-Chinese relationship to a new platform where many interests converge.

What is this convergence specifically? Quite simply, the GCC is seeking to engage in identifying and creating new avenues and areas of cooperation with China, and by extension, Central Asia, where both are keenly interested in the stability and future prosperity for that strategic region. In addition, deeper GCC involvement and investment in China is seen as contributing to the GCC's economic development with open investment opportunities for Beijing in areas including

renewable energy, telecommunications, infrastructure, rail, aerospace, and finance. The GCC sees China's OBOR as a natural partner that helps to facilitate the mutual benefit of foreign and domestic growth policy that focuses on facilitating trade, investment and diplomatic ties in Central Asia. This geopolitical and geo-economic nexus is a great leap forward via the OBOR's growth and expansion.

Beijing's OBOR is based on Tai Ji, an ancient Chinese philosophy, which argues that "Yin and Yang are the Tao," where Tao consists of the heaven Tao, earth Tao and man Tao. All things have two aspects of Yin and

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Yang, for example, heaven and earth, day and night, mountains and rivers, man and woman, rigid and flexible, and both sides change constantly and possess some ties relevantly between them. This is why China is able to deal softly with the multitude of political and economic disputes within the OBOR arena without pressure. It is literally “All serves me, I serve all, too.”¹⁹ For the

19 Chen Lanjian, Zhang Wei, “China OBOR in Perspective of High-speed Railway (HSR)—Research on OBOR Economic Expansion Strategy

GCC, this pragmatic Chinese approach is warmly welcomed as they look toward future economic and security arrangements with Beijing.

Overall, what the GCC is doing with China is to augment global economic market supply chains as like-minded partners as part of the OBOR's development.

IMPLICATIONS FOR U.S. FOREIGN POLICY

As Washington's influence in the world and the Middle East wanes, the Gulf countries are weaning themselves from their traditional orientation toward and dependence on the United States. That fact is clear.

The kingdom, which is undergoing a major transformation in terms of economic reform combined with its assertive Salman Doctrine to fight Sunni and Shiite extremism in Arab lands, sees its future in Asia based on near and medium energy requirements in the Far East, specifically China. Emerging accurate estimates show that the global oil glut will be reduced, initially slowly but increasingly building an upward pressure on crude prices sooner rather than later.²⁰ That recovery will benefit not only

of China," *Advances in Economics and Business* 3, No. 8 (2015): 303-321, accessed February 23, 2016, DOI: 10.13189/aeb.2015.030803.

20 "Get Ready – The Oil Price is about to rise again," NEMEA Advisory Services, last modified February 16, 2016, <http://www.namea-advisors.com/blog/get-ready-the-oil-price-is-about-to-rise-again>.

the GCC, but also China to grow their investment cycles and ultimately benefit Beijing's OBOR plan.

Obviously, an oil price rise will help Iran and its emerging economic positioning with China too. The GCC's cemented view, which adds further strain to the relationship with the United States, is that the economic benefits Iran will see were brought on by the Obama Administration. U.S. inaction on regional issues pertinent to Saudi Arabia, such as the rise of Iran and the war in Syria, has also irked Gulf officials, prompting a rethink in their strategic relationship. There is no doubt that a major realignment is ongoing between the GCC and America where the latter is being perceived as weak and fumbling. That has provided an added incentive, on top of the already lucrative economic relationship, for the GCC to develop a strategic relationship with China.

Nevertheless, the GCC will keep a toe in America and a foot in China, judging that the GCC's own long-term interests are well served by maintaining the comparative advantages offered by the growing GCC-China relationship. America is and will continue to sell advanced weapon systems and resupply the GCC states for their military operations. But the fact that the United States is adjusting its force posture in the GCC states and replacing that fire power with arms sales is a major security development that puts the GCC states on edge. According to a GCC security interlocutor, the

GCC sees and expects the United States to resort to a containment policy posture from the 1980s against Iran where materials will be “pre-positioned” as opposed to an active U.S. presence with advanced weapons systems to be operated by GCC militaries.²¹

That said, economics is a bigger driver than military affairs. The GCC pendulum is clearly swinging toward the Chinese camp and away from America based on simple economics via the OBOR’s long-term goals and related security implications. In time, as the GCC’s economic ties grow firmer with China, their military relationship will expand and the United States may very well find Beijing as part of the Gulf littoral security architecture.

21 Interview with GCC official, February 20, 2016.