**China and the new Middle East: Part - II**

Dr Murad Ali

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China definitely deserves kudos for what it has accomplished regarding the Middle East in a world plagued by war after war.

At the same time, what prompted Beijing to intervene and quell hostilities at a time when the US and its allies are bitterly embroiled in the Ukraine theatre? Well, China imports huge oil from hydrocarbon-rich Iran and Saudi Arabia. Iran’s vast oil reserves, discovered in 1909 by the British, where the Anglo-Persian Oil Company (APOC) reaped equally significant dividends, made Iran a weighty oil producer.

The Shah’s Iran emerged – as Daniel Yergin in his Pulitzer Prize winner book ‘The New Map: Energy, Climate, and the Clash of Nations’ has described – as a ‘vital gas station for the British empire and the United States, at least until the 1979 revolution’. Similarly, three decades later, in 1938 Saudi Arabia followed the same path, rather it surpassed Iran when American surveyors discovered an inexhaustible supply of oil in Saudi deserts.

Here, another major player entered the world of oil when the Saudis announced the arrival of the Arabia American Oil Company (Aramco); by 1949 it was producing over half a million barrels of crude per day. For China, both Saudi Arabia and Iran are vital sources of its oil needs today. Called the ‘world’s factory’, China is the world’s largest trading nation and importing approximately 38 billion kilograms of oil from all Middle Eastern sources in 2000 to roughly 187 billion kilograms in 2017.

The Middle East has been a source of 50 per cent of China’s total oil imports since 2000. Keeping in view its current growth and future demands, it is projected that by 2040, about 80 per cent of the oil China utilizes will come from abroad, the Middle East being a pivotal region to cater to China’s energy demands.

Given this, China has significant economic interests in the Middle East. However, it is not a one-way traffic. Like several other regional markets where China is the largest trader, Beijing is also a key exporter of manufactured goods to Middle Eastern markets. It is because of Beijing’s tremendous manufacturing prowess that President Obama in his autobiography ‘A Promised Land’ asserts that “Americans bought cars from Germany, electronics from South Korea, and practically everything else from China”.

To some extent, the same is the case with Middle Eastern bazaars. The region buys all types of manufactured goods from China – from factory machinery and electronic equipment to clothing and shoes. Not to forget here are ‘Made in China’ prayer caps, prayer mats, prayer beads and other various commodities that visitors bring from Saudi Arabia when they visit the kingdom for Hajj or Umrah.

Over the last decade and a half, the region has imported more from China than from the US. Like many other regions, trade growth between China and the Middle East since the mid-1990s has been consistently spectacular. Between 1993 and 2016, China’s exports to the Middle East grew from about $3 billion to $124 billion. The region’s share of global Chinese exports has doubled since 1993, and now accounts for six per cent of China’s total.

While all this was prior to 2016, following the launch of the Belt and Road Initiative (BRI), the Middle East has been on President Xi’s radar as the BRI situates Iran, along with Turkey, Egypt, and Israel, as transit nodes in the grand web of infrastructure projects intended to connect continental Eurasia from east to west. In Saudi Arabia too, Chinese companies have established and continue to operate several transport facilities, including those utilized by millions of Muslim pilgrims visiting the kingdom for the annual Hajj.

All of this means more Chinese investment, more Chinese workers, and greater Chinese stakes in the region. Some estimates suggest that by the end of 2014, there were over 160,000 Chinese contractors based in North Africa and the Middle East. This number will certainly swell once BRI projects are fully operational in the region.

During his 2019 visit to China, signalling that Riyadh was eager to promote partnerships beyond the US and Europe, Prince Muhammad bin Salman was given a warm reception in Beijing. During the visit, he announced a slew of agreements worth $28 billion, including a $10 billion plan for Saudi Aramco to partner with two Chinese companies to build a new refining and petrochemical complex in the Chinese coastal city of Panjin in the central Liaoning province, situated on the northern shore of the Liaodong Bay.

MBS also expressed his desire to integrate the kingdom’s Vision 2030 with China’s own overseas initiatives. The then Chinese foreign minister Wang Yi reciprocated, asserting that “China and Saudi Arabia have achieved fruitful results in practical cooperation as the two countries seek greater complementarity between the Belt and Road Initiative and the Vision 2030 of Saudi Arabia”.

With or without the BRI, China has emerged as a global heavyweight when it comes to financing and executing mega infrastructure projects, particularly in the construction sector. For instance, research shows that “in 2017, seven of the ten largest construction firms, by revenue, were Chinese”. Similarly, as per another study, China has surpassed other nations as it has gained unrivalled capacity to implement mega construction projects at home and abroad. It is because of this unmatched potential that among the 20 largest construction contractors, 14 are Chinese, while six are from the EU and there are none from the US.

Given the dominant role that China now plays in global transportation infrastructure, Riyadh’s prospects for achieving the much-vaunted Vision 2030 dream of becoming a logistics hub in the region will also depend, to a considerable extent, on how the Kingdom allures Chinese actors. While China is already active in this sector in the region, as of 2016, more than 160 Chinese companies were operating in the Kingdom. In 2018, Chinese firms won 13 per cent of contracts across the Middle East region, including work on five major energy projects in Saudi Arabia.

In sum, Beijing is in many ways an ideal partner for the Saudis as well as the Iranians, who like many in Pakistan have been full of praises for the ‘China model’ as a means to achieve economic reforms even at the cost of political liberalization. However, while the US has certainly receded, focusing more on the Indo-Pacific theatre and the Ukraine war, it still has substantial security (and economic) interests in the region and will never like the idea of playing second fiddle to the Chinese in the region dominated primarily by the US since WWII.

Concluded

The writer heads the department of Political Science at the University of Malakand. He is the author of ‘The Politics of US Aid to Pakistan: Aid Allocation and Delivery From Truman to Trump’ (Routledge).