

# SPECIAL REPORT

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## The Dragon in the Sands: Unpacking China's Presence in Contemporary West Asia

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# Introduction

**C**hina is slowly extending its reach as a regional power. While some analysts are of the view that Beijing's strategic interests are largely constrained to its claims on waters around the South China Sea, Chinese diplomacy is posturing itself as an 'alternative power' of a larger scale. Today, Beijing is open and willing to take advantage of political vacuums left behind by the West, or created by those who would want to manage pressures and challenges imposed by the West. West Asia (or the Middle East) is emerging as a premier playground for these new geopolitical fissures as Arab states look to renegotiate their historical relations with the United States, Iran's relations with Washington continue to be in spiral around an under-appreciated issue of nuclear deterrence, and a push is in play to normalise relations between Israel and Saudi Arabia. The recent terror strike against Israel conducted by Hamas, killing over one thousand, and the following Israeli retaliation in Gaza, have highlighted divergences between the US and China

in their approaches. While the US has put its entire weight behind Israel, Beijing is attempting to walk a middle, vague path, calling for restraint and highlighting that they are a friend to both sides.

Beyond these regional trends, the global order is also under duress. The US today is increasingly discussed, in the words of former US Secretary of Defense Robert M Gates, as a "dysfunctional superpower".<sup>1</sup> The frameworks of multipolarity, multilateralism and minilateralism are being re-shaped and re-constructed amid issues of climate change, food security, and global health. In all of these, Beijing's role is not insular nor is it avoidable as it continues to be an economic and military power, the world's biggest factory and consumer, and more than often the refiner of natural resources. Yet, the narrative of the supposed 'end' of US hegemony is also being

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overstated. Both China and the US are moving forward, and closer, to potential confrontation as they wrangle for ‘superpower’ status in an order where they cannot co-exist. Regional and middle powers, and even small states, are thus scrambling to protect their interests and security.

Keeping these fast-moving trends at the centre stage, this Special Report looks into the evolution of China’s developing influence in West Asia. In the opening chapter, I delve into a scene-setting, broader debate on great-power competition in the region and how regional faultlines will be navigated by both West Asian states and China alike; I ponder why this shift in power has the endorsement of some of America’s oldest partners.

In the second chapter, **Cinzia Bianco** examines the developing bonhomie between China and the regional heavyweight, Saudi Arabia, how energy security binds the two, and how Washington may start looking at Riyadh and the region as a ‘Western flank’ of its Indo-Pacific strategy and Asia pivot. The third chapter by **Mandana Tishehyar** looks at the centrality of Iran, whose bilateral relations with the US remain on tenterhooks. The chapter investigates the ideation of Beijing’s position from an ‘Asian’ lens of India and China, where New Delhi is also expected to be a key stakeholder of the region as Tehran looks towards these new poles of power for its future alignments.

Taking on from these two central powers of the Islamic world, the fourth essay is on Israel—one of America’s most trusted and critical partners in the region. **Gedaliah Afterman and Dominika Urhová** offer a glimpse on how even Israel, which has deep security ties with the US, is looking to gain the most out of both Washington and Beijing. And the fact that China offered its helping hand in mediating between Israel and Palestine can potentially become a more serious proposition than many would expect.

In the penultimate chapter, **Jonathan Fulton** underlines how the United Arab Emirates has the most advanced and evolved relationship with China, and in that context how Abu Dhabi and others in the region must navigate the incoming duopoly of a US–China competition. And finally, in the last chapter, **Mohammed Soliman** tackles the subject of technology—one of the most critical sectors of China’s outreach to West Asia—and the probabilities of Chinese tech in the sphere of 5G, for instance, co-existing with that of the US in areas such as defence and military.

The aim of this report is to showcase a blueprint that can be gleaned from how countries in West Asia are navigating the reality of US-China competition.

*- Kabir Taneja*

# Great-Power Competition and the Centrality of the West Asian Theatre

Kabir Taneja

Given its severity and effects on global politics and economics alike, the COVID-19 pandemic is seen as a harbinger of a new ‘equilibrium’, translated as the balance of power, spinning off from Henry Kissinger’s definition of geopolitics.<sup>1</sup> While the post-Second World War order was arguably already adrift, the pandemic and the events that immediately succeeded it—Russia’s aggression against Ukraine and worsening US-China competition—changed the thinking of other aspirational states.

Scholar Ashley Tellis has outlined these new challenges from the multipolarity point of view, a design of geopolitics that looks to spread power across multiple ‘poles’, offering equity and, by association, ending the concept of hegemonic superpowers. Tellis notes that this view is fundamentally against the interests of the US.<sup>2</sup> Nonetheless, many smaller regional and middle powers, including some of the US’s closest allies in West Asia, endorse such a shift.

Today, West Asia is perhaps the one region where the hedging of risk and interest between the power and interests of the US and China is most visible. Saudi Arabia and the UAE have been close partners of the US for decades and became even more militarily intertwined with Washington after the September 2001 terrorist attacks. From oil and economics to the familial politics of the Arab monarchies, the US had access and sway across the spectrum in the region, to the benefit of some and scorn of others.

In 2023, great-power competition is very much at play in West Asia. The Crown Prince of Saudi Arabia and heir apparent Mohammed bin Salman looks towards China as both a source and destination of investments. Smaller Arab nations such as Bahrain and Kuwait are also looking into Chinese investments as being economically



viable and geopolitically safer, as most offers come with less strings attached, if at all, other than the expectations of good returns. That the political hierarchies of a communist China and largely monarchic Gulf work with a common principle of concentration of power at the top adds to Beijing's attractiveness as a stakeholder. This is best indicated by the growing defence cooperation between China and the Gulf states. Over the past two months, there have been reports of the UAE conducting its first air exercises with China in the Xinjiang region, where Beijing is accused of mistreatment of ethnic Uyghur Muslims of the region.<sup>3</sup> Riyadh is setting up first-of-its-kind Saudi-China naval drills off the Chinese coast in Zhanjiang, near the South China Sea, where the US-China conflict is anchoring itself in the Indo-Pacific over Beijing's territorial claims and Taiwan's security.<sup>4</sup>

Additionally, the UAE purchased the Chinese Wing Loong II armed drones, which are knockoffs of the US's MQ-9 'Reaper' used in counterterror activities in Afghanistan and Iraq. Abu Dhabi opted for the Chinese version after the US imposed conditions and operational restrictions on selling the MQ-9s, which China did not. This free access to tech has reportedly allowed Abu Dhabi, for example, to deploy the drones to states such as Ethiopia to be used in favour of the government as the conflict in its Tigray region raged.<sup>5</sup>

Beyond the rise of a valid option to attain certain defence equipment and technologies, Beijing has also been able to market itself as a peace broker. The détente achieved between Saudi Arabia and Iran in April 2023 was announced in China. This was as much of a strategic move for China's prowess as it was both Tehran and Riyadh pulling Beijing into the region for their individual and regional aims. Iran, now firmly seen in the China-Russia bloc, had already developed deep ties with Beijing, signing a 25-year strategic bilateral deal in 2021, worth an estimated US\$400 billion.<sup>6</sup>

The action of Gulf states is not too difficult to unpack. There is, arguably, a generational change in strategic thinking underway. The rise of China presents an opportunity to spread risk in a way that Russia, or even the erstwhile Soviet Union, did not beyond a point. The direct challenge to US supremacy by a rising China, which translated into a hegemonic approach to global architectures in security, trade, and other institutions of 'globalisation' (such as those part of the Bretton Woods system of monetary management), is birthing a new breed of breakout states that are finding space by playing China against the US and vice versa to achieve their aims by developing a level of strategic autonomy. This can also be seen via Beijing's clout within the construct of the Global South, as witnessed in the expansion of the BRICS grouping into BRICS-Plus where, despite New Delhi and Moscow's presence, it is Beijing that pulls much of the weight.<sup>7</sup>

The examples emitting out of West Asia today of the roles being played by the US, China, and the Gulf powers is a laboratory of sorts, where the concepts of multilateralism, multipolarity, and unilateralism are being tested. While some analysts proclaim that Saudi Arabia and the UAE will become powers in the upcoming multipolar world order, there are big questions that will first need to be answered.<sup>8</sup> For instance, as of 2023, the GDP gap between the world's second and third largest economies (China and Japan, respectively) is nearly US\$14 trillion. By the logic of numbers, the immediate future of geopolitics is rooted in bipolarity, with the US and China leading with

significant margins. While the likes of India are expected to close these gaps at a healthy pace over the next decade, till then, how would narratives of multipolarity survive under the reality of a US-China competition as Pax Americana attempts to protect its hegemony against its challenge in Pax Sinica?<sup>9</sup>

West Asia will be the place to watch for answers to such pivotal questions.

# Saudi Arabia-China Relations: More than Mere Tactics

Cinzia Bianco

**R**elations between Saudi Arabia and China have been growing for years now, especially since the two parties entered into a Comprehensive Strategic Partnership in 2016.<sup>1</sup> Starting as purely economic in nature, their ties have since expanded into more strategic domains, including security and defence, and are grounded in compatible visions of multi-polarity.<sup>2</sup> Despite Beijing increasingly buying underpriced Iranian and Russian oil after 2022, energy relations are still at the core of China-Saudi relations. Since 2019, China has been the single largest buyer of Saudi crude oil, as Riyadh sends on average over one-quarter of its oil to China.<sup>3</sup> And in the past two years, cooperation has gone beyond the energy domain.

The Gulf monarchies' eagerness to diversify their partnerships, increasing those with Asian countries and specifically China, has been a crucial consequence of the progressive retreat of the United States from its role as security guarantor in the region. Saudi Arabia, for instance, has experienced a souring of relations with the US as

those with China have thrived. Indeed, it is not a coincidence that Saudi-China relations have grown stronger under the administration of US President Joe Biden, whose relationship with the Saudi leadership has been particularly weak.

The March 2021 visit by Chinese Foreign Minister Wang Yi to Riyadh was a turning point. Saudi policymakers were particularly pleased that the Kingdom was the first stop in Yi's regional tour and that he met with Crown Prince Mohammad bin Salman at a time when he was still being shunned by US and European leaders for his alleged role in the murder of a US-based Saudi journalist. The two sides discussed China's role in supporting Saudi Arabia's Vision 2030, especially in infrastructure development and joint investments in the manufacturing industry. A few months later, China's Cosco Shipping Ports acquired a 20-percent stake in Saudi Arabia's Red Sea Gateway Terminal—the largest terminal at its largest port in Jeddah.<sup>4</sup> Despite a substantial

slowing down of funds through China's Belt and Road Initiative (BRI) after the COVID-19 pandemic, Saudi Arabia was the single largest recipient of BRI funds in 2022, getting around US\$5.5 billion.<sup>5</sup>

More sensitive areas have also been explored, such as cooperation in nuclear energy, 5G telecommunications and digital technologies. These led to Huawei becoming the dominant 5G operator in the Gulf and opening a new data centre for cloud computing in Riyadh in 2023 despite explicit US opposition.

On the diplomatic front, Beijing successfully persuaded Riyadh not to join the anti-China camp, especially on the issues of Taiwan and Xinjiang. It won Riyadh over with its anti-hegemonic narratives, which are also at the base of Saudi Arabia's engagement with the Global South and its interest in joining BRICS in January 2024. This stronger diplomatic connection was exemplified by Riyadh's offer for Beijing to host the March 2023 signing of the Saudi-Iran agreement to reopen diplomatic relations after a decade of intensified regional geopolitical rivalry, in exchange for a vague commitment to leverage Chinese-Iranian economic relations should Tehran break the deal.

The 2021 visit also marked the acceleration of Saudi-Chinese cooperation in defence, especially on Saudi Arabia acquiring hardware that the

US has long refused to sell to it. Between 2016 and 2020, China had already increased its arms transfers to Saudi Arabia by 386 percent compared to 2011-2015.<sup>6</sup> In 2021, Saudi Arabia acquired the Dong Feng-series missiles—part of a 2018 deal that also included Wing Loong II drones—and media speculation claimed that Beijing might be working towards building a manufacturing site for ballistic missiles on Saudi soil.<sup>7</sup>

In January 2022, Chinese Minister of National Defence Wei Fenghe held video talks with Saudi Arabia's Deputy Defence Minister Khalid bin Salman, officially agreeing that the two militaries should improve practical cooperation and further enhance bilateral relations. Two months later, Saudi Arabia's Advanced Communications and Electronics Systems Company (ACES) signed a strategic agreement with the state-owned China Electronics Technology Group Corporation (CETC) to set up a research and development centre and provide manufacturing support for unmanned aerial vehicle (UAV) payload systems, including communications units, flight control units, camera systems, radar systems and wireless detection systems. As cooperation headed towards the electronic warfare domain, the US grew increasingly concerned that Saudi Arabia, which deploys NATO architecture, would try to make NATO hardware interoperable with Chinese



systems, potentially creating a backdoor for the latter into US-made defence hardware. China and Saudi Arabia conducted a joint naval military drill in October 2023, called “Blue Sword 2023,” in Zhanjiang city of South China’s Guangdong province.<sup>8</sup> In 2019, their two navies held a drill at the King Faisal Naval Base in Jeddah.

All of these strands of cooperation were cemented with the December 2022 summit, when leaders of the Gulf states received Chinese President Xi Jinping with full honours. As part of the visit, a bilateral Saudi-Chinese summit produced 34 agreements, with ideas for joint projects of strategic value in science, technology, energy, people-to-people engagements, investment, trade, and finance. As a follow-up, recognising the deficit in Chinese soft power, Saudi Arabia has started teaching Mandarin as a compulsory course in its high schools.<sup>9</sup>

A crucial theme that emerged at the December 2022 summit was the shared Saudi-Chinese dislike of Western sanctions. Indeed, all Gulf monarchies are particularly concerned that the West may impose sanctions on China—as it did on Russia—because of the growing tensions in the Taiwan Strait. Given their dependence on China as a fossil fuels market, such a scenario would deal a blow to the monarchies’ economies. These concerns pushed Riyadh and Beijing to discuss reducing exposure to the US Dollar by trading energy in other currencies.<sup>10</sup>

It would be imprudent, however, to judge Saudi-Chinese relations as being simply based on tactical opportunism. Rather, Saudi Arabia appreciates that China is offering it a future-oriented vision for the wider Middle East-North Africa (MENA) region that views Saudi Arabia as a pillar and the leader of the wider Arab and Islamic world. Indeed, China’s global neo-mercantilist approach rests on Beijing’s ability to deploy geopolitics of connectivity linking up to growing markets in Africa and Europe, transiting through the Arabian Peninsula. Such a project would guarantee decades of strategic engagement greater than those the US has in the region.

This does not necessarily mean that Riyadh is willing to sacrifice its relations with the US for China. Saudi and other regional leaders have shown that they are also wary of Beijing, following past experiences such as the predatory clauses inserted in the repayment contracts of Chinese investments in Oman, Beijing’s tendency to take its own companies and personnel to work on projects instead of creating jobs locally, and even its tendency to under-deliver.<sup>11</sup> The economic slowdown in China has also played a significant role in lowering its attractiveness. The US is still the country with the most significant security posture in the Gulf, and it is possible that this heft may even be strengthened, especially under a potential Republican administration following Biden’s.

Riyadh may also become aware that there could be a price to pay—at least in terms of missed opportunities—for excessively close relations with China. For example, contacts with sanctioned Chinese defence firms recently led to the collapse of a mega-deal between Saudi firm SCOPA Defence and a US counterpart RTX, which would have provided Saudi Arabia with the technological know-how to build sophisticated air defence systems.<sup>12</sup> In August 2023, the US also expanded restriction of exports of sophisticated Nvidia and Advanced Micro Devices artificial intelligence chips beyond China to other regions, including undisclosed countries in West Asia.<sup>13</sup> A fully open trade regime with China could place Saudi Arabia on an export control list.

Moreover, if the US-China relationship worsens, it could reduce the space for Saudi Arabia to hedge between them. Washington may start looking at the Gulf as the Western flank of the Indo-Pacific, an approach that could lead to weaponising some aspects of the Gulf-China interdependence, such as the Saudi-China oil relations. The Gulf could get fully caught into the US-China rivalry, which would have an impact on Saudi stability. Indeed, a key moment of reckoning in Riyadh will be when its extreme hedging ceases to be about simply maximising gains and start being about minimising risks.

# The New Asian Giants and Iran

Mandana Tishehyar

**D**espite ups and downs in their relationship, China and India have had similar strategies since becoming independent after the Second World War. The nascent governments in the two countries, drawing on their colonial experiences, avoided the capitalist economic model: China adhered to Maoist communism; India opted for Nehruvian socialism. The remnants of economic colonialism were slowly eradicated in both countries, and since the 1980s, left-wing approaches gradually gave way to capitalist economic policies. Both Asian countries have been witnessing relatively rapid economic growth since the 1990s.<sup>1</sup> Today, however, Western governments view the two countries in vastly different ways—India has become a friend or ally of the West, while China has been labelled a rival or enemy.

The West's approach to the two countries is based on the differences in their political (and not economic) structures. China has traditionally had a centralised and authoritarian political system, whereas India has historically been inclined towards a decentralised one, with power dispersed among its various institutions.<sup>2</sup> In recent decades, however, India and China have followed similar approaches in various areas. Both have constructed their material development on an export-oriented economic model and prioritised their secure access to global consumption markets. Energy security is also a priority for both countries, as they need to import energy. As the most populous countries in the world, both benefit from cheap unskilled workforce and skilled experts, particularly in the modern sciences. They are quietly competing with each other in different

parts of the world, including the Persian Gulf, Africa, Central Asia, East Asia, Europe, and Latin America. Additionally, both actively participate in various regional and international institutions and organisations, such as the Non-Aligned Movement, the Group of 77, the Shanghai Cooperation Organisation (SCO), and the BRICS (Brazil, Russia, India, China, and South Africa). Both countries seek a change in the structure of the international system, moving away from a unipolar or uni-multipolar framework towards one that is multipolar and without the hegemonic domination of a superpower.<sup>3</sup> Finally, in recent years, both countries have resisted pressure from the US and its European allies to impose economic sanctions on Russia because of the Ukraine war.

Despite their resistance to Western sanctions against Russia, the two emerging powers have recognised the West's imposition of sanctions on Iran and have generally taken similar approaches to it in recent decades. From the time of their independence in the 1940s until the end of the monarchy in Iran in the late 1970s, during the Cold War, China and India saw Iran as part of the Western bloc and aligned themselves with the East. Since the 1970s and the beginning of the era of detente, they gradually began to establish closer ties with Iran. Although initially, neither country embraced the Islamic Revolution in Iran, they both started to increase their cooperation with Iran about a decade later.

Iran's partnerships with the two Asian giants at the beginning of the 21st century showed promise. Moreover, given Iran's 'Look to the East' policy,<sup>a</sup> it was expected to expand its ties with India and China. However, Iran's economic, political, cultural, and scientific partnerships with the two countries have declined over the past two decades. While the two great powers have established distinct international identities and have taken different approaches towards Iran in various situations, both have approached Iran in a similar manner in the economic sphere. Since the US's withdrawal from the Iran Nuclear Deal in 2018, China and India have reduced their cooperation with Iran in the energy sector and refrained from making long-term investments in various fields. They have also not considered Iran as a significant market for exporting their goods and have refused to pay their debts for the oil purchased from Iran under the pretext of US sanctions.<sup>4</sup>

Despite the US's decision to exclude the Chabahar Port from sanctions and the lack of transport-related sanctions against Iran, India has not paid serious attention to the North-South transport corridor<sup>b</sup> and the development of Chabahar Port.<sup>5</sup> Additionally, China has not made significant investments to implement the East-West transport project within the Belt and

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a The 'Look to the East' policy (Persian: *قرش به داگن*) is a strategy in Iran's foreign policy that has been proposed since the beginning of Mahmoud Ahmadinejad's presidency in 2005.

b The International North-South Transport Corridor (INSTC) is a 7,200-km (4,500-mile) multi-mode network of ship, rail, and road route for moving freight between India, Iran, Azerbaijan, Russia, Central Asia and Europe.



Road Initiative framework inside Iran. This is even though both countries have repeatedly emphasised their interest in cooperating and participating in various economic projects in Iran during diplomatic talks.

To be sure, this is not the first time that Iran has been put aside from the great-power game. During the Great Game in the 19<sup>th</sup> and 20<sup>th</sup> centuries, Russia and Britain colonised nearly all the territories neighbouring Iran. However, due to its strategic position and geopolitical features, which connected various economic zones and cultural complexes, Iran was considered a buffer zone according to an agreement between the two powers. Although Iran managed to maintain its political independence and territorial sovereignty, it was unable to attract the economic presence, capital investment, and infrastructure development of powerful governments. It was only after the structural transformation of the international system and the balance of power in the post-First World War era that Iran began making gradual changes in its relations with other countries.

At present, it appears unlikely that Iran will resolve its strained relations with the Asian powers through bilateral cooperation. It would seem that Iran's strategic isolation can be overcome,

and its relations with regional, continental, and global powers will improve only if there is a significant shift in the balance of power. This could involve the establishment of a multipolar system or the emergence of a post-polar world where regions, rather than national units, play a prominent role. In such a scenario, Iran will be better positioned to serve as a hub for energy production, facilitate trade and transport in the east, west, north, and south of Asia, and attract foreign investments. Additionally, Iran will have the opportunity to engage in broader cultural, social, and political interactions with the rest of the world. The new approaches of China, India, and other great powers within the framework of the SCO and BRICS, and the acceptance of new members, including Iran, show the slow alteration of trends at the international level and the change of approaches towards cooperation with Iran and the improvement of its position in the new world order.

Now is the time to remember the famous Persian poet Hafez Shirazi, who said "a brand-new world must be built, and a brand-new human."

# The Israel-China-U.S. Triangle and the Changing West Asian Equation

Gedaliah Afterman and Dominika Urhová

**A**s tensions between the United States (US) and China continue to intensify, West Asia is emerging as a new theatre of competition. The US is increasing pressure on China, and Beijing is responding by reaching out to West Asian nations. Israel, which has good relations with both the US and China, is increasingly being forced to choose sides.

Other West Asian countries too, are reshaping their strategies to navigate the new superpower dynamics. Although the US remains their main security guarantor for now, these states are getting drawn to China's growing economic might. Indeed, China is the largest trading and investment partner for most West Asian countries.<sup>1</sup> The growing engagement is especially visible in the case of the United Arab Emirates (UAE) and Saudi Arabia. Israel too, has attracted significant attention from China. Beijing's eyes are set on Israel's innovation and high-tech capabilities, as well as the quality of its national infrastructure.

A push towards realignment and de-escalation in West Asia, including the Beijing-facilitated Saudi Arabia–Iran rapprochement in March 2023, along with its more recent efforts to normalise ties between Israel and Saudi Arabia, as well as the announcement of the India-Middle East-European Union Economic Corridor—which could be a potential rival to China's Belt and Road Initiative—are ushering a new phase of superpower dynamics in the region.<sup>2,3</sup>

The Israel-China relationship has grown substantially in recent years, with China becoming one of Israel's leading trading partners.<sup>4</sup> However, in comparison to other countries in the region, Israel's special relationship with the US limits its ability to strengthen its ties with China beyond a point. Unlike other countries, the US-Israel strategic relationship means a significant level of Israeli dependence on US military assistance and weapons systems, Washington's veto rights at the UN Security Council, and US financial guarantees. The two countries also share fundamental values and security concerns.

As such, Israel has been facing a new challenge in managing its relationships with the two rival superpowers. While on the one hand, it tries to leverage the opportunities from China's growing economic and regional heft, it also seeks to safeguard its strategic ties with the US and avoid becoming a pawn between the two superpowers.

### **US-China Competition in West Asia**

As China works to expand its influence on the international stage, West Asia is becoming a focus of its activity. It wants to capitalise on West Asia's energy resources, geostrategic location, and growing focus on technology.

Leading regional players are recognising that the US is redirecting its attention away from West Asia and towards the Indo-Pacific, and they are exploring alternatives to reduce their dependence on Washington. While, for many in the region, energy resources remain the driving force behind their ties with Beijing, it is China's shift from a focus on energy imports towards infrastructure, technology, and renewable energy that may prove to be a game-changer.

Aiming to translate its economic clout into diplomatic influence, Beijing has in recent months also been stepping up its mediation role.<sup>5</sup> While it will likely remain cautious, this move is seen as a significant divergence from its traditional attitude towards West Asia.

From Washington's perspective, growing Chinese influence across the region is a challenge to some of its long-lasting trusted partnerships and, consequently, to its national interests. China's deepening cooperation with key US allies, such as Saudi Arabia, the UAE, and Israel in particular, are causes of rising concern.

### **China-Israel Relations: From Bilateral to Regional**

The Israel-China relationship has improved significantly. In the past two decades, Chinese companies have negotiated around 500 recorded investment deals with Israel, the majority related to Israel's technology sector, including telecommunications, artificial intelligence, and cloud computing.<sup>6</sup> With US perceptions of China shifting, Washington has repeatedly pressured Israel to limit its cooperation with China to prevent espionage and intellectual property theft, and to protect Israel's (and the US's) national interests.

As Israel's innovation-focused relations with China have grown, with 2018 marking a peak of Chinese investment in Israel's hi-tech sector, so have US concerns and its pressures on Israel to limit its relationship. To some extent, Israel has been responsive—it established a foreign

investments advisory committee in 2019, and turned down Chinese bids for potentially security-sensitive infrastructure projects.<sup>7</sup>

While Israel's allegiance to the US is clear, it also feels that the US is attempting to, sometimes unreasonably, limit its economic opportunities with China. It fears that US interest in the region might diminish, forcing it to engage more with a dominant China. Thus, the Israeli government will have to carefully balance its foreign policy if it wants to continue fostering good ties with China, while also keeping its alliance with the US intact.

### **A New Strategic Equation**

Despite the geopolitical shifts and disagreements, the US remains Israel's staunchest ally. But if mismanaged, Israel Prime Minister Benjamin Netanyahu's planned China visit in October, amidst already existing tensions, may strain the relationship further.

Looking beyond the Israel-China bilateral relationship, some view the visit as a reaction to perceived slights from US President Joe Biden's administration, while others believe it to be a strategic move to leverage the competition between Beijing and Washington to Israel's advantage. Netanyahu is reported to have said that "China's entry into the region could be

beneficial for Israel in terms of maintaining the American presence in the Middle East."<sup>8</sup> From this perspective, Netanyahu's trip may incentivise the US to maintain its role in the region and double-down on efforts to facilitate normalisation between Israel and Saudi Arabia.

Indeed, while the management of the Israel-China-US triangle remains important, in many ways it already represents the strategic past rather than the future. Amid the intensifying superpower competition and following the Abraham Accords of 2020 towards normalising Arab-Israeli relations, a new regional strategic equation is emerging in West Asia.

### **Middle Powers Realigning**

Superpower competition, the ongoing war in Ukraine, concerns over long-term US regional commitment and China's growing influence, as well as the impact of the Abraham Accords, are leading West Asian actors, including Israel, to rethink their strategic positions. China-US tensions have also prompted Washington to re-engage in the region on a larger scale using the opportunities created by the Abraham Accords. In 2021 it established I2U2, a minilateral grouping comprising the US, Israel, India, and the UAE. So



far, the I2U2 framework has focused primarily on economic cooperation, refraining from adopting an overtly political stance.<sup>9</sup>

The UAE and Israel have also been actively exploring the creation of new minilaterals with their counterparts in Asia. Israel-Japan-UAE trilateral cooperation is being actively developed between the three countries' governments, academia, and business sector. Last year, experts from Israel, the UAE, and South Korea attended a workshop in Abu Dhabi, discussing ways to strengthen cooperation and create synergies.

These new inter-regional partnerships can empower larger powers such as India and smaller ones such as Israel and the UAE and similar others, to create platforms for cooperation free of the member countries' strategic differences. For the US, it is an opportunity to leverage these opportunities to reshape its regional engagement and regain regional trust by becoming a catalysing factor in future cooperation frameworks. The India-Middle East-EU Economic Corridor announced by President Biden at the G20 meeting in New Delhi in September has also brought the economic and strategic potential of such cross-regional cooperation to a new high.

Whether these initiatives lead to any practical advances or not remains to be seen. A more active China can play this game, too. Beijing's offer to mediate between Israel and the Palestinians was dismissed by many as unrealistic, but following the Saudi-Iran rapprochement, a Beijing-led move to bring together Israel and Saudi Arabia could be taken more seriously.<sup>10</sup> So would proposals for regional connectivity projects under the BRI.

These developments, together with the forthcoming presidential elections in the US in 2024, make achieving Saudi-Israel normalisation an important goal for the US. Real progress in its ties is imperative not only in terms of Washington's new strategy in the region, or even to score domestic points, but most importantly, to win an advantage in the superpower competition. With both powers ready to push their agendas forward, whichever can turn vision into reality will gain considerable clout in West Asia and beyond.

# China-UAE Relations in an Era of Strategic Competition

Jonathan Fulton

Events over the past year have drawn attention to China's growing involvement in West Asian affairs. In December 2022, Saudi Arabia hosted Chinese President Xi Jinping and an accompanying delegation for a China-Saudi bilateral, and China-Arab League and China-Gulf Cooperation Council (GCC) meetings. Billions of dollars' worth of memorandums of understanding and contracts were signed, and perceptions of Chinese influence in the Middle East – North Africa (MENA) region were greatly enhanced.<sup>1</sup> Two months later, Iranian President Ebrahim Raisi visited Beijing, Iran's first state visit in 20 years.<sup>2</sup> This was followed a month later by the dramatic announcement in Beijing that Saudi Arabia and Iran had agreed to resume diplomatic relations, with China acting as a mediator.<sup>3</sup> Taken together, these events have signalled a new height for Chinese involvement in the region.

While greater attention has focused on China's relations with Saudi Arabia and Iran—the two largest countries in the Gulf—the United Arab Emirates (UAE) is worth watching. Among countries in the MENA region, the UAE has the most developed and multifaceted relationship with China. The China-UAE bilateral meets a diverse and dynamic set of interests for both countries and comes with fewer political complications than Riyadh and Tehran. At the same time, the pressures coming from beyond the region in the form of great-power competition between China and the US is a complicating factor that must be considered, given the dense and long-standing political, security, and economic cooperation between Abu Dhabi and Washington.

The growth in the China-UAE bilateral has largely been driven by targeted coordination at the government level, a trend demonstrated by three consequential state visits. The first occurred in January 2012 when then Premier Wen Jiabao travelled to the UAE, where the two governments announced that they had signed a strategic partnership agreement.<sup>4</sup> This is an important designation in Chinese foreign policy, committing to cooperate more closely on regional and international affairs.<sup>5</sup> The UAE was the first Gulf state to establish this level of diplomatic relations with China, an indication that it serves a range of Chinese interests. The strategic partnership established consensus on 12 points, each of which were meant to develop deeper cooperation in diplomatic, economic, energy, security, and non-governmental ties.<sup>6</sup>

There were several reasons why the UAE was chosen for this designation before its larger neighbours. Foremost is that it boasts the region's premier logistics hub in Jebel Ali Free Zone (JAFZA), making it a regional base of operations for Chinese multinational corporations and state-owned enterprises (SOEs). In the early 2010s, over 200 Chinese companies had set up regional headquarters in JAFZA, servicing contracts across MENA.<sup>7</sup> As one Chinese banker noted in 2014, "the infrastructure is good and also the culture there

makes it easier. Chinese companies use Dubai as a gateway to the MENA region."<sup>8</sup> Dubai is also the site of Dragonmart, a massive Chinese retail centre with over 3,500 shops, as well as a large community of over 4,000 private Chinese businesses. This resulted in a Chinese expatriate population estimated to be 200,000 (in the early 2010s), by far the largest in MENA (a dramatic increase from the approximately 50,000 expatriates in 2006).<sup>9</sup> By 2023, the Chinese embassy in Abu Dhabi estimated that there were over 400,000 Chinese citizens residing in the Emirates.<sup>10</sup> That the UAE enjoys a stable political environment with a defence cooperation agreement (DCA) with the US also made it an attractive partner, as Beijing could develop its presence in the Emirates without making a corresponding security commitment.

The second state visit occurred in December 2015, when Sheikh Mohammed bin Zayed, then the de facto leader and now president of the UAE, visited Beijing.<sup>11</sup> This was the highest-level trip to China from the UAE since Xi had taken office. In addition to being president of the UAE, Sheikh Mohammed is also the ruler of Abu Dhabi, the largest and wealthiest emirate in the federation, and after this visit, China's presence in the country

began to evolve.<sup>12</sup> While Dubai was central to bilateral ties, Abu Dhabi now took a more strategic turn. In particular, the Khalifa Industrial Zone Abu Dhabi (KIZAD) became an important node for Chinese SOEs. Shortly after the visit, COSCO SHIPPING signed a 35-year agreement with KIZAD in a US\$738-million deal that doubled the port's container handling capacity.<sup>13</sup> The following year, a consortium from Jiangsu province signed a 30-year lease in KIZAD, representing an investment of US\$300 million.<sup>14</sup>

Building upon this momentum, the UAE hosted Xi for a state visit in 2018. The most notable outcome was the elevation of the bilateral relationship to a comprehensive strategic partnership (CSP), the highest level in China's diplomatic hierarchy. To have a CSP with China, the bilateral relationship needs to include high levels of political trust and strong economic ties, and the partnering state needs to be perceived as "playing an important role in international economics and politics."<sup>15</sup> That the UAE had been elevated to this level is proof of its importance as a pillar in China's approach to West Asia. After the CSP was signed, the UAE appointed Khaldoon al Mubarak as the presidential special envoy to China, while from China's side, State Councillor and former Foreign Minister Yang Jiechi steered the partnership.

Since then, cooperation has intensified, most visibly during the COVID-19 pandemic when the UAE took part in clinical trials for Sinopharm. After the vaccine was cleared, it became the first vaccine available in the country. During a 2021 visit by Chinese Foreign Minister Wang Yi, the two countries announced that Sinopharm China National Biotech Group and the UAE's G42 would manufacture and distribute HayatVax, with the goal of producing 200 million vaccines a year in the UAE.<sup>16</sup> Given the urgency inherent during the pandemic period, this agreement was indicative of deep levels of political trust.

Yet this has not come without complications. The UAE has a DCA with the US, by far its most important extra-regional partner. Emirati cooperation with China did not raise any red flags in Washington until 2017, when the US released its National Security Strategy, which identified great-power competition as its new strategic framework and China and Russia as its main rivals. At that point, it became clear to all US partners and rivals that maintaining a balanced approach to relations with Beijing and Washington would not be an easy task. For Emirati leadership, avoiding taking sides is seen as a necessity, a point made by Presidential Advisor Anwar Gargash in a speech in late 2022 when he said, "the UAE has no interest in choosing sides between great powers."<sup>17</sup>

At the same time, the perception of US retrenchment affects many in the Gulf, as the US government has clearly identified the Indo-Pacific as its priority. The US's withdrawal from Afghanistan reinforced this fear, and despite efforts to demonstrate that it continues to see the Gulf in important strategic terms, local actors remain concerned.

This tension is exacerbated by the increasingly strategic turn in China's approach to the Gulf, where security and military cooperation with the UAE is on the rise. This represents a shift; until recently, China has had a modest outreach in regional security affairs. The CSP, however, called for increased military and security cooperation, specifically more frequent high-level military visits and joint personnel training, and there have been steady results. Arms sales, for example, have intensified. The UAE has bought armed unmanned aerial vehicles from China for combat in Yemen and Libya.<sup>18</sup> In early 2022 the UAE announced its largest ever purchase from China, buying 12 L-15 Falcon training jets, with a price tag of between US\$10 million and US\$15 million each, and an option to purchase another 36 at a later date.<sup>19</sup> In early 2023, a research and development deal was signed between Norinco and International Golden Group to create a technology innovation laboratory, where the two will focus on "basic, utility and frontier

technologies, carry out aviation research and development as well as talent cultivation, and build a technology cradle."<sup>20</sup> In terms of joint training, the two countries announced that they would hold a joint air force exercise in August 2023, called the China-UAE Falcon Shield, in Xinjiang.<sup>21</sup> And most significant is a persistent rumour that China was developing a military facility in the UAE, first reported in 2021.<sup>22</sup> Soon after, the UAE government announced that construction had been stopped while also denying that there was a military component to the structure.<sup>23</sup> In 2023, the story resurfaced.<sup>24</sup> If true, this would likely strain the UAE-US relationship.

In the coming days, states and regions around the world will need to recalibrate their foreign policies to meet the changing landscape of US-China competition. Given the complexities of the Gulf region and its deep ties to both China and the US, the UAE is in a particularly challenging position that will require creative statecraft.

# Bytes and Beltways: Decoding Beijing's Tech-Centric Geopolitics in the Gulf

Mohammed Soliman

As China pursues a grand strategy aimed at displacing the US-led global order, technology has emerged as a fourth pillar alongside the political, military, and economic elements of its plans. A test case is the Arabian Gulf. Since the 2010s, China has been strategically enhancing its influence in West Asia, with a particular focus on the Gulf states, leveraging technology as a potent tool. This approach involves the deployment of Chinese software and hardware, coupled with joint technology and cyber initiatives. By utilising technology statecraft, Beijing aims to establish China's geopolitical footprint in the region without resorting to conventional military expansion.

Recognising the difficulty of directly contesting US dominance in the region, China has opted to seize the opportunities arising from the evolving dynamics in the Arabian Gulf as regional capitals

prioritise the digital transformation of their economies. Historically, the United States has been the dominant foreign presence in the region, but China has identified fissures in US power on display during the Arab Spring and conflicts in countries like Syria, Iraq, and Libya. As American dominance wanes, China is seeking to exploit the resulting gaps by deepening its connections with countries across West Asia.

## China's Long Game in the Gulf

In his book, *The Long Game: China's Grand Strategy to Displace American Order*, Rush Doshi, National Security Council official, argues that China aims to replace the American order on both regional and global scales.<sup>1</sup> He posits that China has pursued this goal through three successive "strategies of displacement" at the military, political, and economic levels.<sup>2</sup>

The initial strategy aimed to weaken American regional influence; it was followed by an effort to establish Chinese regional dominance; and the third strategy, characterised as one of expansion, now seeks to achieve both global and regional objectives simultaneously. In the context of the Arabian Gulf, the region inches closer to a dual hierarchical structure, with Washington as the main security guarantor and Beijing as the primary economic partner. China brokering an agreement between Saudi Arabia and Iran and its attempts to secure a naval base in the Gulf are all indications that China aims to displace the US-centric security architecture in the region.<sup>3,4</sup> Technology has been a core element of this strategy of displacement.

### **China's Tech Statecraft in the Gulf**

As part of Saudi Arabia's efforts to widen its political and economic influence in the region, Riyadh is reshaping its ties with both the United States and China, transitioning from traditional energy-focused connections to modern ones centred around technology and cybersecurity. China's role in building 5G networks in Saudi Arabia, the UAE, and Qatar, and the capital investment that Saudi Arabia and the UAE deployed in technology companies in China, reflect the central role of technology in advancing China's Gulf strategy.<sup>5</sup> Despite the US's resistance

to the strengthened ties between China and the Gulf, the Gulf nations continue to forge ahead. For instance, during the China-Saudi Arabia Summit, the Saudi Ministry of Communications and Information Technology (MCIT) signed an MoU with Huawei to establish a 10-gigabits-per-second mobile internet network and a cloud computing centre within Saudi Arabia.<sup>6</sup> This deal underscores Saudi Arabia's determination to incorporate Chinese technology in its digital advancement, despite US efforts to dissuade such reliance due to security concerns. Furthermore, given the global shift in supply chains and the need for proactive industrial strategies, Saudi Arabia is prioritising the localisation and domestic production of vital tech-reliant sectors like electric vehicles (EVs).<sup>7</sup> EVs have become central to Riyadh's endeavours to diversify its economy and transition to cleaner energy sources. Another noteworthy outcome of the summit was the agreement for joint Chinese-Saudi production of EVs. Enovate Motors, a Chinese EV manufacturer, signed an MoU to establish an automobile factory in Saudi Arabia capable of producing 100,000 cars annually.<sup>8</sup>



## **Disputed Regional Hegemony**

Amid escalating tensions between the United States and China, GCC nations find themselves in a precarious position. China's role as a large oil buyer cannot be underestimated, especially in the Gulf region, where oil exports are a cornerstone of economic stability. Furthermore, post-pandemic recovery has solidified the interdependence between Gulf economies and China's growth goals.<sup>9</sup> However, beneath these economic interactions lies a complex strategic calculation. Beijing recognises that the Gulf states have increasingly leaned on their security alliance with the United States, a partnership bolstered by shared concerns such as the threat posed by Iran and its proxies. Robust US military presence in the region, seen in significant troop deployments and US arms exports, has served as a vital deterrent against potential security risks.

Nonetheless, China's ambitions extend beyond mere economic and technological cooperation. Instead, China is pursuing a multifaceted strategy aimed at challenging the established US-led

security architecture in West Asia. Its overarching objective is to establish a new order with China at the forefront. Achieving this involves a gradual process of disputing and undermining US hegemony. In the initial phase, China seeks to chip away at the foundations of the US-led order by creating alternative economic and technological frameworks. By cultivating relationships and partnerships that operate outside the traditional Western-dominated structures, China looks to lessen its reliance on the prevailing global order.

In the next phase, China aims to put forth a comprehensive alternative to the US-led security architecture. This intention is manifested through Beijing's active efforts to establish a military base in the Arabian Gulf, alongside the noticeable uptick in military sales to Arab states.<sup>10</sup> By building a network of partnerships and alliances centred around its economic and technological order, China aims to establish a sphere of influence that challenges US clout in global affairs. This vision encompasses not only economic and technological realms but extends into diplomacy, security, and international governance.

## **U.S. Containment and the Future of Chinese Tech Statecraft**

The Biden administration's National Security Strategy (NSS), building upon the 2017 framework initiated by the Trump administration, emphasises great-power competition. The 2022 NSS focuses on the "decisive decade," driven by emerging technologies like AI, data, and information networks. This strategy aims to manage separation from China and implement a "tech containment" approach.<sup>11</sup>

China's global tech influence, underscored by its affordable and globally integrated technology, aligns with its goal to become a "high-end innovation power," exemplified by 5G leadership through Huawei. Bipartisan concerns over China's 5G dominance bolstered the tech containment strategy, with the Clean Network Initiative excluding Huawei.<sup>12</sup> This strategy involves enhancing domestic capabilities, reshaping China's supply chain, forming a US-centred tech alliance, and limiting China's tech access. Legislative actions, such as the Chips and Science Act, support US semiconductor growth, while export controls restrict China's semiconductor access.<sup>13</sup> Seeking allies for its tech rivalry with China, the US strategically designs its approach to both slow China's semiconductor progress and strengthen its own tech coalition. This tech-focused blueprint is now integral to shaping the evolving global order.


The US strategy of tech containment could potentially influence China's efforts to establish a technology- and economy-centric framework in the Gulf region. While a complete assessment remains difficult, the export control measures employed by the US might impact China's semiconductor industry and its sophisticated technical proficiencies. These effects could extend to the implementation of specific agreements with the UAE and Saudi Arabia. Given the rapid pace of digital transformation in these countries, delays in realising these technological partnerships could undermine confidence in Chinese technologies. Consequently, such developments would offer a notable signal regarding the trajectory of the larger technological rivalry between the US and China.

### **Conclusion**

China is working to bolster its geopolitical influence in West Asia by forging technology initiatives in region. This approach allows China to solidify its presence without conventional military expansion while enhancing its economic heft. Gulf states that prioritise digital transformation has presented China with opportunities to form

partnerships that may prove pivotal in reshaping regional dynamics. This aligns with China's strategy to displace US influence regionally and globally.

In this context, China's activities in the Gulf, such as brokering agreements and fostering technological integration, demonstrate its strategy

to shift the balance of power. As the US-China tech rivalry evolves, Gulf states must navigate economic ties with China while maintaining security alignment with the US. This conundrum will continue to reshape the order in the Gulf region and beyond, as China's ascent transforms the global landscape. 

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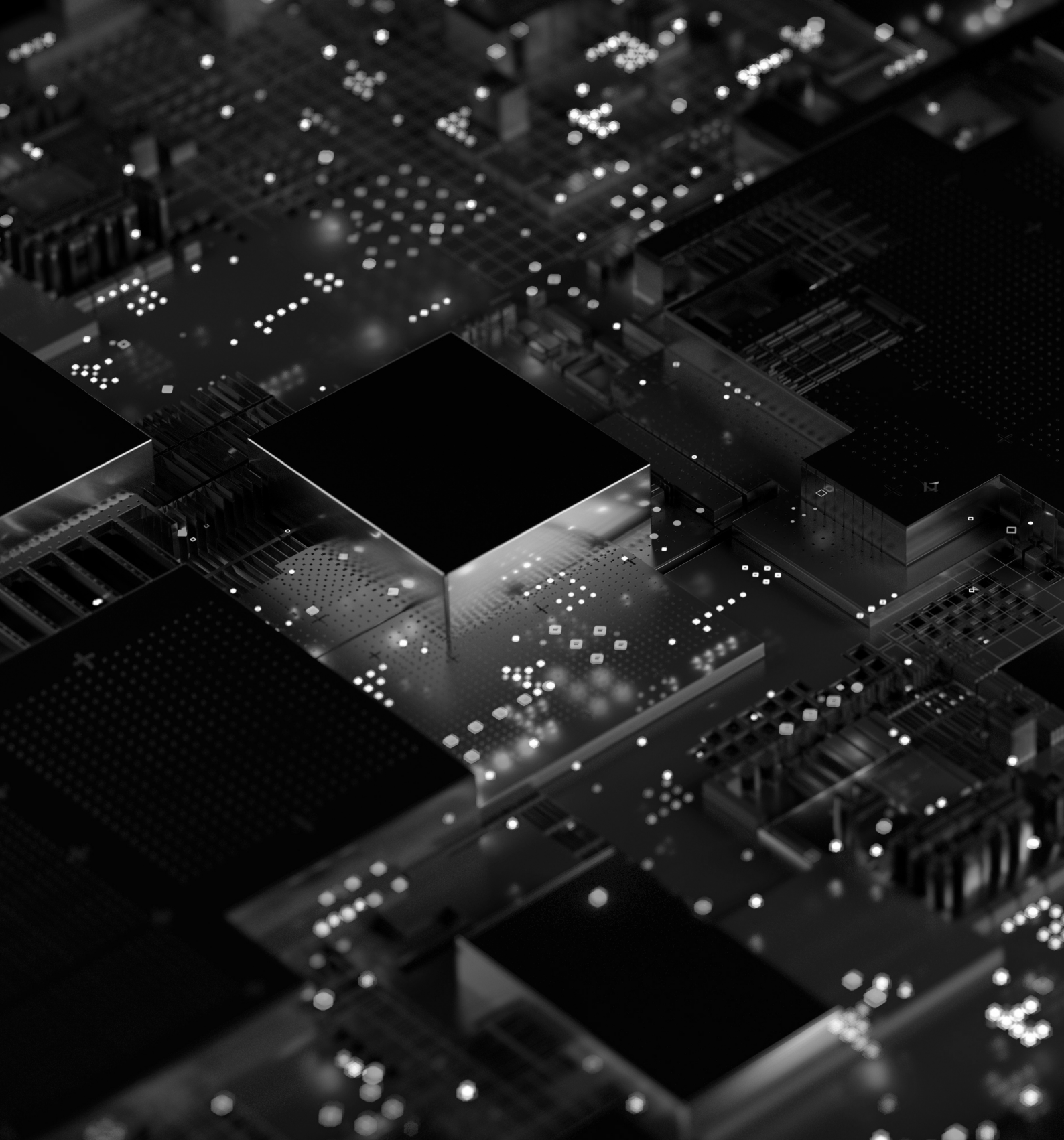
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