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Issue 12: Analysing China-Saudi Comprehensive Strategic Partnership

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Introduction

- On 7th December 2022, Chinese President Xi Jinping arrived in Riyadh to attend the first China-Arab States Summit and the China-Gulf Cooperation Council (GCC) Summit. The visit was concluded with the signing of an agreement for a Comprehensive Strategic Partnership as well as numerous bilateral trade and investment deals. Considering the deepening economic ties between China and Saudi Arabia, and the United States' slow repudiation from the Kingdom, this partnership may be perceived as a natural progression of events. However, it reflects a much greater shift in the current global scenario. In 2016, China and Saudi Arabia agreed to upgrade their bilateral ties to a Comprehensive Strategic Partnership, which is the second-highest level of diplomatic ties for China. This relationship has significant global economic, diplomatic and security consequences, which are analysed in this insight.

Economic Ties

- Oil has remained the foundation of the Beijing-Riyadh relationship. Saudi Arabia is currently China's top oil supplier. It makes up 18% of Beijing's total crude oil purchases, with imports totalling 73.54 million tonnes in 2022, worth \$55.5 billion. Saudi state-run oil conglomerate Aramco has annual supply deals with numerous Chinese refiners, including Sinopec, NORINCO Group, and Panjin Sincen. As sanctions over the invasion of Ukraine are making Russian oil difficult to procure, Beijing needs a reliable partnership with its oil-rich Arab supplier. China's energy security has thus assumed high importance, especially with its economy trying to bounce back after a major economic slowdown, as well as to ensure security in weaning off coal while avoiding another nationwide power crunch. Hence, the strategic partnership between Saudi Arabia and China gives significance to maintaining a stable global oil market.
- China is Saudi Arabia's largest trading partner. As an emerging market, Saudi Arabia shows great potential for procuring cost-effective Chinese products. The Saudi crown prince also regards China as a critical partner in his Vision 2030 agenda and ambitious megaprojects, including the \$500bn megacity Neom.
- The delegations agreed to boost the volume of non-oil trade, increase joint investments, expand capacity for commercial airlines, motivate private sector

investment, and create an attractive investment environment. This was accompanied by 34 energy and investment deals. The agreements, worth about \$30 billion, indicates strengths of a relationship that is pivoting toward a “new era” in strategic engagement, as President Xi remarked in his signed article published by Saudi newspaper Al Riyadh.

- Saudi utility developer ACWA Power agreed to jointly invest in a 1.5 gigawatt (GW) gas-fuelled power plant in Uzbekistan for \$1 billion with the Silk Road Fund under BRI. Similarly, state-run China Energy Engineering Corp (CEEC) is building a 2.6-GW solar power station in Al Shuaiba in Saudi Arabia, also owned by ACWA Power which will be West Asia’s largest solar project. Saudi Arabia has been the largest recipient of Chinese investments under the Belt and Road Initiative (BRI), averaging US\$5.5 billion worth of deals. It demonstrates Beijing’s long-term ambitions in West Asia – especially following a detour from investment in other BRI countries in recent times. The integration of Saudi Arabia in the overseas BRI projects has powerful geopolitical consequences for both countries. For China, the success of BRI in West Asia is highly dependent on Saudi Arabia, as it serves as the gateway for trade and investment connecting Asia, Africa and Europe. For Saudi Arabia, the BRI aligns with its Vision 2030 initiative, providing it critical infrastructure, access to new markets and an opportunity to move away from oil-dependent economy, creating a win-win situation for the two partners.
- During his visit, Xi urged his GCC counterparts to “make full use of the Shanghai Petrol and Gas Exchange as a platform to conduct oil and gas sales using Chinese currency.” The move would bring China closer to its goal of internationally strengthening its currency and challenge the US dollar-dominance. Beijing and Riyadh have not yet confirmed that the two sides have decided to abandon the petrodollar. Nonetheless, the deals still have the potential to incite anxieties for Washington, as China now rises as a true competitor in the region which experienced a longstanding American hegemony.

Political Implications

- The United States' efforts to disengage from West Asia have fuelled anxiety about who will fill the power vacuum. Thus, Saudi Arabia has become a central pillar of Beijing’s West Asia policy owing to Saudi’s geo-strategic location, prominence in global Islam and huge energy resources. Saudi Arabia, like other GCC states, has historically been oriented towards the United States in terms of

security, educational influence, as well as for financial flows and investments. However, tensions between the two countries have been on the rise in the last few years. In 2018, the Khashoggi assassination reinforced widespread perceptions of Saudi aggressiveness and overreach, already fuelled by the calamitous war in Yemen. During the 2020 Presidential debate, Joseph Biden stressed that he would make the Saudis “pay the price” for their killing of US-based Saudi dissident journalist Jamal Khashoggi. In October 2022, The OPEC+ decision to reduce the cartel's oil exports by two million barrels per day amidst sanctions on Russia further deteriorated the relationship. Furthermore, a stark contrast was seen between Biden's “fist-bump” meeting of July 2022 and Xi Jinping's lavish reception with a purple carpet, jets and canons during the December summit. This reflected the deepening rifts between the United States and Saudi Arabia, and China's rise as an alternative to the U.S. in West Asia.

- The policy of mutual non-interference has aided greatly in the closeness of Sino-Saudi relations. Under the Comprehensive Strategic Partnership, the two sides agreed to “jointly defend the principle of non-interference in other countries' internal affairs and other basic norms governing international law and international relations”. This policy has been a key observance in the trajectory of Sino-Saudi relations. For instance, Khashoggi's death had led to withdrawal of political support to Saudi Arabia from Washington's end. However, when the Saudi Crown Prince visited China in February 2019, he did not face protests, and the Khashoggi murder was not publicly discussed. He commented on the issue of Uighur Muslims in Xinjiang, saying Saudi Arabia respects “China's rights to take counterterrorism and anti-extremism measures to safeguard national security.” Saudi Arabia also defended signing a letter along with 36 other countries in support of China's policies in its western region of Xinjiang. The “China model” of a strong state focused on economic development with a tight lid on political reform is attractive to many West Asian political leaders and can provide opportunities for those states to work together on several issues that democratic partners cannot, at least to some extent.
- The partnership also focuses on increasing people to people contacts between China and Saudi Arabia. During the visit, China agreed to list Saudi Arabia as a destination for group travel and expand personnel exchanges as well as cultural and people-to-people exchanges between the two sides.
- Another initiative was taken by Saudi Arabia during Mohammed bin Salman's 2019 trip when it was announced that Chinese language teaching would be

included in the curricula of Saudi Arabia's K-12 public schools and universities. The Arabic language is also being taught in 44 Chinese universities. While still at a nascent stage, this signals a realisation on both sides that cultural familiarity is an important element in building relations. This may finally lead to a breakthrough for China's scramble for soft power.

Security Angle

- For a long period, the United States has remained the top supplier of arms to countries in West Asia such as Saudi Arabia, Qatar, and the United Arab Emirates (UAE). This long-standing trend, however, will likely see a shift in the near future. The United States has already suspended sales of advanced weapons because of the Saudis' actions in the Yemen war fought against Houthi forces since 2015. On the other hand, there has been a steady, visible growth in the arms trade between China and West Asian countries in recent years. For instance, Saudi Advanced Communications and Electronics Systems Co (ACES) has signed a deal with China Electronics Technology Group to manufacture unmanned aerial vehicle payload systems in the kingdom. Saudi Arabia is also capable of producing Chinese drones, after Riyadh and Beijing reached an agreement in 2017 to set up a factory in West Asia. In February 2022, the UAE declared its plans to order 12 L-15 light attack planes from China with the option of purchasing 36 more planes. For West Asian countries, purchasing Chinese weapons can reduce their dependence on the United States and Europe while providing an inexpensive means to stockpile their arsenals.
- During Xi's visit, it was announced that the Saudi Arabian government and Chinese tech giant Huawei signed an ICT cooperation deal aiming to develop digital transformation in Saudi Arabia. The two sides would also support the local digital enterprises working on projects of smart cities, the Internet of Things, artificial intelligence, gaming, financial technology, e-commerce, and blockchain. The deal with controversial Huawei Technologies, mainly related to cloud computing, data centres and building high-tech complexes in Saudi cities was announced soon after the U.S. ban on new telecommunications equipment from China's Huawei Technologies and ZTE, due to the "unacceptable risk" they pose to U.S. national security.
- Under the guise of fighting piracy, Beijing established its first overseas military base in Djibouti in 2017, just across the Saudi Arabian coast. As a result, China has now become an important stakeholder in the Red Sea and the western

Indian Ocean. More recently, China was found building a dual-purpose marine facility in Abu Dhabi which it abandoned only after vociferous US protests. In September 2022, China detailed its vision for a new security order in MENA (Middle East and North Africa) during the Second Middle East Security Forum in Beijing. The proposal is based on China's Global Security Initiative (GSI) principles, rolled out by President Xi Jinping at the Boao Forum for Asia in April.

Conclusion

- This deal with Saudi Arabia has a great impact on China's global power projection. Amidst global criticism during the COVID-19 pandemic and a massive drop in economic growth, this is an opportunity for China to start over in demonstrating its potential to the world. China's foreign ministry described Xi Jinping's trip as the "largest diplomatic activity between China and the Arab world" since the People's Republic of China was founded. The OPEC+ decision to cut oil production, which comes on the back of changing perceptions of the US's dominant position in the Gulf and Iran nuclear negotiations, creates momentum and encourages China to accelerate the exploitation of the multipolar moment rising in West Asia. Amid shifting global winds and growing great power competition, China is keen to ensure the Arab states are on its side- or at least neutral. In particular, China wants to see the Arab states advance cooperation with its new Global Development Initiative and Global Security Initiative along with BRI.
- New Delhi and Riyadh have exponentially strengthened their bilateral ties in the last few years, owing to strong civilizational relations, a major Indian diaspora in the Kingdom. Saudi Arabia and India established a Strategic Partnership through the Riyadh Declaration in 2010, followed by the institution of the India-Saudi Strategic Partnership Council in 2019. Thus, the increasing Sino-Saudi closeness must serve as an incentive for India to continue building positive relations with Riyadh in all sectors. This includes high-level diplomatic talks, increased investment, confidence-building measures and strengthening cooperation in the area of defence production and counter-terrorism. As China and India continue to compete in the West Asia, India must project itself as an attractive partner to Saudi Arabia to secure its interests.
- Furthermore, the presence of China in the western Indian Ocean can be viewed as a threat to India's security interests. As Beijing attempts to gain hegemony in the region that was once solely under India's sphere of influence, there are certain steps India can take to ensure its security and trade interests

Firstly, India must create an outline for making security in the Indian Ocean a priority in its Indo-Pacific Strategy. Critical importance should be given to efforts to engage with East African and West Asian littorals and islands of the Indian Ocean to show its presence and commitment to the region.