

# The Middle East in China's Belt and Road Initiative

## Strategic and Geopolitical Implications

By **Fabio Indeo**

### Series Introduction

The Covid-19 pandemic capped a series of events that made 2020 one of the most disruptive years in the annals of the energy industry, affecting markets, prices and livelihoods. The “Middle East, Asia and Energy Security in the Age of Covid-19” series of *Insights* looks at some of these developments and their impacts, including the astonishingly rapid emergence of the United States as the world's leading oil and gas producer, the increasingly dire outlook for the member countries of the Gulf Cooperation Council, the role of Asia in resuscitating global oil and gas demand and the increasingly important role of China, among the world's largest importers of oil and gas, in Middle East affairs.

### Abstract

*The enhanced cooperation between China and the Gulf states under the ambit of China's Belt and Road Initiative is based on a convergence of economic and strategic interests between Beijing and the various Middle Eastern players. It is focused on two dimensions — energy cooperation and the building of infrastructure (railways and ports) to promote interconnectivity. However, the need to protect the strategic goals of the initiative could push Beijing to take a proactive role in the security arena, which could trigger tensions in the region and with the United States.*

The Middle East plays an important role in the ambitious geo-economic project of global interconnectivity promoted by China: it is strategically located at the crossroads of Europe, Africa and Asia, which China's Belt and Road Initiative (BRI) is intended to link. The region is also a critical source of China's energy supplies. Consequently, Beijing has sought to involve the Middle East in both the BRI's maritime and land routes.

The Maritime Silk Road (MSR) component of the BRI is a geo-economic chain accounting for half of the global trade between China/East Asia and Europe.<sup>1</sup> The project involves developing a series of joint port–industrial park complexes through the strategic sea lines of communication (SLOCs) linking China to the Gulf, the Arabian Sea, the Red Sea, and the Mediterranean basin. Within the land component, the Middle East constitutes the last section of the China–Central Asia–West Asia Economic Corridor, which is under development. The corridor runs from China's Xinjiang province through Central Asia to reach mainly Iran and Turkey.<sup>2</sup>

<sup>1</sup> John Calabrese, “China's Maritime Silk Road and the Middle East: Tacking Against the Wind”, *Middle East Institute*, Washington, DC, 19 May 2020, <https://www.mei.edu/publications/chinas-maritime-silk-road-and-middle-east-tacking-against-wind>.

<sup>2</sup> Filippo Fasulo and Valeria Talbot, “The MENA Region: Where the Belt Joins the Road”, in *Belt and Road: A Game Changer in International Relations?*, ed. Alessia Amighini (Milan: ISPI, Epoké Edition, 2017), 76–77.

China has complemented its BRI with a tailored partnership diplomacy with selected countries in the Middle East, which it hopes will achieve strategic goals, such as access to seaports or investments in profitable technology parks. However, the success of these partnership efforts will depend on the ability of the various players involved to manage their existing rivalries and on how the United States reacts to China's efforts to extend its geopolitical influence in the region.

## Partnerships: Between Energy and Maritime Interconnectivity

While Iran was expressly included in the BRI initially, the six states of the Gulf Cooperation Council (GCC) — Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE) — were conspicuously omitted.<sup>3</sup> However, since 2016, China has pragmatically changed its approach towards the GCC countries because of their rising relevance as oil and gas suppliers.

Nearly 45 per cent of China's total oil imports come from Middle East producers. In 2019, Saudi Arabia exported more than 1.6 million barrels per day (b/p) of oil to China, overtaking Russia as the country's main oil supplier.<sup>4</sup> The International Energy Agency (IEA) expects Beijing to double its oil imports from the Middle East by 2035.<sup>5</sup> In the natural gas sector, Qatar is the second largest exporter of liquefied natural gas (LNG) to China, Oman and the UAE being among China's other LNG suppliers. Furthermore, the GCC countries' strategic location makes them critical for the MSR through the realisation of an economic chain based on ports and industrial parks that link China to the Gulf, the Arabian Sea, the Red Sea and the Mediterranean.

The year 2016 represented a turning point in China's relations with the Middle East: President Xi Jinping made his first official visit to the region (privileging the regional leaders, Saudi Arabia and Iran) and Beijing released its Arab States Policy Paper, which contains guidelines for China's economic relations with the region on the basis of a so-called 1+2+3 cooperation pattern, based on energy as the core, infrastructure and trade (as well as investments) as "two wings" and new technologies such as nuclear energy, aerospace and new forms of energy constituting "three turns".<sup>6</sup>

China has successfully involved the Gulf countries in supporting BRI projects because of an interesting convergence of strategic interests. China is the main economic partner for the Middle East. Bilateral trade between China and the Gulf Arab countries doubled to a total of almost US\$163 billion in the decade to 2018 and is expected to rise further.<sup>7</sup> Moreover, according to the China Global Investment Tracker, Beijing's investments in the Gulf Arab countries from 2013 to 2020 reached US\$72.74 billion, more than half of which were allocated to the energy sector.<sup>8</sup>

The Gulf countries are thus involved as active actors in China's so-called "Industrial Park–Port Interconnection, Two-Wheel and Two-Wing" initiative, within which the UAE's Khalifa Port, Oman's Duqm Port, Saudi Arabia's Jizan Port — together with Egypt's Port Said, Djibouti's Ain Sokhna Port and Israel's Ashdod Port — have been identified as sea hubs.<sup>9</sup> This Chinese agenda dovetails with the ambitious

<sup>3</sup> Talmiz Ahmad, "China's Belt and Road Initiative embraces the Middle East", *Arab News*, 19 April 2019, <https://www.arabnews.com/node/1484966>.

<sup>4</sup> US Energy Information Administration, "China's crude oil imports surpassed 10 million barrels per day in 2019", 23 March 2020, <https://www.eia.gov/todayinenergy/detail.php?id=43216#:~:text=March%2023%2C%202020-,China's%20crude%20oil%20imports%20surpassed%2010%20million%20barrels%20per%20day,d%20from%20the%202018%20average.>

<sup>5</sup> "China's New Silk Road Strategy & Middle East", *Belt & Road News*, 9 March 2020, <https://www.beltandroad.news/2020/03/09/chinas-new-silk-road-strategy-the-middle-east/>.

<sup>6</sup> Ministry of Foreign Affairs of the People's Republic of China, "China's Arab Policy Paper", January 2016, [http://www.fmprc.gov.cn/mfa\\_eng/wjdt\\_665385/2649\\_665393/t1331683.shtml](http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1331683.shtml).

<sup>7</sup> Camille Lons, Jonathan Fulton, Degang Sun and Naser Al-Tamimi (eds), *China's Great Game in the Middle East*, ECFR Policy Brief, European Council on Foreign Relations, 21 October 2019, 26, [https://www.ecfr.eu/page/-/china\\_great\\_game\\_middle\\_east.pdf](https://www.ecfr.eu/page/-/china_great_game_middle_east.pdf)

<sup>8</sup> American Enterprise Institute, "China Global Investment Tracker", <https://www.aei.org/china-global-investment-tracker/>

<sup>9</sup> Embassy of the People's Republic of China in the Republic of Malta, "Wang Yi: China and Arab States should jointly forge the cooperation layout featuring "Industrial Park–Port Interconnection, Two-Wheel and Two-Wing approach", 7 July 2018, <http://mt.chineseembassy.org/eng/zyxwtd/t1576567.htm>. China had also identified Israel's port of Haifa as a sea hub for the project. However, US concerns that having a Chinese company run the strategic Mediterranean port could interfere with the presence of the US navy's Sixth Fleet have since pushed the Israeli government to reconsider Chinese investments in Haifa. See Roie Yellinek, "The Israel–China–US Triangle and the Haifa Port Project", Middle East Institute, Washington, DC, 27 November 2018, <https://www.mei.edu/publications/israel-china-us-triangle-and-haifa-port-project>.

development visions of several Gulf countries (Saudi Arabia’s Vision 2030, UAE’s Vision 2021, Oman’s Vision 2020; Kuwait’s Vision 2035), which include attracting investments to build new, or expand the capacity of existing, logistical facilities and port infrastructure.<sup>10</sup>

For the Gulf countries, an enhanced partnership with China can support their efforts to implement their economic diversification plans aimed at reducing their inordinately high and potentially dangerous dependence on oil exports. These oil monarchies are among the founding members of the Asian Infrastructure Investment Bank (AIIB), offering their economic and political support to the China-led institution, which is also the main source of investment for BRI projects.<sup>11</sup>

Saudi Arabia is keen on attracting investments and know-how to develop nuclear power plants to meet its growing electricity demand and reduce its oil dependence.<sup>12</sup> The UAE, for its part, appears more inclined towards cooperating with Chinese companies to increase energy production from renewable sources (mainly solar power). This is in line with its “Clean Energy Strategy 2050”.

In terms of maritime connectivity, the UAE and China have adopted joint initiatives to strengthen the role of Dubai as a regional logistics hub for Chinese goods: in 2019 they signed agreements to the value of some US\$3.4 billion to develop ports (mainly Jebel Ali deep seaport, which is the largest in the Middle East) and other logistical facilities.<sup>13</sup>

The key to China’s efforts to promote the MSR and achieve its goal of geographic diversification and security of trade routes, however, lies in cooperation with Oman. Duqm and other Omani ports are strategically and geopolitically significant for China because they are located outside the congested and vulnerable Strait of Hormuz chokepoint.<sup>14</sup> Thus, in the past years, China, along with the AIIB, has pumped in a sizeable US\$10.7 billion to develop Duqm port’s commercial terminal and to create a special economic zone there. China is also committed to supporting Oman’s efforts to expand its national network of roads and railways, connecting them to the transportation corridors of the other GCC countries, thereby developing combined sea–land corridors as alternatives to routes crossing the Strait of Hormuz.

From the Chinese perspective, Duqm and Dubai are alternatives to one another that can serve the Chinese agenda of diversifying its maritime routes for enhanced commercial security. A similar hedging strategy can be seen in the Mediterranean Sea, where ports in Greece and Italy serve as alternative routes to ship Chinese goods to Central European markets.

## Iranian Seaports: Bypassing the Strait of Hormuz

Given its strategic location, Iran plays a significant role as a transit hub in the BRI’s railway interconnectivity architecture promoted by China. The land route crossing Iran represents the southern branch of the China–Central Asia–West Asia corridor, conceived as an alternative route to the main Trans-Caspian sea and land route.

China is financing the upgrading of the Tehran–Mashhad railway, with its Exim Bank having granted a loan of US\$1.5 billion for the line’s electrification. The line will be a key segment of a railway project aimed at connecting Urumqi in China’s Xinjiang province to Tehran and then running to Turkey and the European Union, via Kazakhstan, Kyrgyzstan, Uzbekistan and Turkmenistan.<sup>15</sup> In addition, Iran will offer its ports to

<sup>10</sup> Calabrese, “China’s Maritime Silk Road and the Middle East”.

<sup>11</sup> Muhammad Zulfikar Rakhmat, “How the AIIB grows China’s interests in the Middle East”, *The Diplomat*, 4 September 2020, <https://thediplomat.com/2020/09/how-the-aiib-grows-chinas-interests-in-the-middle-east/>.

<sup>12</sup> Kingdom of Saudi Arabia, “Vision 2030”, <https://vision2030.gov.sa/en>.

<sup>13</sup> Lisa Watanabe, “The Middle East and China’s Belt and Road Initiative”, *CSS Analyses in Security Policy*, No. 254, December 2019, <https://css.ethz.ch/content/dam/ethz/special-interest/gess/cis/center-for-securities-studies/pdfs/CSSAnalyse254-EN.pdf>; Frank Umbach, “China’s Belt and Road Initiative and the Mediterranean Region: the Energy Dimension”, *Konrad-Adenauer-Stiftung Mediterranean Dialogue Series*, No. 14 (2018): 7, [https://www.kas.de/documents/252038/253252/7\\_dokument\\_dok\\_pdf\\_52761\\_1.pdf/8f5d7f3c-9e1c-3bd4-614b-9b6379ac4e27?version=1.0&t=1539647333202](https://www.kas.de/documents/252038/253252/7_dokument_dok_pdf_52761_1.pdf/8f5d7f3c-9e1c-3bd4-614b-9b6379ac4e27?version=1.0&t=1539647333202).

<sup>14</sup> Mordechai Chaziza, “The Significant Role of Oman in China’s Maritime Silk Road Initiative”, *Contemporary Review of the Middle East*, 2018: 7–10.

<sup>15</sup> Chris Devonshire-Ellis, “China’s Belt & Road Initiative In The Middle East”, *Silk Road Briefing*, 21 June 2019, <https://www.silkroadbriefing.com/news/2019/06/21/chinas-belt-road-initiative-middle-east/>; Alex Vatanka, “China’s Great Game in Iran”, *Foreign Policy*, 5 September 2019, <https://foreignpolicy.com/2019/09/05/chinas-great-game-in-iran/>.

develop a north–south transport corridor, allowing China to deliver its goods through an intermodal route combining ferries and railways. This will further the BRI’s interconnectivity goal.

In this plan, the Iranian port of Chabahar has a strategic role because it is located outside the Gulf, allowing ships to bypass the Strait of Hormuz. Since 2016, India has tried to develop Chabahar as a transit hub to implement the International North–South Transport Corridor (INSTC) to connect ports and rail centres in the Indian Ocean and Gulf region to the Caspian Sea and then onwards through Russia to northern Europe. Owing to delays in India’s plans, Iran has decided to complete a railway line connecting Chabahar to Zahedan at the border with Afghanistan.

More significantly, Iran has invited both Pakistan and China to participate in the development of Chabahar.<sup>16</sup> In May 2019, Iran’s foreign minister proposed connecting Chabahar by rail and road with the Pakistani seaport of Gwadar to promote trade and commerce in the region. This is intriguing for China since Gwadar is a key hub of the China–Pakistan Economic Corridor, defined as the BRI’s flagship project.<sup>17</sup>

In 2020, Iran and China worked on a new, 25-year cooperation deal to upgrade their comprehensive strategic partnership signed in 2016. The text of the agreement has yet to be released but it appears that China was willing to defy US sanctions on Iran as its own relations with the United States deteriorated under the Trump administration. China had earlier agreed to significantly reduce oil imports from Iran, turning instead to Saudi Arabia for the bulk of its supplies from the region.<sup>18</sup> In addition, its oil and gas companies pulled out of two Iranian oil and gas projects.<sup>19</sup> A *New York Times* report claiming to have obtained a copy of the draft cooperation agreement suggests China could go ahead to award the investments it had pledged in 2016 to develop Iran’s oil, gas and petrochemicals sectors as well as help develop Iran’s transport and manufacturing infrastructure.<sup>20</sup> In return, China would get discounted supplies of Iranian oil and gas for the next 25 years.

It is evident that the convergence of economic and strategic interests will be profitable for both players. For Iran, its involvement in the BRI will help to realise free-trade zones in Maku, Abadan and Queshm island in the Gulf;<sup>21</sup> for China, there also is an energy dimension: with the world’s second largest natural gas reserves and fourth largest oil reserves,<sup>22</sup> Iran could serve as a means of diversifying China’s import sources and bolstering its energy security.

Based on the *New York Times* report, it would appear that the two sides may have also discussed Chinese access to the Iranian port of Jask in return for China supporting Tehran’s ambition to develop a US\$1.8 billion oil export terminal in Jask by 2021 to boost Iranian oil exports. Jask’s strategic location would allow tankers to bypass the Strait of Hormuz.

## Security Issues

Security along the SLOCs is one of the main preconditions for the successful implementation of the MSR: goods are shipped from Chinese ports across the Indian Ocean through several chokepoints (Malacca, Bab el-Mandeb, Suez) before reaching the Mediterranean Sea and Europe. Energy routes along the BRI flow in reverse direction, delivering oil and natural gas from the Middle East to Chinese refineries and LNG terminals located on China’s eastern coast, crossing two vulnerable chokepoints, the Straits of Hormuz and Malacca. These

<sup>16</sup> Syed Fazl-e Haider, “INSTC vs BRI: The India–China Competition Over the Port of Chabahar and Infrastructure in Asia”, China Brief, Jamestown Foundation, 10 December 2019, <https://jamestown.org/program/instc-vs-bri-the-india-china-competition-over-the-port-of-chabahar-and-infrastructure-in-asia/>.

<sup>17</sup> “Iran says ready to connect Pakistan’s Gwadar to Iran’s Chabahar port”, Xinhua, 24 May 2019, [http://www.xinhuanet.com/english/2019-05/24/c\\_138086073.htm](http://www.xinhuanet.com/english/2019-05/24/c_138086073.htm).

<sup>18</sup> Bonnie Girard, “China’s Iran Dilemma”, *The Diplomat*, 11 January 2020, <https://thediplomat.com/2020/01/chinas-iran-dilemma/>.

<sup>19</sup> Ellie Geranmayeh, “A pragmatic partnership: Why China and Iran try to collaborate”, ECFR Commentary, European Council on Foreign Relations, 17 July 2020, [https://www.ecfr.eu/article/commentary\\_a\\_pragmatic\\_partnership\\_why\\_china\\_and\\_iran\\_try\\_to\\_collaborate](https://www.ecfr.eu/article/commentary_a_pragmatic_partnership_why_china_and_iran_try_to_collaborate).

<sup>20</sup> Farnaz Fassihi and Steven Lee Myers, “Defying US China and Iran near trade and military partnership”, *The New York Times*, 22 July 2020, <https://www.nytimes.com/2020/07/11/world/asia/china-iran-trade-military-deal.html>.

<sup>21</sup> Anthony H. Cordesman, “China in the Gulf: A New Partnership with Iran?”, CSIS Commentary, Center for Strategic and International Studies, 15 July 2020, <https://www.csis.org/analysis/china-gulf-new-partnership-iran>.

<sup>22</sup> BP, “BP Statistical Review of World Energy 2020”, June 2020, 14, 32, <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2020-full-report.pdf>.

corridors are susceptible to sudden and potentially long-term disruptions, so China's main task is to provide security of shipping as well as to develop alternative routes bypassing these maritime bottlenecks.<sup>23</sup>

Regional tensions and conflicts, piracy and terrorism are the key threats that affect the security of navigation through these waters, as demonstrated by recent instances of violence such as the attack on Saudi Aramco's oil facilities at Abqaiq in September 2019. That attack halved Saudi Arabia's daily oil production and had a significant impact on its export capacity as well as on oil prices.<sup>24</sup>

In spite of Beijing's constant reiteration that it adheres to the principle of non-interference in the internal affairs of other states, the size of its investments in the Gulf region and its high dependence on Gulf oil imports could push China to increase its security footprint in the wider Middle East region if there are serious threats to its strategic interests. There are concerns that the roads, railways and ports conceived to promote trade and interconnectivity that China has massively invested in could become geostrategic routes to deliver military equipment and rapidly deploy troops in case China perceives its security interests to be threatened.

China's 2015 White Paper on Military Strategy, which defines the protection of Chinese interests abroad as a strategic task, and its new anti-terrorism law of 2016, which legalised counterterrorism activities abroad by Chinese security forces, signal a progressive revision of the country's foreign policy doctrine.<sup>25</sup> They led to China establishing its first overseas military base — in Djibouti — to provide security along the waterways crossing the Horn of Africa (Bab el-Mandeb) and the Arabian Sea.<sup>26</sup>

China's military cooperation with Iran is viewed with concern by the United States and Gulf Arab countries although it seems to have been conceived mainly to preserve navigation security in the Strait of Hormuz and protect maritime energy routes, a shared goal of all Gulf energy suppliers and international consumers. The United States and Gulf Arabs fear the China–Iran partnership could change the traditional regional security architecture based on the role of the United States as security provider.

On 27–29 December 2019 — before the US–Iranian crisis precipitated by the US assassination of the Iranian military leader Qasem Soleimani — Iran and China (together with Russia) held a trilateral naval drill in the Indian Ocean and Sea of Oman.<sup>27</sup> This was not an open challenge to the US role as security provider in the region, but appears to reflect the ongoing geostrategic transition in the Gulf security architecture from one involving a unipolar US defence umbrella to a multilateral security system,<sup>28</sup> which involves not only China but also other East Asian countries (eg, Japan) providing security along the maritime energy routes crossing the Gulf.

Although China also signed a military cooperation agreement with Saudi Arabia in 2016, until now its security ties with the Gulf countries are focused on joint exercises, counterterrorism cooperation and sales of weapon systems. In the past decade, China has also participated in anti-piracy and maritime security missions in the Arabian Sea and Gulf of Aden.<sup>29</sup>

In fact, China has traditionally maintained a cautious approach concerning security issues in the Middle East to avoid provoking Washington, because, like the Gulf states, China too depends on the US Navy to uphold freedom of navigation and protect trade and energy flows through the Gulf.<sup>30</sup>

<sup>23</sup> Fabio Indeo, "The Vulnerability of Maritime Energy Routes and Chinese Energy Security: Hormuz and Malacca Chokepoints Dilemmas", in *Oil Routes*, ed. Alain Beltran (Bruxelles: Peter Lang Editions, 2016), 312–314; Watanabe, "The Middle East and China's Belt and Road Initiative".

<sup>24</sup> Michael Lelyveld, "China faces pressure from Saudi oil disruption", Radio Free Asia, 23 September 2019, [https://www.rfa.org/english/commentaries/energy\\_watch/china-faces-pressure-from-saudi-oil-disruption-09232019110520.html](https://www.rfa.org/english/commentaries/energy_watch/china-faces-pressure-from-saudi-oil-disruption-09232019110520.html).

<sup>25</sup> Ministry of National Defence, The People's Republic of China, "China's Military Strategy", 26 May 2015, [http://eng.mod.gov.cn/Press/2015-05/26/content\\_4586805.htm](http://eng.mod.gov.cn/Press/2015-05/26/content_4586805.htm).

<sup>26</sup> Nadège Rolland, "Securing the Belt and Road: Prospects for Chinese Military Engagement Along the Silk Roads", in *Securing the Belt and Road Initiative*, ed. Nadège Rolland (Washington, DC: National Bureau of Asian Research, 2019) 1–7.

<sup>27</sup> Rajeswari Pillai Rajagopalan, "What's in the growing Russia–China–Iran trilateral convergence?", ORF Commentaries, Observer Research Foundation, 24 December 2019, <https://www.orfonline.org/research/whats-in-the-growing-russia-china-iran-trilateral-convergence-59476/>.

<sup>28</sup> James M Dorsey, "Turning Gulf Security Upside Down", *Middle East Insight* 238, 6 July 2020, <https://mei.nus.edu.sg/publication/insight-238-turning-gulf-security-upside-down/>.

<sup>29</sup> Camille Lons, Jonathan Fulton, Degang Sun, Naser Al-Tamimi (eds), *China's Great Game in the Middle East*, 29–30.

<sup>30</sup> James M Dorsey, "Turning Gulf Security Upside Down".

For the Gulf Arab countries, continued inclusion under a US security umbrella remains the best option to maintain peace and stability in the region and to protect their interests, but they have also sought at the same time to diversify their security cooperation to better protect their interests. Iran, on the other hand, questions US dominance in the Gulf, and security cooperation with China (and Russia) represents a way for it to counterbalance that dominance and break out of its perceived geopolitical encirclement by the military forces of the United States and the Gulf Arab states.

## Conclusion

China intends to preserve its partnerships with the Middle East in the energy and infrastructure sectors in order to successfully implement the BRI. However, the success of this ambition will depend on China's ability to overcome regional rivalries, particularly hostility between Iran and the Gulf Arabs. Beijing also has to be able to simultaneously preserve relations with Iran and Saudi Arabia, its two main strategic partners.

For the Gulf Arab states and Iran, Chinese investments are important to promote their economies and energy diversification programmes, as well as to increase the role of the region as a transit corridor for trade. However, Chinese presence in the region could trigger new tensions with the United States if Beijing's role in the security domain grows.

## About the Author

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