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**NEW ERA WITH NEW OPPORTUNITIES: THE
PERSPECTIVES OF CHINA AND THE GULF COOPERATION
COUNCIL ECONOMIC AND ENERGY RELATIONS**

Abstract

The main purpose of this article is to analyze the origins, historical background, development plans and the future between GCC (Gulf Cooperation Council) unit and rising China. Investigating various aspects of economic, as well as energy cooperation between the sides help us comprehend present situation and also predict the possible perspectives among them.

The GCC's economic advantageous status in world affairs with its significant global shifts is attractive to major powers. Especially its cooperation with principal economic partner China, tends to enter new and more promising level in the field of international relations.

Although China-GCC relations are developing in multilevel perspectives, oil sector is going to remain the most significant 'driving force' shaping these ties at least in foreseeable future: Beijing's growing energy demands will stimulate the process. On the other hand, ensuring world major power's huge energy needs can help GCC unit make its transition processes from regional to global international arena more rapidly and softly.

Keywords: *China, GCC, economy, energy, cooperation*

Introduction

China's growing energy demands on the one hand, and its development of diverse economic projects with the Council on the other highlight the growing significance of bilateral cooperative ties, which the article tends to explore. Indeed, in 21st century the main goal of China is to intensify its energy cooperation with oil-rich GCC, however, it will be more proper to accept the year of 1993 as a milestone for their relations, when China becoming a net oil importer country started to attach more significance to GCC. It will be illustrated below that energy security naturally became an essential objective and important factor between China-GCC relations. New era opens up new opportunities, and the prospects of cooperation will be

more promising in the coming future. The GCC states' economic advantageous positions, development plans and significant global shifts will be presented, as all these developments are attractive to China. Furthermore, in new era those states have started to adopt 'Look East' strategy and their cooperation especially with rising China will enter new and more promising level in the field of international relations. We can notice that China-GCC economic relations are developing in multilevel perspectives, however, oil undoubtedly remains the most significant factor shaping their ties. This sphere will be analyzed properly. About two-thirds of those countries oil reserves are being channeled to Asia, which is more than the GCC oil exports to North America and Europe together. International media also pays considerable attention to China-GCC mutual interdependent policy. The article is going to prove that economic ties between China and the GCC are stable, strong and the prospects of cooperation will be more 'fruitful'.

Development processes between China and GCC states

Before economic modernization reforms along with 'opening up to outside world' of 1978 China's foreign policy towards the 'Third World' countries was guided in accordance with its basic principles. These principles were defined by Beijing's worldview and national ideology. During the period of 1960-1963 Sino-Soviet confronting relations were followed by mutual competition through revolutionary movements in the 'Third World'. Later the Soviet Union's invasion of the Middle East seemed to be the most significant factor that made China establish and develop its cooperative relations with the GCC states¹.

Another phenomenon is relatively deep investigation of strategically significant Gulf region in China by Chinese experts of Arab world. They examine the strategic configuration in the Gulf region within a framework consisting of five periods. The first period is from 1949 to 1958, when the domination of pro-Western monarchies

¹Cheng J., *The Evolution of China's Foreign Policy in the Post-Mao Era: From Anti-Hegemony to Modernization Diplomacy*, Hong Kong: The Chinese University Press, 1989, pp. 190-194.

was evident in the region. The second period dates from 1958 to 1979, when the Iraqi revolution became a conflicting cause based on ideological contradictions between two Gulf major courses-radical republic and conservative monarchies. The third period is from 1979 to 1990, when the Islamic Revolution of Iran once again 'updated' the previously-existed confrontation between the Arab world and Persian civilization based on national-religious elements. The fourth period is from 1990 to 2001, when the Iraqi invasion of Kuwait established a triangular structure based on political, as well as strategic conflicts among Iraq, Iran and the GCC countries. And finally, the fifth period relates to period from 2001 to the present times, when the September 11 terroristic attacks regenerated antagonism between two main religious branches of Islam-the Sunnis and the Shiites. Thus, since the beginning of the 21st century the religious contradiction in the Gulf region became a dominating factor².

China's Gulf policy can be divided into the following stages in accordance with this strategic form:

1958-1967: China focused its foreign policy on Iraq, and the main reason were the ideological stand and revolutionary orientations of Iraqi regime during the Cold War period;

- 1967-1971: China focused on revolutionary developments in the Gulf region during extreme radicalization period of its foreign policy;
- 1971-1979: China aimed to create broader united front against the Soviet imperialistic expansion. The US President Nixon's visit to China put closer geostrategic Sino-US interests in the Gulf region;
- 1979-1990: China used Iran-Iraq war to increase its public revenues, becoming a major arms supplier to both sides;
- 1990-2001: China started to pay special attention to Iran;
- 2001-to the present: China focused on two major giants in the Gulf region-Saudi Arabia and Iran. In regard to Beijing's foreign policy objectives and approach to the region those states are presenting the highest priority³.

²Cheng J., China's Relations with the Gulf Cooperation Council States: Multilevel Diplomacy in a Divided Arab World, *China Review* 16 (1), 2016, p. 39.

³Ibid.

Beijing took the Gulf region seriously starting from the 1970s. In 1971 China established relations with Kuwait. Later in 1978 China established diplomatic relations with Oman, then with the UAE in 1984, with Qatar in 1988, and with Bahrain in 1989. In 1990, after one year of China's Tiananmen incident, Saudi Arabia became the last GCC state establishing diplomatic ties with China. Thus, China established diplomatic ties with all six GCC states immediately after launching economic modernization programs and reforms. China's main reason to strengthen its ties with the 'Third World' in general and with the GCC states in particular, possibly could be viewed as consequence of Tiananmen incident together with Western sanctions imposed on the country. Nevertheless, It is more proper to accept the year of 1993 as the milestone for China-GCC relations. China became a net oil importer country, trying to enlarge its economic relations with oil-rich GCC region. Energy security naturally became essential objective between China-GCC cooperation. During June and July of 1993 China's then deputy premier Li Lanqing visited all six GCC countries (also Iran). Beijing's fundamental goal was to secure its peace oil supply. While seeking new markets for its labor-intensive products China succeeded in 'discovering' the GCC states which showed rising interests to Chinese products. For instance, the UAE has become the most significant location for China's manufactured products for re-exporting them to neighboring states since 1990s. The Emirate's imports from China increased significantly accounting from \$2.1 billion in 2001 to nearly \$24 billion in 2008⁴.

The basic trade cooperation between China and the GCC states has been clear-cut, covering some fundamental aspects. China is mainly importing oil, natural gas, and also chemical products from the GCC states, and it is exporting electronic and telecommunication equipment, textile fabrics and garments. China's overall considerations related to the Gulf region are based on some basic assumptions and foreign policy objectives, including a recognition of the PRC as the sole legitimate representative of China, a maintenance of friendly cooperative ties with all the other actors in the region, an encouragement of multi-polarity

⁴Ibid, p. 38.

in the region, a guarantee of Beijing's regional interests, a coordination of China's Gulf policy with the broad objectives of advocating its modernization perspectives, and the increase of Beijing's international status together with its rising influence. In the 21st century despite China's growing economic and energy cooperation with the GCC states, the above mentioned objectives are becoming very important and promising for China in regard to China-GCC relations and their perspectives⁵.

Diplomacy, Economic Relations and New Opportunities

'Arab Spring' developments have prompted Chinese to improve their comprehension of complexities of the Arab world. It illustrates new significance regarding China's further moves in the Middle East. The fall of Gaddafi regime in Libya, as well as current Syrian developments forced Beijing become more involved in the Middle East and North Africa for better protection of China's interests, meanwhile pursuing its major power status. In both of these crises China used its right of veto in the UN Security Council new challenges⁶.

In regard to GCC-China relations the Council has been and still remains attractive to China especially because of huge oil reserves. As China intends to play increasingly important role in the Middle East and as economic relations between China and the GCC states are growing dynamically, Beijing will undoubtedly continue to give high priority to its relations with those states. On the other side, the GCC views China as a significant major power in global affairs, meanwhile they both wish to enhance their strategic maneuverability through restricting the US hegemonic role. China's approach towards the GCC states can be viewed as an attempt of seeking 'soft balance'. Chinese policymakers are implementing multilevel diplomacy while dealing with the GCC states, and close coordination of various policies are in their future plans. In January, 2014 National Security Commission was established in China chaired by President Xi Jinping. This event

⁵Ibid, p. 39.

⁶Ibid p. 36.

was viewed as significant step to foster Beijing's coordination actions⁷.

China's interests in the Gulf region have been evolving, and in the 21st century they cover the following objectives and interests: geopolitical interests, economic and trade cooperation interests, energy security interests, non-traditional security interests.

Thus, Beijing's approach in this region is multilevel:

- Maintain diplomatic relations with GCC countries individually;
- Initiate formal mechanisms of regular regional forums;
- Engage in people-to-people diplomacy: student exchanges and establishments of Confucius Institutes in each GCC state;
- Maintain dialogues with other major powers;
- Take participation in important multilateral conferences referring to regional affairs⁸.

China's willingness to collaborate and deepen its energy cooperation with the GCC states is evident, as the country needs to meet its rapidly growing energy demands⁹.

Despite energy sector the notable wealth of the GCC states let them seek for investment opportunities with China as well. China-GCC mutual projects regarding telecommunication and infrastructure development are notable. For example, Arabic 'Etissalat' and China's biggest telecom-equipment maker 'Huawei' reached an agreement of further cooperation in order to develop this field. Another significant approach is development of tourism. In regard to three major airlines in the Gulf region-'Emirates', 'Etihad' and 'Qatar Airways', Chinese and Arab populations will have more opportunities for social interaction.

From 2003 to 2009 China and the GCC states were implementing large investment projects, which attracted much media attention. Nevertheless, the fact is that China's foreign direct investment (FDI) flow from Arab states rose only from 0.17 percent to 0.27 percent of the total with the heap coming from Saudi Arabia and the United Arab Emirates. At the same time, Beijing's FDI in Arab world stayed at one

⁷Ibid, p. 37.

⁸Ibid, p. 35.

⁹Yetiv S and Chunlong Lu, China, Global Energy and the Middle East, Middle East Journal 61 (2), 2007, pp. 207–208.

percent of its total: China's focus was concentrated mainly on oil-producing states. Thus, in accordance with the lack of China-GCC substantial foreign exchange reserves it is becoming obvious that the process of this improvement is necessary and vital for both sides.¹⁰

The GCC states became a significant trading bloc. In 2012 they showed a total trade of more than \$1.4 trillion. In the same year their GDP reached to \$1.5 trillion, ranking 12th globally. In 2012 the GCC total exports reached \$934 billion (the fourth in the world), and their imports amounted to \$484.2 billion (the ninth in the world). Since the beginning of the 21st century volume of total trade between China and the GCC states increased in a rapid speed rising from \$6 billion in 2002 to \$92 billion in 2010. Moreover, according to McKinsey & Co., China-GCC trade volume could reach \$350-550 billion by 2020.¹¹

By adopting 'Look East' policy the GCC states completely realized the significance for developing good relations with China. Indeed, the GCC states are expanding their economic cooperation with India as well, hence in the Gulf region India is becoming keen competitor for China. The statistic data clarifies the growing trend of China-GCC trade relations (see table 1)¹².

There are both similarities and differences in trade between China and individual GCC states, so we need to analyze China's trade volume along with its import-export policy in an individual category. Beijing's leading trade partner continuously has been Saudi Arabia, followed by the UAE, Qatar, Kuwait, Oman and Bahrain. UAE and Bahrain had trade deficits, while other four states enjoyed multitude trade surpluses (see table 2)¹³. Bahrain has little to export, and its imports from China are also small in comparison with other member-states. A distinctive feature is becoming noticeable while exploring trade relations between China and UAE. Although the UAE's oil and gas exports to China are notable, however, significant size of its

¹⁰Cheng J., *China's Relations*, op. cit., p. 47.

¹¹Molavi A., *The New Silk Road, 'Chindia' and the Geo-Economic Ties That Bind the Middle East and Asia, China and the Persian Gulf*, eds. Bryce Wakefield and Susan L. Levenstein, Washington, DC: Woodrow Wilson International Center for Scholars, 2011, p. 48.

¹²See: Table 1, Source: Cheng J., *China's Relations*, op. cit., p. 42.

¹³See: Table 2, Cheng J., *China's Relations*, op. cit., p. 44-45.

imports from China are based on other phenomena: this country demonstrates itself as an entry point supporting China's exports to be further distributed through the whole Middle East¹⁴.

Table 1: China-GCC trade relations, 1998-2013 (US\$ Billions)

Year	Trade between China and the GCC States		China`s Imports from the GCC States		China`s Exports to the GCC States	
	Total	Growth Rate (%)	Total	Growth Rate (%)	Total	Growth Rate (%)
1998	42.47	-	18.64	-	23.83	-
1999	46.01	8.34	19.9	6.76	26.11	9.57
2000	101.23	120.0	64.43	223.8	36.80	40.94
2001	97.57	-3.6	56.02	-13.06	40.73	10.71
2002	115.67	18.56	60.17	7.42	55.53	36.3
2003	168.75	45.9	87.99	46.09	80.57	45.07
2004	247.31	46.55	142.96	62.64	104.38	29.57
2005	337.57	36.49	199.95	39.85	137.65	31.87
2006	449.49	33.15	265.62	32.85	183.88	33.6
2007	580.2	29.08	302.69	13.97	277.21	101.39
2008	923.12	59.1	537.25	77.49	385.83	39.18
2009	679.18	-26.42	366.71	-31.74	312.47	-19.01
2010	925.26	36.22	564.76	54.01	360.50	15.37
2011	1337.13	44.5	868.45	53.77	446.70	23.71
2012	1551.12	16.0	1007.83	16.0	543.29	21.62
2013	1653.47	6.5	1056.70	4.85	596.77	9.84

¹⁴Ibid, p. 43.

**Table 2: Trade between China and the Individual GCC states,
2002-2013 (US\$ Millions)**

	BAHRAIN			KUWAIT		
	Exports	Imports	Total	Exports	Imports	Total
2002	57.92	51.76	109.68	262.98	464.35	727.33
2003	83.15	52.13	135.28	674.99	513.25	1188.24
2004	120.57	92.4	212.97	484.05	764.06	1248.11
2005	187	68.94	255.94	628.47	1020.5	1648.97
2006	283.92	64.82	348.73	861.31	1924	2785.31
2007	384.69	102.44	487.14	1338.63	2290.62	3629.25
2008	655.07	131.31	786.39	1751.30	5038.81	6790.11
2009	475.26	211.23	686.50	1542.85	3500.69	5043.54
2010	799.50	251.91	1051.42	1848.59	6708.36	8556.95
2011	880.01	325.84	1205.85	2128.41	9175.20	11303.62
2012	1202.78	348.03	1550.81	2089.18	10467.81	12556.99
2013	1238.93	305.18	1544.11	2675.51	9586.64	12262.15
	OMAN			QATAR		
	Exports	Imports	Total	Exports	Imports	Total
2002	60.18	1446.47	1506.65	49.54	174.01	223.55
2003	81.96	1985.75	2067.72	61.8	293.08	354.88
2004	111.02	4278.49	4389.51	103.52	334.26	437.78
2005	190.99	4138.91	4329.9	203.67	472.72	676.39
2006	339.54	6129.47	6469.02	436.81	561.98	998.79
2007	547.56	6722.73	7270.29	620.87	588	1208.88
2008	794.51	11626.84	12421.36	1074.16	1311.62	2385.78
2009	747.50	5411.23	6158.73	872.11	1381.76	2253.87
2010	944.50	9779.23	10723.72	855.44	2455.84	3311.28
2011	998.18	14876.49	15874.66	1198.76	4694.31	5893.07
2012	1811.58	16975.44	18787.02	1205.1	7278.1	8483.2
2013	1900.84	21040.61	22941.46	1710.91	8463.35	10174.26
	SAUDI ARABIA			UAE		
	Exports	Imports	Total	Exports	Imports	Total
2002	1671.54	3435.35	5106.89	3450.9	445.36	3896.26
2003	2146.8	5172.32	7319.12	5037	773.46	5810.46
2004	2775.46	7522.65	10298.1	6841.14	1304.48	8145.61
2005	3824.42	12245.72	16070.14	8729.84	2045.6	10775.44
2006	5055.83	15084.53	20140.37	11404.78	2796.75	14201.53
2007	7807.82	17559.68	25366.96	17023.62	3012.02	20035.64
2008	10823.46	31022.69	41846.16	23643.68	4613.25	28256.93
2009	8977.45	23570.94	32548.39	18631.80	2595.08	21226.88
2010	10366.44	32829.05	43195.49	21235.34	4451.54	25686.89
2011	14849.71	49467.54	64317.24	26812.85	8306.37	35119.22
2012	18452.35	54861.87	73314.22	29568.32	10851.97	40420.29
2013	18739.81	53450.71	72190.53	33411.30	12823.53	46234.82

Because of harsh consequences of international financial crisis in 2008, China-GCC trade volume declined in 2009, recovering again only in the following year. In China's Zhejiang province (Yiwu city) vast population of Arab businessmen are involved in economic various activities. Here China is producing the county's main exporting goods to the Gulf region. There are also many Chinese people actively working in the GCC states, especially relatively large Chinese population is visible in UAE¹⁵.

Between 2004 and 2007 China's increase in global oil consumption accounted for about 40 percent, and through 2030 its world demand for oil is predicted to plus another 40 percent. In 2009 for the first time China surpassed the United States in the volume of oil exports from Saudi Arabia¹⁶.

Despite the cooperation with the West as it used to be in the past, the GCC states are currently deepening economic and energy ties with their Asian partners. In March 2009 the Emir of Qatar said the following: "China is coming, India is coming, and Russia is on its way, too... I don't know if America and Europe will still be leading"¹⁷.

During the 2000s various economic initiatives took place between individual GCC states and China. Trade and investment volume was gradually rising. Mutually beneficial economic cooperation helped the sides to deepen their ties by establishing Kuwait-China Investment Company (KCIC) in 2005. Another notable achievement was the revival of interest in GCC-China Free Trade Agreement (FTA) in 2009.

Hydrocarbon sector clearly remains significant area in Gulf-Asia relations, however, other fields are developing rapidly as well. An illustrative point for this case can be the substantial rise in Gulf-China capital investments and joint ventures since the beginning of the new

¹⁵Niblock T., Jacqueline Armijo, Lina Kassem and Ismail Fajrie Alatas, *The Gulf and Asia*, Singapore Middle East Papers, Spring 2012, pp. 22-45. <https://www.mei.nus.edu.sg/wp-content/uploads/2012/06/Vol.-1-The-Gulf-and-Asia1.pdf>

¹⁶Simpfendorfer B., *China*, Palgrave Macmillan, 2009, pp. 30-32.

¹⁷Ulrichsen K., *Repositioning the GCC States in the Changing Global Order*, *Journal of Arabian Studies* 1 (2), 2011, p. 231, <http://scihub.tw/http://www.tandfonline.com/doi/abs/10.1080/21534764.2011.630894>

century. The formation of mutual upstream-downstream interdependence between the sides became obvious as the GCC states initiated to invest in China's oil refining and petrochemical industries. At the same time China invests in oil production and exploration in the Gulf States¹⁸.

Former GCC Secretary General Abdul Rahman Al-Attiyah while referring to China-GCC relations expressed his wish that the two sides need to do their best to quicken negotiation processes and also work hard for completion of establishment of China-GCC free trade area. He encouraged the sides to create bilateral strategic dialogue mechanisms as soon as possible in order to comprehensively reinforce the spirit of China-GCC relations¹⁹.

People's Liberation Army strategist Luo Yuan well-known for his hawkish views stated the following: "China's Middle Eastern strategy is to keep the balance of various forces while that of the United States is to control oil, as well as regional situation through military might and democratization... China tries to stabilize situation in the Gulf and it pursues self-balance inside the region"²⁰.

The level of China's commitments and diverse mechanisms it has been developing in accordance with China-GCC cooperation serve as clear illustration of its proactive diplomatic and strategic efforts for expanding bilateral relations²¹.

In order to strengthen relationships between China and the Arab states in 2004 China-Arab States Cooperation Forum (CASCF) was established. This forum generally focuses on economic cooperation between the sides regarding trade, infrastructure, investment and

¹⁸Ghafouri M., China's Policy in the Persian Gulf, *Middle East Policy* 16 (2), 2009, p. 89.

¹⁹Harding H., China's American Dilemma, *the Annals of the American Academy of Political and Social Science* 519 (1), 1992, p. 16, China's Foreign Relations, 8 September 2016, <http://journals.sagepub.com/doi/abs/10.1177/0002716292519001002?journalCode=anna>.

²⁰Luo Yuan, China's Strategic Interests in the Gulf and Trilateral Relations among China, the US and Arab Countries, Washington D.C and Dubai: The Nixon Center and the Gulf Research Center, 2010, p. 29.

²¹Murphy D., Testimony before the U.S.-China Economic and Security Review Commission in Its hearing on China and the Middle East, 2013, USCC, 6 June, 2013, p. 4-7, https://www.uscc.gov/sites/default/files/MURPHY_testimony.pdf

economic security issues, and the participants meet every two years at ministerial level²².

In June 2014 during the sixth meeting of CASCF in Beijing, there were signed three major documents, including 'Beijing Declaration', 'Action Plan for 2014 to 2016', 'Development Plan for 2014-2024'. China proposed a comprehensive strategy on cooperation which became known as 1+2+3. Three basic cooperation fields were including:

- Energy cooperation;
- Improvement of trade and investment;
- Cooperation in new sectors: nuclear energy, aerospace technology, new energy²³.

Beijing asserted that it will initiate steps for increasing bilateral trade volume in coming ten years period from \$240 billion in 2013 to approximately \$6000 billion. Meanwhile, it promised to expand nonfinancial investment in Arab countries in coming decade from \$10 billion in 2013 to \$600 billion²⁴.

At the opening ceremony of conference China's President Xi Jinping highlighted the significance of Chinese 'One Belt, One Road' initiative, which includes the Silk Road Economic Belt and Maritime Silk Road of the 21st century focusing mainly on trade and infrastructure development projects. China's leader also emphasized the importance of development of Chinese and Arab societies close integration processes, thus forming 'community of common interests and destinies'. Furthermore, in the Middle East China established a strategic partnership with Egypt (1999), Saudi Arabia (1999), Algeria (2004), Turkey (2010), United Arab Emirates (2012)²⁵.

In July, 2004 finance ministers of all six GCC states visited Beijing and the sides confirmed a 'Framework Agreement on Economic, Trade, Investment and Technological Cooperation'. In addition, they agreed to negotiate on China-GCC free trade zone plan, which was

²²Chengxi Y., China lays out '1+2+3' strategy at CASCF ministerial meeting, CCTV News, 06 June, 2014, <http://english.cntv.cn/2014/06/06/VIDE1402009324468536.shtml>

²³Ibid.

²⁴Ibid

²⁵Cheng J., China's Relations, op. cit., p. 52.

going to cover services, goods and investments²⁶. Six rounds of negotiations between China and the GCC states were held during the period from 2004 to 2012²⁷.

In January 2012 China's former-Premier Wen Jiabao visited Riyadh. During his meeting with the GCC Secretary General Abdullatif bin Rashid Al Zayani an agreement was reached for speeding up the negotiation processes between the sides²⁸.

Beijing's special approach towards GCC 'key players'

Substantial warming of financial and trade ties between the GCC countries and Asian partners became a good opportunity for strengthening Saudi-Chinese nexus. The two states established diplomatic relations in 1990 and economic cooperation between them mainly was focused on hydrocarbons. In 1999 the 'Strategic Oil Cooperation' agreement paved the way for Riyadh to become Beijing's leading oil supplier by 2002. Furthermore, similar to KCIC, Saudi Arabia's Saudi Basic Industries Corporation (SABIC) drew up a strategic 'China plan' aiming to establish strong and reliable supply partnerships, as well as joint ventures with China's companies. In February 2009 Chinese president Hu Jintao visited Saudi Arabia. During this trip China's leader promised to work with the GCC with a view to reform the global financial institutions²⁹.

In 2006 for the first time China's former President Hu Jintao visited Riyadh, and the two states came to an agreement of establishing 'strategic friendly relations'. In June 2008 China's moves were continued by then Vice-President Xi Jinping's visit to Saudi Arabia. This time the two sides agreed on signing 'Joint Statement of the People's Republic of China and Saudi Arabia on Strengthening Cooperation and Strategic Friendly Relations'. Furthermore, in three

²⁶China FTA Network. 2004, China-GCC free trade talks continues, 08 June 2004, http://fta.mofcom.gov.cn/enarticle/engcc/engccnews/200911/1636_1.html

²⁷China FTA Network. 2017, China-GCC FTA, 10, November, 2016

²⁸China, GCC agree to accelerate FTA negotiations, China Daily, 16 January 2012, http://www.chinadaily.com.cn/business/2012-01/16/content_14451880.htm

²⁹Ghazanfar Ali Khan, China to Boost Relations with GCC: President Hu. Arab News, 12 February, 2009, <http://www.arabnews.com/node/320921>

years period former President Hu Jintao made his second trip to Kingdom in January 2009. During this visit along with other issues Hu Jintao and his Saudi colleague King Abdullah agreed on putting mutual efforts on the program of ‘reforming global financial institutions’. The two leaders came to an agreement to work together on this ambitious plan, as well as adopt new rules and regulations for facing challenges of global financial system mutually. They also coordinated their policies for the coming April 2009 G-20 summit³⁰.

After ascending the throne in Saudi Arabia King Abdullah visited Asian region in 2006 for the first time. It is worth pointing out that China was also included in his Asian tour. Moreover, since establishment of Sino-Saudi diplomatic ties in 1990 this became the first visit of a Saudi ruler to Beijing. In July 2004 then Kuwaiti Prime Minister and the current Emir Sabah al-Ahmad al-Sabah visited China, and the two sides confirmed their interests and readiness for expanding mutual cooperation. The main purpose of Emir’s visit was to enhance pragmatic cooperation at governmental, non-governmental, as well as enterprise levels. Meanwhile, he expressed Kuwaiti desire that official Beijing would support and encourage economic various programs in the Gulf region in general, and in Kuwait in particular. Some other important figures from the GCC states come to China became Prime Minister of the United Arab Emirates and also ruler of Dubai Shaikh Mohammad Bin Rashid Al-Maktoum in 2007, as well as Prime Minister and Foreign Minister of Qatar Shaikh Hamad Bin Jassim Al-Thani and Saudi Crown Prince and Defense, Aviation Minister Prince Sultan Bin Abdulaziz Al-Saud. Both two officials visited China in 2008. During the Prince’s visit two pacts were signed to encouraging and strengthening Sino-Saudi economic cooperation and strategic ties³¹.

Kuwait continued to foster its economic ties and cooperation with China, and in 2005 Kuwait-China Investment Company was created in accordance with further development of Sino-Kuwaiti partnership. Saudi Arabia together with its Saudi Basic Industries Corporation

³⁰Cheng J., *China’s Relations*, op. cit., p. 48.

³¹Ibid, p. 45.

(SABIC) adopted a strategic ‘China plan’. The Kingdom’s economic strategy was intended to establish stronger and deeper economic partnership with China, as well as create joint ventures which can help Beijing to face its rapidly growing economic demands³².

Three of the GCC states, including Kuwait, Bahrain and the UAE (especially Dubai), while developing their economic plans for future are applying some basic elements of ‘East Asian model’. Moreover, in rigid competition with Qatar and Bahrain the UAE’s Dubai became a regional financial center which is serving European and East Asian exchanges³³.

GCC states in global economy alongside ‘look east’ strategy

During the second oil-price boom in terms of level of capital outflows and inflows, the GCC as a regional organization and trading block became more integrated and globalized. Dubai developed into a regional financial center covering a broad area between European and East Asian exchanges, meanwhile ‘competing principles’ towards Dubai from Qatar and Bahrain are still actual³⁴.

During the period of 2002-2008 all the GCC states in their further development plans attempted to adopt, develop and implement some basic elements of ‘East Asian model’. For instance, Dubai showed its sympathy expressing interest especially Singapore’s model of proactive leadership along with harmonious combination of state guidance with private sector initiative³⁵.

The GCC’s internalization is becoming more and more evident and this regional organization is broadening its cooperative relations in terms of geographical scope. The multiplied relationships of the GCC constitute macro-trend initiatives which help the GCC states to upgrade their development model. An illustrative example is food-energy security concept, and the interdependency regarding to this

³²Yetiv S. and Chunlong L., China, op. cit., pp. 207–208.

³³Cheng J., China’s Relations op. cit., p. 45.

³⁴Ulrichsen K., Repositioning the GCC States, op. cit., p. 235.

³⁵Hvidt M., Planning for Development in the GCC States: A Content Analysis of Current Development Plans, Journal of Arabian Studies: Arabia, the Gulf, and the Red Sea 2 (2), 2012, 03 December 2012, p. 399. <http://dx.doi.org/10.1080/21534764.2012.735454>

nexus clearly demonstrates this case. During 2007-2008 the escalation of commodity prices fuelled inflationary pressures on the GCC states, and an economic dissatisfaction started to take place. Food security became a significant priority for the GCC. Meanwhile, a careful managing of scarce water resources was not sustainable as well. As the GCC states were facing serious problems regarding the lack of food and water resources, new economic linkages between individual Gulf countries and food-producing states started to develop significantly. In this context, the GCC's main partners were African countries, as well as the South and Southeast Asian states. Thus, 'oil-for-food' objective is becoming more beneficial referring to the GCC-Asia and GCC-Africa collaboration. Through 'oil-for-food' initiative GCC is cooperating closely with the Association of Southeast Asian Nations (ASEAN). In 2009 GCC-ASEAN joint meeting at foreign ministers level took place in Bahrain and the sides expressed their willingness to give continuation to political and economic ties initiating various programs and necessary steps for deepening the scopes of mutual cooperation³⁶.

Moreover, the ASEAN Secretary General Suring Pitsuan while referring to GCC-ASEAN relations mentioned the following: "You have what we don't have, and we have plenty of what you don't have, so we need each other"³⁷. This initiative clearly illustrates how the changing geo-economic balance of powers impacted and repositioned the GCC's role and status in the global economy. The notions of global governance with their significant changes beginning from the new century influenced on the GCC's development mechanisms, as emerging new powerful players became involved in the global system of power, politics and policy-making processes³⁸.

In June 2009 the BRIC forum was established in the city of Yekaterinburg, Russia (Brazil, Russia, India, China)³⁹. This new initiative

³⁶Ulrichsen K., *Repositioning the GCC States*, op. cit., p. 235.

³⁷McCartan B., *Farmers forgotten in Oil-for-Food Deals*, The Peninsula, 2009, <http://khmerization.blogspot.am/2009/07/farmers-forgotten-in-oil-for-food-deals.html>

³⁸Ulrichsen K., *Repositioning the GCC States.*, op. cit., p. 237.

³⁹In 18 February 2011 South Africa also joined the organization; hence its abbreviation became BRICS.

and annual summit of several leading emerging economies created a platform aiming to counterbalance Western economies, especially the US leadership and hegemonic role in the global system⁴⁰.

The GCC's direct participation in international financial architecture pushed the regional organization to take steps for promoting new structures of energy governance. The examples for this case are the creation of the Gas Exporting Countries' Forum based in Qatar, and the International Renewable Energy Agency, the headquarter of which is situated in Abu Dhabi. The GCC's active participation in the issues related to international politics of climate change is significantly visible as well. Thus, there is a good opportunity for the GCC states to position themselves within the greater global rebalancing processes⁴¹.

Nevertheless, there are also some negative effects affecting to regional stability and GCC's further development plans. The 'Arab Spring' uprisings starting from December 2010 in Tunisia, thereafter its rapid spread throughout the whole Middle East impacted rigidly on Arab societies. The Gulf region demonstrated vulnerability to the fusion of political pressure, as well as it faced socio-economic disorder. The GCC states were influenced on various levels in regard to 'Arab Spring' uprisings. Qatar, Kuwait and some parts of UAE were relatively less affected from this political wave than, for instance, Bahrain, Oman and Saudi Arabia's Eastern provinces. Spread of political turmoil within the GCC states highlighted, that the rising dissatisfaction is not only in the less resource-rich states of North Africa, but also it affected the GCC oil-rich states in general, and Bahrain and Oman in particular⁴².

In accordance with the GCC's perspectives, there are still many important issues remaining unresolved. One crucial question is about the possibility whether in future the GCC regional organization will deal with foreign states and institutions on a basis of bilateral ties

⁴⁰Ulrichsen K., *Repositioning the GCC States*, op. cit., p. 238.

⁴¹Ulrichsen K., *Rebalancing Global Governance: Gulf States' Perceptions on the Governance of Globalization*, *Global Policy* 2 (1), 2011a, p. 65, http://onlinelibrary.wiley.com/doi/10.1111/j.1758-5899.2010.00054.x/epdf?r3_referer=wol&tracking_action=preview_click&show_checkout=1&purchase_site_license=LICENSE_DENIED

⁴²Ibid.

between individual member-states cooperating through inter-regional level, or it will continue its future way as a global collective actor in world politics through greater participation in the new institutional architecture⁴³.

Oil as most significant aspect

In regard to China-GCC economic relations oil is undoubtedly the most significant ‘driving force’ shaping this cooperation. About two-thirds of those countries oil reserves are channeling to Asia, which is more than the GCC oil exports to North America and Europe together. In accordance with OPEC data statistics in 2012 the GCC states each day produced nearly 13 million barrels of crude oil. Meanwhile, along with its total oil imports China imported 35 percent of crude oil only by the GCC states. Saudi Arabia was topping the list of suppliers meeting 20 percent of Beijing’s oil import demand⁴⁴.

The oil demands of China are gradually growing and in 2030 it is expected to reach up to 15.5 million barrels per day, and 17.5 million in 2040. Ultimately, Beijing will import about 10-12 million barrels per day which will cover around 70-80 percent of its future oil consumption. The following statistic data is highlighting significant consumption of oil by regions in coming future: China’s annual oil consumptions are increasing dynamically⁴⁵.

⁴³Ibid.

⁴⁴Organization of the Petroleum Exporting Countries (OPEC), 2017. Monthly Oil Market Report, 12 April 2017, http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR%20April%202017.pdf

⁴⁵See: Table 3, Source: Joseph Cheng, China’s Relations, op. cit., p. 41.

Table 3: World Oil Consumption (in Millions of Barrels per Day)

	2011	2020	2025	2030	2035	2040	Annual Growth 2011-2040
<i>United States</i>	18.6	19.4	19.1	18.7	18.5	18.6	0.0
<i>OECD Europe</i>	14.2	13.8	13.8	13.9	14.1	14.2	0.0
<i>China</i>	9.8	13.2	14.7	15.5	16.6	17.5	2.0
<i>India</i>	3.2	4.2	4.9	5.6	6.2	6.8	2.6
<i>Japan</i>	4.46	4.41	4.3	4.2	4.1	3.9	-0.4
<i>South Korea</i>	2.3	2.5	2.61	2.66	2.69	2.4	0.6

Moreover, long-range forecasts are proving that in terms of purchasing power parity China has potential to overtake the United States as the largest economy in 2017, and in market exchange rate terms by 2027⁴⁶.

In order to reduce its domestic demand for oil Saudi Arabia has recently initiated various programs for increasing its natural gas production. The Kingdom also declared that in that case it will be able to increase its oil exports to China. The United Arab Emirates tries to keep its status as China's stable energy supplier as well, and the construction of the Fujairah pipeline by a Chinese company is highlighting the point. Nevertheless, this pipeline borders the risky Strait of Hormuz and its capacity is restricted. Generally, the UAE's energy exports to China are not very huge⁴⁷.

China's energy cooperation is significant with another GCC member-state-Qatar. In 2009 Qatar-gas, China National Offshore Oil Company (CNOOC) and PetroChina signed a 25-year agreement to provide five million tons of Liquefied Natural Gas (LNG) per year. Indeed, this agreement will create a long-term interdependency between China and Qatar. According to CNOOC President Fu Chengyu it will establish 'great complementarities' between the sides. Regarding this

⁴⁶Ibid.

⁴⁷Alterman J., China's Balancing Act in the Gulf, CSIS, August, 2013, p. 3. <https://www.csis.org/analysis/chinas-balancing-act-gulf>

case the latter stated: “China can secure a long-term reliable market for Qatar, meanwhile Qatar will be the Chinese market’s stable supplier”⁴⁸.

In recent decade along with substantial increase of capital investment and joint ventures between the GCC states and China, those countries started to invest heavily in China’s petrochemical and oil refining industries. At the same time Beijing is investing in GCC states’ oil exploration and production sectors. These economic policies could form mutual upstream-downstream interdependence between two cooperative sides⁴⁹.

International media pays considerable attention to China-GCC mutual upstream-downstream interdependence policy. Saudi Arabia assisted China’s Sinopec’s participation in its two major gas exploration and development projects in Rub al-Khali, hence it opened part of its domestic oil and gas upstream market for China’s investment. On the other hand, Riyadh itself invested in China’s downstream sector including investments in refineries in Qingdao, Shandong province. There were Saudi investments in petrochemical plants in Fujian province as well⁵⁰.

Conclusion

Traditionally the GCC states have been developing their relations especially with the Western Hemisphere. Gulf region’s Arab monarchies are mainly ‘trustful’ to Western partners, referring them as security holders. China has no objective or intention to act as protector in Gulf region. Deepening its political, economic and cultural ties with Arab world, China continues its basic policies and principal strategies, including ‘Five Principles of Peaceful Coexistence’, ‘the One China principle’, and ‘South-South’ cooperation. At the same time, in order to maximally benefit from economic cooperation with Arab states, Beijing’s diplomacy is flexible enough to support political causes of Arabs: especially Arab-Israeli conflict is presenting great significance

⁴⁸Cheng J., *China’s Relations*, op. cit., p. 43.

⁴⁹Ghafouri M., op. cit., p. 89.

⁵⁰Leverett F. and Bader J., *Managing China-U.S. energy competition in the Middle East*, *The Washington Quarterly* 29 (1), 2005, p. 190-192 https://www.brookings.edu/wp-content/uploads/2016/06/20051216_leverett_bader.pdf

in China's calculations. The 'rise of China' finds attractiveness among Arab elite and intellectuals, and it supports for further development of Sino-Arab relations. China is attractive to Arab world because of its rapid economic achievements and successful model of modernization. On the other hand, some hopes are emerging among Arabs to 'adopt' China as potential counterbalance against the United States. Beijing is often viewed as the only credible alternative to 'save' the region from unipolar dominance.

New era 'discovers fresh global actors' in international arena. Currently, rising China fosters and deepens its economic, especially energy cooperation with GCC. The unit completely respects China's 'diplomatic style' together with Beijing's traditional noninterference policy in domestic affairs of other states' national interests. China's global shifts, development models, as well as growing significance in world politico-economic system seem to be very attractive to GCC states. In my opinion, despite economic calculations China's approach to oil-rich GCC is typical 'balance of power' or 'hedging strategy'.

China-GCC ties are expanding drastically, as both sides are benefiting from bilateral cooperation. With its relatively smart diplomacy Beijing is gaining more significance for those states, meanwhile it supports the GCC unit's soft transitional process from regional to global economic level. In the era of globalization oil-rich GCC's internalization processes and rapid shifts in global economy are naturally paving its transition perspectives from regional to global status. Energy capacity of the Council is 'strong' enough for meeting rapidly growing major power's energy needs. In my opinion, this phenomena also helps GCC in its global moves from regional to international arena.

In the 21st century along with its principled foreign policy lines Beijing is developing multilevel diplomacy throughout the whole world, thus aiming to expand its ties with various regions and states. Especially because of its growing energy needs China's relations with the Council will enter new stage, and mutual beneficial cooperation will help Beijing to feel more confidence in regard to future economic calculations. In new era China's foreign policy objectives, as well as its emergence as a global power present a significant and new-

developing case study. In this context, China-GCC coming perspectives will be more promising.

‘Arab Spring’ became an illustrative factor that the Middle East region is still remaining ‘vulnerable’ area, and that turbulences are still actual in the 21st century. Beijing will continue to put more efforts for ensuring its ‘completely stable ties’ especially with the Council, as it is going to meet huge portions of China’s energy needs.

Time is on China’s side, its diplomacy towards GCC is flexible and attractive, and bilateral interdependent economic cooperation will flourish. China’s leaders will develop new and more successful foreign policy objectives in order to safeguard their global actor status in ‘valuable’ Gulf region. I argue, that together with its rapid economic drive and growing energy needs Beijing will try to maximally strengthen its global status in Gulf region, preserving its complex geostrategic interests.