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## The Gulf: Dragon on the Prowl

Dr. Mohan Malik



The geopolitical sands are shifting in the Persian Gulf. Several regional and extraregional great powers—often with conflicting agendas and rival alignments—jostle for influence.<sup>1</sup> Over the past decade, China has significantly expanded its presence in the Middle East and North Africa (MENA) region in general, and in the oil-rich Gulf in particular. Beijing sees an expanded economic and strategic footprint in the Gulf as critical toward alleviating some of its own vulnerabilities and fulfilling its ambition to be a global superpower on par with the United States. Historically, every major

industrializing power's ascension to global leadership has been driven by overseas expansion—the quest for resources, markets, and bases. China is no exception.

### Economics As Strategy

China's insatiable appetite for natural resources and minerals requires Beijing to pursue ambitious strategic goals. China is the world's largest energy importers, and 40 percent of its oil comes from the Gulf. Saudi Arabia, Iraq, and Oman are the top three oil exporters to China. In 2014, Chinese president Xi Jinping outlined a "1+2+3" (energy plus construction and infrastructure; trade and investment plus nuclear; aerospace, and new energy sources) framework for Sino-Arab cooperation. Since 2005, China has invested roughly USD 101 billion in the Gulf countries, with Saudi Arabia (USD 39.9 billion) and the United Arab Emirates (UAE) (USD 34.7 billion) as the largest recipients of Chinese investment.<sup>2</sup> The conclusion of a 25-year USD 400 billion "oil-for-security-and-growth" pact with Iran is another shot in the arm. Notably, China is the only great power that enjoys close ties with *all* major oil-producing countries.

Along with resources, China seeks new markets to absorb its excess

industrial capacity. The past decade has seen a tenfold increase in China's trade volume (now worth USD 239.8 billion) with the Middle East, even as Beijing is pushing for a free trade agreement with the Gulf Cooperation Council (GCC) to gain even greater access to Gulf markets for Chinese products. Indeed, with its burgeoning young population, investment-friendly environment, and geostrategic location, the MENA region seems like a perfect fit for China in terms of economic cooperation over the next several decades.

Some of America's traditional Gulf allies worry about the repercussions of possible US retrenchment from the region, if not its outright retreat.<sup>3</sup> These concerns are exacerbated by falling oil prices and the looming global energy transition necessitated by climate change. Rhetorically, economic diversification, strategic hedging, pragmatism, and "Look East" are the current era's buzzwords. In practical terms, Saudi Arabia, the UAE, and Oman—the region's largest economies—are actively seeking foreign investment to pursue ambitious port development projects as part of their economic diversification plans.

## Envisioning the Future

As a crucial artery for global

energy flows, the Gulf occupies a strategic position as part of the Chinese Belt and Road Initiative (BRI). Designed to secure access to resources, markets, and bases, China's mega infrastructure project aligns well with the Gulf states' development visions.<sup>4</sup> In particular, the BRI's "port-industrial park-city" development model dovetails with the Gulf countries' port and urban expansion plans. It is therefore unsurprising that China figures prominently in the Gulf countries' economic and strategic calculus, keen as they are to tap into Chinese firms across sectors such as oil, construction, artificial intelligence, biogenics, military hardware, healthcare, and renewable energy.<sup>5</sup> Chinese companies such as Huawei are building 5G digital networks in GCC countries. Furthermore, China's arms sales are flourishing as Beijing presents itself as an alternative supplier that stipulates no end-user conditions.

China's top-down governance model of speedy decision making and fast delivery unconstrained by bureaucratic or legal encumbrances resonates well with the Gulf's young and ambitious rulers, who are keen to improve the lot of their people.<sup>6</sup> Interestingly, countries such as Turkey, Iran, Saudi Arabia, Qatar, and Israel may

disagree on almost everything but agree on a greater role for China in the Gulf region—albeit that these states disagree over what that role should be (some Gulf states are keen to wean China away from Iran, for example). Indeed, even nonstate actors—from the Sunni Taliban in Afghanistan to Shi’a militant groups in Iraq and Syria to Hezbollah in Lebanon—court Beijing to counter the United States.<sup>7</sup> From China’s perspective, having better ties with these regional rivals than they have with each other gives Beijing enormous leverage.

China sees relations with the resource-rich Arab world as the key to unlocking its status as a global power. As the United States pivots to Asia and the Pacific Ocean, China is pivoting to the Middle East and the Indian Ocean, challenging America’s hitherto unrivalled power position. Washington can no longer insist on an exclusive bilateral relationship with its Gulf partners as Beijing comes courting them with bag loads of money, goods, and toys of war. Notably—and unlike in some other regions—Beijing has not faced any backlash in the Gulf over the economic downturn caused by its mishandling of the COVID-19 virus. If anything, the pandemic has further consolidated GCC–China relations

through the timely provision of vaccines, expertise, and equipment.

## **American Apprehensions**

Washington keeps a close watch on Beijing’s moves in the Gulf, wary of shifts in relative power and influence. As elsewhere, Chinese economic penetration, multibillion dollar deals, management of critical infrastructure, and cultivation of elites could have the cumulative impact of undermining US primacy. Sure enough, Washington’s missteps in Iraq, Syria, Libya, and Afghanistan have worked to China’s advantage. Beijing has stepped up its portrayal of the United States as a source of instability, conflicts, and disruption. Official Chinese media contrasts America’s “Middle East fatigue” with China’s vigor and vitality as the next great power and economic partner.<sup>8</sup> Chinese strategists credit Beijing’s “partnership diplomacy in the Middle East for dilut[ing] the influence of other great powers, facilitating a multi-polar pattern and . . . ‘soft balancing’ against [US] hegemony.”<sup>9</sup>

The competition between the United States and China is also manifesting itself in the arms market. Though China is still far behind the United States as a supplier of arms, signs of Gulf state–

China military cooperation are evident in arms sales, training, port calls, and joint exercises.<sup>10</sup> More importantly, some Gulf countries seek to benefit from advances in Chinese military research and development, hoping to boost their own defense industry with weapons coproduction agreements. High-tech collaboration with US-sanctioned Chinese companies and security cooperation between the Gulf states and China in recent years have proved contentious. Media reports suggest that concerns over China's military activities have cast a shadow over the USD 23 billion deal, approved by the Trump administration, for advanced US weaponry to be sold to the UAE.<sup>11</sup>

Apparently, Beijing is proactively courting both adversaries and allies of America. China's mercantilist and transactional approach generates concerns about Beijing using infrastructure projects to trap vulnerable countries into debt dependency, thereby increasing Beijing's leverage to shape their choices in its favor.<sup>12</sup> Furthermore, Chinese financial institutions that have a robust presence in the Gulf are edging toward the dedollarization of trade and use of Chinese *yuan* for financial transactions, thus laying the groundwork for internationalization of its currency.

As China's economic and strategic ties to the Gulf grow, Washington is likely to face a well-entrenched Beijing as part of the region's strategic landscape.<sup>13</sup> No doubt, America's old Gulf allies would like to keep their relations with Washington and Beijing on separate parallel tracks, hoping they never intersect or cross each other.<sup>14</sup> However, geopolitics is often zero-sum. It imposes tough choices.

### **It's All about the Bases**

Given China's reliance on energy imports, Beijing's maritime strategy calls for establishing a robust naval presence around key strategic chokepoints including the Strait of Malacca, the Strait of Hormuz, the Bab al-Mandab Strait, and the Suez Canal.<sup>15</sup> Anti-piracy operations off the coast of Somalia and the evacuation of Chinese nationals amid the Libyan and Yemeni conflicts demonstrated China's considerable sea/air-lift capability. From their Djibouti base and the port at Gwadar, Chinese forces are now well-positioned in Gulf security affairs. China would obviously like to have a physical presence on both sides of the Hormuz Strait, and so it is unsurprising that Beijing's much-hyped USD 400 billion deal with Iran grants Chinese navy access to the Jask port on the Gulf of Oman.<sup>16</sup>

Securing such rights to an Iranian port kills two birds with one stone: the move serves as leverage to wrest concessions from the Arab GCC states while simultaneously responding to India's efforts to develop Iran's Chabahar port to create railroad access to Central Asia.

China's current military footprint may be modest and no match for the powerful US military in the Gulf; however, China acts in a piecemeal, quiet, and patient fashion, making a series of low-level coordinated moves before bringing its pieces together at an opportune time to throw its rivals off balance. Two recent studies mention Kenya, Tanzania, Djibouti, the UAE, Pakistan, Sri Lanka, and Cambodia as "focal points" where China is "likely considering planning for additional overseas military logistics facilities."<sup>17</sup> Needless to say, the geostrategic consequences of such military expansion by China would negatively impinge upon America's ties with the Gulf countries.<sup>18</sup>

I have long contended that, armed with the world's largest navy, China aims to be a "resident power" in the Indian Ocean—just like the United States, United Kingdom, and France.<sup>19</sup> Once China's navy establishes a presence on both sides of the Indian Ocean as well as the Hormuz Strait, the establishment of a

Western Theater Command will follow. Poaching a key US ally would send a strong signal to others about the waning of American power in the Middle East, perhaps prompting others to switch allegiance to China.

## **Chinese Checkers**

The Middle East may not yet be the main theater of US–China great-power competition, but the Gulf will remain the fulcrum of great-power competition. America's Asian allies, who are highly dependent on energy imports, fear that any US retrenchment from the Gulf would result in Chinese dominance and jeopardize their access to the region's oil and gas resources. If it came under US pressure in the Pacific, China could also now choose to throw its weight behind anti-American forces in the Middle East. Put simply, the more entrenched China is in the Middle East and Africa, the more potent and belligerent it will be in pursuing its strategic goals in the wider Indo-Pacific. Such an outcome would defeat the very objective underlying the Free and Open Indo-Pacific (FOIP) strategy.<sup>20</sup>

Ironic as it may seem, America's pulling out from the Gulf is thus neither in the interests of its allies nor its enemies, albeit for entirely different reasons. For better or

worse, the success of the FOIP strategy is linked to the resource-rich Gulf dynamics. As the United States finds itself faced with a loosely aligned coalition of six revisionist states—Turkey, Russia, Iran, Pakistan, China, and North Korea—Washington is likely to push back by forging more Quad- and AUKUS-type coalitions with likeminded states. The West Asian Quad comprising the United States, India, the UAE, and Israel is a case in point. About 46,000 US troops are stationed in the Gulf states, along with some 2,000 British and French troops. China’s rival India has also taken on a greater share of the security burden in the Indian Ocean.

The logic of geopolitics dictates that China’s expansionist moves ought to prevent America’s retreat from the Gulf because competition with China now runs through the region. Indeed, Washington is expected to maintain current force levels in the “Wild West” of world politics—both to protect global energy supplies and to deny a rival power resources and influence.<sup>21</sup> Washington is also contemplating recreating the US navy’s First Fleet to be assigned to the Indian Ocean.<sup>22</sup> More importantly, each GCC member-state has a bilateral security pact with the United States. This strategic reality is

unlikely to change.

Iran is a divisive issue among the various regional and extraregional players. The GCC’s stance on Teheran is in sync with Washington, not Beijing. The UAE and Saudi Arabia do not share China’s enthusiasm for reviving the Iran nuclear deal. The GCC expects China to help rein in Iran’s support for regional proxies and freeze the Iranian nuclear program, but Beijing often disappoints.<sup>23</sup> Chinese strategists may hope to leverage the country’s economic clout for political benefit, but balancing the GCC and Iran is a difficult task. In time, China likely cannot avoid getting caught in the region’s tangled web of national and sectarian rivalries given the reality that commerce and security are inseparable.

China must tread a careful path toward Iran. For the foreseeable future, China cannot provide the GCC security against Iran. Only the United States can do this. But while geostrategy might drive Beijing closer to Iran, geoeconomics pushes China toward the GCC: Iranian belligerence diverts American resources and attention away from the Pacific to China’s advantage, yet domestic instability, heavy economic sanctions, and the threat of war make Iran an unattractive economic partner. Only about 3 percent of China’s oil

comes from Iran, compared to 35 percent of oil imports coming from the GCC countries. China's total trade with Saudi Arabia and the UAE is three to four times greater than with Iran.<sup>24</sup>

China may one day be well-positioned with bases and boots on the ground in the Gulf, but such resources will be there to protect China's own interests and assets, *not* necessarily to provide security to the Gulf states vis-à-vis Iran or Israel. At any rate, the Gulf geopolitics is a multilayered multi-player game: in addition to the United States and China (the world's two largest powers), Saudi Arabia, Qatar, the UAE, Egypt, Turkey, Israel, Russia, and India too strive hard to shape regional choices and policy preferences. As the "base race" for forward presence intensifies among maritime powers, it may well be time to consider a Code of Unintended Encounters at Sea-type agreement in the northern Indian Ocean to avoid incidents or accidents at sea.

Although China's growing engagement helps with the Gulf states' economic diversification goals, it does create some challenges. What Beijing touts as a "win-win" strategy is widely seen as playing both sides to ensure a "double win" for China. There is also some wariness about Chinese business practices.

More often than not, economic interdependence creates asymmetric relationships resulting in dependencies. Besides, Chinese and Arab interests are not always complementary or frictionless. As Karen Young observes, "China is also a competitor in some areas where Arab Gulf states are investing in infrastructure, ports, and political outreach to secure new security partnerships, particularly in the Horn of Africa."<sup>25</sup> The UAE found itself outmaneuvered, for example, when DP World was muscled out of Djibouti's port by a Chinese conglomerate.<sup>26</sup> Likewise, the growing Chinese footprint in the Horn of Africa could undercut Saudi regional leadership aspirations. The Gulf states are also aware of Beijing's prickly and punitive behavior toward others, and its apparent penchant for coercion.

Last but not least, the United States and allies still retain an edge in emerging technologies. The global financial and technological systems are skewed in favor of the United States. The efficacy and popularity of Western vaccines over Chinese alternatives (an effective neutralization of Beijing's first mover advantage in this area) is just one example of this.

## **Conclusion**

The Gulf states' burgeoning

relations with China should be seen in the context of geopolitical and economic power shifts. While promoting trade and investment from China, they want to maintain a strong US military presence. Investments in critical infrastructure allow Beijing to project power, reap financial rewards, secure resources, expand markets, acquire strategic bases, and undermine America's security alliances.

Successive American presidents have tried and failed to pull out of the Middle East. One reason for their failure is that the Gulf remains vitally important to a range of US interests. Wherever America retreats, China advances. Thus, the success of Washington's Indo-Pacific strategy is linked to maintaining its presence in the resource-rich Gulf and not letting China dominate the region. This adds up to a realization that the Gulf is far from insulated from the great-power competition: along with the Strait of Malacca, the Strait of Hormuz constitutes a fulcrum of the US–China rivalry.

The Gulf is a complex geopolitical landscape. A significant improvement in the Gulf-China relationship notwithstanding, China will find it difficult to displace the United States as a security provider in the region. At the same time, for Washington to expect a

monogamous relationship in a region ripe for polygamy with multiple suitors may well be a big ask. ■

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Notes

<sup>1</sup> The author is grateful to Brooke Smith-Windsor and Firasse Beale for valuable comments on an earlier draft.

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<sup>3</sup> Camille Lons, Jonathan Fulton, Degang Sun, and Naser Al-Tamini, “China’s Great Game in the Middle East,” European Council on Foreign Relations Policy Brief, 21 October 2019, <https://ecfr.eu/>.

<sup>4</sup> Caline Malek, “How the Gulf Can Win the US-China Geopolitics Game,” *Gulf Business*, 2 November 2019, <https://gulfbusiness.com/>.

<sup>5</sup> Christian Le Miere, “Increasing Mutual Dependence in Sino-Gulf Relations is Changing the Strategic Landscape,” *EnergySource*, 11 May 2020, <https://www.atlanticcouncil.org/>.

<sup>6</sup> Andrew England and Simeon Kerr, “More of China, Less of America,” *Financial Times*, 20 September 2021, <https://www.ft.com/>.

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<sup>8</sup> “Scholars Call for Innovative Cooperation between China, Gulf Countries,” *Global Times*, 27 April 2021, <https://www.globaltimes.cn/>.

<sup>9</sup> Degang Sun, “China’s Partnership Diplomacy in the Middle East,” *Asia Dialogue*, 24 March 2020, <https://theasiadialogue.com/>.

<sup>10</sup> Alvite Ningthoujam, “The Middle East: An Emerging Market for Chinese Arms Exports,” *The Diplomat*, 25 June 2021, <https://thediplomat.com/>.

<sup>11</sup> Warren Strobel and Nancy Youssef, “F-35 Sale to U.A.E. Imperiled over US Concerns about Ties to China,” *Wall Street Journal*, 25 May 2021, <https://www.wsj.com/>.

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<sup>13</sup> Aime Williams, “Pentagon Warns of China’s Growing Influence in the Middle East,” *Financial Times*, 21 August 2019, <https://www.ft.com/>.

<sup>14</sup> Zainab Fattah, “Top UAE Official Warns on Risk of ‘Cold War’ between China, U.S.,” *Bloomberg*, 2 October 2021, <https://www.bloomberg.com/>.

<sup>15</sup> Noura Saleh Almujeem, “GCC Countries’ Geoeconomic Significance to China’s Geopolitical Ends,” *Emerald Insight*, July 2020, <https://www.emerald.com/>.

<sup>16</sup> Farnaz Fassihi and Steven Myers, “Defying U.S., China and Iran Near Trade and Military Partnership,” *New York Times*, 27 March 2021, <https://www.nytimes.com/>.

<sup>17</sup> Jeffrey Becker, Erica Downs, Ben DeThomas, and Patrick deGatego, “China’s Presence in the Middle East and Western Indian Ocean,” CNA, Feb. 2019, <https://www.cna.org/>; and Strobel and Youssef, “F-35 Sale to U.A.E.”; Craig Singleton, “Beijing Eyes New Military Bases Across the Indo-Pacific,” *Foreign Policy*, 7 July 2021, <https://foreignpolicy.com/>.

<sup>18</sup> Yoel Guzansky, “Either You are With Us or Against Us,” *The National Interest*, 14 June 2020, <https://nationalinterest.org/>.

<sup>19</sup> Malik, “The China-India Nautical Games,” *Inside Policy*, 15 March 2018, <https://www.macdonaldlaurier.ca/>.

<sup>20</sup> Jon Alterman, “Pivoting to Asia Doesn’t Get You Out of the Middle East,” Center for Strategic and International Studies, 19 October 2020, <https://www.csis.org/>.

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<sup>24</sup> Abdel Aziz Aluwaisheg, “Expanding the China-GCC Strategic Partnership,” *Alarabia News*, 4 January 2021, <https://english.alarabiya.net/>.

<sup>25</sup> Quoted in Jamie Dettmer, “China’s Growing Interest in Middle East Sets Off US Alarm Bells,” *VOA News*, 23 April 2019, <https://www.voanews.com/>.

<sup>26</sup> “DP World Says Wins Ruling Against Djibouti’s Port Company,” Reuters, 12 July 2021, <https://www.reuters.com/>.