

Strategic Analysis Paper

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China in the Middle East: The Saudi Factor

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Key Points

- Despite the Chinese leadership being distinctly non-religious and Saudi Arabia devoutly Muslim, the two countries have a lot in common.
- They are both authoritarian and their top leaders have purged the ranks of their potential political competitors.
- That authoritarianism has assisted both countries to forge a strong relationship built on the sale of Saudi oil to China but has expanded to other trade and commercial sectors.
- They have also established a strategic relationship in which China offers Saudi Arabia political support.
- As US interest in the Middle East decreases, it is likely that the Sino-Saudi relationship will grow stronger.

Summary

The first paper in this series examined some of the reasons for China's interest in developing its relationships with countries in the Middle East. The primary reason is energy products. Wishing to remain the manufacturing centre of the world, China realises that it must keep importing energy products to fuel its factories. That realization has seen it import energy products from various parts of the world, including the Middle East.

As important as they may be, however, energy products are not the sole motivator of China's interest in the region. Beijing realises the need to have a stable Middle East in order to: securitise its manufactured exports that are shipped to and through the region; mitigate

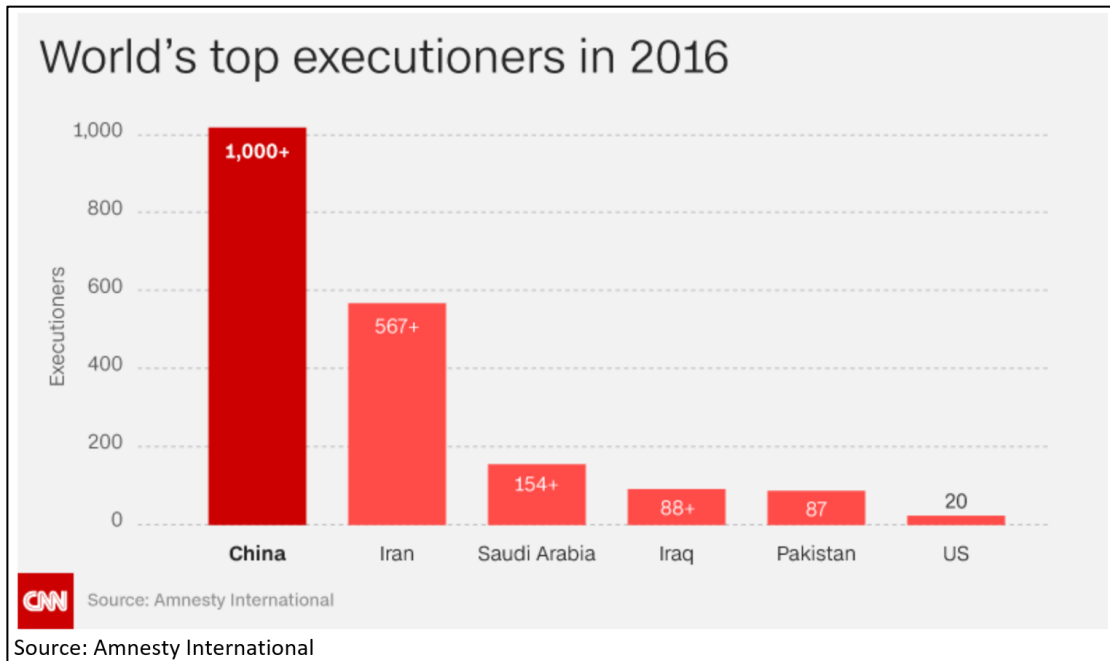
any fall-out its strenuous and unrelenting repression of its Muslim Uighur and Hui minorities, which has led to seething undercurrents of resentment in the Muslim world, could exact on its economic growth and domestic security; and to ensure that its Belt and Road Initiative, some stages of which pass through the Middle East, is not jeopardised. As a major power, furthermore, China appears to wish to play a greater role in international geostrategy by acting as a peace-maker in the region.

Given these motivations, China has reached out to several countries in the Middle East. Not surprisingly, one of the first to which it turned was Saudi Arabia.

Analysis

Even though China did not have a diplomatic relationship with Saudi Arabia until 1990, ties between the two countries have expanded rapidly since then. Energy products have formed the basis of a bilateral relationship that has, by and large, been of mutual benefit to both sides. China has been the largest purchaser of Saudi crude oil for a decade now and the state-owned Saudi Basic Industries Corp. has found an insatiable market in China for its petrochemical products. Despite Saudi Arabia being China's largest trading partner in the Arab world, however, both countries have pledged to expand and deepen their commercial and industrial ties.

Trade aside, both countries share certain commonalities. Despite one being the *de facto* leader of the Muslim world and the other an equally-fervent atheistic state, both countries are ruled by authoritarian leaders. Saudi Arabia is ruled by hereditary monarchs whose objective is the protection and expansion of Islam. The monarchy does not tolerate political parties or other domestic competition to its absolute rule. The ruling Chinese Communist Party, similarly, is just as authoritarian and does not tolerate political competition, either. As a consequence of that authoritarianism, the people of both countries, while still enjoying basic freedoms for the most part, remain highly regulated. They remain free to carry on their lives provided they do or say nothing that could be perceived or interpreted as injurious or contradictory to the dictates of their leaders. Both countries have very strict justice systems that often make use of the death penalty. China carries out more state-sanctioned executions than the rest of the world combined, albeit that the exact number of executions is withheld as a "state secret". A [report](#) by Amnesty International, nevertheless, states that China implemented 'more death sentences than the rest of the world combined'. While nowhere close to matching the estimated thousands of people executed by China, Saudi Arabia has one of the world's highest rates of execution, with suspects convicted of terrorism, homicide, rape, armed robbery and drug trafficking being executed. Human Rights Watch said Saudi Arabia executed nearly six hundred people since the beginning of 2014, with nearly 150 being put to death in 2017.



The leaderships of the two countries, again, have a broadly similar socio-political model that they use to continue their rule. China has a social contract of sorts with its citizens that runs along the lines of “We will ensure your economic development; in return, you will not question our right to govern the country.” While not as explicit, the Saudi monarchy has recently taken steps to loosen restrictions on its citizens, such as allowing women to drive, and to pledge to undertake economic reforms that could reduce the country’s dependence on energy exports. The Crown Prince, Mohammad bin Salman’s (also referred to by his initials, MBS) plan to build a technical hub called Neom is one outcome of this planned change. Neom is to be a US\$500 billion independent economic zone on the Red Sea that straddles Saudi Arabia, Jordan and Egypt, and is intended to be the site for organisations that focus on developing robotics and other cutting-edge technologies.



The parallels between MBS's preliminary moves to bring about the socio-economic changes he wishes to see in his future kingdom and President Xi's methods to do likewise in China are striking. Just as Mr Xi took control of many organisations and committees in order to stave off political competition and to focus on achieving his objectives, MBS took control of the Ministry of Defence, the Council on Economic and Development Affairs and, notably, Aramco, the Saudi-owned oil producer that is one of the world's most valuable companies. (His claims that Aramco is worth US\$2 trillion is [disputed](#) by some analysts who estimate its worth at between US\$500 billion and US\$1.5 trillion. Aramco is a cornerstone of the Crown Prince's plans for Saudi Arabia.) Those positions aside, MBS also heads the Anti-Corruption Committee, serves as the First Deputy Prime Minister and as Secretary-General of the Royal Court.

Remaining with the Xi Jinping playbook, MBS has worked relentlessly to effect major changes in Saudi Arabia and how the kingdom conducts its affairs. He first sought to consolidate his position, making himself central to the Saudi leadership, just as Xi has done in China and, like Xi again, has initiated an investigation into allegations of corruption in the kingdom. The Saudi-owned *Al-Arabiya* news channel [reported](#) on 4 November 2017 that eleven princes and dozens of former ministers were detained in an anti-corruption probe conducted by the Anti-Corruption Committee. The Committee, it was announced, had reopened an investigation into the floods in the port city of Jeddah in 2009 and the government response to the Middle East Respiratory Syndrome virus that killed several hundred people over the preceding few years. Not altogether coincidentally, the leading council of Saudi clerics, the Ulema, issued a statement declaring the fight against corruption an Islamic duty, in essence validating MBS's anti-corruption drive.

Saudi citizens had long complained of government corruption and the misuse of public funds. MBS used this as the basis of his investigation. The Committee soon arrested at least seventeen princes and top officials, including Prince [Alwaleed bin Talal](#), the billionaire businessman who owns 95 per cent of Kingdom Holding, which holds stakes in global organisations such as Citigroup, Twitter, Apple and News Corp. At least 38 former, current and deputy ministers were also [arrested](#) on charges of corruption. Other notables who were arrested include the construction mogul Bakr bin Laden, the billionaire Saleh Kamal and Waleed al-Ibrahim, owner of the influential Arab satellite network MBC.

Prince Miteb bin Abdullah, head of the National Guard, was ousted and that command was given to MBS, thus securing for him control of the last branch of the security forces that was not yet under his power. Miteb was replaced by another prince, Khalid bin Ayyaf al-Muqrin, who had held a senior position within the organisation. Miteb's father, the late King Abdullah, headed the National Guard previously and transformed it into a powerful force, the primary tasks of which were to protect the Saudi royal family, the mosques in Mecca and Medina and various oil-producing sites. The National Guard was transformed into a modern-day Praetorian Guard with all the prestige of that body.

In these respects, the two countries are more alike than they are different, making the relationship a successful one. China, which prefers to deal with authoritarian governments and previously sought to cultivate ties with Saudi Arabia, now made that objective one of its

priorities in the region. Seeking to expand existing ties beyond a buyer-seller relationship, a delegation from the Chinese consulate visited the Jeddah Chamber of Commerce to promote further trade. The delegates discussed commercial partnership, Chinese investment in the kingdom and, interestingly, noted that they wished to synergise the Belt and Road Initiative with MBS's "Vision 2030" plan.

These objectives were predicated on the already-strong Sino-Saudi commercial relationship. Saudi Arabia overtook Angola as China's largest source of oil in 2005, and by 2008 Sino-Saudi bilateral trade was worth \$52.5 billion (2018 exchange rates), making Saudi Arabia China's largest trading partner in the Middle East. By the first quarter of 2010, Saudi oil exports to China reached over one million barrels, exceeding its exports to the US. (No matter that Russia overtook Saudi Arabia to become China's largest source of oil in 2016, shipping 1.05 million barrels per day compared to Saudi Arabia's 1.02 - the Sino-Saudi relationship continues to flourish.) Seeking to secure its status as a major oil supplier to China, Riyadh invested major sums in China's oil sector. In 2004, Saudi Aramco Overseas Company invested close to US\$1 billion for the construction of a petrochemical facility in China's south-eastern Fujian Province and in 2006 agreed to jointly construct an oil storage facility on China's Hainan Island. Saudi Arabia later invited Chinese firms to participate in infrastructure development worth US\$624 billion. In the same year, China's largest aluminium producer - Aluminium of China (CHALCO) partnered with Saudi companies to build a US\$3 billion aluminium facility in Saudi Arabia. In 2009, China Railway Company won a US\$1.8 billion bid to build a monorail in Mecca to transport Muslim pilgrims. More recently, in August 2017, Chinese Vice Premier Zhang Gaoli made a three-day visit to Saudi Arabia. During his visit, China and Saudi [signed](#) a series of deals worth nearly US\$70 billion. The agreements [reportedly](#) covered energy, investment, trade, postal services, communications and the media. There was another agreement on a US\$20 billion Sino-Saudi investment fund that was also signed. By March 2017, there were around 160 Chinese organisations operating in several sectors of the Saudi economy and around 175 Chinese projects developed, notably in the telecommunication and construction sectors.

Trade and commerce, no matter their importance to the relationship, remain only one aspect of it. During Mr Xi's visit to Saudi Arabia in January 2016, the two countries agreed upon a comprehensive strategic partnership. China, consequently, offers Saudi Arabia political support such as in October 2016, when it backed Saudi Arabia's sovereign immunity and criticised the Justice Against Sponsors of Terrorism Act that was passed by the US Congress. The two countries also co-operate on counter-terrorism efforts. In November of the same year the two countries announced a five-year plan on security co-operation including counter-terrorism co-operation and joint military drills. In October 2016, consequently, a joint anti-terrorism exercise took place in China, in which dozens of combatants from the Chinese and Saudi Arabian special forces participated. It is also likely, given the rapid growth of the relationship, that Chinese firms could win Saudi military procurement tenders over the next decade as Riyadh seeks to diversify the sources of its military equipment, seeks military technology inputs and aims ambitiously to localise over 50 per cent of military equipment spending by 2030. It appears increasingly likely that China seeks to improve its internal stability in its western region by stabilising the near periphery in

Central Asia and its distant periphery in the Middle East. If that is indeed its objective, Saudi Arabia is the automatic choice for a starting point of diplomatic effort.

Both countries perceive their bilateral relationship as conducive to achieving their strategic objectives. For China, the Saudi relationship assists its energy security and, by extension, its economy, assists its security and stability in its western region, helps stabilise its Central Asian and Middle Eastern peripheries, helps alleviate the domestic threat posed by radical Islam and to mitigate any fall-out from its efforts to curtail that threat and allows it to further engage in a region on which it depends for its energy imports.

For Saudi Arabia, its bilateral relations with China enables it to wean itself off its over-dependence on the US, gives it an economically and militarily powerful partner that could complement its relationship with the US, gives it a long-term market for its oil exports and also gives it a politically-powerful partner that is not overly-concerned with criticising it because of its human rights violations or poor democratic institutions.

Both countries are concerned with the challenges to their domestic stability brought about by events in the Middle East and seek stability and security to better pursue their economic goals and to enable their rulers to continue their non-democratic rule. Both countries have much in common, despite superficial differences. That fact alone will ensure that their bilateral relations continue to grow.

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