



China's New Silk Road Strategy and the Middle East

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EXECUTIVE SUMMARY: In recent years, the People's Republic of China has significantly increased its economic and diplomatic engagement with the Middle East. Most of Beijing's investment in the region focuses on energy, infrastructure construction, nuclear power, new energy sources, agriculture, and finance. These investments serve not only China's interests but also those of Middle Eastern countries hoping to boost their economies as a means of strengthening social stability.

Outside the Asia-Pacific, the Middle East is likely the most critical region in the world for China, connecting it to the Mediterranean and Europe. It is a critical source of much-needed energy resources and an area of expanding economic ties. In turn, Middle Eastern countries see Beijing as the most important world capital after Washington because of China's considerable economic power.

China's policy toward the Middle East is necessarily defined within a complex regional context that involves a multitude of local rivalries enmeshed with serious great power competition. The Chinese policy is to [maintain a balance](#) among several priorities that are at times in conflict. These priorities are to:

- maintain mutual respect between China and each regional state, which means honoring one another's territorial integrity and sovereignty and agreeing not to interfere in each other's internal affairs;
- maintain a peaceful and stable environment for the advancement of China's modernization drive, promotion of development, and improvement of its people's livelihood;
- maintain a peaceful environment in the Middle East, in line with the above, to protect Beijing's regional interests;
- maintain good relations with all countries in the region; and finally,

- avoid a major confrontation with the US while limiting its regional hegemony and promoting regional as well as global multi-polarity.

In keeping with this policy, China seeks to forge a mutual interdependency with the countries of the region in sectors such as energy, construction and infrastructure projects—in other words, to leverage its economic strength to make the new Silk Road a success.

The Belt and Road Initiative (BRI), a sprawling framework of trade and commercial ties between China and various world regions, is the flagship foreign policy of the Xi administration and its most significant diplomatic and economic activity of the 21st century. It [seeks](#) to open up new markets and secure global supply chains to help generate sustained Chinese economic growth and thereby contribute to social stability at home.

The initiative has both land-based and maritime components. The different sub-branches of the Silk Road Economic Belt (a series of land-based infrastructure projects including roads, railways, and pipelines) and the 21st-century Maritime Silk Road (made up of ports and coastal development) would create a multinational network connecting China to Europe and Africa via the Middle East. This will facilitate trade, improve access to foreign energy resources, and give China access to new markets. The two schemes are inseparable, and they are meant to be [implemented](#) in parallel.

The Middle East is situated at the physical heart of the BRI. Not only do the three continents of Asia, Africa, and Europe meet there, but the Mediterranean, the Red Sea, the Arabian Sea, the Caspian Sea, and the Black Sea also converge there. It is adjacent to the four strategic maritime channels of the Bosphorus, the Dardanelles, Bab el-Mandeb, and the Hormuz Strait. The region contains diverse and complex humanitarian, religious, and ethnic factors, and its significant energy resources mean it will play a decisive role in the building of the BRI. This region will also play a major role in security coordination, economic cooperation, and cultural exchanges under the BRI framework.

The BRI is at the core of China's diplomatic encounter with Middle East countries, a point repeatedly emphasized by Beijing officials. The Silk Road strategy thus provides new momentum for the economic transformation of the Middle East. Despite challenges, risks can be turned into opportunities as long as China faces up to them squarely and responds positively.

In the past two decades, major changes in the global economy and geopolitical trends have paralleled China's ascent. These developments are creating new opportunities for Middle East countries as they look to diversify or rebuild their economies, increase trade, and seek investment opportunities in emerging markets. There is a growing

tendency among the countries of the region to see China's favorable business conditions, expertise, and experience as a path to economic development, a view that has led them to look favorably on the BRI and wish to incorporate it into their national development plans.

Chinese trade with the Middle East has sharply increased in recent years, making it the region's largest trade partner. The two sides have deepened cooperation in the fields of energy, trade, project contracting, and investment. According to *China Customs Statistics (export-import)*, China-Middle Eastern countries' trade volume [increased](#) to \$294.4 billion by 2019, up from \$227 billion in 2018.

The Middle East also accounts for more than 40% of China's oil imports and is a key supplier of the country's liquefied natural gas. Forty-five countries supplied crude oil to China, but close to half (44.1%) of Chinese imported crude originates from just nine Middle Eastern nations, and six Persian Gulf states are among the top 15 crude oil suppliers to Beijing. This energy relationship is set to continue as Middle Eastern exporters look to East Asia in general and China in particular as a reliable long-term energy export market. The International Energy Agency (IEA) expects Beijing to [double](#) its oil imports from the region by 2035.

According to the *China Global Investment Tracker*, Beijing's investments in the Middle Eastern states from 2013 to 2019 [reached](#) \$93.3 billion. Most are in the energy sector (\$52.8 billion), real estate (\$18.4 billion), transport (\$18.6 billion), and utilities (\$5.9 billion). This is important for the Middle Eastern countries as they are all under pressure to create more diverse economies, and so are embarking upon massive infrastructure and construction projects. Chinese firms are uniquely well-positioned to take advantage of this, and an aggressive approach to infrastructure development is [driving](#) much of the BRI.

Moreover, Chinese companies are operating directly in the Middle East, often focusing on projects that lend themselves to the BRI's goal of connectivity. Ports and industrial parks have been central to such cooperation, as they create an economic chain that links China to the Gulf, the Arabian Sea, the Red Sea, and the Mediterranean. Examples include the UAE's Khalifa Port, Oman's Duqm Port, Saudi Arabia's Jizan Port, Egypt's Port Said, and Israel's Ashdod and Haifa ports. Chinese companies are also likely to play a significant role in reconstruction projects in Iraq, Syria, Lebanon, and Yemen. The Gulf monarchies have been major sources of infrastructure construction contracts for Chinese companies, such as those for Qatar's Lusail Stadium, Saudi Arabia's Yanbu Refinery, and the high-speed rail line that [connects](#) Jeddah with Mecca and Medina.

In the wake of the Arab uprisings and civil wars, the Middle Eastern countries are under pressure to rebuild their economies and boost growth to assuage domestic

conflict and avoid being left behind in the wave of globalization. To this end, they have been actively rolling out plans for rehabilitation and long-term development. Comprehensive and upgraded Chinese engagement will provide a new impetus for regional economic growth.

China and the Middle Eastern countries have a common interest in [integrating and synergizing](#) the Belt and Road Initiative with major initiatives for national rejuvenation. These include Saudi Arabia's Vision 2030, UAE's Vision 2021, Jordan's Vision 2025, Turkey's Middle Corridor, Egypt's Vision 2030 and Suez Canal Corridor Development Project, Oman's Vision 2020, and Kuwait's Vision 2035.

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