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CHINA'S BALANCING POLICIES IN THE PERSIAN GULF

Seeking to carve a sphere of influence in the Persian Gulf, China seems to have found a new opportunity thanks to COVID-19. In this vein, Beijing pursues a delicate balance between the member states of the Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) and Iran. By this means, it also aims to limit the room of maneuver enjoyed by the United States and India in this part of the world.

Gulf Arabs and China: Contemporary Relations

COVID-19 has led to a slowing down of activities in many sectors, thus lowering oil prices. This set the Gulf countries, which have already been occupied with diversifying their economies, into alarm. The Arab countries of the Gulf are in dire need of finding new investors to uplift them in the face of fiscal deficits to rise up to 25 percent of GDP in 2020. Against this

backdrop, Beijing, which has already limited Washington's room of maneuver in East Asia and Africa owing to its increasing visibility, seems to have declared the Persian Gulf as another area of competition. The Persian Gulf is a critical venue, from which China procures more than half of its energy requirements. Known as one of the most important allies of the USA in this region, Saudi Arabia sold almost a third of its crude oil exports (about 2m barrels per day) to China in May. Indeed, Riyadh has already surpassed Russia last year, to become China's top supplier. In addition, the amount of crude bought from Kuwait and Oman, as well as petroleum gas exports from Qatar have increased exponentially throughout the years.

Amidst the pandemic, China has scored a number of bonuses thanks to its medical equipment supplies, plus the activities of the BGI Group involved in building coronavirus testing centers across the Middle East. Nevertheless, Beijing's regional efforts are not confined to the health sector. In May, China's state-run Silk Road Fund acquired a 49 percent stake in the renewable energy arm of Saudi company ACWA Power, specializing in power generation and water desalination. The following month witnessed an agreement between the Saudi investment company Batic and the Chinese Huawei for the national smart cities program. A similar deal was concluded between Oman's Ministry of Information and Communications and Huawei to upgrade the country's digital infrastructure. Last but not the least, the Dubai Electricity and Water Authority and Huawei are deliberating on the means to advance cooperation over digital

transformation and artificial intelligence. In terms of demographics, Gulf population under the age of 25 range from 25 to 50 percent in various countries. It is needless to say that the young generation is overwhelmingly interested in the latest technological advancements. Hence, not only Huawei but also other prominent Chinese brands like Alibaba, Tencent (i.e. its WeChat program) and ByteDance (TikTok) vie for more market shares in the Gulf. The popularity of TikTok video-sharing app is indicative of the socio-economic transformation in this region. In 2018, ByteDance set up an office in Dubai, while in 2019, Saudi Arabia ranked as the eighth-largest country in terms of users, with nearly 10 million. Dubai also shook hands with the Chinese Terminus Technologies as the official robotics partner for the World Expo event to be launched in October 2021.

Gulf states' relations with China do not always proceed along the economy-energy axis. Historically speaking, there have been several military deals concluded between Beijing and Riyadh involving intermediate-range ballistic missiles like the DF-3A in the 1980s and the DF-21 in 2007. Qatar also added to its inventory Chinese short-range SY-400 ballistic missiles, exhibited for the first time in 2017. China is also known to have sold Saudi Arabia and the United Arab Emirates (UAE) thousands of unmanned aerial vehicles. In last November, the Blue Sword 2019 Exercise conducted between Saudi and Chinese navies also made the USA very uneasy.

However, if the Washington-Beijing dispute gets out of control, then the former's regional allies may be pressurized

to withhold goods and services to China. Indeed, Israel has long been warned about not to cooperate with China in the construction and management of ports as well as 5G technologies. It is also alleged that Washington has already made the same call to its Gulf partners, particularly the UAE. Armed with this foresight, China views Iran as a lifeline in case lucrative deals with Gulf countries would be a thing of the past.

China's Trump Card: Iran

In a statement in July, Iranian Foreign Minister Mohammad Javad Zarif articulated that they were deliberating the final details of a 25-year strategic agreement with China. This critical initiative does not only mean a large-scale economic partnership; it also incorporates close military cooperation. From the Chinese perspective, Iran is both a substantial market for its exports and a remarkable oil supplier. In return, Iran hopes to breathe a sigh of relief amidst ongoing US sanctions. The military dimension of this bilateral deal is anathema to the USA, taking into consideration last year's Iran-China-Russia joint naval exercise in the Indian Ocean and Gulf of Oman.

Sino-Iranian partnership may also shift the balances in neighboring regions like South Asia. As a related phenomenon, it would be good to remember a deal reached between Iran and India in 2016 to link India to Afghanistan and Central Asia by constructing a railway from the strategic Iranian port of Chabahar. Tehran withdrew from the deal, arguing that India had delayed its investments under US bullying. The latest warming up of ties between China and Iran may be interpreted as an effort to compensate for

the delay in this project. Under the new circumstances, China may seize the opportunity to connect Chabahar to Gwadar in Pakistan, considered as a critical hub in the One Belt One Road program. On the part of Iran, this move might be a stepping-stone to bypass the important Strait of Hormuz and utilize the Gulf of Oman to export its oil to foreign markets. This plan has been deliberated since 2018 in policy circles. Eventually, the opening ceremony for the 1000km Gorah-Jask oil pipeline project took place in June. On July 16, Iranian President Hassan Rouhani underscored the significance of Jask and Chabahar ports, highlighting that Jask would become the country's main oil loading center. The new route reduces the distance for Iranian tankers, while also enabling Tehran to close the Strait of Hormuz when national security is at stake.

Who is the Winner?

Some experts claim that Beijing's sphere of influence in the Persian Gulf is highly overrated. According to their observations, Chinese investment in the Gulf has been decreasing since 2011 and that it has no chance of neutralizing the dominance of the USA in this critical geography. From their viewpoint, China's foreign direct investment entails no more than a handful of large infrastructure and energy contracts often involving state entities and that they are far from being sustainable. Furthermore, in military terms, it does not seem very likely that Gulf inventories historically furnished with Anglo-American equipment would be easily replaced by Chinese (and Russian) counterparts.

Additionally, China is in competition with India, which is considered as another viable Asian market for Gulf commodities.

Deepening relations with the Arab states of the Gulf has been a fruitful endeavor of Prime Minister Narendra Modi. Nevertheless, when juxtaposed with China, India suffers from a disadvantage related to the further rise of Islamophobia in this country owing to the COVID-19 incident. Since the first cases of the pandemic were associated with a gathering of Muslims in New Delhi in mid-March, discrimination against Muslims have skyrocketed. The Gulf states fiercely condemn the violence against Muslims (approximately 200m) and their businesses, especially when some officials from the ruling Hindu nationalist Bharatiya Janata Party (BJP) make efforts to fan the flames of hatred. Yet, this is not to say that Gulf-Indian relations have reached a point of no return. Neither the 2019 Citizenship Amendment Act, which facilitated citizenship for non-Muslim religious minorities from Afghanistan, Bangladesh and Pakistan, nor the decision to revoke the constitutional autonomy of the Muslim-majority state of Jammu and Kashmir led to full deterioration of relations. Thinking in pragmatic terms, Gulf states evaluate India as an essential export market and a promising trade and investment partner.

In other terms, China is not the only actor in the region to pursue a policy of balancing. In fact, Gulf states also use this policy when it comes to Iran. In late February, Bahrain, Kuwait, Oman and Saudi Arabia blamed Iran, as the first cases of COVID-19 were seen amongst their citizens who had returned from pilgrimages to Iran. Nevertheless, it would take only a couple of weeks before many Gulf states, excluding Saudi Arabia, rushed to assist Iran as the death toll in this

country rose to the highest level outside China in early March. Abu Dhabi was the pioneer in this process, delivering first aid supplies via military transport helicopter. This was to be followed by Qatar's dispatch of six tons of medical equipment and supplies, and Kuwait's announcement of \$10m humanitarian aid. These gestures can be interpreted as efforts to de-escalate tension in the Gulf following the failed Iranian uranium deal and the killing of General Qasim Soleimani by a US drone strike in early January. However, the latest rapprochement between the UAE and Israel is another balancing act towards Iran.

To sum up, the already-delicate balances in the Persian Gulf are further disrupted as more actors make their entrance. Arab states in the region would like to adopt pluralism when it comes to choosing allies and customers. However, acting independently in order to diversify partners is not possible, since this policy is disapproved by great powers like the USA and its strategic partners in the vicinity, which favor the status quo. There is ample potential for the enhanced use of "carrots" and "sticks" towards Gulf states, if "hard" and/or "soft" power of China further proliferates in the region.

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