



# **How do Middle Eastern countries engage with Chinese economic diplomacy?**

*A comparative analysis of Egypt and Saudi Arabia*

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## **Abstract**

How do Middle Eastern countries engage with Chinese economic diplomacy? This apparently simple question does not have a simple answer. Yet it is one that requires a response, because, over the past two or three decades – and particularly since the Arab Spring of 2010/11, when many regional states lost confidence in the support of Western partners – the relationship between Beijing and the Middle East has intensified to the extent that, in certain respects, it has transcended a straightforward set of trade or commercial linkages to encompass something much deeper and more strategic, grounded in shared preferences that may even be reshaping the region's political economy. Indeed, some countries have even come to rely on Chinese investment and markets to such a degree that they are fully embedding their own development strategies within the emerging framework of its Belt and Road Initiative. However, despite these transformations, and certainly compared to other developing regions like Africa and Latin America, there is precious little scholarly research on the subject. In part, this reflects difficulties of access, but it is also because the region's own distinctive profile – it comprises a range of non-democratic Arab and non-Arab countries, many of them also rentier states, and is relatively proximate to China – renders it quite different in key respects.

This thesis seeks to redress the balance and contributes to filling this gap. It reviews the existing literature on China's engagement in Africa and Latin America, and from this it distils three positions that might be applied to comprehending perceptions of the Middle Eastern equivalent: Sino-optimist, Sino-pessimist, and Sino-pragmatist. It then deploys a constructivist theoretical framework to examine contemporary Chinese economic diplomacy in two quite different Arab states, Egypt and Saudi Arabia: the former a larger but poorer and more diverse economy requiring infrastructural upgrading, the latter a smaller but wealthier rentier economy requiring economic diversification. It situates this analysis within their evolving contemporary relationship with the People's Republic of China. At the end of the thesis, the study reflects on the extent to which a prevailing Sino-pragmatist account of these processes appears the most appropriate way to understand them, before outlining three broad contributions to knowledge: partly filling the empirical gap regarding Chinese economic diplomacy in the Middle East; adding to existing debates on Chinese engagement in the non-West through the distillation of the optimist-pessimist-pragmatist framing; and offering a recipient-centric view of Chinese diplomacy.

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## **List of Acronyms and Abbreviations**

5G – 5<sup>th</sup> Generation Mobile Network  
ACP – Air Connectivity Programme  
ACUD – Administrative Capital for Urban Development  
ADS – Approval Destination Status  
AIC – Applied Innovation Center  
AICTO – Arab Information and Communication Technology Organization  
AIIB – Asian Infrastructure Investment Bank  
Aramco – Saudi Arabian Oil Group  
ARE – Arab Republic of Egypt  
ASC – Automatic Speech Recognition  
AVIC – Aviation Industry Corporation of China  
BDS – Beidou Satellite Navigation System  
BoC – Bank of China  
BPD – Barrels Per Day  
BRI – Belt and Road Initiative  
BUE – British University in Egypt  
CAAC – Civil Aviation Administration of China  
CASCF – China–Arab States Cooperation Forum  
CBE – Central Bank of Egypt  
CCB – China Construction Bank  
CCCC – China Communication Construction Company  
CCE – Circular Carbon Economy  
CCP – Chinese Communist Party  
CDB – China Development Bank  
CEEC – China Energy Engineering Corporation  
Chexim – Export-Import Bank of China  
CI – Confucius Institution  
CIDA – China International Development Cooperation Agency  
CITC – Communication and Information Technology Commission  
CMG – China Merchants Group  
CNBM – China National Building Material  
CNDRC – National Development and Reform Commission  
CNOOC – China National Offshore Oil Corporation  
COMESA – Common Market for Eastern and Southern Africa  
COSCO – China Ocean Shipping  
COVID-19 – Coronavirus Disease  
CPC – Communist Party of China  
CPECC – China Petroleum Engineering and Construction Corporation  
CRECG – China Railway Engineering Corporation  
CSCEC – China State Construction Engineering Corporation Ltd  
CSP – Comprehensive Strategic Partnership  
CSP – Concentrated Solar Power  
DSRI – Digital Silk Road Initiative  
DULF – Dual Use Logistics Facility

ECEAS – Economic Community of East African States  
EGE – Egyptian Government Entity  
EGPs – Egyptian Pounds  
EIBC – Export-Import Bank of China  
EU – European Union  
FDI – Foreign Direct Investment  
FOCAC – Forum of China-Africa Cooperation  
FTA – Free Trade Agreement  
FTZ – Free Trade Zone  
G77 – Group of 77  
G20 – Group of 20  
GACA – General Authority of Civil Aviation  
GAFTA – Greater Arab Free Trade Agreement  
GCC – Gulf Cooperation Council  
GDP – Gross Domestic Product  
GFC – Global Financial Crisis  
GHG – High Levels of Greenhouse Gas  
HKND – Hong Kong Nicaragua Company Development Group  
HLJC – High-Level Joint Committee  
HMS – Huawei Mobile Services  
ICBC – Industrial and Commercial Bank of China  
ICT – Information and Communications Technology  
IDB – Inter-American Development Bank  
IFI – International Financial Institution  
IFS – International Financial System  
IHCs – Islamic Holy City  
IMF – International Monetary Fund  
IOC – Organization of Islamic Cooperation  
IPE – International Political Economy  
IR – International Relations  
ISES – Integrated Sustainable Energy Strategy  
ISIS – Islamic State of Iraq and Syria  
JCM – Joint Committee Meeting  
JEC – Jazan Economic City  
KACARE – King Abdullah City for Atomic and Renewable Energy  
KACST – King Abdulaziz City for Science and Technology  
KMT – Kuomintang  
KSA – Kingdom of Saudi Arabia  
KSU – King Saud University  
LAC – Latin America and Caribbean Countries  
MCIT – Ministry of Communication and Information Technology  
ME – Middle East  
MENA – Middle East and North Africa  
MIC – Minister of International Cooperation  
MISA – Ministry of Investment of Saudi Arabia  
MOFCOM – Department of Foreign Assistance in the Ministry of Commerce  
MoU – Memorandum of Understanding  
MSR – Maritime Silk Road

NAC – New Administrative Capital  
 NAM – Non-Aligned Movement  
 NATO – North Atlantic Treaty Organization  
 NBE – National Bank of Egypt  
 NCB – National Commercial Bank  
 NDRC – National Development and Reform Commission  
 NGO – Non-Governmental Organization  
 NIEO – New International Economic Order  
 NLP – Natural Language Processing  
 NTLS – National Transport and Logistics Strategy  
 NUCA – New Urban Communities Authority  
 OCR – Optical Character Recognition  
 ODA – Official Development Assistance  
 OECD – Organization for Economic Co-operation and Development  
 OPEC – Organization of Petroleum Exporting Countries  
 PBC – Central Bank of the People’s Republic of China  
 PIF – Public Investment Fund  
 PPP – Purchasing Power Parity  
 PRC – People’s Republic of China  
 PV – Photovoltaic  
 RCJY – Royal Commission of Jubail and Yanbu  
 RMB – Chinese Yuan [Renminbi]  
 ROC – Republic of China  
 SABIC – Saudi Arabian Basic Industries Corporation  
 SADC – Southern African Development Community  
 SAFE – State Administration of Foreign Exchange  
 SAMA – Saudi Arabian Monetary Authority  
 SAS – Saudi Aviation Strategy  
 SCAI – Saudi Company for Artificial Intelligence  
 SCEZ – Suez Canal Economic Zone  
 SCU – Suez Canal University  
 SDAIA – Saudi Data Artificial Intelligence Authority  
 SDR – Special Drawing Rights  
 SEEC – Saudi Energy Efficiency Centre  
 SFD – Saudi Fund Development  
 SGCC – State Grid Corporation of China  
 SGI – Saudi Green Initiative  
 Sinopec – China Petroleum and Chemical Corporation  
 SINOSURE – China Export and Credit Insurance Corporation  
 SMEs – Small- and Medium-sized Enterprises  
 SPA – Saudi Press Agency  
 SREB – Silk Road Economic Belt  
 SRF – Silk Road Fund  
 SSCF – South-South Cooperation Fund  
 STA – Saudi Tourism Authority  
 TBEA – Tebian Electric Apparatus  
 TE – Telecom Egypt  
 TEDA – Suez Economic and Trade Cooperation Zone



UAE – United Arab Emirates  
UK – United Kingdom  
UN – United Nations  
UNCTAD – United Nations Conference on Trade and Development  
UNGA – United Nations General Assembly  
UNSC – United Nations Security Council  
US – United States  
US\$ – United States Dollar  
USSR – Union of Soviet Socialist Republics  
WB – World Bank  
WITS – World Integrated Trade Solution  
WTO – World Trade Organization  
ZIC – Jazan Industrial Cluster  
ZPNGG – Zhongman Petroleum & Natural Gas Group



## **Introduction**

The modern China-Middle East relationship began after the 1955 Bandung Conference, and can be divided into two main phases: an initial phase until China's 'Opening-Up' policy during the 1970s in which its posture towards the region was primarily influenced by ideological support for nationalist and liberation movements against western imperialism; and a second phase characterized by the forming of deeper diplomatic relations as Middle Eastern countries began to shift their diplomatic focus away from Taiwan to Beijing. During this latter period, China's past ideological preferences gradually gave way to generating mutual economic benefits in tandem with its domestic modernization programme and 'rise' within the global capitalist order. The Arab Spring of 2010/11 represents a key turning point: the turmoil it unleashed was, in large measure, a response to pronounced economic stagnation and deprivation (see Jala 2014; Yao 2012; Calabrese 2013; Wang 2014; Sun and Zoubir 2015) and it coincided with China's emergence as a global power and an unrivalled source of capital and commerce that could support the upgrading and diversification of national economies. Since then, the China-Middle East relationship has been further enhanced politically, economically, militarily, and culturally. China has a solid and growing presence in the region, with deep ties taking root in various diplomatic arenas, and it has even sought to provide leadership on humanitarian issues, and, at times, those relating to a deteriorating security situation (Salman and Geeraerts, 2015).

### **a. Research Problem**

What is the significance of this evolving picture, and which concepts and frameworks might help to analyze the growing political and economic ties between China and the Middle East? Chinese engagement – in contrast to other regions like Africa and Latin America, as well as Europe and the United States (US) – is under-researched. This matter, because the relationship has intensified substantially during the Xi era: both relations with individual states and those at the regional or sub-regional level. Yet the academic literature, especially, remains patchy, and there is little consensus and insufficient understanding of the extent and significance of the process (Worrall, 2012). Existing work tends to be quite Sino-centric in that it privileges the analysis of China's intentions and the motives underpinning its foreign economic policy: the primary concern is with how trade, investment and finance promote its political, diplomatic, and strategic objectives in terms of access to resources, widening export markets, expanding soft power and boosting economic growth, while engendering

‘win-win’ forms of collaboration with external partners (Wang, 2014; Yao 2012; Sun and Zoubir, 2015, p.921). By contrast, this study starts from the perspective of the Middle East and the agency of its states by seeking to understand how they perceive, experience and respond *to* contemporary Chinese economic diplomacy.

It is significant because China’s diplomatic strategies have been substantially strengthened, via its increasingly muscular economic diplomacy at the global and regional levels since the 2008 Global Financial Crisis (GFC) (Zhang and Keith, 2017). The country’s diplomatic actions and trade policies have had a significant role in reshaping international and regional economic outlooks (Bishop and Zhang, 2020). Moreover, the Arab Spring revolutions of 2010 enabled China to increase its strategic and economic diplomacy influence in the Middle East specifically by raising its trade, imports and aid financing, along with supporting and assisting countries in resolving the twin financial and political crises. Therefore, as they continued to globalize, China was seen as the ideal partner for many Middle Eastern states, in a context of rising Chinese economic power (see Bishop 2016), relative Western economic stagnation post-2008, the weakening of traditional alliances with the West in general, and the US in particular. China has actively sought to fill this gap through its assertive Middle Eastern economic diplomacy to achieve a broader strategic spectrum in the region, and position itself as a more reliable partner, ultimately reinforcing its footprint at the relative expense of Western countries.

Economic diplomacy, and the statecraft that underpins it, is central to Chinese engagement with globalization in general, and its attempts to exert influence in various regions of the world (see Zhang, 2024). The Middle East is the latest recipient, in part because it has come late to economic globalization itself. After 1945, interstate economic relations were limited: ideological differences between the Western capitalist bloc and the Soviet communist bloc inhibited free movement of goods, people, finance, technology and values, since both structures operated independently of each other. This lack of trade meant that, before the collapse of the Berlin Wall 1989, economic diplomacy was of little use (Zirovcic, 2016, p.9). For Middle Eastern states this was intensified: varying relationships with great powers, high levels of external interference, political instability and, in some, substantial energy rents, all militated against economic openness. Since intensified globalization from the 1990s-onwards, most developing countries – whether Asian, postcolonial states or transitional countries – have become engaged in all-encompassing economic diplomacy to increase their reliance on economic instruments and business links to strengthen their external international relations positions on the global stage (Okano-Heijmans 2016).

Furthermore, Yakop and van Bergeijk (2009) assert that economic diplomacy is *more* critical for developing countries because it improves their *internal* economic relations too. First, there is a substantial gap in producing and distributing information (public knowledge) between developed and

developing countries, and the latter can benefit from developing those relationships. Second, commercial institutions remain less established outside the Organization for Economic Co-operation and Development (OECD) countries, so the role played by Southern governments in trade relations will be greater throughout business interactions. By contrast, in Northern nations, transparent and readily available information is much more usable, and economic diplomacy thus expected to be less important as a factor in determining reciprocal exchange. Third, embassies and consulates play an essential role in forming and strengthening trade and investment relationships between developing nations and have in turn influenced the development of economic diplomacy as a new approach to diplomacy. Furthermore, Harris and Li (2005, p.74) note that economic diplomacy provides: ‘unique, reliable and impartial access to information, such as through the global embassy network and other Government channels and contacts, which become viable through the Government’s very long-term, and non-commercial attachment to overseas markets’. Overall, the growing impact of globalisation facilitates enterprises a more significant role in openness to international commercial and product and function development in addition to customer preferences and requirements, thus resulting in favourable spillover effects that can influence domestic firms in readjusting their ways of doing business (Harris and Li, 2005, p.74).

Existing literature on China's engagement with Middle Eastern countries generally does not provide an accurate or extensive reflection of the behaviour underpinning it: it is often technical and policy-focused rather than scholarly in nature, and it tends to focus on narrow interests rather than providing a systemic analysis of China’s Middle East strategy and its implications. Moreover, there is a tension between two distinct tendencies in the International Relations (IR) and International Political Economy (IPE) literature (discussed further in Chapter 2). Some – mainly Western scholars – question *pessimistically* whether China’s recent involvement leads to further instability in an already-troubled region, concentrating on the impact of its consequences for US hegemony over the region as whole rather than examining thoroughly China’s interaction with individual countries. By contrast, some work – generally, but not exclusively, by Chinese scholars – explores rather *optimistically* China’s engagement in terms of the potential opportunity it represents for the region and its constituent states in all aspects, politically, economically, militarily, and culturally. These arguments tend to map onto similar debates taking place elsewhere, such as in Latin America and Africa: the former tendency often emphasizes a skewed – and even neocolonial – relationship that produces negative terms of trade, deficient outcomes for labour, poor governance, deindustrialization and environmental degradation; the latter emphasizes how China can be a driving force for growth and inward investment, especially in infrastructure, helping to transcend neoliberalism in favour of a more equitable ‘Beijing Consensus’ (see Chapter 2). Nonetheless, there is a dearth of academic work – in English, and from the perspective of the Middle East itself – that *pragmatically* evaluates, in a

nuanced and critical way, the significance of contemporary shifts for how Middle Eastern actors themselves *engage with* an increasingly influential China in terms of their own perceptions, strategies and responses.

## **b. Methodology and Research Design**

This project, therefore, seeks to overcome these limitations by examining the experience of China's economic diplomacy in two Middle Eastern countries: The Arab Republic of Egypt (ARE, or Egypt) and the Kingdom of Saudi Arabia (KSA, or Saudi Arabia). It poses the following question: *How do Middle Eastern countries engage with Chinese economic diplomacy?* By answering it, the study aims to comprehend the distinct perceptions of local public, private, and non-state actors involved in building those partnerships and working on different commercial projects regarding its effects. Rather than focusing primarily on China's motivations and agendas, this thesis addresses concretely the processes of economic diplomacy that are already underway and, through interviews with local stakeholders and the analysis of primary documents, brings to light their perspectives regarding how this engagement is received and therefore how it informs the economic diplomacy practices of Middle Eastern recipient states themselves. To shed light on the empirical material, the study deploys a theoretical toolkit that develops a broadly constructivist account of the concept of economic diplomacy, which utilises to explore the meaning and significance of how Middle Eastern actors rationalize and respond to Chinese engagement. In doing so, the study contributes to filling a discernible gap in the already-limited China-Middle East literature by viewing the relationship from the perspective of two distinctive and under-researched recipient states.

### *Interpretivist Methodological Reasoning*

Conducting research involves making choices. De Vaus (2001) argues that research design is a strategy that researchers choose to use to incorporate various elements of a study into a consistent and logical approach to ensure that the researcher can effectively address the research problem. It therefore serves as a blueprint for collecting, measuring, and analysing data. In addition, research design, at its core, seeks to reliably and efficiently obtain a valid response to the inquiry at hand (Toshkov, 2017, p.219). This in turn involves choosing between qualitative, quantitative, and hybrid methodologies, which provide precise guidance regarding the procedures to be used in a given study (Creswell, 2014, pp.10-12). So, choosing a research design is closely connected to deciding on the appropriate methods for gathering the 'evidence needed to test hypotheses and provide answers to the research questions' (Grant, 2008, p.45). It is, therefore considered a strategic approach to a study that comprehensively sets the overall framework for choosing the proper methodologies, variables, goals, and data collection methods to effectively underpin the enquiry (Fajimi, 2022, p.21).

This study takes an interpretivist approach: it is interested, at root, in Middle Eastern actors' perceptions of reality, rather than seeking to discern reality itself (in a positivist sense). As outlined in Chapter 3, it builds an essentially *constructivist* theoretical framework to achieve this and make sense of those perceptions. Interpretivism underscores the importance of subjectivity, by interpreting meanings from acquired data (Mwita, 2022, p.619). Its ontological stance is relativism, and thus, interpretivists hold a relativistic position (Scotland, 2012, p.11). According to Ritchie et al. (2003, p.13), a relativistic comprehension of reality depends on inductively inferring socially produced meanings, emphasizing the absence of a globally agreed-upon reality that can be scientifically deduced. So, 'interpretivism, with a contrasting epistemology to positivism, believes in multiple realities' and consequently 'the followers of this paradigm are critical of the application of the scientific (or positivist) model' (Dawadi et al., 2021, p. 26). In this sense, Krauss (2005, p.762) suggests that the existence of multiple realities stems from the various perspectives of individuals, in which meanings constitute a participant's perceptions of reality and by which actions are given definition—'culture, norms, understanding, social reality, and definition of the situation' (Krauss, 2005, p.762). Thus, the meanings of both objective and subjective are complexly interconnected (Porta and Keating, 2008, p.25). As it holds that individuals cannot be apart from their knowledge, interpretivism establishes a direct connection within the researcher and the study subject (Saunders, 2012, pp.9-12). Hence, the construction of reality is formed by the interaction between language and diverse components of an external world (Scotland, 2012, p.11).

These interpretivist insights are significant for this study, because it sought to understand and interpret the perceptions of interview participants, inductively inferring meaning from them, to build a picture of a real world of Chinese economic diplomacy that does not exist independently of those perceptions. It is, put differently, just one of many possible realities, as understood from the perspective of different participants, and as analysed by deploying the adapted theoretical framework elaborated in Chapter 3. This is based on a framework elaborated by Okano-Heijmans (2011) that focuses on four elements of economic diplomacy – context, instruments, threats and mechanisms – that permit understanding of how a state seeks to achieve a balance of interests. Because these four elements are interlinked, and complementary, the analysis of economic diplomacy is most effective if it focuses on the evaluation of all four principles and their interactions. In other words, 'the questions of: 'when' (context), 'what' (instruments), 'where' (threats) and 'how' (process) inform the question 'why' economic diplomacy exists as a strategy by which states pursue national interests, including economic prosperity and political stability' (Okana-Heijmans, 2011, p. 23).

In sum, the perceptions, opinions and insights gleaned from the fieldwork reflected different worlds of varying pessimistic, optimistic and pragmatic arguments about the implications of Chinese economic

diplomacy in the Middle Eastern. This, in turn, reflected the chaotic and complex multiple realities that represent the enormous spectrum of activity that encompasses this phenomenon across time and space, in line with the qualitative interpretive methodology that was deployed to make sense of it. So, the comparative analysis in the thesis regarding the relative experiences of Egypt and Saudi Arabia offers an important inductive account of one reality, and helps to tease out some wider lessons too, without offering the kind of generalizable lessons attendant with a deductive positivist approach that seeks to discern scientific ‘truth’ (see Chapter 6).

### *Qualitative Case Study Selection*

Interpretivism generally implies the use of qualitative methods and case study research design (Muzari et al., 2022). The advantage of interpretive research employing a qualitative approach and selecting a case study is that it provides detailed and insightful accounts of the subject matter, which are crucial for interpretive researchers (Willis, 2007, p.90). Moreover, as per Clough and Nutbrown (2012), a case study research design suggests flexibility and allows the exploration of various ranges of evidence, facilitating triangulation of data (cited in Muzari et al., 2022, p.16). Furthermore, the primary objective of case studies is to delve deeply into understanding people, processes, occurrences, and issues (Taherdoost, 2022, p. 57). Thus, qualitative research functions as an apparatus for delving into how people or groups express their experiences related to social issues (Creswell, 2014, p.4).

In terms of case selection, unlike researching open and accessible Western countries, practical considerations inevitably feature more heavily in these decisions. Conducting primary academic research in the Middle East presents significant challenges: non-democratic states can be uncooperative or even occasionally unfriendly to academic researchers, particularly when examining sensitive subjects; in almost-all countries there are explicit restrictions on what can be researched, along with laborious official processes that can implicitly inhibit the process even where permission is granted; and it is difficult (and potentially perilous) for Middle Eastern people, let alone outsiders, to gain access in much of the region, whether due to instability and conflict, security restrictions or cultural divisions. Consequently, as a Saudi researcher, several countries – Iran, Iraq, Israel, Yemen, among others – were immediately off-limits, narrowing the scope of possible cases significantly to Arab states alone. Even once these challenges are overcome, fieldwork remains difficult: potential respondents, including Chinese ones, are often reticent about speaking on the record, trust needs to be built to secure access, and this takes time, effort and credibility. This necessarily implies choosing cases with which the researcher has some pre-existing links and cultural affinity. The coronavirus disease (COVID-19) pandemic – which was at its peak as fieldwork took place between March 2021 and September 2022 – only added another layer of complexity to the process (see below for a discussion of the specific pitfalls experienced during fieldwork).



Egypt and Saudi Arabia were chosen for three reasons. First, they could be accessed, and primary research could be undertaken in them. Both are Arab societies, and therefore relatively comfortable for Arab researchers to navigate – including linguistically – once familiar with, and observant of, local customs. As a Saudi citizen sponsored by the government through King Saud University (KSU), the Ministry of Investment of Saudi Arabia (MISA) formally hosted me as a visiting researcher, which in turn offered the necessary access to respondents. Similarly, in Egypt – a country with a strong intellectual culture and well-regarded universities – I was hosted at Cairo University, which facilitated access and credibility. These two countries are not representative of the region as a whole, but a sub-part of it that is still quite diverse, and, in any case, the Middle East region is enormous and impossible for a single research project to cover. Second, they are similar – and therefore comparable – in that they are neighbouring Arab societies, comprising over 90 per cent desert, with sizeable and predominantly Sunni Muslim populations. They are also the two most conventionally powerful Arab countries and the two largest economies in the Middle East in absolute terms: Egypt's Gross domestic product (GDP) in 2023 was approximately US\$426 billion, Saudi Arabia's was approximately US\$834 billion (United Nations, 2023) although some sources put Saudi GDP at over \$1 trillion nowadays. They are also both developing exceptionally deep relationships with China in the contemporary period, and are both significant partners in its reordering of the region through the BRI.

However – and this is the third point – they are also different, and therefore interesting, in several ways. They vary substantially in population size, level of development and extent of economic diversification, geographical positioning, and, crucially, the timing and nature of their relations with Beijing (see Chapter 4). Egypt is the most populous regional state (111 million) whereas Saudi Arabia is smaller (36 million). Yet the latter is wealthier, with higher GDP per capita: over \$23,000 (and over \$30,000 according to some sources) vs \$3,898 (United Nations, 2023). Egypt is located at the crossroads of the Middle East and North Africa (the MENA region) with Mediterranean and Red Sea coasts; Saudi Arabia is firmly planted in the Middle East, bordered by the Red Sea and the Arabian Gulf. Cairo was a key protagonist in the Non-Aligned Movement (NAM) and established relations with the People's Republic of China (PRC) in the 1950s; Riyadh recognized the Republic of China (ROC, meaning Taiwan) until 1990, and established its PRC relationship much later (see Chapter 4).

Overall, China's trade relationship with both countries has grown markedly since the GFC and has been turbocharged since the Arab Spring. However, Egypt experiences a significant trade deficit with China, whereas Saudi Arabia enjoys a sizeable trade surplus. Furthermore, their patterns of engagement with China differ, too: as a poorer, developing country Egypt benefits enormously from Chinese aid and soft loans, Saudi Arabia is independent of Chinese finance despite its sizable (commercially focused) investment in the local market. Moreover, Saudi Arabia's recent relationship

with China has been largely based on commodities and the extraction of energy resources – with Saudi Arabian Oil Group (Aramco) and the Saudi Arabian Basic Industries Corporation (SABIC) being the key actors engaging with Chinese state capital – and it is China’s leading supplier of oil and chemicals, but it requires support in *diversifying* from a high economic base. Egypt is considerably poorer in absolute and relative terms, but it requires support in *developing* from a lower economic base, and plays a unique as a recipient of massive Chinese investment in infrastructure projects via the BRI, with the China State Construction Engineering Corporation Ltd (CSCEC) building a new administrative capital in the country.

In sum, the comparative case study is well-established as a research method in politics and international relations (Gerring 2007a; 2007b). Since the majority of the empirical world is a product of case study research, it is fundamental to knowledge accumulation (Mertens 2014). Comparing Egypt and Saudi Arabia in this way can help us understand both the nature of Chinese preferences and the effects of its economic diplomacy, in turn testing the ‘constructivist approach’ (see Chapter 3) against existing ‘Sino-pessimist’ and ‘Sino-optimist’ accounts distilled from the wider literature on Chinese engagement in Africa and Latin America (Chapter 2). The comparative case study therefore has broader benefits: examination of data in particular contexts and distinctive situations; consideration of the similarities and dissimilarities of those different case studies, in turn emphasizing their complex significance for debates about China-Middle Eastern engagement; supplying evidence that is potentially more powerful, reliable, and significant in terms of demonstrating that complexity (Gustafsson 2017). In recent years, Egypt and Saudi Arabia have both implemented ‘Visions 2030’ to guide domestic development and diversification, and these have become increasingly embedded within the BRI framework (see Chapter 4). Thus, it is the economic diplomacy underpinning these process that characterizes the case studies to be examined in the thesis (see Chapter 5). At the same time, they also experience this differently, which makes comparison of those experiences interesting in terms of the study’s central research question and drawing out wider lessons (see Chapter 6).

### *Data Generation Strategy*

The study involved a two-stage data generation strategy. It began with a desk review of existing policy and technical documents, as well as grey literature, which represented the bulk of available research on the subject (as noted, academic publications are limited, although this has changed since the project began in 2019). This includes technical data on investment flows, reports by international organizations, governments and think-tanks, as well as project brochures, especially pertaining to BRI initiatives. I collected information for the study through a comprehensive review of Egyptian, Saudi and Chinese news websites, relevant articles published in the media, government Memoranda of Understanding (MoUs), ministry websites, public information, and press agencies. For the statistical

data, the research benefited from using official records such as the United Nations Statistical Database, World Integrated Trade Solution (WITS), Trade Economics, United Nations Conference on Trade and Development (UNCTD), British Petroleum Statistical Review of World Energy, and American Enterprise Institution. These official records provided trade statistics between China, Egypt, and Saudi Arabia.

Next, semi-structured interviews were undertaken with a range of actors in government ministries, embassies, Non-Governmental Organizations (NGOs) and think-tanks, universities and relevant private sector bodies in the two case study sites (see Table 1 for details, including citation codes deployed in later chapters). Methods refer to the precise strategies and approaches employed for the intent of gathering and analysing data (Scotland, 2012, p.11). For an interpretivist study, the data collection methods commonly used are interviews, observation, and document analysis (Muzari et al., 2022, p.14). Typically, in semi-structured interviews, the researcher has a clearly defined plan for the questions or subjects they desire to address, which allows them to influence to the direction of the discussion (Ercan and Marsh, 2016, p.8) in order to gain requisite data from the participants (Mwita, 2022, p.620), all the while ensuring the ethical standards of prioritising anonymity, human dignity, confidentiality, privacy, and consent, which are crucial to preventing physical or psychological damage to them (Muzari et al., 2022, p.14).

These semi-structured interviews employed open-ended, unrestricted questioning that allows for exploration of participant perspectives and experiences through engaging in active dialogue (Lindlof and Taylor, 2019). Therefore, overall, the purpose of the two-stage strategy is to understand the process of China's economic diplomacy engagement, both public and private, in particular countries, and the impact of this for how recipient actors perceive and engage with it themselves. So, the purpose of the qualitative research interviews is to give details on the interpretations of prominent themes 'in the life world of the participants' (Moser and Korstjens, 2018, p.12).

### *Fieldwork Approach and Pitfalls*

Before starting fieldwork in April 2021, it was necessary to obtain a whole series of approvals. First, I required the standard approval to conduct research in both countries. Second, as noted above, this was the peak of the COVID-19 pandemic – a period during which the United Kingdom (UK) was in complete lockdown or with heavy restrictions and few people had yet been vaccinated – and, as a result, additional approvals and risk assessments were required from the University of Sheffield because there was a general presumption against any overseas travel. Part of the reason I was ultimately able to travel to the Middle East was because both Egypt and Saudi Arabia actually had

relatively low COVID-19 prevalence compared to the UK and was therefore a safer place to be. Third, I had to secure approval to do the fieldwork from the Saudi Arabia Cultural Attaché in London because KSU funds my PhD via the Saudi government and expected me to be in the UK other than when doing fieldwork. Moreover, I was required to find organizations to host me in both Saudi Arabia and Egypt. After encountering several challenges – including the collapse of one Saudi host agreement – the Ministry of Investment of eventually hosted me from November 21<sup>st</sup>, 2021, to February 3<sup>rd</sup>, 2022, and I operated between Riyadh and Dammam. After this, and, again, months spent waiting to receive the necessary approvals, I travelled to Egypt to be hosted by Cairo University for three months, from May 22<sup>nd</sup> to August 24<sup>th</sup>, 2022, conducting fieldwork in three cities: Cairo, Ismailia and Ain Sokhna. In all, I spent 18 months – between March 2021 and September 2022 – in the Middle East, returning to the UK once the pandemic had abated. Much of this time frustrating, spent awaiting approvals and commitments for support, emphasizing the difficulty of conducting academic research in the region, especially during a global crisis.

During the fieldwork, I followed two strategies. First, I contacted potential interviewees via email, phone call, or an official letter issued by my host organizations to send out for them. This, again, was considerably more time-consuming than it would be if conducting research in the West, given the need to approach some respondents through official mediating entities. The second strategy involved initial interviews, which allowed me to deploy the ‘snowball’ method to find other respondents. After these interviewees agreed in principle to participate in the research data collection, I sent them the participant information sheet and the participant consent form, whether in English or Arabic languages, for their convenience in advance before meeting via email or upon meeting them before starting the interview. Few were prepared to sign written consent forms, so I secured verbal consent as a way of protecting them. I further assured them that the ensuing data would be treated confidentially stored securely in password-protected files, with personal data (names, occupations, organizations) held separately with interviewees only referred to as codes (see Table 1). I also informed them of their right to reveal or withhold their identity, as well as their right of withdrawal prior to my thesis submission (and both mine and my supervisor’s contact details).

Not all of the respondents included in the table below are cited explicitly in the thesis, especially some of those from Chinese state enterprises and private companies, among other Chinese participants, in part to protect their identities and in part because my core focus in the thesis is explaining local perceptions *of* Chinese engagement, so the views of those respondents – interesting and useful as they may be – are not those of local people. They did, of course, tell me how they perceive that they are perceived, and I have tried to bring this out in the later analysis. Nonetheless, even if not cited explicitly, their views were still important for background contextual knowledge and shaping my thinking on China’s approach to its Middle Eastern diplomacy. To ensure participants’ safety, I have

anonymized the respondents and provided anodyne descriptions of their organizations. Throughout the research, I engaged with a wide variety of people in a diverse range of organizations in both Egypt and Saudi Arabia, even if those descriptions do not fully capture their diversity in the table.

**Table 1 – Anonymized List of Interviewees**

| <b>Code</b>    | <b>Date</b>               | <b>Description</b>   |
|----------------|---------------------------|--|
| SA, 1, 2021    | November 28 <sup>th</sup> | Official in Saudi Ministry of Investment   |
| SA, 2, 2021    | December 22 <sup>nd</sup> | Saudi Economists   |
| SA, 3, 2021    | December 30 <sup>th</sup> | Saudi Academic (in research centre)  |
| SA, 4, 2022    | January 6 <sup>th</sup>   | Official in Saudi Ministry of Investment   |
| SA, 5, 2022    | January 9 <sup>th</sup>   | Official Member of the Executive Board of the entrepreneurship Committee of Saudi-Chinese Business Council |
| SA, 6, 2022    | January 12 <sup>th</sup>  | Official in Saudi Ministry of Economic and Planning  |
| SA, 7, 2022    | January 12 <sup>th</sup>  | Official in Saudi Ministry of Economic and Planning  |
| SA, 8, 2022    | January 16 <sup>th</sup>  | Saudi academic specialized in Chinese Studies  |
| SA, 9, 2022    | January 19 <sup>th</sup>  | Official in Saudi Ministry of Foreign Affairs  |
| SA, 10, 2022   | January 23 <sup>rd</sup>  | An independent Scientific Research Centre (think-tank).  |
| EG, 1, 2022    | May 30 <sup>th</sup>      | Egyptian Academic and Journalist   |
| EG, 2, 2022    | June 7 <sup>th</sup>      | Egyptian Academic in Political Science, Cairo University   |
| EG, 3, 2022    | June 12 <sup>th</sup>     | Non-governmental, non-profit organization.   |
| EG, 4, 2022    | June 15 <sup>th</sup>     | Academic in an independent, non-profit think-tank.   |
| EG, 5, 2022    | June 20 <sup>th</sup>     | A former Egyptian Diplomat   |
| EG, 6, 2022    | June 28 <sup>th</sup>     | Egyptian academic, the British University (is a private Egyptian University)                               |
| EG, 7, 2022    | July 6 <sup>th</sup>      | Official in Ministry of Investment   |
| EG, 8, 2022    | July 11 <sup>th</sup>     | A senior Egyptian Foreign Affairs practitioner   |
| EG, 9, 2022    | July 14 <sup>th</sup>     | Official in Ministry of International Cooperation  |
| EG, 10, 2022   | July 19 <sup>th</sup>     | Official in Ministry of International Cooperation  |
| EG, 11, 2022   | July 27 <sup>th</sup>     | Egyptian academic specialised in China studies   |
| CH-SA, 1, 2022 | January 25 <sup>th</sup>  | A Chinese Diplomat   |
| CH-SA, 2, 2022 | January 25 <sup>th</sup>  | A Chinese Diplomat   |
| CH-SA, 3, 2022 | January 27 <sup>th</sup>  | Chinese State-enterprise representative  |
| CH-SA, 4, 2022 | January 30 <sup>th</sup>  | Chinese State-enterprise representative  |
| CH-SA, 5, 2022 | February 2 <sup>nd</sup>  | A Chinese private Company  |
| CH-EG, 1, 2022 | August 4 <sup>th</sup>    | Chinese State-enterprise representative  |
| CH-EG, 2, 2022 | August 9 <sup>th</sup>    | Chinese State-enterprise representative  |
| CH-EG, 3, 2022 | August 14 <sup>th</sup>   | A Chinese private company in logisitics  |
| CH-EG, 4, 2022 | August 17 <sup>th</sup>   | A Chinese investor in warehouse  |
| CH-EG, 5, 2022 | August 21 <sup>st</sup>   | A Chinese businessman in textile industry  |
| CH-EG, 6, 2022 | August 22 <sup>nd</sup>   | A Chinese businessman  |

It was not straightforward to reach some officials, especially those who deal with activities related to Chinese economic diplomacy, and some interviewees either withdrew or were absent. However, I managed to conduct 32 interviews in total: ten Saudis and five Chinese in Saudi Arabia; eleven Egyptians and six Chinese living in Egypt. Regarding comparability, I sought to speak to a representative sample across the two selected countries and asked broadly the same semi-structured questions relating to the country's ties with China, its interests, and objectives. The interviewees ranged from academics, local businesspeople and investors involved in the relevant sectors, and a mixture of local governmental and non-governmental actors (i.e., investment promotion bodies, ministries of development, private sector contactors, business associations). In addition, the interviews were conducted with the participants in several locations that suited them while ensuring my safety. These varied, for instance, from their offices, whether in government buildings/departments, companies, universities, or to cafés and public spaces such as hotel lobbies due to convenience and safety (including pandemic considerations).

Additionally, we agreed verbally to avoid mentioning the names of participants, their employers, and their specific positions to ensure their protection and safety, so a complete anonymized list of them is included above in Table 1. Moreover, given how unusual this sort of research is in the region and elsewhere, in terms of elite interviews, I agreed to send each participant a copy of their transcript, giving them another opportunity to withdraw. Therefore, the thesis refers only to the date of those who participated fully, and includes no data related to those who withdrew in any way. A one-to-one interview can be an intense type of personal interview that probes personal opinions (Moser and Korstjens, 2018, p.13). I deliberately sought to leave space for interviewees to express their thoughts and perceptions regarding the evolution of Chinese economic diplomacy in the region and their specific country. To avoid influencing them unduly, my personal opinions were intentionally kept ambiguous. However, when asked about the purpose of a question, I formed it again in a different way, attempting to keep the essence while maintaining a neutral, open-ended stance, leaving them to interpret and answer in ways that reflected their own interests and views. Most interviews were recorded on voice devices for data collection, but when respondents did not consent to being recorded, I took written notes and wrote them up immediately afterwards.

Moreover, I transcribed the interviews as quickly as possible before the next ones in my schedule, which helped me get a broad idea of the full content of the previous interview. This approach helped me understand similar or different perspectives and perceptions regarding answering the research questions during successive interviews. It also helped me adjust my interview techniques by rearranging some of the questions, observing how the interview went, and evaluating my interview skills that developed over the course of successive interviews by relying more on the helpful ones and refining others that did not help boost the conversation (or for which I was already getting

diminishing returns in terms of similar answers). In addition, on bias or potential downside in terms of the partial expertise of those being interviewed, I compared data or information from the two sources (textual analysis and interviews) and used triangulation methods to help minimise the impact of potential biases and verify the usefulness of the data. Furthermore, those who agreed to be recorded accepted it if it was not shared with anyone except me so that I could transcribe the interview meetings and use them for data collection. Nevertheless, they permitted me to share the transcripts with anyone anonymously according to University of Sheffield standards and procedures to ensure their protection and safety.

To answer the question of how Middle Eastern countries engage with Chinese economic diplomacy, interviews were generally broken down into two sections: (a) ten general questions along with a series of follow-up sub-questions to be asked to every interviewee; and (b) another set of three questions, with further sub-questions formed to be specifically asked to specific respondents actors, whether they be Chinese diplomats, Chinese companies and business associations, policymakers, and academics in Egypt and Saudi Arabia, respectively. Thus, an interview guide functions as a helpful research tool, consisting of a set of questions designed to uncover the respondents' perspectives, opinions, and emotions concerning a certain study (Muzari et al., 2022, p.14).

The general questions posed proceeded through a series of themes: (1) the character of China's role in the region, its motivations and likely consequences for peace and security; (2) the challenges facing Egypt and Saudi Arabia and their internal and external drivers; (3) the potential risks and benefits of asymmetric commercial cooperation with much larger states; (4) the evolution of the bilateral relationship with China; (5) the entwinement of Chinese economic diplomacy (notably through the BRI) with local developmental aspirations; (6) the nature and attractions of the Chinese model of development; (7) Beijing's contested role in attenuating regional instability and accentuating security; (8) the implications of US relative hegemonic decline; (9) potential tensions between Chinese economic and commercial cooperation and local political autonomy; and (10) the winners and losers from Sino-cooperation. The specific questions that followed these were tailored to each respondent and covered specific projects and initiatives over time.

In general, achieving 32 interviews in the Middle East represents success. But, as noted, the fieldwork took an unusually long time to complete, and suffered from various other challenges beyond the general access difficulties noted above: (i) very different visiting scholar application requirements and processes, alongside hierarchical decision-making systems that made response times exceptionally slow, inducing continual delays; (ii) difficulties in accessing respondents and similarly long waits, often many weeks, for agreement to be interviewed or confirmation of non-participation

(necessitating constant follow up by telephone or email); (iii) the additional strain placed on interviews by the pandemic, including limited availability of interviewees and continual rescheduling or short-notice cancellation of meetings due to positive tests or isolation of themselves or close contacts (and I myself caught COVID-19 while in Saudi Arabia pre-vaccination); (iv) the relative sensitivity of the topic, which required huge effort to persuade many interviewees to participate and put their minds at rest as to the nature of the project; and (6) sometimes-awkward interview dynamics, where respondents do not speak as freely as those in Western countries might, avoiding answering some questions directly, in turn necessitating frequent rephrasing to keep conversation flowing. In short, the research suffered from a number of practical limitations – including variation in the organizations and their officials that I was able to access in each country – but this is true of all academic research. Moreover, they typify the experience of conducting research in the Middle East region specifically, and represent barriers that others seeking to do fieldwork based on elite interviews in future will likely have to contend with.

In terms of data analysis, to unpack local perceptions of Chinese economic diplomacy with Egypt and Saudi Arabia, I analysed the primary data inductively, focusing on the responses, understandings, and perspectives of respondents. Inductive and interpretive methods were embraced to distil key themes, with such a thematic approach to content analysis representing a conventional approach for managing qualitative data (Muzari et al., 2022, p.14). Content analysis utilises a systematic, comprehensive review of materials to pinpoint trends, prejudices, or themes (Taherdoost, 2022, p.57). I analyzed the interview data using five practical steps manually. First, I transcribed the interviews word-for-word and revisited the recording (Moser and Korstjens, 2018). Second, as each interview finished, I labelled it with the first two letters of the participant's country name, with a given number and year. For Saudi participants this appeared as (SA, 1, 2021/2), for Egyptians (EG, 1, 2022), and for Chinese participants (CH-SA, 1, 2022 or CH-EG, 1, 2022) and so on. Then, before creating the initial coding of the data, I reread the text various times to formalize myself with it and 'live' the data (Maguire and Delahunt, 2017; Moser and Korstjens, 2018, p.15). In the third step, I searched for main themes (Maguire and Delahunt, 2017), looking for 'deeper understanding' (Moser and Korstjens, 2018, p.15), and wrote these codes separately on the text. Fourth, after searching, summarizing and conceptualizing the interview data to defining several themes, I mapped the data onto the research questions, looking for overall points of connection. This helped me to refine the codes, which included iterative and reflective analysis processes to guarantee the consistent and coherent coding of interview themes and data (Terry and Hayfield, 2020). In the final step, I distilled the thematic coding and demonstrated the data consistently while pulling connections within the coded data, and wrote them up in the empirical analysis (Maguire and Delahunt, 2017).



As with all qualitative academic research, the data gleaned from the interviews was necessarily partial and limited. Indeed, this tendency was perhaps more pronounced than it would be in most other contexts precisely because of the nature of the research sites and the various difficulties outlined above. This certainly placed a series of limitations on how the data could be used to answer the main research question. One pertains to validity and the possibility of either incomplete representation of respondent perspectives or views, which was likely given the constraints on both access and interviewees speaking freely. Another pertains to reliability, in terms of generating robust comparative analysis, which was also a particular concern in this research because the specific categories of interviewees in Egypt and Saudi Arabia were not (and could not be) mirrored exactly across the two cases. There is, then, always a danger that I may have overemphasized certain perspectives or missed out others. However, these limitations can be defended in at least three ways. First, part of the reason why the research question focused, in the first instance, on how *Middle Eastern actors* are engaging with Chinese economic diplomacy, is precisely because most interviews were always likely to be with the former. In this sense, while the effect of that engagement on China's preferences is implicit in this question – and discussed at various points in the thesis – it also ultimately comes second to it. Second, by acknowledging these limitations here, the study makes no claims to generalizability: it is a largely exploratory, interpretive research project that sought to ascertain, as far as possible, how Egyptian and Saudi actors engage with Chinese economic diplomacy to co-constitute preferences and norms in line with their own developmental aspirations and the wider evolution of the BRI. Third, and most importantly, there is very little interview material of the kind unearthed in this study. Wherever possible, I have tried to report it faithfully and honestly, cross-referencing carefully. But the value of this study is in the generation of data that, however partial or limited, is intrinsically valuable in having been generated in such difficult circumstances.

### **c. Thesis Structure**

The first three chapters are contextual and theoretical. Chapter 1 offers a broad historical picture of the China-Middle East relationship over time. It assesses three periods: early engagement until the 'Opening-Up' policy of the late 1970s; the post-1978 era of political reform and economic modernization; and the immediate pre- and post-Arab Spring period, when some Middle Eastern countries began to 'Look East' and relations intensified. The purpose of this chapter is to explain this history and substantiate the idea that we may now be witnessing a new era in China-Middle Eastern relations. The evolution of Chinese engagement via its purposeful economic diplomacy is reconstituting its relationships with key states to such an extent that they are increasingly embedding their own developmental aspirations within it, while the framework of the BRI may be generating an incipient new form of regionalism in a historically fragmented region.

Chapter 2 reviews the existing literature on Chinese engagement with the developing world, focusing specifically on relations with Africa and Latin America and the Caribbean (LAC) countries and using a similar periodization to that in the previous chapter. This chapter is important for three reasons. First, because there is so little scholarly material on the Middle Eastern relationship, those working on the region have little choice but to borrow concepts and ideas from elsewhere to make sense of what is happening. There is, for example, a vibrant debate on China's putative 'neocolonialism' in Africa and Latin America, but very little on the Middle East. Second, this literature review therefore permits us to distil three different positions on Chinese economic diplomacy – Sino-optimism, Sino-pessimism and Sino-pragmatism – and, in turn, explain their usefulness for making sense of the Middle Eastern experience. Ultimately, it argues that, while optimistic and pessimistic accounts have fought for prominence in other regions, a more pragmatic account can also be discerned. For Middle Eastern countries which have their own distinct colonial histories, political settlements and contemporary economic structures, this appears the most plausible way of conceiving of their relationship with China, and it aligns with the open-ended, positive-sum framing adopted in the constructivist framework elaborated in Chapter 3. Third, this chapter sits separately to that framework, mainly because it is predominantly a literature review, but also because the insights generated do not frame the empirical analysis directly. Rather, they are, instead, a backdrop to it, and return to view in the thesis Conclusion where they frame the discussion of the findings.

Chapter 3 elaborates the analytical framework for the thesis. It has two objectives. First, it seeks to demonstrate that modern forms of diplomacy are less state-centric or based on security and high politics than in the past, and carried out by a range of actors in a numerous issue-areas. This is especially so in the case of economic diplomacy, which increasingly characterizes asymmetric, but mutually beneficial, relations between great powers and smaller ones. So, the chapter reviews literature on diplomacy, outlines how the concept and practice has evolved over time, explains how economic diplomacy represents a distinct form of modern diplomacy, and discusses how the Chinese variant is distinct within it. Second, it elaborates an analytical framework for analysing economic diplomacy, grounded in a constructivist account of IR and IPE, emphasizing the importance of mutual constitution of preferences, to better understand how Chinese action in the region is producing particular effects among Middle Eastern states but also how those effects are to some degree a reflection of Middle Eastern agency influencing China. This framework integrates the economic diplomacy framework developed by Okano-Heijmans (2011), constructivist theory and a process-tracing method.

The subsequent two chapters are empirical. Chapter 4 examines the evolution of China's diplomatic connections with Egypt and Saudi Arabia over time: it identifies key turning-points, similarities and differences, and how mutual interests are propelling the ever-deeper embedding of these relationships

and their own attempts at domestic modernization via their respective ‘Visions 2030’ (ARE, 2016; KSA, 2016) within the wider regional and global framework of the BRI. This, in turn, helps to develop a series of insights about the ways in which Middle Eastern actors have responded to Chinese economic diplomacy by not only pursuing their own objectives, but seeking to influence China’s perceptions of its relations with the region too. A key part of this process is that, not only are Egypt and Saudi Arabia embedding their own domestic development within the BRI, it is possible that the BRI, by laying down a framework for broader engagement in a fragmented region, is provoking a nascent form of regionalism in this space. This, in turn, may reflect a conscious example of those Middle Eastern countries implicitly influencing China’s wider patterns of regional engagement.

Chapter 5 explores this evolving relationship in detail: examining how, as Chinese economic diplomacy expands and intensifies, the two countries are actively pursuing ever-deeper forms of cooperation that go beyond convention trade or commercial diplomacy. In fact, there are distinct integrative logics at work incorporating them further into China’s BRI framework as a way of underpinning their ambitions for progress – development, in Egypt’s case, diversification, in the Saudi case – within that wider hegemonic regional project. In making this argument, the discussion reflects on the different perceptions of local actors regarding the implications of these processes, and what they signify for wider collaborative agendas – political, economic, technological, and even in the realm of security – with China and other great powers. The implicit question of what this means for how they shape Chinese preferences is emphasized at various points, but in two particular examples: the evolution of the Middle Eastern countries’ ‘Look East’ policy and mutual energy interests.

Chapter 6 concludes the thesis. It outlines the main findings, explaining the different competing views regarding the nature, extent and consequences of contemporary Chinese economic diplomacy in the region. Then, it revisits the framework elaborated in Chapter 2 to outline a Middle Eastern variant of the Sino-optimist, pessimist and pragmatist accounts, noting that the latter is broadly prevailing, for a number of reasons, and is significant because it emphasizes the value of the study’s positive-sum, open-ended framework based on norms, values and mutual constitution. Finally, it delineates the main original contributions to knowledge, focusing on four themes. First, the study offers an empirical contribution that partly fills the substantial gap in scholarly research on Chinese economic diplomacy in the Middle East. Second, it offers a potential theoretical innovation based on its constructivist analysis of that process which has identified an incipient regionalisation process as an outcome of mutual preference construction. Third, it adds to existing literature on Chinese engagement in the non-West generally, through the distillation of the optimist, pessimist and pragmatist framework. Finally, it contributes to the literature on Chinese economic diplomacy, which tends to focus on internal motivations rather than the experience of recipients, especially in the Middle East.

## **1. The Historical Evolution of China-Middle Eastern Relations**

The relationship between China and the Middle East and North Africa (MENA) region was somewhat limited during the immediate post-World War II period. Immediately after the 1949 civil war, the People's Republic of China (PRC) was beginning to consolidate a new state and the bipolar context laid down by the Cold War generally inhibited the development of Sino-Middle Eastern relations, at least early on, whether due to ideological differentiation and non-alignment or simple disinterest. Moreover, MENA states were also at an early stage of development in this period themselves: in 1949, much of the region was either only on the cusp of full self-government or slowly institutionalizing nascent independent states, meaning that forming deep relationships with the new order in Beijing was, at the time, a distant prospect. However, from 1979-onwards, in tandem with China's own opening up and pursuit of economic revitalization, it began to engage the region much more systematically, and, crucially, through a considered form of economic diplomacy in which commercial interests, rather than 'high' security politics, were the primary focus.

This chapter examines four distinct phases in the China-Middle East relationship: early engagement until the 'Opening-Up' policy of the late 1970s; the post-1978 era of political reform and economic modernization; the period from the Second Gulf War until the eve of the Arab Spring; and then the immediate post-Arab Spring period, when some Middle Eastern countries began to 'Look East' and relations intensified dramatically. In offering this broad historical picture of the China-Middle East relationship, it performs two functions. First, it provides context for the thesis as a whole, outlining the broad context in which Chinese engagement in the region has evolved, and how this is distinctive vis-à-vis other regions (such as Africa and Latin America, as discussed in Chapter 2). Second, it frames the later parts of the thesis: specifically, Chapter 4, which explores the distinctive Egyptian and Saudi experiences of an evolving relationship with the PRC.

The central argument is that, in recent times – particularly following the Arab Spring uprisings of 2010/11 – a new era has emerged in the China-Middle East relationship. This has both internal and external impetuses, as well as economic and strategic interests. For China, an increasing reliance on energy imports from the region – in tandem with its growing domestic development and demand – and therefore the need to secure them, has been critical, particularly in the wake of destabilizing Western interventions post-2010. Moreover, China aims to increase its worldwide political and economic influence by leveraging its BRI framework, and engaging in conscious political non-discrimination between regional partners, actively collaborating with Iran, Israel, Egypt and Saudi Arabia, for example. At the same time, the MENA region has been increasingly looking to China as a

possible alternative partner to the US and EU, and a stable bulwark against excessive dependence on those sometimes-fickle allies (including Russia). This is particularly salient given their relatively declining economic interests in the region and controversial interventions (i.e. in Libya). For these states, Chinese non-interference and rhetorical developing-country unity is significant, as is the scale of the financial and technological support it offers in terms of economic modernization and infrastructural upgrading. Indeed, as discussed in Chapters 6 and 7 in more detail, both Egypt and Saudi Arabia – like other regional states – have increasingly sought to embed their own ambitious and transformative economic modernization agendas, as expressed in their respective Visions 2030, within the evolving framework of the BRI. In short, the Arab Spring uprisings have completely changed the landscape of the region's political, economic, social, and security existence.

### **1.1 China-Middle East Relations Before 1979**

China-Middle East relations are deeply embedded in the Silk Road trade path that started almost two millennia ago (Olimat, 2014, p.1). This brought peace and prosperity (Yao, 2014) and even cultural connections (Harris, 1993). However, the nascent relationship was disrupted by the ancient Mongols, which led to the European invasion culminating in the break-up of China's Middle East ties (Harris, 1993). Nevertheless, the echoes of these traditionally friendly ancient ties (Gao, 2014, p.64) form the basis of their present mutually beneficial partnership (Wang, 2014, p.34). When the PRC was founded in 1949 during the Cold War, it was keen to establish cordial relationships with the Middle East region, but the many critical domestic issues it faced prevented the new country from engaging with the region (Burroughs, 1984, p.10-11; Zhang, 1999, p.150). Thus, within the bipolar context, the new China, 'leaning to one side', aligned itself with the Soviet Union (1949-1995), seeking economic support and taking a pro-Soviet foreign policy stance towards resisting US imperialism in the Middle East region (see Calabrese, 1990, p.863; Pan, 1997, pp.35-36; Disney, 1977, p.4; Huwaidin, 2003, p.96; Ehteshami and Horesh, 2019, p.23; Harris, 1993, p.78; Wang, 1993, p.65). China stood strategically by this Soviet foreign policy up until the 1955 Bandung Conference in Indonesia, when it established its own Middle Eastern foreign policy, without Soviet help, and constructed on its broader commitment to Third World unity and non-interference.

After 1949, and up until 1955, independent Middle Eastern states remained suspicious of the Chinese Communist regime. It was the week-long Bandung Conference which was the first international assembly of less-developed countries having the objective of forming ties, and it was significant for this reason (Burroughs, 1984, p.12; Shimazu, 2014, pp.225-6). Asian-African nations came seeking a 'path to freedom and independence', but more than that, this conference targeted a new epoch of

regional political influence (Shimazu, 2014, pp. 227-8).<sup>1</sup> China was invited to participate at the conference *as* a Third-World country (Burroughs, 1984, p.12). Implicitly, this reinforced the sense that it had more in common with post-colonial developing countries – many of whom came to establish the non-aligned movement (NAM) – than it did its communist counterparts in the Soviet sphere of influence. At Bandung, the Chinese Premier, Zhou Enlai, said that ‘the Chinese people have complete support for the fight for freedom and sovereignty in Algeria, Morocco, and Tunisia, beside the fight of the Arab people for human rights in Palestine’ (quoted in Yang, 2014, p.9). Thus, Bandung enabled Beijing to engage in talks and ease concern regarding its foreign policy, and to express its full support for the emerging Third World national independence movements (Olimat, 2014, p.5). Certainly, this was the case when Beijing regarded itself as existing in, and being a leader of, a distinct separate category – the ‘Third World’ – in contrast to the Communist ‘Second’ and Capitalist-imperialist ‘First’ Worlds (Burroughs, 1984, p.17). It continued to oppose US hegemony and Soviet social imperialism by presenting itself as a genuine ‘third way’ (Harris, 1993, p. 100).

The Bandung Conference helped to mitigate much of the negativity towards the new China, which, as a result, facilitated diplomatic ties with some already-independent countries in the Middle East region. Following the conference, in 1956, Egypt, Syria, and Yemen recognized and established bilateral relations, and Egypt become China’s first Arab recipient of assistance that same year (Behbehani, 1981, p.4; Harris, 1993, pp.88-90). It subsequently became, a few decades later, China’s linking hub between Africa and the Middle East, with the Sino-Egyptian relationship helped Beijing nurture its activities in the Arab-Peninsula region (Jala, 2014, p.2; Huwaidin, 2003, p.99; see also Chapter 4). Some Middle Eastern monarchies, including Iran and Iraq, were frightened of Communist China and did not recognize it diplomatically after the conference (Neill, 2014, p.207). But, after the July Revolution of 1958 in Iraq, the new government did recognize China, as did Morocco, and Sudan a year later (Disney, 1977, p 4). Beijing’s crucial tactic of establishing relations with a few regional states laid the foundations for developing further diplomatic ties, especially with those fighting Western colonialism and imperialism. This helped China to be viewed regionally as a potential geopolitical ally, and therefore assisted Beijing in breaking out of its isolation conditions imposed by the West.

The Israeli-Arab war of 1967 was, arguably, the most significant political episode of the era, because Israel’s striking victory ultimately led to the rise of leftist movements that previously had little hold in the region (Burroughs, 1984, pp.84-5). President Nasser of Egypt lost the war decisively, and this led to the general discrediting of Arab nationalism (Olimat, 2013, p.23). In responding, Beijing expressed

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<sup>1</sup> Of the 29 states that attended the conference, 12 were Arabic countries: Egypt, Iraq, Jordan, Libya, Lebanon, Saudi Arabia, Sudan, Syria, Yemen, and non-official emissaries from Morocco, Tunisia, and Algeria. For more details see (Harris, 1993, p.87; Burroughs, 1984, p.12; G. Yang, 2014, p. 2).

outrage at the Soviet reaction – not even ‘lifting a finger’ to assist Arabs – and accused the Soviets of becoming ‘traitorously conciliatory’ with the US (Harris, 1993, p.121). Chinese attitudes toward the war, resulting from Beijing’s radicalized post-Cultural Revolution foreign policy, developed around particular themes: condemning the US and the USSR’s roles in the Middle East; expressing strong political support for Arab governments; extending political and military aid to leftist movement Fatah; and promoting a ‘people-war’ as the only means of achieving Palestinian-Arab aspirations (Behbehani, 1981, p.56). In short, the 1967 war also allowed China to denounce both US and USSR’s imperialist treatment of Arabs (and the wider region), in turn further cementing its position as a Third World leader (Burroughs, 1984, pp.88-9).

After the 1967 War, as noted by Kumar (1982), China persistently rejected and refused to participate in US and USSR resolutions, and it strived to attain political settlement of the Arab-Israeli dispute. He adds that China claimed these ‘resolutions’ and ‘plans’ were flawed because they were constructed by the US/USSR superpowers not to settle the dispute, but rather to maintain it, thereby prolonging the stalemate and preserving their presence and influence in the region. He concludes that China had, in principle, rejected any form of negotiation when the US/USSR were involved. This policy of studied non-interference reflected China’s belief that superpowers created problems in the Middle East – and, indeed, elsewhere – to explain their interference, and sidestepped resolutions to justify their ongoing involvement in the regional business that was not theirs (Shichor, 2013, p. 27).

At the same time, China in the 1970s was gradually changing its foreign policy, and it continued transforming. When it joined the United Nations (UN) in early 1971 and Taiwan was removed, the latter’s global foreign affairs position drastically deteriorated (Wang, 1993, p.64). So, after joining the UN, US-Chinese relations started to improve, and resulted in establishing diplomatic ties in 1979 (Olimat, 2013, pp.22-24). Thus, China ended its isolation and became a full participating member of the international community (Cheng, 1985, p.221). Kuwait, Iran, Turkey, Lebanon, Cyprus, and Tunisia all established relations with China in 1971, followed by Jordan (1977), Oman and Libya (1978), United Arab Emirates (UAE) (1984), Qatar (1988), the (virtual) State of Palestine (1988), Bahrain (1989), Saudi Arabia (1990) (Shichor, 2006, p.668; Pan, 1997, pp.38; Burroughs, 1984, p.121). Yetiv and Lu (2007) conclude that, notwithstanding China’s zeal for formulating anti-colonial sensitivity in the Middle East in the 1950s and 1960s, and resisting Soviet influence in the 1970s, its political stances in the late 1970s and 1980s shifted in parallel with its increasing diplomatic openness to the world, and therefore, China continued to become more involved in the Middle East over time, notably in the Gulf region.

China's 'Opening-Up' policy of the late 1970s represents a critical turning point in its contemporary history. This new era allowed Beijing to step out into the world in a practical way through: de-emphasizing ideology and facilitating economic/trade cooperation; moving away from its long-standing support of leftist movements and anti-imperialist agendas; adopting a strategy of 'openness and reform' to modernize its economy; looking outside to world markets while retaining its communist dogma in the political arena; participating and integrating into the global community by actively participating in international organizations (Zhang 1999; Yetiv and Lu 2007; Abdel-Khalek and Korayem 2007; Zhu 2011). Thus, China's focus under the leadership of Deng Xiaoping, in contrast to Chairman Mao's era, was its (non-)ideological stance: the new leader reformed China's agenda by focusing on economic modernization nationally and overseas. As a result, the character of China's involvement in the Middle East shifted. First, Beijing redefined its ideologies to increase its economic and diplomatic weight in the region, aiming to mould geopolitics to its advantage and overcome its unstable position vis-à-vis the *de facto* hegemony of Washington. Second, by promising to improve the living standards of the Chinese people – through augmented trade with regions like the Middle East and better relationships with the West – it sought to sustain the legitimacy of the Chinese communist regime (Calabrese, 1990; Cheng 1985; Chang 2011). So, relative to the post-1978 stance, China's foreign policy started to take a different direction domestically and internationally.

## **1.2 The 1980s-1990s: From Chinese Modernization to the Collapse of the Soviet Union**

China's interests in the Middle East were increasingly guided by finding new avenues to meet the needs of its modernization program, and, thanks to the Opening Up agenda, it no longer radically opposed the then-superpowers as it once did (Cheng 1985). China targeted the Middle East primarily for the acquisition of energy resources and other commodities to feed its development, in turn generating an investment incentive for the Chinese consumer and product markets (Chang 2011). The region thus became a key component of China's economic modernization program (Harris, 1993). For instance, arms deals were prevalent in the 1980s (Calabrese 1998; Ehteshami and Horesh, 2019) and energy deals were prevalent in the 1990s, especially with the Gulf states (Calabrese 1998). Alongside these, China accessed region markets for its exports, products, and investment incentives, labour and technology (Chang, 2011, p. 12; and Gentry, 2005, p. 115). For example, the China Petroleum Engineering and Construction Corporation (CPECC) competed for subcontracts and small-scale initiatives, and the region added to China's economy as a focal point of investment and loans: a development that would not have founded favour during Mao's time (Xu, 2000, pp.125-7).

Before the Tiananmen Square incident in the late 1980s, Chinese relations with most Middle Eastern countries had been growing closer. Politically, the region provided China with sufficient incentives by taking an active role in addressing its problems in global politics. Economically, the region took a



significant proportion of China's exports, civilian goods, and labour while offering capital and loan funds, thereby reducing China's trade deficit, and from a military perspective, it became a client of Chinese arms and military hardware (Shichor, 1992, pp.85-7). However, after Tiananmen, the West, spearheaded by the US, responded by imposing severe political and economic sanctions on China to isolate it (Huo, 1992, p. 265; Sun and Zoubir, 2014a, p.4). Under such circumstances, China's relationships with Third-World nations became both essential and necessary for it to break the imposed isolation (Huo, 1992). In the days following the Tiananmen crackdown, Chinese ambassadors in Middle Eastern capitals met local government officials to provide an explanation for the incident and to reaffirm Beijing's dedication to proceeding with its reforms and Opening-Up policy, and, within weeks, highly regarded emissaries were dispatched to the Middle East to underline this (Shichor, 1992, pp.88-89). By the end of 1989, the Chinese President, Yang Shangkun, had visited Egypt, UAE, Kuwait, and Oman aiming to combat Western sanctions (Zhu, 2010, p.6). Thus, the positive reaction of Middle East governments to Beijing allowed them to weaken and gain rapid relief from Western-imposed international isolation and sanctions (Shichor, 1992, p.89).

The fall of the USSR led to a great power vacuum in the global arena, especially in the Middle East region, and tilted toward the supremacy of the US. Consequently, this gave China an opportunity to fill the gap, or, at least, to minimize US domination over the region. It consequently brought China and the Gulf states closer together, particularly as regards China-Iran relations, partly as an approach to counteract the tensions inherent in a single-power condition (Calabrese, 1993, p.484). Also, the Arab policymakers of Saudi Arabia, Kuwait, Iraq, Bahrain, and Qatar were looking for a new power to counteract US influence in the Middle East region by seeking East Asian countries as an alternative to political and economic partnerships with the US (Dorraj and English, 2013). So, this was a turning point in trade and investment relations between China and Middle East countries (Zhu, 2010, p.8; Daher, 2009, p.19).

China further deepened its relationship with the Gulf states after the Iraq war in 1991. While Beijing continued to support Kuwait against the Iraqi invasion, it voted against the use of force against Iraq, thereby strengthening its role both as a non-aggressor and a strong opposer of Western hegemony in the region (Dorraj and English, 2013, p.58). Throughout the 1990s, China-Gulf ties expanded remarkably: diplomatically, by engaging with the counties of the region and establishing and sustaining dialogue despite the disputes between these countries; economically, where China started depending on Gulf oil; and, militarily, by essentially keeping Iran as a client and establishing a stable equilibrium in the Gulf weapons industry (Calabrese, 1998, p.366). Thus, energy became a factor in China's relations with those countries with substantial oil reserves (i.e., the Gulf states) as its own

supply was insufficient, and it had become a crude oil importer in 1993 (Chaziza, 2013, p.167; Olimat, 2010, p.313; and Pan, 2008, p.62). Throughout the 1990s, then, China effectively maintained good relationships with Middle East countries, both with close US allies in the region (Saudi Arabia and Israeli) and firmly anti-US states (Iran and Iraq) (Yetiv and Lu, 2007, p.201).

In summary, although Chinese foreign policy towards the Middle East prior to 1978 was largely focused on Chinese ideological interests, its relations with the region were based more on economic considerations after 1978. The Middle East region became a focal point of China's modernization programme after China's opening-up policy and the launch of economic modernization. If energy was the key factor, there was also increasing space for cooperation in arms sales, markets, investment opportunities, infrastructure, labour, and technology. Diplomatically, in the aftermath of the Tiananmen incident, this period was characterized by high-level official and diplomatic visits to the Middle East to ease Western sanctions on China. Geopolitically, as some countries in the region searched for the East to counterbalance US influence as the region's single dominant power, the fall of the USSR provided China with an impetus to engage in the Middle East. Indeed, the 1991 Iraqi war also pushed China and the Gulf countries very close to deepening their diplomatic dialogue and improving economic and military relations with countries friendly and unfriendly to the US (including, for Beijing, Iran).

### **1.3 From the Second Gulf War to the Arab Spring**

Although the relationship continued to expand, the US invasion of Iraq in 2003 and the Arab Spring in 2010 strengthened Sino-Middle Eastern relations yet further. China 'strongly condemned' the unilateral Iraq invasion, 'and showed no inclination to get involved' (Chaziza, 2016a, p.25) before which Beijing was playing active role in promoting the multilateral resolution of the issue within the framework of the UN Security Council (Liu, 2016, p.12). Yet, when the Bush administration used military aggression as part of the US occupation of Afghanistan and Iraq, this prompted many Arab regimes to pursue a more assertive strategy toward China to balance US hegemony in the region, thus, China has played a functional role in this regard so far (Daher, 2009, p.22). Moreover, as Alterman (2009) notes, international pressure on Middle East countries to make institutional changes put many Arab regimes in a state of anxiety as the Iraqi experience was not only a worrying development, but also there were no governments in the region willing or even able to oppose US hegemony. This invasion, the aim of which was ostensibly for President Bush to push the US democracy agenda, led to Middle East countries, some of whom are US allies, working closely together to prevent the US agenda (Alterman, 2009, p.70).

Although China was unable to challenge US military supremacy in the region, it focused on its economic relations with countries in the region, and not only increased its external need for Middle East petroleum, but also increased its trade, finance, engineering projects and export workers to the region (Shichor, 2013, p.36). Saudi Arabia, as a major regional player, took the lead and started ‘looking eastward’ to accept China’s foreign policy relative to the US policy since China did not aim to, either overtly or implicitly, alter the democratic structure, the way others live, or their culture (see Chapters 4 and 6). This contrasted with US policies, resulting in Riyadh boosting markets and an alliance towards the east, thus, China-Saudi cooperation could perhaps lead to a political partnership to decrease the US influence in the region, even though, China and Saudi are attempting to collaborate with Washington for both economic and geopolitical purposes (Yetiv and Lu, 2007, p.202). As a result, Middle Eastern countries regarded the US as a challenge to their local values and traditions, while China was viewed as being uninterested in pursuing a colonial agenda or pushing for reform in Middle East countries’ local practices and norms.

By 2003, China overtook Japan as the second-largest international oil customer behind the US (Chaziza, 2013, p.162) and the Gulf states opened their domestic economies to Chinese investments and provided China with incentives for petroleum exploration activities, besides signing a platform agreement on economic, trade, investment and technological cooperation (Daher, 2009, pp.19-20), along with an agreement to negotiate a Free Trade Zone (FTZ) in 2004 (Qian and Fulton, 2017, p.16; Liu, 2016; G. Yang, 2014, p.21). Moreover, the Chinese development model, known as the ‘Beijing Consensus’, presented itself as an alternative to the US ‘Washington Consensus’ model that imposes the neoliberal rules of free-market transactions, contrasting with the political pressure often used towards Middle East countries (Zambelis and Gentry, 2008, p.63). Furthermore, China, thanks to its close relationship with, for example, Saudi Arabia’s Gulf Cooperation Countries (GCC)<sup>2</sup>, purchased a massive volume of energy, aluminium, and refined plastics, and their trade flows amounted to US\$70 billion in 2008 (Chang, 2011, p.13; Abdel Khalek and Korayem, 2007). While facing increasing domestic energy demand, ‘China’s Middle East expansion’ came to be seen as ‘a must’ (Xu, 2000, p. 135). Hence, by 2008, China overtook the US as the world’s biggest oil importer from the region, pointing to a significant development reflecting ‘China fever’ in the US as a result of its growing ties with the Middle Eastern countries (Zhu, 2009, p.52).

While China has grown rapidly, its leaders have looked to countries that have substantial oil reserves and natural resources to meet its economic demand. In this respect, this expansion encouraged China to see the Middle East region as crucial to ensuring its continued economic development (Zugui,

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<sup>2</sup> Including Kuwait, Bahrain, Qatar, UAE, and Oman, as well as Saudi Arabia.

2014, p.66). Moreover, the region essentially became an arena for China to demonstrate its influence as a potential 'rising power' to ensure 'a harmonious world in dealing with international issues' (Wang, 2014, p.35). Thus, China's role in the international arena shifted from passive to active, alongside its rapidly growing economic weight (Zugui, 2014, p. 67). Furthermore, Sino-Arab relations, were, in this period, not only limited to the bilateral level but also increasingly pervaded the multilateral arena for the purpose of enhancing common support and mutually stable development (Yao, 2014, p.28). In 2004, both the Arab League Security Chief, Omar Moussa, and the Chinese Foreign Minister, Li Zhaoxing, signed two documents: The China-Arab Cooperation Forum Declaration and the China-Arab States Cooperation Forum Action Plan (Jalal, 2014, p.5; Yao, 2014, p.29). This signalled a further deepening and growing Chinese influence in the region. At the same time, Beijing remained mindful of avoiding antagonizing the US since its relationship with Washington was also essential for China's productivity growth (Chaziza, 2013, p.165).

By the end of 2010, the Middle East had experienced dramatic turmoil, leading to internal and regional systemic changes, the effects of which are still reverberating today. With the outbreak of the Arab Spring, China began to fear a propagation of nationalist spirits and instability within its own country: news agencies reported rebellions against Chinese domination by many Tibetan monks, for example (Olimat, 2014, p.9). In the context of the Arab Spring, Gao (2014) argues that the Arab Spring marked a crisis during which, as US influence deteriorated, China seized an opportunity to develop ever-deeper ties. Washington equivocated as it faced the contradictory imperative of supporting allies in government while providing rhetorical succour to ostensibly pro-democracy movements that destabilized those political regimes (see Grugel and Bishop, 2014). China offered an alternative, prizing stability and non-interference in a context where a broader critique of Western influence in the region was catalyzed by the crisis.

As Wang (2014) argues, Western countries were increasingly perceived as having left a disastrous legacy in the Middle East, ever since a colonial era typified by 'slavery and the oppression of local people', with the use of 'subversion' and 'interference' an omnipresent feature of external meddling through both the Afghan and Iraqi wars of the early 2000s, and, later, in the destabilizing interventions in Libya and Syria during the Arab Spring, thereby reinforcing the turn of local elites towards China and Beijing's enthusiasm in facilitating it (Wang, 2014, pp.33-34). Unlike the West, China respects – and, crucially, is perceived to respect – the sovereign rights of states by keeping with the principles of equality, rejection of foreign intervention, and opposition to the notion of regime change by emphasizing the principles and goals of the charter of UN that sets out provisions for honouring autonomous state sovereignty and territorial integrity, and finally, the adoption of an intentional policy in line with the interests of peaceful conflict resolution (G. Yang, 2014, p.17).

## 1.4 The Rise of Xi to Covid-19

President Xi Jinping's rise to power marked the formal departure from Deng Xiaoping's worldview of noninterference. He launched the BRI (Hoh, 2019, p.1) which involves a ground-based belt and a sea-wide road that aims to link China with countries in Asia, Africa, and Europe. This mega-project combines the 'development of infrastructure and connectivity, plus trade-investment, economic integration, policy coordination, and people-to-people exchanges' (Yang, 2018, pp.283-4). Thus, the BRI provides the chance to build new transport centres throughout the Southeast, Central Asia, and the Middle East (Ehteshami and Horesh, 2019). This strategy is crucial to both maintaining Xi's domestic authority and, therefore, China's foreign policy has changed since it was introduced (Aoyama, 2016). Accordingly, China's approach to the Middle East is increasingly determined and sophisticated in terms of a much deeper commercial and strategic partnership, and – albeit to a lesser degree, at least for now (see Chapter 6) – security concerns that can be seen in various Chinese White Papers (Fulton, 2019, p.10).<sup>3</sup>

A significant number of Middle East nations perceive cooperation with China as substantive and beneficial. For instance, GCC countries have begun to diversify their economies and develop non-oil sectors, thus the BRI scheme is well aligned with these countries' economic diversification, investment, market access and regional security goals (Sharma, 2019, p.39). Indeed, many of them are explicitly locating their domestic development strategies *within* the BRI framework in important ways: this is true of Saudi Arabia's Vision 2030 (see Chapters 5 and 6), as well as similar 'Visions' in the UAE, Kuwait and Qatar. This phenomenon has been linked to the recent 'bilateral diplomatic memoranda' signed by GCC countries with China for promoting bilateral cooperation and building confidence (Hoh, 2019, pp.14-15; Ghaffar, 2018, p.531). This indicates China's significance as a key player in aiding GCC's economic diversification policies plans, and by 2018 it had become the main GCC economic partner and the largest trading partner of Kuwait, Oman, Saudi Arabia, and the UAE (Ahmad, 2019, p.26). Egypt also announced the country's 2030 Vision (see Chapter 5 and 6). The country is also the main focus of China's BRI in MENA (bringing together the African continent and Middle East region, with Egypt at the crossroads). The China State Construction Engineering Corporation Ltd (CSCEC) is building the country's New Administrative Capital (NAC) with 20 separate towers, the largest with a height of around 385m, the highest in Egypt and Africa (again, see Chapters 5 and 6). Thus, China has formulated a series of favourable policies to bring in foreign investment, optimize structural modification in the investment file, and initiate large-scale oil and gas

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<sup>3</sup> As Fulton (2019) notes, these are: 'Vision and Actions on Joint Building Silk Road Economic Belt', 'Maritime Silk Road and the 21st Century' and 'China's Arab Policy Paper'.

exploration ventures creating conditions for expanding investment in China by GCC and other Middle Eastern countries (Qian and Fulton, 2017, p.15).

In 2014, China proposed a new model of Sino-Middle East collaboration through the Sixth Ministerial Conference of the China-Arab States Cooperation Forum (CASCF) and other cooperation forums with non-Arab countries. This aimed to strengthen bilateral cooperation in many sectors, including commerce, innovation and infrastructure, high-tech collaboration, and enhanced initiatives such as space satellites, nuclear technology, and new technologies (Arun 2018). Moreover, Chinese diplomacy has played an active role by addressing the region's main issues: the Syrian crisis, the Israeli-Palestinian dispute, and Iranian nuclear crisis. Between 2015 and 2018, China mediated regional crises by hosting several talks – on Yemen conflict, between Iran and Saudi Arabia, the Palestinian-Israeli Peace Symposium, the Syrian International Symposium – introducing strategies that would facilitate political resolutions, besides sending special envoys to the Middle East and extensive country visits, they also participated in mediation initiatives to promote peace talks and settlement in Syria and Libya (Carvalho Pinto 2014; Olimat 2013; Nathan and Scobell, 2012a). Thus, the Chinese authorities stress that China has no particular biases or malign interests in the Middle East, but only seeks to play a decisive role in supporting the region's stability while keeping a neutral stance on regional issues (Lawson 2012).

Chinese military and cultural cooperation in the Middle East are also growing: in arms sales, the deployment of troops, participation in peacekeeping operations, and regional cooperation in combatting terrorism (Rothkopf 2015). Indeed, for China, the Arab Spring exacerbated anxiety about separatism in its own western regions (see Chapters 6 and 7). Moreover, China's Middle East military collaboration is concentrated on the interaction of military officials and personnel visits, sharing military drills, enhancing collaboration on arms, equipment, and advanced technology, and on anti-terrorism frameworks for proposed long-term security cooperation, an increasing policy of dialogue and intelligence sharing (Hoh, 2019, p.24). Both Chinese and Middle Eastern leaders believe in cultural activities like Silk Road Translation Programs, Chinese-Arab Scholarships, the latter being a way of exchanging opinions and talents for those ready to study and visit China (Nathan and Scobell 2012a; 2012b). Additionally, Rothkopf (2015) notes that more than 14,000 Arab students are sent to China annually, and around a dozen Confucius establishments have opened in the Middle East. This increased cultural exchange between Middle East countries and China, therefore, leads to greater mutual understanding between the two sides. China intends to intensify these cultural ties with the opening of the first Confucius Institutes in the Gulf. In this way, China is comparable to the British Council or the Alliance Française, which have premises at the University of Dubai and Zayed University in Abu Dhabi respectively (Dorsey, 2017, p.5).

To conclude, President Xi is altering China's long-standing foreign policy of noninterference. To be clear, Beijing does not envisage the kind of political meddling that has seen increasing Middle Eastern resistance to, and distancing from, traditional Western partners. Rather, for the Chinese leader, the declaration of the BRI served two primary objectives: domestically retaining a high profile for his government, and globally extending China's new foreign policy goals. Collaboration with China is beneficial for a large number in the Middle East region, and some like GCC, which recently claimed that China's BRI might be suitable for their new national visions to diversify their economies. China has thus adopted appropriate policies towards these nations. Moreover, China developed a new model of cooperation with the Middle East region in many sectors, such as commerce and infrastructure. Further, Chinese diplomacy has been involved in several regional crises, including the Syrian, Iranian nuclear crisis and in the Israeli-Palestinian conflict. There is Chinese military cooperation in the region. However, while it is still relatively small compared to the American presence in the region, and limited to collaboration on discrete issues such as terrorism and peacekeeping, it is not clear whether it may not lead to broader East-West tensions in future. This issue is outside the scope of the thesis, but is briefly revisited in Chapter 6, the thesis Conclusion (see also Chaziza, 2024a). Cultural collaboration has also increased recently between China and the Middle East. As a result, China's current involvement in the Middle East is deepening more than ever in a variety of fields, such as diplomacy, economics, military, and cultural affairs, highlighting the fact that the goals of the new Chinese foreign policy in the region are, as explored in Chapter 5, increasingly setting the framework in which regional development occurs.

## **1.5 Conclusion**

The modern Sino-Middle Eastern relationship began in the wake of the Bandung Conference in 1955. In a broad sense, this relationship is categorized by two main phases in which the ideological motives underpinning Third World and anticolonial unity gradually gave way to the assertion of economic interests in tandem with China's own Opening Up agenda. Moreover, this straightforward picture masks the fact that complex relations of identity and unity have, at times, coexisted with material and financial interests. In the Middle East, as most countries gradually stopped recognizing Taiwan, relations with China intensified, and this gained a further boost after the Arab Spring as the US's long-standing domination of the region started to decline relatively. Consequently, China has recently expanded its diplomatic, economic, military, and cultural ties with all the countries in the region. While we know that these shifts are happening, and there is some good empirical material available on the nature of those changes in terms of the projects being undertaken, investment flows and so on, we do not know why these changes are occurring and what their implications are for the countries of

the region. In certain respects, the patterns identified here are mirrored across other developing regions – notably Africa and Latin America – but it is also complicated by those regions’ own distinctive histories and geopolitical locations, provoking a range of different responses in terms of scholarly critique. It is to this that we now turn in Chapter 2, to ascertain how those processes have been framed, in turn providing some conceptual tools with which to critique the emerging China-Middle East relationship later in the thesis.



## 2. Chinese relations with the Non-West: Existing Debates

As discussed in the thesis Introduction – and reiterated in the contextual discussion in the previous chapter – there is a marked paucity of academic literature that seeks to explain either contemporary China-Middle Eastern relations in general, or the nature of economic diplomacy, in particular. Most literature tends to be policy-oriented and rarely engages with the frameworks deployed in IR or IPE to make sense of what is going on. To make sense of how Chinese expansion into the region might be understood and comprehended, then, we need to borrow from elsewhere, specifically, the burgeoning literature that does address Beijing's relations with other (developing) regions of the world. The two places that have received the most attention from scholars in this regard are Africa and Latin America, and these comprise the core focus of this chapter, the broader purpose of which is to distil a framework for making sense of Middle Eastern perceptions of Chinese engagement in the thesis Conclusion.

So, this chapter is *necessary* because it provides an important literature review on a process – i.e. Chinese economic diplomacy in the Middle East – about which comparatively little has been written, but about which huge amounts have been written elsewhere. Indeed, there is a vibrant debate on how China has engaged economically with both Africa and Latin America, so it seems sensible to transpose this account to flesh out a literature review for which little similar literature exists on the Middle East. Moreover, the chapter is *valuable* because it permits us to see how debates about Chinese economic diplomacy emerged and evolved, with initial optimistic accounts giving way to pessimistic ones before a degree of pragmatism prevailed which can help to make sense of the Middle Eastern experience. Third, the literature review element of the chapter acts as a backdrop to both the analytical framework elaborated in Chapter 3 and the empirical discussion in Chapters 4 and 5, but it also sits separately to them. Its main insights are revisited in the thesis Conclusion where they are used to interrogate the main findings and discuss the merits of a pragmatic account of China-Middle Eastern economic engagement.

The chapter begins by looking at the literature on China in Africa. It traces the historical evolution of relations between Beijing and the continent, from the middle of the 20<sup>th</sup> Century and the establishment of the PRC until the present day, identifying key transition points: Chinese 'Opening Up' from the late 1970s, the Tiananmen incident, and then deepening cooperation during, especially, the Xi Jinping era. It then identifies three distinct analytical positions in terms of how academic observers view the modern economic relationship: a Sino-optimist account, a Sino-pessimist one, and,

finally, Sino-pragmatism. Next, the chapter repeats the exercise, but for Latin America, teasing out similarities and differences, and analysing the relationship with reference to the same optimist-pessimist-pragmatist framework. The conclusion reflects on the value of this framework for understanding what is going on in the Middle East in, setting the scene implicitly for the empirical chapters and explicitly for its deployment in Chapter 6, the thesis Conclusion.

## **2.1 China-Africa Relations**

The China-Africa relationship can be traced to the 1950s, with friendship and solidarity developing as states battled for independence (Jinyuan, 1984, pp.245-248). The 1955 Bandung Conference was critical, and a time when many African and Asian countries were actively pursuing decolonization (Yu, 1977, p.29; Tjonneland et al., 2006, p.6). Before this, China had no diplomatic relations with Africa, but soon after the conference it established its first diplomatic mission, with Egypt (Anshan, 2007). By actively participating at Bandung, the PRC gained support from other developing countries (or those that soon would be) and, concomitantly, worldwide recognition of its own independence. This helped to break the US-imposed block on Chinese international statehood – Washington would not establish relations with Beijing until 1979 – and reinforced China’s alignment with ‘Third World’ countries, something characterized by its model of revolutionary resistance and self-reliance, and solidarity with African-Asian nations (Payne and Veney, 1988, p.868; Yu, 1977, p.102; Alden and Alves, 2008, p.47). As is well known, Bandung represents the first significant move in shaping what came to be considered a ‘Southern’ viewpoint on global affairs, as embedded in initiatives like the Non-Aligned Movement (NAM) and calls for a New International Economic Order (NIEO) during the decolonization era (Okolo and Akwu, 2016). This, moreover, is something that Chinese elites still identify strongly with, despite the country’s own rapid development and assumption of a leading position within the global political economy (Bishop and Zhang, 2020).

### *The Historical Evolution of China-Africa relations*

During the 1960s and 1970s, China’s presence in African political affairs became increasingly visible. Under Chairman Mao’s leadership, China started to distinguish itself against both the US and USSR by its robust focus on political ideology and political gains (Tjonneland et al., 2006, p.6). Mao’s ‘Three Worlds Theory’ consciously placed China as a Third World country alongside Asian, African, and Latin American states that chose not to collaborate with either the US (and the First World) or the USSR (and the Third World) (Yee, 1983; Alden and Alves, 2008). This posture embodied an anticolonial critique, too: China saw the US and USSR as not only opposed to African independence, but also seeking to control the continent’s economies for their own gain (Yu, 1977, p.107). By contrast, Jinyuan (1984) notes that China maintained friendly ties with African countries for political

and strategic reasons: according to its Marxist dogma, Beijing strongly believed in questioning and combating the power of imperialism and colonialism, and it vigorously sponsored various African countries (i.e., Algeria, Mozambique, Angola, and others) in their armed struggles by supplying them with free resources such as military and economic aid (Jinyuan, 1984, p.249). Its foreign policy towards Africa from 1949 to 1978 concentrated on deepening political ties, supporting independence and nationalist movements, and providing different kinds of assistance.

After 1978, Deng Xiaoping's foreign policy differed to Mao's, with a focus on economic agendas rather than ideological considerations. China began pursuing market socialism in the late 1970s (Abegunrin, and Manyeruke, 2020, p.28) and its political ideology towards gradually Africa weakened, reflecting its focus on domestic reconstruction. This capitalist transition compelled Beijing to search for Foreign Direct Investment (FDI) (Zheng, 2010, p.272; Ayodele and Sotola, 2014, p.2). Internationally, it increasingly turned towards the industrialized west for access to capital and lessons to inform its development experience (Zheng, 2010, p.272; Ayodele and Sotola, 2014, p.2). As Anshan (2006) notes, between 1979 and 1982 there was a slight adjustment in the Sino-African relationship, with a new political course and uncertainty about economic development in China resulting in a decline in its commercial, aid, and medical missions. Nonetheless, the Chinese Premier, Zhao Ziyang, proceeded on a sequence of diplomatic overruns to eleven African states in December 1982, and announced the 'Four Principles' of Chinese cooperation with Africa: 'equality and mutual benefit; stress on practical results; diversification in form; and economic development' (quoted in Van de Looy and de Haan, 2006).

In short, the Chinese shift from ideological interests to economic ones was due to a mix of domestic regional and global pressure. Domestic pressure was encompassed in demands for consumer goods and improvements in living standards, with elites in Beijing recognizing that the autarkic dimensions of pre-1978 communist ideology that emphasized cautious relations with the outside world could not fulfil rapidly growing internal demands. Regionally, the economic gains made by neighbouring Asian 'developmental states' like Japan and Korea reinforced the long-term sense that economic competitiveness was necessary (see Lin, 2014). Globally, China felt that it needed to keep pace politically and militarily with the US (and, at the time, the USSR), so it sought to open the economy to the world while maintaining a dominant ideology at home. At the same time, the domestic political shock represented by the Tiananmen incident in 1988 made Beijing reassess its foreign policy dramatically and put an end to China's 'honeymoon' of friendship with the West (Taylor, 1998, p.447).

The Chinese returned to Africa at this time, pursuing both political and economic interests (Zheng, 2010, p.272). Three factors lie behind this reengagement: a thirst for more raw materials and energy resources to support increasingly rapid economic growth; the potential of African markets as a destination for Chinese goods; and African liberalization reforms that opened the door to increased economic activities from other players elsewhere (Ayodele and Sotola, 2014, p.4). By the early 1990s, China's foreign policy towards African countries reemerged fully, and Beijing's identification and reengagement with Third World countries became a major priority again, but this time driven primarily by economic interests. This active diplomacy was driven in part by China's desire to repair its international relations after Tiananmen and its growing interest in the joint development of African commodities and energy resources. As Konings (2007) points out, an increasing thirst for secure energy sources alongside China's global quest for new markets and resources to sustain economic growth reinforced this commercial focus which has continued to underpin an enduring presence in Africa, alongside Beijing's growing confidence in cross-regional diplomacy. On this third point, Beijing has long had an advantage due to its lack of an African colonial legacy which has allowed it to symbolically separate itself from other great powers as a trading partner.

In the 2000s, China became one of the fastest-growing economies in the world, and its global economic impact not only spread everywhere, but the extent of its 'rise' became increasingly evident. Not only was it simply one of a number of fast-growing 'emerging' powers, but it was rapidly becoming a *sui generis* power that would ultimately surpass the US or EU in scale (see Bishop, 2016). At the same time, Africa began to grow into a significant trading partner, and started to deepen its relationships with Beijing not only based on bilateral ties, but also by creating institutions to serve collective interests. Moreover, Beijing's foreign policy towards Africa also adjusted after 2000, with its continental interests expanding substantially (Mlambo et al., 2016, p.259). In 2006, China established the Forum on Chinese-African Cooperation (FOCAC), and identified four principles to improve political, commercial, cultural, and international relations: 'sincerity, friendship and equality', 'mutual support and close coordination', 'mutual learning and seeking common development', and 'mutual support and close coordination' (Chun, 2013, p.13). Moreover, the global financial crisis of 2008 reinforced the direction of travel: China's status as a global economic power added induced African countries to implement a conscious 'Look East' policy and seek to leverage new financial resources and associated prospects through bilateral and multilateral arrangements such as FOCAC (Alden, 2019, p.6).

So, China's contemporary goals in Africa have four main dimensions. First, attendant with its dramatic (and ongoing) economic expansion, it seeks access to African commodities in the form of 'resource seeking' (i.e. energy, materials and food) to support continued growth. Second, Beijing seeks political backing from African states – with which it has some of the longest diplomatic

relationships – for support in the international arena. Third, African countries – many of which have enjoyed robust growth in recent years – continue offer an attractive market for Chinese goods and services. Finally, they also offer an attractive market for investment opportunities (Mlambo et al., 2016, p.271; Van de Looy, 2006, p.14) to the extent that, particularly as China’s domestic costs of production have risen in line with ongoing developmental progress, African states increasingly represent destinations for outsourced Chinese production (Kaplinsky, 2013). By contrast, for African states, engagement with China is critical for development, whether in terms of direct assistance and aid, funding for infrastructure finance gaps, credit and loans, or even international diplomatic support (Mlambo et al., 2016, p.271; Abegunrin and Manyeruke, 2020, p.27). However, perceptions of this relationship differ markedly between those of a more optimistic, pessimistic or pragmatic persuasion.

### *Sino-Optimism: China as Opportunity*

A Sino-optimist account views China-African economic ties as a tremendous opportunity for the continent in terms of development and growth. Expanding trade relations, capital investment and loans or aid – in a context of resource constraint and limited multilateral or Western finance – can generate economic benefits for Africa over time (Schiere, 2011, p.6). Moreover, China’s FDI not only generates jobs within African countries, it can potentially add to their industrialization and economic restructuring by fostering technology transfer, enhancing the continuation of local economic output (producing higher-value products over raw materials), creating training and development opportunities, transferring skills and promoting human capital upgrading (Chen, Dollar et al., 2016, p.19). The transfer of China’s agricultural technologies specifically would, from this perspective, not only improve African production, but would also generate jobs and reduce starvation (Muekalia 2004). Furthermore, China’s growing demand for raw materials is considered beneficial as it allows African countries to receive a fair price based on strong commodity demand, as well as creating conditions for better trade ties and higher exports, even stimulating some technology transfer (Alden 2016; Besada et al., 2011, p.21; Chen, Dollar et al., 2018, p.2; Shinn, 2007, p.53). Because Beijing recognizes, and is sensitive to, African countries’ continuous struggle for economic development, social stability and security, it takes seriously the need for a true partnership of equals in Africa’s 21<sup>st</sup> Century economic revival in the long run (Shelton, 2001, p.119).

Additionally, Sino-optimists also note that China is offering Africa a crucial opportunity of development and assistance by constructing much-needed infrastructure across the continent: dams, highways, bridges, railway systems, seaports, sports venues, and other services such as healthcare facilities and power grids. Not only does these benefit individual African countries and their firms in

terms of attracting foreign trade and investment, contributing to human capital formation through employment and facilitating technology transfer, they also help to drive regional connectivity itself. Interestingly, these are often the same infrastructure projects that Western business and banks have, since the end of the colonial era, hesitated to upgrade or applied punitive conditionality to do so (Mlambo et al., 2016, p.271; Agbebi and Virtanen, 2017, p.439; Strauss, 2013, p.157).

Chinese finance, then, is seen as crucial for boosting social development. Aid and loans have proven to be the life support of many African countries, without which the continent would more likely remain in its extant socio-economic miasma (Mlambo et al., 2016, p.261). Since the mid-1950s, China has offered official development assistance (ODA) comprising aid program, grants, concessional (fixed-rate, low-cost) credits and zero-interest credits to African states (Brautigam 2009; 2011; Zafar 2007). In total, it provided financing, including official assistance and other types of concessional and non-concessional loans, to 183 countries throughout the period 2000 to 2014, resulting in the recipient countries experiencing, on average, economic growth of 0.7 per cent two years after each project was completed (Dreher et al., 2017, p.19). Thus, in Africa, this development assistance seems to be much needed (Mlambo et al., 2016).

Moreover, China's unequivocal non-interference policy in African internal affairs appeals to many leaders in the region. Along with the 'Beijing Consensus', this renders it intrinsically unlikely that China will ever overtly seek to 'colonize' the continent. Occasionally, Beijing insists that it has no interest in intervening in Africa's internal affairs, due to this being a fundamental principle of international order (Lumumba-Kasongo, 2007, pp.8-16). Optimists tend to emphasize how many African elites consider China's model of development suitable for their own countries, for a number of reasons: their distinctive socio-cultural patterns are analogous to China's own conditions, rendering its model of state-led upgrading more applicable to their circumstances than the failed 'Washington Consensus' approach; the rapid progress of China's economic modernization has lifted hundreds of millions out of poverty in a notably short period; and China does not attempt to manipulate through its loans, investments, or assistance. Indeed, China did not enter Africa seeking to replace the 'European/US neo-colonialists and their neoliberal economic model of engagement,' but rather to propose an alternative model of development for the continent under the 'Beijing Consensus' (Antwi-Boateng, 2017, p.191). Consequently, as the Chinese government defines its presence on the continent, it focuses on building mutually beneficial relationships on the basis of a constructive engagement rather than an exploitative and neocolonial agenda (Zheng 2010).

*Sino-Pessimism: China as Threat*

Nonetheless, a more pessimistic account does emphasize the threats that are either latent or evident in the Sino-African relationship. In terms of growth and stability, Sino-pessimists note the dangers inherent in resource exploitation, trade and investment imbalances and the unequal terms of trade that result from (and reinforce) commodity dependence. For them, China's extraction of oil, minerals and other natural resources leads to deforestation, and the local economy does not benefit from what is largely extractive activity (Sautman and Hairong, 2008, pp.12-7; Mlambo et al., 2016, p.272). More worryingly, China is seen by pessimists to offer lower-standard products, often at far lower prices, than African ones, impacting negatively on the local manufacturing sector and contributing towards deindustrialization by destroying the continent's 'nascent industry' (Mlambo et al., 2016, p.272). This issue is not only restricted to consumer items: Africa has already become a final user of Chinese basic and complex technologies (Bbaala, 2015, p.113; Mlambo et al., 2016, p.272; Lee 2006).

Unbalanced trade is a key focus of pessimistic accounts, but this plays out differently in different kinds of African economies (especially in non-oil countries). For example, those that import oil and textiles tend to undergo negative trade instability, leading to job losses and a decrease of local manufacturing, caused by either the increased cost of oil driven by constantly growing Chinese demand, or by competing with China in textiles and losing worldwide market share (i.e., in the case of Madagascar and Mauritius) (Zafar 2007, p.113). Conversely, countries that have no significant competitive advantage in China's key food imports – such as wheat, corn, soybeans, and beef – are not targeted as of interest by China, so they do not benefit from trading with China (Zafar, 2007, p.113). So, African countries with limited natural resources typically suffer sizable trade imbalances, while those with abundant natural resources tend to achieve surpluses (Eisenman, 2012, p. 806). Moreover, Sino-pessimists also point out that the resulting effect on growth – negative in non-resource countries and positive in those with commodity exports – creates short-term volatility, raising questions about long-term growth trajectories, which, for those countries negatively impacted, is not offset by development assistance which is of limited value (Eisenman, 2012, p.806; Cheru and Obi, 2011; Amin, 2015, p.171). As discussed later in the thesis (Chapters 4 and 6) these tendencies are evident in the Middle East, too.

China's presence in Africa has also contributed to domestic political turmoil. Taylor and Williams (2004, p.98) argue that China 'almost certainly does not contribute to the promotion of peace, prosperity, and democracy on the continent'. He highlights Beijing's unofficial position regarding the African continent's weapons sales, underlining its involvement in the Sudanese Civil War where it was keen to gain revenues and oil through arms sales to the Sudanese government. In addition, China's lack of commitment to democracy has contributed to some African governments delaying

their work on reforming transparency and accountability (Zafar, 2007, p.106). So, the quid pro quo of non-interference is that it potentially shores up elites with questionable governing records, enabling continuation of dictatorships and political instability, as evidenced by the cases of Zimbabwe and Sudan, where China did not tackle domestic poverty and stability in those countries, but instead built weapons factories and sold weapons (Campbell et al., 2012; Eisenman 2012). The combination of Chinese non-interference and alleged internal corruption in many African states – which, if not facilitated by China's hands-off approach, is also not prevented by it – could lead to unsuccessful aid projects and deteriorating domestic political structures in the future (Tiboris, 2019, p.6).

China-African relations also pose negative consequences for labour. The working conditions of the employees of Chinese firms in Africa is varied across the continent. However, critics emphasize that certain practices are replicated and therefore comparable in different places. These are distinguished by strained labour ties, aggressive attitudes towards African labour unions, abuse of worker's rights, unsafe working conditions, unfair labour practices, the embedding of 'casual' jobs for African employees, avoidance or undermining of legal rights, not paying minimum wages, social security contributions, or accommodation and transportation allowances, poor training, especially on health and safety issues (Jauch, 2011, pp. 52-5). In addition, a familiar criticism is that Chinese companies often import Chinese workers with weak labour practices that fall far below the international norms and safety standards, leading to unfair competition between Chinese and local firms, the neglect of appropriate environmental measures and standards, and failing to meet job quotas set by African government policies (Zafar, 2007, p.106; Tiboris, 2019, pp.14-5; Berhe and Hongwu 2013, p.8).

Sino-pessimists also claim that China's African presence effectively amounts to a form of neo-colonialism, despite formal protestations to the contrary. China is, so the argument runs, following a similar path to the past, which will inevitably – albeit informally – colonize African countries through a new scramble for raw materials and markets. This may not occur through violence or overt political subjugation, but rather the continued extraction of resource wealth will reinforce primary product dependency, in turn exacerbating unequal terms of trade. Related to the argument above, despite Chinese protestations about non-interference, advocates of this view tend to emphasize that these patterns of unequal exchange often sustain illegitimate leaders in power, leading to a form of political dependence on Beijing that essentially amounts to a soft or implicit form of imperialism that runs counter to either meaningful developmental transformation or the interests of working people. This 'pillaging' is further intensified by the tendency to sell weapons to those elites – often from Chinese weapons plants in African countries – which propagates wider turmoil in the region (Lee, 2006, p.235). These tendencies are further intensified by Beijing's peculiar preference for bilateral agreements with weaker states, effectively deploying its asymmetric power to secure economic



leverage over them (Chan, 2018). In short, for pessimists, China does exhibit some neo-colonial tendencies and has the potential to undermine the African states' sovereignty.

### *Sino-Pragmatism: Chinese Engagement is Complex*

A middle way can, nonetheless, be found between these two poles. A Sino-pragmatist account emphasizes that the impact of China's economic activities contributes towards achieving tremendous growth prospects while simultaneously posing possible challenges (Zhao 2014). So, this perspective tends to accept that, by and large, Chinese engagement is (and certainly was early on) driven by its insatiable demand for raw materials – and could, therefore, be legitimately regarded as carrying neo-colonial connotations and consequences even if that were not the intention of Beijing – and, in this sense, is little different to earlier forms of Western resource exploitation. The essence of capital is much the same, whether drivers are European, American or Chinese, unless Africa's economic ties with China shift its existing developmental dynamics and structure in a productive direction, and vice versa with those of the West (Alden, 2007). So, China's methods of seeking natural resources are, in fact, very similar to those of the West: its African FDI represents a relatively small share of its overseas investments overall, but it is growing, comprises a large amount of some African countries' inward investment, and its attraction to natural resources is, at root, little different to that of Western states (Chen, Dollar et al., 2018). This is therefore potentially leading to similar forms of commodity dependence in African countries (Martuscelli, 2020).

However, unlike the Western exploitation of the past – which, until relatively recently, was characterized by formal colonialism that gave way to distinct neo-colonial relationships (see Rodney, 1972) – modern Chinese economic diplomacy is different in important respects. On the one hand, its escalating domestic industrial development does drive its exploitation of African natural resources: Chinese investment and aid are both fundamentally geared towards securing commodities and finding new export markets (Martuscelli, 2020). This includes access to African hydrocarbons, which have been viewed as a *de facto* alternative to other sources of supply, particularly vis-à-vis the Middle East which, at times, has been beset by unpredictability and instability: thus, Africa became an alternative destination for ensuring China's ongoing energy stability (Naidu and Mbazima, 2008, p.753). China's rise has also led to sustained demand for minerals: so, in this sense its African engagement mirrors its engagement in other resource-rich places – i.e. Russia, Australia, Iran, and Venezuela – where, aside from acting as a 'resource seeker', it diversifies its sources of supply and destinations for its own exports (Junbo and Frasheri, 2014, p.193). So, as the West looked abroad for resources to drive industrial expansion at home, so does China in Africa (Burgos and Ear, 2012, p.366). For critics, its

African foreign policy ‘was designed, and continues to evolve, based on the most pressing economic and strategic considerations at hand; therefore, the subsidiary policy instruments, and associated actions are at their very outset downright selfish, opportunistic, utilitarian, non-intrusive, and by default, self-serving’ (Burgos and Ear, 2012, p.366).

On the other hand, there are differences between contemporary Chinese FDI and the Western equivalent, precisely because, although they share a degree of opportunism and utilitarianism, they are also non-intrusive. This is not a semantic point: it matters that Beijing does not discriminate on the basis of a country’s domestic governance, nor does it seek to impose political conditionality on its partners (Chen, Dollar et al., 2018, p.1). So, although Western critics – and Sino-pessimists – are uneasy about the implications of this for linking development support and investment to stronger governance, China does not see the value of interfering in this way, both instinctively and practically. Beijing is instinctively opposed, for longstanding historical reasons, to demanding political reform from distant partners, preferring to view them as equals, and it considers that attempts to do so could be counterproductive anyway. Moreover, from the perspective of many African elites, their Chinese interactions have actually encouraged further substantive ‘decolonization’ by boosting their commercial autonomy and development prospects (Junbo and Frasheri, 2014, p.193).

Over time, this relationship is becoming more complex, with different tendencies and counter-tendencies evident that cannot be considered simply negative or positive in binary optimistic or pessimistic terms. So, while there is certainly concern in parts of Africa about the influx of cheaper Chinese goods to local markets that can have a negative impact on the ‘fragile industrial sector’, there has also been a discernible shift in patterns of trade from a government-to-government to a business-to-business model where Chinese and African enterprises are engaging in joint ventures (Zhao, 2014, pp.1045-6). At the political level, deeper patterns of collaboration – with China providing substantial resources in infrastructure and other mega-projects that would otherwise not happen – are increasingly evident, but, at the same time, many African countries have not received the benefit of the FOCAC platform to engage China strategically to improve their economic links, or to use the platform to resolve any issues that may occur in their relationships (Cheru and Oqubay, 2019, p.300).

Overall, then, this is a mixed picture. The same is true when comparing China’s economic diplomacy to that of the West, both in the past and present. For Bayo (2011), today’s regional and global economy is, in large measure, the distinct result of the European powers’ ‘scramble for Africa’ of the late 19<sup>th</sup> Century. He goes on to say that the international investments and economic gains appear to be influenced by the contemporary contraction of ‘globalization’. While Western countries, led by the US, envision the African continent as being countries governed by democratic values that uphold fundamental human rights within the framework of the rule of law and free-market laws, they find

that vision for Africa's future threatened by China's intensifying participation. By using the 'fair trade solidarity' approach, China challenges the 'Washington Consensus' by its creation of a geographic and economic presence, focusing on extracting raw materials in return for cheap products that undermine African markets. However, Bayo concludes that China's involvement will – unlike the West – not enable it to influence their political will, and its mode of trade in favour of Chinese-African ties indicates 'nothing more than the continuation of waning Western neo-colonial domination, albeit with a friendlier face this time around' (Bayo, 2011, pp.241-2).

Arguably, the face is far friendlier: there has been a perceptible shift on the part of Beijing in recent years to move beyond resource exploitation to engage in deeper public and private commercial collaboration that meets the development needs of African societies, in order to secure both the operations of Chinese firms, the wellbeing of local populations, and, ultimately, China's domestic and international credibility as a development partner (Zhao, 2014, pp.1045–6). As discussed later in the thesis, similar (but distinct) dynamics are at work in the Middle East, where commercial relations are not simply about transactional trade or investment ties, but incorporating the region into a wider Chinese developmental framework based on sustained infrastructural upgrading through the BRI. For this reason alone, it is impossible to say that we should be either optimistic or pessimistic about China in a binary fashion. Rather, Beijing's reordering of developing regions of the world is a fact of life to which actors must respond, that carries both positive and negative outcomes. A pragmatic posture towards practical engagement and analytical understanding is thus the only one that makes sense.

## **2.2 China-Latin American and Caribbean Relations**

This section examines Chinese engagement with Latin American and Caribbean (LAC) countries, and it broadly follows the same structure as the African equivalent. It begins with a brief general overview of the current China-LAC relationship by examining two distinctive phases of engagement and their consequences: 1949-1980, during which China's foreign policy was characterized by disinterest and then ideological interests that peaked in the late 1980s; and 1990-present, which has been marked by – as elsewhere – declining Chinese ideology and an emphasis on economic and commercial interests. Then, the discussion moves on to a discussion of the meaning of Sino-optimist, pessimist and pragmatic accounts in the LAC context, in order to both compare and contrast with the African literature and help underpin the framework for understanding analogous processes in the Middle East.

### *The Historical Evolution of China-LAC Relations*

China's LAC relationship moved from marked disinterest towards a sustained ideological interest that peaked in the late 1980s. After the formation of the PRC in 1949, people-to-people exchanges began as a driving force for diplomacy during the 1950s and 1960s. The establishment of formal diplomatic relationships came much later – and later than parts of Africa – in the 1970s and 1980s. This was because of at least three factors. First, China-LAC relations during the 1950s and 1960s were broadly confined to unofficial links characterized by 'people's diplomacy' owing to the US exerting effective control over the region (Ratliff, 1972, p.861). Second, LAC countries were not keen to establish official relationships with Beijing because they were conservative, militaristic, and anti-Communist, in addition to being pro-Washington (Hearn and León-Manríquez, 2011, p.8). Third, the Cold War atmosphere gave China the impression that the LAC was decisively within the US sphere of influence (Mora, 1997, p.36). There was, however, the Cuban exception: when Fidel Castro came to power in 1959, he formed a diplomatic relationship with China, and began to strengthen Havana's ties with the communist bloc at that time (Hearn and León-Manríquez, 2011, p.8).

However, the positive development of the China-US relationship in the early 1970s witnessed the movement of some LAC states toward establishing diplomatic ties (Perera, 2020). Mexico and Argentina were among the earliest to do so, and, in fact, a number of larger Caribbean islands which were decolonized first – e.g. Trinidad and Tobago, Guyana, Jamaica, Barbados – recognized the PRC relatively soon after independence (see Bernal, 2014). Others formed such relationships in the aftermath of the US-China rapprochement as this provided a legitimate justification for seeking embassies in Beijing (Hearn and Leon Manriquez, 2011, p.9; Wise and Chonn Ching, 2018, p. 4). Thus, China's engagement during the 1970s and 1980s was primarily for political ideology and shaped by the tactics of 'quid pro quo' (Dosch and Goodman, 2012, p.7). One indication of this tactic was the vote by most Latin America governments to endorse China's UN seat versus Taiwan's claim, while Beijing supported them in the Law of the Sea negotiations for their claims to 200-mile territorial sea boundaries and in their frequent demand for an NIEO (Dosch and Goodman, 2012, p.7; Shixue, 2007, p.80).

As self-consciously a Third World country, China sought to provide legitimacy and support to countries around the world struggling for independence and against imperialist powers through the NAM. It supported national liberation movements in the LAC region: for example, it helped the Panamanian people in restoring Panama Canal autonomy (Bingwen et al., 2012, p.2; Shixue, 2007, p.80). Thus China's impetus to form a relationship with LAC countries was not, at that time, influenced by economic interests but by political motivations regarding the spread of Communist sympathies in the region through the establishment of new intergovernmental contacts, as well as undertaking joint efforts within the UN on developing country-related issues, as it succeeded in doing so with Chile under Salvador Allende, and with Mexico under the leadership of Luis Echeverria

(Hearn and León-Manríquez, 2011, p.9). In the 1970s, the Chinese government strongly believed that LAC countries' unity in terms of a history of fighting colonial powers would enable them to achieve their great triumph against the expansion of the new 'neo-colonial' imperialism (Shixue, 2007, p.81).

However, as the Chinese domestic economic structure transformed in the late 1970s, its LAC foreign policy shifted drastically in the 1980s. It began to concentrate more on diplomatic relations, where, by the late 1980s, Beijing had improved its links with 17 countries in the region and enhanced its diplomatic presence (Bingwen et al., 2012, p.4). The impetus for LAC states in establishing diplomatic ties was the result of China's adoption of the 'Opening-up' policy, alongside its effort in the late 1980s to lay down four principles aimed at strengthening relations between them: 'Peace, mutual support and benefit, and, finally, cooperative development' (Yixuan, 1997, p.442). Thus, Chinese foreign policy towards the region became motivated by its emphasis on expanding diplomatic and economic links to an extent that had never been seen previously (Mora, 1997, p.43). Although scientific, military and sports exchanges were the determinants of the relationship between China and LAC countries in the 1980s, their trade relationships did not grow appreciably until after 1990, when Chinese President Yang Shangkun made several tours to Latin America – taking in Mexico, Brazil, Uruguay, Argentina, and Chile – following the Tiananmen event (Johnson, 2005, p.3).

In the 1990s, China's foreign policy toward LACs took a thoroughly different direction. Post-Tiananmen, it removed its long-standing rhetorical and political support for revolutionary movements elsewhere. Instead, it was committed to trade and commerce ties with all nations of the world (Wise and Chonn Ching, 2018, p.4). By the early 1990s, the Chinese 'going out' policy was implemented '...to foster a batch of globalized, modern industries, and to create opportunities for compete manufacturing, trading and high-tech companies to iterate abroad by exploiting exchange rates, taxation, credit and other measures, while trying to regulate overseas economic activities' (Shixue, 2016, p.509). Moreover, it began to emphasize economic interests rather than to seek political leverage with its LAC engagement, aiming to export domestically produced goods beyond East Asian markets as those products become increasingly highly complex, including electronics and automobiles (Hearn and León-Manríquez, 2011, p.10).

Some scholars emphasize that, in the 1990s, there was little anticipation that China would grow into 21<sup>st</sup> Century as a key economic partner with LACs countries: indeed, few realized at this time just how historic its rise would be in general (Bishop, 2016). Moreover, the post-Tiananmen period was one of flux. On the one hand, China was developing increasingly rapidly while opening up and seeking new markets. But, on the other, between Tiananmen and the late 1990s, Sino-LAC

collaboration was mediated by three interrelated factors: the deterioration of the China-US relationship in the wake of Tiananmen and Beijing's relative isolation from the West; the slow neutralization of that isolation by fostering ties with friendly Latin American states; and seeking new allies at a time when Beijing it felt diplomatically vulnerable (Mora, 1997, p.47). Over time, it has become an increasingly significant trade partner, investment provider and cultural interlocutor.

After the turn of the millennium, its rise became increasingly felt throughout the region, where the China-Latin American relationship has transformed (Yang, 2015, p.9; Ray et al., 2016). Indeed, by the 2000s, China dramatically intensified its trade and other exchanges with the LAC region. It became more present through FDI in infrastructure, engineering ventures and commercial activity financed by Chinese banks for not only obtaining raw materials, but also to find new destination for ever-growing Chinese product lines. These became regarded as a key factor in the growth of Chinese exports to LAC countries, facilitated further by FDI and loans (Jenkins, 2018, p.1). Hence, the 21<sup>st</sup> Century indicates a new phase of China-LAC ties in respect of China's rise as a genuine economic power on the global stage, underpinning a new era of growth, particularly during the commodity boom of the 2000s which was driven in large measure by escalating Chinese demand for Latin American commodities of all kinds (Bingwen et al., 2012, p. 5).

In recent years, China has also concluded a number of FTAs: with Chile (2006), Peru (2010), and Costa Rica (2011) (Dosch and Goodman, 2012, p.9). Moreover, China-LAC bilateral trade grew from US\$12.2 billion in 2000 to \$102 billion by 2007, with massive growth in resources (i.e., oil, minerals, and soybeans) imported from the region (Hsiang, 2009, p.38). Trading with China became crucial for many LAC countries in this period, accompanied by revenue generation and increased foreign exchange reserves (Perrotti, 2015, p.58). However, like in Africa, there are differences of emphasis. FDI and projects in the region which are concentrated in fuel-exporting countries are primarily supported by commercial motives, and the Chinese companies also appear to be driven by commercial interests to generate revenue determining whether they plan to sell their acquisition of natural resource to the Chinese market or global markets (Jenkins, 2018, p.14).

To capture the evolution of contemporary China-LAC trade relations, Ferchen (2011) points to three main phases. The first is reflected in rapid trade growth after the turn of the 21<sup>st</sup> Century. The second highlights the expansion of the relationship, specifically due to China's increasing demand for Latin America's primary resources, with the region increasingly importing Chinese finished goods. The third phase is concentrated on commodities and limited to a small number of advanced Latin American countries (Ferchen, 2011, p. 62). The major debate – which is similar to that in Africa, but different because of the region's relatively higher level of industrial development – pertains to whether or not the scale of Chinese expansionism, both in the region itself and globally, is leading to

early deindustrialization in major Latin American countries because they simply cannot compete, in turn reinforcing commodity dependence (see Gallagher and Porzecanski, 2010; Muzaka, 2017; Hopewell, 2020; 2022).

### *Sino-Optimism: China as opportunity*

Optimistic accounts of these shifts generally paint them as a win-win opportunity, downplaying the negative terms of trade that have often been evident as China's economic power has grown dramatically. China-LAC trade relations expanded significantly once China joined the World Trade Organization (WTO) in 2001. Barragán and Castillo (2017, p.78) note that, from 2001 to 2015, the relationship increased from US\$15 billion to \$259 billion, which contributes significantly to the region's economic growth. Moreover, in 2018 LAC countries exported \$158.6 billion in products to China and imported Chinese goods for \$148.8 billion in trade, which, in the aggregate, does not suggest a significant imbalance: 'as a share of regional GDP, LACs' trade with China grew to a record level in 2018, with imports of Chinese goods rising to an estimated 3.0 per cent of regional GDP and exports rising above 2.5 per cent' (Ray and Wang, 2019, p.2). Furthermore, Barragán and Castillo (2017) argue that Chinese demand for both commodities – raw materials, foodstuffs and minerals – and agricultural products indicates the importance of the region to China as partners with a complex trade panorama, which, alongside growing investment, contributes to economic growth. After the 2008 global financial crisis, China increased the proportion of its commodity demands from LAC countries from 7.6 per cent to 15.3 per cent (Ray et al, 2016, p. 134). This was, for optimists, a key turning point that led to a deepening of China-LAC collaboration towards a more strategic kind of partnership, with greater engagement in many sectors, including energy and minerals, industry, construction, technology and scientific advancement (Vadell, 2019).

Prior to this, China's trade and economic activities in LAC during the 1990s and 2000s was, as in Africa, focused primarily on raw materials (Perera, 2020). Many scholars argue that China's demand not only for 'soft' commodities but also for 'hard' ones played a significant role in the boom of these primary products. This not only resulted in boosting immediate economic growth, but also, for some, enabled them to diversify their export destinations for those commodities (both natural resources and minerals and agricultural products like soybeans) to a non-traditional partner, thereby reducing dependence on traditional ones in North America and Europe (Cypher and Wilson, 2015, p.6; Li, 2007, p.25; Harris, 2015b, pp.169-172). Thus, for LAC countries, China is not only regarded as a 'trade angel' but also 'helping hand' since it consumes vast amount of a wide range of commodities from the region, driving growth and buying up surpluses, as well as generating investment, not only in

natural resources and agriculture, but also in the infrastructure sector too, especially highways and (Santiso, 2006, p.2). In short, optimists emphasize that China's economic presence in LAC not only enhanced economic growth but also widens its scope as a supply destination for the region's commodities, recycling capital back into its development.

Chinese FDI has therefore grown substantially (Barragán and Castillo, 2017, p.81). Brazil, which is Beijing's largest trading partner, had a considerable portion of Chinese investment contracts worth US\$31 billion, Venezuela, Peru, Argentina, and Ecuador received \$17.5, \$16.5, \$5 and \$4 billion respectively, and finally Bolivia received \$840 million (Harris and Arias, 2016, p. 533). Moreover, Colombia received \$1.7 billion while Mexico received \$530 million, and Costa Rica and Nicaragua received \$710 and \$530 million, respectively (Harris and Arias, 2016, p. 533). Nicaragua also received US\$ 450 million for private Chinese firm, the Hong Kong Nicaragua Company Development Group (HKND), for the future mega-project – the interoceanic canal in Nicaragua, a Chinese-financed competitor to the Panama Canal – and HKND was involved in the implementation of this massive project aiming for boosting foreign investment and to building new harbours at each end of Nicaragua canal (Harris and Arias, 2016, p.534).

China is also expanding its economic presence through financing, investment, and loans across the region. Valderrey and Montoya (2016, p.8) state that, throughout LAC, there are huge infrastructure deficits, thus new business partners are needed to ameliorate this and invest in projects by helping to leverage a wider range of financial resources. Amid Western reticence, it was China that took advantage of these opportunities in the field of construction and began implementing and improving many infrastructure projects in LAC countries, which ranged from small-scale development projects to massive ones. Moreover, China's loans to LAC concentrated on sectors such as energy, mining, infrastructure, transport, and housing (Vadell, 2019, p.10; Gallagher et al., 2012, p.3). China provided LAC states with 31 funds worth \$100 billion and funded 24 infrastructure project in the totalling US\$24.3 billion, and these loans came from the Chinese Development Bank (CDB) with credit lines of US\$114.4 billion, and the Export-Import Bank of China (EIBC) in spillovers of US\$27 billion between various Chinese players such as PetroChina, Sinopec, and the China Construction Bank (CCB) (Vadell, 2019, pp.110-5).

Optimists also emphasize both the scale of infrastructural development – which inherently challenges narratives of simple extraction and commodity dependence – and the lack of conditionality (Myers and Gallagher, 2017, p.2). CDB and EIBC have provided extensive funding for infrastructure projects such as the Nicaragua canal, hydroelectric dams in Argentina, bio-oceanic railways from Brazil to Peru, and a technical innovation educational complex in Ecuador (amongst others) amounting to US\$21 billion (Vadell, 2019, pp.113-5). Given the fraught history of the Washington-based IFIs in



the region – notably the World Bank (WB) and Inter-American Development Bank (IDB) – Chinese financing has offered countries the opportunity to receive significant financing from a variety of new lenders, supporting commercial projects that otherwise would not have come to fruition. This is especially so given that their existing debt profiles and credit ratings have also sometimes made accessing multilateral finance difficult (Gallagher et al., 2012, p.3; Harris and Arias, 2016, p.534). China, therefore, is increasingly seen as the new banker of LAC nations by filling the vacuum that has been left by foreign creditors unwilling to support expansive development projects (Valderrey and Montoya, 2016, p.7).

### *Sino-Pessimism: China as Threat*

At the same time, many scholars argue that Chinese trade and investment in the region are unbalanced and disproportionately serve China's interest, which in turn leads to negative consequences for the respective countries. Sino-pessimists tend to focus on the destabilizing effects on economic growth, domestic deindustrialization, local and regional market competition, and the environment in LAC. Because much bilateral trade is concentrated in exports of primary commodities (i.e. oil, copper, steel, soybeans), critics argue that, although this may generate revenue growth, it also exposes exporting states to greater market volatility while reinforcing commodity dependence. Conversely, because not all regional countries have significant commodities to export, patterns of trade are unbalanced: concentrated Chinese demand for a few primary products only profits certain countries in the region, whereas China exports a large and varied range of products to almost every country (Gallagher and Porzecanski, 2010; Ferchen, 2011; Fornés and Philip, 2012; Czarnecka-Gallas, 2012; Jenkins, 2012; Castaneda, 2017, p. 8). So, from this perspective, Chinese commercial relationships are problematic regardless of their intensity: echoing Joan Robinson's famous dictum, not being exploited is as bad as being exploited, just in a different way.

Moreover, Ray *et al* (2016) show that the top five LAC exports to China – concentrates of iron ores and copper, soybeans and other oilseeds, and crude petroleum – comprised approximately 70 per cent total exports to China from the region during the 2010s.<sup>4</sup> In contrast, Chinese exports to Latin America included complex and advanced products – telecommunications equipment; data processing machines; ships, boats, and floating structures; optical tools and devices; and refined petroleum products – which represent less than 23 per cent of China's total exports to the Latin American region

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<sup>4</sup> Latin American and Caribbean countries' top five exports to China include iron ores, concentrates, soybeans, other oilseeds, cooperatives, unrefined petroleum, and copper ores, concentrate (19.0 %, 18.0 %, 12.2 %, 11.0 %, and 9.6 %, respectively) (Gil Barragán and Aguilera Castillo, 2017, p.79).

(Ray et al., 2016, p.3).<sup>5</sup> Furthermore, another Sino-pessimist argues that the amount of trade between China-LAC is small in contrast to LAC trade with the US and EU (Castañeda, 2017). China's FDI in LAC countries, on the other hand, is relatively small since most of China's enterprises in the region concentrated on investing in the natural resources sector, which, in practical terms, LAC countries have not benefitted from in ways that substantially improve their economies (Czarnecka-Gallas, 2012, pp.60-69).

Other Sino-pessimists are concerned about the negative effects of LAC relying heavily on commodities trade with China. This is because, first, these commodities are subject to the market boom and bust cycle (i.e. severe international market price fluctuations) with real values declining over time, worsening already-skewed terms of trade. Second, the consequence of expanded commodity trade forces a 're-privatization' of the export orientation of LAC economies, causing turmoil and external vulnerability. Third, Chinese demand for large quantities of natural resources and agricultural commodities has an effect on weakening the process of industrialization in the region, further reinforcing the deterioration in trading conditions for commodities compared to manufactured goods (Fornés and Philip, 2012, pp.77–8; Castandeda, 2017, p. 27; Gallagher and Porzecanski, 2010, p.7; León-Manríquez, 2011, p.171; Gonzalez, 2012, pp.40-1). Thus, the trading relationship between China and Latin America is considered to be unbalanced in terms of quantity and variety and in favour of China.

Sino-pessimists also argue that China has a negative impact on LAC's growth, de-industrialization, and market competition domestically and internationally. Though China's product exports to LAC markets were relatively minimal a few decades ago, now its goods are significantly more competitive, posing a huge risk for local industrial production – in a region that has long suffered unequal terms of trade with the outside world – as well as in third-country markets, including intraregional ones, such as between Mexico and Argentina. Therefore, Chinese manufacturing competition is affecting every segment of Latin American regional markets, as well as those countries' global competitiveness: across the scale from low-tech to high-tech products, whether labour-intensive sectors like garments and footwear to more technically sophisticated and capital-intensive activities such as steel, computers, electronic components, Chinese capital is outcompeting its Latin American counterpart. The low cost of Chinese products flooding domestic markets has resulted in sizeable trade deficits (Gallagher and Porzecanski, 2010, p.8; p.56; Fornés and Phillip, 2014, p.7; Jenkins, and Barbosa, 2012, pp.61-2). Furthermore, Cordero (2014, p.33) shows the example of Central America-China unbalanced trade noting that Chinese share of the central America imports rose from 1.5 per cent in

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<sup>5</sup> China's top five exports to Latin American countries include telecommunications equipment, data processing machines, (ships, boats, floating structures), (optical instruments, apparatus), and finally petroleum products, refined (9.7%, 3.8%, 3.3%, 3.3%, and 2.3%, respectively) (Gil Barragán and Aguilera Castillo, 2017, p.79).

2001 to 8.7 per cent in 2013, while China's imports in 2013 were just 1.9 per cent. There is every reason to believe that these imbalances have intensified since.

In the case of a third-country markets, Sino-pessimists demonstrate, using the case of Mexico and other LAC countries, examples of 'losers' with China competition in the US market. In particular, for countries that have identical manufacturing similarities and export categories, when selling products to the same market (the US in this case) they are facing decreasing trade terms and diminishing market share. This is not only the case in light-end manufacturing products or textiles and clothing products, but also electronics and auto components (Jenkins et al., 2008, pp.16-7; Buck, 2006, p.61; Jenkins, and Barbosa, 2012, pp.61-2; Wise, 2016, p.33). Sino-pessimists further illustrate that Brazil, which is the largest economy in the Latin American region, is suffering from Chinese competition within regional markets. It faces significant losses from exporting its low, medium and high-end technologies, to other markets: in Mexico, Argentina, Venezuela, and Chile it has experienced losses of 6.6, 6.8, 6.8 and 14 per cent respectively, something intensified since Beijing<sup>6</sup> offered these four countries 'market economy' status which generated significant effects on Brazilian exports to Latin America (Jenkins et al., 2008, pp.16-7; Jenkins and Barbosa, 2012, p.62). Thus, China's trade and investment has had a significant impact on the domestic economic structure of Latin American countries, especially those with high levels of industrialization such as Mexico, Brazil, and Argentina, which have suffered from high levels of competition from Chinese manufactures alongside strong Chinese demand for their commodities (Flores and Jatoba, 2016, p.130).

Moreover, Chinese trade and investment have generated rising concern about the environmental implications, especially on indigenous people and communities, as well as natural patrimony. Sino-pessimists argue that, as a significant mining, agricultural and infrastructural financier, China has significant effects on LAC countries' environmental panorama. This includes the involuntary relocation of large numbers of people, destruction of biodiversity – especially in sensitive areas – and the degradation of waterways and other environmental resources, because of Chinese companies' exploitation of petroleum, minerals, and intensive agricultural production (Ray et al., 2015, p.2; Dollar, 2017a, p.10). The Brazilian Amazon is unsurprisingly a major example emphasized by Sino-pessimists, who typically refer to the stress placed on a deeply sensitive area. For instance, Fearnside et al. (2013) argue that the Chinese acquisition of agricultural and forestry resources – and the establishment of infrastructure such as railroads to exploit them – has had a devastating impact on deforestation, something intensified by the exploitation of commodities such as beef and soybeans. Moreover, they stress that Amazonian biodiversity has been undermined too: for example, by linking

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<sup>6</sup> After a tour made to some Latin America countries by President Hu Jintao in 2004.

Mato Grosso state via a new railroad to a port on the Amazon River by placing Mato Grosso at the core of China's growing demand for agricultural commodities (i.e., soybeans, cotton, beef, timber) along with its effects on extractives (i.e., mining and mineral processing) (Fearnside et al., 2013, pp.325-6).

Furthermore, Brazil is the largest exporter of soybeans and this form of exploitation – driven fundamentally by Chinese demand from ecologically sensitive places like Mato Grosso – not only drives ever-more rapid deforestation, but impacts severely on smallholders and indigenous communities (Nepstad et al., 2006, pp.1599-1601). A similar story could easily be told in Argentina when it comes to soybeans. Similarly, in Peru and Ecuador, Chinese trade and investment also pose threats – both social and ecological – to the local environment, as the effect of the Chinese Shougang Company (a mining firm) demonstrates. This firm has a low standard of environmental policies that has culminated in 20 years of conflict with Peruvian civil society, while in the Ecuador, Chinese oil companies are engaged in a zone of peasant communities that affect indigenous communities adjacent to the oil camp, in add-on to the explication of labour condones by the firm in extracting raw materials that ignited conflicts in the region (Gallagher et al., 2012, p.8; Flores and Jatobá, 2016, p.131).

Finally, Nicaragua's Great Interoceanic Canal – which will connect the Pacific and Atlantic Oceans to meet the Panama Canal – is proposed to be the largest infrastructural mega-project in the history of the Latin America.<sup>7</sup> Its stated aim is to turn the second-poorest country in the region into a centre for global exchange and industry (Doerr, 2015, p.80; Flores and Jatobá, 2016, p.135; Ellis, 2014a). Yet, as Doerr (2015) notes, this 278-kilometer waterway is planned to cross protected zones like Lake Nicaragua, Central America's biggest freshwater reservoir, that is critical for 'ferries, irrigation and drinking water' and could be environmentally destructive in myriad ways:

This fragile ecosystem could be threatened by a single oil tanker accident, suffer from salt infiltration in the lock zones and invasive species that can have catastrophic consequences on endemic fish species... and to the majority of peasants, fisher folk and indigenous communities whose livelihoods depend on functioning ecosystems and their ancestral land in an already chronically deteriorating environmental situation (Doerr, 2015, pp.83-84).

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<sup>7</sup> This project has proposed by Chinese private company, the Hong Kong Nicaragua Canal Development (HKND) Group and where government officials and the Chinese businessman agreed to launch this mega project which will be fully financed by the Chinese billionaire Wang Jing. HKND signed with Nicaragua government a 50 years contract that can expand for another 50 years too.

Other Sino-pessimists emphasize the problems with China's Nicaraguan investment on the country's ecosystem. Their concerns are, first, that this mega-project will be in a zone of 400,000 hectares of rainforest and wetland that could easily be dammed by its implementation. Second, the shallow depths of the Lago Cocibolca Lake (which the project will cross over) has an average of just 15 metres, requiring huge excavations. Third, there exist potential risks of mass movement of peasant and indigenous communities through the concessions granted to HKND group under the Nicaragua Bill 840 on which the project is anchored. Fourth, the quality of the supply of air and water to those communities will decline, something exacerbated by the existing location of those communities within the zone of primary resource extraction. And, finally, the enduring harm to the biodiversity of Nicaragua and other countries in the region (Flores and Jatobá, 2016, p.135-6; Doerr, 2015, p.83). In short, for Sino-pessimists, Chinese economic diplomacy may stimulate growth, but this is highly unevenly distributed and comes at a high price in terms of relative industrial decline, social conflict and ecological destruction.

#### *Sino-Pragmatism: Chinese Engagement is Complex*

Sino-pragmatists accept that China has primarily approached LAC for finding new export markets and a rich source of food supplies, raw materials, and mineral resources required by its continuous economic expansion (Li 2007; Yu 2015). They recognize that the China-LAC bilateral trade relationship has snowballed over more than a decade from US\$15 billion in 2001 to US\$260 billion by 2014, in contrast to trade flows in 1979 which amounted only US\$1 billion (Yu, 2015, p.1057). But, they also emphasize the complexity of China's 'going out' strategy in the region, which has at least five main interests that extent well beyond any kind of resource imperialism: a quest for raw materials and commodities; the internationalization of its companies to become more competitive globally; the acquisition of, and transition to, new industrial technologies; the upgrading of its foothold in the global financial sector by becoming strong counterbalance to the US; and finally the enhancement of its global stance by the utilization of soft power (Czarnecka-Gallas, 2012, pp.57-8). These objectives have, over time, led to a complex set of overlapping relationships between Beijing and its regional interlocutors, which, as discussed in Chapters 4-7, mirror the ongoing deepening of China-Middle Eastern relations in important ways.

Consequently, some argue that China's Latin American economic engagement is not purely a question of bilateral relationships – i.e. a simple transactional weighing up of winners and losers from export and import volumes – but, rather, part of an altogether more complex process of capital formation and exchange embedded in, and reflective of, the wider transformation of global production networks

(Gonzalez-Vicente, 2012; 2020). Furthermore, while Sino-LAC trade relations were weak in the past due to the large geographical distance between the two regions, because of globalization the gap is potentially reduced in mutually beneficial ways due to advances in transportation and communications, increasing trade ties, and capital flows: in this sense, globalization compels China to engage effectively with other regions of the world that it might otherwise not seek to bring into its economic orbit (Barragán and Castillo, 2007, p.75).

On the other hand, not only is China engaging with LAC countries, but latter are also engaging with China. Sino-pragmatists in Latin America consider China's phenomenal economic growth as an example worth taking lessons from, because its development policies differ from those of the Washington-based IFIs. Moreover, there is a feeling that cooperation with China can help them to enjoy greater leverage to balance against the West, enhancing both developing-world and inter-regional solidarity and cooperation (Abad, 2010, p. 45; Choo, 2009, p.75). Thus, in 2008, China published its 'Policy Paper' on LAC that emphasized 'anti-imperialism and anti-hegemonism as the fundamental principal goals of their foreign policy, and peaceful co-existence is the basic guiding norms of the intentional relations, while they find unity and cooperation as the most viable measures for the realization of their common goal policy end: a new international order' (Choo, 2009, p.75). In short, this is about creating a more multipolar system to the benefit of developing states.

At the same time, the bilateral relationship cannot be ignored entirely: the price of these wider benefits is paid in patterns of trade that are unbalanced (Ellis, 2014b, p.100). There are evident costs from this process for specific countries, sectors and firms, even if, in the aggregate, relations are beneficial. But, at the same time, optimists argue that it is not the zero-sum pursuit of economic gain that is driving Chinese engagement. As Legler et al., (2020, p.44) put it:

China has officially hailed Latin America's increasing role in political and economic world affairs, not because it has been a provider of raw materials or has been a market for Chinese products and investment, but because Latin American countries have been exploring development paths suited to their national conditions.

A key element of this has been China seeking strong diplomatic alliances in LAC states, which in turn are viewed by Beijing as critical for forming wider developing-country alliances in international organizations, with the broader aim of securing its political and economic interests internally and globally. This is different to its relationship with African countries. Latin America's strong presence in the international arena – notably the UN, the WTO, and the G20 – has reinforced the China-LAC relationship, with China viewing this as crucial for tackling issues of global concern. In addition, China's active involvement with developing countries, Latin America in particular, is to seek their

help as it faces Western collective pressure on issues such as its human rights record, by seeing Latin countries as its ‘political allies’ to shield itself from foreign criticism (Yu, 2015, p.1054; Ratliff, 2006, p.80; and Li, 2007, p.26). This works in its favour because, even if major emerging powers like Brazil have different (democratic) political systems, they also have similar concerns regarding Western criticism of, especially, heterodox development policy.

Moreover, China's strategic diplomatic concern with LAC is important too, especially concerning the nine regional countries that still recognize Taiwan's sovereignty, which in turn receive less FDI from China in addition to a lower value for implementing projects in those countries (Jenkins, 2018, p.14). The LAC region – in contrast to Africa or elsewhere – remains the place where the diplomatic battlefield between Beijing and Taipei still takes place (Hsiang, 2009, p.44), China seeks to enhance its political role in the region, especially with those countries that still maintain relations with Taiwan, so this partly explains its concerted diplomacy in even the very smallest Caribbean island states (Ratliff, 2006, p.80; Bernal, 2014; Montoute and Gonzalez-Vicente, 2021). It deploys its economic power to persuade those countries to transfer diplomatic recognition to Beijing, through foreign aid and loan programs, without dictating any policies beyond the need to recognize the PRC as the only and legal Chinese people's government. Hence, expanding economic relations is assumed to eventually lead to a swathe of diplomatic recognitions switching towards Beijing and to isolate the ‘Renegade Province’ of Taiwan (Harris, 2015a, p.29; Wise and Chonn Ching, 2018, p.3; Lee, 2007, p.25; Nolte, 2013, p.592). In sum, since the PRC was established in 1949, Chinese leaders have prioritized securing the sovereignty of the country, national unity, and territorial integrity, along with pursuing international relationships that lead to a conducive international environment for peaceful development of the country ‘as a prosperous socialist society’. However, China and its state-owned companies aim to develop political and economic ties with Latin American and Caribbean countries which are built on the values and practices of the South-South partnership to achieve these political interests (Harris and Arias, 2016, p.508).

## **2.3 Conclusion**

Although China engages with these two developing-country regions in broadly the same way via its diplomacy and economic leverage (i.e., trade, FDI, finance, loans, and investment), the pattern of gains is very different between the two regions, and also within them (i.e., between different countries). Moreover, the patterns of Chinese interests are different, too: economic considerations matter in both, but dominate in Africa, whereas diplomatic strategies are far more important in Latin America; the nature of economic activity in both is similar, too, both in terms of their being sources of

raw materials or commodities and outlets for Chinese manufactures, but the consequences are very different. In Africa, arguably patterns of investment are to some extent more ‘neocolonial’ and yet, for some optimists, Chinese capital has stimulated nascent forms of industrialization that might not otherwise have occurred. In Latin America, economies are generally bigger, more complex, and more resilient, and China has generally stimulated increases in commodities trade that might not otherwise have happened, yet the implications for industrialization and competition in external markets are far more acute, because those processes were already more advanced than in Africa.

Sino-optimists share the same view that China’s engagement with Africa and LAC is broadly for mutual benefit and economic development. In the two regions, China provided them with a tremendous opportunity for economic growth via its trade, FDI, investments, finance, loans, infrastructure projects, and low-cost products. Africa is seen to benefit from technology and skills transfer, labour and training opportunities, the non-intervention policy, and a high level of development and autonomy vis-à-vis the constraints imposed by traditional partners. Yet Sino-pessimists view China’s presence in both regions as dangerous for their economic growth: it brings intense resource exploration, which leads to deforestation and environmental consequences, which are particularly heavily emphasized in LAC. Trade imbalances mean local markets are flooded by low-cost goods that cause local business to struggle. In Africa, criticisms about neocolonialism, labour conditions and standards of safety and training of Chinese companies is far below the global norms, predominate. Furthermore, China’s technology transfer to Africa is limited, its aid is seen to have caused delays in political and economic reforms, arms sales have contributed to political turmoil and corruption, and Africa’s ‘nascent industry’ has struggled.

As should be clear from these assessments, the picture is mixed. So, Sino-pragmatists take the view that Chinese engagement in the two regions is neither exclusively good nor bad. For them, Beijing undeniably pursues its interests, but it seeks diversification of trade and investment, engages with both weak and strong governments, democratic or non-democratic, and offers solidarity, even if those outcomes are not always achieved. China’s foreign policy is designed to evolve based on pressing economic and strategic cooperation. However, they differ on various issues, but emphasize how China contributes to boosting autonomy for African countries, helping them to pursue fair trade, and at times has adjusted its influx of cheap goods. For LAC countries seeking international alliances in (especially in global bodies like the G20, WTO or UN) China has been a crucial partner promoting South-South cooperation and resistance vis-à-vis the West (Bishop and Zhang, 2020). In sum, it seems that we are all Sino-pragmatists now: the rise of China, which continues to intensify, is rapidly reshaping the global order, and all states have to accommodate to it in some way. To be sure, the competitive stakes are high, and potentially insurmountable in some sectors, but, equally, not being part of Chinese circuits of capital causes its own problems, too.



What does this mean for the argument in the thesis? First, there are some issues discussed in the literature on China-Africa and China-LAC that are not at all useful for studying the Middle East. These themes are neocolonialism and deindustrialization: as rentier states of varying intensity with distinctive political systems and a very different colonial history to Africa or Latin America, these need to be taken account in the discussion, alongside questions around resource exploitation, infrastructural development, trade diversification, non-intervention, technology and skills transfer, and the environment. Indeed, as discussed in Chapter 6, the contemporary relationship between China and Egypt and Saudi Arabia is one that has many contentious elements, but is ultimately of broadly mutual benefit and ongoing deepening, implying that a Sino-pragmatist account is one that carries merit. Second, moving forward with a broadly pragmatic view of these processes also seems appropriate because it focuses primarily on the concrete reality of existing relations and their interactions, and the triggers that drive them in a particular direction in a certain way, avoiding zero-sum or ideologically positive or negative explanations in favour of an open-ended, positive-sum account. Finally, this matters theoretically because it aligns with the constructivist analytical framework deployed in the thesis to examine the empirical material, and it is to this that the discussion now turns.

### **3. Constructing Economic Diplomacy: A Framework**

This chapter has two broad objectives. Its first overarching point is to demonstrate that emerging modern forms of international diplomacy – in particular, economic diplomacy – increasingly characterize relations between states, especially non-great powers. Consequently, the concept itself is more useful in explaining the relationship between states than seeing diplomacy in the traditional ‘high politics’ sense concurrent with great powers and orthodox IR. The second objective is to then lay out a framework for analysing economic diplomacy, grounded in a constructivist account of IR, which will shed light on the range of actors involved in the variety of China-Middle East commercial interactions, helping us understand the perceptions that they hold about significance and consequences of those processes in the remaining chapters. This discussion emphasises the importance of mutual constitution of preferences, to better understand how Chinese action in the region is producing particular effects among Middle Eastern states – especially an incipient ‘regionalisation’ process alongside the BRI – but also how those effects are to some degree a reflection of Middle Eastern agency influencing China.

The first part defines diplomacy in general terms and explains how the practice and understanding of it has changed over time. The second reviews how various classical theories in IR – realism, liberalism, and Marxism – have grappled with this question, before explaining briefly why a constructivist account offers value for thinking about economic diplomacy within IR. The third discusses economic diplomacy as a distinct form of modern diplomacy, outlining its meaning, actors, objectives, and functions in a globalized world, particularly in the Global South. The fourth discusses China's economic diplomacy, context, actors, objectives, and functions from a Sino-centric perspective. These four sections satisfy the first objective outlined above. Then, the fifth section connects the earlier discussion of IR theory on diplomacy to the specific question of agency and mutual constitution of preferences in constructivism. Finally, the sixth section ends by outlining how the different insights generated in the chapter underpin the analytical framework for the thesis. Specifically, it adapts Okano-Heijmans’ (2011) theoretical framework and integrates it with the constructivist conceptual account of agency and a process tracing methodology in to sustain the analysis of how Egypt and Saudi Arabia engage with Chinese economic diplomacy in ways that reproduce and reshape each the preferences of the other.

### 3.1 From Classical Diplomacy to Many Diplomacies

The traditional 'narrow' view of diplomacy focuses primarily on particular authorized officials' activities and the professional management of cross-border activities among different political communities such as tribes, kingdom, empires, or nations states (Sascha, 2017, p.4). In 1961, the Vienna Convention on Diplomatic Relations defined the first feature of a diplomatic mission as being about 'representing the sending State in the receiving State'. Conventionally, diplomacy is characterized, in this traditional view, as the orderly manner in which states conduct relationships (Henrikson, 2013, p.118) and how diplomatic representatives' strategies and expertise help to accelerate the intentions of those they represent in the intentional arena (Henig et al., 2016, p.3). Accordingly, diplomacy is a method of statecraft, and, as discussed in due course, economic diplomacy is a particular variant of that statecraft in which wealth and its accumulation is central to the accretion of power (Zhang, 2024). In this sense, diplomacy is an instrument that helps elucidate principles of openness, intent, and representation in practice (Constantinou and Sharp, 2016, p.7).

Generally, diplomacy is how the state conducts external relations with other states and the public and networking process of relations (Kostecki and Naray, 2007, p.1). As Burt et al. (1998) suggest, diplomacy is quite simply how a nation speaks to another nation. It is about handling human relations through negotiation rather than other means (Hocking and Lee, 2011, p.1). It is therefore variously a method, a process and a mechanism by which intergovernmental communication settles issues of importance to the respective states (Cooper et al., 2013, p.16). This, in turn, enables those states to secure their foreign policy aims without the need for force or deception, and therefore, diplomacy emerges as the institutional framework for the society in which states function collectively (Berridge, 2015, p.1). In short, states use diplomacy to implement their foreign policy goals while Ministries of Foreign Affairs remain a core mechanism for articulating those goals (Berridge, 2015, p.3).

As a practice, ancient human societies conducted some form of diplomacy in their dealings with each other whether this was for communication, commercial exchange, or even to resolve differences between parties on particular issues of interest. Moreover, according to its distinctive beliefs and customs, the character of each society's diplomacy was unique, whether in terms of how they exercised it with others nearby, how their patterns of communication affected their relationships with others, or how it could enhance their aims. Leira (2016) notes that scholars of diplomacy have documented diplomatic activities throughout human history. However, the term 'diplomacy' did not exist until the close of the 18<sup>th</sup> Century, and relations between monarchs were considered 'political' while foreign policy was viewed a separate sphere (Leira, 2016, p.6).

In 1815 and 1918, the international community amended the diplomatic protocol in the aftermath of wars that altered the nature of European society (Sofer, 1988, p.197). The classical norms of European diplomacy from the 18<sup>th</sup> Century included preserving the five great powers in Europe, restricting wars by limiting commanders in the field, and restraining the ambitions of states by strengthening the balance of power (Steiner, 2004, p.496). Yet in the international sphere, developments such as dissolution of the League of Nations and the outbreak of World War I, led to a change in the view of diplomacy. Before these developments, diplomacy was seen as the opposite of genuine cooperation, conceding to war for 150 years of modern European nation states, but following WWI it was increasingly viewed as the most effective way to achieve cooperation (Leira, 2016, p. 8).

However, under the ‘old diplomacy’ of the 19th Century, numerous problems arose that led the European powers into all-out war, and criticism of it very rapidly led to calls for a ‘new diplomacy’ and more transparent diplomatic structure, with diplomats remaining responsible to their executives (Hocking and Lee, 2011, p.7). As Bjola and Kornprobst (2018) note, the diplomatic profession was unable to prevent WWI and faced intense calls for drastic change of diplomatic processes and institutions. They identify three primary triggers for this transformation. First, while the great powers had a widespread desire for territorial expansion, there was a general knowledge that this would generate imprudent and dangerous foreign relations between them. Second, the rapid rise in speed of contact and travel significantly impacted the old diplomatic communication and negotiation strategy. Third, the growing global influence of the US resulted in changes to diplomatic behaviour rules (Bjola and Kornprobst, 2018, p.37). Put simply, in the eyes of the Americans, the nature of European diplomacy itself was the cause of WWI. Therefore, in the ‘new’ approach, advocates of modern diplomacy argued that foreign policy should be based on popular sovereignty and not on balance of power that encouraged arms races, trade wars, and imperial rivalries (Sofer, 1988, p.197). They emphasized that it should, in turn, be predicated on three core (and timeless) values: ‘public accountability’ as a means of ensuring that foreign policy continues to rest upon popular consent (especially in the context of democratic states); ‘self-determination’ as an extension to the state level of liberal principles of individual rights; and ‘collective security’ as a mechanism for eliminating the arbitrary use of force (Bjola and Kornprobst, 2018, p.38).

Post-World War II diplomacy was still shaped by the influence of great power competition, but US predominance enabled its use for power acquisition to promote international peace and stability. Pigman (2012) argues that the uses of diplomacy have frequently conducted with the art of negotiations and hot methods to use negotiation strategically to accomplish state objectives. It is also considered a dialogue or formal contact, and a very general perception of the State as to be recognized as the only diplomatic player in the international arena (Musau, 2015, p.7). Moreover, Lee and

Hocking (2011) state that in the 1970s, there were new developments in diplomacy discourse, including the increased importance of domestic and foreign politics combined with the increased participation of national leaders in foreign relations. In addition to this, both diffusion and skilled diplomats have to engage in numerous policy networks with an increasing number of non-governmental actors (Lee and Hocking, 2011, pp. 8-9). Furthermore, until the 1990s, diplomacy was regarded only as an 'accessory' to the core work of professional diplomatic since they focused on politically related issues, classifying other activities with the broader range from cultural promotion and consular aid to diplomatic trade promotion into a secondary category (Czarnecka-Gallas, 2012, p. 62).

Thus, the fall of communism in the 1990s, and globalization in the 21<sup>st</sup> Century, have led to the diversification of diplomacy. As many actors in the international arena emerge, diplomacy is no longer viewed as just a communication tool between sovereign states but rather a tool for catalysing economic and political relationships between nations. In summary, the nature of diplomacy has changed over time, whether these changes are caused by factors that occur within the international arena or by factors that occur within states that impact and reshape the state's interactions with other states. That changed their outlook of the outside of the world itself. Besides, how individuals also view diplomacy in this time of fall of communism and the acerbating of globalization differently impacted their views on diplomacy's function and role whether they view the world from a material or non-material world, determining their definition of diplomacy. Today, there are many diplomacies conducted by a more diverse variety of actors.

### **3.2 Theoretical Accounts of Diplomacy in International Relations**

There are various theories in the field of IR that have tried to clarify and explain the fundamental role and purpose of diplomacy in terms of interactions between states on the world stage with each other. This section explores how the two mainstream schools of thinking, realism and liberalism, relate to diplomacy. They tend to tread diplomacy as 'high politics' by focusing on war, conflict, and impeding conflict within institutions, privileging great-power interactions. This a problem, because existing mainstream IR, in general, does not take either smaller countries or economic interactions seriously, because it cannot analyse their relationship to bigger countries in anything other than subservient terms, and it cannot account for positive-sum interactions outside of multilateral settings. Therefore, the purpose of this chapter is to establish a structure that accounts for low politics (i.e., economic diplomacy) between non-great powers and developing countries which are interested in how smaller countries relate to a country like China which is far more powerful and becoming a great power and

takes their ideas and perceptions seriously (hence the advocacy for an approach grounded in constructivism).

For realism and liberalism, diplomacy is a high political art practiced between states in an anarchic world affairs with no legitimate governments above states. Viotti and Kauppi (2014) note how, for realists, states are the sole unity actor and the primary analytical units. Their national security is the most pressing foreign policy issue. Military and associated political concerns dominate global politics (Viotti and Kauppi, 2014, pp.39-40). Moreover, they define diplomacy as the process of communicating, negotiating, and sharing information between sovereign states and this process revolves around the activity of official diplomats working in foreign ministries and diplomatic missions (Lee and Hocking, 2011, p.3). In this sense, the role of diplomats is to mitigate the essential anarchy of the interstate system by fostering peaceful state-to-state ties through common diplomatic structures (Lee and Hudson, 2004). Thus, diplomacy is the 'professional management of relations across sovereignties' (Cohen, 1999, p.1). In their struggle of power, states can rely on diplomatic and military instruments that make diplomacy both a key plank of state power and necessary for its survival (Jönsson, 2018, p.2). Furthermore, according to the realists, states must use the most effective methods to secure their national interests, so diplomacy becomes the process of reconciling opposing interests and demonstrating caution in international affairs (Sofer, 1988, p.196). In short, Realists stress the importance of pragmatic statecraft: the far-sighted diplomat concentrates on safeguarding critical interests at the expense of compromising on non-critical ones (Rathbun, 2014, p.4)

Liberalism, on the other hand, emphasizes that the state is not the only relevant actor, bringing non-state actors into account (Viotti and Kauppi, 2014, pp.129-30). For many liberals, economic or other types of interdependence between state and non-state actors – embedded within specifically liberal institutions – tend to have a pacifying effect on them (Viotti and Kauppi, 2014, pp.129-30).

Moreover, Moravcsik (2008) argues that domestic and transnational social forces significantly affect state action through state preference which reaffirms the three basic assumptions of liberalism. First, particularly under modern conditions of globalization, the nature of the societal actor generates distinct demands on international affairs, which requires both societal and individual attention. Second, the state's essence reflects the needs of the minority of domestic individual and social demands, based on which interests define 'state preference' and function instrumentally to manage globalization. Third, the international system's essence: the distribution of state interests and state behaviour form a pattern of interdependence among states themselves (Moravcsik, 2008, p.709).

Liberals highlight the possibility – and importance – of rational discourse, in which diplomacy is the process of arguing during which state representatives listen carefully to each other's claims for the

purpose of persuasion (Rathbun, 2014, p.4). Reason indicates moderating demands to reach a mutually beneficial outcome, and this is the primary instrument that states can deploy in an enlightened, civilized diplomacy marked by good faith and goodwill (Rathbun, 2014, p.4). Moreover, liberals analyse the international in terms of preferences for different groups: so, in this sense, diplomacy is conceptualized as a mechanism for generating and pursuing incentives, it is not necessarily something that is theorized in and of itself (Jönsson and Hall, 2005, p. 17). Following this, liberals also tend to see diplomacy as a way of practically and empirically shaping the nature of the relationships between states and the international system, rather than something that shapes the nature and the interests of the system's constituent actors which are derived from the functioning of the system itself (Hart and Siniver, 2020, p.162). Furthermore, they emphasize international organizations, such as the UN and EU, and less formalize institutions alike, have also been commonly understood as a stable link between social activities consisting of positions that are easily recognized and coupled with fundamental norms of a set of principles or rules that establish the contours of acceptable behaviour and regulate interactions (Jönsson, 2018, p. 5). Thus, within the framework of international law, institutions, and activities that influence the players' motivations, diplomacy does exist (Keohane, 1986; 1989).

However, none of the mainstream approaches – or even critical ones like Marxism – consider diplomacy a central process of international relations in the sense that it drives core interests and their formation. Liberals go furthest, in terms of recognizing its importance, but still fall short of seeing it as significant in the way that interests are. Generally speaking, this is because all of these theories focus on structure rather than agency: power with an anarchic system, for Realists, institutions in which that power is embedded, for Liberals, class relations, for Marxists. In all three, the system takes precedence over behaviour. So, in general, IR as a field has focused on the overall macrolevel of conflict and cooperation at the systemic level but has neglected the micro-level of diplomats' social practice (Hart and Siniver, 2020, p.161).

More recently, though, critical tendencies within IR have sought to move away from these ways of thinking. In particular, the analytic approaches of constructivist, postmodern, and critical IR reject the orthodox view of the state being the sole unit of diplomacy, and they tend to focus on the importance of intersubjective meaning, norms, values and ideas as constitutive of action, with agency being central to their explanations of the social world. They also view diplomacy as a more interdependent process that involves not only states, but a multitude of potential actors, engaging in a range of institutional settings – both formal and informal – well beyond the major international organizations. This reflects an altogether more sociological conception of diplomacy (Lee and Hocking, 2011, p.4).

It emphasizes how diplomatic functions involve various economic, cultural, social, and political forms, while the common theme within these different approaches is rejecting what they see as the problematic core idea that a foreign ministry and its overseas missions represent the sole agents of diplomacy (Lee and Hocking, 2011, p.4). Moreover, while orthodox approaches use analytical tools from Realist IR to develop concepts such as summit diplomacy, bilateral diplomacy, and multilateral diplomacy (implicitly privileging the *structure* or place where it takes place), heterodox ones employ a wider range analytical tools from other social science fields such as political economy, business, and management studies, philosophy, theology, sociology, and anthropology to explore diplomatic *practice* (i.e. action) further (Lee and Hocking, 2011).

Newer aspects of diplomatic practice, such as catalytic diplomacy, network diplomacy, sustainable diplomacy, multi-stakeholder diplomacy, iDiplomacy, and economic diplomacy have emerged to better describe multifaceted forms of modern diplomatic practice by highlighting multiple interests, cultures, and identities that are represented by state and non-state actors, and the diverse diplomatic methods that emerge from their interactions. The new concepts also indicate the changing nature and function of contemporary diplomatic forms, which often cast doubt on the notion of the progressive development of diplomatic systems as described in traditional methods or accounts of diplomacy (Lee and Hocking, 2011, p.5). In short, non-state-centric approaches to diplomacy do not necessarily link diplomacy practice with the state or the problem of state anarchy; rather, they often view diplomacy as a method of connecting individuals, groups, societies, economies, and states as means of building and managing more peaceful social relations by moving beyond traditional realism: more unusual theoretical reflections have been encouraged by non-orthodox approaches to the study of diplomacy and have developed an analytical multiplicity in the examination of diplomatic procedure, modes and processes that now turned (Lee and Hocking, 2011, pp.5-6).

In sum, states are still evidently central actors in modern diplomatic practice, and, as discussed later in the thesis, this is clear from the China-Middle East relationship. But, because so many other actors and institutions are also involved in these processes, whether connected to states in some way or separate from them, engaging in numerous issue-areas, it is important to consider the significance not only of power and institutions, as in realist and liberal accounts, but also norms and intersubjective meanings, which feature in constructivist accounts. This is particularly important for *economic* diplomacy, precisely because this is a process undertaken by a wide range of actors, even if it is state-led, and they generally engage on issues outside of the security or military realms. A constructivist approach to diplomacy therefore emphasizes how the development of shared meanings allows different actors to influence each other's preferences and courses of action. We outline this argument in detail later in Section 3.5, but, first, we examine economic diplomacy as a specific manifestation of modern diplomacy.



### 3.3 Economic diplomacy as a distinct form of modern diplomacy

The purpose of this section is to review the concept of *economic* diplomacy as a distinct form of diplomacy, its actors, objectives, and functions and, in so doing, to move beyond traditional approaches while examining its practice, approach, and mechanisms. The argument put forward is that economic diplomacy exists alongside globalization, fuelling the latter's expansion. For some thinkers, this can be detrimental to developing countries, particularly poorer ones in the Global South, which often struggle to profit from it. For others, greater global interconnectedness opens up opportunities for developing countries to pursue their economic interests. The first part deals with globalization as an economic diplomacy engine that contributes to rising forces pushing for structural changes to the international economy; the second addresses the theory and practice of economic diplomacy.

#### *Globalization and diplomatic transition*

In the era of advanced globalization that drives trade and other related economic activities which contribute to positive development, prosperity, and stability for nations, no one can neglect the nature of the interaction and interdependence between domestic and global political and economic aspects. Economic interdependence is increasing, despite recent setbacks and attempts, by some, to engage in 'deglobalization', which is, arguably, just a new and distinct phase of globalization (Bishop and Payne, 2021). The expanding nature of globalization has resulted in the emergence of new phenomena such as economic diplomacy that operates as a new approach of diplomacy that connects not only states, but also economics and individuals, particularly in the Global South in a more integrated and active manner than it has been in the past.

In the post-1945 era, but before the emergence of globalization in the late 1970s, the relationships between states – and the dominant Realist and Liberal theories that sought to explain them – were limited due to the ideological differences: i.e. Mao's 'Three Worlds' discussed in Chapter 2 of the Western capitalist bloc, the communist Soviet bloc, and the non-aligned Third World, parts of which were still, for some time, formally colonized. As a matter of fact, there was little free movement of commodities, money, ideas, humans and technology, as there is nowadays, since the Western and Soviet systems, especially, operated independently of one another, with limited trade between them. Although diplomatic relations existed – again, in conventional Realist and Liberal terms, seeking, through 'high politics' to stem the consequences of power accumulation and potential nuclear war by

embedding conflict in institutions like the UN – *economic* diplomacy was of little use until the fall of the Berlin Wall in the late 1980s (Zirovcic, 2016, p.9). In short, modern diplomacy has been completely reshaped by globalization, challenging fundamentally the core assumptions of classical IR that economic phenomena and agency, norms, ideas and values are of subsidiary importance to security concerns and systemic pressures.

As economies become increasingly interconnected at the regional and global levels through globalization, economic diplomacy has become a relatively new and dynamic diplomatic approach to drive interactions between states and the array of important actors. Okano-Heijmans (2016) argues that globalization and shifting of balance of power on the international level, has led to the implementation of economic diplomacy as a diplomatic tool for governments worldwide. She goes on to point out that, in recent years, governments have drastically increased the economic dimensions of foreign policy: for developing countries, this is crucial, because it gives primacy to economic and developmental objectives (rather than security ones) in building a comprehensible foreign policy stance, while at the same time incorporating their growing economic strength into political influence (Okano-Heijmans, 2016, pp.2-3). Globalization thus paves the way for the convergence of economic diplomacy's domestic and foreign agendas, which are on the periphery of conventional international diplomatic relations (Lee and Hocking, 2010, p.6). In the context of globalization, the emergence of rising powers highlights the importance of economic diplomacy as a diplomatic approach that is vital means by which their interaction is extended worldwide, particularly in developing countries. Zhang (2014; 2016) argues that economic diplomacy is a pathway of rising countries to transforming forces and overhaul the order of existing global powers. Moreover, according to Okano Heijmans (2016) emerging countries like Asian and postcolonial states and transitioning ones are engaging in all-encompassing economic diplomacy to increase their dependence on economic instruments and business ties for improving their relative positions on the international stage.

In many respects, Yakop and van Bergeijk (2009) contend that economic diplomacy is *more* critical for developing countries than other kinds of diplomacy – and more critical for them than it is for powerful core states – since it strengthens their internal economic relationships for three key reasons. First, the existing disparity between developed and developing countries in the distribution of knowledge – i.e. public knowledge, how much knowledge is being produced and what it is being used for – is something that is both central to their development progress and can only be resolved by stronger interactions with other states and commercial or academic entities. Second, outside the OECD, commercial institutions remain unestablished or undeveloped, and therefore the role played by Southern governments in nurturing strong trade ties will be even greater from the beginning to the end of commercial interactions. So, in developed nations, open and readily available knowledge is much more accessible in contrast to developing countries, and thus, economic diplomacy is expected

to be less critical as a factor in determining reciprocal trade. Third, embassies and consulates play a critical role in forming and cementing trade and investment ties between developing nations, or between them and Northern ones, and this is, in fact, their core role when as is often (but not always) the case the ‘high politics’ of global conflict and security does not occupy a sizable proportion of their diplomatic attention as it does in great powers.

Currently, economic diplomacy mirrors the diverse forms of Western and Eastern capitalist practices, including free market capitalism in Western countries and state capitalism in other countries outside the West, which encompass various forms of public-private collaboration where the power relationship between states and businesses is evolving (Rothkopf, 2012). Concerning the domestic organization of public authority and private enterprise, renewed government activities and ongoing global liberalization mean that various models of capitalism will exist, and these firms will increasingly be compelled to compete internationally (Okano-Heijmans, 2013, p. 2). Overall, Harris and Li (2005, p.74) state that economic diplomacy provides ‘unique, reliable and impartial access to information, such as through the global embassy network and other government channels and contacts which become viable through the government’s very long-term, and non-commercial attachment to overseas markets’. Consequently, developing countries construct economic diplomacy to promote their economic interaction to gain further benefits for boosting their economic and political profile at the international level.

### *Defining economic diplomacy*

So, what is economic – or commercial – diplomacy? Here, the discussion uses these terms interchangeably and moves onto outlining its nature, the actors involved, their activities, the goals pursued, and the methods of interaction between those different agents at the international level. In essence, economic diplomacy is more relevant than traditional diplomacy in today's world – especially for mid-sized Middle Eastern countries engaging with a behemoth like China – for explaining the interactions between states and their variegated constituent actors. As discussed later in the chapter, despite these sizable power disparities, the relationship between China and Egypt or Saudi Arabia is one that is marked by cooperation and the development of mutually constituted preferences.

Economic diplomacy encompasses the use of diplomatic tools to empower and pursue economic gains, through the exploitation of political-economic and commercial objectives. Although viewed as a relatively recent development worthy of scholarly interest, forms of economic diplomacy have

existed since the dawn of civilization, where participating in trade and commerce has generally seen the elaboration of political and diplomatic negotiations to stabilize those processes (Yakop and van Bergeijk, 2011, pp. 254-5). Traditionally, economic diplomacy is thought of as the decision-making, policymaking, and advocacy from business interests of a sending country through the necessities for implementing professional expertise that influences the country's economic objectives, thereby operating as a way of supporting the pursuit of economic security and strategic interests through the use of economic tools while managing interstate relations (Arystankulova, 2018, p.1). In addition, Lee, and Hocking (2010, p.6) view economic diplomacy 'as the priest of economic security within' an anarchical global structure. Additionally, Okano-Heijmans (2013) describes economic diplomacy as a method and tactic of overseas strategy which focuses on the assumption that economic/commercial benefits and political aims mutually enhance each other, and therefore should be realised as being coordinated with the pursuit of economic wealth and achieving political strength, with states being the most critical players in this contest at the international level.

Moreover, Tóth and Horváthová (2006) define the term as being a form of operation carried out by the state's proliferating economic relations agencies and their representatives vis-à-vis foreign countries as a part of its general diplomacy too (cited in Pajtinka, 2016, pp.34-5). So, in this sense, although it may be analytically separated from conventional 'high politics', it is embedded within wider diplomatic activity (and, again, as noted above, for developing countries it is often more important). Similarly, Saner and Yin (2003) characterize economic diplomacy as the operation of diplomatic staff designed to promote the home country's commercial and investment sector elsewhere and promote its economic growth. Rana (2007) goes even further: it is a mechanism by which countries approach the external world to capitalize on their nationwide gain in all commercial sectors, pursuing investment and other shapes of financially advantageous exchange, in which they enjoy comparative advantages. It is, therefore, fundamentally about promoting foreign commerce and investment through the focused deployment of diplomatic ties and government power (Moons and de Boer, 2014, p.3). But, even if it is about state power, and embedded within wider diplomatic agendas, economic diplomacy is also about a multiplicity of actors: i.e. interactions between formal *and* informal structured mechanisms that link state *and* non-state actors and connections between private *and* public networks (Lee and Hocking, 2010, p. 11). In short, economic diplomacy is thus a type of state activity conducted in the international arena by its formal bodies or representatives (i.e. embassies) as well as whole range of quasi- or non-state actors operating in many different arenas. In this sense, it is an unconventional approach of diplomacy intended to promote the interests of the state and its economic wellbeing internationally in a peaceful way.

So, despite the government's significant role in promoting its economic diplomacy through state-sponsored agents worldwide, non-state actors are a crucial part of this story. Pigman (2005) argues

that the process does not just comprise public and private actors, these actors pursue overlapping but distinct public and private *interests*, too. The spectrum of economic diplomacy players varies from the high levels of policymakers – i.e., heads of state, primary ministers, parliamentary ministers – to the lower level of representative (ambassadors) and functional diplomats (Naray, 2008, p.2). But there are also myriad representatives, of varying levels of seniority, from major firms, business associations, civil society and trade unions, academia and thinktanks, quasi-public regulatory bodies and other lobbyists who are all involved in some way. Economic diplomacy therefore involves official diplomatic structures designed to collaborate closely with a multitude of domestic agencies, government departments, and their ‘large and expanding economic sector’ affiliates, as well as with a wide range of non-state actors, including business chambers and industry groups (Rana, 2018, p.318). However, as much as these non-state entities and their interests proliferate, the state and its foreign ministries’ position and instruments still generally work to promote and defend its overarching economic interests (Elgadiry and Hammuda, 2017, p.350).

Overall, Pajtinka (2016) notes that, according to different parameters, the players of economic diplomacy can be split and classified from various viewpoints. For example, in terms of formal legal status, it is possible to distinguish between, on the one hand, economic diplomacy actors, players with diplomatic positions, like diplomatic missions, but also special missions, government officials, and heads of states; and, on the other, those without formal diplomatic status, including divisions of trade/investment promotion agencies only if they are not members of diplomatic missions, and also consular offices. Then, there are actors categorized according to their international terms of service: i.e., diplomatic missions, consular offices, as well as divisions of trade/investment, and non-permanent actors engaged temporarily in economic diplomacy activities, including special missions, government representatives, and head of state (Pajtinka, 2016, p. 36). Moreover, overseas economic diplomacy actors, such as diplomatic missions and foreign branches of trade and investment promotion departments, and actors are operating in their home countries, such as central government agencies (ministers), especially the Ministry of Foreign Affairs and the Ministry of Economy, all play an important role (Pajtinka, 2016, p.36).

Consequently, as globalization accelerates the changing power distribution globally, the nation-state is no longer the sole foreign policy participant and nor can it be (Brocková, 2019). The ever-proliferating range of economic issue-areas, their complexity and the issues at stake – and number of interested parties – means that no state could ever undertake all of the diplomatic, legal and regulatory activity required to maintain complete authority over. Moreover, those stakeholders all bring distinct forms of expertise to the different dimensions of the process in which they have an interest, albeit the

significance of their role varies depending on the issue, arena and pattern of interstate activity. Nonetheless, as Okano-Heijmans (2016) notes, the state still remains the essential economic diplomacy player, and, ultimately, those non-state actors do not (cannot) transcend the state's decisive influence over it: while they have a significant stake in commercial diplomacy and development cooperation, they are characterized as a pressure group that does not engage in negotiations with states or international public institutions, primarily attempting to guide government policies (Okano-Heijmans, 2016, pp.8-9). Put simply, it is still ultimately states that set the rules of international trade and commerce, and build the institutions that monitor and enforce them.

Government overseas diplomatic missions, then, constitute the exercise of a variety of economic diplomacy responsibilities (Pajtinka, 2016, pp.32-3). Thus, many of the roles of embassies and consulates are as relevant for imports and exports, such as providing information, building momentum or public participation, facilitating outward investment and ultimately supporting the domestic economy (Yakop and Van Bergeijk, 2009, p.16). In this regard, a key objective of this work is to promote business development and facilitation, with the key objective being to influence the decisions governments and non-state actors are making across the border (Bayne and Woolcock, 2007; Okano-Heijmans, 2011; van Bergeijk, 2009).

This, in turn, occurs at three levels: bilateral, regional, and multilateral (Peter et al., 2011; Pajtinka, 2016, p.37). While bilateral economic diplomacy is the most direct approach that allows domestic goals to be readily clarified, it gives the more significant partner greater incentives to secure asymmetric concessions from a weaker partner and can, therefore, become confrontational (Bayne and Woolcock, 2016, p.8). Bilateral engagement can comprise a multitude of issues: e.g., economic activities such as trade exchanges, investment, employment, taxes, FTA negotiations, as well as a wide range of formal and informal economic issues can be part of relations between two states (Arystankulova, 2018, p.1). The salience of state-to-state bilateral diplomacy differs in terms of the extent of its trade-enhancing effects between developed OECD states and developing countries, and tends to be more significant in the latter (Yakop and van Bergeijk, 2011, p. 253). Multilateral economic diplomacy state activities within the context of international organizations and conference (Pajtinka, 2016, p.37). Arystankulova (2018) highlights that this occurs within the WTO framework, the IMF, other international economic and financial organizations, and the World Bank and other UN agencies. Regional cooperation is becoming increasingly relevant in economic diplomacy, due to national interests and economic being achieved more efficiently within a regional framework (Arystankulova, 2018, p.1). This form of regional cooperative relationships is suitable for enabling neighbouring countries to benefit from the power of integrated economies (Woolcock, 2011, p.132).

In sum, Rana (2018) emphasizes that, while political ties with foreign state partners are the basis of all actions, bilateral, regional, and multilateral, in practice, their economic work brings the most significant direct benefit to the home country. As a result, governments have strengthened economic diplomacy activities, such as economic missions led by high-level political figures for promising markets, and for negotiations on bilateral and regional economic agreements, including free trade agreements, and in the multilateral context, economic diplomacy is also high on the agenda (Okano-Heijmans, 2016, p.3). What this means, essentially, is that commercial diplomacy is rapidly proliferating in terms of the multiplicity of actors involved, the complexity of issue-areas and sectors in which these engagements are taking place, and the formal and informal institutional forums that host them. Consequently, not only is academic interest in the process also proliferating, but economic *statecraft* – i.e., the crafting of the policies and strategies that drive commercial expansion – is also becoming a crucial part of any state’s diplomatic panorama (Zhang, 2024; Zhang and Keith, 2017). This leaves open the question of *how* that statecraft is developed and enacted, and, in turn, reshaped and reconstituted through mutually beneficial interactions with other actors, an issue that is addressed in Section 3.5.

### **3.4 Chinese Economic Diplomacy**

Expanding Chinese economic diplomacy worldwide, especially in developing countries, is driven by three main factors. First, the Chinese economy’s rapidly growing power is, at source, sustained by outward expansionism that requires, and contributes to, the ongoing expansion of an open global economy. Second, China’s economic development does not only favour China itself – although the Sino-pessimists discussed in Chapter 2 might argue otherwise – but the effects of that development spreads to other countries worldwide and supports their economic growth. Third, the changing nature of Chinese economic power over time – in becoming both a major producer and importer, especially, but not only, of commodities – has driven a relentless search for new trading partners and markets. Crucially, the complexity of China’s economy means that no state or region is, in principle, excluded: Beijing has pursued this agenda with both developed and developing countries, rich and poor ones, large and small. By examining economic diplomacy with Chinese characteristics, we can not only aid comprehension of its engagement in the Middle East region in the empirical chapters (4-5), we can also begin to better understand a potential fourth factor driving it today, which emerges from that analysis and is discussed in greater detail in the Conclusion (Chapter 6), the increasing incorporation of proximate developing countries, such as those in the Middle East, into its long-term project for regional and global economic ordering, the BRI.

In the wake of China's opening-up policy to the world in the late 1970s, its economic influence has risen considerably. Today, China's economic power plays a significant role in the international arena, using its economic strength as an external instrument promoted by its embassies worldwide to further and interconnect its economic activities with other countries worldwide. Wong (2016) argues that, while China's economy is growing, its economic diplomacy is becoming an essential instrument of its foreign affairs, because Beijing gives vast support and financing incentives to developing countries. Indeed, China is unique in having full embassies in the very smallest states with which it has diplomatic relations – a mark of mutual respect and developing country unity, implicitly emphasizing that economic opportunities exist everywhere – when many Western powers have amalgamated them into regional missions to save money.

Li and Sun (2014) describe four distinct phases of China's changing economic engagement with the world's countries. Beginning in the 1970s and 1980s, Beijing sought to reintegrate into the global economic system by establishing initial trade links. Then, this was followed by a deeper integration process during the 1990s, focused on expanding trade with developed countries such as Japan, the US and both the EU and individual European states. This was both facilitated by, and reflective of, ongoing globalization, international integration and the rise of regional free trade zones, and it culminated in China's membership of the WTO (see Bishop and Zhang, 2020). The current stage is the post-2008 global financial crisis period, when China became the second-largest economy – or even largest on purchasing power parity (PPP) measures (Bishop, 2016) – and began to dominate key sectors of the global economy through its increasingly assertive economic diplomacy, functioning as an economic leader and calling for new economic policies and principles (Li and Sun, 2014).

Consequently, as Wong (2016) indicates, as China's internal dynamic has changed, so has its approach to commercial diplomacy. Although economics served the country's foreign policy interests during both the periods of opening up and reforming policies in the late 1970s and Cold-War era – where a central objective was catching up with the West – its economic and diplomatic interests are becoming more intertwined and intricate in the present circumstances, requiring both simultaneous foreign policy and economic diplomacy strategies (Wong, 2016, p.4). Indeed, regardless of the intention of Chinese and Western leaders, the very fact that China *has* caught up – and potentially even surpassed the West in certain sectors – means that a whole series of security questions have inevitably come to animate and complicate economic diplomacy interactions (Hopewell, 2020).

As discussed earlier, the practice of economic diplomacy is not a new thing – even though it is understudied and under-theorized by scholars – and this is certainly the case for Western nations (Men, 2013). But, for the Chinese, despite also practising distinct forms of economic diplomacy for millennia, the term itself only appears in official documents in the 21<sup>st</sup> Century, and it has recently



become a critical aspect of its overall diplomacy due to economic globalization and its growing economic strength (Men, 2013, p. 297). Nonetheless, as in the West, the study of economic diplomacy, and the statecraft that gives effect it, has still not been accorded the importance it deserves by academics (Zhang, 2024). Yiwei Wang defines economic diplomacy as a dialectical unity of the economy and diplomacy that consists of policies that serve economic and political and strategic objectives (cited in Heath, 2016 p.163). Zhen Bingxi takes this further, stating that:

Economic diplomacy with Chinese characteristic... [is the] full utilization of external economic measures, within the framework of the states's overall diplomacy, to protect and further national interests, conduct measures such as guiding the economy with policy, using the economy to promote politics, and combining politics and economics in order to gain, on behalf of the nation, the resources, market, capital, technologies, and talented people needed for national development and to effectively defend against and respond to a variety of risks coming from the arena of international economics (cited in Heath, 2016, p.163).

In this context, Chinese economic diplomacy is defined as the use of trade, investment, and finance policies to support China's political, diplomatic, and strategic goals, concentrating on securing resources, expanding export markets, fostering Chinese statecraft and soft power to sustain its economic development (Wang, 2008). Moreover, China's economic diplomacy includes trade, investment, financing, and currency instruments, and also can include many economic spheres; it involves energy and environmental issues most closely related to China's economic security and economic growth, as well as integrating methods of assistance, collaboration, or sanctions, occurring at the global, regional, and bilateral levels. Thus, China increases its political and economic power through its instruments and agents of state-led economic diplomacy while targeting many countries worldwide (Garlick and Havlová, 2020, p.6). From an economic standpoint, such instruments are trade, investment, financing, loans, and infrastructure development, whereas state-owned construction firms and financial institutions are the Chinese agents (Norris, 2016). Consequently, the Chinese interpretation of economic diplomacy infuses security considerations, which means that economic methods can be easily integrated into foreign relations and vice versa (Heath, 2016).

In this respect, Hao (2013) highlights a number of reasons for China's assertive pursuit of economic diplomacy in the contemporary era. First, as its own growth continues, underpinning its wider 'rise', its economic interests – and the domestic political constituencies with a stake in them – also expand, so commercial diplomacy is critical for maintaining momentum and supporting domestic developmental objectives. Second, it improves the country's global image – particularly given that so

much of its activity in developing countries is the provision of aid and other financing to support much-needed infrastructural development – and reinforces its economic power on the international stage. Third, it contributes to economic development in general, expanding win-win situations by enhancing the overall diplomatic climate through its soft power (see also Xianyang, 2022). Not only does China's rise demand, and rest on, a stable international atmosphere, Beijing perceives that it is only by infusing capital, technology and expertise into potentially unstable places that they might be stabilized. As discussed in Chapters 4 and 6, this logic is very much at work in its Middle Eastern interactions. Economic diplomacy, then, can yield far greater benefits than strictly political diplomacy in helping to maintain friendship, defusing conflict, and turning enemies into friends because their interactivity, reciprocity, and multiplicity of involvement helps improve the external environment of a nation. Fourth, it opens doors of seizing opportunities to expanding its strategic objectives (Hao, 2013, pp.114-125).

Moreover, this particularly so in the Chinese case *because* it is a fast-rising power with huge reservoirs of capital to export. Again, some pessimistic accounts have equated this with a crisis of Chinese capitalism: i.e., using the BRI as a 'spatial fix' to export its accumulated surpluses, thereby avoiding having to undertake painful domestic adjustment or become stuck in a middle-income trap, while potentially reinforcing commodity dependence elsewhere (Jones, 2020). However, to the extent that this may be the case, it is possible that the process can serve *both* Chinese strategic objectives *and* developmental ones elsewhere. The scale of infrastructural development that China has supported in poorer countries, and the growth and modernization that this has underpinned – not to mention the complexity of the economic interdependencies generated – suggests that there is no simple pessimistic account that can capture it. Just because some countries may struggle to escape primary product dependencies, they may not have done regardless of China's engagement, whereas others may do so because of it. In either case, substantial Chinese investments of different kinds will have filled a sizable gap that would have remained unfilled because of the declining Western aid and investment and the political conditionality attached to it (again, logics that are at work in the Middle East).

Kostecki and Rana (2012) categorise key actors into interagency cooperation and central-local government coordination within China's institutions that have enforced its economic diplomacy across various government agencies, alongside domestic ones, to foster its economic engagement globally. Its governmental agencies encompass, for instance, some Ministries, such as Foreign Affairs, Commerce (MOFCOM), and Industries, acting collectively as the nation's commercial unit. Domestic agencies, including industry associations, chambers of commerce, financial institutions, and the tourism industry, as well as educational institutions, research institutions (such as think tanks), and various individuals and organisations, all serve as beneficiaries and primary drivers of its economic engagement overseas (Kostecki and Rana 2012, p.11). Although China's Foreign Ministry has been

instrumental in this process, other governmental departments and administrative bodies have also contributed significantly and increasingly in several functional domains (Sun and Zoubir, 2015, p.912). For instance, China utilises various ministries and administration bodies that coordinate closely to implement its economic diplomacy, encompassing its National Development and Reform Commission (NDRC), National Energy Administration and the respective ministries such as Foreign Affairs, Commerce, and Science and Technology, alongside with its International Department of the Central Committee of CPC, amongst other. As a consequence, China's economic diplomacy is implemented not only at the national level but also at the metropolitan and regional levels, as well as at its independent regions, considering it separates power between its federal and provincial levels (Sun and Zoubir, 2015, p.912).

For Gao (2015), there are four fundamental aspects of economic diplomacy that China must remain aware of. First, economic diplomacy should serve its economy, and it should be a primary aspect of the country's overall diplomacy. Second, it should also be synonymous with 'opening up' strategies, and the state should freely compose strategies that carefully align the two. Third, it should strengthen its trade and economic partnerships through economic diplomacy as a critical mechanism to support economic growth. Finally, China should not perceive economic diplomacy as a zero-sum game, but instead generate common positive-sum advantages and win-win situations for all, which produce a 'factorable international environment'. Building on this notion of win-win and mutual gains, Sun and Zoubir (2015) exhibit three influential features of Chinese economic diplomacy. First, it strives to participate in economic and commercial transactions with other countries globally without becoming involved other countries' domestic matters. Second, it counts on political and diplomatic strategies aimed at boosting its global economic growth. Third, it utilises its economic influence, such as development assistance, to attract countries of interest for establishing close economic linkages (Sun and Zoubir, 2015, pp.907-8). A key difference then, between Chinese vision of global commercial cooperation and that of the West is that, while it is about new markets, it is not fundamentally about aggressively *opening* markets in the neoliberal sense or subordinating other countries to its hegemonic trade agenda or rules. In this sense, Beijing is a strong advocate for forms of trade multilateralism in which weaker members enjoy differentiated responsibilities (Bishop and Zhang, 2021).

In sum, the Chinese approach to economic diplomacy is distinctive for several reasons. Most importantly, it is this kind of diplomacy specifically which has driven its agenda with much of the rest of the world, partly to export capital and secure its domestic growth and development. But it has also had a clear developmental rationale, with capital and know-how exported to much of the Global South to build infrastructure and support industrialization in places where it is often scarce, within the

framework of the BRI. It stands to reason that, as Chinese actors build relationships through their economic diplomacy, their learning and preferences are being shaped and reshaped by the preferences of others, and vice versa. From the Middle Eastern perspective – as discussed in Chapters 4 and 5 – this means that the structures laid down by the evolving BRI are Chinese in genesis, but Middle Eastern actors are also shaping it with their interactions, in turn reshaping Chinese preferences about its interactions with them, and supporting a kind of incipient regionalism in a historically fragmented region. Up to this point, the chapter has focused mainly on reviewing and conceptualizing debates on economic diplomacy to make this case. It now moves on to explaining why constructivist theory is necessary for building a framework to understand how that process occurs.

### **3.5 Constructing Economic Diplomacy: Mutual Constitution of Preferences**

A constructivist approach is preferable to a realist or liberal one, because, despite being less conventionally powerful than a truly great power like China, the countries of the Middle East region are also not powerless. As demonstrated later in the thesis, Egypt and Saudi Arabia are actively shaping diplomacy *with* China, albeit within an overarching framework laid down by Beijing. So, the realist way of thinking does not work here, because the relationship is not zero-sum nor defined, at root, by power competition. Moreover, it also centres on economic, not security, objectives (at least not in the first instance). But a liberal approach, which does view relationships as potentially positive-sum, would struggle to explain how China-Middle Eastern economic diplomacy is evolving according to the mutual constitution of preferences. A Marxist account offers a very different view, but it ultimately advances a deterministic and pessimistic account of economic collaboration. We therefore need a theoretical account of these processes that takes norms, culture and ideas seriously, with material and ideational factors reshaping the context and nature of Chinese and Egyptian or Saudi agency within it. This section briefly outlines the weaknesses of the realist, liberal and Marxist positions before justifying the value of a constructivist one to understand preference construction.

#### *The Realist Account*

Realists are, in political economy terms, economic nationalists, prioritizing political considerations over social dynamics, and regarding the state as the central actor in political and economic affairs (O'Brien and Williams, 2020, p. 8). This position of superiority means that the state operates as the primary instrument for individuals to accomplish their goals within an interstate system defined by anarchy. As such, to safeguard its interests, a given state's economic strategies must be employed to construct powerful state-based institutions to operate in the international arena (O'Brien and Williams, 2020, p. 8). Hence, realists understand that 'external' forces deriving from the structure of the system itself establish the state's interests (Phillips, 2005, p.89). Therefore, 'the distribution of material

capabilities among states is the key factor for understanding world politics' (Mearsheimer, 1995, p.91). Realists consequently assume that states prioritize their own survival and border defence, which necessitates interacting with other states to increase their military, political, and economic power (Ogunseye, 2023, p. 104). Consequently, it is the structure of the world system that, for both offensive and defensive realists, influences state identities, orientations, motives, and, ultimately actions (Harknett and Yalcin, 2012, p.502).

So, realists see IR as a 'struggle for power' propelled by the choices of rational states, and within IPE they consider international action a 'struggle for power *and* wealth'. In this sense, international economics is secondary to international politics, because the characteristics of the world economy are exhibitory of the interests of the most powerful states, and this, in turn, underscores the existence of a predominant or hegemonic power that is essential for offering leadership and managing the intermediate costs linked to sustaining a laissez-faire trade system (O'Brien and Williams, 2020, p. 9). Moreover, because the system is anarchic, inter-state relationships are characterized by ongoing struggle and competition for dominance; therefore, international economic relations are considered to be a zero-sum game in which the gains of one state is equivalent to the losses of another (O'Brien and Williams, 2020, p. 9). Each state-nation is viewed as an independent and rational entity obligated to aggressively pursue its national interests (Sayfullaev, 2023, p.1024). But, in a competitive international system, states prioritize relative gain over reciprocal benefits, seeking to modify the rules, frameworks, or regimes that define international economic relations to seek an unequal benefit over others and secure scarce resources for long-run national strength (Gilpin, 1987, pp. 46-7). As self-dependent entities with distinguishable interests, states frequently encounter conflicts between their 'interests and preferences' and those of other societal groups (Kirshner, 2009, pp.64-66). In this aspect, the state is willing to endure short-term economic sacrifice to attain long-term advantage as it is more sensitive to security issues than individuals. The existence of mutually advantageous interactions alone is not adequate to ensure positive-sum interstate collaboration between countries due to anxieties about its implications for national security (Kirshner, 2009, pp.64-66).

### *The Liberal Account*

Liberals contest this vision by emphasizing the crucial role of individuals and a range of stakeholders, including the state, but also cooperative corporations and interest groups such that the state is not regarded as a single unitary actor but a complex entity influenced by a range of others (O'Brien and Williams, 2020, p. 11). For liberal theorists, the state serves as an 'arena' that 'represents, reflects' and fundamentally shapes the prevailing societal interests, suggesting a substantial extent of social

and societal independence as opposed to state autonomy (Phillips, 2005, p. 85). In contrast to realism, it engages in ‘pluralistic actions’, with the national political-political-economic system taken seriously in foreign interactions, prioritizing its interests beyond state security to involve interactions through a range of economic institutions, business and corporate frameworks and even with commercial individuals (Sayfullaev, 2023, p.1024). Moreover, the international system is characterized by ‘interdependence rather than anarchy’, in which the states and individuals can interact to promote positive-sum results instead of zero-sum outcomes in which the total benefits can grow, facilitating mutual benefits for all (O'Brien and Williams, 2020, pp. 11-12). As IPE is viewed as a quest for wealth, not just power, a free market is seen to facilitate growth and prosperity, with enterprises spreading material wealth worldwide, which ultimately results in beneficial consequences for all (O'Brien and Williams, 2020, p. 13). This can have an equal impact on world politics by promoting common interests and adherence to the existing multilateral order (Gilpin, 1987, p. 44).

So, liberals consider that economic ties between countries can be positive-sum and reflect comparative advantage: even where one has an edge in production over another, trade exchange can still result in reciprocal advantages for both parties (O'Brien and Williams, 2020, pp. 13-14). However, while liberals believed that collaborative economic activity ultimately *increases* state power and security, they maintained that its immediate goal is to serve individual clients (Gilpin, 1987, p. 41). State preferences and strategies are not set by the system, but, rather, derive from a ‘black box’ comprising a complex mix of political and economic impulses (Phillips, 2005, p. 89). Nonetheless, liberals hold that mutually advantageous trade and economic linkages tend to promote peaceful relations because of increasing interdependence. Therefore, while politics often seems to drive nations apart, economics has a tendency to bring them together (Gilpin, 1987, p. 44). They also argue that the political advantages of such economic collaboration can improve conflict resolution, with international treaties and regimes sustaining international economic order in the face of declining hegemonic states (O'Brien and Williams, 2020, p.14). In sum, a free world economy is plausible the support of dominant economic powers whose interests are compatible with its sustainability (Gilpin, 1987, p. 47).

### *The Marxist Account*

For Marxists, the state is an institution that serves the interests of a certain class and the overarching interests of the capitalist economy as a whole (Phillips, 2005, p. 86). Additionally, they highlight the economic and material features of the global political system while not dismissing the idea of a ‘state’ as put forward by realists and liberals (Sayfullaev, 2023, p.1024). Nonetheless, Marxist perspectives stress the importance of class dynamics and workers’ interests by acknowledging class – not states or institutions – as the central concept within political economy (O'Brien and Williams, 2020, pp.16-17).

They regard the global system as an interconnected capital structure with a primary focus on the accumulation of wealth in vast quantities (Sayfullaev, 2023, p.1024). They also focus heavily on production dynamics, differentiating between the owners of production (the bourgeoisie) and the labourers (the workers) who trade their labour (O'Brien and Williams, 2020, p. 17). The state is essentially conceived as the vehicle and voice of the former's interests, facilitating the ongoing exploitation – through the extraction of the value of wage-labour – of the latter (O'Brien and Williams, 2020, pp. 17-18). Thus, Marxist theorists view the state's interests to be 'fixed' or 'predetermined' by the structure of global capitalism (Phillips, 2005, p.89).

Marxists also suppose that international economic relations are fundamentally 'unstable and conflictual' due to some of capitalism's flaws, including profit rates that lead to competition, uneven development that facilitates conflict between nations, and overproduction or underconsumption that generates fluxes in trade cycles that hurt social stability (O'Brien and Williams, 2020, pp. 17-19). But, Marxists also tend to observe international economic relations as a zero-sum game, with capitalism intrinsically viewed as a source of conflict and misery. Domestically, capitalists and workers hold distinct interests, with the state becoming an arena for class struggle, and, globally, this often goes unrecognized as mobile capital can move around the world undermining working conditions (O'Brien and Williams, 2020, pp. 18-19). Ironically, like the two mainstream theories, Marxism potentially reproduces a form of 'instrumental rationality' in terms of how it views the state (Hobson, 2000, p. 145). So, whether to maximize its power, interests or exploit workers, state preferences are 'exogenously' developed, rational and reasonable, with states having a portfolio of precise interests before engaging in social interactions (Hobson, 2000, p. 145). The problem, here, is that the Marxist account is too pessimistic about the possibility for mutually beneficial economic exchange that improves the conditions of both workers and national development, offering a one-dimensional vision of the state that ignores how its interests are contingent and constructed by ideas and action.

### *The Constructivist Account*

Constructivists assert that the state is a political and social actor, adhering to both institutional structures which are not fixed, but in a constant process of renegotiation and, crucially, norms that mirror societal values and benefits (Balaam and Dillman, 2013, pp.158-59). Where liberals consider the state to be pluralist and regulatory in contrast to realists who view it as rational and self-interested, constructivists regard it as 'purposive', with political legitimacy stemming not from absolute power but rather the goal to which power is employed (Abdelal, 2009, p.112). Constructivism does recognize the existence of material characteristics in IR as posited by orthodox views, but it asserts

that normative or ideational aspects are equally significant and crucially shape social identities and political behaviours (Bozdağlıoğlu, 2023, p. 86; Reus-Smit, 2013. p.224). In this sense, where constructivists may accept that anarchy exists, they see it not as fixed or pre-determined by the structure of the system, but rather socially constructed by actors' values, norms and expectations (Wendt, 1992). International relations are therefore established based on agreed ideas, shared values, cultural context, and social identities (Sayfullaev, 2023, p.1024).

Crucially, ideational structures and agents mutually constitute each other: the former are 'produced, reproduced, and altered' through agents' discursive activities (Copeland, 2005, p.190; Reus-Smit, 2013. p.225). Moreover, constructivists contend that state actions are instrumental in forming norms and structures that define, socialize, and influence them, and during this process, the corresponding institutions and actors are potentially altered (Hurd, 2010, pp. 345-46). Accordingly, 'social facts' depend on collaborative understanding and discourse, connecting shared understanding to material reality (Adler, 2013, p. 121). Therefore, constructivism perceives the international structure of the state system as a result of *social construction* formed through various *mutually constitutive* practices (Guzzini, 2013, pp.251-3). In contrast to rationalist theories, this perspective argues that social and relational factors constitute states' identities and pursuits (Hurd, 2010, pp. 340-41). This is a stark contrast to neorealism, which sees the structure of the anarchic system pre-determining interests and identities in a one-way struggle for survival (Bozdağlıoğlu, 2023, pp. 86-89). In contrast, constructivism emphasizes that the interaction between agents and structures are not distinct entities but interplay simultaneously to shape social reality by recognizing that identities, agents, and beliefs are socially constructed (Peterson, 2013, p. 311). Social interaction thus shapes state identities (Bozdağlıoğlu, 2023, pp. 86-89). For constructivists, then, the international order is not about material power or capitalist exploitation, but a space where sharing ideas, beliefs, and values impacts political and social activities and, ultimately, the shape of that order (Reus-Smit, 2013. p.224).

Central to this process is the importance of non-material factors (Reus-Smit 2013). Where rationalists view interests as exogenously determined, and therefore all that matters is the strategic course of pursuing them domestically and internationally without fundamentally altering their nature, constructivists believe that knowing how actors acquire and shape their interests is critical for defining the broad spectrum of issues that rationalists either overlook or misinterpret (Reus-Smit, 2013. pp.224-5). Constructivism also differs from rationalist theories, which maintain fixed interests and identities, by emphasizing the critical role of ideational structure in shaping the self-definition of actors, how they perceive their identities, objectives, and the roles they assume in the international arena (Copeland, 2005, p. 190). So, a self-help world cannot be formed just by the prospect of anarchy, but rather the complex social dynamics reflecting the identities and subjective interests of various actors (including, but not limited to states) that shape their perceptions of anarchy as a



potentially disordered and chaotic environment (Balaam and Dillman, 2013, pp.158-59). Anarchy may be a constant feature of world politics, but it is not immutable, with subjective expectations and social norms more important than materially given security concerns in state interactions (Sayfullaev, 2023, p.1024). Put more simply, state calculations and decision-making processes are based on perceptions, not fixed preferences (Müller, 2013, p. 609).

Moreover, those preferences can change according to the perceptions that are brought to bear on them. Where realists view them as essentially immutable and fixed under anarchy (Müller, 2013, p. 612) and liberals concede that states are required to act following their best interests in the presence of anarchy by collaborating institutionally, for constructivists, anarchy itself does not necessarily indicate the degree or character of interstate collaboration (Reus-Smit, 2013. pp.219-20). This is, in fact, a consequence of their varying values, interests, and beliefs (Balaam and Dillman, 2013, pp.158-59). It is, moreover, predicated on a normative-ideational view, which regards norms as features of social structures that emerge from actors' intentional behaviours in particular communities, affecting not only their identities but also their actions (Carlsnaes, 2013, p. 313). For constructivists, norms form social identities and, therefore, provide national interests with substance and significance related to how individuals utilize them to define the world and understand how global politics evolves (Adler, 2013, p. 126). Therefore, as Wendt argues, 'there is no "logic" of anarchy apart from the practises that create and instantiate one structure of identifies and interests rather than another; structure has no existence or causal power apart from processes. Self-help and power politics are institutions, not essential features of anarchy. *Anarchy is what states make of it*' (Wendt, 1992, pp. 394-5).

For constructivists, state preferences do not arise from the existence of anarchy, a black box of internal political conflicts or the class structure, but they vary according to interactions and perceptions about those interactions with a wide spectrum of domestic society, foreign governments, and international norms of suitable conduct over time (Abdelal, 2009, pp.112-13). Agents operate within a world of social meanings encompassing local variables, social standards and expectations, national identities, and international regulations and norms, all of which shape and reshape state identities, interests and preferences (Abdelal, 2009, pp.112-114). Ideas and norms are not, then, 'regulative variables' affecting the behaviour of individual actors, they are 'subjective constructs' crucial to an actor's identities and interests (Broome, 2012, p. 2). Such subjectivity matters because the presence of material circumstances alone is insufficient for influential actors with divergent perspectives to converge on comparable goals and apply comparable approaches; thus, the interaction of shared beliefs, standards, and social discourses shapes the understanding frameworks decision-makers employ to assemble and make sense of environmental signals (Nelson, 2020, p. 323). Self-

interest based on direct economic advantage is unlikely to decisively drive preference formation, because actors attain understanding of norms via the meanings prevalent in social and political contexts, which in turn encompass cultural structures and shared belief systems (Nelson, 2020, pp. 330-2). What this means is that, for example, those pursuing economic diplomacy only gain understanding of trade and commercial relationships and norms by ascertaining and engaging with the preferences of others, not by a simple calculation of direct material benefits to themselves. In fact, ideational factors may even matter more than material ones in general, because collective intersubjective beliefs are crucial in shaping interests (Finnemore and Sikkink, 2001, p.391). As Wendt (1992, pp.398-406) puts it, it 'is through reciprocal interaction that we create and instantiate the relatively enduring social structures in terms of which we define our identities and interests,' and therefore, 'identities are the basis of interests' (Wendt, 1992, pp. 398-406).

In sum, constructivism offers a unique and valuable perspective on diplomacy, particularly economic diplomacy, by underlining the interactions among various actors on the global political stage. Realists regard diplomacy as a tool for states to seek to fulfil their national interests, such as power and security (*high politics*), within an anarchic international system. They often perceive diplomacy as a zero-sum game, in which one state benefits economically and another suffers (Mearsheimer, 2003). Therefore, economic power is only a means to an end of attaining military might (Gilpin, 1981, p. 23). Liberalism, on the other hand, considers economic diplomacy as a tool for enhancing state-to-state cooperation and mutual benefits (Keohane and Nye, 1977, p. 25). Economic interdependence can therefore foster amicable relations between states as they become interdependent, generating further positive-sum outcomes as all parties receive reciprocal advantages (Keohane, 1984, pp.10-12). Multilateral arrangements and institutions are central to fostering economic collaboration and enhancing peace among nations (Ikenberry, 2001, p.56). Marxists perceive diplomacy as little more than an instrument that the ruling class utilizes to further the bourgeoisie's interests and maintain dominance (Epp, 2019, p.78). They also assert that economic linkages and class conflicts are the primary factors that characterise diplomacy instead of the interests of states or global institutions (Robinson, 2004, p. 10). But this is ultimately a fairly deterministic and pessimistic vision that leaves little room for more optimistic and open outcomes, especially for Middle Eastern states who have engaged with a dominant power to secure support for their own domestic upgrading and development.

Contrary to all rationalist theories, then, constructivists perceive economic diplomacy as socially constructed, shaped by the interactions and meanings of different actors (Wendt, 1992, p.400). They also contend that economic diplomacy is about more than pushing a state's material interests; it involves a multitude of actors constructing and forming mutually agreed-upon norms and understandings (Finnemore and Sikkink, 1998, p. 890). Furthermore, economic diplomacy is a continuous and changing process in which actors construct and reshape their identities and interests

through interchange (Adler, 1997, p. 330). Consequently, constructivists underline the value of comprehending the social construction of economic diplomacy through the role of norms, identities, and structures, all of which construct diplomatic interactions, and reproduce the norms underpinning it, over time (Pouliot, 2008, p. 260). In sum, the mutual constitution of preferences is central to understanding how a great power like China engages with smaller ones like those in the Middle East, as each influences the other's preferences in an ongoing process of economic cooperation.

### **3.6 A Framework for Analysing Economic Diplomacy**

This section outlines analytical framework for making sense of Chinese economic diplomacy in the Middle East, in turn providing the intellectual tools to comprehend the empirical material in Chapters 4-6. It consists of the following sub-sections: the structure of Okano-Heijmans framework, which provides the theoretical underpinnings for understanding how economic diplomacy occurs; the constructivist conceptual approach adopted in order to grasp the process of mutual preference constitution; and the process tracing-method which helps to explain the evolution of China-Middle Eastern economic interactions over time.

#### *Okano-Heijmans' Framework*

The structure generated by Okano-Heijmans is borrowed for this section and adapted to suit the analysis of China's economic diplomacy with Egypt and Saudi Arabia, the two case studies of this study. A conceptual framework aims to help us differentiate between different standards of economic diplomacy and comprehend the correlation between them and the various instruments within them. Okano-Heijmans (2011) defines four critical elements of economic diplomacy: the context, instruments, threats, and mechanism. For her, the theoretical perspectives offer a thorough understanding of a country's economic diplomacy, which is predicated on balancing a country's interests.

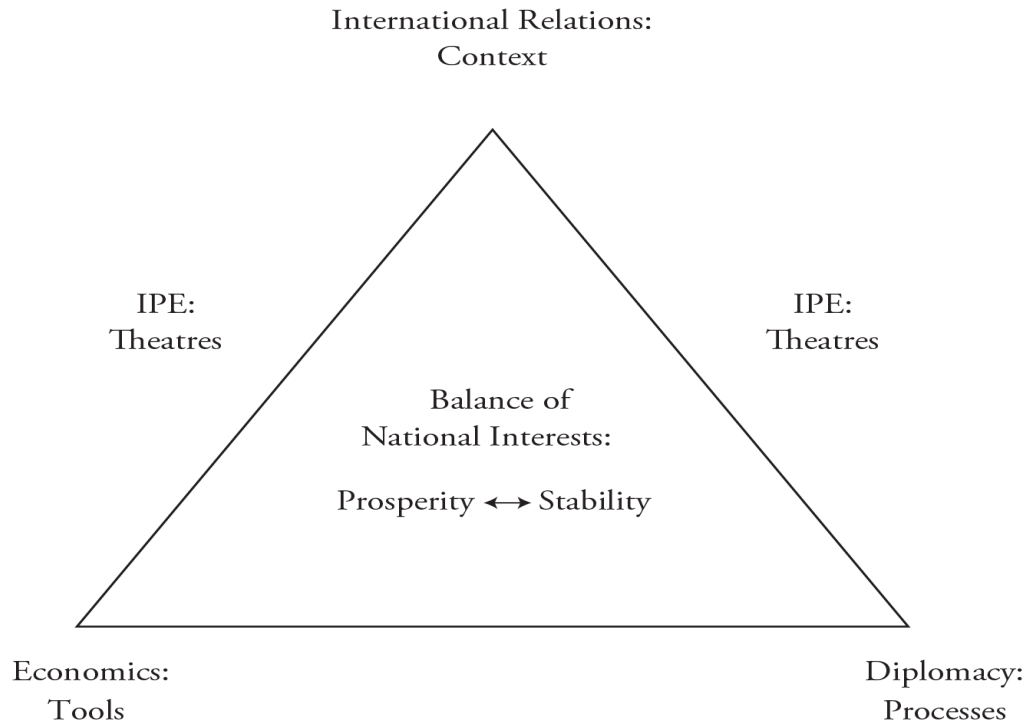


Figure 3.1. Analytical framework for study on economic diplomacy. Source: Okano-Heijmans, 2011, p.21).

This figure displays ‘how the concepts (at the three-angles, the side and the core of this triangular analytical framework) are separate, but interdependent’ (Okano-Heijmans, 2011, p.21). Usually, in each research field that examines economic diplomacy, a single theoretical structural dimension is represented, although it is not a sharp distinction as the simplified models tend to show. An IR approach to economic diplomacy better understands the environment in which economic diplomacy is pursued. For instance, it consists of chiefly of IR scientists who inform us about the various levels at which economic diplomacy is conducted, the respective-specific interrelationship of politics and economic national and foreign contexts.

However, such research lacks insight into the extent and utility of approaches that can implement where these activities occur, or the methods and drives of actors conducting economic diplomacy, not, in the first instance at least, their relationship. It is valuable to look at an analysis of economics, IPE and diplomatic studies traditions. Economists’ concerns in the efficacy of activities usually concentrate on economic diplomacy tools: i.e., what methods governments use to achieve the expected effects. However, in the case of IPE, the emphasis is often on foreign relations mechanisms and organizations that promote a threat evaluation (negotiating platforms, such as global institutions) relating to economic diplomacy.

The study from this field of work may be positioned someplace between IR and economics or IR and diplomatic studies. Though, the first requires studies that deal with a country or group of countries that conduct one or more components of economic diplomacy; the second involves studying the interrelations between public-private actors, particularly in an individual country or a stand of economic diplomacy. The more practical process of building and practicing economic diplomacy is discussed mainly by diplomatic studies scholars. This involves an overview of how negotiations are conducted in various modes and contexts such as summits, provincial diplomacy and bilateral and multidimensional economic or monetary institutions, the strategies used for political objectives, and the agents' motives and interests. Other subfields of international law, business studies and foreign policy reviews in which economic diplomacy studies conducted are included. These are discussed, respectively, in the field of IR, economics and diplomacy.

The players in economics diplomacy are either the subjects or the objects of analysis in each of the four fields. Diplomatic conduct is undertaken by states, but influenced by other actors. The most significant impact on formulating economic diplomacy is domestic policymakers and economic interests' groups, including multinational firms. Understanding the economic diplomacy of a country requires understanding the changing trends of thinking, personalities, and behaviour that drive governments, domestic leaders, economic and other stakeholders, and the relative balance of power between such players. The degree to which stakeholders effectively shape the government's economic diplomacy parameters, which are influenced by various social realities of policymaking. This disparity is most noticeable in contracts between regions such as Europe, Asia, and the Middle East and within the regions.

Regardless of how these analytical lenses linked to one another, it is crucial to use the analytical eclecticism that fluently takes account of current research traditions and is available to borrow each account selectively, which moves across triangle sides. In many forms, interaction occurs, for instance, policymakers choose economic instruments and risks ideally suited to (perceived) national interests concerning the country's particular world view and their evaluations of how power can be optimally exercised and practiced. The context thus forms an agent's decision on how their goals can efficiently pursued. Furthermore, assessing how this context developed often tells the policymakers what resources and instruments and where the balancing of interests can be enhanced. In the medium to long-term, using such tools and ongoing discussions would shift the context in which actors' function.

In the conclusion of Okano-Heijmans (2011) these four lenses are thus interlinked, yet complementary, which means that economic diplomacy is most successful if it focuses on inclusive strategic analysis that enables all four principles and their interactions to be evaluated. In other words:

the questions of “when” (context) “what” (instruments), “where” (threats) and “how” (process) inform the question “why” economic diplomacy exists as a strategy by which states pursue national interests, comprising economic prosperity and political stability.

Several sub-themes are consequently integrated into each angle (and concept) of the theoretical system. These are too detailed and too complicated in any analysis to be dealt with comprehensively. Admittedly, most of the studies available concentrate on a particular contextual aspect/element, one or more instruments or threats, or a particular element of one or more states' economic diplomacy processes. Nonetheless, the theoretical context offers the broad picture in which these studies can be put and thus facilitates comparative analysis (Okano-Heijmans, 2011, pp.20-23). In this study, the empirical chapters seek to understand the nature and implications of Chinese engagement in the Middle East – and how it is perceived locally – by focusing on the when, what, where, how and why of the process, and how that, in turn, reproduces and reshapes the shared preferences of the two

### *Constructivist Theory*

As discussed in detail above, constructivism has come to be important in IR due to its ability to capture the significant features of global politics (Prabhu and Mohapatra, 2014, p.227). It is considered to be ‘a structuralist school,’ contracted to exploratory materialism and rationalist epistemology (Wendt, 1995, p.72). As a structural theory of the international system, it makes several claims such as:

...states are the principal units of analysis for international political theory; the key structures in the states system are intersubjective rather than material; and state identities and interests are in important part constructed by these social structures, rather than given exogenously to the system by human nature as neorealists maintain or domestic politics as neoliberals favour (Wendt, 1994, p.385).

Constructivism thus offers a different way of understanding how these critical concepts of international relations, such as definitions of anarchy, state-to-state ties, power disturbance, and the likelihood of world politics transitioning, are perceived (Hopf, 1998, p.172). Moreover, constructivism claims that the formation and shaping of the material of world by human behaviour and interaction relies on dynamic interpretations of the material world that are normative and

epistemic, it also concludes that political agent's identities, interests, and behaviour are collectively formed through collective meanings, interpretations, and world assumptions (Adler, 1991, pp.90-92).

But what does this mean for deploying a constructivist account of shared preference formation in the case of China-Middle Eastern economic diplomacy? As Prabhu and Mohapatra (2014) note, constructivists assert that actors are not born outside and before society, but are produced, shaped, and influenced by their cultural context. Reality does not exist outside our heads but has been constructed historically and culturally by us to give meaning to our world, meaning that the social construction of reality also influences what is deemed to be appropriate and morally correct behaviour (Prabhu and Mohapatra, 2014, p. 228). For constructivists, both actors and structure are mutually constitutive of each other; actors are reproduced by rules, and rules are reproduced by actors, and their interests and identities are formed through interaction among them rather than assuming they are given (Weins, 2016, p.11). A state's conception of its interests, and how it presents these to the intentional community, and their behaviour is shaped by intersubjective interaction (Prabhu and Mohapatra, 2014, p. 227). Thus, by making interests a central variable, constructivism explains not only how particular interests come to be, but also why many interests do not, and also provides an understanding of what happens most of the time in relations between states, namely, that nothing hazardous can happen (Hopf, 1998, pp.172-176).

Therefore, to understand economic diplomacy, a constructivist approach is vital. First, being an IR theory that is, at root, sociological, and, moreover, travels across disciplinary boundaries beyond IR into IPE and elsewhere, its primary concern is with state agency and, as noted above, interpreting how states discursively construct anarchy (Wendt, 1992). Second, constructivism centres culture, context, ideas, norms and values in the evolution of international interactions: along with a novel interpretive method, this is an appropriate way for understanding *how* Middle Eastern actors perceive and engage with Chinese economic diplomacy as it rises (Prabhu and Mohapatra, 2014, p. 230). Third, this is especially so given that economic or commercial diplomacy is undertaken by a multiplicity of actors, and constructivism space, especially in its IPE variants, for an array of different actors, operating in different institutional contexts, shaping and reproducing both economic diplomacy, in particular, and globalization, in general. In a nutshell, constructivism has proven very beneficial, and will continue to be so to understand how global, regional, national, and local economies operate (Abdelal et al., 2007, p.8).

So, more concretely, and connecting the earlier theoretical discussion of constructivism to this analytical framework, such an approach is preferable to mainstream IR approaches to economic

diplomacy for three reasons. First, it offers a better way of thinking about China-Middle Eastern relations because this is a process that is ongoing and unfinished, and therefore still in a process of negotiation. Its outcomes are not zero-sum or fixed by the structure of the international system or the power differentials between China and Egypt or Saudi Arabia – even though of course these may influence them – but rather potentially positive sum and influenced by shared ideas and norms that are in a continual process of negotiation. Second, the relationship is, at present, defined by economic interactions, not high security politics, even though this may change in future. But this insight only reinforces the point: this is an ongoing relationship that is open to change, not one defined or constrained by prevailing structures of power. Third, and most importantly, an approach that takes mutual constitution of preferences seriously helps us to see how the structures created by the BRI are Chinese in genesis, but are also being reshaped by Middle Eastern actors for their own uses, in turn reshaping Beijing's diplomacy towards them. This can be seen in some of the specific examples of policy agendas and shared initiatives discussed in Chapters 4 and 5, but also at the regional level where an incipient form of regionalism may be slowly emerging. In short, trying to ascertain the mutual constitution of preferences – how Chinese influence is renegotiated by Middle Eastern actors in a process of ongoing dialogue and negotiation – is key to understanding how the evolving context of the BRI is reshaping historical China-Middle Eastern economic relations.

### *Process tracing*

Process tracing is a qualitative method that used probability tests to determine the strength of evidence for an assumed cause-effect relationship in the case study, as it allows a researcher to evaluate the impact through establishing confidence in how and why an effect occurred (Punton and Welle 2015, p.1). It may be of particular interests as a method appropriate for *ex post* evaluations with a lack of baseline data or a control group, although it certainly does not offer a quick or easy evaluation solution (Punton and Welle 2015, p.7). Process tracing can contribute decisively both to describing political and social phenomena and to evaluating casual claims (Collier, 2011, p.823).

Conducting a research design based on process tracing, it is essential to define the theoretical expectations, the direction of the research, and identify the data necessary to test a theory (Ricks and Liu, 2018, p.3). Process tracing is not a prescribed set of steps and can be used whenever appropriate. The process of tracing includes five tests. First, identify the potential change to be explained; document the process leading to the change, establish alternative causal explanations; and evaluate evidence for each causal explanation (Ricks and Liu, 2018). The researcher combines alternative casual sequence in determining the probability that the hypothesized causal chain led to an isolated effect, by: 1) analysing the evidence under the premise that the hypothesized causal sequence hold: cause A lead to the theorized way outcome B: 2) reviewing the evidence in the presence of alternative



causal sequence the outcome is explained in a different way (Punton and Welle, 2015, p.3). Four ‘tests’ have been developed to assist with this process: ‘straw-in-the-wind’ tests, ‘hoop’ tests, ‘smoking gun’ tests and ‘doubly decisive’ tests as shown below in the table 1 (Collier 2011, pp.5-7).

Table 1

## Process Tracing Tests for Causal Inference

|  |     | SUFFICIENT FOR AFFIRMING CAUSAL INFERENCE  |   |
|--|-----|--|---|
|  |     | No   | Yes   |
| NECESSARY FOR AFFIRMING CAUSAL INFERENCE | No  | 1. Straw-in-the-Wind   | 3. Smoking-Gun  |
|  |     | a. <b>Passing:</b> Affirms relevance of hypothesis, but does not confirm it.   | a. <b>Passing:</b> Confirms hypothesis.   |
|  |     | b. <b>Failing:</b> Hypothesis is not eliminated, but is slightly weakened.   | b. <b>Failing:</b> Hypothesis is not eliminated, but is somewhat weakened.  |
|  |     | c. <b>Implications for rival hypotheses:</b><br><b>Passing</b> <i>slightly</i> weakens them.<br><b>Failing</b> <i>slightly</i> strengthens them. | c. <b>Implications for rival hypotheses:</b><br><b>Passing</b> <i>substantially</i> weakens them.<br><b>Failing</b> <i>somewhat</i> strengthens them. |
|  | Yes | 2. Hoop  | 4. Doubly Decisive  |
|  |     | a. <b>Passing:</b> Affirms relevance of hypothesis, but does not confirm it.   | a. <b>Passing:</b> Confirms hypothesis and eliminates others.   |
|  |     | b. <b>Failing:</b> Eliminates hypothesis.  | b. <b>Failing:</b> Eliminates hypothesis.   |
|  |     | c. <b>Implications for rival hypotheses:</b><br><b>Passing</b> <i>somewhat</i> weakens them.<br><b>Failing</b> <i>somewhat</i> strengthens them. | c. <b>Implications for rival hypotheses:</b><br><b>Passing</b> <i>eliminates</i> them.<br><b>Failing</b> <i>substantially</i> strengthens.            |

Source: Adapted from Bennett (2010, 210), who builds on categories formulated by Van Evera (1997, 31–32).

Beach and Pedersen (2019) outline the steps in theory-building and theory-testing process tracing. First, the formulation of a hypothesized causal mechanism develops the mechanism to be evaluated in the root of the theory-testing process tracing (in contracts, theory-building process tracing starts at Step 3 – see below). In developing a hypothesized mechanism, all steps between A (the hypothesized cause) and B are elaborated (the outcome of interest). Beach and Pedersen recommend that each component of the mechanism specify which entities are expected to perform which activities (such as individuals, organizations, groups, nouns) (such as protesting, researching, advocating- verbs). Each part of the mechanism can therefore be framed as a hypothesis (for example, ‘organizations of civil society will consult with citizens’) and can be tested.

The second step is to operationalize the causal mechanism, which involves working out in practice what each part of the mechanism will look like. The mechanism operationalization involves specifying observable manifestations-empirical evidence that it will be possible to gather to determine whether or not each part of the mechanism has occurred. Evidence could include: account evidence-the content of empirical material (interviews, focus groups, observation, evidence, minutes of meetings, oral accounts); trace evidence whose mere existence provides evidence that there is a part of a hypothesized mechanism (for example, official meeting minutes show that a meeting took place); pattern evidence-statistical patterns, classic mechanisms (for example, we may expect to see events happening in a particular order if a specific part of a mechanism exists). The third step is to collect evidence; this includes gathering evidence for each observable manifestation of each part of the mechanism (primary and/or secondary). As in any assessment, the evaluator should take the reliability of each source and its parental limitations and biases into account and take appropriate steps to maximize the evidence used reliability and validity. The fourth step is to assist with the inferential weight of evidence, by weighing the evidence from different sources for each part of the mechanism in an attempt to put together a cause that gives a reasonable degree of confidence that in the specific case each part of the mechanism exists or does not exist. In order to evaluate the strength of the proof of each part of the chain, Bayesian probability logic is followed, using the ‘tests’ noted above (Collier, 2011). In other words, whether the tests are necessary and/or sufficient to infer the evidence is based on the principles of certainty and uniqueness. Two dimensions of uniqueness and certainty can be represented on a matrix figure 2 (see below).

| Matrix for assessing the certainty and uniqueness of evidence |   |   |  |
|---|---|---|--|
|   |   | Certainty of evidence                         |  |
|   |   | High<br>(evidence is necessary for <i>h</i> ) | Low<br>(evidence is not necessary for <i>h</i> ) |
| Uniqueness of evidence  | High<br>(evidence is sufficient for <i>h</i> )  | Hoop tests                                    | Doubly decisive tests                            |
|   | Low<br>(evidence is insufficient for <i>h</i> ) | Straw-in-the-wind tests                       | Smoking gun tests                                |

Figure 2. Matrix for assessing the certainty and uniqueness of evidence.

Source: Centre for Development Impact, 2015

The last step is the conclusion of a process-tracing exercise; once the process is complete, the research should assert a degree of confidence in each part of the hypothesized mechanism, based on the evidence collected and the test applied. Because all the parts in a mechanism are necessary for the mechanism to operate (see Step 1), this means that the evidence for the mechanism as a whole is only as strong as the evidence for its weakest links, it is therefore vital to flag where evidence is weakest (for example, where a part of the mechanism is supported only by a straw-in-the wind test). The evidence on each part of the mechanism will enable the researcher to either accept or reject the mechanism.

### 3.7 Conclusion

This chapter has, overall, elaborated a framework for understanding economic diplomacy and analysing it in practice. It began by exploring the changing meaning of diplomacy over time, the emergence of economic diplomacy as both a distinct practice and area of scholarly interest (and, at times, disinterest) before moving onto its different variants and, in particular, the distinctiveness of the contemporary Chinese approach. These early sections were focused on the first of two objectives: to show how novel forms of international diplomacy increasingly define the interactions between states and societies, including between great powers like China and smaller ones such as those in the Middle East, and this is particularly the case when it comes to economic diplomacy specifically.

Building on this account, the final two sections focused on the second objective: to explain why, in relation to rationalist theories of IR and IPE, a constructivist framework represents a preferable way of thinking about and examining modern processes of economic diplomacy. Specifically, by emphasizing how a world in which economic outcomes cannot be reduced deterministically to an anarchic interstate system, the black box of domestic politics or class conflict under capitalism, it argued for an account which examines a multiplicity of actors, the social construction of norms and identity, mutual constitution of preferences and the potential of positive-sum engagements between states with varying levels of power. It then distilled a three-part analytical framework for analysing the practice of Chinese economic engagement in the Middle East in the empirical chapters of the thesis, combining Okano-Heijmans' (2011) theorization of the process with constructivist conceptual insights – emphasizing positive-sum outcomes and shared norms, relations based on economic interactions, and mutual constitution of preferences – alongside a process-tracing method. This

completes the first half of the thesis, in which key literatures have been reviewed, theoretical and methodological contentions outlined, and analytical frameworks elaborated, and these, in turn, will guide the insights developed in the empirical analysis.

## **4. China's Evolving Bilateral Relationship with Egypt and Saudi Arabia**

This chapter outlines how Beijing's relations with the two Middle Eastern countries have evolved over time. It identifies overarching similarities, arguing that the formation of strong interpersonal relationships, along with the development of common viewpoints on political, economic, and security matters at local, regional, and global scales, have resulted in increasing interconnectedness between Chinese state entities and governing elites and those in Cairo and Riyadh. But it also highlights differences: the Egyptian relationship with the PRC specifically is more longstanding than the China-Saudi equivalent, and each has developed at different paces, according to distinct pressures, in different climates. The varying intensity of these relationships over time reflects those longer-term legacies and shapes the character of contemporary relations in which China has gradually come to see these countries as important bridgeheads into the Middle East.

This analysis sets the scene for Chapter 5, which examines local perceptions of contemporary economic collaboration as they have become incorporated into wider Chinese ordering frameworks, notably the BRI. As suggested earlier in the thesis, this represents an external structure that Egypt and Saudi Arabia have consciously integrated into their respective Visions 2030. Through active dialogue with Beijing, where the two have consciously courted its investment and expertise, built trust, and influenced China's interest in engaging with them through a process of mutual preference shaping, this embedding of local development aspirations within the BRI framework may even represent the potential emergence of a new kind of regionalism. In this sense, Middle Eastern countries are not passive recipients of Chinese global leadership, but active shapers of it, both in terms of attracting it initially but also in reshaping its frameworks to serve wider regional needs.

The discussion here emphasizes how deepening interconnections have effectively enabled the pursuit of shared interests and the achievement of overarching goals based on mutually recognized objectives pertaining to political, economic, and security concerns. This has enhanced cooperation across various sectors with the aim of attaining individual national goals. However, upon examining the profound interconnection among these governmental entities, it becomes evident that leaders who possess congruent beliefs are more inclined to cultivate close relations with others that support their perceived interests. As discussed methodologically in the thesis Introduction, Egypt and Saudi Arabia have been selected as regional focal points because of the ongoing consolidation and enhancement of their bilateral ties with Beijing. This reflects not only China's rise and emergence as a key source of trade, finance and other forms of capital, but also their leaders' aspiration to pragmatically advance their strategic interests with a prominent non-democratic nation on the basis of shared values, non-

interference and respect for cultural difference, rather than the political conditionality that often shapes their relations with the West (see Chapter 5).

The chapter consists of three substantive sections. First, it explores the evolution of Egypt-China relations, beginning with the establishment of diplomatic ties, before moving onto the contemporary intensification of high-level diplomatic exchanges that have produced a modern relationship of increasing depth and width. Second, it explores the Saudi-Chinese equivalent, telling a similar story, but also distilling important points of difference that have shaped today's relations. The purpose of this analysis is to understand the motivations driving the nurturing of these connections, and the distinctive contexts within which this occurred, ultimately leading to the consolidation of mutually beneficial objectives. The third section focuses directly on the contemporary picture, outlining how these shared interests are proliferating and shaping the contours of action as these countries actively engage in regional and international collaborative frameworks. In particular, it focuses on a key example of how Egyptian and Saudi agency has been deployed in a collaborative process of preference-formation with Beijing through the deliberate promotion of a 'Looking East' policy to build trust and enhance relationships. The chapter concludes by explaining how this analysis feeds into the analysis of contemporary Sino-Middle Eastern economic diplomacy in Chapter 5, particularly in terms of their leveraging of shared and mutually-constituted interests to orient the BRI to their particular needs.

#### **4.1 Evolving Relations Between China and Egypt**

Egypt established formal diplomatic relations with the PRC as early as May 1956, a relationship that was formalized at the 1955 Afro-Asian Bandung Conference in Indonesia by Chinese premier Zhou Enlai and Egyptian president Gamal Abdul Nasser (Aoun and Kellner, 2015, p.193; Haddad-Fonda, 2014, p.46). Egypt was the very first country in what we now call MENA to accede to a formal diplomatic relationship (Zreik, 2024, pp.1-2; Reda Abu Hatab et. al., 2012, p.314). Since 1956, the circumstances underpinning it have fluctuated, but with no fundamental disagreements or outright hostilities (Sun and Xu, 2023, pp.764-5). Egypt had already interacted with the ROC while the Kuomintang (KMT) was in control, and China sent 20 students to study at Al-Azhar University in Egypt to learn Arabic, which contributed to the development of ties (Abdel-Hamid, 2020; Bocharov, 2020). Nevertheless, when Gamal Abdel-Nasser became president of Egypt in 1956, there was an immediate and significant shift towards the newly formed PRC (Abdel-Ghani, 2020). Egypt's relationship with Beijing began early, in a particular ideological climate – shaped variously by Arab nationalism, Western anti-Communism and emerging Third Worldism (see Buzdugan and Payne, 2016) – when China itself was more closed economically and Egypt was actively co-founding the

Non-Aligned Movement (NAM) (Rasheed, 2022, p.73; Elbadri, 2022, p.146).<sup>8</sup> This distinctive history influenced how those relations evolved.

### *The Establishment of Diplomatic Ties*

President Nasser pursued a diplomatic relationship with Beijing, partially motivated by the desire to mitigate the pressure exerted by Europe and the US on his new regime and partially by the desire to sustain a balanced strategy regarding geographical politics and avoid dependence on the Soviets (Zhu, 2011, p.5). Once this happened, Egypt supported the PRC's pursuit for permanent membership of the UN Security Council (UNSC), giving it veto power of veto (Gonen, 2023, p.28). China was an outspoken critic of British, French, and American aggression towards Egypt during the Suez Crisis (Bocharov, 2020). The relationship has gone through four broad stages. The initial period, lasting from the 1950s to the early 1970s, was marked by Cold War ideological conflicts (Selim, and Moaaz, 2021, p.351; Bi et al., 2023, p.21). Beijing viewed Nasser's Egypt as a close partner, and the two opposed colonialism, imperialism, and Western hegemony, while assisting Asian and African liberation struggles (Sun and Xu, 2023, p.765; Haddad-Fonda, 2014, p.46; Shinn, 2019, pp. 64-5). Nevertheless, during its Cultural Revolution (1966–1976), China recalled all diplomats from Arab nations, excluding Egypt, affirming Cairo's special status in its foreign policy (Sun and Xu, 2023, p.765).

The second phase, spanning the late 1970s and 1980s, was distinguished by a dramatic reorientation, triggered by leadership changes in both countries. Once Anwar Sadat became president in 1970, the relationship got distant and strained, although not antagonistic (Sun and Xu, 2023, p.765). As Egypt moved out of the Soviet Union's orbit and into that of the US and the anti-Americanism that formerly united them vanished: Sadat expelled Soviet military experts in July 1972 (Badolato, 1984, pp.71-2), and signed the Camp David Accords with the US and Israel in September 1978 (Selim, 2020, p.7; Selim, and Moaaz, 2021, p.352), especially when Sadat was specious about the Soviets' willingness to meet Egyptian essential requirements, in addition to the attempted coup on his government, which he believed was supported by the Soviets (Degang and Xinyi, 2018, pp.76-82). Resulting in Egypt's exclusion from the Arab League and also the Organization of Islamic Cooperation (OIC) regarding its David Accords (Sun and Xu, 2023, p.765). At the same time, China started implementing a reform and opening-up programme in 1979, which strongly emphasized Western collaboration to acquire much-needed capital and technology, in addition to embracing a new approach sought to foster

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<sup>8</sup> Mohamed Abd El-Sattar Elbadri is the current Ambassador of the Arab Republic of Egypt to the People's Republic of China and Mongolia.

regional and global peace, aiming to support Beijing's economic modernization and joining the world economy (Sun and Xu, 2023, p.765; Selim, and Moaaz, 2021, p.351).

The third phase, which extended from the end of Cold War to the 2011 Arab uprisings, saw the focus shift primarily to economic cooperation. After President Mubarak came to power in 1981, relations improved dramatically: he was the first Egyptian President to visit China (having previously visited as Vice-President in 1976), and met with Mao Zedong, Deng Xiaoping, Jiang Zemin, Zhou Enlai, and Hu Jintao during his presidency, elevating the bilateral partnership from simple goods trade to increasing investment and cooperation over time (Bazanov et al., 2018, pp.72-74). During the 1989 Tiananmen Square Incident, Egypt mitigated China's worldwide isolation by given an invitation to the Chinese foreign minister Qian Qichen to visit (Sun and Xu, 2023, p.765). Moreover, in December 1989, Chinese President Yang Shangkun paid a state visit to Egypt in addition to some Gulf countries, such as Kuwait, Oman, and UAE, seeking solidarity and support by maintaining reciprocal assistance from third-world countries (Zhu, 2010, p.6). In 1999, the countries formalized their 'strategic partnership', as the Egyptian president considered this of remarkable significance not only for the Arab world but also for Africa (Jalal, 2014, p.2). Consequently, Mubarak's repeated visits to China, and the enduring stability his administration seemingly represented, facilitated closer commercial relations (Rapanyane, 2021, p.100). Yet his fall in 2011 led to further transformation in relations under Mohamed Morsi's brief year-long presidency from June 2012 to July 2013 (Rasheed, 2022, p.72).

Beijing was uneasy with the instability unleashed by the Arab Spring, which Morsi represented as a leader with roots in the Muslim Brotherhood (Rasheed, 2022, p.73). As Zambelis (2012) notes, in August 2012, Morsi signalled his intention to reduce Cairo's reliance on Washington by making his first official overseas trip to China, aiding Beijing's growing presence in the region and booting towards altering the region's geopolitical dynamics while maintaining close ties with Washington and collaborating on several levels of mutual interests. Furthermore, Morsi's visit to China underscored the new Egyptian government's desire to diversify Cairo's foreign policy relations by emphasising China as a critical partner of equal significance to the US (Aoun and Kellner, 2015, p.196). By presenting a clear signal in terms of altering Egypt's foreign policy approach to diversify its relations beyond traditional partnerships, especially pivoting towards China in a context where a long history of US influence had predominated, reflects a significant use of Egypt's limited agency in seeking to gain the support of Beijing, in part by gaining its recognition of the importance of strategic engagement with Cairo and its shared interests in supporting regional stability. Thus, China is expanding its presence in the MENA region due to its anxiety about the consequence of the Arab Spring on its domestic territory and simultaneously the relative decline of the US hegemony in the area (Salman et al., 2015, p.576; Ha and Shin, 2019, p.212; Kamrava, 2018, p.602; Yom, 2020, p.82-3).



The fourth phase ran from 2013 to the present. President El-Sisi assumed power in 2013, and relations between Cairo and Beijing stabilized (Rasheed, 2022, p.73), with the two countries establishing a 'comprehensive strategic partnership' (CSP) in 2014 on his first state visit to Beijing (EI-Dahshan, 2021). This new alliance provided the foundation for a significant reorientation and evolution of the relationship, characterized by China's strategic pivot towards the Middle East post-Arab Spring as the risks facing its interests grew, and the shifts in Egypt's political and economic policy objectives after 2013 (Selim and Moaaz, 2021, p.352). El-Sisi certainly represented a reassertion of the kind of military control that typified the Mubarak era, but in the wake of a 2011 uprising produced by enduring economic stagnation and social disaffection, he justified a preference for China because of the need to pursue development. As Hassanein (2019) puts it: 'prioritising economic growth; accelerating economic growth; courting a great power; diversifying Egypt's foreign policy and military options; and bolstering political legitimacy at home'. However, he carefully sought to maintain strong ties with Washington while reducing dependence on it through the diversification of partnerships (Chaziza, 2016b, p.47). Egypt has thus embraced Chinese political backing and economic investment to underpin its development thrust, while Beijing considers Egypt a crucial partner in achieving its wider regional and global aspirations (Chaziza, 2016b, p.47). As a result, enhancing the bilateral relationship from a 'strategic partnership' in the Mubarak era to a 'comprehensive strategic partnership' under El-Sisi suggests that Egyptian agency has been influential in mutually constituting shared interests with China. Indeed, as noted elsewhere, achieving such a partnership was not inevitable: it required substantial diplomatic activity to gain support, build trust and ensure that Beijing viewed Egypt as an important and reliable strategic partner.

#### *Diplomatic Exchanges at the Highest Level*

As the first Arab, African, or Middle Eastern country to form a diplomatic relationship with China in 1956, Egypt has long played a crucial role in enabling China's access to the MENA region (Rapanyane, 2021, p.99). The bilateral relationship remains significant precisely because of Egypt's unique location at the crossroads of three regions. This geopolitical and geoeconomic rationale has endured for 70 years, and implies that today's comprehensive strategic collaboration is central to advancing Beijing's regional diplomacy and promoting the development of the BRI (Bi et al., 2023 pp.1-2). Yet the scale of collaboration is a relatively recent phenomenon: high-level diplomatic exchanges and signing of agreements intensified from the 1980s-onwards once Mubarak came to power.

Although the Beijing-Cairo friendship formed under Nasser, neither he nor Sadat ever visited China themselves (Mohamed Soliman and Zhao, 2019, p.429). Nasser signed the first inked cooperation agreement, in 1964, for industrial assistance, and trade comprised the early foundation of the relationship (el-Shafei and Metawe, 2022, p.141; Yilmaz, 2023, p.802). However, after Sadat's assassination on October 6, 1981, Mubarak assumed office, visiting China nine times in thirty years, six as President (Mohamed Soliman and Zhao, 2019, p.429). The scope of collaboration expanded significantly over time: not only did Mubarak view the relationship as vital for the MENA region as it approached the 21<sup>st</sup> Century, but the strategic partnership also established with Jiang Zemin during his seventh visit was conceived explicitly to help narrow the divide between advanced and developing nations (Bazanov et al., 2018, p.72). Under Mubarak, cooperation expanded to include education, scientific conferences, cultural interchange, tourism, the development of the Suez Economic Zone, and joint oil projects. Politically, China and Egypt were also among the 2004 founders of the Forum on China-Arab Cooperation. But, despite the deepening of relations, Mubarak explicitly sought to pursue an independent foreign policy and both countries resisted foreign interference in their domestic affairs (Bazanov et al., 2018, pp.72-75).

As noted earlier, following his inauguration in 2012, Morsi made his first formal state trip out of the Middle East to China, signalling an implicit shift in Egypt's foreign relations (Jingjie, 2012). This was seen as reminiscent of Nasser's Sinophile approach following the 1955 Bandung Conference that ultimately established the NAM (Rasheed, 2022, p.73). In fact, Morsi's attendance at the 2012 NAM summit in Tehran, two months after taking office, was viewed by many as a rapprochement since no Egyptian President had visited Iran since the 1979 Islamic Revolution. These actions implied that, under Morsi, the country was to experience a foreign policy transformation comparable to Sadat's 1972 displacement of the Soviets and shift towards the West (Lin and Schenker, 2012). Morsi's visit to China not only aims to strengthen Cairo's economic and tourism cooperation with Beijing but also seeks China's assistance in repositioning its role regionally and globally by enhancing its relationship with China and achieving a promising future for both nations (Wenping, 2012). His delegation included 80 business owners from construction, oil and the petrochemical industries, and harboured ambitions to increase numbers of Chinese tourists and Chinese investments in Egypt from US\$500 million in 2012 to US\$2 billion, connected around sectors such as transportation, logistics, and telecommunication (Jingjie, 2012). This delegation, for example, demonstrated Egyptian agency in promoting China's economic diplomacy to serve its interests in various economic sectors, thereby advancing a wide range of developmental aspirations in Egypt.

However, Morsi fell the following year – ironically in part because of tepid American support as well as a very complex domestic situation (see Grugel and Bishop, 2013, pp.283-5) – but El-Sisi actually intensified efforts to consolidate Cairo's relations with new alternative partners, while, at the same

time, maintaining those traditional allies to maximize its regional and international strategic options. Since ascending to power in 2013, like his predecessors, El-Sisi has visited China six times (Elbadri, 2022, p.148). In 2014, he met President Xi, where the two leaders upgraded their bilateral relationship to a 'comprehensive strategic partnership' that sought to deepen mutually beneficial collaboration, especially in infrastructure, investment, and energy sector, leading to the emergence of a new era of stronger political and economic relations (Chaziza, 2016b, pp.41-2; Elbadri, 2022, p.146-7). This has now endured for a decade. As an illustration of the extent of political proximity, El-Sisi recently stated that his position on Taiwan remains consistent, with Egypt continuing to support the 'One China' policy: 'We do not want more global crises that may affect us all ... In our foreign policy, we have constants in our policy that do not change, and we are always keen to be supportive of regional and international stability' (quoted in Mohamed, 2022).

In January 2016, Xi paid a state visit to Egypt, marking another significant moment in bilateral relationships and underlining the immense potential for trade ventures alongside flourishing diplomatic ties. The visit occurred as the two countries celebrated the 60th anniversary of establishing their diplomatic ties, a significant period for the Middle East, characterised by a conflict-ridden zone (Chaziza, 2016b, p.44; Elbadri, 2022, p.146). By working jointly to enhance their preferences for development and governance models while heightening South-South collaboration towards achieving and fulfilling the desires of their respective populations for 'just and equitable' progress, in addition to promoting the objectives of developing nations by advocating a system based on multilateral rules (Elbadri, 2022, p.146). In addition, they signed twenty MoUs to increase Chinese investments in a wide range of sectors in Egypt, including economic collaboration, electrical power, technological and scientific communication, commercial, and energy and aerospace industries, among others (Chaziza, 2016b, p.44). Furthermore, the two countries' political stances have remained in line, especially regarding non-interference in African states' affairs (Pannell, 2008, p.717). Hence, for some, they represent a model of effective South-South cooperation due to the robustness of these political and economic ties (Reda Abu Hatab et al., 2012, p. 314). On the whole, the high-level diplomatic interactions between Beijing and Cairo correlated with frequent visits by officials and business representatives from various economic sectors, followed by the signing of diverse MoUs as well as Egypt being among the first regional states to partake in founding the Forum of China-Arab States Cooperation in 2004. Again, centrality to these processes was never inevitable, and it was not ensured by simple adherence to the One China policy, important as that is. It required the active deployment of limited agency and diplomatic capital to shape and mutually construct Chinese preferences in such a way that Egypt was seen as central, rather than incidental, to its regional ambitions.

## 4.2 Evolving Relations Between China and Saudi Arabia

The modern interaction between the ROC and Saudi Arabia dates back to 1939, when the ROC employed 'hajj diplomacy' to enhance its relationship with Riyadh by leveraging its Muslim citizens' annual pilgrimage and utilising this diplomatic approach to function as existing political representatives between 1937 and 1945, during the second Chinese-Japanese war (Yamada, 2015, p.81). In 1946, the two countries signed an agreement of friendship in Jeddah, thereby solidifying these ties (Al-Tamimi, 2012, p.3). However, following the 1949 overthrow of the ROC by the Chinese Communist Party (CCP), Saudi Arabia kept its diplomatic ties with the exiled KMT government in Taiwan (Garlick and Havlová, 2020, p.90). It took until 1990 for Riyadh to recognize the PRC, making it the final Arab country to establish its diplomatic relationship with PRC (Cengiz, 2020, pp.51-2). Nonetheless, for Egypt, the contemporary roots of these relations can still be traced back to the 1955 Bandung Conference, which paved the way for the eventual establishment of diplomatic relations between Arab, African countries and China (Behbehani, 1981).

### *The Establishment of Diplomatic Ties*

Divergent ideologies and mutual enmity explain the diplomatic distance between Beijing and Riyadh prior to 1990, a period in which they maintained only unofficial or informal contact (Wu and Zhao, 2020, p.555). This ideological animosity had five causes. First, the Cold War prevented both countries from escaping their ideological confines (Wu and Zhao 2020, p.556; Fulton, 2020a, p.366; Liu, 2016, p.3). With its newly established political structure, China chose to align itself with the Soviet Union in the global bipolar environment (Wu and Zhao 2020, p.556; Liu, 2016, p.3; Cengiz, 2020, pp.51-2). China's autonomous expansion required support for the kind of heavy industry that typified Soviet socialism, and it was broadly locked out of alternative Western capitalist markets (Wu and Zhao, 2020, pp.556). Saudi Arabia, among other Gulf countries, shared Western antipathy towards communism (Liu, 2016, p.3; Wu and Zhao, 2020, pp.557; Fulton, 2020b, p.366; Duan and Aldamer, 2022, p.117), something that intensified under the reign of King Faisal (1964-1975) and played a central role in his foreign policy (Wu and Zhao, 2020, pp.557-8). Second, energy pushed Saudi Arabia towards Washington, as securing exports markets was vital for the country's economic modernization progress (Wu and Zhao, 2020, pp.557-8; Clarke, 2007, pp. 31-2; Ottaway, 2009, pp.2-3), as there were no institutional ties between China and Saudi Arabia and no immediate economic interests between the two countries (Wu and Zhao, 2020, pp.557-8). Especially, when China, during the Cold War period, achieved oil sufficiency following the 1959 discovery of its Daqing oil field, which lasted from 1962 to the early 1990s (Niblock, 2010, p.208). Thirdly, China's foreign policy towards the MENA region during Mao's period was far away geographically and insignificant to their 'immediate strategic interests', in contrast to its focus on East Asia, when the country was largely impoverished

and had an agricultural economy (Houlden and Zaamout, 2019, p. 3). In addition, the RC, in its early phase, not only lacked the vital expertise needed to develop a strong network of appropriate institutions domestically and internationally, as it had a limited diplomatic presence in a few countries in the region, but also not being a member of the UN (1949-1971), besides China's lack of experience in the affairs of the region in terms of dealing and working with its issues, which reinforced by the lack of Chinese scholars, diplomats, and Arabic speakers (She, 2020, p.133). Finally, in the early phases of its socialist development, China failed to identify the role of ideology in diplomatic relations (Wu and Zhao, 2020, pp.558).

However, from the late 1970s-onwards, China underwent substantial internal and external transformation. It emphasized domestic economic development, and the ideological dimension of its foreign policy began to erode (Wu and Zhao, 2020, p.558). The 1980s did not only see tremendous domestic political upheaval, but also revaluation of foreign policy objectives and reconsideration of China's Middle East approach (Bazanov et al., 2018, p.71). This coincided with the gathering pace of Chinese economic reform, with industrialization and modernization compelling it to seek out new sources of fossil fuels in the Gulf region, particularly from Saudi Arabia (Garlick and Havlová, 2020, p.91). Riyadh insisted on the normalization of relations, which finally occurred on the 21<sup>st</sup> of July 1990 (Niblock and Ismail, 2010, p.233), only twelve days down the road prior to Iraq invaded Kuwait (Olimat, 2013, p.136). China and Saudi Arabia actually renewed trade and commerce as early as 1988, and these economic interchanges have flourished ever since, evidenced by deep links across many sectors, growing common 'understanding and trust', and abundant collaboration in politics, economics, commercial, culture exchange, and other areas (Elmagherbi, 2010, p.647). In sum, Saudi Arabia's modern economic partnership with China has come to display enhanced 'complementarity and complexity' in the decades since the reestablishment of bilateral relations (Al-Sudairi, 2012, p.3).

According to one Saudi respondent, the relationship is distinctive compared to others in the region, including Egypt: it developed later, emerged in a different ideological climate where the two countries had different ideological preferences, and was predicated heavily on hydrocarbon exports (SA, 3, 2021; SA, 9, 2022). This remains the case – Saudi energy exports to China are enormous – but it is also changing, and Saudi Arabia's relative size and wealth vis-à-vis Egypt also means that the contemporary relationship is different, with diversification, rather than development, being the key imperative (see Chapter 5). Respondents emphasize how it has progressed naturally on a steady path of escalation, expanding in ways that generate mutual benefits despite Riyadh recognizing the PRC later than others (CH-SA, 1, 2022). For some, it is currently 'at the best' (SA, 3, 2021). In the same vein, Chinese diplomats noted that the Saudi relationship is now the fastest growing among Arab countries (CH-SA, 1, 2022; CH-SA, 2, 2022).

### *Diplomatic Exchanges at the Highest Level*

The China-Saudi relationship is quite recent within the framework of the Middle East (MacGillivray, 2019, p.70). Yet it has seen tremendous growth – deepening and widening to encompass a multifaceted partnership – since formal diplomatic ties were established, which is particularly impressive given the circuitous path taken (Fulton, 2020b, p.366). Numerous high-level visits have occurred since, demonstrating the determination of top officials to deepen collaboration (Duan and Aldamer, 2022, pp.114-5). The Saudi Foreign Minister, prince Saud ibn Faisal Al Saud, made the first official visit to China in July 1990, with Chinese Premier, Li Peng, visiting Riyadh in January 1991 (PRC, 2004). Eight years later, Jiang Zemin visited Saudi Arabia for the first time, and both countries signed a ‘strategic oil partnership’ (Russell, 2005, p. 12). Thus, China sought to ensure its oil supply security, which is fundamental for Beijing’s economic growth (Cipto and Sahide, 2022, p. 455), as well as for Riyadh. In this case, the formalization of Beijing’s strategic oil collaboration with Riyadh underscores the importance of Saudi Arabia’s deliberate agency in interacting with China to establish shared and mutually beneficial objectives.

After ascending the throne in January 2006, King Abdullah made China his first destination for an official overseas visit, the first time a Saudi King had visited the country (Al-Sudairi, 2012, p.3; Upadhyaya, 2019, p. 34). He explicitly highlighted the increasing importance of growing ties: ‘we view China as a truly friendly nation, and that is why I made China my first overseas visit’ (Niblock and Ismail, 2010, p.233). He inked five bilateral deals, including an important MoU on cooperation in the fields of oil and gas, mineral resources (Al-Sudairi, 2012, p.11; Zou, Z, 2015, p.49), and in addition to other agreements related to infrastructure and telecommunications industries (Upadhyaya, 2019, p. 34). The two most recent visits were in 2017 and 2022: in March 2017, King Salman visited China, and officials discussed alignment of China’s BRI with Saudi Arabia’s Vision 2030; and in December 2022, President Xi attended the first China-Arab States Summit and the China-GCC summit in Riyadh (see Chapter 5) (PRC, 2023). The Saudi Press Agency (SPA) reported that China and Saudi Arabia had signed 34 agreements for investments, covering ‘several sectors in the fields of green energy, green hydrogen, photovoltaic energy, information technology, cloud services, transportation, logistics, health industries, housing and construction factories’ (SPA, 2022).

So, high-level reciprocal visits have intensified over time, with leaders evolving from adversaries to friends, moving from friendly to strategic relations and, finally, establishing a comprehensive strategic partnership that consciously minimizes ideological issues, respects each other’s traditions, and perceives one another as reliable partners, especially when it comes to oil (Garlick and Havlová, 2020, p. 91; Wu and Zhao, 2020, p. 558-60). Saudi respondents emphasize how the two countries are comfortable with each other, avoid sensitive issues, and work to deepen ties by setting up institutional



frameworks to boost them, including the High-Level Joint Committee (HLJC), for Saudi-Chinese Relations: the former represented by Crown Prince Mohammed bin Salman, the latter represented by the seventh-most important figure of the CCP. This aims to deepen partnerships, especially in areas that Riyadh has identified as requiring capacity building (SA, 3, 2021, SA, 10, 2022). In sum, the bilateral relationship is viewed as one based on mutually beneficial exchange of interests – in which they increasingly work together to implement the BRI and Saudi 2030 Vision alongside each other – rather than one-sided dominance: ‘it balances the need of both parties, in which China needs Saudi’s energy and petrochemicals, and the latter needs China in many projects and development programs’ (SA, 4, 2022).

In a nutshell, the extensive high-level diplomatic interactions that have occurred over time, including the contemporary establishment of HLJC and, in particular, that China sees Saudi Arabia as a critical oil power for its energy security, as well as the signing of substantial agreements, deals, and MoUs across diverse economic sectors, and the alignment of China’s BRI with Saudi’s Vision 2030, have underscored the significant role of Saudi Arabia’s agency in interacting with China for the mutual constitution of interests. Indeed, the very fact that Chinese support is *not* simply extractive – in the sense of a simple transactional relationship where oil is exchanged for rents that reinforce commodity dependence – but is rather focused on a plethora of Saudi interests around economic diversification, implies that the relationship is not only deep, but arises out of a process of mutual preference construction. As discussed in the next section, although the framework of the BRI is, in genesis, Chinese, Middle Eastern actors are using their agency carefully and consciously to reshape it, and China’s perceptions of its value, to their own domestic and regional needs.

#### **4.3 Mutual Interests in Regional and International Cooperation**

China’s involvement in the Middle East as it emerges to become a global power is widely perceived as a favourable contribution to the region’s political and economic landscape, not only among political and business leaders but also among the general populace. In addition to pursuing its core national interests through commercial relationships, promoting its nonviolent ascension, and securing its economic advancement, Beijing seeks to augment its sway and bolster its constructive international reputation, which it believes will ultimately redound to the benefit of those core interests. Practically, all nations within the region engage in diplomatic, economic, commercial, and cultural interactions with China, with varying degrees of military involvement commensurate with their respective regional and global significance. The growing importance of Egypt and Saudi Arabia, in both regional and global affairs, has led China to enhance its relations with these two highly influential Arab states.

China seeks to be part of major regional processes and attempts to advance its values and interests, but, uniquely for a great power operating in the Middle East, it tries to achieve this primarily through economic diplomacy and without intensive investment of political and military resources (Evron, 2017, p. 127). In the first instance, Egypt and Saudi Arabia are seeking to widen and deepen their Sino-relations to benefit from commercial opportunities, but they also seek to leverage their Chinese connections to expand and advance their policy alternatives within the domestic, regional and international spheres. The aims of China and these Middle Eastern countries intersect, supporting the ambitions and strategic objectives of each, but these also extend beyond the economic. In particular, the attainment of prominent global standing that yields favourable outcomes for the states and their populations is viewed as critical, particularly since Beijing's 2009 resolution to assume a global role, which, in turn, resulted in intensified engagement with developing nations, which it inherently perceives as allies (Evron, 2017, p. 126; see also Bishop and Zhang, 2020).

Consequently, a number of Middle Eastern countries – but especially Egypt and Saudi Arabia – have actively adopted a conscious 'Looking East' approach as a deliberate domestic and regional strategy concerning China's economic diplomacy. This is a crucial example of how active agency between smaller and larger powers can support the construction and mutual constitution of each other's preferences. It is therefore important for several reasons. First, as a contingent decision, where their relationship with China could have remained partial and limited, they have actively sought something much deeper. Second, it re-emphasizes how there has been a step-change in their relationship with China, in which they have used that agency to shape it – and the frameworks underpinning it – in ways that serve their needs. Third, this in turn represents an attempt to engage in the mutual constitution of interests with China that extend well beyond economic transactions and support a much wider process of potential regional reordering.

#### *Egypt and Saudi Arabia: Looking East*

Egypt maintains a remarkable position in China's global vision, helping to expand its BRI across MENA and the Mediterranean zone because of its distinctive geographical position and economic opportunities (Sun and Xu, 2023, p. 774). The country is also a conduit for accessing the Arab League, based in Cairo – most of the Arab League's security generals are Egyptian – giving it particular regional importance, alongside a rapidly expanding youthful population and huge market potential (Soliman and Zhao, 2019, p. 432). Egypt is also widely recognized as the historical cultural core of the Arab world, and holds considerable geostrategic significance due to the Suez Canal and being close to the Horn of Africa, in turn broadening China's geopolitical reach throughout MENA (Li, 2013, p. 19). In this sense, the China-Egypt relationship is regarded as a mutual benefit, in which Chinese investments help to boost Egyptian economic growth and, in return, Egypt's unique location



gives China substantial accessible opportunities in terms of cost-effective transportation and insurance expenses, engaging with the world, entering Arab, African, and European markets, accessing a workforce with a variety of skills at low earnings, and getting raw materials in Egypt, including those of other Arab and African neighbours (Al-Naggar, 2016). By the same token, Beijing also perceives Saudi Arabia as having its own unique geostrategic significance, as a major energy power, the religious centre of global Islam, and a wealthy state with substantial capacity for supporting BRI implementation (Fulton, 2020b, pp.367-8). As such, the two countries have prioritized deep economic collaboration revolving around a series of major economic construction initiatives while protecting their national interests and sovereignty (Wu and Zhao, 2020, p. 563).

Throughout the post-Cold War era, Saudi Arabia has developed rapidly, and endeavoured to broaden its diplomatic ties by forging stronger connections with strategically important countries beyond the US, including the UK and Japan (Wu, and Zhao, 2020, p.563). Over time, this process has become more systematic, underpinned by a strategic approach to expanding its reach and modification of its diplomatic architecture, exemplified by its explicit foreign policy initiative of ‘Looking East’, which has generated considerable attention since the ascent of Crown Prince Mohammad bin Salman to power (Wu, and Zhao, 2020, p.563; Azad, 2019, p.141). A similar story can be told about Egypt under El-Sisi, who has also adopted a conscious ‘Looking East’ strategy motivated by China’s status as the world’s second-largest economy which has rapidly become Egypt’s largest trading partner. The ‘Looking East’ approach has, therefore, been significantly bolstered in recent years, specifically with the ascent to power of Crown Prince Mohammad bin Salman and Egyptian President El-Sisi, underscoring the significance of these two Middle Eastern agencies in interacting with China to forge shared interests. This is consistent with the prevailing pattern observed throughout MENA – as discussed in Chapter 2 – wherein nations are progressively redirecting their focus eastwards as China extends its influence in Western Asia and Africa, however the difference in the Egyptian and Saudi cases – as discussed in Chapter 6 – is that the extractive or ‘neocolonial’ character is less pronounced, in turn emphasizing the relative influence that Middle Eastern countries may be able to have over shaping Chinese preferences in ways that suit their mutually constituted needs.

In so doing, Arab nations are aiming to synchronize their ‘Looking East’ approach with China’s western development strategy, leverage their relative advantages to secure additional prospects and greater policy flexibility to support their economic progress (PRC, 2014). According to Fulton (2020a), stronger Sino-Saudi linkages can fulfil both domestic and global objectives. As discussed further in Chapter 5, economic partnership with China provides alternative markets for Saudi oil, in a country with huge current and anticipated energy requirements, as well as inward investment into the country’s infrastructure (and economic diversification thrust). But, Beijing also supports Riyadh in its efforts to broaden its diplomatic outreach beyond the region, a crucial endeavour in light of the

perceived diminishing role of the US in the Middle East. This diplomatic diversification is of utmost importance to Saudi leaders, particularly given the quarter-century of ongoing upheaval that began with 9/11 and has led to accumulating tension vis-à-vis the West under successive US Presidents of both parties, with Riyadh and Washington rethinking their ‘special relationship’ (Al-Tamimi, 2012, p. 11). The unleashing of the War on Terror, the 2003 invasion of Iraq, the 2011 Arab Spring and wavering American support for its regional allies, the emergence of the Islamic State of Iraq and Syria (ISIS/Daesh), the Syrian crisis, nuclear negotiations with Iran, and, more recently, the Biden administration tensions with Saudi leaders, all pushed Riyadh to alter its international alliances (Fulton, 2018, p.144; Fulton, 2020a; Zavareh and Barzoki, 2018, p.713), shifting foreign policy emphasis to the East (Al-Tamimi, 2012, p. 3; Cengiz, 2020, p.57).

This process began as early as 2003, when the US and its allies invaded Iraq: Saudi leaders saw stronger Chinese connections as an attractive strategy against rising tensions with Washington (Alterman and Garver, 2008, pp.33). Also, in terms of expanding its relationship with China, erstwhile Foreign Minister, Saud Al-Faisal remarked, ‘with China, there is less baggage; there are easier routes to mutual benefits’ (quoted in Cengiz, 2020, p.58). Such alliance diversification was strengthened further after the Arab Spring, as Riyadh’s foreign policy adapted to new Middle Eastern realities: deepening of Sino-Saudi relations was driven by a discernible perception that China had become a considerably more reliable political, commercial and security partner (Gresh, 2016, p.149). Moreover, Cengiz (2020) notes how the Saudi leadership was heavily motivated by both domestic and international anxieties. The former included political anxiety and the effectiveness of ‘the state apparatus’ in sustaining it, elite views regarding provincial and ideological risks, and economic considerations that could spill over into the security realm by threatening stability. The latter comprised apprehensions about the changing roles of the three great powers – the US, China, and Russia – in altering regional dynamics (Cengiz, 2020, pp.58-59). These intersecting pressures prompted Saudi Arabia (and other regional governments) to swiftly implement the ‘Looking East’ strategy, thereby bolstering their economic and political ties with Beijing through active collaboration in the BRI (Chen, Shu et al., 2018, p.365). China not only offers resources and a vital alliance to Middle Eastern states, but can play a balancing role in the region’s post-hegemonic politics as the unipolar presence of the US gives way to its relative decline (Gresh, 2016, pp.156; Dorraj and English, 2013, p.44).

It is the fact that China is ‘rising’ that gives real effect to the Looking East strategy. This has provoked its own fundamental foreign policy reorientation and provided a level of economic power that generates unmatched resources to deploy in the region (Sun, and Zoubir, 2015, pp.903-5). The presence of two distinct ‘Silk Roads’ suggests a shift in Beijing's overarching strategy from an eastward-facing orientation to a westward-facing one (Zhong, 2014, cited in Sun and Zoubir, 2015,

p.904). Yet there is little evidence to suggest that China is modifying a diplomatic approach that gives precedence to commercial interests while sidestepping political entanglements, so this remains a cornerstone of its MENA policy (Sun and Zoubir, 2015, pp.904-5). It therefore aims to enhance its reputation for instance a 'responsible power' and reliable brother': this underpins its economic diplomacy in Arab nations (Sun and Zoubir, 2015, p.913). Moreover, this intersects with the concomitant diminution of US political capital due to its armed involvement in Afghanistan and Iraq, its reaction to the Arab Spring, and the emergence of more nationalist post-uprising regimes (Dorraj and English, 2013). The twin effects of US relative decline and Chinese expansion have altered the strategic map. Beijing has effectively negotiated the tumultuous waters of Middle Eastern politics and is well-positioned for long-term success – as the self-proclaimed champion of the developing world – while carrying less political baggage than its Western counterparts (Dorraj and English, 2013, p.45). Moreover, it now also faces significant barriers to disengagement, because of the region's unique role in supporting its energy needs, close geographical (and now geopolitical) proximity, and therefore strategic importance (Salam and Besada 2017, p.45).

In a nutshell, the regional approach embraced by Saudi Arabia and Egypt potentially reflects not just a domestically driven diplomatic engagement with China based on simple economic rationality – of the kind that would be likely to mainly reproduce familiar extractive patterns of commodity dependence – but potentially an increasingly synchronized 'Looking East' strategy. This is significant because, crucially, it embodies serious and deep-seated efforts at both diplomatic and developmental diversification (see also Chapter 5) within the framework of China's BRI. This is, in turn, boosted by the nations occupying strategic geographical and geopolitical positions, abundant economic prospects, growing youthful populations and substantial prospective markets, which, taken together, offer them leverage for deploying their agential resources to engage with China in the pursuit of mutually constituted and, importantly, reciprocal benefits. Central to this is the embedding of their respective Visions 2030 within the BRI, in turn potentially utilizing it to drive a nascent regionalism.

#### *Mutual Interests: in General, and in Energy*

Beijing and its Middle Eastern partners share numerous mutual interests. Since China essentially considers the global level as a bloc or a single entity, its regional interests are necessarily intertwined with its global ones (EG, 1, 2022). Considering the differences between regions and geographical areas, the Chinese position is often based on several factors. First, it supports economic and technological cooperation, while encouraging political engagement that does not trespass or interfere in the internal affairs of other nations. Second, it famously takes a long historical view of political change, therefore it does not consider changing the world or patterns of societies as in its interests. It seeks to deal with the world as it is, giving it a comparative advantage in dealing with states that fear

interventions from outside (and which have often experienced Western interference under the guise of human rights concerns). Third, it has a comprehensive vision for the BRI: the initiative seeks to strengthen China's economic and technological presence globally, generating cohesive conduits through which its commodities can be marketed and supplied, while brining positive developmental repercussions for participating countries. Whether by strengthening basic infrastructure and linking trade to China, or by locating areas for investment-led industrialization and incorporated into Chinese circuits of production, local development is supported without resort to direct political propaganda or conditionality (SA, 2, 2021; SA, 5, 2022; SA, 9, 2022; EG, 1, 2022; EG, 3, 2022; EG, 11, 2022).

Interviewees from Egypt and Saudi Arabia also emphasized the importance of changing international power structures. Obama's 'Asia Pivot' policy, designed to contain China in the Pacific, was a turning point. Beijing felt besieged by novel economic and military alliances between the US and states with which its relations had, at times, been strained, such as India, the Philippines, Japan and South Korea. It felt compelled to take countermeasures: if Washington was trying to undermine China's influence in its traditional sphere, the South China Sea and Pacific Ocean, then China felt that it needed to take similar steps in the opposite direction by gaining a foothold in the Middle East. Moreover, the Arab Spring posed a grave threat to its emerging regional interests: the revolutions all resulted in domestic instability, and even regional anarchy. This served as a warning bell for China, given that half of its oil requirements come from the region. It also came into conflict with US attitudes towards the uprisings: Washington generally supported them, at least initially, due to a perceived potential for democratic change, but also equivocated as new regimes met resistance, inducing further instability (see Grugel and Bishop, 2013, pp.299-302). China subsequently became the principal strategic target of new American interventions. In 2011, when the US initiated the Libyan intervention under NATO auspices, China found itself facing Western hostility. As a result, it lost substantial economic investment made during Gaddafi's reign (SA, 3, 2021; SA, 10, 2022; EG, 6, 2022, EG, 4, 2022; EG, 5, 2022).

After the uprisings, China also began to fear the rise of Islamic extremism, in part influenced by the central role played by the Muslim Brotherhood in Egypt under Morsi and the emergence of movements, such as ISIS, elsewhere. Beijing also determined that hundreds of Muslim Uyghur militants had joined jihadist groups operating in Iraq and Syria and that these armed elements had begun to engage in terrorist activities against Arab governments and nations. Therefore, China initiated a new and more immersive approach to the region, in which it sought to establish considerably deeper and more overtly strategic partnerships, particularly with what it perceives as core states (like Egypt and Saudi Arabia). This was a crucial development from Beijing's perspective, and is a key part of the modern, flexible and pragmatic approach designed to support development through mutually beneficial collaboration that, crucially, also theoretically guards against instability

(SA, 10, 2022; EG, 6, 2022; EG, 3, 2022). As such, Egyptian and Saudi agency has been important in seeking to shape Chinese preferences and interests, particularly in the aftermath of the Arab Spring.

A key rationale for this agenda, and a key element of the security picture, is the issue of energy. Asia is expected to contribute significantly to rising demand for oil in the coming years, and, at present, around 66 per cent of Saudi oil exports are already being channelled towards the region (Salam and Besada, 2010, p.46). As global economic power shifts eastwards, the Middle East is becoming the primary supplier of energy resources to Asia (Olimat, 2013, p.65). China has relied heavily on the Middle East as a significant source of imported energy since 1993: its rising demand compels it to prioritize safeguarding supply and, therefore, the stability of the region's political and military circumstances (Evron, 2017, p.126). But this has even deeper roots: in response to inadequate domestic production to keep up with expanding demand, Deng Xiaoping augmented commercial connections and financial associations with MENA nations, including Saudi Arabia, during the 1980s and Iran and Sudan during the 1990s (Salam and Besada, 2017, p.39). The reason 1993 was a turning point is that this is when China shifted to become a net oil importer, and also the moment when its economic take-off began to become perceptible, locking in future demand growth (see Bishop, 2016). The government consequently implemented a 'go out' policy to acquire foreign energy resources, and, as its investments expanded alongside its booming economy and global ascent, Beijing realised that it could no longer firmly follow to its 'non-intervention' policy but must instead take greater initiative in safeguarding its interests, both diplomatically, politically, and military (Lin, 2013, pp.2-15).

This has logic has only become more deeply embedded. China's projected oil consumption is expected to double to 16 million barrels per day by 2030; much of the increase will be imported, and the GCC is already China's significant oil supply. In terms of existing patterns, the GCC will supply more than one-third of Chinese consumption by 2030, so, unsurprisingly, Beijing has growing anxieties about the US and its significant military presence in the region (Simpfendorfer, 2010). China's energy consumption demands are closely linked to its involvement in the Middle East region to ensure its energy security requirements (Guzansky and Lavi, 2021, p.1). Its thirst for stable energy supplies, which are required to sustain continuous development, has prompted China to branch out its sources of supply within MENA – even challenging sanctions by purchasing from Iran and Sudan – and it sees its own dependability as an oil customer as key to sustaining strong relationships with countries like Saudi Arabia (Salam and Besada, 2017, p.52). So, Saudi Arabia's role as a provider of energy to the US and European countries has diminished in importance (Guzansky and Lavi, 2020, p.110; Yetiv and Lu, 2007, p. 203), in part because domestic supply in the US has grown to around 13 million barrels per day (a similar amount to Saudi Arabia, and 4 million more than Russia, the next largest producer) and it became a net exporter in 2023. Moreover, the Riyadh government has increasingly favoured a model of economic liberalization and regulated governance similar to that of

China, making the latter a dependable ally and a market with substantial opportunities for Saudi growth (Guzansky and Lavi, 2020, p.110). Escalating demand energy consumption within Asian economies – especially China – is causing a shift in the focal point of demand from the Atlantic region to the Pacific (Peled et al., 2019, p.189). Accordingly, China's energy strategy vis-à-vis MENA oil-producing countries is heavily influenced by its long-standing principles of mutual respect, incremental progress, and mutual benefits in cultivating foreign relations. This approach, commonly referred to as ‘the Beijing Consensus’, typically prioritises economic considerations over political and cultural factors (Salam and Besada, 2017, pp.598-99).

Unsurprisingly, China places a significant importance on energy security and regards it as a crucial factor in its foreign approach (Yetiv and Lu, 2007, p. 199). Thus, its economic ties with Saudi Arabia have led to its interest in cooperation in energy commerce (Zou, Z, 2015, p. 50). Oil played a significant role in bringing these two countries together and facilitating the establishment of their diplomatic relationship towards the end of the Cold War era (Cipto and Sahide, 2022, p.455). From the Saudi perspective, the primary strategic goal of the state-owned Saudi Arabian Oil Company (Aramco), is to expand market share in China (Peled et al., 2019, p.192). From the Chinese perspective, the primary strategic goal is the energy security dimension (Al-Tamimi, 2012 cited in Peled et al., 2019, p. 192). Furthermore, the depth of the Sino-Saudi energy partnership is distinctive: in contrast to other producers, Saudi Arabia’s energy development is characterised by effective organisation and capitalisation, meaning that it requires consistent consumers rather than investment, and China therefore presents a favourable alternative to the ‘seemingly capricious consuming markets of the US’ (Alterman and Garver, 2008, p. 58). The current Saudi minister of economy and planning, Faisal Alibrahim, remarked that ‘China is a very important customer. We understand that there have been changes recently in the energy market, but we continue to be committed to being a reliable energy supplier to the world, including China. We value this relationship very well’ (quoted in Kumar and Singh, 2023, p. 361). Therefore, bilateral energy trade between China and Saudi Arabia facilitates collaboration and synchronisation, steered by the fact that China is the second-largest economy worldwide and seeks to ensure its energy supply, while Saudi Arabia holds a distinctive position as the world’s biggest oil exporter and desires to secure its economic progress (Musvver, 2016, p. 1). Due to this, Middle Eastern agency – especially through the GCC – has been central to mutually constituting Chinese energy preferences. Saudi has been a leader in this process as a major supplier of petroleum products to, *and* destination for, Chinese inward investment and expertise, making Riyadh less a simple trade partner and more a key economic collaborator in China’s own energy security. The perception of the importance of this relationship, then, and Beijing’s preparedness to deepen linkages of all kinds, only emphasizes the shared preferences that both parties hold collectively.



As the pursuit of alternative energy sources gains momentum globally, Middle Eastern states with ample oil reserves need to ensure continual and enduring demand. This has driven cooperation with Asia to maintain a consistent and uninterrupted supply that strengthens Asian economies by enhancing their energy security (Salam and Besada, 2017, p.46; Asia House, 2021, p.21, and p.37). Given the MENA region's substantial role as a critical worldwide energy supply landscape and its influence on the site of international maritime transportation of commodities (Asia House, 2021, p. 8). So, energy partnerships are dynamic: the traditional unilateral dominance of the US over the abundant resources of developing countries is being replaced by a more diverse landscape that enables the latter to engage in varied relationships with one another (Salam and Besada, 2017, p. 36; Asia House, 2021, p.14). Even as the world moves towards decarbonization in coming years, buoyant demand for hydrocarbons from China is likely to continue, due to existing path dependencies such as still-growing numbers of petrol and diesel vehicles (Olimat, 2013, p. 41; Yin et al., 2014, p. 644). It estimates that by 2030, China's energy consumption for highway, aviation, railroads, and maritime transportation will grow by 70, 14, 12, and 5 per cent, respectively (Yin et al., 2014, p.644). This gives Saudi Arabia a significant role within Beijing's 'geopolitical interests' in the Middle East (Guzansky and Lavi, 2020, p.109). Moreover, not only do Gulf countries as a whole provide critical chemicals to Chinese industry, wealthy oil-rich countries represent a lucrative market for its finished products and investment (Houghton, 2022, pp.129-30). China perceives Saudi Arabia as a key market for investment in facilities like ports and railways, as well as advanced technology (Guzansky and Lavi, 2020, p.109), while domestically a sustained flow of oil matters for maintaining CCP legitimacy (Houghton, 2022, p.135). As such, this underscores how Saudi Arabia and Egypt have played an active role by leveraging their conventional and alternative energy resources to influence Chinese preferences in terms of expanding and deepening its diverse economic activities and collaborations in diverse economic sectors in ways that mutually benefit all partners.

Saudi Arabia has alternated with Russia as China's number-one worldwide oil supplier in recent years (Fulton, 2020a, p.517). As a result of strengthening relations with China, Saudi Arabia has broadened its global export destinations and lessened its reliance on Western nations, particularly the US (Salam and Besada, 2017 p. 46). Hence, from Saudi Arabia's views, relations with China should be regarded as a 'complement' to those with the US rather than as a substitute in the political and economic realms, alleviating some of the aggravating pressure of critique on issues relating to democracy and civil rights (Guzansky and Lavi, 2020, p.110). Despite China's attempts to broaden its sources of energy imports, it remains heavily dependent on a limited number of suppliers for the majority of its imported petroleum oil, including but not restricted to Saudi Arabia (Meidan and Daojiong, 2015, pp.2-3).<sup>9</sup> Hongtu (2010) identifies three distinct components of China's MENA energy security

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<sup>9</sup> Besides Saudi Arabia, there are countries such as Angola, Oman, Iran, and Russia.

strategy. First, Beijing initially implemented strategic measures to secure oil resources, demonstrated by increasing involvement in upstream investments and the acquisition of high-quality foreign oil companies. Second, China's oil firms are commonly perceived as serving the state's interests and promoting the government's global influence rather than pursuing commercial objectives. Finally, growing dependency on Middle Eastern oil led to a re-evaluation of strategy, resulting in the exploration of alternative sources elsewhere (Hontu (2010), cited in Salam and Besada, 2017, p.44). China's thirst for additional oil has been welcomed by both Egypt (which exports far less than Saudi Arabia, but much of it to China) and Saudi Arabia, aiding development in many sectors. According to an Egyptian government official who is familiar with the bilateral relationship between the two states: 'China is, of course, like other significant powers that seek to achieve their strategic interests in the Middle East ... here we can say that the two desires converged, the desire of China and the desire of the countries of the region.' This desire has now become so strong that these states are moving to even deeper forms of cooperative alignment (EG, 10, 2022). Overall, Egypt and Saudi Arabia have played a crucial function in interacting with China since the region has become increasingly critical in energy resources such as oil and gas to Asia, especially to China. This represents a shifting focus of energy demand from the Atlantic to the Pacific, with MENA holding a growing potential role in critical energy alternative resources such as solar power and wind power (discussed further in Chapter 5). This, in turn, reflects an ongoing mutual constitution of shared preferences.

### *China's BRI and the Egyptian and Saudi 2030 Visions*

The Middle East has long played a pivotal historical role in facilitating trade routes that connect Europe and China. The BRI has revitalized and redefined the region by presenting it as a gateway to intercontinental locations (Peled et al., 2019, p.190). China launched the BRI in 2013, intending to promote regional market integration, maximize economic resource utilization through extensive collaboration with participating countries, and generate trade and investment opportunities for its enterprises (Chen and Han, 2019, p.6). In 2016, President Xi conducted a state visit to Saudi Arabia and Egypt, which was broadly perceived as about expanding the BRI to the Middle East, designating it a crucial area for economic involvement (Sun, 2019, p.52).<sup>10</sup> For Chen and Han (2019), this expansion represents a strategic endeavour to promote economic cooperation whereby enhanced infrastructure and new commercial relations serve to fortify China's political standing within the region.

However, the cooperation envisaged in the BRI increasingly runs far deeper in Egypt and Saudi Arabia. Their strategic intersection with Chinese expansion in the region has led President El-Sisi and

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<sup>10</sup> Xi also visited Iran during his regional tour.



Crown Prince bin Salman to consciously and deliberately align and embed the countries' respective 2030 Visions within the wider BRI framework. This highlights a significant departure away from traditional partnership – energy in the case of Saudi Arabia, conventional trade and development aid in the case of Egypt – towards a considerably more comprehensive partnership. As the Asian century begins (Schwarzer, 2017, pp.18-23), the countries have endeavoured to extend their business relations and explore more ambitious development potential. The Saudi Vision 2030 seeks to lessen reliance on oil and achieve economic diversification (KSA, 2016). It outlines three primary objectives – expanding state revenue streams, enhancing private entrepreneurship in new business domains, increasing Foreign Direct Investment (FDI) to facilitate technology and knowledge transfer – alongside a comprehensive collection of 96 specific objectives (SA, 2, 2021). Egypt's Vision 2030 is more developmentally focused, aiming to bolster the country's global standing in terms of economic size, competitiveness in the marketplace, human development, living standards, and anti-corruption efforts, with the ultimate goal of securing a position among the top 30 nations by the year 2030 (ARE, 2016, p.10). Currently, China has emerged as Egypt's top commercial partner, exporting a wide range of products, including mechanical and electrical devices, automobiles and their parts, stainless steel and steel-related goods, materials such as plastics and garments, and importing liquefied gas and fossil oil, stone, and farm goods (Chen, 2018, p. 228).

The BRI was launched three years before the implementation of the Egypt and Saudi Visions 2030 and seeks to promote economic collaboration with worldwide countries by expanding its attempt to create a comprehensive, interconnected market for Beijing, enrich its economic and political leverage, and boost China's vital circumstances to foster a technologically advanced economy (Wallace and Yu, 2022). Both parties are committed to establishing effective linkages between it and the Visions, while exploring novel avenues for mutually beneficial cooperation (Chen, 2018, p.221). Egypt's distinctive strategic location and economic capacity render it well-suited to support its proliferation across MENA, while the prioritization of the Suez Canal's expansion to enhance both maritime and inland transportation is consistent with the BRI's goals (Interesse, 2022). As one Egyptian interviewee noted, the country's participation is crucial, 'particularly given the centrality of the economic zone located in the Suez region: this zone holds great importance for the Chinese' (EG, 3, 2022). Saudi Arabia's ambitious Vision aims to create a more sustainable and diverse economy, generating six million additional employment opportunities and doubling GDP by 2030: it identifies eight industries, apart from oil sectors, that will promote growth and employment creation, including mineral extraction and metallic materials, petroleum-based chemicals, manufacturing, retailing and the wholesale sector, hospitality and tourism, financial services, the healthcare industry, and construction (Fulton, 2020a, pp.521-2; Guendouz and Ouassaf, 2020, p. 4).

The construction sector is the second most significant sector in Saudi Arabia and the fastest-developing sector within the Gulf region (Alotaibi et al., 2019, p. 4). Moreover, it is one of the critical sectors that Saudi Arabia's Vision 2030 aims to develop to reduce the country's reliance on oil while diversifying the country's economy by making the construction sector play a vital role in boosting economic growth via the construction of various mega-projects, such as NEOM, Qiddiya, and Red Sea projects, among several construction projects related to housing, tourism, and entertainment that are essential as a component of the country's Vision 2030 (Saudi Arabia Construction, n.d). Chinese infrastructure corporations have recognised vital opportunities by increasing their involvement in Saudi Arabia's infrastructure development initiatives since Riyadh announced its comprehensive strategic partnership with Beijing, especially when Crown Prince Mohammed bin Salman aligned Saudi Vision 2030 with BRI (Fulton, 2020a, p.522). As a mutual benefit, China possesses the capacity to contribute significantly to assisting the Saudi Arabia to achieve its Vision 2030, while the latter can play critical role in aiding the Chinese BRI development in the region (Wei, 2022, p. 106). Hence, the integration between the Chinese BRI and Saudi Arabia has the prospect of achieving long-term objectives since Riyadh believes that the BRI is 'one of the main pillars of the Saudi Vision 2030, which would seek to make China among the Kingdom's biggest economic partners' (Alfaifi and da Vinha, 2022, p.12).

China can gain economic benefits through close collaboration in areas such as energy, petrochemical industry investments and infrastructure construction, alongside new markets for manufactured goods and access to crucial maritime trade routes (Sun, 2019, p.52). Middle Eastern countries can, at the same time, leverage the opportunities provided by the BRI to tackle their economic difficulties (Rasheed, 2022, p.69). Indeed, many developing countries worldwide are attracted to the Chinese model because it prioritizes 'market authoritarianism and its high growth' over 'market democracy and its freedoms' (Halper, 2010, p.iii). According to a former Egyptian diplomat, the key difference between Chinese practices and policies, and those of either colonial powers or the modern US, is that the former are not based on coercion, political pressure, or binding constraints. Freedom to engage in this new system – the primary goal of which is to strengthen networks through railways, ports, roads, air transport and communications – facilitates trade and commerce between countries, the movement of individuals between them, and promotes sustainable development. The BRI is therefore viewed as a 'win-win' rather than a one-way relationship where only the great power wins (EG, 5, 2022). For China domestically, deeper engagement with its Western Asian counterparts is partly about fostering growth within its own western regions and rebalancing the economic power of its coastal regions (Zou, L. 2018, pp. 21-2).

Accordingly, the Middle Eastern states have deliberately utilized the BRI as an instrument to progressively align their economic Visions 2030 by diversifying and strengthening their economic ties

with China. This is clear in the cases of Jizan City in Saudi Arabia, and the New Administrative Capital (NAC) in Egypt, especially, as well as other public and commercial projects (discussed further in Chapter 5). This shows how they are not passive recipients of the BRI or simple spaces for Chinese extractive capital to generate one-way benefits. Rather, it demonstrates how their conscious deployment of agency has been critical in taking Chinese support and frameworks while engaging with it to construct them in mutually beneficial ways. Moreover, this has had the effect of constituting Chinese preferences in terms of adapting the BRI for Middle Eastern interests and benefits, in turn helping to compel both the coordination of Saudi and Egyptian Visions 2030 but also the incipient regionalism that is becoming a feature of the regional landscape.

### *Regional and International Cooperation*

The BRI is not the only international framework through which China engages with the region. As it has come to wield significant global influence through strategic partnerships in every part of the world, it has increasingly participated in regional forums, and alongside its partners in global ones, attendant with – in the Middle Eastern case – its ‘whole-of-region’ diplomatic strategy (Sun, 2019, pp.49-50). The establishment of the China-Arab States Cooperation Forum (CASCF) in 2004 exemplifies this (Sun, 2019, p.52). Its primary objective is to facilitate improved trade, energy collaboration, information exchange, and political interaction between China and Arab countries (Gresh, 2016, p. 157). As noted earlier, the principles of reciprocal consideration regarding respecting sovereignty and unification of the territory, as well as non-intervention in other states’ internal issues, are integral components (Guzansky and Lavi, 2020, p.109). Additionally, the Forum seeks to foster peaceful relations and facilitate development within cordial interactions (BRICS Policy Center, 2016).

Moreover, this Forum encompasses various representatives, including formal officials and professional representatives in various sectors, such as the educational, cultural, environmental, mass media, chambers of trade, private, and other sectors (Jalal, 2014, p.4). It has developed various mechanisms to facilitate decision-making and observe implementation. These include conferences for entrepreneurs, seminars on special economic and trade topics, energy collaboration conferences, civilisation dialogue, cultural exchanges, higher education and scientific cooperation, forums for news corporations, environmental cooperation, human resources training, and non-governmental exchanges (Jalal, 2014, pp.5-6). Moreover, the Forum has also organised seminars on China-Arab relations, civilisational dialogue and cultural discussions (BRICS Policy Center, 2016). This wide span of activities is important for China, as it seeks to transcend traditional energy-based relationships and engaged in trading of inexpensive products (Hornschild, 2016, p.1). In 2014, at the sixth ministerial meeting of the CASCF, President Xi suggested a ‘1+2+3’ model of cooperation with the Arab world (Shanghai Daily, 2014; Sun, 2019, p.56). This still places a premium on energy collaboration while

aspiring to enhance infrastructure development besides commercial and finance ties, fostering cooperation in emerging domains such as nuclear and green energy, and fostering space science technology collaborations (Hornschild, 2016, p.1; Showei, 2022; Sun, 2019, p.56).

So, Xi supports a win-win partnership between China and Arab governments in order to boost the ‘Spirit of the Silk Road’ (Chen, Shu et al., 2018, p.369). In this sense, the 2014 meeting marked a significant milestone in the joint construction of the BRI, which evokes memories of historical Sino-Middle Eastern cooperation in building the ancient trade route, or ‘the Road of Spice and the Road of Porcelain’ (Zou, L., 2018, pp.6-7). Xi also categorised the CASCf as a critical component in the strategic advancement of mutual relations and significant collaboration over an extended period (ShanghaiDaily.com, 2014). Consequently, by working jointly with China to generate shared visions of these processes, Egypt and Saudi Arabia have enriched regional collaboration and integration exemplified by initiatives like CASCf that facilitate economic and economic interaction and encourage collaborative ventures (see more examples discussed further under traditional and non-traditional cooperation in Chapter 5). CASCf, especially, has played a vital role in boosting cooperation on commerce, investment, infrastructure constructions, renewable energy, digital economy, financial integration, and tourism, initiatives that extend significantly beyond conventional trade relations and reflect a much deeper pattern of mutually-constituted beneficial interests.

Following the establishment of the CASCf, the Chinese government released its inaugural China-Arab Policy Paper in 2016 (PRC, 2016). This document provided an overview of the progress made in deepening relations, elucidated the fundamental principles guiding the relationship, and presented a framework for mutually beneficial collaboration, alongside reaffirming China’s unwavering commitment to promoting stability and security in the Middle East (Chen, Shu et al., 2018, p.369). It also provided an in-depth analysis of the policies implemented by Beijing to enhance China-Arab relations in five main areas of collaboration: political, investment and commercial, societal development, cultural interchange, and peace and security collaboration (PRC, 2016). The CASCf has undergone a transformation into a political entity that emphasises and prioritises collaboration and neutrality while upholding the canons of non-intervention in internal affairs and adherence to global norms (Sun, 2019, p. 56). Again, by establishing CASCf, Middle Eastern states have played a significant role in interacting with China for the mutual constitution of interests.

Moreover, linked to the CASCf, in January 2016, China and Saudi Arabia entered into an agreement to enhance collaboration in energy security, while emphasizing the importance of the oil market to the worldwide economy. The two nations also committed to broadening their mutual investments, intensifying cooperation on infrastructure, and prioritizing projects related to transportation systems, such as train lines, roadways, bridges, communication, and harbours, in addition to strengthening

partnerships in aerospace science programmes, satellite launches, and the peaceful utilisation of nuclear and sustainable energy (Chen et al., 2018, p.369). As noted earlier, they also established the HLJC in 2016, which has institutionalized their bilateral cooperation and coordination mechanisms, including seven subcommissions: 'Politics and Foreign Affairs', 'BRI and Major Investment Cooperation Projects', 'Energy', 'Trade and Investment', 'Culture, Science and Technology', 'Tourism', 'Military' and 'Security Cooperation' and the eight subcommissions which is related to 'fiscal and financial,' was established in 2019 (Yang et al., 2020, p.530).

Regarding regional issues, Arab states have consistently reaffirmed the 'One China' concept (F. Yang, 2014, p.10). In response, Beijing has shown a desire to serve as an 'honest broker' in Middle Eastern disputes, while Riyadh has applauded China's increased involvement in the region (Duan, and Aldamer, 2022, p.115). Nonetheless, there exist some divergent positions on certain issues (Moonakal, 2022). These include the Iranian nuclear deal, the wars in Syria and Yemen, and their relationship with Iran (Moonakal, 2022). But, there remains a strong sense that political cooperation is still well-served by coordination of positions at international meetings, commitment to the principles discussed earlier (respect for sovereignty, peace and non-interference) and fighting terrorism in MENA and abroad (Global Times, 2016). For some respondents, Chinese engagement in the region is primarily economic. But many anticipate some kind of Chinese military presence eventually: this will differ to that of the US, and be mainly there to protect China's interests and investments (SA, 3, 2021; SA, 10, 2022; EG, 2, 2022; EG, 3, 2022; EG, 4, 2022). Others believe that the political nature of China's Arab relations is not as significant as that of the US or Russia and is not likely to become so. Beijing does not directly intervene in the region's crises because it does not wish to diminish its political, military, and economic capabilities and does not wish to disgrace itself in the short-term and lose long-term diplomatic capital. This partly explains its willingness to develop strong relationships with relatively stable countries like Egypt and Saudi Arabia, while avoiding those, like Syria, Yemen or Libya which are experiencing ongoing crises (SA, 1, 2021; SA, 8, 2022; EG, 1, 2022; EG, 2, 2022).

China's distinctive position in the global level is characterized by the pursuit of a common goal with Arab nations to counteract hegemony, uphold worldwide tranquillity, and foster the advancement of the global economy. For Arab states themselves, comprehensive Sino-cooperation offers the potential to augment their own global positioning (Yao, 2007, pp. 9-10). For instance, during its tenure as G20 Chair, China demonstrated a willingness to exchange knowledge and perspectives with Turkey and Saudi Arabia regarding enhancing international economic governance (Sun, 2019, p.55). The Egyptian government perceives China's rise to global prominence as an opportunity to safeguard its sovereignty, dismantle an unjust global power structure dominated by the US, and achieve meaningful decolonization. Egypt's political elites have often depicted their nation as a significant force that

requires strong governance, exemplified by El-Sisi, to restore its standing in the international order and eliminate structural inequities. From this perspective, the utilisation of modernization practices in China and the collaborative efforts between China and Egypt are regarded as efficacious strategies for attaining advancement, liberation, and substantive governing autonomy (Rasheed, 2022, p.74).

Moreover, China's approach to addressing Middle Eastern challenges differs from the more ideological US equivalent (Sun and Zoubir, 2015, p. 921). It prioritizes diplomatic efforts as a means of resolving longstanding and persistent problems and, importantly for regional states, refrains from interfering in their internal affairs (Yao, 2007, pp. 12-14). This reflects a distinctly pragmatic policy orientation distinguished by a degree of tactical manoeuvring, and a transitory approach to specific issues, all motivated by a geoeconomic vision grounded in practical considerations: Beijing views efficient governance as more desirable than enforcing imperfect democracy (Sun and Zoubir, 2015, p. 921). By contrast, the US approach to resolving critical issues, from the fallout from 9/11 to the Arab Spring and the Israel-Palestine conflict, has been viewed increasingly unfavourably. Working against the US approach in the region – especially concerning democracy promotion – Egypt and Saudi Arabia strongly opposed the ‘Greater Middle East Initiative’, viewing it as an effort to implement Western ideologies and perspectives (Ottaway and Carothers, 2004, pp.2-4). The sense of decaying American legitimacy has only intensified as the Chinese alternative based on diplomacy of equals has grown in significance.

One Egyptian interviewee observed that the US, despite possessing significant leverage, refrains from presenting any meaningful initiatives to solve regional challenges and instead chooses to disregard them (EG, 1, 2022). Yet, there is a widely held belief in American circles is that the Middle East is of great importance, particularly in terms of ensuring the security of Israel and the potential threat posed by Iran's nuclear programme. Consequently, the responsibility for China's acquisition of a significant portion of the region's diplomatic attention and its subsequent expansion therein cannot be attributed to China itself, but rather lies with US deficiency. Curiously, American analysts consistently disavow responsibility when examining the matter from an opposing perspective. According to Arab beliefs, China's activities in the region are deemed lawful, legitimate and nonviolent (SA, 2, 2021; SA, 6, 2022; SA, 7, 2022; EG, 1, 2022; EG, 5; EG, 6, 2022). In sum, Egyptian and Saudi actors have consciously deployed the resources at their disposal to take Chinese ideas, frameworks, capital and other forms of support and leverage them for wider regional forms of cooperation. In particular, by interacting with their Chinese counterparts to help shape perceptions of the importance of regional cooperation – in a historically fragmented and unstable region – especially through the CASCF, they have enhanced a much wider and deeper set of economic relationships than would otherwise have been the case. Moreover, through the careful alignment of shared values – such as respect for autonomy and non-interference in the affairs of other states, maintaining global peace, advancing

global economy, and fostering global economic governance within the G20 framework – they have been able to persuade China of the benefit to be gained from embedding a locally adapted variant of the BRI framework to support wider attempts at regional cooperation in the Middle East.

#### **4.4 Conclusion**

This chapter has examined the China-Saudi and China-Egypt bilateral relationship, tracing the development of each from its very earliest stages to the present. The two Middle Eastern states' relations with the PRC specifically developed at different times, in distinct ideological climates, and according to their own impetuses (not least their relative positions within the NAM and view of Chinese communism). Moreover, diplomatic relations have changed over time, displaying differences in terms of ideology, temporal context, and the prevailing international framework in which they operated during the relevant period.

However, in both cases, the relationship today is characterized by significant and conscious deepening. Cairo and Riyadh alike have experienced a substantial degree of domestic turbulence, particularly since the Arab Spring, something compounded by the equivocal support of their traditional great power partner, the US. Attendant with its domestic modernization and global rise – and dilution of communist ideology in the economic sphere – China has increasingly come to represent a vital source of economic support, whether as a destination for energy exports, a provider of inward FDI, financing or transfer of technology and expertise (discussed further in Chapter 5). But it is also an influential diplomatic partner that helps to balance Western power in the region. Elites in Egypt and Saudi Arabia are attracted to Beijing because of the implicit security this provides in an unstable region, but also because of what they see as a mutually respectful approach to cooperation based on shared interests rather than political conditionality.

In recent years, the BRI has become a comprehensive organizing framework for Chinese investment in the Middle East, expanding maritime, air, road, rail and telecommunications networks along the various 'Silk Roads'. This signals a historic change in bilateral relations. Not only are Egypt and Saudi Arabia widening their Sino-relationships into new sectors attended with their specific needs – the former focused on development from a lower base, latter diversification from its energy dependence – they are also deepening them beyond conventional trade or commerce. This is not to say that these things do not characterize the relationship – again, as discussed in Chapter 5, trade in goods and services, alongside other commercial connections and proliferation of financing are proliferating dramatically – but rather that the strategic partnerships promulgated by their respective governments extend well beyond conventional forms of economic cooperation. Indeed, this is evinced

by the purposeful enmeshing of Egypt and Saudi Arabia's own development strategies, as encompassed in their respective Visions 2030, within the wider framework of the BRI. It is to this process that we now turn in the second empirical chapter.



## **5. Sino-Egyptian/Saudi Economic Cooperation beyond the Arab Spring**

This chapter examines China's economic collaboration with Egypt and Saudi Arabia following the Arab Spring of 2010. The central argument posits that, in this period, several Middle Eastern countries – rocked by wavering Western support for their nondemocratic governing regimes – endeavoured to strengthen their diplomatic ties with unconventional partners, especially China. The primary objectives of this process were to expand their network of partnerships and establish substantial potential alliances in politics, economics, and, to some degree, security, to mitigate simultaneous Western interference and disregard. They became increasingly wary of, especially, US intrusion into their domestic affairs, and sought to avert disfavoured military interventions from outside of the region. In this context, these two key regional countries sought a deeper partnership with China because it exhibited a profound respect for their autonomy, cultural practices, societal norms, and lifestyle preferences. At the same time, Egypt and Saudi Arabia found willing Chinese interlocutors because of the reciprocity exhibited in their own adherence to the principle of respecting the autonomy of others, refraining from interfering in their internal affairs, cultural practices and customs, while displaying a genuine willingness to understand their distinctions. At the same time, by prioritising the cultivation of an inclusive cultural dialogue rooted in principles of mutual respect, rather than blindly adopting or assimilating values that are deemed incompatible with their own, helped to reject coercive influences – including exterior norms – from outside.

For Middle Eastern countries, a renewed emphasis on respect for others' unique cultural values occurred following 9/11 and, even more so, after the Arab Spring a decade later, where a perception took hold that the US was shifting its own longstanding strategy of exchanging oil for defence towards establishing cultural dominance (Toros, 2017). Altwaiji (2023), argues that the ensuing narratives have caused substantial disruption that led to the alternation of political systems, the marginalisation of Islamic culture and the development of a 'historiographic map for extending hegemony over other territories in the region'. They exert not only dominance over political elites but also result in the implementation of mainstream policies aimed at countering specific terms and beliefs in the educational systems of Muslim countries (Altwaiji, 2023, pp.446-7). As a result, regional leaders perceive China as a potential pragmatic partner, aiming to promote their political and economic ties and interests through mutually beneficial cooperation rather than ideological alignment which could act as a pretext for external intervention in internal affairs. This reflects a reassertion of the notion that no 'civilization or culture is superior to the rest, but every civilization or culture is unique due to historical and regional difference' (Ding and Cheng, 2017, p.7). Therefore, Arab countries assert that, to facilitate coexistence and attain their collective aspirations, cultural

differences must be approached with respect and sensitivity. Such awareness and understanding are seen as pivotal in promoting a harmonious and inclusive global society for all (Ding and Cheng, 2017, pp.2).

Part of the explanation for Chinese engagement in the Middle East is simply globalization, and enhanced interdependence in politics, economics, ecology and technology (Bokhan and Zalizniuk, 2022, p.19). Economic diplomacy, as discussed earlier in the thesis, is central to this process. In certain respects, the Middle East is little different to other regions, where developing countries have found it beneficial to enhance their diplomatic and economic ties with China, which in turn offers vastly increased economic interlinkages. By building a strong partnership with China, developing countries can expose new avenues for growth and development, and tap into an extensive and dynamic market that promises to drive economic progress. On the flip side, China's remarkable economic growth mandates commercial diplomacy with both developed and developing nations, which, in turn, offers opportunities to enter new markets and obtain essential natural resources and materials vital for modernization. By collaborating in this way, Beijing assertively implements economic diplomacy as a distinctive form of diplomacy that both facilitates trade and investment opportunities and creates a mediating platform to foster mutually beneficial economic linkages between all manner of actors (Zhang, 2023). Moreover, because China and other developing nations lack economic cooperation bodies like the OECD, they rely on bilateral economic diplomacy to an even greater extent than others (Strüver 2017, p. 55). By deploying it, they can better navigate complex economic terrains and gain a strategic edge in achieving their economic goals, which can have a positive impact on their overall economic performance if implemented effectively and thoughtfully.

As noted earlier in the thesis, bilateral economic ties between China and Saudi Arabia/Egypt have been flourishing since the turn of the 21<sup>st</sup> Century. However, unlike other developing regions, during the early 2020s there was a significant surge, attributable to a distinctive combination of internal and external factors, further deepening economic interdependence. First, China's expanding global economic influence, and the dynamic redistribution of global economic power towards Asia that this implies (Bishop, 2016), compelled Saudi Arabia and Egypt to view Beijing as both a crucial catalyst for their economic growth and development and a dependable partner to enhance implementation of their respective Visions 2030 (KSA, 2016). Second, this was reinforced by China's avowed policy of non-interference in the internal affairs of others, which was seen locally as a way of counterbalancing Western influence in light of the aforementioned shift in US emphasis post-2010. Third, the erstwhile Saudi-Iranian diplomatic rapprochement, led by China, created a perception that Beijing's influence could yield positive outcomes for the wider regional environment, that Washington, notably, had proven unable to achieve. Consequently, this period did not only witness a substantial increase in

traditional forms of economic cooperation (i.e. trade, investment, finance, loans, development aid, infrastructure and construction projects, development of economic zones) but a significant widening to incorporate many new areas of high-tech and politically sensitive collaboration (including, but not limited to, green energy, space and satellite industries, digital economy, smart manufacturing, and smart technology cities.

The chapter explores this changing picture in three main sections. First, it examines the nature of the economic relationship, focusing on bilateral trade exchange, FDI, finance, loans, and aid development, aiming to gain a better understanding of the evolving contours of this relationship. Second, it delves into new sectors: green energy, the digital economy, and space and satellite industries: in these nontraditional areas, where traditional partners may be unwilling or hesitant to deepen collaboration, China presents itself as a potential significant partner during this new phase of economic cooperation. Third, it looks at how the Chinese BRI aligns with Egypt and Saudi Arabia's Visions 2030 regarding connectivity, policy cooperation, and financial integration, and how this relates to Beijing's soft power. This analysis considers China's growing influence in the region as an alternative to traditional powers, and thus, it has exercised its soft powers both politically and economically with them recently.

## **5.1 Conventional Trade Exchanges**

Over the past decade, Saudi Arabia and Egypt have experienced a notable increase in bilateral trade and investment with China. In 2011 alone, Chinese exports to Saudi Arabia increased by 40 per cent to US\$14 billion, up from the previous year's \$10 billion. Simultaneously, Saudi Arabia's exports to China in 2011 grew by 79.5 per cent to touch US\$49 billion, up from the preceding year's \$32 billion. This rapid growth emphasized not only a thriving trade relationship, but the intensification of interdependence that has only increased since. By 2021, Chinese exports were valued at \$30 billion, a threefold increase in a decade. Saudi exports reached \$56 billion, a doubling over the same period. By 2023, these had increased even further: to \$42 billion and \$64 billion respectively. For many Saudi entrepreneurs, China's production capabilities signify its reputation for producing a diverse range of goods, both high and lower quality, while maintaining a competitive pricing structure. Arguably, deepening economic interdependence has led to a degree of mutual dependence. Table 5.1 illustrates Sino-Saudi bilateral trade exchange growth from 2010 to 2023.

**Table 5.1: China and Saudi Arabia's trade flow from 2010 to 2023 (All products in US\$ Thousands).**

| Year  | USD                                   |                              |
|---|---------------------------------------|------------------------------|
|   | Chinese goods exports to Saudi Arabia | Saudi goods exports to China |
| 2010  | 10,366,444.55                         | 32,829,047.70                |
| 2011  | 14,849,707.39                         | 49,467,519.87                |
| 2021  | 18,452,900.81                         | 54,861,126.27                |
| 2013  | 18,739,813.76                         | 53,450,710.54                |
| 2014  | 20,575,241.92                         | 48,508,025.98                |
| 2015  | 21,612,927.98                         | 30,021,050.93                |
| 2016  | 18,650,906.50                         | 23,626,019.10                |
| 2017  | 18,375,008.21                         | 31,761,873.27                |
| 2018  | 17,428,036.04                         | 45,854,380.35                |
| 2019  | 23,876,505.59                         | 54,195,936.61                |
| 2020  | 28,094,807.84                         | 39,069,814.04                |
| 2021  | 30,3215,34.66                         | 56,961,584.75                |
| 2022  | 37,990,174,783                        | 78,045,604,752               |
| 2023  | 42,855,038,497                        | 64,361,164,116               |
| Author's own calculation from: World Integrated Trade Solution (2024a) Available at: <a href="https://wits.worldbank.org/CountryProfile/en/Country/CHN/StartYear/2010/EndYear/2021/TradeFlow/Import/Partner/SAU/Indicator/MPRT-TRD-VL">https://wits.worldbank.org/CountryProfile/en/Country/CHN/StartYear/2010/EndYear/2021/TradeFlow/Import/Partner/SAU/Indicator/MPRT-TRD-VL</a> (Accessed: 07 March 2024). |                                       |                              |

Moreover, this relationship is highly complex, comprising varied commercial connections across many industries (Olimat, 2013). These include, but are not limited to, petroleum by-products, construction, aluminium, iron ore, phosphate, concrete, consumer commodities, rail infrastructure, vehicle manufacturing, and innovative technology goods (Olimat, 2013, p.143). Chinese commodity and goods exports include electrical equipment, heavy machinery, nuclear reactors, furniture, automobiles, apparel, plastic materials, iron and steel products, ceramic items, rubber, and prefabricated construction equipment (Trading Economics, 2023). By contrast, Saudi Arabia's main exports to China consist primarily of petroleum, oils, byproducts of distillation, ore slag and ash, vessels, watercraft, additional buoyant structures, copper, and rubber materials (Trading Economics, 2023). As one respondent – a representative of a Chinese state-enterprise (CH-SA, 3, 2022) – suggested, the commercial relationship is ‘equal and mutually beneficial, oil, industrial products. Trade ties between these two countries have reached highest level in current time, in which it is very promising, and the friendship between them will last forever. Thus, both countries have achieved mutual benefits and win-win results in a very satisfied manner’ (CH-SA, 3, 2022). In additions, according to another Chinese respondent, China and Saudi Arabia have a growing trade relationship that benefits both parties (CH-SA, 1, 2022).

Although mutually beneficial, the trade relationship is also to some degree asymmetric, given that China trades both high and low-value products, whereas Saudi tends to export commodities. Saudi Arabia is distinct in being one of few countries in the region with a goods trade surplus vis-à-vis China (SA, 10, 2022). But, at the same time, patterns of investment and the creation of complex linkages are, in many respects, more important than simple imports and exports. As one Saudi official

respondent suggested, China constitutes an integral component of the country's *strategic* approach: the indispensability of the economic relationship resides in how it underpins the current stage of Saudi diversification and development, which is in turn dependent upon engagement in various ventures *within* China. So, whatever the policy stance taken by Riyadh, China holds a crucial position in Saudi strategic considerations: this almost-inevitably implies the pursuit of mutual benefit (SA, 1, 2021). Moreover, a strong perception exists on the part of some Saudi respondents that the commercial relationship is mutually beneficial: where Chinese actors see great opportunities in the Saudi economy, Saudis view China as having global economic influence that can redound to their benefit, implying that their trade partnership reflects a fair exchange of interests rather than a one-sided endeavour that only benefits one party (SA, 4, 2022). China is thus seen as a valuable partner in terms of bilateral exchange because it prioritises economic factors over political considerations. Hence, the strategy of pursuing economic diversification, as outlined in Saudi Arabia's Vision 2030, has been crucial in engaging with China to establish and pursue mutually constituted and shared interests.

Although starting from a smaller base, Chinese exports to Egypt also increased by \$1 billion to \$7 billion between 2010 and 2011. Egypt's exports saw a boost, too, reaching \$1.5 billion in 2011, up by approximately \$185 million from the preceding year. These figures have continued to grow, although asymmetrically: by 2021, Chinese exports reached \$18 billion, a threefold increase from 2010; Egyptian exports reached \$1.7 billion, nearly twice the amount recorded in 2010, although these have fluctuated significantly at different points in time. Table 5.2 illustrates Sino-Egyptian bilateral trade exchange growth from 2010 to 2023.

**Table 5.2: China and Egypt's trade flow from 2010 to 2023 (All products in US\$ Thousands).**

| Year  | USD                            |                                 |
|---|--------------------------------|---------------------------------|
|   | Chinese goods exports to Egypt | Egyptian goods exports to China |
| 2010  | 6,040,984.26                   | 917,930.19                      |
| 2011  | 7,283,232.68                   | 1,518,340.17                    |
| 2021  | 8,223,921.37                   | 1,320,736.72                    |
| 2013  | 8,362,674.70                   | 1,851,606.76                    |
| 2014  | 10,460,509.60                  | 1,159,516.62                    |
| 2015  | 11,958,576.93                  | 917,844.08                      |
| 2016  | 10,436,255.85                  | 553,212.42                      |
| 2017  | 9,485,643.13                   | 1,341,934.13                    |
| 2018  | 11,987,207.50                  | 1,842,524.15                    |
| 2019  | 12,200,705.39                  | 1,000,719.18                    |
| 2020  | 13,627,746.81                  | 923,482.59                      |
| 2021  | 18,264,732.81                  | 1,704,407.92                    |
| 2022  | 17,170,216.915                 | 1,019,820,256                   |
| 2023  | 14,934,546,799                 | 881,336,270                     |
| Author's own calculation from: World Integrated Trade Solution (2024b) Available at: <a href="https://wits.worldbank.org/CountryProfile/en/Country/CHN/StartYear/2010/EndYear/2021/TradeFlow/Import/Partner/EGY/Indicator/MPRT-TRD-VL">https://wits.worldbank.org/CountryProfile/en/Country/CHN/StartYear/2010/EndYear/2021/TradeFlow/Import/Partner/EGY/Indicator/MPRT-TRD-VL</a> (Accessed: 07 March 2024). |                                |                                 |

The primary export categories from China to Egypt consist of an array of goods, which include electronic equipment, machinery, boilers, plastics, iron and steel, organic chemicals, fabric, furniture, lighting signs, prefabricated buildings, medical apparatus, aluminium, and rubber (Trading Economics, 2022). In contrast, the leading categories of goods exported by Egypt to China in 2022 comprised fuel, mineral oils, distillate products, cotton, and fruits (Arab News, 2023). el-Shafei and Metawe (2022) have concluded that the current trade relationship between Egypt and China is starkly imbalanced in favour of China. Some perceive the relationship as neocolonial, but it is one based on mutual respect at both official and non-official levels, generating tangible economic benefits, and highlighting the mutual-benefit aspect of the relationship despite the trade imbalance (el-Shafei and Metawe, 2022, p.145). Moreover, as one Egyptian official noted, many countries – due to the scale of its economy and its export capacity – experience trade deficits with China, so it is not unusual. But this also reinforces the importance of seeking to mitigate the effects of this imbalance as a critical challenge for Egyptian policymakers (EG, 9, 2022). Consequently, pursuing a mutually beneficial economic partnership assumes paramount significance not only for realising the full potential of their bilateral commercial relations, but also serving as a model for neighbouring countries to emulate in a context of similar imbalances.

#### *Chinese investment in Saudi Arabia and Egypt (2011-2016)*

The post-2010 surge in Chinese investment in Saudi Arabia and Egypt can be divided into two phases: 2010-2016 and 2017- present. The first half of the decade was the period immediately after the Arab Spring when investment increased significantly, and it ended with the establishment of both countries' Visions 2030; the second half was one in which many of these deepening partnerships have become more deeply institutionalized. In Saudi Arabia, the scale of investment was substantial, entering a range of sectors: energy, chemicals, real estate construction, shipping, rail, and autos transportation, logistics, and agriculture. Compared to the 18 major projects between 2005-2010, with a total of US\$10.17 billion, the post-2010 period saw a 69.04 per cent increase, comprising 32 investment ventures in various sectors worth a US\$14.73 billion. Nonetheless, energy still comprises approximately 71.2 per cent of Chinese investment from 2010 to 2016, with the remaining third of China's FDI distributed across different sectors of the economy (see Table 5.3).

**Table 5.3: China's FDI in Saudi Arabia from 2011-2016 (Quantity in Millions of USD).**

| Year | Month | Investor                               | Quantity (Millions) | Share Size | Sector      | Subsector |
|------|-------|--|---------------------|------------|-------------|-----------|
| 2011 | Apr   | China Petroleum and Chemical (Sinopec) | \$100               |            | Energy      | Oil       |
| 2011 | Jul   | China Petroleum and Chemical (Sinopec) | \$200               |            | Agriculture |           |
| 2011 | Aug   | China Petroleum and Chemical (Sinopec) | \$130               |            | Chemicals   |           |

|  |      |  |        |     |             |              |
|--|------|--|--------|-----|-------------|--------------|
| 2011   | Nov  | China Electronics Corporation                | \$180  |     | Real estate | Construction |
| 2011   | Dec  | China Petroleum and Chemical (Sinopec)       | \$3710 | 38% | Energy      | Oil          |
| 2012   | Jun  | China Petroleum and Chemical (Sinopec)       | \$150  |     | Energy      | Oil          |
| 2012   | Sept | Sinoma                                       | \$190  |     | Real estate | Construction |
| 2012   | Sept | China Communications Construction            | \$160  |     | Logistics   |              |
| 2012   | Nov  | Shanghai Electric                            | \$990  |     | Utilities   |              |
| 2012   | Nov  | China National Chemical Engineering          | \$340  | 33% | Transport   | Shipping     |
| 2013   | Jul  | China Communications Construction            | 500    |     | Utilities   |              |
| 2013   | Sept | China Communications Construction            | 390    |     | Transport   | Shipping     |
| 2013   | Nov  | China National Building Material             | 190    |     | Real estate | Construction |
| 2013   | Dec  | Shandong Electric Power Construction II      | 1720   | 70% | Energy      |              |
| 2013   | Dec  | China Petroleum and Chemical (Sinopec)       | 1770   |     | Energy      | Oil          |
| 2014   | Feb  | China Petroleum and Chemical (Sinopec)       | 200    |     | Transport   | Shipping     |
| 2014   | Apr  | China Petroleum and Chemical (Sinopec)       | 190    |     | Energy      | Oil          |
| 2014   | May  | China Communications Construction            | 500    |     | Utilities   |              |
| 2014   | Nov  | Power Construction Corp. (PowerChina)        | 100    |     | Energy      | Oil          |
| 2015   | Apr  | China Petroleum and Chemical (Sinopec)       | 450    |     | Chemicals   |              |
| 2015   | Apr  | China National Building Material             | 100    |     | Real estate | Construction |
| 2015   | Jun  | China Petroleum and Chemical (Sinopec)       | 140    |     | Energy      | Oil          |
| 2015   | Oct  | Power Construction Corp. (PowerChina)        | 700    |     | Energy      | Gas          |
| 2015   | Oct  | Power Construction Corp. (PowerChina)        | 1290   |     | Energy      | Gas          |
| 2015   | Dec  | China Petroleum and Chemical (Sinopec)       | 430    |     | Utilities   |              |
| 2015   | Dec  | China Petroleum and Chemical (Sinopec)       | 200    |     | Agriculture |              |
| 2016   | Jan  | Power Construction Corp. (PowerChina)        | 390    |     | Real estate | Construction |
| 2016   | Feb  | China Minmetals                              | 230    |     | Real estate | Construction |
| 2016   | Mar  | China National Machinery Industry (Sinomach) | 180    |     | Transport   | Autos        |
| 2016   | May  | Wison Engineering                            | 120    |     | Chemicals   |              |
| 2016   | Jul  | China National Petroleum Corp. (CNPC)        | 330    |     | Energy      | Oil          |
| 2016   | Jul  | Power Construction Corp. (PowerChina)        | 230    |     | Energy      | Gas          |
| Author's own calculation from: American Enterprise Institute (2024). Available at: <a href="https://www.aei.org/china-global-investment-tracker/">https://www.aei.org/china-global-investment-tracker/</a> (Accessed, 14/04/2024). |      |  |        |     |             |              |



Chinese FDI primarily favours the MENA economies because of their relatively large, young populations and high endowments of natural resources (Lim and Yağcı, 2023, pp.549). However, at a two-day Arab-China Business Conference in Riyadh in December 2022, Saudi Arabia's Minister of Investment, said to policymakers, government representatives, stockholders, and executives from top corporations in China that 'the current investments are considerable, but they are still not meeting the aspirations and ambitions of the Saudi economy' (Khan, 2023). Saudi Arabia is, therefore, keen to attract Chinese investments in both the midstream energy industry and its non-oil economic industries, such as metallic elements, services, leisure industry, and others (Khan, 2023). According to Saudi Arabia's Energy Minister, Prince Abdulaziz bin Salman, 'there are so many things that we want to do with them and equally they want to do with us' (Khan, 2023). This underscores that Saudi Arabia, as one of the key Middle Eastern states, has been influential in interacting with China for the reciprocal constitution of interests.

**Table 5.4: China's FDI in Egypt 2012-2016 (Quantity in Millions of USD).**

| Year   | Month | Investor  | Quantity in Millions | Share Size | Sector      | Subsector    |
|--|-------|---|----------------------|------------|-------------|--------------|
| 2011   | Jan   | China Communications Construction                 | \$100                |            | Transport   | Shipping     |
| 2011   | Jan   | China State Shipbuilding                          | \$190                |            | Transport   | Shipping     |
| 2011   | Sept  | Power Construction Corp. (PowerChina)             | \$150                | 50%        | Energy      | Gas          |
| 2012   | Mar   | China National Building Material                  | \$230                |            | Other       | Industry     |
| 2012   | Mar   | Dalian Shipbuilding                               | \$320                |            | Energy      | Oil          |
| 2013   | Apr   | Tianjin Development                               | \$230                |            | Real estate | Property     |
| 2013   | Aug   | Sinoma  | \$3100               | 33%        | Energy      |              |
| 2014   | Jul   | Sinoma  | \$370                |            | Real estate | Construction |
| 2015   | Apr   | China Railway Construction                        | \$600                |            | Transport   | Rail         |
| 2015   | May   | China National Building Material                  | \$190                |            | Other       | Industry     |
| 2016   | Mar   | State Grid, Power Construction Corp. (PowerChina) | \$780                |            | Energy      |              |
| 2016   | Jun   | Sinoma  | \$1190               |            | Real estate | Construction |
| Author's own calculation from: American Enterprise Institute (2024). Available at: <a href="https://www.aei.org/china-global-investment-tracker/">https://www.aei.org/china-global-investment-tracker/</a> (Accessed, 14/04/2024). |       |   |                      |            |             |              |

In Egypt, Chinese firms invested billions of dollars in infrastructure projects, such as the construction of a NAC, as well as power plants and industrial zones as well as signing several agreements of increasing trade and economic cooperation in the fields of energy, agriculture, and manufacturing (Al-Anani 2023). The influx of FDI from China increased almost twofold between 2011 and 2016: China invested around US\$7.01 billion in 12 major investment projects compared to US\$3.95 billion between 2005 to 2010. These ventures targeted sectors such as energy (gas), real estate and construction, shipping, and rail transportation, and other industries. Notably, the energy sector constitutes approximately 62.05 per cent of China's total investments followed by 25.9 per cent in real estate (including construction and property). Sinoma, the leading Chinese company to make major



investments in Egypt's economy, accounted for about 66.47 per cent of the total Chinese FDI by investing in three major projects, including one in energy and another in real estate construction. The total value of these projects was around US\$4.66 billion. Table 5.4 displays China's investments in Egypt's economic sectors over the period in question.

In sum, the initial phase of growing Chinese FDI in Saudi Arabia and Egypt reflected, on the one hand, intensifying traditional forms of economic cooperation, while, on the other, acting as a catalyst not only for growth, but increasing mutual recognition of their shared potential as critical partners for future collaborations in emerging sectors. Given their economic development requirements, these nations have increasingly come to rely on China's financial resources for investment, it as an 'Empire of cash', expertise, and technological advancements (SA, 1, 2021). Conversely, China sought to leverage their market potential, abundant natural resources, and strategic geographical locations regionally and globally to further enhance its own economic modernisation efforts (SA, 6, 2022; SA, 7, 2022).

#### *China's investment in Saudi Arabia and Egypt (2017-2023)*

Chinese FDI saw a further significant increase – and greater diversification – after the implementation of the Middle Eastern countries' Visions 2030. Between February 2017 and June 2023, China invested in around 51 ventures in different sectors of the Saudi economy, including energy (oil, gas, and alternative energy), chemicals, real estate construction, transport, shipping and rail, utilities, logistics, metals, technology, and other related industries. The total value of Chinese investment projects in Saudi Arabia reached USD\$27 billion. Crucially, the relative share of investment in energy fell to 56.3 per cent of total Chinese investment, with new sectors – especially technology, metals and transportation, notably shipping and rail – receiving a growing share. Transport accounted for 17.5 per cent of the total investments made by Chinese enterprises. Additionally, utility investments have also been a prominent feature of the investment landscape in Saudi Arabia, constituting the third-largest share – 12.5 per cent – of China's overall investment.

Nonetheless, the most substantial Chinese investment venture in Saudi Arabia still pertained to the gas industry. This was a collaboration between the State Administration of Foreign Exchange (SAFE) and China Merchants Group (CMG), amounting to a total investment of US\$4.65 billion in Saudi Arabia's gas sector. Subsequently, the Power Construction Corporation of China (PowerChina) emerged as the second and third most significant Chinese investment in Saudi Arabia's transport shipping and utilities sectors, with a combined investment value of US\$3.02 billion and US\$1.37 billion, respectively. Moreover, China Petroleum and Chemical Corporation (Sinopec) and the SAFE were the fourth largest Chinese investors in the Saudi Arabian energy sector, with each contributing a total

investment of US\$1.22 billion. Furthermore, the utility sector in Saudi Arabia experienced a substantial influx of investment from the State Grid Corporation (SGCC) of China, which held the fifth position among Chinese investors, contributing to a total investment of US\$1.1 billion.

In contrast, more modest investments from 2017 to 2023 were still sizeable in historical terms, varying between US\$100 and \$150 million. For example, Wison Engineering and China State Construction Engineering Corporation (CSCEC) executed technology and real estate investments worth US\$150 million for each asset. Sinopec, Sinochem Corporation, and China Ocean Shipping Company made, respectively, energy, gas, and logistics investments worth US\$140 million. Moreover, China Communication Construction Company Ltd., (CCCC) and Zhongman Petroleum & Natural Gas Group (ZPNGG) emerged as the third smallest Chinese investment in Saudi Arabian's energy oil industry, with each company investing a substantial sum of US\$120 million in their respective assets. Alibaba Group gained a technology market share of 45 per cent with an investment of US\$110 million. The fifth smallest Chinese companies in terms of investment in Saudi Arabia's transportation rail, real estate construction, and energy sectors were CCCC, China Energy Engineering Corporation (CEEC), and China National Offshore Oil Corporation (CNOOC), each investing US\$100 million in these respective sectors. Overall, then, the primary recipients of Chinese investment were the energy sector (including oil, gas, and other alternative energy resources), transportation and utilities. So, Saudi Arabia's Vision 2030 has strived to leverage various Chinese investments across a wide range of economic sectors to establish mutual interests that extend well beyond conventional or narrow forms of trading relations.

This underscores several important points. First, it highlights China's strategic objective of securing its energy resources and forging strong economic ties in general with Saudi Arabia: ensuring uninterrupted access to vital resources but also contributing to the economic growth of both nations (CH-SA, 2, 2022). Second, the fact that most of these investments are state-owned or quasi-state-owned companies suggests that China has particularly strong capacity to direct this investment in such a careful strategic way, while finding outlets to export its substantial capital and expertise (SA, 6, 2022; SA, 3, 2021). Third, Saudi interests have played a key role in shaping the character of these investments: for example, rapidly growing technology markets – and Chinese market share in them – results in part from the strong emphasis placed on the need to attract advanced technology firms and government endeavours to establish a favourable environment to do so. Technology is widely recognized as crucial factor contributing to Saudi Arabia's push for economic growth, diversification and development, and of wider importance in terms of advancing other sectors beyond technology itself, in turn aligning more broadly with the overarching goals of Vision 2030 which seeks explicitly to establish a robust economy with a strong emphasis on high-tech out-put (SA, 1, 2021; SA, 6, 2022, SA, 5, 2022). Table 5.5 below summarises China's FDI in multiple economic sectors of Saudi Arabia.

**Table 5.5: China's FDI in Saudi Arabia from 2017-2023 (Quantity in Millions of USD).**

| Year | Month | Investor  | Quantity (Millions) | Share Size | Sector      | Subsector    |
|------|-------|---|---------------------|------------|-------------|--------------|
| 2017 | Feb   | China Petroleum and Chemical (Sinopec)          | 250                 |            | Energy      | Gas          |
| 2017 | May   | Power Construction Corp. (PowerChina)           | 1370                |            | Utilities   |              |
| 2018 | Mar   | China Petroleum and Chemical (Sinopec)          | 270                 |            | Energy      | Gas          |
| 2018 | Jul   | China National Petroleum Corp. (CNPC)           | 560                 |            | Energy      | Oil          |
| 2018 | Aug   | China National Chemical Engineering             | 410                 |            | Chemicals   |              |
| 2018 | Oct   | Wison Engineering                               | 150                 |            | Technology  |              |
| 2018 | Dec   | Power Construction Corp. (PowerChina)           | 3020                |            | Transport   | Shipping     |
| 2018 | Dec   | China Petroleum and Chemical (Sinopec)          | 300                 |            | Energy      | Oil          |
| 2019 | Jan   | China Petroleum and Chemical (Sinopec)          | \$270               |            | Energy      | Oil          |
| 2019 | Jan   | China National Petroleum Corp. (CNPC)           | \$590               |            | Energy      | Gas          |
| 2019 | Feb   | State Construction Engineering                  | \$670               |            | Real estate | Construction |
| 2019 | May   | China Communications Construction               | \$120               |            | Energy      | Oil          |
| 2019 | Jun   | State Administration of Foreign Exchange (SAFE) | \$960               |            | Energy      | Alternative  |
| 2019 | Jul   | China Energy Engineering                        | \$780               |            | Other       | Industry     |
| 2019 | Aug   | China Railway Construction                      | \$260               |            | Utilities   |              |
| 2019 | Aug   | China Railway Construction                      | \$100               |            | Transport   | Rail         |
| 2019 | Nov   | China Petroleum and Chemical (Sinopec)          | \$400               |            | Energy      | Gas          |
| 2019 | Dec   | State Grid                                      | \$1100              |            | Utilities   |              |
| 2019 | Dec   | China Petroleum and Chemical (Sinopec)          | \$140               |            | Energy      |              |
| 2020 | May   | Power Construction Corp. (PowerChina)           | \$430               |            | Utilities   |              |
| 2020 | Aug   | China Petroleum and Chemical (Sinopec)          | \$1220              |            | Energy      | Oil          |
| 2021 | Jan   | State Construction Engineering                  | \$150               |            | Real estate | Construction |
| 2021 | Feb   | China Ocean Shipping (COSCO)                    | \$140               |            | Logistics   |              |
| 2021 | Feb   | China Energy Engineering                        | \$100               |            | Real estate | Construction |
| 2021 | Mar   | Zhongman Petroleum                              | \$120               |            | Energy      | Oil          |
| 2021 | Apr   | China National Off-shore Oil (CNOOC)            | \$100               |            | Energy      |              |
| 2021 | Apr   | China Energy Engineering                        | \$190               |            | Energy      | Alternative  |
| 2021 | May   | China Petroleum and Chemical (Sinopec)          | \$200               |            | Energy      |              |
| 2021 | Jun   | State Administration of Foreign Exchange (SAFE) | \$1220              |            | Energy      | Oil          |
| 2021 | Oct   | China Energy Engineering                        | \$120               |            | Energy      |              |
| 2021 | Nov   | Power Construction Corp. (PowerChina)           | \$200               |            | Utilities   |              |
| 2021 | Dec   | Power Construction Corp. (PowerChina)           | \$150               |            | Energy      | Gas          |
| 2022 | Feb   | Jinko Solar                                     | \$210               |            | Energy      | Alternative  |

|  |      |  |        |     |             |              |
|--|------|--|--------|-----|-------------|--------------|
| 2022   | Feb  | State Administration of Foreign Exchange (SAFE), China Merchants | \$4650 |     | Energy      | Gas          |
| 2022   | Feb  | State Power Investment Corporation                               | \$400  | 25% | Energy      | Alternative  |
| 2022   | Mar  | State Power Investment Corporation                               | \$180  | 40% | Energy      | Alternative  |
| 2022   | May  | Alibaba  | \$110  | 45% | Technology  |              |
| 2022   | Jun  | China Railway Construction                                       | \$960  |     | Transport   | Autos        |
| 2022   | Sept | China Petroleum and Chemical (Sinopec)                           | \$160  |     | Energy      |              |
| 2022   | Oct  | State Construction Engineering                                   | \$380  |     | Transport   | Rail         |
| 2022   | Nov  | China National Building Material                                 | \$220  |     | Real estate | Construction |
| 2022   | Nov  | China Energy Engineering   | \$880  |     | Energy      | Alternative  |
| 2022   | Dec  | China Communications Construction                                | \$430  |     | Other       | Industry     |
| 2023   | Jan  | Power Construction Corp. (PowerChina)                            | \$350  |     | Energy      | Gas          |
| 2023   | Jan  | China National Chemical Engineering                              | \$270  |     | Chemicals   |              |
| 2023   | Jan  | State Grid   | \$400  |     | Energy      |              |
| 2023   | Apr  | Sinochem   | \$140  |     | Energy      | Gas          |
| 2023   | May  | BaoWu Steel (Baosteel)   | \$440  |     | Metals      | Steel        |
| 2023   | May  | China National Off-shore Oil (CNOOC)                             | \$260  |     | Energy      | Oil          |
| 2023   | Jun  | China Petroleum and Chemical (Sinopec)                           | \$720  |     | Energy      | Oil          |
| 2023   | Jun  | Power Construction Corp. (PowerChina)                            | \$400  |     | Transport   | Shipping     |
| Author's calculation from: American Enterprise Institute (2024). Available at: <a href="https://www.aei.org/china-global-investment-tracker/">https://www.aei.org/china-global-investment-tracker/</a> (Accessed, 14/04/2024). |      |  |        |     |             |              |

Chinese investment in Egypt also grew substantially after 2017 and the country remains the second-largest recipient of inward FDI in Africa continent after South Africa (UNCTD, 2022). Some even rank it top over the past five years (Egypt Today, 2022). While other countries – notably the UK, UAE and US– outstrip China as the largest investors in Egypt, Beijing is catching up (Egypt Today, 2022), ranking sixth in 2017 (China Briefing, 2022). In particular – and similarly to the Saudi experience – Chinese investment grew significantly after the country's execution of its own Vision 2030 (ARE, 2023). Moreover, this expansion is distinguished by both increased magnitude and a wider range of investments. Between February 2017 and June 2023, China invested in nearly 20 diverse ventures spanning various sectors: agriculture, rail transportation, energy (including both oil and alternative energy), logistics, real estate construction, chemicals, and industrial sectors including textiles. Real estate construction accounts of the largest share: approximately 40.2 per cent of China's total investment in the country. Additionally, Chinese firms have allocated a significant proportion of their investment in Egypt to the energy sector (including both oil and alternative energy) which constitutes roughly 23.15 per cent of China's overall investment in the country. Furthermore, rail transportation is the third highest Chinese investments in Egypt that constitutes about 9.38 per cent of the Chinese total investment in Egypt during this period. The most substantial Chinese investment venture was by related to CSCEC, amounting to a total of US\$2.95 and \$1.92 billion respectively in the country's construction sector. Subsequently, PowerChina emerged as the second most significant Chinese investor, investing US\$1.99 billion in energy. Additionally, Aviation Industry Corporation of

China (AVIC), jointly with China Railway Engineering Corporation (CRECG), were the fourth-largest Chinese investors in Egypt's rail transportation sector, contributing to a total investment of US\$1.240 billion. Furthermore, CSCEC and Wengfu Group Company hold the fifth position among Chinese investors in Egypt's chemical sector, with a total of US\$850 million. Table 5.6 displays China's investments in Egypt's sectors for the period in question.

**Table 5.6: China's FDI in Egypt 2017-2023 (Quantity in Millions of USD).**

| Year   | Month | Investor  | Quantity in Millions | Share Size | Sector      | Subsector    |
|--|-------|---|----------------------|------------|-------------|--------------|
| 2017   | May   | China National Machinery Industry (Sinomach)              | \$400                |            | Agriculture |              |
| 2017   | Aug   | Aviation Industry Corp. (AVIC), China Railway Engineering | \$1,240              |            | Transport   | Rail         |
| 2017   | Oct   | Power Construction Corp. (PowerChina)                     | \$1,990              |            | Energy      | Oil          |
| 2018   | Jan   | Zhejiang Chint  | \$150                |            | Energy      | Alternative  |
| 2018   | Mar   | China Communications Construction                         | \$120                |            | Logistics   |              |
| 2018   | Apr   | Tebian Electric Apparatus (TBEA)                          | \$ 180               |            | Energy      | Alternative  |
| 2018   | Aug   | China National Building Material                          | \$ 180               |            | Other       | Industry     |
| 2018   | Sept  | Minmetals   | \$670                |            | Other       | Textiles     |
| 2018   | Sept  | State Construction Engineering                            | \$2,950              |            | Real estate | Construction |
| 2019   | Dec   | State Construction Engineering, Wengfu Group              | \$850                |            | Chemicals   |              |
| 2020   | Oct   | China Communications Construction                         | \$380                |            | Logistics   |              |
| 2021   | Jun   | State Construction Engineering                            | \$1,920              |            | Real estate | Construction |
| 2021   | Jun   | China National Building Material                          | \$440                |            | Real estate | Construction |
| 2021   | Aug   | Three Gorges  | \$350                |            | Energy      | Alternative  |
| 2021   | Oct   | China National Building Material                          | \$340                |            | Other       | Industry     |
| 2022   | Apr   | China Communications Construction                         | \$370                |            | Logistics   |              |
| 2022   | Jul   | China Energy Engineering                                  | \$290                |            | Energy      | Alternative  |
| 2023   | Mar   | Haier   | \$160                |            | Other       | Industry     |
| 2023   | Mar   | China Ocean Shipping (COSCO)                              | \$ 100               | 25%        | Logistics   |              |
| 2023   | Apr   | China Energy Engineering                                  | \$ 100               |            | Energy      | Alternative  |
| Author's own calculation from: American Enterprise Institute (2024). Available at: <a href="https://www.aei.org/china-global-investment-tracker/">https://www.aei.org/china-global-investment-tracker/</a> (Accessed, 14/04/2024). |       |   |                      |            |             |              |

In contrast, the relatively modest Chinese investments were, like in Saudi Arabia, generally between US\$100 and \$180 million. The top smallest Chinese investment in Egypt made by two Chinese firms were Tebian Electric Apparatus (TBEA) in alternative energy and China National Building Material (CNBM) in varied sectors, amounting of US\$180 million each asset. Also, Haier Group Corporation ranked as the second minor Chinese firm that invested in various industries, too, with a total of US\$160 million. Moreover, Zhejiang Chint Electrics emerged as the third Chinese investment in Egypt's energy alternative sector, with a sum of US\$150 million. In logistics, China Communications Construction (CCC) and China Ocean Shipping (COSCO) made investments of US\$120 million and \$100 million respectively, and CEEC also invested \$100 million in alternative energy. In short,

Chinese investment increased by 317 per cent over the period, contrasting with a notable 31 per cent decline in US investment (albeit from a higher base) at the same time, ensuring that China's relative market share continued to grow rapidly (Farid and Maher, 2023). Moreover, according to Egyptian Finance Minister Mohamed Maait, Egypt acquired around US\$28.5 billion in Chinese FDI between 2018 and 2019, making it the leading beneficiary in the Arab world, as these investments created approximately 24,000 job prospects within the country (Al-Anani, 2023). Similarly to Saudi Arabia, Egypt's Vision 2030 has also aimed to attract diverse Chinese investment throughout a broad spectrum of economic domains to form shared interests that extend beyond a conventional asymmetric, extractive relationship between a smaller, poorer country and a larger, wealthier one.

As in Saudi Arabia, China's strategic intent in Egypt is clear. But, the latter's experience is also different in certain ways. First, the Egyptian economy's structure differs: it is less developed but also more diversified and has a far larger, but relatively far poorer, population. Second, although energy and chemicals are important FDI recipients, the country's distinct needs in terms of upgrading weak infrastructure alongside the relative size of the energy sector – Egypt produces around 5 per cent of the Saudi equivalent in terms of oil, approximately 587,000 barrels per day (bpd) (Samir, 2023), in comparison to its oil production peak of 922,000 bpd in 1996 (Selim, 2007, p.13) versus over 12 million (Aramco, 2024) – help to explain the sizable share taken by real estate and rail transportation. Egypt's oil production hit a record low of 514 bpd in fiscal year (FY) 2015/16, coinciding with a decline in its natural gas production during the same period (Madi et al., 2019, p. 18). However, its target in FY 2024/25 is to increase the country's level of production up to 9 per cent to reach 637,000 bpd compared with its present daily production of approximately 580,000 bpd by attracting foreign corporations to invest roughly US\$4 billion in oil production and exploration ventures within the country over the next five years (Zawya, 2024). Third, by investing in these sectors, China also benefits from the growth opportunities as Egypt's economy flourishes, cementing a mutually beneficial partnership. Fourth, this investment has begun to make a substantial contribution to Egypt's economic expansion, especially given the political turmoil that followed the Arab Spring uprising which had a pronounced negative effect on its economy performance. In the post-Arab Spring revolution, when Morsi was in power, the country's economy experienced an additional severe crisis, which led to a change of power led by al-Sisi to restore Egypt's economy that went a different level of deep uncertainty (MacDonald, 2018). For instance, Egypt's unemployment rate was 9.2 per cent in 2009/10, in contrast with a further increase of 13.4 per cent in 2013/14 (MacDonald, 2018).

In all, FDI is critical for less-developed countries to grow and develop (Wang et al., 2022, p.1012), especially in those with shortages of capital and technology (Nguyen, 2022, p.2). Consequently, FDI deepens trade linkages (Aizenman and Noy 2004, p.14; Freund and Pierola, 2012), and results in positive wider effects on commercial relationships (Pan and Chong, 2023, p.84; Yusuf and Aras, 2023,

p.71). In this sense, nurturing those relationships with Egypt and Saudi Arabia is more significant for China than its headline FDI levels would suggest.

### *Chinese development assistance in Egypt post-2010*

As the Chinese economy expands, it extends its influence not only through trade and investment, but also through various forms of financial assistance (loans and grants) in, especially, developing countries, such that Beijing has become a prominent provider of aid and development finance (Regilme and Hodzi 2021). Indeed, in just a few decades, China has rapidly transitioned from being an aid recipient to one of the most prominent donors in the global development landscape (Regilme and Hodzi 2021). Furthermore, Kobayashi (2013) notes that, as an emerging economic superpower, China is deploying international development assistance as a deliberate mechanism to increase its global presence. This proactive stance is visible in initiatives such as BRI, the AIIB, the NDB, the South-South Cooperation Fund (SSCF), and regional forums in Asia, the Middle East, and Latin America (Qian, 2019). China's foreign aid programs are designed to accelerate the creation of stable, peaceful, and secure domestic and international environments, in line with Beijing's aspirations for national rejuvenation (Regilme and Hodzi, 2021, p.123). Moreover, because China still views itself a 'developing country' these programmes form a crucial part of its self-image as a leading state with a strong responsibility to support development elsewhere (Bishop and Zhang 2020).

Over the past two decades, China has provided record amounts of international development finance and established itself as a financier of first resort for many low- and middle-income countries (Malik et al., 2021, p.1). Chen (2020) identifies four types of China's Official Development Finance (ODF): government-funded grants and interests-free loans from the Department of Foreign Assistance in the Ministry of Commerce (MOFCOM); (3) non-concessional loans paid for and given out by policy banks (the Department of Preferential Loans of the Export-Import Bank of China (Chexim)) with some government funding. Additionally, the China Development Bank (CDB) provides commercial financing for overseas development projects alongside MOFCOM and Chexim. These tools underpin Beijing's geopolitical, diplomatic, security, and strategic objectives: concessional finance is often given to geopolitically significant countries and regions or those possessing abundant resources, as a means of achieving Beijing's non-commercial goals, whereas assessing and disbursing commercial finance is primarily market-driven, often alongside various forms of government-coordinated guarantees and collateral to sustain the credibility of borrowers and projects. This helps many developing countries to finance infrastructure projects that would otherwise suffer from a lack of fiscal capacity, unattractiveness to commercial capital, and insufficient aid or concessional lending from traditional donors. This distinctive state-supported, market-based approach has therefore



emerged as viable alternative to the existing paradigm, represent a unique opportunity for developing countries with limited access to capital to finance growth and development (Chen, 2020a, pp.441-5).

As this has intensified over the past decade, the most recent is considerably longer and more advanced than its predecessors and the first since Beijing dramatically overhauled its approach in 2018 (see Cordell, 2021). This reflects a now-decisively changed global landscape in which China has emerged as a genuinely global power: this actually began with the breakdown of the Bretton Woods system in the 1970s, which gave rise to a new era of private capital flows in international finance (Horn et al., 2021). This process simultaneously loosened tight US control over the world monetary system through the tight control of capital flows, but reinforced the medium-term position of the Dollar as the dominant global currency while also sowing the seeds of its gradual long-term relative decline alongside the emergence of new sources of capital provision, like, ultimately, China (Lu, 2022, p.1219).

As of 2017, China had become the world's largest official creditor, surpassing the World Bank and the IMF (Horn et al., 2021, p.1). Its aid to African countries varied based on three different levels of financial assistance broadly aligning with those noted above: the higher the level of development, the more commercial the terms and the greater the number of loans in the mix; the lower the level of development, the more concessional the terms on loans and the greater the proportion offered as aid (Ahmed and Zhipeng, 2023, p.102). Chinese aid assumes many different forms: technical cooperation, human resources development, medical aid, emergency humanitarian aid, overseas volunteer programmers, debt relief and financial aid (Alves, 2013, p.212). Moreover, its loans and guarantees have helped to finance large-scale investments in infrastructure, energy and mining in developing and emerging market countries, with potentially large positive effects for growth and prosperity (Dreher et al., 2017, p.167; Dreher et al., 2021, pp.10-12).

Yet, China's rise as a novel alternative financial provider has generated debate, again, broadly aligning with Sino-Pessimist, Optimist and Pragmatist accounts distilled earlier in the thesis and revisited in the Conclusion. Some see this as an opportunity for greater economic cooperation unblemished by formal political conditionality, which can benefit local economies (SA, 2, 2021; SA, 9, 2022; EG, 3, 2022; and EG, 11, 2022). Others view it as potentially destabilizing: a potential challenge to the existing aid architecture that can have negative political and economic consequences, undermining pro-market and pro-democracy reform agendas designed to increase transparency and reduce corruption, even exhibiting a neocolonial rationale when applied to much smaller, weaker states (Brautigam, 2012; and Humphrey and Michaelowa, 2019). A more pragmatic view emphasizes that, while this aid does implicitly advance Chinese strategic agendas, securing diplomatic support without the need for conditionality, Western aid has often generated negative outcomes, too, and



Beijing places a high premium on non-interference precisely because meddling in the domestic affairs of other states, however well-intentioned, can often have deeply counterproductive consequences.

From the 2010s-onwards, China's increasingly muscular financial assistance began to reach the MENA region. For Egypt – but less so Saudi Arabia due to its level of development and domestic financial capacity – this source of financing has become increasingly important. China actually offered Egypt financial assistance as early as 1965 – in the aftermath of the military attack by the UK, France, and Israel after Cairo's decision to nationalize the Suez Canal – but this was relatively small and guided purely by erstwhile foreign policy considerations (Al-Anani, 2023). In the contemporary era – especially since the Arab Spring – Chinese loans provided Egypt with 32 loans amounting to a total of US\$22.818 million, covering various economic sectors such as business and other services, industry mining and construction, energy, bank and financial services, communication, transport and storage, water supply and sanitation, general budget support, and unlocated and unspecified sectors too. The top three sectors that received the most Chinese loans were bank and financial services, industry mining and construction, and transport and storage, constituting, respectively, 67.84, 12.49, and 6.35 per cent of the total stock of loans. The smallest share of the loan book were in business and other services, communications, and water supply and sanitation, with percentages of 1.75, 1.48, and 0.21 respectively (see Table 5.7).

In 2010, CDB issued the first in a series of loans for small- and medium-sized African development enterprises (SMEs) to Egypt, with a loan worth US\$200,000, a year after the Cairo Office of China Development Bank was set up (Xinhua, 2010). Additionally, it injected US\$956 million into Egypt's central bank to help finance projects agreed upon during the third BRI summit in in October 2023 – aiming specifically at promoting further in-depth integration of the BRI and Egypt's Vision 2030 – as well as stimulating economic, trade, and financial cooperation (Hancock, 2023). Furthermore, Egypt was the first ME nation to receive loans from the AIIB: US\$210 million was announced in September 2017 to assist the construction of 11 solar power projects (Interesse, 2022). In this regard, Egypt fits into in the second of the three categories of Chinese foreign assistance to the African continent (Ahmed and Zhipeng, 2023, p.102). In general, then, Chinese financial aid has been a crucial source of support, providing Egypt with much-needed resources to help navigate often-significant economic challenges, helping to promote a degree of stability after a period of turmoil. Table 5.7 below demonstrates Chinese loans to Egypt from 2012-2021.

**Table 5.7: Chinese loans to Egypt from 2012-2021**

| Com<br>mitm<br>ent<br>Year | Status | Flow<br>Type | Sector Name | Funding<br>Agencies | Direct Receiving<br>Agencies | Adjusted Amount<br>(Constant USD<br>2021) | Adjusted Amount<br>(Nominal USD) |
|----------------------------|--------|--------------|-------------|---------------------|------------------------------|---|----------------------------------|
|----------------------------|--------|--------------|-------------|---------------------|------------------------------|---|----------------------------------|

|      |                      |      |                                |  |   |                  |                  |
|------|----------------------|------|--------------------------------|--|---|------------------|------------------|
| 2012 | Pipeline: Commitment | Loan | BUSINESS AND OTHER SERVICES    | China Development Bank (CDB)                   | National Bank of Egypt                                  | 234,824,711.59   | 200,000,000      |
| 2012 | Completion           | Loan | INDUSTRY, MINING, CONSTRUCTION | Export-Import Bank of China (China Eximbank)   | Jushi Egypt for Fiberglass Industry S.A.E (Jushi Egypt) | 65,750,919.24    | 56,000,000       |
| 2012 | Completion           | Loan | INDUSTRY, MINING, CONSTRUCTION | China Development Bank (CDB)                   | Jushi Egypt for Fiberglass Industry S.A.E (Jushi Egypt) | 183,163,275.04   | 156,000,000      |
| 2015 | Implementation       | Loan | BUSINESS AND OTHER SERVICES    | China Development Bank (CDB)                   | National Bank of Egypt                                  | 112,227,556.96   | 100,000,000      |
| 2016 | Pipeline: Commitment | Loan | BUSINESS AND OTHER SERVICES    | China Development Bank (CDB)                   | Banque Misr   | 118,080,450.84   | 100,000,000      |
| 2016 | Implementation       | Loan | GENERAL BUDGET SUPPORT         | China Development Bank (CDB)                   | Central Bank of Egypt                                   | 1,180,804,508.35 | 1,000,000,000    |
| 2016 | Completion           | Loan | OTHER MULTISECTOR              | China Development Bank (CDB)                   | National Bank of Egypt                                  | 826,563,155.85   | 700,000,000      |
| 2017 | Completion           | Loan | ENERGY                         | Export-Import Bank of China (China Eximbank)   | Egypt Electricity Transmission Company                  | 264,472,323.78   | 229,509,300      |
| 2017 | Completion           | Loan | ENERGY                         | Industrial and Commercial Bank of China (ICBC) | Alcom Energy JSC  | 80,663,670.99    | 70,000,000       |
| 2017 | Completion           | Loan | ENERGY                         | China Development Bank (CDB)                   | Egypt Electricity Transmission Company                  | 266,190,114.27   | 231,000,000      |
| 2017 | Completion           | Loan | BANKING AND FINANCIAL SERVICES | China Development Bank (CDB)                   | Société Arabe Internationale de Banque (SAIB Bank)      | 46,093,526.28    | 40,000,000       |
| 2017 | Pipeline: Commitment | Loan | INDUSTRY, MINING, CONSTRUCTION | China Development Bank (CDB)                   | Société Arabe Internationale de Banque (SAIB Bank)      | 44,337,446.67    | 38,476,072.67    |
| 2017 | Pipeline: Commitment | Loan | BANKING AND FINANCIAL SERVICES | China Development Bank (CDB)                   | Banque Misr   | 576,169,078.51   | 500,000,000      |
| 2017 | Pipeline: Commitment | Loan | COMMUNICATIONS                 | Industrial and Commercial Bank of China (ICBC) | Banque Misr   | 115,233,815.7    | 100,000,000      |
| 2017 | Completion           | Loan | BANKING AND FINANCIAL SERVICES | People's Bank of China (PBC)                   | Central Bank of Egypt                                   | 3,069,515,538.57 | 2,663,728,107.72 |
| 2017 | Completion           | Loan | ENERGY                         | Bank of China (BOC)                            | Egypt Electricity Transmission Company                  | 264,472,323.78   | 229,509,300      |
| 2018 | Implementation       | Loan | TRANSPORT AND STORAGE          | Export-Import Bank of China (China Eximbank)   | Government of Egypt                                     | 758,660,392.03   | 696,114,664.89   |

|  |                      |      |                                |  |   |                     |                     |
|--|----------------------|------|--------------------------------|--|---|---------------------|---------------------|
| 2018   | Pipeline: Commitment | Loan | UNALLOCATED /UNSPECIFIED       | China Development Bank (CDB)                   | National Bank of Egypt  | 653,909,848.73      | 600,000,000         |
| 2018   | Implementation       | Loan | TRANSPORT AND STORAGE          | China Ministry of Commerce                     | Egyptian National Authority for Tunnels   | 57,674,008.95       | 52,919,229.52       |
| 2018   | Pipeline: Commitment | Loan | COMMUNICATIONS                 | Bank of China (BOC)                            | Huawei Technologies Co., Ltd. Telecom Egypt   | 217,969,949.58      | 200,000,000         |
| 2018   | Completion           | Loan | BANKING AND FINANCIAL SERVICES | People's Bank of China (PBC)                   | Central Bank of Egypt   | 2,966,091,888.89785 | 2,721,560,375.33721 |
| 2018   | Implementation       | Loan | BANKING AND FINANCIAL SERVICES | China Development Bank (CDB)                   | Central Bank of Egypt   | 1,153,480,179.01    | 1,058,384,590.41    |
| 2018   | Implementation       | Loan | WATER SUPPLY AND SANITATION    | People's Bank of China (PBC)                   | Africa Growing Together Fund (AGTF)   | 54,492,487.39       | 50,000,000          |
| 2018   | Completion           | Loan | COMMUNICATIONS                 | Industrial and Commercial Bank of China (ICBC) | Telecom Egypt   | 41,917,298.58       | 38,461,539          |
| 2019   | Implementation       | Loan | TRANSPORT AND STORAGE          | Export-Import Bank of China (China Eximbank)   | Egyptian National Authority for Tunnels   | 517,963,286.25      | 461,000,000         |
| 2019   | Implementation       | Loan | INDUSTRY, MINING, CONSTRUCTION | Industrial and Commercial Bank of China (ICBC) | Ministry of Housing, Utilities & Urban Communities (Egypt) New Urban Communities Authority (NUCA) | 2,921,267,991.88    | 2,600,000,000       |
| 2019   | Completion           | Loan | BANKING AND FINANCIAL SERVICES | People's Bank of China (PBC)                   | Central Bank of Egypt   | 2,945,160,277.2929  | 2,621,264,718.69137 |
| 2020   | Completion           | Loan | BANKING AND FINANCIAL SERVICES | People's Bank of China (PBC)                   | Central Bank of Egypt   | 2,913,487,832.31495 | 2,608,695,652.17391 |
| 2021   | Completion           | Loan | BANKING AND FINANCIAL SERVICES | People's Bank of China (PBC)                   | Central Bank of Egypt   | 2790697674.4186     | 2,790,697,674.4186  |
| 2021   | Pipeline: Commitment | Loan | UNALLOCATED /UNSPECIFIED       | China Development Bank (CDB)                   | Banque Misr   | 250,000,000         | 250,000,000         |
| 2021   | Pipeline: Commitment | Loan | UNALLOCATED /UNSPECIFIED       | China Development Bank (CDB)                   | National Bank of Egypt  | 600,000,00          | 600,000,00          |
| 2021   | Pipeline: Commitment | Loan | BANKING AND FINANCIAL SERVICES | Industrial and Commercial Bank of China (ICBC) | Banque Misr   | 45,454,545.45       | 45,454,545.45       |
| Author's own calculation from: American Enterprise Institute (2024). at: <a href="https://www.aei.org/china-global-investment-tracker/">https://www.aei.org/china-global-investment-tracker/</a> (Accessed, 14/04/2024). |                      |      |                                |  |   |                     |                     |

At the same time, Egypt's influence *within* the MENA region may be enhanced by its deepening relationship with China. As Beijing's footprint has grown, Cairo has become an important strategic partner because it straddles three different overlapping sub-regions: it is at once Arab, Middle Eastern and African, with a unique place within the wider geopolitical space. Moreover, Chinese financial assistance since 2010 has also come in the form of aid, with grants to various sectors: trade policies and regulation, education, government and civil society, social infrastructure and services, communication, energy, industry, mining and construction, health, and other multi-sector with a total of 30 grants projects valued at US\$317 million in total. Thus, aiming to obtain further financial resources in the form of loans and grants to support its economic development, Egypt has had significant influence in engaging with China to construct mutually beneficial interests. Table 5.8 shows their composition for the period in question.

**Table 5.8: China's grants to Egypt post- 2011 to 2021**

| Com<br>mitm<br>ent<br>Year | Status                  | Flow<br>Type | Sector Name                                       | Funding<br>Agencies   | Direct Receiving<br>Agencies  | Adjusted<br>Amount<br>(Constant USD<br>2021) | Adjusted<br>Amount<br>(Nominal<br>USD) |
|----------------------------|-------------------------|--------------|---|---|---|--|--|
| 2011                       | Completion              | Grant        | TRADE<br>POLICIES<br>AND<br>REGULATION<br>S       | China<br>Ministry of<br>Commerce                              | Egyptian Customs<br>Authority   | NA   | NA                                     |
| 2011                       | Completion              | Grant        | EDUCATION   | China<br>Ministry of<br>Commerce                              | Government of<br>Egypt  | 95,124.84                                    | 77,344.8                               |
| 2011                       | Completion              | Grant        | GOVERNMENT AND CIVIL<br>SOCIETY                   | China<br>Ministry of<br>Commerce                              | Ministry of Interior<br>(Egypt)   | 16,553,089.65                                | 13,459,107.56                          |
| 2012                       | Pipeline:<br>Commitment | Grant        | GOVERNMENT AND CIVIL<br>SOCIETY                   | China<br>Ministry of<br>Commerce                              | Egyptian Ministry<br>of Interior  | NA   | NA                                     |
| 2012                       | Pipeline:<br>Commitment | Grant        | OTHER<br>SOCIAL<br>INFRASTRUCTURE AND<br>SERVICES | China<br>Ministry of<br>Commerce                              | Luxor Governorate   | 5,955,644.87                                 | 5,072,417.49                           |
| 2014                       | Completion              | Grant        | EDUCATION   | Hanban<br>(Confucius<br>Institute<br>Headquarters)            | Cairo University  | NA   | NA                                     |
| 2015                       | Pipeline:<br>Commitment | Grant        | COMMUNICATIONS                                    | China<br>Ministry of<br>Commerce                              | National Authority<br>for Remote Sensing<br>and Space Sciences<br>(Egypt) | 5,356,618.24                                 | 4,772,997.28                           |
| 2016                       | Completion              | Grant        | ENERGY  | National<br>Development<br>and Reform<br>Commission<br>(NDRC) | Ministry of<br>Environment<br>(Egypt)                                     | 3,553,928.03                                 | 3,009,751.41                           |

|      |                      |  |  |   |   |               |               |
|------|----------------------|--|--|---|---|---------------|---------------|
| 2016 | Pipeline: Commitment | Grant  | COMMUNICATIONS                           | China Ministry of Commerce  | Government of Egypt   | 14,038,015.74 | 11,888,518.07 |
| 2016 | Completion           | Grant  | OTHER MULTISECTOR                        | China Ministry of Commerce  | Government of Egypt   | 35,539,280.34 | 30,097,514.1  |
| 2017 | Implementation       | Grant  | INDUSTRY, MINING, CONSTRUCTION           | China Ministry of Commerce  | Government of Egypt   | 24,897,181.59 | 21,605,794.65 |
| 2017 | Completion           | Grant  | INDUSTRY, MINING, CONSTRUCTION           | China Ministry of Commerce  | National Authority for Remote Sensing and Space (NARSS) (Egypt)   | 24,897,181.59 | 21,605,794.65 |
| 2017 | Completion           | Grant  | COMMUNICATIONS                           | China Ministry of Commerce  | National Authority for Remote Sensing and Space (NARSS) (Egypt)   | NA            | NA            |
| 2017 | Completion           | Grant  | HEALTH                                   | Unspecified Chinese Government Institution  |   | 115,233.82    | 100,000       |
| 2018 | Completion           | Grant  | COMMUNICATIONS                           | China Ministry of Commerce  | National Authority for Remote Sensing and Space (NARSS) (Egypt)   | 49,434,864.81 | 45,359,339.59 |
| 2019 | Completion           | Grant  | OTHER MULTISECTOR                        | China International Development Cooperation Agency (CIDCA) China Ministry of Commerce | National Authority for Remote Sensing and Space (NARSS) (Egypt)   | 80,550,133.58 | 71,691,590.06 |
| 2019 | Completion           | Scholarships/training in the donor country / Grant | EDUCATION                                | Unspecified Chinese Government Institution  | Government of Egypt   | NA            | NA            |
| 2019 | Pipeline: Commitment | Grant  | EDUCATION                                | Unspecified Chinese Government Institution  | Egyptian Ministry of Higher Education Egyptian Ministry of Investment and International Cooperation and Suez Canal University | 10,815,283.02 | 9,625,866.55  |
| 2019 | Completion           | Grant  | OTHER SOCIAL INFRASTRUCTURE AND SERVICES | China State Construction Engineering Corporation (CSCEC)                              | Dar Al-Orman Charitable Association   | NA            | NA            |
| 2020 | Completion           | Grant  | HEALTH                                   | Government of Xinjiang Uyghur   | Egyptian Ministry of Higher Education and Scientific Research   | 90,798.85     | 81,300        |

|  |                      |       |        |  |   |              |              |
|--|----------------------|-------|--------|--|---|--------------|--------------|
|  |                      |       |        | Autonomous Region, China                                 |   |              |              |
| 2020   | Completion           | Grant | HEALTH | Unspecified Chinese Government Institution               | Egyptian Ministry of Health and Population                    | NA           | NA           |
| 2020   | Completion           | Grant | HEALTH | Unspecified Chinese Government Institution               | Egyptian Ministry of Health and Population                    | 83,762.78    | 75,000       |
| 2020   | Completion           | Grant | HEALTH | Unspecified Chinese Government Institution               | Unspecified Egyptian Government Agency                        | 133,238.65   | 119,300      |
| 2020   | Completion           | Grant | HEALTH | Chinese Embassy  | Egyptian Ministry of Higher Education and Scientific Research | 2,432.92     | 2,178.4      |
| 2020   | Completion           | Grant | HEALTH | Chinese Embassy  | Egypt Ministry of Education and Technical Education           | 36,297.2     | 32,500       |
| 2020   | Completion           | Grant | HEALTH | Unspecified Chinese Government Institution               | Egyptian Ministry of Health and Population                    | 40,26,547.07 | 3,605,313.09 |
| 2020   | Completion           | Grant | HEALTH | China State Construction Engineering Corporation (CSCEC) | Government of Egypt   | 918,335.3    | 822,264.39   |
| 2020   | Pipeline: Commitment | Grant | HEALTH | Unspecified Chinese Government Institution               | World Health Organization (WHO)                               | 543,084.33   | 486,270      |
| 2021   | Completion           | Grant | HEALTH | China Ministry of Commerce                               | Government of Egypt   | 33,000,000   | 33,000,000   |
| 2021   | Completion           | Grant | HEALTH | Unspecified Chinese Government Institution               | Government of Egypt   | 5,400,000    | 5,400,000    |
| 2021   | Completion           | Grant | HEALTH | Unspecified Chinese Government Institution               | Government of Egypt   | 36,000,000   | 36,000,000   |
| Author's own calculation from: American Enterprise Institute (2024). Available at: <a href="https://www.aei.org/china-global-investment-tracker/">https://www.aei.org/china-global-investment-tracker/</a> (Accessed, 14/04/2024). |                      |       |        |  |   |              |              |

So, the Egypt-China relationship is one that is now marked by complex interdependence, something likely to intensify – with greater political synergies – due to the conscious alignment of Egypt's Vision 2030 sustainable development plan and the BRI (el-Shafei and Metawe, 2022). In sum, then, Chinese financial assistance to Egypt increased markedly post-2010, alongside growing trade and investment. This has assisted Egypt in overcoming some of its political, economic, and health challenges, and promoting a new development trajectory based on infrastructure upgrading (EG, 5,

2022; EG, 3, 2022). In fact, there is a strong correlation between Chinese aid and Egypt's industrial value: for every increase of US\$100 million in the former, the latter increases by US\$298 million on average (Amed and Zhipeng, 2023, p.105). Overall, Chinese assistance has played an instrumental role in funding 62 Egyptian economic projects in infrastructure, transportation, energy, and telecommunication, education and other ventures, positively supporting its developmental progress. Consequently, foreign aid has been effectively deployed by China as a tool of diplomacy, helping to secure geopolitical influence and pursue long-run strategic goals (Regilme and Hodzi, 2021, p.124).

## **5.2 Non-traditional Economic Cooperation**

Energy resources have evidently shaped Middle Eastern geopolitics and political economies, more so in Saudi Arabia than almost anywhere else (Abbas et al., 2020, p.115). They remain essential commodity resources and critical mediators in all sector production, and, despite their environmental costs, they have substantially contributed to development in industrialised and developing countries in recent decades (Azam et al., 2023, p.1; Mondal et al., 2019, p.1064). Saudi Arabia is the world's third-highest crude oil and condensate producer, the world's top crude oil exporter, and the Organization of Petroleum Exporting Countries' (OPEC) top crude oil producer in 2022 (Statistical Review of World Energy, 2023). Its undiversified domestic energy system has long been dependent on just oil and natural gas, making it the largest oil consumer regionally and the fourth largest worldwide in 2020 (Aldhubaib, 2022, p.2). By 2030, Saudi Arabia's current pace of oil use will run close to its exports, reaching approximately nine million gallons of petroleum per day (Fawkes et al., 2017; Gately et al., 2012, p.64).

Egypt's energy picture, by contrast, is complex. On the one hand, it is Africa's fifth-largest oil producer (African Union, n/d), even though Egypt is not a member of the OPEC group (Moharram et al., 2022, p.165). It is also the third-largest source of natural gas on the continent and a large portion of its natural gas use to power Egypt's electricity plants (Abbas et al., 2020, pp.111-3). Egypt's economic progress is also closely dependent on the energy sector, which accounts for 13.1 per cent of its total GDP (Informa Markets, 2022). Yet, Egypt's global production is not significant; it is 25th and contributes slightly less than 1 per cent of daily global consumption; its crude oil reserves are roughly 4.5 billion barrels, and it is declining with an estimate that Egypt by 2030 will have approximately 1.5 billion barrels of oil reserves left (Mondal et al., 2019, p. 1063; Abdallah and El-Shennawy, 2020, p.48). Egypt also became a net importer of oil and gas in 2009/2010 and 2015, respectively, and it is experiencing challenges due to the deficiency of oil exploitation fields (Abdollah et al., 2021, p.1; Mahmoud et al., 2020, p.61).



In 2015, Egypt was propelled to work to turn its natural exports towards its internal market instead of exporting them, in addition to relying on liquefied natural gas imports to fill the internal consumption gap (Abbas et al., 2020, p.109). Egypt therefore faces a conundrum: the increasing local demand for energy caused its population growth; the country's experience of multiple electricity outages since 2011; and the estimate of its oil reserve that might be worn out within the following 15 years, made the country address these challenges by altering its path towards energy transitions for sustainability resources (Salah et al., 2022, p.1; Kelly, 2020, p.511) - something that reflects Egypt's lower level of development overall.

### *Alternative Energy and the push towards Net Zero*

However, as global warming intensifies, it necessitates increasingly radical mitigation and adaptation policy (see, inter alia: Hilmiet al., 2020; Liu et al., 2023, p.1; Alharbi and Csala, 2020). High levels of greenhouse gas (GHG) emissions, primarily CO<sub>2</sub>, derive directly from fossil fuel burning and deforestation (Aslan et al., 2021; Raihan, 2024; 2023; Raihan and Tuspekova, 2022; Hepburn and Bowen, 2013). In its *Statistical Review of World Energy*, British Petroleum (2021) noted that global energy consumption reached 557.10 exajoules in 2020, of which fossil fuel consumption accounted for 83.15 per cent. Since all countries have committed to ambitious decarbonization agendas – especially since the Paris Agreement in 2015 – oil-producers, like Saudi Arabia and Egypt have sought to pursue new development pathways in alternative energy sources, such as renewables.

However, this is a process fraught with risk. Internationally, demand for fossil fuels remains high, reinforcing extractive development processes in both countries, but especially so Saudi Arabia, while also exposing them to a potentially sudden downside risk as decarbonization gathers pace. Domestically, the creation of low-carbon economies is difficult everywhere, but especially so in fossil fuel exporters (Hilmiet al., 2020). Ironically, dramatically fluctuating energy prices lead to sharp changes in inflows of rents, making it difficult to redeploy them to low-carbon sectors in a context of relative fossil fuel abundance: Saudi Arabia, especially, has had to grapple with this challenge continually since at least the 2008 GFC (Abdelbaki, 2010, p.140). Moreover, both countries face difficult domestic contexts that reinforce carbon-intensive development: dramatic population growth from 33.48 million (in 2024) to reach 36.96 million by 2029 (O'Neill, 2024a) and 107.78 million (in 2024) to 119 million in Egypt by 2029 (O'Neill, 2024b) and related rising demand for energy (Abbas et al., 2020, pp.111-3), by working to achieve two objectives in terms of increasing the attending welfare of its population and simultaneously improving the long-term viability resources for next generations (Belaïd, 2023, p.27; Ghanem and Alamri, 2023, p.36; Aldhubaib, 2022, p.1); industrial expansion of various economic segments, which depend on energy contributions (Amran et al, 2020, p.2); urbanization expansions (Abubakar and Dano, 2020, p, 5146); continued entrenchment of



subsidized energy prices and tariffs set in law (Aldubyan and Gasim, 2021, p.1; Hasan et al., 2020, p.9 and p.27), in part to maintain social cohesion and order with memories of 2010 still fresh; the Saudi commitment to extend homeownership to 70 per cent of citizens by 2030 (KSA, 2018).

The combination of these factors demonstrates why energy diversification is vital, but also difficult: both countries encounter considerable challenges in achieving sustainable growth and adjusting to low-carbon development pathways while remaining dependent on fossil fuels for export and consumption; in turn, this satiation raises concern about the relationship between environmental preservation and economic growth (Agboola et al., 2021, p.4; Raihan et al., 2023, p.2). However, Egypt and Saudi Arabia, among other worldwide countries, have ratified the Paris Agreement of 2015, which highlights the urgent need to boost power generation and improve energy efficiency in the face of climate change threats (Belaïd and Massié, 2023, p.1). Both countries have committed to decreasing their emissions. Egypt aims to lower its electricity, oil, gas, and transportation emissions sectors by 37, 56, and 7 per cent, respectively, by 2030 (ARE, 2023, pp.12-6). After ratifying the 2015 Paris Agreement, Saudi Arabia also has implemented several strategies and programmes to lessen its ecological footprint and gradually move towards a carbon-neutral economy by 2060 (Belaïd and Massié, 2023, p.14). So, Egypt and Saudi Arabia have been working to decrease their emissions and diversify their energy mix.

Nonetheless, both countries have sought to align the objectives in their respective Visions 2030 with their intensified economic cooperation with China, employing both traditional and non-traditional economic collaboration methods to attain their Visions 2030 objectives. In this sense, diversifying their economic engagement and incorporating their Vision 2030 into China's BRI as an external structure underscores the importance of Egypt and Saudi Arabia exercising their agential power by interacting with China to form mutual interests represented by this sort of nascent regionalism process. As noted, much of Egypt's investment and trade has focused on infrastructure upgrading and construction, but Saudi Arabia has energetically pursued economic connections in emerging sectors such as green energy, space, and satellite industries, high-tech, and the digital economy. It has also made significant progress towards energy transition by unlocking alternative energy sources beyond fossil fuels, both in terms of local consumption and new export potential, driven by Vision 2030's concern with the country's post-oil existence.

Saudi Arabia has not just abundant natural resources, such as oil and natural gas production, but is both in various clean energies, such as solar, wind, and geothermal heat (Tlili, 2014, pp. 860). The country is also rich in terms of mineral resources (SPA, 2024b), which is regarded as critical for the tradition towards green energy, such as cobalt, lithium and nickel, among other (Samargandi et al., 2024, p. 47). It has 267,192 (million barrels) of oil crude reserves and 9,514 (billion cu.m) of natural

gas reserves (OPEC, 2024). Saudi Arabia's mineral resources are estimated to be worth USD 2.5 trillion, vital for current Saudi economic diversification, away from relying on the oil sector (SPA, 2024b). Thus, Saudi Arabia relies on fossil energies to produce electricity to meet the growing demand for its domestic needs, driven by increasing population growth, to feed its growing economy in the development and industrial sectors and to enhance its population's well-being (Al-Ali et al., 2022, p.9).

Egypt is also rich in terms of renewable energy production potential, specifically wind and solar (U.S. Energy Information Administration, 2022). Both are seeking to pursue 'green growth' rather than 'no growth' (Hepburn and Bowen, 2013, p.21), with a gradual shift to renewable energy envisaged as helping to achieve economic development objectives in a more ecological way. In fact, many countries throughout the MENA region have sought to improve local value output by establishing renewable energy initiatives to attain fuel switching (Al-Ali et al., 2022, p.3). Saudi Arabia has made significant efforts to encourage energy efficiency in various sectors, with a particular focus on the building sector (Almushaikh and Almasri, 2021, p.1457). In addition, Furthermore, the Saudi Energy Efficiency Centre (SEEC) implemented various small-scale initiatives, such as campaigns, exhibits, courses for college students, brochures and banners, and cultural, sporting, and visual activities in educational institutions, to increase local knowledge about enhancing energy use (Nahiduzzaman et al., 2018, p.999). The government has also implemented subsidy reform plans, increasing domestic energy tariffs by 250 per cent, alongside reform plans for the power sector, including the starter of initiatives for renewable resources (Alharbi and Csala, 2020, p.211989).

Moreover, and in line with its Vision 2030, Saudi Arabia has championed the development of Circular Carbon Economy (CCE) as means to both promote growth and reduce emissions, using its G20 presidency to win international endorsement for the concept (KSA, 2024, p.ii). Domestically, the Saudi Green Initiative (SGI) aims to implement a strategy for growing 450 million plants and bringing back 8 million acres of damaged land by 2030, seeking to reduce carbon dioxide emissions by a stunning 200 million metric tonnes to attain its goal of reaching net zero through its CCE (KSA, 2021). It also aims to produce 50 per cent of the country's energy from renewable sources by 2030 (see KSA, 2016). As Chen (2016) argues, despite being the top global oil producer and supplier, Saudi Arabia needs to strategically diversify its resources structure and incorporate alternative energy sources for various reasons: to augment the quality of oil allocated for export rather than local usage; to enhance the long-term reliability of domestic electricity supply, particularly as decarbonization gathers pace and demand grows; to facilitate and benefit from flexible production changes in the global oil market; and to deploy its other substantial natural and financial resources to develop new industries based on wind, solar and even nuclear energy (Chen, 2016, p.54).

In light of the recent developments regarding renewable energy generation, which have shown distinction over the traditional thermal energy generation pattern in recent years, many regions of the world, including the Middle East, have sought to benefit from this for three reasons (Kelly, 2020, pp. 510-11). Initially, continued reductions in expenses for established, mature fundamental technologies such as solar PV and wind energy have raised the financial viability of these projects. Secondly, concerning storage, this has brought about a shift towards the use of electrochemical batteries to store renewable energy, which has revolutionized the possibility of integrating renewable energy sources into power grids, with the advantage of creating a flexible power system that is controllable when needed compared to relying on an inflexible baseload. Lastly, the mix of several particular varieties of factors, such as material, socioeconomic, and political, characterises the region's countries regarding access to distinguished alternative energy abundances in contrast to other countries, and the region's government acknowledged the benefits of utilising these available opportunities (Kelly, 2020, pp. 510-11).

According to Al-Ali et al (2022), Saudi Arabia, thus, has recognised the crucial role of wind and solar supply chain sectors that requires localizing them in the near, medium and the long-run benefits. This strategic move is part of its continuous endeavour to broaden its energy mix and safeguard its economy from external disruptions. Nevertheless, developing safe and reliable supply networks presents many challenges, from providing upstream raw material resource availability to final product manufacturing for wind and solar technology deployment. These challenges stem from limitations on upstream materials, disruptions in global trade, and insufficient support for the industrial ecosystem. Moreover, they emphasise that various prominent initiatives are currently under development at various phases, such as the Sudair solar photovoltaic (PV) plant, which is set to become the biggest of its kind with a contracted capacity of 1500 MW; the Hinakiyah project, which is pioneering the first hybrid Concentrated Solar Power (CSP) PV plan and the world's most extensive battery storage capability (1 GWh) in the Red Sea Project; and the NEOM project, which aims for a completely renewable energy supply (Al-Ali et al., 2022, pp.2-5). Regarding the Sudair solar facility, located north of Riyadh and being developed by ACWA, will, once completed, provide electricity to approximately 185,000 households (U.S. Department of Commerce, 2021).

Also, the Public Investment Fund (PIF) of Saudi Arabia has committed to investing a substantial UD\$45 billion in a tech fund headed by SoftBank; besides, both entities are teaming with different stakeholders on various extensive schemes in the solar industry, each worth billions of UD\$ (Reuters, 2018). Alotaibi et al. (2020), state that Saudi Arabia has set plans to install 27.3 GW of renewable energy. Of this amount, 20 GW will come from solar PV sources, while wind and CSP will contribute 7.3 GW (Alotaibi, et al., 2020, p. 2). It is also aiming to hit 27.3 GW by 2024 (Islam and Ali, 2024, p.2). Furthermore, in 2018, Saudi Arabia PIF and Softbank unveiled an ambitious 12-year strategic

plan to construct a massive 150 GW-200 GW of solar energy by 2030 (Gulf Research Center, 2022, p.8).

Egypt has also recently adopted a strategy to broaden its energy sources: the Integrated Sustainable Energy Strategy (ISES) aims to provide not only the security and stability of energy supplies from interruptions by implementing programs related to improving renewable energy and raising the level of efficiency of its use but also the aspect of maintaining and rehabilitating the power sector efficiently (International Renewable Energy Agency, 2018, p. 1). The government has promoted energy diversification, especially utilisation of renewable sources and alternative ecological energies, to address increasing energy demand (Moharram et al., 2022, pp.165-6). It has set a target of achieving a 42 per cent share of renewable energy in its mix by 2030 by identifying a vast prospective area for implementing solar and wind energy projects, with a potential capacity for producing 90 GW (Al-Ali et al., 2022, p.5). Egypt has been also actively seeking to establish itself as a leading hub for renewable energy in the MAEA and Europe regions through the enhancement and expansion of its transmission-connected, which aligns with the Ministry of Electricity and Renewable Energy's ISES 2035 (Oxford Business Group, 2022). It has also signed seven MoUs with global developers, opening the door to US\$40 billion in investment in green hydrogen and renewable technology over the next ten years (Reuters, 2024).

So, where does China fit into this unfolding picture? Both Saudi Arabia and Egypt view Chinese capital, technology and expertise as vital in facilitating the pace, timing, scale and quality of their energy transitions (SA, 1, 2021; SA, 5, 2022; EG,1, 2022; EG, 5, 2022). First, China is a genuine pioneer in renewables (see Matthews, 2017). For instance, China implemented its first wind plant in 2012, producing 75,324 MW of wind power capacity, notably higher than the US's wind capability achievement of 60,007 MW (Tlili, 2014, pp.874-5). Moreover, China's 14th FY strategy on renewable energy development (2021-2025), which was established in June 2022, introduced a further expansion of its renewable energy by targeting to achieve a 50 per cent expansion in renewable energy production '(from 2.2 trillion kWh in 2020 to 3.3 trillion kWh in 2025), establishes a 2025 renewable electricity consumption share of 33 percent (up from 28.8 percent in 2020),' and mandates that 50 per cent of China's total electricity and energy use be sourced from renewables between 2021 and 2025 (Feng et al., 2022). Second, China and its corporations are significantly contributing to the energy shift globally, mainly due to their noteworthy role in renewable supply networks, where they play a crucial role in producing essential elements of wind, solar, and storage schemes (Al-Sulayman and Alterman, 2023, p.1). Thus, China has become a vital player in the international market for producing and shipping solar, wind, and atomic generation innovations and related services (Chen, 2016). Third, in contrast to parts of the Global South, China has received a highly positive reception in the Middle East as its firms have expanded beyond their typical positions as providers of renewable energy parts

to become investors and projector creators, thereby establishing stronger economic connections (Al-Sulayman and Alterman, 2022, p.1). Fourth, and perhaps most importantly, China's approach to sharing its cutting-edge technologies in the renewables sector with other countries, without any specific conditions, sets it apart from other nations (SA, 9, 2022; SA, 5, 2022; EG, 6, 2022). This partly explains why Saudi Arabia and Egypt have embraced it, forging cooperative relationships and exploiting their own resources and technical conditions to implement advanced Chinese technology (Chen, 2020b, pp.511-2).

In 2010, Saudi Arabia established the King Abdullah City for Atomic and Renewable Energy (KACARE) to leverage the country's green energy resources (Tlili, 2014, p.873). Thus, in line with the vision, KACARE supervises the country's tasks and efforts regarding alternative energy resources, ensuring that by 2032, half of Saudi Arabia's total electricity use will come from green energy (Gulf Research Center, 2022, p.8). By utilising the availability of sun energy is sufficient for producing 12.425 TWh of electricity power, which gives the country roughly 72 years of sustainable energy (Saleem and Ali, 2016, p.2).

By contrast, Egypt implemented its inaugural energy scheme as early as 1982 to produce 5 percent of its electricity power from renewable resources by 2000 (Ibrahiem, 2022, p.2). Yet in recent years, both have forged a new era of collaboration with China in this area, resulting in the formation of local and regional partnerships. Saudi Arabia's recent initiatives, such as the NEOM, Red Sea, and Line projects, emphasize renewable energy and advanced technologies use (Eltamaly, 2023, p.33; Chalastani et al., 2020, p.1; Al-sayed et al., 2022, p.15).<sup>11</sup> Furthermore, Saudi Arabia intends to strengthen its household uranium resources to ensure its capability to finalise 'the entire nuclear fuel cycle,' which is expected to involve the construction of 16 nuclear reactors over the next two or three decades at an evaluated cost surpassing USD\$ 80 billion, as it seeks to accomplish this goal through global partnerships, including collaboration with Chinese corporations (Caggiano, 2023). These investments are vital to support diversification into a post-oil world. In this aspect of leveraging the significant potential of renewable energy production through substantial investments in solar and wind energy, for example, Egypt and Saudi Arabia have been actively engaging with China for generating mutually beneficial shared interests.

#### *Digital economy of smart manufacturing and smart cities*

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<sup>11</sup> NEOM City, a recently launched metropolis in northwest Saudi Arabia, in the Aqaba Gulf area, is a crucial element of the Saudi government's Vision 2030 that desires to become a mark of a futuristic city entirely run on renewable energy resources (see Eltamaly, 2023). The Red Sea is a development comprising 28,00 km<sup>2</sup> along Saudi Arabia's western coastline, which intends to evolve into a sustainable luxury tourism destination using renewable energy (see Chalastani et al., 2020). The Line City is a futuristic metropolis that expects to preserve 100 per cent of natural life by relying totally on natural energy without using automobiles (see Al-sayed et al., 2022).

The gap in digital and technological capabilities between information-rich and industrialized economies and information-poor developing nations endures (Alonso et al., 2020). But, as the economic space becomes increasingly centered on digital exchanges and ever-growing volumes of data, the actual and virtual worlds effectively merge with each other (Aidrous et al., 2021). This potentially provides prospects for less-developed countries to utilize new opportunities to ascend international value chains in emergent digital sectors (Dollar, 2017b; Aliu and Oke, 2023, p.424-5). These are spaces where actors can determine, choose, filter, maintain, and manipulate big (and small) data to model, recognise and achieve efficient utilisation and revitalisation of resources towards a high level of economic growth (Shu and Yu, 2022, p.343). The emergence of the digital economy – a byproduct of ‘the fourth industrial revolution’ – has played a crucial role in driving global economic transformation, taking up an increasing share (albeit still usually a single-digit figure) of GDP in many Middle Eastern countries (Aboul-Dahab, 2021, pp.58-64). As they seek to diversify, the imperative of digitalization came to be rendered more urgent by the response to the COVID-19 pandemic: states have improved strategy support, expanded e-infrastructure, created more favorable business environments, and accelerated attempts at data-driven transformation (Shu and Yu, 2022, p.343). Saudi Arabia and other GCC states have given greater importance to what they see as the twin development of the digital economy and the aforementioned green economy in the period following the pandemic (Niu and Wang, 2023, p.23). Egypt has also undertaken initiatives to bolster its digital infrastructure and information technology capacity.

Nevertheless, bridging gaps in the requisite technologies necessitates expanded cooperation with advanced states. China is evidently central to this process from the perspective of Cairo and Riyadh. Not only are China’s digital capabilities growing rapidly, but its firms are seen to be shaping global technology markets, underpinning its growing influence as economic and geopolitical power transformation into the Indo-Pacific (Okano-Heijmans and Vosse, 2021, pp.2-4). The increasing scientific and technological partnership between China and Egypt and Saudi Arabia is evident through heightened collaboration, training, investment, and transformation. In the Saudi case, these have grown rapidly in scope and depth since the mid-2010s, owing to numerous reciprocal visits between government officials (Alahmad et al., 2023, p.9). So, the intensification of partnerships with China in new economic sectors, such as the digital economy and green economy, as well as other sectors like AI, represent critical examples of how Egypt and Saudi Arabia have sought not only to engage with and benefit from Chinese support, but to reshape it to serve their own economic developmental and diversification agendas. This has led to far deeper patterns of economic engagement that might otherwise have been the case. They have consciously sought to embed these aspirations – as reflected in their Visions 2030 – within the overarching framework of the BRI, in turn reshaping it, and therefore Chinese preferences, in ways that generate mutually beneficial outcomes. This demonstrates

that their agency has been essential in promoting significant interactions with China for generating shared interests with the potential of forging the emergence of a novel incipient form of regionalism as more and more states begin to embed their own domestic agendas and regional collaboration within the BRI too.

For instance, in 2016, President Xi Jinping paid a visit to Saudi Arabia and subsequently, Crown Prince Mohammed bin Salman visited China 2016 (Ahmad, 2024, p.11). The China-Saudi HLJC was subsequently instituted, with a view to intensifying the bilateral relationship (Fulton, 2020b, p.380). One of its six subcommittees was specifically entrusted with the task of promoting and facilitating technological exchange (Alahmad et al., 2023, pp.9-10). Six years later, during the official visit of Xi to Saudi Arabia in December 2022, both nations reached an agreement to elevate the HLJC to the Prime Ministerial level (Xinhua, 2022). This upgrade demonstrates the extent of joint commitment in this area, as well as its significance as part of the process of aligning Vision 2030 with the BRI (Niu and Wang, 2023, p. 20). In deepening technoscience cooperation, the Saudi Ministry of Communication and Information Technology (MCIT) signed a cooperation agreement with China's National Development and Reform Commission (CNDRC) to promote a close partnership between China's Digital Silk Road Initiative (DSRI) and Saudi's Vision 2030, focusing on technology collaboration linked to smart city development, smart electrical, grid oversight, technological infrastructure, in addition to optical fibre, and digital government (Alahmad et al., 2023, p.10).

Egypt and China have also agreed to strengthen cooperation in digital capacity building in the realms of the internet economy and Information and Communications Technology (ICT), along with other sectors (PRC, 2022a; 2022b). Moreover, the emergence of China's Beidou Satellite Navigation System (BDS) led to the establishment of the China-Arab Beidou Centre in Tunisia in 2018 as a model venture collaboration between China and the Arab Information and Communication Technology Organization (AICTO), which is based on Tunisia and is part of the Arab League governmental organization, that aims to promote the widespread adaptation of the BDS worldwide (Aboul-Dahab, 2021, pp.62-5). This collaboration on the BDS leads to 'a new dimension' and refreshed outlooks concerning BRI benefits for the engagement, as it delves into the concept of the 'Space Silk Road' as a pioneering and substantial approach to fostering interactions and collaboration between China and Arab countries (Aboul-Dahab, 2021, p.63).

The key objective of the DSRI is to enable prominent Chinese infrastructure services actors like Baidu, Tencent, and Alibaba, along with Huawei and state-supported telecom companies, for instance, China Telecom, China Unicom and Mobile, to capitalise on the DSRI framework and marketplace access opportunities delivered through BRI to facilitate them to establish themselves in emerging markets worldwide (Triolo, 2020, p.67). China has counted MENA as part of its technology push, and

it has reportedly signed DSRI-specific an MOUs with both Saudi Arabia and Egypt (Triolo, 2020, p.85). The former is assertively positioning itself as a future technology hub, bolstered by its cutting-edge research facilities, encouraging incubator facilities, and wide-ranging hyperlinks to international networks, in addition to attracting overseas investments and setting up local enterprises across the country (Akeel and Khoj, 2023, p.59). The latter is starting from a lower technological base, but nonetheless assigned 12.7 billion Egyptian pounds (EGPs) (approximately US\$ 800 million) in 2020-2021 for the MCIT to enforce the visionary 'Digital Egypt' plan, which aims to establish the groundwork for Egypt's transition to digital society founded on three primary foundations: 'Digital Transformation, Digital Skills and Jobs, and Digital Innovation' (Shu and Yu, 2022, pp.343-4).

In October 2019, Zain Saudi Arabia, a conglomerate telecommunication company, partnered with Huawei to launch the initial starting point of its 5G, which now covers 20 cities in the country (Shu and Yu, 2022, p.351; Demmelhuber et al., 2022, p. 27). In 2020, the Saudi Communication and Information Technology Commission (CITC) signed an MOU with Huawei to enhance Saudi's internet-based economy and ICT talent ecological systems: the giant firm will transfer its know-how and standards procedures with CITC, involving joint training for the latter's officials focusing on newly developed technologies like AI and cloud computing (Xinhua, 2020). In this sense, the MOU will kick and promote the Joint Commission's endeavors of enabling Saudi Arabia's digital transition (Salahi, 2020). Also, at the World AI Summit in Riyadh in September 2022, the Saudi Data Artificial Intelligence Authority (SDAIA) and Huawei signed a collaborative partnership to facilitate the creation of Arabic language uses of 'optical character recognition' (OCR) and 'automatic speech recognition' (ASC), in addition to constructing a platform for the Saudi's domestic AI capabilities, besides training domestic talents in the field of AI (Arab News, 2020). Cooperation in the field of technology between China and Saudi Arabia is not only limited to governmental agencies, but also goes to reach local private companies. For instance, Nesma Telecom and Technology, one of the prominent firms in Saudi Arabia specialising in communications technologies and power infrastructure development, teamed up with Huawei and secured a significant venture, along with various other major schemes in NEOM (Arab News, 2020).

During the Global AI Summit, the Saudi Company for Artificial Intelligence (SCAI) revealed a substantial investment of UD\$776 million in a collaborative project with China's SenseTime to foster the country's AI ecosystem, including jointly constructing an AI laboratory to function as a specialized centre for research and development, promoting the transfer of AI technology for China to assist the upcoming generation of data analysts, aiming at positioning Saudi Arabia as global AI leader (Middle East Briefing, 2022). Both parties will cooperate on establishing a state-of-the-art AI geared towards solutions in various domains of smart cities, smart businesses, smart healthcare, and education, in addition to working towards localising SenseTime's state-of-the-art computer vision as



well as its sophisticated educational applications (Shu and Yu, 2022, p.351). Moreover, these kinds of innovations are spreading across many economic sectors. The Saudi Tourism Authority (STA) signed an MOU with Huawei Mobile Services (HMS) to promote the country as a unique destination for Chinese tourists (Arab News, 2023). King Faisal School, a leading educational institution, signed an MOU with Huawei Saudi Arabia to transform educational technology accomplished by the implementation of the country's inaugural Wi-Fi 7 infrastructure designed exclusively for educational use in schools, again reflecting an essential element of Vision 2030, empowering students and schools with digital skills (Arab News, 2024). May 2024, Huawei revealed its commitment to pumping US\$ 430 million towards North Africa's cloud computing market (Dutton, 2024).

At the LEAP 2024 Tech Conference in Riyadh, KACST and Hong Kong Science and Technology Parks and Cyberport signed MOUs, aiming to collaborate on several cutting-edge industries, including biotechnology, healthcare-related technologies, transportation, renewable energy, AI, and machine learning (Weiwei, 2024). As Saudi Arabia thrusts onward to set itself as a prominent technology leader in the Middle East region within Vision 2030, at this event, Dong Sun, the Security for Innovation, Technology and Industry government of Hong Kong, noted 'Sharing the same vision, I am confident that there is much room for a close and deeper I&T co-operation between Hong Kong and Saudi Arabia, especially in the areas of R&D, AI and digitalisation' (Dong, 2024). According to Jindal (2023), the conclusion of LEAP 2023 a year earlier demonstrated the extent of Chinese interests and moves into Saudi Arabia's technological hub: Huawei showcased its most recent technological advancements, centred around the theme 'Unleash Digital' – demonstrating its newest technological offerings and applications for some major industries in Saudi Arabia, including petroleum, natural gas, and governance – the company also revealed its commitment to allocate US\$400 million in the upcoming five-year in building its network of facilities in the country (Jindal, 2023).

In Egypt, Huawei signed a MOU with Telecom Egypt (TE) in 2019, to upgrade mobile networks and customer services (RAE, 2019). In 2020, Egypt's Applied Innovation Center (AIC) and Chinese firm iFLYTEK inked a collaborative partnership on an innovative research venture focusing on the development of 'natural language processing' (NLP) as well as 'human speech recognition techniques' to promote the accelerating advancement of an Arabic-Mandarin automated translation application employing AI capabilities. The three-year partnership aims to offer 80 potential jobs for young Egyptians with talent in computer science, languages, and translation knowledge (Alaa El-Din, 2020).<sup>12</sup> The Egyptian Minister of ICT regarded this partnership with the Chinese iFLYTEK company as an essential turning point in establishing digitalisation progress in Egypt (ARE, 2022).

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<sup>12</sup> The partnership agreement was signed virtually during a video conference.

During the pandemic lockdown, the November 2020 China-MENA digital fair functioned as an effective platform for both actors to do business virtually and to engage collectively to enhance digitisation efforts, emphasising the crucial expansion of digital infrastructure and education (Wen and Chen, 2022, pp.7-8).

In practice, when educational institutions and schools were closed worldwide during COVID-19, the Egyptian Ministry of Education partnered with a Chinese web design firm based in Fujian to execute online educational services to allow 22 million Egyptian students and 1 million Egyptian educationalists to engage in virtual classes, and providing long-term services for teaching after the pandemic diminishes (Shu and Yu, 2022, pp.350). In 2020, the Egyptian Ministry of Education also inked an MoU with China's Confucius Institution (CI) for a six-year education collaboration subject for renewed, seeking to introduce Mandarin as an elective foreign language course in Egypt's middle and high schools, aiming at enhancing local learners to gain further knowledge and skill necessary for bettering their personal development and job prospects, as well as widen their worldviews (Samir, 2020). Furthermore, Cairo University and the Chinese Ministry of Education signed a collaborative joint protocol in 2023 to strengthen learning and teaching Chinese Mandarin while establishing dual academic qualification degrees as an element of Egypt's national strategy through enhancing its educational institution and scientific inquiry, by strengthening the University's worldwide presence through the establishment of collaborations with distinguished universities internationally (Cairo University, 2023). Thus, Arab countries are progressively attracted to collaborate with China's e-commerce economy because of its minimal institutional transaction fees, lack of political conditionality, as well as the absence of ideological requirements (Shu and Yu, 2022, pp.350-51). In sum, the enhancement of Saudi Arabia and Egypt's bilateral relationships with China has strengthened their ties to CSP, with the China-Saudi HLJC being advanced to a prime ministerial level in the case of Saudi Arabia. This reflects both an enormous investment and conscious agential strategy regarding their digital plans alongside the signing of MoUs and agreements with both Chinese state-owned and private enterprises, grounded in leveraging economic development and incentives.

### **5.3 Synergizing the BRI with the Saudi and Egyptian Visions 2030**

In 2013, President Xi initiated the BRI, a far-reaching strategic project aimed at connecting Asia, Europe, the Middle East, and Africa via a land-based SREB and MSR (Kamel, 2018, p.76). This process is not without geopolitical implications. For some, it possesses the capacity to revolutionize the geopolitical and geoeconomic developments through extensive infrastructure connectivity (Koboević et al., 2018, p.113; Mohan Malik, 2017, p.377; Wu, 2020, p.154; Gülseven, 2023, p.103). For others, it is explicitly about bolstering China's economic dominance and expanding its strategic geopolitical sway (Sharma, 2019, p.35). Either way, it is hard to escape the geopolitical consequences

of establishing an extensive network of both ‘hard’ and ‘soft’ infrastructure in the Eurasia region (Rolland, 2017, p.127). The breathtaking scope of the programme touches almost every sector, from telecommunications to energy, finance to politics. Successful execution could ultimately reinforce China’s status as the preeminent regional power (Rolland, 2017, p.127). The BRI is driving rapid expansion in member countries’ collaboration in infrastructure funding and development, financing, industrial zones, energy, communication technologies, scholarship, tourism, and even cultural interaction (Yu, 2024, p.125).

This demonstrates the significance of connectivity, which, through advancements in infrastructure of all kinds, plays a pivotal role in – and draws attention to – global economic and political transformations (Blanchard and Flint, 2017, p.223). In this sense, the BRI goes beyond being a mere initiative: for Beijing, it encompasses a comprehensive foreign policy underpinning myriad regional and global imperatives, extending Chinese power through infrastructural development as a ‘technology of territorialization’ that generates ‘diffuse’ and locally specific outcomes (Mohan, 2021). Given that, post-Obama, the US receded to a more self-contained – and at times protectionist – global posture with reduced international obligations, China has capitalised on the ensuing space to deploy its economic and financial power to institutionalize the BRI (Sharma, 2019, pp.41-2). Furthermore, the BRI may have immediate geopolitical implications, but it is not solely about short-term positioning, balancing American power or responding to China’s relative economic slowdown since the mid-2010s. It is motivated by long-term goals such as reviving China’s historical prominence and promoting positive global economic integration (Junxian and Yan, 2016, pp. 110-1). Therefore, ‘no matter where one stands politically, BRI is going to have a transformative impact globally as well as regionally’ (Dorraj, 2020, p.123). But it is also, ‘at its core, a political initiative that plays out domestically and internationally – economics is the means, but politics is the objective’ (Lewin and Witt, 2022, p.266).

### *Constructing the BRI in the Middle East*

The Middle East plays a crucial role in the BRI, as it is involved in both land and maritime routes. Many scholars have emphasised the region’s strategic significance at the crossroads of Asia, Europe and Africa, serving as a crucial hub for facilitating communication between the Atlantic and Indian Oceans, something intensified over the past century due to hydrocarbon reserves, which now plays a decisive role in China’s pursuit of a new type of diplomacy (Chen et al., 2023, p.1; Caba-Maria, 2023, p.566). As discussed, Chinese economic strength presents a historic opportunity for collaboration, development of new sectors and – crucially in a region with particularly young and growing populations – much-needed job opportunities alongside trade in natural resources, investment in the petrochemical industries and infrastructure (Caba-Maria, 2023, p.566). This is also viewed, both

locally and in Beijing, as vital to stop further deterioration in the regional security situation (Jin, 2017, p.45). China has signed MOUs with nearly all Middle Eastern countries (see Table 5.9 below) to collaborate on the development and promotion of the BRI, all of whom view the initiative as an unrivalled opportunity to leverage their strategic geographical positioning for economic benefits.

**Table 5.9: China's MoUs under the framework of BRI with Middle Eastern countries**

|    | Country                | Region | Year of Signing   |
|----|------------------------|--------|-------------------|
| 1  | Algeria                | MENA   | July 10, 2018     |
| 2  | Bahrain                |        | July 1, 2018      |
| 3  | Djibouti               |        | September 1, 2018 |
| 4  | Egypt, Arab Republic   |        | January 1, 2016   |
| 5  | Iran, Islamic Republic |        | November 1, 2018  |
| 6  | Iraq                   |        | December 1, 2015  |
| 7  | Jordan                 |        | December 2, 2023  |
| 8  | Kuwait                 |        | May 1, 2018       |
| 9  | Lebanon                |        | September 1, 2017 |
| 10 | Libya                  |        | July 1, 2018      |
| 11 | Malta                  |        | November 1, 2018  |
| 12 | Morocco                |        | November 1, 2017  |
| 13 | Oman                   |        | May 1, 2018       |
| 14 | Qatar                  |        | January 1, 2019   |
| 15 | Saudi Arabia           |        | August 1, 2018    |

|  |                      |  |                  |
|--|----------------------|--|------------------|
| 16   | Syrian Arab Republic |  | January 6, 2022  |
| 17   | Tunisia              |  | July 1, 2018     |
| 18   | United Arab Emirates |  | July 1, 2018,    |
| 19   | Yemen, Republic      |  | November 1, 2017 |
| 20   | Sudan                |  | N/A              |
| 21   | Israel               |  | N/A              |
| The author modified the already existed table to include only MENA from the source: Nedopil, C. (2023). Available at: <a href="https://greenfdc.org/countries-of-the-belt-and-road-initiative-bri/">https://greenfdc.org/countries-of-the-belt-and-road-initiative-bri/</a> (Accessed: 23 March 2024). |                      |  |                  |

Consequently, the colonial powers or the US never designed anything this ambitious or comprehensive in the past. It's the only one of its kind so everyone has to align with it to succeed (EG, 8, 2022). Central to this is a continued shifting of their political and economic focus eastwards. In 2016, Egypt signed a bilateral BRI MOU, making it the second MENA country to do so, after Iraq a year earlier (see table 6. 9 above). It was also among the initial signatories of the MOU for the African continent (Komakech and Ombati, 2023, p.2). In 2018, Saudi Arabia signed a similar MOU between China and a number of Arab countries (Yaacoub and Shang, 2022, p.399).<sup>13</sup> Saudi Arabia and the UAE have also signed related files of industrial capacity collaboration with China (Zhu and Wang, 2020, p. 26). This signifies substantial progress in the BRI's development across the MENA region as countries further synchronized their Visions 2030 with it (discussed in detail in the next subsection). It also shows how Middle Eastern agency has been crucial in shaping Chinese preferences around the embedding of the BRI to not only provide a framework for embedding domestic development visions, but also incipient forms of regionalization.

These developments certainly offer Chinese capital significant advantages in accessing valuable Egyptian and Saudi Arabian resources, markets, and strategic regional locations, while also benefiting from their being the region's rapidly growing Arab economies (SA, 2, 2021; SA, 8, 2022; EG, 5, 2022; EG, 11, 2022). The alignment of their Visions 2030 has led to important state visits and the

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<sup>13</sup> Iraq, Oman, Qatar, and Kuwait

establishment of collaborative mechanisms to strengthen their engagement with the BRI. Such strategic synergy reflects a cooperative approach predicated on mutual concerns regarding progress and security, aiming to attain enduringly advantageous results for all parties over an extended period (Duan and She, 2021, p.380). For Egypt, this means attracting more Chinese investments, technological development and technical support, finance and loans without political and economic conditions. It also means improving the country's transportation systems and logistics services and promoting and expanding industrialisation development zones in the Suez Canal by establishing critical factories related to engineering and high-tech input in sectors such as automobiles, heavy equipment, and computer production.

In addition to localising technologies and know-how in vital sectors such as agriculture and renewable energy, assisting Egypt through its implementation strategy to uplift its struggle against poverty and enhancing collaboration in valuable sectors such as education and tourism, while strengthening cultural exchange, expanding Egypt's diversification of political and economic partnerships, while working jointly to promote regional peace and stability and advocating for global governance diversification (EG, 1, 2022; EG, 3, 2022; EG, 4, 2022; EG, 5, 2022; EG, 7, 2022; EG, 11, 2022). Similarly, for Saudi Arabia, the benefits include increasing Chinese investments in traditional sectors such as petroleum and natural gas, petrochemical, mining, and infrastructure, and non-traditional sectors, including technology investments in digitisation infrastructure of e-commerce, renewable energy, carbon recycling, and in scientific research and development, too (SA, 1, 2021; SA, 2, 2021; SA, 4, 2022; SA, 5, 2022; SA, 6, 2022). Also, it benefits encompassing tourism infrastructure and development, logistics services, and ITC collaboration, while assisting the country's Vision 2030 related to mega-projects from the early stage of digging and construction to operation and maintenance (SA, 5, 2022; SA, 6, 2022). In addition, it enhances the country's goal of expanding its political and economic diversification and partnerships while maintaining regional peace and security (SA, 3, 2021; SA, 8, 2022; SA, 10, 2022).

Beijing and Cairo have consciously aligned infrastructure development, investment, trade, and technology transfer, with the latter's Vision 2030 objectives. Since assuming office in 2014, President Abdel Fattah El-Sisi has prioritized tackling the economic and social dislocation that incubated the 2010 uprisings through the pursuit of economic growth and employment generation: the Suez Canal and its related sectors – logistics, manufacturing, infrastructure development – are viewed as crucial to this agenda, with the BRI stimulating related activity in multiple regions (Gonen, 2023, pp.28-30). This connectivity is seen by some as critical for establishing official reciprocal recognition (Xing et al., 2023, p.5). China has also been proactive in developing special economic zones within Egypt. By constructing roads, electrification, and ports, among other essential infrastructure via aid initiatives, it

facilitates FDI and connects these zones to regional markets, further integrating Egypt into the global capitalist economy (Gülseven, 2023, pp.111-2).

Furthermore, Gonen (2023) argues that China and Egypt share several economic and geopolitical interests. First, Egypt facilitates Chinese trade to Europe through, and reliance on, the Suez Canal: a reliance that has only grown as China itself has continued to grow. In contrast, the volume of Western goods shipped to China is far smaller. Second, Egypt occupies a prominent political role in the Middle East with a comparatively moderate alignment among the region's traditional Sunni axis: e.g. Saudi Arabia and the UAE. Third, Egypt's economic standing and strategic location as a regional gateway in East Africa via its engagement in regional trade pacts – the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC), and the Economic Community of East African States (ECEAS) – render it a compelling investment destination, in addition to its membership in the Greater Arab Free Trade Agreement (GAFTA) (Helmy, 2023). Finally, Egypt's youthful demographic and high unemployment rate have stimulated the outsourcing of labour-intensive manufacturing facilities as China's labour costs have now risen substantially (see Kaplinsky, 2013, for a wider discussion of this dynamic in Africa). Consequently, Egypt is aligning with the BRI to pursue its own interests (Gonen, 2023, pp.34-5) and, more broadly, deploy its agency to mutually constitute Chinese preferences in this area.

Beijing and Riyadh have also made similarly significant strides in fostering alignment. Like other GCC states, Saudi Arabia has seen the BRI as an impetus for enhancing bilateral collaboration since its inception (Qian and Fulton, 2017, p.18; Savicheva et al., 2022, p.189; Chaziza, 2024b). This convergence generates mutually advantageous outcomes through cooperation in advanced and diverse fields such as pharmaceutical, alternative energy, and 5G technology sector (She, 2023, p.3). Uniquely for Saudi, the BRI represents an opportunity to transform its strategic position as global logistics centre, which is one of the core objectives of Vision 2030 (SA, 6, 2022; SA, 10, 2022). At the 10<sup>th</sup> Arab-China Business Conference in Riyadh (June 2023), Investment Minister, Khalid Al-Falah, justified the alignment between the BRI and Saudi Arabia's National Transport and Logistics Strategy (NTLS), on the basis of establishing the country as a major international hub for logistics and improving transportation services, in return securing a significant portion of this market for Chinese capital (El-Gazzar, 2023). The country already holds a strategic location as a hub between Asia, Europe, and Africa, but this agenda can indorse further integration in the Middle East and the world at large, facilitating connections between national and international markets, thereby enabling the country to become a significant participant in the supply chain along the Red Sea (Chen et al., 2018, p.371). Furthermore, located between the Red Sea and the Arabian Gulf provides Saudi Arabia with an alternative transit route for natural resources supplies, even in scenarios where the Straits of Hormuz and Bab El-Mandeb might encounter congestion or shutdowns, amplifying its strategic

importance within the BRI as a source of continuous access to vital resources (Fulton, 2020b, pp.367-8). Therefore, this convergence between both China's BRI and Egypt and Saudi Arabia's Visions has the potential to create a paradigm shift in the regional economic landscape, reflecting, in turn, the importance of Middle Eastern agency in shaping Chinese preferences in ways that permit the leveraging of its frameworks to support broader processes of regional engagement beyond it.

### *Egypt and Saudi Arabia: Policy Cooperation alongside China's BRI*

The BRI is predicated on five core principles: 'policy coordination,' 'facilitating connectivity,' 'unimpeded trade,' 'financial integration,' and 'people-to people bonds.' (PRC, 2015). These are consistent with China's approach to economic diplomacy (and the centrality of economic diplomacy to its diplomacy overall) which is centred on establishing strong trade and economic ties with collaborator states, while avoiding any emphasis on political issues (Sun and Zoubir, 2015, p.921). Accordingly, China's classification of countries as allies or rivals is based not on their political system or proximity to other significant states: it actively seeks to develop relationships with those that can strengthen its national security and advance its interests overseas (Sun and Zoubir, 2014b, p.92). For instance, Beijing has displayed diplomatic astuteness by refraining from aligning itself with either Iran or Saudi Arabia in their protracted confrontation by skilfully balancing its relationships with both, thereby maintaining a positive rapport with their respective leaderships: this approach evinces China's inclusive regional approach, which reflects the adage 'accentuate the trade and maintain a low political profile' (Dorraj, 2020, pp.136-7). Moreover, this approach builds trust and facilitates deeper forms of joint policy coordination.

China has maintained amicable diplomatic relationships with Egypt (since 1956) and Saudi Arabia (since 1990) by steadily progressing towards deeper collaboration in domains of mutual interests and concerns. Officials from China, Egypt, and Saudi Arabia frequently engage in reciprocal visits, promoting diplomatic, commercial, and cultural collaboration (Komakech and Ombati, 2023, p.9; Foley, 2016). Recent advancements in establishing significant relationships have been vital in expediting the mutually beneficial growth of connections. For instance, in 2014, China signed an CSP with Egypt (el-Shrfei and Metawe, 2022, p.142). This new era of partnership signified a proactive endeavour to establish more robust and comprehensive political and economic connections (Chaziza, 2016, 41). Absence of conflicting interests has enabled Egypt and China to embrace matching policies promoting global peace, advocating for a more equitable worldwide political and economic order, and upholding the autonomy of nations. Additionally, both nations exhibit reciprocal understating and provide backing on critical matters of importance to each other (Elmaghraby, 2020, p.147). Moreover, China's diplomatic relations with Egypt reflect and reinforce its established approach towards Africa (Alden and Alves, 2008, p.47).



In contrast, Egypt's recent establishment of a 'comprehensive strategic partnership' with China represents an intriguing shift in Cairo's traditional foreign policy. Under Mubarak leadership, Egypt was a prominent player in the regional axis closely aligned with the US. Under El-Sisi's leadership, though, Egypt has expanded connections with both China and Russia, while still maintaining its connections with Washington (Winter et al., 2016). China-Egypt relations have deepened, widened and diversified, close military ties have been fostered, and a special place for Egypt is envisaged within the BRI (Shama, 2022, pp.30-3). The current Chinese Ambassador to Egypt, Liao Liqiang said in an interview with China Daily on April 18<sup>th</sup>, 2024, that 'the two countries have consolidated their political trust, achieved fruitful results in practical cooperation and jointly safeguarded the legitimate rights and interests of developing countries over the past 10 years': 'the development of bilateral relations has entered the fast lane and is now at its best' (cited in Jingxi, 2024). China also signed a comprehensive strategic partnership with Saudi Arabia in 2016 (Sun and Xu, 2023, p.4). This agreement pursues sustained domestic development growth through the diversification and globalisation of their respective economies by collaborating closely in the BRI (Yu, 2024, p.120).

Establishing such ties with Beijing requires serious effort: specific prerequisites must be fulfilled, encompassing building political trust, establishing strong economic connections, fostering cultural exchanges, and maintaining positive cross-sector relations (Strüver, 2017, p.45). But, doing so has payoffs: the China-Egypt CSP provides a fresh framework to enhance bilateral collaboration, accomplish development goals and efficiently address shared challenges (Selim and Moaaz, 2021). For China, Egypt is viewed as a key BRI partner due to its Arab world influence and ability to maintain regional stability, reinforcing China's geopolitical and geoeconomic strategy through shared understanding of regional challenges (Selim and Moaaz, 2021, pp.354-5). For Egypt, China has helped national rejuvenation through funding development projects and offering greater economic openness to Asia via El-Sisi's 'look East' policy (Selim and Moaaz, 2021, p.365; Vasselier, 2017, pp.8-10). Hence, seeking to rejuvenate national political and economic aspirations specifically through the 'Looking East' policy emphasizes the significance of conscious Egyptian agency deployed to mutually constitute Chinese preferences.

Although debate exists over the implications for Egypt's sovereignty, arguably it has actually strengthened the state's international autonomy as it has become a key strategic partner for a globally significant power in China (Selim and Moaaz, 2021, p.365). Moreover, this partnership – prioritising industrialisation through investment in energy, infrastructure, agriculture and finance (Vasselier, 2017, p.8) – may also diminish extant Egyptian dependence on the US, further augmenting its autonomy (Chaziza, 2016, p.46). After more than a decade of upheaval, Egypt views the Chinese model as a way of reinforcing stability and development over freedom and democracy, relegating

political considerations below economic ones (Winter and Ella, 2019, p.3). Thus, Cairo and Beijing share a mutual interest in enhancing cooperation and coordination on global issues to promote multilateralism, counteract unilateral actions and intimidation, and ensure proper implementation of global governance changes (Helmy, 2023). The newly formed strategic partnership between Beijing and Riyadh also seeks to elevate their relationship to new heights (Arab News, 2016). In addition to fostering economic ties, intra-government visits have also facilitated political backing (Fulton, 2020d).

For China, this is partly a strategic manoeuvre to garner international backing for its sovereignty over Tibet and to diplomatically isolate Taiwan (Hoh, 2019, p.263). Arab leaders tend to endorse China's full sovereignty over its territories and refrain from intervening in its internal affairs, including the One-China policy (Global Times, 2024). This stance reflects a simultaneous desire to maintain strong relations while upholding the principles of international law (SA, 9, 2022; EG, 3, 2022; EG, 5, 2022). The same is true of China vis-à-vis the significant instances of upheaval experienced in the Middle East since 2010 (Wu, 2015, p.12). Saudi Arabia now considers China's engagement as a vital element of its strategy to balance US influence, in turn presupposing a neutral position on China's domestic politics (MacGillivray, 2019, pp.14-16). Dorraj (2020) reasons that the scale of China's economic expansion in the Middle East justifies such a posture: this is made easier precisely because China distinguishes itself from the West and Russia by adopting a low political profile, prioritising trade and avoiding military intervention, in turn justifying Beijing's diplomatic approach (Dorraj, 2020, pp.133-134). China does not discriminate: its Arab economic expansion has come alongside concurrent engagement with Israel and deeper trade relationships with Turkey and Iran (SA, 3, 2021; EG, 6, 2022; EG, 11, 2022).

Changing US-China influence is a critical part of this story (see Chaziza, 2024a). China is assertively pursuing its economic interests in a context where many states – especially Saudi Arabia – view its growing influence as an effective mechanism to counterbalance US power and respond to domestic anti-American sentiment (Gresh, 2016, pp.150-1). This reflects 'the failure of American power in the management of regional conflicts and some political realignments' (Aoun and Kellner 2015, p.190). Numerous episodes – the disastrous interventions in Iraq and Afghanistan, Washington's response to the Arab Spring, the contradictory US responses to disorder in Egypt, Syria and Libya – all contributed to this diminished popularity, alongside the emergence of Islamic State as a transcontinental terrorist organisation from the wreckage of American interventions (Afterman and Urhová, 2024, p.134; Moreland, 2024, p.150; Kaye, 2022, p.9). For Egypt, El-Sisi was dissatisfied with the Obama administration's insistence on a prompt transition process in the wake of the destabilisation of the 2011 revolution, as well as its reaction to the turbulent events of 2013 (Shama, 2022, p.44). It is not surprising that, coming to power after the downfall of Mubarak (and then Morsi),

he sought to bolster Egypt's global relationships by establishing partnerships with Russia and China alongside the US (Gonen, 2023, pp.28-9). China's non-response to post-2011 events – and continued indifference to Egypt's internal affairs – is thus viewed as the quid pro quo of Cairo's own non-involvement in China's internal Xinjiang policy (Matambo, 2023, p.105; Chaziza, 2016, p.43).

For the Gulf states, their search for new relationships is a direct result of Washington's gradual withdrawal of regional security provision. Saudi Arabia exemplifies this geopolitical change: notably, the strengthening of Saudi-China relations has occurred during the tenure of President Joe Biden, a period marked by notably strained relations (Bianco, 2023, p.7). This is intensified by the simple fact of the scale of Chinese investment and, therefore, economic interests at stake: almost inevitably, the accumulation of these risks leads to a significant transformation in China's strategy (Clarke, 2019). Beijing's foreign policy actions are not, therefore, mere reactions, but a proactive response to its interpretation of global and regional political changes and the potential consequences for national security. China is not just seeking to counteract the geopolitical consequences of waning American dominance, but actively working to develop alternative global systems. Domestically, this implies a transition beyond 'reform and opening' to promoting *exterior* circumstances that enhance the CCP's legitimacy through 'economic growth and development' (Clarke, 2019, p.164).

Yet, existing Middle Eastern conditions represent a complex dilemma, sparking ongoing debate about US re-engagement or withdrawal – or, more accurately, simultaneous involvement *and* disengagement (Kaye 2022). Since 2015, Russian military assertiveness in Syria and Chinese economic ascent have engendered substantial transformations in the region's economic and technological landscape. The US has had little choice but to relinquish its pre-eminent position, which means regional states are grappling to establish equilibrium in their dealings with all three powers. This intricate web of power dynamics makes it highly improbable that any state or alliance will exert dominance over the region in that in the foreseeable future (Kaye, 2022, pp.8-9).

In sum, China now has a complex set of overlapping interests. First, strategically, it pursues regional prosperity and stability, prompting cooperation under the BRI, and establishing strong partnerships (Mostafa, 2017, p.58). Its own pursuit of peaceful development depends on a stable external environment (Sun and Zoubir, 2014b, p.73; Fulton, 2020c), rendering the Arab world crucial in its 'Great Periphery Diplomacy' (Sun and Zoubir, 2014b, p.73). Second, politically, ongoing advocacy to ensure support for the 'One-China principle' and other territorial disputes remains crucial (Xin, 2024). Third, energy interests centre around securing a stable supply of crude oil since almost half of China's oil imports still come from the region (Sun and Zoubir, 2014b, p.93; Yao, 2014, p.31; Fulton, 2020c). Fourth, economically, the region is – as discussed earlier – a crucial hub for distribution and a source of lucrative contracts (Chaziza, 2016, p.43; Rudolf, 2017, p.10). Fifth, in terms of security,

safeguarding all manner of increasingly valuable interests while countering terrorism or separatism – with ‘Three Evils’ seen as umbilically linked domestically and regionally – is considered vital (Hoh, 2019, p. 261; Houghton, 2022, p.130; Lemon, 2024, p.6). Consequently, there is now strong integration between Beijing’s perception of its internal and external interests of all kinds, including security, all of which flow through the economic networks established infrastructurally by the BRI, and, in the Middle Eastern case, via western China and the Xinjian region (Clarke, 2019, p.164). Finally, cultural interests matter too, with great emphasis placed on expanding ‘soft power’ (Zreik, 2021, p. 180).

The ‘Chinese alternative’ has completely changed the foreign policy calculus in Cairo and Riyadh as they seek to diversify economic and strategic partnerships to reduce reliance on any single power (Fahmy, 2023; Yellinek et al., 2020, p. 529; Alterman, 2009, p.66). Entangling the BRI with their Visions 2030 has been central to this via the establishment of formal cooperation mechanisms and greater policy synchronisation between these nations. For instance, in 2014, the China-Egypt Joint Committee meeting (JCM) was established (Amer, 2016a), followed by the aforementioned SREB and MSR bringing extensive bilateral collaboration in various sectors, including banking, infrastructure development, electrical power, economy and commerce, technology and aerospace science, cultural exchange, mass media, and even collaborating on climate change (Chen, 2018, p.225). In 2016, the Chinese-Saudi HLJC was established with seven sub-committee, in addition to eight sub-committee added in 2019 (see Chapter 4, Yang et al., 2020). Its creation was a vital step, cementing the committee as the core platform for strategizing and implementing policy collaboration partnerships between the BRI and Vision 2030 (Chen and Han, 2019, p.8). Each of these committees have seen sizable numbers of MoUs signed in a wide range of sectors, as discussed earlier in the chapter (Asharq Al-Awsat, 2016). Capturing the change in momentum at the 2017 HLJC meeting, the Chinese Vice Premier described the bilateral relationship is entering ‘a new era, being more robust, sustainable, and fruitful’ (Xinhua, 2017). Thus, the China-Egypt JCM and the China-Saudi HLJC underscores how the creation of shared institutions reflects much more than conventional forms of trade diplomacy. This kind of deeper collaboration, and the aspirations that underpin it, can only emerge from a complex combination of shared preference and interest-shaping.

### *The China-Arab States Cooperation Forum*

China’s unique approach to strengthening relationships also rests on establishing regional mechanisms, as well as bilateral ones (Ameri, 2021, p.8148). This includes multilateral cooperation frameworks across the Middle East region. Saudi Arabia and Egypt are both members of the China-Arab Cooperation Forum (CASCF) while each is a member of its wider geographical grouping: the China-Africa Cooperation Forum (FOCAC) in Egypt’s case; the China-GCC Strategic Dialogue in the

Saudi case. Through these forums and dialogues, China significantly enhances joint policy coordination (Ameri, 2021, p.8151). The CASCf was established in 2004, with the Ministerial Conference occurring biannually on nine occasions, rotating between China and Arab states. The fourth iteration, held in 2010, was a key turning point at which both Egypt and Saudi Arabia official elevated their China relationships to ‘strategic partnerships’ (Jiabao, 2010). As discussed, this was underpinned by shared values, self-perception as developing countries, prioritisation of development, resistance to foreign interference, upholding of diverse development models and advocacy for gradual transformation rather than fundamental revolution (Sun and Zoubir, 2014b, p.71). This was intensified by a core shared focus on ensuring stability to foster the growth of manufacturing, technology, and high-tech industries, rendering strategic partnership through the BRI a foregone conclusion (Ameri, 2021, p.8148).

CASCf is established on a basis of common interests, trust, and the attainment of expected gains: for China, the Middle East represents not just an entry point, but a strategic opportunity to ensure its ongoing ascent, even encouraging the use of the Chinese Yuan (RMB) by oil producers and, eventually, facilitating an expanded military presence (Kamel, 2018, p.78). Arab countries have endorsed China’s peaceful integration (the One-China policy) and combatting separatism (Yao, 2014, p.37). They have also reached consensus on varied issues: resisting one-nation hegemony and supporting ‘political multi-polarisation’, advocating for reform and ‘democratisation of international politics’; pursuing ‘cultural diversification’ and a ‘harmonious world’; advocating for mutually advantageous practical collaboration; endorsing the settlement of international conflicts through diplomatic dialogue uphold global peace and avert external intervention; advocating for the autonomy of each nation to determine its own trajectory of progress, taking into account its distinct conditions; and, finally, opposing the endeavours of Western nations to enforce their own frameworks into others (Yao, 2014, p.35; Sun and Zoubir, 2014b, p.81). Thus, since its establishment, the CASCf has facilitated practical discussions and fostered strategic partnerships on these issues (Ameri, 2021, p.8150). In short, establishing regional mechanisms aligned with the BRI, such as CASCf, has enabled Saudi Arabia and Egypt to enhance reciprocal approaches to coordination, allowing these two Middle Eastern countries to reshape Chinese engagement in the region for their mutual benefit, in turn generating new models and possibilities for not just China-Middle Eastern cooperation, but regional cooperation too.

### *Facilities Connectivity*

Egypt and Saudi Arabia's Visions 2030 have emphasised the need to enhance their physical infrastructure – in aviation, roads, railways, maritime logistics – to promote commerce and reinforce their role as prominent hubs. Their BRI-synchronized development visions are congruent with

ongoing infrastructural upgrading, often by or with the support of Chinese construction firms. As discussed earlier, Egypt's requirements in this regard are particularly urgent, and it views China as a uniquely reliable partner to address them, including expansion of the Suez Canal (Matambo, 2023, pp.105-6). The construction of the NAC city rests on billions of dollars of Chinese loans (Komakech and Ombati, 2023, p.9) and is advancing via a series of stages – beginning with the building of government facilities, housing zones, essential infrastructure (roads, water, sewage) and transportation – through a collaborative endeavour comprising CSCEC and Arab Contractors (a local company) under the supervision of Egyptian Government Entities (EGEs), including the New Urban Communities Authority (NUCA) as well as the Administrative Capital for Urban Development (ACUD) company, in addition to other public agencies and consulting businesses. The function of these agencies is to guarantee that the developments are in line with the government's objectives and vision of establishing a contemporary and sustainable city (Komakech and Ombati, 2023, p.9).

Moreover, the MoU to advance the SREB and MSR envisages expansion of the 'Suez Canal Corridor' via a new China-Egypt TEDA Suez Economic and Trade Cooperation Zone seeking to strengthen manufacturing collaboration and promote growth alongside intensified oceanic connectivity (Hoffmann and Ergenc, 2023, pp.92-3). The Suez Canal Economic Zone (SCEZ) is a home for hundreds of newly established firms that manufacture a diverse range of products, from 'machinery to oil processing, waver fabrics, and produce solar energy', resulting in the creation of 10,000 employment opportunities for Egyptian workers, adding up to US\$100 billion in output (Soliman and Zhao, 2019, p.431). So, the TEDA Suez venture assembles the necessary infrastructure to promote connectivity among Chinese firms as well as their Egyptian equivalents, fostering them to seek prospective partnerships and encouraging collaboration (Xing et al., 2023, p.11).

Since connectivity is the essential basis for the interchange of information and products, the venture facilitates physical linkages and transport operations through MSR and SREB infrastructures (Xing et al., 2023, pp.4-5). Suez therefore occupies a significant position as a crucial commercial route for China within the BRI framework, further enhancing connectivity between China, Europe, and Africa (Gonen, 2023, p.34). China has emerged as the largest investor in the SCEZ, with numerous Chinese companies establishing industries as integral components of BRI projects (Gülseven, 2023, p.111). Under the BRI arrangement, they have participated in constructing several Middle Eastern ports, including Ain Sokhna in Egypt, to enhance 'capacity and connectivity' while lowering shipping costs (Aboul-Dahab, 2021, p.53). But, this kind of infrastructure investment is also about deepening human connectivity (Helmy, 2023). Egyptian actors have also learned from Chinese expertise in these projects (Winter and Ella, 2019, pp.2-4). Furthermore, President Xi Jinping unveiled the '1 + 2 + 3 cooperation pattern' during the opening ceremony of the 6th CASC Ministerial Conference in June 2014. This sought to



prioritize cooperation in the energy sector as the primary focus (1), with infrastructure construction, trade, and investment facilitation serving as supporting elements (2) for new breakthroughs in nuclear energy, aerospace satellites, and new energy (3) (Fulton, 2020b, p.516). This also broadly maps onto the argument in this chapter about how these deepening relationships have changed over time.

Saudi Arabia also focuses on enhancing infrastructure, albeit starting from a higher domestic base in terms of connectivity. Nonetheless, over one-hundred Chinese companies have been involved in various ventures or initiatives encompassing construction, transportation systems (highways, railroads, bridges, harbours, and airports), telecommunications, and electrical power plants, among other vital national initiatives or projects under the BRI (Alqahtani, 2020, p.4). Xi's state visit to Saudi Arabia in late 2022 underscored the importance of this collaboration, promoting a vision of accelerating physical, institutional, and increasing connectivity among people (Niu and Wang, 2023, p.20). While infrastructure collaboration has long been a critical aspect of China-Saudi relationship—the participation of the Chinese enterprises in developing vital railways lines to sacred Islamic Holy Cities (IHCs), thereby underpinning longer-term diversification agendas in tourism—its significance has further strengthened in the era of BRI (Houghton, 2022, p.135). Indeed, the 2007 signing of an MoUs between the two countries has facilitated Chinese companies to engage directly rather than acting as third-party suppliers to undertake significant infrastructure projects in Saudi, and this has intensified (Fulton, 2020a, p.372), in turn, significantly supported the country's efforts to enhance connectivity in undersized developed regions further, facilitating nationwide integration alongside business prospects and movement of people (Alqahtani, 2020, pp.4-5).

Rail connectivity also brings wider benefits. One is that it can enhance Chinese 'soft power' – beyond export of advanced technology itself – through intensifying circulation of its firms' goods, increasing local receptiveness to those commodities (Asiri, 2020, p.16). It also highlights a strategic vision of the importance of the Arabian Gulf and Arabian Peninsula in the MSRI (SA, 6, 2022; SA, 7, 2022).

Another example of this kind of thinking is the Jazan Industrial Park, which is embedded within the broader notion presented at the 2018 Ministers' Meeting of the (CASC) within the framework of the 'Industrial Park—Port Interconnection, Two-Wheel and Two Wing Approach' (Fulton, 2019, p. 13), allowing China to deepen its footprint in the region and beyond through enforcing its strategies of 'Starting of Pearls' and 'Dual Use Logistics Facility' (DULF), along the MSR (Harutyunyan, 2022, pp.61-2). As the only Gulf state with a coastline on both the Arabian Gulf and the Red Sea, it has a special geographical significance (Fulton, 2019, p.13). The Saudi Jazan Economic City (JEC), founded in 2005, has explicitly developed further by setting up the Jazan Industrial Cluster (ZIC) for attracting Chinese companies and investments under the BRI-Vision 2030 link since 2016 (Zhe, 2023). By providing industrial services in a 32km<sup>2</sup> special development zone, comprising a 30km<sup>2</sup>

industrial zone with no fixed physical boundaries and a 2km<sup>2</sup> residential area with closed management under the Saudi Royal Commission of Jubail and Yanbu (RCJY) (Zhe, 2023).

In 2016, the Chinese enterprise Pan-Asia established a petroleum manufacturing facility and a chemical-based fibre undertaking, resulting in a major investment of US\$3.2 billion (Zhou, 2023, p. 538). The Saudi Chairman of RCJY, Khaled Al-Salem, noted, ‘Jazan is also a platform for Saudi-Chinese investment... It hosted the Kingdom's first special economic zones to support transformative mining industries, transformative food industries, and logistics services’ (Al-Salem, 2024). Moreover, he added that Saudi Arabia is keen to attract further investment prospects, aiming to enhance its industrial development, transportation, and business industries while creating employment prospects for an additional 7,000 local Saudi workers in the Jazan region (Al-Salem, 2024). This notice from the Saudi Chairman of RCJY nevertheless indicates that the Saudi Arabian agency has played an essential role in engaging with China to mutually constitute their interests. On the other hand, establishing Chinese manufacturing zones in several Arab countries, namely Oman, UAE, Saudi Arabia, and Egypt, accelerates the vital potential of fostering commercial clusters and boosting trade volumes across the MENA region and beyond (Petrosyan, p. 2022, p. 67). For Saudi Arabia, Jazan's strategic location enables Riyadh to attain one of its key objectives of Vision 2030: becoming a regional player in logistics supply, given its location that connects Europe, Africa, and Middle East markets (SA, 1, 2021; SA, 7, 2022). This level of production integration and knowledge sharing demonstrates a level of commercial deepening that extends well beyond simple trade or investment relationships (SA, 6, 2022).

In a nutshell, Saudi Arabia and Egypt started to improve their physical infrastructures through their alignment under the BRI-Visions 2030. This was directly supported by critical Chinese construction enterprises that were involved in undertaking these ventures directly, such as the expansion of the Suez Canal and the construction of NAC (in the case of Egypt) and the expansion of the Saudi-Jazan Economic City (in Saudi Arabia). It bears repeating that this level of deep integrative cooperation does not emerge easily: it requires great effort and, especially, the building of trust, shared values norms and perspectives. Both countries are striving at boosting national integration via regional infrastructure to foster business incentives and movement of peoples and goods, and this in turn has been consciously anchored on Chinese capital and expertise. This is something that can only happen through the kinds of interaction with China that forges genuine shared mutual interests, and may even be generating the possibility of a new incipient form of regionalism anchored in the BRI.

### *Financial integration*

Deeper collaboration has also taken the shape of financial sector integration, moving beyond the provision of loans, investment or other assistance to the establishment of joint mechanisms, institutions and agendas. Modern economies revolve around finance: it is the lifeblood that maintains



their smooth running (Shen, 2022, p.1; Chen and Zhou, 2021, p.40). In 2015, China established its own ‘multilateral financial institution’, the Asian Infrastructure Investment Bank (AIIB), as a joint effort with other governments to prioritise infrastructure development, enhance connectivity and integration of national economies (Ly, 2020, p.3; Mobley, 2019, p.58). It marks a watershed in China's ongoing efforts to enhance outward economic engagement. Egypt and Saudi Arabia were among those to sign the articles of agreement in 2015 (Ma and Zhao, 2020). Egypt became a member on August 4, 2016, with a fund of US\$650.5 million and a voting power of 8,531, for a total of 0.7555 per cent, and Saudi Arabia on February 19, 2016, with a fund of US\$2.5446 billion and a voting power of 27,472, for a total of 2.4329 per cent (AIIB, n.d). Moreover, China, Egypt, and Saudi Arabia have strengthened bilateral banking and finance collaboration. In 2016, Cairo and Beijing issued *the Five-Year Outline On strengthening Comprehensive Strategic Partnership Between China and Egypt* (Ma and Zhao, 2020, pp.105-6).

Also in 2016, when China and Saudi Arabia established the HLJC, it comprised a dedicated subcommittee for financial collaboration, which has worked on a range of issues and emphasised the importance of strengthening collaboration in international forums such as the World Bank, IMF, G20 and AIIB (KSA, 2022). Returning to the AIIB, in 2023, the Egyptian Minister of International Cooperation (MIC), Al-Mashat, signed a €250 million agreement for the Abu Qir metro venture in Alexandria to help reduce emissions, alleviate traffic gridlock and promote eco-friendly transportation (ARE, 2023). Also, in 2023 the Saudi Fund Development (SFD) made a US\$10 million contribution agreement to offer support for the Special Fund Window (SFW) designed for less-developed participants during AIIB's eighth annual meeting in Sharm El-Sheikh (KSA, 2023). This signifies the collaboration between the two countries' financial institutions to promote infrastructure development for selected members. Through its contribution, the SFD will effectively support the AIIB's mission, partnering to identify and fund projects that have a positive impact on underdeveloped nations. Additionally, this collaboration will strengthen the AIIB's presence in countries that have benefitted from Saudi Arabia's previous aid support, particularly those with strong cultural and economic ties to Riyadh. (SA, 2, 2021; SA, 10, 2022; EG, 5, 2022; EG, 8, 2022).

Additionally, as Chinese financial institutions have expanded their reach into Egyptian and Saudi Arabian markets, the latter's financial institutions have ventured into Chinese ones. In 1999, Cairo and Beijing signed a bilateral agreement that resulted in the National Bank of Egypt (NBE), a prominent state-owned bank, establishing an Asian Affairs Representative headquarter in Shanghai, paving the way for a correspondent banking partnership between NBE and China Construction Bank (CCB) (Ma and Zhao, 2020, p.105). In 2003 the banks signed an MoU to enhance financial and information service industries for merchants involved in commerce and investment between the two countries (Ma and Zhao, 2020, p.105). In addition, NBE inaugurated its first Chinese branch in Shanghai in 2008, evolving as the very first financial institution from both Arab and African regions

to establish a foothold in China (Shama, 2022, p.35). In 2009, China Development Bank (CDB) opened a branch in Cairo, Egypt, to expand its global reach and facilitate Chinese access to continental natural resources, serving a crucial role in enhancing Sino-African cooperation in constructions, energy, and agribusiness (China.org.cn, 2009).

These kinds of initiatives have only intensified. In 2016, Banque Misr, the second-largest state-owned creditor in Egypt, inked an MoU with the Industrial and Commercial Bank of China (ICBC) to obtain a US\$500 million credit to finance collaborative projects with China and enhance ‘dollar liquidity’ alongside a US\$500 million framework arrangement with China Export and Credit Insurance Corporation (SINOSURE) to establish a representative headquarters in China with the support of the People’s Bank of China (Reuters, 2016). A year later, Banque Misr established an office in Guangzhou, partnering with major banks and financial institutions to offer commercial financing solutions to small- and medium-sized enterprises in Egypt (Caixiong, 2017). China has also marked bilateral currency swap deals with thirty-three countries worldwide, upwards of CN¥3.3 trillion (\$US450 billion) (Lu, 2022, p.1221). For instance, in 2016, the central banks of China and Egypt inked a three-year deal for a currency swap worth US\$18 billion (Adawi et al., 2020, p.221). Its objective is to facilitate ‘renminbi trade’ settlement between Egyptian companies and mainland China (Ibrahim and Nozahie, 2017, p.8). The Governor of Central Bank of Egypt (CBE) and China (PBC) (also discussed several shared interests, such as another currency swap deal, the possibility of the banks of both countries establishing a presence in each other's markets to promote financial integration, and the Egyptian government’s recent intent ‘to issue Panda bonds’, with the Yuan serving as the primary currency, something welcomed by the Chinese (Egypt Today, 2023). Additionally, during the third Belt and Road Forum in 2023, China International Development Cooperation Agency (CIDA) and Egypt’s MIC inked an MoU to finance development schemes by swapping debt (Ahram Online, 2023). Eximbank, ICBC, PBC and CDB all provided loans and credits for Egypt in various means total of US\$16.966 billion from 2019 to 2021 (see Tables 5.7 and 5.8).

The National Commercial Bank of Saudi Arabia (NCB) established its representation in Shanghai in late 2013 (Chen, 2016, p.61). In 2023, Bank of China (BoC) – one of China’s four most prominent state-owned banking institutions – established its inaugural branch in Riyadh to expand RMB usage as Sino-Saudi trade continued to flourish. BoC became the second Chinese bank to launch operations in Saudi Arabia, following the opening of the ICBC in 2015 (Saudialyoom, 2023). MISA, ACWA Power, Ajlan & Bros Holding Group, and Zhejiang Rongsheng Holding Group also inked an MoU to internalise RMB and green capital with BoC (Saudialyoom, 2023). President Lin Jin of BoC stated that opening a branch in Saudi Arabia will significantly increase commercial and investment activities while constituting a formidable attempt to support financial advancement of the BRI (Global Times, 2023). For Ambassador Chen Weiqing, establishing a Chinese bank branch in Saudi Arabia was a direct outcome of the strong bilateral relationship, denoting a significant advancement in financial

collaboration (Global Times, 2023). Furthermore, the Saudi Arabian Monetary Authority (SAMA) inked a three-year currency exchange deal with China's Central Bank on November 2023, with a value of up to CN¥50 billion (approximately US\$7 billion) (SPA, 2023).

In short, deepening of commercial and investment collaboration is consciously escorted by deepening financial collaboration along the BRI route, lowering costs and provoking wider and deeper integration (Lu, 2022, p.1221). To this end, in 2014, China also established the Silk Road Fund (SRF), a fully autonomous financial institution that aimed to bolster cultural exchange and other forms of interconnectedness, which are also seen as critical for lubricating integration (Ly, 2020, p.3). Alongside both AIIB and SRF financing, Chinese domestic institutions – such as the CDB, Exim Bank and so on – are key financiers of the BRI (Mobley, 2019, p.57). The Egyptian Minister of International Cooperation, Rania Al-Mahat, and the Chinese SRF President, Zhou Jun, recently discussed the importance of strengthening their collaboration: the former emphasized a desire to enrich Chinese investment in Egypt while sharing technological and developmental expertise to foster economic collaboration; the latter emphasized the significance of an evolving bilateral relationship driven by shared interests and strong leadership at the executive level. Both reiterated the significance of the SRF in facilitating BRI projects, Egypt's role within them, and the CN¥80 billion (US\$11 billion) capital booster at the 2023 Belt Road Forum (Daily News Egypt, 2023). In the Saudi case, the SRF took a 49 per cent stake in ACWA Power Renewable Energy Holding Ltd in 2019 (ACWA Power, 2019). The President and CEO, Paddy Padmanathan, emphasized the significance of this partnership for 'regional connectivity' and sustainable energy development, as well as integrating Chinese expertise in pursuit of a 'cleaner, greener, and more sustainable home' (ACWA Power, 2019).

Nedopil (2024, p.11) reports that China distributed funding and expanded investment to 61 BRI members in 2023, with Saudi Arabia leading the way with approximately US\$5.6 billion in construction development, a significant increase from the previous year's US\$2.6 billion. In short, as Schwarzer (2017, p.20) notes, China exemplifies a nation that effectively utilises its financial sources to strengthen its strategic standing, expand its global reach, and exert greater control over specific neighbouring areas. It is therefore different to traditional Western finance in scale, composition and governance, opening up financing for countries and regions, especially along the BRI, who may not always have received traditional sources of capital, thereby deepening their political and cultural connections to Beijing (Chin and Gallagher, 2019). So, as Egypt and Saudi Arabia become members of the BIIA, they have bolstered their respective financial sectors' partnership with China by establishing national banks operating in each country's market to deliver loans and credits throughout the BRI route, in tandem with bilateral currency swap agreements in addition to encouraging renminbi commerce, all of which exhibit the exercise of Egypt and Saudi Arabia agencies that have been

crucial in engaging with China to forge mutually beneficial interests that highlights a new type of regionalism process through their interaction in recent years.

### *People-to-People Bonds*

Egypt and Saudi Arabia – as noted throughout – have actively participated in deepening Chinese connections. The level of trade and investment that consistently sets new records each year is an indication of these ever-close partnerships. But, conventional economic ties, they have made deliberate efforts to widen and deepen collaboration through culture exchanges, language programmes, educational initiatives, tourism development, artistic endeavours, and other diverse channels, in turn fostering new connection between their peoples.

Since establishing their diplomatic relation, cultural exchange has been a vital aspect of China-Egypt bilateral collaboration (Ye, 2023, p.73). Beijing and Cairo signed their first cultural partnership in 1956, and since then, they have entered into several cultural cooperations and strategies for implementation (Bi et al., 2023 p. 16). After that, their relationship flourished through frequent mutual visits by high-ranking officials and cultural representatives, reciprocal educational programme exchanges, and other related activities (Musawa and Chen, 2021, p. 158. In 2016, the two countries commemorated the 60th anniversary of establishing their diplomatic relationship (as discussed in Chapter 4, see Chaziza, 2016; Elbadri, 2022), a celebration that was manifest by ‘The Chinese-Egyptian Cultural Year’, a step forward to further their already growing ties by engaging actively in cultural exchange and jointly collaborating in organising multiple cultural events, encompassing festivities, exhibitions, and other related events (Amer, 2016b). In January 2018, Egypt’s Minister of Culture and the Chinese Ambassador to Egypt officially opened the ‘The Second Crafts and Culture Industries Fair: Egypt and China’ at Cairo’s Hanger Arts Center (El-Adawi, 2018). Recently, Egypt has witnessed a significant increase in the number of Chinese tourists, except for the COVID-19 period, which affected the tourism sector worldwide, not just in Egypt. The number of Chinese tourists to Egypt in 2018 was recorded at (500 million), which experienced a significant surge, in contrast to (300 thousand) in 2017 (El-kasrawy et al., 2023, p.29). According to the Egyptian Minister of Tourism and Antiquities, the current number of Chinese travellers to Egypt varies weekly between 4000 to 5000 visitors (Ahram Online, 2024). This is furthered by enhanced connections elsewhere: around 1,000 direct flights between the two countries, and the steadily rising popularity of Chinese movies, television and other media, especially amongst those with growing academic or business links with China (Chen, 2018, p. 230). In 2023, China Eastern Airlines opened its first nonstop flight route from Shanghai to Cairo (thrice weekly), enhancing air connectivity between the two countries (Yile, 2023). Frequently, commercial collaboration necessitates a travel journey to strengthen relations-building through face-to-face interactions, exchanging ideas, culture, and experiences, as well as

between students and academics shared through educational programmes and collaboration, which enhances a transboundary exchange of interpersonal relationships (Ali and Rizwan, 2024, p.19).

China has established three CI in three Egyptian universities, namely Cairo, Suez Canal, and Ain Shams Universities (Procopio, 2015, 104). In the effort to expand CI branches across various Egyptian universities in different part of the republic, Cairo University, which hosts one of CI, has expanded its branches in Fayoum, Pharos, Benha, Misr, and Aswan Universities (Xinhua, 2016). In 2017, the British University in Egypt (BUE), which is a private university, inked an MoU with CI at Egypt's Suez Canal University, aimed to launch a Chinese language training branch for its attending students (Yellinek et al., 2020, p. 525). Similarly, Suez Canal University (SCU), which hosts another CI, expanded its branch at Helwan University and the Chinese-Egyptian TEDA zone in Ain Sokhna town (Yellinek et al., 2020, p. 525). Also, in 2016, 2,000 Egyptians pursued their studies in Chinese universities, half of whom were awarded scholarships by the Chinese government, (ARE, 2023), compared to only four students who went to study in China in 1956 (Li, 2021, p.9). These educational experiences serve a dual purpose: fostering Chinese culture, 'especially the language,' and fostering commercial and economic growth engagement between the two sides (Li, et al, 2020 p.1036).

Thereby, facilitating the accessibility of Chinese culture, knowledge, and civilisation dialogue to a wide range of Egyptian students, benefiting their personal development and skills for future job prospect while enhancing the future thrive of a relationship between the two nations (EG, 4, 2022; EG, 5, 2022). One Egyptian respondent stresses the important of cultural exchange between China and Arab countries by saying that:

The demand for Chinese Culture is more than good and people link their culture interests to their economic interests and people in the Arab World see their future economic interests either by learning the Chinese language or teaching their children the Chinese language and working with Chinese companies that are everywhere in the country of Arab world for example (EG, 11, 2022).

In Saudi Arabia, the Ministry of Education recently implemented twice-weekly Chinese language courses in public and private secondary schools, a commitment made during Crown Prince Mohammed bin Salman's visit to Beijing in 2019 (Shou 2023). In December 2022, during Xi's reciprocal state visit, the two reached a deeper agreement on educational cooperation, with the Centre for Language Education and Cooperation of China's Ministry of Education responsible for sending language specialists, creating a curriculum, training Saudi teachers, and coordinating Chinese proficiency exams (Shou 2023). The Saudi Ministry of Culture views 'international exchange and dialogue' as a top priority, aligning with Vision 2030 – with tourism expansion considered a fundamental cornerstone of economic diversification agendas– effectively highlighting the country's

rich cultural heritage, deep-rooted values, and influential ‘soft power’ to a global audience (Mosly, 2023, p.2).

Cultural exchanges and related events are essential to China-Saudi Arabia bilateral relations (Foley, 2016, p.167; Mosly, 2024, p.2), as the two countries are now expanding their cooperative ties beyond traditional interests towards comprehensive engagement in many common interests (Cai and Bao, 2023, pp.39-40). In a signing ceremony held in Beijing on September 26th, 2023, Saudi Arabia was permitted Approval Destination Status (ADS) by the PRC, meaning that Chinese citizens can now visit on gather tours, enabling easy exploration (KSA, 2023). Moreover, the SPA (2024) has reported that the Royal Commission for AlUla (RCU) – an important 2000-year-old archaeological site – has partnered with the Cultural Heritage Administration of Henan Province to support heritage protection work. AlUla has also become a member of the International Tourism Alliance of Silk Road Cities: as one of the 58 establishing municipalities from 26 countries worldwide, it participates actively in global platforms, designations, and occasions to promote ‘tourism and sustainable’ blossoming in Saudi Arabia's northwest territory (SPA, 2024a). There was a sizeable 300 per cent increase in the number of tourists within the two countries in 2023, with daily flight numbers also surging to 1,399 from 601 in 2022 experienced a significant surge (SPA 2024).

This growth is not coincidental: the STA has implemented a comprehensive tourism campaign in China called ‘Embark on a Journey of Discovery to Saudi Arabia’. It encompasses various activities – e.g. a Shanghai exhibition that drew in over 80,000 guests and the airing of Saudi experience movies on Chinese television and digital platforms – underpinned by collaborations with technology and media firms such as Huawei, Tencent, and Mafengwo, leading to a staggering 277 per cent increase in bookings: is a clear indication of Chinese enthusiasm for Saudi tourism (Saudi Gazette, 2023). This has been further supported by the economic strategy of the Saudi General Authority of Civil Aviation (GACA) which seeks to generate US\$100 billion by reform airport, ground handling, shipment and transportation regulations (Asharq Al Awsat, 2023). Recently, GACA and the Civil Aviation Administration of China (CAAC) entered into an MoU to augment the quantity of air transport hubs, promoting air traffic, both passenger and freight, establish frameworks for cooperation and potential joint ventures in cutting-edge aviation solutions, such as alternative fuels, enhanced flight movability, and traffic control systems, alongside integration of AI and digital techniques (Abi Farraj, 2024). In August 2023, under the theme 'Wings of Connection,' Saudi Arabia's national airline launched its inaugural nonstop flight (four times weekly) to Beijing in partnership with the Air Connectivity Programme (ACP). This aligns with the Saudi Aviation Strategy (SAS), which seeks to enhance air connectivity to reach crucial markets and satisfy tourism demand (Saudia, 2023; SPA, 2024c).

Moreover, GACA has officially approved China Southern Airlines to begin operating regular traveller and cargo flights connecting the two countries – connecting Beijing, Guangzhou, Shenzhen and



Riyadh – commencing summer 2024 (Joseph, 2024). This will not only enrich Saudi air connectivity, mobility, and logistics, but also strengthen its emerging position as a global logistics player, as outlined in Vision 2030 (Joseph, 2024). Moreover, in a strategic motion to further strengthen Sino-Saudi air connectivity, the Saudi ACP entered into a collaboration with China Eastern Airlines to launch a new (thrice weekly) air route between Shanghai and Riyadh, commencing on April 8, 2024, aimed at forming another critical plank of the ‘Air Silk Road’, fostering cultural exchange, alongside commercial interactions (Abi Farraj, 2024). Air China has also recently joined the ranks of Chinese airlines, offering a new (thrice weekly) flight route between Beijing and Riyadh, beginning on May 6, 2024 (Casey 2024). In sum, greater connectivity of all kinds is seen by the two countries as central to not just growth in business and commerce, but tourism and all manner of cultural exchange (Akkad, 2024). As Mosly (2024, p.3) argues, Saudi Arabia’s ‘cultural diplomacy’ is a vibrant, novel, but nonetheless central part of its foreign strategy, and it has been instrumental in challenging stereotypes, dispelling misconceptions, and fostering collaboration with wide-ranging positive spillover effects.

In sum, implementing several strategies, encompassing educational programmes and increasing air connectivity between China and both Egypt and Saudi Arabia, underlines the importance of these two Middle Eastern agencies in bolstering their interaction with China to establish mutual interests by widening and deepening their collaboration. This far exceeds traditional commodity-based trade partnerships via cultural exchanges, educational and job opportunities, individual and business interactions, travel experiences and civilisational dialogues that deepen their connections within the framework of the BRI and their Visions 2030, reflecting, in turn, a broader process of socialization and preference-formation amongst wider populations.

### *Trade*

As discussed earlier in the chapter, trade volumes between China and both Egypt and Saudi Arabia have grown consistently. However, there are significant imbalances: Egypt’s goods trade to China has fluctuated around \$1 billion, whereas the Chinese equivalent has grown steadily to between \$14 and \$17 billion, depending on the year; Saudi Arabia’s trade hit \$64 billion, with the Chinese equivalent reaching \$42 billion in 2023 (see Tables 5.1 and 5.2). There is evidently a wide-ranging divergence between Egypt and Saudi Arabia here: the former, like many poorer countries, runs a huge trade deficit with China; the latter, perhaps unusually, given China’s global trade surplus, runs a substantial trade surplus China, reflecting its exceptionally high level of hydrocarbon exports. In this sense, both are unusual, but they diverge in different directions. Nevertheless, ‘trade and economic relations between China and Saudi Arabia are improving ... and there are many promising investments opportunities and Chinese companies have many cooperations with Saudi Arabia and are constantly developing new ones’ (CH-SA, 3, 2022).

In tandem with both the ongoing expansion of the BRI and its own burgeoning growth, China has continually sought to ‘internationalize the RMB’ through AIIB and SRF so that it gains recognition as a global currency (see Bowles and Wang, 2013; Ly, 2020, p. 3; Amighini and García-Herrero, 2023). However, attaining this status is far from straightforward (Ly, 2020, p.2). Nevertheless, as more countries collaborate more deeply along the BRI, many observers perceive that this process may now realize greater success as increased trade flows facilitate intensified currency circulation, expanded range of use and improved pricing competitiveness (Lu, 2022, p.1219; Weijie, 2024, p.94). In December 2022, President Xi informed GCC leaders that China would increasingly work to purchase hydrocarbons in Yuan, in pursuit of this wider goal (Gulf News 2022). Chinese FDI is likely to further augment RMB circulation and payment capacity, empowering companies to establish clearer pricing for their products and enabling them to partake in a broader spectrum of activities (Weijie, 2024, pp.94-5).

Petroleum plays a prominent role in China's worldwide trade commodities, contributing to the significant and hefty import expenses from Russia, the MENA region, and Africa (Chen et al., 2022, p.962). In recent years, Beijing has sought to market its energy trade with oil producing GCC countries, especially Saudi Arabia, in RMB rather than UDS (Alshareef, 2023, pp. 380-82). Some oil-producing countries have now agreed to use RMB as a currency for billing: notably Russia and Iran, in 2014 and 2015 respectively (Chen et al., 2022, p.962), and then Venezuela in 2017, the latter launching a currency basket instruments with RMB involving the key currency exchange for commercial settlement regarding petroleum among other commodities (Ding et al., 2020, p. 117). Thus, the emergence of using RMB in the global petroleum landscape market as a trade settlement currency could alter the International Financial System (IFS) by affecting the US\$ as foreign exchange regarding petroleum prices (Ding et al., 2020, p. 117). In addition, in 2015, the IMF involved RMB in the ‘Special Drawing Rights’ (SDR) (Chen et al., 2022, p.962; Zhang et al., 2023, p. 173), reflecting the accomplishments of China's monetary modifications and efforts to liberalise its financial segment (Chen et al., 2022, p.962). In sum, this is another example in which China aims to utilize the BRI to improve what it considers an interlinked set of financial, political, security and cultural imperatives (Mobley, 2019, p.53).

## **5.4 Conclusion**

This chapter has shown how Chinese trade with Egypt and Saudi Arabia has grown substantially. There are evident differences between the experiences of the two Middle Eastern countries: Egypt is poorer, its trade with China is considerably lower, its trade deficit is very high, And it benefits from sizable amounts of Chinese investment and soft loans; Saudi Arabia, by contrast, is wealthier, it actually runs a trade surplus with China, and it's more advanced but less diversified economy has a



rather different financial relationship due to its own reserves of capital, meaning that it is not as dependent on Chinese money even though those investments are sizable.

However, this is not just a story about simple goods trade: these countries are increasingly expanding their commercial cooperation into a far wider range of often cutting-edge sectors – also comprising significant amounts of infrastructural development – and their relationships are deepening to an extent that moves far beyond conventional forms of trade. In one sense, this is about the extraterritorial expansion of Chinese power. But it is also about Egypt and China leveraging their unique geopolitical, cultural, and economic resources – the one located at the crossroads of the Middle East and Africa; the other a Gulf Monarchy – to benefit from China's ongoing rise and its establishment of new and wide-ranging infrastructural and technological frameworks that are, through the BRI and its associated initiatives, reshaping the regional and global politics of development. Yet, not only is this not simply a story of trade, it is also not solely a story of economics, commerce or finance: all manner of exceptionally dense cultural and people-to-people linkages are being constructed all along the New Silk Roads, drawing people, communities, businesses and governments more tightly together, based consciously on mutual respect for different ways of living and mutually beneficial exchange.

In certain respects, the story is little different to that which obtains in Africa or Latin America, as discussed earlier in the thesis: in large measure, the attendant shifts derive from the ongoing power transition implied by US relative global decline and China's relative rise (see Bishop, 2016). However, what is different in the Middle East is that this process was intensified by the fallout of the Arab Spring, and the crisis of confidence that was induced within the region by American equivocation towards existing relationships. So, while most world-regions have experienced an increase in commercial relationships with China since 2010, precisely because of Chinese economic expansion globally, the added impetus in Egypt and Saudi Arabia was their search for a new and reliable partner amongst the major powers. The deepening of this relationship has occurred alongside the broader embedding of China's commercial and cultural objectives within the framework of the BRI. Consequently, the scale of policy coordination between China and these Middle Eastern countries is now unprecedented, and it is closely aligned with their own 2030 Visions. This not only demonstrates new and deeper patterns of collaboration, but it also shows how the latter have sought deliberately to shape the preferences of the former in making its capital and frameworks available to anchor their own aspirations. A key part of this is reflected in the extent to which such engagement and mutual preference constitution is also provoking new patterns of intra-regional engagement on the part of Middle Eastern countries themselves. It also inevitably provokes important analytical questions pertaining to whether observers should be optimistic, pessimistic or pragmatic about these developments, a core concern at the heart of this thesis to which we return in the thesis Conclusion.



## 6. Conclusion

Chinese economic diplomacy in the Middle East is characterised, in a broad sense, by increasing engagement, ever-deepening trade, commercial, financial, cultural and, increasingly, security linkages. These intensified dramatically after the Arab Spring and accelerated further after 2017. As noted at the end of Chapter 5, the same might be said for other countries and regions which have widened and deepened their Sino-relations over the same period alongside China's rise to become key source of investment, loans and other forms of financial, technological and knowledge capital. Yet the Middle East is distinctive in at least three ways. First, these linkages are not separate, but rather form an overlapping whole, whereby MENA states in general, and Egypt and Saudi Arabia in particular, have pursued deep collaboration with China predicated initially on economics, but extending far beyond it to incorporate shared cultural instincts and interests, particularly around non-interference. Second, China's rise is not the sole independent variable propelling this engagement: the crisis of confidence engendered by Western responses to the Arab Spring and its aftermath – as well as malign Russian influence in the region – led Saudi and Egyptian elites to actively conclude that China represented a stable and committed partner that could help to balance against other major powers. Third, proximity matters: as the BRI has expanded along the Silk Roads, they have not only sought to engage in mutually beneficial cooperation, but have deliberately aligned their own domestic development frameworks – as encompassed in their respective Visions 2030 – within China's wider geopolitical and geoeconomic reordering project.

The thesis has traced the evolution of this process over time. Chapter 4 showed how bilateral relationships between China and Egypt and Saudi Arabia are both characterized by conscious and concerted deepening, albeit developing at different paces, with different impetuses and subtle differences of emphasis. The key point was that, in the present day, both have actively sought to shape Chinese preferences in ways that support both domestic development and, increasingly, regional integrative processes. Chapter 5 outlined how both countries – following the argument above – have sought to drive their respective developmental and diversification agendas through their conscious embedding within the BRI and wider Chinese circuits of capital and culture, which are in turn potentially provoking not just shared Sino-Middle Eastern perceptions and interests, but potentially even supporting an incipient form regionalism in a historically fragmented region under the BRI framework. It therefore appears that perceptions of Chinese economic diplomacy on the part of Middle Eastern actors follow a similar pattern to that observed in other regions – a degree of Sino-optimism, Sino-pessimism and Sino-pragmatism can be identified – but their nature and extent exhibits nuanced differences that stem in part from distinct historical experiences in terms of these

states' respective engagements with China (as discussed in Chapters 2 and 3) alongside the structure of their economies, bilateral diplomacy with Beijing, and patterns of incorporation into the BRI.

This final chapter unpacks these broad findings. The first section outlines the main findings in greater detail, integrating the analysis from the three empirical chapters and examining differing perceptions of Chinese economic diplomacy in the region. The second revisits the framework outlined earlier in the thesis to explore whether Sino-optimist, Sino-pessimist and Sino-pragmatist conceptions prevail in the Middle East. For the most part, it is possible to identify strands of all three coexisting, even within the discourses and opinions of individual observers, many of whom made pessimistic, optimistic and pragmatic arguments during the same interview. This is unsurprising, given that the real world – and therefore respondent perceptions of it – is messy and complex, and, in line with the qualitative, interpretivist methodology (as discussed in the thesis Introduction), these theoretical shorthand devices were deployed in the thesis as analytical tools to make sense of that complexity; they are not viewed as distinct observable tendencies that exist separately, in a positivist sense, in that real world. Nonetheless, for equally understandable reasons, Sino-pragmatist notions have become increasingly prevalent as the relative merits and demerits of Chinese economic diplomacy have become clearer over time. Finally, the third section reflects on the wider implications of the research advanced in the thesis, outlining the main contributions to knowledge and potential directions for future research.

## **6.1 Main Findings**

Chinese collaboration with Middle Eastern nations has grown significantly since the start of the 21<sup>st</sup> Century, intensifying dramatically under President Xi. Prior to 2010, China's goals in the region were mostly centred around achieving economic benefits through traditional forms of economic cooperation. However, since then, economic diplomacy – which has continued to remain important as commercial linkages have proliferated and deepened – has also operated alongside a widening expansion in the range of collaborative activities undertaken between both Chinese state officials and all manner of other actors, especially from business, but also academia, media and everyday people such as tourists, on the one hand, and their Middle Eastern counterparts on the other. So, China has sought new opportunities that now extend far beyond traditional forms of economic cooperation, into the strategic, cultural and security realms, too.

*What is driving Chinese economic diplomacy?*

Regarding the implications of China's augmented presence and pursuit of these interests, respondents offered a variety of insights. For some, China's expansion in the Middle East essentially parallels its

expansion elsewhere in Asia, Africa, Latin America and Europe. Essentially, this argument emphasizes how robust Chinese economic growth in recent decades has driven its emergence as a key global economic force, leading to the accumulation of wealth, access to international markets, and corresponding interests worldwide (see Chapters 2 and 3). As a result, the Middle East region holds significance for China's global interests in three key respects: it serves as a vital energy resource – especially in the Saudi case – to sustain its own growth and economic modernization; it represents a substantial market for Chinese products and goods; and it functions as a crucial passage for implementing the BRI (SA, 2, 2021; SA, 4, 2022; SA, 5, 2022; SA, 8, 2022; EG, 2, 2022; EG, 4, 2022; EG, 5, 2022). However, this process did not take place in a vacuum, and it is not reducible to Chinese expansion alone: crucially, the Arab Spring coincided with Xi's ascent to power, the Western response to which caused regional elites to lose confidence in their relationships with Washington, London and Paris, in turn catalysing their receptiveness towards Beijing's overtures (EG, 3, 2022; EG, 6, 2022). It also had the inverse effect: for China, the Arab Spring was alarming precisely because it potentially threatened its (increasingly significant) economic and security interests in a region from which it sourced around half of its hydrocarbons (see Chapter 5).

It presented a security dilemma for Beijing in at least three ways. First, it exacerbated domestic pressure whereby Chinese citizens complained on social media about the government's capacity to ensure the safety and protection of its citizens overseas (SA, 3, 2021; EG, 6, 2022). Second, China found itself in a direct confrontation with US and Western policies towards the Arab revolutions, as seen in the fateful 2011 NATO intervention in Libya, which destroyed over US\$18 billion in Chinese investments in infrastructure and energy projects (Selim, 2019, p.254). Therefore, Western intervention posed a direct threat not only to China's general oil interests, but also to its wider nexus of specific economic and security investments (EG, 6, 2022). Third, the post-Arab Spring period resulted in the emergence of radical groups under the pretext of political Islam, whether the Muslim Brotherhood or other Islamic movements that followed. Chinese fears about this intensified as thousands of its Muslim Uyghur fighters started to join jihadist groups in Iraq and Syria, engaging in terrorist activities against Arab governments (SA, 3, 2021; EG, 1, 2022; EG, 6, 2022). Beijing became increasingly concerned about Uyghur militant groups initiating connections with transnational extremist groups, as this could potentially provide them with logistical, financial, and military support, thereby endangering China's national security and fostering separatist movements domestically (EG, 6, 2022, see also Chapter Six; Hoh 2019; Houghton, 2022; Lemon 2024).

Another key turning point was the launch of the BRI, which reinforced the perceived need for strengthened collaborative relationships (which were themselves reinforced by enthusiastic Middle Eastern participation in the initiative). The BRI is viewed by many respondents as a rational tool because it serves as a pivotal hub for connecting three continents via various transport infrastructure

projects – such as the road and rail system or maritime routes and ports – thereby securing China's strategic footprint in this vital region (SA, 10, 2022; EG, 1, 2022; EG, 5, 2022; EG, 11, 2022). Moreover, one Saudi official highlighted that the city of Jizan specifically started to hold a distinctive strategic position along the Chinese MSR because it fits well with Saudi Arabia's Red Sea coastline. This, along with King Salman's rise to power and Riyadh's decision to implement Vision 2030, helped to legitimize a close relationship as King Salman and President Xi recognise numerous areas of potential cooperation and mutual growth (SA, 1, 2021). Saudi Arabia occupies a vital position for Chinese policymakers because of its economic strength, relative stability, and geographical advantages, all of which enhance Chinese economic growth (SA, 10, 2022). Egypt is also viewed as a strategic location, both because of the Suez Canal – which has received substantial investment from China – and its location at the MENA crossroads (EG, 1, 2022).

*How extensive is Chinese economic diplomacy and what is its rationale?*

Egyptian and Saudi interviewees offered three different perspectives regarding *the extent* of Chinese engagement and *the rationale* for it. These overlap to some degree, but imperfectly. In terms of the former, one view sees the presence of Chinese state-owned and private companies as extensive, welcome, supportive, and, crucially, facilitated and coordinated by Egyptian and Saudi governing elites. Trade, commerce, investment and financing are seen to have brought affordable products, technology transfer, expertise, aid and loans, as well as job creation, with the absence of political or economic conditionality (and prioritizing of respect for cultural difference) a key driver (see Chapter 5). Chinese economic diplomacy is even seen as supporting political stability, engendering mutual gains for both sides, precisely because of this lack of conditionality. A second view cautions that, although economic cooperation has grown, it varies markedly across MENA and the wider continent. Chinese investment is smaller in scope than elsewhere: Egyptian respondents cited Ethiopia and Djibouti, for example, whereas Saudis cited Iran (SA, 1, 2021; EG, 1, 2022). This casts doubt on the extent of Chinese engagement or the region's prioritization. The third view argued that Chinese economic diplomacy was extremely limited, even absent, especially in Egypt and Saudi Arabia, for two reasons: poor opportunities for Chinese actors to realize deeper strategic gains by exerting dominance over cheap resources, controlling monopolistic market positions or capturing strategic assets like ports; and caution about exhibiting their economic presence in the face of potential competition from Washington, which could undermine China's ability to secure its existing commercial interests.

While elements of all three views ring true, unevenness within the Middle East and between it and other regions is entirely consistent with a general story of expanding cooperation: the relative size and composition of different economies, the timing of their incorporation into Chinese diplomatic

frameworks, the nature of the historical relationship and the wider interests at stake all surely influence specific patterns of investment and other activity. Therefore, although Chinese investment in Egypt and Saudi Arabia may be lower than the largest countries in Africa – although, as Chapter 5 showed, it is not that much lower – it is hard to describe China as absent. Indeed, following the wider analysis in the thesis, as important as investment is, it is the wide spectrum of cooperation and the deep embedding of these proximate countries into the BRI framework that attests to the significance of Beijing's diplomacy.

Coming to the rationale question – i.e. what is driving China's engagement in the region – one group views the role as purely (or largely) economic. If the contracts that underpin investments benefit the Chinese government and its state-owned companies, they are happy to engage with any country to uphold their essential economic interests. Beijing was, especially early on, keen to focus on engendering mutual economic gains, because the region is, in large part characterized by instability due to the often-hostile interactions between major exterior forces. It concentrated on picking relatively stable countries like Egypt and Saudi Arabia to pursue economic objectives that redound to its long-term interests. In addition, China prioritizes economic factors by pursuing markets – a wealthy one in the case of Saudi, and a large one in the case of Egypt – that consume and absorb many of its products and services, enabling its companies to function overseas to help drive domestic economic growth and modernization (SA, 1, 2021; SA, 2, 2021; SA, 8, 2022; EG, 1, 2022; EG, 9, 2022).

The second group suggested that China's role was generally economic, but, has started to take a more overtly 'political' turn, specifically around the concept of supporting 'development'. In one sense, this corresponds with China's self-image as a 'developing country' and leader of the developing world (see Bishop and Zhang, 2020). But it also reflects a new-found sense of mission in the Middle East, and even in other parts of the developing world, that seeks to encourage these regions to become repositories for shared values, supporting China's narrational struggle with the West by advertising its unique development story. In addition, this group of respondents suggested that it is impossible to disentangle economic and political linkages: the one inevitably has consequences for the other. China thus increasingly regards its economic and political stakes in the same way as any other emerging superpower (SA, 4, 2022; EG, 3, 2022). Furthermore, its increasing regional presence has helped to alleviate Western political pressure on individual states by providing them with economic alternatives. This has, in turn, reduced their reliance on the West as the sole source of trade, finance, aid, and economic partnership. Accordingly, with its economic and political weight, China has brought greater dynamism to regional markets (SA, 3, 2022; SA, 5, 2022; EG, 4, 2022; EG, 7, 2022).

The third perspective examines China's role from a distinct angle, emphasizing that its influence is potentially overstated and even lacks a degree of cohesion in terms of alignment between its pursuit of cultural, political and economic objectives. This view underscores how Beijing lacks a fully coherent political agenda and has failed to protect its economic stakes in recent years by citing lost trade and investment in Libya during Gadhafi's downfall as an example. For these respondents, the extent of Chinese influence remains an open, evolving question, which is dependent on regional and international power structures as much as policy choices made by Beijing. Specifically, they suggest that China's engagement is necessarily circumscribed by the continuing reality of Western and, especially, US power. So, even though Beijing may wish to play a more assertive role in the Middle East, this is dependent – at least partly – on the relative decline and disengagement of other powers. It would also potentially require investments in overseas security infrastructure, such as military bases, rather than mainly economic infrastructure, the lack of which militates against China being drawn into regional conflicts to protect those interests. As it stands, China is not yet ready to fight in wars or become involved in the region's internal political affairs at the expense of its economic interests, not least because a key element of China's appeal to local elites is its avowed neutrality. On this reading, China prefers to maximize the latter, and, when conflict emerges, leave it to traditional Western players to resolve (SA, 9, 2022; SA, 10, 2022; EG, 2, 2022; EG, 8, 2022; see also She, 2024).

#### *Can Chinese economic diplomacy enhance peace in the Middle East?*

This implies a series of questions pertaining to the extent of China's ability to shape the global rules of the game (see Bishop and Murray-Evans, 2020) and its capacity to enhance peace and security in the Middle East specifically. Interviewees also generally fell into three groups, broadly mirroring the three perspectives discussed above. The first believes that China prioritizes the region's peace primarily to protect its economic stakes: preserving stability prevents declining demand for goods and industrial commodities that occurs during periods of conflict, so peace underpins stable energy supplies and prices while leaving Chinese export trade unimpeded. This group also tended to emphasize China's longer-term strategic plan to become a superpower, meaning it is not yet seeking to decisively assume global leadership (see also Pu, 2017, p. 54; Bergsten, 2018, p. 19; Hodzi and Yu-Wen, 2018, p. 13). So, in the Middle East, it is seen to be patiently waiting for a moment when regional countries perceive Western influence to have diminished to the extent that it lacks competence, meanwhile continuing to establish deeper economic linkages and stronger political and cultural relationships (EG, 1, 2022; EG, 11, 2022). Its consequent focus on economic, technical, and development collaboration – embedded, crucially, within the wider BRI framework – offers Beijing optimism that this approach will ultimately lead to future political influence. It can therefore avoid seeking to resolve regional conflict: such interventions are likely to be undesirable or unsuccessful anyway and come with political, reputational and opportunity costs which China is neither ready to



pay nor prepared to divert attention from its core long-term goal of becoming the world's most powerful economy. Beijing therefore engages politically within the framework of international institutions such as the UN and, especially, the Security Council, in deciding whether to agree, object, or reserve the right to vote on resolutions that may affect the Middle East, rather than intervening directly in regional political affairs (SA, 2, 2021; EG, 2, 2022; EG, 1, 2022; EG, 5, 2022).

The second group suggested that Beijing increasingly plays a more nuanced role than this. They conveyed that China contributes significantly to maintaining peace and stability by acting as a mediator on specific regional issues without exercising meaningful influence, pressure, or interference. Thus, Beijing's functional role is that of an 'honest broker' encouraging dialogue and creating a facilitative atmosphere for the disputing groups – such as Palestinians and Israelis or Houthis in Yemen – to talk to, and negotiate with, each other to reach political solutions without impacting them (SA, 3, 2021; SA, 9, 2022; EG, 6, 2022; EG, 3, 2022). This reinforces the perception of Chinese non-interference that helps it build extensive, trusted relationships with diverse players, as well as its determination to avoid possible embarrassment by sidestepping regional issues that could endanger its interests and future expansion efforts. In short, this view of China emphasizes how it is the responsibility of Middle Eastern countries themselves to work towards achieving peace and security by constructing initiatives and mechanisms to resolve their ongoing issues, but once they begin to do so, China can assist them by facilitating collaborative (and integrative) economic ventures to support their economic development through, especially, incorporation into the BRI. But Beijing is unwilling to exhaust its finite political and economic resources in seeking to resolve intractable conflicts, deliberately avoiding entering into security commitments that may jeopardise its long-term economic ambitions (SA, 1, 2021; SA, 3, 2021; EG, 4, 2022; EG, 10, 2022; see also She, 2024).

The third group believes that the picture is even more complex than this (with Chinese influence potentially overstated). For them, comprehending the nature of relationships between countries requires years – even decades – of interactions from political, economic, security, strategic and cultural perspectives. Although China is an emergent superpower, it is considered a newcomer to the region in contrast to Western countries such as the UK, France, and the US, which have been in the region for over 100 years. Moreover, Mandarin is still viewed as significant a barrier to certain kinds of economic, technological or cultural cooperation. Despite advances in language-learning, relatively few Arabs still speak Chinese – whereas large numbers speak English and French – leading some to suggest that this may even indicate a superficial Sino-Arab relationship at both the elite and popular levels (SA, 4, 2022, SA, 10, 2022; EG, 2, 2022; EG, 5, 2022; EG, 8, 2022). On this reading, Sino-Middle Eastern cooperation remains in its infancy: it has not yet attained maturity in terms of deeply rooted political, economic, cultural and strategic partnerships, which in turn explains Chinese reticence regarding security commitments, unwillingness to defend the region or displace the US as

the primary architect of regional security. This is not to say that Beijing does not harbour concerns over Washington's 'policeman' role or its approach to security provision. Rather, China recognizes that the US has an extensive network of bases and specific obligations towards certain countries. As China is carefully penetrating these states by establishing comprehensive strategic economic partnerships, it sees little value in bearing the obligation and cost of providing security: not only would this distract from its primary long-term economic goal, it could also engender conflict with the US itself (SA, 4, 2022; EG, 6, 2022; She, 2024; Chaziza, 2024).

In sum, there exist competing explanations of China's role and influence in the Middle East. There is widespread recognition that the Arab Spring was a key turning point, and it coincided with the coming to power of President Xi and the BRI's emergence as a mechanism or conduit through which closer relationships could be constructed. However, while some attribute China's expansion into the region to the simple pursuit of conventional economic diplomacy and investment, others highlight a tentative, but nonetheless perceptible 'political' rationale that has grown over time, albeit within limits. China remains unwilling to interfere directly in the internal politics of the Middle East, for several reasons: unforeseen consequences for its nascent relationships with key states, distraction from its wider global objectives, and potential blowback from a relatively declining, but still powerful, US. Most importantly, it could undermine China's quiet mediation in a region replete with simmering resentments while forcing it to shoulder a greater burden of leadership: costs presently paid by Washington.

## **6.2 From Sino-Pessimism to Sino-Pragmatism**

This section builds on the framework outlined earlier in the thesis, which distilled distinct 'Sino-optimist', 'Sino-pessimist' and 'Sino-pragmatist' positions from the existing literature on Chinese engagement elsewhere, to explore how its significance is perceived locally. Again, the value of this framework derives from the fact that we have little academic literature to make sense of how Chinese economic diplomacy is perceived in the Middle East. Individual respondents were rarely outright 'optimists' or 'pessimists': they frequently made optimistic or pessimistic points, but a 'pragmatic' account predominated overall. This is perhaps unsurprising: China's economic diplomacy in the Middle East is a material fact of life to be grappled with, as is its reshaping of global economic power. But, while an optimistic and pessimistic account can be discerned, and the same people may even advance elements of both perspectives simultaneously, in general most (but not all) reach an essentially pragmatic position, even if they hold concerns about Chinese engagement in specific areas.

Sino-optimists in Egypt and Saudi Arabia viewed Chinese partnership as a potential catalyst for economic development and progress: a win-win situation in terms of trade, investment, and economic, commercial and technological cooperation. China is viewed as a robust and reliable trading partner, offering quality products and services at reasonable prices within the reach of local consumers. Moreover, China is viewed as both straightforward to deal with and offering a different and more flexible development model than conventional Western approaches that are based on conditionality, vulnerable to changing political trends and poorly aligned with prevailing local customs. Some Western countries refuse to trade high-tech goods and services to Middle Eastern countries under the pretext of human rights issues or the conditionality of political and economic reform, whereas China has facilitated extensive transfer (and localization) of its increasingly advanced technology. For example, China established its first drone factory in Al-Kharj, Saudi Arabia, in 2017, and it has also assisted some regional countries in building peaceful nuclear reactors and ballistic missiles for self-defence, enabling them to domesticate these technologies. China also provides complementary expertise. For example, during the COVID-19 pandemic, it jointly established a vaccine production facility in Egypt to manufacture and circulate the Sinovac vaccine locally, subsequently facilitating exports to Africa along a ‘health Silk Road’ (see Zoubir and Tran, 2022). This merging of technology and associated know-how without arduous conditions is seen as both unique to China and crucial for supporting economic progress and political stability (SA, 1, 2021; SA, 3, 2022; EG, 5, 2022; EG, 6, 2022; EG, 9, 2022).

Chinese financing is seen as vital, too, in Sino-optimist accounts. Depending on the recipient country in question, Beijing’s huge array of state-backed financial institutions provide many different types of finance that complement local development needs, again without political conditions: from grant aid to loans of varying degrees of softness and commercial investment, all of which underpin substantial improvements in, especially, infrastructure. Not only does this augment the stock of public capital, it generates multipliers – both economic and through new job opportunities, training, and skill transfer for local workers – that contributed to growth and rising living standards. This, in turn, brings wider positives for development cooperation: China is viewed as a transformative force helping Middle Eastern countries to improve transport infrastructure, create development zones and industrial parks, ultimately promoting the development of their industrial bases (SA, 6, 2022; SA, 7, 2022; EG, 3, 2022; EG, 9, 2022; EG, 11, 2022).

Regarding infrastructure upgrading specifically, optimistic narratives viewed Chinese enterprises (both state-owned and private) as practical partners with unique advantages that accelerated the integration of countries and their industrial sectors into the global economy. Not only do these firms

have experience and expertise that is increasingly seen as unparalleled, its value is demonstrated through the repeated execution of large-scale projects in both their homeland and an astounding number of other countries. Chinese infrastructure enterprises have a strong reputation for delivering ambitious projects quickly and cheaply, deploying skilled workforces and advanced technologies. As discussed at length in Chapter 5, Egypt and Saudi Arabia benefitted from this through the implementation of many sizeable infrastructure projects linked to their specific needs and in strong alignment with the 2030 Visions. These include: infrastructure networks (roads, bridges, railways); massive constructions (dams, airports, seaports, factories); public buildings (schools, universities, hospitals); other critical plant and non-transport infrastructure (water desalination plants and electric power plants; renewable energy installations, comprising wind, solar and nuclear); digital infrastructure (5G and other ICT). So, not only did these projects help achieve tangible gains, their range and scale – and the centrality of Chinese finance, human and technological capital to deliver them, some of it donated or provided cheaply – is quite unlike anything offered by the West in terms of its own often-extractive economic diplomacy (SA, 1, 2021; SA, 8, 2022; SA, 6, 2022; SA, 7; 2022; EG, 9, 2022).

All of this is made possible – in Sino-optimist accounts – because China’s vision of global governance, in which multilateralism, non-interference and distinct development models aligned with local values are prioritized, matches the aspirations of Middle Eastern states and their elites. In this sense, Beijing’s lack of overt conditionality suits the region’s leaders and decision-makers. In sum, for Sino-optimists, Chinese engagement in the region is not driven by neocolonial motivations (see Chapter 2). It has no specific agenda centred on economic, political or military subordination: all states enter bilateral commercial relationships freely, and, as noted in Chapter 5, have to work assiduously to gain Chinese consent for the deepening of those relationships. Moreover, China is not seen to possess a colonial mindset, either now or in ancient times; it has been a victim of other colonial powers in the past, and the PRC was emerged from a process of anti-colonial resistance; and China has always adopted an essentially Third-Worldist position of developing-country unity and respect for difference and non-interference in its dealings with Middle Eastern countries who were amongst the very first states to recognize and establish relations with the PRC in the 1950s.

#### *The Sino-Pessimist account*

Sino-pessimists emphasize the potential risks that come with expanding Chinese economic diplomacy. Proponents of these arguments begin by questioning the existence of mutually beneficial ‘win-win’ returns and expressing apprehension about what appears an ‘opportunistic’ policy (SA, 2, 2021). China prioritises short-term interests at the expense of longer-term commitments for both parties, leaving Beijing with ample room for flexibility to benefit self-interestedly from other gains if the

current situation in the region changes, adopting new policies in its favour without demonstrating a ‘genuine’ commitment to its relationship with different states, except for Iran (SA, 2, 2021; EG, 1, 2022). For Sino-pessimists, even though China maintains cordial relationships regionally, it falls short of being considered a *full partner* like the US, UK, or France: its commitment is more uncertain, abstaining from supporting its allies – such as Gaddafi and Saddam Hussein – at crucial moments (SA, 1, 2021; SA, 2, 2021; SA, 10, 2021; EG, 1, 2022; EG, 7, 2022).

This account also casts doubt on China’s self-perception as a developing country, while also regarding itself as a protector and champion of developing country causes. While Sino-pessimists acknowledge that China is still developing, and has significant poor regions and communities, it is no longer truly amongst the ranks of developing countries as its contemporary economic and social transformation means that it has surpassed them (for a discussion, see Bishop, 2016; Bishop and Zhang, 2020). Sino-pessimists also question its relationship with the Group of 77 (G-77), in two key respects. First, China is not actually a member – the grouping is formally the ‘G-77 plus China’ – thereby potentially undermining its claim to be a developing country. Although China does not view itself as developed either, its decision to stand outside the G-77 implicitly signals the opposite, even if it does not express it explicitly, contrary to reality. Second, China’s political, economic, and military power is unmatched by that of other developing countries, yet they may struggle to resist its influence or even be threatened by it. In short, the increasing inequality between China and developing countries as a whole necessarily calls into question the supposed relationship of equals between them.

Sino-pessimists worry about whether increased Chinese influence – through the BRI – may bring the struggles between East and West into a new form of economic competition throughout the region. Beijing’s attempts to establish economic dominance over developing countries by self-identifying as one – and thereby distinguishing itself from developed countries – helps to contain them economically. Therefore, economic diplomacy through aid, loans and investment and softer measures like extending culture and language training and hosting foreign delegations help to both grow the middle class and render it more Sinophile (in turn challenging American cultural hegemony). This makes pessimists fearful of resurgent East-West political struggles in the region, forcing Middle Eastern states to make difficult choices of whether to align or remain neutral, potentially jeopardizing their stability and progress. Recent evidence – with Trump aggressively demanding that countries choose sides, and Biden also doing the same thing more softly – highlights the difficulty of balancing relationships with China and the US. This will only become more difficult: as China implements advanced technologies like 5G infrastructure, pushback from the US reinforces controversy and suspicion. The region’s developmental interests are unlikely to be well served regardless of whether ongoing competition between these two powers can be navigated and balanced or states are forced to choose between one at the expense of the other (SA, 1, 2021; EG, 3, 2022; EG, 5, 2022).

The nature of Chinese economic cooperation – and whether it is truly a catalyst for sustainable local growth and development – was also called into question. This critique had several elements. First, pessimists were apprehensive about acute trade imbalances, which exist everywhere except for the smaller, wealthier oil producers (Saudi Arabia and the UAE). Second, they emphasized brutal market competition that is difficult to contend with given China's economic scale, a familiar problem in other places that have struggled to maintain industrial capacity in the face of it (Gallagher and Porzecanski, 2010). Manufacturers such as Egypt and Jordan have found it difficult to produce traditional goods as more competitive Chinese products have entered their domestic markets, and they have also lost regional market share. A similar story is told in services – such as in communications – where Chinese firms have quickly defeated competitors through aggressive (and in some cases, it is suspected, corrupt) acquisitions, very low prices and high-quality services. Pessimists worry that this makes the region unattractive to investors from elsewhere as it becomes too difficult to enter. Third, they also question the long-term developmental effects of expanded Sino-Middle Eastern commerce, fearing that it may involve a certain level of exploitation. For instance, some Egyptian interviewees cited the example of Chinese re-export of cut marble stones to Egypt that were originally imported raw from the country. Eventually, Egypt stopped selling them to China and its firms began to undertake the industrial processes themselves (EG, 1, 2022; EG, 4, 2022; EG, 8, 2022).

This highlights some wider concerns with the extent of economic cooperation. One issue here is technology transfer: although, as discussed in Chapter 5, Chinese technology transfer is more extensive than its Western equivalent, it also remains limited in scope, often accompanied by strong reservations on the Chinese side, and marked by a lack of guaranteed after-sales service. One Egyptian interviewee cited the example of purchasing a printing press: an American product is overbudget, and after-sales service and spare parts cost even more money; the Chinese equivalent, by contrast, is reasonably priced but there is no after-sales service at all (EG, 1, 2022). Another issue is the skewed distribution of investment across the region, much of which is extractive, such as in the energy sector, or facilitating the import of advanced Chinese products. Even where local firms manufacture products, like cars, in partnership, as in Egypt, most components originate in China, the underlying technology and know-how is Chinese, and the cars are sold locally, meaning the distribution of gains still favours Chinese capital. Some pessimists even suspect that China may be at a juncture where it wants to support the development of domestic goods production by outsourcing production and supplying them from abroad (EG, 1, 2022, EG, 2, 2022, EG, 7, 2022).

As in other regions, Sino-pessimists also fear a BRI-induced debt dilemma. Beijing provides the financing and loans necessary to implement massive projects that may prove difficult to repay, leading to fears about neocolonialism. Although China imposes no political conditionality at the outset of the relationship, it may impose conditions afterwards if countries struggle to repay. At the

very least, Beijing may exert control over schemes for which outstanding debt is due. Sino-pessimists describe this process as ‘soft infiltration’, in contrast to more assertive Russian infiltration methods (EG, 8, 2022). Indeed, it may even be the case that perceptions of limited conditionality are misplaced, because such requests could have occurred privately. Various respondents suggested that Chinese actors may have sought or obtained economic benefits or privileges for its state-owned enterprises, in turn promoting project implementation. For example, the Egyptian NAC which is being constructed at considerable cost will have a Chinatown neighbourhood, with some believing that a deal has been agreed for Chinese firms to receive a long-term urban management concession in exchange for Beijing’s willingness to deliver logistical assets for construction and development. Similarly, in Saudi Arabia, Chinese actors frequently negotiate hard on oil contracts, deploying gains secured in other countries to encourage local partners to reduce prices or give other benefits. This indicates the difficulty of negotiating with the Chinese actors since they prefer to seek economic privileges (EG, 2, 2022; SA, 1, 2021). Another issue is the domestic effect of Chinese financing: as briefly noted in Chapter 6, antagonistic local contestation over control of it has been identified in other regions by Abb (2024) and, although his case studies, Myanmar and Pakistan, are quite different to Saudi Arabia and Egypt, this implies that, depending on the context, capital infusions can be a source of instability as well as stabilization.

Sino-pessimists also express concern with Chinese firms themselves. Smaller ones are perceived to deliver low-quality work in the region (in contrast to high-quality work in China). This narrative also expressed dissatisfaction with the working mechanisms of companies, their project implementation procedures, dependence on larger state enterprises for support, tendency to bring in Chinese labour, and lack of ‘global’ orientation, meaning that they design, build, develop and inhabit their own ecosystem. Consequently, knowledge transfer and training can often be limited: this reinforces the inability of locals to manage, implement, and maintain large-scale projects, representing the flipside of the limited technology transfer (or localization of that technology when it is transferred) discussed above. In general, there exists a broader fear regarding the political underpinnings of Chinese capital and the extent of Communist propaganda that accompanies it: the giant companies that function outside of China around the world and carry out mega-projects are generally either state-owned or have leaders or owners who are CCP members or linked to the CCP or the Chinese Parliament (SA, 1, 2021; SA, 10, 2021; EG, 7, 2022; EG, 8, 2022).

In sum, Sino-Pessimists view the Chinese model as less beneficial for the region’s economic development than that of the West. They believe that the latter can generate positive outcomes, be adaptable to the region’s economic development needs, and provide solutions to prolonged economic stagnation. They therefore view Western liberalism, alongside adherence to autochthonous Arab and Islamic cultural principles, as ‘the best way of doing business’ (SA, 1, 2021). Some also stressed that

China, by comparison, is not a friend that can be depended on, ‘no matter how much Western countries exploit the countries of the Middle East’ (EG, 8, 2022).

### *The Sino-Pragmatist account*

A Sino-pragmatist view acknowledges many of the positives and potential negatives described above. However, it cautions that the former should be more aware of the risks that exist in the China-Middle East relationship, while the latter should be wary of overstating them. Moreover, narratives that reflect this position generally take the relationship as an established, but evolving, reality that, by definition, has pros and cons: its proponents consequently emphasize the principle of pursuing mutually beneficial exchange while seeking to minimize potential harms. They tend to begin by noting how China’s relationships with Middle Eastern countries are undeniably positive, cordial, and grounded in mutual respect for the principles of sovereignty and non-interference, upholding a nation’s right to follow a development path that corresponds with its principles, values, and customs. Beijing is a friend to every country and has no enemies in the region: a neutral stance to which many, especially Egypt and Saudi Arabia consider helpful in contributing to its wider stability and security. Unlike other exterior powers, Beijing has sustained a balanced relationship with Middle Eastern countries, despite some ongoing tensions, such as those between Iran and some Arab countries, and the latter with Israel. For Sino-pragmatists, this practical non-alignment allows China to deal with every country commercially, maximize its economic prospects, safeguard its regional relationships, while contributing to maintaining regional stability and security (SA, 9, 2022; SA, 5, 2022; EG, 4, 2022; EG, 11, 2022).

China is also viewed as an active supporter of regional development, and a key partner in delivering it, in line with countries’ own economic plans and visions. So, while a pragmatic posture recognizes that the Chinese state and its capital has realized substantial gains through exploiting untapped resources, it has also enabled Middle Eastern countries to exploit Chinese opportunities. Central to this is a distinctive approach to development cooperation that does not coerce states to undertake economic and political reforms: Western conditionality and military intervention are considered detrimental to economic progress and stability, whereas Chinese collaboration is seen to have yielded reciprocal benefits for development and prosperity (SA, 2, 2021; EG, 3, 2022). Moreover, it is not only China that aims pursues its national interests via Middle Eastern engagement, regional countries have also displayed a parallel desire to move towards Beijing by engaging actively to achieve their national interests.



Globally, Sino-pragmatists emphasize that China is not only a commercial or ‘monetary empire’, but a strategic and technological supporter of Middle Eastern countries (SA, 1, 2021). As discussed earlier, a number Middle Eastern states lost confidence in US support after the Arab Spring, but some – notably Egypt, Saudi Arabia and the UAE – also came to see American-led global governance as increasingly incompatible with their national interests. This drew them closer to Beijing, which provides protection through its permanent membership of the United Nations Security Council (UNSC), while striving to obtain support for its objectives in the General Assembly (UNGA) – such as reinforcing the ‘One-China Principle’ – by resisting Western pressure on behalf of developing countries as a group. The Chinese regional presence helps to inhibit foreign interference, providing a bulwark against Western (and Russian) intervention. The Middle East has also grown in importance for Beijing since the US implemented the ‘Asia Pivot Policy’ under Obama by redirecting its resources out of the region and repositioning them into the Pacific to contain China’s rise (see Nurtina 2024, pp.127-8; Liew et al., 2023, p. 61; Blackwill and Fontaine, 2024, p. 46). This prompted Beijing to implement countermeasures to what it perceived as encirclement by establishing a foothold in Washington’s traditional zone of influence in the Middle East (EG, 6, 2022). Although this has rendered the region’s geopolitics more complex, it has also helped to balance great power influence.

China has evidently become a crucial strategic partner, but Sino-pragmatists emphasize that this also reflects an imperative to continue diversifying regional partnerships, something that should not stop in Beijing. They are conscious that over-reliance on China risks wider isolation: ‘every partner has a space to deal with the region's countries, and those who want to develop their space and relations are welcome’ (EG, 1, 2022). At the same time, China is a unique power and the scale of its CSP which encompass every significant state since Egypt and Algeria signed in 2014, followed by Saudi Arabia (2014), the UAE (2018) and Iran (2021), within a broader BRI framework, is difficult for any other to imitate. Although pragmatists recognize that this engenders interlacing and complexity – with Arab states implicated in Chinese-led regional ordering projects that integrate others with whom they have serious political disagreements – contemporary politics is distinguished by flexibility. So, where Saudi Arabia and other GCC countries worry about China’s tight relationship with Iran, and Egyptians worry about China’s investments in Ethiopia’s Renaissance Dam, disagreements on those specific issues does not inherently prevent wider cooperation on issues of common interest (see Chaziza, 2024b). Sino-pragmatists consequently underscore that, while Egypt and Saudi Arabia should collaborate positively with Beijing due to its political and economic significance, they should also be wary of trying to obtain everything that they desire from it. This, again, is why ongoing diversification of partnerships remains critical to help ensure they can realize positive outcomes from both the East and West (SA, 1, 2021).

Moreover, the Middle East also represents diversification for China itself. Despite its unwillingness to explicitly provide security, it has acted to secure its growing strategic economic interests following the increased security threats that emerged after the Arab Spring. Yet, in becoming more assertive and visible, it has still been inclined to engage in cooperative economic relationships in accordance with the desires of the region's countries, rather than those based on political or economic conditionality or military intrusion. Nonetheless, Chinese investment is perceived in Beijing as a wall to counter insecurity and potential hazards afflicting its broader interests, including terrorism. By providing support for reconstruction and development, unstable societies can be stabilized, restoring the authority of governments to reassert control over their territories, ultimately combatting extremism. For Sino-pragmatists, China did not throw its investments carelessly into the region: it positioned them strategically, making the Middle East a crucial passage for the BRI, the success of which depends in large measure on the stability those investments are designed to facilitate, with such 'give and take' generating mutual benefits for all parties involved (EG, 6, 2022). Moreover, there is a sense that this can complement Western activity, rather than competing with it, for three reasons. First, the US is itself a net importer of Chinese consumer goods, so it does not really compete in Middle Eastern markets for those products where China's firms already predominate. Second, the high-tech sectors in which its enterprises (or Western ones) could compete were often closed to them due to sanctions, other prohibitions or heavy conditionality, meaning that China entered and secured markets where there was limited existing competition. Third, by focusing on economic development rather than military support – except for in the Iranian case – Beijing effectively operates in different spaces to Washington, which sustains its own influence through its unchallenged military presence, military pacts, and by investing exclusively in restricted sectors, such as oil (EG, 1, 2022; EG, 6, 2022).

Thus, Sino-pragmatists concluded that, while the Middle East previously relied on the US and European countries to import goods and services and export energy resources, China's rise changed the economic equation. It became the world's largest factory, offering quality goods and products at suitable cost, and offering developing countries new choices without conditions. The West therefore has no equivalent approach to compete with it. One potential point of future tension is if this relationship takes on a military dimension. Most Arab countries, especially Bahrain, the UAE, and Saudi Arabia, remain dependent on the US security guarantee and closely connected to Western defence industries for procurement of weapons and other equipment, as well as some Russian technology. Nevertheless, Sino-pragmatists note that China currently offers increasingly viable products and services, and therefore a potential military alternative. Arab states have not pursued this, in part because there exist no commercial arrangements for obtaining enormous quantities of aircraft, tanks and so on. So, China is yet to find a presence in the region for its military wares, in turn reinforcing the notion that both East and West have space for collaboration with countries in matters viewed as vital to them (SA, 1, 2021; SA, 3, 2021; EG, 1, 2022; EG, 4, 2022).

In general, as the world's second-largest economy, biggest manufacturer, largest exporter, and most significant consumer of energy resources, avoiding Chinese partnership is seen as impossible (and undesirable). Moreover, China has emerged as a vital financial benefactor by providing aid and loans, alongside the distinctive connective framework of the BRI. Its economic weight, comparative advantages, international and regional economic clout, global networks, and opportunities for market accesses render strengthened economic linkages not only natural, but critical for facilitating wider connections into an integrated global economy (SA, 6, 2022; SA, 7, 2022; EG, 6, 2022; EG, 9, 2022; EG, 10, 2022; EG, 11, 2022). Although Sino-pragmatists recognize the imbalances that can exist between trading partners with very different levels of development and power, they also emphasize reciprocity. China now has significant interests in Egypt and Saudi Arabia, but these countries have interests in China, too. So, for example, while Beijing enhances relations with energy producers to secure supply for its own developmental needs, as the largest consumer of the region's hydrocarbons it is also a reliable customer that supports Middle Eastern modernization. By the same token, while China strives to maximize its economic interests by ensuring the presence of its industrial goods, products and services within regional markets and expanding investment, Middle Eastern countries work hard to attract Chinese capital as they need those goods, services and investment alongside the localization of technology and know-how in crucial sectors where China has comparative advantages globally and absolute ones regionally (SA, 2, 2021; SA, 4, 2022; SA, 10, 2022 EG, 2, 2022; EG, 11, 2022).

Following this, the pragmatic view rejects the notion that Chinese economic diplomacy undermines local productive capacity, and likely enhances it, for several reasons. First, China has assisted Egypt and Saudi Arabia in establishing industrial or infrastructural projects for which they lacked the necessary capital or expertise, according to their prerequisites, while adhering to local laws and standards. Second, their markets were accessible to many foreign countries and their state-owned or private enterprises, but only China has sought to provide investment on the scale desired in a diverse range of sectors, delivering what others could not. Third, this comes with a strong developmental rationale: states with limited financial resources, such as Jordan and Egypt, have benefitted from Chinese aid and loans as well as related support from those with abundant capital, such as Saudi Arabia, the UAE, Qatar, and Kuwait. In short, Fourth, it has also sought to avoid competition with local investors: for example, Chinese businesspeople have tended to focus on large-scale state-driven projects that require major external inputs rather than competing in the domestic economy, in small-scale restaurants or other consumer services. Moreover, they have brought with them resources that would otherwise not exist: advanced technology, human and finance capital, management experience and capacity. Even where Chinese labour has been imported, the ensuing investments have enabled the creation of employment opportunities for locals, and the kind of employment undertaken by workers from China was already commonly carried out by expatriates (SA, 1, 2021).

Another key element of a pragmatic account is that Egypt and Saudi Arabia, like others in the region, have the freedom to choose whether or not to participate in Chinese-led initiatives. They have sufficient awareness of their circumstances, interests and risks when collaborating, alongside a sense of the strategic benefits of partnership for attaining their economic and political aspirations. Moreover, the Arab states tend to be government by powerful bureaucracies and relatively cohesive institutions, giving them space to shape Chinese investments in ways that generate reciprocal benefits, and resist potential interference through their supervisory bodies. China itself also implements various controls when undertaking large-scale multi-billion-dollar infrastructure projects: risk assessments, feasible repayment schedules, mechanisms to ensure completion and an ongoing degree of oversight. Sino-pragmatists note that this balanced set of responsibilities derives, in part, from past Arab experiences of dealing with powerful states, which has equipped them with greater knowledge and negotiating capacity than many other developing nations. This can make them exceptionally cautious about implementing externally imposed reforms and oversight mechanisms, but this also helps to mitigate against the potential of Chinese ‘neocolonialism’ that pervades more pessimistic visions, particularly elsewhere in the Global South. So, while regional states may inevitably encounter some economic vulnerability and risk when dealing with a power on the scale of China, diversification of both their economies and the economic partnerships underpinning it can help to mitigate this.

In sum, Sino-pragmatists consider China’s presence to be neither entirely positive nor overly threatening. It is a fact of life with which all actors must contend that generates new outcomes – genuinely supporting development and, through the BRI, a wide-ranging framework in which to embed it, balancing the influence of other great powers – which, over the long-term, will likely generate new pressures and tensions. Beijing seeks to maximize its regional interests in tandem with its rising power, and Middle Eastern countries also desire to enhance their interests with China in a way that generates economic development and diversification while empowering them vis-à-vis their relations with others. While perhaps overstated by optimists, and certainly underemphasized by pessimists, these relationships are marked by solidarity – the region is increasingly significant within China’s global vision that considers local state elites as genuine partners – and underpinned by mutual agreements pertaining to non-interference alongside a broadly shared view of global governance. Even where disagreements exist, this does not preclude cooperation on matters of common interest, whether bilaterally or within regional and international platforms. Overall, a broadly pragmatic view of China-Middle East relations seems the most balanced description of what is happening.

### **6.3 Contributions and Future Directions**

The study makes four broad contributions to the academic literature. First, it is among the first detailed comparative academic studies of Chinese economic diplomacy in the Middle East (an issue

that has only relatively recently gained attention from a limited number of scholars: e.g. Sun and Zoubir, 2015; Garlick, 2020; Garlick and Havlová, 2020; Wen and Chen, 2022; Chaziza, 2019; 2024b). As discussed earlier in the thesis (see Chapters 1 and 2), the region is understudied as a recipient of Chinese trade and investment compared to other places, especially sub-Saharan Africa and Latin America. This is to be expected: these regions encountered the direct effects of China's global rise much earlier, with the distinct experiences of their countries representing numerous interesting case studies of it. However, the Sino-Middle Eastern encounter has come later, and existing literature about it tends to be more technical and policy-focused rather than scholarly and reflective. Moreover, academic research on the region in international studies also usually foregrounds security concerns or Western relations, rather than political economy or China. So, this project has added to the existing literature in a number of ways: it has provided a detailed comparison of the distinctive experiences of two similar, but very different Arab countries as they grapple with Chinese trade and investment; it has done so by undertaking a sustained period of fieldwork in both Egypt and Saudi Arabia (during the COVID-19 pandemic, which created additional restrictions and delays) to generate original empirical data in places that are very difficult to access for researchers about an issue that is sensitive and potentially controversial; and it has examined this through the prism of economic diplomacy, deliberately centring the perspectives and perceptions of local actors who are engaging with Chinese counterparts as they restructure the political economy of the Middle East. Their specific motivations in Egypt and Saudi Arabia differ, as does their access to specific forms of Chinese assistance – the former seeks development, the latter diversification – but they are actively deepening their Sino-relations in a deliberate way based on clear shared principles.

A second contribution is smaller, but it offers some theoretical innovation in terms of connecting a constructivist framework to the specific problem of Middle Eastern agency in engaging with China. The primary agenda in the study was to ascertain how local actors perceive and engage with Chinese economic diplomacy. But a constructivist framework is one that seeks to comprehend how that engagement goes further to generate mutually constituted ideas and shared preferences. The argument, in a nutshell, is that not only do conventional IR and IPE theories struggle to explain these patterns of engagement, they also struggle to explain their depth and extensiveness. Egypt and Saudi Arabia are not passive recipients of Chinese capital and expertise, but active shapers of it, and they are shaping it in ways that support a much deeper and wider set of objectives that support their developmental and diversification agendas. This implies a very different relationship to the one-way, extractive processes that generally characterize great power engagement with smaller powers, and it is evidenced by the conscious attempts to 'Look East' on the part of both Cairo and Riyadh as well as the attempts to move beyond commodity dependence to become significant players within China's own perceptions of its economic self-interest and energy security. This, in turn, has generated new patterns of cooperation within the Middle East as well – such as in financial markets, as well as

political objectives – as countries have sought to embed their domestic Visions within the BRI framework, in turn using those Chinese structures to support a new, incipient regionalization process. In sum, this nascent regionalism is potentially a novel outcome of a process of mutual preference construction.

The third contribution is to the literature on China's rise and its implications for other regions, especially the non-West. In recent years, the BRI has generated a sizeable literature, but this has tended to focus on those regions with longstanding partnerships, as in Africa or Latin America and the Caribbean (see Chapter 2), hegemonic competition, as in South Asia and the Pacific (e.g. Garlick, 2019; Foot, 2020; Li, 2020; Zhang, 2022; Baruah, 2023) or Chinese expansionism into either its immediate periphery and Russia's historical sphere of influence, as in Central Asia (e.g. Dave and Kobayashi, 2018; Bird et al., 2020) or as far as Central and Eastern Europe (Jakimow, 2019; 2024). This project is not, in the first instance, a study of the BRI: the initiative forms an important backdrop to it, rather than the core focus of it, and it only engages in a limited way with debates about whether it implies a rebooting of Chinese-led globalization (Siddiqui, 2019) or a modern variant of the tributary system (Hobson and Zhang, 2022). The core agenda here has remained a focus on how local actors perceive Chinese expansion through economic diplomacy in the region itself, rather than the consequences for global order.

But, as the project developed and fieldwork was undertaken, it became clear that the BRI is more than just a new economic partnership agreement. It is potentially reshaping economic geography to such an extent that it is likely to provide the overarching framework in which Middle Eastern development will come to be embedded. Indeed, the fact that Egypt and Saudi Arabia are deliberately aligning their Visions 2030 with it is evidence of this process. Moreover, critical debates that animate scholarship focusing directly on the BRI, echo, in many respects, the wider debate engaged with in this thesis about whether observers are optimistic, pessimistic or pragmatic about Chinese economic diplomacy. So, the thesis has indirectly made a contribution to this literature by drawing explicitly on debates elsewhere to distil a 'Sino-optimist, pessimist and pragmatist' framework, and apply it to this particular region. The central finding, that pragmatism prevails, is not, as noted above, surprising – as it echoes debates elsewhere – but the creation of this framework to make sense of those debates and confirm this finding about the Middle East specifically is novel.

This leads to a fourth contribution, which adds to emerging literature around the distinctive nature of Chinese economic diplomacy itself. Part of the reason that a pragmatic account appears to be the best way to comprehend its effects in the Middle East is because it is a fact of life to which actors are adjusting all the time. China is now so powerful and influential that states have little choice but to

engage with it, particularly since it is the only plausible and reliable source of trade, investment, technology and expertise on the scale required for them to achieve their developmental aspirations. It also acts as an important bulwark that balances Western influence in a region that has, to some degree, lost confidence in it. Although there is now a growing literature on Chinese economic diplomacy, as Zhang (2024, p.2) notes: ‘In China, economic statecraft remains a novel concept, and systematic study at the theoretical level has not yet begun’. Beyond China, this literature generally focuses on either disentangling the strategic rationales for pursuing particular agendas – in part reflecting the difficulty of accessing Chinese policymaking elites for research purposes – or, as discussed in Chapter 2, analysing its empirical effects in particular regions. The study builds on the criticism that the dominant tendency within mainstream IR’s approach to China focuses too heavily on material interactions and economic or political gains. In contrast, the constructivist approach that I am pursuing allows me to discuss how actors – particularly those in understudied, hard-to-access Middle Eastern recipient states – experience, engage with and perceive those policies. I proposed an interesting critique of diplomacy in orthodox IR and offer an alternative economic diplomacy account based on Okana-Heijmans’s framework – which is implicitly more centred in a broader IPE conception of ‘the international’ – to achieve this.

The key point here is that there exists broad and longstanding appreciation of the scale of Chinese economic diplomacy, which has only grown in the modern era since opening up in 1978 (Zhang, 2024, p.2). However, most research on it has tended to centre China within the process: it has either sought to explain why Beijing is pursuing it; how policy is made and developed; or what its effects are in terms of outcomes. Although this thesis tries to do all of these things to some degree by offering pieces of empirical data and insight gleaned from interviews – and it recognizes the centrality of China to the process – its core agenda differs. Specifically, it has attempted to understand the nature and consequences of Chinese economic diplomacy by exploring how it is perceived by local actors. The main contribution here is to show how the distinctiveness of the Middle East – the shock of the post-2010 moment that coincided with Xi’s ascent; the potential of the BRI to represent a stabilizing framework; the conscious courting of Chinese capital by regional states and attempts to align it with specific development needs; and the mutually beneficial relationship based on shared values and respect – all imply something interesting about the contours of Beijing’s modern statecraft and the reasons why it has found such a receptive audience in the region.

This, in turn, opens up some potential future agendas growing out of this project. First, although the internal contours of China’s economic statecraft – how trade and commercial policy is made – was not central to the agenda in this project beyond the attempt to make sense of mutual interest constitution, interviews were conducted with some Chinese policymakers in Egypt and Saudi Arabia. There may, therefore, be some scope to expand this research in future work, perhaps with fieldwork

within China itself, to see where the Middle East fits into the wider strategic picture as the BRI evolves and whether the perceptions of Chinese actors align with the pragmatic ones that predominate in the region. Second, there is an evident opportunity to broaden out the research beyond two case studies here, whether by conducting research in other Arab or MENA states, to corroborate or nuance the findings, or, indeed, to undertake comparative work between the region and other places in China's near periphery, such as Central Asia, perhaps framed around an investigation of the effects of the BRI on regionalisms more broadly. A final unanswered question pertains to the security conundrum noted at various points in this Conclusion and in Chapter 5. As implied earlier, it is unclear whether, as China continues to expand and the BRI becomes more deeply institutionalized, the ability of the great powers to keep operating in distinct spaces that prevent them coming into conflict can continue (Chaziza, 2024a). Time will tell how this unfolds, but a crucial test for both China and the Middle Eastern states that presently benefit from the relative stability its economic diplomacy engenders, is what happens when commercial relations begin to embody serious security dilemmas or encroach directly onto security interests themselves.



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