



RCAS Commentary

Premier Focuses Middle East Visit On Business

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About RCAS

香港亞洲研究中心| The Hong Kong Research Center for Asian Studies (RCAS) is a nonprofit research organization focusing on Asian affairs. It is a newly established institution founded in February 2022 by Dr. Nian Peng in Haikou and subsequently moved to Hong Kong in September 2023. We currently have an international research team with nearly 100 resident/nonresident researchers from China and other countries.

RCAS aims to become a leading research institute and think tank on Asian affairs in the Indo-Pacific region. To date, RCAS has conducted research programs on maritime disputes in the South China Sea (SCS), China's relations with the Indo-Pacific states, the Belt and Road Initiative (BRI), terrorism/counterterrorism in the Afg-Pak region, and so on. It is committed to promoting maritime cooperation, regional integration, and regional peace in the Indo-Pacific region at large.

RCAS has published nearly ten books in Chinese and English and more than 20 papers in SSCI/SCOPUS/CSSCI-indexed journals. Recent English publications include *Populism, Nationalism and South China Sea Dispute: Chinese and Southeast Asian Perspectives* (Singapore: Springer Nature, 2022); *Pakistan's Foreign Policy: Contemporary Developments and Dynamics* (London: Routledge, 2022); *Crossing the Himalayas: Buddhist Ties, Regional Integration and Great-Power Rivalry* (Singapore: Springer Nature, 2021); *The Reshaping of China-Southeast Asia Relations in Light of the COVID-19 Pandemic* (Singapore: Springer Nature, 2021); *Territorial Disputes, The Role of Leaders and The Impact of Quad: A Triangular Explanation of China-India Border Escalations* (2023); *Managing the South China Sea Dispute: Multilateral and Bilateral Approaches* (2022); *China-Pakistan Cooperation on Afghanistan: Assessing Key Interests and Implementing Strategies* (2022); *Hedging Against the Dragon: Myanmar's Tangled Relations with China since 1988* (2021); and *China-Pakistan Conventional Arms Trade: An Appraisal of Supplier's and Recipient's Motives* (2020).

RCAS has also published hundreds of articles, and its researchers have been interviewed in various local and international media outlets, such as *The Diplomat* in the United States, *East Asian Forum (EAF)* in Australia, *Bangkok Post* in Thailand, *Jakarta Post* in Indonesia, *Lian He Zao Bao*, *Think China* in Singapore, *South China Morning Post (SCMP)*, *China-US Focus* in Hong Kong, *CGTN*, *Global Times*, *World Affairs* in China. RCAS researchers have actively participated in international conferences or study visits in the United States, India, Pakistan, Sri Lanka, Nepal, Myanmar, Cambodia, and other places.

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Chinese Premier Li Qiang recently made his debut visit to Saudi Arabia and the United Arab Emirates. The visit took place during a period of significant upheaval in the broader Middle East, with Israel's brutal war on Palestine nearly a year old, rising concerns about the widening of hostilities between Israel and Iran and the U.S. finalizing a "historic" defense treaty with Saudi Arabia to increase American influence in the kingdom. Despite these geopolitical challenges, Li's visit focused on expanding trade, business, investment and diplomacy.



▲ Chinese Premier Li Qiang arrives at the King Khalid International Airport in Riyadh, Saudi Arabia, Sept. 10, 2024. Li arrived here Tuesday to chair the Fourth Meeting of the High-Level Chinese-Saudi Joint Committee and visit Saudi Arabia at the invitation of Saudi Crown Prince and Prime Minister Mohammed bin Salman Al Saud. (Xinhua/Rao Aimin)

This reflects China's broader policy of prioritizing economic cooperation over geopolitical entanglement with Arab states in the Persian Gulf region. This trend is also prominent in the Gulf countries' policies toward China.

In China's political hierarchy, Li is the second-most important leader after President Xi Jinping. The visit was, therefore, the first high-level visit from China to Saudi

Arabia after China brokered a deal in March last year to restore Saudi-Iranian diplomatic relations, a significant development with a far-reaching impact on the region.

In Saudi Arabia, Li met with Crown Prince Mohammad bin Salman, co-chaired a meeting of the high-level Saudi-Chinese joint committee, held talks with the secretary general of the Gulf Cooperation Council, Mohamed Albudaiwi and co-chaired the Gulf-Chinese talk session. The high-level Saudi-Chinese joint committee, which is hosted in turn, focuses on cooperation in politics, trade, investment, energy, culture and technology.

Highlighting Saudi Arabia's significance in China's diplomacy, Li said, "China puts the development of relations with Saudi Arabia as a priority in its overall diplomacy, especially in its Middle East diplomacy." He expressed support for Saudi Arabia's desire for a greater role in regional and international affairs and emphasized the need for multilateral coordination, unity among Asian nations, the joint upholding of international fairness and justice and the promotion of global governance in a more just and reasonable direction. Both Saudi Arabia and China resolved to strengthen their comprehensive strategic partnerships across all fields.

Saudi Arabia and China are the largest trading partners in the region. According to Arab News, two-way trade in 2023 reached \$97 billion, with Saudi exports (mostly oil) were valued at \$54 billion and its imports from China reached \$43 billion. By June this year, Saudi-China trade reached \$48 billion, with Saudi exports to China totaling \$24 billion and imports from China amounting to \$24 billion.

Saudi Arabia is China's second-largest crude oil supplier. Its oil supplies to China decreased slightly as a result of the Ukraine-Russia war. China increased its imports of relatively cheaper Russian oil. Starting in October, Saudi oil exports to China will increase by 7 percent, rising from the current 43 million barrels per month to more than 46 million barrels.

Developments in Saudi-China relations over the past few weeks alone signal a burgeoning relationship. In August, Saudi Arabia's public investment fund, a sovereign wealth fund of approximately \$925 billion in assets (with an office in China), signed a whopping agreement worth \$50 billion with China's top financial institutions: the Agricultural Bank of China, Bank of China, China Construction Bank, China Export and Credit Insurance Corporation, the Export-Import Bank of China, and Industrial and Commercial Bank of China.

In early September, Saudi Minister of Industry and Mineral Resources Bandar bin Ibrahim Alkhorayef visited Beijing and Hong Kong to explore prospects for cooperation in various sectors. Meanwhile, cultural exchanges are reaching new

heights. Beijing has sent 175 Chinese language teachers, and the Chinese language instruction has officially begun at public-sector educational institutions. Moreover, China is setting up electric vehicle plants in Saudi Arabia, while the kingdom is making significant investments in China's oil and refinery sector as part of its downstream strategy.

In this mutually beneficial relationship, Chinese companies also stand to profit. In just one example, Huawei's revenues from cloud computing increased almost tenfold in 2023 and is projected to double again this year.

In the UAE, Li held meetings with President Sheikh Mohamed bin Zayed and Vice President and Prime Minister Sheikh Mohammed bin Rashid Al Maktoum. Both sides underscored the importance of expanding collaboration in trade, renewable energy, technology and culture, with a particular focus on mutual development strategies.

The Chinese premier also addressed the UAE-China business forum, which was attended by more than 200 delegates. The forum was arranged by Dubai Chambers, the China Chamber of Commerce for Import and Export of Machinery and Electronic Products and the Ministry of Economy of the UAE. Li said relations with the UAE were at a "historic juncture" and urged the business sector to seize major upward trends and opportunities. He expressed China's willingness to share development opportunities with the UAE for mutual benefit, welcoming more UAE investment in China and encouraging Chinese enterprises to invest and do business in the UAE.

Li's visit to the UAE coincided with the 40th anniversary of China-UAE diplomatic relations. Over the past four decades, China and the UAE have signed more than 130 bilateral agreements or MOUs. During President Xi's visit to the UAE in July 2018, the relationship was upgraded to a comprehensive strategic partnership. Sheikh Mohammed subsequently visited China in 2019 and again this year.

The UAE, which started reforms earlier than Saudi Arabia did, has become an attractive destination for Chinese businesses and entrepreneurs. More than 15,500 Chinese companies operate in the UAE, and 1.2 million Chinese tourists visited the country last year.

For many years, the UAE has been China's largest export market and second-largest trading partner in the Middle East, and it is China's fifth-largest source of oil. In 2023, China-UAE trade reached nearly \$95 billion. In the first half of this year, the figure topped \$50.1 billion.

In August, Jebel Ali Port in the UAE became the first to receive China's newly constructed giant Min Jiang Kou vessel, which carried 4,800 vehicles. China is building two of the world's largest solar energy projects in the UAE: the Mohammed

bin Rashid Al Maktoum Solar Park and the Noor Abu Dhabi solar plant. The UAE has also become an export destination for China, with tons of fresh fruits and vegetables from China carried to the UAE every week.

On Sept. 10, the day Li embarked for Saudi Arabia, the UAE's national bank (RAKBank) executed the first international remittance using China's digital yuan (eCNY) in exchange for Digital Dirham through the mBridge platform. The mBridge is a multinational wholesale payment solution jointly built by Thailand, China (including Hong Kong) and the UAE. Saudi Arabia joined later. Through this method, transactions can be made directly from the sending bank to the recipient bank without involving corresponding banks and intermediaries.

This trend, along with overall financial arrangements such as currency swaps, increasing demand for trade in local currencies, digital currencies and coordination among banking sectors, will facilitate business and reduce dependence on the U.S. dollar.

One of the obstacles to further accelerating trade is the slow progress in negotiations for a free trade agreement. In both Saudi Arabia and the UAE, Premier Li stressed the need to expedite negotiations for an FTA between China and the Gulf Cooperation Council. Since 2005, China has been pursuing an FTA with GCC countries, but Saudi Arabia, which aims to establish itself as a manufacturing hub in the region, is concerned that inexpensive Chinese goods will inundate the kingdom, thereby impacting its local industries. Li's visit has renewed the call for continuing negotiations.

All three countries, Saudi Arabia, the UAE and China, are introducing structural reforms to attract further investment. Notably, the Chinese premier said that China will further ease market access by eliminating all market access restrictions on foreign investment in manufacturing and quality services for foreign businesses.

Li also showcased China's enormous market of 1.4 billion people and the deep reforms that ensure the safety of foreign investments. Saudi Arabia has enacted legislation to further lure foreign investments and attract talent by offering citizenship and opening up society by removing taboos—moves that were unimaginable a few years ago.

The new legislation has made the country attractive both regionally and globally. In 2022, the UAE was put on the Financial Action Task Force's gray list. As a result of swift government reforms, it was cleared this year.

The United States, a key rival of China in the region, has a strong military presence in all Gulf states and has further expanded that in recent years. As mentioned before, the

U.S. and Saudi Arabia are finalizing a defense pact that would legally bind Saudi Arabia to U.S. policies in the region, similar to American arrangements with Japan and South Korea in East Asia. In August, the U.S. had the rare presence of two aircraft carriers in the Middle East—though only for a short period—aimed at defending Israel against a potential Iranian attack. Despite these obvious strategic overtures, China has rarely responded in geostrategic terms.

A closer look shows that contemporary Chinese policy toward the Arab Gulf states stems from its own calculations rather than being a reaction to U.S. policies in the region. China is focused on economic, trade, investment, technology and diplomatic cooperation, along with limited military ties. This approach also suits the Arab states well, especially Saudi Arabia and the UAE, which are undergoing transformations in which China can play an important role. Premier Li Qiang's visit reinforces this trend.

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About Author



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