QUINCY INSTITUTE
FOR RESPONSIBLE
STATECRAFT

China and the Persian Gulf in the Aftermath of a U.S. Withdrawal

SEPTEMBER 2021 | QUINCY BRIEF NO. 17

by Steven Simon

Senior Research Analyst
Quincy Institute for Responsible Statecraft

Executive Summary

- Given longstanding U.S. economic ties to the Arab Gulf states, the withdrawal of the U.S. military would not mean the United States is departing from the region. Even if it did signify that, however, China would be unlikely to fill the vacuum. A U.S. decision to maintain a military presence in the region should therefore not be based on fear of a strategic vacuum that China will fill to America's disadvantage.
- The United States should leverage China's interest in stable cross–Gulf relations by working in tandem with Beijing to encourage dialogue and confidence-building measures.
- The United States should monitor Chinese military deployments to the Indian Ocean and work with Gulf partners to set limits on China's military use of air and naval bases. This would serve as a confidence-building measure and ensure that the Gulf does not become an arena for competition amid heightened Sino–American tensions.[1]

Drivers of Chinese behavior

China's engagement in the Persian Gulf is motivated primarily by four factors: maintaining access to energy resources; expanding market access for trade and investment, especially in infrastructure, manufacturing, and telecommunications; developing infrastructure projects for its Belt and Road Initiative; and demonstrating its great-power status. It is equally important, however, to understand what is *not* driving Chinese policy in the region: Beijing entertains no desire to replace the United States as the guarantor of regional security, to intervene in regional conflicts and choose sides among protagonists, or to engage in military operations to protect Chinese interests. In

[1] I wish to thank Richard D. Sokolsky for his indispensable analytical contribution and my Quincy Institute colleagues, Michael Swaine and the late Mark Perry for their careful reading of the draft and astute suggestions.

short, China wants to enjoy the economic benefits of engagement without the security and diplomatic responsibilities.

What does China want from the Gulf States?

What China wants from the Gulf states can be summed up in three words: petroleum, profits, and prestige. Beijing has essentially embraced a neo-mercantilist and transactional approach — that is, it seeks to reap the monetary rewards of economic relations without incurring the security and military risks of trying to solve or even ameliorate any of the region's deep-seated political, social, and geopolitical problems. This delicate balancing act approach, the "gain without pain," has to date served Chinese interests well. Paradoxically, it is both a source of and a constraint on China's influence, and whether China can sustain its posture of strict neutrality remains to be seen. But as long as the balance in Beijing's tool kit is heavily skewed toward the use of soft economic power rather than hard military power, China, reflecting its immense market, sovereign wealth fund, and technological and engineering prowess, will increasingly become an economic powerhouse in the region while remaining on the military and diplomatic sidelines. So long as China's interests are safeguarded, this approach is unlikely to change if the U.S. military withdraws from the region.

Access to energy supplies

Over the last 25 years, China's imports of oil from the Persian Gulf have increased not only in absolute value but also in the Persian Gulf's share of China's total crude oil imports. In 1996, China imported $1.2 billion worth of oil from the Persian Gulf — 34.6 percent of its crude imports. By 2019, it imported $106.5 billion from Persian Gulf countries – 43.9 percent of its total imports of crude oil. From 2010 to 2019, Persian Gulf countries provided, on average, 48 percent of China's oil imports. Today, China imports roughly 40 percent of its oil from the Persian Gulf.[2] The Saudis sell more than one-third of this oil to China.

In 2019, Saudi Arabia, Iraq, and Oman were the top three regional oil exporters to China. Iran, by contrast, lost its position as the No. 2 regional exporter to China in 2012 and has never regained it. The decline was primarily the result of economic mismanagement and corruption in Iran, as well as the U.S. sanctions in place prior to the 2015 nuclear deal and those Washington added after it withdrew from the accord in 2018. Even if the Biden administration brings the United States back into the agreement, formally known as the Joint Comprehensive Plan of Action, it will likely take Iran, which has the world's fourth-largest reserves, years to recover its previous market share.

Markets for trade and investment

This expanded trade in oil has been accompanied by a significant increase in total two-way trade between China and the Gulf states. In the 2000–2019 period, combined imports from China among Gulf Cooperation Council members rose by 267 percent, from roughly $24 billion to $87 billion, while China's share of their total annual imports increased from 5 percent to 16 percent. In 2019, China accounted for 24 percent of Iraqi imports and almost 26 percent of Iran's.[3] In the first quarter of 2020, the Gulf states purchased close to $18 billion in goods from China; Saudi Arabia and the UAE bought about two-thirds of these goods.[4]

Beijing entertains no desire to replace the United States as the guarantor of regional security.

On the investment side, over the past 15 years China has invested roughly $101 billion in the six GCC states, which accounted for almost 42 percent of China's total investments

[2] Cordesman, Anthony H. "China in the Gulf: A New Partnership with Iran?" Center for Strategic and International Studies, July 15, 2020. https://www.csis.org/analysis/china-gulf-new-partnership-iran.
[3] Habibi, Nader. "The Persian Gulf and China: The Growth and Limits of Economic Ties." Brandeis University. Crown Center for Middle East Studies. Middle East Brief no. 139, December 2020. https://www.brandeis.edu/crown/publications/middle-east-briefs/pdfs/101-200/meb139.pdf.
[4] "China's Major Imports by Quantity and Value." People's Republic of China. General Administration of Customs, March 2020. http://english.customs.gov.cn/Statics/f1a5dc2b-24d2-456c-8b92-692b493e0e1e.html.

in the greater Middle East. Saudi Arabia and the UAE were the largest destinations for this investment.[5]

The expansion of trade and investment opportunities also figures prominently in Chinese thinking about the Gulf. Chinese state-owned enterprises, private investors, and the managers of China's sovereign-wealth fund are eager to invest in, and provide technological expertise for, industrial and infrastructure projects in the Gulf, especially in the construction of railroad, port, and telecommunications infrastructure. Huawei, China's leading telecoms company (which Washington considers a national-security risk), has established a strong presence in all of the GCC countries. In Iran, Chinese investments have played an important role, which a bilateral agreement signed this year promises to expand, in helping Tehran mitigate the effects of American economic sanctions — for example, in expanding Iran's refining and petrochemical capacity and constructing tunnels, roads, and bridges. Beijing is equally eager to exploit the wealthier Gulf countries' plans to buy engineering services and expand refinery and petrochemical production, as well as develop renewable-energy projects and high-speed railways.

Over the past several years, China has accumulated excess industrial and manufacturing capacity that the domestic sector cannot utilize. Idle production capacity, plus unemployed and underemployed Chinese labor in these industries, are a drain on Chinese economic growth. It is in this context that Gulf state procurement of Chinese manufactured goods and engineering services for the construction of ports, railroads, tunnels, and roads has employed many Chinese laborers, absorbed China's surplus international reserves, and sustained the productivity of Chinese factories in various sectors.

Building the Belt and Road

China's economic and diplomatic involvement in the Persian Gulf is best understood in the context of its broader vision of China's role in Eurasia. The centerpiece of this vision is the Belt and Road Initiative, which President Xi Jinping launched amid great fanfare in

[5] "China Global Investment Tracker." American Enterprise Institute, June, 2021. https://www.aei.org/china-global-investment-tracker/.

2013. To advance the BRI project, China has since allocated several hundred billion dollars in loans and financing and launched new multilateral financing institutions — notably the Asian Infrastructure Development Bank — to channel and monitor these expenditures, and it has also devoted substantial diplomatic capital to promote the initiative.[6]

The Persian Gulf countries, especially Iran and to a lesser extent Saudi Arabia, comprise an important component of the BRI, primarily as the land bridge linking Central Asia to Southeast Europe and beyond. Virtually all the large-scale, non-oil Chinese investment projects in the Gulf contribute to the BRI architecture, from the construction of commercial seaports to the building of roads, railways, and industrial zones. China and Iraq have also concluded a 20–year oil-for-reconstruction agreement under which the proceeds of Chinese purchases of Iraqi oil will be used to finance infrastructure projects by Chinese firms focused on roads, railways, airports and ports.[7]

In March 2021, Iran and China signed a 25–year agreement on economic and security cooperation. A draft of the text was leaked in 2020, prompting expressions of deep concern in Washington.[8] The idea behind the agreement was first bruited in 2016, but there was no apparent follow-up. The provisions disclosed in 2020 called for cooperation in energy, banking, telecommunications, and infrastructure. The military dimension was to include joint training, defense-related research and development, and defense industry cooperation. According to The New York Times, approximately 100 such projects are listed in the 18–page draft agreement. These include airports, high-speed railways, and subways, as well as free-trade zones in Maku, in northwestern Iran, in Abadan, the gateway to the Persian Gulf, and on Qeshm Island. China would also construct a 5G telecommunication system, which would boost Huawei's fortunes in the wake of its exclusion from the U.S. market, provide China's latest global positioning technology, and help Iran control its cyberspace. The large-scale infrastructure projects

[6] Rolland, Nadege. "China's New Silk Road." National Bureau of Asian Research, February 12, 2015. https://www.nbr.org/publication/chinas-new-silk-road/.
[7] Zidane, Salam. "Iraq, China Launch Oil for Reconstruction Agreement." *Al–Monitor*, October 8, 2019. https://www.al-monitor.com/originals/2019/10/iraq-china-india-oil-construction.html.
[8] Lons, Camille, and Meia Nouwens. "China–Iran deal: much ado about nothing?" International Institute for Strategic Studies, April 7, 2021. https://www.iiss.org/blogs/analysis/2021/04/china-iran-deal.

the agreement envisions, if carried out, would mesh neatly with the objectives of the Belt and Road Initiative.

Virtually all the large-scale, non-oil Chinese investment projects in the Gulf contribute to the BRI architecture, from the construction of commercial seaports to the building of roads, railways, and industrial zones.

The agreement was initially thought to be worth $400 billion, a number that prompted skepticism and anxiety, depending on the observer's point of view. Zhao Lijian, the Chinese Foreign Ministry spokesperson, cautioned that the China–Iran Strategic Comprehensive Agreement "neither includes any quantitative, specific contracts and goals nor targets any third party, and will provide a general framework for China–Iran cooperation going forward." The head of East Asian affairs at the Iranian Foreign Ministry, Reza Sabib, emphasized that the agreement was "nonbinding" and therefore imposed no obligation on either party to implement the programs proposed in the document. In any case, the sum of $400 billion amounts to such a large proportion of China's programmed expenditures for the Belt and Road Initiative that it is best taken with a grain of salt. The military dimension of the agreement appears to formalize bilateral activities that have been under way for some time and does not appear to signal a breakthrough. In this connection, it is noteworthy that China has sold drones to the UAE but not to Iran.[9]

[9] Figueroa, William. "China-Iran Relations: The Myth of Massive Investment." *The Diplomat*, April 6, 2021. https://thediplomat.com/2021/04/china-iran-relations-the-myth-of-massive-investment/; Greer, Lucille, and Esfandyar Batmanghelidj. "Last Among Equals: The China–Iran Partnership in a Regional Context." Wilson Center. Occasional Paper Series no. 38, September 2020. https://www.wilsoncenter.org/sites/default/files/media/uploads/documents/MEP_200831_OCC%2038%20v3%20%281%29.pdf.

Prestige

China's push into the Persian Gulf, spearheaded by BRI projects, also reflects President Xi's global ambitions for a greater Chinese role in shaping the rules, standards, and norms of an international order that is no longer dominated by the United States.

In addition, China views an expanded economic and diplomatic footprint in the Persian Gulf — especially in digital and telecommunications networks — as critical to fulfilling its ambition to be a Eurasian superpower and a "peer competitor" with the United States.[10] The Chinese also look to the wealthier Gulf states to make more direct contributions to parts of the BRI — for example, investments that Qatar, Saudi Arabia, and the UAE are making in the construction of the economic zone China is building in Gwadar, Pakistan's port on the Arabian Sea and a key link in the BRI chain.[11]

A market for arms

For all the concerns that have been raised about Chinese arms sales in the Persian Gulf, they pale in comparison to those of the United States. In 2018, Saudi Arabia and the UAE each spent a very modest $40 million on Chinese arms.[12] By comparison, from 2015 to 2020, Washington agreed to sell an annual average of $10.7 billion in weapons to Saudi Arabia alone.[13] Still, China is an important source of drones and drone technology for Saudi Arabia and the UAE; in the past it has also sold missiles of varying range and capabilities to Iran and Saudi Arabia.[14] Chinese arms come with no strings attached, and if the Biden administration starts to attach human-rights conditions to future sales, Beijing could become a more important source of weapons and equipment. That said, Beijing's willingness to proliferate advanced conventional weapons and ballistic-missile technology on either side of the Gulf could be tempered by concerns about antagonizing

---

[10] Markey, Daniel S. *China's Western Horizon*: *Beijing and the New Geopolitics of Eurasia*. Oxford. Oxford University Press, 2020.
[11] Habibi, Nader, and Hans Yue Zhu. "What CPEC Means for China's Middle East Relations." *The Diplomat*, January 22, 2020. https://thediplomat.com/2020/01/what-cpec-means-for-chinas-middle-east-relations/.
[12] Parasie, Nicolas, and Robert Wall. "Russia and China Target Middle East Arms Deals." *The Wall Street Journal*, April 6, 2019. https://www.wsj.com/articles/russia-and-china-target-middle-east-arms-deals-11554555600.
[13] Riedel, Bruce. "It's time to stop U.S. arms sales to Saudi Arabia." Brookings Institution, February 4, 2021. https://www.brookings.edu/blog/order-from-chaos/2021/02/04/its-time-to-stop-us-arms-sales-to-saudi-arabia/.
[14] Gatopoulos, Alex. "UAE Gets American Drones as China Ramps Up Sales" *Al Jazeera*, September 19, 2020. https://www.aljazeera.com/features/2020/9/19/uae-gets-american-drones-as-china-ramps-up-sales.

the United States. Likewise, its appetite for selling such weapons to Iran might be diminished due to fears of alienating Saudi Arabia and the UAE.

Opportunities and challenges

If U.S. policy in the Middle East is ostensibly to pursue regional stability by bankrupting Iran, then Chinese participation in the Iranian economy constitutes a serious challenge. China already imports Iranian oil, will continue to do so, and will pursue selected Belt and Road Initiative projects to Iran's benefit. These actions will offer a lifeline to Iran's economy as well as to its leadership. Although Iran could take steps to threaten U.S. interests and therefore force its hand, China will have a strong interest in counseling Iranian restraint.

If Washington views stability as best achieved by a relaxation of tensions between Iran and the Gulf Arab states, then Chinese economic interests on both sides of the Gulf will impel Beijing to lower the temperature and encourage dialogue between key Arab capitals and Tehran.

If, on the other hand, Washington views stability as best achieved by a relaxation of tensions between Iran and the Gulf Arab states, then Chinese economic interests on both sides of the Gulf will impel Beijing to lower the temperature and encourage dialogue between key Arab capitals and Tehran. Ebrahim Raisi, Iran's newly inaugurated president, has designated such dialogue a priority for his administration, while the UAE and Saudi Arabia have both signaled an interest in accommodation. This development should lower U.S. anxiety about Gulf security and make the reallocation of resources to other theaters, or demobilization, easier to effect. Ironically, Washington might also be reassured by Israel's posture toward China: Their bilateral trade and investment have doubled in the past decade and are set to continue expanding, especially in high-technology sectors, despite concurrent Chinese–Iranian cooperation.[15]

The prospect that China might displace U.S. influence on the Arab side of the Gulf is another source of anxiety. At present, decision makers in Saudi Arabia and the UAE do not believe China is an adequate substitute for the tacit security guarantee the United States has long provided — even as Arab Gulf states fear these guarantees are waning. In part, this skepticism stems from China's involvement with Iran, which extends back decades, and an assessment of China's capacity for sustained military operations in the Indian Ocean and Persian Gulf. Chinese bases or base access in the region — in Djibouti to the west and Gwadar to the east — could serve as linchpins for a more active, continuous Chinese naval presence in the region. And Chinese commercial investment in Gulf port facilities could, in theory, complicate U.S. use of these facilities if host governments were to see such interference as in their interest. But for the time being, defense-cooperation agreements negotiated in the early 1990s, and, in the case of Oman, in 1979, afford the U.S. Fifth Fleet unimpeded access to these facilities. The situation is more complicated regarding Chinese investment in the Israeli port of Haifa, which the U.S. Sixth Fleet uses.[16] Although it is inconceivable that Israel would ever join with China against the United States, China's financial and possibly operational involvement in port operations raises counterintelligence challenges that Washington must take into account.

In other words, China is a power with growing military potential in the Middle East, but Beijing's neutrality on regional political rivalries, its still-modest military capabilities relevant to the region, and its dominant focus on trade and investment above hard security concerns suggest that it is unlikely to step into anything approaching the past U.S. role in the region.

The sheer scale of U.S. investment, trade, and soft-power projection on the Arab side of the Gulf will be difficult for China to match in the foreseeable future. Gulf Arab states vie

---

[15] Witte, Carice, and Dale Aluf. "Drawing the curtain on China–Israel cooperation?" *East Asia Forum*, January 26, 2021. https://www.eastasiaforum.org/2021/01/26/drawing-the-curtain-on-china-israel-cooperation/.
[16] Egozi, Arie. "Israel Rejects U.S. Plan To Inspect Chinese Harbor At Haifa." *Breaking Defense*, February 3, 2021. https://breakingdefense.com/2021/02/israel-rejects-us-plan-to-inspect-chinese-harbor-at-haifa/.

for the presence of U.S. universities, U.S. and French museums, and other cultural assets. English-language competence is on the rise, and younger Gulf Arabs are far more likely to favor Western institutions of higher learning over Chinese ones. Perhaps the best proxy for Gulf Arab elites' understanding of where their interests lie is the amount they spend on lobbying in Washington, despite China's outreach, oil purchases and investment. As signals of America's weakening military interest in the Gulf proliferate, these influence operations are likely to grow.[17]

Perhaps the best proxy for Gulf Arab elites' understanding of where their interests lie is the amount they spend on lobbying in Washington, despite China's outreach, oil purchases and investment.

The fundamental issue for Washington is how China's investment in its blue-water capabilities would combine to improve its position in a war with the United States in the Gulf region. Especially to be noted are its investments in capital ships but also in submarine warfare; its development of infrastructure ashore to support sustained operations, as well as movable offshore mooring and bunkering installations; its growing experience in at-sea sustainment, and increasing military-to-military exchanges in the context of its naval deployments in the Indian Ocean and Persian Gulf.[18]

The implicit question is which country will control the oil resources of the region in a crisis. In a prolonged conflict, conventional strategic thought would assume that China's reliance on Persian Gulf oil and its perceptions of U.S. oil requirements would impel it to seize control of regional oil installations. Under this conception, steps China is taking

---

[17] Massoglia, Anna, and Maggie Hicks. "High-level Saudi visit follows multimillion-dollar foreign influence operation." *Opensecrets.org*, July 9, 2021. https://www.opensecrets.org/news/2021/07/high-level-saudi-visit-multimillion-dollar-influence-operation/. See also Clifton, Eli, and Ben Freeman. "Restoring Trust in the Think Tank Sector." Quincy Institute. Quincy Brief No.12, May 10, 2010. https://quincyinst.org/report/restoring-trust-in-the-think-tank-sector/.

[18] Becker, Jeffrey, Erica Downs, Ben DeThomas, and Patrick deGategno. "China's Presence in the Middle East and Western Indian Ocean: Beyond Belt and Road." Center for Naval Analysis, February 2019. https://www.cna.org/CNA_files/PDF/DRM-2018-U-018309-Final2.pdf.

now to expand its presence in the Persian Gulf and Indian Ocean are meant to lay the basis for control of vital infrastructure and oil in wartime. On its face, this is a serious worry for the United States.

But upon closer examination this thinking seems overdrawn. In the event of a war triggered, for argument's sake, by a Chinese assault on Taiwan, China would have access to its strategic petroleum reserve, which is now nearing current capacity at about 550 million barrels.[19] Low oil prices have made stockpiling a worthwhile effort. China imports approximately 10 million barrels per day.[20] Thus, even if it failed to expand capacity in the run-up to a conflict, and imposed no domestic rationing during a conflict, Beijing's fuel reserves would keep China going for almost two months, assuming Chinese refineries are not destroyed. Moreover, Russia would likely sell China enough oil to maintain industrial output, at least some consumer demand, and military operations. Russia and Saudi Arabia, it is worth noting, routinely trade places as China's top oil supplier. [21]

A war, moreover, would be intense. Losses on both sides would be severe. Most of the action would take place in the western Pacific. Despite the rapid expansion of China's surface fleet, the Chinese navy would need to deploy most of its vessels to the combat zone for the primary mission of blocking a U.S. attempt to defend Taiwan, while keeping some vessels as a reserve, should attrition begin to hamper its operations. Under these conditions, it seems unlikely that China would allocate precious fleet assets to secure access to oil that is available in necessary quantities from other sources. The United States, in any event, would likely get priority access to Gulf bases from signatories to defense-cooperation agreements, or, if impeded, would seize it. Chinese forces in the

---

[19] Clarke, Aaron. "China's oil reserves are close to reaching capacity." Bloomberg, February 25, 2021. https://www.bloomberg.com/news/articles/2021-02-26/china-s-oil-reserves-are-close-to-reaching-storage-capacity.
[20] Zhou, Oceana, and Eric Yep, "Analysis: China puts Iranian crude into strategic petroleum reserves in June." S&P Global, July 30, 2019. https://www.spglobal.com/platts/en/market-insights/latest-news/oil/073019-analysis-china-puts-iranian-crude-into-strategic-petroleum-reserves-in-june.
[21] Paraskova, Tsvetana. "Russia Extends Its Lead as China's Top Oil Supplier." *Oilprice.com*, November 25, 2020. https://oilprice.com/Latest-Energy-News/World-News/Russia-Extends-Its-Lead-As-Chinas-Top-Oil-Supplier.html; Xu Muyu and Chen Aizhu. "Saudi Arabia pips Russia to be China's biggest oil supplier in 2020." Reuters, January 20, 2021. https://www.reuters.com/article/china-economy-trade-oil-int-idUSKBN29P0ZG.

area would be extremely vulnerable to U.S. attack, especially from land-based tactical aircraft and long-range standoff weapons.

Thus, the Chinese currently calculate that they lack sufficient power to secure Middle Eastern oil states. Chinese leaders, such as Hu Jintao in 2013, have spoken about a Malacca Dilemma, alluding to the vulnerability of Chinese trade transiting the strait between the Malay Peninsula and Sumatra to interdiction by an adversary and, by implication, the need to divert combat power to preserve access to the Strait of Malacca should the U.S. attempt to close it off.[22] But they do not yet seem to have focused on this threat. They would be far more concerned about a U.S. attempt to blockade their key ports in wartime, especially since oil tankers could go around the strait if the United States tried to close it. The Chinese navy, however, intends to keep its oar in; Russia, China and Iran intend to conduct a naval exercise in the international waters of the Persian Gulf or Arabian Sea sometime in late 2021or early 2022.[23]

What do the Gulf states want from China?

Gulf states, despite their wealth, still need outside capital to finance their development. On the Arab side of the Gulf, Saudi Arabia and the UAE are engaged in ambitious programs to diversify their economies and reduce reliance on fossil fuel exports. The best-known of these is the far-reaching Vision 2030 plan Mohammed bin Salman, the Saudi crown prince, set out in 2016. Even if the structure of the market were not jeopardized as global warming affects demand, there would still come a time when these states would exhaust their petroleum reserves. Prudence, therefore, demands diversification. At the same time, population growth rates are slowing, especially in Saudi Arabia and Iran. The reconfiguration of the demographic profiles in these countries will alter dependency ratios in ways that reduce tax revenue extracted from a diminishing working age population while increasing the burden of pensions and health care imposed by an aging population. This will put greater stress on public finances. To

[22] Ogden, Chris. *A Dictionary of Politics and International Relations in China*. Oxford. Oxford University Press, 2019. https://www.oxfordreference.com/view/10.1093/acref/9780191848124.001.0001/acref-9780191848124-e-106
[23] Rodionoff, Maxim. "Russia, Iran and China to hold joint drills in Gulf." Reuters, August 23, 2021. https://www.reuters.com/world/russia-iran-china-hold-joint-drills-gulf-ria-2021-08-23/

cope with these trends, regional states are looking to China to buy their debt and invest in infrastructure, industrial development, and research and development.

As a diplomatic priority, China's interest in Iran is relatively low and prone to be traded off against other priorities that require U.S. cooperation or acquiescence.

Iran has compelling political and diplomatic reasons to court Chinese investment and petroleum imports. Under pressure from the United States and subject to European ambivalence, Iran needs a partner with the capacity to deflect Western pressure and insulate the Iranian economy from its effects. China, which is edging toward an alternative global financial system geared to the renminbi, would be the ideal partner for an Iran submerged in Western economic sanctions. That is looking down the road. In the current moment, it is China's imports of Iranian oil that matter, given the Iranian government's reliance on petroleum revenues to keep the ship of state afloat. China's friendship is also potentially useful in the United Nations, where Beijing's backing enables Iran to defy the United States, just as the U.N. provides China with a tool to push back against U.S. policies. This said, China's trade with the United States, at about $550 billion per year, dwarfs its trade with Iran; China is scarcely likely to sacrifice the former for the latter. And as a diplomatic priority, China's interest in Iran is relatively low and prone to be traded off against other priorities that require U.S. cooperation or acquiescence. This, at least, has been the pattern thus far. Should the incipient cold war between Washington and Beijing intensify, China might reverse the trend.

Iranians are not entirely on board with intensified relations with China. From conspiracy theories about the sale or transfer of Iranian territory to China to quotidian concerns about the shoddiness of Chinese goods, some Iranian legislators and commentators voice skeptical views about the relationship. While there remains a current of interest in fostering relations with the West, however, those who justify expanding ties with China still invoke the "neither East nor West" stance the revolutionary government assumed years ago. To the extent that Iran might find itself aligned with China at a time of growing tension between Beijing and the West, Iranians who believe the country's future is better secured in a Western-oriented framework are probably worried. Their worries, however, will not dissuade the Raisi government, as the Rouhani government before it, from seeking help wherever it can be found. For the time being, it can be found in Beijing.

Implications for U.S. interests

The United States and China will continue to be commercial, diplomatic, technological, and ideological rivals in the Gulf, watching each other's moves with suspicion and maneuvering to gain competitive advantages over each other, especially in the construction of high-speed advanced telecommunication networks. Nonetheless, this competition should not be viewed in zero-sum terms or through the lens of U.S.–China great-power competition. What unites the United States and China in the Persian Gulf is greater than what divides them. China is interested in establishing strong, multidirectional economic ties that maximize its strategic flexibility while also serving as a counterweight to the U.S. presence and influence in the region, while Washington would like to restrain the expansion of Chinese influence and its military footprint in the region. But neither country wants to see an Arab–Iranian or Chinese–American conflict, or Israeli attacks on Iran's nuclear program. The United States and China share a significant stake in preserving stability in the Gulf, the uninterrupted flow of oil through the Strait of Hormuz, and stability in the global energy market, and both countries have personnel on the ground working on infrastructure and commercial projects. They thus have a common interest in preserving domestic security throughout the Gulf states and preventing a resurgence of jihadist terrorism.

Moreover, the factors that limit Chinese engagement and influence in the Persian Gulf should not be underestimated. These include regional rivalries, domestic conflicts, Gulf state sensitivity to American concerns about the expansion of Chinese influence, particularly the presence of high-tech Chinese firms such as Huawei, and the difficulties of doing business with countries such as Iraq and Iran, both of which score poorly on the World Bank's ease-of-doing-business index due to corruption and, in Iran's case, sanctions.[24]

But perhaps the biggest constraint on the growth of Chinese influence in the region is Beijing's reluctance to "securitize" its footprint with the application of military hard power. The Chinese government is primarily interested in expanding technological and economic cooperation with the Gulf states. It remains committed to maintaining a stance of geopolitical neutrality and is reluctant to challenge U.S. military dominance in the region. Neither has it demonstrated any interest in deëscalating military threats to stability or in managing regional security, and it has declined opportunities to participate in multinational operations for the protection of Gulf shipping. For all these reasons, the GCC states realize they cannot count on China to enter into an alliance or a security partnership. In other words, there is no prospect that they will strike the kind of "oil for security" bargain that the Gulf states and the United States have enjoyed for decades. Indeed, the Chinese, at the moment, are perfectly content — as they have been for years — to enjoy the economic fruits of engagement while continuing to free-ride on the United States and other countries to maintain regional security and stability. From the standpoint of Chinese interests, this is a very rational risk-reward calculus.

The United States and China share a significant stake in preserving stability in the Gulf, the uninterrupted flow of oil through the Strait of Hormuz, and stability in the global energy market.

A key question over the longer term, however, is whether Beijing's conception of its security responsibilities in the region would change if the United States disengaged militarily from the Gulf and ended its role as de facto security guarantor of the Gulf states, offering the potential for these countries, along with Iraq and Iran, to develop security relationships with China. A related question is whether the United States should

[24] "Ease of Doing Business Rankings." The World Bank, 2020. https://www.doingbusiness.org/en/rankings.

delay military retrenchment in the Gulf out of concern that China would rush in to fill the military and security vacuum left by the U.S. departure.

Fears that China will emerge as the new regional hegemon upon the departure of U.S. forces from the region, while understandable, are unwarranted. In the first instance, the Chinese seem to be following George Washington's advice and avoiding entangling alliances. China imports most of its Gulf energy supplies from Saudi Arabia and Iran, and Beijing has designated both countries "comprehensive strategic partners."[25] But Beijing has studiously avoided taking sides in their conflicts or taking actions that would antagonize one side or the other — for example, by building bases or deploying forces in either country.[26] In selling weapons to Saudi Arabia, China has been careful to avoid provoking a negative reaction from Iran.[27] As long as China remains scrupulous about maintaining this even handed attitude, it will eschew security commitments to either country. This assessment will hold as long as most Gulf states are willing to do business with China. Absent concerns that the United States can easily intimidate these states to cut off their energy and trade relations with China, the Chinese have few incentives to take on a major military-security role.

Beijing has no interest in risking a conflict with Washington. The Chinese are at a serious disadvantage in power-projection capability vis-à-vis American military forces based in the Gulf and, further afield, in the eastern Mediterranean and in NATO countries. Neither can it hope to develop security relationships such as those the United States has cultivated with Saudi Arabia (notwithstanding current strains in U.S.–Saudi ties) and the other GCC states over the last few decades, or to duplicate the infrastructure the United States has available in the region for basing, staging, and training. Of course, if China succeeded in "flipping" the Arab Gulf states it would simply inherit U.S. facilities in much the same way the Soviets inherited Cam Ranh Bay upon the U.S. withdrawal from

---

[25] "China, Iran Lift Bilateral Ties to Comprehensive Strategic Partnership." *China Daily*, January 23, 2016. https://www.chinadaily.com.cn/beltandroadinitiative/2016-01/23/content_27798705.htm; "Saudi Arabia, China Upgrade Relations to Comprehensive Strategic Partnership." *Saudi Gazette*, January 21, 2016. https://saudigazette.com.sa/article/147023.

[26] Scobell, Andrew, and Alizera Nader. *China in the Middle East: The Wary Dragon*. Santa Monica. The RAND Corporation, 2016. https://www.rand.org/content/dam/rand/pubs/research_reports/RR1200/RR1229/RAND_RR1229.pdf.

[27] Ramani, Samuel. "China's Role in the Yemen Crisis." *The Diplomat*, August 11, 2017. https://thediplomat.com/2017/08/chinas-role-in-the-yemen-crisis/.

Vietnam, or the U.S. inheritance of Bagram Air Base from the Soviets after overthrowing the Taliban in 2001. But as suggested earlier, these states are not likely to flip. Nor would Beijing take any actions in the region that would weaken its partnership with Russia outside the greater Middle East. China and Russia will continue to compete for arms sales with Iran, Saudi Arabia, and the UAE, but Beijing will try to avoid pursuing its interests at Moscow's expense.

It is hard to see a constellation of interests that would compel China to significantly ramp up military operations in the Middle East.

If the Gulf countries sought enhanced military relations with China following the U.S. military retrenchment in the region, the odds are better than even that, aside from selling more arms, Beijing would likely demur to extending security commitments. Indeed, it is hard to see a constellation of interests that would compel China to significantly ramp up military operations in the Middle East. China, after all, was for decades unwilling to commit military resources to shore up its unstable Afghan neighbor. A disruption in its oil supply from the Persian Gulf would be unlikely to foster a different calculus.

The recent outbursts of violence in the long-running conflict between Israelis and Palestinians has probably reinforced Beijing's view that this region needs to find its own way through violence and conflict to an eventual resolution. Many Americans in and outside of government will no doubt use the threat of China filling in for the U.S. military to justify a continuing American military presence in the Gulf states. The critical question is not what China would do under these circumstances. Rather, it is what core U.S. interests are and how they can best be protected. The GCC states are more likely to look elsewhere — to the European Union, Russia, Australia, India, or Japan — to replace U.S. security guarantees, but none of these will prove as reassuring as the Pentagon's over-the-horizon ability to prevent a significant and sustained interruption in the flow of Gulf oil of a magnitude that could trigger a global recession.

About the Author

Steven Simon is the Quincy Institute's senior research analyst and Robert E. Wilhelm Fellow at the Massachusetts Institute of Technology. He was previously executive director of the International Institute for Strategic Studies for the United States and Middle East. From 2011 to 2012, he served on the National Security Council staff as senior director for Middle Eastern and North African affairs. He also worked on the NSC staff from 1994 to 1999 on counterterrorism and Middle East security policy. These assignments followed a 15–year career at the U.S. Department of State. Between government assignments, he was a principal at Good Harbor Consulting LLC in Abu Dhabi; Goldman Sachs & Co. visiting professor at Princeton University; Hasib Sabbagh senior fellow for Middle Eastern studies at the Council on Foreign Relations; analyst at the RAND Corporation; and deputy director of the International Institute for Strategic Studies.

About the Quincy Institute

QUINCY BRIEFS are produced by the Quincy Institute for Responsible Statecraft, a nonpartisan, action-oriented think tank launched in 2019 that promotes ideas to move U.S. foreign policy away from endless war and toward vigorous diplomacy in the pursuit of international peace.

QI is committed to improving the standards for think tank transparency and potential conflict-of-interest avoidance. QI's conflict-of-interest policy can be viewed at quincyinst.org/coi and its list of donors is at quincyinst.org/about.

CONTACT
Jessica Rosenblum
Director of Communications
Email: rosenblum@quincyinst.org
Tel: 202 279 0005