

# MP-IDSA

## *Issue Brief*

# Two to Tango: Xi Jinping's Visit to Riyadh

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## **S***ummary*

President Xi Jinping's visit to Riyadh highlighted the continued centrality of the economic engagements between the two countries. The China–GCC and China–Arab summits held during the visit showed the significance of the Gulf and MENA region in China's strategic calculus and the prominence of Riyadh in GCC and Arab politics. To suggest that the visit is a sign of the end of the Saudi–US partnership might be an exaggeration, given the continued mutuality of interests in economic and security domains. As for implications for India, China and India could become competitors for attracting Saudi investments.

The visit of President Xi Jinping to Saudi Arabia during 7–9 December 2022 once again brought the spotlight on China’s increasing inroads in the Gulf and Middle East North Africa (MENA) region.<sup>1</sup> Beijing’s ability to expand partnerships with regional countries amidst speculations about the declining US influence in MENA has led to discussions of an imminent shift in the regional order, and how that will impact global politics and international order.<sup>2</sup> The trouble in the ties between the US and Saudi Arabia and the growing engagement between China and Saudi Arabia, in addition to the Saudi-Russian cooperation in the international oil market, has led many to wonder if the Kingdom is finally moving away from the strategic partnership with the US and embrace the US’s global rivals, Russia and China.<sup>3</sup>

The proposition that Saudi Arabia is moving away from its strategic partnership with the US seems overstretched, given that many middle and regional powers are trying to diversify their external relations. The recognition that the US is no longer the lone superpower has led many MENA countries to develop closer partnerships with emerging powers such as Russia and China and fast-growing economies, namely India, Japan, South Korea, Brazil, South Africa and Australia.

Nevertheless, the visit of President Xi to Saudi Arabia does raise important questions about the status of Beijing–Riyadh relations, China’s policy towards the Gulf and MENA region and its implications for global politics as well as for India.

Xi’s three-day visit to Saudi Arabia witnessed several important developments. Three summit meetings were held, between China and Saudi Arabia, China and Gulf Cooperation Council (GCC) States and the China–Arab summit. The China–GCC and China–Arab summits underlined Saudi willingness to anchor China’s pitch for enhancing its cooperation with the GCC and Arab countries. The summit meetings encompassed discussions on economic, political and security partnerships underscoring Beijing’s willingness to increase its cautious engagement with regional issues in MENA.

Notwithstanding, economic cooperation was the highlight of the summit meetings and as such the primary agenda of the visit. The focus was on strengthening the China–Saudi economic partnership and this was reflected through the scores of memorandums of understanding (MoU) signed between the two countries estimated worth US\$ 30 billion.<sup>4</sup> Notably, China and Saudi Arabia also signed a comprehensive strategic partnership (CSP) agreement, which they had agreed upon in 2016 during the previous visit of the Chinese president to the Kingdom.

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<sup>1</sup> Spengler, “[Pax Sinica of sorts Taking Shape in the Middle East](#)”, *Asia Times*, 15 December 2022.

<sup>2</sup> Roie Yellinek, “[The Strengthening Ties between China and the Middle East](#)”, Middle East Institute, Washington, D.C., 26 January 2022.

<sup>3</sup> Edward Luce, “[Saudi Arabia and the US are Drifting Back on to the Rocks](#)”, *Financial Times*, 21 September 2022.

<sup>4</sup> “[Saudi Arabia, China Emerge as Comprehensive Strategic Partners as Chinese President Xi Jinping Wraps Up State Visit](#)”, *Arab News*, 10 December 2022.

## Economic Issues

The focus of the visit and the bilateral discussions was on enhancing economic cooperation through greater engagements in multiple areas and sectors including in energy and associated fields. China is the largest trading partner of Saudi Arabia and the largest importer of Saudi oil. Bilateral trade in 2021 was worth US\$ 87.28 billion with the trade balance favouring Saudi Arabia with US\$ 57 billion worth of exports mainly due to the oil supplies.<sup>5</sup> This is set to increase further with the US\$ 55.5 billion worth of oil exports to China between January and October 2022.<sup>6</sup> The joint statement issued after the visit noted the significance of China–Saudi cooperation in the oil sector while affirming the need for stability in the international oil market. The two sides agreed to explore increasing cooperation in the petrochemicals sector as well while committing to increase cooperation in renewable energy including through technological collaboration and investments in solar and wind energy.<sup>7</sup>

Transportation, logistics, financial market, climate change, food security, water and agriculture were other areas that China and Saudi Arabia discussed and agreed to develop cooperation to expand on the existing non-oil trade and commerce. They also discussed enhancing cooperation among private sectors and tapping investment potentials offered by the two countries.<sup>8</sup> A key highlight of the visit was the reaffirmation of "harmonising" the Saudi Vision 2030 with China's Belt and Road Initiative (BRI). Beijing and Riyadh had first agreed to integrate the two mega economic projects in February 2019 during the visit of Crown Prince Mohammed bin Salman to China with a focus on transportation, logistics and shipping sectors that are focus areas in both projects.<sup>9</sup>

The two sides also agreed to enhance collaborations in the digital economy, artificial intelligence and mining sectors. Another important discussion was on joint investments in the Middle East and Africa in various economic and developmental fields. Notably, Saudi Arabia also expressed a desire to attract Chinese companies and experts to participate in the ongoing and future mega-developmental and logistical projects in the Kingdom.<sup>10</sup>

In addition to economic issues, cooperation in the fields of defence and security and cultural areas besides regional and international cooperation was the highlight of the visit. In the security domain, the focus has been on combating terrorism, radicalism

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<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

<sup>7</sup> [“Joint Statement at the Conclusion of the Saudi-Chinese Summit”](#), Saudi Press Agency, 9 December 2022.

<sup>8</sup> Ibid.

<sup>9</sup> [“Chinese President Meets Saudi Crown Prince”](#), *Xinhua*, 22 February 2019.

<sup>10</sup> [“Joint Statement at the Conclusion of the Saudi-Chinese Summit”](#), no. 7.

and extremism, terror financing and transnational organised crimes. Thus, there were agreements on closer coordination and exchange of information and expertise among security agencies.<sup>11</sup> In cultural areas, the two sides have enhanced cooperation in the field of higher education through the exchange of students and teachers, especially in the science and technology disciplines as well as to impart proficiency in Arabic and Chinese languages among respective nationals. The two sides stressed on the need for strengthening cooperation in the arena of sports as well.<sup>12</sup>

## Regional Issues

The issue of regional security and stability was also on the agenda of Xi’s visit. The fact that the visit was accompanied by summit meetings with GCC and Arab leaders is noteworthy. It underlines the pre-eminence of Saudi Arabia in regional politics and the Chinese recognition of the same. Before this, such meetings with regional leaders during the visit of important international leaders have mostly remained confined to American presidents. For example, during the visit of President Joe Biden in July 2022, a summit meeting was held with leaders of GCC countries and Egypt and Jordan.<sup>13</sup>

From the Chinese point of view, the organisation of the summits was important because Beijing has been working to enhance cooperation with MENA countries, especially since the launch of the BRI in 2013, and these meetings can go a long way in facilitating greater cooperation. For Saudi Arabia, this was not only a showcase of its regional influence but also an emphasis on the inevitability of engaging Riyadh for greater regional collaboration both for geopolitical reasons and geo-economic compulsions. The joint statement noted the significance of the two summits underlining the scope for greater cooperation among Chinese and Arab people.

On the issue of regional peace and stability, the two sides discussed the Palestinian issue, the security situation and conflicts in Iraq, Syria, Yemen and Afghanistan and the political and economic troubles in Lebanon. Inevitably, Iran’s nuclear issue and the ongoing conflict in Ukraine also found mention in the discussion. On the nuclear issue, the joint statement noted the need for maintaining a non-proliferation regime within the purview of the International Atomic Energy Agency (IAEA) resolutions and reports.<sup>14</sup>

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<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

<sup>13</sup> Sarhang Hamasaeed, [“Five Takeaways from Biden’s Visit to the Middle East – Despite Differences, U.S.-Saudi Cooperation Will Continue”](#), United States Institute of Peace, 21 July 2022.

<sup>14</sup> [“Joint statement at the Conclusion of the Saudi-Chinese Summit”](#), no. 7.

On the Ukraine conflict, the two sides stressed the need for avoiding escalation and peaceful resolution and preventing any spillover effect of the crisis.<sup>15</sup> Regarding the Palestinian issue, the two sides emphasised the continued relevance of the Arab Peace Initiative (API)—first launched in 1981 when it was known as the Fahd Plan and later renamed API in 2002—that remains the cornerstone of the Saudi approach towards Israel despite the apparent softening of relations in the context of the Abraham Accords.

## Geopolitical Significance

Besides the significance in terms of bilateral relations, Xi's visit also highlighted some important geopolitical issues both at regional and international levels. In terms of China's approach towards the region, the visit underscored Beijing balancing its relations between Riyadh and Tehran indicating its neutrality in regional politics.<sup>16</sup> From the Chinese perspective, both Saudi Arabia and Iran are important not least for their energy resources but also for the geopolitical and geo-economic opportunities they offer.

Given the tensions, rivalry and competition between the two regional actors, it was inevitable that the signing of the China–Saudi CSP drew comparisons with China–Iran CSP signed in March 2021.<sup>17</sup> However, this signifies the Chinese approach towards the region wherein it privileges doing business, gaining economic inroads and remaining away from regional politics and security commitments.<sup>18</sup>

Despite sanctions on Iran, China continues to court Tehran as a regional power that can influence developments in the Gulf, MENA and Southwest Asian region. Its size, location and strategic significance make Iran an important regional actor with possibilities for cooperation in the economic, political and security domains. China's continued partnership with Iran on multiple issues, despite the minimal realisation of the promises made in the CSP agreement, underlines that Beijing wants to explore wider regional opportunities while not playing ball with the US on Iran. China, a signatory to the Joint Comprehensive Plan of Action (JCPOA), advocates the revival of the deal as the way forward in resolving the dispute over Iran's nuclear

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<sup>15</sup> Ibid.

<sup>16</sup> Jesse Marks, “[Can China Continue to Balance between Saudi Arabia and Iran?](#)”, *The Diplomat*, 14 December 2022.

<sup>17</sup> Md. Muddassir Quamar and Lakshmi Priya, “[China-Iran Comprehensive Strategic Partnership: Likely Challenges for India](#)”, Issue Brief, MP-IDSA, 30 April 2021.

<sup>18</sup> Dawn Murphy, Yitzhak Shichor and Muhammad Zulfikar Rakhmat, “[Ask the Experts: Is China's Growing Influence in the Middle East Pushing Out the United States?](#)”, *LSE Blogs*, 5 December 2022.

programme.<sup>19</sup> It does, however, support the idea of non-proliferation as mandated by IAEA.

Concurrently, China views Saudi Arabia as an important actor in the Gulf and MENA region. Saudi significance emanates from its energy resources and geo-economic potential. Saudi Arabia has swiftly transformed its economic and social outlook in preparation for a post-oil economic reality. King Salman and Crown Prince and Prime Minister Mohammed bin Salman have in a short span brought significant changes in the social and economic domains of the Kingdom.<sup>20</sup> While social opening had become important given the demographic change, the impact of globalisation and the changing economic aspirations of the people, economic transformation is inevitable in preparing for the post-oil future.

In that respect, Vision 2030 offers insights into the grandeur plans of the Saudi leadership to develop non-oil sectors through investments in shipping, transportation, logistics, mines and financial sectors besides developing hitherto unexplored sectors such as leisure and archaeological tourism, cinema, music, recreation and entertainment as well as sports and games.<sup>21</sup> These can offer extraordinary opportunities for Chinese and other investors. The signing of the China–Saudi CSP agreement indicates the willingness of the two countries to tap into these potentials.

The visit also raised the question about Saudi position in global politics, especially in the context of the tensions between China and the US. Saudi Arabia has long been a strategic partner of the US and the significance of the partnership increased since the Iranian revolution in 1979. However, Saudi–US relations have faced turbulence in recent times for a variety of reasons, including a lack of appreciation of the changing nature of respective domestic politics and foreign policy compulsions.<sup>22</sup>

In terms of geopolitics, Saudi Arabia’s expectations of the US as the security provider and regional balancer in MENA have been shaken in recent years, creating compulsions for reaching out to other global powers such as Russia and China. This has run contrary to the US expectations of unbridled Saudi support for its regional and international politics such as backing Ukraine in its conflict with Russia. The Saudi unwillingness to oblige the US by going ahead with the OPEC+ decision to cut oil production in October 2022 thus led to a warning of “consequences” by President

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<sup>19</sup> Catherine Wong, “[Where Does China Stand on the Iran Nuclear Deal?](#)”, *South China Morning Post*, 23 February 2021.

<sup>20</sup> Talat Zaki Hafiz, “[Saudi Arabia on the path to Socioeconomic Transformation](#)”, *Arab News*, 6 May 2021.

<sup>21</sup> “[A Story of Transformation, 2016-2021](#)”, Vision 2030, Kingdom of Saudi Arabia.

<sup>22</sup> F. Gregory Gause III, “[The Kingdom and the Power: How to Salvage the U.S.-Saudi Relationship](#)”, *Foreign Affairs*, January–February 2023.

Biden.<sup>23</sup> This does not mean the two sides do not see each other’s significance in their strategic calculus, given the mutuality of interests in economic and security domains, but Riyadh and Washington have found it difficult to adjust to the changed circumstances.

In the US, Xi’s visit to Riyadh, and the bonhomie on display between the Chinese and Saudi leaders, was viewed as an indication of Saudi Arabia drifting away from the US-led regional and international order.<sup>24</sup> Undoubtedly, Riyadh has been diversifying its external relations and using this as a tool for strategic hedging vis-à-vis relations with the US but continues to attach importance to strategic relations with the US. Saudi Foreign Minister Prince Faisal bin Farhan clarified this during a press briefing after Xi's visit stating “the deepening of relations with China did not mean the Kingdom was turning its back on the US and other Western allies.”<sup>25</sup>

## Implications for India

The visit of the Chinese president to Saudi Arabia has to be seen within the context of the growing Chinese footprints in the Gulf and MENA region, India's interests in the region and the deteriorating Sino-Indian relations both because of the tensions at the borders and the geopolitics around the Indo-Pacific. Beijing’s aggressive bid to expand influence beyond its immediate neighbourhood and quest for dominating the Indian Ocean region (IOR) has challenged the notion of China’s peaceful rise. This has led to a growing consensus among nations including India, Japan, Australia, the US, and European countries to take measures to ensure freedom of navigation, peace and stability in the Indo-Pacific region, including in the western IOR.

Besides, in the Gulf region, the growing Chinese presence is a cause of concern for India because of the competition it generates for realising the economic potential the region offers. While energy remains the foundation of Indo-Gulf relations, there are opportunities for the two-way flow of investments and better trade relations. Saudi Arabia, being the largest regional economy, offers immense potential for trade, business and investments. Undoubtedly, India's relations with Gulf countries, especially Saudi Arabia and the UAE, have expanded significantly in recent times. But China too has improved engagements with Gulf countries, leading to greater competition for Indian business from Chinese firms.

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<sup>23</sup> [\*\*“Biden Vows ‘Consequences’ for Saudi Arabia After Oil Output Cuts”\*\*](#), *Al Jazeera*, 12 October 2022.

<sup>24</sup> Nabih Bulos, Stephanie Yang and Tracy Wilkinson, [\*\*“With U.S.-Saudi Ties at a Low Point, China’s Leader Comes Calling”\*\*](#), *Los Angeles Times*, 8 December 2022.

<sup>25</sup> [\*\*“Saudi Arabia, China Emerge as Comprehensive Strategic Partners as Chinese President Xi Jinping Wraps Up State Visit”\*\*](#), no. 4.

Specific to Saudi Arabia, two issues are noteworthy. Firstly, Saudi Arabia is looking to invite Chinese companies and experts to invest and work on mega logistic and developmental projects. This can affect Indian businesses and human resources that are currently active in the Kingdom and are bidding for lucrative opportunities in the construction, logistics, transportation and mining sectors. Secondly, there are challenges with regard to attracting Saudi investments to India in various sectors, especially in the energy and associated industry. At a time when Saudi businesses and investors are looking to diversify their investments away from the West and are exploring Asian markets, and China is fast losing its sheen as a global investment destination, India can be a natural choice. Inevitably, however, China and India become competitors in attracting Saudi investors.

## **Conclusion**

Xi’s visit to Riyadh builds on the strong economic engagements between China and Saudi Arabia to strengthen the bilateral ties. The agreements and MoUs signed during the visit highlight the continued centrality of the economic engagements. The signing of a CSP agreement indicates a new framework for elevating bilateral relations. The China–GCC and China–Arab summits held during the visit showed the significance of the Gulf and MENA region in China’s strategic calculus and the prominence of Riyadh in GCC and Arab politics, besides the importance China attaches to Saudi Arabia as a gateway to the Arab world.

At a time when the geopolitical tensions between China and the US have gradually entered a Cold War paradigm, and when US–Saudi ties have witnessed turbulence, it was inevitable to attach geopolitical significance to the visit. Undoubtedly, Saudi Arabia has in recent years expanded its foreign relations and adopted a more independent foreign policy, but to suggest this as a sign of the end of the Saudi–US partnership might be an exaggeration given the continued mutuality of interests in economic and security domains. At another level, the visit underlines the Chinese approach of engaging multiple actors in the region, including Iran and Saudi Arabia, despite their differences, indicating that Beijing is not ready to take sides in regional politics and is looking to expand its economic footprints and geopolitical influence.

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