Journal
Of the
Oriental Institute
M.S. University of Baroda

ISSN: 0030-5324
UGC CARE Group 1

China-GCC Ties:

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The diplomatic relations between the Gulf Cooperation Council and China have been fraught with ups and downs over time. China has had longstanding ties with the Gulf States. They've had a nice relationship for quite some time. Similarly, they engage in mutually beneficial commercial interactions that allow them to prosper financially. Aside from oil and gas, the relationship between the two regions includes additional components. The oil and gas sector can help to explain their happy relationship. Both of these regions have long-standing friendly commercial relation. China's robust manufacturing industry enables it to export a significant portion of its products to a variety of countries. China regards the Gulf Cooperation Council (GCC) as one of its primary markets. In terms of production, they consider the Chinese consumer population as a target market. China has significant research and development business that seeks to understand the wishes and needs of consumers in other countries. This is another factor to consider given China's strong industrial base.

An analysis of the historical backdrop of these two localities discovered that there were no substantial linkages between them in the 1950s. As a result of the global economy being divided into two distinct parts, the terms were no longer as close as they were previously. In this context, there are two major camps: Western Capitalism, which is represented by the United States of America, and Socialism, which is represented by the Soviet Union. China maintained its alliance with the Soviet Union, while the Gulf Cooperation Council (GCC) kept diplomatic connections with the United States. Both regions remained different from one another.[1]

[1]Zhongmin LIU, "Historical Evolution of Relationship between China and the Gulf," Journal of Middle Eastern Studies and Islamic Studies (in Asia) 10, no.1 (2016): 3.

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Furthermore, bilateral relations between China and the Soviet Union began to deteriorate in the 1950s, and by the early 1970s, the partnership had been fully severed. As a result, China began to question the Soviet Union's techniques for exerting control over other states through accords and pacts. In order to achieve its objectives, China tried to strengthen its connections with the United States and grow its influence within the Gulf Cooperation Council (GCC) by aligning with US policies toward the GCC.[2]

Diplomatic relationships between the nations took a U-turn in the 1980s, and China realized that preserving links with the Soviet Union was critical, and as a result, relations between the two sides began to improve. Following this, in 1982, China revised its diplomatic policy, focusing on modernization, development, and meeting the requirements and desires of its economy.[3]The business partnerships between China and the Gulf Cooperation Council (GCC) have undergone significant disruption as a result of the shifting political ties between them during the late 1970s and early 1980s.

China's exports and trade increased dramatically in the late 1970s and early 1980s. Saudi Arabia removed a fictitious trade barrier in 1981 that had been relaxed in the late to mid-1970s. This decision was made due to a historical political and religious prohibition on importing straight from the People's Republic of China.[4]Saudi Arabia began purchasing items in tiny amounts, while the number of exports from China expanded dramatically. Millions of pilgrims and expatriates working there, as opposed to the small and wealthy Saudi elite, consume China's low-quality, low-cost exports. By the mid-1980s, established shipping routes connected the two countries, and in 1989, they both constructed commercial representative offices in each other's capitals.[5]

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[2]Ibid.
[3]Ibid.
[4]P.R.Kumaraswamy, China and the Middle East: The Quest for influence (New Delhi: Sage Publications, 1999), 18.

[5] Ibid.

Table-2.5:Value of China-GCC Trade: 2000-2014 (In US$)

Year	**China-GCC Trade Value**
2000	9,893.19
2001	9,243.71
2002	10,470.62
2003	15,968.45
2004	24,673.02
2005	34,827.08
2006	45,970.81
2007	59,623.69
2008	94,285.24
2009	69,106.88
2010	93,669.47
2011	135,057.7
2012	156,913.24
2013	165,166.81
2014	175,172.93

Source: International Monetary Fund, Direction of Trade by Country

Furthermore, there has been a concomitant advancement in other facets of economic cooperation, occurring concurrently with the expansion of commerce. The capital connection between China and the Gulf Cooperation Council (GCC) encompasses several activities, including mutual investments, project contracting, labor collaboration, and design consultancy. Direct investments by the Gulf Cooperation Council (GCC) in China increased from $371.73 million in 2008 to $596.8 million in 2010. This signifies a substantial escalation. This obviously signifies a substantial increase. The Arab Spring precipitated a substantial decline in foreign direct investment due to the political unrest that ensued thereafter. Foreign direct investment as a whole

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ISSN: 0030-5324
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experienced an extraordinary decline, falling to a mere $96.32 million. Rising Chinese investments are being made in the Gulf Cooperation Council (GCC). Between 2003 and 2011, China's foreign direct investment in the Gulf Cooperation Council (GCC) rose from $10.66 million to $1.677.5 billion, and then to $2.227 billion[6].

In addition, the governments of China and the GCC have formed a robust partnership in industries that are expected to experience substantial growth, including tourism, telecommunications, renewable energy, smart cities, artificial intelligence, and technology-driven businesses. The youthful population of the Arab Gulf region will gradually engage with Chinese technology, including diverse platforms like social media and electronic payment systems.[7]

Outside of the GCC, Chinese influence is becoming more apparent in the financial and educational sectors of the Gulf. Sovereign wealth funds are improving relations within the GCC. Mubadala in Abu Dhabi, China Development Bank Capital, and the Chinese State Administration of Foreign Exchange established a UAE-China Joint Investment Fund with a capitalization of ten billion US dollars in 2015. In recent years, administrators of GCC sovereign wealth funds have advocated for a greater emphasis on Asian economies, specifically China, in their portfolios.[8]

Another notable aspect of bilateral economic and trade cooperation is labour collaboration. GCC nations need a lot of foreign workers because they have shortage of skilled people. Given the GCC's lack of labour shortages and China's abundance of human resources, labour cooperation between the two countries has enormous development potential.[9]

[6]Ibid.
[7]China Briefing, "China and GCC: Bilateral Trade and Economic Engagement," China Briefing, https://www.china-briefing.com/news/china-and-the-gcc-bilateral-trade-and-economic-engagement/(accessed October 4, 2022).
[8]Ibid.
[9]Xuming Qian, Jonathan Fulton, "China-Gulf Economic Relationship under the "Belt and Road" Initiative," Asian Journal of Middle Eastern and Islamic Studies 11, no.3 (2017): 16.

The GCC governments have been working on a variety of transportation, communication, and infrastructure projects to diversify their economies and align with their development goals. China has established special economic zones comparable to Dubai's Jebel Ali Free Zone (JAFZA). China is currently carrying out its "going out" strategy simultaneously. Chinese engineering and construction expertise are becoming increasingly important in building strong economic ties with GCC members. The JAFZA in the UAE has evolved as a hub for various Chinese state-owned enterprises (SOEs), which has set up regional headquarters there to assist projects over the entire peninsula.[10]

China-Arab States Cooperation Forum (CASCF):

In 2004, Beijing launched the China-Arab States Cooperation Forum (CASCF), which led to an increase in the success of commercial cooperation. When China and the Arab nations established the Higher Council for Energy Collaboration in March 2012, the level of cooperation was raised. At the Sixth CASCF held in 2014, co-sponsored by China and Morocco, the Chinese and Arab governments commended the achievements of their initial decade-long cooperation (2004-2014). Expanding the range of collaboration, promoting reciprocal investments, and improving civil society communication stand as shared objectives for the subsequent decade (2014-2024).[11]

Free Trade Agreement:

In 1996, the two nations established a framework for political and economic collaboration, which ultimately resulted in their unification. Consequently, the probability of their collaboration on matters of shared interest grew. The Economy, Trade, Investment, and Technology Cooperation Framework Agreement was signed in 2004. The conference centered on discussions regarding the establishment of a Free Trade Agreement (FTA) between China and the Gulf Cooperation Council (GCC). From 2004 to 2006, there were a minimum of four rounds of negotiations that

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[10]Ibid.
[11]China Briefing, "China and GCC: Bilateral Trade and Economic Engagement," China Briefing, https://www.china-briefing.com/news/china-and-the-gcc-bilateral-trade-and-economic-engagement/(accessed October 4, 2022).

were abruptly terminated. Between 2006 and 2009, there were multiple official visits between the two nations that were keenly observed. In 2006, Saudi King Abdullah embarked on his inaugural journey beyond the borders of Saudi Arabia. Former President Hu Jintao made two visits to China in 2008 and 2009 as a show of goodwill. In June 2009, the two nations reaffirmed their mutually advantageous alliance.[12]

The "Belt and Road" Initiative: One may also consider the importance of the Free Trade Agreement (FTA) as a part of the Belt and Road Initiative, which unites China and the Gulf Cooperation Council (GCC). China's 2013 announcement of the Belt and Road Initiative (BRI) is seen by the GCC as a spark for stepping up bilateral relations. In the 2014 strategic discussion session, President Xi emphasized the importance of the endeavor from China's point of view. In light of the GCC's strategic location, he also touched on the potential role that it might play. This was one of the main topics of conversation. The former Crown Prince talked about the Belt and Road Initiative (BRI) while he was there. The Saudi side expressed appreciation for the Chinese side's presentation of the proposal to build the "economic belt of Silk Road" and the "Maritime Silk Road in the 21st century," As per the joint statement released during the Crown Prince's travel. In order to achieve common goals, the Saudi side has indicated a desire to communicate with the Chinese side.[13]Following this, China has extended official visits to the Crown Prince of the United Arab Emirates, the Deputy Crown Prince of Saudi Arabia, the King of Saudi Arabia, the Emir of Qatar, and the Prime Minister of Kuwait. During the course of these visits, each of these leaders has maintained a steadfast stance in support of the Belt and Road Initiative (BRI) projects and the participation of Gulf Cooperation Council (GCC) member states in their progression.[14]

[12]Xuming Qian, Jonathan Fulton, "China-Gulf Economic Relationship under the "Belt and Road" Initiative," Asian Journal of Middle Eastern and Islamic Studies 11, no.3 (2017): 16.
[13]Ibid.
[14]Ibid

China's Investments in GCC's Oil and Gas Sector:

The fourth-largest producer of oil in the world, China produces mainly for its own domestic market and has seen a growth of around 50% in the past two decades. The expansion in demand throughout this timeframe, however, has outpaced the rate of production. In 2014, China produced around 4.6 million barrels per day of oil and other liquids, 92% of which were crude oil and the remainder were non-refining liquids and refining profit.[15] China imported 6.1 million barrels per day in 2014 and become the largest importer of oil. And the largest imports were from GCC comprising of 16% of total oil imports.

The same is with natural gas consumption. China's natural gas consumption is increasing at a rapid pace. China consumed 5.3 tcf of natural gas in the year 2015 which was ahead of domestic production. It produced approximately 4.4 tcf of natural gas from its domestic fields. The majority of gas is consumed for industrial purposes. China is making heavy investments to increase the domestic production.

Bettering China's business connections with the GCC is the greatest strategy to defend its Middle East political and economic interests and strengthen its diplomatic position. The Shanghai Cooperation Organization and China-GCC free trade zone can flourish. This will promote China's "go west" economic and political goal. GCC countries dominate Middle Eastern politics and business. Saudi Arabia, Kuwait, and Qatar are key OPEC members. Strong political and commercial links will boost China's energy security and global energy influence.[16]

Since 2008, National Oil Companies (NOCs) have acquired assets in Africa, Asia, the Middle East, North America, and Latin America, as reported by the International Energy Agency (IEA). They invested roughly $73 billion in foreign energy and gas assets between 2011 and 2013.

[15]U.S. Energy Information Administration, "China International Analysis,"U.S. Energy Information Administration.
[16]Xuming Qian, Jonathan Fulton, "China-Gulf Economic Relationship under the "Belt and Road" Initiative," Asian Journal of Middle Eastern and Islamic Studies 11, no.3 (2017): 19.

China and Saudi Arabia are now in contractual discussions for "cross-investment" enterprises. As part of this strategy, China would allow oil field activities in Saudi Arabia while permitting Chinese oil companies to operate refineries in China. Both Riyadh and Beijing appreciate the value of these collaborations. Given Saudi Arabia's position as the world's leading oil supplier, China appears to be a market with attractive potential for Saudi petroleum. Saudi Arabia is critical to China's energy security. When Chinese President Jiang Zemin paid a visit to Saudi Arabia in September 1999, they negotiated a bilateral agreement that laid the groundwork for constructive engagement between the countries. According to the terms of the agreement, China has allowed Saudi Arabia to purchase its downstream refining firm. The agreement states that Saudi Arabia will accept Chinese investment in its domestic market for hydrocarbon exploration and development. China has requested financial support from Saudi Arabia to fund major projects aimed at improving petroleum processing capacities in Chinese refineries. The interest in this financing stems from China's current cash restrictions and the urgent necessity for such money. However, international corporations have encountered substantial challenges in entering China's downstream industry, with only a small percentage of their efforts being successful.[17]

While the substantial dependence of China on the GCC is widely recognized, there is limited information regarding China's initial endeavours to forge robust energy connections with the Gulf Cooperation Council. The overseas construction division of China National Petroleum Corporation (CNPC) entered the Kuwaiti market in 1983, prior to the expansion of the Chinese economy, and was awarded a contract to replace an oil storage facility in 1995. Additionally, the 1999 signing of the Strategic Oil Cooperation Agreement between Beijing and Riyadh facilitated Saudi Arabia's ascension to the position of China's leading oil supplier.[18]

China's state oil firms have made significant investments in overseas markets, especially in GCC nations such as Iraq, Egypt, and Saudi Arabia, since 2012. These investments have primarily

[17]https://www.researchgate.net/publication/249054553_Beijing's_Oil_Diplomacy (accessed June 4, 2017).

[18]Xuewen QIAN, "China's Energy Cooperation with Middle East Oil-Producing Countries," Journal of Middle Eastern and Islamic Studies (in Asia) 4,no.3 (2010): 67.

focused on downstream operations, shale gas projects, and offshore assets, and have amounted to billions of dollars. Sinopec's recent investments in Egypt and Saudi Arabia's Yanbu, specifically in refinery and downstream production, demonstrate China's expanding presence in the global energy market.[19]

In 42 nations, Chinese companies are engaged in upstream industries, and GCC and Africa account for half of global oil production. All three NOCs have made significant investments in many sizable fields in Iraq, a crucial nation where they anticipate rising output. In 2013, Iraq accounted for almost 26% of China's international oil production. Other nations that have made large contributions to China's exports include Kazakhstan, Sudan, and South Sudan.[20]

The sixth Ministerial Meeting of the China-Arab Partnership Forum in Beijing in 2014 laid forth a blueprint for the future development of bilateral cooperation. During this event, President Xi outlined the "1+2+3" framework for China-Arab cooperation. In this model, the term "1" denotes the primary axis of energy collaboration. It is imperative for China and Arab states to collaborate in order to enhance cooperation throughout the whole oil and gas industry supply chain. This collaboration should focus on ensuring the security of energy transportation routes and establishing mutually advantageous, secure, and dependable long-term relationships. An exemplar for amicable and enduring strategic alliance. The number "2" symbolizes the combination of infrastructure construction and trade and investment facilitation. The objective is to enhance collaboration on significant development initiatives and provide appropriate institutional frameworks to promote bilateral trade and investment. The numeral "3" represents cooperation in the fields of nuclear energy, aerospace, and new energy. President Xi proposed the establishment of three centres for collaboration in the realm of sophisticated technology. These include a center for facilitating technology transfer between China and the Arab regions, a center for developing a research and training facility for the peaceful application of nuclear

[19] https://www.researchgate.net/publication/249054553_Beijing's_Oil_Diplomacy(accessed June 4, 2017).

[20] U.S. Energy Information Administration, “China International Analysis,”U.S. Energy Information Administration.

energy, and a center for implementing a project to establish a China Beidou satellite navigation system in Arabia.[21]

The Chinese state-owned energy companies are the largest in the Middle East due to their substantial investments in Iraq and Iran. Both companies have engaged in service agreements to extract substantial hydrocarbon reserves located in their respective countries. The oil fields situated in Iran are Azadegan and Yadavaran, whereas in Iraq they are al-Ahdab, Halfaya, and Rumaila. The progress of the initiatives in Iraq has been considerably greater than that of Iran.[22]

In October 2006, Hussain al-Shahristani, the oil minister of Iraq, traveled to the Asia-Pacific region to assess the possibility of renewing the Ahdab oilfield agreement with Chinese energy officials and companies. In 2007, Jalal Talabani, the former president of Iraq, traveled to Beijing to engage in discussions regarding innovative forms of cooperation.[23]

In 2002, the Chinese company Sinopek became the first to assume control of Oman's initial modest oil facility. China acquired the ownership and control of Japan's management. In the span of four years, China has augmented its oil extraction rate from 2 thousand barrels per day to 12 thousand barrels per day.[24]

In August 2004, China was given an unusual opportunity to participate in the mining operations of Oman's newly developed oil refinery. According to the agreement between China and Oman, mining operations are set to begin in the 36th and 38th blocks of the "Southern big oil facility."

[21]Xuming Qian, Jonathan Fulton, "China-Gulf Economic Relationship under the "Belt and Road" Initiative," Asian Journal of Middle Eastern and Islamic Studies 11, no.3 (2017): 18.
[22]Brookings, "China-Middle East Energy Relations," Brookings, https://www.brookings.edu/testimonies/china-middle-east-energy-relations/(accessed January 5, 2017).
[23]Chatam House, "China and the Middle East in New Energy Landscape," Chatam House, https://www.chathamhouse.org/2015/10/china-and-middle-east-new-energy-landscape(accessed July 3, 2019).
[24]Noravank Foundation, "China's Oil and Gas Investments in Middle East," Noravank Foundation, http://www.noravank.am/eng/(accessed January 5, 2017).

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ISSN: 0030-5324
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During the three years that China maintained this oil factory after it began oil mining, it received gratuitous extraction of the complete amount needed to cover its expenses.[25]

In 2005, Kuwait and China entered on a "Memorandum of Understanding" to establish a cooperative oil refinery in close proximity to Guangzhou. The facility has a daily processing capacity of 30 million barrels of Kuwaiti crude oil. Once finished, the refinery project will surpass the 4.3 billion dollar CSPC Nanhai petrochemical facility to become the biggest joint venture project in China. Kuwait Oil Company established its offices in Beijing on March 29, 2006, and maintained continuous involvement with Chinese oil firms. Ultimately, all persons obtained benefits. China's "going out" strategy not only facilitated cooperation with oil-producing countries, but also enticed their investment and scientific expertise to its petrochemical endeavor, building a mutually beneficial alliance with oil-exporting states. In defiance of American resistance, Kuwait made substantial investments in China and actively advocated for energy collaboration, setting an example for other oil-producing countries in the Gulf Cooperation Council (GCC).[26]

The Sino-Saudi friendship, fostered by both regimes, is strengthening and increasing. The negotiations between China and Saudi Arabia are primarily motivated by economic considerations and are not hampered by political or ideological differences. China sees the relationship as mutually beneficial. The Gas Initiative has invested in joint ventures with Saudi Aramco and made purchases from Saudi Arabia.[27]

Due to strained relations between the United States and Iran, Chinese companies have been presented with an opportunity. President Hu Jintao has expressed China's readiness to cooperate with Iran in order to procure liquefied natural gas (LNG) and advance the upstream sector of

[25]Ibid.

[26]Xuewen QIAN, "China's Energy Cooperation with Middle East Oil-Producing Countries," Journal of Middle Eastern and Islamic Studies (in Asia) 4,no.3 (2010): 77.
[27]Lawrence S. Kaplan, "Implications for the United States," Contemporary Security Policy 12, no.3 (1991): 141.

Iran's hydrocarbon industry. After Saudi Arabia, Iran is the second greatest oil supplier to China, and oil and gas transactions worth $70 billion have been signed between the two countries.[28]

China's oil giants are committed to acquiring and maintaining long-term access to Iranian oil and natural gas reserves. Indeed, CNPC has prioritised Iran—specifically, the North Azadegan oil field—and Iraq in its upstream expansion plans for the next decade. However, the amount of money invested in the Iranian oil sector by China's NOCs to far is likely to be significantly less than the tens of billions of dollars some media sources claim the Chinese have committed to energy projects in Iran. Many estimates of the amount of money China's NOCs have set aside for Iranian projects include deals that have yet to be completed but are still important for the Iranians to highlight for political reasons.[29]

Iraq has made its oil fields up to foreign oil corporations for upstream investment since it lacks the funds for maintenance and investments, which will greatly increase production. The majority of foreign oil companies, including the Chinese, have aggressively bid on the oil reserves in Iraq, albeit in joint ventures with other businesses that have a deeper understanding and expertise with the local fields. In a successful bid to raise Rumaila field production from its current level of 1.85 million barrels per day to 2.85 million barrels per day, CNPC partnered with British Petroleum. CNPC also won the bid for the Halfaya field to reach a production level of 535,000 b/d in collaboration with Petronas and Total. Finally, Sinopec, with a 20% stake alongside ENI, Oxy, and Kogas, won the bid to increase the Zubair field's capacity to 1.125 million b/d. Upon completed, these bids could potentially enhance China's access to over 1.9 million b/d, making Iraq China's largest crude oil supplier by 2020.[30]

[28]Charles Ziegler, "The Energy Factor in China's Energy Policy," Journal of China's Foreign Policy 11, no.1 (2006): 12.
[29]Chatam House, "China and the Middle East in New Energy Landscape," Chatam House, https://www.chathamhouse.org/2015/10/china-and-middle-east-new-energy-landscape(accessed July 3, 2019).
[30] Ibid.

In place of Total , CNPC is investing $4.7 million in Phase 11 drilling in South Pars. The gas is pumped under the Gulf to an Iranian shore terminal for conversion into LNG. In principle, CNPC also developed Phase 14 along with another LNG plant for a total cost of $3.6 billion. China National Offshore Oil Corporation (CNOOC) has invested $16 billion in the South Pars field and constructing another LNG plant on the Iranian coast.[31]

China's NOCs quickly entered Iraq's post war oil business. CNPC was the first foreign company to renegotiate an upstream contract with Saddam Hussein. CNPC's 1997 production sharing Agreement for al-Ahdab field development became a technical service agreement in 2008. China's NOCs bid on all six oil assets in Iraq's first oil field auction in June 2009.[32]CNPC and BP agreed to increase production of the supergiant Rumaila field from 985,000 b/d to 2.85 million b/d for around $2 per barrel, making it the world's second largest oil field after Saudi Arabia's Ghawar. The extraordinarily cheap compensation negotiated by CNPC and BP pushed other resource-seeking corporations to accept much lower service fees to obtain substantial production potential in Iraq's second oil field auction in December 2009.[33] CNPC was also successful in this round of bidding; the partnership it formed with Total of France and Petronas of Malaysia won a contract to increase output at the Halfaya field from 3,100 to 535,000 barrels per day for a charge of $1.40 per barrel. In May 2010, China National Offshore Oil Corporation (CNOOC) and Turkey's TPAO agreed with the Iraqi government to increase output at the Maysan complex of fields along Iraq's border with Iran from 100,000 to 450,000 barrels per day for a cost of $2.30 per barrel. These four technical service contracts place Chinese corporations among the top beneficiaries of the Iraq conflict.[34]

Sinopec secured an exploration agreement for Iran's Zavareh-Kashan block in 2001, demonstrating China's commitment to regional producers. Furthermore, China and Saudi Arabia have had a petroleum cooperation agreement since 1999, and CNPC's engineering division has

[31]Ibid.
[32]Ibid
[33]Ibid.
[34]Ibid.

assisted in the construction of various oil processing facilities in Kuwait. In January, China's role in the region increased dramatically. Sinopec and Saudi Aramco struck an agreement for gas exploration and development in the South Ghawar region, while Sinopec committed to buy 250 million tonnes of LNG from Iran over a 30-year period. Sinopec have also bought a 50% share in the Yadavaran oil resources, which are estimated to produce 300,000 barrels per day.[35]

CNPC's and its domestic peers' upstream activities in Iran have slowed in recent years. Due to lack of progress, the Iranians suspended China National Offshore Oil Corporation (CNOOCcontract)'s for the development of the North Pars natural gas field in 2011, and CNPC withdrew from developing phase 11 of South Pars, the world's largest natural gas field, in 2012 (after the Iranians threatened to void CNPC's contract). CNPC is reportedly behind schedule in developing the Azadegan oil field, and Sinopec's work on the Yadavaran oil field has been delayed. The reasons for China's oil companies' shrinking presence in Iran include sanctions that have made it difficult for them to secure the equipment and technologies required to operate in Iran, dissatisfaction with contract terms, uncertainty about whether Iran's nuclear programme will spark a military conflict, and reported guidance from China's leadership to move slowly in Iran.[36]Saudi Arabia obtained a joint venture refinery project in China's Fujian Province in 2005.[37]

Despite early reluctance to make substantial investments in Iraq, China's national oil corporations swiftly established themselves in the country following the war, thanks to government encouragement. The Chinese National Petroleum Corporation (CNPC) announced a $230 million contract in August 2002 to build twin 500-kilometer oil and gas pipelines in Libya,

[35]Shebonti Ray Dadwal, Uttam Kumar Sinha,“ Equity Oil and India’s Energy Security,” Strategic Analysis 29 no. 3 (2005): 524.
[36]Brookings, “China-Middle East Energy Relations,” Brookings, https://www.brookings.edu/testimonies/china-middle-east-energy-relations/(accessed January 5, 2017).
[37]Chatam House, “China and the Middle East in New Energy Landscape,” Chatam House, https://www.chathamhouse.org/2015/10/china-and-middle-east-new-energy-landscape(accessed July 3, 2019).

and Syria concluded a joint venture with CNPC in 2004, forming a Syrian-Chinese oil company (Kobab) to develop the Kbibah oil field in northeast Syria.[38]

China National Petroleum Corp., with a 30% stake in South Pars Phase 11, will assume majority ownership. Last year, CEFC China Energy Co. and CNPC, both headquartered in Shanghai, together purchased a 12% stake in Abu Dhabi's $22 billion oil concession. CNPC is collaborating with BP to develop Iraq's largest oil field. Sinopec, officially known as China Petroleum & Chemical Corp., has operations in the Kurdish area. Sinopec is a collaborator in the refinery of the Kingdom. The sovereign wealth fund of China has contemplated the possibility of taking part in the initial public offering (IPO) of Saudi Aramco. Chinese firms have expressed a desire to participate in Qatar's next liquefied natural gas projects, which are projected to increase the country's production by 30%.[39]

CNPC acquired its first upstream investment in the United Arab Emirates (UAE) in April 2014, in a deal with its Emirati counterpart, Abu Dhabi National Oil Company (ADNOC). The agreement marks Abu Dhabi's first concession agreement with China and demonstrates the UAE's transition away from conventional Western multinational oil firms and toward Asian partners. Furthermore, rather than being part of a consortium, CNPC is ADNOC's sole partner in the endeavour.[40]

GCC's availability in China's Oil & Gas Sector:

China has five major partners in the GCC. Saudi Arabia has the distinction of being the first. China is Saudi Arabia's principal trading partner in the Gulf Cooperation Council (GCC) and its largest commercial partner globally. Chinese construction businesses are increasingly involved

[38]Charles Ziegler, "The Energy Factor in China's Energy Policy," Journal of China's Foreign Policy 11, no.1 (2006): 14.
[39]Bloomberg, "China gets another Shot at Middle East Energy after Total Leaves Iran," Bloomberg, https://www.bloomberg.com/news/articles/2018-08-27/china-gets-another-shot-at-mideast-energy-with-total-s-iran-exit?leadSource=uverify%20wall(accessed June1, 2017).
[40]Chatam House, "China and the Middle East in New Energy Landscape," Chatam House, https://www.chathamhouse.org/2015/10/china-and-middle-east-new-energy-landscape(accessed July 3, 2019).

in the development of Saudi Arabia's infrastructure. Meanwhile, Saudi Arabia is interested in establishing refineries and petrochemical production complexes in China that are specifically designed to process Saudi crude. Saudi Arabia appears to be cultivating a connection with China as a protection against a potential drop in Western oil consumption, as well as a hedge against Western concerns about the Saudi government's autocratic tendencies.[41]

The majority of China's efforts were influenced not just by economic concerns, but also by political ones, and its endeavour to persuade Riyadh to establish full diplomatic relations at the expense of Taiwan yielded rich returns in July 1990.[42]

Former President Jiang Zemin visited Saudi Arabia in 1999 and inked an oil cooperation pact that called for Saudi participation in Chinese refining in exchange for the kingdom opening its markets to Chinese investment.[43]

Kuwait has made extensive investments in Europe, America, and Asia since the 1980s. Kuwait Foreign Petroleum Exploration Company (KFPE) maintains approximately 30,000 barrels per day (bbl/din) of offshore oil production, primarily in Tunisia, Australia, Indonesia, and China. KFPE inked a contract with China National Offshore Oil Company in 1988 to develop Y13-1, China's largest offshore gas field, with a 15% stake.[44]

During the 1990s, China's current refineries were unable to handle higher sulphur Middle Eastern crude. Because its imports of GCC oil have been rapidly increasing and are projected to continue, Beijing has opted to refurbish five coastal refineries in collaboration with foreign partners. These include two Sino-Saudi joint ventures, one to construct a new large scale refinery in Zhanhua (Shandong province) with an oil refining capacity of 200-300,000 b/d and the other

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[41]Centre for Strategic & International Studies, “China’s Middle East Model,” Centre for Strategic & International Studies,
https://www.csis.org/analysis/chinas-middle-east-model(accessed August 5, 2019).
[42]Ibid.
[43]Charles Ziegler, “The Energy Factor in China’s Energy Policy,” Journal of China’s Foreign Policy 11, no.1 (2006): 10.
[44]Xiaojie Xu, “China and the Middle East: Cross Investment in the Energy Sector,” Middle East Policy Council VII, no. 3 (2000): 144.

to increase the refining capacity of an existing 1,70,000 b/d refinery in Maoming (on the southern coast of Guadong Province) by 100,000 b/d, both of which are designed to process Saudi crude.[45] During this time, Iran also committed to engage in a $250 million project in Guangdong to upgrade a refinery (with a refining capacity of 200,000 barrels per day) built to process Iranian crude oil.[46]

The UAE was participating in a number of significant Chinese refineries and petrochemical projects in 1993, while Kuwait was engaged in a similar discourse with China.[47]

China has sought Saudi investment to enhance its refining capacity in exchange for stable crude supply. One example is the meeting between China Petroleum and Chemical Corporation (SINOPEC) and Saudi Aramco to negotiate a stake in a $1.2-billion refinery in the Chinese city of Qingdao. The two parties also collaborated on a $3.5 billion deal in Fujian province, which included increased refinery capacity.[48]

The Sino-Saudi partnership, which has been bolstered by the support of both governments, is deepening and expanding. The Sino-Saudi talks are primarily about economic interests and are free of political and ideological baggage. From China's standpoint, the partnership is mutually beneficial. It purchases from Saudi Arabia and has engaged in joint ventures with Saudi Aramco in the Gas Initiative, while Saudi Aramco has invested in a 200,000 b/d refinery and petrochemical complex in Fujian province alongside ExxonMobil and Sinopec. Saudi Aramco is also negotiating a joint venture for another refinery in Qingdao. Last but not least, Saudi Basic Industries Corporation (SABIC), a big state-owned Saudi chemical corporation, has just begun operating a major chemical complex in Tianjin.[49]

[45]P.R.Kumaraswamy, China and the Middle East: The Quest for influence (New Delhi: Sage Publications, 1999), 195.
[46]Ibid.
[47]Ibid
[48]Xiaojie Xu, "China and the Middle East: Cross Investment in the Energy Sector," Middle East Policy Council VII, no. 3 (2000): 144.
[49]Lawrence S. Kaplan, "Implications for the United States," Contemporary Security Policy 12, no.3 (1991): 141.

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Meanwhile, Saudi Arabia has been especially eager to establish refineries and petrochemical production facilities in China that are expressly adapted to use Saudi grades of crude oil. Saudi Arabia appears to be cultivating China as a hedge against a reduction in Western oil demand, as well as a hedge against Western unease with authoritarianism within Saudi Arabia.[50]

Saudi Aramco committed $1 billion to 1.5 billion in China's Yunnan Refinery. Saudi Aramco also has a petrochemical joint venture with Exxon Mobil and Fujian Refining. Kuwait Petroleum Corporation and Sinopec have also formed a joint venture to build a refinery and petrochemical complex in Guangdong Province, with a $5.1 billion investment.[51]

China & GCC's Oil and Gas New Developments:

People Republic of China and Gulf Cooperation Council are acknowledging the participation of each others in their respective economies. Both the regions know the significance of each other. They obviously have their own benefit involved in the participation. As explained above China is getting highly involved in GCC's region to invest in their oil sector in many ways. The partnership, mutual cooperation, investments, joint ventures is increasing manifold. The 'BRI which is Belt and Road Initiative' which was initiated by China in 2013 aims at building infrastructure, investments, policy coordination, unimpeded trade, financial assistance etc. Energy cooperation is one of the important components of the BRI. The Chinese Government in May 2017 under BRI states that

"Vision and Actions on Energy Cooperation in Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road"

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[50]Centre for Strategic and International Studies, "China's Middle East Model," Centre for Strategic and International Studies,
https://www.csis.org/analysis/chinas-middle-east-model(accessed October 9, 2019).
[51]Delma Institute, "China's Road to the Gulf: Opportunities for the GCC in the Belt and Road Initiative," Delma Institute.

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he BRI also "seeks to develop energy cooperation in order to collectively establish an open, inclusive, and advantageous community of shared interests, responsibility, and destiny," according to the study. Significant progress has been made in energy cooperation since the signing of the BRI in the domains of electricity, oil and gas, nuclear power, new energy, and coal. It collaborates with relevant countries to ensure the safe functioning of oil and gas pipeline networks as well as the optimal allocation of energy resources among countries and regions.[52]

The Belt and Road Initiative (BRI) encompasses a total of 12 Middle Eastern countries. The list includes the United Arab Emirates (UAE), Kuwait, Qatar, Oman, Saudi Arabia, Bahrain, Iran, Iraq, Yemen, Syria, Jordan, and Israel. The selected countries have a significant quantity of confirmed crude oil reserves. Their oil reserves experienced a substantial increase, surging from 885 billion barrels in 1997 to 1375 billion barrels.

In 2018, China's crude oil imports accounted for 69% of its total consumption, with 47.36% sourced from the Middle East. Additionally, 42.7% of China's natural gas supply was obtained through imports. The Gulf Cooperation Council (GCC) is the primary region for China for the importation of oil and gas as part of the Belt and Road Initiative (BRI). In 2018, it bought crude oil worth $36.07 billion from Saudi Arabia. [53]

In May 2022, China's National Energy Agency set a goal of producing approximately 1.5 billion barrels of crude oil domestically in 2022, emphasizing the significance of exploring and extracting crude oil. This is a 2% growth compared to the target set for 2021. In May 2022, China's National Energy Agency set a goal of producing approximately 1.5 billion barrels of crude oil domestically in 2022, emphasizing the significance of exploring and extracting crude oil. [54]

[52]Tingting Zhnag, Dehua Wang, China-Gulf Oil Cooperation under Belt and Road Initiative (Singapore: Springer, 2020), 4.
[53]Ibid.
[54]U.S. Energy Information Administration, “China International Analysis,”U.S. Energy Information Administration.

In 2021, Saudi Arabia surpassed other countries as the top supplier of crude oil imports to China, making up 17% of the total imports. Saudi Aramco engaged in negotiations with Chinese companies in the beginning of 2019 to establish fresh long-term contracts for the delivery of crude oil. Imports from Saudi Arabia have increased by 86,000 barrels per day since that time.[55]

Saudi Arabia, Iraq, the United Arab Emirates, Kuwait, Qatar, and Oman accounted for 50% of total crude oil imports in 2021. Since the latter part of 2018, sanctions on Iran's crude oil and exports have drastically curtailed China's imports of Iranian oil. According to China's official import data, Iran's oil imports plummeted to less than 1% of total Chinese imports in 2021, from 8% in 2016. Analysts expect that in April 2022, imports from Iran will range between 575,000 and 650,000 b/d, accounting for about 7% to 8% of total imports. In the last three years, imports from the United Arab Emirates (UAE) have more than doubled, rising from 307,000 b/d in 2018 to 642,000 b/d in 2021. The increasing UAE imports have somewhat offset the fall in Iran's proportion of China's imports.[56]

Qatar, a major natural gas exporter to China, secured numerous long-term contracts with Chinese enterprises in December 2021, following a US$762 million order for boats carrying Chinese LNG in October of the same year. Similarly, China receives a sizable amount of oil exports from Kuwait, Iraq, the United Arab Emirates (UAE), and Oman.[57]

From the perspective of the Gulf area, the BRI represents a critical support link for friends such as Pakistan and Egypt. China has played a key role in the construction of the Suez Canal Area Development Project in Egypt, as well as the Gwadar port and pipeline project in Pakistan, thanks to the BRI.[58]

[55]Ibid.
[56]Ibid.
[57]China Briefing, "China and GCC: Bilateral Trade and Economic Engagement," China Briefing, https://www.china-briefing.com/news/china-and-the-gcc-bilateral-trade-and-economic-engagement/(accessed October 4, 2022).
[58]Ibid.

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For crude oil exports, the majority of Gulf countries rely on a variety of trading partners. Oman, on the other hand, is heavily reliant on China, which acquired 83 percent of Oman's oil shipments in the first half of 2021, according to Mogielnicki's estimates. According to the reports, investment in operational oil and gas projects in the Middle East and Africa has exceeded $75 billion in November 2019, with China playing a significant role as a contributor.[59]

In the year 2018, Sinopec and the Saudi Aramco had a joint venture deal to develop the Yasref export refinery. In the same year in March the China National Petroleum Corporation (CNPC) signed the agreement with ADNOC to acquire a stake in Abu Dhabi's biggest onshore oil concession, making the first time a Chinese Oil Company has successfully acquired a holding in an existing onshore upstream asset in the area.[60]

In July 2018, Adnoc granted CNPC a $1.6 billion contract to conduct 3D seismic surveys onshore and offshore in Abu Dhabi. This transaction is one of the largest in Adnoc's history.[61]

The China National Petroleum Corporation (CNPC) and its subsidiaries, PetroChina, Sinopec, and the China National Offshore Oil Corporation, have long engaged in BRI countries such as Iran and Kazakhstan. They have also established significant strongholds in Iraq and begun to expand their footprint in the GCC. CEFC, which has a share in Abu Dhabi Company for Onshore Oil Operations (ADCO) and other oil storage and processing assets.[62]

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[59]James Murray, "China leads Investment for Middle East Oil and Gas Projects worth $75," NS Energy, November 21, 2019.
https://www.nsenergybusiness.com/features/china-oil-and-gas-investment/
[60]MEED, " China boosts Oil and Gas Investments in the Middle East," MEED, https://www.offshore-technology.com/comment/china-boosts-oil-gas-investment-middle-east/(accessed March 4, 2022).

[61]Ibid.

[62]Delma Institute, "China's Road to the Gulf: Opportunities for the GCC in the Belt and Road Initiative," Delma Institute.

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ISSN: 0030-5324
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In November 2017, Adnoc awarded China Petroleum Engineering & Construction Corporation (CPECC) a contract to increase crude output from the onshore Bab field, making Adnoc the first Chinese contractor to win a major engineering, procurement, and construction (EPC) upstream production contract in the United Arab Emirates (UAE). The contract was valued at $1.5 billion.[63]

Table- 2.6: Value of GCC Oil Contracts awarded to Chinese Contractors

Year	**Chinese Oil Contracts $mn.**
2004	999
2005	3000
2006	2800
2007	3800
2008	3000
2009	6900
2010	2100
2011	2300
2012	1700
2013	3000
2014	6200
2015	4400
2016	4200
2017	10,000

Source: MEED September 2018

[63]MEED, " China boosts Oil and Gas Investments in the Middle East," MEED, https://www.offshore-technology.com/comment/china-boosts-oil-gas-investment-middle-east/(accessed March 4, 2022).

Conclusion- China has consistently tried to maintain its presence in Africa and West Asia. This effort of china has been aimed at meeting shortfall in crude oil and gases to meet demand of Industrialisation as well as rising Urbanisation at Home.