

## AN ANALYSIS OF GROWING CHINESE ECONOMIC COOPERATION WITH THE GULF STATES IN THE CHANGING GLOBAL ORDER

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### **Abstract**

*This article elaborates macro-level analyses of China-Gulf cooperation to examine counteraccusations of specific Chinese-invested systems within Gulf special economic zones (SEZs). Predicated in the frame of New Structure Economic (NSE), it scrutinizes three crucial systems i.e., the Oman-China Industrial Park in Duqm, the petrochemical and chemical fiber integrated design in Saudi Arabia. This analysis reveals China's corporative effectiveness in the region and explains the growing relations with various states like Saudi Arabia, Oman etc. The Middle East is using domestic relative benefits for sustainable, profitable growth. It works both by using hard and soft power or structure that includes enhancing their economic system to stabilize it, through exchanging and promoting culture, language, education, etc., using the Belt and Road process. Different agreements have been made between them to improve their interests and fulfill the needs of their states. These systems are eased by robust hard structure and policy support, which foster structural development and the emergence of new diligence within the Gulf region. Qualitative analysis reveals that China's growing influence in the Gulf region has been a threat to the US dominance in the Gulf and it may be hazardous to US designs and interests.*

### **Keywords:**

China-Gulf Cooperation, Special Economic Zones (SEZs), New Structure Economic (NSE), Sustainable Development, US, Policy Support.

### **Introduction**

The Middle East has remained a geopolitically important region for centuries, serving as a crossroads of civilizations, cultures, and trade routes. The area has gained further prominence in recent decades due to its vast energy reserves, strategic location, and complex political dynamics. Using the framework of New Structural Economics (NSE), this analysis shows that these systems grow and their impact on the philanthropist countries' development is paramount. It emphasizes the part of both 'rigid' and 'flexible' structures handed philanthropist states and their relative benefit in motivating these systems. Overall, this highlights the eventuality of Chinese investments to contribute to the Gulf region's structural development and profitable diversification. China's influence on the profitable dynamics of the Gulf States has become pronounced, shaping the region's profitable geography in different ways.

China's economic growth has become an essential part of the world economy. China's economic power is undeniable, and its influence is reflected in countries with large economies and major projects like BRI (Belt and Road Initiative). China aims to promote regional integration and cooperation by investing heavily in infrastructure in Asia, Africa, Europe, and other regions to promote trade and investment by constructing and developing transportation, communications, and power lines. This economic expansion is a way for China to increase its geopolitical influence and position itself as a significant center in the development of regional and international relations. Emphasizing the principle of mutual

assistance and win-win outcomes, China has established itself as a global advocate of integration and cooperation.

Finally, the Belt and Road Initiative is a means for China to realize its vision of a new world order through improved connectivity, expanded trade cooperation, and enhanced regional control, consolidating its position as a significant power in the world in the 21st century. China has grown its geographical area by investing in infrastructure projects and providing financial assistance to participating countries. China aims to promote trade and investment through the development of infrastructures such as ports, roads, railways, and energy, thereby stimulating economic growth at home and in participating countries. This monetary expansion aligns with China's vision of reshaping the global financial landscape. China aims to promote more excellent connectivity among member countries by building and improving communications transportation, communications lines, and power lines. This connectivity encourages trade, investment, and political and cultural relations, realizing China's vision of connectivity and international cooperation. Collaboration ensures that their results and ideas are supported, as does its non-interference in internal work and relations with management. By emphasizing the principle of mutual assistance and win-win outcomes, this economic dynamism is interrelated to the Chinese economy, which has invested heavily in modern technologies such as artificial intelligence, 5G communications, and quantum computing.

These advances not only improve China's business capabilities but also make it a significant competitor in the development of future technologies. It delves into China's profitable interests, diplomatic strategies, and the counteraccusations of its engagement in indigenous politics and security. Crucial themes include China's energy dependence, its evolving political approach from non-intervention to "active pragmatism," and the strategic considerations girding the United States and indigenous stakeholders.

### **Research Objective**

The main objective is to conduct China's evolving role as a significant economic power in the Middle East. China is expanding its economic presence in the Middle Eastern region. By analyzing the specific tactics and initiatives undertaken by China and the multifaceted impacts of China's economic engagement on the economies, politics, and societies of both China and the Middle East (Gulf States), the research aims toward China's role as Economic power in the Middle East and China's expanding economic presence in Gulf states.

### **Research Design**

This research evolves the qualitative analysis of policy economy. It studies the Chinese investment in Gulf SEZS, such as the Industrial Park in Duqm and the Petrochemical Project in Saudi Arabia. This research is related to the state's economic relations and the new structure economy. It moves toward modernization.

### **China relations with Gulf States after Interdependence**

China's expanding bilateral relations with the Gulf states, encompassing energy, infrastructure, technology, and consumer goods, are underscored by its most significant interest and involvement in the Gulf States. This is exemplified by the China-Arab states cooperation, which is facilitated by the Belt and Road initiative (BRI). The BRI not only offers prospects for economic development but also positions China as a mediator in regional conflicts. This evolution of China's relations with the Gulf States, driven by growing economic interdependence, has transformed the Gulf States into crucial partners for China's energy needs, fostering diplomatic, financial, and strategic ties. (Lynch, 2020).

The first pillar of China's expanding relations with the Gulf states is infrastructure development, a key driver of regional growth. The second, and perhaps most significant, is the Belt and Road (BRI) initiative. This ambitious project not only promotes trade between

China and the Gulf region but also serves as a gateway to Asia and other states, fostering economic connectivity. The third pillar is security cooperation, with China expanding its military presence in the Gulf States to safeguard their mutual boundaries and defend against external interference. Diplomatic issues are being resolved through Chinese support, as China and the Gulf states are cultivating cordial relations through multilateral forums such as China-Arab states cooperation forums.

### **New structural economy NSE Framework**

New structural Economic NSE) is given in 2011. This framework highlighted importance of industrial modernization in the process of development. It focuses on the structural development which is used by the countries for the development. NSE used both soft and hard infrastructure in economic transformation. It helps China in future development.

### **Uniqueness of Development:**

Contrary to dichotomized classifications of developing versus developed countries, NSE views development as a continuous process. Each country's development trajectory is unique, shaped by its specific characteristics and resources. Despite their shared abundance of oil resources, Gulf countries exhibit diverse approaches to economic development, reflecting their individual factor endowments and strategic priorities. (Armijo, 2013)

### **Role of Infrastructure:**

Infrastructure development and growing industrial upgrading, NSE underscores the essential role of infrastructure. While the mechanisms facilitate resource allocation, infrastructure development is crucial, given its high externalities. Governments in Gulf countries are expected to play a significant role in supporting infrastructure development to catalyze economic growth.

### **Patterns of Cooperation**

Gulf countries engage in distinct patterns of cooperation with external partners, particularly with China, in their quest for economic development. These partnerships are shaped by factors such as trade relations, investment dynamics, and strategic priorities, reflecting the unique development strategies of each Gulf nation. (Bader J, 2019).

### **The Chemical Fiber Integrated Project**

The Chinese-invested petrochemical and chemical fiber project in the Arab State represents a significant collaboration aimed at economic diversification and leveraging comparative advantages. It aligns with China's One Belt, One Road Initiative (BRI) objectives and Arabia's Vision 2030 goals for economic transformation. (Yuan, 2019)

The project enhances bilateral relations by integrating upstream and downstream processes in the polyethylene terephthalate (PET) industrial chain. It contributes to sustainable development by tapping into Saudi Arabia's untapped potential in the petrochemical sector. This initiative showcases the transformative power of international partnerships in driving economic growth and diversification of Arabia's efforts to diversify its economy away from oil dependence through initiatives like the Jubail Industrial City and Yanbu Industrial City Development Initiative (JCPDI) (Luyang, 2023).

This involves exploring the strategic significance of these industrial zones, their potential impact on economic diversification, and how they leverage local resources for heavy, mining, petrochemical, and downstream industries. Additionally, it entails examining the challenges and opportunities associated with transitioning from an oil-dependent economy to a more diversified one, considering factors such as international market fluctuations and long-term economic sustainability.

### **China -UAE Industrial Capacity Cooperation**

China and UAE's economic development cooperation focuses on the establishment to transition towards a knowledge-based economy; additionally, the collaboration between China and the UAE in the developing sector. This initiative aims to attract investments in various industries and improve infrastructure. Additionally, efforts to enhance bilateral relations between China and Dubai, including upgrading comprehensive strategic partnerships, have further facilitated projects. (Fulton., 2019).

### **The China Economy and GCC Relations**

The economy of China-GCC (Gulf Cooperation Council) relations is multifaceted. China's growing economic influence on the Gulf region drives its energy needs, economic diversification, and geopolitical interests. And the most significant oil importer, China, seeks stable energy sources, making the oil-rich GCC countries crucial partners. In return, GCC nations benefit from Chinese investments, technology transfers, and market access. China's demand for oil and gas supports the GCC economies but also highlights their vulnerability to fluctuations in global energy markets. Geopolitically, China values diplomatic ties with GCC countries to counterbalance Western influence in the Middle Eastern region.

This alignment serves China's broader strategic goals and contributes to its pursuit of a multipolar world. However, challenges exist, including differing political systems, cultural nuances, and concerns over debt associated with Chinese projects. Balancing economic cooperation with geopolitical considerations shapes the dynamic nature of China-GCC relations. (Xuming, 2019).

China's trade with the Gulf Cooperation Council (GCC) from 2000 to 2014 witnessed significant growth. The trade values can be attributed to various factors, including China's increasing economic prowess and the GCC countries' role as crucial oil supplies. 2000-2005: Trade between China and the GCC nations steadily rose during this period. China's growing demand for energy resources, particularly oil, from oil-rich GCC countries contributed to increased imports. 2006-2008: Trade values experienced a notable surge as China's economic expansion continued. The GCC nations, benefiting from high oil prices, saw increased purchasing power, leading to more significant imports from China, including manufactured goods. The global economic downturn impacted trade volumes, but China's resilience helped maintain trade stability. During this period, there were efforts to diversify trade beyond oil, with GCC countries importing more Chinese goods (Berman, 2015). 2012-2014: Trade between China and the GCC nations reached new heights. China's demand for oil remained robust, and the GCC countries continued to benefit from their strategic position as energy suppliers. Bilateral agreements and infrastructure projects further deepened economic ties. Overall, the period from 2000 to 2014 marked a substantial increase in trade between China and the GCC nations, driven by China's economic growth, the GCC's oil exports, and efforts to diversify trade relations.

### **China regional influence and international organization**

China's regional influence has expanded significantly in recent years, driven by economic growth, military modernization, and diplomatic initiatives. China's assertiveness in the Asia Pacific region is evident in territorial disputes, such as the South China Sea. The Belt and Road Initiative (BRI) further extends its influence globally through infrastructure projects. In international organizations, China plays a pivotal role. It's a permanent member of the UN, granting it veto power. Economically, China is a member of the WTO and other vital institutions. Its influence in these organizations reflects its growing status as a global power. However, it has faced criticism for human rights concerns and trade practices, leading to

tensions with some Western nations. (Bader, 2019)

### **China influence on Gulf States**

China's influence on Gulf States encompasses various aspects, including:

#### **Energy Cooperation:**

The Gulf States are rich in oil and are crucial suppliers to China's growing energy needs. By analyzing oil and gas trade flows, investment in energy infrastructure, long-term supply contracts, joint ventures, technology transfers, and renewable energy initiatives, the strategic implications of energy security for China and Middle Eastern nations rely on each other's vested interests. Long-term energy agreements and investments in the Gulf's energy sector enhance China's security and economic interests. However, China's expertise in renewable energy technologies, clean energy investments, and green innovation can accelerate the region's transition to clean energy sources and promote sustainable development.

#### **Trade and Investments:**

China has increased trade relations with Gulf nations, diversifying economic ties beyond energy. Investments in telecommunications, technology, and finance contribute to China's economic footprint in the region.

#### **Infrastructure Development:**

China engages in infrastructure projects in the Gulf, such as ports, railways, and industrial zones. These initiatives align with the Belt Road Initiative, fostering economic development connectivity.

#### **Political Diplomacy:**

Diplomatic engagements and political dialogue are essential components of China's influence. Gulf countries are important members of international forums, and China seeks to strengthen political ties for mutual benefit. Effective communication and mass media play an essential role in shaping opinions, building trust, promoting cultural understanding, and establishing relations between China and the Middle East.

#### **Military and Security Cooperation:**

China engages in limited military cooperation and arms sales with some Gulf States. This can include joint exercises, defense agreements, and collaboration on regional security issues. (Solomon, 2020)

#### **Technology and Innovation:**

China invests in technological collaborations with Gulf nations, contributing to mutual advancements. Cooperation in 5G technology and artificial intelligence enhances China's technological influence. The digital transformation revolutionizes economies and societies worldwide, and China's expertise in technology and innovation has led to collaborations with Middle Eastern countries in areas such as e-commerce, digital infrastructure, artificial intelligence, smart cities, and cyber security.

#### **Cultural and Educational Exchanges:**

China fosters cultural ties and educational exchanges, promoting people-to-people connections. Confucius Institutes, language programs, and scholarships contribute to a deeper cultural understanding between China and GCC. China's multifaceted approach underscores its efforts to build comprehensive and long-term relationships with Gulf countries, leveraging economic, political, and cultural ties for mutual benefit. Through cultural exchanges, educational programs, media collaborations, and cultural heritage

initiatives, China enhances its soft power presence and fosters mutual understanding and goodwill with Middle Eastern societies. (Bader, J. (2019)

### **Science, Technology, and Innovation Cooperation**

Cooperation in science, technology, and innovation (STI) between China and Middle Eastern countries offers a wealth of benefits. It fosters knowledge sharing, promotes research collaboration, drives technological advancements, and tackles shared challenges in crucial sectors such as healthcare, agriculture, water management, renewable energy, and digital transformation. This collaboration paves the way for joint research projects, technology transfers, innovation clusters, and policy frameworks, all of which are instrumental in advancing STI cooperation between China and the Middle East.

### **Rural Development and Agricultural Cooperation**

Rural development and agricultural cooperation initiatives are not just vital, but also promising for addressing food security, rural livelihoods, and sustainable agriculture practices in the Middle East. Leveraging China's successful experience in rural revitalization, agricultural modernization, and agribusiness innovation, we can support Middle Eastern countries in enhancing agricultural productivity, promoting agroecological practices, and ensuring food sovereignty.

### **Reasons for China's supports the Gulf States.**

China's support for the Gulf States is not just a matter of economic interests, energy security, and diplomatic relations. It's a testament to the Gulf States' integral role in China's global strategy. As a major consumer of oil, China seeks stable energy sources, making the Gulf region, with its abundant oil reserves, crucial for its energy security. Through economic partnerships, infrastructure projects, and trade agreements, we aim to foster mutual economic growth and strengthen our ties with the Gulf States.

Diplomatically, China values cooperation with Gulf nations to enhance its global influence and contribute to regional stability. China has been heavily investing in infrastructure projects domestically and internationally. Fundamental values include the following: A significant part of China's infrastructure finance involves the BRI, which aims to enhance global connectivity through various projects such as railways, ports, and energy infrastructure. Domestic Infrastructure Spending: China allocates substantial funds to improve its domestic infrastructure, including high-speed railways, urban development, and technological advancements in transportation (Luyang Zhou, 2023).

### **Green Infrastructure:**

China is increasingly focusing on sustainable infrastructure, investing in renewable energy projects, eco-friendly transportation, and environmentally conscious urban planning. Digital Infrastructure: The country is prioritizing the development of digital infrastructure, including 5G networks, smart cities, and advancements in information technology. International Cooperation: China collaborates with other countries and international organizations to fund and implement infrastructure projects, fostering economic ties and diplomatic relationships. It's recommended that you refer to recent and reputable sources for the latest and more detailed information on Chinese infrastructure finance values.

### **China's Economic Relations within the Gulf States:**

This concept revolves around the evolving economic relations between the Gulf States and China, mainly focusing on trade, investment, energy cooperation, and infrastructure development. Energy Supply: Oman, UAE, and Saudi are significant suppliers of energy resources to China. Strengthening economic ties with these countries ensures a stable energy supply for China, which is crucial for its economic growth and development. Comparative Advantages and Cooperation Projects: Each country in the region has unique cultural,

political, financial, and geographical characteristics. China tailors its cooperation projects based on these factors and their comparative advantages. This approach ensures mutually beneficial outcomes for all parties involved; cooperation between China and Oman, Saudi, and Dubai within a BRI framework contributes to regional development, stability, and mutual prosperity by leveraging each country's strengths and addressing common challenges such as unemployment. (Fulton, 2021).

### **China's growing role in Middle East in 21<sup>st</sup> century.**

This is relevant to China's increasing involvement in the Gulf States as "energy security." China's reliance on Gulf States oil imports to meet its energy demands underscores the importance of stable relations with the region to ensure its energy security. This involves securing access to oil and establishing strategic partnerships and investments to safeguard the uninterrupted flow of energy resources. (Luyang Zhou, 2023)

It participates in anti-piracy and maritime security missions in the Arabian Sea and the Gulf of Aden and has conducted large-scale operations to rescue. Moreover, China's establishment of its first overseas military base in Djibouti, as well as the probable militarization of the Pakistani port of Gwadar, contributes to the Growth of the country's military presence near crucial maritime chokepoints, the Strait of Hormuz and Bab el-Mandeb. (Luyang Zhou, 2023)

### **Recommendations**

- If both use their long-term agreements and work peacefully on it, then both improve their relationship economically. As we know, China is emerging as a powerful state; through this diplomatic relationship, gulf states benefit more and improve their economy by making investments and using the One Belt and One Road strategy. One takes natural resources for future development, and one wants security to establish bilateral relations through diplomacy and promote their interest.
- China's investments in Gulf Special Economic Zones (SEZs) have led to recommendations for sustainable economic growth. These include deeper collaboration, policy support, knowledge sharing, technology transfer, and monitoring long-term effects on economic diversification. Policymakers should balance economic cooperation with strategic alliances and maintain transparency in investment agreements. China can encourage investment in sectors beyond energy, negotiate trade agreements, collaborate on infrastructure development, strengthen energy cooperation, promote cultural exchange, expand security cooperation, and collaborate on environmental sustainability. These measures align with both China's and Gulf states' commitments to sustainability and contribute to regional peace and stability.
- Foster greater people-to-people exchanges, cultural understanding, and educational cooperation between China and other nations to build trust, bridge differences, and promote mutual respect and cooperation.

### **Conclusion**

The relationship between China and its involvement in the Gulf states spread all over the world positively. The relationship between both states works economically and presents their interest in front of each other; through this inner conflict, the Gulf States move toward the smooth way through investments and involvement. The investments are based on oil and gas resources. China invests in these resources for development, and the Gulf States invest in security strategies and energy to secure their interest and defend their relation with China from external threats. Using the framework of New Structural Economics (NSE), the research assesses the enabling environment provided by the Gulf States for Chinese investors and the resultant economic diversification efforts. The analysis highlights variations in policy

support and sectorial focus across recipient countries, impacting economic development trajectory. Emphasis is placed on how these projects leverage local comparative advantages and contribute to the growth of manufacturing and third industries while also enhancing “hard” infrastructure and knowledge sharing. Furthermore, the study underscores the need for future research to track the continued growth and effects of these investments on the economies of the Gulf States. This provides a fresh perspective on China’s evolving role in Gulf SEZs and offers valuable insights for policymakers and scholars; this paper highlights China’s adherence to non-interference in its diplomatic relations despite its evolving approach to diplomacy with entities.

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