

# GCC countries' geoeconomic significance to China's geopolitical ends

Noura Saleh Almujeem  
*Kuwait University, Kuwait City, Kuwait*

348

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## Abstract

**Purpose** – The study aims to examine the geoeconomic significance of the Gulf Cooperation Council (GCC) countries to China's global geopolitical ends. In this vein, the paper also seeks to explore the interplay between China's grand geoeconomic strategy and China's geopolitical ends from a realist perspective.

**Design/methodology/approach** – The study uses the realism theory to explore the interplay between China's geoeconomic presence in the GCC countries and its geopolitical global ends.

**Findings** – The study concludes that China under President Xi Jinping has geopolitical ends, and they are the regional and global leadership. To achieve them, President Xi has formulated a grand geoeconomic strategy consisting of four strategies: going out strategy, periphery strategy, Belt and Road Initiative (BRI) and Asian Infrastructure Investment Bank. These strategies will maximize China's economic power and presence around the world. From a realist perspective, this presence and its evolving consequences such as the balance of dependence will enable China to achieve its geopolitical ends. In this vein, China's geoeconomic strategy in the GCC countries has largely maximized China's economic presence in the Gulf. This presence highly serving China's geopolitical global ends for two reasons: the economic weight of the GCC countries and their strategic location within BRI.

**Originality/value** – The study can prove the realistic dimension of geoeconomics in the neoliberal era on the application to China's geoeconomic strategy.

**Keywords** China, GCC, BRI, Geopolitics, Geoeconomics, Oil, AIIB

**Paper type** Research paper

## 1. Introduction

In the neoliberal era after the end of the Cold War, the traditional geopolitics had become a subject of great controversy. The term traditional geopolitics was designed to depict the correlation between geography or geographical expansion and political power. The traditional geopolitics works under two contexts: the military tools and the specific geographical spatiality. In the neoliberal era, the role of the military tools was largely declined in the international politics, as well as globalization and economic interdependence have diminished the significance of the spatiality as a major condition for the political power. For these reasons, a large number of scholars, especially the liberals, viewed the nullity of the traditional geopolitics in international politics. Accordingly, also, the difficulty to imagine the realistic logic and objectives in which motivated and attained by traditional geopolitics.

In 1990, Edward Luttwak coined the term geoeconomics as an attempt to recast the traditional geopolitics from a realist perspective in the neoliberal era. According to him, the power struggle, conflict and geopolitical rivalry as a zero-sum game are persistent in the



neoliberal era. However, they are working by the economic tools and without sticking to spatiality.

China under President Xi Jinping is seeking regional and global leadership as a geopolitical ends. To achieve them, Xi formulated a grand geoeconomic strategy to enhance China's economic presence around the world. In the context of this strategy, China sought to maximize its economic presence in the Gulf Cooperation Council (GCC) countries. From this point, the study seeks to explore the geopolitical ends underlying China's geoeconomic strategy from a realist perspective, and the strategic significance of GGC countries for achieving these ends.

## **2. Theoretical framework: the interplay between geoeconomics and geopolitics from a realist perspective**

### *2.1 Geoeconomics and the broad recasting of geopolitics in the neoliberal era*

Rudolf Kjellen coined the terms geopolitics in 1899. The period from the 19th century until the end of the Cold War considers the practical application of classical or traditional geopolitics. The general premise of geopolitics based on analyzing the geographical dimension of politics, or the nexus of the geographical factor and state's power that lead to or justify the geographical expansion. Nevertheless, each theorist depicted geopolitics from different contexts and dimensions such as nationalism, material resources or spatial fix of capital (Gokmen, 2010, pp. 8–15). Kjellen, for instance, built his perception of geopolitics on Darwinism that leads to the constant struggle for space. In this way, he defines the term as “the study of a state as an organism in the space.” Ratzel also built his perception of the term on Darwinism by which he designed the term “Lebensraum/living space” to express his concerns about the position of Germany in Europe (Adhikari, 2013, pp. 35–36).

Halford Mackinder designed the heartland theory. The significance of his theory comes from highlighting the dynamic link between spatiality and the continuation of the dominance of the British Empire. According to him, “The oversetting of the balance of power in favor of the pivot state, resulting in its expansion over the marginal lands of euro-Asia, would permit the use of vast continental resources for fleet-building, and the empire of the world would then be in sight” (Mackinder, 1943, pp. 597–598).

Indeed, no matter the justification of geographical expansion under the traditional geopolitics, the classical geopolitics practiced through two conditions or contexts: the spatiality or the geographical expansion in a specific territory and only by the military means (Adhikari, 2013, p. 36).

The acceleration of the globalization process and the economic interdependence in the post-1990s has ignited a controversy on the validity of classical geopolitics. This controversy was due to the disappearing of the colonial context and the atmosphere of the severe great powers rivalry that motivated the classical geopolitics in favor of economic interdependence and world peace. Most important within this controversy is the liberals' claims that it is impossible to visualize the realist logic of the power struggle and geopolitical rivalry within the two main contexts of the traditional geopolitics in the neoliberal era. On the one hand, the prevalence of global economic interdependence has largely limited dependence on the military means. On the other hand, the acceleration of globalization has reduced the significance of the correlation between the spatiality and the political power (Vlados *et al.*, 2019; Legucka, 2013, p. 10).

There is no doubt that the liberals' account about the remarkable decline of the military conflicts in favor of economic interdependence among the major powers in the neoliberal era is largely sound. Nevertheless, the problem of the liberals is their denial of the continuation of the power struggle and geopolitical rivalry that practiced by economic instruments and manifested in non-traditional forms within the neoliberal structure. For example,

interdependence is often creating asymmetric relationships that lead to dependency relationships within the liberal context (Scholvin and Wigell, 2018, p. 75).

Therefore, to bridge this gap, in 1990, Edward Luttwak coined the term *geo-economics*, which is considered a recasting of the realist logic of geopolitics in the neoliberal era. According to him, the decline of the severity of the Cold War in parallel to the rise of the method of commerce in the international system since the beginning of the 1990s has extensively limited the role of military power in the international system. However, this is not to say that the realist logic of power conflict and geopolitical rivalry has been completely faded, but it will continue as a zero-sum game without the need for borders and by the commerce tools and new methods like markets (Luttwak, 1990, p. 17). Samuel Huntington adopted the same account of *geo-economics* when he argued that the traditional methods will be replaced by the economic power, thanks to its vital significance in the context of the power struggle and primacy among the major powers (Ignatyeva and Isaev, 2019, p. 515).

Away from the main shortcoming in Luttwak's perception of *geo-economics*, which is the complete decline of the role of the military means in the states' foreign policy strategies. Luttwak's perception has reconstructed the realist logic of geopolitical rivalry and power struggle in the context of the economic instruments and the new, or broad, recasting of spatiality. This reconstruction can be defined as "neoliberal geopolitics." As for the spatiality, the geopolitical calculations power no longer necessarily limited to the specific territory, but they can be attained via the international markets or organizations as new geographical venues. As for the economic instruments, the calculations of the power struggle and geopolitical rivalry could be effectively attained through the trans-border economic flow. The unilateral economic sanctions or protectionist policies can also be considered a form of practicing the geopolitical power in the neoliberal era. For instance, the US trade war on China falls within the global geopolitical rivalry between the USA and China. To sum up, in most cases, *geo-economics* cannot be reconciled with the peace and economic interdependence envisioned in the neoliberal (Beeson, 2018, p. 244; Vladoš *et al.*, 2019; Lee, 2018, p. 420).

The recasting of the realist logic of geopolitics into *geo-economics* faced another problem relates to the distinctive nature of the *geo-economics* that makes its realist logic hard to be appeared or manifested in the neoliberal era. In a clearer sense, the realist logic or considerations that motivated and attained by the *geo-economics* are made away from the traditional severe atmosphere of competition. Notable academic efforts founded on a deep analysis of practical practice were emerged to bridge between the distinctive nature of the *geo-economics* and its realist logic. Based on a deep analysis of the US and China's application of *geo-economics*. Blackwill and Harris (2016) provided a definition of the *geo-economics* largely clarifies the power struggle and geopolitical rivalry envisioned within the *geo-economics* strategies of the major powers that often they are not flagrantly appeared, "The use of economic instruments to promote and defend national interests, and to produce beneficial geopolitical results; and the effects of other nations' economic actions on a country's geopolitical goals." In this regard, Blackwill and Harris identified seven *geo-economics* tools in which the realist considerations of *geo-economics* are motivated and attained softly or covertly, which are "trade, investment, economic and financial sanctions, cyber, aid, financial and monetary policy, and energy and commodities" (Blackwill and Harris, 2016, pp. 20–21/49).

Wigell and Vihma (2016), building on Russia's case, have developed an analytical framework for bridging between the realist logic geopolitics and *geo-economics*. The main premise of Wigell and Vihma is that the logic of zero-sum interests and geopolitical rivalry is embedded in *geo-economic* relations and interactions among the states. However, the main distinction between geopolitics and *geo-economics* lies in the strategic nature of the use of *geo-economics* that conceals its realist logic. Therefore, for distinguishing this nature, their framework identifies two main contexts of the work of the *geo-economics* corresponding to the neoliberal era: first, *geo-economics* is "more covert, conducted by economic means". Second, it

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“creates centrifugal forces, low or medium threat perception, and under balancing behavior” (Wigell and Vihma, 2016, pp. 605–613).

### *2.2 Geoeconomics and China’s geopolitical ends under Xi Jinping*

Since China abandoned the isolation policy in the 1970s, it was always denying any intentions to dominate or challenge the existing US-led system. In 2013, China’s leadership has moved to the ambitious president Xi Jinping. Since the first day of his reign, China has demonstrated its evident aspiration to becoming a forthright global leader. Xi explicitly has given up the “hide and bide” principle and adopted instead the slogan of “strategic opportunity,” which implies the time has come and the world is ready for China’s leadership with Chinese characteristics (McCahill, 2017, pp. 1–4; Blackwill and Campbell, 2016, pp. 16–17). Since 2013, Xi has put forward unprecedented initiatives, concepts and projects carried his evident endeavor for China’s primacy on the international system, leadership in Asia and the clear competition with the USA (Jiemian, 2015, pp. 9–10). In this regard, he put forward the concept of “A New Model of Great Power Relations” to re-frame a new pattern of the relationships with the USA based on the parity between the two superpowers. Also, as a warning message to Washington not to prejudice China’s core interests in Asia (Delage, 2015, p. 5; Jiechi, 2013).

In 2012, Xi stated in his speech at “the road of rejuvenation exhibition” the project of “rejuvenation of the Chinese nation” or “Chinese Dream” that: “The correct path to realizing the great rejuvenation of the Chinese nation is Socialism with Chinese characteristics [. . . . .] as the greatest Chinese dream of the Chinese nation in modern times” (Xi Jinping Speech at “The Road to Rejuvenation,” 2012).

In his speech at the 19th National Congress of the Communist Party of China 2017, Xi reiterated on China’s global leadership as follows:

We have made all-round efforts in the pursuit of major-country diplomacy with Chinese characteristics, thus advancing China’s diplomatic agenda in a comprehensive, multilevel, multifaceted way and creating a favorable external environment for China’s development [. . .] With this, we have seen a further rise in China’s international influence, ability to inspire, and power to shape (Full text of Xi Jinping’s report at 19th CPC National Congress, 2017).

Furthermore, Xi has embarked on the biggest modernization and restructuring of the Chinese army (PLA) ever, which included a huge annual increase in military spending, and advanced missiles, warships and aircraft. Besides, modernizing the PLA’s doctrines and strategies, this modernization significantly shrinks the power gap between the PLA and the US Army (Wuthnow and Saunders, 2017, p. 4). According to Xi, “With a view to realizing the Chinese Dream we have made every effort to modernize national defense and the armed forces. And made major progress in enhancing military preparedness” (Full text of Xi Jinping’s report at 19th CPC National Congress, 2017). In other statements, Xi pointed out that the modernization of the military forces “will make China a leading global power by 2050,” where this modernization will enable China’s power projection worldwide to protect its global vital interests and deter adversaries (Bodansky, 2018, pp. 7–8).

Against the backdrop, it can be said, China under Xi has evident geopolitical ends summarized in attaining the regional and global leadership. These ends of course force China to limit the influence of its competitors or engage with them in a sharp geopolitical rival, especially the USA. The realists have subjected Xi’s foreign policy to deep scrutiny. Realism considers hegemony as an outcome of the overwhelming superiority in the balance of power, which also mostly translated into a military expansion worldwide or arrogant policies. Realism considers the internal economic power in the balance of power. However, it does not consider the employment of economic policies and strategies as effective statecraft for attaining the hegemony and its non-traditional manifestations such as the increase of the economic presence around the world instead of the military presence. Indeed, a part of Xi’s

foreign policy and the quest for global leadership has been expressed in a realist sense. This is evident, for example, from China's violent policy in the South China Sea. Also, from the biggest modernization of the Chinese army, as previously mentioned. However, main China's statecraft for the quest of the global leadership is rested on the geoeconomics (Chung, 2016, pp. 210–212; Praj and Restrepo, 2017, pp. 54–55).

Xi's preference to geoeconomics has many causes. Luttwak (2012) argues that China realizes that the excessive projection of the military or assertive policy will increase its enemies that will ally with the USA to confront its growing threat (Luttwak, 2012, pp. 40–41). Thus, China deliberately the engagement with the big powers like Russia that could reluctantly ally with the USA when they feel the danger of China's growing power. In this vein, China usually encapsulates its rising with comforting slogans like the responsible power and insists on adopting normative cases like climate change (Sklias *et al.*, 2012, pp. 295–296). President Xi also claimed that China is still adhering to the peaceful rise and development. Moreover, he adopted new slogans in the context of the Chinese dream such as the shared future for humankind and the global governance system so that China does not appear as an imperial power in the context of the forthright aspiration to global leadership (Erickson, 2019, p. 81). It remains, in this regard, the strong conviction of Xi that the employment of geoeconomics in the neoliberal era is the ideal statecraft for achieving the soft geopolitical influence around the world, which enables China to reshape the regional and global order in its favor (Bodansky, 2018, p. 7).

Xi formulated a grand geoeconomic strategy consisting of four pillars: going out strategy, periphery strategy, BRI and AIIB to further advance and entrench China's global economic footprint in the context of China's regional and global leadership aim. The following section attempts to explore how the geopolitical ends of China interact with the geoeconomics and attained by it from a realist perspective.

### *2.3 The interplay between China's geoeconomic strategy and its geopolitical ends from a realist perspective*

*2.3.1 China's economic power..* The neorealism, in particular, paid much attention to economic power as a crucial determinant in the balance of power over time. Offensive realism contends that great powers pay significant attention to not only the military capabilities but also to the latent or economic power, as it would be transferred to military might (Kim, 2020, pp. 2–5). Realists as Robert Gilpin argues that economic power perhaps, at times, outweighs the military or diplomatic power because it can effectively achieve the superiority of the major power. A prominent example of this is the US's big influence in the European Union (EU) after the Second World War, thanks to the Marshal Plan (Sklias *et al.*, 2012, p. 287). From this point, the great powers' struggle for economic power in the neoliberal era has to be considered as a power struggle in the sense of realism. As each power seeks to maximize its economic power at the expense of others as a zero-sum game for the regional or global hegemony (Zehra, 2011, pp. 33.42), yet this struggle marked by its smoothness.

In the 1970s, China abandoned its ideological approach in foreign policy and adopted instead a highly pragmatic approach focused only on the economy. This approach has contributed to expanding its global economic footprint (Buzan and Lawson, 2015, p. 273; Blackwill and Harris, 2016, p. 93). On the other hand, such a global footprint enhanced China's stakes in strategic sectors around the world like oil and transportation, which largely strengthened its economic power. This power, indeed, is reflected in China's growing confidence since 2008 to establish itself as a regional power (Le corre, 2018, pp. 1–2). The pursuit of economic power in Xi's geoeconomics can be found in the "going out strategy" that grounded on entrenching China's global presence in the world by the investments. Most of the world's nations, including big powers, have been thirsty for China's investments to adjust the major structural imbalances in their economy after the international economic crisis 2008.

That facilitated the success of the strategy around the world, including Europe, as China's investments have been burgeoned in England, France, Germany and Eastern Europe. According to some estimates, Chinese overseas investments exceeded US\$100bn. Such a huge economic footprint of China has elevated its position as the most important economic player in the world (Yeh, 2016, pp. 275–280; Minxi, 2018). In this way, China by the strategy has maximized its economic power at the expense of its competitors.

*2.3.2 Geoeconomics spatial fix and China's power..* The term “spatial fix” refers to the physical fixation of the over-accumulation of capital and the labor market through expanding geographically. The term was designed in the context of the classical geopolitics to describe one of the causes of the geographical expansion of the capitalist colonial powers. From a realist perspective, the traditional spatial fix is closely related to preserving the state's national power and its survival (Mercille, 2008, p. 576).

Geoeconomic's spatial fix in the neoliberal era has deviated from its traditional form because it has become practicing through several instruments, as well as through multi-positions. Furthermore, the economic interdependence has rendered it a normal mutual practice even among the capitalists. For these reasons, there is a difficulty in figuring out the considerations of the power struggle and the envisioned geopolitical rivalry underlying the geoeconomics spatial fix. For instance, in some cases or contexts as Germany's geoeconomics spatial fix in the EU, these considerations, particularly the envisioned geopolitical rivalry, are hard to be figured out, as, *inter alia*, that Germany's investments contributed in improving the EU's countries economy. The same case applies to China's geoeconomics spatial fix in many Asian countries (Amineh and Guang, 2018, pp. 25–26).

The truth is that, although the geoeconomics spatial fix has deviated from its traditional form, it still maintains its realist essence. In other words, the tendency of capital to expand geographically cannot be separated in any way from the considerations of power struggle and geopolitical rivalry in the context of survival. Thus, when considering the survival, we can imagine the use of the soft economic influence that is enjoyed by the capitalist state to shape the political and economic interests of the other states in their favor, or impose their preferences if necessary, when it comes to stability or security. For instance, Germany by its economic influence in the EU was able to impose its preferences on some critical issues like immigration and austerity measures. Also, under the pressure of the survival, the geoeconomics spatial fix will inevitably lead to geopolitical rivalry among the major economic powers for securing the needed resources and economic opportunities and enabling the capital to further geographic expansion (Blanchard And Flint, 2017, pp. 232–233; Beeson, 2018, pp. 241–242).

Since assuming the leadership of China, Xi has faced two challenges about the Chinese economy: the over-inflation of the industrial production and the capital surplus that is greatly undermining his leadership aim. The going out strategy can be also considered a spatial fix of these two challenges. However, the most important spatial fix in China's geoeconomics strategy exemplifies in the Belt and Road Initiative (BRI). In 2013, Xi has declared in Kazakhstan the BRI as a long-run vision for economic integration. The initiative has raised significant controversy due to its global geopolitical scope that exceeded 70 countries around the world (Clarke, 2017, pp. 71–72). China is promoting the BRI as a development initiative. However, the fact is that the initiative, *inter alia*, is a wide spatial fix of the two challenges, which constitutes a serious threat to the domestic stability and the legitimacy of the communist party. Thus, the BRI, in return, will push China in a severe geopolitical rivalry, given its wide geographical scope (Demiryol, 2019, p. 174). It should be noted that BRI also falls within the economic power struggle and the balance of dependence.

*2.3.3 China's soft balance and the balance of dependence..* Realism defines the balance of power as the relentless pursuit of states to reduce or compensate the power gap among each other through many ways such as the military buildup, military alliances, territorial expansion

and the internal balance. The logic of the balance of power from a realist perspective is still at play in the neoliberal era. However, geoeconomics has reshaped it in the context of the economic tools rather than the military tools, as well as its work axes rather than the specific spatiality. For instance, Putin has long been using gas and oil as a carrot and stick to keep Russia's relative power against the EU. Also, geoeconomics has made the balance of power appearing in a non-traditional way. For instance, when considering the balance of geoeconomics power rather than the balance of military power, we find that the balance of power in the international system tends to China rather than the USA. However, from a realist perspective, such a soft balancing of China would transfer to a military balance or igniting the geopolitical rivalry between China and other powers (Mattlin and Wigell, 2016, p. 126).

On the contrary to the claims that the globalization and interdependence have put an end to the classical balance of power, geoeconomics instead has recast the balance of power under a new notion, which is "the balance of dependence." The new notion has become widely used to depict the process of reshaping power balances arising from the asymmetrical economic interdependence that often leads to dependency relationships. That, in return, allowing to the major economic power to reshapes the regional or global balance of power in its favor because of the continuation of the dependent states on its investments or flow of trades. The balance of dependence is also beyond the bilateral or collective economic dependency relationships arising in the framework of treaties or regulation. As the state's control over a strategic product like the oil market enhances its power position due to the dependence of states on this product (Diesen, 2017, p. 3; Flint And Zhu, 2018, pp. 1–2).

President Xi has made Asia the primary strategic focus of China to realize global leadership. Since 2008, there are signs of an emerging severe geopolitical rivalry between the USA and China in Asia, thanks to the rise of China's power. The Obama administration launched "the pivot strategy to Asia" to undermine China's power. However, Xi's pursuit of the leadership in Asia and undermine the pivot has been by the soft balancing and the balance of dependence in Asia, which was embodied in the Periphery Strategy. That was founded on deepening the comprehensive win-win economic cooperation with China's Periphery. The strategy has extensively succeeded to reshape the balance of power in Asia in China's favor because of the urgent need of Asian states to China's funds and investments (Glaser and Pal, 2013). The balance of dependence arising from the strategy has encouraged Xi to propose, in 2014, the establishment of the Free Trade Area of the Asia Pacific (FTAAP) as a counter-initiative against the stalled TPP of USA. That was highly welcomed by the Asia-Pacific Economic Cooperation (APEC) leaders (Johnson, 2016, pp. 4–10). Moreover, Xi Jinping proposed at the Conference on Interaction and Confidence Building Measures in Asia (CICA) the new concept of Asian security as a comprehensive security system undertook only by the Asian states. As such, China attempted to undermine the US military presence in Asia in a smooth way without a harsh confrontation (Friedberg, 2018; Yongnian and Fook, 2015, p. 64).

According to the neo-realism, the revisionist's power success in achieving the regional hegemony motives it for the global hegemony. Such an account can be imagined through the periphery strategy in tandem with the BRI. The geoeconomics in the neoliberal era has highlighted what can be called "the neoliberal hegemony," as hegemony in the neoliberal era has become determined by the ability of powers to reshape the capital the financial power in the global financial and monetary system (Vermeiren and Dierckx, 2012, p. 1651, 1652).

In the context of China's endeavor to the neoliberal hegemony, in 2015, China founded the Asian Infrastructure Investment Bank (AIIB), its members currently are exceeding 60 countries, including Europeans such as England Germany. China has the biggest share in AIIB. The bank grants great aids and loans for infrastructure projects. China claims that the AIIB is a complementary contribution to the existing multilateral financial system rather than challenge it. Nevertheless, AIIB constitutes the biggest global financial statecraft of

China to establish a new financial order led by China. The logic of the balance of dependence within AIIB can be depicted in two distinct pathways: first, reducing the states' dependence on *BRETTON WOODS* institutions Led-US that are currently powerless to meet the growing financial needs of their members, especially the Asian states. Also, AIIB grants without a specific conditionality such as democracy, human rights and transparency. Second, AIIB will create an asymmetric economic interdependence that leads to increase China's pressure and influence on the AIIB's members, especially in the absence of alternative powerful economic partner (Secch *et al.*, 2017, pp. 39–30; Ikenberry and Lim, 2017, p. 11).

### 3. Gulf Cooperation Council countries and China's global geopolitical ends

GCC's strategic significance to China's global geopolitical ends echoes the dynamic link between the spatiality and dominance from the perspective of the heartland theory, but under the geoeconomics in the neoliberal era. Thus, the following analysis attempts to explore what are the most prominent China's geoeconomic tools to enhance its economic presence in GCC, and how this presence serving China's global geopolitical ends and intersecting with China's grand geoeconomic strategy, in particular, BRI in serving these ends.

The GCC-Sino relations were affected by the dynamics of the Cold War and the ideological considerations, so the establishment of the GCC-Sino formal diplomatic relations came late (Bn hwaydn, 2007, pp. 68–69). The GCC-Sino diplomatic relations started in the 1980s. In 1993, China turned into a net oil importer that had a great impact on pushing China to increase its *rapprochement* with the GCC countries to secure oil flows in the long run (Calabrese, 1998, p. 352). The oil significance of the GGC countries was increased after the severe unrest in the region since 2003. By 2009, Saudi Arabia has become the main oil exporter to China (Liu, 2016, p. 11).

The GCC-Sino economic relations grew very significantly in the mid-2000s, thanks to the "Looking East Policy," which is adopted by GCC countries against the backdrop economic and political pressures, including the declining demand in the western states on oil (Gao, 2018; Al-Tamimi, 2017). In the context of the looking east policy, China and the GCC countries have started in 2004 negotiations on a free trade agreement. In 2010, "The GCC China Business Forum was founded for strengthening bilateral economic relations." China also signed individual bilateral agreements, particularly with Saudi Arabia (Andersen and Jiang, 2014, pp. 26–27). In this vein, China was the first foreign stop of the Saudi King Abdullah in the year he took the power in 2006. In 2012, China has become the biggest exporter of GCC countries and the main oil and commercial partner to the GCC countries (Karasik, 2016, p. 3).

In the context of China's going out strategy, President Xi paid special attention to deepen the strategic relations with the GCC countries, in particular within BRI. In January 2014, Xi met the GCC's delegation to promote the BRI. He promised at the meeting to eliminate the obstacles that were still crippling the establishment of the China-GCC free trade agreement (Liu, 2016, p. 19). By 2017, China managed to forge strategic economic partnerships with the six Gulf countries within the BRI. Therefore, it is plausible to say that, China's growing economic footprint in the Gulf under Xi has become crucial in serving China's geopolitical ends (Abdul Ghaffar, 2018, p. 517; Sultan, 2016, pp. 89–90).

#### 3.1 Energy factor and China's economic power

Oil constitutes the main pillar of China's economic growth in which the rise of China will continue and achieve the geopolitical ends under Xi. The gross domestic product (GDP) average of China estimated 9% a year transformed China into the biggest oil importer in 2016 (Mills *et al.*, 2017, p. 9). US Energy Information Administration estimated that China's total oil consumption "increased from 9.3 million b/d in 2010 to 13.9 million b/d in 2018." China in 2018



has imported almost 70% of its needs of oil, and 17% of gas (U.S. Energy Information Administration, 2019). According to the US Department of Commerce, by 2030, China will import almost 80% of its oil needs (US Department of Commerce, 2019). This rapid growth in energy demand has turned the energy factor into a wide geopolitical distance under Xi. This is evident from Chinese investments in the energy sector that ranked first in the BRI countries, with total investments estimated at US\$114bn during the period from 2013–2018. Also, the endeavor to dominate the main oil transportation supply lines within BRI (China's investment in the BRI countries between 2013 and 2018, by sector).

In 1990, China's oil imports from the Middle East estimated 48% of its consumption, it rose to 49 in 2005 and 51% in 2011. Saudi Arabia was in the lead with a total of one million barrels per day (Kazemi, 2014). In 2012, the Middle East, particularly Saudi Arabia, supplied China to almost 56% of its oil needs (Lelyveld, 2013).

The energy cooperation constituted the focus of the GCC-Sino strategic partnership since 2013. On January 13, 2016, China released its first "Arab Policy Paper." The document focuses on energy cooperation as the cornerstone of all the areas of cooperation between China and Arab states within the BRI (China's Arab Policy Paper, 2016). In 2014, Saudi Arabia and Kuwait have signed new agreements with China to foster the energy cooperation (Yetiv and Oskarsson, 2018, p. 74). In 2013, Qatar has signed the Strategic Partnership Agreement with China, which centered on strengthening cooperation in the gas sector (Saidy, 2017, p. 447). In 2014, the China National Petroleum Corporation (CNPC) has won its first contract for the exploration and production of oil in the UAE. In 2017, China signed with Saudi Arabia an agreement for bilateral energy cooperation worth US\$65bn. By 2018, China has become the biggest energy player in the Gulf through investment contracts that are worth billions of dollars (Daojiong and Meidan, 2015, pp. 9–10; Kliman and Grace, 2018).

Moreover, in 2018, China's oil imports from the GCC countries estimated 44% of its total oil imports. Saudi Arabia came in the second rank after Russia with 12.4%. Sultanate Oman in the fifth rank 7.2%. Kuwait in eighth rank 5% (Workman, 2019). In 2019, Saudi oil imports to China increased to 47%, to replace Russia as the largest oil exporter to China (*China Oil Imports from Top Supplier Saudi Arabia Rise 47% in 2019*: Customs, Reuters, 2020). Thus, it can be said, the previous figures emphasize the great significance of the Gulf energy for China, which largely strengthens its economic power as a key necessity to realize its geopolitical global ends.

Furthermore, China's domination of Gulf oil also enables it to project its geopolitical influence on the countries importing oil, or in the global market of the oil. In the context of the US-Sino global rivalry, oil has become one of the most prominent domains in this rivalry. Despite the decline of the significance of the Gulf oil to the USA, the US military presence around the Gulf oil reserves still matters to pressure China, or undermine its rising (Salman *et al.*, 2015, p. 580; Toprani, 2019).

### *3.2 Commerce, investments and financial factor: between China's economic power, soft balance and its neoliberal hegemony*

Chinese exports and investments in the GCC countries constituted the chief pillar of the growing rates of China's economic growth. In 2004, the total trade between China and the GCC countries rose to US\$25bn. It reached nearly US\$33bn in 2005. In 2008, it jumped to US\$70bn (Bn hwaydn, 2007, pp. 75–76). In 2013, it rose to US\$135bn. By 2020, China will likely be the largest exporter to the GCC (Alterman, 2017, p. 6). The Chinese investments in the GCC countries since 2003 have also been growing. In 2008, it reached nearly US\$1bn. Saudi Arabia and the UAE have received the largest portion (Mo, 2011, p. 92).

In the context of going out strategy, GCC countries constitute one of the most significant areas to support China's global ends. This is because of the huge economic and financial

weight of the GCC countries. Therefore, Xi's economic diplomacy toward the GCC countries had not only focused on the energy cooperation and the trade exchange but also the reinforcement of China's comprehensive economic presence through the increase of the various Chinese investments (China's Policy on The Middle East, 2016). Furthermore, since 2012, the GCC's weight in the global economy was greatly increased because of the global expansion of investments of GCC's sovereign funds (Sultan, 2016, pp. 75–76).

According to GCC Statistical Center (GCC-STAT), the GCC–China trade exchange in 2016 estimated US\$129bn. It rose to US\$150bn in 2017. The trade balance deficit in 2017 was in favor of China by 15%, with a total volume of the exports at US\$82bn (GCC-STAT, 2018). The Chinese arms sales to GCC countries were flourished too. For instance, Chinese sales of drones and ballistic missiles to Saudi Arabia, Emirates and Qatar, in 2017, jumped to more than US\$50m (Ng and Zhen, 2019).

In terms of investments, Chinese investment in the GCC countries has expanded dramatically. In 2018, the Middle East was the second-largest destination of the Chinese investments after Europe, which amounted to nearly US\$130bn (Berman, 2019). According to the economist intelligence unit, China's various investments in the GCC countries rose to US\$30bn in 2014. Saudi Arabia received the largest portion in various domains, such as the infrastructures, food industry and automotive. Also, China has increased its investments in various sectors in the GCC countries, especially in the communications sector (The Economist Intelligence Unit, 2014). The volume of Chinese investments rose nearly to US\$45bn in 2018; UAE was the largest receiver with US\$8.16bn (American Enterprise Institute, 2018). In the same year, China announced pumping US\$23bn to invest in the initiative “industrial park-port interconnection, two-wheel and two-wing approach,” with a clear geopolitical dimension, which includes Khalifa Emirates Port, Duqm District in Oman and Jizan Region in Saudi Arabia (Fulton, 2019).

The GCC countries' financial weight, which owns sovereign wealth funds estimated at more than US\$2tn, plays a very essential role to support the new financial system led by China. The GCC countries are founding members in the AIIB. This allowed China to entrench its financial foothold in the Gulf through the Chinese banks. For instance, The Industrial and Commercial Bank of China (ICBC) in 2018, listed US\$1.4bn through the issuance of two bonds on Nasdaq Dubai, which brought the total amount of bonds issued by Chinese banks via the exchange to US\$5.4bn (Rakhmat, 2019). Furthermore, China's financial foothold in the Gulf highly optimizes the Chinese Renminbi as a competing international currency, which is very necessary to support the new financial system led by China (EL Sanioura, 2018). Renminbi currently possesses an advanced rank in the exchange market of the GCC countries, especially in Emirates and Qatar. For instance, in 2018, several of Dubai's banks issued international bonds in the Renminbi (Gao, 2018). In this way, the three geoeconomic tools of China in the Gulf highly support its economic power in line with its soft balance in the gulf that likely leads to in the long run the balance of dependence between China and GCC countries. Moreover, the great contribution of GCC countries in supporting China's neoliberal hegemony.

### *3.3 Gulf Cooperation Council countries' strategic location and the potential military implications within the Belt and Road Initiative*

China's pursuit of regional and global leadership will largely be attained by its geoeconomic strategy. The BRI is one of the geoeconomic instruments in this regard. Nevertheless, the absolute assertion of the disappearance of the military means and calculations in the age of geoeconomics, as Luttwak argued, is quite far from the truth. Likewise, this applies to the military role within China's geoeconomic strategy, either to support it or to protect its global economic hegemony that could ignite a severe geopolitical military confrontation with the

USA. Thus, this section attempts to explore how GCC countries' strategic location serves China's military calculations within the BRI.

The BRI has further cemented Gulf-Sino strategic relations. The GCC countries viewed the initiative as a great chance to promote their new economic visions that are largely based on diversifying the sources of the economy away from oil (Bodetti, 2019). In this vein, Saudi Arabia has incorporated its 2030 vision within the BRI. In the context of the BRI, Saudi Arabia signed in 2019, 12 cooperation agreements with China in several domains (Chinese president meets Saudi crown prince, Ministry of Foreign Affairs, the People's Republic of China, February 22, 2019). Also, the initiative is largely consistent with the Kuwait Vision 2035. In the framework of the initiative, China-Kuwait relations have elevated to the level of strategic partnership in 2017, which included building "silk city" as a mega hub in the Arabian Gulf. Bahrain considered the BRI is very essential for the economic vision 2030. In 2018, Bahrain enhanced numbers of the BRI constructions on its territory. Within the BRI, the UAE signed in 2018, 13 memorandums of understanding (MOUs) with China in many fields. The latter seeks to be an international main hub in the Maritime Silk Road (Abdul Ghaffar, 2018, pp. 522–525). The initiative is consistent also with the Sultanate Oman vision 2020. In the framework of the BRI, China built the "Duqm port" with great economic and strategic advantages to Oman within the Maritime Silk Road (Chaziza, 2019, p. 48).

What are mentioned are just a few examples of the current and potential growing scope of the Gulf-Sino economic cooperation within the BRI. In this way, BRI has largely contributed to maximizing China's economic presence in GCC countries, which in return largely serves the BRI's geopolitical objectives from multiple aspects. Indeed, the unique location of the Arabian Gulf that mediates Asia, Africa and Europe provides to China an ideal platform for expanding its maritime influence in the Middle East, Africa, Asia and Europe (Cai, 2017, p. 4). Furthermore, the GCC's strategic location facilitates the expansion of Chinese maritime in the Indian Ocean that China seeks to completely dominate within the BRI (Dana, 2017). Also, the GCC countries are very close to the "China-Pakistan Economic Corridor" that has multi-geopolitical benefits, including undermining of Indian presence in the Indian Ocean (Xuewen, 2016, pp. 27–28). Also, through the corridor, China will get rid of US's pressure to block Gulf oil supplies to China via Strait of Malacca and tighten its dominance over the strategic lines of energy in Asia (Liangxiangp and Janardhan, 2018, p. 5).

Furthermore, GCC's maritime location enhances China's military presence in Africa and the Gulf of Aden. China enjoys a strong economic presence in Africa. However, under Xi, this presence has become with geopolitical ends. According to China's Military Strategy of 2015: "Faithfully fulfilling China's international obligations, the country's armed forces will continue to carry out escort missions in the Gulf of Aden and other sea areas as required" (China's Military Strategy, 2015).

In 2017, China inaugurated its first maritime base in Djibouti. The strategic location of Djibouti enables the Chinese maritime to extend its presence in the Middle East, Europe, the Western Indian Ocean and the African depth. In this vein, the GCC's ports on the Maritime Silk Road greatly support China's military strategy in Africa, where they will serve as logistic bases to China's navy in Africa. For instance, since 2015, China's navy has increased its maritime patrols in Africa, thanks to transit through the ports of Saudi Arabia and Sultanate Oman (Degang, 2018, pp. 7–10).

#### 4. Research findings

Based on the aforesaid analysis, three main research findings could be made.

First, building on the theoretical review provided in the study. Geoeconomics has reconstructed the realist logic or sense of the traditional geopolitics in the context of the economic tools and the new or broad recasting of spatiality. Because of the distinctive nature

of geoeconomics in tandem with the new transformations of the neoliberal era, in particular, the interdependence and globalization the underlying realistic considerations that motivated and attained by the geoeconomics have become done in a soft or disguising way and manifested in non-traditional forms, most notably geoeconomic spatial fix and the balance of dependence. Thus, it can be said that geoeconomics has transferred geopolitics to a new strategic nature.

Second, in the neoliberal era, geoeconomics has become the favorite statecraft of the major powers to establish regional or global hegemony. President Xi Jinping has clear global geopolitical ends that can be summarized in China's regional and global leadership. Xi formulated a grand geoeconomic strategy to realize these ends. Xi preferred geoeconomics for many causes, the most important of them is its effectiveness to attain these ends in a soft or disguising way without a harsh escalation with the USA. Xi adopted four main strategies: going out strategy, periphery strategy, BRI and AIIB. The study scrutinized the interplay between these strategies and the geopolitical ends and found that through them, China has greatly expanded its soft economic influence or footprint around the world. From a realist sense, the geopolitical ends will be largely attained through the balance of dependence arising from the four strategies in which China can shape the states' foreign policy and the interactions in the international arena for entrenching its regional or global hegemony.

Third, China's economic presence in the GCC countries under Xi has been extensively burgeoned. Indeed, the economic weight of the GCC countries, as well as their strategic location within the BRI, highly serves China's global geopolitical ends. In the researcher's view, China's presence in the Gulf is the basic pillar for China to realize global leadership or hegemony. In fact, recognizing that China's economic presence in GCC countries has a realist logic. Yet, its non-traditional manifestations, particularly the balance of dependence, have not so far significantly emerged. However, it can be said that the excessive economic power of China in Gulf in tandem with the vital of Gulf to the geopolitical ends, these manifestations will appear over time, especially in the event of intense geopolitical competition between China and USA, or Iran and Saudi Arabia for the domination of the Gulf.

Based on the previous finding, the study recommends the completion of the research efforts in the following:

- more depth and follow-up of the tangible geopolitical global influence of China as a result of its grand geoeconomic strategy;
- the centrality of geoeconomics in the US-Sino global rivalry;
- the potential geopolitical consequence of China's economic presence in the Gulf, in terms of the strategic relations between the GCC countries and the USA, as well as the possibility of China's growing military role in the Gulf; and
- the impact of the Iranian factor on the Sino-Gulf strategic relations.

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**Corresponding author**

Noura Saleh Almujeem can be contacted at: [Noura81q8@gmail.com](mailto:Noura81q8@gmail.com)

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