

China's Evolving Middle East Strategy:

Balancing Act and Pragmatism

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(Amiri Diwan of the State of Qatar - Anadolu Agency)

The rise of China and its growing competition with the United States have the potential to bring significant ramifications for the Middle East, as two great powers looking into the region for its vast energy resources and strategic importance. While the United States has proven itself to become the traditional security and oil trade partner of the Gulf nations, China has succeeded as the strongest economic partner of the region in the last decade. As a rising power and a newcomer to the Gulf, China aims to probe the limits of its engagement in different fields, including trade, diplomacy, and the security architecture of the region with different moves and motivations. This policy outlook examines how this probing behaviour would manifest in the region and how potential responses from Washington would affect the future course of China-Middle East relations.

Introduction

The collapse of Syria's 61-year Baath regime and the upcoming Trump presidency mark pivotal moments in the geopolitical landscape of the Middle East. These developments are poised to significantly reshape the regional strategies of major powers with divergent interests in the region. Early signals, such as the composition of President Trump's cabinet—predominantly comprised of Iran hawks—aside from the well-known policy track record of his first term, suggest that U.S. foreign policy in this period will be anchored by maximum pressure on Iran, unwavering support for Israel, and advancing normalisation efforts between Gulf Arab states and Israel.

Meanwhile, China faces a critical juncture as the United States' principal strategic competitor and an increasingly active player in the Middle East over the past decade. Key questions include the implications of the Assad regime's collapse for Beijing, the extent to which the Trump administration's policies will shape China's regional calculus, and how Beijing's strategic priorities will evolve. This Policy Outlook examines these dynamics, offering insights into the likely trajectory of China's Middle East strategy in the near term.

Brief Overview of China-Gulf Relations

China's relations with the Gulf Arab states have emerged as a critical dimension of its foreign policy, rooted in shared economic priorities and a pragmatic approach to diplomacy. At the heart of these ties lies Beijing's strategic focus on securing energy resources, which is critical to its massive production economy and domestic energy needs. The Gulf region, home to the world's largest oil reserves, supplies nearly 40% of China's crude oil imports. This dependence underscores the centrality of Gulf energy exports in sustaining China's industrial growth and economic resilience. Beyond oil, Beijing has expanded its engagement into natural gas and petrochemicals, aligning its needs with the Gulf's desire to diversify revenue streams away from hydrocarbons.

Economically, China's outreach to the Gulf is a testament to its ambition to deepen trade and investment linkages across sectors. The Belt and Road Initiative (BRI) has been a key driver of these efforts, with China financing and constructing major infrastructure projects, including ports, industrial zones, and rail networks. Additionally, Gulf states such as Saudi Arabia and the United Arab Emirates (UAE) have embraced partnerships with Chinese technology firms like Huawei, particularly in areas like 5G deployment, artificial intelligence, and smart city projects. These collaborations align seamlessly with regional development

plans, such as Saudi Arabia's Vision 2030, which seeks to reduce dependence on oil and build knowledge-based economies.

Diplomatically, China has cultivated a neutral and pragmatic stance in the Gulf, allowing it to navigate the region's complex geopolitical dynamics. While the Gulf is rife with rivalries, the most entrenched being between Saudi Arabia and Iran, China has maintained strong relations with both sides, leveraging its position as a neutral economic partner. Beijing's role in brokering the Saudi-Iran rapprochement in 2023 signalled its growing influence as a regional power broker, showcasing its ability to mediate and maintain credibility with conflicting parties, although China's mediator role has been met with some suspicion. This reflects China's broader strategy of avoiding entanglement in regional conflicts while presenting itself as an alternative to Western influence.

In pursuing these goals, China has also invested in soft power initiatives to solidify its presence in the Gulf. Cultural diplomacy, exemplified by the establishment of Confucius Institutes and academic exchange programs, complements high-profile visits and joint forums that underscore its commitment to long-term engagement. By prioritising mutual economic benefits and avoiding overt political interference, China has positioned itself as a key partner for Gulf states striving for diversification and global connectivity. This multi-faceted relationship underscores Beijing's ambition to anchor its economic and strategic priorities in one of the world's most vital regions.

New Realities in the Region: Post-Assad Syria and Trump 2.0 Era

Before delving into the trajectory of China's pragmatic diplomacy, predominantly characterised by economic engagement with Gulf nations, it is essential to examine two pivotal developments that are expected to redefine regional geopolitics. The first is the fall of Syria's 61-year-old Ba'ath regime and the subsequent establishment of an opposition-led government, which introduced a new geopolitical equation. In this reconfiguration, Iran's geopolitical leverage, sustained through an extensive proxy network, has been significantly undermined, while Russia's regional power projection has proven largely ineffective. Conversely, the opposition's victory has elevated Türkiye's regional influence, positioning it as a more prominent actor that enabled the opposition's victory, ascribing it as a key to establishing the new Syrian state.

The second development pertains to Donald Trump's re-election, which marks the beginning of a "Trump 2.0" era with the potential for notable policy shifts. While de-

tailed analysis is required for a comprehensive understanding, early indications suggest that U.S. relations with the Middle East under this administration will likely follow a trajectory similar to Trump's first term, with three key priorities emerging. The first is an unwavering pro-Israel foreign policy, a longstanding pillar of American Middle East strategy. The second involves efforts to replicate and expand the diplomatic normalisation initiated under the Abraham Accords, aimed at fostering and solidifying Israel-Gulf ties. The third priority centres on pursuing a maximum pressure policy on Iran, targeting its nuclear ambitions and regional activities. Iran, already grappling with the strategic loss of Syria as a logistical hub following the opposition's victory, faces further challenges as the United States appears poised to impose intensified economic sanctions, further constraining Tehran's capacity to project influence.



(Saudi Kingdom Council - Anadolu Agency)

Against this backdrop, the Middle East presents a markedly different landscape for China compared to five years ago when Trump left the office to his successor Biden, compelling Beijing to adapt its strategy to align with emerging realities. The evolving geopolitical setting and the Trump administration's expected prioritisation of the *Pivot to Asia* strategy underscores a global competition framework wherein China is identified as the United States' primary rival. This shift is evident in the administration's hawkish rhetoric and key cabinet appointments, which signal an intent to curtail China's expanding reach. In the Middle East, this translates into efforts to restrict Beijing's pragmatic engagement, particularly in sectors beyond energy, where its economic ties have deepened in recent years. While Gulf states pursue multi-alignment and multi-partnership strategies as part of their economic diversification agendas, China seeks to capitalise on these openings to secure greater strategic and economic advantages. However, this synergy represents a dynamic that Washington is determined to control, reflecting its broader strategic objective of containing China's influence. Consequently, the *Pivot to Asia* is not limited to the Indo-Pacific but increasingly extends to the Middle East, where it continues to shape the contours of U.S.-China competition and the region's evolving strategic alignments.

China's Pragmatic Engagement with the Middle East

China's engagement with the Middle East is underpinned by a calculated two-pronged strategy:

1. Prioritising energy trade as a fundamental pillar of its economic relations to secure vital resources and maximise strategic gains.
2. Leveraging non-energy trade and diplomatic initiatives to extend its influence, assess regional receptivity, and strategically position itself within the region's evolving geopolitical landscape.

The Middle East occupies a central role in China's energy security strategy. As of 2022, China imported 53% of its crude oil from the Gulf Cooperation Council (GCC) countries, with Saudi Arabia alone accounting for approximately 17% of these imports. This dependency reflects the Gulf's significance as China's largest supplier of crude oil, valued at over \$109 billion annually. Simultaneously, China's status as the world's largest oil importer—surpassing 10 million barrels per day in 2022—further underscores its reliance on the region.

Beyond crude oil, liquefied natural gas (LNG) is an emerging area of cooperation. For example, in 2022, Qatar [signed](#) a 27-year agreement to supply 4 million tons of LNG annually to China. These long-term contracts solidify China's access to energy while enhancing its bargaining power as a major consumer in global markets.

China-GCC trade is also expanding beyond energy. The bilateral trade volume [reached](#) \$315.8 billion in 2022, a 31% year-on-year increase. This robust growth reflects the deepening economic interdependence and China's growing focus on regional trade diversification.

While energy remains central, China's engagement in non-energy sectors is gaining significant traction, reflecting both its strategic ambitions and the Gulf's economic diversification objectives. [The World Economic Forum](#) identifies three key sectors driving this evolution.

Renewable Energy: China's dominance in the renewable energy sector aligns closely with the Gulf's green transition goals. As the world's largest producer of solar and wind power, China [generates](#) 35% of its electricity from green energy sources and controls 80% of the global supply chain for solar panels and equipment. Saudi Arabia and the UAE have strategically aligned their national visions—Vision 2030 and Energy Strategy 2050, respectively—with renewable energy targets. For instance, Saudi

Arabia's \$50 billion renewable energy program includes mega-projects like the Neom Green Hydrogen Plant, where [Chinese firms](#) play a critical role in providing technology and infrastructure. China's Belt and Road Initiative (BRI) further amplifies this partnership, channelling significant investments into solar and wind projects across the Gulf, thus positioning itself as a vital enabler of the region's sustainability objectives.

Financial markets and investment instruments: Financial collaboration has emerged as a robust enabler in China-GCC relations. Sovereign wealth funds (SWFs) such as the Abu Dhabi Investment Authority (ADIA) and Saudi Arabia's Public Investment Fund (PIF) are increasingly investing in Chinese markets, particularly in technology and green energy. Additionally, China's growing [issuance](#) of green bonds and sukuk (Islamic bonds) aligns well with the Gulf's preference for Sharia-compliant financial instruments.

Another notable development is the rise in yuan-denominated trade. The GCC's shift towards de-dollarisation in select transactions—especially for energy exports to China—highlights Beijing's success in promoting the yuan as an alternative reserve currency. This trend is further solidified by the UAE and Saudi Arabia's inclusion in BRICS+, signalling a deeper integration of their economies with China's global financial framework.

Tourism and travel: Travel and tourism have emerged as promising areas of cooperation, contributing to the growing cultural and economic ties between China and the Gulf. In 2019, before the COVID-19 pandemic, more than 1.5 million Chinese tourists visited the GCC countries, with the UAE and Saudi Arabia being the top destinations. The UAE, in particular, has capitalised on its connectivity as a global travel hub, [hosting](#) approximately 1 million Chinese visitors in 2023.

Visa facilitation has played a key role in fostering this exchange. For instance, the UAE introduced a visa-on-arrival policy for Chinese nationals in 2016, which led to a 40% increase in Chinese tourist arrivals the following year. Saudi Arabia has also expanded its e-visa program, targeting Chinese travellers as part of its Vision 2030 goals to increase tourism's contribution to GDP.

On the cultural front, initiatives such as the "[China-Arab Tourism Cooperation Program](#)" and the [inclusion of Mandarin](#) in some Gulf school curriculums underscore the region's efforts to attract Chinese tourists and investors. The collaboration also extends to investments in tourism infrastructure, with Chinese firms participating in high-profile projects such as Dubai's Expo 2020 and Saudi Arabia's Red Sea development.

As Gulf countries diversify their economies away from oil dependency, travel and tourism offer a significant opportunity to deepen economic ties with China. The Chinese government's recent approval of outbound group travel to the Gulf is expected to reinvigorate this sector, aligning with Beijing's broader strategy of strengthening people-to-people connections while advancing its regional geopolitical and economic interests.

Probing the Limits of Engagement

Regarding the second pillar of China's strategic formula, its actor behaviour in the Middle East extends beyond economic ties, reflecting a broader "probing" strategy. This involves carefully calibrating its engagements to assess the region's geopolitical dynamics and test its ability to develop strong ties with regional countries, thereby holding geopolitical leverage in a region where the U.S. has long been the favoured partner. In the third chapter of [The Unquiet Frontier: Rising Rivals, Vulnerable Allies, and the Crisis of American Power](#), authors Jakub J. Grygiel and A. Wess Mitchell define the concept in the following way:

Uncertain about their own power relative to the United States, they [U.S. rivals] test the hypothesis of a growing American economic and military fragility and decaying political reach. To figure out the new map of power and possibly redraw it at a low cost, revisionist powers engage in probing.

China's strategic engagement in the Gulf exemplifies a probing approach aimed at assessing the limits of its regional involvement rather than directly challenging the entrenched U.S. supremacy or attempting to supplant its role in the security architecture. This method allows Beijing to cautiously test the boundaries of its influence as a rising global power.

China prioritises key areas to advance its regional objectives while complementing its strategy with targeted diplomatic initiatives. Notable among these is the Saudi-Iran reconciliation facilitated by Beijing in March 2023. Although widely celebrated as a diplomatic breakthrough, China's role was largely that of a [strategic facilitator](#), providing a platform for ongoing secret negotiations rather than guaranteeing commitments to security concerns. This move served as a counter-narrative to claims of a potential power vacuum in the absence of U.S. leadership, a development Washington cautiously welcomed.

Another significant initiative was the [Beijing Declaration](#) in July 2024, where China brought together 14 Palestinian factions under the PLO framework and facilitated a declaration of intent for a national unity government grounded in UN Resolution 194. While this showcased China's expand-



Chinese President, Xi Jinping (L) is welcomed by Crown Prince of Saudi Arabia Mohammed bin Salman Al Saud (R) at the Palace of Yamamah in Riyadh, Saudi Arabia on December 8, 2022. Chinese President Jinping is in Saudi Arabia to attend China-Arab States Summit and the China-Gulf Cooperation Council (GCC) Summit. (Royal Court of Saudi Arabia - Anadolu Agency)

ing diplomatic reach, its effectiveness remains contingent on the stability of the recent Israel-Hamas ceasefire. Rather than producing concrete outcomes, this initiative primarily reflects Beijing's aspiration to position itself as a neutral mediator and dialogue facilitator.

These actions are situated within the broader framework of the [Global Security Initiative](#), introduced by Xi Jinping in April 2022, which emphasises multilateralism and dialogue to foster global peace. The initiative's Middle East component highlights mutual respect, equity, non-proliferation, collective security, and development cooperation as foundations for a new regional security framework. While echoing China's Five Principles of Peaceful Coexistence, the rhetoric subtly critiques U.S.-led global structures, positioning Beijing as a proponent of an alternative world order. The rhetoric of the document aligns closely with the Five Principles of Peaceful Coexistence that underpin China's conventional foreign policy stance. While superficially normative, emphasising non-interference and referencing the UN Charter, the framework subtly calls for a global order opposing U.S. dominance.

Thus, China's regional approach in terms of discourse and policymaking is less about being pro-Palestine or pro-peace and more accurately characterised as aligning with its allies and countering Western hegemony. This approach is validated by a track record of UNSC vetoes and an accompanying rhetoric that includes consistently framing the U.S. as an [obstacle to peace](#) in the region—a stance that is not entirely inaccurate. At the same time, since 2011, China has [aligned with Moscow](#) in vetoing UN resolutions on the Syrian civil war, including cross-border humanitarian aid. This alignment reveals Beijing's preference for endorsing the Syrian regime regardless of its longstanding abuses of human rights while refraining from proposing alternative resolutions or diplomatic solutions. Its veto of the [2019 resolution](#) on cross-border aid, citing the lack

of exemptions for military operations against "terrorist groups," underscores its positioning alongside Russia. If China genuinely pursued peace, it could have presented alternative solutions.

The Critical Limit: Defence Industry

The defence industry and arms trade represent the most critical sectors for evaluating China's engagement with Gulf countries. This domain holds the greatest potential to challenge the United States' dominant position, as integrating Gulf Arab allies' defence systems with a rival power like China would constitute a profound strategic loss for Washington. SIPRI's 2023 [report](#) underscores this dynamic, identifying the U.S. as the leading arms supplier to Gulf states, providing 75% of Saudi Arabia's and 45% of Qatar's imports between 2019 and 2023 (with France contributing 25% and Italy 15%). This trend holds across the region, where the U.S. remains the [principal arms supplier](#). However, recent developments indicate a gradual shift, with China deepening its trade and collaboration in the defence sector.

China's efforts to test the boundaries of its regional engagement are particularly evident in its partnerships with Saudi Arabia and the UAE. Recent initiatives include joint military exercises, as well as increased trade and investment in air and naval defence systems. [Saudi Arabia's acquisition](#) of Chinese Wing Loong drones in 2014 marked the beginning of bilateral defence cooperation, prompted by U.S. restrictions on armed drone exports. These drones have since been deployed effectively in the Yemeni civil war. Under Vision 2030, Saudi Arabia's strategy to localise its defence industry has further facilitated broader partnerships with China. In 2017, the two nations signed a memorandum on [UAV transfer and joint production projects](#), advancing the

modernisation of Gulf defence capabilities.

UAE expanded its engagement with China by purchasing AI-powered security technologies and advanced UAVs, including the Wing Loong II, which were subsequently used in military operations in [Yemen and Libya](#). Additionally, the UAE entered into technology transfer agreements with China to strengthen its defence infrastructure. By 2021, U.S. intelligence [revealed](#) that Saudi Arabia had obtained Chinese support to enhance its ballistic missile production capacity—a significant step toward diversifying its military partnerships. This deepening cooperation drew increased scrutiny in Washington.

By 2023, China's defence collaboration with Gulf countries shifted toward cutting-edge technologies. Saudi Arabia received [advanced radar systems](#), electronic warfare technologies, and [AI-driven security solutions](#) alongside traditional UAVs and missile systems. Furthermore, Riyadh and Abu Dhabi's participation in Chinese military exhibitions that year underscored their interest in exploring new avenues of defence collaboration.

In addition to defence industry cooperation and arms trade, a critical development in China-Gulf relations has surfaced that has the potential to jeopardise the UAE's strategic relationship with Washington, one of its key regional allies. In October 2021, The Wall Street Journal [reported](#) that U.S. intelligence had uncovered evidence suggesting that China was secretly constructing a military facility at Khalifa Port in the UAE, a point only a few miles away from the U.S. bases. Although the project was subsequently described as being for civilian purposes and reportedly halted, the revelation provoked a strong reaction from the Biden administration.

While much of the initial media attention centred on the immediate diplomatic fallout, a Washington Post [article](#) published in April 2023 suggested the project continued. The report linked this facility to China's covert Project 141, a broader initiative to establish military bases across strategically significant locations, including Guinea, Cambodia, Mozambique, Gabon, and Djibouti. Given the strategic implications of such a project, it is reasonable to assume that it remains under close U.S. surveillance. So far, Emirati officials widely avoided commenting on the subject and some of these [said](#) the port is to be civilian, not for military purposes. A Chinese-led military build-up in the UAE would be used by the PLA for China's reach to Africa or directly aimed at competing with the U.S. presence. In any case, the development would not be welcomed by Washington and Emiratis would need to recalculate the risks and benefits of such a project.

Another critical line is about the joint military exercises aiming to increase combat capabilities and harmonisation between two forces. The UAE-China joint military exercises reflect a growing dimension of their defence

cooperation, signalling Abu Dhabi's intent to diversify its strategic partnerships beyond traditional Western allies. In July 2024, the UAE Air Force [deployed](#) six Dassault Mirage 2000-9 fighter aircraft to participate in the second annual "Falcon Shield" air force drills held in China's Xinjiang province. These exercises, designed to enhance operational coordination and mutual understanding between the UAE and the People's Liberation Army Air Force (PLAAF), highlight the UAE's increasing defence engagement with Beijing. However, the presence of Mirage 2000-9s—aircraft equipped with Western technology—has raised concerns among Western analysts regarding the potential for China to glean intelligence on capabilities that also underpin Taiwan's air force, a critical player in the Indo-Pacific security architecture.

This deepening defence relationship comes amidst U.S. unease over the UAE's engagement with China, particularly in light of concerns that such collaboration could undermine the security of sensitive Western military technologies or pave the way for expanded Chinese influence in the Gulf. While the UAE has sought to frame its growing military ties with China as pragmatic diversification, Washington has [cautioned](#) Abu Dhabi against actions that could strain its strategic relationship with the United States. These exercises, coupled with China's broader strategic initiatives in the Gulf, underscore the recalibration of regional alignments and the UAE's balancing act as it seeks to maintain robust ties with both Washington and Beijing.

Meanwhile, Gulf states are progressively exploring de-dollarisation strategies to mitigate vulnerabilities associated with the U.S. dollar's dominance in global trade. This shift is driven by geopolitical developments, such as the U.S. sanctions on Russia following its 2022 invasion of Ukraine, which highlighted the risks of over-reliance on the dollar. In this context, Gulf nations are increasingly exploring alternative currencies, particularly the Chinese yuan, for international transactions. A prominent example is Saudi Arabia's 2023 [agreement](#) to settle certain oil trades with China in digital yuan rather than U.S. dollars. This marked a significant departure from the petrodollar system, reflecting a pragmatic financial diversification amid strained U.S.-Saudi relations and aligning with China's ambition to internationalise the yuan.

While specific details about the currencies used in these arms transactions are not publicly disclosed, the broader context of China's push for settling trade and investment in yuan suggests a possibility of similar arrangements in defence deals. For example, Saudi Arabia and the UAE have turned to Chinese suppliers for advanced weapons systems, such as Wing Loong II drones and missile technology. The UAE's acquisition of these drones, widely deployed in Yemen and Libya, highlights how such transactions may involve non-dollar payment arrangements. China's willingness to accept yuan or other currencies in these deals underscores its strategy of decoupling from dollar-based

trade in strategic sectors, further embedding its economic and military ties with Gulf nations. This diversification aligns with Gulf states' broader objectives of reducing their financial and strategic dependencies on the United States.

The U.S. has primarily responded to China's growing role in the Gulf through diplomatic measures, cautionary warnings, and competitive offers. Yet, Washington has been cautious not to undermine its relationships with Gulf allies. To date, the U.S. has perceived China's arms trade role as supplementary rather than directly confrontational. However, the trade of AI-driven military software, high-tech transfers, and systems involving data sharing could represent a critical inflexion point, potentially prompting U.S. sanctions.

Finally, the Trump Administration's Middle East policies highlight an essential geopolitical context. In particular, Saudi-Israeli normalisation efforts, facilitated through the Abraham Accords, could reshape the region's defence and arms trade dynamics. Suppose Riyadh seeks robust U.S. security guarantees in exchange for diplomatic normalisation with Israel. In that case, Washington will likely intensify its efforts to counter China's influence as part of a broader containment strategy. In this scenario, the U.S. "pivot to Asia" could manifest in the Gulf as a strategic decoupling from China, thereby pushing the Gulf allies away from China.

Conclusion

China's engagement in the Gulf region has evolved into a multidimensional relationship. Cooperation and trade between these two powers have expanded to levels that would have been inconceivable two decades ago. While oil imports remain a cornerstone of bilateral trade, the relationship has diversified to include finance, tourism, and, most critically, the defence industry and arms trade—sectors tra-

ditionally considered sensitive red lines. At the same time, China's regional foreign policy, characterised by diplomatic outreach and an emphasis on dialogue and peaceful conflict resolution, complements this broadened engagement.

China's strategic approach in the Gulf reflects a probing behaviour aimed at identifying the absolute and ambiguous boundaries of its influence in a region historically dominated by the United States. Through initiatives in non-oil trade and diplomatic outreach, China signals its intentions while aligning with the Gulf states' economic and strategic diversification goals. This convergence, however, is not without limitations and will become clearer as both sides test its parameters over time.

The trajectory of this relationship could shift significantly if the U.S. elevates China as a central focus of its Middle East policy, particularly under a renewed pivot-to-Asia strategy. Should Washington adopt measures to contain China, Gulf states may face mounting pressure to limit their cooperation with Beijing, potentially curbing the win-win formula that has characterised these partnerships thus far. This is simply because the Gulf partners of Washington would ultimately need tangible commitments concerning security and the growing pace of the Iranian nuclear program.

China-Gulf relations can, therefore, be understood as a mutual process of exploration, where both sides seek to define their respective limits while navigating external pressures. As China remains committed to advancing its pragmatic engagement as circumstances allow, the U.S. appears poised to pursue a foreign policy that firmly prevents crossing critical thresholds, particularly in domains such as defence and high-tech collaboration. The outcomes of this dynamic will ultimately depend on the recalibrations made by all actors involved in response to these evolving geopolitical realities.



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