

# Policy Report

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# China's Economic Ties to the Gulf

## Comparisons with EU and US Economic Relations

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*"We now have a strong position to take our rightful place in the world."*

Xi Jinping, China's Head of State and Party<sup>1</sup>

### 1. Introduction

In recent years, China has started playing an increasingly active role in the Middle East in general and the Gulf in particular. The growing engagement of Beijing with the countries of the Gulf Cooperation Council (GCC) has attracted the attention of international governments, media and think tanks.

The détente between Iran and Saudi Arabia is a good example of this phenomenon and a turning point for a significant increase in Chinese influence in the Gulf region. It was the first time China intervened so directly in political affairs in the Gulf. For Beijing, it is about deepening China's engagement in the region and becoming a major player and political mediator not only on economic but also on security issues in the Gulf. On the one hand, détente could strengthen a regional alliance and cooperation between Islamic countries, on the other hand, it is an important indicator of the waning influence of the United States and the European Union.

Interestingly, during his first visit to Saudi Arabia, US President Biden said: "We will not walk away and leave a vacuum to be filled by China, Russia, or Iran."<sup>2</sup> Ultimately, the improving relations of the Gulf states, especially with China, do not match the expectations and wishes of Washington's Middle East policy.

The Saudi cabinet made another important political and diplomatic attempt when Riyadh became an official interlocutor of the Shanghai Cooperation Organisation (SCO), an economic and security organization outside NATO. With this latest move, Saudi Arabia aims to balance its relations between China, the U.S., and regional powers such as Iran, and prove that Riyadh can determine its foreign and security interests independently of Washington.

As a result of Saudi Arabia's active foreign policy, U.S. President Joe Biden visited the Kingdom in July 2022. The primary objective of President Biden's visit to the Middle East was to revitalise political and security relations with regional partners, rather than solely focusing on economic issues. While addressing Arab Leaders in the GCC+3 Summit Meeting, Biden outlined a five-part "new Middle East framework" that included support for economic development, military security and democratic

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freedoms, including human rights and assured his allies that, "The United States is invested in building a positive future in the region." President Biden's objective was to reassure his allies that the United States remains actively engaged in the Middle East and to prevent China and Russia from dominating the region.<sup>3</sup>

German Chancellor Olaf Scholz also travelled to Qatar, Saudi Arabia, and the United Arab Emirates in September accompanied by a high-level German business delegation. The high-level economic visit aimed to expand Saudi-German cooperation in the field of innovative technologies<sup>4</sup> and to close the gap in Germany's energy supply caused by the interruption of natural gas supplies from Russia following the latter's invasion of Ukraine.<sup>5</sup> Chancellor Scholz wanted to reach an agreement on new energy partnerships with the oil- and gas-rich Gulf States. During his visit, Scholz, aimed not only to secure energy supplies but also to expand trade with the GCC states and Saudi-German cooperation on innovative technologies by creating new investment opportunities.<sup>6</sup>

The most recent visit of China's head of state, Xi Jinping, to the Kingdom occurred in December 2022. During his three-day visit, President Xi took part in the "China-GCC Summit."<sup>7</sup> The European and American media closely followed the visit of President Xi and the outcomes of the summit. According to the Saudi Press Agency (SPA), Saudi and Chinese companies signed 34 investment agreements worth USD 29 billion in various sectors.<sup>8</sup> These agreements included investments in green energy, information technology, cloud services, transportation, logistics, medical industry, housing and construction.<sup>9</sup> The two countries also agreed to collaborate on the peaceful use of nuclear energy and the development of advanced technologies such as artificial intelligence and energy innovation.<sup>10</sup>

Furthermore, China made commitments to continue importing crude oil consistently and in large quantities from the GCC, as well as to increase its imports of natural gas from the region.<sup>11</sup> Additionally, China expressed its interest in security and defence cooperation with Saudi Arabia, which has traditionally been under the U.S. security umbrella.<sup>12</sup>

The visit served a dual purpose from the Chinese perspective. Firstly, China has become Saudi Arabia's largest trading partner. In 2022, the value of the Kingdom's exports to China exceeded USD 78 billion, accounting for more than 24.4% of Saudi Arabia's total exports that year. The bilateral trade between the two countries amounts to USD 116 billion. Moreover, Saudi Arabia has traditionally been China's most important oil supplier.

Secondly, while Beijing recognises U.S. security and military interests and its role in the Middle East, it is pushing its economic interests to gain political influence in the region by cultivating closer ties with new allies. On the other hand, Riyadh and the other members of the GCC aim to demonstrate their ability to pursue their own economic and foreign policies independently of their relations with the United States. Essentially, the meeting illustrated the desire of Riyadh and other GCC members to translate their economic power into political power in international politics.<sup>13</sup>

Interestingly Washington remained fairly silent both during and after Chinese President Xi's visit to Saudi Arabia. John Kirby, the U.S. National Security Council's strategic communications coordinator, said at the beginning of the visit that it was "no surprise" that Xi was travelling around the world, particularly to the Middle East, and that the United States was "aware of the influence that China is trying to expand around the world."<sup>14</sup>

By examining the Gulf Cooperation Council's (GCC) trade relations with China, Europe, and the United States, as well as China's foreign direct investment in GCC countries, this policy report seeks to answer the following questions: What is the nature and extent of China's economic relationship with the GCC

states? How does this compare with Western economic relations with the Gulf and the economic ties of Iran with China and Europe?

To answer these questions, the report will provide a brief overview of the economic potential of the GCC countries (Section 1), particularly on trade (Section 2) and investment (Section 3) flows between the GCC countries and China. It then examines the trade and investment relations of the European Union and the United States with the GCC and compares them with those of China.

## 2. The Economic Potential of the GCC States: An Overview

The countries of the Gulf Cooperation Council (GCC), apart from Saudi Arabia, are relatively small in terms of population and country size but have rich and prosperous economies based on the production of oil and gas.<sup>15</sup> The three largest OPEC suppliers of crude oil exported worldwide are Saudi Arabia, the United Arab Emirates and Kuwait. Their export earnings in 2021 were as follows: Saudi Arabia, USD 97.9 billion (23.2% of OPEC crude oil exports); United Arab Emirates, USD 75 billion (17.8%); Kuwait, USD 41.3 billion (9.8%).<sup>16</sup> Qatar's economy is also based on the oil and gas sector. It has proven natural gas reserves account for 13% of the world's total and are the third largest in the world, while proven oil reserves exceed 25.2 billion barrels. In 2015, Qatar was the 17th largest oil producer in the world and is one of the smaller petroleum producers.<sup>17</sup>

**Table 1**

	2021 GDP (USD billion)	GDP per capita (USD (thousand))	Population (million)
<b>Saudi Arabia</b>	833.5	23,586	34,218
<b>United Arab Emirates</b>	419.8	41,205	9,891
<b>Qatar</b>	179,7	68,622	2,796
<b>Kuwait</b>	135.8	28,665	4,420
<b>Oman</b>	85.9	19,000	4,830
<b>Bahrain</b>	38.9	26,136	1,570

Gross Domestic Product and Per Capita Income in GCC members

Source: World Bank national accounts data, GDP (current USD), <https://data.worldbank.org> Source: IMF – World Economic Outlook Database, October 2021

Among the GCC countries, Saudi Arabia has the highest GDP, followed by the United Arab Emirates and Qatar. The other three countries, Kuwait, Oman and Bahrain, have a lower GDP than the top three countries. In terms of per capita incomes, Qatar has the highest, followed by the UAE. Saudi Arabia, Bahrain and Kuwait have almost the same per capita income while Oman lags slightly behind all these countries.<sup>18</sup>

### 3. Trade relations between the Gulf Cooperation Council (GCC) countries, China, the EU and the United States.

#### 3.1 China

Over the past 20 years, China has strengthened its relations with the six members of the Gulf Cooperation Council (GCC). China has become an important partner for the GCC countries in various areas, such as infrastructure investment, trade in goods and services, digital technology and defence. During Chinese Foreign Minister Wang Yi's official trip to the region in 2022, he stressed that Beijing wanted to give "new impetus" to improving relations with the GCC and "accelerate" talks on creating a free trade area.<sup>19</sup> China maintains 17 Free Trade Agreements (FTAs) with its trade and investment partners and is negotiating or implementing an additional eight FTAs.<sup>20</sup>

Trade in goods between China and the GCC amounted to almost USD 1.431 trillion in the period 2015-2022. China's imports were worth USD 860 billion and exports amounted to USD 571 billion in the same period. So, the trade deficit between China and GCC is USD -289 billion in the same period.

Table 1.1 in the appendix indicates that the UAE is China's largest export partner in the region, accounting for 50.1% of China's total exports to the GCC. Saudi Arabia is China's second-largest export partner, accounting for 34.5% of China's total merchandise exports to the GCC in 2015-2022. Kuwait's share of China's total exports to the GCC is 5.2%, Oman accounts for 4.1% and Qatar's for 3.7%. Bahrain's share is 1.7%.

Table 2.2 in the appendix demonstrates that Saudi Arabia and the five other GCC members exported mostly mineral fuels and oils, as well as its distillate products, bituminous substances, and minerals; organic chemicals; and plastics (SITC 27, 29 and 39 products)<sup>21</sup> during the period from 2015 to 2022 to China. By far the largest exporter among the GCC countries is Saudi Arabia followed by the UAE and Oman. The exports of these products from Qatar, Kuwait and Bahrain to China are comparatively lower than those of the other countries.

Table 2.2 in the appendix also shows the breakdown of the top four products imported by GCC countries from China between 2015 to 2022. Looking at GCC imports from China by commodity, the majority of imports are concentrated in the top three groups of goods (SITC 84, 85, 87), which mainly include manufactured and high-tech products.<sup>22</sup>

One of the most important features of the Chinese economy is the massive increase in exports of Chinese goods to world markets since the 2000s. This impact became even more remarkable when China began to shift its export structure from exporting low-cost, labour-intensive products to exporting high-tech products in competition with EU and US markets.

If one compares the export and import figures between the GCC and China, it becomes apparent that the trade in goods between China and the Gulf states is largely characterised by mutual specialisation. In

other words, both countries export and import completely different types of goods. The GCC mainly exports products i.e. mineral fuels, mineral oils and products of their distillation, and imports from China mainly capital-intensive high-tech products.

Table 1.1 shows that China has a trade surplus only with the United Arab Emirates (USD 133.3 billion) and Bahrain (USD 8.2 billion), but the trade balance between China and the other GCC countries has moved in favour of the GCC countries over the period 2015-2022. China has a large trade deficit with the other GCC countries: Saudi Arabia - USD 163 billion, Oman - USD 136 billion, Kuwait - USD 77 billion and Qatar - USD 56 billion over the same period. China's net trade deficits with GCC amounted to approximately USD 289 billion in 2015-2022.

Trade relations between the GCC and China are in many ways a mirror image of the trade relations between developed and developing countries. Trade figures clearly show that trade relations between the GCC and China are asymmetrical. Simply put, China needs oil, while the Gulf states need to import industrial goods such as household items, textiles, electrical appliances and cars. Since the GCC countries are not yet competitive internationally in the production of these industrial goods and high-tech products – despite plans to diversify their economies – their economic prosperity still depends on the export of minerals. As long as current sources of energy (i.e. oil and natural gas) are not replaced by new ones, the composition of trade between China and the Gulf countries is very unlikely to change. For these reasons, the World Economic Forum has advised GCC countries to move away from oil. In particular, it advises them to focus on improving education to encourage investment in research and development. Currently, these countries rely on foreign labour to meet these needs.<sup>23</sup>

### 3.2 The European Union

In the wake of rapid intensification in economic relations, the EU signed a Cooperation Agreement with the GCC in 1988. The agreement ensures close cooperation between the EU and the GCC in the areas of trade and investment, macroeconomic issues, climate change, energy, environment and research. Over the years, regular meetings have taken place between senior officials from the EU and individual GCC countries to discuss trade and investment issues. This has led to a remarkable development in their economic relations.<sup>24</sup> The EU-GCC economic relationship has witnessed substantial growth and cooperation. The EU consistently maintains a trade surplus with the GCC.

Table 3.1 demonstrates that trade in goods between the EU and the GCC amounted to almost USD 1.300 trillion in the period 2015-2022. EU imports were worth USD 456 billion and exports during the same period amounted to USD 844 billion. The UAE is the EU's largest export partner in the region, accounting for 43.1% of total EU exports to the GCC. Saudi Arabia is the EU's second-largest export partner, accounting for 34% of total EU merchandise exports to the GCC in 2015-2022. Kuwait's share of total EU exports to the GCC is 6.1%, Oman's is 3.5% and Qatar's is 11.1%. Bahrain's contribution is 2.2% in the same period.

Overall, the EU has a trade surplus with the GCC. The EU's total trade surplus is USD 388 billion, while China's trade deficit is USD -289 billion over the period 2015-2022. It is interesting to note that the trade balance between the EU and the GCC has moved in favour of the EU over the period 2015-2022. The EU has large trade surpluses with the GCC: UAE USD 266.3 billion, Saudi Arabia USD 59.5 billion, Oman USD 22 billion, Kuwait USD 22.7 billion, Qatar USD 7.7 billion and Bahrain USD 8.8 billion over the same period (Table 3.1 in the Annex).

Table 3.2 in the appendix shows the breakdown of the top four products imported by the GCC countries from the EU. Looking at GCC imports from the EU by product, the bulk of imports are concentrated in the three main product groups (SITC 84, 85, 87), which mainly include industrial and high-tech products. The GCC exports mainly products of SITC 27, 29 and 39, i.e. mineral fuels, mineral oils and products of their distillation.

### 3.3 The United States

The trade relationship between the United States and the member countries of the GCC follows similar patterns observed with China and the EU. However, the volume of U.S. trade with the GCC from 2015-2022 is smaller than that of China and the EU.

Table 4.1 in the appendix demonstrates that trade in goods between the U.S. and the GCC amounted to almost USD 594 billion, whereas U.S imports were worth USD 237 billion and exports during the same period amounted to USD 356 billion.

The UAE is the US's largest export partner in the region, accounting for 44.2% of total U.S exports to the GCC. Saudi Arabia is the U.S' second largest export partner, accounting for 32.6% of total U.S. merchandise exports to the GCC in 2015-2022. Kuwait's share of total U.S.'s exports to the GCC is 7.3%, Oman's is 4.0 % and Qatar's is 9.2%. Bahrain's contribution is 2.6% in the same period.

Table 4.2 in the appendix shows the breakdown of the top four products imported from the U.S by the GCC countries between 2015 and 2022. Looking at GCC imports from the U.S. by product, the bulk of imports are concentrated in the three main product groups (SITC 84, 85, 87), which mainly include industrial and high-tech products. The GCC exports mainly products of SITC 27, 29, 76 and 39, i.e. mineral fuels, mineral oils and products of their distillation, aluminium and articles thereof.

Apart from trade with Saudi Arabia, the US has an overall trade surplus with the rest of the GCC. The total U.S trade surplus is \$119 billion and but it is lower than the EU's trade surplus with the GCC over the period 2015-2022. The U.S. has large trade surpluses with the GCC: UAE USD 120.4 billion, Saudi Arabia USD -\$31.1 billion, Oman USD 2.8 billion, Kuwait USD 7.0 billion, Qatar USD 19.4 billion and Bahrain USD 366 million. over the same period (Table 4.1 in the Annex).

As a conclusion from the trade analysis, it could be argued that China has the largest trade volume with the GCC countries compared to the EU and the US. However, China's dependence on importing energy resources leads to large trade deficits in trade with GCC economies. The EU remains the dominant partner in trade in the region, while the US also achieves a moderate trade surplus in its trade with the GCC members. Similar to China and the EU, the United States exports manufactured and high-technology products and imports mineral fuels, mineral oils and products from their distillation from GCC countries.

## 4. Foreign Direct Investments in the GCC Countries

The GCC countries have experienced growth in foreign direct investments (FDI) over the years. Global FDI stocks in the GCC have rapidly grown by 2,500 % since 1990, from USD 18.319 billion and reaching a remarkable USD 498 billion in 2019. Global GCC FDI is mainly concentrated in Saudi Arabia (47.5%) and the UAE (31.0%), followed by Qatar (6.2%), Oman (6.3%), Bahrain (6.0%) and Kuwait (3.0%) in the same year.<sup>25</sup>

In 2019, EU27 FDI stocks in the GCC amounted USD 95 billion represented 19% of all FDI stocks in the GCC. The Netherlands and Italy are the largest investors in the GCC.<sup>26</sup> The U.S. direct investment position in the GCC countries was almost USD 38 billion in the same year.<sup>27</sup> Total amount of Chinese investment stock in GCC amounted USD 117 billion in 2021.<sup>28</sup>

#### 4.1 Saudi Arabia

The stock of Foreign Direct Investment (FDI) in Saudi Arabia reached USD 261 billion in 2021. The United Arab Emirates, the United States, France, China, Singapore, Japan, Kuwait and Malaysia are the leading investors in Saudi Arabia. Investments are mainly concentrated in the chemical industry, real estate, fossil fuels, automobiles, tourism, plastics and machinery.<sup>29</sup>

The stock of US direct investment in Saudi Arabia amounted to USD 11.9 billion in 2021.<sup>30</sup> The EU's foreign direct investments in Saudi Arabia reached USD 21.6 billion in 2019, accounting for 22.8% of the total FDI in the GCC region.<sup>31</sup>

Chinese investments totalled USD 49.6 billion in 2021, accounting for 19% of the total FDI. Chinese investors focused mainly on the energy sector, accounting for 50% of its total investment, followed by the transport sector (11.9 %) and utilities (11.8 %).<sup>32</sup>

#### 4.2 United Arab Emirates (UAE)

The stock of FDI in UAE increased in 2021, reaching USD 171.5 billion.<sup>33</sup> The weight of total FDI is concentrated in distributive trades, real estate, finance and insurance, manufacturing, mining, and construction sectors. The main investors are the United Kingdom, India, the United States, China, France, and Saudi Arabia.<sup>34</sup>

In 2021, the U.S. had an outward direct investment position of USD 16.2 billion in the UAE, with an increase of 2.2% from 2020.<sup>35</sup> EU FDIs in the UAE amounted to USD 48 billion and accounted for the highest share (50%) of total EU FDI in the GCC.<sup>36</sup> The bulk of FDI is concentrated in the sectors of trade, real estate, finance and insurance, manufacturing, mining and construction. The main investors are the United Kingdom, India, the United States, France and Saudi Arabia.<sup>37</sup>

Overall, China's FDI in the UAE amounted to USD 37.017 billion in 2021, and its share of total FDI stocks was 21.6%. Chinese investors have primarily focused on the energy sector (53.2% of its total investments), real estate (22.6%), and transport (11.3%).<sup>38</sup>

#### 4.3 EU and US investments in the remaining GCC countries in 2021

In 2021, the U.S. had a direct investment position of USD 1.7 billion in Oman, USD 587 million in Kuwait, USD 6.8 billion in Qatar and USD 659 million in Bahrain.<sup>39</sup>

The EU's FDIs in the remaining GCC states in 2019 were as follows: Oman received USD 10.373 billion (11.0%), Qatar received USD 7.405 billion (7.8%), Kuwait received USD 3.765 billion and Bahrain received USD 3.384 billion (3.6%).<sup>40</sup>



The distribution of FDIs according to economic sectors and countries for the remaining countries is as follows:<sup>41</sup>In Bahrain, foreign investment in 2021 was mainly directed at the country's manufacturing, education, healthcare and information technology industries. The main investor countries are Saudi Arabia, Kuwait, India and the United Arab Emirates.

The largest contributors to FDI inflows to Qatar are the US, Japan, South Korea and Singapore, while the main sectors attracting foreign investment are oil and gas, construction, public works and financial services. In Kuwait, the bulk of investments are directed towards the oil & gas sector, followed by real estate/construction and financial services. The majority of foreign investments come from the United States and China.

Lastly, the main investing countries in Oman are the UK, followed by the United Arab Emirates, Kuwait, Qatar, and Bahrain. The bulk of FDI was directed towards the oil & gas sector, with lower shares going to the financial services, manufacturing and real estate sectors.

#### 4.4 Chinese investments in the remaining GCC countries

In the other four GCC member states, Chinese investment is relatively low. Total Chinese investment in Qatar was USD 8.61 billion, in Kuwait USD 12.96 billion, in Bahrain USD 1.428 billion and in Oman USD 7.42 billion in the period 2005-2022. Again, the main interest of Chinese investors is concentrated in the energy sector. It is interesting to note that the share of greenfield investments in total FDI is generally low in all Gulf countries;<sup>42</sup> 3.7% in Saudi Arabia, 4.1% in the UAE, 3.1% in Bahrain, 11.5% in Oman, 0.01% in Kuwait and 4.5% in Qatar.<sup>43</sup>

## 5. Iran's Economic Relations

### 5.1 Iran's Economic Relations with China

As a Persian Gulf State, Iran is China's largest and most important trading partner in the region, accounting for 26.6% of Iranian exports and 24.0% of imported goods. The total trade volume of all goods traded between China and Iran amounted to USD 140.7 billion in 2021. While Iranian imports from China were worth USD 68.5 billion, exports amounted to USD 72.3 billion in 2021. Iran's trade surplus was thus USD 3.9 billion in 2021. China's share of Iran's total world trade is 25.6%.<sup>44</sup>

The stock of FDI in Iran was USD 60.1 billion in 2021.<sup>45</sup> In total, China's FDI in Iran during 2005-2022 was USD 26.6 billion, and its share in Iran's total FDI stock was 44.2%. Chinese investors were mainly concentrated in the energy sector (40.4%), the transport sector (26.0%) and the metal industry (18.7%) of total investment. These three sectors account for almost 85% of Chinese investment in Iran over the period 2005-2022.<sup>46</sup> Traditionally, Iran has attracted Chinese and Russian investments, especially in the gas sector.

Iran is also a very important country in the Beijing's Belt and Road Initiative (BRI): The second of BRI's routes is the China-Central Asia-West Asia Economic Corridor (CCWAEC): it connects Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Turkmenistan, Iran and Turkey. China's overland Silk Road is also called the Southern Corridor or the Silk Road Economic Belt (SREB).

### 5.2 Iran's Economic Relations with the EU

In 2020, 17.5% of Iran's imports came from the EU and 5.1% of the country's exports went to the EU.<sup>47</sup> Therefore, the EU is Iran's second largest trading partner, accounting for 12.3% of the country's total trade in goods with the world in 2020. Before the imposition of sanctions, the EU was Iran's most important partner. European FDIs in Iran amounted to EUR 2.9 billion in 2021.<sup>48</sup>

## 6. Conclusion

There is no doubt that China is the growing superpower of the first half of the 21<sup>st</sup> century and is pursuing a world market-oriented development strategy. China's growing presence in the Gulf region is driven by economic and strategic interests. The region's rich oil reserves, free access to the market of the wealthy Gulf states and proximity to the Mediterranean make it an attractive trade and investment opportunity for Beijing. Although economic interests seem to come first for the Chinese government, the Chinese leadership also wants to improve political relations and demonstrate the achievements of the Chinese Communist Party (CCP).

The following conclusions can be drawn from the examination of economic relations between the GCC and China, the EU and the United States: Beijing has two basic goals in maintaining close economic ties with the GCC countries. First, it has a huge demand for energy resources, especially oil and natural gas. Therefore, China would like to build in part on the current energy cooperation between the GCC and China to offset the huge energy shortage by increasing imports of fuel from GCC member states, especially Saudi Arabia and the United Arab Emirates.

Undoubtedly, China is faced with a scarcity of energy resources. As China is the second most populous country and the second largest economy in the world, it is not surprising that it is also the country with the largest energy consumption in the world and is therefore highly dependent on the import of mineral fuels and related products from oil producing countries. Given all these facts, China is naturally interested in maintaining and deepening its economic ties with the Gulf energy producers. With this in mind, Beijing aims to diversify its imports of mineral products from Russia<sup>49</sup> and Iran and reduce its dependence on those two countries.

Secondly, this policy report shows that the economies of all GCC states are based on oil and gas production and their exports to resource-poor countries, including China. It will take time to change the economic structure of the GCC states as envisaged in many of these countries' "Visions" so this is unlikely to drastically change soon. The GCC economies are currently not competitive in international markets for industrial production and are therefore highly dependent on imports of all kinds of industrial goods. Demand for industrial goods is therefore usually met by the United States, China and the EU. Each of these players wants to increase its market share in the export of capital-intensive and high-tech products, partly explaining, in turn, their interest in maintaining good political and economic relations with the GCC countries.

In conclusion, the competition for energy imports and exports of goods between China, the US and the EU with GCC countries underscores the global importance of these economic relations. As China grapples with its energy scarcity and Europe seeks to diversify its energy sources due to the Russian invasion of Ukraine, both regions recognise the strategic importance of partnering with the oil-rich Gulf states. Meanwhile, the competition for export markets highlights the evolving dynamics of global trade and the pursuit of economic influence. The outcomes of this competition will not only shape the energy landscape but also have far-reaching implications on economic interdependencies. As we navigate these complex dynamics, it becomes increasingly crucial to foster cooperation, balance interests, and forge mutually beneficial partnerships that contribute to global stability.

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## Appendix:

Table 1.1

	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
<b>Saudi Arabia</b>									
EXPORT	21,684	19,267	18,321	17,561	23,877	28,095	30,322	37,990	197.117
IMPORT	30,151	23,613	31,752	45,899	54,196	39,070	56,962	78,046	359.689
Trade Balance	-8,467	-4,346	-13,431	-28,338	-30,319	-10,975	-26,640	-40,056	-162.572
<b>UAE</b>									
EXPORT	37,068	30,472	28,842	29,903	33,412	32,310	43,818	53,862	289.687
IMPORT	11,532	9,978	12,224	16,281	15,337	17,055	28,568	45,408	156.383
Trade Balance	25,537	20,496	16,616	13,621	18,076	15,255	15,250	8,453	133.304
<b>Kuwait</b>									

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EXPORT	3,776	3,064	3,116	3,321	3,836	3,548	4,369	4,970	30.000
IMPORT	7,483	6,362	8,931	15,360	13,448	10,735	17,755	26,510	106.584
Trade Balance	-3,707	-3,298	-5,815	-12,038	-9,612	-7,187	-13,387	-21,540	-76.584
<b>Qatar</b>									
Export	2,280	1,540	1,684	2,489	2,410	2,631	3,961	3,989	20.984
Import	4,615	4,006	6,387	9,091	8,713	8,305	13,210	22,558	76.885
Trade Balance	-2,336	-2,466	-4,703	-6,603	-6,303	-5,673	-9,249,	-18,568	-55.901
<b>Bahrain</b>									
EXPORT	1,015	805	904	1,139	1,484	1,121	1,381	1,772	9.621
IMPORT	112	64	124	151	195	146	400	251	1.443
Trade Balance	903	742	780	988	1,289	974	981	1,521	8.178
<b>Oman</b>									
EXPORT	2,118	2,175	2,325	2,876	3,021	3,076	3,565	4,206	23.362

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IMPORT	15,062	11,966	13,170	18,822	19,650	15,660	28,588	36,240	159.158
Trade Balance	-12,944	-9,791	-10,845	-15,946	-16,629	-12,583	-25,022	-32,034	-135.794

*China's Exports to and Imports from GCC Countries (2015-2022) (in thousand USD)*

*Source: International Trade Center, Trade Map ([www.trademap.org](http://www.trademap.org)), own calculations*

**Table 2.1**

	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
<b>China's export to GCC</b>									
<b>All Products</b>	67,941	57,325	55,191	57,288	68,042	70,781	87,415	106,788	570.770
<b>SITC 85</b>	10,710	9,730	10,625	11,883	12,755	13,079	15,561	18,630	
<b>SITC 84</b>	10,545	8,523	8,573	8,457	9,599	10,891	12,308	14,875	
<b>SITC 87</b>	2,477	1,705	1,393	1,565	2,337	3,185	4,812	8,704	
<b>SITC 94</b>	4,706	3,655	3,464	3,271	4,271	5,429	6,138	5,845	
<b>China's Import from GCC</b>									

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<b>All Products</b>	68,954	55,989	72,587	105,601	111,539	90,970	145,482	209,012	860.136
<b>SITC 27</b>	53,684	43,073	55,410	82,200	89,649	72,220	119,890	186,203	
<b>SITC 39</b>	5,993	5,670	7,374	9,565	8,816	8,160	8,993	8,867	
<b>SITC 29</b>	6,984	5,433	7,618	10,946	9,035	6,950	9,789	8,311	
<b>SITC 26</b>	322	264	492	679	918	430	787	974	
<b>Trade balance</b>	-1,013	1,336	-17,396	-48,313	-43,497	-20,190	-58,069	-102,224	-289.366

*China's Foreign Trade with GCC members by SITC Classification (2015-2022) (in millions USD)*

*Source: International Trade Center, Trade Map ([www.trademap.org](http://www.trademap.org)), own calculations*

Table 3.1

	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
<b>Saudi Arabia</b>									
EXPORT	44,790	37,328	36,197	35,016	32,316	30,551	32,721	37,307	286.226
IMPORT	22,131	19,718	23,658	35,266	31,690	18,129	26,243	49,837	226.672
Trade Balance	22,660	17,610	12,539	-251	625	12,422	6,479	-12,530	59,554
<b>UAE</b>									
EXPORT	53,186	50,075	47,387	43,990	42,586	35,032	42,336	49,382	363.974
IMPORT	9,828	9,467	10,679	13,067	10,380	11,883	13,627	18,742	97.673
Trade Balance	43,358	40,608	36,708	30,924	32,206	23,150	28,708	30,639	266.301
<b>Kuwait</b>									
EXPORT	6,652	5,911	6,265	6,629	6,291	5,779	6,681	7,482	51.690
IMPORT	4,390	3,474	4,471	3,879	3,371	1,193	2,174	6,022	28.974



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Trade Balance	2,261	2,437	1,794	2,750	2,919	4,586	4,509	1,460	22.716
<b>Qatar</b>									
Export	11,721	10,430	11,339	12,150	13,477	10,448	10,449	13,598	93.612
Import	8,326	5,667	6,985	8,131	8,588	6,265	10,619	31,248	85.829
Trade Balance	3,395	4,763	4,354	4,019	4,889	4,183	-170	-17,650	7.783
<b>OMAN</b>									
Export	4,367	3,904	4,012	3,979	3,550	3,353	2,875	3,106	29,146
Import	620	358	346	760	643	418	889	2,215	6.249
Trade Balance	3,747	3,547	3,666	3,218	2,906	2,936	1,986	891	22.897
<b>Bahrain</b>									
Export	1,941	1,941	2,469	2,544	2,644	2,416	2,529	2,359	18.843
Import	841	691	967	1,591	1,306	914	1,534	2,444	10.288
Trade Balance	1,100	1,250	1,502	953	1,338	1,502	995	-85	8.555

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European Union (EU) exports and imports to and from GCC countries (2015-2022) (million, USD)

Source: International Trade Center, Trade Map ([www.trademap.org](http://www.trademap.org)), own calculation

Table 3.2

EU EXPORT TO GCC	2015	2016	2017	2018	2019	2020	2021	2022	Total
<b>All Products</b>	123,360	110,245	110,052	105,655	101,553	88,110	98,103	113,748	850,826
	123,3560	110,245	110,051	105,664	101,595	88,491	97,320	113,364	
<b>SITC 84</b>	22,316	20,912	21,127	19,723	19,136,	17,114	15,716	19,295	
<b>SITC 71</b>	6,741	5,344	6,208	7,098	7,163	4,475	7,795	11,572	
<b>SITC 85</b>	12,034	10,354	10,597	9,175	9,772	8,129	8,347	9,324	
<b>SITC 87</b>	10,982	7,701	7,280	7,110	7,117	5,992	6,638	8,892	
<b>EU Import from GCC</b>									
<b>All Products</b>	46,216	39,442	47,178	62,713	56,044	38,831	55,233	110,702	
<b>SITC 27</b>	31,861	25,836	31,633	44,531	41,018	20,648	34,209	83,941	

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<b>SITC 76</b>	1,675	1,635	1,977	2,626	2,232	1,768	2,987	4,793	
<b>SITC 39</b>	3,508	3,644	3,456	3,955	3,229	2,507	4,414	4,578	
<b>SITC 39</b>	3,508	3,644	3,456	3,945	3,218	2,498	4,434	4,884	
<b>SITC 29</b>	2,352	1,829	2,194	2,663	2,473	1,588	3,518	3,965	
	2,352	1,829	2,194	2,651	2,466	1,583	3,518	4,085	
<b>Trade Balance</b>	77,144	70,803	62,874	42,878	45,462	49,230	42,877		-394.457
	77,144	70,803	62,874	42,952	45,553	49,661	42,086	2,663	

The European Union's (EU/28) Foreign Trade with GCC members by SITC classification (2015-2022) (in Million USD)

Source: International Trade Center, Trade Map ([www.trademap.org](http://www.trademap.org)), own calculations

**Table 4.1**

	2015	2016	2017	2018	2019	2020	2021	2022	Total
<b>Saudi Arabia</b>									
Export	19,792	17,994	16,356	13,597	14,483	11,109	11,133	11,566	116.030

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Import	23,360	18,009	19,613	24,620	13,825	9,519	14,119	24,150	147.218
Trade Balance	-3,568	-16	-3,258	-11,023	658	1,589	-2,986	-12,584	-31.188
<b>UAE</b>									
Export	23,001	22,385	20,079	19,497	19,974	14,722	17,064	20,854	157.577
Import	2,601	3,557	4,474	5,224	4,572	3,217	6,224	7,315	37.184
Trade balance	20,400	18,828	15,604	14,273	15,403	11,505	10,841	13,539	120.393
<b>Kuwait</b>									
Export	2,741	3,296	5,098	2,975	3,171	2,218	3,038	3,398	25.936
Import	4,883	3,483	3,023	2,126	1,447	741	1,098	2,127	18.928
Trade balance	-2,142	-186	2,074	848	1,724	1,478	1,940	1,272	7.008
<b>Qatar</b>									
Export	4,223	4,927	3,124	4,428	6,457	3,411	2,582	3,647	32.798

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Import	1,385	1,189	1,237	1,619	1,749	1,218	1,964	3,020	13.381
Trade Balance	2,838	3,738	1,887	2,809	4,708	2,193	617	627	19.417
<b>Bahrain</b>									
Export	1,272	899	898	2,043	1,408	886	934	952	9.290
Import	951	805	1,033	1,025	1,096	669	1,320	2,025	8.924
Trade Balance	321	94	-135	1,017	311	217	-386	-1,073	366
<b>Oman</b>									
Export	2,355	1,803	1,984	2,415	1,937	1,131	1,397	1,487	14.509
Import	973	1,193	1,127	1,342	1,221	887	1,981	2,981	11705
Trade Balance	1,382	610	857	1,073	716	243	-584	-1,493	2.804

*U.S. exports and imports to and from GCC countries (2015-2022) (In Millions USD)*

*Source: International Trade Center, Trade Map ([www.trademap.org](http://www.trademap.org)), own calculations*

## China's Economic Ties to the Gulf: Comparisons with EU and US Economic Relations

Table 4.2

	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
<b>US Export to GCC</b>									
<b>All Products</b>	53,382	51,303	47,538	44,954	47,428	33,475	36,147	41,904	356.131
<b>SITC 88</b>	12,430	15,482	12,079	9,336	10,874	4,572	4,613	5,308	
<b>SITC 87</b>	10,187	7,918	6,230	6,327	6,485	4,844	6,215	7,649	
<b>SITC 84</b>	8,506	6,305	5,874	5,570	5,433	5,135	4,884	5,775	
<b>SITC 85</b>	5,551	4,604	5,331	4,929	5,198	4,092	4,352	4,847	
<b>US Import from GCC</b>									
<b>All products</b>	34,153	28,235	30,507	35,957	23,907	16,251	26,705	41,617	237.332
<b>SITC 27</b>	27,009	21,414	22,614	27,462	15,295	9,644	15,419	27,205	
<b>SITC 76</b>	1,423	1,989	2,709	3,126	3,151	1,949	3,210	4,504	
<b>SITC 31</b>	1,349	846	764	826	743	618	1,588	2,159	

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<b>SITC 39</b>	463	420	417	522	511	431	923	1,122	
<b>Trade Balance</b>	19,229	23,068	17,032	8,997	23,520	17,224	9,442	287	118.799

The United States' foreign trade with GCC members by SITC classification (2015-2022) (million USD)

Source: International Trade Center, Trade Map ([www.trademap.org](http://www.trademap.org)), own calculation

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  - 10 In 2022, the Kingdom made one of its largest investments in China with Aramco's USD 11 billion investment into a refinery and petrochemical complex in China's northeast. Energy security has also increasingly become a key priority for China. See Nadeen Ebrahim, "Xi Jinping: Chinese president lands in Saudi Arabia amid tensions with US," CNN, December 7 2022, <https://edition.cnn.com/2022/12/07/middleeast/china-xi-jinping-saudi-arabia-visit-intl/index.html>.



11 In 2021, Chinese importers spent the most on the following ten subcategories of mineral fuel-related products:

Crude oil: USD 229.3 billion (up 30% from 2020); Petroleum gases: USD 61.9 billion (up 47.2%); Coal and solid fuels made from coal: USD 22.9 billion (up 39.6%); Processed petroleum oils: USD 15.2 billion (up 28.5%); Coal tar oils (high temperature distillation): USD 9.2 billion (down -4.2%). See Daniel Workman, "China's Top 10 Imports 2021," World's Top Exports, accessed January 10, 2023, <https://www.worldstopexports.com/chinas-top-10-imports/>.

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18 In 2020, China ranked 28 in the Economic Complexity Index (ECI 0.96) and 1 in total exports (USD 2.65T). In the same year, Saudi Arabia ranked 32 in the Economic Complexity Index (ECI 0.86), and 30 in total exports (USD 167B). That same year, the United Arab Emirates ranked 51 in the Economic Complexity Index (ECI 0.16) and 24 in total exports (USD 216B). Kuwait ranked 56 in the Economic Complexity Index (ECI 0.059) and 51 in total exports (USD 41.6B). That same year, Qatar ranked 62 in the Economic Complexity Index (ECI -0.065) and 49 in total exports (USD 47.2B). Oman ranked 73 in the Economic Complexity Index (ECI -0.27) and 62 in total exports (USD 30.6B). Bahrain ranked 88 in total exports (USD 10.1B) but did not register data in the Economic Complexity Index. See China (CHN), Saudi Arabia, and the other GCC members in, "China/Saudi Arabia," OEC - The Observatory of Economic Complexity, accessed January 10, 2023, <https://oec.world/en/profile/bilateral-country/chn/partner/sau>.

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20 China's FTA partners are ASEAN, Singapore, Pakistan, New Zealand, Chile, Peru, Costa Rica, Iceland, Switzerland, Maldives, Mauritius, Georgia, South Korea, Australia, Cambodia, Hong Kong, and Macao. In addition, in November 2020, China and 14 other countries signed the Regional Comprehensive Economic Partnership. China announced the ratification of the agreement in early 2021.

21 The Standard International Trade Classification (SITC) is a product classification of the United Nations used for external trade statistics (export and import values and volumes of goods), allowing for international comparisons of commodities and manufactured goods. SITC 27: Mineral fuels, mineral oils, and products of their distillation; bituminous substances; minerals; SITC 29: Organic chemicals; SITC 39: Plastics and articles thereof.

22 SITC 85: Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television

SITC 84: Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof

SITC 94: Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings

SITC 87: Vehicles other than railway or tramway rolling stock, and parts and accessories thereof

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32 "China Global Investment Tracker," American Enterprise Institute and the Heritage Foundation, (<https://www.aei.org/china-global-investment-tracker>).

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