

China's Middle East Economic Diplomacy in the New Era

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Abstract

China's economic diplomacy in the Middle East has entered a new stage in the New Era. With a proposal to build a new type of international relations and a community with a shared future for mankind, China is strengthening energy and infrastructure cooperation with the Middle East countries and expanding collaboration in finance, post-conflict reconstruction, and the health industry. Technological innovation and green development have become new impulses for improving cooperation, and a multilevel and multifaceted China-Middle East cooperation pattern has been forged. China adjusts its economic diplomacy in the Middle East in the New Era considering multi-dimensional factors: First, to respond to both sides' new demands for economic development, seek solutions to the sluggish growth of its traditional economic cooperation pattern with the Middle East, and enhance high-quality cooperation; second, to promote a peaceful and stable regional environment and consolidate Middle East countries' diplomatic support to China, serving China's increasing security interest and need for political influence in the Middle East; and third, to improve Middle East countries' willingness and capacities to deepen their

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engagements in global economic governance and jointly build an open world economy to respond to mutual demands for international economic institutional reform. China's economic diplomacy would play an increasingly important role in the Middle East in the post-COVID period.

Keywords

China–Middle East relations; economic diplomacy; the New Era; the Belt and Road Initiative.

1. Introduction

Major country diplomacy with Chinese characteristics in the New Era aims to foster a new type of international relations and build a community with a shared future for mankind. As part of it, China's economic diplomacy growingly seeks to transform its economic strength into global economic governance capacities. Its basic features are upholding multilateralism and free trade, advocating fairness and win–win cooperation, intending to build an open world economy, and making globalization more open, inclusive, balanced, and universally beneficial.

China's economic diplomacy in the Middle East has also moved into a new phase. Ensuring energy security and pursuing economic interests have long remained China's primary goals in the Middle East. In the New Era, the increasing coordination of the Belt and Road Initiative (BRI) with regional countries' development strategies strengthens their economic ties and deepens diplomatic relations. Middle East countries have increasingly expected China to play a more general and constructive role in the region. The West, however, is gradually concerned about China's growing influence in the Middle East, especially its active economic diplomacy.

Economic diplomacy is defined as a decision-making process concerned with international economic issues (Bayne and Woolcock, 2011), aiming to secure the state's economic security in the anarchic world (Lee and Hocking, 2010). It is also described as "economic statecraft" which is diplomacy to employ economic resources to fulfill specific objectives of the states' foreign policies (Berridge and James, 2003). Thus, economic diplomacy can be classified into two forms: one is to use political means to improve the economic prosperity of the nation; and the other is to promote the state's political stability through economic tools (Okant-Heijmans, 2011). There is also a new definition that inclines to understand economic diplomacy as a two-way conversation between power and wealth by the

governments (Zhang, 2016). However, some view it only as activities conducted by states to resolve economic disputes by peaceful means, refuting economic activities' impact on a state's diplomacy or political issues (Zhao, 2011). In general, economic diplomacy should be viewed as a two-way interactive connection between economy and diplomacy, both goals and tools of each other, intending to serve the country's objectives of existence, security, and development.

Economic diplomacy is a crucial part of China's Middle East diplomacy, well acknowledged to concentrate on pursuing energy security and economic interests. But there are arguments about whether China intends to become an influential external political power in the region through economic diplomacy. Some hold that China expects to translate its economic resources into political influence in the Middle East but avoid large-scale diplomatic and military involvements, especially when its competition with the United States has increasingly tensed. Being regarded as a defensive offshore balancer in the region (Ghiselli and Giuffrida, 2020), China was believed to employ a Middle East strategy with the aims of balancing against the US's influence in the Middle East, preserving internal stability, and improving great power status, besides ensuring the energy supply (Scobell and Nader, 2016). Some even suggested that China should intensify its investment of economic and political resources to further promote its influence as a major external power in the Middle East (Evron, 2017). However, some research found that a country's economic power could not directly or easily convert into political influence, and the conversion process is complicated and uncertain (Kastner and Pearson, 2021; Salamon and Siegfried, 1977). Partially emphasizing the political motivations overlooks the economic-directed characteristic of cooperation between China and Middle East countries and skews, to some extent, the goals and nature of China's Middle East economic diplomacy.

At the same time, others argued that China's economic diplomacy in the Middle East was driven solely by economic considerations rather than security or political ones, claiming that political relations would not intervene in China's economic cooperation with the regional countries (Sun and Zoubir, 2015; Niu, 2021). Concerning its economic diplomacy toward those who remain in conflict conditions, China actively mediates conflicts through both economic and political means intending to preserve its economic interests (Chaziza, 2019). This group of scholars refuted the opinions that China uses economic means as a leverage to expand political and

military influence in the region. However, their arguments neglect the new trends that the effects of China's Middle East economic diplomacy are spilling over to other fields. These are inconsistent with the fact that China has risen as a regional and global power in all directions and downplay the necessity and inevitability of China's participation in global and Middle East governance.

Generally, there are two explanations for China's impetus to strengthen economic diplomacy in the Middle East: political-driven or economic-driven. However, a single perspective of either economic or political direction may not be able to fully interpret the adjustments and complexity of China's Middle East economic diplomacy besides its Middle East policy in the New Era. Economic diplomacy is an important part of China's Middle East policy and a typical case of major country diplomacy with Chinese characteristics, entering a new stage with complex economic and political pursuits. This article intends to observe the new trends and multi-dimension of China's economic diplomacy toward Middle East countries, from the perspective of mutual promotion of economic benefits and political influence, and discuss the motivations for these changes.

2. New Trends of China's Economic Diplomacy in the Middle East

Guided by diplomatic ideas to build a new type of international relations and a community with a shared future for mankind, China's economic diplomacy toward Middle East countries has enhanced the quality of cooperation, found new cooperation growth points, and shaped a multi-layer cooperation framework.

2.1. *Expanding cooperation to new areas*

In the New Era, China–Middle East economic cooperation, based on energy trade, has expanded to new areas, including non-oil trade, infrastructure construction, finance, and post-conflict reconstruction, and further developed in the medical industry during the COVID-19 pandemic.

First, the China–Middle East cooperation on energy, non-oil trade, and infrastructure construction is further optimized. In the energy sector, China imported 250 million tons of crude oil from Arab states, its largest overseas energy imports source, in 2020. Saudi Arabia, Iraq, Oman, UAE, and

Kuwait rank among China's top 10 crude oil suppliers. Among them, China imported 84.9 million tons of crude oil from Saudi Arabia in 2020, with a growth of 1.9%. Besides oil trade, China has expanded its energy cooperation with Middle East countries to the whole industrial chain, including drilling, R&D, and refinery. In July 2018, China and UAE reached an oil-prospecting deal worth US\$1.6 billion, which was the world's largest onshore and offshore seismic survey project. In February 2019, a Chinese firm gained Saudi Aramco's research program for the first time.

Regarding the non-oil trade, high-value-added products propel the growth of China's goods exports to the Middle East. China has become the largest trading partner of Iran and 10 Arab states, including Saudi Arabia, Egypt, and Kuwait. Its export volume to the region reached US\$163.2 billion in 2020, up from US\$144.2 billion in 2017. China's exports to Saudi, Turkey, and Egypt grew by 18.4%, 18%, and 12.1%, respectively. Machinery and high-tech products accounted for 67.4% of China's exports to Arab states, evidently boosting the increase in exports.

China has also raised its participation in infrastructure construction in the Middle East. Chinese firms have built several housing and transportation projects in the region, such as Israel's new port of Haifa, the Al-Rayyan Stadium for the Qatar World Cup, and the CBD of Egypt's new capital. Besides, China has developed cooperation with Middle East countries in new infrastructure construction, including railway transportation, extra-high-voltage transmission project, 5G network, and big data centers. The Tel Aviv Red Line railway built by CRCG started construction in February 2017 and plans to operate in 2022. Huawei reached a deal with UAE's biggest telecom operator in 2019 to build 600 5G base stations. In October 2021, a Chinese company signed a contract to jointly build an extra-high-voltage direct power transmission project linking Saudi and Egypt, with the highest voltage and the longest distance in the region.

Second, China–Middle East financial cooperation is improving rapidly. China has progressively increased investment in the Middle East, which surpassed the US and UAE and became the biggest foreign investor in the region in 2016, holding 31.9% of foreign direct investment (*Middle East Monitor*, 2017). Asian Infrastructure Investment Bank (AIIB) has emerged as a new platform for financial cooperation between both sides. Twelve Middle East countries have become full members accounting for 10.82% of

the voting rights, and other six countries proposed to join in (AIIB, 2022). Since 2017, the AIIB has approved 20 loan and investment projects for Turkey, Egypt, Oman, and Jordan, amounting to US\$4.47 billion. China and Middle East countries continuously established new multilateral mechanisms to promote their financial cooperation, such as the China–Arab States Bank Consortium set up in July 2018. In terms of currency cooperation, the internationalization of the renminbi (RMB) has yielded great progress. Turkey's central bank first used RMB for funding in June 2020 and increased the currency swap deal with China to 46 billion lire and 35 billion yuan. Iran also announced to accept RMB and digital RMB for some of its oil trade with China to circumvent US sanctions and raised the scale of RMB in its foreign exchange reserves.

Third, China is further participating in post-conflict reconstruction in the Middle East. In the eighth ministerial meeting of the China–Arab States Cooperation Forum, China announced to offer 600 million yuan to Syria, Yemen, Jordan, and Lebanon for humanitarian aid and infrastructure reconstruction. Chinese companies have increased their engagements in post-conflict reconstruction in the Middle East. China and Iraq have reached an “oil for reconstruction” cooperation, under which Iraq would export 100,000 barrels to China per day in exchange for the latter's investment in reconstruction (Zidane, 2019). In Syria, the Assad government has publicly claimed that China and Russia would attend to its reconstruction with priorities. China supports Syria in prioritizing economic reconstruction and has dispatched business delegations to attend the Rebuild Syria expo. In January 2022, China and Syria signed a memorandum of cooperation to jointly build the Belt and Road, which will spur China's further involvement in Syria's reconstruction.

Fourth, health cooperation has emerged as a new driver of China–Middle East economic connections. During the COVID-19 pandemic, China provided medical aid to Middle East countries and sent medical expert teams to share experience in fighting the COVID-19, besides increased exports of drug and medical products to the region. In April 2020, China reached a deal worth US\$265 million to provide coronavirus test kits and build six laboratories for Saudi Arabia. China's drug exports to the UAE reached US\$1.03 billion in the first 10 months of 2021, which was only US\$25.6 million in the whole year of 2019 (General Administration of Customs of China, 2021). The pandemic also spurred Middle East countries to develop their medical

industries. The region's planned medical projects reached a scale of US\$68.8 billion and US\$53.2 billion will be used in the Gulf states (*Arabia Monitor*, 2020), showing tremendous potential to deepen health cooperation with China. Vaccine cooperation is a critical area. UAE was the first country to approve the use of China's COVID-19 vaccine, and its Vice President Maktoum even publically adopted it. As of July 2021, China had aided and exported 120 million doses of COVID-19 vaccines to 17 Arab states and the Arab League. Besides, Egypt, UAE, Algeria, and Morocco cooperated with Chinese companies to localize the COVID-19 vaccine production, becoming the first group of countries with such capacity in the region.

2.2. New drivers: Technological innovation and green development

Both China and the Middle East countries intend to promote their economic development through technological innovation during the emerging Fourth Industrial Revolution. Xi Jinping's report at the 19th CPC National Congress proposed to make China an innovative country, highlighting that "Innovation is the primary driving force behind development; it is the strategic underpinning for building a modernized economy" (*Xinhua News*, 2017). Meanwhile, Middle East countries are also seeking to develop knowledge economies based on the Internet and artificial intelligence (AI) as a path to reduce their reliance on oil exports and create more diverse economies. Therefore, tech diplomacy and innovation diplomacy have played increasingly important roles in China's economic diplomacy toward Middle East countries in the New Era. Cooperation between both sides has expanded to high-tech sectors, including information and communication technology, aerospace, biotechnology, big data, and cloud computing.

China and Middle East countries are promoting digital economy cooperation, jointly building the Digital Silk Road. The Internet has emerged as a new space for China to extend economic diplomacy toward the Middle East countries. During the COVID-19 pandemic, the e-commerce and online education market blossomed in the region, expected to grow to US\$48.6 billion by 2022 (*The National News*, 2018). Chinese cross-border e-commerce platforms, such as the Jollychic, have taken an increasing market share in the Middle East. The China–MENA digital expo, held in November 2020, provided an online trade platform for both sides during the pandemic lockdown. Besides, both sides have collaborated to bolster

digitalization, focusing on digital infrastructure construction and digital education. The Chinese company Huawei has reached deals to build 5G stations in Saudi, UAE, Kuwait, and Oman. In November 2019, a Chinese company signed an agreement worth US\$362 million to build AI teaching labs in 1,310 primary and secondary schools in the UAE. China and Middle East countries are also cooperating in global digital security governance. China, Saudi, Turkey, UAE, and others jointly launched the Belt and Road Digital Economy International Cooperation Initiative in December 2017. Middle East countries actively responded to a Global Initiative on Digital Security proposed by China, and the Arab League signed a Data Security Cooperation Initiative with China in March 2021.

China and Middle East countries have also proposed to co-build the Space Silk Road in aerospace. China is promoting the use of the BeiDou Navigation Satellite System (BDS) in the Middle East and has established the institutionalized China–Arab States BDS Cooperation Forum to promote bilateral satellite cooperation. In April 2018, the China–Arab States BDS center, the first overseas center of the BDS, was inaugurated in Tunisia. In terms of technological research and development, China launched a communication satellite for Algeria in April 2017, which marked the first successful China–Arab cooperation in aerospace. In May 2018, China's Chang'e-4 lunar mission carried an optical camera manufactured by Saudi Arabia.

Green development is the other new impulse for China to strengthen economic diplomacy in the Middle East. China and several regional countries have set up emission reduction targets. China has pledged to reach the peak carbon emission by 2030 and become carbon-neutral by 2060. UAE proposed to achieve net-zero emission by 2050 while Saudi Arabia will make it by 2060. And Turkey has ratified the Paris Agreement and intends to reduce emissions by 21% by 2030. China is also a crucial partner for the green development transition in the Middle East and North Africa (Elnaggar, 2019). On the one hand, China and Middle East countries are cooperating in the new energy sector, including wind, solar, and nuclear. Oil-producing countries are expected to reduce reliance on fossil fuels by popularizing renewable energy, while others intended to fulfill their rising demand for electric power. The Benban Solar Park in Egypt was invested in and built by a Chinese firm and started to operate in June 2019, expected to generate 1.8 GW of electricity and become one of the

world's largest solar photovoltaics. The Hassyan power plant in Dubai, the first clean coal project in the region, was also built by a Chinese firm and started commercial operation in September 2021. On the other hand, China propels Middle East countries to increase engagements in the global multilateral cooperation on green development. The Green Silk Road Initiative corresponds to the Green Middle East and the Green Saudi Initiatives put forward by Saudi in 2021. Iran, Israel, and UAE joined the BRI International Green Development Coalition set up in 2019. Saudi and UAE also became the launch countries of the BRI Green Development Partnership in June 2021.

2.3. Shaping a multi-layer cooperation framework

China has long highlighted bilateral economic diplomacy in the Middle East. The China–Arab Cooperation Forum, established in 2004, was a successful attempt to promote integral economic diplomacy in the region. In the New Era, regarding both integrity and divergence of the region, China has shaped a multi-layer framework covering bilateral, regional, and global multilateral cooperation.

Bilaterally, China's economic diplomacy focuses on Arab states, which continues the "1 + 2 + 3" cooperation patterns declared in China's Arab Policy Paper issued in 2016. Their cooperation in energy, trade, and investment are improving steadily. The fifth China–Arab States expo, held in August 2021, reached deals for 277 projects and entailed US\$24.1 billion in investments ([China Daily, 2021b](#)), showing strong potential for closer China–Arab economic connections. Meanwhile, China has strengthened its economic ties with Iran, Turkey, and Israel. In March 2021, China and Iran signed a 25-year cooperation agreement highlighting energy and infrastructure construction, coming into effect in January 2022. Turkey has a mature industrial foundation, and thus industrial collaboration has become a new growth point of its cooperation with China, besides new energy and transportation infrastructures. China and Israel have further cooperated in technological innovation and advanced manufacturing and established the Comprehensive Innovation Partnership in March 2017. Both sides had already set up several innovation cooperation platforms, focusing on energy/environmental protection, new materials, communication technology, advanced manufacturing, and modern agriculture.

High-level diplomacy and strategic partnership are further increasing China's economic cooperation at the bilateral layer. During Xi's visit to UAE in July 2018, the two sides signed a series of cooperation deals on energy, e-commerce, and agriculture. In February 2019, Saudi Arabia's Crown Prince Mohammed bin Salman visited China and reached 35 economic cooperation deals worth US\$28 billion. During the UAE Vice President Maktoum's visit to China, two cooperation projects worth US\$3.4 billion started. In Chinese president Xi Jinping's visit to Saudi Arabia in December 2022, China and Saudi signed cooperation deals worth more than US\$29.3 billion and agreed to hold regular bilateral summits every two years. The institutionalization of high-level strategic interactions would further strengthen China-Saudi friendship and economic ties. Besides, China has established partnerships with 15 Middle East countries, resulting from their close economic ties and driving further cooperation in the future. UAE, for example, is China's important oil supplier and trade partner. After building the Comprehensive Strategic Cooperative Partnership in July 2018, the bilateral trade volume increased to US\$45.9 billion in that year with a growth of 12%, and reached US\$48.7 billion in 2019.

At the regional layer, China is applying integral economic diplomacy in the Middle East, highlighting the construction of regional economic cooperation mechanisms. In July 2018, the China-Arab Forum reached the Declaration of Action on China-Arab States Cooperation under the Belt and Road Initiative, the first kind of paper signed with the collectivity of states in a region. The first China-Arab Summit held in December 2022 was the largest-scale diplomatic event between China and Arab states, reflecting that China increasingly views the Arab World as a whole and carries out integral cooperation to boost mutual economic development and prosperity. Due to the escalation of the regional geopolitical conflicts, China has not yet integrally taken Arab states and other regional countries to promote economic cooperation. However, the normalization between Israel and four Arab states in 2020 is conducive for China to employ an integral economic diplomacy toward the whole region.

At the multilateral level, China is conducting economic diplomacy in the Middle East through global and cross-regional cooperation mechanisms. China has long supported international organizations, such as the United Nations Development Programme (UNDP) and the World Bank, in providing multilateral development aid, promoting governance capacity, and

holding training programs for developing countries in the Middle East. The Shanghai Cooperation Organization (SCO) is emerging as a new platform for China to strengthen economic diplomacy toward Middle East countries. In August 2021, the SCO started to grant Iran full membership while Saudi Arabia, Egypt, and Qatar became Dialogue Partners. Meanwhile, China improved economic cooperation with Middle East countries in the Belt and Road multilateral network. Currently, 20 countries in the Middle East have joined the Belt and Road Initiative and started to participate in third-party cooperation under the framework of BRI. Saudi Arabia announced a US\$10 billion investment to build an oil refinery factory in the Gwadar Port in Pakistan. And it became the first third-party partner of the China–Pakistan Economic Corridor and innovated the international multilateral cooperation pattern of the BRI. China also signed a Memorandum of Understanding (MoU) with UAE in July 2019 for cooperation to facilitate the Belt and Road Initiative in the Middle East and North Africa.

3. China's Motives to Adjust Economic Diplomacy in the Middle East

The China–Middle East economic cooperation, taking energy trade as a core, is strongly complementary and balanced. But their goals and demands have changed while the space for cooperation enlarged. Besides consolidating cooperation in traditional areas, China's Middle East economic diplomacy in the New Era also aims to prompt the merger of the BRI with regional countries' development strategies and promote their involvement in global economic governance.

3.1. *Enhancing the quality of cooperation*

The primary goals of China's economic diplomacy in the Middle East remain to fulfill its increasing energy demands and promote bilateral trade and investment. However, the traditional scenario of China–Middle East economic cooperation in energy, trade, and infrastructure construction is under growingly complex competition but without sufficient momentum.

Energy trade between China and the Middle East oil-producing countries remains high while the growth is sluggish. First, China's diversification of oil import sources weakens the importance of energy from the Middle East to some extent. The Middle East is still China's most important

overseas energy supplier, but its share has declined to 46% in 2020. Second, China is adjusting its energy consumption structure. To achieve the carbon peaking and carbon neutrality goals, China intends to increase the non-fossil fuel share of its total energy use to 20% by 2025 and finally meet the target of 80% by 2060, indicating that it would gradually reduce oil imports from the Middle East. Third, regional oil-producing countries' demands for energy are soaring because of their growing population and ongoing industrialization. For example, more than one-fourth of Saudi's oil production is consumed domestically, and analysis has even predicted that Saudi might become a net oil importer by 2030 (Ali, 2012).

Meanwhile, China's exports of goods and services to the Middle East are under rising competition and pressure from inside and outside the region. Middle East countries, such as Egypt, Jordan, and Turkey, are promoting the localization of industries to develop labor-intensive industries relying on their thriving population, while products from South Asia and India also have entered the regional market. China's middle- and low-end manufacturing products exports, such as textiles, are under increasing competition. Besides, China's infrastructure construction cooperation with Middle East countries is facing both homogenous competition and political pressure from the external great powers. On the one hand, Turkey is highly competitive in the infrastructure market in the Middle East, especially in transportation and housing projects. There were 44 Turkish firms among the global top 250 contractors in 2020, second only to China (Ergocun, 2020). On the other hand, the US keeps putting pressure on its regional allies to reduce cooperation with China in crucial infrastructures. For example, the US is worried that China will make use of ports in the region to deliver its naval forces or restrict the US's naval power access (Wasser *et al.*, 2022). Thus, the US asked Israel's Netanyahu government to re-examine the new port of Haifa run by the Chinese company Shanghai International Port Group (SIPG). Israel rejected it but established a mechanism to supervise foreign investment mainly directed against China.

Besides, both China and Middle East countries have adjusted their economic development goals and paths. The 19th CPC Congress report figured out that China's economy had been transitioning from a phase of rapid growth to a stage of high-quality development. It meant that China would pay more attention to the quality and sustainability of economic development while pursuing continuous growth, further highlighting

technological innovation as the engine. Middle East countries are urging to advance economic transition and improve living standards. Thus, they have introduced a series of development strategies focusing on economic diversification and industrialization, including Saudi Arabia Vision 2030, Kuwait Vision 2035, Qatar National Vision 2030, Turkey Middle Corridor Initiative, and Oman Vision 2040. These strategies reflect regional countries' aims to not only change their monotonous economies and promote industrialization but also catch up with the advanced digital and renewable energy technologies, which pump their demand for advanced industrial products and technologies.

Since both sides are dedicated to economic transition and upgrading, China and Middle East countries put forward new demands for economic cooperation. Therefore, China's economic diplomacy in the Middle East also needs to make corresponding adjustments, highlighting two directions of energy and technology, to seek breakthroughs while consolidating the existing cooperation achievements.

First, promoting the transition of energy cooperation is the central driver for the adjustment. On the one hand, China and the regional energy-producing countries cooperate in the entire chain of oil and gas production. The natural gas reserves in the Middle East account for a quarter of the world's proven reserves. Iran, Qatar, Saudi Arabia, and UAE are among the global top 10 gas reserve countries. However, China's cooperation with Middle East countries on natural gas is still at a low level, only Qatar ranks among China's top 10 overseas liquid natural gas (LNG) suppliers. The global trends of low-carbon transition lead the natural gas industry to remain a seller's market, and China's demand for natural gas would sharply rise to fill the energy gap resulting from the declining use of coal. Therefore, strengthening cooperation with Middle East countries on the exploitation and transportation of natural gas is more effective for China to ensure energy security and optimize its energy consumption structure. On the other hand, promoting cooperation in the new energy sector, Middle East countries are accelerating the renewable energy transitions to respond to the rapidly rising demands for energy and electricity, countering the possible low-carbon barriers set by other countries. Chinese President Xi announced at the 75th UN General Assembly that "China supports other developing countries to develop green and low-carbon energy, and will stop building new coal-fired power plants abroad" (*Xinhua News*, 2020).

Due to the regional trends of green transition, the development and utilization of new energy would drive further energy cooperation between both sides. China advantages Chinese firms to engage in Middle East countries' energy transition plans.

Second, technology cooperation highlights China's Middle East economic diplomacy in the New Era. The trade structure between China and Middle East countries has been optimized, within which value-added and high-tech products drive continuous bilateral trade growth. Middle East countries' demands for vehicles and mobile phones keep rising. In 2020, 33% of China's vehicle exports were directed to the Middle East. Chinese mobile brand Xiaomi reached a share of 12% in the Middle East smart-phone market in 2021, ranked in the second place (Wang, 2022). The promotion of industrialization and digitalization in the Middle East stimulates their demands for machinery and digital facilities. The increasing exports of high-value-added products have not only raised bilateral trade volume but also contributed to the spread of Chinese brands and technological standards at the global level. Besides, China's technological advantages and competitiveness in the high-tech sector, including 5G communication, digital infrastructure, and smart grids, meet Middle East countries' demands for innovation, leading to enhancing cooperation in new infrastructure.

3.2. Serving its growing security and political interests

Besides ensuring energy security and promoting trade and investment, China has growing security and political interests in the Middle East that are preserving peripheral security, countering terrorism, and gaining diplomatic support from regional countries. Since the outburst of the Arab Upheaval in 2010, the security order in the Middle East was under reshaping while geopolitical conflicts frequently broke out and spilled over to the whole world. As a responsible great power, China proposed to play a more constructive role in promoting peace and stability in the Middle East, actively engaging in the region's security governance. China claimed to be a builder of peace, a promotor of stability, and a contributor to the development of the Middle East. As the largest trade partner and the most important oil export destination of the Middle East, China increasingly used economic means as leverage to fulfill its political and security interests.

First is promoting peace and stability in the Middle East through economic diplomacy to prevent the spillover of conflicts and security risks. The security situation in the Middle East markedly impacts China's peripheral security environment, and thus it needs to prevent the spread of regional conflicts and curb the infiltration of terrorism and extremism. Highlighting the idea of Peace through Development, China strengthened economic diplomacy in the Middle East. President Xi's speech at the Arab League headquarters in January 2016 declared that "turmoil in the Middle East stems from the lack of development, and the ultimate solution will depend on development" ([China Daily, 2016](#)). Chinese Foreign Minister Wang Yi also outlined "to accelerate development cooperation" as one of the five initiatives for Middle East security and stability, proposing to reduce turmoil, terrorism, and extremism through economic development. Since the Arab Uprising, Middle East countries have continuously explored their own economic governance and modernization paths, prioritizing economic transition and livelihood improvement to maintain political stability. The concepts of Peace through Development and Security through Cooperation meet Middle East countries' demands for peace and development. This further improved their willingness to prioritize economic development and create a stable regional environment for enhancing cooperation with external countries. China has not only increasingly cooperated with Middle East countries to bolster mutual economic growth but also shared its development mode and experience. The Sino-Arab Reform and Development Forum, first launched in April 2018, has become an institutionalized platform to share development experiences between China and Arab states.

Economic diplomacy also acts as an essential means for China to mediate conflicts in the Middle East. Due to its limited political influence and mediation tactics in the region, China is inclined to reconcile regional conflicts and advance the political solution through economic means. Providing economic and humanitarian aid to fragile states has become a significant form of China's economic diplomacy toward the Middle East. Since the outbreak of the Syrian crisis, China has supplied humanitarian aid worth more than 685 million RMB to Syria and signed economic and technological assistance cooperation deals with it. Also, China has provided Yemen with more than 10,000 tons of food aid from 2017 to 2020 to help Yemen ease the food crisis. Since the Palestinian–Israeli conflict had escalated in May 2021, China announced offering Palestine with US\$1

million emergency aid and 200,000 doses of COVID-19 vaccines to prevent a worsening humanitarian crisis. China promoting peace talks through economic diplomacy is conducive to increasing its political credibility in the region.

Second is enhancing mutual trust and rallying diplomatic support from Middle East countries to respond to the increasingly complex international situation. In recent years, the growingly tense China–US competition puts great pressure on China’s diplomacy, and thus China needs more international support. Promoting common benefit through economic diplomacy has been attributed to deepening mutual trust and improving diplomatic relations between China and Middle East countries. On the one hand, Middle East countries have offered diplomatic support for China in the multilateral arena, especially the Arab states have displayed their political values to secure China’s core interests (Niu, 2021, p. 35). Since the outbreak of the COVID-19 pandemic, there has been stigmatization toward China, but Middle East countries firmly supported China’s fight against COVID-19. The Arab League adopted a resolution to appreciate China’s efforts to fight the pandemic in March 2020. Middle East countries also publicly supported China’s Uyghur policy. GCC countries, Egypt, Algeria, and Syria jointly delivered a letter to the UN Human Rights Council to praise China’s human rights situation in Xinjiang. On the other hand, economic cooperation strengthens the people-to-people connectivity between China and Middle East countries. A November 2018 INR poll showed that 46% of Turks viewed China favorably and it revealed a constant rise since October 2015 (Ahval News, 2019). A Pew research in 2019 found that over 60% of interviewers in Israel, Lebanon, and Tunisia had a favorable view of China (Silver *et al.*, 2019). According to the latest Arab Barometer poll, China is the most welcomed external great power, and nine out of 12 Arab states had more than 49% of people favoring strengthening the economic ties with China (Robbins, 2020).

However, China’s strengthening economic diplomacy in the Middle East does not mean exacerbating external powers’ geopolitical competition in the region. Unlike the US and EU taking economic aid and sanction as tools of their “carrot and stick” policy, China does not impose any unilateral sanctions on the Middle East countries out of UN resolutions. Also, China’s trade, investment, and economic assistance to the region comes without political conditions, reflecting mutual respect and win–win cooperation as

its economic diplomacy features. Since the eruption of the Arab Upheaval, the importance of China–US cooperation in the fields of economy, politics, and security governance in the Middle East has risen. And China's further engagements in the region are beneficial to make up for the governance deficit. President Xi said, "Instead of looking for a proxy in the Middle East, we promote peace talks; instead of seeking any sphere of influence, we call on all parties to join the circle of friends for the Belt and Road Initiative; instead of attempting to fill the 'vacuum', we build a cooperative partnership network for win-win outcomes" (China Daily, 2016). In general, China improves its influence in the Middle East through economic diplomacy aiming to promote peace and stability in the region and provide public goods, rather than aggravating geopolitical competition with the US.

3.3. Promoting Middle East countries' engagement in global economic governance

Emerging market economies have risen and gradually become important participators of global economic governance. As the largest developing country, China proposed to build a world economy based on ideas of openness, cooperation, innovation, and sharing, to further promote economic and social development under a fairer world economic order. Thus, China emerges as both a norm-maker and a norm-taker (Paradise, 2019), seeking to shape and create economic norms to promote an open world economy rather than simply absorbing the existing rules and norms of the international order (Dian and Menegazzi, 2018). Economic diplomacy is an important instrument for a great power to shape ideas and institutions for global economic governance. Since the financial crisis of 2008, China has progressively transformed its participatory economic diplomacy into a leading one (Li and Sun, 2014). Then, China's economic diplomacy has a new mission to prompt the international society, especially developing countries, to build a new global economic order and enhance their willingness and capacities to engage in global economic governance.

Middle East countries are non-negligible in the global economic governance reform. As the world's main energy supplier, Gulf states play a critical role in energy governance, international aid, and investment. Saudi Arabia and Turkey, on behalf of Middle East countries, expressed their demands and contributed to global economic governance through the G20 platform. Besides, Middle East countries' demands for multilateralism

and free trade keep rising. Geopolitical competition among great powers and the COVID-19 pandemic further aggravated the trends of unilateralism and trade protectionism, which exacerbate Middle East countries' economic predicaments and hinder their economic transition. Thus, promoting a world economy with efficiency, equality, and fairness is conducive for Middle East countries to adjust to the economic imbalance.

Based on their rising economic discourses and demands for institutional reform, China and Middle East countries cooperate to promote the transition from a hegemon-led global economic governance to a cooperative one (Xu, 2012). China's Middle East economic diplomacy intends to increase regional countries' involvement in global economic governance by spreading new concepts of governance, consolidating material foundations, and providing new mechanism platforms.

First, China is spreading new concepts of global economic governance to Middle East countries through economic diplomacy. China's views of global economic governance were first declared in Xi's opening speech at the 2016 G20 Summit and he regarded that it should "be based on equality, embrace openness, and driven by cooperation" (Xi, 2016). These concepts conduce the Middle East countries to reshape their development capabilities and improve engagements in global cooperation under a fairer international economic order. These ideas also contribute to breaking the zero-sum game in the Middle East and impact the interaction pattern among regional countries. China and Middle East countries jointly practice and examine these new ideas of global economic governance in their bilateral, regional, and multilateral cooperation, to ameliorate it through the development of a win-win and sustainable cooperation mode. Besides, Middle East countries accept and internalize these new concepts and then practice them in their economic activities, which would further propel Chinese governance concepts to be a new international consensus.

Second, China is promoting Middle East countries' engagements in global economic governance under the new mechanisms. Evolving and innovating international economic norms and mechanisms are crucial to promoting global economic governance reform and building an open world economy. The Belt and Road mechanism with pluralistic participants provides a multilateral economic governance platform for Middle East countries. There are both energy-producing and energy-consuming countries along the Belt and Road, thus their energy cooperation mode would

provide dimensions for the global energy governance institutional reform, in which the role of Middle Eastern oil exporters is hard to replace. Algeria, Iraq, Kuwait, Sudan, and Turkey have joined the BRI energy cooperative partnership. Besides, the Middle East lies at the crossroads of continents and bridges countries along the Belt and Road, being significant to promote unimpeded trade and road connectivity. China is cooperating with Middle East countries to shape norms in the digital economy and artificial intelligence. The current lack of norms in the new technology areas brings uncertainty to international cooperation. Internationalizing technical standards and institutional norms is also a process to increase the institutional discourses of China and Middle East countries in global economic governance.

4. Conclusion

In the New Era, China's economic diplomacy in the Middle East pursues changes while preserving stability. It develops new growth points and patterns of cooperation while consolidating energy collaboration. The Belt and Road Initiative and the proposal to build a community with a shared future for mankind further coordinated with Middle East countries' development strategies in multiple dimensions. Economic diplomacy promotes China–Middle East cooperation in more areas and enhances diplomatic relations. It is not only a practice of concepts of equality, openness, and inclusiveness but also a path to improve regional countries' willingness and capacities to participate in global economic governance, countering thoughts of unilateralism, anti-globalism, and “new Cold War”. As an important part of its multilateral economic diplomacy, China's economic diplomacy in the Middle East promotes mutual development as well as peace and stability. Moreover, economic interactions between China and Middle East countries contribute to shaping an open world economy and promoting global economic governance reform, which highlights win–win cooperation and mutual development.

China's Middle East economic diplomacy in the New Era still concentrates on securing energy supply and chasing economic interests, while adjusting cooperation patterns to deepen their connections. Also, China intends to resolve geopolitical and security conflicts and promote peace and stability in the Middle East through economic diplomacy, widely

supported by the regional countries. During the COVID-19 pandemic, the collapse of oil prices plunged the Middle East into the worst economic recession in 40 years. Oil-producing countries suffered from a sharp decline in oil export revenue while others sank into economic crisis because of the lockdown that had obstructed goods trade and cross-border personal exchanges. And those war-torn countries like Syria, Yemen, and Libya were caught in severe humanitarian crises. The COVID-19 pandemic has also aggravated the trends of protectionism and anti-globalism and hindered Middle East countries' economic recoveries. As the first major economy recovered from COVID-19, China provided a strong driving force for the economic resurgence in the Middle East. China's resumption of industrial production made it the main global commodity supplier and rapidly rose its energy demand. Besides, China upheld the principles of multilateralism and open trade, which is critical for Middle East countries with high external economic reliance. Thus, promoting an open world economy emerges as an intersection of strategic interests between China and Middle East countries.

China's Middle East economic diplomacy has moved into a new adjustment phase. The Dual-circulation development paradigm, floated in the fifth plenary session of the 19th CPC Central Committee, would direct China to turn its reactive economic diplomacy into a more proactive one (Zhao and Lang, 2022). And thus, China might develop its economic diplomacy in the Middle East in three directions: first, continuously increasing the volume of economic cooperation by emphasizing technical innovation in industrial capacity cooperation; second, promoting mutual investment. China's direct investment in Arab states reached US\$20.1 billion, but Arab states' FDI to China only amounted to US\$3.8 billion (China Daily, 2021a). Since China has relaxed restrictions on foreign investment, it is more convenient for regional sovereign wealth funds to invest in China. In November 2021, Saudi Arabia's Public Investment Fund (PIF) applied for a license as a Qualified Foreign Institutional Investor (QFII) in China, which the ADIA and Kuwait Bureau of Investment obtained; and third, further improving coordination of the BRI and Middle East countries' development strategies and cooperation to build an open world economic order through economic diplomacy. However, it also should be noted that China's economic diplomacy in the Middle East is facing complicated challenges. Turmoil in the region, great powers' intense

geopolitical and high-tech competition, and the spreading of national governance crisis exacerbate the regional political instability and security environment for development. At the same time, China needs to optimize the economic and diplomatic resources allocation to improve further cooperation in all dimensions with Middle East countries with more efficiency.

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