

Chinese President Xi Jinping's Trip to Saudi Arabia from December 7-9: A Brief Analysis

The global context for President Xi's visit was that China had shown signs of moving into the Middle East, as the US had indicated its desire to reduce its influence in it. Now, Beijing is expanding its footprint in the region. Also, Xi's visit came against the backdrop of a period of geopolitical realignment and strained US-Saudi relations over energy supplies and human rights concerns. Another fundamental global context for the visit is that the newly confident China is asserting itself as a global power countering the overwhelming US influence. More specifically, China aimed at somehow weaning Saudi Arabia away from the formidable American embrace. Also, a new geostrategic reality in the Middle East was the growing role of Saudi Arabia in it. Therefore, the visit indicated that China was seeking to expand its ties with Saudi Arabia.

The summit was a milestone in cementing political ties and paving the way for a larger Chinese role in Arab economies and security. Saudi Crown Prince Mohammed bin Salman (MBS), the de facto leader of the kingdom, went out of his way to welcome Xi, giving the Chinese president a far better reception than the one he offered President Biden in July.

The trip was a remarkable success and will usher in a new phase for the advancement of relations between the two countries. It realized the China-Saudi bilateral agreement, participation in the first Arab Summit, and participation in the Gulf Summit. The first China-Arab States Summit was one of the most momentous events that have taken place in the recent past. The summit issued the Riyadh Declaration signed by heads of the state of 21 countries, announcing that China and the Arab states agreed to make all-out efforts to build a China-Arab community with a shared future in the new era of Saudi Arabia and China also symbolically inked a comprehensive strategic partnership agreement and a harmonization plan. Xi's visit sent powerful signals that Sino-Saudi ties are entering a new period of rapid development. Saudi Arabia has emerged as one of Beijing's leading strategic partners in the region in recent years.

Achievements

During Xi's visit, Saudi Arabia and China released a nearly 4,000-word joint statement outlining more mutual understanding, and alignment on a swathe of political issues and promising deeper cooperation in many areas. Riyadh and Beijing were keen to show they agree on most key policies, including but not limited to, space research, digital economy, and infrastructure to Iran's nuclear program, the Yemen war, and Russia's war on Ukraine. Also, China and Saudi Arabia agreed to cooperate on peaceful uses of nuclear energy, to work together on developing modern technologies such as artificial intelligence, and innovate the energy sector

A summit of 20 Arab leaders and President Xi, hosted by MBS, which Xi called a defining event in the history of Chinese-Arab relations, agreed on a 24-point declaration of commitment to intensify Arab-Chinese cooperation on each other's core interests. These included committing to non-interference in internal affairs, supporting China's policies in Hong Kong, strengthening cooperation to ensure the peaceful nature of Iran's nuclear program, ensuring Tehran adheres to the principles of good neighborliness, and rejecting independence for Taiwan in all its forms from the Arab states.

In their summit statement, China and Arab states insisted on human rights based on equality and mutual respect and stressed their strong rejection of the politicization of human rights issues and their use as a tool to exercise pressure on countries and to interfere in their internal affairs. During a summit between

China and the Gulf Cooperation Council (GCC) in Riyadh, Xi said China wants to build on the current GCC-China energy cooperation. The Chinese leader said it would continue to import crude oil in a consistent manner and in enormous quantities from the GCC, as well as increase its natural gas imports from the region. The summits stand out in the current international environment and create prospects of cooperation between China and Arab countries. They are pegged on joint action by Saudi Arabia and China to strengthen strategic partnership relations between the GCC and China, conclude a free trade agreement between the GCC and China, and institutionalize the GCC-China Meeting of Ministers of Economy and Trade in a “6 + 1” format between GCC and China.

Beijing’s green hydrogen and solar energy investments are expected to complement Riyadh’s clean energy push and together they will strengthen adaptive infrastructure in the Arab world. As Saudi Arabia synchronizes its priorities in the energy sector with China’s focus on bolstering supply chain resilience in the West Asian region, the kingdom is presenting itself as a regional center for Chinese factories. This is beneficial for both as stable energy supply chains are critical to the growth and recovery prospects of many regional Arab economies.

The two countries also decided on holding biennial Chinese-Saudi summits to implement their big plans for security and economic development.

The leaders also found common ground on an issue that divides Gulf States and the US – human rights.

China is also keen to cooperate with Saudi Arabia on security and defense, an important field once reserved for the kingdom’s American ally. China has long been a close energy partner of Saudi Arabia, consuming a quarter of its crude exports last year. Given Saudi Arabia’s extraordinarily strong ties with the US, it is moving very cautiously in areas that are more concerning to Washington, notably defense, telecommunications, and nuclear energy.

Disturbed by what they see as growing threats from Iran and waning US security presence in the region, Saudi Arabia and its Gulf neighbors have recently looked eastward when purchasing arms. However, they do not have high hopes for Chinese weapons, which they view as being on a similar level to those from Russia.

The specific outcome of the trip was that China and Saudi Arabia had signed 34 investment agreements covering several sectors in the fields of green energy, green hydrogen, photovoltaic energy, information technology, cloud services, transportation, logistics, medical industries, housing, and construction factories”. The most significant agreement for China was the Huawei Technologies agreement worth \$30 billion, which will provide cloud-computing services and help build high-tech complexes in Saudi cities. The China-Saudi deal came a little after the US recently imposed a ban on approvals of new telecommunications equipment from China’s Huawei Technologies and ZTE, citing national security risks.

An alignment between Riyadh’s Vision 2030 and China’s Belt and Road Initiative (BRI) is now planned.

China wishes to replace the US dollar, a symbol of American status as the world’s sole superpower. Thus, it has been pushing for trading in the Chinese currency instead of the US dollar. To be accepted as the global currency, central banks must possess over US \$700 billion worth of yuan in forex reserves. In 2015, 18 local financial institutions in China and 17 Russian institutions agreed to establish an efficient payment mechanism to assist the trade between the countries. In the same year, the yuan was awarded the status of a reserve currency by the IMF. China has since been pushing for contracts, which use the yuan as the trading currency. China once again pushed for an alternative payment system during the Shanghai

Cooperation Organization's summit in Uzbekistan in September 2022. As of September 2022, Russian businesses also opted to use the yuan to settle their payments, resulting in a boost in the yuan's borrowing.

China would make full use of a Shanghai-based platform to process oil and gas transactions in the Chinese yuan, a potential threat to the global dominance of the US dollar. As things stand, 80% of global oil sales are done in dollars, and Saudi Arabia has inked deals exclusively in the greenback since 1974. Should a Saudi-yuan deal crystallize, it would bolster China's currency at the expense of the dollar, as well as the status of a critical player in global financial markets. The move would bring China closer to its goal of internationally strengthening its currency, and would weaken the US dollar, and potentially impact the American economy.

No announcements were made on the shift from the US dollar to the Chinese yuan concerning oil trading. While the Saudi Arabia-China oil trade in Yuan is still to happen and Saudis show no enthusiasm for the idea. However, some progress has already happened as one of the agreements involves a top Saudi renewable energy company, Acwa Power, and the Industrial and Commercial Bank of China Ltd, China's largest commercial bank, which is a direct participant in CIPS, the Chinese version of SWIFT, hinting at deep financial cooperation between the two authoritarian states. SWIFT is a global system based in Belgium that allows banks to transfer funds securely. The decision is a logical development in China and Saudi Arabia's energy relationship but says it will take more time.

The Saudi and Chinese education ministries recently signed an agreement to provide Saudis with Chinese language learning material along with Chinese instructors to teach the language and literature in public educational institutions.

The Memorandum of Understanding (MOU) included the training of Saudi teachers in the Chinese language and teaching methods, as well as introducing them to Chinese culture in all educational institutions. The idea of introducing the Chinese language to the Saudi education curriculum was introduced by MBS in 2019. The Chinese language will soon become a language of significant impact in the future. Chinese is one of the six official languages at the UN and is spoken by 20 percent of the world population.

As expected, the visit had caused disquiet in Tehran. The web of regional alliances that Riyadh has woven for China's participation is exclusive to Arab countries. And what riles Tehran most is that Saudi Arabia and the Arab alliance will be the most crucial template of China's regional strategies in the West Asian and African regions.

Although China is a participant in the JCPOA negotiations, the joint statement states that the two sides "called on Iran to cooperate with the International Atomic Energy Agency, maintain the non-proliferation regime, and emphasize respect for the principles of good-neighborliness and non-interference in the internal affairs of states." Meanwhile, the impasse in the nuclear negotiations in Vienna precludes Iran's normalization vis-a-vis the West. President Xi Jinping also proposed to discuss the ownership dispute between Iran and UAE for the islands in the Persian Gulf. In the GCC meeting, Iran was accused of supporting terrorism and arms trafficking, to which President Xi Jinping did not show any objection.

The joint statement issued after the meeting between China and the GCC had referred to Iran as a supporter of regional terrorist groups and a proliferator of ballistic missiles and drones. The joint statement emphasized the importance of addressing the Iranian nuclear file and destabilizing regional activities and referred to the disputed islands in the Strait of Hormuz. The summit statement included three articles that were seen by Iran as hostile rhetoric against it.

Iran and Saudi Arabia have differences over the ownership of three islands - Greater Tunb, Lesser Tunb, and Abu Musa. The summit statement urged bilateral negotiations under the rules of international law, and to resolve this issue over the sovereignty of the islands following international legitimacy. In signing the statement, China crossed a red line in Iran's eyes as Tehran's standpoint remains that it will not countenance any talks on the islands. Iran maintains that the islands are an inseparable part of Iran.

The statement counterparts also referred to ensuring the peaceful and civilian nature of the Iranian nuclear program and called on Tehran to fully cooperate with the International Atomic Energy Agency (IAEA). The statement referred to the need for dialogue on Iran's destabilizing regional activities and support for terrorist and sectarian groups and illegal armed organizations. In sum, the summit gained Saudis some support of China against rival Iran and therefore could be seen as a gain for the kingdom viz-a-viz its arch enemy. Saudi Arabia's archrival. Undoubtedly, Xi Jinping has demonstrated his preference for Saudi Arabia over Iran.

The Summits were an extension of past developments. In 2014, Xi promised to double China's engagement with Arab countries by 2023. In January 2022, China hosted the Arab Gulf Foreign Ministers in Beijing to discuss issues of common interest and deepen relations. As China has been cementing ties with the Gulf States and investing heavily in their infrastructure deals. Compared to China's involvement in other continents such as Africa and Southeast Asia, Beijing's involvement in the Middle East has been slow to catch up. Relations with the Arab countries started picking up with the BRI and comparatively low-key deals signed between countries. However, China's engagements with the Gulf States have attracted attention in the past few decades.

Today, Saudi Arabia is very keen to engage and partner with China because it wants to diversify its economy. China is also keen on partnerships with Saudi Arabia because of its sizeable economic potential. Saudi Arabia's ability to fund its development plans is taken for granted as its economy is growing. The kingdom has now announced a preliminary budget surplus for 2022 of some \$27 billion, its first surplus in a decade. Therefore, Saudi Arabia will cooperate with China to increase its footprint in the Middle East.

Saudi Arabia's Strategy to Strengthen Cooperation Mechanisms with China

Recent regional developments have compelled Saudi Arabia to opt for rapid economic and social transformation. Today, the kingdom is attempting to expand its economy beyond its traditional reliance on oil and hydrocarbons. This is evident from initiatives like National Science, Technology and Innovation Policy and King Abdul Aziz City for Science and Technology. These measures show that the country is striving to become a knowledge-based advanced economy.

Meanwhile, Saudi Arabia desires to strengthen its economy by building a strong relationship with China, the world's biggest energy consumer, and close energy partner, consuming a quarter of its crude exports last year. The total exports from the Kingdom to China amounted to about SAR65.5 billion in the third quarter of 2022, while the Kingdom's exports to China increased by 29.4 percent compared to the same period in 2021. While China replaced the US as Saudi's export destination in 2017, Riyadh became the top invested country in the Arab world with 20.3 percent of Chinese investments in the 2005-2020 period. Trade between the two countries has grown over the years. The total value of imports to the Kingdom from China amounted to 37.4 billion Saudi riyals in the third quarter of 2022, and imports to the Kingdom from China increased by 22.9 percent compared to the same period in 2021. The volume of trade exchange between the two countries amounted to SAR 304 billion in 2021, and trade exchange in the third quarter of 2022 recorded SAR 103 billion.

China, the second largest economy, has an incessant demand for petroleum products such as crude oil and LNG. To keep up with its growth rate, China depends heavily on the Middle East and Africa for its energy imports. China is the world's biggest buyer of oil, with Saudi Arabia being its top supplier. The Saudi national oil giant Aramco and Shandong Energy Group said they are exploring collaboration on integrated refining and petrochemical opportunities in China. The kingdom this year already made one of its largest investments in China with Aramco's \$10 billion investment into a refinery and petrochemical complex in China's northeast.

Saudi Arabia looks up to China in the field of technological advancements. Riyadh will spend over US \$24.7 billion on secure, efficient, and accountable digital platforms by 2025. China has been lauded as a natural partner for Saudi Arabia's emerging science and technology industry. Chinese firms will become more deeply involved in mega-projects central to the MBS's vision of economic diversification will be key talking points.

Key Saudi projects include the futuristic \$500 billion megacity NEOM, a so-called cognitive city that will depend heavily on facial recognition and surveillance technology.

As new development synergies and the proposed multi-sector collaborations place the China-Saudi comprehensive strategic partnership in a different league, the Arab region will reap enormous benefits from the partnership's transformational impact. The Saudis Vision 2030 is a honeycomb of mega projects. And in MBS, they have decisive leadership. As for China, its economy is slowing down and there is a pressing need to boost exports.

The MENA region, and in particular Saudi Arabia, is becoming a bigger and more relevant part of the emerging markets equity investment universe, offering both structural reform and cyclical tailwinds. The current economic, and social reforms are shifting Saudi Arabia from an exporter of capital to an investment destination sought after for its long-term growth potential and diverse economy. Saudi Arabia's economy is forecast to grow by 7.6 percent in 2022 and 3.7 percent next year after expanding by 3.2 percent last year amid higher oil prices and efforts to mitigate the impact of the coronavirus pandemic. The country's economy grew by 8.8 percent in the third quarter of 2022 from the same period a year ago, driven by a sharp rise in both oil and non-oil activities.

The current economic, and social reforms are shifting Saudi Arabia from an exporter of capital to an investment destination sought after for its long-term growth potential and diverse economy. The kingdom is developing new projects as it continues to focus on diversifying its economy and attracting more investment to the country.

Saudi Arabia's Economic Reforms:

Vision 2030.

MBS aims to transform the conservative country into a modern state. Vision 2030 is a part of the strategy and specifically aims to diversify the Saudi economy away from oil dependence. The program has moved from being just an ambitious hope to a guiding framework that is being implemented through different realization programs and focus sectors with an emphasis on long-term investments. MBS is convinced that there is a need to look for new sectors that can contribute to economic growth and national development. This is also required concerning the reality of climate change, pushing countries to move away from fossil fuels and towards renewable sources of energy. Accordingly, MBS plans to increase the share of non-oil sectors in GDP from 16% in 2016 to 50% in 2030 (SAR 163 billion in 2016 to SAR one trillion in 2030). Vision 2030 has also made the goal of reaching the tenth position on the competitiveness

index. In pursuance of this, Saudi Arabia will have to improve competitiveness and Ease of Doing Business (EODB) by taking practical steps, including comprehensive reforms. In this context, it is noteworthy that the Kingdom has allowed foreign investors to buy property in certain designated areas for the first time in history. Saudi Arabia is also aiming to become a connectivity hub under Vision 2030. It will be investing almost \$130 billion to restructure and expand airports, and related sectors and launch a new airline. The transformation of Saudi Arabia under the leadership of MBS is praiseworthy. His vision of making Saudi Arabia a modern state without compromising on the national interest remains an example for other countries in the Muslim world.

The Public Investment Fund (PIF).

The PIF was originally established in 1971 as a strategic investment vehicle under the oversight of the Ministry of Finance. However, it was effectively relaunched in its current form in 2015 to now become one of the largest sovereign wealth funds globally under the supervision of MBS. The PIF plays a pivotal role in the execution of Vision 2030. It has been empowered by the Saudi leadership to invest domestically and overseas with a private sector mindset driven by risk/reward and governance targets to invest at least SAR150 billion in the local economy by 2025. Key sectors identified by PIF for investments to drive higher non-oil revenue growth include technology, financial services, EVs, renewables, food & agriculture, entertainment & leisure, healthcare, consumer, aerospace & defense, metals mining, and real estate. The PIF is building “national champions” in different sectors like banking, renewables, technology, and others to conduct the growth plans, and we have met with the management of several of those companies, including Saudi National Bank (financial services), ACWA Power (renewables and power generation) and Elm (technology and digital solutions). Since the transformation of PIF in 2016, the fund has received many asset transfers from the government in the form of both cash and companies. Currently, PIF has just over \$600 billion of assets and has a target to reach over \$1 trillion in assets by 2025. Today, there is a clear shift in mindset and attitude to reposition Saudi from just an exporter of capital to a welcoming capital destination.

The National Investment Strategy (NIS)

The NIS was published towards the end of 2021 to help conduct V2030 targets by tripling gross fixed capital formation by 2030 to reach 30% of GDP, while also increasing the share of FDIs from a mere 1.5% of GDP in 2021 to 3.4% by 2025 and further rising to 5.7% by 2030. According to PIF, the fund is looking to crowd in - not crowd out - investors by catalyzing and de-risking projects initially and then opening them up for private sector investments. The PIF is monetizing assets through a series of IPOs and secondary stake sales on the Saudi stock exchange over the past two years, allowing Chinese investors, among others, the opportunity to partner with the fund. Saudi Arabia plans to introduce several special economic zones soon that will offer more advantageous pro-business regulations and incentives. The PIF is the backer of Saudi's large-scale projects with the largest and the most known one being NEOM, an ambitious project spanning a mammoth 26,500 square kilometers by the Red Sea in the northwest of Saudi Arabia. Green energy transition and green initiatives are also planned. Saudi Arabia wants 50% of its power generation to come from renewable energy, as Saudi also has an abundance of solar and wind resources. The PIF was given the mandate to develop 70% of the country's renewable energy pipeline, which they are doing through majority-owned power generation, renewable energy, and water desalination national champion ACWA Power, which was listed on the Saudi stock exchange in 2021. ACWA Power will develop 42 GW of those and presents an attractive investment opportunity. ACWA Power is also developing NEOM's 4 GW green hydrogen project, which is going to be the world's largest utility-scale hydrogen facility. The PIF invested in US-based listed EV producer Lucid and currently owns more than 60% of the company. The latter is currently in the process of building Saudi's first EV

production plant with a capacity of 150,000 vehicles. Saudi Arabia is clear that it is not abandoning hydrocarbons but will focus on increasing energy efficiency, reducing emissions, and increasing carbon capture through investing in technology and emission-tracking tools for the oil industry globally.

Undoubtedly, Saudi Arabia has a compelling investment opportunity for China. The infrastructure development coupled with the positive steps towards opening the economy to foreign investors is a positive development for the country. Most certainly, China is also attracted by Saudi Arabia's influence in the Arab world as a key factor with the potential to help advance the BRI regionally in the post-pandemic environment. Also, China is a major trade partner of the Gulf States and bilateral ties have expanded as the region pushes for economic diversification. The Saudis seek partnership with China, as never before, to achieve its national goals. Chinese ties with Saudi Arabia are now poised to be further strengthened as a direct result of the Xi visit. China will become a dependable partner in Saudi Arabia's economic development. That is noticeably clear from the Xi visit.

The Summit's Influences on US-Saudi Relations

President Xi's trip had enormous symbolism. The main takeaway was that Saudi Arabia does not view relations with the US and China as a zero-sum game and is asserting its interests in ways that do not necessarily align with Washington. The Saudi leadership is also looking forward to moving away from the US because of the many complications in the relationship. The Saudis think that the Biden administration can be heavy-handed at times with its undue public criticisms of the kingdom, especially on the issue of human rights. More specifically, the Biden administration has repeatedly criticized Saudi over domestic and foreign policy. The increasing Chinese involvement in the Middle East is a cause of concern for the US. Plus, there was a growing discomfort between the US and Saudi Arabia's relations, caused by Jamal Khashoggi's murder, the human rights issues, the Yemen war, and the kingdom's oil policy which US politicians accused Riyadh of weaponizing to side with Russia in its war on Ukraine.

Most importantly, geopolitical developments have provided Saudi Arabia with more options. Previously, there was an unwritten agreement between Saudi Arabia and the US that has traditionally been an understanding that the kingdom provides oil, whereas the US provides military security and backs the kingdom in its fight against regional foes, namely Iran and its armed proxies. The oil-for-security partnership with Saudi Arabia is an old one dating back to the end of World War II.

The kingdom has recently been keen to move away from this traditional agreement, saying that diversification is essential to Riyadh's current vision.

In many ways, Saudi Arabia is disappointed with the actions of the Biden administration. Earlier, during his visit to Riyadh in July 2022, US President Joe Biden told a summit of Arab leaders that the US will not walk away from the Middle East to leave a vacuum to be filled by China, Russia, or Iran. Biden has also tried to assure allies that the humiliating US withdrawal from Afghanistan last year will free more resources for its protracted stay in the Gulf and wider region. The Saudis were not convinced. Some if not most of these Gulf leaders oppose Biden's attempts at reviving the Iran nuclear deal and his politicization of human rights issues. Earlier this year, the GCC even expressed support for China's controversial policies towards its Muslim Uighurs, which have been condemned by the United States and others. In 2021, the Biden administration snubbed Saudi Arabia because of its poor human rights record and because it could afford to, with an excess of oil and gas in the global markets. Western nations were also bullish about the transition away from fossil fuels to green energy. But the Russian invasion of Ukraine earlier this year has changed all of that. The US and its European allies have suddenly found themselves facing either oil and gas shortages or higher prices that have hurt their economic recovery after the pandemic. However, moving away from fossil fuels will prove challenging and drawn out. Biden's frantic

attempt to shore up the dwindling authority of the US in one of its most important spheres of influence is driven by the fear that China is willing and capable of filling the void that America may leave behind in the region and beyond.

The Xi visit came at a time when US-Saudi ties had been hit over OPEC's decision to slash crude oil supply. The US urged the Middle Eastern countries to increase oil production to mitigate the energy crises due to the Russia-Ukraine war. However, Saudi Arabia refused to do so, which caused some tensions between them and the US. President Xi decided to seize an opportunity to establish strategic cooperation with Saudi Arabia.

Despite being a US ally in the Middle East, the Kingdom's growing proximity with China is a change in the US-Saudi relationship. Both Beijing and Riyadh seek to deepen ties and advance a vision of a multipolar world where the US no longer dominates the global order. China has long been a close energy partner of Saudi Arabia, consuming a quarter of its crude exports last year. As ties expand, Riyadh is moving very cautiously in areas that are more concerning to Washington, notably defense, telecommunications, and nuclear energy.

Both Riyadh and Beijing have grown tired of Washington pressuring them to take its side against Russia in Ukraine and preaching the rights and wrongs of their ways in the Western-imposed "rules-based international system." All of this seems to have brought them closer together. A younger generation of Gulf leaders is showing more agencies as they seek greater independence from Washington to diversify their partnerships in energy, technology, and security. China's a natural partner for them: it seeks reliable energy sources and markets for its goods and services and prioritizes development and trade over democracy and human rights.

China has its reasons to focus on Saudi Arabia. The US pivot to Asia to contain a rising China has come at a time when Beijing has been increasingly focusing its attention on the Gulf and the Middle East, to secure more trade and investments than ever before. Beijing has established a naval base in Djibouti, deployed a flotilla to the Persian Gulf, and reached strategic partnerships with Algeria, Egypt, the UAE, and Iran. It has also staged massive naval drills with Russia and Iran. Unlike the energy-sufficient US, China needs the Gulf region to supply it with the oil and gas resources it needs to sustain and strengthen its economic growth and military machine and to become a world power.

And that is precisely what irks Washington. As the status quo superpower, America has dominated the region for decades whether through soft or hard power, including costly military interventions since the 1980 Carter Doctrine stipulated that the US would use military force, if necessary, to defend its national interests in the Persian Gulf. Washington has already flagged growing Chinese influence in the Arab Gulf as a security, cyber security, and surveillance threat to America's military and defense; a deal between Saudi Arabia and Chinese telecommunications giant Huawei will deepen those concerns.

The US is wary of Xi's visit to the Gulf nation, seeking to strengthen China's relations with the Arab world. China expanding its roles in the Middle East, where the US exercises strong influence, may shift power dynamics. Before President Xi's visit, there was already talk of stepping on Washington's toes and of interfering in a US sphere of influence. The White House said that China's attempt to amass influence in the Middle East and beyond was not conducive to international order. In May, the US expressed full support for MBS's defense modernization goals, though it's not quite clear what tangibles Washington has been able to offer thus far.

Biden halted offensive weapons sales to Saudi Arabia and other Gulf Cooperation Council countries shortly after taking office in response to widespread criticism over their militaries' conduct in Yemen's

civil war. Weeks before Xi's visit the Biden administration warned Gulf countries about the risks of growing too close to China. The White House said that China's attempt to amass influence in the Middle East and beyond is not conducive to international order.

Meanwhile, the US has been quietly spearheading a diplomatic push to build up an informal regional defense coalition, one that can help countries like Saudi Arabia and the UAE better defend against projectile attacks by Iran while reducing their dependency on US military presence.

The primary outcome of the summits was political. Gulf leaders find a new partner in China, challenging US dominance. The United States is no longer the sole superpower active in the Arab Gulf. This was the message from a weekend summit in Saudi Arabia between Chinese President Xi Jinping and Arab leaders.

The Arab embrace of a more assertive China is a response both to criticism from U.S. President Biden's administration and to Washington's strategic pivot away from the Middle East toward Asia and Europe. More than that, the shift represents a bid by Gulf leaders away from the US, which, according to many, is failing to provide: a reliable partnership. There is now an unprecedented expansion of ties between the Gulf and China.

Individually, Gulf States have been quietly building economic and diplomatic ties with China for the past two decades. China is Saudi Arabia's largest trade partner and oil market, for example. But they have been careful not to upset their strategic balance with Washington.

Meanwhile, relations between China and the US are getting more strained than before. China is convinced that President Joe Biden has taken the dispute with China to new levels. Biden has not only kept Trump-era tariffs in place, but he has also imposed export controls and visa limits as well as restrictions on investment flows. The recently passed CHIPS for America Act adds subsidies for the domestic production of semiconductors into the mix. It had recently passed the CHIPS for America Act and introduced export controls and subsidies to support the domestic American production of semiconductors. Other acts working their way through Congress and supported by this White House would impose limits on American investment in China.

The latest action uses the CHIPS for America Act to enlist the Bureau of Industry and Security (BIS) to limit China's access to advanced semiconductors, chip-making equipment, and supercomputer components. Already in response, the important semiconductor tool manufacturer, ASML, has told its American employees to stop servicing Chinese customers, though typical of Washington, TSMC, Samsung, and SK Hynix have obtained exceptions that allow them to continue shipping similar equipment to China. Thus, Biden keeps upping the ante with China and has gone a lot further than previous administrations.

Now, after enjoying a purely economic relationship, Saudi Arabia has accelerated strategic cooperation between China, the Gulf, and the wider Arab region.

Though the summits did not go as far as to replace the United States as the region's strategic partner, nor exchange Arab leaders' commitment to a U.S.-led international order for a Chinese one, this was an expansion of ties with China in every direction. It was unprecedented. Underlying the shift is a sense, gaining ground in Riyadh, that the United States is an unreliable partner, friendly only when it needs more oil or Saudi political support in a crisis.

China, with its one-party system and autocratic rule, seems to offer the kind of constancy and predictability that Gulf sheiks prefer. It is a constancy, they feel, that stands in stark contrast to America's shifting foreign policy over the past decade.

Gulf and Saudi officials point to Washington's multiple "pivots" away from the region – deepening a sense that America's security umbrella is unreliable.

They also resent what they see as American opportunism. Though Biden had said while campaigning for the presidency that he would make Saudi Arabia "a pariah" because of its human rights record, he sought to mend fences in the face of an energy crisis last summer. Gulf officials also point to the United States' lack of interest in the threat of Iranian drones striking critical Saudi Arabian oil facilities in 2018, compared to American concern now with Russia's use of Iranian drones in Ukraine.

Washington is not happy with the visit. It was seen as a "snub" to Washington, which has repeatedly urged Saudi Arabia, and the Gulf States not to be tempted by the commercial "carrot" offered by China and to join the sanctions imposed by the West against Russia for its invasion of Ukraine.

Washington will insist on having a say regarding the shape and form of GCC-China relationships, which is sure to create new diplomatic, and even geopolitical tensions.

Given that the US considers China as its top strategic adversary and gains by China in the Middle East, it will not ignore Saudi Arabia, which is an old, trusted ally. Despite the strains in US-Saudi relations, the kingdom in seeking closer ties with China does not view this as coming at the expense of their relationship with the US, which is considered their most important ally.

Biden's promised reckoning for Saudi Arabia has faded as the spike in energy prices has done the same, leaving the White House to temper Democratic ire.

Earlier, Biden had said he would take action to reevaluate the relationship between Saudi Arabia and the US. As Democratic allies threatened to reshape the two countries' decades-long security arrangement, Biden vowed consequences for the kingdom once a review concluded. Some accused Riyadh of siding with Russian President Putin amid the war in Ukraine.

Today, the White House has said little about the scope and timeline for its assessment, and an outcome is unlikely. Meanwhile, the Biden administration lowered gas prices by tapping the Strategic Petroleum Reserve. It had taken steps to stall action that could upset a delicate effort to align the two nations.

Last month, the Biden administration moved to shield MBS in a legal case over the slaying of journalist Jamal Khashoggi. Saudi Arabia had requested the administration's support in the case. In October 2022 it was announced that OPEC+ would slash oil production thereby leading to higher gas prices. The announcement drew a rare, pointed rebuke from the Biden administration which said that those cuts amounted to aligning with Russia on the war in Ukraine. American lawmakers were considering pulling US troops from the country and stopping all arms sales. However, these developments did not significantly disrupt regular meetings and bilateral training between the two militaries.

What Does It Mean? Will China ever replace the US as the most trusted and indispensable ally?

MBS foresaw that there is a need to reform the existing foreign policy of the country. He is trying to devise a balanced foreign policy that can ensure Saudi Arabia's sovereignty and territorial integrity. The visit created new opportunities.

Saudi Arabia and Gulf leaders are hedging their bets in case of dwindling American presence in the region and the rapidly changing regional order. They do not expect any significant benefit to come from strengthening their relationship with China. American military officials have been working behind the scenes to help counterparts in Saudi Arabia lay out a long-term vision for the kingdom's national security, even as ties between the two governments remain strained.

Saudi Arabia is set to release a national defense strategy and a national military strategy next year for the first time in its history. The Saudis are extremely interested in long-term strategic plans with the US.

The strategy will codify the kingdom's strategic vision for national security and regional security, which is seen as a critical step in Saudi's military modernization plans.

Today, the Biden administration is leveraging the Pentagon's know-how to help the kingdom meet its security goals in a bid to rebuild trust, even as the White House says it is reevaluating US relations with Riyadh. America has provided weapons to other nations for decades. In World War II, President Franklin Delano Roosevelt described the U.S. as the "arsenal for democracy" just before America entered the war. Large factories in the country's biggest cities were then converted from their traditional manufacturing purposes to making tanks, airplanes, and other ordnance of war for the period from 1940 to 1945. These arms were shipped around the world, to nations as far as the Soviet Union.

Today, the U.S. continues to supply military equipment to nations around the world, and the country's weapons-making industry has become one of America's largest. The industry relies on the U.S.'s other nations' military or "defense" budgets. And Saudi Arabia has a large military budget.

The Kingdom bought \$17.61 billion worth of arms from U.S. defense contractors from 2010 to 2020, the highest of any country. The systems Saudi Arabia bought from Army contractors include high mobility multipurpose-wheeled vehicles, artillery ammunition, Black Hawk utility helicopter, Hellfire family of missiles, and Abrams main battle tank. Crucially, to protect the country's sovereignty, the crown prince has envisioned that the Kingdom must diversify its security linkages and defense production. Presently, Saudi Arabia meets its needs by importing 98% of its total defense products. The domestic share stands at only 2%. This makes Saudi Arabia highly dependent and vulnerable to any shift in global politics, as it is in a conflict-prone region.

In sum, Saudi's deepening relationship with China results from the country's leadership, who aims to move away from dependence on the US and any form of polarization of the international order. Saudi Arabia wants to create strong bilateral relationships with all big powers and maintain balanced relations to protect its interests. Given the regional tensions, Saudi Arabia is not about to ditch the US, its very friend and old partner. However, the Saudi relationship with the US is extraordinarily strong, and despite the Chinese challenge will not be weakened in any significant manner any time soon. That much is certain.

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