










# The Impact of the China-Pakistan Economic Corridor on the Economies of the Arab Countries in the Middle East

Daniyal Rezapour \*

**Abstract:** Over the past two decades, China, characterized by its rapid economic growth, substantial economic scale, and extensive trade, has ascended to the status of an Asian and even global powerhouse. With ambitious regional and global aspirations, China has initiated the Belt and Road Initiative (BRI), a mega-project aimed at establishing a new order of power relations and international interactions. Central to this initiative is the China-Pakistan Economic Corridor (CPEC). By adopting a geoeconomic strategy focused on connectivity, China seeks to expand its influence into West Asia. To achieve this objective, countries such as Saudi Arabia, the United Arab Emirates, Qatar, and Oman hold significant importance in the region. This research delves into the economic and commercial collaborations among China, Pakistan, and Arab nations. The Arab countries are also seeking to achieve economic and political benefits in the near future by leveraging this mega-project. Examples of strategic initiatives include Saudi Arabia's Vision 2030, Qatar's National Vision 2030, and Oman's Vision 2040. These long-term strategies outline the countries' ambitious goals for economic diversification, social development, and international influence. The main research question is: What opportunities has the CPEC created for Saudi Arabia, Qatar, the UAE, and Oman? In discussing the opportunities for developing and deepening relations between these countries and Pakistan-China, the article highlights the capacity-building for regional superiority, simultaneous engagement with the East and West, creation of multi-modal land and sea routes, diversification of energy import sources, and enhancement of energy transfer security for producers and consumers to meet the needs and resources of these countries.

**Keywords:** China-Pakistan Economic Corridor (CPEC), Silk Road, Middle East, Trans-regional Trade.

\* Assistant Professor, Department of Political Science, University of Guilan, Guilan, Iran,  
<https://orcid.org/0000-0001-7964-1377>, [danyalrezapoor@gmail.com](mailto:danyalrezapoor@gmail.com)       

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## Introduction

Maritime trade has had a significant role in both regional and global economies, particularly in the ports and seas connected to it. Coastal cities, ports, and marine docks have been essential elements in international trade and commerce. Despite significant advancements in transportation technology, including road, rail, and air transport, maritime trade continues to dominate by a wide margin. The prosperity of maritime transport and port activities not only meets the needs of coastal cities but is also dependent on the hinterlands and urban areas within continents. In other words, connecting ports to landlocked cities is a crucial part of the trade and transit cycle. Access to the central parts of West Asia and issues related to energy security have been a concern for centuries. A solution to this geographical constraint is the establishment of transport corridors from seas to inland centers. Recently, this issue has attracted the attention of emerging economic powers like China. To expand its economic influence, increase its exportation-based surplus products, be able to access larger consumer regional and global markets, ensure reliable and maintainable energy supply as well as pursue its national interests in surrounding regions, China has focused on communication corridors. Chinese policymakers and strategists have proposed the "China-Pakistan Economic Corridor" centered around Pakistan's Gwadar Port, which is a significant part of the broader "BRI" or "One Belt One Road" project (Vaisi, 2021: 3).

Asia, as a vast continent, is facing new developments, and various actors in this geographical region are presenting plans to achieve their own goals and collective interests in different parts of it. China is one of these emerging actors that, in order to become a global power, has proposed the revival of the Silk Road. This plan was presented by Chinese President Xi Jinping when he visited Kazakhstan and Indonesia in 2013. This project consists of two main parts: the "Silk Road Economic Belt" and the construction of the "21st Century Maritime Silk Road." This plan was ultimately introduced to the world as "One Belt, One Road." China's "BRI" has two wings: First, the "Belt" is derived from the "Silk Road Economic Belt," which includes a designed network of transcontinental roads and railways, oil and gas pipelines, and other infrastructure projects that start from the city of Xi'an in central China and traverse across Central Asia, eventually reaching distant regions such as Rotterdam, Moscow, and Venice. Second, the "Road" is the same as the "21st Century Maritime Silk Road" and covers maritime routes from Southeast Asia to South Asia, and then to the Middle East and Africa. (In the following map, the yellow lines indicate the economic belt and the blue lines indicate the maritime Silk Road).

Figure1: One Belt, One Road



Source: IRNA (2022)

The New Silk Road projects serve as tools for fostering regional cooperation, enhancing political flexibility, improving economic growth, promoting trade diversification, and investing in transportation, mining, and energy sectors. Among these initiatives, a primary route connecting land and sea is the CPEC, centered around the Gwadar Port. In 2013, the governments of China and Pakistan signed an agreement to activate the CPEC (Figure 2), which includes establishing a network of railways, roads, and energy pipelines that connect Gwadar Port in Pakistan's Balochistan province to the city of Kashgar in China's Xinjiang province. The project's cost is estimated at \$46 billion, with \$34 billion allocated for energy projects and \$12 billion for infrastructure developments. Gwadar Port plays a pivotal role in the CPEC, serving as a strategic link between China and Pakistan and a key to their future relations. According to the agreement between the two governments, three multi-purpose berths worth \$2 billion will be constructed, with China investing \$198 million in the first phase. In the second phase, Beijing will invest \$200 million in building the Gwadar-Karachi highway. Additionally, China has committed to investing in nine cargo berths and providing 54 specialized engineers to support technological skills for this project. In April 2015, Pakistan granted operational control of Gwadar Port to a Chinese foreign port holding company. There is no doubt that the China-Pakistan



relationship is multi-dimensional, with Pakistan being a crucial starting point for the BRI. On one hand, Pakistan holds geostrategic importance for China and plays a central role in China's geoeconomic strategy to expand its influence and compete regionally. On the other hand, Pakistan's vulnerability against India and its national power weaknesses have led to its reliance on China and strengthened cooperation between the two nations. Thus, geostrategic, geopolitical, and geoeconomic collaboration between China and Pakistan stems from power rivalries between China and India and Pakistan's enmity with India, counterbalancing the India-U.S. cooperation axis (Vaisi, 2021: 8-9).

Figure 2: China-Pakistan Corridor



Source: New Lines Institute (2024)

The CPEC has the potential to create structural opportunities and enhance economic activities in West Asia, particularly for Saudi Arabia, Qatar, and the UAE. Since 2021, Saudi Arabia has been incentivizing multinational companies to establish their headquarters in Riyadh. Consequently, while Dubai has long served as a regional trade hub, Riyadh is increasingly becoming a leading support center and a major competitor. If commercial competition between the UAE and Saudi Arabia begins in Pakistan, Islamabad will need to balance its close ties with both allies. In search of a sustainable and long-term solution to its financial challenges, Islamabad has established a new entity called the "Special Investment Facilitation Council (SIFC)," under which it has proposed 28 high-value "mega projects," each worth billions of



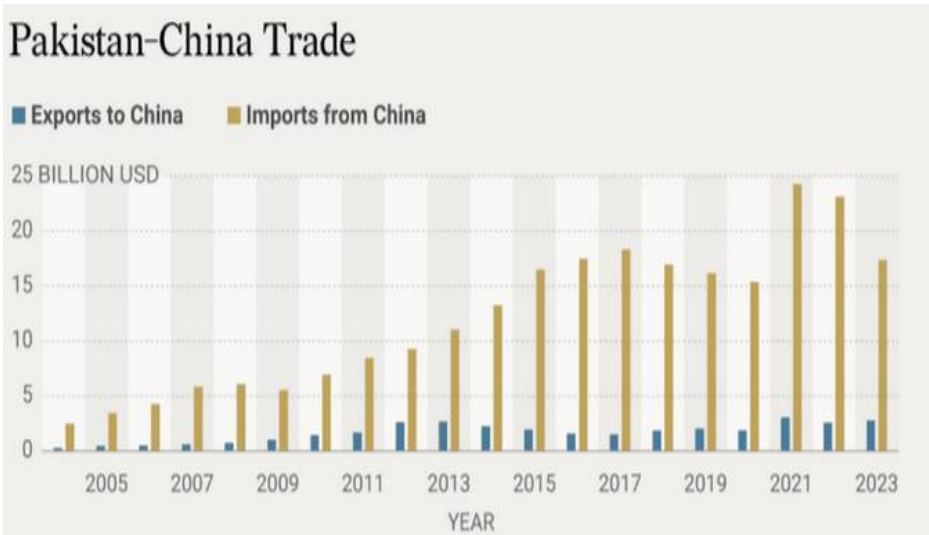
dollars, to friendly countries. Pakistan's primary focus is on attracting investments from Saudi Arabia, the UAE, and Qatar. To capitalize on this opportunity, in June of this year, AD Ports Group from the UAE signed a 50-year lease for four terminals at the Port of Karachi worth \$220 million. Just a few weeks later, Abu Dhabi signed another significant terminal contract with Pakistani counterparts. As a result of these agreements, approximately 85% of Pakistan's eastern ports are now controlled by the Emirati company. Zeeshan Shah, a financial analyst at FINRA in Washington, commented on the competition between the two Arab countries for investment in Pakistan, stating: "The increasing rivalry between the Saudis and Emiratis should not be overlooked, as both countries are likely to try to outmaneuver each other. If Pakistan creates competition for investment opportunities among foreign parties, it must act cautiously to maintain balance between both countries." Saudi Aramco has signed a memorandum of understanding with four state-owned Pakistani oil companies to construct a \$12 billion oil refinery at Gwadar Port in Balochistan province. Under this project, 70% of the refinery's shares will belong to local companies, while Aramco will initiate the project with a 30% stake. Pakistan is also offering its main airports for investment, and Saudi companies are interested in investing in airport development projects. Zubair Faisal Abbasi, a development policy and management expert based in Islamabad, told *AI-Monitor*: "Pakistan needs foreign investment to expand and diversify its economy. This plan anticipates participation from the IT sector in an export-based economy while also seeking to modernize investments in agriculture to enhance productivity" (Asr Iran, 2023).

China's demand for energy resources is increasing day by day, and Chinese officials are concerned that the United States, relying on its maritime capabilities, could disrupt the flow of oil supplies. If the Gwadar-Kashgar pipeline project is realized, China could resolve the Malacca crisis and establish a reliable overland route to meet its growing energy needs while advancing its westward policy. In 2017, China surpassed the United States to become the world's largest oil importer. By 2018, approximately 70% of China's oil needs were met through imports, and the U.S. Department of Commerce predicts that this figure will rise to 80% by 2040. China's serious need for energy imports to sustain its economic growth has led to what is referred to as the "Malacca dilemma." This term was first used in 2003 by then-President Hu Jintao. The primary source of China's energy resources is the Middle Eastern countries, particularly those bordering the Persian Gulf. Currently, 80% of China's imports pass through the Malacca Strait, a narrow passage between Indonesia's Sumatra Island and the Malay Peninsula. Singapore, a U.S. ally in the region, is also located at the eastern entrance of this strait. The Malacca Strait serves as a natural chokepoint; in case of conflict, China's rivals could easily block this route,



hindering China's access to essential energy resources. Another alternative for China to transport energy carriers is the Sunda Strait. However, its shallow depth and narrow width prevent large oil tankers from passing through. Other alternatives like the Lombok and Makassar Straits exist, but the longer routes through these straits could impose annual costs ranging from \$84 billion to \$220 billion on China (Yazdani Shenan, 2024: 13-14). The CPEC naturally serves as a connector between West Asia and China, reducing transportation time and costs compared to the maritime route China currently uses for sea trade. Thus, the construction of this corridor brings China closer to West Asian countries without American interference. On the other hand, Pakistan, as an equal partner and beneficiary in this corridor, has its own reasons for expanding the economic scale and access to the corridor in strategic understanding with Beijing. Since the CPEC aims to strengthen cross-border trade and cooperation beyond bilateral economic-political activities between China and Pakistan (figure 3), the authors of this article have attempted to discuss the economic-political opportunities and challenges of cooperation between Saudi Arabia, Qatar, UAE, and Oman with Pakistan and China in the economic corridor under the BRI from a new perspective. The present article aims to address the key question of what opportunities the operational framework of the CPEC under the BRI presents for Saudi Arabia, Qatar, the UAE, and Oman. Utilizing qualitative methods such as observation and document analysis, the authors contend that this initiative not only plays a significant role in shaping the future of these Arab countries but also has implications for them. In terms of development opportunities and deepening relations with Pakistan and China, the corridor facilitates regional superiority, simultaneous engagement with both East and West, the establishment of various land and sea routes, diversification of energy import sources, and enhancement of energy transfer security for both suppliers and consumers. These developments aim to secure the interests and resources required by these nations.

Figure 3: Pakistan - China Trade Relations



Source: New Lines Institute (2024)

The collection of studies conducted under the title of research background since its proposal in 2013 and beyond shows that the focus has mainly been on understanding the nature and objectives of this Chinese initiative as well as its target environments. Within this category, identifying the nature of this initiative, they raise China's economic ambitions regarding the "One Belt, One Road" policy, which aims to connect East and West through infrastructure, develop the national economy through export expansion, enhance access to natural resources, and support domestic industries (Mahboob & Zhihui, 2024; Waheed et al, 2023; Hussain, 2020; Hussain, 2019; Li and Daxing, 2018; Kembayev, 2018). Alongside these works, the second category of existing literature separately addresses Pakistan, Saudi Arabia, Qatar, UAE, and Oman and their connection to this initiative. Most researchers believe that these countries should use a benefit-oriented strategy and act dynamically towards it. Also, given their important economic and geopolitical position, they should take maximum advantage of the opportunities in this project (Shahzad et al, 2023; Alam et al, 2023; Rana, 2019; Khan, 2019; Chaziza, 2019; Ahmad, 2017). Among these works, the latter studies have the most similarity to this paper. The difference is that this paper, with a geo-economic approach and using geopolitical advantages, addresses the grounds for creating economic and political benefits of the CPEC for Saudi Arabia, Qatar, UAE, and Oman. In this regard, with the aim of evaluating the hypothesis and understanding the consequences, this article, after presenting the theoretical framework, addresses the



economic and commercial importance of CPEC in the economic development of Saudi Arabia, UAE, Oman, and Qatar. Additionally, the final section of this article is dedicated to examining China's political-economic achievements in the Middle East, which are the result of CPEC's expansion into Arab countries' markets.

## 1. Theoretical Framework

With the end of the Cold War, significant changes occurred in the conceptual domain of geopolitics. Geopolitics shifted from a military and geostrategic approach to an economic one. As the concept of power in political geography changed from politics to economics, the term *geo-economics* was coined, emphasizing the importance of economic resources and natural resource territories. In 1994, Edward Luttwak introduced the *geo-economic* paradigm with a broad concept into geographical and political sciences. Characteristics of the *geo-economic* era include the importance of economics in the global arena and the formation of regional groupings based on economics. This approach is formed by combining three factors: geography, power, and economics, and studies the relationships between geography, power, and economics and the interaction of these three elements for states to gain power. *Geo-economics* is the geographical basis of a country's economy, which defines and determines the foundations of the economy in power relations with an outward-looking approach. Through this, the state can control and gain authority over all production resources and key economic sectors, strengthening its economic activities and economic power. In other words, *geo-economics* examines the relationship between power and space. The potential and fluid space is constantly changing its boundaries, thus free from the territorial boundaries and physical characteristics of geopolitics (Golkarami et al., 2018: 4-5). In political-economic geography, the behavior of countries is determined within the framework of geopolitical logic and *geo-economic* regions. While both emphasize geography, the former focuses on security issues, and the latter highlights resources. Both logics can lead to conflicts or cooperation at global, regional, and local levels. Each of these three areas imposes requirements that, when interacting, enhance cooperation, and in cases of conflict, increase tensions. It can be said that the goal of this approach for governments in various regions is to achieve economic power. *Geo-economics* represents a shift from military strategy to economic strategy; however, it can also be viewed as a political tool since economic development is closely linked to power. Many believe that the global power of the 21st century is economic power, which can maintain its dynamism through globalization and a *geo-economic* approach. However, this economic dynamism has an undeniable need for energy; thus, it is superior to a power that plays a significant role in the production, consumption, and transfer of energy resources. Perhaps this is why West Asia has played an important role in U.S. foreign policy



towards China. Therefore, geoeconomics serves as an approach in analyzing international issues, particularly regarding the competition among major powers in sensitive regions of the world, where geography, power, and economy interact with one another. Geoeconomics is not something separate from geopolitics or opposed to it; rather, it is part of the realm of geopolitical knowledge. For this reason, geoeconomics should be discussed alongside geopolitics. Here, economics serves as a motivation for competition among powers; where geopolitics defines economic conditions, it takes on a geoeconomic aspect. Consequently, geoeconomics examines the role of economic variables in political decision-making and international issues and how these resources influence the structure shaping regional or global geopolitics. On the other hand, one can consider the geoeconomic consequences of globalization on the security of regions within their roles in the global economy and also how some areas become marginalized or developed under conditions created by economic globalization (Mortazavi & Alikrami, 2014: 4-6).

## **2. China-Pakistan Economic Corridor, One Way Initiative and Saudi Arabia**

Saudi Arabia is a significant global player in the oil and gas sector, wielding considerable influence in the energy arena and currently playing an unparalleled role in the global oil market. The country possesses substantial energy reserves, and its vast oil reserves and wealth from production and exports have enabled it to gain significant political leverage. With 257 billion barrels of oil and 238 trillion cubic feet of gas, Saudi Arabia is recognized as one of the largest producers and exporters of energy worldwide. As the world's leading oil exporter, Saudi Arabia holds a prominent position not only in China's energy diplomacy but also among all major developed powers. Given the impact of Saudi Arabia's oil policy on global oil markets, major powers can control the world oil market by establishing close relations with the kingdom. According to a report by Al-Hosham Akhunbay, "The oil market has long been under Saudi dominance due to its capability to produce and export large volumes of crude oil, this valuable commercial product." Saudi Arabia's role is further highlighted by its ability to produce surplus oil, which can act as a strategic buffer during challenging market conditions, allowing for relatively quick production increases. This is why Saudi Arabia has always played a vital role in stabilizing oil markets. This critical role has become even more pronounced over the past decade with the increasing likelihood of future demand growth while hopes for increased production have waned. China places special importance on Saudi Arabia for several reasons: first, historically, Saudi Arabia has been a reliable partner for customers; second, it is considered the largest oil exporter; third, it can export up to 10 million barrels of oil daily, with about a quarter of the world's oil reserves located in the



country. Additionally, Saudi Arabia has the largest economy among Arab countries and is a member of the G20, making it a highly influential member of OPEC (Salarvand et al., 2023: 10-13).

For decades, China and Saudi Arabia have maintained strong economic ties due to China's high demand for oil. According to Saudi government statistics, trade between the two countries exceeded \$106 billion in 2022, marking a 30% increase from the previous year. In 2021, China's direct foreign investment in Arab markets reached \$23 billion, with \$3.5 billion allocated to Saudi Arabia. Furthermore, China imports half of its oil from West Asia and is the largest customer of both Saudi Arabia and Iran. As Saudi Arabia seeks to differentiate its economy with Vision 2030, Chinese companies are tried hard to benefit from major infrastructure contracts. A Chinese company previously built a light rail system in Mecca to help numerous pilgrims navigate the city. The 18-kilometer line with nine stations is the first to be built by a Chinese company in West Asia. Among other ongoing projects, a Chinese construction firm won the contract to build a 28-kilometer high-speed rail tunnel to NEOM, a smart city under construction in the Kingdom along the Red Sea (Andishkadeh Saramad, 2023). Additionally, Saudi Arabia is the first country to invest through the CPEC as part of the BRI mega-project. Given the economic uncertainty prevailing in the European and American markets and the realization that the United States will turn to oil imports from countries in the Americas, Riyadh appears eager to make large investments in CPEC to breathe new life into the realization of Vision 2030 through cross-border economic cooperation within the Belt and Road framework. From a rational choice perspective, Saudi Arabia intends to establish a sustainable link with the Belt and Road mega-projects in the short and medium term to boost its self-confidence on the one hand and gain a position as a non-oil country in the trans-regional economy on the other. Therefore, there is very likely that Saudi Arabia will become an expanded economy after connecting with markets in West Asia, South and Southeast Asia, Africa, Europe, and China, as these regions are at the heart of this mega-project.

Saudi Arabia's direct investment in Pakistan can significantly bolster the country's foreign reserves, enabling the payment of energy bills, reducing trade deficits, creating job opportunities, and stabilizing Pakistan's fragile economy. Additionally, Saudi investments can aid in infrastructure development, poverty reduction, and strengthening bilateral relations, which have cooled in recent years, especially after Pakistan's parliament decided not to support Saudi Arabia militarily in the Yemen crisis. From a trilateral perspective, Saudi and Pakistani cooperation can provide China with effective access to regional energy resources, thus aiding the expansion of the BRI through the CPEC into the Middle East. This integration can further establish CPEC as a reliable investment platform in the region. In February 2019, Saudi Crown Prince Mohammed bin Salman visited Pakistan, marking a significant step in bilateral



relations. This visit underscored mutual support in strategic and military engagements and highlighted Riyadh's interest in the Pakistani market as part of Saudi Vision 2030. Bin Salman signed agreements worth \$20 billion in various sectors, including agriculture, energy, and tourism (Aljazeera, 17 February 2019). Additionally, Saudi company ACWA invested \$4 billion in renewable energy projects, facilitating Saudi Arabia's transition from an oil-based to a diversified economy. Saudi officials also pledged to establish an oil refinery near Gwadar port, complementing CPEC and serving the oil needs of China, Pakistan, and Central Asian republics. Saudi investment in CPEC is seen as a "positive signal" by China and a "gesture of goodwill" by Pakistan, potentially exceeding \$100 billion (Financial Express, 8 October 2018). This investment can counteract opposition from India and the U.S. towards CPEC and BRI. Although Saudi-Pakistani economic cooperation is primarily economically driven, it is likely to be assessed by Iran and India, potentially intensifying the ideological rivalry between Iran and Saudi Arabia and reducing economic security in South Asia. Iran might counteract Saudi investments in Gwadar by developing Chabahar port in collaboration with India, a staunch opponent of Pakistan's development. Pakistan and China maintain constructive relations with Iran and have a history of strong ties with Saudi Arabia. Thus, encouraging Iran to join the BRI through CPEC could enhance regional economic security. If realized, Chabahar port could complement Gwadar port, and India should welcome the constructive strategy of CPEC/BRI, which would bring extensive economic and trade benefits to New Delhi. Middle Eastern markets, American companies in South Asia, China, and the Middle East could also benefit economically by participating in the BRI. Given the economic tensions between the U.S. and China over the past decade, mutual cooperation under the BRI could strengthen bilateral economic relations.

### **3. The impact of China-Pakistan Belt-Road and Economic Corridor initiative on small Arab countries**

The CPEC, as a part of the BRI offers significant political and economic opportunities for the UAE, Qatar, and Oman. This section emphasizes the economic exchanges and trade values associated with the Silk Road Economic Belt for the economies of these Middle Eastern Arab nations.

#### **3.1. UAE**

The United Arab Emirates (UAE) is known as a high-income country whose wealth in recent decades has largely stemmed from economic diversification, especially in the services sector. Unsurprisingly, Dubai has now become famous for its consumer culture that relies heavily on tourism. Since the 1970s, Pakistan has established close



and enduring relationships with the UAE, Qatar, and Oman. Over time, the UAE, along with Saudi Arabia, has become one of Pakistan's main economic partners, with bilateral trade exceeding \$8.5 billion (Rana, 2019: 3). The UAE is one of Pakistan's largest trading partners and a key source of foreign investment, having invested over \$10 billion in the past two decades. Last year, trade between the UAE and Pakistan reached \$7.9 billion, marking a 12% increase compared to 2022. Additionally, AD Ports Group, which operates industrial cities and free zones in Abu Dhabi, has signed four preliminary agreements with Pakistan to explore new routes in trade, transportation, and logistics infrastructure. These agreements are expected to strengthen economic ties between the UAE and Pakistan. The contracts were signed with various entities, including the Federal Board of Revenue of Pakistan, the Pakistan Railways, the Ministry of Maritime Affairs, the Pakistan National Shipping Corporation, the Karachi Port Trust, and the Pakistan Civil Aviation Authority. These organizations will explore potential collaborations in customs, railways, airport infrastructure, maritime shipping, and logistics. Established in 2006, AD Ports Group operates 33 terminals in over 50 countries and covers more than 550 square kilometers of economic zones. It is one of the major investors in Pakistan, a country recognized as a trade gateway to Central Asia and Russia. In collaboration with its Emirati partner, Khalifa Port, AD Ports Group is a developing group by operating, and managing container, bulk, and general cargo operations at Karachi Port of Pakistan. The group has agreed to invest approximately \$400 million in this port over the next 15 years. In February, AD Ports Group signed a 25-year concession agreement with the Karachi Port Trust for the development, operation, and management of bulk and general cargo berths at the eastern wharf of this port. As the main shareholder in a joint venture with Khalifa Port, the company has committed to investing \$75 million in infrastructure and equipment over the next two years and an additional \$100 million over five years to increase the efficiency and capacity of these berths by 75%, enabling the annual handling of up to 14 million tons of cargo (Business Leader Hub, 2024).

The sustainable development, gradual utilization, and increased exchanges at Gwadar Port as part of the BRI may overshadow the UAE's economic plans for the future, including a new airport parallel to Dubai's. When CPEC and Gwadar Port were being developed in 2015, the UAE did not warmly welcome this corridor due to Islamabad's refusal to send its army to Yemen to support the Saudi-Emirati security alliance. These divergences were exacerbated by India's constructive relations with the UAE, as evidenced by Prime Minister Narendra Modi's visit to improve bilateral relations. Despite growing mistrust between the UAE and Pakistan and unfavorable developments in Pakistan's geostrategic environment (i.e., Afghanistan), the potential economic benefits of the corridor within a geoeconomic framework, based on diplomatic efforts from Islamabad, prevented the constructive relationship between



the two countries from deviating from its main course. The result of these diplomatic efforts came to fruition when the UAE agreed to invest in CPEC (Khaleej times, 12 february 2016). Such political discourse neutralized the reconstructed perception of economic insecurity in Pakistan that might have prevailed in UAE strategic circles. Additionally, Pakistan's diplomatic position put an end to any anti-Pakistan schemes by India that sought to damage Pakistan's relations with the UAE. The UAE was convinced that this corridor, as part of the BRI, was not designed against any Middle Eastern country. In this regard The United Arab Emirates (UAE) plans to invest between \$5 billion and \$8 billion in the Gwadar-Kashgar corridor. Additionally, the UAE is set to invest \$15 billion in the Karachi Port to prevent Chabahar from becoming a regional transit hub and to maintain Dubai's position as a key transit point, similar to Fujairah Port. The UAE's Ministry of Investment has also confirmed a commitment to invest \$10 billion across various sectors of Pakistan's economy, although specific details regarding the timing or particulars of these proposed investments have yet to be disclosed. Pakistani entrepreneurs view the UAE not only as a destination for exports but also as a commercial hub due to its geographical advantages and overall ease of doing business. An increasing number of Pakistani companies are registering in Dubai, with over 3,000 firms joining the Dubai Chamber of Commerce in 2023 alone. These companies are expected to strengthen the existing trade and investment relations between the two countries, fostering further economic collaboration. In summary, the UAE's substantial investments in Pakistan, particularly in strategic projects like the Gwadar-Kashgar corridor and Karachi Port, underscore its commitment to enhancing bilateral ties. This investment strategy aims to bolster Pakistan's economic landscape while ensuring that the UAE retains its pivotal role in regional trade dynamics (Eras, 2024).

### **3.2. Qatar**

Qatar's relationship with China has significantly evolved, particularly in the context of the CPEC. As of recent years, China has become Qatar's largest trading partner, dominating a substantial portion of Doha's foreign trade. This shift is indicative of Qatar's strategic pivot towards enhancing its economic ties with China, particularly in sectors such as shipbuilding, petrochemicals, and advanced technology. In 2015, Qatar became the first Middle Eastern country to establish a Renminbi clearing facility, which served as a tool to promote economic relations with China. This facility allowed for the settlement of transactions in Chinese yuan, thereby facilitating trade and investment opportunities between the two nations. The strategic partnership between Qatar and China was further solidified during Emir Tamim bin Hamad's visit to China in November 2014, which marked the beginning of a new phase in bilateral



relations. The core of this strategic partnership lies in linking China's BRI with Qatar's National Vision 2030. In this context, a memorandum of understanding was signed between Qatar's Ministry of Foreign Affairs and China's National Development and Reform Commission to promote the BRI initiative. The National Vision 2030 aims to transform Doha into a forward-looking society capable of sustainable development, ensuring a high standard of living for all citizens by 2030. Qatar's National Vision 2030 outlines four interconnected areas for development: the first one is human development, the second one is social development, the third one is economic development, and the last one is environmental development (Derakhshandeh, 2023: 11). There exists a convergence of economic and strategic interests that can serve as a foundation for cooperation between Qatar's vision and the BRI. Both initiatives can be interconnected to create a unified development strategy that benefits both countries. Economically, Qatar's vision aligns closely with the BRI's focus on human, social, cultural, and environmental development. During the strategic partnership agreements between China and Qatar, seven key areas for cooperation were identified: policy coordination, trade and investment, energy cooperation, financial collaboration, military relations, cultural exchange, and tourism communications. These strategic initiatives present high potential for synergy and cooperation while paving a clear path for joint development. The mutual benefits derived from this partnership are expected to yield positive outcomes for both China and Qatar. Despite these strategic agreements surrounding the two significant initiatives, there has been limited tangible progress in this area compared to China's partnerships with Saudi Arabia and the UAE. One reason for this is that Qatar appears unable to compete effectively with these nations regarding their advantages in resources and trade volume. Consequently, Qatar may be relegated to a secondary priority in China's regional strategy. In conclusion, while Qatar has made strides in establishing itself as an important partner within the framework of CPEC and the BRI, its ability to leverage these relationships effectively remains contingent upon overcoming competitive disadvantages relative to its neighbors. The future trajectory of Qatar-China relations will depend on how well both nations can align their strategic objectives and capitalize on their respective strengths within this evolving geopolitical landscape (Khorshidi, 2024: 3-13).

Qatar's relationship with Pakistan within the framework of the CPEC is emerging as a strategic and economic partnership. CPEC, which is part of China's larger BRI, aims to enhance infrastructure and strengthen Pakistan's economy. As one of the wealthiest countries in the Middle East, Qatar seeks to diversify its energy resources and expand its economic influence in the region, and CPEC can serve as a vital link for these goals. In recent years, Qatar has announced plans to invest in food storage facilities at Gwadar Port in Pakistan. This investment will not only contribute to



regional development but also meet Qatar's food supply needs. As the central hub of CPEC, Gwadar Port can play a significant role in facilitating trade between Qatar and other Asian countries, thereby strengthening the economic ties between the two nations. Moreover, Qatar and Pakistan's relationship is also expanding in the energy sector. Pakistan continues to purchase liquefied natural gas (LNG) from Qatar, which can help address Pakistan's energy needs. Given Pakistan's energy shortages, cooperation with Qatar could provide an effective solution to mitigate this issue. Recent meetings between officials from both countries have emphasized the importance of expanding cooperation in various fields, including trade, education, and transportation. The Foreign Minister of Pakistan has highlighted the significance of bilateral relations in achieving peace and stability in the region. Considering the economic challenges facing Pakistan, Qatari investments could contribute to economic growth and job creation. It is anticipated that these collaborations will lead to new job opportunities and strengthen local infrastructure. Additionally, due to its geographical position and Pakistan's energy needs, Qatar could emerge as a key partner in future CPEC projects. This relationship is not only beneficial for both countries but could also have a positive impact on regional stability and development (The Peninsula Qatar, 2022). Ultimately, Qatar and Pakistan's cooperation within CPEC represents a significant opportunity for both nations to capitalize on economic benefits and overcome shared challenges. This partnership is expected to enhance not only bilateral relations but also contribute to broader regional stability and development.

### **3.3. Oman**

Oman is indeed an important country in the Persian Gulf region due to its economic potential and geopolitical significance, especially in terms of maritime security in both the Arab seas and the Indian Ocean. Here are the key points about Oman's strategic importance: Geographic location: Oman is situated at the eastern and southeastern tip of the Arabian Peninsula, bordering Iran across the Strait of Hormuz to the north, UAE to the northwest, Saudi Arabia to the west, and Yemen to the southwest. It has a long coastline along the Gulf of Oman, Arabian Sea, and Indian Ocean Economic diversification: Oman, a middle-income country, is working to strengthen its economic situation through diversification of production and services. This goal is emphasized in Oman Vision 2040, the country's national development plan Relations with Pakistan: Oman is geographically the closest Gulf country to Pakistan. Their cooperation dates back to the 1950s, with diplomatic relations established in 1972 (Chaziza, 2019: 1-4). Trade between the two countries has been growing gradually CPEC(CPEC): This initiative could play a crucial role in providing Oman access



to target markets in South Asia and East Asia Relations with China: China established diplomatic relations with Oman in 1978 and has since expanded trade and strategic ties. China has become Oman's largest export market, particularly for oil. In 2017, 77% of Oman's crude oil was exported to China BRI: Oman is an active member of the BRI (Karachi chamber commerce industry, 2018: 4). The Port of Duqm, when fully operational, will have significant trade and connectivity importance for this initiative, potentially connecting not only the ports of Gwadar and Duqm but also linking the land and maritime Silk Road Economic Belts Strategic partnerships: In 2018, Oman and China started a "strategic partnership" which led to an increase in bilateral trade volume from \$21.4 billion in 2018 to \$31.1 billion in 2019 Future aspirations(The express tribune, 14 January 2020). Oman is striving to achieve its Vision 2040 national plan while connecting to the Economic Corridor and the BRI, aiming to secure a position among the major powers in the future Middle East Oman's strategic policies are crucial for understanding its role in maritime security in both the Arab seas and the Indian Ocean (Xinhua net, 2020:1). The country's efforts to diversify its economy, strengthen international relationships, and participate in major economic initiatives demonstrate its ambition to enhance its regional and global standing.

#### **4. China's policy in West Asia**

China is a significant player in West Asia and acts cautiously in addressing local political and security challenges. Due to its increasing economic presence, it has been compelled to enhance its interactions with the region. West Asia serves as a crucial strategic intersection for trade routes and maritime lines connecting Asia to Europe and Africa, making it vital for the future of the BRI, which aims to enable China to position itself at the core of global trade networks. Currently, China has focused on developing relations the Gulf countries, largely due to their dominant role in energy markets. The Middle East is important for Beijing because it supplies nearly half of China's oil needs, especially from Saudi Arabia, while China is a major customer for the region. Researchers Heem and Stig Stensli argue that China's investments in the Middle East have created mutual dependencies between the two sides. China is the largest foreign investor in various countries within this region, and investment opportunities are expected to grow further thanks to the BRI. Unlike the United States and Russia, which are both embroiled in military conflicts, China has managed to avoid involvement in regional political processes, such as the Israel-Palestine conflict. Beijing adopts a policy that allows others to handle unpleasant tasks so that it can focus on pursuing its own interests. China has successfully maintained its relationships with Iran, Saudi Arabia, and Israel. Although it does not seek a prominent military role in the region, it prefers economic measures. An increasing number of countries align themselves with Beijing as they wish to maintain trade ties with China and benefit



from its future investments. In contrast to Western approaches, China's strategy in the Middle East is pragmatic. Beijing has chosen a policy of maximizing utility centered around various interests without any specific ideological or value-based foundation. Unlike Americans, they do not concern themselves with the type of regime they engage with (Iranian Journal of International Relations, 2022).

In 2022, China emerged as the main economic partner for the countries of the Middle East and North Africa, with a trade volume of \$368 billion, significantly surpassing the \$144 billion trade volume of the United States with the region. Between 2013 and 2021, China's investments and developmental financing reached \$152 billion. The country has played an active role in the region through infrastructure projects, the BRI, and technological cooperation with Saudi Arabia and the UAE. By 2023, China sourced half of its crude oil imports from this region. Despite focusing on commercial interests, China has expanded its participation in diplomacy and security. Notable actions include appointing a special envoy to the Middle East in 2002 and presenting a new security plan in 2022. Additionally, in 2023, China acted as a mediator to restore relations between Saudi Arabia and Iran. However, China's involvement in regional crises remains limited; although it has proposed ceasefire suggestions for Gaza, it has not taken significant practical actions to suspend Israeli military operations or implement peace. China seeks to project itself as a responsible power committed to maintaining peace, including in the Middle East, but its approach to regional crises is cautious and hesitant. This difference reflects China's diplomatic style and its precise strategic thinking regarding its role in the region. China's policy can be interpreted from four perspectives: First, China prefers to stay away from regional conflicts and operates based on principles of neutrality and non-interference. It understands the risks of involvement in regional disputes and does not wish to replace the United States as the dominant power. China's geostrategic priorities remain focused on other issues, such as Taiwan Strait tensions, the South China Sea, and competition with the U.S. in the Indo-Pacific region. Second, the Middle East and North Africa hold significant importance for China due to energy resources and geostrategic positioning. While adhering to non-interference principles, China has expanded its influence in this region through increased bilateral trade, investments, and infrastructure projects, including in the digital economy. Defense collaborations have also increased, such as drone production with the UAE and ballistic missile development with Saudi Arabia, raising concerns in Washington. Third, China's passivity and delayed responses in diplomacy regarding regional developments could threaten its interests. Therefore, there is a need for more proactive diplomacy and mediation in conflicts like that between Palestine and Israel. Moreover, China has expanded its influence through multilateral institutions such as the Shanghai



Cooperation Organization (SCO) and BRICS, attracting many countries from the Middle East and North Africa. Fourth, following October 7th, despite strategic competition opportunities with the U.S. in the Middle East and North Africa, China strives to balance its principles of non-interference with a need for more active participation. It prefers to play a limited role as a facilitator and mediator in regional disputes; China's primary objective is to safeguard its interests in the region rather than providing specific solutions for crises (Tahririeh Research Institute, 2024).

The geoeconomic vision for economic cooperation in the Middle East, free from geopolitical challenges, is not feasible given the region's history of devastating wars, terrorism, economic collapse, political instability, and social intolerance. The prolonged conflict in Syria has significantly hindered foreign direct investment in that part of the region. Additionally, the Israeli-Palestinian conflict, aside from the partial exceptions of Saudi Arabia and Qatar's oil economies, has impeded economic growth in the Arab world. The crisis in Yemen has also obstructed economic cooperation in the region. Furthermore, political instability has stymied economic growth in Egypt and Iraq. The recent military confrontation between Iran and the United States, following the assassination of General Qassem Soleimani by a U.S. drone strike, further exacerbated tensions. Iran's immediate response with ballistic missile attacks on U.S. military bases in Iraq heightened global attention, particularly among foreign investors, to the potential for a full-scale war in the region. China, as a responsible member of the international community, has called for regional peace and stability. Pakistan, an important country in the Islamic world, also seeks to resolve tensions diplomatically. However, the longstanding rivalry between Iran and the United States has deepened mutual distrust and hostility, despite multiple efforts by major powers, especially China, to resolve the conflict through peaceful means. The BRI, with its economic focus, could serve as a catalyst for fostering economic cooperation by creating commercial and trade benefits for regional countries. If Iran joins the CPEC, it would align its economic and security interests with China, Pakistan, and other global members, making unilateral attacks by the United States more challenging. Similarly, U.S. participation in this initiative could not only mitigate the existing trade war with China but also allow it to leverage the economic capacities of all countries involved in the initiative, reducing the likelihood of military attacks on its bases in these countries. China continues to emphasize the need for a peaceful resolution of ongoing conflicts in the Middle East. For China to have a unified policy to end bilateral/multilateral territorial disputes through negotiation rather than arms, the BRI must deliver tangible benefits to the countries involved in regional conflicts. Additionally, the initiative should provide political and economic gains as tools for trade and commerce development, making peace and stability a priority for all countries globally.



The significance of the CPEC lies in its connection of China's Xinjiang region to Gwadar Port, which is crucial for China's energy needs. China has a substantial dependency on energy, with over 60% of its requirements being met through the Persian Gulf. The route for Beijing to secure energy is through the Persian Gulf to the Indian Ocean and then via Gwadar Port. China's investments in developing Gwadar can be evaluated in this context, making Pakistan a vital player in this scenario. China's BRI passes through Pakistan and Central Asia, where Pakistan's role becomes prominent. For Beijing to achieve the objectives related to this initiative, it considers Pakistan a significant factor. The implementation of these projects is driven not only by economic reasons but also by various political necessities. The CPEC, which connects Kashgar in Xinjiang to Gwadar Port, requires political and security considerations alongside its economic benefits. Xinjiang, home to various extremist groups linked to the Taliban, presents challenges for China. Since China views extremism as a major obstacle to its development goals, it believes that economic development in this region is the best solution to counter extremism. Consequently, the CPEC project, with Pakistan's involvement, has been initiated as a means to achieve these ends. From another perspective, due to Pakistan's connections with the Taliban and their ties to extremists in Xinjiang, China regards Pakistan as a stabilizing factor for South Asia and Xinjiang. The projects proposed and implemented by China pay considerable attention to these issues. These factors highlight the increasing importance of South Asia, particularly Pakistan, for China. The factors mentioned above are not the only influences on Sino-Pakistani relations since 2015. Other significant factors include the growing closeness between Washington and New Delhi or, more accurately, the balancing act between these two countries against China and Pakistan (Farzinnia & Ayaz, 2016: 10-11).

## **Conclusion**

China has currently transformed into a major power in the international system, and as a result, its foreign policy behaviors are expected to align with its new status. The new dynamics in the international system, although they have only recently begun, are evolving rapidly enough to potentially influence regional and global systems in the near future. The CPEC exemplifies Beijing's foreign policy in these new circumstances. CPEC is a clear manifestation of the strengthening relations between China and Pakistan and is a key element of China's new foreign policy, which is reflected in the BRI. This initiative, which started in 2013, can play a significant role in altering the prevailing conditions in the international system and reshaping Beijing's position within it. China's energy security situation and its cooperation with Gulf Arab countries, along with the connections between these Gulf states and Pakistan,



underscore the important role of CPEC. This paper examines the relationships between Saudi Arabia, Qatar, the UAE, Oman, and Pakistan, as well as the significant role of China's Silk Road initiative. Saudi Arabia has shown strong interest in joining CPEC and investing in related projects, seeing it as aligned with its Saudi Vision 2030 economic plan. UAE, Qatar and Oman could also benefit significantly from participating in CPEC due to their geographic proximity to the Gulf region. China's trade with Middle Eastern countries, especially Saudi Arabia and UAE, has already exceeded \$200 billion annually. CPEC could further boost this trade. The project faces geopolitical challenges in the Middle East region, including ongoing conflicts and political instability in some countries. Economic cooperation through BRI and CPEC could potentially help reduce conflicts by creating mutual economic interests among participating countries. For Middle Eastern countries, aligning their national development plans (like Saudi Vision 2030, Qatar Vision 2030, Oman Vision 2040) with BRI principles could maximize benefits. CPEC could serve as a gateway for Middle Eastern countries to access markets in South Asia and China more efficiently. The success of CPEC and broader regional integration depends on overcoming geopolitical tensions and fostering cooperation among diverse stakeholders, including potentially inviting countries like India and the United States to participate. Overall, CPEC presents significant economic opportunities for Middle Eastern countries, but realizing its full potential requires navigating complex regional dynamics and fostering inclusive cooperation.

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