

OMAN AND UAE ON CHINA'S MARITIME SILK ROAD INITIATIVE: IMPLICATIONS FOR INDIA

MANISH AND ANU SHARMA

INTRODUCTION

The aim of this paper is to assess the significance of the geographical positioning of West Asian nations, particularly Oman and the UAE, on China's Maritime Silk Road (MSR). West Asia is fast emerging as a significant region for China in terms of both the land and maritime components of its Belt & Road Initiative (BRI) in. In all of this, China is utilising this opportunity to strengthen its relations with nations such as Oman and the UAE, which have growing economies as well as wide coastlines and port facilities that can further China's maritime lanes of communication vis-à-vis its energy trade from this region. In this context, the article argues that the two nations mentioned above are fast becoming the "strategic strongpoint" for China in the West Asian region apart from its traditional partners, i.e., Iran and Saudi Arabia. The vision of the Chinese policymakers and analysts regarding the port facilities consider it as a crucial factor in the sea lane security. Therefore, this has resulted in large strategic investments that aim at the establishment of global network of shipping lanes of communication along with the construction of various port development tactics.

Professor **Manish** is Dean at the Centre for International Politics, School of International Studies, Central University of Gujarat, Gandhinagar.

Ms **Anu Sharma** is Associate Fellow at the Centre for Air Power Studies, New Delhi.

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China's Maritime Silk Road Initiative (MSR)—a part of Belt and Road Initiative (BRI)—can be regarded as an ambitious plan with the aim to create three “blue economic passages” that will link Beijing with the economic hubs around the world. In the grand Chinese plans West Asia has emerged as a pivotal region as well

as a theatre of investment, international integration and rivalry between major powers of the world. The concept of MSR was first introduced in 2013 as a development strategy to boost infrastructure connectivity and complement the Silk Road Economic Belt, which is also known as the on-land component of BRI. This grand project has huge economic and strategic consequences for the various partner nations that are involved. Several transit routes extending from China through Southeast Asia, Oceania, the Indian Ocean, West Asia and East Africa into the Mediterranean Sea are proposed along the MSR, with a significant focus on enhancing port facilities along this route that will eventually benefit China. In fact, it can be said that the aim of MSR is to promote contiguity to shipping lanes as well as the existing ports, including the hinterland connectivity. As envisioned in the “Vision for Maritime Cooperation” that was published in 2017, China expresses its ambition to “build a peaceful and prosperous 21st-Century Maritime Silk Road” by “synchronizing development plans and promoting joint actions amongst countries along the Maritime Silk Road.” Through MSR, China envisages greater economic cooperation and connectivity from Quanzhou province in Fujian region to Red Sea (into the Mediterranean region), eventually linking it with its land silk route in the Eurasian region. The initial amount pledged for MSR was \$40 billion as part of the Silk Road Fund. Chinese intention is to develop the infrastructure along the various Belt and Road routes and, therefore, it is making efforts to consolidate new

partners and new projects while continuing to work on the existing projects for MSR initiatives (Figure 1). China's aim is to expand opportunities for its western region as well as enhance its sphere of influence globally. In this respect, this paper will assess and analyse the role of Chinese MSR initiatives in the West Asian region through the prism of two case studies, i.e. Oman and the United Arab Emirates (UAE). Both Arab nations boast an impressive coastline lying almost on the outskirts of the critical Strait of Hormuz.

Fig. 1: The Maritime Silk Road and Economic Belt



Source: <https://en.imsilkroad.com/p/312466.html>. Accessed on August 28, 2021

CHINA'S MARITIME SILK ROAD INITIATIVE

China's introduction of its grand strategic plan, namely Belt and Road Initiative has become the flagship initiative of the Chinese President Xi Jinping.¹ The BRI consists of two elements: the Silk Road Economic Belt

1. Andrew Scobell, "Why the Middle East Matters to China?" in A. Ehteshami and N. Horesh, (eds.), *China's Presence in the Middle East: The Implications of the One Belt, One Road Initiative* (New York: Routledge, 2018), pp. 9-23.

The BRI consists of two elements: the Silk Road Economic Belt (SREB) and the 21st century MSR. SREB connects Beijing with Central Asia, West Asia and Europe on land, while the aim of MSR is to link the key maritime trade routes of Africa, Europe, Oceania along with South and Southeast Asia.

(SREB) and the 21st century MSR (Figure 1). SREB connects Beijing with Central Asia, West Asia and Europe on land, while the aim of MSR is to link the key maritime trade routes of Africa, Europe, Oceania along with South and Southeast Asia. The two projects are connected, and China's aim is to implement them in a coordinated manner.² However, the components of BRI have the potential to alter the global

geopolitical scenario by the development of various infrastructure and connectivity projects in BRI partner countries, including air and seaports, highways, high-speed railways, pipelines, etc.³ There are six corridors being developed under BRI involving more than 80 countries. This also means that BRI encompasses almost three-quarters of the world's population, approximately 40 per cent of the global GNP⁴ and almost 75 per cent of hydrocarbon resources.⁵ Furthermore, it has the potential to reframe the world order across the whole international system as well.⁶

The MSR is an enormous project with the aim to link vast regions of East Asia, Southeast Asia, South Asia and West Asia through the development of hard infrastructure, such as high-speed railways, highways, air and

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2. Xinhua, "Full text: Vision for Maritime Cooperation under the Belt and Road Initiative", June 20, 2017. Xinhua, at http://news.xinhuanet.com/english/2017-06/20/c_136380414.htm. Accessed on August 28, 2021.
 3. J. F. Blanchard and C. Flint, "The Geopolitics of China's Maritime Silk Road Initiative", *Geopolitics*, vol. 22, no. 2, 2017, pp. 223–45, at <https://www.tandfonline.com/doi/full/10.1080/14650045.2017.1291503>. Accessed on August 28, 2021.
 4. Gross National Product.
 5. "Greening the Belt and Road Initiative: WWF's Recommendations for the Finance Sector—In Conjunction with HSBC", January 1, 2018, at <http://greenfinanceinitiative.org/wp-content/uploads/2017/10/Greening-the-Belt-and-Road-English.pdf>. Accessed on August 28, 2021.
 6. J. Perlez and Y. Huang, "Behind China's \$1 trillion Plan to Shake up the Economic Order", *The New York Times*, May 13, 2017, at <https://www.nytimes.com/2017/05/13/business/china-railway-one-belt-one-road-1-trillion-plan.html?mcubz=3>. Accessed on August 29, 2021.

sea ports, power grids, pipelines for oil and natural gas, as well as the telecommunication networks. The MSR also includes the development of large industrial parks and Special Economic Zones (SEZs), along with industrial plants, in these regions.⁷ The MSR originates in the Fujian province and it traverses through Guangdong, Guangxi and Hainan before heading south to the Malacca Strait.⁸ The MSR is also planned to secure China's maritime energy supply chain across the Indian Ocean region and the South China Sea and is responsible for the majority of Beijing's energy imports pass. This explains China's emphasis on the security of the sea lines of communication (SLOCs).⁹ Beijing's dependency on oil and gas imports from the West Asian region is quite significant and crucial which requires it to ensure the uninterrupted supply of the same through reliable transit routes from the energy-rich Central Asian or West Asian region through the creation of the land- and sea-based Silk Road. This makes the maritime transit routes and SLOCs critical for Beijing's energy security.¹⁰ This has become the prominent reason for Beijing to vigorously promote its MSR initiatives across the Gulf region in order to boost new partnerships and trade relations. Consequently, China and its partner nations in the West Asian region are quite willing to take forward various maritime projects under MSR to fruition in order to generate economic opportunities as well as incentives for foreign investors.

China visualises a multipolar order in West Asia based on its policy of non-interference in partnering with various West Asian nations. It intends to project itself as a nation that promotes stability and growth through mutual collaboration, in contrast to the Western concept of promoting democratic peace. China projects that it supports and adheres to the principles of state

7. J. F. Blanchard and C. Flint, n. 3.

8. R. R. Chaturvedy, *The 21st century Maritime Silk Road*. Observer Research Foundation, February 10, 2017, at <http://www.orfonline.org/research/the-21st-century-maritime-silk-road/>. Accessed on August 27, 2021.

9. C. Len, "China's 21st Century Maritime Silk Road Initiative, Energy Security and SLOC Access", *Maritime Affairs*, vol. 11, no. 1, 2015, pp. 1-18, at <https://doi.org/10.1080/09733159.2015.1025535>. Accessed on August 27, 2021.

10. Tae Hwan Lee, "One Belt, One Road Strategy and Korean-Chinese Cooperation", *The Newsletter* 74, Summer 2016, at <https://www.ias.asia/the-newsletter/article/one-belt-one-road-strategy-korean-chinese-cooperation>. Accessed on August 29, 2021.

While China prefers to remain on the side lines when it comes to the volatile West Asian region, however, any threat to its assets or diaspora in the region could prompt Beijing to play a more proactive role. Such an incident could act as the stimulus for a change in its policy of non-intervention.

sovereignty and non-interference in another nation's domestic affairs, promoting only economic development through BRI. This lack of interest by Chinese policymakers in West Asian regional and domestic politics makes Beijing a viable partner for many West Asian nations. This is despite the fact that China's growing economic presence in the West Asian region can have social, political and

strategic consequences for it in the future. The region is significant for China for a number of reasons beyond energy security. Even with the prevailing turmoil in the region, Chinese policymakers have adhered to their policy of non-interference. Hitherto, China has managed to steer clear of the West Asian quagmire and avoided getting sucked into the inter-state political rivalry by not interfering in the domestic political affairs of the West Asian nations.¹¹ It is safer to say that China is adapting its behaviour, striking a balance between the moral obligation to safeguard and its practical interests in the region.¹² While China prefers to remain on the side lines when it comes to the volatile West Asian region, however, any threat to its assets or diaspora in the region could prompt Beijing to play a more proactive role. Such an incident could act as the stimulus for a change in its policy of non-intervention.

As part of the strategic context of MSR, China has been trying to acquire the construction and operational rights of a number of ports from the South Asian region to West Asia, Africa, Europe, and even South America.

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11. Camille Lons, Jonathan Fulton, Degang Sun and Naser Al-Tamimi, "China's Great Game in the Middle East", *Policy Brief—ECFR*, October 21, 2019, at https://ecfr.eu/publication/china_great_game_middle_east/; Kerry Brown, "Mixed Signals: China in the Middle East", *Policy Brief No. 190-FRIDE*, December 2014, at https://www.files.ethz.ch/isn/186272/Mixed%20signals_%20China%20in%20the%20Middle%20Eas.pdf. Accessed on January 5, 2022.
 12. Xinhui Jinag, "From Non-Intervention to What? Analyzing the Change in China's Middle East Policy", *Middle East Institute*, July 15, 2015, at <https://www.mei.edu/publications/nonintervention-what-analyzing-change-chinas-middle-east-policy>. Accessed on January 5, 2022.

According to the *Financial Times*, China has expended billions of dollars in spreading its port network to ensure the sea-lanes and ascertain itself as a maritime power¹³ (Figure 2).

Fig. 2: China's Global Investments in Ports



Source: <https://asia.nikkei.com/Spotlight/Belt-and-Road/China-drops-11bn-anchors-to-expand-Maritime-Silk-Road>. Accessed on August 30, 2021.

All this highlights the importance of discussing the West Asian region's geographical positioning. This region is situated at the crossroads of the three continents, i.e. Europe, Africa and Asia. Therefore, China's BRI initiative aims to not only link this region, but also to

connect it through various maritime routes which will in a way provide for the 'oil roads' of China.¹⁴ Also, in this geopolitical calculus, the West Asian nations have come forth as the potential markets for the Chinese traders plus possible Belt and Road access points to their target markets in Europe and

West Asian nations have come forth as the potential markets for the Chinese traders plus possible Belt and Road access points to their target markets in Europe and Africa.

13. James Kynge et al., "How China Rules the Waves?", *Financial Times*, January 12, 2017, at <https://ig.ft.com/sites/china-ports/>. Accessed on August 30, 2021.

14. Muhammad Zulfikar Rakhmat, "The Belt and Road Initiative in the Gulf: Building 'Oil Roads' to Prosperity", Middle East Institute, March 12, 2019, at <https://www.mei.edu/publications/belt-and-road-initiative-gulf-building-oil-roads-prosperity>. Accessed on August 29, 2021.

Africa. In all of this, MSR's share accounts for almost half of world trade between China/East Asia & Europe; furthermore, supported by the largest container ports globally (i.e. Shanghai, Singapore, Shenzhen, Ningbo-Zhoushan, Busan, and Hong Kong).¹⁵ This again enhances the geostrategic positioning of the Gulf region and its placement to take advantage of the MSR (Figure 2). It cannot be ruled out that the Gulf region is already positioned at a significant crossroad for global trade, logistics travel and finance in the recent past.¹⁶ However, it is worth noting that China-West Asia economic ties have enhanced multi-fold and the energy sector remains the pillar of China's relations with West Asian nations. In order to further understand Chinese MSR ventures in the West Asian region, two case studies have been analysed in detail, i.e. Oman and the UAE, in the following sections.

MSR AND OMAN

The aim of this section is to analyse Oman's role in the success of Chinese MSR plans. China's strategy vis-à-vis Oman provides a stimulating case study to understand the tactic of acquiring new partners in West Asia, since Beijing regards Oman as a crucial partner in achieving its MSR plans and expanding its maritime presence in the Indian Ocean and the adjacent Arabian Sea region for various economic, political and security aspirations. The Sultanate of Oman is in proximity to East Africa, India, Iran, Pakistan, Yemen and the larger Indian Ocean region, besides the other significant West Asian nations. This makes the Sultanate of tremendous strategic value to China's BRI plans in general and MSR plans in particular. Oman's strategic location qualifies it to be a regional hub between Asia and the Gulf Cooperation Council (GCC) nations, with accessible transit routes

15. "Review of Maritime Transport-2019", United Nations Conference on Trade and Development (UNCTAD), January 31, 2020, at https://unctad.org/system/files/official-document/rmt2019_en.pdf. Accessed on August 29, 2021.

16. Shin Watanabe, "China Drops \$11Bn Anchors to Expand Maritime Silk Road", *Nikkei Asia*, January 5, 2020, at <https://asia.nikkei.com/Spotlight/Belt-and-Road/China-drops-11bn-anchors-to-expand-Maritime-Silk-Road>. Accessed on August 31, 2021.

connecting it to some of the emergent markets in and around the Indian Ocean region (Figure 3).

Though diplomatic relations between Muscat and Beijing were established in 1978, the old ties between the two nations were based on the direct trade in the antiquity era. Regardless of the past or the modern-day trade relations, the Maritime Silk Route has been a great achievement for both China and Oman. Furthermore, the close economic relations have provided the boost needed for further potential collaborations.¹⁷ After establishing diplomatic relations in 1978, China and Oman started oil trade in 1983, making Oman the first Arab nation to export oil to China. This, eventually, led Beijing to visualise Oman as a strategic source of its oil supply.¹⁸ This relationship further developed when China began to import natural gas from Oman in 1997. Like most of Beijing's relations with a number of West Asian nations, oil and natural gas remains the pillar of China-Oman bilateral relations.

The Strategic Significance of Oman-China Relations

China's policy towards Oman forms a part of its overall West Asian/ Arab policy. The criticality of this hydrocarbon-rich region is vital for Chinese trade and investment ventures, as well as safeguarding the stable flow of oil and gas supply that is of significant concern to Beijing. Since 2013, the West Asian region has received significantly more prominence in the Chinese policymaking, becoming a part of its BRI plans and the 21st century MSR. With the Chinese footprints increasing in the region, it is invariably becoming a vital geostrategic partner for a number of West Asian nations. Furthermore, with West Asia becoming the theatre for

17. Z. Han and X. Chen, "Historical Exchanges and Future Cooperation between China and Oman under the 'Belt & Road' Initiative", *International Relations and Diplomacy*, vol. 6, no. 1, 2018, pp. 1-15, at <https://davidpublisher.com/Public/uploads/Contribute/5aa9ca508dc8e.pdf>. Accessed on August 29, 2021.

18. M. Chaziza, "The Significant Role of Oman in China's Maritime Silk Road Initiative", *Contemporary Review of the Middle East*, vol. 6, no. 1, 2019, pp. 44-57, at <https://journals.sagepub.com/doi/full/10.1177/2347798918812285#bibr12-2347798918812285>. Accessed on August 30, 2021.

great power competition, China has stepped up its efforts to establish a presence in the region.¹⁹ It cannot be ignored that China has vital security interests in the West Asian region, particularly in relation to the spread of terrorism and extremist ideology, as well its impact on Uyghur separatism. Chinese fear that the rising extremism from the West Asian region can become a significant challenge to Xinjiang's social stability and economic development.²⁰ Moreover, China solicits strengthening the shared interdependency with Oman in numerous sectors such as energy, construction and infrastructure projects through utilising its economic capabilities to achieve the successful implementation of the MSR. The Omani government has welcomed Chinese solicitation to collaborate in the MSR projects, which Beijing is projecting as a win-win model. This is being done by making investment and trade part of the infrastructure, construction and finance sectors, so that China can offer robust support for Oman's diversification and economic reforms. Oman's Vision 2020 plans to diversify its economy and move away from reliance on oil, for its economic sustenance can be fulfilled by the economic support and infrastructure development by China. The factors such as dwindling oil prices and increasing unemployment rate is making the Omani government to look towards China for investments. Furthermore, the related financial mechanism of BRI will provide the much-needed financial support for the economic restructure and infrastructure construction of Oman.²¹

Chinese Investments in Energy, Construction and Infrastructure: It is clearly understood that Beijing's dependence on the West Asian region for

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19. Andrew Scobell and Alireza Nader, *China in the Middle East: The Wary Dragon* (Santa Monica, CA: RAND Corporation, 2016), at https://www.rand.org/pubs/research_reports/RR1229.html. Accessed on August 28, 2021.
 20. Joseph Hope, "Returning Uighur Fighters and China's National Security Dilemma", *China Brief—Jamestown Foundation*, vol. 18, no. 3, July 25, 2018, at <https://jamestown.org/program/returning-uighur-fighters-and-chinas-national-security-dilemma/>. Accessed on August 30, 2021.
 21. Zhibin Han and Xiaoqian Chen, "Historical Exchanges and Future Cooperation between China and Oman Under the 'Belt & Road' Initiative", *International Relations and Diplomacy*, vol. 6, no. 1, January 2018 (Serial Number 52), pp. 1-15, at <https://www.davidpublisher.com/Public/uploads/Contribute/5aa9ca508dc8e.pdf>. Accessed on August 31, 2021.

its oil and gas supply has increased considerably over time. China is one of the largest importers of crude oil from West Asia today. This is supported by the International Energy Agency's (IEA) estimates that the West Asian region will provide more than 50 per cent of China's oil

Beijing's dependence on the West Asian region for its oil and gas supply has increased considerably over time. China is one of the largest importers of crude oil from West Asia today.

and gas trade by 2040, while Beijing will expend about a quadrant of this region's hydrocarbon exports with China's estimated oil imports increasing to 11,106 million barrels per day by 2025.²² Beijing's increasing dependence on oil imports from West Asia is one of the major reasons for it to invest heavily in the infrastructure initiatives as part of its BRI and MSR plans. There are chances that the infrastructure developments will be connected through ports or pipelines, with increasing naval access and support factors to support China in securing energy routes. This has also become one of the significant drivers in the growth of Chinese blue-water maritime development and extrapolation of power in the Indian Ocean region. This puts into perspective the growing significance of Oman in Chinese strategic initiatives in the Persian Gulf region. China's oil imports from Oman have witnessed a jump in 2021 during the January-February 2021 period, totalling to 7.78 million tonnes.²³ China imported 132.67 million barrels of Omani crude oil in 2017 which was part of Omani export of 171.90 million barrel and currently also remains top importer of Oman's crude oil.²⁴ Oman has West Asia's smallest proven oil reserves and is also a relatively small producer of natural gas in the region. In order for China to advance its MSR

22. "Oil 2020", IEA Report, March 2020, at <https://www.iea.org/reports/oil-2020>. Accessed on August 31, 2021.

23. "China's Crude Imports from Oman, UAE jump as Iranian Barrels Fall", Hellenic Shipping News, March 23, 2021, at <https://www.hellenicshippingnews.com/chinas-crude-imports-from-oman-uae-jump-as-iranian-barrels-fall/>. Accessed on August 31, 2021.

24. "China remains leading Market for Oman Crude Exports", Hellenic Shipping News, October 14, 2020, at <https://www.hellenicshippingnews.com/china-remains-leading-market-for-oman-crude-exports/>. Accessed on August 31, 2021.

Beyond the petroleum exports, the recent Chinese investments in construction and infrastructure projects will help in strengthening this bilateral partnership between China and Oman. This is also significant in view of Oman's initiative to diversify its economy beyond oil and gas.

plans, the Sultanate's geostrategic positioning plays a significant role in mainly securing access to energy supplies. This unique positioning of the Sultanate helps in facilitating the Chinese industries to have a better access to markets throughout the West Asian region and beyond. As a strategically situated gas producer there are chances that Oman will play a significant role in the

materialisation of Beijing's MSR with regard to West Asia.

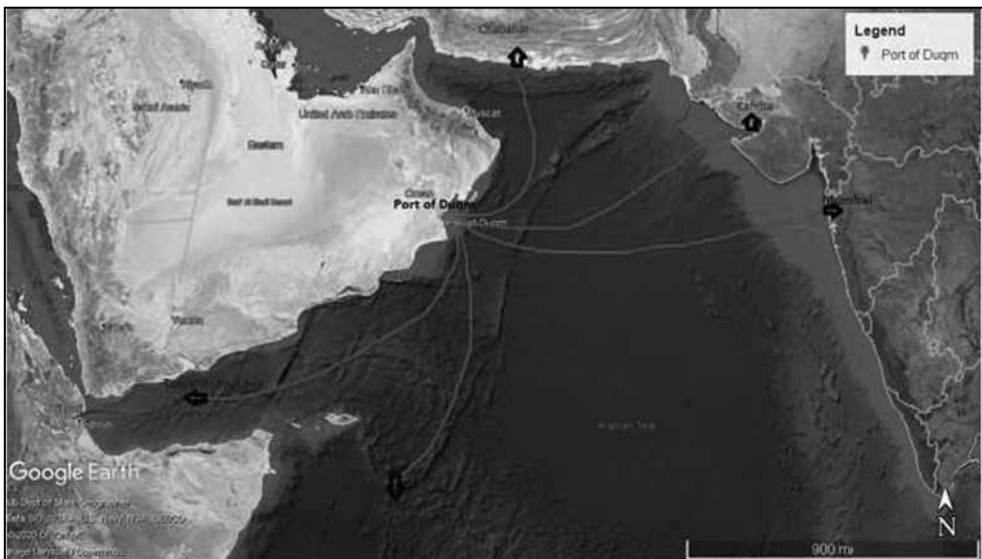
Beyond the petroleum exports, the recent Chinese investments in construction and infrastructure projects will help in strengthening this bilateral partnership between China and Oman. This is also significant in view of Oman's initiative to diversify its economy beyond oil and gas. One of the instances of this growing bonhomie between China and Oman is visible when the Sultanate borrowed \$3.6 billion from China in 2017 for infrastructure development making the Sultanate one of the largest Gulf borrowers.²⁵ Another instance of how China and Oman are building partnership is through the Chinese firms outlining investment plans and investing in the construction of large industrial parks and SEZs as part of their MSR initiatives in various parts of the Persian Gulf region for the seamless flow of Chinese energy resources and products to this region. One such example is the Duqm port, which is situated 550 km south of Muscat and holds the primary interest of Beijing in Oman. In case the collaboration materialises, it will transform Duqm into a significant locus of the Sino-Omani global trade and manufacturing.²⁶ The Chinese confederation has committed

25. J. Yan, "LPC-Oman raising US\$3.6bn from Chinese Banks", Reuters, May 9, 2017, at <https://www.reuters.com/article/oman-loans/lpc-oman-raising-us3-6bn-from-chinese-banks-idUSL4N1IB3TW>. Accessed on September 1, 2021.

26. W. Shepard, "Why China is building a New City out in the Desert of Oman", *Forbes*, September 8, 2017, at <https://www.forbes.com/sites/wadeshepard/2017/09/08/why-china-is-building-a-new-city-out-in-the-desert-of-oman/#6d3249316b2f>. Accessed on September 1, 2021.

to developing 30 per cent of the Oman Industrial Park in Duqm within the next few years. Furthermore, ten Chinese firms have also signed land lease agreements for several construction projects, which amount to an investment of almost \$3.06 billion.²⁷ For Oman, the realisation of the SEZ projects is significant in its pursuit to diversify its economy from its traditional oil and gas sector, which was in line with its *Vision 2020* plans. If these SEZ projects successfully materialise, Duqm will be marketed as a major attraction for investments due to its strategic location on the Arabian Sea between the Gulf of Oman and the Gulf of Aden. This geographical positioning of Duqm port and of the SEZ corresponds to the materialisation of China's MSR aims (Figure 3).

Fig. 3: Strategic Location of the Duqm Port and the SEZ



Source: <https://www.claws.in/omans-strategic-duqm-port-and-indias-opportunities/>. Accessed on September 1, 2021.

27. Henry Tillman, Yang Jian and Ye Qing, "BRI in Oman as an Example: The Synergy of Infrastructure Digitisation and SEZs", 2019, at <http://siis.org.cn/UploadFiles/file/20191112/oman%20case%20new.pdf>. Accessed on September 1, 2021.

Even though Oman is not situated on the direct MSR route, it is ready to play a significant role in China's efforts to revive ancient maritime trade routes and has high economic and geopolitical stakes in Beijing's prospective maritime economic corridor. Oman is located in the south-eastern part of the Arabian Peninsula next to the Strait of Hormuz, which is a crucial maritime transit route sandwiched between the Persian Gulf and the Gulf of Oman, as well as the Arabian Sea and the Indian Ocean . Further, Oman shares borders with Saudi Arabia, Yemen and the UAE and is in contiguity to India, Iran, Pakistan, East Africa and the wider Indian Ocean region. All these geographical factors as well as strategic counter points have become a central concern for China and increased the significance of Oman in Chinese policy making vis-à-vis the Persian Gulf region. Through Oman, China is trying to enhance its presence in the Indian Ocean and the Arabian Sea region. This geographical positioning of Oman is also helpful in enhancing its significance as an energy and global supply chain corridor.

Almost 80 per cent of the global oil trade passes through the Indian Ocean choke points, with the Strait of Hormuz accounting for 18.5 per cent of total oil trade and approximately 40 per cent of global maritime oil trade. As a result, this Strait has developed as the world's largest maritime transit zone. Even though Beijing is vigorously trying to diversify its oil and gas exporter list, oil and gas from the West Asian region continue to be China's primary suppliers. In this quest, the role of Oman could help China in terms of opening new markets and trade routes to and from West Asia, as China tries to connect this region with South-east and East Asian economies through MSR. Oman boasts of an outstanding transport infrastructure and presents three world-class deep-sea ports and five airports as well as an outstanding road network.²⁸ Through these ports and transit links it becomes easier for the Sultanate to be connected to major international shipping routes and significant transit hubs across continents. It also has direct trade routes linked to the emerging Gulf Cooperation Council (GCC) markets, India and Africa.

28. "Sea Port in Oman", at https://omantourism.gov.om/wps/portal/mot/tourism/oman/seaports/!ut/p/a0/04_Sj9CPykssy0xPLMnMz0vMAfGjzOL9gwKD3fxcTQwMzFwtDTwd_d1dLTyCjQIDTfSDU_P0C7IdFQGkI0XE/. Accessed on September 1, 2021.

Particularly because of this reason, China has shown keen interest in various Omani deep-sea ports, one of which is closer to the UAE, as a means of connecting with various other West Asian nations that are partners of BRI.²⁹ China has deeply invested in the development of the Duqm port with the approximate amount of investment being \$10.7 billion along with a new industrial city. It could serve as a potential operating base for China as a connection to the West Asian region, the Indian subcontinent and East Africa. Simultaneously, by partnering with Chinese MSR investments, Oman can become a pivot for the oil refineries in the Gulf region via the Duqm Port. In this process, the Sultanate can become the linking point between China and the West Asian region, bypassing the contentious Strait of Hormuz. Therefore, Oman's strategic location aids China to leverage its geopolitical influence across the geopolitically significant Indian Ocean, which accounts for half of the global container traffic and almost 70 per cent of the world's petroleum shipments.

Despite the presence of other regional powers in the West Asian region, the UAE's increasing influence and significance as a trade and investment hub together with its energy diversification aims can support the Chinese foreign policy goals in this region.

MSR AND THE UAE

Among the GCC nations, the United Arab Emirates (UAE) is emerging as an important player in Chinese BRI plans vis-à-vis its BRI corridor passing through the West Asian region. Despite the presence of other regional powers in the West Asian region, the UAE's increasing influence and significance as a trade and investment hub together with its energy diversification aims can support the Chinese foreign policy goals in this region. As previously mentioned, oil and gas trade remain to be the pillar of China's relations with

29. Fabio Indeo, "The Middle East in China's Belt and Road Initiative: Strategic and Geopolitical Implications", Middle East Insights-National University of Singapore, No. 256, March 16, 2021, at <https://mei.nus.edu.sg/wp-content/uploads/2021/03/Insight-256-Fabio-Indeo.pdf>. Accessed on September 1, 2021.

UAE has positioned itself to play a central role in BRI initiatives owing to its strategic position, outstanding infrastructure and stable economic policies. The UAE and China have already announced several key projects.

this region. Furthermore, the UAE has emerged as a key player in President Xi's BRI plans through which the proclaimed aim is to connect China through land and sea to the emerging markets in Asia and Europe via a range of strategic investments. Even though the BRI has been criticised for being an initiative to expand

China's economic and strategic clout, a number of nations are partnering with China in its Belt and Road initiative for the amount of investment and infrastructure development as well as to look forward to diversifying their economies—as is the case of West Asian economies. In all of this, the UAE also plans to play a significant role. It is often projected in media reports that BRI initiative will benefit the UAE economy, trade and logistics and transport sectors. It is worth noting that more than 20 per cent of Chinese trade is with its Arab partners, and more than 25 per cent of Chinese exports to West Asian region already transit through the UAE. Through this, the UAE has positioned itself to play a central role in BRI initiatives owing to its strategic position, outstanding infrastructure and stable economic policies. The UAE and China have already announced several key projects through which the Emirati state will strengthen its position as a crucial transit point for Chinese exports to the African and Eurasian regions.³⁰

China and UAE established diplomatic relations in November 1984. Since then, the cooperation between both the nations has continued with several agreements in place. In fact, China was amongst the first few nations to sign a Bilateral Investment Treaty (BIT) with the UAE in 1993.³¹ Furthermore, the UAE is also the founding member of the Asian Infrastructure Development

30. Muzaffar Rizvi, "UAE Logistics set to Reap Dividends of New Silk Road", *Khaleej Times*, December 14, 2019, at <https://www.khaleejtimes.com/business/economy/uae-logistics-set-to-reap-dividends-of-new-silk-road>, Accessed on August 29, 2021.

31. "China-United Arab Emirates Bilateral Investment Treaty 1993", *Investment Policy Hub—UNCTAD*, at <https://investmentpolicy.unctad.org/international-investment-agreements/treaties/bit/988/china---united-arab-emirates-bit-1993->. Accessed on September 3, 2021.

Bank (AIIB).³² The UAE has become a significant trade and transit hub for the Gulf region. In this, ports such as Jebel Ali provide a significant access point for China's exertions to build smooth, secure and efficient transit routes linking major sea ports along its BRI corridor. However, unlike its regional partners, the UAE stands to benefit the most from partnering with China in its Belt and Road plans as it offers infrastructure with global trade access and domestic stability.

The connection between China and the UAE is mostly focused on Beijing's MSR goal, with a particular emphasis on three areas: currency cooperation, joint investments and green energy. The UAE can easily be considered as the middle power and a staunch ally of Saudi Arabia. Furthermore, UAE is collaborating with Saudi Arabia in the Yemen conflict by sending its troops along with facilitating mediations between regional nations for settling their disputes, such as the Qatar diplomatic crisis. The UAE's initiatives in military procurements clearly complements its role in economic initiatives. In all this, China's MSR plans and development of SEZs adjacent to ports and infrastructure fulfil the ideas of the emirate's vision of playing a significant role in the maritime aspect of the Persian Gulf. Also, UAE's role in the BRI is further highlighted by its (the UAE's) status as a founding member of China-dominated Asian Infrastructure Investment Bank (AIIB).³³ Even though, the contribution of the UAE in AIIB is comparatively lesser (\$1.185 billion) as compared to the major players such as the Saudi Arabia and Iran, but it is more than its peers in the region, such as Qatar and Kuwait.³⁴ With most of the Gulf nations now facing the threat of climate change and are opting for cleaner and greener form of energy, the UAE is also looking forward to incorporating

32. "Iran, UAE become AIIB Prospective Founding Members", *China Daily*, April 8, 2015, at http://covid-19.chinadaily.com.cn/business/2015-04/08/content_20024635.htm. Accessed on September 3, 2021.

33. "AIIB to Convene Annual Meeting in Middle East Next Year", *Xinhua*, September 27, 2020, at http://www.xinhuanet.com/english/2020-07/29/c_139249029.htm. Accessed on August 30, 2021.

34. "Abu Dhabi Fund for Development Hosts Asian Infrastructure Investment Bank Delegation", *Albawaba Business*, March 04, 2018, at <https://www.albawaba.com/business/pr/abu-dhabi-fund-development-hosts-asian-infrastructure-investment-bank-delegation-1096972>. Accessed on August 30, 2021.

various initiatives in this regard. The UAE has initiated several clean energy projects and declared goals meant to diversify the energy supply chains of the Emirati state. The Abu Dhabi Economic Vision 2030 clearly mentions the nation's increased demand for energy due to growing population and infrastructure development and the government considers that "diversifying energy sources is a key strategy to ensure future energy security."³⁵ Energy diversification is compatible with the AIIB's much claimed clean and green approach and the UAE considers that "Beijing can strengthen Emirate's position as key player and architect of [the] GCC's energy future."³⁶ Dubai has been quite interested in engaging with China on green energy initiatives in order to strengthen its relationship with Beijing. In fact, UAE's decision to pursue various green energy options has been the centrepiece of the UAE's incorporation into world trade and shipping networks. The Emirati state is venturing into viable green energy options with the intention that the Dubai Green Zone will become a hub for sustainable energy technology. The solar parks and the green energy zones adjacent to Jebel Ali port in UAE provide China the early opportunities for its emerging solar industry.

Table 1: Brief Outline of the UAE's Bilateral Relationship with China

| Country | Foreign Embassy in the UAE | Type of Bilateral Relationship | Key Date | Major Diplomatic Event since 2016 | Energy Aspects |
|---------|----------------------------|-------------------------------------|---------------|---------------------------------------------------|------------------------------------------------------------------------------|
| China | Established in 1987 | Comprehensive Strategic Partnership | July 21, 2018 | Visit of Chinese President Xi Jinping to the UAE. | Partnership between ADNOC and CNPC for strategic oil and gas sector projects |

35. "The Abu Dhabi Economic Vision 2030", November 2008, at <https://www.actvet.gov.ae/en/Media/Lists/ELibraryLD/economic-vision-2030-full-versionEn.pdf>. Accessed on August 31, 2021.

36. April A. Herlevi, "China and the United Arab Emirates: Sustainable Silk Road Partnership?", *China Brief—Jamestown*, January 25, 2016, at <https://jamestown.org/program/china-and-the-united-arab-emirates-sustainable-silk-road-partnership/>. Accessed on September 01, 2021.

| | | | | | |
|--|--|--|--|-------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| | | | | Agreement to elevate the strategic partnership between the UAE and China established in 2012 into a “comprehensive strategic partnership” | 1. Advanced energy cooperation agreement between the UAE Ministry of Energy and Industry, and China’s National Energy Commission |
| | | | | | 2. Partnership & investment agreement- world’s largest solar energy project in Dubai |

It cannot be ignored that Beijing’s growing ambition to integrate West Asia into its MSR plans is further demonstrated by its impetus to develop several joint port-industrial park complexes connecting China to the Gulf, the Arabian Sea, the Red Sea and the Mediterranean Basin.³⁷ China has identified keen partners in the West Asian region, all of whom have incorporated logistics development in their respective “national vision plans.” As a result,

37. The “Industrial Park-Port Interconnection, Two-Wheel and Two-Wing” initiative was first proposed by Chinese Foreign Minister Wang Yi during the 8th ministerial meeting of the China-Arab States Cooperation Forum in Beijing in July 2018. “Wang Yi: China and Arab States Should Jointly Forge the Cooperation Layout Featuring “Industrial Park-Port Interconnection, Two-Wheel and Two-Wing Approach”, Embassy of the People’s Republic of China in the Republic of Malta, July 10, 2018, at <http://mt.chineseembassy.org/eng/zyxwdt/t1576567.htm>; The four key complexes are: (1) UAE’s Khalifa Port (Khalifa Industrial Zone Abu Dhabi/Khalifa Port Free Trade Zone); (2) Oman’s Duqm Special Economic Zone Authority (SEZAD); (3) Saudi Arabia’s Jizan Port (PLA Djibouti); and (4) Egypt’s TEDA-Suez Zone in Ain Sokhna (Port Said). Jonathan Fulton, “China’s Gulf Investments Reveal Regional Strategy”, Arab Gulf States Institute in Washington, July 29, 2019, at <https://agsiaw.org/chinas-gulf-investments-reveal-regional-strategy/>. Accessed on September 3, 2021.

UAE has emerged as the foremost player in China's MSR initiatives by way of developing a chain of port-industrial park complexes intended to link markets across the WANA region.

UAE has emerged as the foremost player in China's MSR initiatives by way of developing a chain of port-industrial park complexes intended to link markets across the WANA region. In all of this, Beijing's quest to extend the MSR to West Asia is clearly visible, as well as it has made

progress in this volatile region as compared to BRI plans in other regions.

With the UAE emerging as the foremost player, its Port Khalifa's CSP Abu Dhabi Terminal has been operational since 2019.³⁸ The terminal is a joint venture between COSCO Shipping Ports and Abu Dhabi Ports. The KIZAD Logistics Park is nearing completion, however it may be delayed slightly due to the COVID-19 pandemic. It has involved almost 20 Chinese firms.³⁹ Phase one of the Abu Dhabi Port's residential accommodation project for 5,000 management and operational employees, as part of its 50-year agreement with China's Jiangsu Provincial Overseas Co-operation Investment Company (JOCIC), is already underway.⁴⁰ However, whether the timelines for the projects will be met and whether the projects and plans will materialise remains to be seen in the future. It is further unclear since the outbreak of the COVID-19 pandemic whether the momentum of China-UAE partnership in UAE's KIZAD free industrial zone can be sustained.

The payment component for China and its West Asian partners in its MSR plans for these regional connectivity projects will largely depend on how the Gulf economies survive after the severe fiscal strain imposed by plummeting oil prices and the impact from the pandemic. However, there

38. Marcus Hand, "CSP Abu Dhabi Terminal hits Milestones at First Anniversary", *Seatrade Maritime News*, April 16, 2020, at <https://www.seatrade-maritime.com/ports-logistics/csp-abu-dhabi-terminal-hits-milestones-first-anniversary>. Accessed on September 5, 2021.

39. "KIZAD: A Regional Catalyst for Business and Entrepreneurship", *Gulf News*, March 31, 2020, at <https://gulfnews.com/business/kizad-a-regional-catalyst-for-business-and-entrepreneurs> hip-1.1585659976528. Accessed on September 5, 2021.

40. John Calabrese, "China's Maritime Silk Road and the Middle East: Tackling against the Wind", *Middle East Institute*, May 19, 2020, at https://www.mei.edu/publications/chinas-maritime-silk-road-and-middle-east-tackling-against-wind#_edn52. Accessed on September 5, 2021.

are chances that China could try to find leverage due to its early recovery from the pandemic to secure gains in both digital and health care sectors. All these aspects demonstrate the significance of port and free trade zone deals for China. However, the question still remains as to what the UAE gains from these deals with China. In brief, the UAE gets a port and a section of a key free trade zone built, funded and operationalised by China, along with the investments

of approximately \$300 million.⁴¹ Even if Abu Dhabi doesn't economically benefit from these projects directly, there are chances this port can serve as catalysts for other projects to materialise that might help the UAE in future. The idea behind these ports and free trading zones is that they can become the multinational hubs of transport, production and commerce. UAE's Khalifa port and the free trade zone is one such example being developed to bring in investment from diverse nations around the world and the land area assigned to the Jiangsu province operation aggregates to just 2.2 per cent of the available land in this free trade zone.⁴² The infrastructure development for these new transportation and manufacturing capacity creates new possibilities for the oil-reliant Emirati nation.

In terms of oil and natural gas reserves, the UAE stands at fifth position globally with Abu Dhabi controlling almost 95 per cent of them. The oil supply from these reserves has led Abu Dhabi to acquire rentier income.

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41. Justina Crabtree, "China's \$300 million Investment in Abu Dhabi Ports is a 'Milestone'", *CNBC*, July 31, 2017, at <https://www.cnbc.com/2017/07/31/china-300-million-investment-in-abu-dhabi-ports-is-a-milestone.html>. Accessed on September 6, 2021.

42. Wade Shepard, "Next Up on China's Maritime Silk Road: Abu Dhabi" *Forbes*, August 2, 2017, at <https://www.forbes.com/sites/wadeshepard/2017/08/02/next-up-abu-dhabi-chinas-maritime-silk-road-breaks-into-the-middle-east/?sh=515c26be9bbe>. Accessed on September 6, 2021.

However, increased domestic demand due to population growth and infrastructure development has prompted Emirati leadership to consider transitioning to other sources of income generation. For this reason, Abu Dhabi has set itself on a path to diversify its economy and eventually wean itself off its heavy reliance on oil. The 100-sq-km Khalifa Port free trade zone is a major part of the diversification process, as well as Abu Dhabi's vision plan. Hailed as the commercial capital of the UAE, Abu Dhabi is following the ideas incorporated by Dubai to follow the pattern. Here, it is pertinent to mention that Dubai has thrived and prospered, without the huge oil reserves, through tourism, FDIs, technological innovation, logistics, real estate and financial services, rather than surviving on the global energy market. In this quest, they have become the global hub for trade. Furthermore, more than 85 per cent of Dubai's population comprises expatriates. Similar to KIZAD port, Dubai's Jebel Ali Free Zone (JAFZA) is one of the largest functioning free economic zones globally that was developed from a scratch. The fulfilment of these ideas and visions of the UAE is further supported by China's BRI/MSR plans, eventually serving the mutual purposes of both China and the UAE.

IMPLICATION FOR INDIA

Both Oman and the UAE are strategically located close to East Africa, India, Iran, Pakistan, Yemen and the broader Indian Ocean region, along with their proximity to other GCC nations. Therefore, both these nations hold huge strategic significance for Chinese efforts to reinvigorate the ancient maritime trade routes.

In case of Oman, Duqm port is of strategic significance for both India and China as it offers an alternate transit route away from the contentious Strait of Hormuz with direct access to the Arabian Sea. In this regard, India signed an MoU in 2018 for utilisation of the Duqm port by the Indian Navy. However, China's strategic and economic involvement in the UAE require India to gain more traction in the Omani strategic scenario. In view of Gwadar and Jiwani ports located in the Gulf of Oman, the significance of Duqm port will only

rise. With Gwadar clearly under Chinese influence, the port of Duqm could become a point of strategic flash-point in the Arabian Sea, especially between India and China.⁴³ In case of the UAE, it is located on the western tip of the Strait of Hormuz, which is also one of the contentious chokepoints. China looks forward to strengthening its partnership with the UAE by structuring it through its BRI mechanism of investment in infrastructure and logistics. In fact, it has been argued that China can utilise this relationship to promote its logistical capabilities in a way assisting its political and economic investments in the African region as a bonus. As India is the third largest trading partner with the UAE, it needs to consider the emerging strategic dynamics between China and the UAE in this regard.⁴⁴

Relations between China and the Gulf nations have largely been driven by economic and strategic perspective. However, there is a distinction between India's relations with the Gulf nations. India has a sizable diaspora of almost eight million people and nearly five decades of commerce, labour, and cultural ties, which in a way helps India to pursue its economic and strategic relations with nations like the UAE and Oman. Indian policymaking needs to pick up pace so as not to lose this strategically significant arena to China. At the same time, New Delhi also needs to address the political, military and economic stakeholders of this region, i.e. Oman and the UAE with greater frequency. In fact, the COVID-19 pandemic has only deteriorated the economic outlook of almost all the nations around the world. In case of India, the problems were exacerbated due to the reverse migration and this affected both India and the Gulf nations. In order to overcome this, India must prioritise expediting the existing projects and re-engaging with Gulf nations in strategic sectors such as healthcare, nuclear and space cooperation. Definitely, the aim

43. Kanchana Ramanujam, "China Factor to Watch Out for as India & Oman Expand Strategic Partnership", *CLAWS Focus*, December 22, 2019, at <https://www.claws.in/china-factor-to-watch-out-for-as-india-oman-expand-strategic-partnership/>. Accessed on December 10, 2021.

44. Guy Burton, "No, the 'Middle East Quad' Is Not Anti-China", *The Diplomat*, October 29, 2021, at <https://thediplomat.com/2021/10/no-the-middle-east-quad-is-not-anti-china/>. Accessed on December 10, 2021.

Amongst the GCC nations, China is largely perceived both as a significant energy importer as well as the investor by governments trying to diversify their economies under their respective "Vision" plans.

should not be to counter China but to focus on India's strengths.

CONCLUSION

Under its MSR Initiative, China has stepped up its efforts to endorse overseas special economic zones, comprising overseas blue economy zones as well as other blue cooperative programs. In this context, amongst the GCC nations, China is largely perceived both as a significant energy importer as well as the investor by governments trying to diversify their economies under their respective "Vision" plans. In the same context, nations like the UAE have created a sovereign wealth fund of Abu Dhabi as a joint investment fund with various Chinese organisations that support Beijing's BRI aims. However, as the Chinese economic presence in the West Asian region is growing, Beijing may find it increasingly difficult to segregate its geo-economic and geopolitical interests and maintain its position of a non-interfering impartial economic actor. Though, Beijing must prove itself as a reliable partner in order to safeguard its investments in the West Asian region. While China and its other traditional partners in the region might have to fine-tune their expectations and goals for the BRI/MSR. In fact, it can be said that both China and the UAE and Oman have invested too much financial and political capital to abandon the MSR initiatives. In the face of the COVID-19 pandemic and the more than one-and-a-half-year global economic downturn that has followed, leaves Beijing with the only option to recalibrate its MSR ambitions. However, the future progress on the agreements signed between Beijing and Oman and the UAE will indicate whether China's bilateral relations with both Oman and the UAE are committed to energy diversification and joint investment or something more. Given Beijing's MSR strategy, both the UAE and Oman have the potential to be vital partners for China's foreign economic policy vis-à-vis West Asia. Despite their small size, Oman

and the UAE are strategic hubs for Chinese engagement in the region due to their mineral wealth, stability and geographical positioning. From Beijing's standpoint, Duqm and Dubai are an understudy of each other and therefore can assist the Chinese agenda of diversifying its maritime routes for increased commercial security.

Despite their small size, Oman and the UAE are strategic hubs for Chinese engagement in the region due to their mineral wealth, stability and geographical positioning.