



# China's Energy Trade with the Middle East: Clean Energy versus Fossil Energy

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## ABSTRACT

In the 21<sup>st</sup> century, China, with its substantial production capacity, has established itself as the “world’s factory,” becoming the world’s second-largest economy and leading exporter. It also needs a large amount of energy to continue its significant production and supplies almost half of the oil it uses from the Middle East. With its rising influence in economy, technology and military, China’s race with the United States has turned into a geopolitical rivalry. The US and the Western world have been imposing trade tariffs to China in several industries in order to limit its development in new technologies and military fields. On the other hand, in a period when the US’s global leadership has been questioned in recent years and discussions on a multipolar world order have been on the rise, China wants to fill the gap of the US in order to advance its global influence. In such a geopolitical and trade climate, China is developing its relations with the Middle East both to secure its energy resources and as new markets where it can sell new technology products such as electric vehicles and solar energy materials. This study examines China’s dependence on Middle Eastern energy resources and, in return, its investments in clean energy products.

**Keywords:** China, Middle East, Trade, Energy

**JEL Classifications:** N70, N75, Q40

## 1. INTRODUCTION

After China joined the World Trade Organization, its economy gained momentum and became the second largest economy and the largest exporter in the world today. At the same time, its competition with the US in the technological, military and economic fields has intensified, and this situation has also begun to be known as the second cold war. In the first quarter of the 21<sup>st</sup> century, when great power competition increased, the rules-based international trade system began to be hit by tariffs and trade barriers. In 2023 alone, more than 2,500 industrial policy interventions were made regarding new trade measures, half of which were regulations in China, the European Union and the United States (IMF, 2024). In such a global economic and trade climate, China is developing new policies to ensure both the continuity of the exports of its large amounts of goods and its

large amounts of energy imports. China, which encounters new obstacles every day in its trade with the West, is looking for new markets for its exports by advancing its trade with countries in the Global South, while on the other hand, it is cooperating with the Middle East, from which it imports a large portion of the energy it is dependent on, in energy and other areas. It has made significant investments in more than a hundred countries, including almost all of the countries in the Middle East, under the umbrella of the Belt and Road Initiative it announced in 2013. However, facing multiple challenges in global trade and tense geopolitics have forced China to open a separate page for the Middle East. Although the Chinese academy defines the Middle East as a “ring of fire,” this perspective has begun to change with China becoming the world’s largest economy, and the region has gained strategic importance with China’s significant role in energy resources and the market potential in its exports (Temiz, 2018).

Due to the high tariffs applied by Western countries especially on electric vehicles, batteries and solar panels, which are the products of new technologies and clean energy breakthroughs, China aims to increase the market share of clean energy products in oil-rich Middle Eastern countries that are developing new policies to diversify their economies. At the same time, many of the Gulf countries are also among the most vulnerable to the effects of climate change. Fossil fuels have provided significant wealth to the Gulf countries by leading to economic modernization and prosperity, but they want to diversify their economies after the transition to green energy. On the other hand, another aim of Beijing's development of trade relations is to gain space in the global power competition with the US by developing political relations. In today's world, when the US' global leadership is questioned, its influence in the Middle East has also weakened, and China is trying to fill this gap by developing both its political relations and trade. This study analyzes the course of China's energy trade with the Middle East and the dynamics of its trade relations.

## 2. THE DECLINE OF U.S. INFLUENCE AND CHINA FILLING THE POWER VACUUM

The absence of a great power maintaining international authority over a particular region leads to that region becoming an international vacuum and creates a competitive environment for other great powers to establish authority over that area (Graefrath, 2023, p. 12). The leadership of the U.S., which entered the 21<sup>st</sup> century as the world's sole superpower, has begun to be questioned today. Its relatively weak stance in seeking a solution to the Covid-19 global health crisis, the setbacks it experienced due to equipment and weapons transfers following Russia's invasion of Ukraine, its withdrawal after the failure in Afghanistan, and finally its weaknesses in its ability to stop the conflicts in the Middle East have weakened global influence of The U.S. In addition, spending more time on the ongoing competition with China has brought about discussions about the beginning of the multipolar world order and the second cold war. (Bekkevold, 2023; Brooks and Wohlforth, 2023; Ferguson and Rice, 2023). The USA has historically played an active role in the Middle East both politically and economically, providing more than \$100 billion in economic and humanitarian aid to the Middle East between 1946 and 2018 (Congressional Research Service, 2020). It is struggling to maintain this costly influence. In his speech at the Gulf Cooperation Council in 2022, US President Biden stated that they will continue their influence in the Middle East, saying, "We will not walk away and leave a vacuum to be filled by China, Russia, or Iran. And we'll seek to build on this moment with active, principled American leadership." (The White House, 2022).

On the other hand, China's passive role in international relations, which has been changing rapidly since the end of the 20<sup>th</sup> century, has turned into a more proactive strategy in the early 21<sup>st</sup> century, and the Middle East has become an important region where China has expanded its global influence and demonstrated its ability as a great power (Wang, 2014, p. 35). China has made significant political gains in the Middle East with the foreign

policy initiatives with the Belt and Road Initiative. Its mediation of diplomatic relations between Saudi Arabia and Iran in March 2023 showed China's influence in the Middle East and was a clear reflection of the USA's declining role in the Middle East. President Biden described Saudi Arabia as a "pariah" due to its alleged role in the killing of journalist Jamal Khashoggi, and shortly thereafter rejected the USA's demand that the Saudis increase oil production during the war in Ukraine (Anderson, 2023). This period of strained relations with Saudi Arabia and the US coincided with a period in which China established closer economic ties with Iran and Saudi Arabia, from which it supplies a significant portion of its oil needs. In recent years in particular, China has deepened its political relations with the Middle East (Table 1) and these relations gained momentum with Chinese President Xi Jinping's visit to Saudi Arabia in December 2022. In order to obtain more efficiency from its bilateral relations, China uses a hierarchical classification system known as "partnership diplomacy" with "friendly cooperative partnership" at the lowest level and "comprehensive strategic co-operative partnership" at the highest level (South China Morning Post, 2016);

- Friendly cooperative partnership
- Co-operative partnership
- Comprehensive co-operative partnership
- Strategic partnership
- Comprehensive strategic partnership
- Comprehensive strategic co-operative partnership.

China has the second-highest level of diplomatic relations, the Comprehensive Strategic Partnership, with five countries in the Middle East (Egypt, Iran, Saudi Arabia, and the UAE), and the third-highest level of diplomatic relations, Strategic Partnerships, with seven countries (Iraq, Jordan, Kuwait, Morocco, Oman, Qatar, and Turkey) (Committee on Foreign Affairs, 2022).

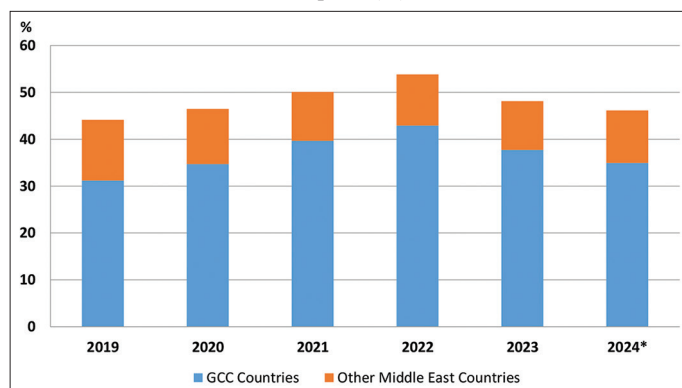
While the trade wars that started during the Trump era continue, the Biden administration that took office continues the fierce competition with China, and the geopolitical tensions in Taiwan have become one of the top priorities in the US' foreign policy. With the US turning to the Indo-Pacific, a diplomatic and security vacuum has emerged in the Middle East. China is developing policies to fill this gap by establishing closer ties with many countries in the Middle East. Israel's war in Palestine, which started on October 7, 2023, has expanded to the Middle East in less than a year, and Israel has escalated the crisis in the region by attacking Lebanon, Syria, Iraq, Yemen and Iran. In response to Israel's war in Gaza, the Houthis in Yemen have prevented ships affiliated with Israel from passing through the Red Sea, creating an extraordinary challenge for global shipping. International shipping companies have been forced to use the Cape of Good Hope route to avoid the crisis experienced on the shortest route between the most Asian ports and Europe.

According to the Drewry World Container Index (WCI), which measures weekly ocean freight rate movements for 40-foot containers on major shipping routes, shipping rates between Asia and Europe have increased more than fourfold since the attacks in the Red Sea (Drewry, 2024). China, which has extensive global

**Table 1: Timeline of China's relations with the middle east in recent years**

Date	Description of Events
December 2022	Chinese President Xi Jinping visits Saudi Arabia
March 2023	Iran and Saudi Arabia meet under Chinese mediation
March 2024	Chinese Foreign Ministry Ambassador visits Egypt, Palestine, Israel and Qatar
April 2024	Representatives of Palestinian groups Hamas and Fatah are invited to China
May 2024	Egyptian President Abdel Fattah al-Sisi visits China
May 2024	China-Arab states conference held in Beijing
May 2024	UAE President Sheikh Mohamed bin Zayed Al Nahyan visits China
September 2024	Chinese Premier Li Qiang visits Saudi Arabia and the United Arab Emirates to attend the China-Saudi Arabia High-Level Joint Committee Meeting

Source: News from media organizations on related dates

**Figure 1: Share of Gulf Countries and the Middle East in China's Oil Imports (%)**

\*2024 January-July

Source: Administration of Customs of China, 2024

trade and accounts for a significant share of the traffic on this vital Red Sea route, ships goods worth \$280 billion through the Bab al-Mandab Strait, equivalent to about 20% of annual maritime trade (Barney and Glasserman, 2024). Despite its strategic location for trade, China has not taken any action against these attacks in the region. Regarding the attacks in Gaza, Chinese Foreign Minister Wang Yi has only condemned “all acts that harm civilians” and stated that “Israel’s actions exceed the scope of self-defense.” US officials have also stated that the US and China have different views on Israel’s attacks (Lee and Woo, 2023). It can be said that China, which has a military naval base in Djibouti on the shores of the Bab al-Mandab Strait, has not actively intervened in the crisis in the strait due to its strategy of both shifting the US’ attention from Taiwan to the Middle East and overshadowing its global influence, as the US has failed or reached a deadlock in its relations in the region.

### 3. SECURING ENERGY NEEDS

Energy is at the core of China’s economic diplomacy, with Persian Gulf-China relations strengthening with a focus on the crude oil and petrochemical sectors, in line with China’s urgent need for the Gulf’s oil resources to meet its growing energy demand (Chaziza, 2024, p. 5). China emerged as a key actor in global production and trade at the start of the 21<sup>st</sup> century. In 2009, it became the world’s largest exporter of goods, and its share in global trade was 11.4% in 2017 (McKinsey, 2019). In 2022, it became the largest trading partner of more than 120 countries (Çevik, 2024). The country,

which is the world’s factory, needs a significant amount of energy to provide this production, and as a result, it became the world’s largest net oil importer in 2012 (Murphy, 2022).

Saudi Arabia is China’s most important source of oil (Figure 2). However, in 2023, Russia surpassed Saudi Arabia and became the largest source of China’s crude oil imports, providing 19% of China’s crude oil imports. According to the Chinese Customs Administration data, this trend continued in the first 7 months of 2024, with Russia maintaining its 19% share of oil (Administration of Customs of China, 2024). This change was due to the reductions related to sanctions and price restrictions imposed on Russian oil by the West after Russia invaded Ukraine in 2022 (EIA, 2024a). While China supplies approximately half of the oil it imports from the Middle East, the Gulf countries constitute a significant share of this trade (Figure 1). In 2023, Saudi Arabia had a share of 15.9%, Iraq 10.4%, the United Arab Emirates 7.8%, Oman 7.4%, Kuwait 4.5%, Qatar 1.9%, and Bahrain 3% in the oil purchased by China (Administration of Customs of China, 2024).

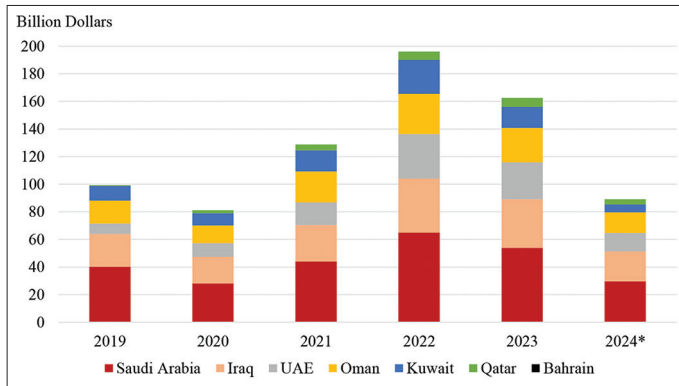
The majority of China’s energy imports from the Middle East are oil and gas. According to data from the Chinese Customs Administration, crude oil alone accounted for 73% of China’s total imports from the Middle East in 2023. China’s largest trading partners from the Middle East are energy exporting countries. As shown in Figure 2, the six largest countries from which China imported oil in the Middle East in 2023 were Saudi Arabia (\$53.8 billion), Iraq (\$35.2 billion), the UAE (\$26.6 billion), Oman (\$25 billion), Kuwait (\$15.2 billion), and Qatar (\$6.5 billion).

According to the Chinese Customs Administration data, China imported \$84.5 billion worth of natural gas from around the world in 2023, \$21.5 billion of which came from the Gulf countries. The five countries it supplied the most gas to were Qatar (\$12.1 billion), the UAE (\$5 billion), Oman (\$2.7 billion), Saudi Arabia (\$0.9 billion) and Kuwait (\$0.6 billion) (Figure 3).

In 2023, 14.3% of the natural gas imported by China will come from Qatar, 5.9% from the UAE, 3.2% from Oman, 1% from Saudi Arabia and 0.7% from Kuwait. In the same year, the share of the Gulf countries in natural gas imports exceeded 25% (Figure 4).

China’s dependence on trade with the Middle East is not one-sided. Countries in the region also need China for energy exports. China purchases more than 20% of Saudi Arabia’s oil exports and is Riyadh’s largest oil buyer (Tran, 2024). China is aware

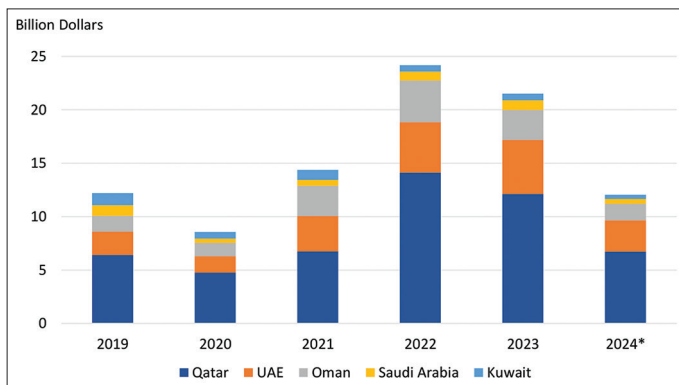
**Figure 2: China's Oil Imports from Middle Eastern Countries (\$ billion)**



\*2024 January-July

Source: Administration of Customs of China, 2024

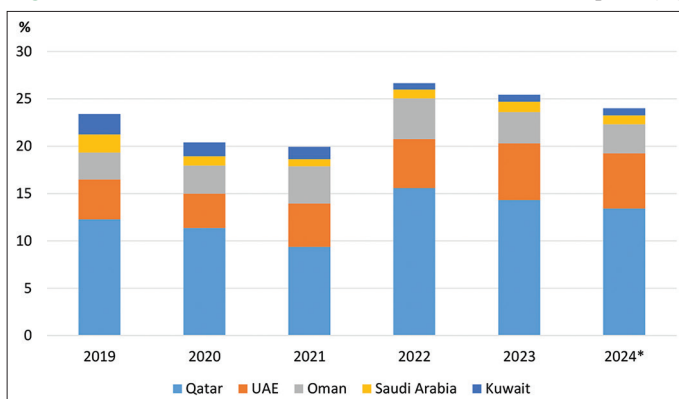
**Figure 3: China's Natural Gas Imports from Gulf Countries (\$ billion)**



\*2024 January-July

Source: Administration of Customs of China, 2024

**Figure 4: Share of Gulf Countries in China's Natural Gas Imports (%)**



\*2024 January-July

Source: Administration of Customs of China, 2024

of its intense need for energy globally and its dependence on a few countries in particular. President Xi Jinping emphasized in a statement in July 2024 that energy security has a major impact on overall economic and social development, and that China still faces difficulties in developing energy resources, meeting increasing energy demand, and energy supply constraints (The State Council of the PRC, 2024c). The biggest crisis in the Middle East in recent years, which started on October 7, 2023, which includes risks to

China's energy supply, has turned into a more comprehensive war potential as it enters its 2<sup>nd</sup> year. Finally, the escalating tension between Israel and Iran poses a great risk to the region and will also trigger a global energy crisis. Tensions between the two countries have increased global oil prices by approximately 10% after Israel's plans to strike Iran's oil fields were reported in the press. In addition to the loss of oil fields, another potential risk is Iran's intervention in the Strait of Hormuz, which is the transit point for approximately 20% of global oil traffic and approximately one-third of oil products transported by tankers (Reed, 2019), in response to a possible hot conflict. The last thing China wants is a full-scale regional war in the Middle East, which is the energy hub of China, where it meets about half of its oil needs.

#### 4. SEARCHING FOR NEW MARKETS AGAINST INCREASING TRADE BARRIERS

The economic, technological and military competition between the US and China has gained momentum in recent years, turning into trade wars and even the possibility of a hot military conflict over Taiwan has emerged. Trade wars began in 2018 with the high tariffs imposed on Chinese goods by the then US President Donald Trump. Following the US, the European Union also defined China as a "systemic rival" for the 1<sup>st</sup> time in 2019, describing it as "an economic rival pursuing technological leadership and a systemic rival supporting alternative governance models" (European Commission, 2019). The strained economic and diplomatic relations between the US and China, Russia's invasion of Ukraine and the increasing geopolitical tensions on a global scale in recent years have also brought about discussions on the decoupling of global trade (IMF, 2023; The Economist, 2024).

The US administration continues to increase tariffs on a large number of Chinese goods in various areas. Most recently, in September 2024, various tariffs were imposed on electric vehicles, batteries and solar energy products manufactured in China. According to this regulation, starting from 2024, tariff rates were increased to 100% on electric vehicles, 50% on solar panels, and 25% on battery parts, lithium-ion electric vehicle batteries, semiconductors and other critical minerals (Office of the United States Trade Representative, 2024).

Similar policies are being pursued against China on the other side of the Atlantic. On October 4, 2024, The European Union aimed to protect European automobile production by imposing a 35% tax on all Chinese electric vehicles in addition to the existing 10% tariffs (European Commission, 2024). The Canadian government has also announced that it plans to impose a 100% customs duty on electric vehicles imported from China and a 25% customs duty on steel and aluminum as of October 2024 (Department of Finance Canada, 2024). The implementation of new customs duties on Chinese products by powerful economies in the West has further deepened the major trade disputes between the economic superpowers in recent years. While China's trade problems with the world continue in different areas, domestic economic problems have also begun to grow. Considering China's economic problems,

high unemployment, a problematic real estate market, increasing government debt, an aging society and lower than expected growth have brought the Chinese economy to a deadlock. More importantly, the overcapacity problem caused by high production power has also begun to affect “China’s foreign trade” (Liu, 2024). This deadlock has led the Chinese government to abandon inefficient investments such as real estate and infrastructure and invest in advanced production, the newly announced term “new qualified production forces.”

The vision of “new quality productive forces,” which expresses advanced productivity freed from traditional economic growth methods and productivity development methods, was introduced in 2023 and was explained to be in line with the philosophy of high technology, high efficiency, high quality and new development (The State Council of the PRC, 2024a). China has made significant progress in the production of solar cells, lithium-ion batteries and electric vehicles (EVs), also known as the “new three” products, which are among the outputs of its latest vision. These “new three” products direct its exports, accounting for more than 80% of global solar cell exports, more than 50% of lithium-ion batteries and more than 20% of electric vehicles (Xiaoying, 2023). However, many developed countries have become reluctant to import China’s “new three” products, which also constitute clean energy products, by imposing high taxes on their imports. China needs alternative markets to develop these industries and secure its exports. In their research, Jiang et al. (2023) found that protectionist policies have reduced exports primarily to the United States, instead redirecting China’s exports to geographically closer and economically larger countries. China, the world’s second largest economy, is looking to continue this huge economic output. According to the Lowy Institute, 128 countries currently trade more with China than the United States.

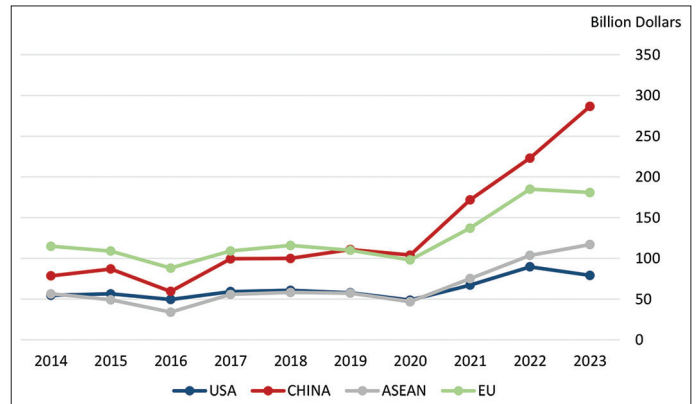
Over the past decade, China has invested more than a trillion dollars in infrastructure in more than 140 countries, becoming the world’s largest creditor and largest trading power (Lowy Institute, 2023). Moreover, as of June 2023, China has established more than 100 overseas economic and trade cooperation zones in partner countries under the Belt and Road Initiative, with a total investment of nearly 70 billion US dollars (Zhao, 2024, p. 171). China’s activities in the Middle East center on the economic sector, which includes trade, contracting, finance, and investment. China is one of the top five sources of imports for every state in the region and is also a major export market for some. China is the largest importer of 10 Middle Eastern countries, including Saudi Arabia and the United Arab Emirates, in 2022 (ChinaMed, 2024). China’s economic growth has led to a significant increase in its need for energy, while the wealthier Gulf countries have also increased their imports of consumer goods from China. Total trade between China and the Gulf countries increased from \$104 billion in 2020 to \$286 billion in 2023. Total trade in the last 10 years has more than tripled (Figure 5).

In 2022, Gulf countries’ imports from China peaked at \$124 billion. Over the last decade, imports from China have been greater than those from the US. In 2020, more imports were made from China than from the EU (Figure 6). The majority of these imports were

electrical goods, mechanical devices, vehicles, iron and steel products and household goods.

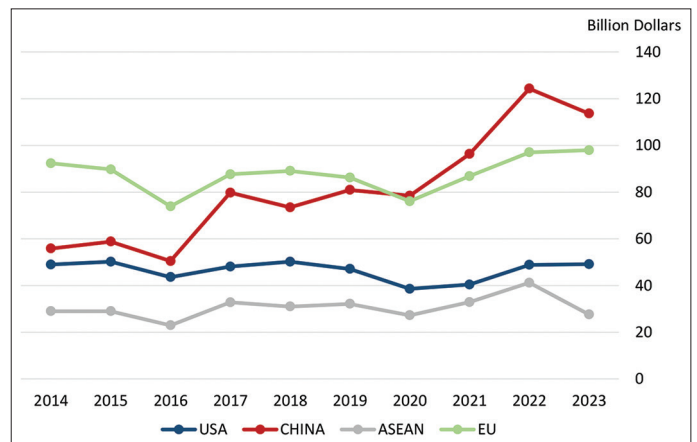
China continues to develop its relations with Gulf countries through investments. In the last decade, direct investments (FDI) in the Gulf and construction sectors have increased threefold on an annual basis. Saudi Arabia, in particular, has received the largest share of these investments in the last 3 years (Figure 7).

Figure 5: China’s Trade Volume with Gulf Countries (\$ billion)



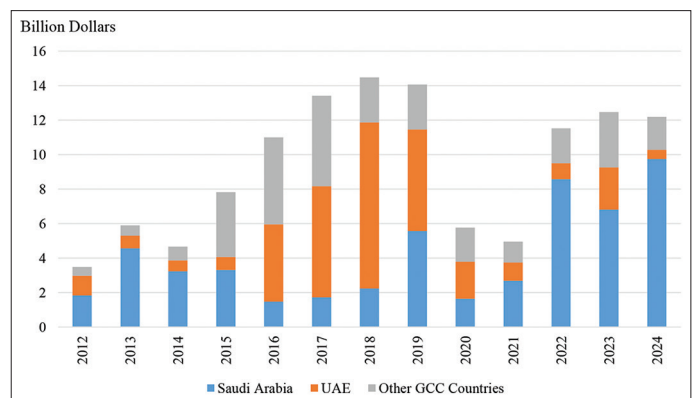
Source: Trade Map, 2024

Figure 6: Gulf Countries Imports from China (\$ billion)



Source: Trade Map, 2024

Figure 7: China’s FDI and Construction Investment in Gulf Countries (\$ billion)



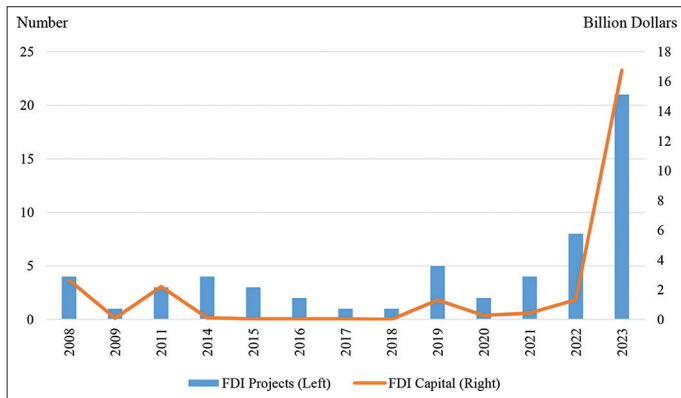
Source: American Enterprise Institute, 2024

Greenfield FDI inflows to Saudi Arabia from all over the world increased by more than 110% in 2023 compared to the previous year, reaching 28.78 billion US dollars. The number of green field FDI projects reached a historical peak in 2023, reaching 359 projects, with an annual increase of 65% compared to the previous year (Emirates NBD, 2024). China accounted for the largest share of greenfield FDI inflows to Saudi Arabia with a share of 58%. The amount of green field FDI carried out by China in 2023 reached 16.75 billion dollars and the number of projects reached 21 (Figure 8).

While China is looking for new markets for its products used in clean energy, Gulf countries also want to diversify their economies. In order to reduce of their dependence on oil, they have started to follow diversification policies with new technologies, artificial intelligence, logistics and supply chains, critical minerals and strategic industries such as renewable energies. Because changes in oil prices have a significant impact on oil-rich countries in the Gulf. Saudi Arabian Crown Prince Mohammed bin Salman

said in an interview in 2021, “We are an oil country, not a rich country. We’re an oil country... We were very rich in the 1970s and 1980s when he had smaller population and a lot of oil. If we do not maintain our savings and distribute our tools every day, we will be transformed into a poorer country.” (Mohammed bin, 2021). He emphasized the risks of oil dependence with these words. Fossil fuels have a significant impact on Saudi Arabia, and for this reason, its government has tried to prioritize diversifying the economy. Riyadh’s comprehensive reform program, “Vision 2030,” announced in 2016, aims to increase the private sector’s contribution to GDP from 40% to 65% and to increase the share of non-oil exports in GDP from 16% to 50% (Saudi Vision 2030, 2024). Saudi Arabia, which is China’s most important source of oil, is also an important market potential for new technologies, especially clean energy products. Aware of this importance, Beijing has improved both diplomatic and economic relations with Riyadh in recent years. The turning point in relations was the visit of Chinese President Xi Jinping to Riyadh in December 2022, where 35 agreements worth a total of US\$ 50 billion were signed (Asia House, 2023). After this visit, the connections between the two countries have improved significantly. Table 2 lists the major events in the economic relations of the two countries in the last 2 years.

Figure 8: China’s Greenfield FDI in Saudi Arabia



Source: FDI Intelligence, 2023

At the beginning of 2024, Saudi Arabia and the UAE joined the BRICS group of emerging economies.

Beijing’s bilateral trade with other countries in the Gulf is also accelerating. The United Arab Emirates is one of these countries. Trade between the two countries increased by approximately 94%, from approximately \$48.7 billion in 2019 to \$94.9 billion in 2023. During the same period, the United Arab Emirates’ trade with the US increased from \$20.5 billion to \$31.6 billion, but continued to lag behind China. In recent years, the two countries

Table 2: Timeline of major developments in China-Saudi Arabia economic ties

Date	Description of Events
January 2023	Saudi Arabia’s Future Minerals Forum signed an investment agreement worth approximately \$10 billion to establish an aluminum plant in Saudi Arabia that will employ 5,500 people.
January 2023	Shenzhen Capital Group signed an agreement with Saudi Arabia to establish a \$1 billion private equity (PE) fund.
February 2023	The Saudi-China Entrepreneur Association was officially launched to promote interaction between business executives.
February 2023	Saudi Arabia’s Public Investment Fund (PIF) acquired \$265 million in shares of Chinese e-sports company VSPO, becoming the company’s largest shareholder.
March 2023	Aramco purchased a 10% stake in Rongsheng Petrochemical Company for \$3.6 billion during its CEO’s visit to China. Saudi Arabia also announced that it will build a \$10 billion refinery and petrochemical complex in China.
April 2023	Saudi Arabia’s Ministry of Investment signed a Memorandum of Understanding with China’s Haichang Ocean Park to develop recreational areas and entertainment centers across the kingdom.
April 2023	China International Capital Corp (CICC) announced plans to work with Saudi Arabia to facilitate broader business processes in the two countries.
May 2023	Chinese steelmaker Baosteel (50%), Aramco (25%) and the Saudi Public Investment Fund PIF (25%) agreed to establish the kingdom’s first integrated steelmaking facility in an \$875 million joint venture.
August 2023	China’s Shanghai Lujiazui City Authority (SLFCA) opened an office in Riyadh to increase cooperation.
February 2024	China Mobile International and Mobily signed a communication and technology agreement.
May 2024	An agreement was signed in Saudi Arabia to establish an industrial zone with 12 factories and a logistics zone for building materials
July 2024	China Energy Engineering Corp. has signed a \$972 million contract to build a large solar power plant in Saudi Arabia.
July 2024	China’s JinkoSolar announced that it has signed a contract for a 10 gigawatt (GW) high-efficiency photovoltaic module project in Saudi Arabia.
August 2024	Saudi Arabia’s Public Investment Fund (PIF) and six major Chinese financial institutions have signed investment agreements totaling \$50 billion in financial areas.

Source: (Asia House, 2023; Middle East Monitor, 2024; S&P Global, 2024; Xie, 2024)

**Table 3: Timeline of major developments in China-UAE Economic Ties**

Date	Description of Events
May 2023	Emirates Nuclear Energy Corporation and various Chinese nuclear energy companies have signed three Memorandums of Understanding for the UAE's nuclear development.
June 2023	An agreement was signed with Dubai's free trade zone DMCC and the Dubai Commodities and Free Trade Enterprises Authority to enhance cooperation and support Chinese enterprises to set up in Dubai, as well as with Beijing Daxing International Airport Economic Zone.
June 2023	Abu Dhabi acquired a 7% stake in Chinese electric vehicle manufacturer Nio for US\$738.5 million.
September 2023	The Asian Infrastructure Bank (AIB) opened its first branch outside China in Abu Dhabi.
September 2023	The UAE and China's Hainan Province agreed to increase cooperation in technology, logistics, services and free zones.
September 2023	ADNOC Gas signed a deal with a PetroChina subsidiary to supply LNG worth US\$450-550 million.
February 2024	China and UAE signed a memorandum of understanding aimed at supporting the expansion of the digital economy and creating investment opportunities in digital infrastructure, artificial intelligence and advanced technological applications.
2026	UAE and China plan a joint mission to the South Pole of the Moon.

Source: (Asia House, 2023; Council on Foreign Relations, 2024)

have concluded trade agreements and cooperation in many areas (Table 3). The visit of UAE President Sheikh Mohammed bin Zayed Al Nahyan to China in May 2024 and the visit of Chinese Premier Li Qiang to the United Arab Emirates in September of the same year demonstrate the intensity of the ties between the two countries (The State Council of the PRC, 2024b).

The United Arab Emirates, which is responsible for 4% of global oil production (EIA, 2024b) and China's second largest oil source in the Gulf, is preparing for the post-oil era by focusing on various sectors. It is making high-volume investments in areas such as renewable energy, advanced technologies, health, and education to diversify its economy. It also receives the largest share after Saudi Arabia in direct investments made by China to the Gulf countries (Figure 7).

## 5. CONCLUSION

After joining the World Trade Organization, the Chinese economy has experienced a major boom and has become the world's second largest economy and largest exporter. While increasing production, a large amount of energy needs has emerged. China, which obtains a significant portion of its energy supply from the Middle East, has improved its trade relations with the Middle East and Gulf countries in recent years. With the Russia-Ukraine war in recent years, the coronavirus pandemic, and more recently the crisis in the Middle East, the international system led by the US has begun to be questioned and brought about discussions about a multipolar world. The USA's economic, technological, and military competition with China has also accelerated and even evolved into trade wars. On the other hand, potential US-China tensions on the Taiwan Island have led the US to turn its full attention to East Asia Pacific, and its influence in the Middle East has begun to be questioned. While the US is busy with the war in Ukraine, competition with China, and complicated domestic politics, China has developed important relations with the Middle East to fill this gap. While the Middle East meets China's energy needs, China is looking for ways to sell electric vehicles, batteries, and solar panels, which Western economies impose high tariffs to as a result of protectionist policies, to oil-rich countries.

In addition to negative trade news from the world, China is struggling with its domestic economy and various problems.

In order to overcome these problems, it is establishing close relations with the Middle East as a new market. On the other hand, China, which is the most important oil customer of Middle Eastern countries, contributes considerably to the Middle Eastern economy. However, the recent crisis in the Middle East, which has entered its 2<sup>nd</sup> year, is spreading to the region and the Strait of Hormuz, which is a bottleneck for oil transported to China, poses a great risk for both China and Middle Eastern countries. As a result, China is looking for what it is looking for in other geographies in the Middle East. To increase trade relations, to secure energy routes by diversifying its greatest need for energy sources, and to demonstrate its growing influence as a great power, while not engaging in military interventions. However, with rapidly changing and strained geopolitics, the US is reaching the limits of its security-based diplomacy, while China's trade and investment-based strategy is also in trouble.

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