



CHINA PRIORITIZES GULF ECONOMIC, OIL RELATIONSHIPS; YEMEN CAN WAIT

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COVER PHOTO: Loading and unloading operations are seen January 24, 2021, at Aden Port, which has been slated for expansion with Chinese assistance since before the war. // Photo by Ahmed Waqqas



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INTRODUCTION

Diplomatically isolated by the West and overshadowed by the Soviet Union in the east, communist China of the 1950s sought out relationships with smaller states, including Yemen. It cultivated diplomatic and economic ties, which it maintained with various Yemeni leaders, northern and southern, through the next three decades. China secured infrastructure projects, provided loans, invested in Yemen's fledgling oil and gas sector and, prompted by rapid domestic manufacturing growth, began importing Yemeni oil. However, as China's strategic interests and global standing have changed dramatically since the early 1990s, so, too, have its relationships with Yemen and the Gulf regional powers that influence Yemen's current war and its future.

China's relationship with Saudi Arabia began to thaw in the 1980s after China dropped its support for communist insurrectionist groups in Persian Gulf countries — a pragmatic decision based on growing oil import needs to sustain China's massive effort to modernize its economy. Saudi Arabia, mollified by the shift and freer as the Cold War ended to pursue an economic relationship with Beijing, shot past Yemen in the early 2000s in exporting crude oil to China, literally helping fuel China's rise to become the world's manufacturing powerhouse. Ultimately, Chinese foreign policy toward Yemen stopped existing in its own right. Instead, Yemen became one element in a Gulf regional strategy designed to support China's economic goals by prioritizing Saudi Arabia and, secondarily, the United Arab Emirates (UAE) and other Gulf states.

China maintains warm ties with Saudi Arabia, the UAE and Iran, the three key regional actors in the current Yemen crisis, and prior to the war it continued to nurture its less critical but historical bilateral relationship with Yemen. Political divisions deepened within Yemen after 2011, when President Ali Abdullah Saleh's downfall began, and during the failed transition to a new system of governance. When the country descended into war, the three regional powers squared off: Iran backed the armed Houthi movement, Ansar Allah, while Saudi Arabia and the UAE marshaled an Arab military coalition to fight the Houthis and reassert government control over all of Yemen under Saleh's vice president, the transitional period president, Abdo Rabbu Mansour Hadi. Beijing aligned with Riyadh and the Gulf Arab states at key points, choosing to protect its primary economic interests, which include expanding global markets for its goods as well as ensuring a stable relationship with its primary Gulf oil supplier.

Unlike Russia, which has made overtures in the past to take on substantive mediating roles, Beijing has shown only minimal interest in inserting itself politically or diplomatically in the Yemen conflict. It has, however, consistently supported Saudi interests regarding Yemen and has offered to assist in easing various tensions among Gulf players, as it tries to balance its Gulf regional relationships and keep its broader economic goals on track. This paper explores how and why China shifted from having its own Yemen policy to being a quiet but steadfast proponent of Riyadh's Yemen policy, and how doing so could solidify key pieces of its ambitious economic plan, the Belt and Road Initiative, to expand trade in Asia, through the Middle East to Europe.

YEMEN, CHINA'S EARLY ALLY AGAINST COLONIALISM IN THE GULF

China-Yemen relations in modern times date back to 1956, when the Mutawakkilite Kingdom of Yemen established official diplomatic ties with the People's Republic of China (PRC). For China, this was politically and diplomatically important because Yemen was the first country in the Arabian Peninsula and the third in the Arab world to recognize the PRC under the leadership of the Communist Party as the sole representative of China;⁽¹⁾ most other countries at the time recognized the national government in Taiwan as the sole representative.

The PRC's early interest in North Yemen intersected with that of the former Soviet Union, with both countries keen to confront Western influence and colonialism by establishing relations with regimes hostile to the West.⁽²⁾ With Britain administering southern Yemen, North Yemen's Mutawakkalite kingdom attracted attention from both Russia and China in the form of economic, military and developmental aid proposals.

Yemeni Crown Prince Mohammed al-Badr's visit to China in 1958 included the PRC's first "friendship treaty" with an Arab country.⁽³⁾ During the visit, China also extended an interest-free US\$16 million loan with a 10-year repayment period as part of an agreement encouraging scientific, technical and cultural cooperation.⁽⁴⁾ Chinese-executed development projects followed, including construction of a textile factory, schools, hospitals and the Hudaydah-Sana'a highway. When the monarchy was toppled in September 1962, the Chinese government recognized the new republican regime and upgraded diplomatic ties by exchanging ambassadors, signing cultural and economic cooperation agreements, providing medical and agricultural aid and extending further loans — one worth \$4.8 million in November 1962 and another worth \$28.2 million in June 1964.⁽⁵⁾ The PRC's first premier, Xiou Enlai, outlined Beijing's approach, which was used

1) Lillian Craig Harris, *China Considers the Middle East* (London: I. B. Tauris, 1993) pp. 90-91.

2) Joseph Yu-Shek Cheng and Franklin Wankun Zhang, "Chinese Foreign Relation Strategies under Mao and Deng: A Systematic and Comparative Analysis," *Kasarinlan: Philippine Journal of Third World Studies*, Vol. 14, Issue 3, No. 4 (1999), 96.

3) Lillian Craig Harris, *China Considers the Middle East* (London: I. B. Tauris, 1993) pp. 90-91.

4) *Ibid.*

5) Bartke, W. (1989) "The Economic Aid of the PR China to Developing and Socialist". *Countries*, Munich, Germany: KG Saur Verlag GmbH & Company P: 160

in establishing relations with Egypt and Syria in the mid-1950s, and later with other Arab and African countries: Praise nationalist movements and decisions, encourage non-alignment with the West and follow up with low- or no-interest loans and economic development projects that would quickly produce tangible results.⁽⁶⁾

Yemen's fledgling republican regime received Soviet and Chinese support as it fought to secure its position in Sana'a. While the Soviet Union provided fighter planes and pilots,⁽⁷⁾ China largely lent medical, moral and political support during what was known as the "70-day siege" of Sana'a (November 1967 – February 1968) during the North Yemen Civil War. China kept its embassy in Sana'a open when Arab embassies closed down. After foreign medical teams left Sana'a hospitals due to the deteriorating security situation, then-Prime Minister Hassan al-Amri requested the Chinese government send in medical teams.⁽⁸⁾ Twenty years later, Saleh honored those medical workers with medals during a presidential visit to China.⁽⁹⁾

China Becomes a Secondary Player in the South, Behind Moscow

After South Yemen's independence from British occupation in November 1967, Beijing was interested in establishing friendly relations with Aden's new socialist government, exchanging ambassadors in January 1968 with the People's Democratic Republic of Yemen (PDRY).⁽¹⁰⁾ The two governments quickly signed an economic and technical cooperation agreement and, accordingly, China granted the PDRY a loan worth \$9.6 million. In 1970, China granted another loan, worth

6) "Xiu Enlai and the Arab Countries [AR]," China Today, accessed December 8, 2020, <http://www.chinatoday.com.cn/Arabic/2006n/0605/p12.htm>

7) Mustafa Naji, "Yemen's Role in Moscow's Mideast Comeback," Sana'a Center for Strategic Studies, June 28, 2019, <https://sanaacenter.org/publications/analysis/7576>

8) Shi Yanchun, "Battle of the Seventy Days in Sana'a [AR]," China Today, May 5, 2003, <http://www.chinatoday.com.cn/Arabic/203a1n12/2003n5/5b2.htm>

9) Liao Wei, "Who in Yemen does not know Liaoning Doctors," from the article "Chinese Remember Their Days in Yemen, After 50 Years of Relations," China Today, September 6, 2006, <http://www.chinatoday.com.cn/Arabic/2006n/0609/p12.htm>

10) "China-Yemen Relations," China Internet Information Center, September 21, 2007, <http://www.china.org.cn/english/video/225354.htm>

\$43.2 million, with a 20-year, interest-free repayment period.⁽¹¹⁾ Agreements that followed helped build the Aden-Mukalla highway, the Zinjibar-Abyan bridge and a textile factory in Aden.

China's relationship with the PDRY also advanced its ideological interests in supporting regional leftist movements. As divisions deepened between Soviet and Chinese communist ideology through the 1960s, cooperation between Russia and China in the two Yemens turned more competitive. Like Moscow, the Chinese government involved itself in the Dhofar Rebellion, which began in 1963 as a tribal revolt against oppression and poverty in southern Oman overseen by the British-backed sultanate. Soviet and Chinese support grew as left-leaning tribal elements within the Dhofar Liberation Movement expanded their vision from Dhofar secession to include replacing Gulf monarchies with socialist systems of governance. By 1968, the group's goals had shifted to the point it rebranded itself the Popular Front for the Liberation of the Occupied Arab Gulf (PFLOAG), though its practical impact was minimal outside Oman. Even though the PFLOAG followed the Marxist philosophy favored in southern Yemen, China was believed to be supplying weapons and equipment via South Yemen as well as training guerrilla fighters for battle and in Maoist ideology.⁽¹²⁾

Although Chinese development support was both visible and economically helpful, the Soviets offered such projects, too, along with arms deals and significant political and military power. Prominent South Yemen leaders also already had direct links to Moscow and were firmly rooted in Marxist ideology, making the Soviets the PDRY's favored international ally.⁽¹³⁾ China continued working with North Yemen, which also received significant Soviet support but was aligned strategically more closely to Riyadh than Moscow. As Beijing broke with Moscow over communist ideology, and forces for economic modernization strengthened within China's Communist party through the 1970s, China's interests began lining up more with Western-allied Gulf Arab states.

11) Wolfgang Bartke, *The Economic Aid of the PR China to Developing and Socialist Countries*, (London: K.G. Saur, 1989), pp. 139-145.

12) Paul, Christopher, Colin P. Clarke, Beth Grill, and Molly Dunigan, "Oman (Dhofar Rebellion), 1965–1975: Case Outcome: COIN Win." In *Paths to Victory: Detailed Insurgency Case Studies*. (Santa Monica, CA: RAND Corporation, 2013), 274-277, 285-286, <http://www.jstor.org/stable/10.7249/j.ctt5hhsjk.34>; "The Mountain and the Plain: The Rebellion in Oman," US Central Intelligence Agency, No. 2034/72, May 19, 1972, released to public November 11, 2018, pp. 3-4, 6, <https://www.cia.gov/library/readingroom/docs/CIA-RDP85T00875R001100130079-6.pdf>

13) Mustafa Naji, "Yemen's Role in Moscow's Mideast Comeback," Sana'a Center for Strategic Studies, June 28, 2019, <https://sanaacenter.org/publications/analysis/7576>

CHINA'S NEW APPROACH: ECONOMIC INTERESTS BEFORE IDEOLOGY

In 1978, China began a transformation that replaced its highly centralized planned economy with a socialist market economy. Deng Xiaoping, who rose to power after Mao Zedong's death in 1976, was the architect of this transformation, which in terms of foreign relations pragmatically prioritized ties with developed nations that had the foreign capital and technology to support China's economic modernization. This meant deemphasizing political alliances with some developing countries in favor of mutually beneficial economic relationships that would advance its commercial interests.⁽¹⁴⁾

Based on this new orientation in foreign policy, China dealt carefully with matters related to South Yemen and sought to improve relations with wealthier Gulf countries. In May 1978, three years after the Dhofar Rebellion had ended, China and Oman established formal diplomatic ties. This was a start for Beijing in decreasing its radical ideological image in the eyes of oil-rich Gulf kingdoms, but it would take time, cooperation on a clandestine mid-1980s intermediate-range ballistic missile (IRBM) deal worth more than US\$1 billion⁽¹⁵⁾ and the clear decline of the Soviet Union before Riyadh was prepared, in July 1990, to establish official diplomatic ties with Beijing.

Relations with Yemen at this time, following unification in 1990, encouraged bilateral trade, investment in infrastructure and access to oil resources. Beijing made use of Yemen's smaller exportable goods, such as coffee, honey and leather, but its driving need was oil. China's steady and remarkable economic growth

14) Andrew Scobell, Aaron Strong, Eric Warner, Logan Ma, Bonny Lin, Howard J. Shatz, Michael Johnson, Larry Hanauer, Michael S. Chase, Astrid Stuth Cevallos, Ivan W. Rasmussen and Arthur Chan, "At the Dawn of Belt and Road: China in the Developing World," (Santa Monica, California: RAND Corporation, 2018), 16-18, https://www.rand.org/pubs/research_reports/RR2273.html

15) At the time, the US Congress was thwarting Saudi efforts to purchase F-15 fighter jets and short-range missiles, concerned they could pose a threat to Israeli security. In 1988, US intelligence officials learned about the Chinese sale and transfer through surveillance photographs of missile silos in the Saudi desert. Beijing and Riyadh confirmed the sale, which was believed to have been arranged in 1985 or 1986 and was estimated in value at between at least US\$1 billion and up to US\$3.5 billion for dozens of DF-3A (also known as CSS-2) IRBMs. See: Jim Mann, "Threat to Mideast Military Balance: U.S. Caught Napping by Sino-Saudi Missile Deal," Los Angeles Times, May 4, 1988, <https://www.latimes.com/archives/la-xpm-1988-05-04-mn-2143-story.html>; Yitzhak Shichor, East Wind over Arabia: Origins and Implications of the Sino-Saudi Missile Deal (Berkeley: Berkley Center for Chinese Studies, 1989), p. 27; and Thomas Woodrow, "The Sino-Saudi Connection," China Brief Volume 2, Issue 21, The Jamestown Foundation, October 24, 2002, <https://jamestown.org/program/the-sino-saudi-connection/>

increased its energy demands, and Chinese state-owned companies became interested in investing in energy exploration and development in even marginal oil producers, like Yemen. Prior to 1990, only Oman and Iran were providing China with Middle Eastern crude,⁽¹⁶⁾ but China has been a net energy importer since 1993,⁽¹⁷⁾ and, since 1995, the largest share of its foreign oil has come from the Middle East.⁽¹⁸⁾ In 1996, China and Yemen formally agreed to improve cooperation in oil exploration, production and refining,⁽¹⁹⁾ and China's Zhenhai refinery purchased 30,000 barrels per day.⁽²⁰⁾ By 1999, Yemen was China's second-largest global supplier of crude, providing 4.1 million tons for the year, behind Oman's 5 million tons but still providing more than Iran (fourth-largest at 3.9 million tons) and Saudi Arabia (sixth-largest at 2.5 million tons).⁽²¹⁾ From the turn of the century, however, Saudi Arabia was better able to keep pace with Chinese demand, steadily and rapidly increasing crude exports; in 2009, it provided 42 million tons and was China's primary supplier.⁽²²⁾

Two Chinese state-owned companies, China Petroleum & Chemical Corporation (Sinopec) and Sinochem Corporation, invested in the Yemeni oil sector in the 2000s. In 2005, Sinopec signed a deal worth US\$72 million to explore and produce oil in block 69 in Shabwa and block 71 in Hadramawt.⁽²³⁾ In 2008, Sinochem paid US\$465 million for a 16.78 percent stake (roughly 6,500 barrels per day) in block

16) Guy C.K. Leung, Raymond Li and Melissa Low, "Transitions in China's Oil Economy, 1990-2010," *Eurasian Geography and Economics*, Vol. 52, No. 4, (Columbia, Maryland: Bellwether Publishing, Ltd, 2011), 493, http://esi.nus.edu.sg/docs/esi-bulletins/transitions-in-china's-oil-economy-1990-2010_urasian-geography-and-economics.pdf

17) Sergei Trough, "China's Changing Oil Strategy and its Foreign Policy Implications," Brookings, September 1, 1999, <https://www.brookings.edu/articles/chinas-changing-oil-strategy-and-its-foreign-policy-implications/>

18) Jon B. Alterman and John W. Garver, *The Vital Triangle: China, the United States, and the Middle East*, (Washington D.C., Center for Strategic and International Studies, 2008), 7. https://csis-website-prod.s3.amazonaws.com/s3fs-public/legacy_files/files/publication/080624_alterman_vitaltriangle.pdf

19) Mohamed Bin Huwaidin, *China's Relations with Arabia and the Gulf 1949-1999*, (London: RoutledgeCurzon, 2002), 184.

20) "Yemen 3Q Price Formulas; China's Zhenhai Refinery Joins List Of Crude Customers," *Middle East Economic Survey*, Vol. 39, Issue 41, July 8, 1996, <http://archives.mees.com/issues/813/articles/31365>

21) Guy C.K. Leung, Raymond Li and Melissa Low, "Transitions in China's Oil Economy, 1990-2010," *Eurasian Geography and Economics*, Vol. 52, No. 4, (Columbia, Maryland: Bellwether Publishing, Ltd, 2011), 493, http://esi.nus.edu.sg/docs/esi-bulletins/transitions-in-china's-oil-economy-1990-2010_urasian-geography-and-economics.pdf

22) *Ibid.*

23) "Yemen-Sinopec in block deal, Kogas keen on Yemen Exports," *Energy News Bulletin*, January 17, 2005, <https://www.energynewsbulletin.net/lng-liquified-natural-gas/news/1059726/yemen-sinopec-in-block-deal-kogas-keen-on-yemen-exports>

10 of the East Shabwa Development area.⁽²⁴⁾ By 2011, Sinopec and Sinochem's equity production totaled about 20,000 barrels per day, constituting 8 percent of Yemen's total production.⁽²⁵⁾

Since the 1990s, trade volume has grown steadily. Commercial trade between the two countries was valued at US\$70 million in 1990;⁽²⁶⁾ by 2000, it topped US\$911 million, with Yemen's oil exports to China accounting for US\$735 million and Chinese exports totaling about \$176 million.⁽²⁷⁾ In 2005, two-way commercial trade exceeded US\$3 billion.⁽²⁸⁾ During the first decade of the 21st century, President Saleh's economic and security situation was under pressure from an armed Houthi rebellion in the north, a rising separatist movement in the south and US demands to quash Al-Qaeda militants. Saleh paid a visit to Beijing in April 2006, his third since 1987, seeking economic support and new Chinese investment. Beijing exempted Yemeni exports from Chinese tariffs, and the two countries sealed agreements for various electricity, infrastructure and educational projects, totaling US\$1 billion.⁽²⁹⁾ Saleh also offered free land for industrial and commercial enterprises as an incentive to Chinese businessmen investing a minimum of US\$10 million.⁽³⁰⁾ Increasing Chinese exports combined with falling oil prices after the 2008 global financial crisis shifted the trade balance somewhat. In 2010, Chinese exports to Yemen were valued at US\$1.22 billion, and imports at US\$2.78 billion.⁽³¹⁾

24) Eric Ng, "Sinochem pays US\$465m for Yemen oilfield asset," South China Morning Post, February 5, 2008, <https://www.scmp.com/article/625535/sinochem-pays-us465m-yemen-oilfield-asset>

25) Chen Aizhu and Judy Hua, "China warns oil firms against growing risk in Yemen," Reuters, October 21, 2011, <https://www.reuters.com/article/instant-article/idUKL3E7LK2GH20111021>

26) "Sino-Yemeni relations take off to new heights [AR]," China Today, December 12, 2002, <http://www.chinatoday.com.cn/Arabic/a200212/12a3.htm>

27) Ibid.

28) "Increase in Yemen-China trade exchange," SABA news agency, April 3, 2006, <https://www.saba.ye/en/news110360.htm>

29) "China grants Yemen one billion dollars and exempts exports from customs duties [AR]," Saba news agency, April 6, 2006, <https://www.saba.ye/ar/news110593.htm>

30) "Met with businessmen and corporate executives in Hong Kong..the president says Yemen will provide land for free for any investment project worth more than \$10 million," Saba news agency, April 8, 2006, <https://www.saba.ye/ar/news110661.htm>

31) China Statistical Yearbook 2011, National Bureau of Statistics of China, 2011, <http://www.stats.gov.cn/tjsj/ndsj/2011/html/R0607E.HTM>

Yemen Fades to the Background as China Courts Riyadh and Tehran

By early 2011, China was importing 1.1 million bpd from Saudi Arabia, and both countries were interested in further energy cooperation. In February of 2011, wide swaths of the Yemeni society began to rise up against the Saleh regime, motivated by the successes of revolutions in Tunisia and Egypt. As the year progressed, Saleh came under pressure to resign. The United States, Britain and France used their positions as permanent members of the UN Security Council to support a transition of power as part of Saudi Arabia's and other Gulf Arab countries' efforts to avoid war.⁽³²⁾ Saleh sought Russia and China's backing on the council, expecting they would not "take a hardline position,"⁽³³⁾ but it wasn't forthcoming; China, like Russia, ultimately supported UN Resolution 2014, adopted unanimously in October 2011, and a month later Saleh agreed to leave.

Three years later, events in Yemen devolved further, with the armed Houthi movement's September 2014 seizure of the capital, Sana'a, supported by Saleh and his loyalists in the military. By early 2015 Houthi-Saleh forces had pushed south to Aden and Riyadh had launched a regional military intervention to drive them back and restore Hadi to power. By this time, Saudi Arabia was established as China's leading supplier of foreign oil,⁽³⁴⁾ and Sinopec was building its first overseas refinery in the kingdom, a joint venture with Saudi Aramco in which China was investing US\$10 billion.⁽³⁵⁾ When faced with another key Yemen decision at the UN Security Council, only Russia abstained; China affirmed its support for Riyadh's preferred handling of the situation and voted in favor of Resolution 2216, which legitimized the Saudi-backed Hadi government, banned arms sales

32) "Eight Yemenis Killed, Saleh Sees Russian, Chinese Support," Reuters, October 16, 2011,) <https://www.reuters.com/article/us-yemen-protest/eight-yemenis-killed-saleh-sees-russian-chinese-support-idUSTRE79F0S720111016>

33) Ibid.

34) "China is now the world's largest net importer of petroleum and other liquid fuels," US Energy Information Administration, March 24, 2014, <https://www.eia.gov/todayinenergy/detail.php?id=15531>

35) The project to build Yasref oil refinery in Yanbu, Saudi Arabia, began in 2012, with President Xi and King Salman inaugurating operations during a state visit to Riyadh by the Chinese leader in January 2016. Saudi Aramco is a 62.5 percent stakeholder and Sinopec, 37.5 percent. The refinery produces 287,000 bpd of diesel and 105,000 bpd of gasoline as well as petroleum coke, pelletized sulfur and benzene. See "Xi wraps up historic visit to Saudi Arabia, steps up energy cooperation," Xinhua, January 21, 2016, https://www.chinadaily.com.cn/world/2016xivisitmiddleeast/2016-01/21/content_23174875.htm

to the Houthi movement, demanded Houthi forces disarm and withdraw, and gave the green light to a Saudi- and Emirati-led Arab coalition intervention to reinstall Hadi's government in Sana'a.⁽³⁶⁾

Although Beijing supported Riyadh's regional influence in the Yemen arena, it was able to balance that by supporting Iran in a higher Iranian-Chinese priority playing out at the same time, the Iran nuclear deal.⁽³⁷⁾ Agreement was reached in July 2015 on the Joint Comprehensive Plan of Action (JCPOA), which represented an opportunity to increase the partnership between Beijing and Tehran in the fields of oil, gas and trade with opportunities arising for Chinese companies as international restrictions were lifted on Iran in exchange for concessions aimed at slowing its nuclear program.

Despite the historical friendship between Yemen and China, the latter's relations with Gulf oil producers were far greater considerations in both 2011 and 2015 during key UN Security Council votes on Yemeni political issues.

36) "Security Council Demands End to Yemen Violence, Adopting Resolution 2216 (2015), with Russian Federation Abstaining," United Nations, New York, April 14, 2015, <https://www.un.org/press/en/2015/sc11859.doc.htm>

37) Beijing, concerned by Israel's push at the time to bomb Iranian nuclear sites, and a possible US willingness to do so as well, considered another big Gulf war a real threat. Intense lobbying by Beijing was credited with bringing Iran to the table for nuclear talks. Once there, China was believed to have played a key role mediating disputes between Washington and Tehran, especially in convincing the Iranians of the significance of securing international recognition for its "right" to enrich uranium as well as the importance of the treaty's resulting economic and political benefits. See: Daniel Johanson, "Becoming a 'Responsible Power'?: China's New Role During the JCPOA Negotiations," *New Perspectives on China's Relations with the World, National, Transnational and International*, edited by Daniel Johanson, Jie Li and Tsunghan Wu, (Bristol, E-International Relations Publishing: 2019), 159-173, <https://www.e-ir.info/publication/new-perspectives-on-chinas-relations-with-the-world-national-transnational-and-international/>; John W. Garver, "China and the Iran Nuclear Negotiations, Beijing's Mediation Effort," *The Red Star and the Crescent; China and the Middle East*, edited by James Reardon-Anderson, (Oxford University Press: 2018), <https://www.chinacenter.net/wp-content/uploads/2018/11/china-and-the-iran-nuclear-negotiations-file.pdf>; and John Garver, "China and Iran: An Emerging Partnership Post-Sanctions," Middle East Institute, February 8, 2016, <https://www.mei.edu/publications/china-and-iran-emerging-partnership-post-sanctions>.

THE BRI CHARTS A COURSE AROUND YEMEN, AT LEAST FOR NOW

Iran, Saudi, GCC Look East to China

Together with the UAE, Saudi Arabia also figures into the strategy of China's project of the century: the Belt and Road Initiative (BRI) announced in 2013 that envisions road, rail and port connections from China through Asia and the Middle East and to Europe. Iran, too, plays a substantive role, requiring a balancing act from Chinese President Xi Jinping that has left Yemen in the background of Chinese foreign policy. In January 2016, Xi paid state visits to both Saudi Arabia and Tehran, heading first to Riyadh where he officially launched Yasref refinery operations and affirmed with King Salman bin Abdulaziz al-Saud long-term cooperation plans in line with BRI objectives not only in the vital energy sector but also in communications, aerospace, environment and technology.⁽³⁸⁾ While in Riyadh, Xi also agreed with Gulf Cooperation Council (GCC) officials to restart talks, suspended since 2009, aimed at establishing a free-trade agreement with the six-member bloc of Gulf Arab countries.⁽³⁹⁾ On arriving in Tehran later in January, just a week after sanctions were lifted in accordance with the JCPOA, Xi secured numerous agreements, including one for Chinese financing of a US\$2 billion high-speed railway between Tehran and the northern city of Mashhad as part of the BRI, as well as a pledge to increase bilateral trade to US\$600 billion over the coming decade — nearly 12 times the 2014 figure of US\$52 billion.⁽⁴⁰⁾ (Four years on and trade expansion struggling under reimposed US sanctions,

38) "Xi wraps up historic visit to Saudi Arabia, steps up energy cooperation," Xinhua, January 21, 2016.

39) Ibid.; While substantial progress was made in four rounds of talks toward an FTA with the GCC, held in both China and Saudi Arabia throughout 2016, the negotiations stalled in 2017 because of the internal GCC rift that saw member states Saudi Arabia, the UAE and Bahrain cut diplomatic relations with Qatar over perceived Qatari support for Iran and Islamic extremist groups. A January 5, 2021, agreement ending the GCC rift could clear the way for these talks to resume. See "China FTA Network," PRC Ministry of Commerce official website, <http://fta.mofcom.gov.cn/topic/engcc.shtml> and Xuming Qian and Jonathan Fulton, "China-Gulf Economic Relationship under the 'Belt and Road' Initiative," *Asian Journal of Middle Eastern and Islamic Studies*, 11(11 3): 12-21, DOI: 10.1080/25765949.2017.12023306

40) Takeshi Kumon, "China to finance high-speed railway in Iran," *Nikkei Asia*, January 24, 2016, <https://asia.nikkei.com/Politics-Economy/International-Relations/China-to-finance-high-speed-railway-in-Iran>; "First freight train from China arrives in Iran in 'Silk Road' boost: media," *Reuters*, February 16, 2016, <https://www.reuters.com/article/us-china-iran-railway-idUSKCN0VP0W8>

China and Iran appeared ready to update the 2016 plan with a US\$400 billion investment agreement extending over 25 years, and including some military elements, such as joint training exercises.)⁽⁴¹⁾

In March 2017, King Salman visited China, and the two countries signed commercial and investment deals worth US\$65 billion, including the establishment of a Chinese drone factory in the kingdom. At the end of the visit, the leaders issued a joint statement in support of the Hadi government in Yemen.⁽⁴²⁾ Two years later, Crown Prince Mohammed bin Salman visited Beijing, where Xi spoke of working toward agreements that would support both the BRI and Riyadh's own economic plan, Vision 2030.⁽⁴³⁾

The visit spotlighted an element of the Saudi-Chinese relationship that both prioritize, non-interference in other countries' affairs. Bin Salman's visit came amid international protests regarding treatment of Uighur Muslims rounded up in Xinjiang, which Beijing defends as necessary deradicalization measures.⁽⁴⁴⁾ The crown prince defended what he described as China's right to preserve national security by combating terrorism and extremism.⁽⁴⁵⁾ Likewise, Beijing had not joined international criticism of Saudi Arabia and Bin Salman that followed the October 2018 torture and killing of Saudi journalist Jamal Khashoggi at the Saudi consulate in Istanbul, Turkey.

41) *Petroleum Economist* reported in September 2019 that China would invest US\$280 billion in developing Iran's oil, gas and petrochemicals sectors and US\$120 billion in transportation and manufacturing sector upgrades. Chinese companies would have first-refusal rights on new oil and gas projects, and China would provide security on the ground in Iran and, if necessary, when petroleum products it buys at a discount are shipped through the Persian Gulf. That appeared to be the deal nearing completion in 2020, with additions including some proposed military cooperation, including joint exercises. See Simon Watkins, "China and Iran flesh out strategic partnership," *Petroleum Economist*, September 3, 2019, <https://www.petroleum-economist.com/articles/politics-economics/middle-east/2019/china-and-iran-flesh-out-strategic-partnership> and Farnaz Fassihi and Steven Lee Myers, "China and Iran Near Trade and Military Partnership," *The New York Times*, July 11, 2020, <https://www.nytimes.com/2020/07/11/world/asia/china-iran-trade-military-deal.html>

42) "Beijing, Saudi Arabia Agree to More Oil Cooperation, Exports to China," Reuters, March 18, 2017, <https://www.reuters.com/article/us-china-saudi/beijing-saudi-arabia-agree-to-more-oil-cooperation-exports-to-china-idUSKBN16P055?il=0>

43) "Chinese president meets Saudi crown prince," Xinhua, February 22, 2019, http://www.xinhuanet.com/english/2019-02/22/c_137843268.htm

44) "Commentary: U.S. playing Xinjiang card deplorable," Xinhua, June 19, 2020 http://www.xinhuanet.com/english/2020-06/19/c_139151761.htm

45) "Saudi crown prince defends China's right to put Uighur Muslims in concentration camps," *The Telegraph*, February 22, 2019, <https://www.telegraph.co.uk/news/2019/02/22/saudi-crown-prince-defends-chinas-right-put-uighur-muslims-concentration/>

China also has deepened its bilateral relationship with the UAE, a generally stable economic force in the Gulf with an efficient shipping infrastructure and a willingness to expand its capacity to play a key role in the BRI. Two-way trade reached US\$49.5 billion in 2018, including US\$32.1 billion in Chinese exports to the UAE;⁽⁴⁶⁾ roughly 5,000 Chinese companies operate in the Emirates, primarily in Dubai;⁽⁴⁷⁾ and there has been significant investment and cooperation in the energy and infrastructure sectors in recent years. In 2017 and 2018, the China National Petroleum Corporation was awarded stakes in Abu Dhabi oil concessions on and off shore; in 2018, China also was heavily involved in a container terminal project and industrial park at Khalifa Port in Abu Dhabi.⁽⁴⁸⁾

Dubai Crown Prince Hamdan bin Mohammed al-Maktoum announced plans in March 2019 for 33 projects specifically geared toward improving the emirate's trade and logistics capacity for the BRI. China picked up significant UAE infrastructure contracts that year, especially for elements of the Etihad Rail project linking industrial areas with sea and land ports.⁽⁴⁹⁾ More than half of Chinese goods exported to the UAE already are re-exported to the Middle East and Africa,⁽⁵⁰⁾ so aiding the UAE in developing its transportation infrastructure is in China's long-term interest of expanding its market access. Long-term intentions also are apparent in teaching exchanges, which were expected to result in Mandarin being taught in more than 100 Emirati schools.⁽⁵¹⁾

46) "China/United Arab Emirates," Observatory of Economic Complexity, 2018 bilateral country profiles, <https://oec.world/en/profile/bilateral-country/chn/partner/are>

47) "UAE-China trade reaches \$34.7 billion in first 9 months of 2019: Envoy," Gulf Today, February 21, 2020, [https://www.gulftoday.ae/business/2020/02/21/uae-china-trade-reaches-\\$34-7b---in-first-9-months-of-2019-envoy](https://www.gulftoday.ae/business/2020/02/21/uae-china-trade-reaches-$34-7b---in-first-9-months-of-2019-envoy)

48) "UAE-China relations growing stronger," Global Times, July 24, 2019, <https://www.globaltimes.cn/content/1159044.shtml>; Xi Jinping, "Work together to create the future [CH]," full text of a signed article for UAE media, relayed by Xinhua, July 19, 2018, http://www.xinhuanet.com/mrdx/2018-07/19/c_137334270.htm

49) Kevin Smith, "Etihad Rail Stage 2 construction ramps up," International Railway Journal, April 6, 2020, <https://www.railjournal.com/regions/middle-east/etihad-rail-stage2b-construction/>

50) Colin Foreman, "Etihad Rail award is strategic for UAE, Gulf and China," MEED, March 24, 2019, <https://www.meedmarshreqindustryinsight.com/etihad-rail-award-strategic-uae-gulf-china/>

51) "UAE-China relations growing stronger," Global Times, July 24, 2019, <https://www.globaltimes.cn/content/1159044.shtml>

Yemen's Prospects for Chinese Investment Lost to War

While China has been arranging projects throughout the Gulf to further the BRI, Yemen has for the most part been caught up in a civil war that has dried up foreign investment and left the country economically ruined. Following the armed Houthi movement, Ansar Allah, taking over the capital, Sana'a, in 2014, the war dramatically escalated in 2015 when a Saudi- and Emirati-led military coalition intervened in an attempt to restore full Yemeni government control. In March 2015, as the coalition launched its first airstrikes against the Houthis, Beijing's main goal was to protect Chinese nationals in Yemen, most of whom worked in oil and gas and construction. Beijing closed its embassy in Sana'a, and a Chinese navy ship arrived in Aden's port to evacuate nearly 600 Chinese citizens and 225 other foreigners to Djibouti.⁽⁵²⁾

Ongoing Chinese oil and infrastructure projects essentially ceased, with projects agreed to during a 2013 visit by President Hadi to Beijing never materializing due to the deteriorating domestic situation. Most notably, China was building two power plants that would generate 5,000-megawatts of power and had signed on to a \$508 million expansion of container ports in Aden and Mokha, funded by a Chinese-government soft loan.⁽⁵³⁾ Prior to the war, China engaged in a variety of projects to assist Yemen, such as sending medical teams and building roads and bridges, according to a representative of the Chinese Embassy for Yemen, which operates from Riyadh. "But because of the war, this aid stopped. In all honesty, the aid provided by China to Yemen currently isn't much, and it focuses on urgent humanitarian assistance," the official wrote in correspondence with the Sana'a Center.⁽⁵⁴⁾ China's ambassador to Yemen, Kang Yong, said in a March 2020 interview with a Yemeni news outlet, Al-Masdar, that China considers all agreements signed between the two countries prior to the war as still valid and will implement them "after the Yemeni war ends and after restoring peace and stability." Kang said dozens of Chinese engineers were working on power generation in Aden in 2018-19, but left after the August 2019 Aden fighting.⁽⁵⁵⁾

52) "Yemen crisis: China evacuates citizens and foreigners from Aden," BBC, April 3, 2015, <https://www.bbc.com/news/world-middle-east-32173811>

53) "Hadi: China to build power plants in Yemen, develop Aden port," Reuters, November 16, 2013, <https://www.reuters.com/article/us-yemen-china-power/china-to-build-power-plants-in-yemen-expand-ports-idUSBRE9AF05A20131116>

54) Chinese embassy for Yemen, email correspondence with the Sana'a Center, December 6, 2020.

55) Moaz Rajeh, "Al-Masdar Online interviews the Chinese ambassador to Yemen about Corona and the Yemeni issue .. Kang Yong: The Yemeni issue is complicated due to the presence of many external players [AR]," Al-Masdar, March 22, 2020, <https://almasdaronline.com/articles/179296>

Today, China's presence in Yemen can be found in food and medical aid on the ground and in drones overhead. While Iran historically has purchased Chinese weapons, Chinese arms sales to Gulf monarchies have been rare as their needs largely have been met by Western suppliers.⁽⁵⁶⁾ However, there has been some demand from Saudi Arabia and the Emirates for Chinese combat drones and ballistic missile systems in recent years, particularly after the Khashoggi killing prompted attempts in several Western capitals to block arms sales to Saudi Arabia and the UAE; some of these Chinese systems have been employed by coalition forces in Yemen.⁽⁵⁷⁾ In April 2018, an Arab coalition-operated Wing Loong II drone firing a Blue Arrow air-to-surface anti-tank missile, both Chinese-made, killed Saleh al-Samad, head of the Houthi Supreme Political Council and the most prominent Houthi leader killed thus far in the war.⁽⁵⁸⁾

56) Pieter D. Wezeman and Alexandra Kuimova, "Military Spending and Arms Imports by Iran, Saudi Arabia, Qatar and the UAE," SIPRI, May 2019, https://www.sipri.org/sites/default/files/2019-05/fs_1905_gulf_milex_and_arms_transfers.pdf

57) Sebastien Roblin, "Chinese Drones Are Going to War All Over the Middle East and Africa" The National Interest, September 29, 2019, <https://nationalinterest.org/blog/buzz/chinese-drones-are-going-war-all-over-middle-east-and-africa-74246>

58) Ibid; Jon Gambrell and Gerry Shih, "Chinese armed drones now flying across Mideast battlefields," The Associated Press, October 3, 2018, <https://apnews.com/article/1da29d68e3cc47b58631768c1dcfa445>

LOOKING AHEAD

China has expressed concern about the instability caused by the war at times, particularly within the UN Security Council,⁽⁵⁹⁾ but in general Beijing's diplomacy has been reserved in line with its attitude of noninterference and carefully balanced to avoid alienating its old ally, Iran, or its newer partners in the GCC. Even in December 2016, when Beijing's Foreign Ministry received a Houthi delegation days after the group announced it had formed a "national salvation government,"⁽⁶⁰⁾ China tamped down speculation it was endorsing the move, or favoring Iran's ally in the war. Of the new body, a Chinese Foreign Ministry spokesman said, "we do not approve of any unilateral moves ... and believe this is not beneficial to a political resolution of the Yemeni issue."⁽⁶¹⁾

However, China is likely interested in easing tension and instability that has the potential to threaten its energy supply and broader economic goals, and to be perceived as a neutral arbiter available if called upon. This was apparent in March 2017, when Chinese Foreign Minister Wang Yi offered to mediate the deepening discord between Saudi Arabia and Iran, saying China was a friend to them both.⁽⁶²⁾ The move, however, appeared more of a nod to Iran than a realistic possibility, coming a week ahead of King Salman's visit to Beijing, with its lucrative business deals, including the Chinese drone factory, and the joint statement supporting Hadi's government in Yemen all prepared. It was seen again in July 2017, when Wang offered Chinese help in mediating the GCC-Qatar crisis. The Gulf countries, he said then, were capable of resolving the crisis, but "as a sincere friend of Arab countries, China stands ready to play a constructive role in promoting peace talks

59) See, for example: "China's Xi urges Yemen resolution in call with Saudi king," Reuters, April 18, 2015, <https://www.reuters.com/article/cnews-us-yemen-security-china-saudi-idCAKBN0N909420150418>; "Security Council Demands End to Yemen Violence, Adopting Resolution 2216 (2015), with Russian Federation Abstaining," United Nations, New York, April 14, 2015, <https://www.un.org/press/en/2015/sc11859.doc.htm>; and Zhang Jun, "Remarks by Ambassador Zhang Jun at Security Council Open VTC on Yemen," PRC Ministry of Foreign Affairs, November 11, 2020, https://www.fmprc.gov.cn/mfa_eng/wjb_663304/zwjg_665342/zwbdt_665378/t1831607.shtml

60) Robert Cusack, "Houthis go to China: Yemen's rebel delegation discuss peace deal," The New Arab, December 1, 2016, <https://english.alaraby.co.uk/english/news/2016/12/1/houthis-go-to-china-yemens-rebel-delegation-discuss-peace-deal>

61) Robert Cusack, "China 'does not approve' of new Houthi government," The New Arab, December 4, 2016, https://english.alaraby.co.uk/english/news/2016/12/4/china-does-not-approve-of-new-houthi-government?utm_source=facebook&utm_medium=sf

62) "Ahead of king's visit, China says hopes Saudi, Iran can resolve problems," March 8, 2017, <https://www.reuters.com/article/us-china-parliament-mideast-idUSKBN16F0KV>

when needed by all parties.”⁽⁶³⁾ Qatar welcomed the offer, as Iran had in March, but neither overture made headway with Saudi Arabia or the rest of the GCC.

Thus far, insecurity caused by Yemen’s war has not so severely impacted Chinese strategic economic interests as to prompt Beijing to seek a prominent mediating role. However, the Chinese have reacted to war-related threats that harm their direct interests with Saudi Arabia. For example, in September 2019, the Houthis claimed responsibility for targeting two Saudi Aramco oil facilities in Abqaiq and Khurais, temporarily cutting oil output by about half.⁽⁶⁴⁾ China receives 1.8 million barrels a day of Saudi crude oil,⁽⁶⁵⁾ and Beijing’s ambassador to the kingdom, Chen Weiqing, was clear in his condemnation of the attacks, saying Saudi Arabia had the right to defend itself.⁽⁶⁶⁾ Similarly, when Kang, China’s ambassador to Yemen, traveled from his residence in Riyadh to Muscat, Oman, in October 2019, he met with Houthi spokesperson Mohammed Abdelsalam. There, Kang made a point of saying China’s “steadfast position” was that the war would not be resolved militarily.⁽⁶⁷⁾ These remarks during a meeting ostensibly about Yemen’s importance to the BRI came as Riyadh was shifting gears and seeking backchannel negotiations with the Houthis in Oman.⁽⁶⁸⁾

Beijing’s willingness to meet with all local and regional parties to the conflict allow it to make limited, brief contributions to the efforts of others, such as supporting UN initiatives like the Stockholm Agreement or Saudi ones, like the Riyadh Agreement⁽⁶⁹⁾ or backchannel talks with the Houthis. It is unlikely Beijing would attempt to expend significant diplomatic capital as it did in helping secure the 2015 JCPOA. Content with voicing support for the internationally recognized Yemeni government, China appears likely to instead continue working to secure

63) “Wang Yi Meets with Foreign Minister of Qatar: Talk about Gulf Crisis Again,” Ministry of Foreign Affairs, PRC, July 20, 2017, <https://www.fmprc.gov.cn/ce/ceun/eng/zgyw/t1479573.htm>

64) “Attack on Saudi Oil Facility Halves Crude Output, Stokes Regional Tensions,” The Yemen Review, September 2019, Sana’a Center for Strategic Studies, October 14, 2019, <https://sanaacenter.org/publications/the-yemen-review/8221>

65) Brian Wingfield, “China Guzzles Saudi Arabian Oil While Riyadh Keeps U.S. Flow Low,” Bloomberg, November 2, 2020, <https://www.bloomberg.com/news/articles/2020-11-02/china-guzzles-saudi-arabian-oil-while-riyadh-keeps-u-s-flow-low>

66) “General/Speaker of the Shura Council receives the Chinese ambassador,” SPA, October 8, 2019, <https://www.spa.gov.sa/1979643>

67) “The Yemeni national delegation meets the Chinese ambassador and discusses the initiative of President Al-Mashat and the new Silk Road [AR],” Al-Manar TV, December 18, 2020, <https://almanar.com.lb/5837273>

68) Ahmed al-Haj and Maggie Michael, “Saudi Arabia, Yemen’s Houthi rebels in indirect peace talks,” The Associated Press, November 13, 2019, <https://apnews.com/article/cb393079f7be48d2951b3ae3f2d4361b>

69) “China hails Riyadh Agreement, hopes for Yemen peace, independence,” Global Times, November 7, 2019, <https://www.globaltimes.cn/content/1169348.shtml>

energy resources and supplies, safeguard its external economic interests and preach noninterference to minimize security risks to the BRI. Adeptly managing its strategic partnerships with each of the key regional players in the Yemen arena — Saudi Arabia, Iran, the United Arab Emirates — thus far has allowed China to pursue projects in line with the BRI in these regional heavyweights, while essentially taking a wait-and-see approach to actively engaging again in Yemen.

In a post-war Yemen, the BRI could be a catalyst for increasing bilateral trade and economic cooperation, as it has been for other Gulf countries. Yemen's geographical location remains strategic, bordering one of the most important international shipping corridors, near the Bab al-Mandab Strait. The World Bank has said post-war reconstruction would require "massive foreign assistance," in part to restore basic services,⁽⁷⁰⁾ and China's history in executing development projects in Yemen make it a natural fit for such work ahead. Post-war reconstruction projects in the energy and infrastructure sectors intersect with China's goals, particularly a revival of the Aden and Mokha container port expansion project, which would provide further links in the maritime Silk Road segment of Beijing's Belt and Road Initiative.

70) "Yemen's Economic Update — April 2019," The World Bank, April 1, 2019, <http://pubdocs.worldbank.org/en/365711553672401737/Yemen-MEU-April-2019-Eng.pdf>

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