

The Strengths and the Opportunities of the New Silk Road Strategy in the Middle East

By Mordechai Chaziza

The Middle East is situated at the heart of Beijing's Belt and Road Initiative (BRI). The new Silk Road strategy is one of the most ambitious infrastructure projects in modern history, and has the potential to reconfigure and optimize global trade routes. Hence, China seeks to develop its relationships with Middle Eastern states for the need to secure its energy imports, to secure its exports via routes that pass through the Middle East and, in the longer term, to increase its regional influence and displace the United States in the region.

Mordechai Chaziza,
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explains that "BRI has
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BRI has become the main focus of China's foreign policy in the Middle East. The weaknesses of China's BRI can be turned into strengths and opportunities as long as Beijing faces them squarely and responds positively. First, both sides can promote political cooperation on global issues. They can strengthen coordination on regional affairs (e.g., the Iranian nuclear program), and continue to promote political solutions to hot-button issues (e.g., Syria crisis). China and the Middle Eastern states can also improve the bilateral and multilateral mechanisms (e.g., China-GCC free trade), and make full use of bilateral high-level joint committees and sub-committees to implement BRI. Middle Eastern countries have found enormous complementarity between their economic and political objectives and BRI. They have unanimously endorsed the initiative, either by formally signing MOUs with China, or by voicing support.

Second, The Middle East is a critical region to BRI, especially to the Maritime Silk Road Initiative (MSRI), as key straits and sea routes run through the region. Maintaining secure access is an important consideration in the implementation of BRI, which will ensure that sea lanes stay open rather than being cut off. Most of China's ocean-going oil trade is concentrated in the Straits of Malacca, the Indian Ocean to the Middle East, and North Africa.

Third, with the construction of the Gulf corridor and connection with the China-Pakistan Economic Corridor to form the West Asian Silk Road, China's energy security will enjoy maximum protection. This West Asian Silk Road will further stretch along the Mediterranean coast and beyond through the Arabian Peninsula, enriching and extending the reputation and space of BRI and correctly linking Asian, European, and African economic circles. Fourth, BRI has enormous potential to alter regional trade and investment patterns, redefine regional hubs and networks and, more importantly, enhance the Middle East's contribution to the global value chain.

Fifth, since BRI projects are financed, constructed, and operated by Beijing, payments can be made and received in Chinese currency, the renminbi (RMB). The growing pace of yuan usage in BRI countries has been faster than the yuan's usage in the rest of the world in recent years. The local currency swap agreements that China has concluded with Egypt, UAE, and Qatar will provide an additional boost to Beijing's trade with the region, in addition to speeding the RMB's internationalization. More importantly, with the establishment of RMB clearing hubs in the Middle East (e.g., Qatar and UAE), and the announcement of direct trading between China and Saudi Arabia, a subsequent step would be to settle oil trade in RMB which could eventually challenge the "Petrodollar system".

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Moreover, the Gulf states are among the most critical long-term sources of capital in the international community. Beijing invited most of the Middle Eastern countries to become founding members of the Asian Infrastructure Investment Bank (AIIB), a critical mechanism for funding BRI. Further, over the past decade, PRC's outbound tourism saw steady growth, and Middle East countries involved in BRI have emerged as popular attractions for Chinese tourists. The number of Chinese tourists traveling to GCC countries was forecast pre-COVID 19 to jump 81 percent between 2018 and 2022, from 1.6 million to 2.9 million.

Undoubtedly, the new Silk Road strategy creates new opportunities and strengths for China and the Middle East. Both sides have complementary political and economic interests in this case. BRI also has enormous potential to redefine and establish new hubs in the Middle East mainly because the planned initiatives would increase demand for maritime transport and logistics services, boost seaborne trade volumes, and strengthen Middle Eastern states' positions as providers of logistic services as well as in global supply chains.

Over the last six years, Beijing has acquired rich and indispensable experience in infrastructure investment (e.g., railroads and roads, pipelines, harbors, trains and underground trains, communication systems, dams, airfields, housing, schools, bridges, hospitals, and sewage systems). The Belt and Road construction could lead to a historical and dramatic transformation in the Middle East, an act of global significance no less than a regional one. PRC's BRI strategy will substantially shape its engagements and strategic partnerships with the Middle Eastern countries. The new Silk Road has provided a platform for a mutually beneficial deepening and expanding relations between China and the Middle East region.

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