In this episode, titled “10 Years On: China’s Belt & Road Initiative and its Future in the Middle East,” our host Jonathan Fulton is joined by esteemed guests David O. Shullman and Yun Sun to delve into the current state of China’s ambitious Belt and Road Initiative (BRI) and its implications for the Middle East.

The episode analyzes the recently held Belt and Road Forum, the involvement of various MENA countries in the initiative, and the challenges and opportunities it presents. Get ready to explore the complexities of China’s global infrastructure plan and its impact on the Middle East, as we discuss the geopolitical dynamics, competing interests, and potential alternatives to the BRI.

Takeaways

- Impact of the Belt & Road Initiative
- China’s Strategic Goals and Future Plans
- Competition for Leadership in the Global South
- Alternatives and Response to the BRI
- The EU’s Global Gateway Initiative
- China’s Renewed Commitment to the BRI
- Broader Foreign Policy Strategy of China
- China’s Economic Relationship with the Middle East

Quotes

"The Belt and Road Initiative exemplifies China’s ambition to reshape global dynamics, providing growth alternatives to emerging nations against the prevailing US-led order." - Yun Sun

"Developing countries will continue to engage with China, but they need to negotiate for better terms and develop resilience against negative effects." - David O. Shullman

Featured in the Episode

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Welcome to the China MENA podcast. I'm your host, Jonathan Fulton, a nonresident senior fellow at the Atlanta Council and a political scientist at Said University in Abu Dhabi, United Arab Emirates. 2023 marks the 10 year anniversary of China's Belt and Road Initiative, or BRI. On October 17th 18th, the PRC hosted its 3rd Belt and Road Forum to celebrate. Before the pandemic, you couldn't open a newspaper without finding a story about the BRI. But over the past 2 years, it's been much less prevalent, perhaps a result of economic slowdown, a more
competitive international environment, or a bigger focus on more recent Chinese initiatives like the Global Development Initiative and the Global Security Initiative. However, the Belt and Road Forum has brought it back into the spotlight. To talk with us about the BRI, what it's done, and where it's going, I'm happy to be joined by David Shulman and Yun Sun.

Jonathan Fulton:

David is the senior director of the Global China Hub at the Atlantic Council where he leads our work on China. Prior to that, he had a long career in government with the US National Intelligence Council. Yun is a senior fellow and co director of the East Asia program and director of the China program at the Stimson Center. Her expertise is in Chinese foreign policy, US China relations, and China's relations with neighboring countries and authoritarian regimes. Dave Yun, welcome to the show.

David O. Shullman:

Thank you. Thanks for having us.

Jonathan Fulton:

Yeah. I'm glad you guys could join us. Dave, we'll start with you. Can you Give us a brief overview of the BRI as if everybody hasn't heard about it over the past 10 years. But what is it? And, why is it important in Chinese foreign policy?

David O. Shullman:

Yeah. Thanks, Jonathan. I think that's a great place to start. I mean, I think when it's described, it's often described as an ambitious Initiative, an infrastructure initiative to connect China with the rest of the world, and indeed, you know, China has laid out A lot of money with deals across 150 countries on energy and transport infrastructure. There's also other official listed Focuses for the BRI on policy coordination and trade and so on. But what I wanna stress is where you
started with, you know, what are the foreign policy and strategic aspects of this. And so, yes, the BRI is an economic development strategy. It's a way to realize domestic economic objectives and expand China's trade and investment links and create new markets for goods and so on.

David O. Shullman:

But it's really not just about concrete projects or trade and connectivity. It's a geostrategic framework for Chinese foreign policy. For a China that can exert growing influence through those ties in Asia but also globally, and it's been a central plank of a broader drive to create a China-centric vision of global order, I think, you know, a values agnostic alternative to the US-led liberal order. And so for the BRI For All Its Troubles, and I'm sure we'll get into How China's trying to, you know, look to transform the initiative into more a more digital focused initiative, less infrastructure heavy, It is part of this broader conception of what China offers the world, the developing world in particular, solutions to the belt and road, that are about economic development and connectivity, but, you know, whereas in the US, we often think of this as a separate domain reserve for the US Agency For International Development and other development of of the US government and then foundations of nonprofits. For China, development and security are inseparable, and so it really underpins the approach at home, And now forms the foundation for much of its diplomatic and strategic approach globally, by using, you know, including to to revise the global order, using its economic Islamic influence using studied disinterest in the internal politics and values of other countries. And so development through the BRI is tied to security. It's tied to ideology. It's headed China's bid to place itself at the center of a new era of global connectivity and governance. And in the Middle East, you know, for example, in particular, you know, you see this messaging about forging a new gulf security architecture, forging Middle East peace, tied to China's offering, the concept of Chinese style modernization As a shared framework of not just development, but also values for countries in the region.

David O. Shullman:

And the message is these states in the region Can draw lessons and inspiration from China's development into the world's 2nd largest economy, and then together, China and these countries are going to work through the BRI, Build this so called community of shared future or shared, you know, common destiny for mankind, and then develop their way towards modernization, towards stability, towards peace. And along the way, they're gonna have China to thank, and they're gonna end up with stronger bonds with China. And these talking points, I think, they get discarded because they sound so rote. They're kind of mind numbingly boring,
frankly. But China's intentions with the BRI, how it fits into this broader strategic vision are there for all to see, if we pay attention.

Jonathan Fulton:

That's a really great overview. One of the points you made that I really think is worth noting is that it's more than just the infrastructure stuff, which is how it was presented for so many years. And of those 5 cooperation priorities, I think it was very general. Right? It got to the point where really anything could be BRI. And we hit that point early in the pandemic where you saw less money for those big projects. And a lot of people said, well, that's the end of it. Right? But then, of course, because policy coordination or people to people connectivity were also part of it, you could see things like, pandemic, Policy coordination or or providing, you know, health, educational outreach or whatever could be part of the BRI. And you could see it really was able to be a lot of things, right, to kind of fit whatever situation it was called for.

Jonathan Fulton:

So, yeah, thanks. That was a really great way to frame it. Yoon, there's been a lot less attention paid to the BRI over the past couple of years, especially since COVID. So what was the significance of this particular forum? I mean, has the B r BRI actually receded insignificance for the PRC or for the global world? Or have we just been distracted and thinking about all this other stuff that's been happening?

Yun Sun:

Sure. Thank you, Jonathan. To form this year is a 3rd summit For the Belt and Road Initiative. And we know that, in the past 3 years, China was on a self imposed Quarantine from the world because of COVID. So I think it is safe to say that from 2020 to 2022, China was secluded from the world by itself. So a lot of the BRI projects were still ongoing During those 3 years, but the speed was slow, and a lot of the significant funding was not allocated. And we're also seeing almost the t, in terms of the people to people exchange, like, peep China sending managers or sending workers To BRI countries to carry out those projects, the number of those people have dropped significantly. So I would say that during those 3 years of COVID, Yeah.
Yun Sun:

I was not completely stopped, but it was at a very slow pace, almost stagnant, during that period. So I think for China to host as a 3rd BRI forum this year is treated as a restart of the BRI or a redemonstration. China is too committed to BRI. China is too committed to the infrastructure development of the world, and China has come back, Which is why since the beginning of this year, the 3rd BRI forum has been treated as a priority For China’s foreign policies, this whole, in the year of 2023. So I think that is the significance of this forum and the announcement that China has returned, China is not leaving, and China has come back with even more interest and more resources to allocate towards BRI. Has yeah. Actually receded? Well, it depends on how you interpret the different data points. So we know that for the past 10 years, the BRI initiative in the Chinese policy narrative has been divided into 2-5 year periods. During the 1st 5 years, it was a period where China threw in a lot of money in order to gather support, Get their attention and also win the narrative about BRI being this helper, being this major assistance to the developing world.

Yun Sun:

But that model of the 1st 5 years also created a lot of problems. And the most important one and most noted one is the DATATRAC diplomacy that has been very popular, very popular in terms of the understanding of the Chinese BRI, well, whether it was indeed a debt trap diplomacy, I think that’s subject to debate. But regardless of the Chinese intention, the reality was after those 5 years of extravagant spending, a lot of countries that took on Chinese loans have become embedded significantly into China, and they’re starting to have repayment problems Once those long term loans start to mature.

Jonathan Fulton:

I I I thought that was a really great answer. And part of what I was thinking while you’re talking was just looking at The 2 previous Belt and Road forums. So there was 1 held in 2017 and then another in 2019. And it was interesting because like you say, for the 1st 5 years or so, There was this period where China really was able to control the narrative about what the BRI was. And you saw in the first BRR Belt and Road Forum in 2017, kind of this triumphalism, right, that a lot of countries are really excited about it. By 2018, like you said around that 5 year point,
there was a lot of pushback from a lot of other countries. And you could see that the next was in 2019. And in that, there was kind of the self correction where the PRC was trying to, maybe reshape the way people were talking about it.

**Jonathan Fulton:**

Things like debt traps were a big part of how they were talking about it, talking about trying to reshape the direction of it. So, Yeah. I think it's really been a work in progress. It seems to be a bit of a shape shifter depending on the particular moment in time. But looking at this one, Dave, this Belt and Road forum, From first glance, it was maybe a little underwhelming, right, for this big coming out party. You know, I think in the 1st form, like I said, in 2017, there were 30 heads of state in 2019 of 37. And this year, they're only 23. You know? So it had a much Lower turnout than what they were hoping for.

**Jonathan Fulton:**

Vladimir Putin, of course, was the big, big guest. But here from the Middle East, the only head of state in attendance was El Sisi from Egypt. So do you think this is significant? Should we make anything of this? Or is this Just because everybody was focused on other more urgent issues like the crisis in Gaza or the war in Ukraine.

**David O. Shullman:**

Yeah, it’s a great question. I mean, it’s not like no one showed up, right? They had, I think, over 1,000 delegates from Over 130 countries, so that's not nothing. But what got attention, as you're nothing, it was a kind of series of memes, I think, with pictures of the amount of Foreign leaders who were at this Belt Road forum as opposed to especially the last one, but also the previous one with only 23 heads of state. And I think, you know, the most notable change was the near absence of representation from, The West, you know, among the leaders who attended in the past, you had the Czech Republic, you had Greece, you had Italy, And they didn't come to Beijing for this iteration. In the case of Italy, you know, this is the only G7 country to join and, We’re expecting it to formally withdraw from the initiative in the coming months. We know that Central and Eastern European countries have been particularly disenchanted, with the BRI And to have the only, I think the only leader from Europe there being Hungary's Viktor Orban, who's
definitely not a shining example of democracy. That was kind of telling. And I think especially when you bring in, as you mentioned, the fact that Vladimir Putin was a kind star leader who was there, right? He was given prominence. This is his 1st international trip, outside the former Soviet Union since the International Criminal Court issued a warrant for his arrest, And he spoke right after Xi Jinping, trotting out now familiar talking points on the need to revise the global order.

David O. Shullman:

So you put all of that together, and I think it really, you know, gave a picture of underscoring the geopolitical divisions we’re all seeing deepen and have deepened since she first proposed the Belt and Road Initiative and even since the last Belt and Road Forum. I think the 2nd point, on this thought is that and you are kind of hinting at it Those who were there, were overwhelmingly from the global south, from the developing world, right, and I think it it goes to this point that China's really doubling down on its focus on the developing world, on looking to reestablish its leadership, of the Global South. You already mentioned The Global Development Initiative, the Global Security Initiative, and the Global Civilization Initiative, which, you, Jonathan, and others at the Atlantic Council have written about as part of a broader blueprint for a transform global order, and I think are part of also a big shift, for China to focus more on the developing world as their strategic Focus. So I think, you know, just to come back to the forum and and and Yoon touched on this a little bit but you see China Xi Jinping, which, you know, who recognizes the BRI has faced some setbacks, lending has dropped precipitously in Africa and elsewhere, but I think what we see at the Forum is Xi asserting the Belt and Road is here to stay, because even in this altered form, It still accords with China's strategic aims of growing its influence in the global south, in particular, through connectivity across many domains Critical to China’s centrality in the in the future global economy, not just in the infrastructure space again, but, I mean, it's not a coincidence that the BRI white paper that was put out right around the forum Underscores, you know, the number of Chinese banks that now have branches in BRI countries, how countries have opened UnionPay mobile payment accounts, how many BRI countries China has signed currency swap agreements with as part of a drive to internationalize the yuan. So there's a lot of ways in which the Belt and Road still is very important for China, especially in the developing world. And again, it remains central to displacing the US led order, and the White Paper was full of critiques of the existing order, talked about an order that's currently dominated by a few countries, inequality that's been created between developing and developed countries, and even Xi, in his speech, took some shots at the US and US's allies, about viewing others' development as a threat, talking about other other countries unnamed, are looking for ideological confrontation and rivalry, in contrast to that community of common destiny and shared modernization that China is selling.

Jonathan Fulton:
Yeah. You hit so many of the points that I want to go to next. So that was a great lead in.
Because, you know, for that entire reform era, you know, starting in 78, it was all about, you
know, China can prosper and develop by working with other developed economies. And that
was the focus of so much of its diplomacy for a good 40 years. And we've seen over the past,
you know, half a decade or so this recalibration where the focus now is on the global south.
And, of course, this is seen as a lot of emerging markets. This is where a lot of global growth is
expected to take place.

Jonathan Fulton:

And also places that are very, you know, interested in China's model. How do you go from an
underdeveloped country to, you know, a global economy? Or or how do you reach this level of
development? So it could be that Beijing sees the global south as natural constituents. Or it
could be that they felt that, They've made the calculation that those relationships with those
countries that lead the order of the west or or Japan, Korea, Australia, Europe, whatever, Those
relationships have reached a state of disrepair that it's going to be really hard to fix. So maybe
the Global South is the only real constituency that China has. So I guess, Yun, that's where I
want to come to you with, you know, with things like the GSI and the GDI and the GCI and the
narrative coming from the Belt and Road Forum. And just everything we've heard from Beijing
over the past few years. China presents itself as a balance against the West and promotes itself
as a supporter or potential leader of the global South. We saw last month at the g twenty
summit in India that India also has its own vision of itself as a leader of the global south.

Jonathan Fulton:

So it's not like China can just easily step into this position or self nominate. It seems that there
are a lot of poles of influence in this very diverse community. How do you make how do you
assess China's ambition to and

Yun Sun:

for this position of leadership in the developing world. Thank you, Jonathan. That's a great
question. Just a couple of points to be made. First one is that China has always believed and
claimed that it is a developing country. And that they will use, not that the whole country's
GDPs, they will use GDP per capita to justify that, to justify that claim. I think the status of
developing country Also gives China a lot of benefits in terms of, for example, in terms of market
access or SNAP OTL treatment. So I don't foresee that China will ever abandon its developing country, label for the foreseeable future.

Yun Sun:

But this identity has come under more and more questions and skepticisms internationally. And one example, when China founded AIIB, the Asia Infrastructure Investment Bank, the question is, well, if China is already lending, Major financing to developing countries. So maybe China should not receive preferential loans or concessional loans from the World Bank anymore. So this type of, I think China's growth, the wealth of the national wealth of China keeps growing, And China's comprehensive national power keeps growing. It casts a doubt of China's identity as a developing country. But regardless of these international questions, I think China will continue to assert itself as a developing country And also assert itself as a leader of the developing country because it has a lot less voice. It sees itself as having Some the most significant bargaining power vis a vis the developed developed world. And because of China's economic influence and its financial resources to influence the decision making, in developing countries.

Yun Sun:

I do not foresee that a lot of developing countries will come out to question China's claim As a developing country or as a leader of the developing country. I think this desire to assert leadership. What speaks for the developing world originates from, in fact, originates from the US China Grid Power competition. Because the Chinese realized that they want to avoid isolation, which means that for them, what is the US and China really competing for? I think the Chinese had a realization that the US and China are Actually competing for the rest of the world. Competing for which great power the rest of the world identifies with, And which development path the rest of the world sees as legitimate and sees as preferred and most inspiring? So I think in that sense, the large number of developing countries is seen as a target in the grid power competition. Like they, like Jonathan and Dave, you both mentioned, the west is pretty much lost to China at this point. Right? So what they have left in order to gain their collective voice or gain their broader support Lives in the developing countries. So in this sense, the developing world is not something that China can't abandon. This is a core to who So the kind of leadership or the kind the kind of leadership that they want to they wanna claim. And if you look at the global, for example, the global development initiative, I think it is also very interesting to look at the different framing.
Yun Sun:

So like global development initiative is about development, but BRI is also about development. How are they different? If you look at the framing, BRI is where China treats itself as externality to the world. BRI is China’s gift to developing countries. BRI is China’s contribution to the world. Right? But when China frames, for example, a global development initiative, China is in fact framing itself as a part of the world. So not as an externality but as an endogenous factor of the world. So since that evolution also shows that China realizes that BRI is not always the best forum or the best approach to present China as a member of the developing countries. So that's why it has evolved.

Yun Sun:

But for China to claim leadership for the global south, there is Significant conceptual obstacle, I would say. Because for a very long time, China has seen itself as a leader of the east. Remember? So like in 2021, when Xi Jinping claimed that China is a superior model in terms of dealing with COVID, the slogan that he came up with was, the rise of the east and the decline of the west. So this ideological struggle or this Core struggle that China has presented is not one between global south and global north. It's more in terms of Political ideology is the global east versus the global west. So in that sense, I think the Chinese will have a difficult time Trying to reframe this and try to equate global south with the global east. So you can see that while China claims that China is seen as a leader of the east, but for China to claim the leadership, India is a very powerful competitor to the Chinese claim of leadership in the global south, especially given the constraints that I have mentioned. Thank you.

Jonathan Fulton:

I was at a conference or a workshop, in September this year, and it was about Iran’s look east policy. And as the Iranians who were in attendance were talking about the east, You know, South Africa came up and Brazil came up and Eastern Europe came up. And I was like, well, what is easy in your conceptualization? Is basically everything that's not the West. Right? So, you know, basically, the entire world that's not part of Europe, North America, you Australia, New Zealand, Japan, Korea, the rest of it is the east. And I think that's important because, you know, when you're talking about China's leadership bid. I. You made a lot of great points. And one thing that stood out, I was at a conference in Cairo last year. And one of the people in attendance was saying, We have a narrative affinity with China and that we're all in agreement
that the liberal order or whatever the US led order hasn't necessarily delivered what it was promised to us.

Jonathan Fulton:

And we agree with China, and we would like to see that change. But beyond that narrative affinity, things are so transactional or superficial that the relationship with China doesn't really go beyond that at this point. So it does really seem like it's a very competitive space. And I can see a lot of other countries saying, look, we have an alternative vision too. And it's not about China's, You know, surveillance state or or it's very strong party state or whatever. So I just wonder, if this global South Leadership, if there's other ways that we can look at it as, you know, this binary. What do you think, Dave? I mean, what could other countries not of the global south due to, you know, counter this narrative of China saying, we are the leaders of a disaffected group that wanna see change.

David O. Shullman:

Yeah. I mean, it's kind of the central question at this point, right, when we talk about this issue. I think you have already touched on this, but, I mean, India's number 1 role is significant, and I think that will be a really fun thing to watch over the next many years. We saw, You know, India at the G20, which it of course hosted, you know, made, I think, a pretty big and then was very successful in its hosting and focused a lot on the global south issues, and, of course, Xi Jinping chose not to Attend, which I think was an own goal. And I I think, you know, at the same time, you're gonna see, India and China Playing out their relationship together in the BRICS grouping, so how they manage that relationship, number 1, which as we it was a fraud relationship for a lot of reasons, but especially now in this kind of competition for leadership of the global south, I think it's pretty critical, particularly for the United States and for, our our other allies who see India as a as a partner. One can have a whole separate conversation about the state of India's democracy. But I think, you know, that partnership with India in this competition with China over its stated and as Yoon laid out, kind of long standing claim to be the leader of the global south is gonna be pretty significant. I think, you know, there's a few points to make generally in terms of the allied response to the BRI and to this competition for, you know, Leadership of the Global South.
I mean, I think, first, the most basic point is that the US and Europe and Japan and others, need to really be engaging with Africa with Latin America with South Asia with the countries of the global south, put that focus and energy in diplomatically. That that, frankly, China has often, been better at and and also been better with the public diplomacy and messaging. Speed be louder, and more consistent about messaging on what and I'm speaking specifically the United States here, what we do do that's useful and positive and and helps. These countries, in in a development sense and in many other ways, sometimes shy away from that, and and shouldn't and need to lean in more to it. It should also be said that, you know, if we were able to get our act together on market access, that would be a game changer, potentially, but we know now where the US is On, trade agreements. Of course, you pulled out of TPP. You know, maybe on the EU side, there may be some more room to run here. They're finalizing a deal Supposedly, with, the Mercosur trade bloc in South America, that would be an important signal, in a region where trade with China has really grown at an incredible rate, and that often doesn't get talked about as much when we talk about the BRI and we talk about financing and loans. But, you know, for the BRI specifically, I think there has been an effort and understanding that we need to be offering alternatives to the Belt and Road Initiative, both in the US and in the EU. You know, the US has this partnership for global infrastructure investment, which kicked off in June 2022, is the inheritor of the Build Back Better World initiative, US and also G7 partners, but it still has a lack of financing, I think, to seriously compete.

David O. Shullman:

There's a pledge to reach $200,000,000,000, from the US side in the next 5 years. I think that's ambitious. And then, I mean, there have been some successes recently. So at the G20, as I mentioned, you had this MoU signed, For the India, Middle East, Europe Economic Corridor, which I know, Jonathan, you know a lot about, that's pretty significant, I think. This is a network of quarters Across, Asia, the Arabian Gulf, and Europe, but it's still very early. This is a project that's been discussed for a while now. The details are yet to come out, so we'll see where that goes. So things are happening on the PGII, but I think it's still, you know, that's still, not convincing that it's what it's really going to be, all that all it's, made up to be.

David O. Shullman:

And then on the European side, you have the Global Gateway, right, which was launched in 2021, by the EU. And I think just this week, EU leaders gathering in Brussels are having a meeting specifically on the Global Gateway, which, again, is another offer of alter an alternative
to the Belt and Road Initiative, and EU Commission President, von der Leyen, at the meeting, has been very clear that Global Gateway is about giving choices to countries, better choices, and the kind of, You know, subtext is better choices than the BRI. They've also announced recently a Trans African corridor, which is, You know, gonna connect Congo and, I think, Zambia and Angola. So there's a lot of movement, but these are all works in progress. Right? And I think Both in terms of the financing, in terms of spurring private capital, which is part of the goal of these kinds of initiatives, there's still a long road to go on them. And, and I think we just need to the jury is is out still on whether or not they're gonna be successful in offering an alternative to what China's been offering In the investment space, in the economic space, which as we all know is really essential to its approach to the global south generally, I think there's a recognition as well that we don't wanna try to out BRI, the BRI, and and just focus on hard infrastructure. We know that China is shifting itself away from hard infrastructure. That was a big focus The Belt and Road Forum to more of a digital focus, supposedly more of a green focus.

David O. Shullman:

So I think, you know, when the US and our allies are thinking about what we should be It should be very much in this digital and communications technology domain, which is really what a lot of these countries need, as well as, You know, more solutions based upon emerging technology. And then I think the last point to make is that it's it's not just about offering these Alternatives, although it's really important, but also recognizing that the Belt and Road Initiative comes with not just economic risks, Not just the possibility of dependence for countries on China as a result of not just kind of the debt trap narrative issue, but also just broader Economic dependence on China, dependence on China for their digital infrastructure backbone, these kinds of things, and also risks in the governance and environmental and labor domains, That that are really significant, and also the fact that China is just looking to shape the narrative on the BRI in countries around the world and at the multilateral level at the UN and elsewhere. Where, so what the US and allies need do to push back on some of this, to push back on some of the negatives is to recognize, you know, developing countries. As Yoon has already said, you know, they're gonna continue to deal with China. They're gonna continue to deal with the Belt and Road Initiative. They're gonna continue to give China what it wants in terms of, saying, yes, You're, you know, kind of the leader of the developing world if it's benefiting them because they have these massive development needs that China, on some level, truly is helping them address. But we and our allies need to be helping them to, first, negotiate for better, more transparent terms, which already has been happening, but also to have resilience against those negative effects that come with the Belt and Road. So, right, some of these things that are thought of as nice to haves, but I think are really essential, is supporting Civil society, independent media, and all the other things that a good regulatory environment, that help the countries that that are engaging with the Belt and Road, that are engaging with China in all these ways economically, to do so in a way that actually bolsters their development, bolsters their, Their sovereignty and really the voice of the citizens, because when you have both this
kind of resilient regulatory environment and you have alternatives to what China’s offering, you get a better result for these countries. And, also, often, China’s China itself is pushed to offer better terms.

David O. Shullman:

So I think those things together, offer a package that, you know, recognizes that China’s engagement with the developing world is not going away. But there's a way in which these countries can engage China that is not so damaging for those countries themselves and for, You know, US and European influence such that, you know, to be dramatic about it, you know, the developing world or the global south is lost to China. I think that that does not have to be their end result, and I don't think this is such a black and white picture.

Jonathan Fulton:

Great. So just to bring it back to the Middle East, Yoon, you know, with this supposedly reenergized BRI coming out of Beijing, How do you seek the Middle East in particular, trying to take advantage or benefit from this? You wrote a really interesting piece, and we'll link to that in the show page on China Middle East, not not long ago. Do you see any countries in particular that you think are best positioned to benefit From this, reenergized BRI?

Yun Sun:

Sure, Jonathan. I think China’s economic relationship with the Middle East is at a very early stage. And I think the mutual complementarity or the needs for China and Middle Eastern countries for each other is determining the speed and also the scale of their economic cooperation. And that will happen, that has happened, and will continue to with or without BRI. So this re-energized BRI, I don't see it playing a critical role In determining why China will amplify its economic relationship with the Middle East, because it is already happening. And remember, this is happening at a stage where China’s BRI has already slowed down. So I would say that within all the BRI countries, not all countries are created equal, and not all the subregions are created equal. For example, I Mentioned earlier in this podcast that China’s investment towards sub Saharan Africa in 2022 decreased by 65%.
And with China's economic slowdown, I think we assume that this trend applies across the board with other BRI countries. But in reality it is not because during the same period and in the same macroeconomic context, Arab and Middle Eastern countries saw a major expansion in China's economic engagement, doubling their share of Chinese investment to 21% in 2020 in 2022 compared to the previous year. So which means that we are seeing this economic relationship between China and the Middle East in fact has defied the slowing down of the BRI and defy China's own economic slowdown. And the interesting question that it raises is why is this happening? And my answer to this question has, has, has 3 parts. The first one is that China's economic slowdown has not necessarily translated into a lower demand for the energy resources from the world, especially, especially from the Middle East. Last year, again 2022 is a year of this glory for China, so Economic growth was the slowest since 1979. It was only 3%. But China's crude oil imports during 2022 Only dropped by less than 1%.

And despite that, remember last year there was a Ukraine war, and China was importing a lot of Russian oil. But during 2022, Saudi Arabia still dwarfed Russia as the largest exporter of crude oil to China. So which means that China's economic slowdown does not necessarily translate to less crude oil dependence or import from the Middle East. That actually has, has continued and will continue to, will continue to expand. The second factor is that we know that now the keyword for China's economic relationship with the West is it's no longer decoupling. Now it is derisking. So we are seeing that this segregation of the Chinese economy or this intentional distancing of their economies from the Chinese economy by the Western countries, means that China has become more eager To open channels and to attract more foreign investment. And we are seeing the, We are seeing more investment coming from countries, for example, of Saudi Arabia or UAE going to China, not the not necessarily the other way around.

And the recent deals or the mega deals that have been signed in the downstream investment in the energy sector. I think it's a demonstration office. And the 3rd factor I think is the most important because we are seeing that countries like Saudi Arabia And these basically these oil
producing countries are trying to diversify their own economy, trying to pursue different economic growth models. To prepare for the future, they're trying to shift away from this traditional dependence on energy on crude oil, and on the export of crude oil. So since that really offers a convergence between their aspiration and what China is trying to offer. So these newly family development strategies of the Gulf countries in particular bring many areas of convergence with China, including infrastructure development, new energy resources, as well as digital and information technologies. And we also know that between these countries and China, political ideology is not. It's not always a problem or in many cases it is not a problem. So their cooperation naturally has one last layer of obstacle or hardship attached to it.

Yun Sun:

So in this sense, I would say that after decades of focusing only on crude oil trade, China and Middle Eastern countries have rediscovered each other. In their search for political alignment and for new economic opportunities, that's the way that I see the future of China's economic cooperation with the Middle East. Thank you.

Jonathan Fulton:

Thank you. I think your third point is so important, and it's something we all have to think about a lot more. You know, these countries all have, especially here in the Gulf, they all have a vision program, vision 2030, vision 2040, vision. And these all kind of appeared around the same time, right around the time the BRI was rolled out in 2013 to the point where I sometimes joke. And if you've seen me at a conference and you've probably heard me make this not very funny joke. It wouldn't surprise me if McKinsey weren't helping Xi Jinping devise the BRI, just like he's helping all these countries with their visions because they line up so neatly. So what these countries need to diversify their economies and build these post-hydrocarbon economies really line up with what China's offering with the belt and road. The geography is too big for Beijing. I think, you know, the Middle East and the middle is the important bit.

Jonathan Fulton:

Right? If you're connecting markets, then this is a pretty central location. So I think you hit a lot of really important nails on the head there, Yoon. Dave, Yoon, thanks so much for joining us.
think this has been really interesting for me. I'm sure our listeners feel the same. I really appreciate you taking your time out of what are no doubt very busy days. But I really appreciate it. So again, thanks to both of you for your time with our listeners.

Jonathan Fulton:

Thanks for joining us. You know what to do. Go to our site and like, listen, subscribe, and we'll see you soon with the next episode. You very much.

David O. Shullman:

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