



*POLICY BRIEF:*

# **The American- Chinese- Saudi- Love Triangle**

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## **The World's Most Influential Love Triangle**

While analysts and scholars the world over warn of the 'deteriorating' condition of the relationship between the US and Saudi Arabia, China is quietly maneuvering into a position to swoop in and provide the Saudi's what the US has provided for so long: a consistent high-demand marketplace for Saudi oil and military protection to ensure safe passage for Saudi oil exports. As China's economy continues to grow at a questionably unsustainable pace, their demand for oil will only increase in the coming decades. In fact, the growth of the Chinese economy is dictated by oil imports. Their growing prominence in the world also has pushed the Chinese to invest more heavily in their military, announcing a 12% increase in military spending this year.

At the same time, US imports of foreign oil imports have decreased in recent years as fracking and natural gas production has grown in the US.<sup>1</sup> The Energy Information Administration states, "The net import share of total U.S. energy consumption is estimated at 4% in 2040, compared with 16% in 2012 and about 30% in 2005".<sup>2</sup> The Pentagon has also announced more significant cuts to military spending in coming years, cutting the Army down to its smallest size since 1940. From a Saudi perspective, why not turn to China? Guaranteed oil demand, a permanent Security Council seat, and a strong military are all that the Saudis need, and now that Chinese can provide them with just that.

## **China Rising. What Else is New?**

In 2009, China surpassed the US for the first time for highest Saudi oil imports. According to the US Energy Information Administration, Saudi Arabia provided the US 13% of its total oil imports in 2012, while by comparison providing China with 19% of its oil imports. This 6% difference may not seem significant, but it represents the shift of oil producers toward the rapidly growing oil market in China. This shift is also demonstrated in the closing gap between US and Chinese trade with Saudi Arabia.<sup>3</sup>

US-Saudi trade totaled \$61 Billion in 2012, while Sino-Saudi trade was nearly \$55 Billion the same year. The International Monetary Fund announced that two-way trade between Saudi Arabia and China increased nearly 58 times from 1999 to 2012 and is only projected to continue exponentially in the next decade. This is a significant increase from the early years of the 21<sup>st</sup> century and if projected path of trade increase holds true, China will surpass the US in trade with Saudi Arabia by the end of the decade.<sup>4</sup>

The growing Sino-Saudi trade relationship provides China with a tangible interest in the security and stability of the Kingdom. Securing on-time, substantial, oil deliveries is vital to Chinese interests and Saudi Arabia provides China with almost one-fifth of its total oil imports. For the same reason, the US has been invested in the internal affairs of the Kingdom and region for decades since its own oil boom.

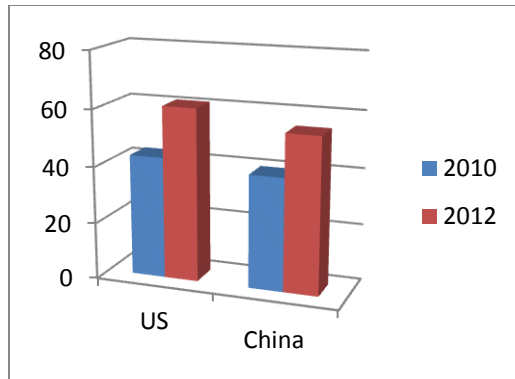
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<sup>1</sup> *US Oil Imports from Saudi Arabia*- <http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MCRIMUSSA2&f=M>

<sup>2</sup> *Saudi Arabia Energy Overview*- <http://www.eia.gov/countries/country-data.cfm?fips=sa>

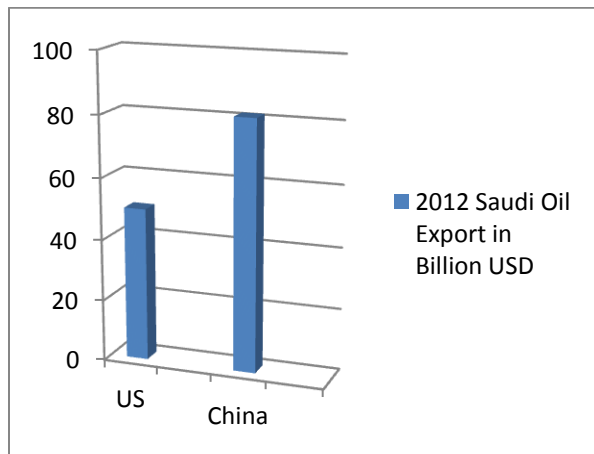
<sup>3</sup> *US Early Release Overview*- [http://www.eia.gov/forecasts/aeo/er/early\\_production.cfm?src=Petroleum-b1](http://www.eia.gov/forecasts/aeo/er/early_production.cfm?src=Petroleum-b1)

<sup>4</sup> *China-Saudi Relations: Booming Trade*-<http://www.alarabiya.net/views/2013/02/22/267670.html>



Trade between Saudi Arabia and both US and China in billions of US dollars

That is not to say that China's increase in military spending is for the purpose of protecting its interests in the Gulf. The increase in spending only has the potential to yield Chinese ability to protect its interests in the region if it ever felt they were threatened. In the same vein, the Saudis would also be able to call on the Chinese for help. This is assuming the US would not show up first ... it is safe to conclude that the United States will have an interest in regional security for the foreseeable future.



Saudi Oil Exports to US & China<sup>5</sup>

### **Beijing's Arab Initiative**

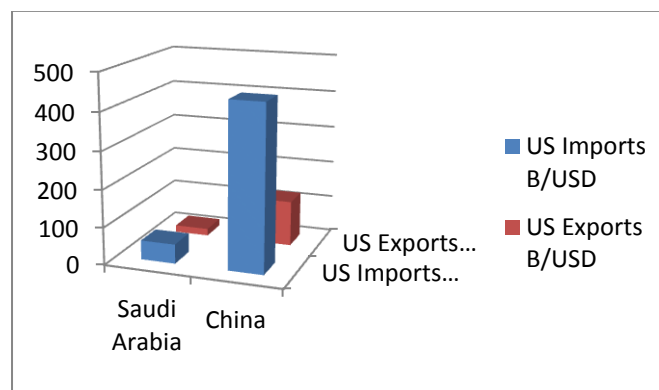
In recent years, Beijing has declared that it wants to play a more enhanced role in the Middle East. The Chinese government has outlined a new four-point policy toward Arab States:

1. *China wants to help the Arab States resolve the region's hotspot issues through political means;*
2. *China is seeking to achieve a win-win economic boost through mutually beneficial development goals in the region through joint-development projects;*
3. *China also wants to play a bigger role in regional and international affairs, beginning their focus on the volatile Middle East;*

<sup>5</sup>US Imports from Saudi Arabia- <http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MCRIMUSSA2&f=M>

4. *China wishes to more effectively safeguard its legitimate rights and interests in the region;*
  - a. Translation: protecting their oil.<sup>6</sup>

These four initiatives derive from China's global strategy and echo perennial Chinese strategic thinking. Protection of interests through direct involvement in regional and global affairs is standard practice for the Chinese. Beijing has been operating in this manner for decades in the Pacific and should come as no surprise that the Chinese are looking to do the same in the Gulf (eg. territorial water dispute with Japan and Vietnam). Another part of Chinese investment in the Gulf is their investment in a Gulf rail system, connecting the region and in theory allowing for easier transit for Chinese investors in country. They have also undertaken a joint-development project with Saudi's state oil company, Aramco, to build a large refinery. In addition to infrastructure, reports have confirmed that China is selling weaponized drones to Saudi Arabia, in a deal signed by Saudi Crown Prince Salman during his visit to China in March. China is also the source of Saudi's only ballistic missiles system: Dongfeng-3.



US Trade with Saudi Arabia/China in 2013

### **Common Interests**

China and Saudi Arabia share many common domestic interests and often employ similar means of achieving those objectives. Both deal with internal dissent harshly and do their best to quell global criticism. They have a very strict filter on external media and journalism while simultaneously projecting a harmonious and utopian society through state run media sources. Both Saudi Arabia and China somehow seem rather invincible to outside pressure to stop abuse of minorities and journalist in addition to ending general human rights violations. In September 2013, the Saudi Ambassador to China summarized their similarities, "Strategic cooperation in all areas with support of leaders for both countries is the foundation of the relationship between the two countries."<sup>7</sup>

The two nations also share one vital 'ally,' the United States. The word ally should be used lightly in this context. The US relationship with Saudi Arabia and China is generally positive. However,

<sup>6</sup>Wang Yi: China Will Uphold "Four Supports" for Arab States-  
[http://www.fmprc.gov.cn/mfa\\_eng/wjdt\\_665385/zyjh\\_665391/t1114994.shtml](http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/t1114994.shtml)

<sup>7</sup> Ties between Saudi Arabia, China continue to be strong: ambassador -  
<http://wo.chinadaily.com.cn/view.php?mid=100541&cid=91&isid=1326>

disagreements between the US and these two allies do exist and Iran and Syria are just the most recent examples of disagreement. The Saudis were, and presumably are still, fuming over the renewed dialogue between the US and Iran. The Chinese are second only to Russia in continuously opposing US policy of intervention in Syria in the Security Council. Despite significant disagreements over major foreign policy issues, both China and Saudi Arabia continue to value their unique relationship with the United States.

From the outside looking in, it might make more sense for China and the Saudis to have a closer bond with each other than they do with the US individually, but such a relationship simply will not be happening anytime soon. Following the Saudis tantrum last August after the US failed to act in Syria, the Saudis seemed indifferent to the Chinese veto on the same issue in the U.N. Security Council. This shows that the the Saudis are not completely ditching their old ally in the west as fast as it might appear.

### **Not Quite Yet**

The US has managed to position itself into a very powerful spot in the world in recent decades and Saudi Arabia and China will not turn their back on the US for each other for some time even if their relationship continues to grow. The world oil markets and American debt in Chinese banks are still priced in US Dollars. Concurrently, the Saudis still rely on the United States to patrol the Gulf and protect their exports from an ambiguous 'Iranian threat'.

The US is also China's largest export partner for manufactured goods. Simply put, a total shun of the US is not realistic, nor should be it expected. The same goes for US feelings toward the two countries. While many scholars in Washington call for dramatic action targeting the human rights violations of China and Saudi Arabia, those calls will likely go unanswered. It is far too idealistic to propose that human rights violations unfolding in America's largest trading partners would have the power to alter economic policy abroad. It is a sad truth that a nation like the United States, who defines itself as a champion of human rights, gives in to economic pressure to ignore those violations.

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**About the Author:** Mr. Daniel Morillo is a Security and Military Policy Analyst at the Gulf Institute. He graduated Cum Laude from Virginia Tech with a Bachelor of Arts in International Studies with a concentration in World Policy and Politics and a focus on terrorism and security in the Middle East and Africa. Daniel has co-authored pieces on Saudi Arabia's oil infrastructure and the Kingdom's involvement in Egypt and Syria.

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