

# Saudi Arabia pivots to China

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Beginning on March 15, Saudi Arabia's King Salman initiated a month-long visit to China, Japan, Malaysia, and Indonesia by a massive 1,000-strong entourage of Saudi business executives.

His aim is to strengthen the Saudi monarchy's relations with East Asia and counter the rise of Iran, Saudi Arabia's main regional rival.

Salman is seeking to promote investment in the kingdom, including the sale of a 5 percent stake in the giant state oil firm Saudi Aramco, and to increase revenue from exports and non-petrol income—following the fall in oil prices that has led to acute political, economic and social tensions within Saudi Arabia, threatening the kingdom's stability.

His visit to Beijing unfolded amid worsening relations between Washington and the kingdom that has—since 1945—constituted an essential prop of US imperialism in the region and a bulwark of reaction and repression in the Arab world. The US-led interventions in Iraq and Syria to assert Washington's hegemony over the Middle East's vast energy resources have destabilised the entire Middle East, threatening Saudi Arabia.

China's President Xi Jinping, who is anxious to boost China's profile in the Middle East, on which it depends for its energy supplies, visited Saudi Arabia last year in the first state visit by a Chinese leader in seven years. Last year, Beijing hosted talks over Syria in an apparent effort to mediate the conflict.

Xi said, "For a long time, China and Islamic countries have respected each other and had win-win cooperation, and have created a model of the peaceful coexistence of different cultures."

Salman told Xi he hoped China could play an even greater role in Middle East affairs, saying, "Saudi Arabia is willing to work hard with China to promote global and regional peace, security and prosperity."

Xi is also promoting China's "One Belt, One Road" policy, designed to increase trade and transport links between China and Europe via Central Asia and the Middle East, based loosely on the ancient "Silk Road"

trading network.

Saudi ambassador Turki Bin Mohamed Al-Mady, in an interview with *Xinhua*, China's state-owned news agency, stressed Saudi Arabia's potential role in the "One Belt, One Road" project. He said, "In terms of strategic location, Saudi Arabia serves as the central hub connecting three continents—Asia, Africa and Europe—and has been an important part of the initiative."

On the first day of his visit to Beijing, Salman presided over the signing of deals worth \$65 billion, including a memorandum of understanding between Saudi Aramco and China North Industries Group Corp (Norinco), to examine building refining and chemical plants in China.

The most ominous of these deals was revealed on Monday: Saudi Arabia has agreed to import hunter-killer drones from the China Aerospace Science and Technology Corp (CASC), which will set up production lines in Saudi Arabia for provision of the weapons to the kingdom and other nearby monarchical regimes. *IHS Janes*, which reported the deal Monday, said that the unmanned aerial vehicles are capable of carrying AR-1 laser-guided missiles and FT-9 guided bombs.

Saudi Aramco has hired HSBC to help raise a \$2 billion bond sale as the first part of a \$10 billion bond package ahead of an IPO in 2018 to be placed in Hong Kong, New York or London. Later, the Chinese 3D printed housing company WinSun announced a deal worth \$1.5 billion with Saudi construction company Al Mobty to build 1.5 million "affordable" new homes in the kingdom.

In the last 25 years, Saudi Arabia has diversified its trade away from the US and towards Asia. In 2009, for the first time, Saudi Arabia exported more to China than the US. Its exports to five Asian countries—China, Japan, South Korea, India and Singapore—are more than three times the total to Europe and North America combined. By 2030, it is estimated that China's demand for oil will exceed 16 million barrels per day, while US demand falls and its oil imports dwindle because of fracking.

Speaking a few years ago about China's oil needs, Saudi Aramco's CEO said that "the writing is on the

wall” and that China is the future growth market for Saudi petroleum, although Russia has supplanted it as China’s main supplier, and Iran is an important competitor after the lifting of sanctions.

Saudi Arabia’s “pivot to China” positions it alongside other major Muslim powers in Asia and Africa—Egypt, Indonesia, Iran, Iraq, Kazakhstan, Malaysia, Mauritania, Nigeria, Pakistan, Sudan and Turkey—that have also deepened their economic ties over the last decade.

Salman’s visit to Japan is the first ever visit by a Saudi king. Japan is another vital market for Saudi oil, which again now faces stiff competition from Iran.

Salman’s visit to Indonesia, Malaysia and Brunei, important Muslim countries, is aimed at securing their support for its Islamic military alliance, created in 2015 and directed against Iran, although publicly promoted as fighting terrorism. This is crucial since nuclear-armed Pakistan, which for decades has provided military support for Riyadh and recently took part in a military parade with Chinese and Saudi forces, has refused to join the anti-Iranian alliance or support the kingdom’s costly and disastrous war in Yemen.

In another major shift, Salman recently sent his foreign minister, Adel al Jubeir, to Baghdad, the first visit by a senior Saudi official to Iraq since 1990, when the then-Saudi ambassador to the US, Prince Bandar bin Sultan, sought to mediate the growing tensions between Baghdad and Washington in the spring of 1990.

For years, Riyadh refused to open an embassy in Baghdad to avoid giving the Iraqi government any legitimacy. Last year, Iraq demanded Riyadh recall its ambassador, the first after 25 years, just months after the ambassador had presented his credentials, for criticising its Shi’a militias fighting ISIS and other Sunni opposition forces in Iraq.

The Saudis now appear to be trying to engage with the government of Haidar al-Abadi in Baghdad in a bid to weaken his ties with Iran.

Riyadh’s relations with Washington became strained following the 2003 US invasion of Iraq, which served to strengthen Tehran’s influence in Iraq by removing Saddam Hussein’s largely Sunni-based regime and installing the Shi’ite majority in power.

Riyadh was furious over Washington’s support for the pro-Iranian governments in Iraq and Lebanon, and sought to undermine them through direct or covert military interventions, the use of Islamist fighters as proxies, and economic aid. Relations deteriorated further following the US’s failure to sustain its support for Hosni Mubarak

against the Egyptian masses in 2011. Relations soured following the Obama administration’s subsequent pragmatic manoeuvrings, including the retreat on its promise to intervene decisively in the war to overthrow Bashar al-Assad in Syria in 2013—allowing Russia to intervene to shore up the regime—and its deal with Iran in 2015.

While Riyadh hopes that relations will improve under President Donald Trump, who has said that Iran poses a security threat to the region, it is taking no chances. It has noted with some concern the Islamophobic rhetoric of some of Trump’s inner circle and the call for Saudi Arabia to be included in Trump’s travel ban, since 15 of the 19 hijackers in the 9/11 terror attacks were from the kingdom. In addition, 800 families of 9/11 victims and 1,500 first responders, along with others who suffered as a result of the attacks, have filed a lawsuit against Saudi Arabia over its alleged complicity in the 2001 terror attacks.

On the domestic front, the House of Saud faces mounting social and economic tensions as the fall in oil prices, upon which the government depends for 70 percent of its revenue, has led to a drastic cut back in public expenditure and the imposition of a value-added tax.

This month, the government tightened restrictions on foreign workers who constitute about 12 million of the country’s 33 million population in a bid to reduce unemployment among Saudi nationals. While unemployment is officially 12.1 percent, a senior Aramco official has said the unemployment rate was closer to 27-29 percent, rising to 33 percent among young people between 20 and 24 years of age and 38 percent for 24- to 29-year-olds, in a country where two thirds of the population are under 30.



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