

**The Political and Economic Relations of
the People's Republic of China (PRC) and
the Kingdom of Saudi Arabia (KSA), 1949-2010**

Submitted by

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ABSTRACT

The main concern of this thesis is the development of political and economic relations between the PRC and the KSA. The relations that officially developed after the establishment of diplomatic relations are the focus of analysis of the thesis. By examining the historical and statistical data, the thesis assesses the factors that have cultivated and maintained the Sino-Saudi political and economic relations, as well as the implications of these bilateral links. In analysing the relations, a theoretical conception of complex interdependence has been used.

The thesis first provides background on China's policy towards the superpowers and the Middle Eastern countries between 1949 and 1989, and looks at how China and Saudi Arabia related to each other over this period. The thesis then argues that over the first decade (1990-2000) of Sino-Saudi diplomatic relations, the two countries began to lay the basis for complex interdependence between them. It highlights a number of characteristics of complex interdependence which came to exist. The thesis then goes on to examine whether, in the second decade (2001-2010) of bilateral relations, an intensification of complex interdependence ensued.

The complex interdependence approach links closely with constructivist theory in terms of how this thesis is conceived. The thesis argues that China and Saudi Arabia between 1949 and 1977 shared an understanding that their ideological positions made official links between them impossible. Over the course of the following twelve years, this understanding gradually changed. The change laid the basis for the development of diplomatic relations in 1990. In the years between 1990 and 2010, the policy responses of China and Saudi Arabia to major regional events exhibited a commonality of perception. This underpinned the development of the relationship.

To identify clearly the growth of Sino-Saudi relations, the thesis is divided into three time periods: 1949-89; 1990-2000; and 2001-10. The time period 1949-89 has three distinct phases: 1949-65; 1966-77; and 1978-89. The 1949-65 and 1966-97 periods are characterised by the absence of state-to-state relations between the PRC and the KSA.

However, unofficial contact between Muslims on mainland China and Saudi officials and leaders was established and largely maintained. State-to-state contact only existed between the KSA and ROC governments, which shared broadly anti-Communist sentiments. During the 1978-89 phase, hope for the establishment of diplomatic relations between the PRC and the KSA was high. Some intergovernmental contact was initiated, direct communications between the leaders of the two countries were enhanced, and a joint endeavour towards the development of diplomatic ties was pursued. The 1988 missile deal smoothly accelerated the process of developing these ties.

In the 1990-2000 phase, four decades after the establishment of the PRC, Sino-Saudi diplomatic relations were established. The establishment of these diplomatic relations was daunting for the ROC, which wanted to preserve the diplomatic recognition that the KSA had granted it for the preceding 45 years. The strenuous efforts of the ROC to prevent a dramatic shift of diplomatic recognition to mainland China were in vain.

The 1990-2000 phase was marked by significant growth in the newly established Riyadh-Beijing diplomatic relationship. Economic interests were at the heart of the agendas of the leaders and officials of the two countries. They began to enhance co-operation and to sign agreements related to various aspects of their bilateral relations. A Memorandum of Understanding (MoU) on Oil Co-operation was concluded in 1999. The value of Sino-Saudi total trade rose by 643 percent between 1990 and 2000 and the volume of Saudi oil exports to China increased by 6,721 percent between 1991 and 2000. After nearly ten years official diplomatic relations were established, President Jiang Zemin viewed the development of bilateral relations as impressive, while Crown Prince Abdullah seemed to suggest that there was now “an intimate relationship” between the two countries, saying that he considered the PRC to be the KSA’s closest friend.

The period 2001-10 is also sub-divided into two phases: 2001-05 and 2006-10. This period exhibits the three characteristics of *complex interdependence* that Keohane and Nye (2000) put forward in their scholarly work: *multiple channels*, *the minimal role of military force*, and *the absence of a hierarchy of issues*. Security issues were largely excluded from Sino-Saudi bilateral relations, while economic interests dominated the agendas of the two countries. In the first phase (2001-05), high-level officials continued to play a leading role in bilateral

economic relations. They consistently called for the participation of the private sector in expanding Riyadh-Beijing economic ties. The value of Sino-Saudi total trade continued to climb, reaching USD16.1bn in 2005, and the PRC's oil imports from the KSA reached 22.2 million tonnes in the same year. Some joint investment projects that involved the participation of Chinese and Saudi companies in the hydrocarbons sector were successful. With regard to the construction industry, Chinese companies won four construction projects from the Saudi Arabian cement industry.

The second phase (2006-10) was marked by substantial advancement in Sino-Saudi relations. Following the exchange visits of the state leaders in 2006, bilateral contacts expanded rapidly. The visits led to the formulation of more strategies, with the intention of cementing the relationship, increasing contact and concluding more agreements. The Chinese leaders called for "strategic co-operation", "a friendly and co-operative strategic partnership", and "strategic friendly relations", specifically referring to economic co-operation.

This second phase saw Sino-Saudi total trade increase to USD 33bn in 2009, and the volume of PRC oil imports from the KSA reached a peak of 41.8million barrels in the same year. With regard to the hydrocarbons joint ventures, in which investments were jointly made by Saudi ARAMCO and Sinopec, the projects in Quanzhou and Rub' Al-Khali were good examples of the strong co-operation between PRC and KSA companies. The Quanzhou plant launched operation in 2009, and the gas-exploration project in Rub'Al-Khali engaged in drilling for another three years (its operation began in 2004). The achievement of SINOPEC SABIC Tianjin Petrochemical Co., Ltd, as part of the Tianjin petrochemical project, is another example of such co-operation. In non-hydrocarbons joint ventures, mutual investment increased exponentially, particularly in the mining sector.

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List of Abbreviations

AAPP	Association of the Asian Parliament for Peace
BMENA	Broader Middle East and North Africa
bpd	barrels per day
CCP	Chinese Communist Party
CCPIT	China Council of Promotion of International Trade
CECEPG	China Energy And Environmental Protection Group
Chalco	Aluminum Corporation of China Limited
CHEC	China Harbour Engineering Company
CICIR	China Institute of Contemporary International Relations
CIIS	China Institute of International Studies
CIS	Commonwealth Independent States
CNGM	China Geological Mining Corporation
CPPCC	Chinese People’s Political Consultative Conference
CSCCI	Council of the Saudi Chambers of Commerce and Industry
DFLP	Democratic Front for the Liberation of Palestine
ETIM	East Turkistan Islamic Movement
FEL	Front-End Loading
FPCL	Fujian Petrochemical Company Ltd.
GCC	Gulf Cooperation Council
HOA	Head of Agreement
IAC	Islamic Association of China
IR	International Relations
JCCI	Jeddah Chamber of Commerce and Industry
JEC	Jizan Economic City
JFS	Joint Feasibility Study
JV	Joint Venture
KSA	Kingdom of Saudi Arabia
LOI	Letter of Intent

LSGs	Leading Small Groups
MFN	Most Favoured Nation
MNCs	Multinational Corporations
MoU	Memorandum of Understanding
MPC	Ma'aden Phosphate Company
mt/ yer	metric ton per year
NFC	China Non-Ferrous Metal Industry's Foreign Engineering & Construction Co. Ltd.
NPC	National People's Congress
NSCSA	National Shipping Company of Saudi Arabia
NSWLSG	National Security Work Leading Small Group
NWO	New World Order
OIC	Organization of the Islamic Conference
OPEC	Organisation of the Petroleum Exporting Countries
PA	Palestinian Authority
PC	Polycarbonate
PDPA	People's Democratic Party of Afghanistan
PDRY	People's Democratic Republic of Yemen
PE	Polyethylene
PLA	People Liberation Army
PLO	Palestine Liberation Organization
PP	Polypropylene
PRC	People's Republic of China
PSC	Politburo Standing Committee
PX	Paraxylene
RCCI	Riyadh Chamber of Commerce And Industry
ROC	Republic of China
SABIC	Saudi Basic Industries Corp.
SAGIA	Saudi Arabian General Investment Authority
SALT	Strategic Arms Limitation Talks
SAMA	Saudi Arabian Monetary Agency

Saudi ARAMCO	Saudi Arabian Oil Company
SBG	Saudi Binladin Group
SCC	Saudi Consultative Council
SCO	Shanghai Cooperation Organisation
SDPC	State Development Planning Commission
SIIS	Shanghai Institute of International Studies
SINOPEC	China Petroleum and Chemical Corp.
TALSG	Taiwan Affairs Leading Small Group
UNICEF	United National Children's Fund
UNIPEC	China International United Petroleum & Chemical Co., Ltd.
UNMOVIC	UN Monitoring Verification and Inspection Commission
UNSC	United Nations Security Council
UNSCOM	United Nations Special Commission
WMD	Weapons of Mass Destruction
WUYC	World Uygur Youth Congress
WWIDC	Western Way for Industrial Development Company Limited
YAR	Yemen Arab Republic

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