



## **The Dawn of The Chinese Gulf**

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### **Executive Summary**

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\* The dramatic Chinese success can be attributed to the confluence of two major trends: (1) The quality and relevance of what Beijing can offer to both Iran and the Saudi-Gulf States camp; and (2) The decision of key Arab leaders to downgrade their traditional close ties with the US, and reach out to China to provide a substitute strategic umbrella.

\* Beijing's agreeing to assume a major role in the Persian Gulf comes at a crucial time for the PLA - the issuing of the white paper regarding China's military reforms and strategic aspirations under the leadership and guidance of Xi Jinping. The white paper asserts that Xi Jinping's longer-term objective is for the PLA to become a global force. With the new role in the Persian Gulf - Xi Jinping's China is taking a major step toward attaining this goal.

### **About ISPSW**

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## Analysis

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With all attention focused on the twists-and-turns of the very noisy US-Iran dispute in the Persian Gulf - China is rapidly consolidating a dominant presence in the area with the active support of Russia. Consequently, Beijing is fast acquiring immense influence over related key dynamics such as the price of oil in the world market and the relevance of the Petro-Dollar. The Chinese and the Russians are capitalizing on both the growing fears from Iran and the growing mistrust of the US. Hence, the US is already the main loser of the Chinese gambit.

The dramatic Chinese success can be attributed to the confluence of two major trends: (1) The quality and relevance of what Beijing can offer to both Iran and the Saudi-Gulf States camp; and (2) The decision of key Arab leaders - most notably Saudi Crown Prince Muhammad bin Salman al-Saud (aka MBS) and his close ally the Crown Prince of Abu Dhabi Muhammad bin Zayed al-Nahyan (aka MBZ) - to downgrade their traditional close ties with the US, and reach out to China to provide a substitute strategic umbrella. Hence, the Chinese offer to oversee and guarantee the establishment of a regional collective security regime, itself based on the Russian proposals and ideas first raised in late July, is getting a lot of positive attention from both shores of the Persian Gulf. Iran, Saudi Arabia, the United Arab Emirates (UAE), Qatar and Oman are now convinced that China is the key to the long-term stability and prosperity in the Persian Gulf and the Arabian Peninsula. Iran is considering the expanding security cooperation with Russia as an added umbrella against US retaliation. Overall, the US is increasingly perceived as an unpredictable disruptive element.

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The profound change in the attitude of the Saudi and Emirati ruling families, who for decades have considered themselves pliant proteges of the US, took long to evolve. However, once formulated and adopted, the new policies have been implemented swiftly.

The main driving issue is the grim realization by both MBS and MBZ that, irrespective of the reassuring rhetoric of US President Donald Trump and Jared Kushner, their bitter nemesis - Qatar - is far more important to the US than the rest of the conservative Arab monarchies and sheikdoms of the GCC. The last straw came in early July in the aftermath of the visit of the Emir of Qatar, Sheikh Tamim bin Hamad Al Thani, to Washington. Al Thani received an opulent reception from both Trump in person and official Washington. Trump lavished praises on Qatar and the Emir, and emphasized the US renewed commitment "to further advancing the high-level strategic cooperation between our two countries."

There are good reasons for the US preference of Qatar. The Al-Udeid Air Base is by far the most important US base in the entire greater Middle East. Qatar is mediating between the US and several nemeses including Afghanistan, Iran and Turkey. Qatar is providing "humanitarian cash" to the HAMAS in the Gaza Strip - thus buying quiet time for Israel. Qatar has given generous "political shelter" for numerous leaders, seniors and commanders of questionable entities the US would like to protect but would never acknowledge this (including anti-Russia Chechens and other Caucasians, and anti-China Uighurs). Qatari Intelligence is funding and otherwise supporting the various Jihadist entities that serve as proxies of the CIA and the MIT (Turkish Intelligence) in the greater Middle East (mainly Syria, Iraq, Libya, Jordan, Yemen) and Central Asia (mainly Afghanistan-Pakistan, China's Xinjiang and Russia's Caucasus, and the Turkic peoples of eastern Siberia).

On top, Qatar is purchasing billions of dollars' worth of US-made weapons - paying cash on-time (unlike the habitually late Saudis who now cannot afford to pay what they've already promised).



Moreover, the Middle East is awash with rumors that Qatari businessmen saved the financial empire of the Kushner family by investing at least half-a-billion dollars in the 666 5th Avenue project in New York. The rumors are very specific in that the investment was made for political reasons on instruction of the Emir. In the conspiracies-driven Arab Middle East, such rumors are believed and serve as a viable motive for the policies of the Trump White House - an ulterior motive the Saudis and Gulfies cannot challenge.

The handling by the Trump White House of the Iranian shoot down of the US RQ-4A/BAMS-D Global Hawk drone on 20 June only exacerbated further the anguish of both MBS and MBZ. Both of them, along with other Arab leaders, urged the Trump White House to strike hard at Iran in retaliation. Both MBS and MBZ communicated in person with the most senior individuals at the White House. They were stunned to learn that Trump communicated directly with Tehran on the possibility of a largely symbolic retaliatory strike and the prospects of bilateral negotiations. Both MBS and MBZ consider the last-minute cancellation of the US retaliatory strike a personal affront and humiliation because Trump did not accept and follow their positions and demands for action. Both MBS and MBZ are now convinced that not only the US demonstrated weakness and lack of resolve - but that Trump is personally not committed to fighting Iran on behalf of Saudi Arabia and the Gulf Sheikdoms.

Furthermore, there is growing trepidation in Saudi Arabia about the viability of the Pakistani guarantees - particularly concerning nuclear deterrence. In the past, Islamabad mediated the Saudi purchase of ballistic missiles from China (that are supported by Pakistani military technicians and security personnel) and allocated two nuclear warheads for launch from Saudi Arabia in case of an Iranian attack - all in return for lavish Saudi funding of Pakistan's nuclear and strategic weapons programs.

However, there is a profound turnaround in Pakistani policies starting summer 2019. First, Pakistan reached a comprehensive military agreement with Turkey with the latter providing weapons and other military systems, as well as training, in order to replace US and Western systems no longer available. In the first area of active cooperation, Turkey mediated modalities for trilateral cooperation (Turkey, Iran and Pakistan) in fighting Balochi Jihadists and insurgents. Second, Pakistan is expediting the shipping of huge quantities of Iranian gas to western China by mainly using existing pipelines - from the Fars fields to Chabahar, then via the Iran-Pakistan pipeline to Gwadar, and then via the CPEC (the China-Pakistan Economic Corridor) pipeline to Xinjiang. As well, Iran and Pakistan cooperate closely in negotiations with various Afghan factions to ameliorate any US achievements in the Doha negotiations with the Taliban.

Hence, both MBS and MBZ wonder, can Saudi Arabia trust Pakistan to deter and confront Iran and its allies on behalf of Saudi Arabia?

Concurrently, with the face-off with the US not going away, Ayatollah Sayyed Ali Khamenei convened anew the key Iranian leaders in order to reiterate the tenets of Tehran's strategy and reinforce the resolve. Khamenei stressed the commitment to the strategic ascent of Iran to becoming the leading regional power, and repeated that there is no possibility for a negotiated compromise with the US. In the meeting, Khamenei stated "three directives for Iran" that must be followed and realized under any condition. As reported by Elijah Magnier, Khamenei's directives are:

"1 - Adherence to Iran's right to nuclear enrichment and everything related to this science at all costs. Nuclear enrichment is a sword Iran can hold in the face of the West, which wants to take it from Tehran. It is Iran's card to obstruct any US intention of 'obliterating' Iran.



"2 - Continue to develop Iran's missile capability and ballistic programs. This is Iran's deterrent weapon that prevents its enemies from waging war against it. Sayyed Ali Khamenei considers the missile program a balancing power to prevent harm against Iran.

"3 - Support Iran's allies in Iraq, Syria, Lebanon and Yemen, and never abandon them, because they are essential to Iran's national security."

Elijah Magnier further explained that "Sayyed Khamenei recommended these commandments to preserve the Islamic Republic of Iran, and that each of these three items is equally important for the safety of Iran, its existence and continuity, and national and strategic security."

The aggregate objective of these three directives, Khamenei elaborated, is to enable and expedite the ascent of Iran as a regional power. The Iranian strategic ascent will manifest itself by tight control over both the Strait of Hormuz and the Bab al Mandab, as well as the entire Persian Gulf and Arabian Sea - that is, controlling the region's oil and gas exports. Emboldened, the Iranians will intensify their demands for the return of "traditional Iranian territory" starting with Bahrain. There will be growing demands from Tehran to empower the Shiite population of the eastern Arabian Peninsula - where all the oil and gas reserves are located - in accordance with Iran's long-term commitment to the establishing of an Islamic Republic of Eastern Arabia. These are all traditional long-term demands of Iran. The novelty in Khamenei's most recent address is the assertiveness and immediacy of the Iranian quest for meeting these demands.

The importance and essence of Khamenei's message spread across the Persian Gulf quickly. Consequently, both MBS and MBZ are cognizant that Khamenei's Tehran will not compromise or go back on these commitments and objectives. There is no similar indication of resolve coming from Trump's Washington. Thus, MBS, MBZ and most other Arab leaders are increasingly convinced that the US will sooner or later withdraw from the Persian Gulf and the greater Middle East. The current bluster and assertiveness of the Trump Administration cannot negate the overall trend - that of the US disengagement and withdrawal.

The Arab leaders believe that the US will empower Israel as a subcontractor - but Israel has its own priorities and vital interests. Michael Young articulated the perception of the region's leaders in the 7 August issue of *The National* of the UAE. "A new regional security order is emerging, with Israel taking a much more interventionist approach and playing a military role partly replacing that previously fulfilled by Washington, particularly with regard to Iran. Israel's efforts to counter Iran have paralleled those of a number of Arab states, with all sides adapting to a new situation in which the US has decided to militarily disengage from the Middle East."

Both MBS and MBZ concluded that they need a far stronger strategic umbrella than what the US and Israel can offer in order to survive in the era of Iran's ascent.

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Therefore, MBZ reached out to Beijing in early July. After comprehensive preparatory negotiations, MBZ arrived in Beijing on 20 July for a milestone visit in which he met Chinese President Xi Jinping for lengthy discussions. According to Chinese senior officials, Muhammad bin Zayed and Xi Jinping "elevated the two countries' relationship to that of a strategic partnership." The key outcome was the UAE's acceptance of the dominance of China and Russia in the Persian Gulf. "The UAE and China are moving towards a promising future," MBZ said in his concluding meeting with Xi Jinping. His visit aimed at "developing co-operation and a comprehensive strategic partnership, as well as opening new horizons for joint action in various sectors," MBZ



explained. Xi Jinping responded by stressing “the profound significance of China-Arab relations.” The PRC and the UAE will now work closely together to transform the Persian Gulf into “a security oasis” rather than a new “source of turmoil.” Significantly, Xi Jinping referred to “a hundred years of grand plan” when describing China’s relations with the UAE. MBZ also signed a large number of bilateral agreements - both economic and strategic.

While in Beijing, Muhammad bin Zayed asked Xi Jinping to mediate a deal with Tehran in order to negate the US-driven escalation and possible war. The Chinese moved very fast, and within a few days dispatched to Tehran a high-ranking delegation led by the head of the International Liaison Department of the Communist Party of China, Song Tao. His mandate was to discuss the new security regime for the Persian Gulf, as well as the conditions for increasing Chinese purchase of Iranian oil in disregard of the US sanctions. On the Iranian side, Song Tao’s official host was the highly influential Secretary of the Expediency Council, Mohsen Rezaei - which means that Khamenei was directly involved. Song Tao stayed in Tehran for three days and met with a large number of senior officials, mostly members of Khamenei’s innermost circle of confidants and advisors.

All the Iranian officials were very assertive regarding Iran’s resolve to withstand US pressure at all cost, and eager for Chinese cooperation in stabilizing the region and preventing war. Rezaei articulated Iran’s strategy. “Any kind of insecurity and conflict in this region would carry harm to global peace and security,” he stated. “Americans and Britain have been fanning the flames of war in the Persian Gulf region and they want to pretend they have control over the Strait of Hormuz and the movement of vessels. Of course, we do not allow this to happen. In the meantime, we expect cooperation from our friends in China.” He hoped for Chinese cooperation in preventing escalation. Should such cooperation fail to materialize, Iran will have to act boldly. “Persian Gulf security is our security and we have to respond to their attacks and destabilizing actions in order to maintain security,” Rezaei stated. Tehran’s preference is for China to help in securing “free shipping and security in the Persian Gulf.”

The Head of Iran’s Foreign Policy Strategic Council, Kamal Kharrazi, reminded Song Tao that “both Iran and China are opposed to US’s unilateralism and hegemony.” Hence, both countries should work closely together in confronting the US. The Speaker of the Iranian Parliament, Ali Larijani, also stressed that close cooperation “can help counter the US animosity and neutralize its consequences.” He suggested that Russia should be brought into the new security regime in the Persian Gulf. Larijani urged China to expedite its anti-US intervention in the Persian Gulf because “success of this plan is contingent upon practical steps.” Foreign Minister Mohammad Javad Zarif noted “the two countries’ common strategic outlook toward international developments,” and urged close cooperation in order to reverse “Washington’s attempts to impose its own hegemony on the world.” All the Iranian officials had no problem with some form of rapprochement with the UAE and Saudi Arabia provided they did neither participate in a war against Iran, nor permit the US to use their territories and bases for strikes against Iran and Iranian proxies.

The Chinese delegation was very impressed by the Iranian eagerness to cooperate and accept a Chinese umbrella. Song Tao told his interlocutors that “the mission of the delegation is to strengthen the strategic coordination and dialogue between the two countries and we are willing to confront challenges and problems together.” He agreed with the imperative to jointly confront the US, and accepted the need to move fast. Song Tao concurred that “there are complicated and rapid developments happening on the international stage that have created challenges for the countries of China and Iran, but our resolve and determination is to support Iran’s legal and legitimate rights to development and progress.” Song Tao promised to discuss in Beijing



concrete ideas how to improve and expand China's policy of "long-term strategic" ties with Iran in view of the current situation in the Persian Gulf.

By now, the Chinese had already organized the first meeting between Emirati and Iranian senior officials. First, on 26 July, an Emirati "peace delegation" arrived in Tehran for secret discussions on the new modalities of bilateral relations, new security regimes in the Persian Gulf and Yemen (from where the UAE is withdrawing to the chagrin of Saudi Arabia), and overall GCC-Iran relations. The emphasis was on crisis management and the prevention of accidental escalation in the Persian Gulf. On 30 July, the UAE dispatched a high-level Coast Guard delegation to Tehran. Officially, the two sides discussed maritime border control and patrolling in order to avoid misunderstandings and clashes. The delegation included an undeclared senior emissary of MBZ. He assured his Iranian interlocutors that the UAE was ready for a fundamental change of relationship with Iran including a "rapprochement" and expansion of trade. The UAE also committed to distancing from the US, accepting Chinese influence in the entire region, and working with Iran for a regional security regime.

One of the key issues raised with the Emirati delegation in Tehran was the Saudi position. The UAE emissary asserted that all of the recent activities, including the request for Chinese mediation, were the outcome of close coordination between MBZ and MBS. However, he explained, given the close relations between MBS and the Trump White House - MBS felt more constrained in making a dramatic shift the way MBZ did.

Therefore, on 31 July, Zarif offered an olive branch. He declared that "Iran is prepared for dialogue if Saudi Arabia is also ready." He repeated the message in an interview with the official IRNA. "If Saudi Arabia is ready for talks, Iran is always ready for negotiation with neighbors," Zarif stated. Tehran "is interested in cooperation with [her] neighbors." Just to be on the safe side, the next day - 1 August - Iran sent a reminder of the alternative. The Houthis launched a ballistic missile attack on Saudi military positions near Dammam city. Located in the Shiite area on the shores of the Persian Gulf, Dammam is a critical center of the Saudi oil infrastructure, including a major oil port. Riyadh got the message. Hence, on 3 August, the UAE Minister of State for Foreign Affairs Anwar Gargash stated that "the United Arab Emirates and Saudi Arabia prefer a political approach to their problems with Iran."

Iran acted on the message. High-level emissaries traveled secretly to Mecca in early August as part of the Iranian delegation to prepare for the Hajj (9-14 August). They held secret talks about the future of the Persian Gulf with Saudi senior officials. These talks were personally supervised and micromanaged by MBS, who made all the decisions and determined the Saudi positions. Although the Saudis were forthcoming, and repeatedly expressed their desire to avoid escalation and fighting - they were also reticent to break with the US. Simply put, the Saudis - reflecting the persona of MBS - were risk averse and incapable of making concrete decisions. They neither said 'no' to anything, nor did they commit to anything concrete.

The Iranian negotiators were encouraged by the overall spirit of the negotiations, but frustrated with the slow progress of the discussions. Therefore, on 7 August, Iranian Foreign Minister Mohammad Javad Zarif taunted Riyadh. He urged Saudi Arabia to make her own decision rather than be subservient to the US. "Some countries see their future and security hinged upon dependence and regard security as something purchasable, and think that they can maintain their security by paying money and buying weapons and learn nothing from history," Zarif said. "How come [Saudi Arabia] did not realize that money does not bring security?" The Saudi posture is in stark contrast to the posture of the Islamic Republic of Iran. "We never buy security, nor do we sell security because we derive our security, development, and legitimacy from [our] people," Zarif concluded.





One of the reasons Tehran felt confident to prod both Riyadh and Abu Dhabi is that both were by now engulfed in a major crisis concerning the US. For a long time, MBS, MBZ and their close aides suspected that the US was hiding major matters from them. While the Trump White House kept demanding uncompromising confrontation with Tehran and warning against any and all contacts - MBS and MBZ suspected that Washington was not following these principles. Both Riyadh and Abu Dhabi have long known about active channels and mediation efforts by Doha - but whenever the subject came up, Trump's Washington would assure them that the Qatar channel was only procedural and not much different from the US interests office in the Swiss Embassy in Tehran.

Then, on 5 August, the US Ambassador to Iraq Matthew Tueller dropped the bomb. "We have direct communication channels with Tehran," he acknowledged. And these are not simple channels. While diplomatic discussions and de-facto negotiations are taking place via the good services of Doha - the back-channel in Baghdad is specifically with the IRGC's Qods Force. These contacts are aimed to minimize the likelihood of clashes and misunderstandings in Syria, Iraq, Yemen and the Persian Gulf. This venue is most logical because the local Iranian Ambassador is Brig. Gen. Iraj Masjedi who is the right-hand man and deputy of Qods Force Commander Maj. Gen. Qassem Soleimani. According to Iraqi senior officials, some of the US-Iranian communications regarding the aftermath of the shoot-down of the US drone were held via this venue. The US also used this channel to try and convince Tehran not to attack the US forces in al-Tanf (southern Syria) and in the Ein al-Assad Air Base and adjacent bases (western Iraq).

Both Riyadh and Doha were stunned and humiliated because the Trump White House did not bother to inform them of the Baghdad back-channel, while pressuring them to avoid all contacts and negotiations with Iran.

Another reason for the growing self-confidence and assertiveness of Iran was the most recent evolution of its strategic relations with Russia. Back on 28 July, the Commander of the Iranian Navy, Rear Admiral Hossein Khanzadi, was in Russia, ostensibly for the Navy Day celebrations. He conducted major discussions about a new level of military cooperation specifically in order to counter the US Navy threats. At the end of the visit, "Iranian and Russian armed forces have signed a 'classified' deal to expand cooperation through a series of projects, one of which will be joint military drills in the Persian Gulf before the end of the year," Khanzadi reported in Tehran. "Some articles of this agreement are classified but overall, it is aimed at expanding military cooperation between the two countries," he added.

Khanzadi termed the new agreements a "turning point" in the "military to military ties between Iran and Russia." The agreement includes Russian-Iranian joint naval maneuvers to be held in the northern part of the Indian Ocean and in the Strait of Hormuz before the end of 2019. A major part of the classified agreement is giving the Russian Navy base-level installations in the Iranian Navy facilities in Chabahar, Bandar-e-Bushehr, and in the Strait of Hormuz (Bandar-e-Jask and/or Bandar Abbas). The Russian Navy will also be able to use a Naval Aviation airbase near Bandar-e-Bushehr. In addition to technical, logistics and communications personnel, Russia will keep in these bases SPETSNAZ detachments for both local security and the ability to help Russian and allied ships in distress in the Persian Gulf.

On 3 August, Khamenei's closest aides conducted sensitive talks with a secret delegation of Russian officials. Tehran wanted to ascertain the Russian reaction to a US attack on Iran in case of a major escalation. "Attack on Iran would be an attack on Russia," the Russians stated without equivocation. Hence, Khamenei formally approved and ratified the new agreements with Russia on 4 August. Khamenei also authorized follow-up high-level discussions in Moscow about jointly implementing the Russian "proposed security plan for the Persian



Gulf,” while adapting it to the new agreement with China. The first rounds of discussions took place on 6-7 August. Russia has no problem with the Chinese new role and stature in the Persian Gulf.

Meanwhile, the continued contacts with Washington reinforced Tehran’s conviction that a major confrontation in the greater Middle East remains possible despite the day-to-day cooling down of the situation in the Persian Gulf. Khamenei instructed better coordination of the diplomatic and military preparations for the next phase. The new challenge for the IRGC is to up-date the contingency plans for the confrontation and war with the US and Israel under the new conditions where the US can no longer use bases in Saudi Arabia, the UAE and Bahrain (on top of Qatar and Iraq that had long ago announced they would not permit the US to use their territories and installations for strikes against Iran). It is imperative for the Qods Force to ascertain firsthand how confident Tehran was about the new position of the Arab royals from across the Gulf.

Hence, on 6 August, Qassem Soleimani met Mohammad Javad Zarif at the Foreign Ministry in downtown Tehran. They discussed coordination of forthcoming regional crises and diplomatic initiatives. They agreed that the current dynamics vis-a-vis the US can lead to either a US capitulation and withdrawal, or to a major escalation all over the greater Middle East. Soleimani believes the latter option is more likely. Therefore, Soleimani and Zarif discussed how to better utilize the Russian and Chinese umbrella to not only shield Iran against US onslaught, but to also convince the Arab states to stay out of the fighting. Soleimani assured Zarif that “the IRGC’s Qods Force is fully supportive of the diplomatic apparatus of the country in all encounters against the US harsh policies.” In a brief photo-op, Soleimani addressed the newly imposed US sanctions on Zarif, and “congratulated the foreign minister on becoming a target of the US anger and animosity because of [his] affiliation with [the] Leader of the Islamic Revolution Ayatollah Sayyed Ali Khamenei.”

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In early August, the Gulf Sheikdoms and Saudi Arabia agreed to seek and accept the Chinese umbrella as proposed to them, and so notified Beijing. According to the plan, China will provide an overall umbrella capable of containing and restraining the US, while Russia will join China in calming down Iran and in ameliorating threats to the Arabs. Among the Arab leaders involved, Muhammad bin Zayed is the most enthusiastic and active in embracing the new regional order that is effectively anti-American. Muhammad bin Salman follows, but somewhat hesitantly. MBS is afraid to acknowledge the collapse of what he had perceived to be his close personal relations with the upper-most echelons of the Trump White House - that is, Trump and Kushner.

On 6 August, the Chinese Ambassador to Tehran, Chang Hua, delivered the decision of the Forbidden City to play the active and leading role in the establishment of a new regime of collective security in the Persian Gulf. Beijing is convinced, he stated, that “any projects and initiatives that aim to strengthen security in the Persian Gulf must be proposed and carried out by the regional countries themselves.” Chang Hua explained that “the Chinese side, as President Xi Jinping has said, is hopeful that the Persian Gulf will remain a region of peace and security.” The PRC is ready to actively contribute to the sustenance of peace and security in this crucial area. “The Persian Gulf and the Strait of Hormuz are the most critical channel and gateway in the world for transferring energy; therefore, they are significant for the world’s policy-making, security and economy,” Chang Hua concluded.

China also started to implement specific undertakings. First came the decision to increase the import of Iranian oil not only in order to help an ally in distress, but also as an affront to the United States. According to Chinese senior officials in Beijing, “China continues oil imports from Iran to show independence from US





sanctions.” The Chinese also agreed to purchase oil with Yuans, Euros and other currencies in order to reduce their vulnerability to US financial sanctions. China will continue to import its Iranian crude via at least a dozen Iranian tankers also in order to demonstrate to all that “China [is] a country powerful enough to bust US sanctions.”

Moreover, the anticipated large-scale Chinese import of Iranian crude will have a major impact on the price of oil. Experts in the US and Europe concluded that under such circumstances, oil price could sink by as much as \$30-per-barrel. The experts worry that China might decide to purchase large quantities of Iranian oil as a retaliation for the trade/tariff war with the US. “This decision would both undermine US foreign policy and cushion the negative terms-of-trade effects on the Chinese economy of rising US tariffs,” concluded a Bank of America Merrill Lynch Global Research report. Significantly, the original price estimate discussed between the US and Saudi Arabia was \$60-per-barrel. That estimate was based on the idea that increased Saudi and US oil production will fill the gap created by the imposition of the US sanctions on Iranian oil. But the Chinese commitment to buying more Iranian oil invalidated this plan. Thus, while the UAE is willing to accept such a price drop as a necessary evil needed to prevent a calamitous regional war, Saudi Arabia is furious given its financial woes that the oil price hike could have eased.

Meanwhile, also on 6 August, the Chinese Ambassador to the United Arab Emirates, Ni Jian, formally informed Abu Dhabi that, should there be a deterioration in the security situation, the Chinese Navy will start escorting tankers and other commercial vessels in the Persian Gulf. “If there happens to be a very unsafe situation, we will consider having our navy escort our commercial vessels,” Ni Jian stated. Officially, Beijing did not rule out coordination with the US-led initiative to escort tankers through the Strait of Hormuz. However, given the Chinese commitment to buying and shipping Iranian oil that the US initiative is intended to prevent - the prospects for Chinese cooperation are nil. Ni Jian emphasize the Chinese support for regional security arrangements and regional negotiations of the type the UAE has with Iran. “We have the position that all disputes should be sorted by peaceful means and by political discussions, not ... military actions,” Ni Jian concluded.

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Beijing’s agreeing to assume a major, and, for China, unprecedented, role in the Persian Gulf comes at a crucial time for the PLA. On 28 July, China issued a major white paper titled “China’s National Defense in the New Era”. The document constitutes an authoritative statement regarding China’s military reforms and strategic aspirations under the leadership and guidance of Xi Jinping. For the first time, an official Chinese defense document acknowledges the rivalry with the US military and clearly articulates China’s long-term goal to confront and challenge “US dominance”. These goals will be attained through, among other things, the expansion of the Chinese “power projection capabilities” - particularly the Navy’s. The white paper heralds a significant shift in maritime strategy from “near seas defense” to “the combination of near seas defense and far seas protection”. Adopting the “far seas” strategy, the white paper states, will enable China to “build itself into a maritime power”. Xi Jinping’s longer-term objective is for the PLA to become a global force. With the new role in the Persian Gulf - Xi Jinping’s China is taking a major step toward attaining this goal.

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**Remarks:** Opinions expressed in this contribution are those of the author.



### About the Author of this Issue

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