Aligning China's Belt and Road Initiative with Saudi Arabia's 2030 Vision

Opportunities and Challenges

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Abstract: Based on an examination of mutual perceptions between China and Saudi Arabia toward each other's development strategy, especially through the lens of government officials, journalists, and scholars, this article argues that great progress has been achieved in key areas of strategic alignment between China's Belt and Road Initiative (BRI) and Saudi Arabia's 2030 Vision, including policy coordination, infrastructure

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connectivity, unimpeded trade, financial integration, and people-to-people exchanges. Meanwhile, political, economic, security and social risks remain prominent in the process of China-Saudi strategic alignment which need to be managed by appropriate measures.

Keywords: Belt and Road Initiative (BRI); Saudi Arabia; 2030 Vision; strategic alignment; risk management.

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Since proposed by Chinese President Xi Jinping in the autumn of 2013, the Belt and Road Initiative (BRI) has garnered worldwide attention across governments, academic institutions and news agencies. On this background, *zhanlue duijie*, literally meaning “coordination of development strategies” between China and other countries under the framework of the BRI has become a priority on China’s foreign policy agenda. In April 2016, Saudi Arabia announced its national plan of economic reform—the 2030 Vision, which was officially presented at the 2016 Group of Twenty (G20) summit in Hangzhou, China, by Saudi Crown Prince Mohammed bin Salman. Later on, China and Saudi Arabia co-established a high-level cooperative commission to promote the alignment of the BRI and the 2030 Vision.

This article intends to assess the coordination process of the two strategies mentioned. It first elaborates on mutual perceptions between China and Saudi Arabia toward each other’s development strategy. It then proceeds to examine key areas of strategic alignment, including policy coordination, infrastructure connectivity, unimpeded trade, financial integration and people-to-people exchanges. The third part identifies the political, economic, security, and social risks associated with the strategic alignment, and then offers some policy recommendations on how to manage these risks.

The BRI and Vision 2030 in Mutual Perspective

In recent years, Saudi Arabia has witnessed stunning economic performance: its GDP reached \$664 billion in 2016 and its growth rate ranked

fifth among G20 countries.¹ Currently, Saudi Arabia is a country with young demographic composition, growing population, and energetic development. According to the Saudi Embassy in China, almost half among the country's 31.7 million people are under the age of 25. The overall population increases at an annual rate of 2.5 percent on average, indicating that Saudi Arabia does not fit the stereotype of an aging, lethargic society.

Since the establishment of diplomatic relations between China and Saudi Arabia in 1990, great progress has been made in various fields of cooperation. In 2008, the two countries agreed to upgrade their bilateral relationship into a strategic partnership. In 2013, China became Saudi Arabia's largest trading partner. In January 2016, Chinese President Xi paid a state visit to Saudi Arabia, during which both sides forged a comprehensive strategic partnership. In March 2017, Saudi King Salman visited Beijing in return. China appreciated Saudi Arabia's endorsement on the BRI and welcomed its cooperative participation in building the Belt and Road. Reciprocally, China expressed its support for Saudi Arabia's pursuit of the 2030 Vision as well as its willingness to contribute to Saudi Arabia's diversified economy.²

China and Saudi Arabia have voiced strong support for each other's development strategy.

In the past six years, Saudi Arabia has been executing the "Look East" policy and vigorously developing its economic and diplomatic relations with China by working with China under the BRI. During President Xi's visit to Saudi Arabia, King Salman declared official support for China's BRI, and expressed willingness to deepen cooperation with China in a wide range of sectors including trade, investment, energy, education,

¹Jin Xiazi, "2016 *Quanguo geshu GDP chulu! Zhongguo paimeing dier* [China's GDP Ranks Second in 2016 World Statistics]," Sohu.com, February 27, 2017, http://www.sohu.com/a/127330829_551041.

²Liu Chang and Wang Bo, "Zhang Gaoli huijian shate guowang Saleman bing zhuchi zhongsha shuangbian hezuo jizhi huiyi [Zhang Gaoli met with Saudi King Salman and Chaired the Conference on the China-Saudi Cooperation Mechanism]," People's Daily, August 26, 2017, <http://cpc.people.com.cn/n1/2017/0826/c64094-29496065.html>.

technology, and information security.³ Saudi Crown Prince Mohammed bin Salman also stated that the Saudi side would actively participate in the promotion of inter-connectivity under the framework of the BRI and work as a key channel for Sino-African economic and trade cooperation.⁴

In addition, the Saudi media have held many discussions on the strategic intention and partner choice of the BRI. For instance, *Arab News*, Saudi Arabia's mainstream newspaper, believes that the BRI focuses on investing in countries with sound relations with China or those that welcome Chinese investment. According to this point of view, the bilateral relationship between China and its targeted partner countries usually plays a decisive role, for these countries will not only back the development initiative proposed by China, but also ensure regional security as well as safety of the personnel working on Chinese projects.⁵

Most Saudi scholars share a similar view with the government in regard to the BRI. For example, Murshid, a political scientist, holds that there are a number of commonalities between the Saudi 2030 Vision and the BRI, from their starting points to their concepts, which may ultimately produce many interconnected investment projects.⁶ Saudi economists also believe that signing contracts with China will help improve Saudi Arabia's economic position, contributing to the country's 2030 Vision.

On the Chinese side, Saudi Arabia's 2030 Vision has already won recognition and support from the Chinese government. Li Huaxin, Chinese ambassador to Saudi Arabia, when interviewed by a Saudi state television station in August 2016 prior to the Hangzhou G20 summit, emphasized that Saudi Arabia's 2030 Vision, with many bilateral cooperative

³Huang Peizhao, "Xin sichouzhilu lianjie zhong 'yidaiyilu' rang liangda guwenming gengjiejin [New Silk Road Draws Two Ancient Civilizations Closer]," Huanqiu.com, January 22, 2016, <http://world.huanqiu.com/exclusive/2016-01/8426203.html>.

⁴Wang Fengfeng, "Five Highlighted Outcomes of President Xi Jinping's Visit to Saudi Arabia," Xinhua News, January 21, 2016, http://www.xinhuanet.com/world/2016-01/21/c_128652573.htm.

⁵Ghazanfar Ali Khan, "China in Drive to Redraw Global Financial Map," Arab News, October 14, 2015, <http://www.arabnews.com/economy/news/816076>.

⁶"Many Fitting Points between Saudi Arabia's '2030 Vision' and the 'B&R' Initiative," CCTV.com, September 5, 2016, <http://news.cctv.com/2016/09/05/ARTIpTXvOFD2tOePhPH-ZuSlq160905.shtml>.

opportunities, fits well with China's BRI; cooperative initiatives carried out by both China and Saudi Arabia would bring about common development for regional countries.⁷ In March 2017, President Xi officially expressed China's support for the 2030 Vision during the Saudi King's visit, which was later written into the "Joint Statement between the People's Republic of China and the Kingdom of Saudi Arabia." As Chinese Foreign Minister Wang Yi mentioned, China and Saudi Arabia are natural and ideal cooperative partners in building the Belt and Road; and Saudi Arabia is an important link in the interconnection between China and the Eurasian hinterland, as well as an important hub connecting China with the extensive African market.⁸

Moreover, most Chinese media hold a positive attitude toward Saudi's 2030 Vision, although they express concern that such a program is easy to formulate while difficult to implement. China's Xinhua News Agency reported in 2016 that Saudi Arabia, as the world's biggest oil-producing country, published an ambitious economic transition project, aiming to reduce its decades-long dependence on oil, in order to further develop its education, military, real estate and tourism industries, and make the country a major international consumer. Notably, the article cited a few words of Stephen Hertog, an associate professor at the London School of Economics, who states that Saudi Arabia still faces structural difficulties in pursuing economic diversity.⁹ Meanwhile, the well-known *Global Times* also reported that some aspects of the 2030 Vision were criticized as unrealistic.

⁷"Zhu shate dashi Li Huaxin yingyao zai shate guojia dianshitai yipindao yanboshi jiu G20 hangzhou fenghui jieshou caifang [Chinese Ambassador Li Huaxin Interviewed by Saudi State TV on G20 Hangzhou Summit and Sino-Saudi Relationship]," Chinese Foreign Ministry, August 25, 2016, <http://www.fmprc.gov.cn/web/zwbdt673032/gzhd673042/t1391599.shtml>.

⁸"Shate guowang duihua fangwen yazhou gangmei: zuiju zhanlue yiyi de yizhan [Saudi King's Visit to China — Hong Kong Media: A Stop with the Most Strategic Significance]," Chinaairn.com, March 16, 2017, <http://finance.chinaairn.com/News/2017/03/16/161405213.html>.

⁹Lin Yan and Xu Liyu, "'2030 yuanjing: weijie `shiyouyin' shate jingji yao huali zhuanxing [The '2030 Vision': To Quit the Oil Addiction, Saudi Economy Pursues Drastic Transition]," Xinhua News, April 27, 2016, http://news.xinhuanet.com/world/2016-04/27/c_128934149.htm.

For example, it may be impossible for Saudi Arabia to ensure its revenue without relying on petroleum at least by 2020.¹⁰

By contrast, Chinese energy and trade experts have voiced rather mixed opinions towards the 2030 Vision. On the one hand, they appreciate the Vision as a great plan for economic reform. For instance, Jiang Qinyun and Liang Qi, researchers from the Energy Studies Institute under China's National Development and Reform Commission (NDRC), argue that the 2030 Vision is a significant and strategic policy for Saudi Arabia to carry out in the pursuit of its national economic reform and transition.¹¹ On the other hand, given the national conditions of Saudi Arabia, including the lack of human resources and the inadequate conditions for economic reform, the country is still far away from reaching its goals. Mei Xinyu, a researcher at the International Trade and Economic Cooperation Studies Institute of the Ministry of Commerce (MOFCOM), believes that Saudi's 2030 Vision faces a series of constraints. For example, entrepreneurial tradition in Saudi Arabia is quite weak, and the country lacks human capital in developing modern technology and industrial education. A large number of challenges lie ahead in developing non-oil industries like the manufacturing sector. Religious elements may also stand in the way of fulfilling the economic goals of the 2030 Vision.¹²

Key Areas of Sino-Saudi Strategic Alignment

Over the past few years, China and Saudi Arabia have launched bilateral cooperation in many important areas. First of all, frequent interaction between the top leadership of both countries has guaranteed successful policy coordination. In June 2014, President Xi attended the opening ceremony of

¹⁰Wang Lilan, "Shate tuichu guojia zhuanxing jihua bufen neirong beipi buqieshiji [Saudi Arabia Launches Its National Transformation Plan, Some Criticized as Unrealistic]," Huanqiu.com, June 6, 2016, <http://news.163.com/16/0606/11/BOSH32PJ00014JB6.html>.

¹¹Jiang Qinyun and Liang Qi, "Shate mouqiu jingji zhuanxing de qishi ji zhongsha nengyuan hezuo jianyi [Reflections on Saudi Arabia's Pursuing Economic Transition and Suggestions for Sino-Saudi Energy Cooperation]," *Macroeconomic Research*, No. 12 (2016), p. 160.

¹²Mei Xinyu, "Shate 'yuanjing 2030' de xiongxin yu zhangai [Ambitions and Challenges of the Saudi '2030 Vision,'" 21st Century Business Herald, May 5, 2016, <http://finance.sina.com.cn/roll/2016-05-05/doc-ifyxyhti3558550.shtml>.

the Sixth Ministerial Conference of the China-Arab States Cooperation Forum (CASCF), during which he encouraged win-win cooperation between China and Arab states to promote the "spirit of the Silk Road." As President Xi mentioned in his keynote speech, China and Arab States need to undertake good top-level planning, identify their direction and goals, and put in place a "1 + 2 + 3" cooperation framework, where "1" refers to energy cooperation as the main axis, "2" stands for the two wings of infrastructure construction as well as trade and investment facilitation, and "3" means that breakthroughs are needed in three key sectors, namely nuclear energy, aerospace and satellites, as well as renewables.¹³

Energy and infrastructure are key areas of Saudi-China cooperation.

In January 2016, the Chinese government published its first *China's Arab Policy Paper* which reviewed the development and illustrated the guiding principles of the Sino-Arab relationship, while setting out a blueprint for win-win cooperation and reiterating China's dedication to peace and stability in

the Middle East. The paper also elaborated on Chinese policies for comprehensively strengthening China-Arab relations in five fields: politics, investment and trade, social development, cultural exchanges, and peace and security.¹⁴ In the same month, President Xi paid a historic visit to Saudi Arabia, during which China and Saudi Arabia established a comprehensive strategic partnership. Both sides agreed on the aim of strengthening cooperation in the energy sector, and underscored the significance of the oil market to the global economy. They pledged to expand mutual investment, further deepen their cooperation on infrastructure, and focus on projects for railways, highways, bridges, communications and ports. Moreover, they agreed to strengthen cooperation in aerospace programs, satellite launches and the peaceful use of nuclear and renewable energy.

After the 2030 Vision was proposed and presented at the G20 Hangzhou summit in 2016, China and Saudi Arabia established a high-level joint commission to strategically dock the BRI and the 2030 Vision. Later on, six

¹³"Xi Stresses Top-Level Planning in Co-op with Arab States," China Economic Net, June 5, 2014, http://en.ce.cn/National/foreignaffairs/201406/05/t20140605_2929306.shtml.

¹⁴"Full Text of China's Arab Policy Paper," Xinhua News, January 13, 2016, http://www.xinhuanet.com/english/china/2016-01/13/c_135006619.htm

sub-commissions responsible for politics and diplomacy, the Belt and Road, key investment cooperation programs, energy, trade and investment, culture, technology and tourism were set up under the joint commission. The objective of the high-level commission is to implement the consensus reached by President Xi and King Salman through enhancing bilateral cooperation in different fields.¹⁵ Also, China expressed appreciation toward Saudi Arabia for its founding membership of the Asian Infrastructure Investment Bank (AIIB).

In March 2017, President Xi expressed China's solid support to Saudi Arabia in achieving its 2030 Vision during King Salman's visit. Both countries vowed to deepen their cooperation on non-energy sectors such as aerospace and communications. A cooperative platform on finance and investment was established between the two leaders. Meanwhile, President Xi emphasized that China is a reliable oil-exporting market for Saudi Arabia and that an integrated pattern of energy cooperation is greatly needed; also, China and Saudi Arabia should strengthen their collaboration in other fields of culture, education, health, tourism and news services.

On March 16, 2017, King Salman attended the Saudi-China Investment Forum, during which 21 memorandums of cooperation were signed. These memorandums not only include projects of conventional energy, but also renewables such as solar energy and wind energy. Building technological and industrial capacity is the second-largest area of bilateral cooperation, including Saudi's "smart cities" program and the development of e-commerce. Cultural and comprehensive investment projects are also included in the memorandums. China and Saudi Arabia agreed to promote the negotiation of the China-GCC (Gulf Cooperation Council) Free Trade Agreement (FTA) based on their national interests, in order to facilitate bilateral trade and investment. As Saudi's Vice Minister of Business and Investment mentioned, the country's 2030 Vision and its 2020 national

¹⁵"Zhang Gaoli he shate wangzu jichengren muhanmode zhuchi zhongsha gaojibie lianhe-wei-yuanhui shouci huiyi [Zhang Gaoli and Saudi Crown Prince Co-chaired the First Meeting of China-Saudi Arabia High-level Joint Committee]," *People's Daily*, August 30, 2016, <http://cpc.people.com.cn/n1/2016/0831/c64094-28678468.html>.

transition plan carry shared objectives with Chinese initiatives on industrial capability building under the BRI. More importantly, Saudi Arabia's strategic location will naturally facilitate Sino-Saudi cooperation in trade, investment, logistics and infrastructure.

In August 2017, Mr. Zhang Gaoli, then China's vice premier, visited Saudi Arabia and held the second meeting of the Sino-Saudi high-level joint commission together with the Saudi Crown Prince, during which a number of collaborative agreements of trade and investment, energy, postal services, communications and media were signed. To fulfil the ambitious goals listed by the 2030 Vision, the Saudi government particularly welcomes Chinese investments in non-oil industries such as manufacturing and tourism, so as to accelerate the country's economic diversification. Both sides decided to pool US\$20 billion to set up a joint investment fund to meet the financial needs of infrastructure, energy and mineral projects.¹⁶

Secondly, enhancing infrastructure connectivity has been included into the cooperative agenda of strategic alignment. Thanks to its strategic location as the hub of Asia, Europe and Africa, Saudi Arabia, through participation in China's BRI, can promote integration in the Middle East and the world at large, further connect domestic and international markets and achieve its goal of becoming a fulcrum along the Red Sea supply chain. The Mecca-Medina high-speed railway was completed mainly by the China Railway Construction Corporation (CRCC), and has been put into operation. The success of this project has contributed to Saudi Arabia's better service for global Muslim *hajj*, and also laid a solid foundation for strengthening the role of Saudi Arabia in the Arab and Islamic world, as the 2030 Vision mentioned.

More broadly, market potentials for railways and subway systems are huge in Saudi Arabia and other GCC countries. The 450 km Halaman Railway and the 2700 km North-South Railway in Saudi Arabia, as well as the 550 km long railways linking other GCC countries, are all on the construction list. For example, guided by the BRI, China and Pakistan are currently co-developing the China-Pakistan Economic Corridor (CPEC), in

¹⁶"Zhongsha gaoweihui chengguo fengshuo ni jianli 200yi meiyuan touzi jijin [Fruitful Outcomes of the China-Saudi Arabia High-level Joint Committee, Followed by Decision to Establish a \$20 Billion Investment Fund]," Belt and Road Portal, August 28, 2017, <https://www.yidaiyilu.gov.cn/xwzx/hwxw/25199.htm>.

which the Gwadar Port plays a notable role. Analysis indicates that the CPEC will open up a new route of oil and gas transportation to the oil-rich Gulf Arab countries including Saudi Arabia. As such, the Gwadar Port is expected to become a transit hub for energy trade between China and Saudi Arabia, which will help alleviate the “Malacca dilemma” confronting China.

Thirdly, facilitating trade is regarded as another key area of strategic alignment. With strong complementary advantages, China and Saudi Arabia have close relations in trade and investment. In 2016, their bilateral trade volume reached \$42.4 billion, and more than 100 Chinese enterprises have carried out investment projects in Saudi Arabia, including those in the fields of petrochemicals, railways, ports, power stations and communications. In the meantime, Saudi Arabia has reaped increasing economic benefits from its investment in Chinese petrochemical projects. It is noteworthy that petroleum accounts for the largest share in Sino-Saudi trade cooperation. In 2016, China imported about 51 million tons (and 13.4 percent of the total) of crude oil from Saudi Arabia. So far, Saudi Arabia has been projected to become China's second largest source of crude oil imports, only after Russia.¹⁷

Sinopec is Saudi Aramco's biggest crude oil trading partner and on-shore drilling contractor. The two companies have enjoyed a long history of collaboration on refining, petroleum trading and engineering services. Their joint ventures in refining and chemical integration in China's Fujian Province have catalyzed the birth of Yanbu Aramco Sinopec Refining Company, China's biggest investment project in Saudi Arabia and Sinopec's first overseas refining project, in 2016.¹⁸ President Xi and King Salman attended the launch ceremony of the company, and the two leaders agreed to improve the competitiveness of Saudi Aramco in providing crude oil to Sinopec, and actively expand cooperation in the fields of oil and gas

¹⁷Su Yina and Li Xuemei, “*Tuijin woguo canyu ‘yidaiyilu’ youqihexuo hexinqu jianshe yanjiu* [Promoting Research on China's Participation in Core Zones of B&R Oil and Gas Cooperation],” *Economic Review*, No. 9 (2017), p. 93.

¹⁸“*Zhongshihua shouge haiwai lianyouchang zai shate zhengshi touchan qidong* [Sinopec's First Overseas Refinery Opens in Saudi Arabia],” *Sina.com*, January 21, 2016, <http://news.sina.com.cn/w/zx/2016-01-21/doc-ixnuvxc1539174.shtml>.

services, refining, chemicals, crude oil supply, sales of refined products, petroleum and petrochemical services, as well as research and development of renewable technologies.

China and Saudi Arabia are expected to enhance industrial and financial cooperation.

In the same year, China and Saudi Arabia co-established an industrial zone in Jazan, which was designed to attract Chinese enterprises in the sectors of refining, automobiles and home appliances to Saudi Arabia. This project was listed as one of China's 20 key projects of cooperation on industrial capacity in 2016. It has also been included in the lists of important overseas

cooperation projects proposed by China's Guangdong Province and Ningxia Hui Autonomous Region.¹⁹ In fact, before the setup of the industrial zone in Jazan, Shandong Electric Power Group Corporation (SEPGC), an affiliate of the Power Construction Corporation of China (PCCC), together with Saudi Aramco, had successfully won the bid in fierce competition with 14 enterprises from the United States, Europe, Japan, and South Korea, for the Jazan IGCC power block EPC04 project, the world's largest petroleum and gas power plant. This breakthrough undoubtedly laid a good foundation for the PCCC to further expand its overseas high-end market.²⁰

In the field of nuclear power, the China Nuclear Engineering and Construction Group Corporation (CNECCG) signed a cooperative Memorandum of Understanding (MoU) on Saudi High Temperature Gas-Cooled Reactors with the Saudi Nuclear and Renewable Energy City during President Xi's visit to Saudi Arabia, which was a significant step in the

¹⁹Xin Wen, "Jizan xiangmu: shate 'yuanjing' yu zhongguo 'changyi' qihexia de zhongsha hezuo [Jazan Project: Sino-Saudi Cooperation under the Saudi 'Vision' and the Chinese 'Initiative']," China.com, April 25, 2017, http://www.china.com.cn/news/world/2017-04/25/content_40689973.htm.

²⁰Zhong Shan, "Zhong Shan buzhang zai shate-zhongguo touzi luntan bimushi shang de jianghua [Closing Speech at the Saudi-China Investment Forum by Minister Zhong Shan]," Chinese Ministry of Commerce, March 16, 2017, <http://video.mofcom.gov.cn/activities/20170319/4380.html>.

“going abroad” process of the fourth generation of nuclear power technology of high-temperature gas-cooled reactors.²¹

Fourthly, China and Saudi Arabia have set out to foster financial integration as a pillar of strategic alignment. In January 2015, the Chinese Ministry of Finance announced that Saudi Arabia would officially become an intentional founding member of the AIIB. Later in June, the Industrial and Commercial Bank of China (ICBC) opened a branch in Riyadh, the capital city of Saudi Arabia, making it the first ICBC branch in the Middle East.²² To further promote the internationalization of the Chinese *renminbi* (RMB), China has initiated discussion with Saudi Arabia on the possibility of revising the clauses of bilateral oil trade agreement in order to carry out transactions in RMB rather than the U.S. dollar, which will not only improve the international status of the RMB, but also tighten bilateral relations with other trading partners. In March 2017, the China Export & Credit Insurance Corporation (CECIC) signed an Agreement on Export Credit Insurance with the Saudi Development Fund in Beijing during King Salman’s visit. This was the first cooperative agreement between the CECIC and an official financial institution from the Gulf region.²³

Finally, people-to-people exchanges have become an indispensable component of the strategic alignment between China and Saudi Arabia. China and Arab states made the years of 2014 and 2015 the “China-Arab friendship years,” during which a variety of activities were held. As

²¹“Zizhu chuangxin, wei zhongguohedian ‘zouchuqu’ zhiru shengmingli—qinghua yanfa de zhongguo disidai hedian jishu kaishi maixiang shijie [Innovation Provides Impetus to China’s Nuclear Power’s ‘Going Outside’: China’s Fourth Generation Nuclear Power Technology Developed by Tsinghua University Goes Abroad],” Tsinghua University News, January 22, 2016, http://www.tsinghua.edu.cn/publish/thunews/9659/2016/20160122144132107323072/20160122144132107323072_.html.

²²Zou Jun, “Gongshangyinhang zai shate shoukaifenhong chengwei shatejingnei diyijia zhongzi yinhang [ICBC Opened First Branch in Saudi Arabia, Becoming the First China Bank in Saudi Arabia],” Sina.com, June 11, 2015, <http://finance.sina.com.cn/china/20150611/102122406330.shtml>.

²³“Zhongguo xinbao yu shate fazhan jijin qianshu hezuo xieyi [China Credit Insurance Signed a Cooperative Agreement with Saudi Development Funds],” Xinhua News, March 23, 2017, http://news.xinhuanet.com/money/2017-03/23/c_129516416.htm.

President Xi stated, China would like to expand the scale of cultural exchanges, encourage more young students to participate in exchange programs and strengthen cooperation in tourism, aviation, media and publishing. He said that in the following three years, China would train more than 6,000 talents from Arab states and share experience with Arab countries on socioeconomic development and poverty reduction; in the next decade, China would organize mutual visits of 10,000 artists from both sides, support cooperation among 200 cultural institutions, as well as fund 500 Arab cultural and artistic talents to study in China.²⁴ During President Xi's visit in early 2016, China and Saudi Arabia signed an MoU on promoting exchanges and cooperation on cultural heritage. In March 2017, the Saudi Cultural Heritage Exhibition, as well as the opening ceremony of the Saudi-donated King's Library at Peking University, was held in Beijing. Scholars from both countries believe these activities are conducive to strengthening mutual understanding of each other.

Managing Risks of Strategic Coordination

Although China and Saudi Arabia have made some achievements in key areas of strategic alignment, risks remain prominent and need to be managed. To begin with, political risks could add uncertainties and complexities to China-Saudi strategic coordination. Saudi King Salman has twice changed the crown prince. In June 2017, he appointed his son Mohammed bin Salman as the crown prince and entrusted him with the task of drafting and implementing the 2030 Vision. Although the Saudi regime has remained quite stable during the "Arab Spring," this stability seems fragile and could be impacted even by some delays of the reform. Whether Saudi Arabia can realize its 2030 Vision depends on how Mohammed bin Salman balances reform, development, and stability, and whether he has the capability to make his country strong and prosperous. As the Saudi chief of the

²⁴Xi Jinping, "Hongyang silujingshen shenhua zhongta hezuo—zai zhongta hezuo luntan diliujie buzhangji huiyi kaimushi shang de jianghua [Carry Forward the Spirit of the Silk Road, and Deepen Sino-Arab Cooperation — Speech at the Sixth Ministerial Conference of the China-Arab States Cooperation Forum]," *People's Daily*, June 6, 2014, <http://politics.people.com.cn/n/2014/0606/c1024-25110600.html>.

Sino-Saudi Joint Commission, Mohammed bin Salman plays a decisive role in the implementation of the 2030 Vision and its alignment with China's BRI.

The worsening of relations between Saudi Arabia and other Arab countries has also exerted negative impact on the goal of aligning China's BRI with Saudi's 2030 Vision. For instance, due to the diplomatic rift between Saudi Arabia and Qatar, the negotiation of the China-GCC FTA has been delayed. In May 2017, U.S. President Donald Trump paid his first foreign visit to Saudi Arabia. Taking the opportunity of Trump's visit, Saudi Arabia brought many Islamic countries to the Arab-Islamic-American Summit in Riyadh, which enhanced the country's dominant role in the Islamic world. At the same time, the United States and Saudi Arabia expressed their shared hostility towards Iran and agreed to make every effort to topple the Assad regime in Syria. As to the ongoing Sino-U.S. trade disputes, Saudi Arabia has not taken sides, but it keeps a close eye on the developments and implications. If the trade disputes escalate, Saudi Arabia might come under pressure or face a policy dilemma. It is very likely that the country will choose to stand with the United States to ensure its own political and security interests. Therefore, China must pay more attention to regional dynamics in the Middle East and particularly the evolution of Saudi-U.S. relations.

Next, China needs to be aware of economic risks in its strategic alignment with Saudi Arabia. So far, Saudi Arabia's economic structure has remained poorly diversified. The oil reserves of Saudi Arabia rank first in the world and will not quickly run out; the development of renewables like wind energy, nuclear energy and solar energy is faced with difficulties due to their relatively high costs and technological obstacles. Despite their declining proportion, fossil fuels will maintain a dominant position in the overall energy mix of the world,²⁵ which means that the revenue of the Saudi government will continue to be heavily reliant on oil trade.

Political instability in Saudi Arabia may seriously affect China-Saudi strategic alignment.

²⁵Shen Yamei, "Guoji nengyuan xingshi xinbianhua he zhongguo de jiyu yu tiaozhan [Opportunities and Challenges Ahead of China in View of the New Changes in the International Energy Situation]," *Contemporary World*, No. 2 (2015), p. 61.

In this regard, any plunge of international oil price will pose serious challenges to Saudi Arabia. Between June 2014 and January 2015, the Brent oil price — as the international benchmark — declined from \$115 to less than \$50 per barrel. As a result, the financial position of Saudi Arabia has been deteriorating. In 2015, the country's revenue from oil exports fell by 23 percent, and the national budget deficit climbed to \$98 billion, accounting for 16 percent of its gross national product (GNP). In addition, more than half of the Saudi population is under 25 years of age. The plunge of oil price has further exacerbated the unemployment problem, which threatens Saudi Arabia's political and social stability.²⁶ Although the Saudi government declared the goal of reducing its financial dependence on oil through partial privatization of Aramco by global IPO (Initial Public Offering) in the 2030 Vision, so as to help diversify its economic structure, it cannot replace oil — at least in the short term — with other products of high international competitiveness to compensate for its foreign exchange reserves. In view of this, China should maintain its energy cooperation with Saudi Arabia on the one hand, and expand alternative sources of energy import on the other, in order to ensure its energy security. China can also employ its advantages in industrial capacity to help accelerate the process of economic diversification in Saudi Arabia.

Furthermore, security risks cannot be ignored during the process of China-Saudi strategic alignment. Since the rise of the Islamic State in June 2014, numerous terrorist attacks targeting Saudi Arabia have taken place due to intertwined factors of geopolitics, extreme religious ideology, sectarian competition, and nationalism. Saudi Arabia's confrontation with countries like Iran, Yemen and Qatar has further worsened the regional security environment. For example, among the many regional actors in Yemen, Saudi Arabia and Iran are the most prominent competitors. In January 2016, Saudi Arabia initiated an air strike on Yemen's capital, Sanaa, which led to property damage and personnel casualty in the Iranian Embassy. Consequently, the diplomatic relations between Saudi Arabia and Iran broke off. In June 2017, the Saudi-Qatar rift again triggered a chain reaction, which led some regional countries to suspend their diplomatic

²⁶"*Shate qudiao shiyou changye yilai de kenengxing youduoda?* [How Possible Can Saudi Arabia Shake Off Its Dependence on Oil?]," Oil.in-en.com, June 13, 2016, <http://oil.in-en.com/html/oil-2506042.shtml>.

relations with Qatar. Against this backdrop, China should closely watch the security developments in Saudi Arabia and the Middle East, while exercising more prudence in its involvement in regional political and security affairs. Indeed, China should continue encouraging solutions through peaceful talks while strengthening policy dialogues with relevant powers.

Last but not least, social risks need to be taken into account in the strategic alignment between China and Saudi Arabia. Given that Saudis are Muslims who strictly follow the rules and regulations of Islam, the 2030 Vision is not likely to bring about complete opening up of social and cultural life in Saudi Arabia. For the Chinese people, the Saudi culture remains unfamiliar and even mysterious. Due to the huge differences between the two civilizations, few Chinese media cover stories of the Saudi culture; and people's knowledge about Saudi Arabia usually comes from the Internet, most of which is fragmented and negative. Similarly, Saudis who love to drink tea every day do not know China is a "Tea Nation." Some Saudis are interested in Chinese characters, but they have no idea how to study them.²⁷ As the Saudi Ambassador to China pointed out, mutual understanding between China and Saudi Arabia is badly needed.²⁸ Thus, cultural exchanges should be advanced alongside growing economic interactions between China and Saudi Arabia.

Admittedly, the key to sound relations between states lies in the affinity between their people. China and Saudi Arabia should organize more people-to-people exchanges and strengthen the dialogue between their different civilizations, so as to reinvigorate their traditional friendship.²⁹ As President Xi mentioned at the CASCF, China and Saudi Arabia have been determined to carry out a series of new exchange programs. Both countries

²⁷Shangguan Xufeng, "Shate huaren: minjianwaijiao ke wei zhongguo wenhuachuanbo 'bugai' [Chinese in Saudi Arabia: People-to-people Diplomacy Contributes to Spread of Chinese Culture]," 163.com, March 5, 2013, <http://news.163.com/13/0305/08/8P6JPMQE00014JB6.html>.

²⁸Ye Fei, "Wenhua: zhongguo shate jiaoliu de xinliangdian [Cultural Exchange: New Breakthrough of China-Saudi Arabia Communication]," Wenwuchina.com, March 22, 2017, <http://www.wenwuchina.com/article/201712/286889.html>.

²⁹Chen Juan, "Sichouzhilu yanxian wenhua he qingnian hezuo de xinmubiao he xinjizhi [New Goals and New Mechanisms of Cultural and Youth Cooperation along the Silk Road]," *Chinese Muslims*, No. 6 (2015), p. 28.

will regularly hold bilateral art festivals and other cultural activities, encourage mutual visits of art troupes, strengthen cooperation on education, science and technology, establish language training centers in both countries, initiate joint research projects in the fields of history, culture, technology and regional studies, and advance exchanges of the media and civil organizations. Looking into the future, efforts should be taken to encourage intellectual and business elites, particularly Arabic language talents, in China who are familiar with Saudi Arabia and the Islamic culture, to initiate more cultural exchanges between China and the Arab-Islamic world.