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The interplay of China and Gulf countries in third-party market dynamics: an asymmetric competition perspective on the Belt and Road Initiative

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ABSTRACT
China's recent shift in the Belt and Road Initiatives (BRI) focusses on engaging middle powers in the Global South for joint development of commercially viable projects in third countries. Among these are the oil-rich Gulf heavyweights seen as critical partners and supporters of the BRI. Yet, instances of competition or conflict of interests with Beijing are not uncommon. Applying the asymmetric competition theory, this study compares Sino-Emirati interactions in maritime infrastructure in the Horn of Africa with Sino-Saudi cooperation in China-Pakistan Economic Corridor. We find that Gulf heavyweights can leverage their asymmetric advantages to affect the interaction patterns with greater powers. By distributing resources disproportionally, the medium Southern powers can strive to partially establish structural power, enabling them to get dis-embedded from the single cooperation framework dominated by a great power. In the case of seemingly harmonious third-party collaboration, a dynamic analytical perspective reveals that early embedding these actors might lay the groundwork for the creation of asymmetric advantages which can be leveraged later.

KEYWORDS Asymmetric competition; Belt and Road Initiative; China-Pakistan Economic Corridor; horn of Africa; the Gulf states; third-party market

Introduction

After a decade of transforming the ambitious Belt and Road Initiative (BRI) from vision to action in the spirit of 'crossing the river by feeling the stones (*mozhe shitou guohe*)', China can look back on fruitful achievements. More than 200 memorandum of Understanding (MoUs) have been signed, and China has committed over $1.2 trillion in outbound foreign direct

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investment (Ministry of Commerce [MOC PRC], 2022). Additionally, goods trade between China and countries along the BRI route has reached $10 trillion. However, the momentum of this flagship initiative, aimed at addressing long-standing global infrastructure gaps, has been waning. A combination of factors contribute to this, including: a decline in investment capacity of Chinese enterprises due to domestic challenges associated with economic slowdown; their increasing concerns over the economic and political risks of investing large-scale construction projects in volatile and conflict-ridden regions along the BRI; and growing skepticism among some of China's partners about the BRI being China-centric and a potential debt-trap (Zhang, Zhang, & Xiao, 2022, pp. 430–431).

Yu (2023, p. 538) identifies a strategy proposed by Chinese decision-makers to reinvigorate the BRI, currently in its phase of high-quality development, akin to the meticulous Gongbi style (*Gongbihua*) of painting. In March 2019, the concept of 'expanding third-party collaboration' appeared for the first time in China's Report on the Work of the Government, marking a new direction for the BRI (The State Council of the People's Republic of China [TSC PRC], 2019). This strategy aims to increase the 'third-party' involvement of foreign enterprises in BRI projects, which accounted for as low as 3.4% at end of 2018 (Hillman, 2018). The objective is to engage more international partners to share investment burden and potential risks. It is also intended to reflect the principle of 'wide consultation, joint contribution and shared benefit (*gongshang gongjian gongxiang*)' (Zhang, 2019, 315), thus promoting the BRI as a platform for mutually rewarding, triple win cooperation.

Most of China's early third-party collaboration targets under the BRI framework were well-established multinationals from developed countries such as France, Canada, and Australia. Although such a model of 'alliance between giants' allowed both powerful parties to leverage each other's strengths to jointly develop commercially viable projects in a third country along the BRI route, it led to more downsides than solutions. Developed countries with their robust infrastructure base often perceived the BRI as the Eastern Dragon's geopolitical manoeuvre. Consequently, they were wary of engaging in third-party collaboration under the BRI, fearing that it would be interpreted as endorsing the so-called 'Chinese version of Marshall Plan' (Allizard et al., 2018). As a result, they demanded that Chinese companies increase their transparency and adopt Western business practices, environmental standards, and debt sustainability policies. Beijing, viewing these requirements as having 'hegemonic strings attached' (Ministry of Foreign Affairs [MFA PRC], 2022a), shifted its focus to middle powers with emerging economies in Asia, Africa, and Latin America.

Many Chinese strategists (Xinhua News Agency [XNA], 2016) see the Gulf states as China's ideal third-power partner, illustrating the maxim 'one plus one plus one is greater than three' (XNA, 2019). Chaziza (2019) notes in his research on the BRI's geopolitical pivots that the Gulf states are of supreme strategic importance to the BRI's implementation as the most influential countries in the Middle East, which is a region at the geographical heart of the BRI. Saudi Arabia, the UAE, and other Gulf heavyweights are essential targeting partners for China to establish successful South-South cooperation models due to their superior location, the abundance of natural resources, and enormous potential for industrial development. This clarifies the dynamics observed at the inaugural China-Gulf Cooperation Council (GCC) Summit (MFA PRC, 2022b), where President Xi described Sino-Gulf relations as 'natural collaborative partners' in jointly constructing the BRI. Furthermore, this viewpoint is also consistent with Xi's frequent interactions with Gulf leaders in recent years.

As wealthy regional powers flush with oil revenue, the Gulf monarchies not only control massive financial resources, but also display strong motivation to seek investment in various sectors to diversify their hydrocarbon-exporting economies under their broad strategies of Saudi Vision 2030, Abu Dhabi Vision 2030, Qatar National Vision 2030, and the like. Having developed strong ties with China, these countries adhere to the China-created concepts of 'non-interference in internal affairs (*buganshe neizheng*)' and 'seeking common ground while reserving (ideological and political) differences (*qiutong cunyi*)', and enthusiastically embrace the BRI. Favorable bilateral relations have paved the way for a slew of successful third-party collaboration projects, including a joint investment by China's Power Construction Corporation and Qatar's AWC in Pakistan's coal-fired Qasim Power Plant and collaboration between Chinese and Saudi companies in Dubai's thermo-solar power project (National Development and Reform Commission of the People's Republic of China [NDRC PRC], 2019). However, solid interactions between China and the Gulf states have not always resulted in close cooperation in the third-country construction market. Despite China and the UAE's thriving relations, which Chinese top diplomat Wang Yi describes as 'a model of state-to-state relations' (MFA PRC, 2021), the two countries not only rarely co-develop maritime infrastructure in the Horn of Africa, but also compete and even confront with each other on occasion, as evidenced by their disagreements over Djibouti's Doraleh Container Terminal project.

This delves into China's collaborations with the Gulf states in third-party markets, and aims to answer the following research questions: Why has the Sino-UAE comprehensive strategic partnership not translated into cooperation in infrastructure construction in the Horn of Africa? Why have China and the Gulf states established third-party cooperation in some BRI regions while devolving into competition, and even conflict, in others? What factors influence China's partnership with middle powers in the third-party infrastructure market? How do middle powers, particularly, the Gulf heavyweights compete with a global power like China when conflicting interests emerge?

Much of the literature analysing the effects of the BRI on international relations, takes one of three perspectives. The first investigates the BRI from a bilateral interaction perspective, assessing how a specific country or region fits into China's foreign agenda under the BRI (Zeng, 2017, pp. 1162–1176; Zhang & Xiao, 2021, pp. 273–284), how it perceives this flagship of China's economic diplomacy (Liu & Lim, 2019, pp. 216–231; Sachdeva, 2018, pp. 285–296), and how the BRI will impact its relations with China (Minghao, 2016, pp. 109–118; Zoubir, 2022). Almost all of these works have the merit of providing useful insights into interactions between China and the BRI countries, but there are notable exceptions. Such literature has largely ignored their interactions outside of both parties' borders and fails to explain why the behaviour of two countries when interacting with each other alone can differ from that of their interactions on the stage of a third country.

The second examines the BRI through the lens of great power competition, focusing on how the initiative could challenge the interests of established powers such as the United States or the European Union (Geeraerts, 2019; Hillman & Sacks, 2021), and how these powers may respond (Mohan, 2018; Ntousas & Minas, 2022). However, China's efforts to promote cross-border connectivity and cooperation through the BRI encounter challenges outside of the world's leading powers. Despite the disparity in capabilities between China and these regional powers, small or medium-sized powers can also obstruct Beijing's pursuit of expanding its global influence through this massive infrastructure initiative.

The third prevalent paradigm places countries along the BRI in a passive position, analysing how the grandiose development effort will affect the geoeconomics or geopolitical landscape along the Silk Road Economic Belt and the twenty first Century Maritime Silk Road (Garlick, 2020, pp. 3–13; Sheng & do Nascimento, 2021). Yet, as Mansour contends, local political economy dynamics play a critical role in shaping the BRI's trajectories and outcomes (Mansour, 2020, pp. 538–558). Moving one step further, we argue that middle powers along the BRI have an impact not only through their responses as recipient states to the initiative on their own territories, but also through their engagement with BRI projects in third countries as participants, partners, and even competitors.

In other words, this study contributes to the literature by refuting the unidirectional accounts of the impact of great powers on smaller powers in favour of a more nuanced reading that shows how middle powers can mediate the BRI as active shapers and makers. In doing so, the rest of this article is divided into three sections. The following section puts forward an asymmetric competition theoretical framework and applies it to analyse interactions between great powers and middle powers defined in terms of position, behaviour, and identity. The two sections that follow compare and contrast the UAE's competition with China in infrastructure construction in the Horn of Africa with Saudi Arabia's cooperation with China in the China–Pakistan Economic Corridor (CPEC). We explain why and how China and the UAE, two global South states with deep friendships and disproportionate levels of power, become competitors on the Horn of Africa infrastructure market under the BRI rather than successful third-party cooperation. The final section contains a concise conclusion.

Theorizing Sino-middle power interactions in the third-party market: a framework of asymmetric competition

Asymmetric competition theory, stemming from biological studies, is based on the assumption that a physically weaker species is more likely to use different types of resources or strategies than ostensibly stronger species in their pursuit of advantageous positions within a competitive hierarchy (Cameron, Wearing, Rohani, & Sait, 2007, pp. 83–93). Scholars of international relations have adapted the concept to describe competition or rivalry among political actors with varying levels of power (Womack, 2015). They argue that if a state lacks the capacity to seek impact through primacy in all aspects, it can engage in activities that its competitor rarely engages in, allowing it to better leverage its comparative advantage 'to harass rivals, win concessions, and enhance its status' (Mazarr 2018) particularly in contexts where it can do so effectively. For instance, as Hale (2023) points out, in comparison to the established power represented by the United States in the Middle East, China is a newcomer to the region and lacks the intention and capacity to challenge the US military outreach in the Middle East where China has traditionally played a minimal military role. As a result, in its asymmetric competition with Washington, Beijing employs its economic strength to ensure access to key cities, ports, and other transportation hubs through infrastructure construction and trade development, in accordance with its mantra of 'developing is an unyielding principle (*fazhan caishi yingdaoli*)', whereas the US relies on military and political agreements (She, 2021, pp. 307–308).

Today, an increasing number of scholars employ the term 'asymmetric competition' to develop 'a thicker and more complex idea of rivalry' in great power politics, particularly the Sino-American contest for supremacy (Womack, 2016, p. 1471). Going beyond that, we argue that this type of competition can occur between middle powers and great powers. In what is now a substantial body of research, middle power status is frequently identified in one of the following three ways: by *position*, *behaviour,* or *identity* (Carr, 2014, pp. 70–84). The traditional approach is to aggregate critical material criteria to determine a state's position on the international stage based on its relative capabilities. The second way to distinguish between middle powers and superpowers is through their distinct diplomatic behaviour, which Evans and Grant refer to as 'niche' opportunities to exert their power and influence (Evans & Grant, 1995, p. 344).

The third definitional category highlights a state's own adoption of the middle-power as a form of self-identification. Combining the three facets of the middle power debate, this article defines middle power as states with intent and material means to exert influence at a specific time within a specific geographic area. In contemporary world politics, the Gulf region is home to middle powers. The Global Powers Index divides the world's states into several groups, with the United States and China ranked as 'superpowers', Japan, India, Russia, and European heavyweights represented by France and Germany as 'large powers', and Brazil, Australia, Turkey, and nearly all Gulf Cooperation Council (GCC) countries as 'middle powers' (Cilliers, 2018). The UAE and Saudi Arabia are at the top of the latter group.

As petro- or gas-powers, or rentier middle powers, the Gulf monarchies derive their power from their vast natural resources, despite their limited size and small population. According to status theory, a state's status is determined not only by its material position in the international system, but also by social construction (Liao, 2019, pp. 343–372). Saudi Arabia's pursuit of a leadership role amongst the Islamic countries, as well as the UAE and Qatar's pursuit of crucial roles in shaping the Middle East's regional order, involves efforts to persuade the foreign 'other' to recognize their sense of self-worth. In doing so, these leading Gulf monarchies attempt to establish regional power identities by squeezing into the clubs of emerging non-Western states such as the BRICS bloc. Meanwhile, since the turning point of the Arab Spring, Riyadh, Abu Dhabi, and Doha have become more proactive in foreign policy by leveraging their material capabilities. They chose to engage in muscular activism during a period of significant regional uncertainty, which posed unprecedented threats to their national security while also providing opportunities to intervene in disputes and expand their regional profile (Stark, 2020).

In addition to pursuing assertive agenda through traditional hard-power assets and demonstrating military might, the leading Gulf monarchies also intend to pursue geopolitical interests through geoeconomic means. This is because geoeconomic power projection 'provides a more subtle means for seeking relative gains, with less risk of major counter-reactions' (Wigell & Vihma, 2016, p. 605). Concurrent with their transition from hydrocarbon-centered economies to post-hydrocarbon economic structures *via* national industrialization, as well as calculations for securing choke-points and exerting potential geopolitical influence, these states are positioning themselves to become regional logistics hubs and key investors of overseas public goods, including infrastructure. The expansion of the geoeconomic reach of the leading Gulf monarchies through commercial enterprises will inevitably collide with China, a rising global power with extensive state interests internationally that has proposed the most alluring geoeconomic vision of the last decade: the BRI.

In his groundbreaking work, Luttwak, who popularized the geoeconomics theory, suggested that geoeconomics is the 'admixture of the logic of conflict with the methods of commerce' (Luttwak, 1990, pp. 17–23). The grand BRI creates geoeconomic competition and conflicts of interest not only between Western established powers and the Eastern Dragon (Ross, 2020), but also between China and the middle powers of the developing world. As the global order become more multipolar, an increasing number of smaller powers express dissatisfaction with a world in which one or more major powers decide how the world should function and seek to enhance their strategic autonomy. Despite China's claims that the BRI is an economic co-operation initiative that will create investment and trade opportunities for developing countries along the New Silk Roads, the latter, especially middle powers pursuing regional primacy and influence expansion, are concerned about the BRI's geopolitical implications, which they fear will clash with their own geopolitical expectations (Kamel, 2018, pp. 86–91).

By situating the interactions between China and middle powers along the BRI in this context, our study contends that asymmetric competition best describes the statecraft of the leading Gulf monarchies. According to Hirono's definition, the asymmetry of the relationship can be interpreted both in terms of the competitors' unequal capabilities as well as the different approaches and activities they employ (Hirono, 2019, p. 835). Applying the conceptual framework to our analysis of middle powers' (de) participation in the third-party cooperation under the China-led BRI initiative, we argue that the 'asymmetric' characteristics are reflected in three dimensions: power, advantage, and strategy. First, there is an asymmetry in terms of their relative capabilities between middle powers and great powers. Not surprisingly, the former, as exemplified by the Gulf heavyweights, lags far behind China in terms of overall resource mobilization and international influence that they can leverage to compete in the infrastructure sector. They are also unable to compete with China in terms of technological expertise, construction experience, human labour force, capital flows, production capacity, or ownership of a complete industrial chain. However, this does not necessarily imply that the middle powers have no cards to play.

Here we introduce the second dimension of asymmetry in our analytical framework—'asymmetric advantage' which, according to our argument, enables a weaker player to compete with a much stronger opponent. Instead of pursuing significant influence at a global scale, as great powers typically do, middle powers with limited capacity may seek to establish local advantages in specific regions that have assumed vital roles in their geopolitical strategy. By distributing all types of resources disproportionally to one or a few regions they emphasize the most, they seek to establish structural powers that enable them to dis-embed themselves from the single cooperation framework dominated by a great power. And, in order to secure their own presence and status in a competitive global transportation route, they compete for strategic advantage in specific sectors by capitalizing on their specialized resources and capabilities, rather than attempting to act as a versatile infrastructure builder with competence across the entire industrial chain. For example, instead of competing with China in high-end, smart infrastructure products based on artificial intelligence, big data and industrial Internet, Gulf monarchies focus on specific infrastructure segments such as energy facilities and seaport construction.

Thirdly, the middle powers also employ an asymmetrical strategy. Once they devote most of their resources in particular regions, it will be enormously difficult for them to establish structural powers outside their 'spheres of influence'. Lacking the leverage to engage in competition in these other regions, the middle powers may opt to get embedded actively in the collaboration initiative proposed by a greater power. Instead of passively accepting the implementation of the latter's vision, they can use it as a trojan horse to formulate new asymmetric advantages and exert influence on reshaping the geopolitical landscape in a region where they lacked previously influence.

Third-party competition: Sino-Emirati interactions in maritime infrastructure investment in the Horn of Africa

To reveal the behavioral logic of middle power in handling the third-party cooperation under the BRI framework, this study compares the UAE's competition with China in infrastructure construction in the Horn of Africa (HoA) with Saudi Arabia's cooperation with China in China–Pakistan Economic Corridor (CPEC). Both of the two cases we chose have attracted widespread attention. While China has cited Riyadh's third-party participation in CPEC as a model for jointly building the BRI (MOC PRC, 2022), some observers see the UAE's lawsuit against Chinese state-owned enterprises as evidence of obstacles to the BRI's realization (OBOR Europe, 2019). The study investigates why the two Gulf monarchies, which are geographically close, have similar political systems, and have similar diplomatic relations with China, have such disparity in their attitudes toward participating in the BRI land-to-sea infrastructure construction in the HoA and the CPEC. This study draws on media reports, narratives of high-level government officials and state-owned enterprises from the three countries, as well as interviews with notable Chinese construction companies.

The interactions between the UAE and China in the HoA takes place in the context of a larger pattern of close cooperation between the two countries. Sino-Emirati relations have flourished in recent years, culminating in 2018, when the UAE became the smallest nation to obtain from China a highly advanced partnership known as the Comprehensive Strategic Partnership. The lighting of the Burj Khalifa in the colours of the Chinese flag to commemorate the PRC's National Day or to show support for China's fight against COVID-19, as well as the UAE's approval of a Chinese coronavirus vaccine as the first country to do so, are symbolic of the 'as deep as the ocean and as firm as a rock' (Jian, 2019) relations described by Chinese diplomats. In addition to being the UAE's largest trading partner, China has also become a major investor in the country, which is in desperate need of economic diversification through foreign investment. According to data from the Chinese Embassy in the UAE, China's direct investment in the UAE over the last few years, accounts for more than half of its total investment in the 22 Arab League members (Interesse, 2022). The infrastructure sector, with a focus on marine facilities and associated industrial parks, has been a major focus of Chinese investment, cementing the UAE's status as a Silk Road mega-hub. In exchange, the Emirates invest in the development of infrastructure along China's coast, including Yiwu, Qingdao, and Yantai.

Nonetheless, active exchanges in investment, trade, and people-to-people communication between China and UAE have not always translated into effective cooperation in third-party markets. Despite a few accomplishments represented by the joint investment of Zhongman Petroleum and Natural Gas Group, as well as Emirati companies including Al Jamal Ghurair Group and Misr Bank in the Egyptian Canal Sugar project (XSR, 2019), the two partners also compete fiercely and even clash in some instances. The Sino-Emirati competition in the infrastructure market of the HoA is a case in point.

Despite traditionally playing a modest role in global affairs and historically being a buyer of security, the UAE has adopted on an unprecedented assertive and even interventionist stance in the last decade through a flurry of international activity (El-Dessouki & Mansour, 2020). Given its proximity to major shipping ports on the Red Sea and Gulf of Aden, the HoA is of unique strategic importance to Abu Dhabi. These bodies of waters serve as a vital passageway for a significant portion of Gulf monarchies' oil and natural gas exports to Europe, as well as an essential gateway for the UAE to export goods to Africa. Abu Dhabi's involvement in the HoA region is driven by geo-political and security considerations, in addition to the geo-economic calculations. In particular, the turbulence in the Middle East following the Arab Spring, piracy emanating from Somalia, the Yemeni war, and Sudan conflict, as well as tensions between Ethiopia and Eritrea, have all made the stability of the HoA a top strategic priority for the UAE. Therefore, the UAE finds itself in a complex environment, with threats arising from the disruption of trade networks by pirates, the influx of refugees, the smuggling of weapons and drugs, and the rise of Islamists such as *Al Shabaab*, whom it considers a political enemy.

For another, the UAE closely monitors the expansion and proxy activities of its Middle Eastern rivals, including Iran, Turkey, and Qatar, and seeks to counter their influence emanating from military bases, such as Camp TURKSOM, and intimate diplomatic relations with local elites (such as Turkey and Qatar's support for Somalia's former President Mohamed Abdullahi Mohamed). These concerns prompted Abu Dhabi to assert substantial influence in the port cities across the Arab Peninsula. The importance of the HoA's security for the UAE has heightened in wake of Yemen's ongoing civil war. With a need for deployable ground forces and military bases along the Western Red Sea coast, it has supplied military equipment to Somaliland and established a logistical hub in the port city of Assab, Eritrea, to facilitate its military operations in Yemen (Hansrod, 2016).

As points out, a weaker power does not have to equal a larger power's strengths to alter the geopolitical and/or geoeconomics balance of power (Mohan, 2013). Recognizing the limitations of its population, resources and global clout, the Sheikhdom's strategy has been to establish structural power and form competitive advantages in the neighboring HoA region as a first step in its proactive foreign policy, rather than aiming for large-scale power projection. As Mahnken (2016) notes, 'Strategy has to do with how a state or other political actor arrays its resources in space and time in order to achieve its political objectives against a competitor'. The UAE has devised a strategy of allocating economic, political, diplomatic, and military resources disproportionately to the Red Sea basin and HoA, rapidly boosting its sway in this currently vital region. By assuming the role of the region's largest investor and provider of public goods, the UAE has been able to effectively leverage its asymmetric advantages against superpowers like China.

Abu Dhabi has increased infrastructure constructions in the region, viewing seaports, highways, and bridges not just as crucial sites of transport geographies, but also as an economic tool that 'promotes and defends national interests, and produces beneficial geopolitical results' (Blackwill & Harris, 2016, p. 20). Although Abu Dhabi's overall capabilities of fund mobilization, infrastructure construction and supply cannot be compared to global infrastructure giants like China, it has formulated a strategy of focusing on specific construction segments where it excels. Despite its GDP being one-fortieth of China, the UAE is the fourth-largest global investor in Africa, trailing only China, Europe, and the United States (Okafor, 2023). Investing over 5 billion in infrastructure projects and agricultural lands in the HoA for food security, the UAE has ramped up its influence along the Red Sea Corridor (Meester, et al., 2018). Drawing on its reputation as a banking node for Horn businesses and a regional financial centre, the Sheikhdom now operates in four of the seven countries bordering the Red Sea and nearly every HoA country. Its economic diversification success, centered on its role as a logistics hub, also serves as a model for neighboring countries in the Gulf.

As Mazarr et al. (2018, p. 5) points out, competition in the international realm entails the efforts to 'gain advantage … though the self-interested pursuit of contested goods such as power, security, wealth, influence and status'. The UAE's foray into the HoA reflects its growing capacity to project its asymmetric military and political powers westwards toward the region, which, in some respects, outcompetes certain superpowers such as China. Despite its growing presence in Africa, China prefers to view the continent holistically and engage in multilateral relations through the mechanisms of the Forum on China-Africa Cooperation. Beijing has not yet developed distinct strategies for every African subregion and nation. The HoA subregion, though, increasingly important to Chinese policymakers, it not a top priority in Beijing's foreign policy. The fact that President Xi did not pay a state visit to the HoA countries while visiting all other African subregions in Africa is evidence. Furthermore, as evidenced by the fact that China's Special Envoy for the HoA was not appointed until 2022, the Chinese government has long refrained from acting as a security provider to resolve local disputes to avoid becoming embroiled in the region's political quagmire.

As a medium-sized regional power, the UAE's approach to the Horn is diametrically opposed to that of China. It has long sought and actively worked to expand its military and economic dominance in the region. This approach has fortified the Emirati leadership's bargaining position in negotiations with Horn countries regarding construction of seaports. For instance, Abu Dhabi's close ties with Somali regional governments in Somaliland and Puntland, reinforced through its support and training of security forces, enabled Dubai Ports World (DPW) to secure a 30-year contract to operate a regional logistics hub at the Port of Berbera. The UAE's leading mediation efforts in the Ethiopia-Eritrea reconciliation has further provided leverage to develop a logistics corridor linking Ethiopia to the Port of Berbera that will encompass dry ports, warehouses, cold chain depots, and other facilities (Nair, 2021). Beyond negotiation tactics in the HoA and across the Gulf of Aden in Yemen, the UAE has also been strategizing to deploy coercive measures to build seaports. Almost all of Yemen's strategic port cities (including Aden, Mukha, Mukalla, Bi'r Ali, and Radum) (*Islam Times*, 2023) have been captured by the so-called 'Little Sparta' (Chandrasekaran, 2014) and its proxies as part of the Saudi-led coalition fighting Houthi rebels since 2015.

In her policy analysis, Fei Tong, Associate Researcher affiliated with the Chinese Academy of Social Sciences, a ministry-level institution under the State Council of the PRC, notes that 'by strengthening cooperation with the UAE under the framework of the BRI, China can benefit from the UAE's external influence capacity, and thus boost China's third-party cooperation in Africa' (Tong, 2020, pp. 156–157). To persuade the UAE to collaborate, China's top leadership has prioritized the issue in their high-level discussions with the nation. For instance, during a 2015 meeting with then-Crown Prince of Abu Dhabi Sheikh Mohamed bin Zayed Al Nahyan, President Xi expressed China's willingness 'to work with the UAE … to actively explore the third-party market cooperation in Africa' (MFA PRC, 2015). This sentiment has been echoed in subsequent interactions between President Xi, Foreign Minister Wang Yi, and Emirati policymakers in recent years (MFA PRC, 2017, 2019). The most authoritative newspaper in China which 'represents the voice of the central government' (Cheng, 2009), People's Daily (*renmin ribao*), cited the UAE's Minister of Economy's verbal endorsement of engaging in third-party market collaboration with Beijing, showcasing this partnership as a new model of international cooperation initiated by China (People's Daily, 2019).

However, there is a mismatch in the goals pursued by China and the UAE. Abu Dhabi is reportedly vexed by China's assertive growth in the global infrastructure sector (Turak, 2019), particularly in areas of vital interest to the UAE, like the Horn of Africa. China, already holding a sizable share of the global infrastructure market, continues to expand its influence in strategically important regions and sectors. This expansion heightens the competitive environment in areas the UAE deems crucial for its interests and influence. Moreover, the UAE is apprehensive that Beijing's new large-scale infrastructure projects could reshape existing trade patterns, geographies of production and consumption, and the connectivity of powerful states with landmasses and landlocked countries. Meanwhile, as part of its strategy to become a commercial and logistics hub, the UAE has supported separatist movements in Southern Yemen along Yalong strategic coastlines to safeguard its shipping lanes in the Red Sea (Johnsen, 2022). As Mazel (2019) points out, conceding these ports and shipping lanes to the BRI would undermine the UAE's goals, a concern heightened by China's delicate balancing act among various Yemeni factions (Milliken, 2023) and its close ties with Saudi Arabia, which backs Abd-Rabbu Mansour Hadi.

In this situation, the UAE has been cautious about entering into third-party collaborations with China in the HoA under the BRI. As an established player with a strong foothold in the region, the UAE shows little interest in the business opportunities offered by the BRI projects in the HoA states. Instead, the Emirati leadership is more concerned about China's increasingly involvement in the region through the BRI potentially shifting the regional geoeconomic and geopolitical landscapes, which could threaten its strategic plans and independence. Sultan Ahmed bin Sulayem, the chairman of DP World, which is the Emirati state-owned port operator, openly expressed concerns at the January 2019 Davos World Economic Forum about the expanding footprint of Chinese companies in the region. He criticized the practices of some Chinese state-owned companies as 'predatory' (Turak, 2019).

As a prominent policy influencer, bin Sulayem is not only a business leader but also the head of a government department in charge of the Dubai customs workforce. His critical remarks about Chinese-owned companies have had a significant impact on China's reputation. It is uncommon for a high-level official from a typically China-friendly country, particularly in the Global South, to publicly express such concerns. Moreover, the UAE and China's contradictory positions on Somaliland further limit the possibility of third-party collaboration. Abu Dhabi's engagement with Somaliland, which declared itself independent, was partly in response to the Somali administration's refusal to support the UAE in its dispute with Qatar. Beijing's relationship with Somaliland has cooled recently, owing primarily to the latter's close diplomatic interactions with Taiwan, matter of high sensitivity and 'core interest' for Chinese policymakers in *Zhongnanhai* (Zeng, Xiao, & Breslin, 2015, pp. 245–266).

The origin of the Sino-Emirati rivalry in the HoA stem from their disagreements over the Doraleh port project in Djibouti. Doraleh, situated 5 km west of Djibouti city, is a multipurpose port with terminals for handling oil, bulk cargo, containers, and livestock. In 2004, Djibouti reached an agreement with DPW to jointly develop the Doraleh Container Terminal, with DWP holding 33.34% of shares and Port de Djibouti S.A. (PDSA) owning the rest. DPW was granted exclusive rights to Djibouti's port and free zone operations, including container handling. However, shortly after the port opened in 2009, the Djibouti government expressed dissatisfaction, with the agreement, citing unfair terms, the financial damages caused by DPW's mismanagement of the port, and the bribes DPW allegedly paid to several government officials (Smith, 2014). The dispute between the UAE and the government of Djibouti heated up in 2012, when Djibouti sought to replace DPW with Chinese infrastructure companies. This led to China Merchants Port (CMP) acquiring a 23.5% percent stake in PDSA for $185 million (JOC Staff, 2013), marking its entry as a new shareholder in the Doraleh Container Terminal project and concurrent development of the Doraleh Multi-Purpose Port (DMPP).

Abu Dhabi's request to use Djiboutian territory for military operations against Yemen exacerbated tensions between the UAE and Djibouti, with the UAE accused of pursuing an 'interventionist' policy. The situation peaked in 2018 when Djibouti terminated DPW's operations in the country. This prompted the Dubai-based port operator to file multi-billion dollar claims against both the government of Djibouti and the CMP, viewing the CMP as the sole beneficiary of these developments. Over the years, the DP World has pursued multiple legal actions in international courts and tribunals, securing eight favourable decisions against the Republic of Djibouti with total damages owed to DP World exceeding $686.5 million USD. In a recent lawsuit against the CMP in the Hong Kong High Courts, the DP World achieved a win with CMP ordered to cover legal costs and its request for a second appeal denied (DP World, 2022).

For China, this dispute is frequently viewed as a hindrance and setback for the BRI, which is Beijing's key global projects in the last decade (Lo, 2019). Notably, the Sino-Emirati tension has also spread beyond the Djibouti's borders. Amidst escalating disagreements over Somaliland, both Abu Dhabi and Beijing have embarked on competing projects. While Beijing focusses on upgrading the existing Djibouti-Ethiopia corridor, Abu Dhabi has developed a new corridor from the DPW-operated Berbera port in Somaliland to Ethiopia (Antonopoulos & Garcia, 2020, pp. 107–122).

Third-party collaboration: Sino-Saudi interactions in maritime infrastructure investment in China-Pakistan Economic Corridor

Saudi Arabia ranks higher than the UAE on China's foreign policy agenda, a status influenced not only by its population and GDP size, but also by its significant oil production and proven reserves as a leading OPEC member critical for global energy security. Furthermore, Saudi Arabia's role as the custodian of the Islamic holy sites of Mecca and Medina adds to its importance. Therefore, it is not surprising that Saudi Arabia was the first destination on President Xi's inaugural Middle East trip after assuming power and one of his early visits post-COVID-19 pandemic. Nonetheless, Sino-Saudi relationship is shaped by divergent social systems and ideologies, as well Riyadh's special ties with Washington, based security alignment. As a result, Riyadh has been more cautious in expressing friendship with China than Abu Dhabi. Saudi Arabia has rarely used Chinese red to illuminate its landmark buildings and was one of the states that denied entry to travellers vaccinated with manufactured Covid-19 vaccines manufactured in China (Nigam, 2021). Despite these nuances, Saudi Arabia is now among the most engaged Arab countries in pursuing in third party cooperation with China under the BRI, and its role as a third partner in the CPEC is a model praised by Beijing (Song, 2022).

Unlike the HoA, which lacks the proximity of a major power, Pakistan shares a substantial 500-km-long land border with China. Not long after the founding of the PRC, the mutual need to oppose the Soviet Union and India brought the two sides close together. The continuation of Sino-Pakistani military ties in the post-Cold War period led to the growth of bilateral economic ties. Pakistan is seen as highly receptive to Beijing's influence, as China is not only its largest trading partner, but also its main source of arms and a strategic guarantor against India. Reflecting the depth of this relationship, Beijing uses a unique term to describe their 'iron brotherhood': 'all-weather strategic cooperative partnership (*quantianhou zhanlve hezuo huoban*)'. This signifies that the Sino-Pakistani friendship is steadfast, enduring despite shifts in the international, regional, or domestic political climate (TSC PRC, 2020). In the Chinese diplomatic, this ranks just below the China-Russia partnership.

Besides China, which demonstrates a significant power projection capability in its periphery, Saudi Arabia's influence in Pakistan is also limited by Iran. Despite the many ebbs and flows in the history of relations between Tehran and Islamabad, Riyadh has found it difficult to decouple them due to their intertwined economic, security, and geopolitical interests. Because of this interdependence, Islamabad has refused to join forces with Riyadh against Tehran's growing influence. Former Pakistani Prime Minister Imran Khan, for example, refused to take part in the Saudi-led Arab Coalition's military intervention in Yemen in 2015. Furthermore, in 2021, Saudi Arabia demanded that Pakistan repay a $1 billion loan after Khan called for a stronger stance from the Saudi-led Organization of Islamic Cooperation (OIC) on India's actions in Kashmir, an move that infuriated the Saudi monarchy (Chaudhury, 2020).

In comparison to the HoA, the Gulf monarchies face greater challenges in establishing structural power in Pakistan and the broader Indian subcontinent. In January 2023, Riyadh stepped up its investments in Pakistan, contributing $0.988 million (CECI Data, 2023). Yet, this amount falls short of China, which led the countries sending FDI to Pakistan during the same time period with a sizable $68.4 million (Ahmed, 2023). Although Pakistan's

Sunni-majority population offers a potential avenue for Saudi religious soft power and political influence, Riyadh has been wary of overly aligning itself with Islamabad based on their shared Islamic faith. Riyadh's cautious approach is evident in its decision not to maintain a distance with India, as well as its reluctance to convene an OIC meeting of foreign ministers to support Pakistan on the Kashmir issue (Dawn Staff Reporter, 2020).

In Pakistan, the Gulf monarchies face the opposite scenario to their role as security providers in the HoA. Riyadh expects Pakistan, the sole nuclear power of Muslim Ummah, to alleviate its security concerns by providing military training to Saudi troops and conducting joint exercises with Saudi forces on a regular basis. Beyond security, the oil-rich Kingdom of Saudi Arabia has other geoeconomic and geopolitical interests in South Asia. The region provides labour force needed by the Kingdom, and its growing demand for energy resources helps shore up Riyadh's energy export revenues. Therefore, occasional tensions have not impeded Riyadh's efforts to reinforce strategic bilateral cooperation by pouring money into cash-strapped nations.

Importantly, the capacity of middle powers 'to think out and implement coping strategies somehow compensates for their material weakness' as Baldacchino and Wivel (2020, p. 11) note. In his analysis of middle east powers' behavior, Thorhallsson (2010) contend that lesser powers that lack sufficient capabilities tend to depend on economic and political shelter provided by stronger powers. Realizing its limited resources to establish an asymmetric advantage in regions like the South Asia, Riyadh is looking to strengthen its power penetration in the region by leveraging China's BRI. While the BRI 'continues as a venue for great power politics' it also offers middle powers a 'platform … to maximize their influence', according to Wivel (2020, pp. 99–112). In doing so, it becomes a co-investor in the China-led CPEC megaproject, which offers immense opportunities and commands the local government's attention. The removal of Khan and the ascension of Shahbaz Sharif, who, unlike his charismatic predecessor, takes a more pragmatic approach, provides Riyadh additional opportunities to capitalize on its largess.

Unlike the maritime infrastructure projects in the HoA, which include numerous small and medium-sized port construction projects, the construction of the massive CPEC projects is technically demanding and costly. The CPEC is a sea-and-land based corridor that aims to connect the Pakistani Gwadar Port to China's north-western province of Xinjiang. It is a flagship project of the Belt and Road Initiative (BRI) and a key element of the connectivity between 'six corridors and six channels serving multiple countries and ports' proposed by Beijing. The centrepiece of the project is Pakistan's deep-water Gwadar port on the Arabian Sea, considered the gateway to the Persian Gulf and Central Asian countries. As the CPEC's oceanic outlet, Gwadar Port has the potential to efficiently connect the neighbouring countries, thereby promoting the economic and commercial development of the region.

In the 2000s, the first two phases of construction at Gwadar Port had already been completed at a cost of $848 million (Conrad, 2017, pp. 55–62). Owing to the port's inadequate roads, airports, and telecommunications, as well as lack of professional berths for coal, ore, containers, oil and gas, and access to neighbouring economic and population centres, its role in Pakistan's and regional maritime trade has remained limited (Khetran & Saeed, 2017, pp. 447–461). In this context, the Chinese and Pakistani governments proposed plans to expand the Gwadar Port—the largest deep seaport in the world—and enhance its scope and capacity. Given the barren land in Gwadar Port, the dry and hot climate, the lack of precipitation, and the severe soil desertification, the natural local conditions are not conducive to the construction of a new, modern port, posing a significant obstacle to the construction process (Shelton & Dixon, 2023). The ambitious large-scale systematic project was initially estimated to bring $46 billion in investment to Pakistan, but later estimates increased this figure to around $65 billion (Islamabad, 2021).

On February 17, 2019, the governments of Saudi Arabia and Pakistan signed seven bilateral agreements and Memorandums of Understanding (MoU) worth approximately $20 billion (Ministry of Commerce of People's Republic of China [MOFCOM PRC], 2019). The involvement of cash-rich Saudi Arabia as a new benefactor in the Gwadar port development alleviates China's financial pressure, but it also ends Beijing's solo leadership run in the project. The preeminent power on the Arabian Peninsula has its own investment plans for the Gwadar port, which is located near the Gulf and Strait of Hormuz and is 120 kilometres from the Iranian border. To date, the majority of Riyadh's investments have focused on oil facilities and transportation infrastructure. According to the Saudi-Pakistani MoU, the two countries have agreed to build a $12 billion state-of-the-art deep conversion refinery and a petrochemical complex, which has been reinstated on the agenda (Press Trust of India, 2022).

Turning Gwadar into an oil city is anticipated to not only ramp up Saudi Kingdom's fuel oil exports to Pakistan, a rapidly growing Asian economy, but also fits into Riyadh's wider engagement with Pakistan to gain a foothold at the doorstep of its bitter rival Iran. Building a refinery in Gwadar—a port city near Iran's 800-km-long border with Pakistan and investing in the corridor between the Gwadar Port and Reko Diq close to Iran's Sistan-Balochistan province where Sunni militants are active adds a layer of complexity to the Saudi-Iran power struggle in Pakistan (Shams, 2018). Moreover, the establishment of an oil city in Gwadar with its petrodollar diplomacy is also likely to reduce Beijing's oil imports from Iran, as newly created oil facilities in Gwadar will shorten the time spent transporting oil from Saudi Arabia to China.

Riyadh's strategies also include participating in the Gwadar East Bay Expressway and New Gwadar International Airport projects as part of its efforts to alter the energy and political landscape in Iran's eastern vicinity. Connecting Gwadar to the main artery of the Pakistan's national road system would facilitate the flow of energy (The CPEC Portal, 2020). Meanwhile, increasing the port's long-distance transportation capacity diminishes Iran's geopolitical advantage derived from its geographical proximity to Pakistan. These efforts, combined with Saudi Arabia's obstruction of the long-planned and ambitious Iran-Pakistan Gas Pipeline project (Dabhade, 2023), aim to stifle the burgeoning Tehran-Islamabad ties that could be fostered by infrastructure projects such as the construction of highways and natural gas pipelines connecting Chabahar to Gwadar. Riyadh, by extending its connectivity with the Indian subcontinent and undermining both Pakistan's and China's dependence on Iranian energy, endeavours to consolidate its asymmetric advantages in the region. In this context, Saudi Arabia's promotion of the trilateral cooperation under the BRI serves as a trojan horse for advancing its geoeconomic and geopolitical strategies, which markedly diverge from China's approach of increasing its Asian influence through regional integration. This strategic divergence becomes apparent when comparing Saudi Arabia's initiatives with China's efforts to strengthen ties with Iran, as evidenced by the strategic cooperation agreement signed two years ago, and China's role in facilitating the Saudi-Iranian rapprochement in March 2023. Instability caused by geopolitical divisions and competition in neighbouring regions is the last thing that China wants.

Notably, Saudi Arabia is not the only country interested in participating in the Gwadar projects as China's BRI partner. With similar motivations as its neighbouring Arab power, the UAE, which is engaged in fierce competition with China in the Horn of Africa and has sued the Chinese state-owned CMP, aspires to join the bandwagon. This is evidenced by the UAE's promotion of the Karachi Gwadar Gulf Express, a ship container service named connecting Abu Dhabi, Jebel Ali, and Sharjah with Gwadar Port that aims to provide goods and facilities to residents of the Pakistani port city (Staff Report, 2018). The UAE is reportedly exploring opportunities in logistics, port facilities, and oil and gas infrastructure, as well as co-investing billions of dollars with Saudi Arabia and Pakistan to build a new refinery in Gwadar (Ahmadani, 2022).

Conclusion

This article explores the seemingly divergent paths of development in third-party markets under the BRI, specifically cooperation between China and Saudi Arabia in the CPEC projects and competition, and the competing interests and conflicts between Beijing and Abu Dhabi in the HoA. Through comparative analysis, we argue, that middle powers like the leading Gulf monarchies, can seek advantageous positions in competition with greater powers by adopting distinct resources and strategies.

In their quest for strategic autonomy and regional hegemony as means of demonstrating their middle power status, these Gulf monarchies exhibit what Sun and Zoubir (2020, pp. 677–692) refer to as their 'latent power'.

This involves providing public goods, such as infrastructure, while also pursuing a more assertive agenda through the use of traditional hard-power assets and military might. The UAE's expansion in its neighbourhood, particularly in commercial enterprises, will inevitably encounter and intersect with Chinese interests, a rising global power with broad international stakes. By leveraging its structural power in the HoA, the UAE seeks to distance itself from third-party cooperation with China under the BRI, instead choosing to independently engage with local political actors, especially in marine infrastructure segments.

In the South Asia where they have not yet established structural power, the Gulf heavyweights take a different approach. For instance, Saudi Arabia is eagerly integrating itself into the China-dominated CPEC framework. Through strategic investments in transportation infrastructure and oil facilities, Riyadh is preparing to establish its asymmetric advantages through third-party cooperation with China under the BRI, and to use this opportunity to influence the energy and geopolitical landscape in South Asia and East Asia to its advantage.

Unlike the contemporary geoeconomic and geopolitical literature which focuses primarily on big power competition, our research points out that middle powers can demonstrate remarkable comparative advantages over great powers in certain regions and sectors. Despite the common perception that middle powers are passively caught between great powers, our analysis indicates that these political actors, even those with small territorial size and limited population, can leverage their asymmetric advantages to affect the interaction patterns between themselves and great powers. This supports Mazarr et al.'s (2018) claims that global competition patterns are becoming increasingly complex and diverse, with distinct types of competition prevailing in different issue areas.

Our research suggests the critical importance of evaluating bilateral relations across multiple dimensions. Since Beijing readjusted the BRI by promoting 'third-party cooperation', Chinese strategists have had high expectations for China-friendly partners. However, as shown by our findings, a state that establishes a high level of partnership with China, supports Chinese positions on Taiwan, Hongkong and Xinjiang issues, and enthusiastically embraces the BRI does not necessarily become natural allies with Beijing in development of the third-party market under the BRI. A piece of empirical evidence that may support our argument from the opposing side is the fact that most governments that have already signed third-party cooperation agreements under the BRI, including Japan and the United Kingdom, are countries that frequently engage in severe disputes with China.

All in all, contrary to Beijing's assumption that 'developing countries are China's natural partners and reliable allies' and its original intention of 'expanding the vast space for South-South cooperation' through the BRI (MOFA PRC, 2021), our findings show that cooperation is not the only interaction model between Global South states under the BRI. Competition and conflicts can also arise between China and its Southern allies, and China is not always in a favourable position despite its overall greater capacity as an emerging great power. Even in the case of harmonious collaboration, a dynamic analytical perspective reveals that the early embedding of a medium Southern power may pave the way for the creation of an asymmetric advantage later. Contrary to many observers' perceptions that the BRI is 'China-centric' (Miller, 2022), once the Eastern Dragon incorporates an increasing number of Southern countries into the framework of the BRI, the latter will not merely act as passive participants, but rather as active shapers that make the BRI 'as it is' (Mansour, 2020, 546), whether in the direction its original proponent intended or not.

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