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Sino-Omani Relations in the Age of the Belt and Road Initiative: A Win-Win Opportunity for the Sultanate?

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Abstract

First announced in 2013, China's plan to revive the ancient Silk Road and ocean trade routes under the auspices of the Belt and Road Initiative (BRI) has been described as the "project of the century." Due to its geographic position, stable governance, and diplomatic neutrality, Oman has come to play a key role in the BRI. Nevertheless, the Sultanate has often been overlooked by scholarship and has featured somewhat as an afterthought, especially compared to the studies of Chinese relationships with regional heavyweights, such as Iran and Saudi Arabia. In this context, this article explores Oman's role in the BRI initiative, and critically evaluates the potential impact of Chinese developments on Oman's national sovereignty and socio-economic development. It argues that Oman stands to gain much from the transforming Sino-Omani friendship and potentially achieve a win-win outcome, largely due to Oman's unique bargaining position in comparison to other countries involved in the BRI. The article begins by offering an introduction to the BRI and discussing the scope of the project. It then moves on to contextualize Chinese investments in Oman within a longer history of economic relationships between the Sultanate and China. Finally, it examines the pros and cons of Oman's increasing entanglement with China and asks to what extent the BRI can be strategically leveraged by the Sultanate.

Keywords: Oman; China; the Belt and Road Initiative; dependency theory; economic development

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Since Chinese President Xi Jinping's 2013 announcement of his ambitious plan to revive the ancient Silk Road and ocean trade routes under the auspices of the Belt and Road Initiative (BRI), Oman has become an attractive partner for realizing this aspiration. The Sultanate is well-positioned on the axis of the Arabian Gulf and the Indian Ocean, enabling it to act as a regional hub between the GCC states, coastal East Africa and Asia. It also possesses accessible trade routes and attractive transit times to the globe's emerging markets.[1] Indeed, China's maintenance of strong relations with Oman is paramount to making the BRI a successful venture, which has subsequently led policymakers in Beijing to fund numerous bilateral projects including the financing of extensive industrial zones in the Omani ports of Duqm and Sohar. These investments, however, have been met with a mixed response amongst experts and key stakeholders. On the one hand, there is cause for concern about the potential downfalls the Sultanate could suffer as a result of engaging with the BRI. Some have suggested that the infrastructure project is intended to export the Chinese model and undermine sovereignty, primarily through setting debt traps for countries that cannot repay the Chinese loans. [2] On the other hand, the BRI offers Oman a plethora of opportunities: the circumstances to project its reach into territories and regions that were once within its sphere of influence during its time as a maritime imperial power, going as far as coastal East Africa and Gwadar in present-day Pakistan[3]; the potential to develop academic partnership programs and curriculum cross-fertilization, and most importantly; the means to successfully diversify the economy of the Sultanate away from oil and gas.

Despite Oman's strategic importance to the BRI, China's affairs with the Sultanate has often been overlooked by scholarship and has featured somewhat as an afterthought, especially compared to the Chinese relationship with regional heavyweights such as Iran and Saudi.[4] Its omission from studies of the BRI has obscured the extent of China's interests in Oman and does not fully represent Oman's strategic importance for China. In this context, this article explores Oman's role in the BRI initiative, and critically evaluates the potential impact of Chinese investments on Oman's national sovereignty and socio-economic development. It argues that Oman stands to gain much from the growing Sino-Omani friendship and potentially achieve a win-win outcome, largely due to Oman's unique bargaining position in comparison to other countries involved in the BRI. Placed perfectly at the crossroads between East and West and with a strong reputation for neutrality, Oman has the unique capability to balance the interests of numerous powers, making it less likely to fall completely within the sphere of Chinese influence. To understand the importance of the Sultanate within a framework of Chinese expansion, I begin by offering an introduction to the BRI and the scope of the initiative. I then move on to contextualize Chinese investments in Oman within a longer history of economic exchange between the Sultanate and China. Finally, I examine the pros and cons of Oman's inclusion in the BRI project and ask to what extent this inclusion can be strategically leveraged by the Sultanate in the years to come.

The Belt and Road Initiative

In concrete terms, China's One Belt, One Road Initiative—announced in 2013 and later rebranded as the Belt and Road Initiative—is an ambitious transcontinental development campaign through which China wishes to boost trade and stimulate economic growth across Asia, Africa, Oceania, and Europe. It intends to realize this plan by building extensive infrastructure connecting mainland China to countries large and small across the globe. Seventy-one countries have already signed up to the Belt and Road, representing half of the world's population and a quarter of global GDP.[5] Estimates of the BRI's investment value differ dramatically. By some expert estimates, China plans to pump roughly $150 billion into projects in these countries each year. In 2017, rating agency Fitch released a report stating that an immense $900 billion in projects were either planned or underway.[6] Estimations on the more extreme end of the scale predict China's overall expenses over the lifespan of the BRI to reach $1.2 to 1.3 trillion by 2027.[7] In any scenario, the initiative will definitively be the most expensive infrastructure project in history.

Described by President Xi Jinping as the "project of the century," the BRI operation has grown from an initial focus on energy to encompass manufacturing, the Internet, tourism, and all areas of trade.[8] Indeed, since its announcement in 2013, two aspects have become glaringly clear. Firstly, the Belt and Road Initiative is intended to be a journey—even a grand narrative—and not a series of separate one-off infrastructure projects. Secondly, it is much more than an outward program of investment. Indeed, the overall ambition of the Chinese state is to improve connectivity—both culturally and economically—across all of the world's continents. The aim for the BRI is thus to increase the general development and prosperity of all countries who sign onto it and create a new and updated Silk Road fit for the twenty-first century.

As suggested in its original name, the "One Belt, One Road" consists of two different segments for realizing these goals of economic cooperation and interconnectivity. The first route is a land bridge known as the "Silk Road Economic Belt": a series of land-based corridors including roads, railways, and pipelines connecting China with its neighbors, beginning with closer countries in South East and West Asia and spanning further as far as Northern Europe. The second is the "21st Century Maritime Silk Road," an expansive sea route made up of coastal developments and ports starting at China's eastern provinces and going on to the Gulf, Oceania, East Africa, and the Mediterranean.

Oman is one of the seventy-one countries to sign up for the BRI, and the state is seen by China to have an extremely important role to play. As outlined by the Chinese ambassador to Oman Yu Fulong, "Oman is in the middle of China's Maritime Silk Road, which passes through the Strait of Malacca to India and Sri Lanka, and then goes on to Europe."[9] Furthermore, due to the country's membership to the World Trade Organization (WTO) and Gulf Cooperation Council (GCC), it can successfully provide a channel for Chinese goods (made in China or in Oman) to enter the emerging markets of countries within the Middle East, East Africa, and beyond. As such, Oman is understood as a key maritime partner which could act as a crucial transit point for increasing economic interconnectivity under the BRI, both due to its geostrategic location between these regions and the Sultanate's positive neutral reputation on the international stage.

A History of Sino-Omani Relations: From Ancient Ties to the BRI

A contextualization of the historic relationship between China and Oman is paramount for understanding both the current relationship between the two countries and China's ambition to make the Sultanate a key partner in the Belt and Road project. As scholars such as Zhibin Han and Xiaoqian Chen have pointed out, the long history of commerce and communication between China and Oman—largely flourishing during the age of the ancient Silk—is an important underpinning to the BRI.[10] Not only did it serve to manifest the mutual trust and respect in diplomatic communications both countries currently maintain, but it also fostered the close economic contact which they share today. This historic relationship of trade has largely guided China's BRI narrative when considering Oman—both publicly and privately—and has been used to strengthen the Sino-Omani dialogue.

Since ancient times the Indian Ocean has been a central hub of maritime traffic and commerce, with modern-day China and Oman being home to many seafaring merchants who traded through these waters. During the Tang Dynasty in the 7th and 8th centuries—the period in which the "Silk Road" experienced its Golden Age—sea-borne trade between China and Arab countries increased considerably.[11] In order to develop overseas trade, the Tang Dynasty established superintendencies of merchant shipping in Guangzhou. This site would become a key location for Arab merchants—including many Omanis—to settle and do business.[12] Instances such as this are a testament to China and Oman's long histories of forging ties both East and West across the oceans.

Following centuries of long-standing economic exchange, the two countries witnessed a brief period of hostility during the Dhofar rebellion in Oman between 1962 and 1975. During this spell of civil unrest against the Sultan led by the Dhofar Liberation Front—a separatist insurgency influenced by Arab nationalism and Marxist-Leninism—China provided moral, financial, and military assistance to the rebels in Oman. China also engaged in training Dhofari agitators in China, and in some instances deployed Chinese military advisers to support the uprising.[13] While the Dhofar rebellion took a toll on the economic relationship between the two states, Sino-Omani relations witnessed an unprecedented intensification after they re-established diplomatic ties in 1978. The export volume from China to Oman almost doubled in less than a decade, from $5.85 million in 1976 to $9.06 million in 1983 and to $10 million in 1986.[14]

At this time, China also began to view Oman not only in terms of its geographical importance but also through the locus of its abundant oil resources. The need of the Chinese state to secure long-term energy supplies led them to alter their foreign policy towards the Gulf, and in 1983 Oman became the first Arab nation to export oil to China.[15] Since then, the key axis around which Chinese-Omani relations have revolved has been energy cooperation and oil trade. According to a report by the US Department of Energy, China is Oman's largest export market for petroleum, receiving 70% of Oman's crude oil exports in 2017.[16] By December 2018, this percentage has increased to 87.23%, according to a report by Oman's Ministry of Oil and Gas.[17]

In this way, strong commercial bilateralism has been a hallmark characteristic of the Oman-China relationship practically since the conception of both nations. Apart from a period during the 1960s and 1970s, the two states have been increasingly engaged in economic change, and the volume of trade has grown substantially over the past century. While economic cooperation between the two countries has been the driver of their friendship, the end of the twentieth century also witnessed firm support from both parties toward collaborating with each other on other core interests, such as countering piracy and hosting forums focusing on scientific development.[18] Thus, when President Xi Jinping announced China's plans for the "New Silk Road" at a conference in Kazakhstan in 2013, it came as no surprise that Chinese policy-makers immediately set their sight on the strategically well-located Muscat, seeing the great potential in the Sultanate for mutual development and cooperation.[19] On an official visit to Muscat in May 2016 Chinese State Councillor Wang Yong stated that China considers Oman a key partner in materializing the BRI, and believed that the China-Oman relationship should assume a new significance.[20] This sentiment was shared across the board with high-level Chinese officials, and in the same year the Vice Minister of Commerce Qian Keming stated that China wanted to "expand the cooperation [with Oman] to areas of building free trade zones, energy and clean energy utilization, and services."[21]

As of yet, the main development in Oman as a result of increased Chinese interest and BRI integration has been the China-Oman Industrial Park in Duqm, which is playing a critical role in boosting Chinese-Omani cooperation.[22] Forming part of the Duqm Special Economic Zone (SEZ), the largest of its kind in the MENA region (with a landmass larger than Singapore and Bahrain combined), the project so far has an estimated investment cost of 67 billion yuan (approximately $9.5 billion). Duqm is located in the southeastern al-Wusta region of Oman on the Arabian coast, placed perfectly as an important connecting point for the Maritime Silk Road between China and trade routes leading to Europe and East Africa. At Duqm's conception, the Omani government introduced measures to cut red tape surrounding the SEZ, for instance by giving the zone its own municipal governing body known as the Duqm Special Economic Zone Authority (SEZAD). SEZAD has since introduced a series of preferential policies and economic incentives within Duqm in a bid to attract more foreign investment, assist the Sultanate in its aim to diversify the economy, and to provide a better environment for cooperation.[23]

The China-Oman Industrial Park was one of the first major projects to be announced for Duqm, and its construction has been regarded as hugely important for maintaining strong ties between the two countries and an investment into continuing their economic cooperation. Indeed, Yahya al-Jabri, Chairman of the Special Economic Zone Authority of Duqm, stated that "projects at the industrial park deepen the political and trade relations between the two countries."[24] From a plan of the park released by Chinese consortium Oman Wanfang, this newly built industrial city will consist of a heavy-industry park with an oil refinery, power plant, cement factory, and other mineral processing facilities, in addition to a light-industry park which will include assembling plants, a residential zone, and solar factories.[25] The plan is for the construction of these facilities to support the general diversification of Oman's economy from its traditional reliance on oil and gas, as well as make the country's workforce more technically focused and expand the Omani private sector.

A Worrisome Development or Unparalleled Opportunity?

As the scope of BRI has continued to grow, some experts and stakeholders have warned that the lack of regulation surrounding the BRI puts countries who hope to harness the BRI's benefits at risk of becoming ensnared in debt traps. Brussels-based scholar Ramon Pacheco Pardo, for instance, has suggested that the BRI's source of financing is underscored by China's use of economic inducements to gain influence in target countries and that the initiative is, in reality, a subtle hegemonic ploy.[26] Countries such as Djibouti and Sri Lanka provide a degree of credibility to this claim; in both cases, Chinese capital loans have gone to infrastructure projects under the aegis of the BRI. Subsequently, unable to pay back their debts, they have been forced into debt-for-equity arrangements, leading them to hand over large stakes in key ports and military bases.[27] The case of Hambantota port in Sri Lanka—built by Chinese loans which could not be sufficiently serviced by the Sri Lankan government, leading to the port later being handed over to Chinese state-owned company China Merchant Port Holdings on a ninety-nine-year lease—has caused much wariness and concern.[28] As a result of episodes like this, a number of other countries once positive about the BRI have since changed their tone, including Malaysia and India. Many are now fearful that if they allow the Chinese project to take effect in their respective countries they will not only have to sign away large assets over to the Chinese, but also become completely dependent on Chinese capital, Chinese labor, and Chinese products.

At the same time, others have argued for a more nuanced understanding of the

BRI. For instance, a recent report by the Lowy Institute, "Ocean of Debt?," is critical of the claim that China is deliberately engaging in "debt-trap diplomacy" and planned seizure of assets from other smaller countries. While not dismissing the risks of taking large loans from China, it argues that it is unjust to point the finger solely on China and that such instances of "debt traps" have not been intentional ploys.[29] Rather, factors such as small populations, fragile economies prone to external shocks (such as oil price hikes), and weak (or corrupt) institutions of government, have made smaller states profoundly *vulnerable* to their debts to China becoming unsustainable. Indeed, as some have pointed out, it is normal political exercise for an emerging superpower with the size and wealth of China to want to increase its influence abroad and build strong economic partnerships with smaller nations, and should be expected, especially in a time when the country is engulfed in a trade war with the US and being hit with wave after wave of tariffs.[30]

Moreover, critical interpretations of the BRI often fail to account for the potential benefits and even need, of such an enterprise, for many small states in the current global economy. For Oman, a narrow focus on oil and gas no longer works or is a viable option for long-term economic development. The country's oil reserves remain one of the lowest among neighboring Arab states, and sustained focus on the oil and gas industries has hampered economic diversification by constraining the amount of resources available for research and development. Thus, by participating in BRI investment and projects, Oman can achieve economic diversification at a much faster pace than it would otherwise be able to achieve. With Oman's "Vision 2020" and the more recent "Vision 2040" emphasizing human capital development, knowledge-based industries, information technology infrastructure, private sector-supported initiatives, healthcare, foreign direct investment, and e-commerce, there is much room for Oman to harness the financial backing of China to achieve the robust logistics and infrastructure links necessary to promote this downstream diversification.[31]

Furthering this point, the BRI also offers immense opportunity for Oman to expand its tourism industries, including Arabic theme parks, cultural tourism destinations, and global merchandising. Over the last few years, Oman has adopted a bullish growth outlook in terms of its tourism sector, and it is expected by researchers and analysts alike that there should be an expected positive growth momentum over the next decade in this field.[32] With the Sultanate expecting to see a large increase in tourists visiting the country due to an already impressive amount of investment, it is clear that further development in tourism industries using Chinese capital would not go to waste.[33] Harnessing the BRI thus is likely to open avenues for joint projects in heritage tourism, food and beverage services, hotels, and wildlife activities, which in turn offers the potential for opening new doors for unemployed youth and local communities who wish to be employed in areas outside of the traditional industries.

The BRI's involvement in Oman should also not solely be seen as economically transformative for the Sultanate, but it could also be harnessed to improve academic networks between Oman and East Asia, in turn making Oman a truly global country. Already, Beijing is sponsoring hundreds of Omani students to train, sight-see, and study in China, with the view that they will go back to newly formed special economic zones like Duqm to work.[34] Working with the Omani Ministry for Higher Education, academic partnership projects with the BRI will provide more opportunities for Omani universities and schools to cultivate education and internship networks through joint research and development, language training, curriculum cross-fertilization, and exchange programs between the two countries.[35] This, in turn, will help place Oman more firmly on the world map through internationalizing its citizens, increase job prospects and language skills amongst Omanis, and also lead to a more intercultural understanding between the two countries. Although there has been no direct study providing solid data on the BRI's educational benefit on the Sultanate as of yet, previous studies in this respect strongly support these hypotheses.[36]

In this way, critiques of the BRI have to account for the potential benefits of the initiative. No doubt, China's investment in Oman is part of a strategic plan with the intention to propel the Chinese economy forward at a dramatic pace through forging strong commercial ties with its neighbors. Nevertheless, it is not necessarily the "debt trap" that some commentators have made it out to be. Moreover, critiques of the BRI also need to be analyzed in a context of Western hegemony and shifting global power dynamics. As Sholto Byrnes has pointed out, pessimistic analyses of the BRI often seem to come from a place of Sinophobia.[37] By portraying the initiative as an evil scheme destined to condemn unsuspecting poorer countries to an incalculable debt trap, culminating in the complete takeover of their resources and geography, commentators frame the BRI as the latest iteration of the "Yellow Peril" ideology, a historically racist outlook that attests that the Chinese state conspires to upend Western global dominance and ultimately take over the world.[38] Indeed, narratives that characterize the BRI as a Trojan-horse style ploy to isolate smaller nations and make them China's economic vassal states could just as equally be applied to the United States' investment programs in other developing countries, or even European governments regional development initiatives. Coverage of Western initiatives, however, rarely discuss these as "debt traps," but tend to frame them in positive terms, as bringing "development" to the Global South.

While issues of uncertainty should not be overlooked in the case of Chinese investments, it should be realized that like any new business realm (and certainly one as broad as the BRI), there is naturally no lack of risks and pitfalls; the BRI is "not paved with gold."[39] It is a given that Oman should not look into the mouth of the lion too far and see Chinese support as a remedy for all of the country's unanswered economic issues. In many ways, however, it is unfair to portray the BRI as an evil scheme pushed forward by a predatory superpower; in doing so, one risks misconstruing the development ethos that underscores the project, and the very real benefits for participating countries. In fact, some have even noted that Chinese investments and development projects tend to be more attuned to the needs of small states than those of Western superpowers, including Europe and the US. As one report argued, "Chinese assistance is perceived to be faster, more responsive to the needs of local elites, and have fewer conditions attached […] as one senior Pacific bureaucrat put it: 'we like China because they bring red flags, not the red tape'."[40]

Beyond Dependency Theory: Oman's Potential for Leveraging the BRI

In framing the BRI as a "debt trap," many critics have implicitly analyzed the initiative within the framework of dependency theory, overlooking some of the ways in which Oman can strategically leverage Chinese initiatives. First emerging from studies of Latin America in the mid-twentieth century, dependency theory posits that resources flow from the "periphery"—poor and underdeveloped states, most of which are in the Global South—to the "core"—wealthy developed states, most of which are in the Global North—in a process that benefits the core at the expense of the periphery.[41] Within this framework, underdevelopment is a product of a peripheral state's international economic relations and its subjection to a global market marked by an exploitative imperialist and capitalist structure.[42] Moreover, peripheral states are largely seen as lacking agency and therefore unable to propel themselves out of poverty and underdevelopment. As Vincent Ferraro puts it, dependency theory sees "underdevelopment [as] a wholly negative condition which offers no possibility of sustained and autonomous economic activity in a dependent state."[43]

While dependency theory's conceptualization of the core-periphery system does a fair job of mapping global economic inequality and capitalist processes of wealth extraction, its characterization of peripheral states as passive recipients to imperialism fails to account for the various ways in which these states are able to influence and shape their own socio-economic trajectories. In the case of Oman in particular, dependency theory is an inadequate model to explain the Sultanate's involvement with the BRI, as a series of factors allow for the country to strategically capitalize on the initiative. Indeed, due to Oman's unique geographic position, stable governance, and diplomatic neutrality, it can balance the risk of Chinese entrenchment through the maintenance of strong ties with other powerful countries with a stake in Oman's best interests. For example, Oman's recent decision to grant the US Navy access to the strategically important ports of Duqm and Salalah reflects its strong hand in dealing with Beijing and suggests Chinese encroachment of the Sultanate is unlikely. On March 2019, Muscat and Washington signed an agreement that gives the United States greater flexibility to conduct maritime operations in the Indian Ocean and Arabian Sea, a move which experts like Robert D. Kaplan consider partly influenced by the United States' desire to monitor China's activities in the region and limit Chinese commercial and logistical expansion.[44] In turn, US involvement brought the concern of the EU; Camille Lons from the European Council of Foreign Relations described this development as a potential threat to Oman's neutrality and thus useful ally, spurring her to call for European action in maintaining their ties with Oman and safeguarding the country as a neutral mediator.[45]

Moreover, with Beijing and New Delhi continuing their competition for geopolitical supremacy across the Indian Ocean, Oman can benefit from its strategic position at the crossroads of Indian and Chinese trans-regional trade corridors to become a crucial shareholder as that rivalry evolves in the coming years.[46] Like their Chinese counterparts, India is committed to taking advantage of Omani trade networks to achieve access to more markets in East Africa and the GCC due to the Sultanate's close proximity to the Gulf of Oman, Strait of Hormuz, Arabian Gulf, Arabian Sea, and Indian Ocean.[47] Since India also has a long history of cultural, diplomatic, and economic ties with the Sultanate, Oman could use this to its advantage and cement its place as an attractive maritime trade hub. In doing so, it would also gain access to some of the most attractive energy corridors globally, thus making its presence in the global energy supply chain more pronounced. Indeed, while welcoming Chinese capital, Muscat should have no reservations about attempting to secure further leverage from across the Indian Ocean should China's imprint become too deep.

In this way, analyses of Oman's involvement with the BRI cannot be limited to entrenched dependency narratives in which the Sultanate is forced to rely on more powerful partners for economic support; instead, the opposite is arguably closer to the truth, as larger countries rely on Oman both for their energy supplies and as a guarantor of global oil price stability.[48] Although neorealist international relations theorists have difficulty explaining phenomena where weaker states exercise influence on superpowers, more realist approaches acknowledge that weaker states can wield disproportionate influence if they use issue-specific resources to increase their bargaining leverage or exploit mutual fears of abandonment in periods of high tension.[49] Indeed, as Deutsch observed in 1963, smaller states that possess advantages in relevant asymmetries, or convince superpowers that they do, can exercise a large degree of influence out of all proportion to their relative capabilities.[50] Thus, by skillfully navigating between the interests of various parties to support their large-scale development plans, it is highly likely that Oman will be able to enjoy the benefits of Chinese investment and cooperation and thrive.

Conclusion

With the advent of the BRI—which has become the most distinctive feature of contemporary Sino-Omani cooperation—the confluence of shared interests between Beijing and Muscat indicates that the two nations' relationship will continue to flourish over the coming years. While cases like Djibouti and Sri Lanka produce a negative outlook in terms of the potential drawbacks which could come from jumping on the BRI bandwagon, such as the possibility of falling into Chinese "debt traps," the transcontinental infrastructure project offers remarkable opportunities for Oman to achieve its development goals in the realms of economic diversification, education, international trade, and employment creation. Indeed, examples such as Duqm offer clear and systemic evidence for these benefits the BRI has to offer; through increasing manufacturing production in Oman and promoting the overall economic development and diversification of the Sultanate, the Duqm SEZ is bringing robustness, employment, and economic activity to an otherwise sparse desert area with a small population and a relatively low level of development.[51] Moreover, the risk of falling into a Chinese "debt trap" is significantly lowered by Oman's unique characteristics, including easy access to oil-producing countries in the Gulf, a geostrategic location placed on the oil chokepoint Strait of Hormuz, and a general ability to act as an Arab mediator in regional conflicts due to its international neutrality in international affairs. These factors allow Oman to attract balanced levels of support and investment from a range of global powers, and can thus be used as a bulwark to fend off possible Chinese encroachment. In this way, by seizing full advantage of Chinese investment, Oman could leapfrog itself to the next stage of its development whilst strengthening its relationship with a growing global power, producing a win-win outcome for the Sultanate.

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