A contender state's multiscalar mediation of transnational capital: the belt and road in the Middle East

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A contender state's multiscalar mediation of transnational capital: the belt and road in the Middle East

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ABSTRACT
The article assesses trans-scalar drivers of Belt and Road initiative's (BRI) activities in the Middle East. It engages critically with the concepts of territorial and capitalist logics of power based on the contender state-society complex's concept. The imprints of China's contender state are identifiable in its peculiar mode of mediation of transnational capital both in terms of the state ownership-leadership of BRI projects' and of their effective and potential outcomes. While BRI fixes over-accumulated capital through valorisation in external geographies, it is modulated to respond to a set of multi-scalar political and economic imperatives. Studied activities in the Middle East contribute to China's energy security in terms of direct access to oil, trade routes, and oil invoicing practices. Transports and logistics investments strategically integrate the mainland's underdeveloped regions as central nodes in the BRI's transnational capital flows to dynamise their economies and ensure political stability. Beijing seems to be conducting a territorially embedded strategy to restructure the international monetary system through new oil-related financial and monetary arrangements with Middle East producers. Geopolitically, BRI reduces dependence on US-dominated global connectivity networks, thus increasing Beijing political autonomy.

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Introduction

Over the last two decades, China-Middle East relations have been relentlessly deepening as China became the region's first trade partner and a major investor. As of 2022, all regional countries have officially joined BRI (except Israel), seven countries have signed strategic partnership with China, and five signed comprehensive strategic partnership (Saudi Arabia, Iran, Egypt, UAE, Yemen). In 2023, China has inaugurated its regional political role as a peacemaker through a hallmark agreement between two key regional rivals, Iran, and Saudi-Arabia.

While we lack studies on the specific drivers of China-Middle east relations, BRI has been examined in other regions. Three analytical trends have dominated the understanding of the determinants of the initiative. The first focuses on the political drivers, and see in the BRI an attempt to establish an alternative global order challenging the 'Western one' (Shambaugh 2016). At the other end of the spectrum, the BRI is seen as a defensive strategy toward US engagement against China, based on cooperation and mutual benefits, and which could give rise to a second and more solid version of the Bandung movement (Paik 2016). The second trend focuses on economic drivers, for example expanding market access for Chinese capital in sectors such as transport and

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logistics, which would reduce the transport costs that have become more serious market obstacles than tariffs (Blanchard 2017). From a global political economic perspective, the BRI is considered as a spatial fix (Harvey and Paik 2017), i.e. a geographical expansion of China's surplus capital (whether under the form of merchandise, productive capacities, or money capital) as an answer to the over-accumulation of capital. The third trend stresses the unity of political and economic drivers, and understands the BRI as an attempt to articulate a policy response to address multi-scalar challenges (e.g. Dunford and Liu 2019, Flint and Zhu 2019, Su and Lim 2022).

In line with the third strand of literature, this article studies the trans-scalar determinants and implications of the BRI in the Middle East. Analytically, we engage critically with the concept of capitalist and territorial logics of power (Harvey 2003), through the use of the contender state (or the Hobbesian State) concept developed by Van der Pijl (1998) which permits to account for Chinese state's peculiar mode of mediation of capital, as well as for its position within the geopolitical struggles. Three characteristics of contender states are particularly helpful in understanding BRI: the state's decisive role in the economy including the management of links with the global capitalism; a state class holds and maintains the political power while trying to shape the development pathway as well as the contours of the social class formation; and finally, an unavoidable confrontation with a more advanced state society-complex (or the Lockean Heartland).

Studying some Chinese economic activities in the Middle East permit to argue that BRI cannot be reduced to a spatial fix, and that the two logics of power are operating as a unity under the active mediation of Chinese contender state. Institutionally, the BRI's projects are state-led and state-owned in contrast to previous spatial fixes. In terms of policy objectives-outcomes, BRI could be understood as a policy umbrella that coordinates China's spatial fix to respond to a combined set of trans-scalar economic and political imperatives.

Concretely, the Chinese State-Owned Oil Companies (CSOCs) are actively managed by the state class through ownership, key personal appointments and constant operational objectives. CSOCs effectively contribute to China's energy security as a top tier political and economic necessity, as reflected in the outcomes of their rapid ascent as latecomers in the Middle East oil market, particularly in Iraq. The same applies to investment in transport and logistics, which are conducted mainly by state-owned enterprises. They contribute to securing China's trade routes as they would permit to bypass US-patrolled routes (Zhang 2017), and may allow a change in the strategic nature of Indian Ocean from a closed to an open area (Brewster 2017). Majority of these projects are implemented by the mainland's central and western regions, which are targeted by programs to address uneven domestic development. At the level of global economic governance, the release of petroyuan contract that invoice middle eastern oil in renminbi (RMB) helps to increase China's monetary autonomy as well as its commodity-pricing capacity (Petry 2020). Moreover, China-Middle East's deepening economic interdependence could be leveraged to expand further regional oil settlement in RMB. This would not only be an important step in securing monetary access to oil against dollar weaponisation, but also it would accelerate the restructuration of the international monetary system.

Section 2 presents the analytical framework. Section 3 analyses the impact of Chinese investment in the region's oil industry on energy security and the nature of the relationship between CSOCs and the Chinese state. Section 4 discusses investment in the transport and logistics infrastructure in the region as an example of how the BRI articulates a policy response to (geo)political and (geo)economic challenges. The fifth section discusses the release of petroyuan contracts and the potential for China–Middle East oil trade invoicing to be conducted in RMB as a territorially embedded approach to changing the international monetary system. Finally, we highlight the need to avoid idealist and voluntarist understanding of contender state interaction with the capital.

China's contender state, the BRI, and capitalist and territorial logics of power

Harvey's (2003) uses the concept of capitalist and territorial logics of power to analyse the determinants of the 'USA's capitalist imperialism'. The territorial logic refers to 'political, diplomatic, and military strategies invoked and used by a state […] to assert its interests and achieve its goals in the world at large', and represents a political project of 'actors whose power is based in command of a territory and a capacity to mobilize its human and natural resources towards political, economic, and military ends'. The capitalist logic is 'the molecular processes of capital accumulation in space and time' where 'command over and use of capital takes primacy'. Economic power flows 'through the daily practices of production, trade, commerce, [and] capital flows' (Harvey 2003, pp. 26–7). The two logics concept permits an articulation of political and economic factors in the transnational context, yet it has attracted vivid critics.

First, the relationship between the two logics is undertheorised. Although Harvey stresses that the two logics are dialectically related, he prioritises the long-term logic of capital over the territorial. Harvey considers that the capitalist logic 'escape[s] the control' of 'authoritarian' or 'developmentalist state' (Harvey 2003, p. 29). However, state–economy relations involve reciprocal interdependence producing structural coupling both at the national and supranational scales (Jessop 2010). Furthermore, the constitutive role of the state in organising the circuits of capital is conducted 'under the primacy of the political' in term of maintaining social cohesion in a class-divided society (Jessop 2006, p. 161) as well as in term of satisfying the interest of the dominant class. Second, while the capitalist logic is understood through the concept of 'spatial fix', there are no clear explanations of the determinant of territorial logic. This is reflected by the lack of a clear distinction between the causes of territorial policies and the nature of the policies/strategies themselves (Jessop 2006).

Furthermore, the recent applications of two powers concepts to China's case without considering its unique characteristics introduce significant confusion to the discussion (e.g. Zhang 2017). The analytical concepts need to be delicately calibrated to the specifics of their objects of analysis: Harvey (2003) applied the two logics concept to 'USA's capitalist imperialism', but China is not the USA and does not have the same position within global capitalism.

To address this conceptual loophole, we use the contender state concept developed by Van der Pijl (1998). The starting point is the existence of distinct, yet entangled, state-society complexes as a result of the uneven capitalist development. The reference to 'state–society complexes' seeks to avoid any monolithic understanding of Capital with a big 'C', as well as any ahistorical analyses of state. While capitalism and its constitutive classes are global, they are 'nationalized' within the particular configurations of specific state-society complexes (Cox 1996, p. 134). In turn, state is embedded in a particular configuration of social forces that defines 'the limits or parameters of state purposes' (Cox 1987, p. 105).

The contender state-society complex prevails in the latecomers resisting the peripheralisation, and it is conditioned by two historical realities. The first is the existence of a Lockean state-society complex around which has been centred the global circuit of capital being the prime mover of the capitalist revolution in the world (Van der Pijl 1998, pp. 65–6). The second is the domestic underdevelopment, and the coincidence of several historical stages of development. Consequently, the state becomes the 'subject of social development' driving forward the social formation and pre-emptively shaping the social institutions (Van der Pijl 1998, p. 79). In distinction from heartland where the capitalist class established its political primacy, there is no autonomous property-owning ruling class; the state is directed by 'a state class whose power primarily resides in its hold of the state apparatus' (Cox 1987, pp. 366–7, Van der Pijl 1998). In turn, capitalist firms do not relate directly to the global and domestic market ('total capital') as the comprehensive social structure, but to the state first (Van der Pijl 1998, p. 81). In international markets, 'capital's need to expand is part of the driving forces of a contender state's foreign policy' and this expansion is subjugated to national development plan (Van der Pijl 1998, p. 85).

'The determining characteristics of the Chinese regime of accumulation', Van der Pijl (2012, p. 509) writes, 'remain those of a contender state–society complex, in which the state class retains the key levers of power and operates as a force anticipating and guiding class formation rather than being confronted by it'. A state class in the form of the Chinese Communist Party (CCP), controls both the economy and the state. Private capitalists have been largely an ad hoc creation of the state class, and are often deeply embedded in the party-state nexus (Ten Brink 2011). While China's contender state has been built through integration in the global economy, the liberalization is selective, reversible (Strange 2011, McNally 2015) and embedded within a policy frame that subjugates foreign economic relations to the development of a nationally integrated and modern industrial system (Amin and Bush 2014).

These characteristics are clearly observable in China's mediation of the BRI-related capital flows. Institutionally, different levels of the state are involved in BRI projects – from design to implementation, passing through financing sources and mechanisms – deploying a panel of state and non-state actors interacting in both bottom-up and top-down ways, and ranging from ministries, the central bank, policy banks, specialised funds, China-led multilateral banks, state-owned enterprises, private enterprises, industrial associations, and provincial states (e.g. Kenderdine and Lan 2019, Fu and Lim 2022, Su and Lim 2022). The CCP is present through its Organization Department and the party's enterprise committees who have the authority, beside the State Council, in appointing key personals of state enterprises operating overseas (Meidan 2016b). More importantly, the effective and potential outcomes of BRI activities not only *fix* over-accumulated capital through valorisation in external geographies, but it also responds to a set of (geo)political and (geo)economic imperatives.

First, studied activities in the region improve China's energy security by providing direct access to oil, less vulnerable transportation routes, and increasing monetary autonomy in oil related transactions.

Second, one *raison d'être* of contender state is the 'relative backwardness and heterogeneity of the social substratum' (Van der Pijl 1998, p. 79). Consistently, the BRI projects are anchored in the mainland's marginalised provinces to address the uneven development as a condition of China's mid- to long-term territorial integrity. The strategic insertion of central and western provinces in transnational capital flows aims at dynamising their economies and easing 'tensions between the free-flowing imperative of capital and the place-based demands of territorial class alliances' (Su and Lim 2022, p. 6).

Third, the integration of contender state-society complex into the international economy generates a corresponding demand for the change of global governance to provide a regulatory framework for transnational markets adapted to its developmental model (Stephen 2014, p. 928). This demand aims 'at securing an expansion, rather than accepting a contraction, of "development space"' (Strange 2011, p. 540), i.e. an expansion of the autonomy of national economic policy. Accordingly, China has been leveraging economic interdependence with the Middle East, to establish new arrangements that alter a regionally anchored pillar of the international monetary system, i.e. the petrodollar. The release of a petroyuan contract based on Middle Eastern crude oil, and the further extension of monetary cooperation to invoice oil in RMB (Said and Kalin 2022), could not only foster China's monetary autonomy and reduce its exposure to the financialised energy markets, but would also constitute a substantial push toward the restructuration of the international monetary system and the global political hierarchy.

Fourth, as the 'development' efforts became the primary means for power accumulation in the international system, confrontation under various forms is inevitable between the contender and Lockean state-society complexes. When competition in economic tools reaches its limits, all contender states in pre-atomic bomb era had to confront on the battle ground the core state who enlists other states as part of a balance-of-power policy (Van der Pijl 1998, p. 87). USA's launch of rebalancing strategy toward China signals that the heartland is gearing-up its confrontational stance toward its major contemporary contender state. Washington has been increasingly using its geoeconomic and geopolitical manoeuvring against Beijing through trade war, economic sanctions against central partners, e.g. Iran and Russia, and the traditional heartland's balance-of-power strategy of rival bloc constitution (e.g. the Quadrilateral Security Dialogue and AUKUS) (Dunford and Liu 2019). Hence, it may not be a simple coincidence that the BRI was announced a year after the announcement of 'pivot to Asia'. Beijing seems modulating BRI's capital flows to foil pressure from the USA, first, through the creation of alternative, less vulnerable, and less dependent connectivity network to the world economy than the current US-dominated one. For instance, Chinese investments in the regional oil industry reduce its exposure to oil market actors and intermediaries influenced by the USA (Amineh and Yang 2018); investments in transport and logistics contribute to reducing China's heavy dependence on US-patrolled trade routes (Zhang 2017); and the petroyuan contracts reduce dependence on the weaponised US dollar and the US-dominated financial infrastructure. Second, the BRI could geoeconomically counter US balance-of-power strategy, through its focuses on connectivity, creating bonds and links (Flint and Zhu 2019) and establishing mutually beneficial partnerships (Dunford and Liu 2019). This would create an incentive to its partners to become increasingly deferential to Beijing's political preferences (Alshareef 2022).

Chinese national oil companies' Middle Eastern investments in the service of energy security

Securing access to regional energy is crucial for China's continued growth and political and economic stability, as its demand for oil has increased rapidly, overtaking the USA in 2017 as the world's biggest crude oil importer, and its oil imports dependency has increased from about 50 per cent in 2009 to more than 73 per cent in 2019.[1] The Middle East is central to China's oil security (see Table 1): About 45 per cent of China's oil was sourced from the region in 2020, and it is the primary destination for the region's oil exports, comprising 24 per cent of total exports; in 2020, Qatar and Oman provided over 14 per cent of China's imports of liquefied natural gas (British Petroleum 2021).

A comprehensive definition of energy security includes physical availability, price affordability, and environmental sustainability (Brown and Huntington 2018). The main elements of China's overseas energy security strategy include acquiring oil assets and equity oil, signing stable supply agreements with oil producers, and state diplomacy (Taylor 2021). A total of 10 Chinese companies own production entitlements in 42 countries, of which half are located in the Middle East and Africa. The production entitlement refers to oil and gas production volume outside the mainland by Chinese companies, where Chinese companies have control over how and to whom to sell their shares (Jiang and Ding 2014).

Consequently, the equity oil of CSOCs overseas investments has increased substantially to over 200 million tons annually and has exceeded China's annual domestic oil output since 2018 (Ministry of Natural Resource of the People's Republic of China 2019).[2] According to Meidan (2016a), half of the oil produced overseas made its way to the Chinese market in 2015, and most of the crude extracted from Sudan and Iraq is sold to China. According to Jiang and Ding (2014), Iraq is the largest single country source of all China's overseas oil and gas production with 22 per cent, while Egypt is the sixth largest supplier with 5 per cent: Chinese companies have only been active in the Iraq oil industry since 2008, but by the end of 2013, 26 per cent of Chinese overseas oil production was located Iraq (see Table 2).

Major players in overseas investments and supply deals are CSOCs whose relationships with the state have been conceptualised in various ways. Some argue that CSOCs are profit-seeking market actors who do act independently from the state, and thus do not prioritise energy security above

Table 1. China–Middle East oil trade, 2020.

	Share of total Chinese oil imports (%)	China's share from total oil exports (%)
Saudi Arabia	17.5	25.5
Iraq	10.5	33.1
UAE	4.9	21.8
Kuwait	5	29.4
Iran	1	19.3

Source: Author calculation based on OPEC (2021).

Table 2. Major investments of the China National Petroleum Corporation (CNPC) in Iraq.

Iraq	Year	Partners	Equity (%)	Role
Al-Ahdab	2008	China North Corp. and SOMO (both Chinese)	37.5	Operator
Hlfaya	2009	Total, Petronas and Missan Oil Company	45	Operator
Rumailah	2009	British Petroleum and SOMO	46.4	Contracting party
West Qurna-1	2014	ExxonMobil (32.7%), Pertamina (19.6%), ITOCHU (10%), and Oil Exploration Company of Iraq (5%)	32.7	Contracting party

Source: CNPC (2019).

their business objectives. On this view, they have the capacity to formulate and implement their own strategies, and use energy security when it serves as a nominal argument to gain economic and political support for their global investments (Leung 2011). Moreover, different forms of financial support are not aimed at ensuring energy security but are rather expressions of their political power (Gholz et al. 2017).

Other argue that CSOCs constitute strategic assets of a 'statist' globalisation of a contender state (Amineh and Yang 2018), which are allowed a certain level of autonomy to shape policies and ensure economic efficiency, but where state control as well as ensuring energy security remain the overarching constant (Meidan 2016b, Taylor 2021). The party-state retains powerful mechanisms of control through ownership, financing, personnel appointments, the presence of a party committee in enterprises, approvals for mergers and acquisitions, and asset sales (Taylor 2014). The literature usually refers to CSOCs overpayment for strategic foreign asset acquisition as an indication of political strategic calculus' domination over short-term profit drivers. According to Mu (2020), CSOCs paid on average 64 per cent more than the acquired assets' market prices between 2009 and 2013.

According to Meidan (2016b), the relationship between the CSOCs and the state has seen successive waves of centralisation and decentralisation. When the operational efficiency of enterprises was impinged upon by state control, waves of decentralisation ensued. As such, managed marketisation functions as a tool to reorganise the sector's activity and improve its productivity. She argues that the oil industry's political power and corruption practices were at their height during the liberalisation and decentralisation push between 2002 and 2012. In an expression of the struggle between different political-economic tendencies, the arrival of Xi Jinping was marked by the launch of one of longest and deepest anti-corruption campaigns in Chinese history. The Central Commission for Discipline Inspection investigated a total of 26 executives in the energy sector out of the 108 investigated from state-owned enterprises between 2012 and 2015. Those charged with corruption (including in relation to investment in Iraq) included the patron of the Chinese oil sector and ex-permanent member of the political bureau, Zhou Yongkang, in addition to members of his family. In the aftermath, new leaders were appointed, and central control has increased substantially.

In sum, overseas investments in oil sector are driven by acute economic and political needs to ensure energy security rather than by a simple profit driven spatial fix. The contradictory political economy of Chinese contender state' is reflected in the CSOCs' operations whereby 'market is viewed as a means of improving the economic efficiency of state-owned assets by forcing them to maintain a reasonable degree of productivity' (Meidan 2016b, p. 51), as well as in the above-market prices paid to acquire strategic assets. In addition, the party-state apparatus is the main actor in ensuring energy security, yet the anti-corruption campaign clearly shows how political struggle is not stifled within this apparatus. Overall, if we take overseas production figures and the CCP's recent assertion of political power over crony capitalism and nepotism in oil sector, we can say that social forces seeking to achieve socio-political priorities have the upper hand over capitalist social forces.

Transport and logistics infrastructure: a combined response to multiscalar (geo)economic and (geo)political imperatives

The role of spatial fix is clearer in BRI investment in infrastructure logistics where China has developed excess productive capacity in sectors such as iron, steel, aluminium, shipbuilding, cement, etc. (Li et al. 2019). The state council encourages the transfer of excess capacities through BRI to 'achieve mutual benefit and win-win results' (State Council 2016). However, the state is directly involved in the design, financing, coordination, and implementation of concrete projects that represent this spatial fix. Beyond the institutional role, state imprints are identifiable through the BRI projects' effective and potential outcomes at two levels.

First, it lessens dependence on trade route dominated by the USA. The Middle East's geographical centrality in mediating the major economic poles in Eurasia and Africa is indispensable to the diversification of trade routes beyond those patrolled by the USA. Three of the announced components of BRI are directly linked to the Middle East: the Maritime Silk Road (MSR), the China–Central Asia–West Asia Economic Corridor (CCWAEC), and the China–Pakistan Economic Corridor. Second, majority of studied projects are implemented by the less developed western regions as a part of China's efforts to address its uneven internal development through strategically integrating the mainland's socio-economically marginalised regions as central nodes, mediating, and benefiting from the transnational capital flows (Su and Lim 2022, p. 6).

China's state-owned enterprises are the main investors and operators of railways, airports, ports, industrial parks, and logistics centres in the Middle East (see Table 3). Saudi-Arabia and the UAE are the second and the third most important destinations (after Pakistan) for China's construction contracts (Scissors 2021). Furthermore, three regional countries are among the most important beneficiaries of funding from the China-led AIIB: US$3.4 billion for Turkey with sixteen projects, US$1.72 billion for Egypt with five projects, US$523.1 million for Oman with four projects, and US$250 million for Jordan with one project.[3]

The main regional connectors' active cooperation with China seeks to create synergies with the BRI. This is happening under the mutually reinforcing impulses of different types of state capitalisms intervening in production arrangements, including through territorial policies and investment in connectivity infrastructure (Alami and Dixon 2021). This is giving rise to an infrastructure-led development regime that seeks to create functional territories that constitute a globally oriented

Table 3. China's investment in connectivity infrastructure in the Middle East.

Country	Year	Project	Chinese investor	Ownership	Modality
UAE	2018	Khalifa Industrial Zone Abu Dhabi	JOCIC[7]	SOE	50-year lease agreement
UAE	2016	Khalifa Port Container Terminal 2 with Abu Dhabi Ports	Cosco Shipping Port	SOE	35-year Concession (PPP), 90%
Oman	2017	China-Oman Industrial Park in Duqm	Oman Wanfang	Private	PPP, AIIB (75%)
Saudi Arabia	2016	Jizan Basic Industrial City	Guangyin international investment development	Private	Joint venture, 60%
Djibouti	2016	Djibouti Free Trade Zone	Dalian Port Group	SOE	Joint venture (PPP), 23.5%
Djibouti	2013	Port of Djibouti, Doraleh Container Terminal, off-dock depot and Doraleh Multi-Purpose Port	China Merchants Port	SOE	Acquisition
Turkey	2015	Kumport terminal in Istanbul	Cosco Shipping Ports & China Merchants Port	SOE	Acquisition, 26%
Egypt	2009	Suez Economic and Trade Cooperation Zone	TEDA[8] and China-Africa Fund	SOE	Chinese Overseas zone
Egypt	2007	Suez Canal Container Terminal S.A.E.	Cosco Shipping Ports	SOE	Partial acquisition, 20%

Source: Data combined by author.
Notes: SOE = state-owned enterprise; PPP = private–public partnership

geography of resource extraction, production, urbanisation, and integrated logistics networks (Schindler and Kanai 2021).

Turkey and Iran are central parts of the CCWAEC. Iran is a crucial transport bridge from Asia through the Central Asia–Caucasus space to the Middle East and the Gulf, or, through Turkey, to Europe, and is a central part of the east–west inland connection. In addition, access points at the Persian Gulf, the Gulf of Oman, and the Caspian Sea combine to make Iran one of the most important centrepieces of the BRI. For instance, three freight trains have been operational within the BRI framework. In 2016, the first freight train made its first trip from China's Yiwu city in eastern Zhejiang province, travelling through Kazakhstan and Turkmenistan in 14 days compared to 45 days by sea (Bozorgmehr 2016). In 2017, a second cargo train linking Yinchuan, the capital of northwest China's Ningxia province, and Tehran was inaugurated, travelling via Kazakhstan and Turkmenistan (Xinhua 2017). In 2018, a third line connected Bayannur, in Inner Mongolia, to Tehran via Kazakhstan and Turkmenistan. These last two lines take 15 days to traverse, which is 20 days fewer than the maritime route (Xinhua 2017, 2018). Furthermore, Inner Mongolia and Ningxia are among the targeted regions by 'promoting the west development strategy'.

The development of the Turkish transport network creates a connection to China via Iran and/or Central Asia and the Caucasus and a transit bridge to Europe. Turkey's Eurasia initiatives have concrete infrastructural dimensions, known as the Middle Corridor Initiative. The multimodal connectivity corridor runs from Turkey to Georgia and Azerbaijan (railway), through the Caspian Sea, to Turkmenistan and Kazakhstan, and ends in China. Turkey treats this project in synergy with the BRI, and a Memorandum of Understanding on Aligning the Belt and Road Initiative and the Middle Corridor Initiative was signed between Ankara and Beijing in 2015. In 2019, the Trans-Caspian China Railway Express Chang'an Train, the first freight train to reach Turkey, completed its journey from Xi'an (situated in the marginalised Shaanxi province), China to Prague in eighteen days, using the Middle Corridor and Turkey's transport infrastructure (Turkey Ministry of Foreign Affairs n.d.). In the context of COVID-19, which has seriously disrupted sea lanes, the Middle Corridor has been discovered as an alternative connection between China and Europe, and the corridor has been busier than ever, with the frequent announcement of new flows (Kalyuzhnova and Pomfret 2021).

The Gulf subregion is particularly important for the MSR as it connects to East Africa, South Asia, and the wider Middle East. The Gulf's intermodal logistics infrastructure has developed rapidly in recent years with the aim of integrating international supply chains through value-added logistics activities. Dubai's Jabal Ali, as a prototype, has become a major regional trade gateway and a re-export zone for commodities on the Europe–East Asia trade route. Saudi Arabia, Qatar, and Oman have been building integrated logistics spaces that connect intermodal transportation with industrial parks and new free trade zones (Ziadah 2018, Yang et al. 2020). Competition between Gulf states over trade routes and international markets plays out in considerable duplication, overcapacity, and heightened rivalries (Ziadah 2018).

Investment in Oman's Duqm project is emblematic of how China attempts to coordinate the spatial fix to address a combined set of multi-scalar political/economic necessities. Duqm is majorly financed by China's AIIB to build Duqm port and the Gulf Railway. The railway is intended to expedite the flow of energy from other Gulf producers and possibly from the wider Middle East (AIIB 2016: Figure 1). The investment in Duqm port 'aims to make the Middle East, Indian Subcontinent, and African East coast as its export cargo hinterland' (AIIB 2016, p. 8). In parallel, Oman Wanfang is developing an industrial park at an estimated cost of US$9.7 billion (AIIB 2016, note 3). Oman Wanfang is a subsidiary of China–Arab Wanfang Investment Management Co., established in 2015 'under the leadership and supporting of [the] Chinese Ningxia Autonomous Region Government' according to the company website. Ten Chinese enterprises – including from the targeted western region Hebei and Ningxia – have been launching new production facilities within the park (Geoff De Freitas 2019).

Thus, in synergy with other transport and logistics projects in the Indian Ocean, i.e. China–Pakistan and China–Myanmar Economic Corridors, investments in Duqm could contribute to bypassing the USA's military-dominated sea lanes and shortening the trip from East Africa and the Middle East to China while bypassing Malacca strait. For instance, Duqm's location as a gateway to the Arab peninsula, opposite Pakistan's Gwadar Port and mid-way between the latter and eastern Africa's littoral, make the Duqm port an important node linking the Chinese hinterland with the Indian Ocean. More generally, the Duqm projects could contribute to changing the strategic nature of the Indian Ocean, which is largely enclosed on three sides, with few maritime entry points from other oceans and seas. This reality has permitted the rise of maritime power where major states have used geographical constraints to maintain the Indian Ocean and its littoral as a relatively closed strategic space under their domination, with the ability to deny their rivals access to ports within the region through their control of the so-called maritime 'chokepoints'. The BRI's new overland routes, connecting the Eurasian hinterland with ports on the ocean's littoral and sea lanes between the ports, have the potential to transform the strategic nature of the Indian Ocean from an enclosed to a relatively open area (Brewster 2017).

The petroyuan: RMB internationalisation and the Middle East's oil

Energy security needs monetary and financial dispositions that ensure stable and fair prices, as well as politically unconditional access to the payment infrastructure. In this respect, Beijing has made considerable advances based on its geoeconomic position as the first global oil importer, the weight of CSOCs in oil markets, and the deepening relations with the Middle eastern oil producers.

Concretely, Beijing launched RMB-denominated oil futures contract breaking dollar's oil invoicing exclusivity. In the image of China's contender state, the contract is a market instrument managed by Shanghai International Energy Exchange, a subsidiary of Shanghai Futures Exchange which is part of Chinese financial markets' regulatory apparatus often described as 'frontline market supervisors' directly working with the China Securities Regulatory Commission, and with Central Commission for Discipline Inspection (Petry 2020). In addition, CSOCs play a central role in physical provision of the contract's oil through their equity production in the region and dominant trading role in the Dubai Exchange. Equally, they dominant the contract's storage and delivery infrastructure (Imsirovic and Meidan 2020). Importantly, deliverable crude oil grades come from the UAE, Oman, Qatar, Yemen, Iraq, and China's Shengli oil field (SIEE 2020), with Iraq being the major source. Thus, the contract is better aligned, compared to existing international benchmarks, with the Middle East–Asia pattern of oil trade (Liao et al. 2018). The contract was relatively an instant success as its trading volume reached 14 per cent of global activity in similar futures at the expense of Brent and West Texas contracts (Hong 2019).

The contract release reduces China's dependence on financialised and dollarised oil market, and constitutes a part of a wider approach of RMB internationalisation which seeks to increase Beijing's monetary autonomy over its real economic activities (e.g. McNally 2015). Specifically, the contract aims at gaining commodity pricing capacity against international market forces (Petry 2020). The oil-dollar benchmark limits China's price-making capability as it has no say regarding US monetary policy, which influences global oil prices. Importantly, the petroyuan contract is one of the recently released seven RMB-denominated contracts covering key commodities (PBC 2021).

Indeed, two interrelated factors favour the further expansion of oil invoicing in RMB. The first concerns the dialectically contradictory political economy of managing Chinese financial markets' link to the global economy. Generally, while Chinese financial market is populated by profit-driven and speculating investors, 'state-owned exchanges organise market infrastructures that establish constraints and incentives for market actors, whereby they attempt to direct market outcomes towards specific state policies' (Petry 2020, p. 8). It is an experimental and hybrid approach based on a regulation–liberalisation nexus aimed at putting financial activities at the service of the real economy. Accordingly, targeted liberalisation of financial markets has generated variegated levels of opening to different financial actors for different purposes, such as domestic/foreign, onshore/offshore, and investor/speculator (McNally and Gruin 2017, Petry 2020). Regarding oil invoicing in RMB, effective pipelines granting overseas holders of RMB access to its financial centres have been established (McNally 2015). The recent rush by major global financial market actors into China's low-risk and high-yield assets, and the latter's inclusion in key global financial indexes (Chen 2021), attest to the ongoing maturing of one of conditions of the expansion of oil invoicing in RMB, i.e. the presence of investable opportunities of the excess RMBs derived from oil recipients.

The second factor concerns the structure of economic relations between China and middle eastern oil producers as well as the latter's involvement in RMB internationalisation institutions. China's trade relations with key regional oil exporters have sufficiently matured and constitute material grounds to price oil in RMB (see Table 4). In 2019, China was the first source of imports for the major oil producers in the region, including Iran, Saudi Arabia, Kuwait, and Oman, and the second largest source of imports in the case of Iraq after the UAE.[4] Thus, regional oil exporters have an interest in receiving RMB against oil exports to the extent that they cover imports and Chinese construction contract bills (Alshareef 2022) without passing through a third currency and the associated exchange risk.

Indeed, China's Arab policy White Paper clearly announced among its aims 'monetary cooperation between central banks', 'the expansion of cross-border currency clearing and currency swap arrangements', an 'increase [in] financing insurance support', and to 'improve and reform the international financial system' (PRC 2016). Substantial progress has been achieved in these areas, as some major trends show.

First, the use of RMB by major energy exporters in the region has steadily increased, and they appear to be among the most active actors in different institutional channels of RMB internationalisation. In 2015, Qatar's use of RMB accounted for 60 per cent of all payments by value to China and Hong Kong (SWIFT 2016a). In August 2016, more than 80 per cent of the direct payments made between the UAE and China/Hong Kong were in RMB (SWIFT 2016b). In 2016, Kuwait's RMB use rate in direct payments with China and Hong Kong exceeded 10 per cent (SWIFT 2016b). According to SWIFT reports, the UAE was the fastest-growing yuan clearing centre in the world in 2018 (SWIFT 2019). Moreover, China signed currency-swap agreements with Qatar in 2014 (renewed three times with a cumulative value of RMB 105 billion), the UAE in 2012 (renewed twice with a cumulative value of RMB 75 billion), and with Egypt in 2016 (renewed twice with a cumulative sum of RMB 36 billion). In addition, two yuan clearing centres that trade RMB for local currency without having to go through the dollar were established in Qatar in 2015 and the UAE in 2016 (PBC 2021). The biggest regional increase in the number of financial institutions using RMB for payments took place in the Middle East and Africa as the number rose from 61 financial institutions to 173 between 2013 and 2019 (SWIFT 2015, 2019).

Second, major oil producers are already active RMB investors in Chinese financial markets, with sovereign and private wealth funds and public agencies in Saudi Arabia, the UAE, Qatar, and Kuwait listed in the Qualified Foreign Investor (QFI) scheme as of late 2021 (Alshareef 2022). This scheme is one of the financial pipelines mentioned above, through which licensed international investors are allowed to acquire RMB-denominated assets. For instance, as of September 2021,

Table 4. Imports from and exports to China by main regional oil producers, 2020.

	Imports (%)	Exports (%)
Saudi Arabia	22.1	20
Iraq	34.4	29.1
Iran	33.6	54.4
Kuwait	15.4	23.5
Oman	11.4	45.1

Source: Observatory of Economic Complexity.

Note: Accurate data on UAE trade relations with China are not available as they are undisclosed by the UAE.

the Abu Dhabi Investment Authority ranks fifth in the QFI program as it held US$1.4 billion of Chinese A-shares labelled in RMB, or more than 4.5 times its holding in 2015 (GSWF 2022).

Third, it should be highlighted that the UAE and Qatar are the most active foreign issuers of offshore RMB-denominated debt, as four of their banks issued almost RMB 48.220 billion between 2019 and 2021. Notably, both countries are among the most active issuers in London (75 out of 175 total issuances) and Luxembourg (44 out of 280).[5] The FTSE (2022) Dim Sum Bond Index classified the Qatar National Bank fifth and the First Abu Dhabi Bank seventh among the world's top 10 RMB-denominated security issuers (the only two foreign issuers beside the German KFW, ranked tenth).

Fourth, the Central Bank of the UAE, which seems to be positioning itself as a regional RMB hub (SWIFT 2016b), is participating in the development of an alternative payment system with its homologues from China, Thailand, and Hong Kong. Transactions through a multiarrangement, cross-border payment system based on each central bank's digital currencies has already been tested between the countries. A report published by participating monetary authorities and the Bank of International Settlement estimates that the initiative could reduce cross-border payment costs by as much as 50 per cent and cut payment times from a few days to a few seconds compared to the US-controlled payment infrastructure (BIS 2021).

In sum, China's activities in oil-related monetary and financial arrangements show how its contender state is mediating transnational capital flows to change global governance structure. Ensuring secure monetary and financial network of oil trade is part of the larger objective of ensuring relative monetary autonomy through elevating the international role of RMB. As this approach brings its fruits as manifested by the relative success of the petroyuan contract, China's dependence on its geopolitical rival's monetary and financial infrastructure is lessened, thus, weakening US geoeconomic leverage over Beijing, and contributing to the decline of the US dollar. China's engineering and internationalisation of non-neoliberal financial markets (Petry 2020) may lead to the emergence of pluri-polar international monetary system (McNally and Gruin 2017). Importantly, the focus on China-regional oil exporters' relations reveals another layer of the multi-scalar character of the transformation of international order: China-regional oil producers' deepening economic interdependence is an important site to progress along the revision of the international monetary system.

Conclusion: varieties of capitalist and territorial logics of power

Chinese economic activities in the Middle East have clear contender state traits, in terms of planning, coordinating, and implementing projects, and in terms of the political and economic objectives they seek to fulfil.

Accounting for China's peculiar position in the global capitalism permits to argue that the two logics of power unfold in a variety of forms and deliver structurally different outcomes. While the USA's spatial fix left whole areas in the USA impoverished and deindustrialised (Harvey 2003), the BRI integrates an attempt to address uneven development within China (e.g. Su and Lim 2022). While the USA's spatial fix constituted private capital and was accompanied by a neoliberal political-economic offensive at all scales, the BRI is mainly a state-owned and/or directed transnational capital flows accompanied by a revision of international (neo)liberal institutions (Alshareef, 2023). While the US territorial logic of power relies on military, security, political, and economic interventionism, mobilising a balancing approach to create rival and opposing blocks (Harvey 2003), the BRI and institutional arrangement focus on connectivity, creating bonds and links (Flint and Zhu 2019) and establishing inclusive and mutually beneficial partnerships (Dunford and Liu 2019). The BRI as a territorial policy seeks to alter the conditions of production, distribution, and circulation of resources and value, with the goal of reducing vulnerability to the current patterns marked by USA's military and infrastructural dominance of the global connectivity network as well as by the US-led international (neo)liberal order.

Notwithstanding, it is crucial to refrain from an idealist and voluntarist interpretation of the direction of influence between the Chinese state and capitalist economic processes. On the one hand, the political processes are not stifled as a terrain of struggle among different classes interests in a contender state. The integration into global markets opens 'spaces in which class forces aspiring to merge into the social universe projected by the West, can take shape' (Van der Pijl 2012, p. 505). The state class has to reckon with and tame domestic social forces developing '"molecularly" in the direction of the pattern prevailing in the heartland' (Van der Pijl 1998, p. 83). Depending on the political orientation of the state class, the stringency of their control (Van der Pijl 1998, p. 83), the political stance of popular pressures, and the socio-economic performance of both the contender state's development model and that of the Lockean heartland-centred model, a process of what Gramsci (1971, p. 114) called 'passive revolution' may occur, whereby capitalists establish themselves as a class and even capture the political power. On the other hand, comprehending how this contradiction operates within Chinese contender state's requires investigating the concrete balance of power among different classes inside and outside the state-party nexus, as well as assessing the organisational forms that oversee and discipline the operation of overseas capital. This approach avoids an *ex-ante* reduction of the BRI to a spatial fix *à la* Harvey (e.g. Harvey and Paik 2017).

However, the crisis of 2008 marked a political turning point, when the social forces deeply connected to global capitalism were weakened by the crisis of neoliberalism (e.g. the halving of trade surplus value between 2008 and 2018[6]). In the years that followed, the industrial policy and the state-party role in the economy have been consolidated and interest in social and redistributive policies has increased, while private capital have faced greater scrutiny (Rudd 2022). Furthermore, US pressure on China has accelerated this trend, meaning that the social forces behind the contender state project are in a relatively better political position nationally.

Notes

1. According to the International Energy Agency.
2. Quoted in Zhao *et al.* (2020).
3. According the AIIB portal.
4. Data from ChinaMed project.
5. Author's calculations based on London and Luxembourg exchange markets data.
6. According to World Bank Statistics.
7. Jiangsu Provincial Overseas Cooperation & Investment Company.
8. Tianjin Economic-Technological Development Area.

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