June 2024 China & UAE's burgeoning business relationship.

There has certainly been increasing recent cooperation between Beijing and Abu Dhabi, in particular with regard to financial partnership, environmental matters, defence contracts and joint military drills.

The stock exchanges of China and the UAE signed a deal in the spring, in combination with Abu Dhabi's sovereign wealth fund opening offices in Beijing at the turn of the year. The financial ties started as far back as 2012, with the People's Bank of China and the Central Bank of the United Arab Emirates signing a renewable 5-year c$5 billion currency swap agreement which has been renewed multiple times since.

The Emirati government's green agenda and commitments entail that 50% of the cars in the country must be electric by 2050; and cheaper Chinese EVs will be crucial to this initiative's success. It should be pointed out that is a tough target with only 2% of the Emirati car market currently EV.

In 2017, the UAE made its first military purchase from China: attack drones and air-to-surface anti-tank missiles to equip these drones and in 2018, Chinese weapon manufacturers started participating at defence exhibitions being held in the UAE. Indeed, in 2021, the two countries deepened their partnership and started co-developing attack drones; and the UAE military signed a deal with Chinese manufacturers to purchase fighter jets, leading to the joint Chinese-Emirati air force drill in 2023.

It is clear that, the UAE wants to continue its fruitful partnerships with the US and other Western countries, but also to reduce its total dependence on the West as both a trading partner and a weapons supplier. Partnering with China, especially in the context of its Belt and Road Initiative, has also facilitated the UAE's geographically key position as a global trade hub. The UAE has also invested significantly into Chinese funds that own and operate companies across different sectors in the Middle East and Africa. In summary, by broadening and deepening its economic and defence ties with China, the UAE has gained leverage, access and greater clout, as it continues to seek balance with allies from all sides of the geopolitical spectrum.

All geopolitical commentary is aiming for a broad, neutral interpretation of events around the world; and does not necessarily reflect Latitude's views.