

Saudi Arabia Accelerates Decline of Petrodollar by Promoting Petroyuan

By [Ahmed Adel](#)

Global Research, September 12, 2024

Region: [Asia, Middle East & North Africa](#)

Theme: [Global Economy](#), [Oil and Energy](#)

Saudi Arabia's industry and mineral resources minister said his country will "try new things"—including using the yuan in crude oil deals—as Riyadh seeks to incorporate Chinese products such as electric vehicles, the C919 passenger jet, and renewable energy infrastructure. This marks a major shift, considering Saudi Arabia's close ties with the United States gave rise to the petrodollar.

"The petroyuan is not substantial to [the ministry], we believe Saudi Arabia will do what's in its best interest ... but I think Saudi Arabia will always try new things, and is open to new ideas, and we try not to mix politics with commerce," minister of industry and mineral resources Bandar Alkhorayef said in an interview on September 7 in Hong Kong and [published](#) by the South China Morning Post.

The broader adoption of the petroyuan — shorthand for using the Chinese currency in cross-border crude oil settlements — is widely seen as the next step in internationalising the yuan and a challenge to the ubiquitous US dollar in global commodities markets.

Riyadh is China's second-largest source of crude oil imports.

While the Saudi minister described positive sentiment in his country toward using the petroyuan in transactions, he did not give a timeline for when this would happen. He explained that from a commercial point of view, between a supplier and a customer, such an arrangement can happen with the freedom that they have and that it is not something Riyadh would look at from a political point of view.

At the same time, the Saudis have been seeking to diversify their economy and become a manufacturing hub in the Middle East under their Vision 2030 initiative, and Chinese companies are eager to explore alternative markets as a US-led containment effort broadens its scope. These complementary developments have led to closer relations between the two countries.

Alkhorayef said he welcomed Chinese companies to come and invest in electric vehicles and invited any solution provider to participate in Saudi Arabia's Factories of the Future Initiative.

In the aviation sector, the Saudi aviation regulator, the General Authority of Civil Aviation, signed a memorandum of understanding with the Commercial Aircraft Corporation of China (COMAC) in May to explore the localisation of its aviation industry and develop the local supply chain. This is crucial since Saudi Arabia will be an aircraft buyer for the next 25 years, and with the rapid growth, they will look at multiple suppliers.

Saudi Arabia launched the Vision 2030 initiative in 2016 to free the country's economy from dependence on oil by the end of the decade. These efforts include developing so-called "soft" sectors, such as tourism and service industries. All of this is anchored in economic principles that are driving the creation of industries that did not exist in the past, including projects related to culture, entertainment, and sport. China plays a critical role in all of these.

In fact, as the US and the European Union maneuver to reduce their economic exposure to China, it is recalled that Saudi Arabia's Economy and Planning Minister, Faisal Alibrahim, said earlier this year that his country is looking to build stronger ties with the Asian powerhouse.

"We have a strong trade relationship with China. And we think it's very wise to continue strengthening that relationship with China as well as our other partners," the minister said in [an interview](#) with the Nikkei Asia newspaper.

At the same time, Alibrahim stressed that with China,

"we have a very strong relationship that includes investments and trade on both sides. There are lots of opportunities for China to invest in Saudi Arabia. At the same time, we are prioritising, investing all around the world, including China in terms of the opportunities."

Saudi Arabia, along with fellow regional states Iran and the United Arab Emirates, has been selected as the newest members of BRICS. Analysts note that this apparent shift towards China, as well as Russia, risks weakening Riyadh's traditionally favourable stance towards the US and the petrodollar dominance that emerged due to this relationship.

This is already coming to realisation considering Saudi Arabia joined the Central Bank Digital Currency revolution in June by becoming a full member of the mBridge project, a collaboration between Thailand, Hong Kong, China, and the UAE that will give the Arab country access to immediate, low-cost, cross-border currency transactions, which it will use to sell oil to China, and also challenge the dominance of SWIFT that Russia was banned from in February 2022.

In effect, Saudi Arabia helped give rise to the petrodollar, and it is now the very same country that is bringing the petroyuan to reality, which will inevitably lead to its slow decline.

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This article was originally published on [InfoBrics](#).

Ahmed Adel is a Cairo-based geopolitics and political economy researcher. He is a regular contributor to Global Research.

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