



China and the Middle East : a mutually prosperous relationship

Sean Korney



中國同中東：一個互相有利關係

الصين و الشرق الاوسط: علاقة متبادلة وناجحة

Sean Korney

Acknowledgments

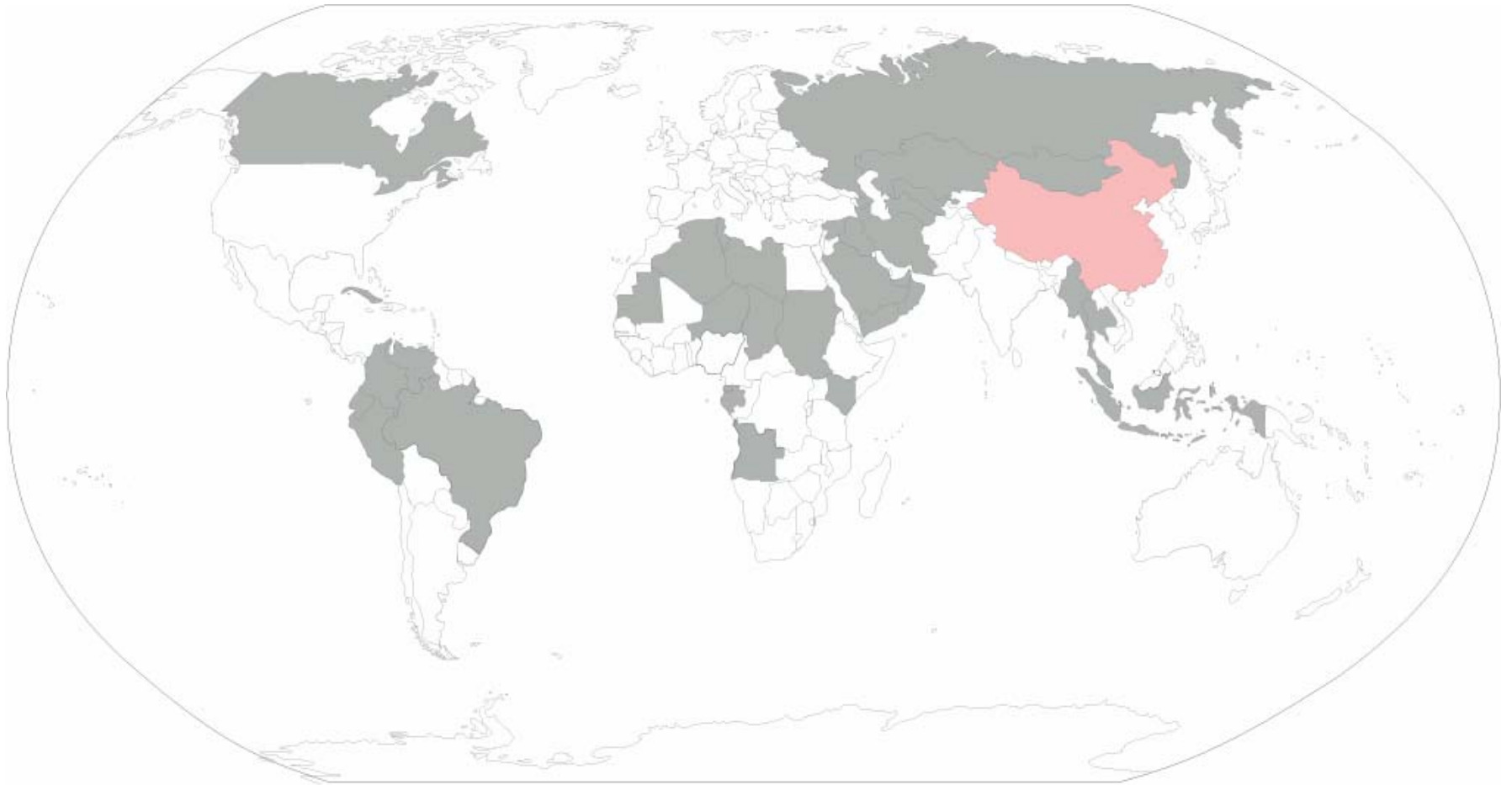
- **Farid Guemache & Penny Cygan, BAKER BOTTS LLP**
- **Sources: BP Statistical Review, the International Energy Agency, China Brief, Institute for the Analysis of Global Security, China Institute (University of Alberta), Middle East Quarterly, The James A. Baker III Institute for Public Policy.**

A Prosperous and Growing Relationship:



Trade between East Asia and the GCC quadrupled in volume between 1995 and 2005, trade between China and KSA alone increased 30% between 2005 and 2006.

Going Abroad



Chinese Investment in the Middle East



Chinese Investment in the Middle East

- **CNPC / Syria - \$1 billion - Oil refinery project for Syria and Kebibe oil block**
- **Sinopec / Iran - Yadaravan project, \$2 billion oil development**
- **Sinopec / Aramco - joint venture (Sino Saudi Gas) - Ghawan field**
- **CNPC / Iran - South Pars Gas Field / LNG; CNOOC / Iran - North Pars Gas Field**
- **CNPC / Iraq - Ahdab Field renegotiation**
- **Project Kuwait**
- **Petro China / ADNOC - \$1 billion chemical park**

Middle East Policies for Investment into China

"In 2002, for example, the six Gulf countries had no major investments in new company facilities in China, but by 2006, they had established 13 ventures, seven of which were financed by the United Arab Emirates (UAE). They are expecting to invest a further \$250 billion in the Asian market, including China, over the next five years".

China Brief, July 11, 2007

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Chinese Policy Toward Middle East Investors

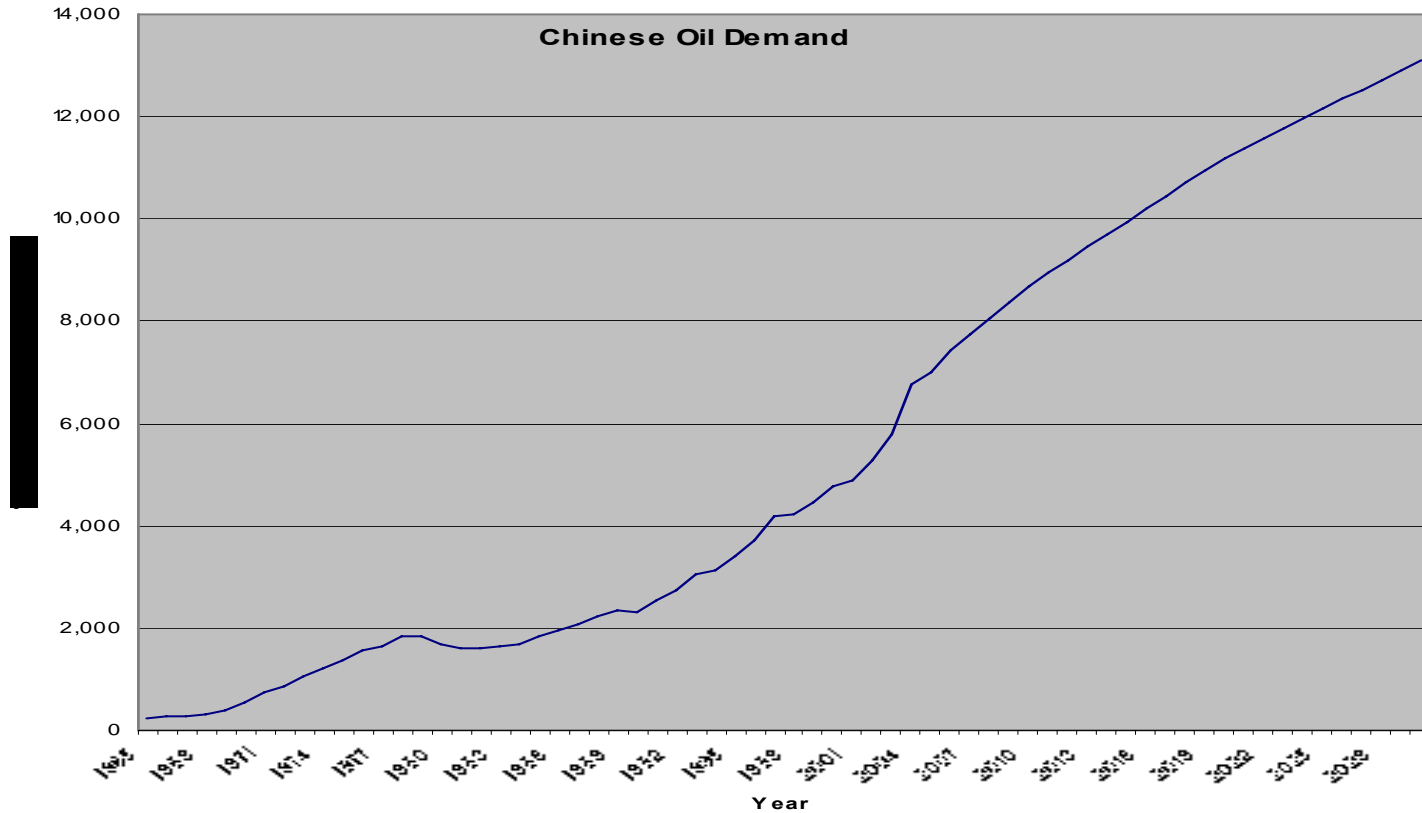
" ... it is the Saudis and other Middle Eastern investors to whom the Chinese often go first."

International Herald Tribune, *The Middle East is buying into Asia*, November 30, 2006

Middle Eastern Investment in China

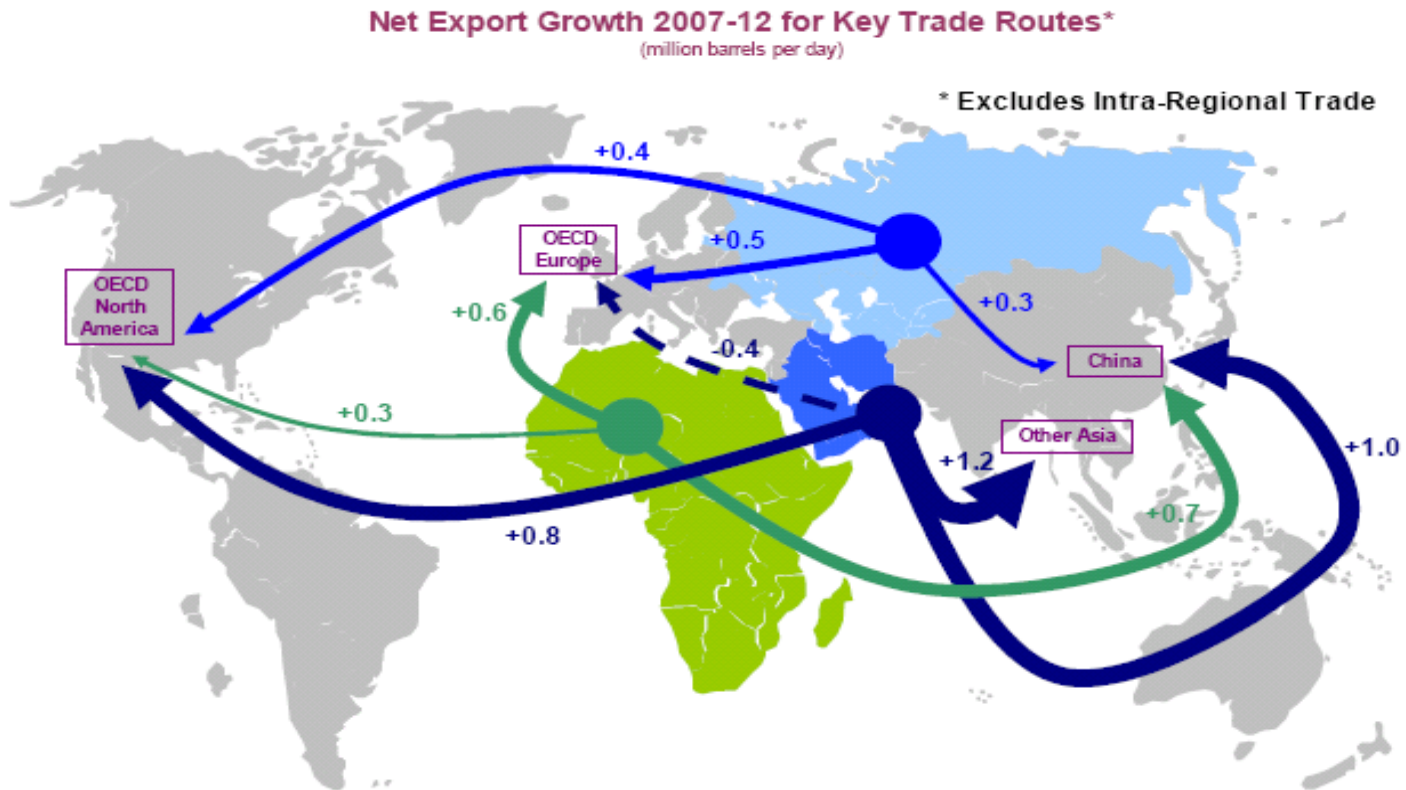
- **Aramco Sinopec / Exxon Mobile \$3.5 billion refinery expansion - Fujian**
- **Aramco / Sinopec \$1.2 billion refinery - Qingdao**
- **KPC / Sinopec - \$5 billion refinery joint venture - Guangdong**

Oil Demand in China



Source: *BP Statistical Review of World Energy 2007*,
IEA World Energy Outlook 2005

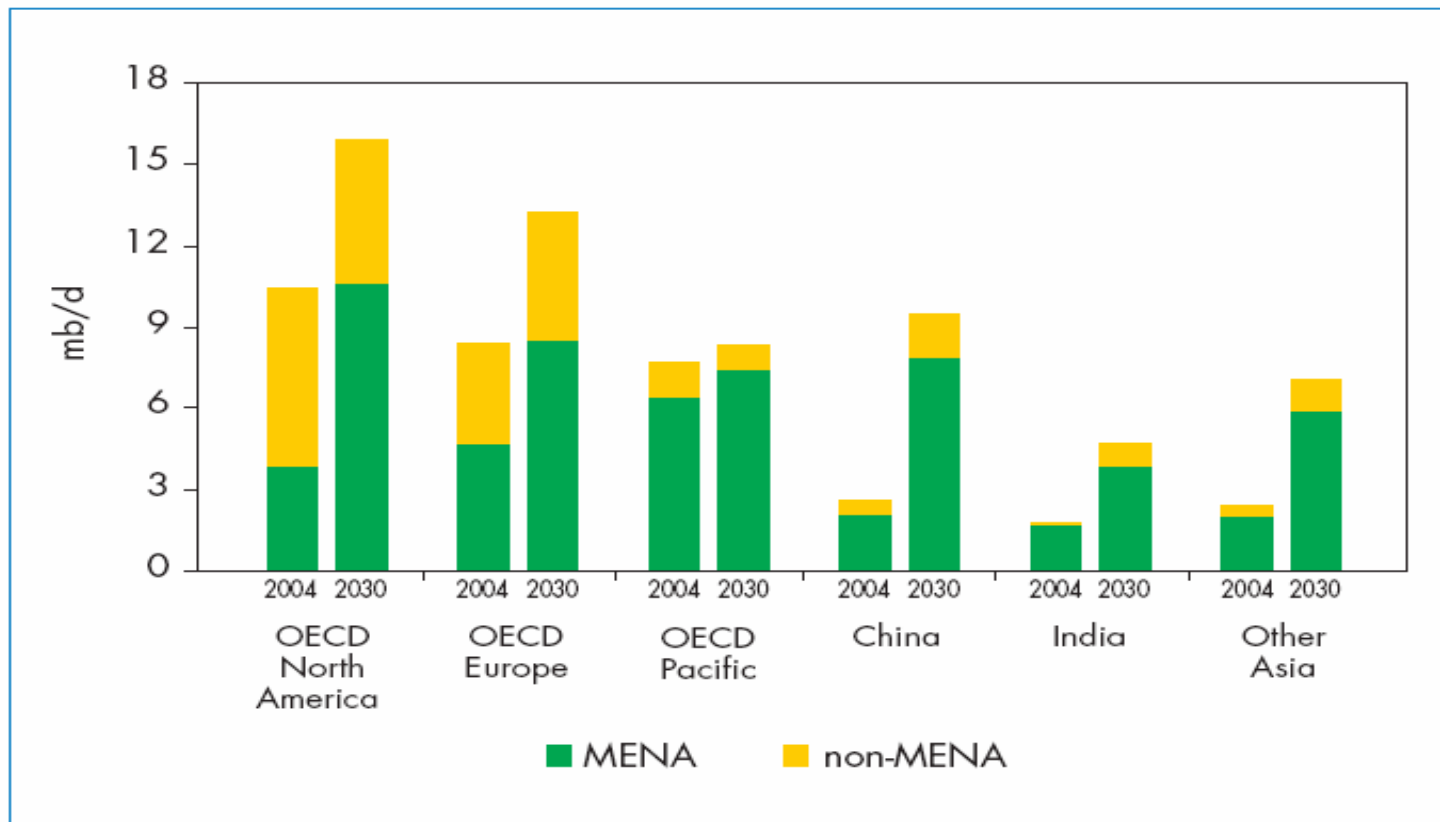
Forecasted Oil Trade Flow Growth



INTERNATIONAL ENERGY AGENCY - MEDIUM-TERM OIL MARKET REPORT

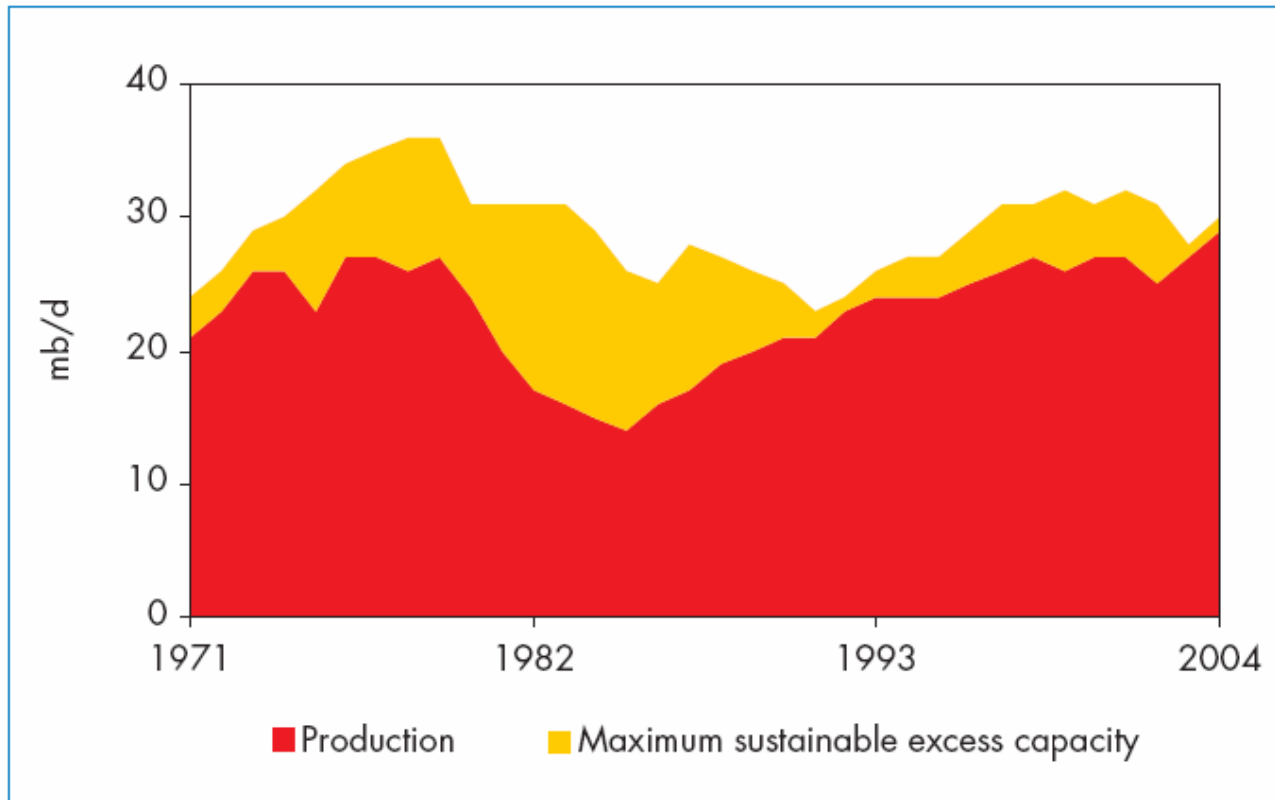
Growth of Middle East Exports in China

Figure 4.19: Oil Exports to Net Importing Regions from MENA and Non-MENA Countries in the Reference Scenario



Middle East Excess Capacity

Figure 4.13: MENA Crude Oil Production and Spare Maximum Sustainable Capacity

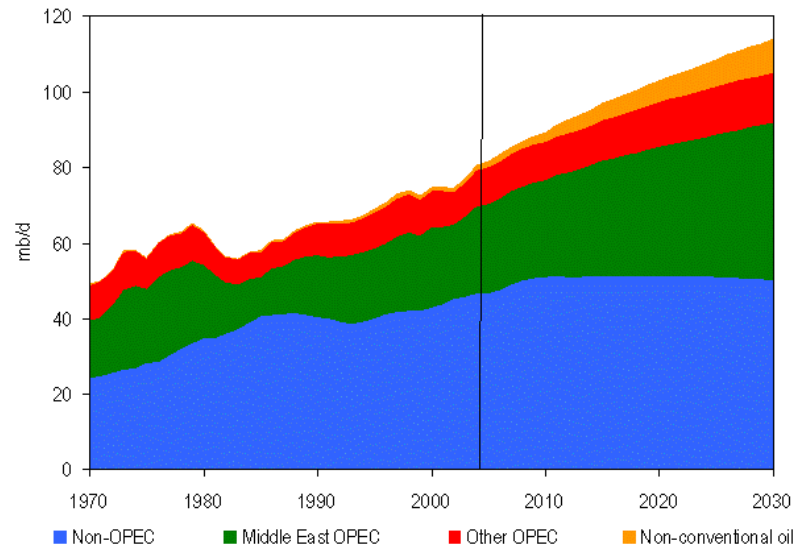


Source: IEA database.

Middle East Supply Growth



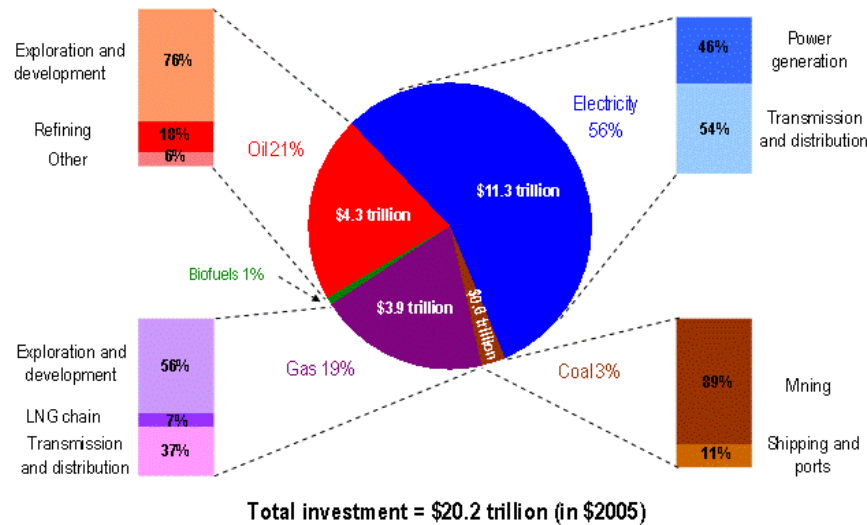
Cumulative World Oil Supply by Region



Cost of Investment



Cumulative Investment in Energy Infrastructure in the Reference Scenario, 2005-2030



Summary

- **Chinese demand growth, energy security**
- **Middle East supply growth, secure markets**
- **Profitable investments**
- **Rapidly growing economies, cash surpluses**
- **Difficulties investing in West**
- **Political risk tolerance; will invest where some others won't**
- **Want investors who aren't critical of domestic policies**

Conclusion

- **China and the Middle East are a natural fit in the energy industry.**



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