
Fresh wave of investments: China comes calling to the Middle East



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An influx of capital from the Asian giant is fuelling projects in various sectors of the region's economy.

China sees the Middle East as an ideal partner in its strategic trade and investment plans. The Asian giant, the world's second largest economy, is a key consumer of a vital resource provided by Middle East states – oil.

Last year, China was a major source market for Saudi Arabian crude, which accounted for 12.6% of the Asian country's oil imports, followed by Iraq at 8.5%, Oman at 7.5%, Iran at 7.3%, and the United Arab Emirates at 2.5%, according to [World Top Exports](#)¹.

But the trade ties are moving swiftly into new directions as Middle East nations build new infrastructure that aligns with Beijing's own economic policies and the Belt and Road Initiative, which will connect regional countries.

Oman's Duqm Economic Zone is emerging as a key piece of the Belt and Road programme. Located at the tip of the Arabian Gulf, Duqm Economic Zone is seen by China as a major hub for its products.

Spread over an area of 2,000 square kilometres (sq km), with 70 kilometres (km) of coastline along the Arabian Sea, the Special Economic Zone at Duqm is an integrated economic development featuring a sea port, industrial area, new town, fishing harbour, tourist zone, a logistics centre and an education and training zone, all of which are supported by a multimodal transport system that connects it to nearby regions, such as the GCC, Middle East, East Africa, and Southeast Asia.

Chinese investor Oman Wanfang are looking to invest as much as US\$ 10.7 billion in the zone, thanks to its proximity to maritime trade routes, but also its location outside the Strait of Hormuz, which could insulate it from conflict if regional tensions arise.

UAE Stakes

In the UAE, Chinese companies have emerged as a strong player in the energy and power sector. In July, [Abu Dhabi National Oil Company](#)² (ADNOC) said it had awarded contracts worth AED 5.88 billion, or US\$ 1.6 billion, for the world's largest continuous 3D onshore and offshore seismic survey, covering an area of up to 53,000 sq km.

The new seismic survey will span an area of 30,000 sq km offshore and 23,000 sq km onshore, adding to the 2D and 3D seismic data already available across Abu Dhabi.

The contract was awarded to BGP Inc., a subsidiary of China National Petroleum Company (CNPC), who are represented in the UAE by Al Masood Oil Industry Supplies & Services Co.

ADNOC said the new technology will develop high resolution images of the subsurface, five times more dense than average industry standards. Its contract with CNPC builds on the company's deepening ties with China's largest oil producer. CNPC is already a major investor in the UAE.

In 2014, ADNOC and CNPC collaborated on the Al Yasat joint venture, an onshore concession area that measures 7,800 sq km, about twice the size of Dubai, which saw its first oil production earlier in 2018 and its first oil shipment to China in May.

In March, ADNOC awarded CNPC a 10% interest in the Umm Shaif and Nasr concession and a 10% interest in the Lower Zakum concession – the company's two offshore areas on the UAE coast.

PetroChina, CNPC's publicly listed unit, will pay a participation fee of US\$ 575 million, to enter the Umm Shaif and Nasr concession and a US\$ 600 million fee to enter the Lower Zakum concession. Both will be operated by ADNOC Offshore for 40 years, on behalf of its concession partners.

Lower Zakum is located about 65 km offshore of Abu Dhabi. The field was discovered in 1963 and came on stream in 1967. It has a target production of 450,000 barrels per day (bpd). Umm Shaif and Nasr lie 135 km offshore of Abu Dhabi and have a target production of 460,000 bpd.

Turkish Partnership

Turkey also plays a crucial role in China's Belt and Road initiative, given that it straddles Asia and Europe, and is close to Africa.

In September, the [Industrial and Commercial Bank of China](#) (ICBC)³ and the Turkish authorities signed a syndicate entrustment letter for the refinancing arrangement of the Third Channel Bridge and the North Marmara Expressway in Istanbul, and a memorandum of financial co-operation on the natural gas underground storage expansion project.

Earlier in June, Turkish Airlines' [Turkish Cargo](#)⁴ set up a joint venture with Chinese cargo giant ZTO and Hong Kong-based PAL Air Ltd. to operate a global express and courier company mainly focusing on global e-commerce market.

The project comes as the Istanbul New Airport, with a capacity of 4 million tonnes of cargo, is expected to generate revenues of around US\$ 2 billion.

The two countries are also pushing ahead with the already launched Baku-Tbilisi-Kars railway project, which connects Turkey to Central Asia. The project has already reduced cargo transportation time between China and Europe, according to Turkey's foreign minister [Mevlut Cavusoglu](#)⁵.

Egypt's Role In The New Silk Road

Meanwhile, Egypt's plans for Suez Canal also dovetail with China's US\$ 1.4 trillion Belt and Road Initiative, which aims to connect much of East Asia with South and Central Asia, along with the Middle East and Africa.

Indeed, China's Tianjin TEDA Investment Holding Co. Ltd was one of the earliest investors in the China-Egypt joint economic co-operation zone, which takes up a third of Egypt's Suez Canal Economic Zone (SCZone) and is being expanded in a second phase. TEDA is currently developing an industrial zone of 7.23 sq km in Ain Sokhna on the Red Sea coast, the first phase of which has been completed, attracting 68 enterprises in various areas of production.

Egypt has also been a regular destination for Chinese foreign direct investment in 2017, which stood at US\$ 7.4 billion – making Egypt the largest recipient of Chinese capital in Africa, according to the [United Nations Conference on Trade and Development](#) (UNCTAD)⁶.

FOOTNOTES:

1 <http://www.worldstopexports.com/top-15-crude-oil-suppliers-to-china/>

2 <https://adnoc.ae/en/news-and-media/press-releases/2018/seismic-survey-contracts>

3 <http://www.icbc.com.cn/icbc/en/newsupdates/icbc%20news/BeltandRoadInvestmentandFinancialCooperationForumHeldinTurkey.htm>

4 <https://www.turkishcargo.com.tr/en/news/a-great-partnership-agreement-has-been-signed-between-turkish-cargo-chinese-cargo-giant-zto-express-and-hong-kong-based-pal-air-ltd>

5 http://www.xinhuanet.com/english/2018-06/15/c_137256691.htm

6 https://unctad.org/en/PublicationsLibrary/wir2018_en.pdf

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