

BANKING ON KNOWLEDGE

Growing synergies have contributed to surge in GCC-China bilateral trade

By Dr R Seetharaman

During my recent visit to China I observed that the Chinese economy was bringing measures to revive its growth after clocking 7% growth in the second quarter of this year. However, the cross-border developments between the GCC and China have witnessed significant activity. Qatar-China trade has surged from \$3.4bn in 2010 to \$10.6bn in 2014, mainly on account of surge in natural gas exports to China as well as import of Chinese shipments of electronic goods and building materials to Qatar.

Qatar gas and CNOOC have an existing Sales and Purchase Agreement signed in 2008 for the supply of a total of 2mn tonnes per annum (MTA) of LNG. In April 2015, Qatar opened the Middle East's first centre for clearing transactions in Chinese yuan, which will boost trade and investment between China and Gulf Arab economies. It will also facilitate greater cross-border yuan investment and financing business, and promote greater trade and economic links between China



and the region, paving the way for better financial cooperation and enhancing the pre-eminence of Qatar as a financial hub in the Mena region.

China is Qatar's fifth partner in an initiative launched by Qatar Museums to build cultural ties between Qatar's residents and other countries around the world. China supports the holding of China-Qatar Cultural Year in 2016 to push forward

bilateral people-to-people and cultural exchanges.

In January 2012, China National Petroleum Corp (CNPC) and its partners Qatar Petroleum and Royal Dutch Shell agreed to push ahead with plans for a \$12.6bn refinery and petrochemical complex in east China. In May 2012, Petro China signed an agreement to acquire 40% of exploration and production rights for Qatar's Block 4 from GDF Suez Qatar. In March 2011, Qatar signed an \$879mn contract with China Harbour Engineering Co (CHEC) for the construction of the first phase of Qatar's New Doha Port.

In Jan 2012, Mazaya Qatar Real Estate Development Company awarded China's Sino hydro a contract worth \$130mn to construct the Sidra Village project. Qatar's sovereign wealth fund received permission in 2012 to invest in China's capital markets.

Qatar Investment Authority holds shareholding in Agriculture bank of China. In August 2012, Qatar sovereign wealth fund bought 22% stake in China's CITIC Capital. Qatar holding also has a \$1mn cap that a qualified foreign institutional investor (QFII) can obtain in China. Chinese



expats in Qatar numbered 6,000 in 2013.

Saudi Arabia-China trade has surged from more than \$43bn in 2010 to more than \$69bn in 2014. Chinalco, China's state-run aluminium manufacturer, is funding phosphate projects in northern Saudi Arabia. Saudi Arabia's Aramco and Sinopec Group signed the deal to develop the 400,000bpd refinery, known as Yasref, in January 2013. In 2012, Industrial and Commercial Bank of China (ICBC) got approval to open branch in Saudi Arabia.

The UAE-China trade has surged from more than \$25bn in 2010 to more than \$50bn in 2014. Chinese companies are operating specifically within the logistics, aviation and energy sectors in the UAE. China and UAE signed a \$5.5bn currency swap deal in Jan 2012. In March 2013, Agricultural Bank of China started a branch in Dubai. There are more than 300,000

Chinese nationals who are working and living in the UAE, in addition to over 4,200 Chinese companies.

Kuwait-China trade had surged from \$8.5bn in 2010 to more than \$13bn in 2014. In June 2014, Kuwait and China signed agreements and memoranda of understanding (MoUs) to boost their ties and cooperation in the areas of economy, investment, energy, culture, education and civil aviation.

In Jan 2013, China's foreign exchange regulator awarded Kuwait Investment Authority (KIA) fresh quota of \$700mn for direct investment in the Chinese securities market, on top of the \$300mn already granted earlier. KIA has stake in agriculture bank of China. KIA was also granted a \$1bn licence by China's central bank in 2012 to invest in its domestic interbank bond market. In 2012, Industrial and

Commercial Bank of China got approval to open a branch in Kuwait. Oman-China trade has surged from more than \$10bn in 2010 to more than \$25bn in 2014. China is one of the major importers of Crude oil from Oman. Bahrain-China trade has surged from more than \$1bn in 2010 to \$3bn in 2014.

China is a leading contributor to global trade. In 2014, Global trade was worth \$19tn, out of which China's exports were worth \$2.3tn and imports were worth \$1.96tn.

The GCC is one of the major trading partners of China. GCC-China trade was more than \$92bn in 2010 and has reached more than \$172bn in 2014. The GCC-China Free trade agreement is still under negotiation. Exports from the GCC to China have jumped from \$56.5bn in 2010 to \$108bn in 2014. Imports by GCC from China have jumped from \$36bn in 2010 to \$64.1bn in 2014. The growing synergies have contributed to surge in the GCC-China Bilateral trade.

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