THE BIG DEAL: CHINA-MIDDLE EAST

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China's trade relations with an ever-growing number of nations continue to cement the country's prowess in international import and export activity. Last year saw China ink a further major trade agreement with Australia to strengthen its already robust links with global economies, in addition to accelerating trade talks with six countries on the Arabian Peninsula.

Since 2004, China and members of the Gulf Cooperation Council – a political and economic alliance established between Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates – initiated free trade talks and a deal to help China reduce the cost of energy imports from the region. However, trade between these nations continues to expand and develop beyond oil and energy deals, with further agreements in place to drive economic growth. In turn, this could increase imports and exports and boost the demand for containers.

Alongside the accelerated trade talks, announced in December 2014, Zhang Shaogang, head of the Commerce Ministry's international trade and economic affairs department stated: "GCC countries consider China as a major market for their petrochemical products, and this (FTA) will assist those nations in their industrial development." Prior to this, these trade relations reached a pivotal turning point back in 2012, when China and the Middle East forged strategic ties over oil, particularly with Saudi Arabia.

Saudi Arabia has the largest proven oil reserves of any country on the planet. The nation's commodity-rich landscape make it indispensable for China's rapidly developing economy, however, this deal proved to be very beneficial for both parties.

"We need China as much as China needs us," said Khalid Al-Falih in a CNN interview following the signing of the agreement. "But the energy corridor is only part of it," he continued. "We envisage an exchange of goods and services and trade in other areas that add value to the Chinese economy and to the Saudi economy as well."

At the time of the agreement, expectations were high for trade between China and the Middle East. As the previous year had seen trade soar 10%, and mark a fivefold increase in less than a decade, the UAE's foreign trade minister, Sheikha Lubna Al Qasimi, forecast bilateral trade between China and the Gulf to hit $300bn by 2014.

As 2014 approached, trade relations between China and the Middle East continued to strengthen, with plans for the redevelopment of the Silk Road.

THE TRADE DEAL

As 2014 witnessed lacklustre growth in developed markets, China looked to the Arab world as a further source of energy to fuel its own economic progression. In doing so, the Middle East would also become a new market for Chinese exports.

The talks would see the two nations create a new Silk Road - an economic belt that would cover the ancient on-land trade route established long before 2014, that was once integral to linking east Asia with the Mediterranean, via the Gulf region.

This milestone would reinforce China's reputation as a global shipping hub for consumer goods and would enhance trade relations between the two nations beyond oil trade. The China-Arab States Co-operation Forum, now in its 10th year, announced the plans for the new Silk Road in June and established that:

- "The next decade will be a critical period for both China and Arab states, which calls on us to carry forward the Silk Road spirit and rejuvenate our countries." China's president Xi Jinping stated at the forum's opening.

- China and the Gulf aim to expand trade from the previous total of $240bn throughout the next ten years.

- Consumer goods are the largest component of Chinese exports to the Gulf, and the share of investment goods continues to grow.

- Chinese telecoms equipment manufacturer, Huawei Technologies agreed to a deal with Egyptian mobile operator Etisalat Misr, to supply high-capacity routers to boost the country's broadband.

- Huawei, with regional headquarters in Bahrain, witnessed revenue from the Middle East rise 18% to $2.1bn, from values in 2012.

ENERGY CONTINUES TO FUEL GULF EXPORTS

Whereas the Gulf may import vast volumes of Chinese consumer goods, when it comes to Middle Eastern exports, energy continues to dominate. In order to drive the progression of China's burgeoning economy, the nation imports more Middle Eastern oil than the US – the world's largest economy. China's extraordinary consumption of Middle Eastern oil was reflected in figures from 2012 that revealed that the nation accounted for more than 60% of oil imports.

As trade data reflects, over time, US energy imports from the Gulf have declined. If US imports continue to decrease this could see China surpass the nation as the Middle East's largest trading partner.

The 2014 forum saw both parties agree to develop a framework founded on four key pillars - energy, infrastructure, trade and investment. Coupled with the new Silk Road, the trade relationship between China and the Middle East could go from strength to strength. As ties intensify, this could fuel further economic activity in both regions accelerating consumer and oil trade and the volume of goods transported by sea.

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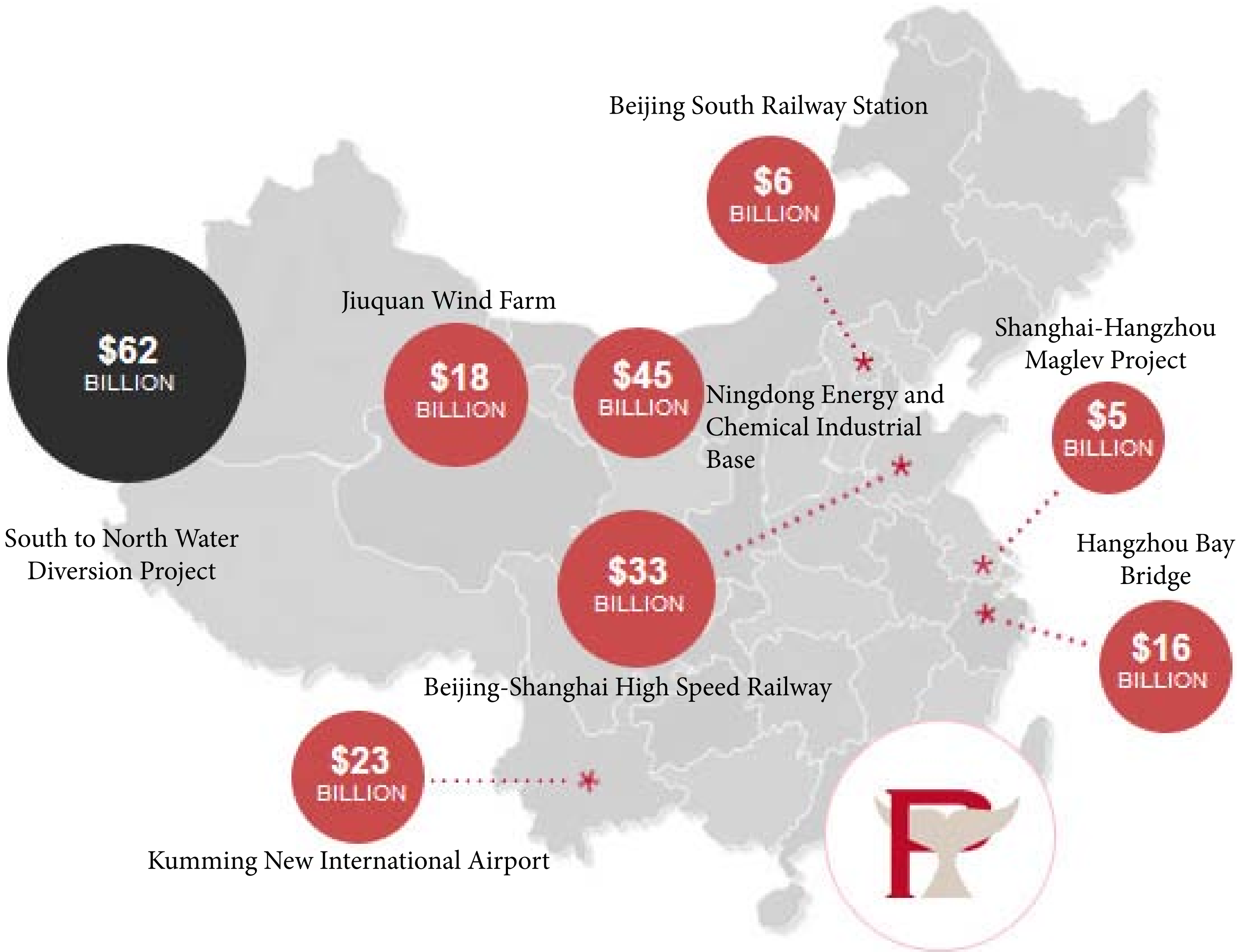

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