



Flood gate of oil

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Introduction

China has forged closer relationship with Saudi [1]. This surprises some but not for others. What could be the future?

China and Arabian

The famous stories of Arabian Nights and Alibaba and Forty Thieves are well known among Chinese. They are the familiar subjects of children and adults. In the T'ang Dynasty, the trade route to Arabian was well established. Islam had a base in the capital and the trading of silk allowed the exchange of wealth for two strong countries. The trade route developed did not limit to the land. Sea trade routes were well developed. There were two Islamic masque at Guongzhou, Guongtong and Xaimen, Fujian. The trade routes also included labor from Africa. While a prolong period of time, Chinese scholar believed African were traded as slaves, the actual fact was not always the case.

The modern Arabian has a much closer trading relationship with China. Saudi is the largest trading partner with China at the Middle East and the North America. The following are the export partner statistics for 2004:

- US 18.2%
- Japan 14.9%
- South Korea 9.5%
- China 6.1%
- Taiwan 4.5%
- Singapore 4.1%

The following are the import partner statistics for 2004:

- US 15.3%
- Japan 9.8%
- Germany 8.1%
- China 6.6%
- UK 5.7%

The interesting fact is that Saudi export to Taiwan but no import from Taiwan. The statistics could be outdated but the fact is that China is not a small trading partner with Saudi.

Energy Spider Web

Japan has limited success to tap into the oil resource in the Arabian Peninsula. The government sponsored activities end up dry result. China has been nurturing the relationship since 2004 [4]. It is only yesterday, January 24, 2006, the visit of 82 years old King Abdullah advances the relationship.

Let's stand back and look around the area. Saudi and Kuwait are definitely American friendly. Nigeria has been Western (mainly American and French) domination for decades. Iraq, Iran, Syria and Lebanon are French and Chinese friendly. American still has difficulty to share the oil resources. China gets access to Kazakhstan's resource through Canada's PetroKazakhstan. Russian is building natural gas to China. CNOOC has a US\$2.3B stake in Nigeria.

These small connections form a spider web that starting to break the energy wall built by the American. The web also shields the American from some access. Some of these resources are monopolized for a long time or poached for a long time. Slowly and small piece by small piece, the flood gate is ajarred.

The most recent cooperation with India on energy hunt [6], further reduces any political or military risk in Asia. The collaboration on energy hunt with India is a welcome resolution that could lower the cost of securing energy.

A Dangerous Game

When you touch the American monopolized resource, you have to ready to play game. The game is now not initiated by American but Chinese. Before the announcement of the Saudi tie, one may overlook the new that China is going to develop her home grown TD-SCDMA standard wireless network [5]. This announce before US Deputy Secretary of State Robert Zoellick started the official visit to China on January 24. This is basically a slap on the face because US does not give any ground on Wu Jintau's request to reduce technology embargo especially on encryption and data security which wireless standard has to address. Further to revenge on the Unical's denial, the tie with Saudi is also another slap because American sees the Saudi as her monopoly.

Yesterday I talk about the wall built by China and American in the article *Ramming in the Oil Field*, the ramming is physically about the happen. Now it is the stance and play chicken.

The Saudi's agenda may also works to Chinese advantage. With the decline in US\$, the Saudi has to find FX security to sell their merchandise to a harder currency. RMB may be the right choice.

I do not agree that China try to intimidate US. By linking all the dots, it is a strategy to influence the United States. Let's how Mr. Zoellick pushes the agenda.

Resources

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