

China becomes second largest trading partner of the UAE, reveals Dubai Chamber study

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A recent Dubai Chamber of Commerce and Industry study reveals that the economic ties between the UAE and China have expanded substantially since last decade, and China has become the second largest trading partner of the UAE.

According to the available data, during 1999-2009, bilateral trade between the two countries has reached \$119.4bn (Dhs438.4bn). UAE trade volume with China is on the rise and the exports and imports of both the countries have also increased considerably. Nevertheless, the balance of trade still remains in China's favour.

Future prospects, opportunities and new areas of cooperation

The study further states that during the last decade, the economic cooperation between the two countries has been accelerated there are still enormous opportunities that have not been exploited in fields such as manufacturing, construction, electricity, gas and water industries, infrastructure (such as, roads, buildings, transportation, storage and communication), hotels and tourism, financial institutions, agriculture, healthcare, education and the various training sectors.

China and the UAE have synergies in many areas. China has wide experience and expertise in the field of construction. The Dubai Metro is one example of their expertise. Foreseeing a growing demand in the UAE construction sector, Chinese firms are expanding their networks in the UAE so as to get more contracts. According to the Chinese Ministry of Commerce, during the last two years, Chinese firms have secured over \$4.8bn worth of contracts in the UAE.

Agriculture is another sector that holds significant potential for mutual benefit. China has made notable agricultural progress; especially in dry land farming. It has developed new varieties of vegetables, grains and fruits that have high degrees of tolerance in arid regions. In addition, developments in animal husbandry have seen dramatic growth in China. Overall, Chinese biotechnology is highly advanced compared to that of the UAE. As is well known, the UAE has little rainfall. And, despite its scarcity of fertile land, the UAE produces limited amounts of high quality fruits and cereal grains.

The study suggests that the UAE needs varieties of fruit and vegetable crops that grow well within its constrained agricultural environment. To this end, Chinese experience with dry land farming is fitting and the import of Chinese technology is promising with respect to enhancing the agricultural sectors of the UAE.

The close proximity of the UAE to markets in Central Asia, the Indian subcontinent and Africa, provides limitless opportunities to investors. The UAE offers all the required infrastructure and labour skills that a business needs. Moreover, the UAE is endowed with energy resources, while China is vigorously looking for available energy. China could take advantage of this opportunity and get full benefits from helping to develop the energy resources of the UAE.

In the future, China will have even more advanced and innovative technology than it has now. Therefore, many arenas for future economic cooperation between the two nations are possible. Only the failure to explore and a lack of proactive and target oriented policy limits the possibilities. Hence, by establishing the appropriate relationships now, there could be an enormous future expansion of scope for the UAE to use Chinese expertise in all sectors of its economy, suggests the study.

On China's economic rise, the study informs that since the launch of economic reforms in 1979, China has become one of the world's fastest growing economies. The economy has been growing at an astounding rate of 9.5% per annum. Despite the current world economic downturn, China has again posted a remarkable growth rate of over 10% in 2010. Economic theories advocate that when growth rates are too high, inflation often follows. But, in the case of the Chinese economy, growth rate remains rapid while inflation stays modest.

China overshadowing world economies

Global Insight, an economic forecasting firm, projects that China's real GDP will grow on average by 7.8% over the next 10 years and that the Chinese economy will double in size in less than 10 years. The official figures from the Japanese government and the IMF (2011) have disclosed that China has finally surpassed Japan and has become the world's second-largest economy behind the United States. Earlier, China surpassed Germany, France and Great Britain. Underscoring China's growth, the economic pundits have forecast that China will become the world's largest economy as early as 2030.

The story does not end here. According to the Chinese National Bureau of Statistics, in 2010, total Chinese economic output was \$5.75 trillion. On the other side, the Central Bank of China is accumulating a colossal \$20bn to \$30bn in reserves each month. By the end of year 2010, the foreign exchange reserves had exceeded \$2.85 trillion.

Fortune Magazine reports that over 80% of the world's top companies have invested in China with more than 2,000 investment projects. Similarly, several Chinese firms are also doing business globally. Chinese products have continued to sell well around the world, while large quantities of foreign products have poured into China.