China-Gulf ties driving investment beyond oil

Heather Ng
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Sovereign wealth funds and Chinese policy banks are forging a new investment nexus as global banks step in to structure flows across clean energy, infrastructure and advanced industries.

Deepening financial and strategic ties between China and the Gulf are reshaping global capital markets, with sovereign wealth funds and policy banks driving a new era of cross-border investment.

On the Gulf side, sovereign giants such as Saudi Arabia's PIF, Abu Dhabi's ADIA and Mubadala, and Qatar's QIA are leading, while China Investment Corp., Silk Road Fund and major state-backed banks dominate at the other end.

Steve Alain Lawrence
Balfour Capital Group

"Their shared goal is to co-build industrial capacity, diversify away from hydrocarbons, and capture energy-transition upside," Steve Alain Lawrence, CIO at Balfour Capital Group, told *AsianInvestor*.

This alignment is not happening in isolation.

US and European banks— including Goldman Sachs, Morgan Stanley and Deutsche Bank—are positioning themselves as intermediaries, structuring capital flows and syndicating deals across what Lawrence describes as "an emerging tri-regional investment corridor."

Chinese capital is increasingly flowing into sectors that dovetail with Gulf diversification agendas.

Clean energy, logistics, digital infrastructure and advanced manufacturing are at the forefront, reflecting both China's export-capital model and the Gulf's Vision 2030 ambitions, Lawrence said.

"These projects increasingly feature long-term operating partnerships and technology transfer," Lawrence said, adding that global banks are following the money, with US firms expanding in Abu Dhabi and European institutions aggressively pursuing mandates.

Gulf sovereign wealth funds, meanwhile, are recalibrating their approach to China.

Rather than headline-grabbing single transactions, they are moving toward structured platforms such as co-investment vehicles, private credit, and growth equity partnerships. Infrastructure debt and private-market joint ventures are also gaining traction.


Michael Langham
Aberdeen Investments

"The focus is moving firmly toward direct, strategic, and active exposure rather than passive listed equities," Lawrence said, highlighting the role of Western banks in facilitating this evolution.

Flagship policy frameworks are reinforcing these flows.

The Belt and Road Initiative and Vision 2030 are increasingly aligned, generating multi-billion-dollar projects with technology-transfer mandates and local participation.

What began as bilateral cooperation has now become "a structural corridor supported by global financial architecture, turning the China–Gulf nexus into a long-term institutional theme", Lawrence said.

Macroeconomic and diplomatic drivers underpin this momentum.

Gulf diversification and job creation, China's search for new investment outlets and supply-chain resilience, and the infrastructure super-cycle powering energy transition and data connectivity are converging.

"The alignment of policy ambition, capital depth, and institutional participation is transforming this corridor into one of the most strategic financial linkages of the decade," Lawrence said.

Yet risks remain. Regulatory divergence, currency convertibility, geopolitical friction and execution complexity in large-scale projects all pose challenges.

Lawrence cautions that institutional investors must prioritise counterparty transparency, strong exit mechanics and sound governance structures.

“The upside remains compelling, but success hinges on disciplined execution,” he said.

Michael Langham, emerging markets economist at Aberdeen Investments, underscores the macroeconomic foundation of these ties.

“China’s massive energy needs and manufacturing capacity have seen it emerge as the primary source of demand for the Gulf’s oil and gas, while petrodollars (and increasingly petro-RMB) are recycled into Chinese-made goods and financial investments,” he said.

“This is a powerful macroeconomic channel driving deeper ties,” he added.

Langham notes that Gulf sovereign wealth funds will continue to diversify away from US financial assets but cautions that broader exposure to Chinese markets may be limited by structural factors.

“Broader and more rapid increases in exposure to Chinese assets may be constrained by the low yield of the Chinese bond market and the relatively poor long-run equity market returns,” he said.

Geopolitics adds another layer of complexity.

The China-brokered peace deal between Iran and Saudi Arabia in 2023 was seen as a major signal of Beijing’s diplomatic focus on the region.

Yet China’s reluctance to intervene in the Houthi attacks on Red Sea shipping lanes highlighted the limits of its foreign policy reach.

“Gulf states will remain wary of moving too fast,” Langham said, noting their caution over damaging relations with the United States.

“This will remain a limiting factor that may restrain the pace of accelerating investment ties."

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