

II. MARKET OPPORTUNITIES AND SECTOR MARKETING PLANS

1. Petroleum and Petrochemical Related Industrialization

a) The Opportunity

Saudi Arabia is well established as the world's premier oil power. The country has been a significant producer for 30 years; it contains almost 30 per cent of the world's known reserves and is currently the largest exporter at 7.0 million barrels per day. Estimated reserves are almost 179 billion barrels of oil and 3.36 billion cubic metres (112 billion cubic feet) of gas. New discoveries and new recovery techniques have, in the past, kept these reserves at a constant level although reports are now surfacing which suggest for the first time that total lift is now exceeding new discoveries.

Until about four years ago, Saudi Arabia's petroleum activity was mainly confined to crude oil supply under the concessionary control of ARAMCO (a partnership of Standard Oil of California, Texaco, Exxon and Mobil). During this period, the emphasis was on ever-increasing production while very large volumes of associated natural gas were flared off. For many years, ARAMCO was somewhat of a closed shop, especially to Canadians who were still developing expertise in the oil and gas business.

The situation, however, is changing rapidly. The Saudis now control ARAMCO and are proceeding on a state-dominated plan not only to control their own crude oil system, but to capture the associated gas, and launch an industrialization plan based on oil refining, petrochemicals and their downstream industries.

In addition, the Saudis are working with neighbouring Gulf countries (Kuwait, Bahrain, Qatar, the Emirates and Oman) under the newly-formed Arabian Gulf Co-operative Council (AGCC) to co-ordinate industrialization activities in the area. There are indications that the area will become a common market with the most concentrated downstream petrochemicals and industrial development programs of all time.

This is a new game and could provide a second chance for Canada. From a diplomatic standpoint, indications are that Canada would be a welcome participant. This is based on the fact that: