

The logo for ECRI, consisting of the letters 'E', 'C', 'R', and 'I' in a bold, blue, sans-serif font, centered within a white rectangular box. The background of the slide features a light yellow gradient with a dark purple horizontal bar at the top and a dark purple vertical bar on the left side.

**Does the continuing emergence of Korean and Chinese players (Contractors and Clients) in the Global E&C Industry only constitute a threat, without opportunity ?**

Workshop Session  
London, June 10, 2009

# Threat and Opportunity?

## Korean and Chinese Contractors and Clients

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- Country parameters are large:
  - Population (over 1.5bn)
  - GDP Growth (averaging 8% since 1970s)
  - Reserves (at USD 2,345 bn)
  - Trade Balance (strongly positive)
  - Current Account Balance (positive)
- Forecasts are still favorable:
  - GDP Growth still at between 5-8%
  - Lower inflation as economy somehow cooled
  - Consumption, if slower, remains strong
  - Only economy to rival U.S. economy in the short term
- Concern: spare capacity and idle labor due to slower growth

# Threat and Opportunity?

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- Considering those parameters, retailers and equipment manufacturers look to those markets and are enthusiastic about opportunities
- But E&C is in the business of designing and building the facilities for those retailers and manufacturers. Do those opportunities transfer upwards in the chain?
- There is plenty of work yet to be performed to provide for a sustained continued growth :
  - Transportation
  - Infrastructure
  - Power
  - Oil & Gas
  - Pharmaceuticals
- FDI is still a net positive and the state banking system has weathered the crisis rather well, and is providing financing to maintain economic activity.

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### ■ So:

- Are foreign contractors invited to participate of those opportunities by clients?
- Are foreign contractors engaged by local ones to joint venture towards those opportunities?
- Are there enough guarantees for foreign contractors to venture alone?
- Do the characteristics of the K&C contractors (generally backed by large industrial operations) make them suitable partners within E&C?

### ■ Or:

- Do K&C clients use their reserves to secure resources to be exploited by K&C contractors?  
[E.g.: Africa and resources]
- Do K&C contractors isolate their domestic markets from foreign contractors?
- Do K&C contractors push their spare capacity and excess labor for work outside their markets, supported by their own governments?  
[E.g.: Africa and Latin America, agreements with governments]

# Threat and Opportunity?

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- What are other opportunities that may exist with K&C Contractors?
- Can we share know-how and expertise in partnering agreements with those contractors? Or is each party's role limited to preconceived notions of partnering?
- Is there appetite to enter into contracts with a Chinese Client which may be a quasi-government entity in itself, and which may own a competing division?
- Is China's status as a member of the WTO any assurance/affirmation as with respect of patents and copyrights for E&C contractors and proprietary technology?
- Could ECRI become a venue in which by addressing risk, these issues are discussed and better understood? If so, could this lead to changes in behavior?