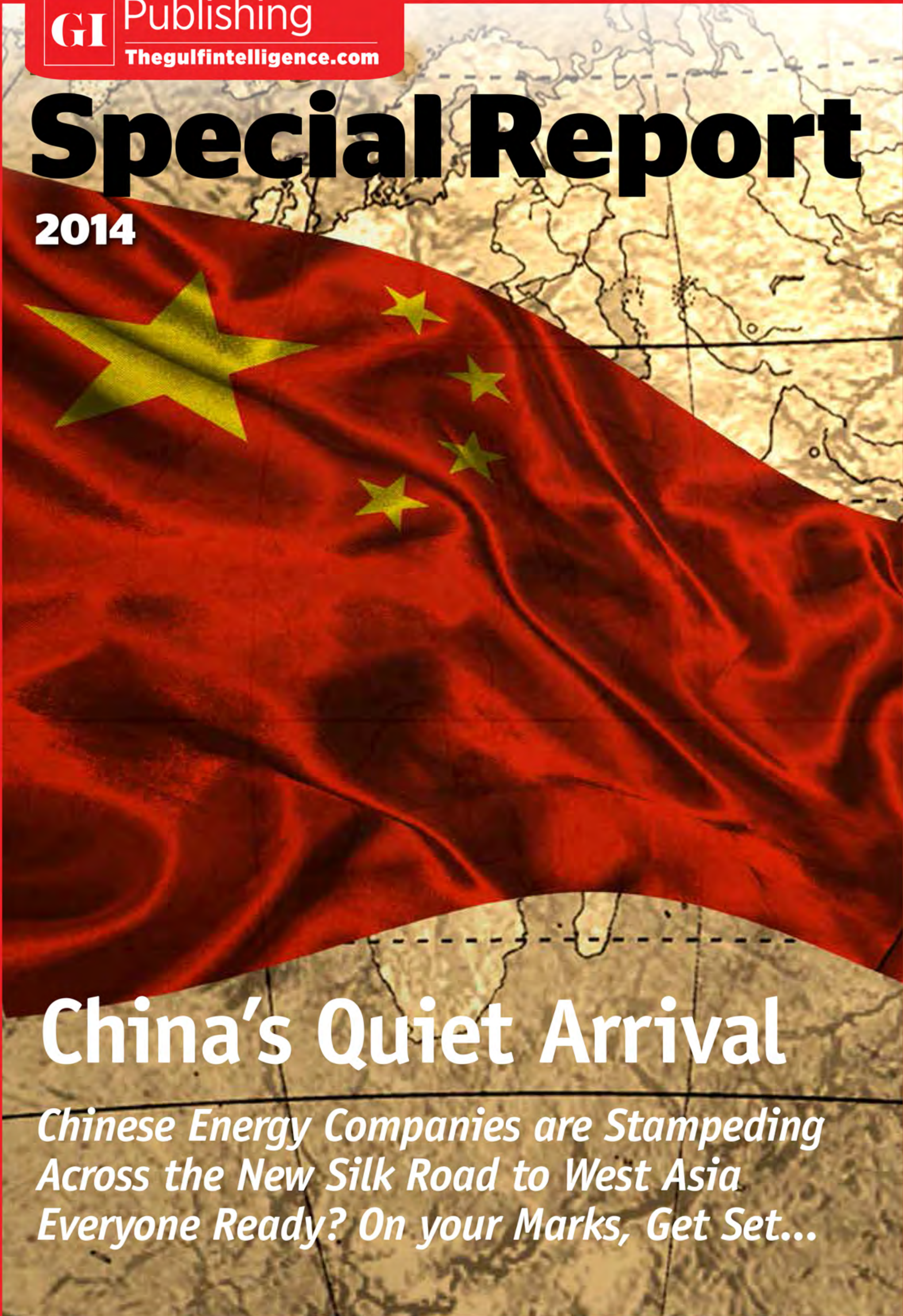
GI Publishing
Thegulfintelligence.com

Special Report

2014

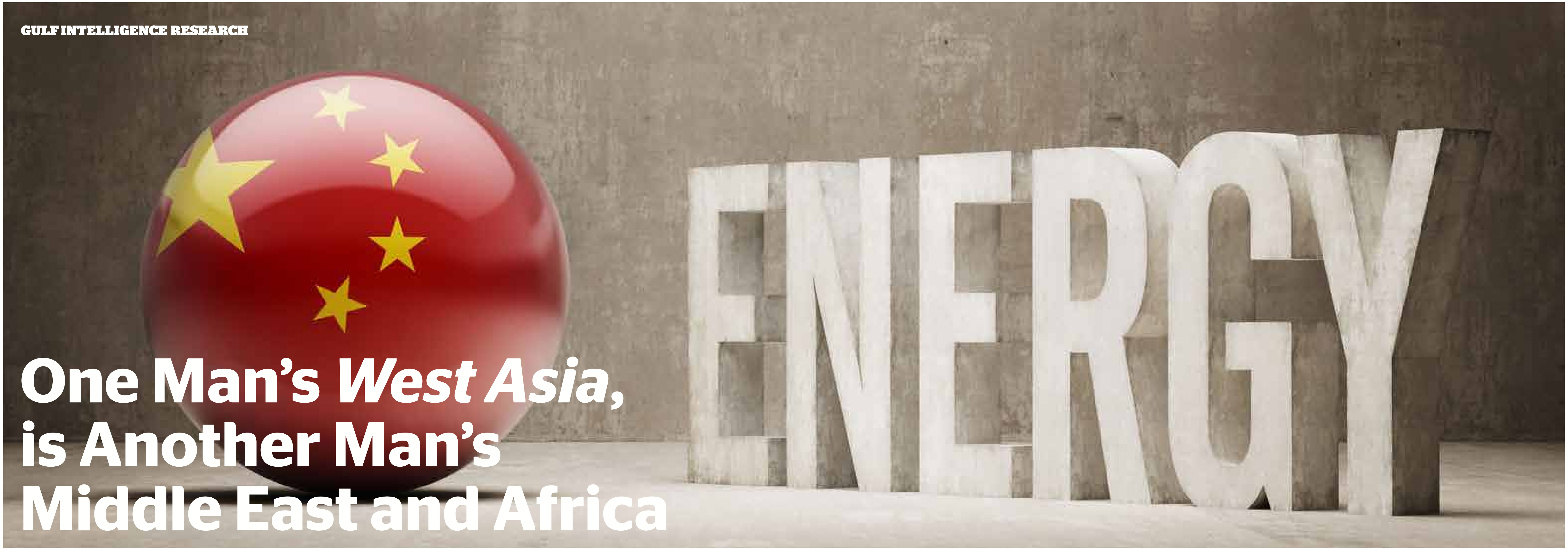


China's Quiet Arrival

Chinese Energy Companies are Stampeding Across the New Silk Road to West Asia Everyone Ready? On your Marks, Get Set...

"Every man lives by exchanging."

Adam Smith,
philosopher and economist



One Man's *West Asia*, is Another Man's Middle East and Africa

A New Era of Engagement

China has stepped up its engagement in the Middle East and East Africa over the last decade as the Asian giant seeks to safeguard and diversify crucial energy and commodities supplies needed to sustain long-term economic growth and open up new markets for Chinese companies' expanding product and services portfolios. From buying a major equity stake in a frontier gas project in Mozambique from Eni, to developing some of the world's biggest oil fields in Iraq, to constructing a large-scale refinery at Saudi Arabia's Red Sea coast, Chinese companies are broadening their footprint across the region, channeling billions of dollars into key sectors such as energy, infrastructure and manufacturing.

A political backlash in 2005 against Chinese efforts to acquire U.S.-based Unocal for $18.5 billion may have encouraged Chinese firms to look more acutely at the opportunities in the Middle East and Africa, and tread more carefully in the West as they target foreign assets.

The energy needs of China and the Middle East-East Africa region are closely intertwined, and Beijing's greater engagement in the resource-rich area is set to have a lasting impact. On an industry level, it paves the way for a new breed of Chinese energy companies—characterized no longer by low-cost and sub-standard quality and service offerings, but by considerably upgraded technological, human and financial capabilities—to play a much greater role in a sector that in the past was almost exclusively dominated by Western firms, in particular international oil companies (IOCs).

On a political level, China's deepening engagement in the Middle East and East Africa provides the world's second-largest economy with long-term access to strategic hydrocarbons and other raw materials, while at the same time opening up downstream opportunities for producing countries seeking to cement relationships with their customers and ensure long-term demand security. It is also strengthening bilateral relations between regional governments and China, helped by Beijing's strict policy of non-interference in other countries' internal affairs, thus adding a new strategic dimension to the region's political dynamics that may have greater weighting in the aftermath of the Arab Spring.

However, it is important to note that China's NOCs are not merely puppets of the Chinese party-state that are expanding internationally for the sole purpose of assuaging Beijing's concerns about energy security, but equally it is important to recognize that State financial support probably does provide China's NOCs with a competitive advantage over other oil companies and may play a larger role in the wake of the financial crisis.

COMPETITIVE POSTURE

China's increasingly competitive posture in the region's energy sector was highlighted most recently by the April announcement that state-owned China National Petroleum Corporation (CNPC) had agreed a landmark deal with Abu Dhabi's government granting it access to produce and export crude oil from several onshore and offshore fields in the emirate. The deal, the first of its kind for a Chinese company in the Gulf state, comes amid reports that ExxonMobil has reportedly not bid for the renewal of Abu Dhabi's historic onshore concession, and follows the September signing of a $2-billion contract by China National Offshore Oil Corporation (CNOOC), also state owned, with Uganda to develop the Kingfisher oil field with 635 million barrels of estimated reserves in place.

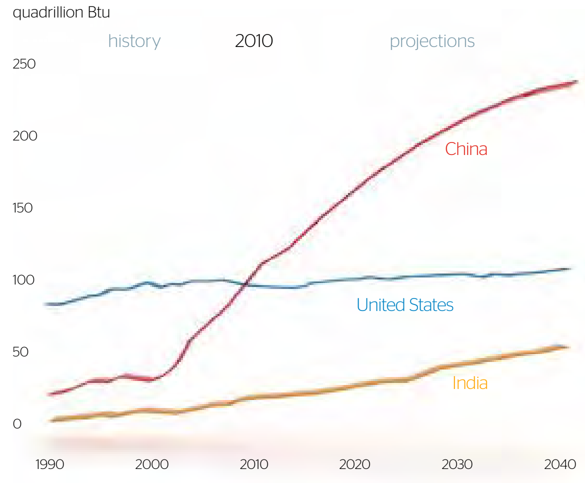
In May, China signed another deal in East Africa for the construction of a $3.8 billion rail link between Kenya's Indian Ocean port of Mombasa and Nairobi, the first stage of a line that will eventually link Uganda, Rwanda, Burundi and South Sudan. Exim Bank of China will provide 90 percent of the cost to replace the crumbling British colonial-era line.

The deals highlight China's new pivot to the existing and emerging energy-producing regions of the Middle East and emerging East Africa. As the world's most populous nation embarks on a global strategy to ensure security and reliability of its internationally-sourced energy and raw material supplies, the oil, gas and commodity sectors have become the most critical aspect to China's relationship with the Middle East and large parts of Africa.

"China is not only a large importer of oil, but also of other raw materials. Whether it is tin, copper or lead, China's share in global consumption and production hovers between 30 and 45 percent. It is also a large producer of alumina and steel, and accordingly imports bauxite/alumina and iron ore," said Eckart Woertz, Senior Research Fellow at the Barcelona Center for International Affairs.

The trend won't end any time soon. On the contrary:

FIGURE 1 ENERGY CONSUMPTION IN THE UNITED STATES, CHINA AND INDIA, 1990-2040

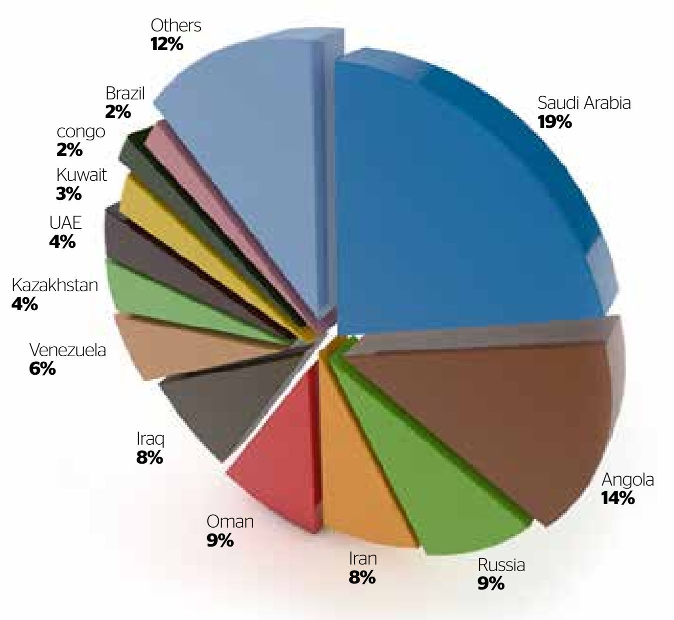


Source: EIA

China, which in September became the world's largest net importer of crude oil and other liquids, is projected by the U.S. Energy Information Administration (EIA) to consume more than twice as much energy as the U.S. and more than three times as much as India by 2040*. It is driven by a mix of steady economic growth and rapidly rising petroleum demand that outpaces production growth in the Asian country, whose population will rise to about 1.38 billion by 2015 from an estimated 1.34 billion in 2010.

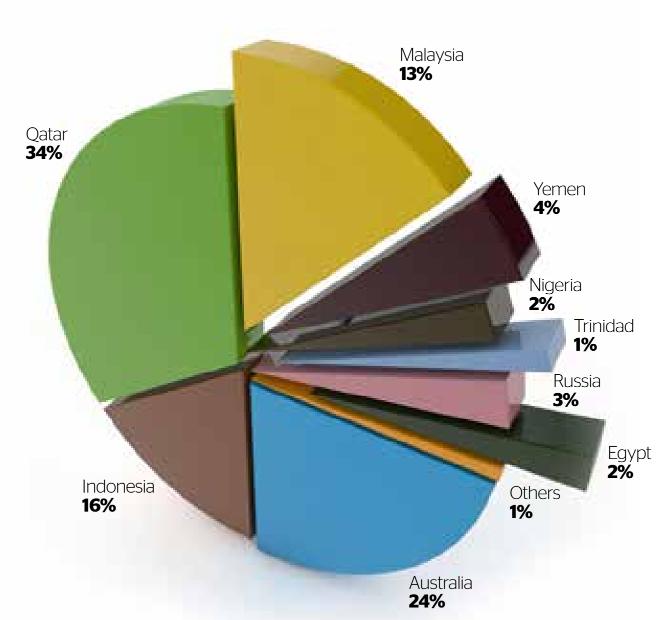
* See Figure 1

FIGURE 2 CHINA'S CRUDE OIL IMPORTS BY SOURCE, 2013



Source: FACTS Global Energy, Global Trade Information Services.

FIGURE 3 CHINA LNG IMPORT SOURCES, 2012



Source: FACTS Global Energy. **Others:** Oman, Algeria.

CHINA'S DEMAND FOR OIL & GAS APPEARS INSATIABLE

And while total annual petroleum and other liquids production in the U.S. is expected to rise 31% between 2011 and 2014 to 13.3 million barrels per day (bpd) on the back of North America's shale revolution, China's production is forecast to reach only a third of U.S. production by the end of this year*.

With energy demand on a steep upward trajectory, China began pursuing a strategy of diversifying its sources of crude oil and natural gas imports more aggressively over the past decade. The Middle East and Africa (MEA) have played an integral role in these plans and the MEA region accounted for more than two-thirds of China's total crude oil imports in 2013. Oil from the Middle East alone accounted for at least 51 percent of all imports in the same year, EIA data show**.

Saudi Arabia, the Middle East's biggest economy, has been—and remains—the largest supplier of crude oil to China, accounting for 19 percent of China's 5.6 million bpd imports last year, according to the EIA. Because oil production in Iran, Libya, Sudan and South Sudan—some of Beijing's traditional suppliers—substantially declined since 2011 due to regional instability and sanctions, China replaced the lost volumes of oil and other liquids imports with higher shares from other parts of MEA region, notably Oman, Iraq, the United Arab Emirates and Angola, as well as from Venezuela and Russia.

According to Edinburgh-based energy consultancy Wood Mackenzie, China's thirst for energy means that the country will have to spend as much as $500 billion per year by 2020 on crude oil imports alone***.

"The price China pays will far outstrip the peak cost ever incurred by the U.S. of $335 billion, with U.S. import spend falling to only $160 billion by 2020. This demonstrates the growth of the Chinese market and reliance on oil imports in relation to the U.S., whose import requirements have already and will continue to decrease due to a previous weakening in oil demand and growing domestic supply. The opposing trends in crude oil imports will affect the cost to both countries and inter-regional trade flows," the consultancy firm said in a report published in August.

While oil accounts for the largest volumes of energy imports from the Middle East, shipments of liquefied natural gas (LNG) have also increased significantly in recent years since China became a net natural gas importer for the first time in 2007.

In 2012, China's LNG imports reached 706 billion cubic feet (bcf), a 20% increase versus 2011 when volumes stood at 581 bcf, according to the EIA. LNG imports into China jumped by another 25 percent to about 880 bcf last year. The country now roughly consumes above 6 percent of the global LNG trade, and ranks as the world's third-biggest LNG importer.

Although gas still plays a relatively minor role in China's domestic energy mix at about 4 percent now, according to the EIA, this is expected to rise to about 8 percent of total energy consumption by 2015 and to 10 percent by 2020, bolstered by the recent agreement with Russia. Future demand for the clean-burning fuel is largely driven by the need to alleviate high pollution resulting from China's heavy coal use, which is a main cause for the country's environmental degradation.

With LNG demand on the rise, China has sought to diversify its import sources geographically away from its traditional suppliers Australia, Indonesia and Malaysia, and entered into long-term supply contracts with Qatar and Yemen, as well as Egypt, Nigeria, Oman and Algeria, which together accounted for more than 42 per cent of total LNG imports in 2012****. In the future, these are likely to be expanded on, while new sources from countries such as Mozambique will also be added.

The picture looks similar in the commodities sector. Here, Africa plays a key role to meeting China's unrelenting domestic requirements. According to data from consulting firm KPMG, China accounted for almost 17 percent of the world's mineral imports by value in 2012, while 16 percent of Africa's exported commodities by value were shipped to the Asian heavyweight.

In total, China purchased $100 billion worth of minerals during 2012 from 100 countries, including 23 from Africa. Since 2009, China is Africa's largest trading partner and—according to the Chinese Ministry of Commerce—trade between the two sides stood at $126.9 billion in 2010.

* See: www.eia.gov/todayinenergy/detail.cfm?id=15531

** See Figure 2

*** See: www.woodmacresearch.com/cgi-bin/wmprod/portal/corp/corpPressDetail.jsp?oid=11495385

**** See Figure 3

***FACT** There are **4,200** Chinese companies, **356** Chinese trading agencies and **2,500** Chinese registered trademarks in the UAE. The number of Chinese expatriates residing in the UAE exceeds **200,000** people. Tourism with China has surged, with **276,000** Chinese tourists flocking to Dubai alone in 2013.*

SILK ROAD TRADE

Once reflected in flourishing trade along the old Silk Road, the historic ties between China, the Middle East and East Africa are again flourishing. While hydrocarbons and commodities dominate inbound trade to China, its exports are largely made up of low-cost manufactured products that have increased the purchasing power of African consumers in particular. Bilateral trade between regional states and China has soared and keeps growing.

"China is now the largest trade partner for some of the region's most influential economies, including Saudi Arabia and Iran. In Iraq, although the US remains the country's top economic partner, Chinese investments in the oil and gas sector now account for a significant segment of the country's economic output," Ted C. Liu, a former associate fellow at European think tank FRIDE, wrote in a paper published earlier this year*.

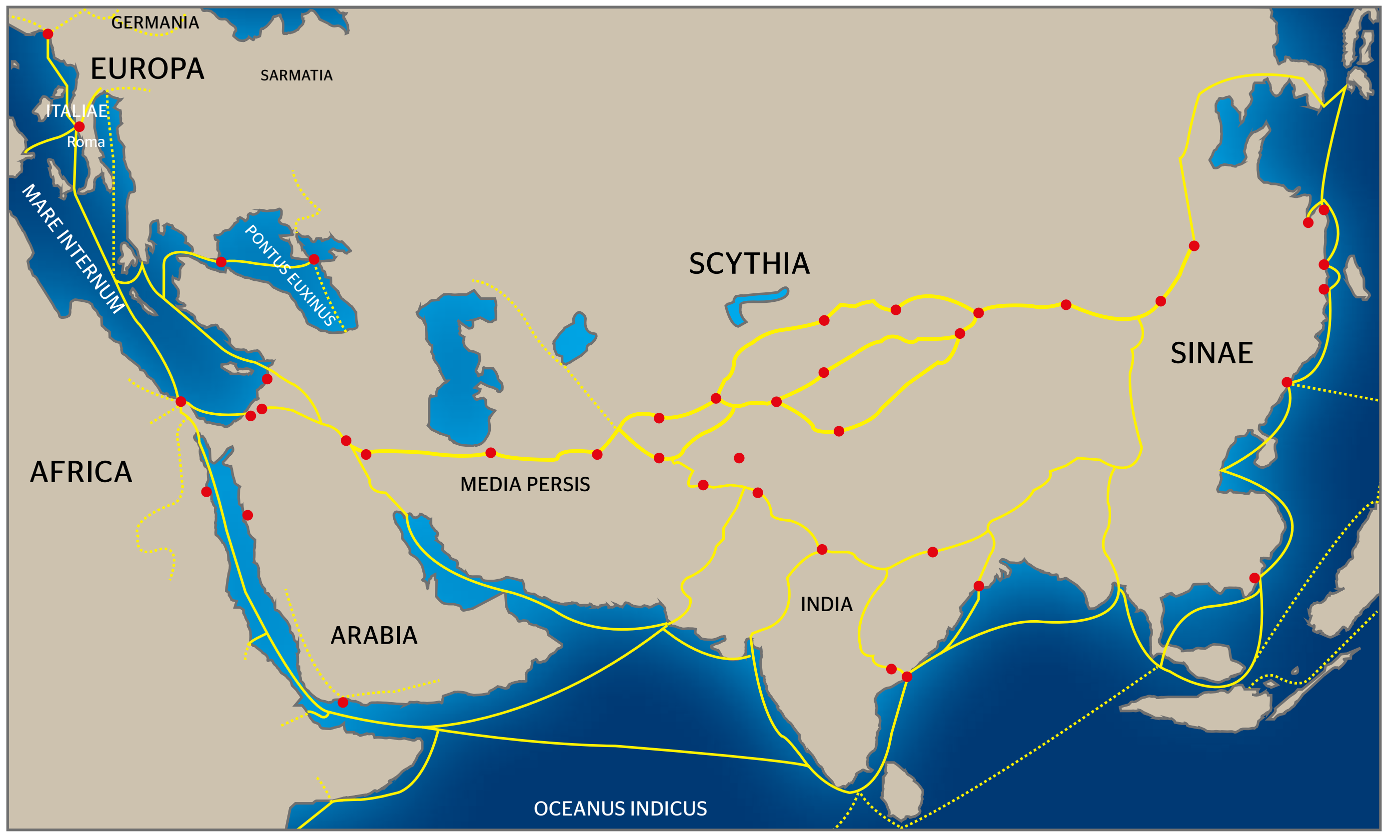
Trade between China and the energy-rich, wealthy six-member Gulf Cooperation Council (GCC) states in particular, which include Saudi Arabia, the UAE and Qatar, has jumped. From a total trade volume of $12 billion in 2003, China-GCC trade jumped to $92.5 billion in 2010 and to $155 billion in 2012. According to customs statistics by China's Ministry of Commerce, trade between Beijing and the GCC was up 29 per cent in the first six months of 2013 at $77.7 billion.

China is now the GCC's largest trading partner ahead of the U.S., while Saudi Arabia has been China's largest trading partner in Western Asia and Africa over the past 10 years. Trade between the two states reached $73.4 billion in 2012. Trade with the UAE reached $40.4 billion during the same year, according to Chinese customs statistics.

At the same time, the GCC countries, as a group, have become the largest oil suppliers to China, meeting about 35% of its total crude oil requirements in 2012.

* See: http://www.fride.org/download/PB_173_China_economic_engagement_in_MENA.pdf

FIGURE 4



This map indicates trading routes used around the 1st century AD centered on the Silk Road. The routes remain largely valid for the period BC to AD 500.

HISTORIC TIES WITH NO QUESTIONS ATTACHED

China's trade relations with the Middle East and East Africa essentially date back to the first century BC and began to blossom on an unprecedented scale after the Roman conquest of Egypt in 30 BC, with trade extending from India, Southeast Asia, Sri Lanka and China all the way to Africa, Europe and the Middle East via the Silk Road, a 4,000-mile long network of trade routes*.

The foundation for modern day Sino-African relations was laid in the post-colonial era, when China extended cooperation with Africa amid efforts to demonstrate solidarity with developing countries. Examples of Chinese support throughout that time include the $400 million, interest-free loan provided over 1970-75 for the landmark 1,800-kilometer Tanzania-Zambia rail line.

In the Middle East, it was China Petroleum Engineering and Construction Corporation (CPECC), CNPC's international construction arm that first entered the region via Kuwait, Iraq and Pakistan in 1983. Following years of developing its business, CPECC in 1995 won an oil storage reconstruction project worth $400 million in Kuwait as well as five highway construction projects in Pakistan.

Around the same time, in 1993, China began importing crude oil and subsequently started seeking out exploration and production opportunities in countries such as Sudan and Iraq.

ACCELERATING INVESTMENTS

China's involvement in the region has come a long way since. Investments have been stepped up significantly in key economic sectors since the 1980s, notably in energy, metals and infrastructure. At the same time, many Chinese companies have begun competing successfully with their global peers on the project front and pursued oil service contracts, winning major deals across the region and industries.

According to the latest figures of China's worldwide investments between the years 2005 to 2013 available via the Heritage Foundation's tracker, the country's companies invested a total $48.8 billion in various sectors across the Middle East-East Africa region during that period**. Investments in the region's energy sector, covering sub-sectors such as coal, oil and gas, amounted to $34.6 billion, or about 71 percent of Chinese companies' total regional investments, during that time. The country's total investments globally during 2005-2013 stood at $781.5 billion, of which $370 billion was channeled into the energy sector at large.

Iraq accounted for the largest share of Chinese regional investments during the period, with $10.1 billion channeled into oil projects in the country, ahead of Iran, Egypt, Mozambique, Saudi Arabia and Uganda***. Iraq also accounted for the single largest investment at $5.6 billion – which reflects CNPC's share in the massive Rumaila oil field development with equity partners BP PLC and Iraq's State Oil Marketing Organization (SOMO) under a 20-year service contract.

China's second single largest investment in the region took place last year in the emerging East African energy hub of Mozambique, where CNPC acquired a 29 percent share in a natural gas field development within the Mamba Complex for $4.2 billion from Eni East Africa, which is set to deliver the region's first liquefied natural gas (LNG) project by 2018.

Iran too has been a major destination for energy investments by Chinese companies over the past 15 years, partly due to the absence of competition from European and Japanese IOCs due to international sanctions and the need to secure additional energy supplies.

FIGURE 5 MAJOR CHINESE INVESTMENT DESTINATIONS IN THE MIDDLE EAST & EAST AFRICA, 2005-2013

5.2$bn	6.0$bn	10.1$bn	4.5$bn	4.5$bn	4.3$bn
Egypt	Iran	Iraq	Mozambique	Saudi Arabia	Uganda

Between 2005 and 2013, Chinese companies including CNPC and China Petrochemical Corporation (Sinopec) invested as much as $6 billion in Iran to develop oil fields such as Yadavaran or South Azadegan, although CNPC's deal to develop the latter was officially canceled in April due a five-year delay in carrying out the project.

In Egypt last year, Sinopec spent $3.1 billion in purchasing a 33% stake in Apache Corp.'s local oil and gas business, which at the end of 2012 held some 641 million barrels of oil and 3.79 trillion cubic feet of gas in probable reserves. Total Chinese investments in Egypt for the 2005-2013 period amounted to $5.2 billion, covering sectors ranging from energy to metals (copper and aluminum), transport and real estate.

Chinese energy companies' strategy of expanding internationally to bolster their existing portfolios and to integrate their supply chains have been reflected in their activity in the merger and acquisitions (M&A) market in recent years. The big three state-owned oil and gas companies—CNPC, Sinopec and China National Offshore Oil Corp. (CNOOC)—have all been among the most active buyers and, in 2013, China remained the largest buyer in the global oil and gas market, spending some $22.2 billion, according to data from energy consultancy IHS****.

Where China in the past competed purely on cost advantages on the back of cheap labor, many Chinese companies have rigorously sought to build up and expand their human and technological capabilities and capacities, enabling them more often than not to compete with leading Western energy companies on an eye-to-eye level, even on technologically more demanding projects, including in the Middle East and East Africa.

Recent energy projects involving Chinese companies, such as the deal signed in April with ADNOC to jointly develop oil reserves in the emirate, Iraq's West Qurna-1 oil field or Mozambique's offshore Mamba gas developments are all cases in point.

As Chinese companies have ramped up their international investments, at home they have started spending increasingly large amounts on developing their technological capabilities while enhancing both quality of delivery and services.

INNOVATION AND R&D

China's ambitions are reflected in the country's total annual spending on research and development (R&D). According to a joint report by Battelle and R&D Magazine published in December****, the growth in China's R&D budgets will far outpace those of the U.S. and total funding of R&D is expected to surpass that of the U.S. by about 2022. Of the $1.6 trillion estimated to be invested in R&D globally this year, China is expected to account for nearly 18%, ahead of Japan at just above 10%, but still well below the U.S.'s 31.1%.

* See Figure 4

** See: http://www.heritage.org/Research/Projects/China-Global-Investment-Tracker-Interactive-Map

*** See Figure 5, http://www.heritage.org/Research/Projects/China-Global-Investment-Tracker-Interactive-Map

**** See: http://press.ihs.com/press-release/energy-power/global-upstream-ma-transaction-value-plunged-lowest-level-2008-ihs-says-0

***** See: http://www.battelle.org/docs/tpp/2014_global_rd_funding_forecast.pdf?sfvrsn=4

> "As the Asian economy continues on its growth path, its dependence on energy imports from the West Asia region is set to soar further over the medium to long term.

CNPC is leading Chinese companies in terms of R&D expenditure, spending $2.3 billion in total on R&D in 2013, ranking the company 64th among the Global Innovation 1000 companies, according to consultancy firm strategy&'s Ninth Annual Global Innovation 1000 report. Since 2008, the number of Chinese companies in the Global Innovation 1000 has risen from 10 to 75, with the total amount spent on R&D rising from $1.7 billion to over $20 billion during that period.

But it isn't only the major Chinese state oil companies that are expanding their footprints across the Middle East and East Africa. Other government-run enterprises such as China Railway Construction Corporation, China State Construction Engineering Corporation, China Power Investment Corporation and China National Materials Group Corporation (Sinoma) among others have successfully bid for and won contracts across the region.

According to the Heritage Foundation's China investment tracker, Chinese companies secured contracts worth a total $99.4 billion between 2005 and 2013 across the Middle East and East Africa, ranging from railway construction deals in Algeria, to real-estate projects in the UAE, to power generation projects in Ethiopia, Kenya and Uganda*. The large number of contract wins, including more challenging and complex projects, is partly a reflection of Chinese companies' growing capabilities.

To be sure, many Chinese companies still compete on price rather than quality. However, it has been widely recognized in China too in recent years, that for its companies to compete globally in the long run, quality gaps need to be filled, innovation capabilities and skills will have to be upgraded, and more sustainable business models must be developed.

STRATEGIC SUPPLY-DEMAND PARTNERSHIP

Just as many Chinese companies are elevating their technical competence, so is the relationship between China and the Middle East and Africa region maturing, after a period that China's Premier Li Keqiang recently acknowledged included "growing pains." As the Asian economy continues on its growth path, its dependence on energy imports from the West Asia region is set to soar further over the medium to long term.

As a result, more Chinese investments are likely to be directed at opportunities in the region's energy sector, in particular on the upstream side. However, as the example of Sinopec's partnership with Saudi Arabian Oil Co. (Saudi Aramco) in the Yanbu refinery on the kingdom's Red Sea coast shows, opportunities are being considered along the whole energy value chain.

While investments such as Sinopec's are based on commercial considerations, they clearly serve a broader strategic interest. On the one hand, outward investments by Chinese national oil companies (NOCs) are a way of building and deepening strategic relationships with oil and gas-producing countries as a means of ensuring energy security; on the other, they also represent an opportunity to build up technical know-how and develop human skills through entering into partnerships with leading NOCs such as Aramco and IOCs such as BP, the latter of which is CNPC's partner on the Rumaila oil field development in Iraq.

Moreover, Chinese NOCs' partnerships with or acquisitions of other industry players are enabling them to develop expertise in previously unchartered territory such as deepwater—CNOOC working with Total in Nigeria's Akpo and Egina deep-water fields being a case in point—or unconventionals. To this end, CNOOC in 2013 spent $15 billion on Canadian upstream oil and gas firm Nexen, whose business includes oil sand and shale gas plays. Also in Canada, Sinopec acquired oil and natural gas company Daylight Energy for $2.2 billion in 2011, and a year earlier bought a stake in the Syncrude oil-sands project in Alberta.

With much of the world's future hydrocarbon production to come from harder-to-access resources and more remote territories, including in China—holder of major shale oil and gas reserves—Chinese companies are positioning themselves to play a greater role in the Middle East and East Africa too, where the era of post-east oil is well under way. Against this backdrop, deals such as CNPC's equity stakes in Abu Dhabi and Mozambique, or Sinopec's Saudi refinery investment, won't remain isolated transactions in the region.

To be sure, the region remains heavily reliant on US and Western military for security support and trade, and—to a large extent—on Western energy companies' technologies. As such, Chinese companies will receive a greater share of the regional energy pie in the future, but, given the region's strategic considerations, a large portion will continue to be awarded to Western firms, including IOCs.

What is clear, however, is that Chinese companies' involvement in the area will become more and more a symbiosis of common interests. Going forward, China's outbound energy investments will increasingly be counterbalanced by investments from the likes of Saudi Aramco, Qatar Petroleum and Kuwait Petroleum Corp., all of which are already involved in one way or another in downstream refining and petrochemical projects in the Asian country.

For existing and upcoming energy producers in the Middle East and East Africa this symbiosis will be essential in their strategy to secure long-term demand security, in particular for their heavy crude grades, amid an increasingly energy-independent U.S. and rising energy export flows out of North America.

The new era of an old relationship between China and the Middle East and East Africa may have just been rekindled, but like the bygone era of millennia past it will need to be a clear win-win framework to underpin the 21st century partnership. ■

* See Figure 6

FIGURE 6

Contracts Secured by Chinese Companies in the Middle East / East Africa

Year	Month	Contractor	Value (mln)	Sector	Subsector	Country
2005	May	CNPC	$390	Energy		Algeria
2005	December	CITIC	$900	Metals	Aluminum	Iran
2005	May	Norinco	$840	Transport	Rail	Iran
2005	February	Sinohydro	$150	Agriculture		Oman
2005	September	Sinopec	$350	Chemicals		Saudi Arabia
2005	March	Sinoma	$170	Real estate	Construction	Saudi Arabia
2005	December	Sinoma	$580	Real estate	Construction	Saudi Arabia
2006	May	CITIC and China Railway Construction	$6,200	Transport	Autos	Algeria
2006	July	State Construction Engineering	$260	Transport	Aviation	Algeria
2006	September	ZTE, Huawei, and China Communications Construction	$2,400	Technology	Telecom	Ethiopia
2006	December	Sinohydro	$130	Transport	Autos	Ethiopia
2006	July	Sinopec	$2,800	Energy	Oil	Iran
2006	February	Sinohydro	$540	Real estate	Construction	Qatar
2006	January	State Construction Engineering	$300	Real estate	Construction	UAE
2006	November	Genertec	$220	Real estate	Construction	Yemen
2007	June	Sinoma	$370	Real estate	Construction	Egypt
2007	October	Gezhouba	$210	Energy	Hydro	Iran
2007	October	China Nonferrous	$110	Metals	Aluminum	Iran
2007	December	China Power Investment	$920	Energy		Iraq
2007	October	China Electronics Technology	$100	Transport	Rail	Jordan
2007	December	Sinohydro	$140	Transport	Autos	Kenya
2007	March	State Construction Engineering	$410	Real estate	Construction	Kuwait
2007	June	China Communications Construction	$410	Transport	Shipping	Kuwait
2007	March	Gezhouba	$400	Real estate	Construction	Libya
2007	November	Guizhou Hongfu	$350	Agriculture		Saudi Arabia
2007	April	Sinomach and China Nonferrous	$3,990	Metals	Aluminum	Saudi Arabia
2007	November	China Communications Construction	$230	Transport	Shipping	Saudi Arabia
2007	October	Sinomach	$160	Agriculture		Tanzania
2007	January	State Construction Engineering	$350	Real estate	Construction	UAE
2008	September	China Communications Construction	$220	Transport	Shipping	Egypt
2008	February	China Railway Construction	$2,600	Transport	Rail	Libya
2008	March	China Railway Engineering	$260	Transport	Rail	Morocco
2008	March	China National Building Materials	$160	Real estate	Construction	Oman
2008	July	Guangdong Overseas Construction	$610	Real estate	Construction	Saudi Arabia
2008	April	Three Gorges	$100	Agriculture		Sudan
2008	April	Sinhydro and Three Gorges	$400	Energy	Hydro	Sudan
2008	December	CNPC	$3,290	Energy	Oil	UAE
2008	December	State Construction Engineering	$260	Transport	Autos	UAE
2008	October	Sinohydro	$290	Energy	Hydro	Zambia
2008	September	Sinohydro	$400	Energy	Hydro	Zimbabwe
2009	June	China Railway Construction	$2,570	Transport	Rail	Algeria
2009	August	State Construction Engineering	$260	Transport	Autos	Algeria
2009	July	Sinohydro	$2,420	Energy	Hydro	Ethiopia
2009	September	Gezhouba	$410	Energy	Hydro	Ethiopia
2009	November	China Communications Construction	$610	Transport	Autos	Ethiopia
2009	March	CNOOC-led consortium	$3,350	Energy	Gas	Iran
2009	April	Sinopec	$350	Energy		Kuwait
2009	July	Shandong Electric Power	$1,800	Energy	Oil	Saudi Arabia
2009	July	China Railway Construction	$530	Real estate	Construction	Saudi Arabia
2009	November	Sinoma	$150	Real estate	Construction	Saudi Arabia
2009	February	China Railway Construction	$390	Transport	Rail	Saudi Arabia
2009	July	Genertec	$270	Energy		Sudan
2009	January	Sinohydro	$220	Transport	Autos	Sudan
2009	October	China Communications Construction	$100	Transport	Shipping	Sudan
2009	July	China National Building Materials	$110	Real estate	Construction	Tunisia
2009	June	Sinomach	$670	Energy	Hydro	Zambia
2010	May	Rongsheng Holding and Sinochem	$1,990	Energy	Oil	Egypt
2010	May	Dongfang Electric	$500	Energy	Hydro	Ethiopia
2010	October	Sinohydro	$1,500	Energy	Hydro	Iran
2010	December	Sinoma	$110	Real estate	Construction	Iraq
2010	May	Sinomach	$100	Energy		Kenya
2010	October	MCC	$570	Real estate	Construction	Kuwait
2010	October	Three Gorges and Sinohydro	$240	Transport	Autos	Morocco
2010	May	Shandong Electric	$1,720	Energy	Hydro	Saudi Arabia
2010	December	Sinoma	$140	Real estate	Construction	Saudi Arabia
2010	April	Three Gorges	$840	Energy	Hydro	Sudan
2010	January	China Communications Construction	$130	Agriculture		UAE
2010	March	Sinomach	$420	Real estate	Construction	Zambia
2011	April	State Construction Engineering	$200	Real estate	Construction	Algeria

Year	Month	Contractor	Value (mln)	Sector	Subsector	Country
2011	April	State Construction Engineering	$220	Real estate	Construction	Algeria
2011	June	State Construction Engineering	$700	Real estate	Construction	Algeria
2011	June	China Energy Engineering	$120	Energy	Alternative	Ethiopia
2011	November	State Construction Engineering	$130	Real estate	Construction	Ethiopia
2011	September	China Nonferrous	$930	Metals	Aluminum	Iran
2011	April	China Power Investment	$1,010	Energy		Iraq
2011	April	Sinomach	$200	Energy		Iraq
2011	June	CNPC	$170	Energy	Oil	Iraq
2011	November	Sinomach	$1,080	Energy		Iraq
2011	September	Henan Guoju	$420	Real estate	Construction	Mozambique
2011	January	Sinohydro	$720	Real estate	Construction	Qatar
2011	December	Power Construction Corp	$130	Real estate	Construction	Qatar
2011	January	China Communications Construction	$880	Transport	Shipping	Qatar
2011	February	China Communications Construction	$1,210	Transport	Aviation	Sudan
2011	May	China Dalian International Economic & Technical Cooperation	$100	Energy	Alternative	Tanzania
2011	September	CNPC	$500	Energy	Gas	Tanzania
2011	October	Sinomach	$320	Energy	Gas	Tanzania
2011	March	Tebian Electric Apparatus	$290	Energy		Zambia
2011	September	Power Construction Corp	$250	Energy	Hydro	Zambia
2011	April	Sinomach	$180	Transport	Autos	Zambia
2011	June	Anhui Foreign Economic Construction	$100	Real estate	Construction	Zimbabwe
2012	February	State Construction Engineering	$1,340	Real estate	Construction	Algeria
2012	June	State Construction Engineering	$170	Real estate	Construction	Algeria
2012	February	China Railway Construction	$510	Transport	Rail	Djibouti
2012	March	Dalian Shipbuilding	$320	Energy	Oil	Egypt
2012	June	China Communications Construction	$1,580	Transport	Rail	Ethiopia
2012	May	Norinco	$1,250	Transport	Rail	Iran
2012	August	China Energy Engineering	$130	Other		Iraq
2012	July	State Construction Engineering	$1,750	Energy	Hydro	Kenya
2012	July	China Communications Construction	$2,660	Transport	Rail	Kenya
2012	July	Jiangxi Zhongmei Engineering	$600	Transport	Autos	Kenya
2012	September	AVIC	$650	Transport	Aviation	Kenya
2012	March	Power Construction Corp	$390	Real estate	Construction	Kuwait
2012	May	Huadian	$1,300	Energy	Coal	Romania

Year	Month	Contractor	Value (mln)	Sector	Subsector	Country
2012	November	China Power Investment	$990	Agriculture		Saudi Arabia
2012	May	Sinoma	$190	Real estate	Construction	Saudi Arabia
2012	September	China Communications Construction	$160	Transport	Shipping	Saudi Arabia
2012	November	Sinochem	$400	Transport	Shipping	Saudi Arabia
2012	September	Sinomach	$210	Agriculture		South Sudan
2012	January	China Energy Engineering	$1,400	Energy	Hydro	South Sudan
2012	October	Sinomach	$320	Agriculture		Sudan
2012	May	Sinochem	$2,950	Real estate	Construction	UAE
2012	May	State Construction Engineering	$1,350	Real estate	Construction	UAE
2012	April	China Communications Construction	$350	Transport	Autos	Uganda
2012	October	China Railway Construction	$150	Agriculture		Zambia
2012	July	Sinomach	$200	Agriculture		Zimbabwe
2012	December	Power Construction Corp	$400	Energy	Hydro	Zimbabwe
2013	February	State Construction Engineering	$400	Real estate	Construction	Algeria
2013	December	China Railway Construction	$1,180	Transport	Autos	Algeria
2013	June	Sinomach	$650	Agriculture		Ethiopia
2013	April	State Grid	$1,000	Energy	Hydro	Ethiopia
2013	August	Huawei and ZTE	$1,600	Technology	Telecom	Ethiopia
2013	January	China Nonferrous	$710	Metals	Steel	Iran
2013	July	CNPC	$500	Energy	Oil	Iraq
2013	November	Sinomach	$240	Real estate	Construction	Iraq
2013	November	Sinomach	$270	Real estate	Construction	Jordan
2013	November	Sinomach	$290	Real estate	Construction	Kenya
2013	April	China Communications Construction	$480	Transport	Shipping	Kenya
2013	January	State Construction Engineering	$320	Real estate	Construction	Mozambique
2013	October	Tebian Electric Apparatus	$690	Energy		Tanzania
2013	October	Shanghai Electric Power	$400	Energy	Gas	Tanzania
2013	October	China Railway Engineering	$500	Real estate	Construction	Tanzania
2013	March	State Construction Engineering	$120	Real estate	Construction	UAE
2013	January	State Construction Engineering	$160	Transport	Aviation	UAE
2013	June	Power Construction Corp	$1,650	Energy	Hydro	Uganda
2013	July	Three Gorges	$500	Energy	Hydro	Uganda
2013	November	China Communications Construction	$510	Transport	Shipping	Yemen
2013	March	State Construction Engineering	$100	Transport	Autos	Zambia
2013	April	China Jiangsu International Group	$200	Transport	Aviation	Zimbabwe

Source: Heritage Foundation, www.heritage.org/research/projects/china-global-investment-tracker-interactive-map

Chinese Energy Companies International Pursuit Raises Dilemma for Global Industry:

Price vs Quality – Partner vs Compete?

When state-owned China National Petroleum Corporation (CNPC) signed a deal in April with Abu Dhabi to produce and export oil from the UAE's hydrocarbon-rich emirate, relations between the two nations were elevated to a new level. For the first time, a Chinese oil company was given the go ahead to acquire equity in the UAE's hydrocarbon resources under a deal in which CNPC owns a 40-percent share and state-run Abu Dhabi National Oil Company (ADNOC) holds 60 percent.

The agreement is a reflection of the increasingly close ties between China and the UAE, both economically and politically. Elsewhere in the Gulf, Chinese companies have struck similar deals in recent years, ranging from China Petrochemicals Corporation's (Sinopec) partnership in the 400,000-barrel per day (bpd) Yanbu refinery on the kingdom's Red Sea coast to the involvement of China National Offshore Oil Corp. (CNOOC) and PetroChina in separate exploration blocks in Qatar.

The rational for these deals is clear. While energy producing nations such as the UAE and Saudi Arabia are keen on ensuring long-term demand security—in particular in light of the U.S. poised to becoming the world's top oil producer and a major gas exporter on the back of its shale boom—China desperately needs to secure energy sources to sustain economic growth.

China, which in September became the world's largest net importer of crude oil and other liquids, is projected by the U.S. Energy Information Administration (EIA) to consume more than twice as much energy as the U.S. and more than three times as much as India by 2040.

The Middle East, which presently supplies more than half of China's oil needs, is set to play a key role also in meeting future requirements.

The latest developments aptly demonstrate the world's second-largest economy's need for energy, and its ability to look far and wide to secure a diverse range of suppliers. As Chinese energy companies go global they need to incorporate quality, technology and service into their sales pitch rather than depend on cost advantage alone. The country's state-controlled firms, which include CNPC, CNOOC and Sinopec, have spent most of the last decade securing assets in Africa and Central Asia, which produces similar oil to China's own domestic crude.

But in recent years, and especially with the opening up of Iraq, they have been driving into the Gulf, which holds some 70 percent of the world's known hydrocarbon energy reserves, and are competing with their Western counterparts which have traditionally dominated this space. This is a reality that we now have to accept and adapt to.

China is a consumer of energy more than it is a producer of energy. The companies that have emerged to service China will need to develop and utilize their own proprietary technology, enforce international intellectual property laws and upgrade their quality so that they can compete on a level playing field with some of the world's better known product suppliers.

China is well placed to make this transition as it remains a part of the world where education is a fundamental gateway to the prosperity of the future, and so young people are encouraged to go to university overseas. That is a resource that the international energy industry, which is desperate for new talent to counter the potentially catastrophic combination of an ageing workforce and the drastically reduced numbers of energy related graduates emerging from northern and western universities, has not yet tapped into.

Traditionally international oil companies and energy services firms didn't look to China for reservoir engineers, geo-scientists or environmental engineers because the Chinese education system didn't encourage students into such areas as the indigenous industry was not that mature — but that has all changed in recent years.

International energy companies need to adapt and develop their own revised version of internationalizing that befits the energy era we are now moving into — in time it should be near to impossible to say that X energy company is from Y country. Everything about a global player should be global, with its brand supported by adopting best global practices and the best global talent wherever it originates.

That goes for the Chinese as well as the Western firms.

In the 20th Century growth story the world looked to the West (Europe) and the North (US). As a result most global firms had a strong associated position in these regions because this is where the economic opportunity stood. But what we are now clearly witnessing is the emergence of a new trade route from the South to the East with a conveyor belt moving in both directions, which goes all the way from Brazil through Africa into the Middle East and on to the emerging regions of Asia.

The first wave of Chinese energy companies arriving in the Middle East have competed the old fashioned way by under-pricing all other competitors. Playing the traditional Chinese cost card has secured much business for amongst others Chinese drilling companies in Iraq. It is clearly a short-term advantage. Low-cost labor has been an advantage which the Chinese economy has had for a very long period of time. But in terms of macro-economic statistics, China is changing rapidly and plans significant reforms over the next five years as the country tries to move away from an export-dependent economy to one also built on a pillar of domestic consumption.

The cost base will rise dramatically as one of the central tenets of the government's latest five-year plan adopted in March this year is to double workers' salaries by 2016 and provide pensions to almost half a billion people. That will obviously make competing on labor costs with international competitors a much more even playing field.

We all know from anecdotal evidence and experience that if the Chinese move into a market place then they can potentially dominate it. That said, I think dominating solely on a cost mantra is not sustainable, but as Chinese companies internationalize, opportunities for partnership will emerge.

Chinese businesses operating in the Middle East, especially those in the energy industry, are increasingly focused on delivering quality and they are beginning to focus significantly on service, which is the most challenging of all, by complementing their own drive and ambition with the experience of targeted expatriate talent from their existing Western competitors.

International energy players are well placed to integrate with Chinese companies who are eager to work with them to achieve this transition quickly and effectively.

It is a win-win for all parties to supply what will soon become the world's biggest energy market of some 1.5 billion people.

The posture has to move from not looking to beat or be beaten by the Chinese, to one of joining them. ■

> “ International energy companies need to adapt and develop their own revised version of internationalizing that befits the energy era we are now moving into – in time it should be near to impossible to say that X energy company is from Y country.

Future Partnerships for NOCs:
IOCs vs INOCs?
"Get Closer to Your Customer!"

The energy markets are shifting slowly towards a buyer's market and we need to react and get closer to our customers

BY RASHED AL SUWAIDI, CHAIRMAN, HORIZON ENERGY, AND FORMER ADNOC E&P DIRECTOR

In 2000, shale was contributing to 1% of U.S. national gas production. In 2010, it was 20%, and by 2035, this figure is forecast to reach 46%. So, we should take shale gas very, very seriously --huge reservoirs and fields are available globally for shale gas - in China, India, Argentina, Brazil.

National oil companies in our region have invested heavily in their sustainable oil productions, but unfortunately these NOCs are competing in the same market. Only national oil companies that are willing to share with their customers will prevail in the future in a win-win business model.

Who are the customers? The major ones are Japan, China, Korea, and India. We have to protect our demand security in the market with our customers -- we are not doing enough with our customers at the moment. Our customers are our key stakeholders. We should have a model where they should know what we are doing in our own country - that they are partners with us here and that they know our problems and are ensured of security of supply.

The IOCs have been our partners for 50 years, but they now come from countries that don't represent our customer base.

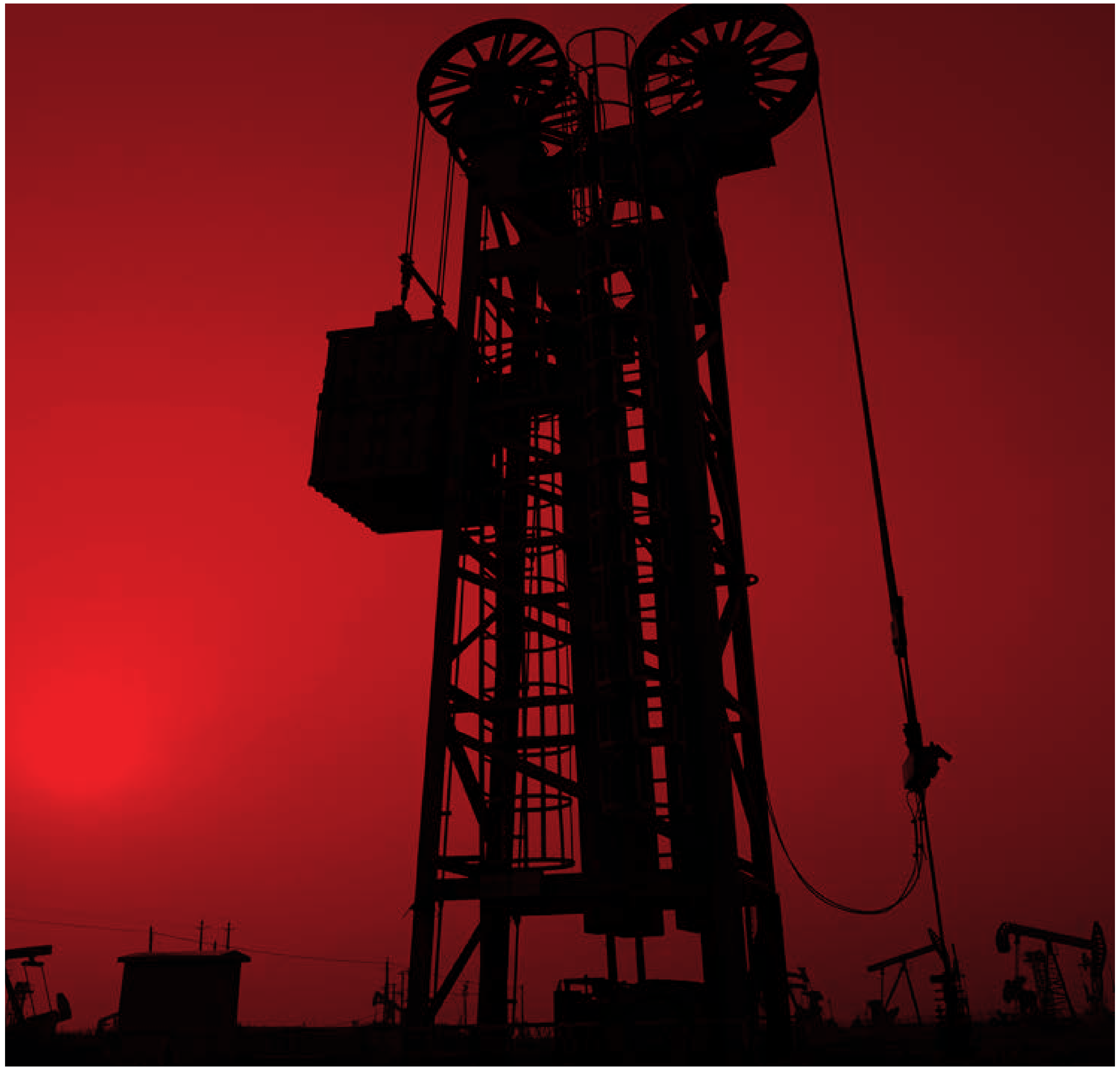
For the past 50 years, IOCs have taken things for granted -- they haven't contributed to technology development, they haven't contributed to the welfare of the people, and that is really a major setback. Regional National companies are now very well managed, they have a lot of capital, they can buy technology off the shelf, but what we still need are markets and IOCs can't guarantee that.

The international oil companies will have to change their attitudes or face being excluded from having a role to play in the development of future energy supplies in the Gulf. They have to change their posture into more of a partnership spirit, where some value-added benefits also come from them, from their network, from their infrastructure. A good example is what Occidental has done with Mubadala - taken them to Bahrain and to Oman.

The notion that IOCs have technology is a myth. It is the service companies which own the technology -- who drilled the horizontal wells? Who makes the completions? Who makes the polymer? It's the entrepreneurs, the business people, who drive technology to advancements.

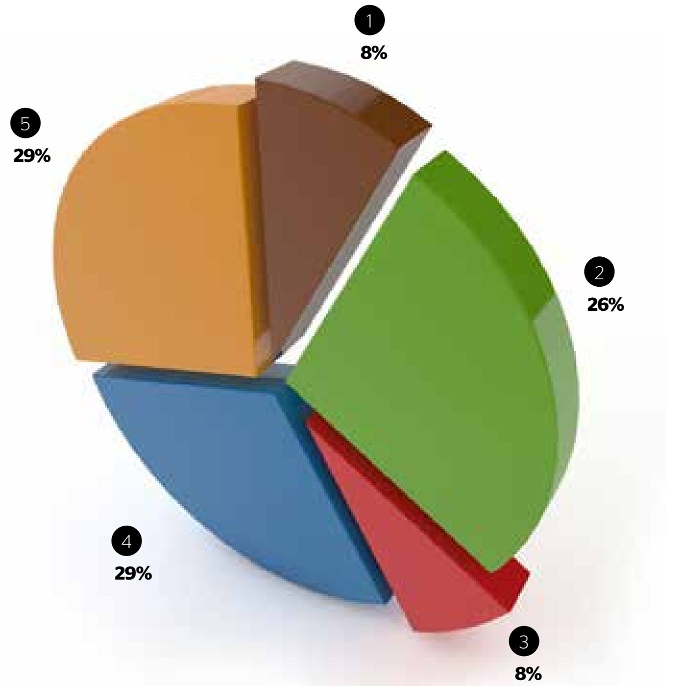
Market - this is the most important. This is what we sell. If you are selling water, you need people who will buy it from you. It's very simple! ■

Source: Mr. Rashed Al Suwaidi made these comments at The Gulf Intelligence UAE Energy Forum, Abu Dhabi Jan. 13, 2014.



Increasingly, NOCs are exploring new partnerships from the classic IOC, such as other NOCs or independent energy companies or even in some cases such as Mexico with oil service companies – Is this a trend that marks the beginning of the end of IOC's leadership role as we know it?

1. Yes, the end is nigh
2. No, IOC/Super Majors will rebound and dominate the next energy wave
3. NOC-NOC likely to be the dominant partnership of the future
4. Biggest change over next 5 years will be energy services companies palying an increasing role as the primary partner for NOCs
5. All you can say for sure is everything is changing and the destination is unclear



Source: Gulf Intelligence UAE Energy Forum 2014

“We Are Not Colonialists” China’s Premier Says

Q&A with China’s Premier Li Keqiang on China’s Engagement with Africa – Deflecting Criticism of ‘Neo-Colonial’ Posture May 2014

Q ***In recent years, there have been some media reports about imbalance in China-Africa trade, substandard Chinese exports to Africa, and violation of local labor regulations by Chinese companies -- How do you view such problems in China-Africa cooperation?***

A As China-Africa relations grow rapidly in all areas, companies of the two sides have encountered “growing pains” and some new problems in their cooperation that call for proper settlement. The Chinese government takes these issues very seriously. Instead of dodging or covering them up, China is willing to sit down with African countries and resolve these issues through earnest consultation in the spirit of mutual respect, pragmatism and efficiency. Here, let me reiterate that China will continue to carry out cooperation with Africa under the principle of sincerity, equality and mutual benefit, and urge Chinese companies to strictly abide by local laws and regulations, hold themselves accountable to the quality of the contracted projects and goods and to consumers and shoulder due responsibility to local communities and the environment. At the same time, I call on relevant African countries to strengthen market regulation and public security measures and protect the lawful rights and interests of Chinese companies in Africa and the safety of their employees.

Problems, after all, are isolated cases in the whole picture of China-Africa cooperation. In recent years, the deepening of cooperation has been the mainstream and general trend. In 2013, China-Africa trade reached US$210 billion, 2,000 times that of 1960. China has been Africa’s biggest trading partner for five years running. More than 2,500 Chinese companies are operating in Africa, creating over 100,000 jobs for the local communities. Last year, the over 1.4 million visits by Chinese travelers generated huge amount of exchange revenue for Africa. According to an IMF report, China-Africa cooperation has contributed to more than 20% of Africa’s development. The “China factor” has been more and more evident in Africa’s development. China-Africa cooperation has brought real benefits to peoples of both sides and holds broad prospects.

Q ***China is accused of pursuing “neo-colonialism” in Africa by some media. What is your comment?***

A China and African countries are tested brothers and partners committed to common development. In the cooperation with Africa, China has always upheld the principles of equality, mutual benefit, real results, efficiency, sincerity and credibility and never attached any political strings to its assistance to Africa. This has been China’s decades-long practice without any deviation. China-Africa cooperation has contributed to Africa’s development with a keen focus on social development and people’s wellbeing. The aim is to improve Africa’s investment environment and its people’s lives. Numerous infrastructure projects built with Chinese assistance, including schools, hospitals, stadiums and urban water and power supply systems, have improved the living and working conditions of African people. To lessen Africa’s burden, China had altogether canceled RMB20 billion worth of debts owed by African countries by the end of 2013. To enhance African countries’ own development capacity, China has worked actively to help African countries develop their own modern and well-equipped manufacturing sector and agricultural system through industrial and financial cooperation to strengthen the foundation of China-Africa cooperation. For China and Africa, cooperation means opportunities; cooperation is win-win.

Like many African countries, China once suffered foreign invasion and fell under colonial and semi-colonial rule. “Do not do to others what you do not want done to you” is a millennia-old idea important in Chinese civilization. The so-called “China’s neo-colonialism in Africa” is a false accusation inconsistent with Chinese tradition and culture, and does not reflect the reality of friendly, equal-footed and mutually beneficial cooperation between China and Africa. A number of African leaders have stated in public that Africa, with a history of colonialism, knows well what colonialism means and will not be misled by such accusation. I wish to assure our African friends in all seriousness that China will never pursue a colonialist path like some countries did or allow colonialism, which belonged to the past, to reappear in Africa. China will forever be a reliable friend and true partner of the African people and contribute to Africa’s endeavor in developing its beautiful home continent.

Q ***What is your impression of Africa?***

A I visited Egypt in 2009, but I did not see the whole of Africa. I have read some books about Africa, and I learned that the entire Africa consists of the Arab region in the north and the Sub-Saharan Africa. It is a vast, fertile and fascinating continent. Africa has a time-honored and brilliant civilization. There are over 1,500 tribes and more than 2,000 languages in Africa, and it is known as the origin of human civilization. Africa is well known for the mighty Nile River, the majestic Mount Kilimanjaro, the stunning Great Rift Valley in East Africa and the world-renowned animal migration in Maasai Mara. The African people and tribal chiefs are hospitable and African music and dances are invigorating. Africa is a dynamic continent going through rapid development and I have been looking forward to this visit for a long time.

> “ A number of African leaders have stated in public that Africa, with a history of colonialism, knows well what colonialism means and will not be misled by such accusation.

Since the beginning of this century, the African countries have given fresh vigor to pan-Africanism and made great strides in accelerating African integration. Over the past decade and more, Africa has been a global leader in pursuing fast economic growth and made impressive achievements in economic and social development. Today’s Africa, full of vigor for development, is held in high regards by the world. It is fair to say that Africa has become a major force in moving the world towards multi-polarity, an important emerging market that helps promote global economic recovery and integration, and an outstanding representative of diverse civilizations in the world. I have great admiration for the spirit of unity and perseverance of the African people and have full confidence in the bright future of Africa’s development.

Q ***Despite great changes in the world in the past 50 years and more, China-Africa relationship has***

remained strong and grown in strength. What has made this possible?

A China-Africa relationship has a long history and is full of vitality. Since the 1950s and 1960s, our common historical experiences have brought China and Africa together, and we have forged deep friendship in our joint struggle during which we have supported each other in times of difficulty.

As a Chinese saying goes, it is easy to get a thousand pieces of gold but difficult to find a bosom friend. The Chinese people will never forget that it is our African brothers who carried us into the United Nations and we are always proud to have built the Tazara. Among all the international donations made to the people affected by the earthquake in Wenchuan, China in 2008, those from Africa were particularly appreciated; at the United Nations and other multilateral organizations, China has always voiced its strongest support in upholding the legitimate rights and interests of Africa and other developing countries. To us Chinese, the African people are always our good brother, good friend and good partner who are trustworthy and reliable. Having long overcome the barrier of geographical distance as well as cultural and social differences, China-Africa relationship has become a pacesetter of South-South cooperation featuring sincerity, mutual trust and harmony.

China-Africa cooperation has created vast space and strong driving force for our respective development endeavors. More importantly, it has contributed to elevating the overall status of developing countries and promoting human progress. China is ready to work with African countries to enhance strategic mutual trust, deepen cooperation in upholding peace and security, boost practical cooperation, strengthen cultural and people-to-people exchanges and make greater progress in building a new type of China-Africa strategic partnership.

Q ***What is the purpose of your visit? What message do you want to send to the African people?***

A This is the first time that I set foot on Africa as Premier of China's State Council and it is also my first foreign visit this year. I believe this visit will be one of cooperation and solidarity on the basis of past traditions. I will tread the path of friendship previously paved by the older generation of Chinese and African leaders, where I will feel the deep friendship based on solidarity and mutual assistance between the Chinese and African people, see for myself

> “China will treat the African people with sincerity, strengthen solidarity, promote common development through win-win cooperation and realize our glorious dreams of great renewal at an early date.

Africa's dynamic economic and social development, and listen to the African people's description of their expectation of good life in the future. I am more than ready to make concrete efforts to deepen China-Africa relations and advance our cooperation in various fields to the greater benefit of our peoples.

During my visit, I will pay a visit to the headquarters of the African Union and deliver a speech on China's approach to and position on advancing China-Africa relations and cooperation in the new era. I will have in-depth discussions with leaders of four African countries that I will visit on strengthening bilateral ties and extensively engage with local people from different sectors. I will address the World Economic Forum on Africa and exchange views with participating leaders of African countries on promoting bilateral relations and cooperation. And I will call on Chinese nationals and staff members of Chinese companies in Africa. I hope that my visit will further deepen the China-Africa traditional friendship, upgrade practical cooperation, enhance solidarity and mutual assistance and promote common development. I hope that through my visit, the 1 billion African people will strengthen their understanding that the 1.3 billion Chinese people are always their sincere friends and reliable partners and that China is ready to pass on the relay baton of China-Africa friendship to future generations together with Africa.

As an African proverb goes, if you want to walk fast, walk alone; if you want to walk far, walk together. The ever fresh friendship and thriving comprehensive cooperation between China and Africa deserve to be valued and cherished by our people. China will treat the African people with sincerity, strengthen solidarity, promote common development through win-win cooperation and realize our glorious dreams of great renewal at an early date.

Q ***People often say that China-Africa cooperation enjoys great opportunities ahead. Where do you see these opportunities? What specific measures does China take to promote future China-Africa cooperation?***

A China is the largest developing country and Africa is the continent with the largest number of developing countries. Both China and Africa face the urgent task of developing economy and realizing modernization. Since entering the

new century, China and Africa have seized the historic opportunities presented by the deepening of globalization, worked together and helped each other achieve win-win outcome. The relations between the two sides have entered a "golden period". Both China and Africa have benefited a lot from China-Africa cooperation. China is at the critical stage of comprehensively deepening reform and speeding up the transformation of the economic development model. Africa, on its part, has also started its new path of seeking strength through unity and promoting development for renewal. China-Africa cooperation is thus faced with new opportunities of making great strides forward. During my visit, I will work with leaders of the African states and the AU, and Chinese and African business representatives in an earnest, practical and enterprising spirit to review the past experience, identify room for improvement and discuss new areas, channels and formalities of China-Africa comprehensive cooperation so as to upgrade our cooperation.

China and Africa will expand exchanges and cooperation in poverty reduction for common development. Over 100 million people in China still live below the poverty line. Africa is also faced with many difficulties and challenges on the road towards the Millennium Development Goals. China and Africa are committed to developing economy and improving people's livelihood, which makes poverty reduction one of the highlights of China-Africa cooperation. China is ready to share with Africa its experience on poverty reduction and agricultural development, enhance agricultural cooperation with Africa and help Africa train technical and managerial personnel on agriculture. We hope poverty reduction will help Africa achieve sustainable development and bring the African people a more dignified life.

China and Africa will strengthen industrial and commercial cooperation and promote Africa's industrialization and manufacturing sector. Africa has entered the fast track of growth and its modernization process is gaining momentum. China is ready to bring into full play its advantages and take an active part in Africa's infrastructure development so as to promote connectivity on the African continent. Through infrastructure building, we will promote industrial cooperation and help Africa to focus on developing labor-intensive manufacturing, which will create jobs and boost consumption. China will also create new ways of investment and financing cooperation to help Africa address the funding shortfalls. During the visit, the two sides will sign cooperation agreements in such areas as road, railway, aviation and electric power.

China and Africa will enhance cooperation in human resources and eco-environment so as to sustain the momentum of Africa's long-term development. Africa has the biggest potential in human resources. China is ready to train more professionals of multiple types for African countries, and provide more vocational education tailored for African young people, so as to help Africa fully and durably unleash the population dividends. As one saying goes, the key to people-to-people exchanges lies in heart-to-heart communication. China will roll out a series of projects on people-to-people exchanges and cooperation to enrich exchanges between the two peoples and promote mutual understanding and friendship. Green has always been the true color of Africa. China will have closer cooperation with Africa in this field and provide funding to promote Africa's efforts to protect its wild animal resources and address the challenges of climate change, so that a beautiful China and a beautiful Africa will go hand in hand as we assist each other in development. ■

Source: The Chinese Embassy in Kenya published this Q&A with China's Premier Li Keqiang on its website on May 1st, 2014 ahead of a state visit to Africa

Selected Middle East/Africa projects with Chinese involvement

Status	Project Name	Scope	Country/ Region	Chinese Company	Value	Project Developer	Award Year
Ongoing	Lamu Port South Sudan Ethiopia Transport (LAPSSET) corridor project	Construction of three berths at Lamu Port	East Africa (Ethiopia, Kenya, South Sudan)	China Communications Construction Company (CCCC)	$489 million	Ministry of Transport, Kenya	2013
Ongoing/ delayed	Yadavaran oil field development	Yadavaran oil field development	Iran	Sinopec	$2.5 billion	CNPC	2008
Canceled	South Azadegan	South Azadegan oil field development	Iran	CNPC	$2.5 billion	National Iranian Oil Co. (NIOC)	2009
Completed	Masjed Soleyman oilfield project	Masjed Soleyman oil field development	Iran	CNPC	N/A	NIOC CNPC	2004
Ongoing	Missan Oil Fields	Development of oil fields in Missan province	Iraq	China National Offshore Oil Corp. (CNOOC)	N/A	CNOOC International Iraqi Drilling Co. Turkish Petroleum Corp. (TPAO)	2010
Project	Missan Oil Fields	CNOOC-developed Missan province oil fields works	Iraq	Bohai Drilling Engineering Co.	$96.7 million	CNOOC International Iraqi Drilling Co. Turkish Petroleum Corp. (TPAO)	2013
Project	Missan Oil Fields	CNOOC-developed Missan province oil fields works	Iraq	China Oilfield Services Limited (COSL)	$73.8 million	CNOOC International Iraqi Drilling Co. Turkish Petroleum Corp. (TPAO)	2013
Ongoing	Halfaya oil field development	Phase 1, 2 & 3 development of Halfaya oil field	Iraq	CNPC	N/A	CNPC Total Petronas South Oil Co. (SOC)	2009
Ongoing	Halfaya oil field development	Halfaya phase 2 & 3 oil field services	Iraq	China Petroleum Engineering (CPE)	N/A	CNPC Total Petronas South Oil Co. (SOC)	2013
Ongoing	Al-Ahdab Oilfield	Development of Al Ahdab oil field	Iraq	CNPC/Zhenhua Oil	$3 billion	CNPC/Zhenhua Oil	2008
Ongoing	Ar-Ratawi NGL train 1	FEED for Ar-Ratawi NGL train 1 at North Rumaila in Basra	Iraq	China Huan Qiu Contracting & Engineering Corporation (HQC)	N/A	SOC Shell Mitsubishi	2014
Ongoing	West Qurna-1 oil field	Acquisition of 25% stake in West Qurna-1 oil field	Iraq	PetroChina	$50 billion (total)	ExxonMobil Shell Pertamina Oil Exploration Co. of Iraq PetroChina	2013
Ongoing	Rumaila	Rumaila oil field development	Iraq	CNPC	$15 billion (total)	BP CNPC SOMO	2009
Ongoing	Rumaila	EPCC of Rumaila power station	Iraq	China Petroleum Engineering & Construction Corporation (CPECC)	$425 million	BP CNPC SOMO	2014
Completed	Ahdab Oil Field Export Pipeline Project	Construction of Nasiriyha Depot-Tuba Station pipeline	Iraq	CPP	N/A	CNPC/Zhenhua Oil	2011
Completed	Western Pipeline Capacity Enhancement Project	Construction of additional Nairobi-Eldoret oil pipeline	Kenya	CPP	N/A	Kenya Petroleum Corporation (KPC)	2010
Completed	N/A	Oil storage construction	Kuwait	CNPC	N/A	N/A	1995
Completed	N/A	Construction of 5 oil and gas rigs	Kuwait	Sinopec	$403 million	Kuwait Oil Co. (KOC)	2008
Completed	Offshore Gas Pipeline Project	Construction of Wafa-Mellitah gas pipelines	Libya	CPP	N/A	Mellitah Oil & Gas	N/A

Status	Project Name	Scope	Country/ Region	Chinese Company	Value	Project Developer	Award Year
Ongoing	Agadem Block	Agadem block exploration	Niger	China National Oil and Gas Development Exploration Corporation (CNODC)	N/A	CNPC CPC Niger Government	2013
Completed	Zinder Refinery	Construction of Zinder refinery oil	Niger	CNPC	N/A	Niger Government CNPC	2008
Ongoing	N/A	Joint venture for energy products imports	Oman	Beijing Enterprises Group Co.	$40 million (share capital)	China Gas, Oman Oil Co. (OOC)	2012
Delayed	Exploration Block 4	Block 4 E&P	Qatar	PetroChina	N/A	GDF Suez PetroChina	2012
Ongoing	Exploration Block BC	Offshore exploration	Qatar	CNOOC	$100 million	Qatar Petroleum Cnooc Total	2009
Ongoing	Yanbu Aramco Sinopec Refinery Co. (Yasref)	Construction of 400,000-bpd Yanbu refinery on the Red Sea	Saudi Arabia	Sinopec	$8.5 billion	Aramco SinopecAramco Sinopec	2012
Completed	Khartoum Refinery Co.	Construction and expansion of Sudan's largest refinery	Sudan	CNPC	N/A	Ministry of Energy & Mining of Sudan, CNPC	2000 / 2009
Completed	N/A	Construction of four pipelines, including 1,500-km oil line	Sudan	China Petroleum Pipeline Bureau (CPP) / CNPC	N/A	Sudan government	1999
Ongoing	Al Yasat	Develop oil reserves in Abu Dhabi	UAE	China National Petroleum Corporation (CNPC)	N/A	ADNOC CNPC	2014
Completed	Abu Dhabi Crude Oil Pipeline Project	Construction of Habshan-Fujairah oil pipeline	UAE	CPP/CPECC	N/A	IPIC	2008
Ongoing	Kingfisher Development Area	Development of four exploration areas	Uganda	CNOOC	$2 billion	Tullow Oil Total Cnooc	2013
Ongoing	N/A	Construction of 30,000-b/d export pipeline & refinery	Uganda	CNOOC	$12 billion (total)	Tullow Oil Total Cnooc	2014
Ongoing	Mamba Complex	Offshore gas field development and LNG complex	Mozambique	CNPC	$4.2 billion	ENI CNPC Empresa Nacional de Hidrocarbonetos de Mozambique Kogas Galp Energia	2013
Ongoing	Mombasa-Nairobi railway line	Construction of rail link between Kenya's port of Mombasa and Nairobi, the first stage of a line that will eventually link Uganda, Rwanda, Burundi and South Sudan	Kenya Uganda Rwanda Burundi South Sudan	China Communications Construction Company	$3.8 billion (90% Exim Bank of China financed)	Kenya Uganda Rwanda Burundi South Sudan	2014
Ongoing	Dammam container terminal	Construction of container terminal at Dammam port	Saudi Arabia	China Harbour Engineering	N/A	Public Investment Fund Singapore Port Authority	2012
Ongoing	Mecca-Medina railway line	Construction of rail link between the holy cities of Mecca and Medina via Jeddah	Saudi Arabia	China Railway Construction Corporation	$6 billion (total)	Saudi Railways Organisation	2009

Middle East Oil Fuels Fresh China-U.S. Tensions

Beijing Depends on U.S. Military to Secure Middle East Imports

BY BRIAN SPEGELE IN BEIJING AND MATT BRADLEY IN AMARAH, IRAQ, WALL STREET JOURNAL

China is overtaking the U.S. as a buyer of Middle East oil, adding fuel to diplomatic tension between the nations over security in the region.

China surpassed the U.S. as importer of Persian Gulf crude several years ago, by some measures. Now it is on track to overtake the U.S. this year as the world's No. 1 buyer of oil from the Organization of the Petroleum Exporting Countries, the largely Middle Eastern energy-exporting bloc.

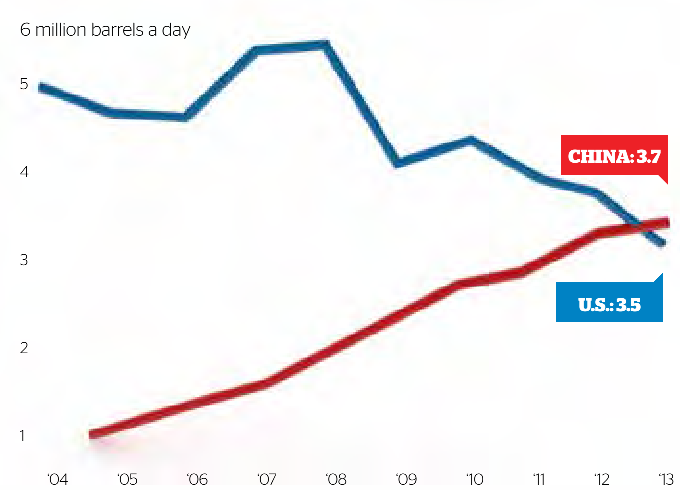
The turnabout has added to tensions because it leaves the U.S. military securing China's growing oil shipments in the region at a time Beijing resists U.S. pressure on it to back American foreign policy in the Middle East.

The U.S. dominates military security of Mideast-oil exports. U.S. warships plied the Persian Gulf in March 2012. U.S. Navy

For years, China and other oil-consuming nations have benefited as Washington spent billions of dollars a year to police chokepoints like the Strait of Hormuz and other volatile parts of the Middle East to ensure oil flowed around the globe.

But the rise of North America's shale oil and gas industry has put the U.S. on track to pass Russia this year as the world's largest combined producer of oil and gas, if it hasn't done so already, according to a recent analysis of global data by The Wall Street Journal.

TRADING PLACES
China is overtaking the U.S. in OPEC-oil imports, daily average



That rise, combined with flat U.S. oil consumption, is making America far less dependent on imported oil, including from the Middle East, even as China's reliance on the region's oil grows.

China's OPEC-crude imports during this year's first half averaged 3.7 million barrels a day, versus 3.5 million for the U.S., according to Wood Mackenzie, a consulting firm. At that rate, its OPEC imports will surpass America's on an annual basis for the first time this year, Wood Mackenzie said. India ranked No. 3, at about 3.4 million barrels a day.

In 2004, the U.S. imported about 5 million barrels a day from OPEC, and China imported about 1.1 million, Wood Mackenzie said. An OPEC official declined to say whether China is now the bloc's top customer.

China's imports have surged in recent years from OPEC nations such as Saudi Arabia, Iraq and the United Arab Emirates, according to Chinese customs data.

China is trading places with the U.S. by some other measures as well. The U.S. is still No. 1 in crude imports from all the world. But new data from the U.S. Energy Information Administration show China has slightly overtaken the U.S. in net oil imports, defined as total liquid-fuels consumption minus domestic production.

China's net imports were 6.30 million barrels a day in September, versus U.S. net imports of 6.24 million, the EIA data show; the U.S. energy-production boom has helped push down its net-import figure.

And China will soon import more from the Persian Gulf than the U.S. did at its 2001 peak, according to EIA and Chinese customs data. It surpassed the U.S. as a buyer of Persian Gulf crude in 2009, according to the data.

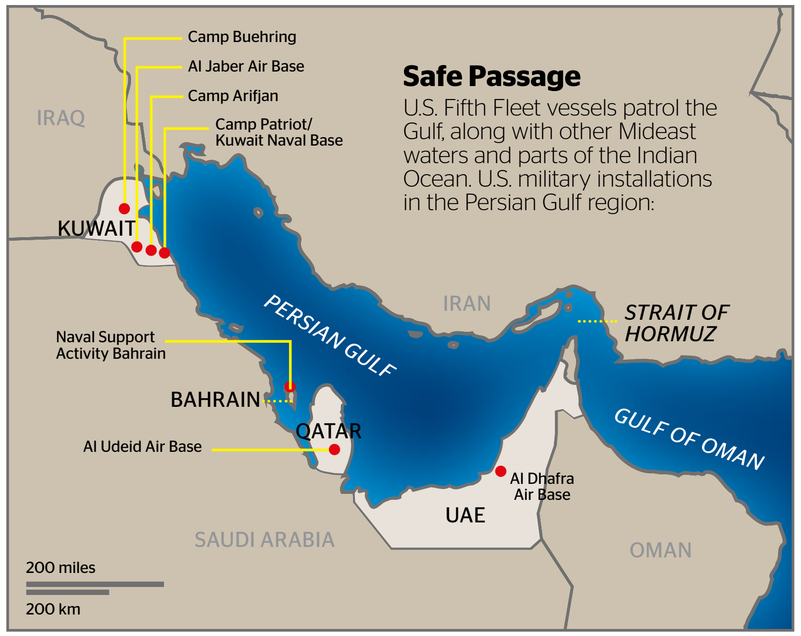
China's rise as a dominant buyer of Middle East oil presents a conundrum for it and the U.S. For China, it means its economy depends in part on oil from a region dominated by the U.S. military. When tankers depart Persian Gulf terminals for China, they rely in significant part on the U.S. Fifth Fleet policing the area.

For Washington, China's oil thirst means justifying military spending that benefits a country many Americans see as a strategic rival and that frequently doesn't side with the U.S. on foreign policy.

Signs of tension are surfacing. Beijing has asked for assurances that Washington will maintain security in the Persian Gulf region, as China doesn't have the military power to do the job itself, according to people familiar with recent discussions between the countries.

In meetings since at least last year, Chinese officials have sought to ensure U.S. commitment to the region isn't wavering, particularly as the Obama administration has pledged to rebalance some of its strategic focus toward East Asia, said people familiar with those discussions.

In return, U.S. officials have pressed China for greater support on issues such as its foreign policy regarding Syria and Iran. U.S. officials in private discussions have pressed China to lower its crude imports from Iran, for example, according to a person with knowledge of the discussions.

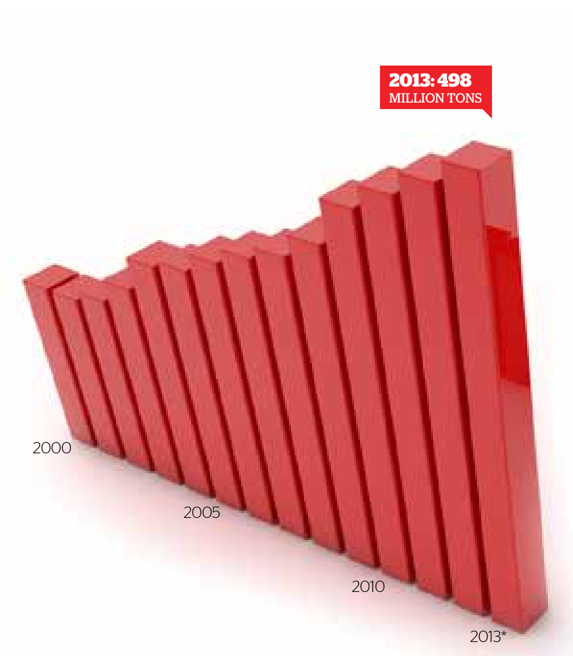


> "For Washington, China's oil thirst means justifying military spending that benefits a country many Americans see as a strategic rival and that frequently doesn't side with the U.S. on foreign policy.

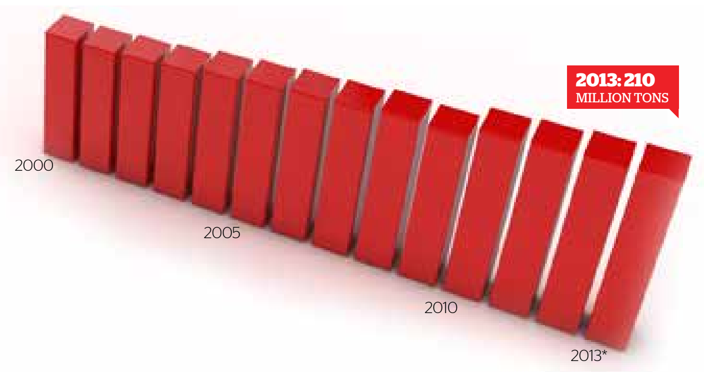
STEPPING AHEAD

Booming energy demand and lagging production boosted China's oil imports

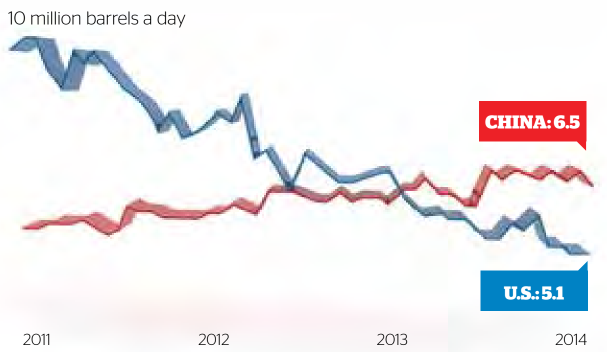
ECONOMIC GROWTH SPURRED HIGHER OIL DEMAND...
China's crude demand



...BUT DOMESTIC PRODUCTION COULDN'T KEEP UP...
China's domestic crude production

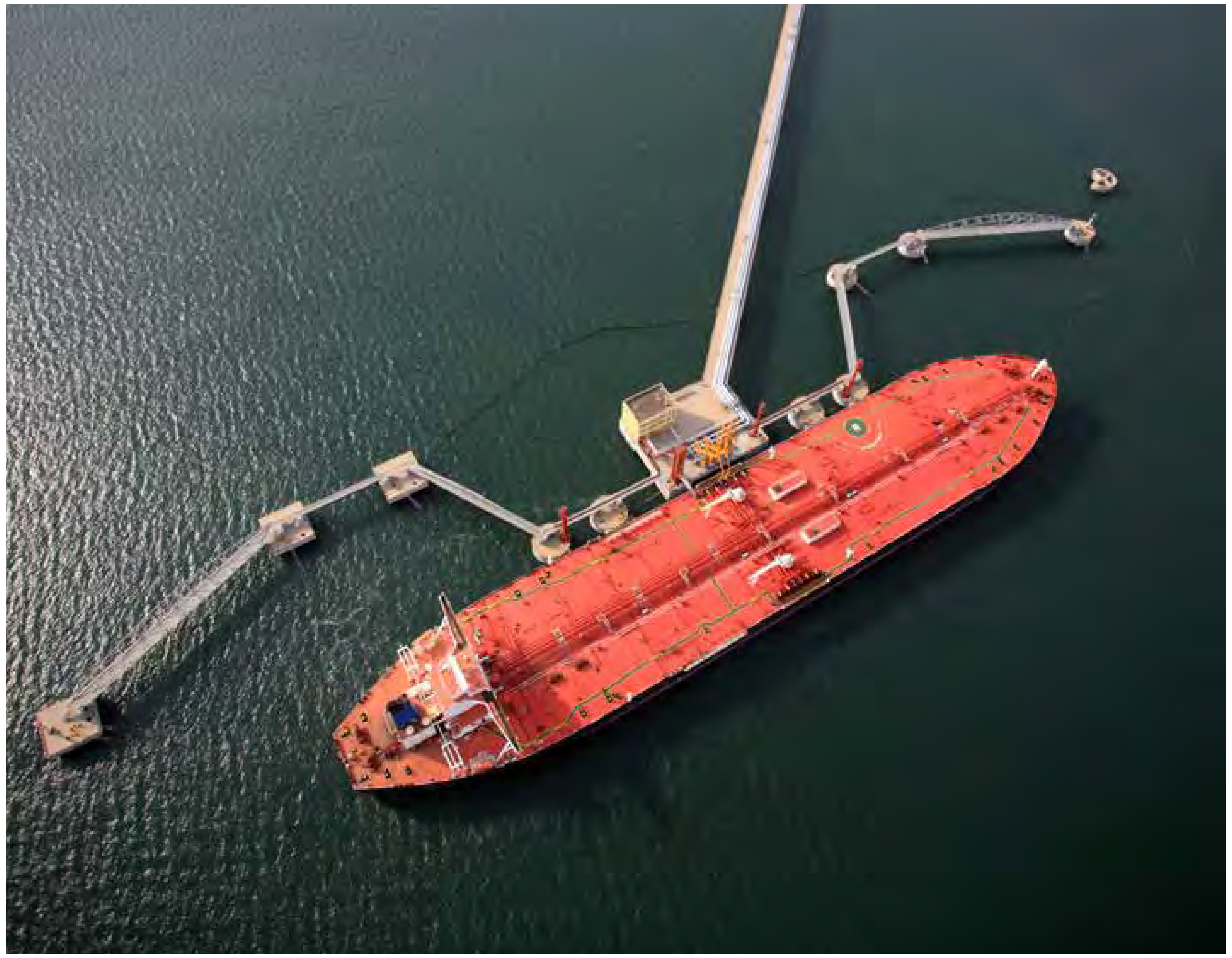


...MAKING CHINA THE WORLD'S NO1 NET IMPORTER OF OIL
China's domestic crude production



The Wall Street Journal

* Estimate
- **Sources:** CNPC Economics & Technology Research Institute (demand, production); Energy Information Administration; Short-Term Energy Outlook (U.S. imports, net imports); China General Administration of Customs (China imports).



Meanwhile, China faces criticism from senior U.S. leaders who complain that Beijing has obstructed tough action against the Syrian regime at the United Nations. Current and former U.S. officials have told the Chinese that stable energy flows from the Middle East will need greater cooperation from Beijing going forward, said the people familiar with the discussions.

CHINA'S FOREIGN Ministry, in a statement responding to questions for this article, said China's oil trade with the Middle East was "mutually beneficial and in accordance with international business norms," adding that China wanted political inclusiveness, economic prosperity, and peace and stability for the region.

At an April Brookings Institution conference in Washington, D.C., when the former head of China's National Energy Administration, Zhang Guobao, was asked whether China could assume a greater role in protecting the region's shipping lanes, he responded: "Why don't the Americans do the job for now."

"The U.S. has invested time, energy and resources into creating a global system," said Jon Alterman, director of the Middle East program at the Washington-based Center for Strategic and International Studies. "China is becoming a global power and does not seem at all invested in the idea of creating a global system."

The U.S. has other interests in keeping a big presence in the region, including protecting Israel and shoring up shipping lanes for allies such as Japan and South Korea. And it isn't clear whether the U.S. would soon welcome greater Chinese military involvement in the Mideast, which could challenge America's role in the region.

The U.S. has dominated Gulf security since the 1970s, after Britain pulled its resident military from the region. It has more recently used weapons sales to bolster regional partners, such as Saudi Arabia, to share security responsibility.

Allies have added military bases in the region: Japan's Self-Defense Forces in 2011 opened a base in Djibouti to help police shipping lanes, and France in 2009 opened a base in the United Arab Emirates.

China's ability to project power in the region is constrained. It doesn't have the military firepower or expertise to actively police conflict zones or shipping lanes. Its biggest military deployment in the region has come during modest antipiracy operations off the coast of Somalia.

A PICTURE of China's strategy in the region can be seen in Iraq, a growing source of its crude imports. Chinese imports from Iraq have more than doubled since 2009, according to Chinese customs data.

In the southeast region of Maysan, China National Petroleum Corp. is building a fortified desert oasis for its workers in a region blighted and pocked by the U.S.-led war.

At the CNPC-operated Halfaya oil field, workers' villas line a newly-built artificial lake, which the company has outfitted with sailboats for employees.

A pair of stone lion statues—believed by the Chinese to ward off bad spirits—stands guard at the company's oil-field command center. Nearby, CNPC recently finished renovations on an airstrip, which will be used to ferry in Chinese oil workers.

China's political footprints in Iraq are small. In Baghdad, its presence is a modest embassy with about 10 Chinese staff not far from the sprawling American embassy, where thousands of diplomats and others remain tied up trying to win Iraq's stability.

CNPC DECLINED to make officials available for an interview and didn't respond to a request for comment.

"Commercial is commercial and politics is politics," said Du Ming, a political attaché at the Chinese embassy in Baghdad. "We're not going to try to influence Iraqi politics just because our oil companies need to stay here."

This isn't the first time an Asian nation has faced Washington pressure over the Persian Gulf sea lanes. Japan took U.S. criticism around the first Gulf War—sparked by Iraq's 1990 invasion of Kuwait—for what some viewed as Tokyo's reluctance to contribute to the American-led military effort, even though much of Japan's oil originated in the Persian Gulf.

More recently, Japan has escaped such criticism as it has more closely hewed its foreign policy to Washington's. Tokyo has been a major financial contributor to U.S. strategic initiatives, such as rebuilding Iraq.

To mitigate growing tensions over energy security and other matters, Washington and Beijing last year set up an annual meeting of senior U.S. and Chinese diplomats called U.S.-China Middle East Dialogue.

U.S. officials hoped that Washington's and Beijing's shared desire for stable energy flow from the Middle East would help them find common ground and persuade Beijing to more closely cooperate with the U.S. on issues such as Syria and Iran, said a person familiar with the meetings.

BUT THE CLOSED-DOOR gatherings have produced limited results, this person said. A State Department news release from the second of the annual meetings, in June, said the U.S. welcomed China's playing "a more active and positive role in the Middle East region."

President Obama at the United Nations in September said the U.S. remained committed to the region's energy flow. "Although America is steadily reducing our own dependence on imported oil, the world still depends on the region's energy supply, and a severe disruption could destabilize the entire global economy," he said. ■

This article was first published in The Wall Street Journal on October 10, 2013.