

# China Belt and Road Initiative (BRI) report



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China's Belt and Road (BRI) Initiative: what's in it for the world?

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Greater Bay Area: Advancing China's Belt and Road ambitions

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Exporting energy expertise to the Middle East

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China's Belt and Road Initiative could reshape Middle East and North Africa (MENA) trade

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Egypt and China: Closer economic ties

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# China's Belt and Road Initiative (BRI): What's in it for the world?

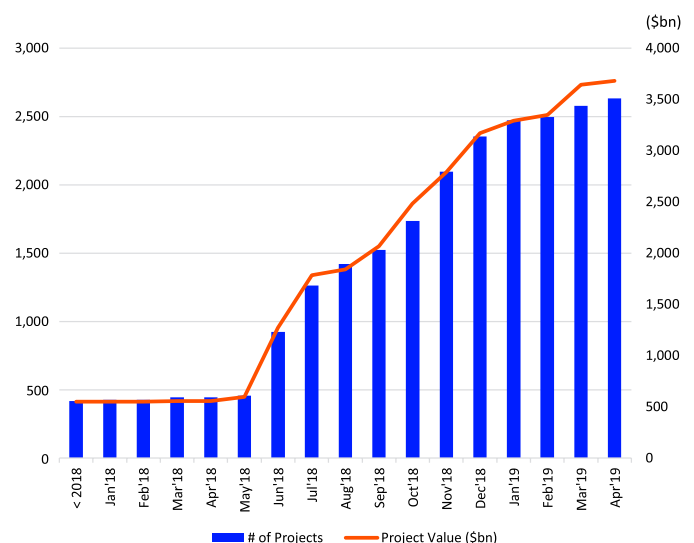
BRI-focused Chinese investments could create plenty of economic opportunities for the countries participating in the grand endeavor

Six years after its launch, China's epic Belt and Road Initiative (BRI) is a major driver of project activity globally, with many roads, railways, ports and other connectivity infrastructure planned or underway to realize Beijing's grand ambition of connecting Asia, Africa and Europe.

Currently, the Refinitiv BRI database has captured 2,631 projects with a combined value of \$3.7 trillion, with the number of enterprises involved in the signature project standing at nearly 2,600. Of these, more than 55 percent are non-Chinese companies. Overall, China has embarked on 170 deals linked to 163 master or standalone projects, Refinitiv data shows.

China has moved rapidly from BRI's launch in 2013 to date to forge closer trade ties, signing co-operative documents with 126 countries and 29 international organizations. In addition, trade between China and its BRI member countries crossed \$6 trillion from 2013 to 2018, growing at an average annual growth rate of four percent.

PROJECT ACCUMULATIONS  
(by created date)



Source: Refinitiv BRI database (Up to May 9, 2019)



More than 80 overseas economic and trade cooperation zones were built, and more than 244,000 jobs created for locals, according to the information office of the Chinese government.

During the second Belt and Road Forum held in Beijing in April, Yi Gang, the governor of the People’s Bank of China, said that Chinese financial institutions have bankrolled \$440 billion worth of infrastructure projects within the BRI countries.

He added that 11 Chinese banks had set up 76 country-level institutions in 28 BRI countries, while 50 banks from 22 BRI nations had established branches in China by the end of last year.

China has also signed currency swap agreements with more than 20 countries involved in the initiative and established renminbi clearing arrangements with seven countries.

So far, the overseas economic and trade cooperation zones built by Chinese enterprises in the BRI countries have created about 300,000 local jobs, with total investment of more than \$30 billion.

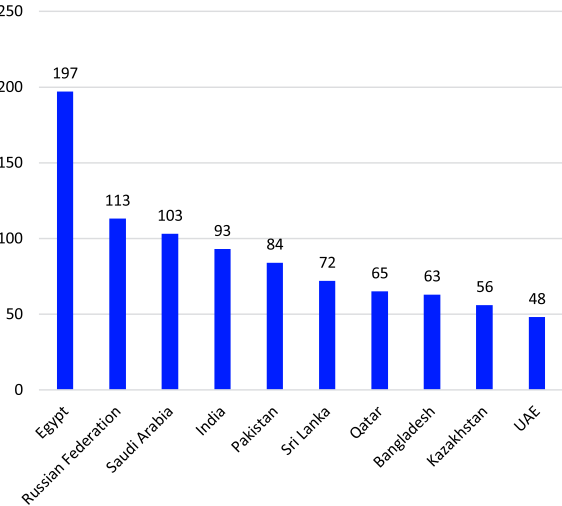
### Trading nations

Russia remains the largest playground for BRI ventures with the country home to 113 projects valued at \$291 billion, Refinitiv BRI database shows. Qatar (\$246.9 billion), Malaysia (\$160 billion), Saudi Arabia (\$142.8 billion) and Egypt (\$115.6 billion), in that order, make up the top five countries in terms of project value.

Egypt led in terms of number of projects, with 197 projects. Saudi Arabia, with 113 projects, India with 93 and Pakistan with 84 made up the top five in terms of number of projects proposed, planned or under way.

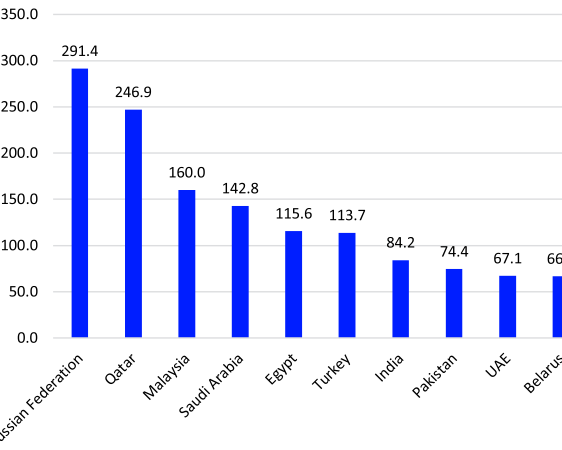
The total value of the projects is valued at \$3.7 trillion, just over \$516.1 billion have been completed, while less than 0.3% have been canceled, underscoring the high success rate of the projects.

### NUMBER OF PROJECTS



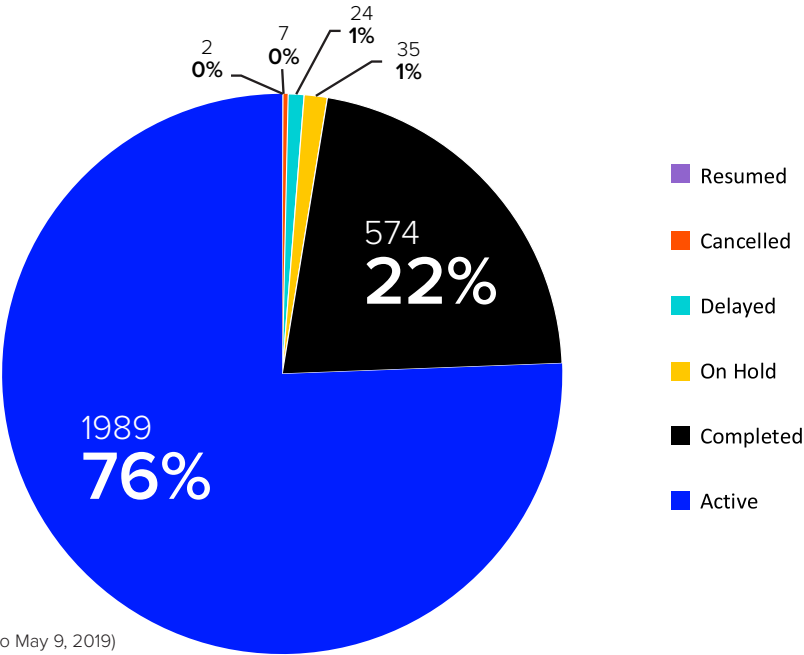
Source: Refinitiv BRI database (Up to May 9, 2019)

### PROJECT VALUE (\$BN)



Source: Refinitiv BRI database (Up to May 9, 2019)

### PROJECT STATUS (by number of projects)



Source: Refinitiv BRI database (Up to May 9, 2019)

## Paving the way

Given BRI's focus on logistics and transportation infrastructure, not surprisingly most of the projects are focused on building road, rail, marine or air links. A joint statement issued at the end of the Second Belt and Road Forum in Beijing last month listed the economic corridors and other projects under BRI.

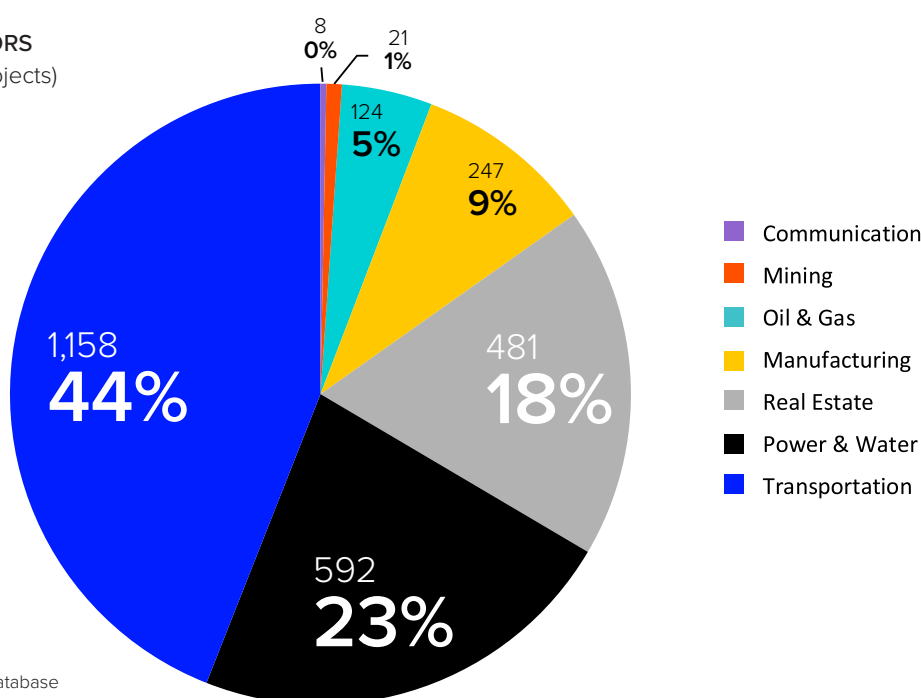
## BRI projects and corridors

1. Addis Ababa-Djibouti economic corridor, including the development of industrial parks along the economic corridor
2. Agua Negra Pass international tunnel
3. Baku-Tbilisi-Kars new railway line and Alyat free economic zone in Baku
4. Brunei-Guangxi economic corridor
5. China-Central Asia-West Asia economic corridor
6. China-Europe land-sea express line
7. China-Indochina Peninsula economic corridor, including Laos-China economic corridor
8. China-Kyrgyzstan-Uzbekistan international highway
9. China-Laos-Thailand railway cooperation
10. China-Malaysia Qinzhou industrial park
11. China-Mongolia-Russia economic corridor
12. China-Myanmar economic corridor
13. China-Pakistan economic corridor
14. Eastern economic corridor in Thailand
15. Economic corridor in Greater Mekong subregion
16. European Union (EU) Trans-European transport networks
17. Europe-Caucasus-Asia international transport corridor and TransCaspian international transport route
18. Industrial park Great Stone
19. International North-South transport corridor (INSTC)
20. Lake Victoria-Mediterranean sea navigation line-linkage project
21. Lamu Port-South Sudan-Ethiopia transport corridor
22. Malaysia-China Kuantan industrial park
23. Nepal-China Trans-Himalayan Multi-dimensional connectivity Network, including Nepal-China cross-border railway
24. New Eurasian land bridge
25. New International land-sea trade corridor of the China-Singapore (Chongqing) Demonstration Initiative on strategic connectivity
26. Northern corridor trade route in Africa linking the maritime port of Mombasa to countries of the Great Lakes region of Africa and Trans-Africa highway
27. North-South Passage Cairo-Cape Town passway
28. Port of Piraeus
29. Port Sudan-Ethiopia railway connectivity
30. Regional comprehensive economic corridors in Indonesia
31. Suez Canal Economic Zone (SCZone)
32. Transcontinental shipment of cargo using the capacities of the Northern sea route
33. Transoceanic fibre optic cable
34. "Two corridors and one belt" framework
35. Uzbekistan-Tajikistan-China international highway

The determination to pave roads, lay down tracks and create sea links is central to the program. Not surprisingly, transportation makes up 47.4% of all projects, with utilities (power and water) comprising 21.3% of all the BRI projects.

Real estate, which is important to creating residential and commercial areas around logistical hubs, makes up almost 17% of all projects.

**PROJECT SECTORS**  
(by number of projects)



Source: Refinitiv BRI database  
(Up to May 9, 2019)



A key aspect of the BRI initiative is developing green energy projects. The BRI International Green Development Coalition, comprising of 25 countries, several UN organizations including the United Nations Environment Programme (UNEP), academic institutions and businesses has launched a number of initiatives.

These include: The BRI Green Cooling Initiative on the environmental performance of air conditioners, the BRI Green Lighting Initiative on lighting devices, and the BRI Green Going-Out Initiative on investments by Chinese companies abroad.

“Standards of green finance and social and environmental responsibility are another action lever,” according to think tank [Instituto de Desarrollo Sostenible y Relaciones Internacionales](#), (IDDR).

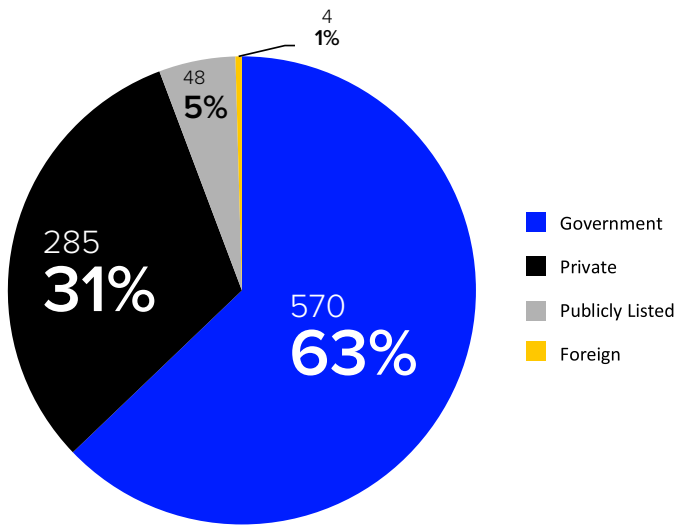
“A growing number of Chinese operators and investors abroad seem ready to implement them, under the pressure of the central government – the latter indeed affirms its commitment to environmental multilateralism on both climate and biodiversity and it could have an interest in exporting not only its technologies, but also the standards it applies internally,” IDDR noted.

### Bankrolling projects

Chinese government entities own \$851.2 billion worth of projects that have been unveiled, while private enterprises own \$396.5 billion, according to Refinitiv BRI database.

“To fully fund the total BRI project volume of estimated \$4 to \$8 trillion, diverse funding channels such as BRI bonds, private capital investment and public-private partnerships (PPP) but also state-owned enterprise (SOE) investment will be crucial for the success of the Initiative,” according to [Belt and Road Initiative](#) research consultancy.

PROJECT SECTORS  
(by number of projects)



Source: Refinitiv BRI database (Up to May 9, 2019)

Of the 170 projects requiring funding, 162 required some kind of project financing, with the rest either funded via equity issuance, bonds or mergers and acquisitions (M&A).

DEAL TYPE	NUMBER OF DEALS
Project finance	162
Equity	5
Bond	3
M&A	2
Total	170

Source: Refinitiv BRI database (Up to May 9, 2019)

China is also trying to allay fears about the financing challenges facing some projects.

At the second Belt and Road Forum, Minister of Finance, Liu Kun and the People’s Bank of China (PBoC) Governor Yi spoke candidly about the debt risks associated with the initiative.

“China’s Ministry of Finance also released a debt sustainability framework for participating countries of the Belt and Road Initiative, to influence lending to low income countries,” noted Eurasia Group.

“During his keynote speech on April 26th, Xi spoke about increasing transparency and anti-corruption efforts along BRI and mentioned the new debt framework,” Eurasia Group analysts said in a note.

“These statements will be well received by some BRI countries and outside observers – already, Switzerland has reportedly agreed to sign a memorandum of understanding with Beijing on investment cooperation in third-world countries – while others, including the European Union (EU) Commission, will wait to see actual implementation of these changes.”

### Question of debt

Much has been said of China’s leveraging its influence on vulnerable emerging markets and how it could lure them into a “debt trap” that could leave them financially vulnerable to Chinese interests.

But a new report by Rhodium Group, which reviewed 40 cases of China’s external debt renegotiations, paints a different picture. Key findings of the report suggest that in most cases, debt renegotiations and distress among borrowing countries are common. The sheer volume of debt renegotiations point to legitimate concerns about the sustainability of China’s outbound lending, and more cases of distress are likely in a few years as many Chinese projects were launched from 2013 to 2016, along with the loans to finance them.

In addition, asset seizures are a rare occurrence. Debt renegotiations usually involve a more balanced outcome between lender and borrower, ranging from extensions of loan terms and repayment deadlines to explicit refinancing, or partial or even total debt forgiveness (the most common outcome).

“Finally, despite its economic weight, China’s leverage in negotiations is limited. Many of the cases reviewed involved an outcome in the favor of the borrower, and especially so when host countries had access to alternative financing sources or relied on an external event (such as a change in leadership) to demand different terms,” the report noted.

While China clearly has an interest in having some political influence in many of the countries, it has a trade relationship. Its overriding ambition is to fuel its economy, generate business and investment opportunities for its state-owned enterprises, and private sector economies.

Growth in emerging markets that have large populations, untapped reserves and exponential growth prospects are prime targets for Chinese companies that can bring in technical expertise, working capital and materials to create new revenue streams and trade flows.

“As well as forging a community of common destiny, it is more immediately about dealing with overcapacity and surplus capital at home – throwing a lifeline to the state-owned enterprises that ballooned during the boom years of China’s investment-led growth. Supported by various mechanisms of the Chinese state, many of these companies are also being helped to dominate their respective sectors as global champion,” according to [The Mercator Institute for China Studies \(MERICS\)](#), a Berlin-based, independent think tank.

It’s also an opportunity for China to build its Greater Bay Area (GBA) project, a conurbation of nine cities in the province of Guangdong, namely Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing, along with the special administrative regions of Hong Kong and Macau.

The area already has an outsized impact on the economy. The GBA is home to 70 million, or one percent of China’s landmass, but already produces 37% of the Asian giant’s gross domestic product and 12% of its exports. On its own, the GBA area is already the world’s fourth-largest exporter and the 15th largest economy in the world, surpassing Spain.

Currently, Chinese-owned companies are developing projects worth \$160 billion in the GBA region, with just under \$100 billion in Guangdong province alone.

SECTORS				
(\$bn)	Guangdong	Hong Kong	Macau	Total
Transportation	70.3	6.3	-	76.6
Power and water	27.4	-	-	27.4
Real estate	2.1	-	-	2.1
Total	99.8	6.3	-	160.1

Source: Refinitiv BRI database (Up to May 9, 2019)

However, foreign-owned companies own a mere \$8.6 billion worth of projects under way in the GBA region, highlighting the disparity between Chinese investments abroad and their willingness to allow foreign investors to take advantage of the opportunities available. Trade and investment must be a two-way street.

#### OVERSEAS PROJECT OWNERS IN THE GREAT BAY AREA (GBA)

SECTORS				
(\$bn)	Guangdong	Hong Kong	Macau	Total
Transportation	8.5	-	-	8.5
Real estate	0.1	-	-	0.1
Total	8.6	-	-	8.6

Source: Refinitiv BRI database (Up to May 9, 2019)

#### TOP 20: INVOLVEMENT OF INTERNATIONAL COMPANIES IN BRI PROJECTS

COUNTRY OF ORIGIN	# OF COMPANIES
UAE	167
Saudi Arabia	81
Egypt	66
India	65
Oman, Pakistan, Russian Federation	61 each
United States	41
Turkey	38
Sri Lanka	35
United Kingdom	33
Bangladesh	29
Spain	27
Malaysia	26
Iran	25
Germany	24
Indonesia	23
France, Greece	22 each
Italy, Singapore	21 each
Kazakhstan, South Korea	20
Belarus, Japan	19 each
Qatar	17

Source: Refinitiv BRI database (Up to May 9, 2019)



# Belt and Road could reshape the Middle East and North Africa (MENA) trade

Chinese companies are prominent players in the region's infrastructure projects

**The Middle East and North Africa (MENA) region is expected to play a central role in the connectivity agenda of China's Belt and Road Initiative (BRI). Connecting Chinese trade hubs such as Hong Kong and Shenzhen to the Egyptian Suez Canal, the UAE's Jebel Ali Free Zone and Oman's Duqm Special Economic Zone forms a crucial part of the Asian giant's overarching ambition to boost trade flows.**

With much of the Middle East region under-served on the connectivity front, what the regions needs is financial backing from deep-pocketed investors with a long-term view.

China, flush with cash, and with large state-owned enterprises such as the Industrial and Commercial Bank of China (ICBC), China Construction Bank (CCB) and the China State Construction Engineering Corporation (CSCEC) looking to develop, facilitate and bankroll infrastructure projects globally, can be afford to take a long-term view.

Last July, the Chinese president offered \$20 billion in loans and around \$106 million in financial aid to Arab states for economic reconstruction and industrial revival. Some of the loans and aid packages were earmarked for Palestine, Jordan, Lebanon, Syria and Yemen – some of the region's poor and/or troubled countries.

Middle East countries, with an eye on diversifying the economy and implement shovel-ready projects that bring jobs and investments, are emerging as eager participants in China's BRI agenda. While some projects fall within the BRI scope, Chinese contractors are also participating in a number of infrastructure projects that add to China's order books.

While China has not clearly defined which projects are within the BRI scope and which are outside, there is a sense that transportation – major road, maritime, airport and railway projects – is a crucial piece of the puzzle as China slowly realizes its ambition to connect the nearby continents.

In Oman, Duqm Special Economic Zone (SEZAD) anchored by the Port of Duqm is transforming into a strong manufacturing, logistics and innovation hub that takes advantage of its geostrategic location outside the Strait of Hormuz trade route.

The Chinese regard Duqm as an alternative route into the Middle East and African markets. As such, Wanfang China from the Ningxia Hui Autonomous Region is developing a 40,000-square-metre (sqm) Sino-Oman industrial park in SEZAD that aims to attract other Chinese companies to invest \$10.7 billion in the development.

Oman Wanfang Company plans to co-operate with Chinese investors to set up 35 projects across three locations in SEZAD in heavy industries, light and medium industries, and a tourist zone, according to a [SEZAD](#) document.

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**Growing involvement of Chinese firms in developing, financing and operating railway projects in the MENA region is expected to help China achieve the connectivity piece of its BRI agenda.**

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Similarly, Egypt's plans for Suez Canal dovetail with the sprawling BRI agenda.

China's Tianjin Economic-Technological Development Area (TEDA), a state-owned enterprise based in Tianjin, also known as, TEDA Investment Holding Co., Ltd., was one of the earliest investors in the China-Egypt joint economic cooperation zone, which takes up a third of Egypt's Suez Canal Zone and is being expanded in the second phase. TEDA is currently developing an industrial zone of 7.23 square kilometers in Ain Sokhna on the Red Sea coast, with the first phase hosting 68 enterprises engaged in various areas of production.

Growing involvement of Chinese firms in developing, financing and operating railway projects in the MENA region is expected to help China achieve the connectivity piece of its BRI agenda.

State-owned China Railway Construction Corporation (CRCC) constructed the 18.25 kilometer long elevated Makkah Light Rail project, which has helped ease traffic congestion in the holy city during the Haj season. This firm, with headquarters in Beijing, was also the civil works contractor for the first phase of the 453-kilometer high-speed Haramain High-speed Rail project, connecting Makkah and Madinah. The rail link is the first high-speed railway in the Gulf and is expected support the Kingdom's plans to attract more tourists.

In 2017, Egypt signed a \$1.24 billion light rail deal with the Aviation Industry Corporation of China (AVIC International) and [China Railway Group](#). Under the deal Egypt's National Authority for Tunnels (NAT), China's AVIC international and China Railway Group will build a 66 kilometer network with 11 stations, on which trains will run at speed of up to 120 kilometers per hour to Cairo's surrounding districts.



## Greater Bay Area (GBA): Advancing China's Belt and Road ambitions

The Greater Bay Area (GBA) project in China's backyard is a micro version of the Asian multi-continent Belt and Road Initiative (BRI)

**In many ways, China's sprawling GBA project is a microcosm of its multi-continent Belt and Road Initiative (BRI). Ambitious and large with many moving parts, the GBA comprising nine provinces and two Special Administrative Regions (SAR), aims to bolster trade and logistics infrastructure, develop a technology and financial services hub and develop human capital.**

BRI aims to do the same but across 60-plus countries.

"It (The GBA) will facilitate the advancement of the Belt and Road Initiative (BRI). By means of a two-way opening, the GBA will develop into an important support area for the convergence of the Silk Road Economic Belt and the 21st Century Maritime Silk Road," according to a Chinese [government](#) document, outlining the ambitious plan on February 18.

The GBA is a nexus of the cities of Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing in Guangdong Province, along with the SARs of Hong Kong and Macao.

The region, spanning 50,000 square kilometers, and housing a population of 70 million, had a Gross Domestic Product (GDP) of RMB 10 trillion, or 14% of China's GDP. In contrast, the BRI combines 69 countries, with a population of 4.4 billion and 70% of the world's GDP.

"The Greater Bay Area (GBA) is not only economically large but also has a number of dominant industries with distinct competitiveness globally or nationally. These are the key factors driving the regional economic development plan. Looking at the number of large enterprises, we will know the truly competitive industries from the number of small and medium-sized enterprises, while other advancing industries can be easily deducted," noted management consultancy [PricewaterhouseCoopers \(PwC\)](#).

Chinese President, Xi Jinping's dream is to leverage the GBA as a gateway to BRI. The GBA is already a highly developed transport hub, with Hong Kong considered as an international maritime centre, while the major ports at Guangzhou and Shenzhen are also seen as major trade channels. The maritime hubs and modern transportation systems are going to be further enhanced with the new railway, road, sea and air links within the cluster as part of a plan that stretches to 2035.





While the plan, which was launched in February 2019, is ambitious, it lacks in detail. There is a notable absence in tax reforms to attract investors, clarity on the delineation of responsibilities between the various municipalities and the issue of financing some of the major projects that include bridges, roads, railways, sea and airports.

“For Hong Kong, the opportunity is further integration into the booming Chinese economy, but the risk is a further loss of autonomy and independence of institutions, that could lead to a political backlash from its society,” according to the research consultancy Eurasia Group.

Hong Kong residents, who fiercely defend their arms-length autonomy with Beijing, are also worried about the reference in the GBA document of the “one country, two systems” doctrine and China’s efforts to unify the different social and legal systems.

The GBA document notes that “market connectivity needs to be further improved and efficient flow of factors of production has yet to be attained.”

Eurasia notes that GBA’s initial three-year timeline to “continue coordinating” are not likely to inspire an immediate rush of people or funds to the region. Follow-up plans from Hong Kong, Macau, and Guangdong will shed more light on GBA’s prospects. But for now, firms and investors should take a “wait and see” approach before buying into GBA’s expansive ambitions for regional integration.

The GBA is a promising and daring venture and one that can give the Chinese economy a new push as it slows down after decades of impressive growth, but investors will likely need a more defined structure before they jump into the fray.

## BRI IN CHINA’S BACKYARD: THE GREATER BAY AREA (GBA) PROJECT

Cities falling under GBA

**11**

Total population of GBA

**70 Million**

Gross Domestic Product (GDP)  
represented by GBA

**RMB10 trillion**

Total area covered by GBA

**50,000 square  
kilometers**

# Egypt and China: Closer economic ties

“Egypt should use China’s desire to be an economic and strategic partner to the country,” according to Egyptian-Chinese Business Council Vice Chairman (ECBC), Mostafa Ibrahim

**Over the past few years, Egypt has emerged as a pivotal economic and political partner for China in the Middle East and Africa region, according to the vice-chairman of the Egyptian-Chinese Business Council (ECBC).**

ECBC was established in 2014 under a decree issued by the Ministry of Trade and Industry.

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**“China is attracted to Egypt’s diversified economy and capacity to absorb huge investments, which, for example, has made Egypt the world’s third-largest producer of fiberglass”.**

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Mostafa Ibrahim told Zawya Projects that Egypt’s highly diversified economy has proven to be a magnet for Chinese investments. A report released by the Chinese Economic and Commercial Bureau in Cairo in August 2018, said Chinese direct investment in Egypt rose by an estimated \$106 million in the first half of 2017, an increase of 75% over the same period in the previous year. The biggest investors included Guangzhou Dayun Motorcycle Co., Ltd, Tianjin Economic-Technological Development Area (TEDA), New Hope Group and Angel Yeast Co., Ltd.

Ibrahim said there are about 1,200 huge companies in China looking for projects overseas while Egypt is offering 5,000 diversified projects in all fields that could potentially attract Chinese investors.

“China is attracted to Egypt’s diversified economy and capacity to absorb huge investments, which, for example, has made Egypt the world’s third-largest producer of fiberglass. There are big projects on the table and the Egyptian government is preparing to match them to Chinese companies and their capabilities,” Ibrahim said.

In September, Egyptian president Abdel-Fattah Al-Sisi’s visit to China was marked by the signing of about \$18.3 billion worth of agreements to implement seven projects in Egypt. These included a pumped storage hydroelectric project at Ataqa, the Hamrawein coal-fired power plant, a refinery and petrochemical complex at Suez Canal Economic Zone, a textile factory by the Shandong Ruyi Technology Group, a gypsum board factory by Tai Shan group and non-textile products factory by Xiamen Yanjiang New Materials.

Ibrahim pointed out that apart from mega projects, China has considerable experience in developing the small and medium enterprises (SME) sector by setting up aggregated and integrated industrial clusters.

“Egypt too needs to develop such clusters,” Ibrahim noted.

The ECBC vice-chairman noted that the trade war between China and the U.S. could benefit Egypt since Chinese companies could take advantage of Egypt’s Qualifying Industrial Zones (QIZ) agreement with the U.S. to set up operations in Egypt and thus, bypass the high taxes and fees imposed by the U.S. on Chinese goods.

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**“Egypt’s location makes the country central to China’s plans to revive trade through the restoration of the Silk Road between China, Africa and the Arab countries.”**

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During the interview, Ibrahim emphasized on the need to remove obstacles that hinder Chinese investments in Egypt, that includes bureaucracy as well as instability in currency and interest rates. On the other hand, he added, delays in processing export subsidies are a challenge to increasing exports from Egypt to China.

He also underlined the importance of Asian Infrastructure Investment Bank (AIIB) as an alternative source of multilateral finance with a more flexible and less stringent approach to investment compared to institutions like the World Bank.

AIIB has to date invested \$510 million in Egypt in the renewable energy and sanitation sectors, according to a September 2018 AIIB press statement. In December 2018, the World Bank had announced that it currently has a portfolio of 16 projects in Egypt with a total commitment of \$6.69 billion with the most recent being a \$1 billion program to support the next phase of the country's economic reforms focusing on the private sector.

Ibrahim said, "The Egyptian government should form a working group with representation from all sectors to leverage China's great financial capability and expertise in different sectors for the country's benefit."

"Egypt should use China's desire to be an economic and strategic partner, adding that Egypt's location makes the country central to China's plans to revive trade through the restoration of the Silk Road between China, Africa and the Arab countries," Ibrahim said.

In 2017, China moved up one rank to the 15th position in the list of countries investing in Egypt, according to a recent report by Egypt's State information Service (SIS). The report also said the volume of trade exchange between Egypt and China reached \$11 billion in 2017.

## BRI BENEFICIARY – CHINA BETS ON EGYPT

Value of China-Egypt Trade in 2018

**\$13.87 billion**

Area of China-Egypt Suez Economic and Trade Cooperation Zone

**7.25 square kilometers**

Chinese investment in Egypt's new administrative capital

**\$3 billion**

Chinese investments in Egypt in 2018

**\$7 billion**

# Exporting energy expertise to the Middle East

Whether it is renewable or conventional energy, China is a vital part of the supply chain catering to the Middle East's growing electricity demand

**The Middle East region has been China's primary source of energy exports for decades but the Asian giant is now returning the favor.**

Chinese companies are helping develop some of the Middle East's most ambitious renewable and conventional energy projects to meet surging demand.

Chinese expertise in building region's new energy grid is vital. The world's second-largest economy is expected to install 36% of all global hydro electricity generation capacity, 40% of all global wind energy infrastructure and 36% of all solar panels from 2015 to 2021.

"Internationally, China's Belt and Road Initiative (BRI) has continued to drive Chinese energy investments overseas," according to the [Institute for Energy Economics and Financial Analysis \(IEEFA\)](#). "The initiative already has driven \$8 billion of solar equipment exports from China and helped China become the number one exporter of environmental goods and services, overtaking the U.S. and Germany."

Last year, the United Arab Emirates (UAE) and China agreed to collaborate on renewable energy. That manifested itself in April with Dubai Electricity and Water Authority (DEWA) and Saudi Arabia's ACWA Power, teaming up with Chinese companies to build the 700 megawatt (MW) Concentrated Solar Power (CSP) project in Dubai, the largest of its kind in the world.

Industrial and Commercial Bank of China is the lead arranger and targeting a \$1.5 billion senior loan, and will play an important role, along with Bank of China and Agricultural Bank of China, to provide almost 80 percent of the senior debt for the project

"This project is a flagship project for ICBC in supporting the three major Chinese power equipment suppliers, namely Shanghai Electric, Dongfang Electric and Harbin Electric, to go abroad and break through the sophisticated and established power market," according to the companies.

Chinese companies are also building the Gulf region's first clean coal-fired power project in Dubai. A consortium of ACWA Power and China's Harbin Electric are developing 2,400 MW Hassyan clean coal, independent power project.

Chinese companies are also eyeing Saudi Arabia as it rolls out its renewable energy projects under the Vision 2030 program.

In January, Saudi Arabia said it was collaborating with China's Longi Group and South Korea's OCI Power to build a \$2 billion solar and carbon production plant in the kingdom.

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**"With this agreement, we will strengthen the ties between China and the Middle East and unlock new potential power generation opportunities in the region."**

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Meanwhile, Hong Kong-based Hanergy Thin Film Power (TFP) Group said it signed a memorandum of understanding to set up the Middle East's first thin-film solar power industrial park in Saudi Arabia at an investment of \$1 billion. In addition, Saudi-owned ACWA Power recently signed a memorandum of understanding (MoU) with China Energy Engineering Corporation to explore joint investment opportunities and cooperate on power generation and water desalination projects across the Middle East and Asia where the company operates.

"With this agreement, we will strengthen the ties between China and the Middle East and unlock new potential power generation opportunities in the region," said Paddy Padmanathan, President and CEO of ACWA Power.

Chinese companies are eyeing out many more opportunities as all the Gulf Cooperation Council (GCC) states have ambitious renewable energy targets over the next decade. According to the International Renewable Energy Agency (IRENA), the GCC states along with Egypt, have planned projects with total capacity of 19,200 MW, and have collectively set an ambitious target of expanding renewable energy capacity to 49,500 MW.

"Looking forward, the region is set to see a major acceleration in renewable energy deployment. Led by the UAE, Oman and Kuwait, nearly seven gigawatts (GW) of new renewable power generation capacity is expected to come online by the early 2020s. Plans to expand wind power, in particular in Saudi Arabia and Oman, should raise wind's share over the coming decade, although solar power will remain the dominant source of renewable energy," according to an [IRENA](#) report.





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