

THE BIG PICTURE

China Builds Trust — and Railways — in the U.A.E.

Amid the Iran panic, one of China's key partners in the Middle East, the United Arab Emirates, has been overlooked.

BY HANNAH REALE — APRIL 11, 2021



State-owned Chinese and Emirati businesses have reached multi-billion dollar deals in energy and infrastructure.

Credit: [ADNOC](#)

In March, the West sounded the alarm over China's [\\$400 billion deal](#) with Iran, worrying that the United States was losing influence in the region to China. But observers have largely overlooked China's deepening relationship with the United Arab Emirates.

The United Arab Emirates and China have close ties that reach beyond a mutually beneficial economic relationship. China is the Emirates' biggest trading partner. Their shared finances include a series of [2018 agreements](#), as well as a [\\$10 billion investment fund](#) backed by the countries' state-owned and sovereign wealth funds. The U.A.E. also uses Huawei equipment in its 5G networks, a decision [reported on](#) in early 2019 as a break from the United States. There are also a significant number of Chinese ex-patriates living in the Emirates,¹ and several Chinese state-owned enterprises (SOEs) have set up offices in the country as a home base for projects in the Middle East.

The pandemic has seemingly brought the two countries even closer, or at least revealed the depth of their relationship. In March, the U.A.E. announced that one of the Chinese Covid-19 vaccines would be [manufactured in the U.A.E.](#) for distribution in the region. "The U.A.E. has really, really become pretty important to China in the Middle East," says [Jonathan Fulton](#), a nonresident senior fellow with the Atlantic Council who studies China's relationship with the Gulf. "This is a really big deal because this shows a level of political trust that China doesn't really have with any other countries in the region."

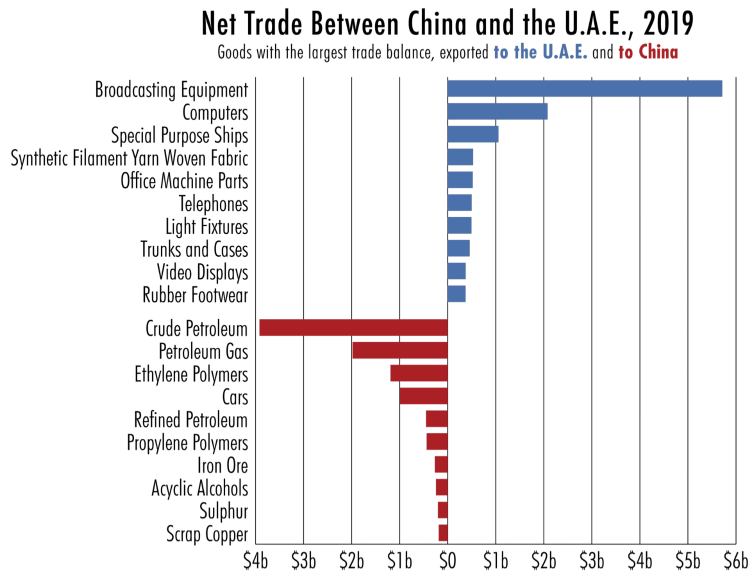
This week, *The Wire* examines the relationship between China and the United Arab Emirates, looking at trade, investments, and other major projects — largely driven by state-owned companies on both sides.

Imbalanced Trade Flows

The Emirates' business-friendly environment and position as a key re-exporting point also contributes to its deepening relationship with China. "It's the only significant Gulf country that actually has a trade imbalance that consistently works in China's favor because they import so much stuff from China and then redistribute around the region," Fulton says.

Exports to the Emirates therefore may not reflect what Chinese goods Emiratis are actually consuming. Twenty-seven percent of goods imported from China were re-exported in 2019, according to [U.A.E. customs data](#).² As a result, imported goods show the needs or appetites of Europe and the Middle East in addition to the Emirates themselves.

China's thirst for oil increased in 2020, when energy prices were low and there was room [to stockpile](#). The United Arab Emirates was China's [seventh largest supplier](#) of crude oil in 2020 — it sent China over 31 million metric tons, more than double 2019 figures.

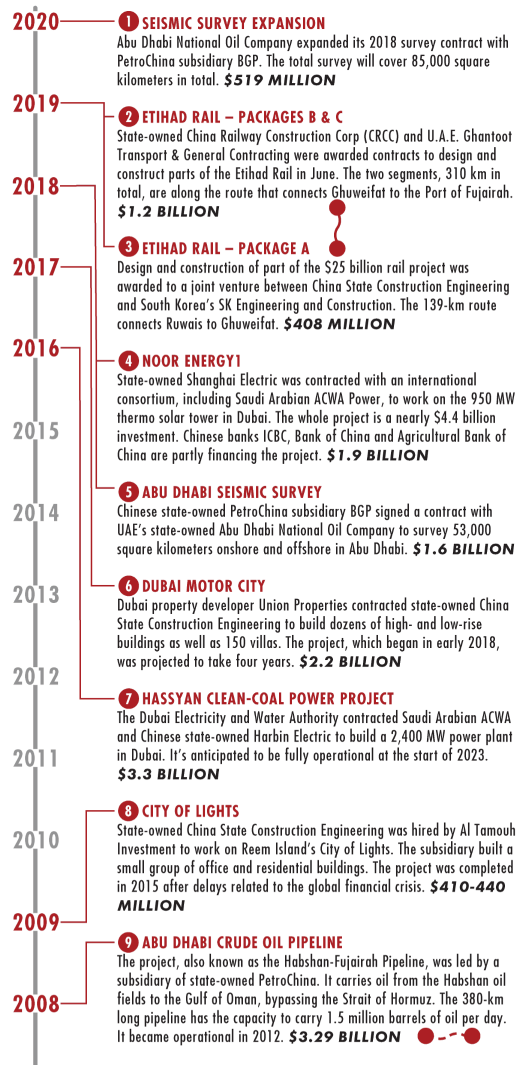


Data: UN International Trade Statistics, via [OEC](#)

Building Connections

The Chinese relationship has expanded beyond the key city of Dubai in recent years. One significant project is the Etihad Rail that crosses across the Emirates. It's a significant portion of the Gulf Railway, a 2,500-km project to connect Gulf Cooperation Council [member states](#). China Railway Construction (CRCC) and China State Construction Engineering (CSCEC)³ both secured major contracts on its construction, which is shown with the solid red line on the map.

See more of the U.A.E. projects with Chinese backing, spanning energy, transport, and construction.



Data: AEI and Heritage Foundation's [Global Investment Tracker](#); company press releases

Bankrolling Energy and Trade

China's biggest investments in the Emirates are largely driven by state-owned companies.

One key project is the [Khalifa Port](#), situated between Dubai and Abu Dhabi, which began operations [in 2012](#).

Chinese Investments and Joint Ventures in the United Arab Emirates

Year	Chinese Funders	Emirati Companies	Cost (millions)	Description
2019	Roadbot Tire	Abu Dhabi Ports	\$614	Roadbot is constructing a tire production plant in KIZAD's China-UAE Industrial Capacity Cooperation Demonstration Zone. The project is part of the 50-year agreement between Jiangsu Provincial Overseas Cooperation and Investment Company (JOCIC) and Abu Dhabi Ports. At full capacity, it is expected to produce 11 million tires annually. Construction started in January 2019 and the plant was supposed to be operational in October 2020, but has yet to come online.
2018	CNPC (PetroChina)	Abu Dhabi National Oil Company	\$1,750	PetroChina paid the Abu Dhabi National Oil Company (ADNOC) a total of 1.75 billion for two 10 percent stakes in offshore oilfield concessions. The two oilfields are the Umm Shaif and Nasr concession and the Lower Zakum concession. The agreements have 40-year terms.
2018	Silk Road Fund	Noor Energy 1	\$930	The Silk Road Fund bought a 24 percent stake in the 950MW NOOR Energy 1 thermo solar tower project, which is being constructed, in part, by Shanghai Electric. The fund is backed by Chinese sovereign wealth funds State Administration of Foreign Exchange and China Investment Corporation, as well as state-owned Export-Import Bank of China and China Development Bank.

2017	CNPC (PetroChina)	Abu Dhabi National Oil Company	\$1,770	PetroChina purchased an 8 percent stake in the ADCO onshore oil concessions, which allows PetroChina to explore oil and produce in the region for 40 years. Other companies that invested in the oilfields include Chinese CEFC, which took a 4 percent stake in 2017, and American BP, which owns a 10 percent stake.
2017	CEFC	ADNOC	\$888	CEFC purchased a 4 percent stake in ADNOC-owned oilfields, ahead of the 8 percent stake that PetroChina purchased later that year. It is unclear if CEFC still owns the stake, or if it's been re-sold.
2017	Jinko Solar	Noor Abu Dhabi Solar	\$170	Jinko Solar, the world's largest solar company, bought a 20 percent stake in Noor Abu Dhabi Solar, a 1.2GW project in Abu Dhabi. It began commercial operations in June 2019.
2017	Jiangsu Overseas Cooperation and Investment-led consortium	Abu Dhabi Ports	\$300	The consortium signed a 50-year agreement for 2.2 square kilometers in the Kizad (Khalifa Industrial Zone Abu Dhabi), which it will in turn lease out to various industries.
2016	Harbin Electric	ACWA, DEWA	\$690	Harbin Electric owns a significant stake in the 2.4GW "Hassyan Clean Coal Power Project" in Dubai, which it also helped construct. Other investors include Saudi Arabian ACWA and the Emirati Dubai Electric and Water Authority (DEWA).
2016	COSCO	Abu Dhabi Ports UAE	\$670	State-owned China Ocean Shipping (COSCO) formed a joint venture with Abu Dhabi Ports UAE through a subsidiary. The entity is building and operating Khalifa Port Container Terminal 2, and the agreement is set to last 35 years. COSCO controls 90 percent of the joint venture.
2013	CSCEC	Viceroy Dubai Palm Jumeirah	\$450	State-owned China State Construction Engineering was the lead contractor on the Viceroy Hotel Project in Dubai, now owned by SKAI Holdings. The company also took a 45 percent stake in the hotel, according to AEI. It completed construction on the 60-story tower in 2016.

Data: [AEI](#), company press releases



Hannah Reale is a staff writer with *The Wire*. Previously, she reported for the GBH News Center for Investigative Reporting, *The West Side Rag*, and her college newspaper, *The Wesleyan Argus*. [@hannahereale](#)

COVER STORY



Pole Position

BY EYCK FREYMAN

In public, Chinese diplomats and climate negotiators deny that they see any link between climate change and geopolitics. But there is a deeply cynical consensus within China's academic and policy communities that climate change creates geopolitical opportunities that China can exploit — and must exploit before its rivals do. Greenland was the proof of concept for this strategy. And it caught the U.S. flat-footed.

THE BIG PICTURE



Transsion's Triumph

BY GARRETT O'BRIEN

A look at Transsion's monumental growth, unique marketing strategies and future growth potential.

Q & A



Jörg Wuttke on China's Self-Destruction

BY ANDREW PEOPLE

The EU Chamber of Commerce in China president talks about China's self-inflicted problems; how he gets away with being so outspoken; and why he believes in China's comeback gene.



**Visit News
Products Store**

News Products

Our best open-source research on Chinese companies, as well as industry guides to 100 of the most influential people in a China-focused industry.

The Wire China Archives

[Read More Articles >](#)

The Wire *China*

[Your account](#)

[About Us](#) [Archives](#) [Contact Us](#)



[Terms of Service](#) | [Privacy Policy](#) | ©2022 The Wire