

The firms questioned do not see project financing as a major problem. In the petroleum sector, the foreign exchange is provided if the project can be shown to be a priority. One firm did suggest that this may change for capital intensive projects such as the gas pipeline from the Hainan Island offshore discovery. It should also be noted that several international banks are actively involved in providing commercial project financing in China.

Chinese imports of equipment and services in the oil and gas sector have grown significantly in recent years and exceeded US \$1.0 billion in 1985. Exports from Canada were 5-6% of that amount. Given a sustained effort by Canadian exporters this percentage can be increased to 10%. Based on annual imports in the range of US \$2 billion, as foreseen by the World Bank, Canadian sales of petroleum sector services and equipment could reach \$150 million by 1990, \$200 million by 1995 and \$250 million by 2000.

C. PREVIOUS PATTERNS AND EXPERIENCE OF OTHER EXPORTERS

Data are not available to give a full breakdown of imports by source country. The US and Japan are the two major suppliers and they have targeted China as a desirable market. Japan views China as a major market for obvious regional reasons and a large portion of its exports to China are based on countertrade. China exports oil to Japan in return for specialty steels and equipment. The US has global strategic reasons for strengthening commercial ties with China as a balance to the influence of the USSR, particularly in light of the recent thaw in relations between China and the USSR. In 1985, exports of equipment alone from the US amounted to over US \$ 200 million. Other countries actively pursuing the petroleum sector in China are the UK, France, and Norway.

The import of oilfield services has increased in recent years and the attached chart from the China Business Review (Jan.-Feb. 1985) illustrates the type of services and the source country. This list is not complete.

D. PERCEIVED STRATEGIES OF COMPETITORS

The feedback from Canadian firms indicates that competitors to Canada are following the strategy of providing financing for feasibility studies so that firms can be in line for projects. It was also noted that firms wishing to sell equipment are often willing to donate one unit or use a unit to demonstrate a technology without charge in order to secure orders. There is also a suspicion of under-pricing on a first order in order to gain access to the market.

The French and Norwegian governments have financed consultants who have provided advice to MPI on how to restructure the industry, including advice on regulations and exploration/production agreements. This strategy is also being used by the Americans with regard to onshore exploration regulations. The US Department of Commerce sponsored a seminar on contracting in November 1985. It was well received by MPI and the China National Oil Development Corporation (CNODC) which has exclusive jurisdiction over onshore development with foreign companies. This high-level contact is viewed by Canadian industry as being effective.