

Opportunities and Challenges in the Internationalization Development of Chinese Petroleum Enterprises

Mingzhu Du

School of Foreign Languages, Southwest Petroleum University, Chengdu 610500, China

Abstract: Chinese petroleum enterprises are going to embark on the international development road due to increased demand for petroleum resources and a shortage of domestic resources. The turbulent international situation and the domestic “carbon peaking and carbon neutrality goals” policies are both challenges and opportunities for Chinese petroleum enterprises to “going global”. The purpose of this paper is to analyze the challenges and opportunities faced by Chinese petroleum enterprises in their international development and try to find corresponding solutions.

Keywords: Chinese petroleum enterprises, International development, Challenges and opportunities.

1. Introduction

Petroleum-centered energy resource is the lifeblood of modern industry and the world economy. China represents the world’s largest consumer and importer, ensuring petroleum supply has a vital bearing on its strategic interests (Zhang Lu, Hui Ning, 2018). According to the Statistical Review of World Energy (2021 70th edition), the world’s known petroleum deposits are 1.7324 trillion barrels, of which the Asia-Pacific region accounts for only 2.6 percent, and the Middle East, as well as Central and South America, account for as much as 48.3 percent and 18.7 percent. The global petroleum import volume is 65,061 thousand barrels per day, and China accounts for 19.8 percent or 12,865 thousand barrels per day. Global petroleum consumption was 88,477 thousand barrels per day, with Asia Pacific accounting for 38.0 percent, or 33,615 thousand barrels per day, of which China was the major consumer in Asia Pacific with 14,225 thousand barrels per day [25]. China’s primary energy demand grows by 2.1 percent in 2020, driven by a favorable economic recovery in the post-epidemic era. China is one of the few countries where energy demand is growing and witnessing the largest absolute upward trend globally [26]. China is the world’s largest energy producer, consumer, and importer, with growing demand for petroleum resources for its economic development, but its own resources are lacking and it is dependent on imports, with overall demand outstripping supply. By the end of 2019, China had 3.6 billion Mt of recoverable petroleum reserves, 19.10 billion Mt of petroleum production, 505.72 Mt of crude petroleum imports, 0.88 Mt of exports, 504.84 Mt of net imports, and 692.1 Mt of consumption, with external dependence of 73.0 percent. The soaring external dependence on crude petroleum means greater supply risk, price risk, as well as geopolitical and diplomatic risk [27]. On the one hand, China’s petroleum resources are in short supply and heavily dependent on imports, on the other hand, China’s economic development has increased the demand for petroleum resources, so China put forward the initiative of “the Belt and Road” in 2013, and petrochemical enterprises responded positively, which is the “B&R” initiative. The petrochemical industry is the core industry of the “B&R” initiative. Based on this, this paper

attempts to discuss the challenges and opportunities encountered by Chinese petroleum enterprises in the process of “going global” in order to promote the international development of Chinese petroleum enterprises “going global”.

2. Challenges Encountered by Chinese Petroleum Enterprises in “Going Global”

2.1. Great Power Game

The Middle East is the richest region in the world in terms of petroleum resources and the most important petroleum-producing region in the world. It is strategically located in an important transportation and trade corridor where Asia, Europe, and Africa meet, so the region has always been a hot spot for great power games. After the collapse of the former Soviet Union, the Central Asian region has been under the joint control of major world powers such as the United States, Russia, Japan and India, and the European Union. Russia, which inherited the political legacy of the former Soviet Union, has always considered Central Asia to be its important strategic backbone, and in 2011, Russia proposed the Eurasian Economic Union to maintain and strengthen its economic and political influence in the former Soviet Union. cooperation of countries along the route also has a certain negative impact, which is backed by the intervention of various forces such as the United States, Russia, the EU, and the Gulf Organization, while the United States, Japan, and the EU have also been actively involved in energy development in the Middle East, Central Asia, and other regions, all of which bring serious challenges to China’s petroleum investment cooperation with petroleum resource countries [23]. In addition, the relationship between China and the United States has changed significantly as China’s economy continues to develop, its comprehensive national power grows, and its international status increases. The United States sees China as its main competitor, and trade mojo between China and the United States is difficult to avoid. In order to block China’s development, the United States will join its allies to interfere with China’s petroleum and energy cooperation with Middle East and Central Asian countries, which adversely affects China’s petroleum and gas security

and the development and cooperation of petroleum and energy resources.

2.2. International Political Instability

Russia is the world's second-largest crude petroleum exporter after Saudi Arabia, crude petroleum exports accounted for 12 percent of the total global crude petroleum exports. Therefore, since the outbreak of the Russia-Ukraine conflict, the United States and other Western countries have taken the opportunity to sanction and isolate Russia, Russia's energy exports will face greater difficulties, and the international energy market is difficult to find sources to make up for the vacancy in Russia's energy exports in the short term, leading to the rise in the price of petroleum-based energy. Moreover, the rise in energy prices has led to greater instability in the global energy market. Some energy exporting countries hope that the high price situation will continue and maintain their existing production capacity; other countries hope that they can quickly capture Russia's original energy export market and expand their business in the face of sanctions against Russian energy. At the same time, Russia's huge export volume in petroleum will still leave a large gap in the international energy market when Russian energy is under sanctions, resulting in an imbalance between supply and demand in the global energy market. Although China and Russia have signed a long-term agreement on petroleum and gas supply, as the war continues, coupled with the gradual adaptation of U.S. and European measures to sanction Russian energy trade by the EU, it is likely that the West will reach further consensus as it did with Iran sanctions, which will put enormous pressure on China. In addition, the U.S. government has been trying every possible way to force China to take a political stand. In this case, there will be a big gap in all Chinese petroleum imports, bringing great uncertainty to the domestic petroleum supply [20].

2.3. International Petroleum Enterprises competition

As a basic energy source, petroleum is widely used in various fields, not only as an important fuel but also as a synthetic fiber, plastic, pesticide, fertilizer, medicine, etc. It has become a necessity of human social life, and people cannot live without petroleum for clothing, food, housing, and transportation [3]. In addition, it also has characteristics of economic, political, and metallic properties, and is an important strategic resource. Many important historical events in international modern history are directly or indirectly related to the competition for the control of petroleum resources, and petroleum is often used as an important means to deal with international economic and diplomatic relations in contemporary international relations [23].

China, the world's largest petroleum consumer and importer, has joined the production, processing, and marketing of transnational petroleum in order to ensure its energy security. Although China National Petroleum Corporation (CNPC) and Sinopec are in the leading position internationally in terms of enterprise-scale as well as overall corporate strength, there is still a large gap between the large petroleum enterprises in Western countries. The production and markets of Chinese petroleum enterprises are still mainly domestic, while large petroleum enterprises in Western countries are experienced in overseas operations and have a mature industrial chain of petroleum exploration, extraction,

gathering, transmission, refining, and marketing, and have comparative advantages in rule-making and application of international energy cooperation. In the process of "going global", Chinese petroleum enterprises, which have been growing up in the cracks of the international petroleum industry, are bound to touch the original interest pattern and cooperate with other large international petroleum enterprises, while facing more intense competition with large international petroleum enterprises.

2.4. The Shortage of International Talent

China's booming economy has produced a large number of multinational enterprises, but due to the relative lack of experience in international operations of Chinese enterprises, not enough attention has been paid to the improvement of corporate image and dealings with trade unions, including Chinese petroleum enterprises, which, coupled with the state-owned attributes of Chinese petroleum enterprises, have also caused some of the international community in the process of "going global" to This, coupled with the state-owned nature of Chinese petroleum enterprises, has led to slander and suspicion from some parts of the international community in the process of "going global" and has spread rumors that Chinese petroleum enterprises control local resources and pose a threat to their national economy and security, which has had a negative impact on the normal investment and cooperation of Chinese petroleum enterprises. Today, petroleum-rich countries are concentrated in the Middle East and Central Asia, where ethnic and religious conflicts, extremist forces, and nationalism are prominent and political instability is high. This is detrimental to the profitability of Chinese petroleum enterprises and an obstacle to the international development of Chinese petroleum enterprises.

3. The Opportunities Faced by Chinese Petroleum Enterprises in "Going Global"

3.1. National Policy Support

The Chinese government has always encouraged domestic petroleum and gas enterprises to expand their investment projects in petroleum and gas resources overseas. Since China proposed to build "the Silk Road Economic Belt and the 21st-Century Maritime Silk Road" in 2013, more than 100 countries and international organizations have participated in "the Belt and Road" cooperation. China has signed cooperation agreements with more than 30 countries along "B&R", and carried out international production capacity cooperation in the field of petroleum and energy with more than 20 countries. Specifically, it has first promoted bilateral cooperation. As of mid-2016, China has issued joint statements with 56 countries and regional cooperation organizations to dovetail with the "B&R" initiative, established bilateral joint working mechanisms; has signed FTA agreements with 11 countries along the "B&R". Secondly, we have deepened multilateral cooperation. Around the "the Belt and Road" initiative, we have strengthened cooperation with the Shanghai Cooperation Organization, 16+1 Cooperation between China and Central and Eastern European Countries (China-CEEC Cooperation), China-ASEAN 10+1, China-GCC, and other organizations and docking mechanisms, so that the "B&R" cooperation concept is fully understood by all parties concerned. This has led more countries and regions to participate in the

construction of “the Belt and Road”. In this context, the strengthening of China’s foreign petroleum investment cooperation will enable Chinese petroleum enterprises to think about their international development strategies from a broader perspective and in a larger market. In addition to achieving the development of petroleum enterprises themselves, they can also meet the national economic development needs for energy resources.

3.2. Stable and Large Domestic Market

The financial crisis in 2008 and the outbreak of the novel coronavirus pneumonia in 2020 have hit the global economy hard, and most countries have not yet fully recovered their national strength. With the advantages of the socialist system and socialist market economy, China’s economy has gradually recovered and has been maintaining stable growth. Although the country’s petroleum and gas resources are relatively short, the consumption demand is increasing with the rapid economic growth, making the external dependence on petroleum and gas resources also increase year by year. The Statistical Review of World Energy (2021 70th edition) reveals that primary energy consumption in 2020 declined by 4.5 percent, the first decline in energy consumption since 2009, with petroleum occupying the largest share of the energy mix at 31.2 percent and an overall decline of 9.7 percent in petroleum consumption, while China was the only major country with growth in energy consumption in 2020. This shows that the huge domestic consumer market provides a constant impetus as well as a strong economic foundation for China to expand its international petroleum collaboration.

3.3. Demand from Petroleum-Resourced Countries

The petroleum resource countries, mainly in the Middle East, are rich in resources, their economies are highly dependent on petroleum, and their economic structure is mainly based on petroleum development, which is relatively single, and some countries are relatively backward in development, with limited capital and technology. Most of China’s petroleum enterprises are state-owned enterprises, which have complete petroleum industry chain technology, huge production, and supply capacity of supporting equipment, and strong capital, and Chinese petroleum enterprises have accumulated rich experience in developing low-grade petroleum fields and have world-leading series of technologies for developing low-grade petroleum reservoirs. The development of the petroleum industry in the countries along the route.

4. The Countermeasures for the Internationalization Development of Chinese Petroleum Enterprises

4.1. Careful handling of relations with major countries

Pay attention to the development of great power diplomacy, and prudent handling of relations with the United States, Russia, Japan, and other countries. With the development of the momentum of political economy and economic politicization, petroleum security is not only an economic issue but also a political and military issue. The United States controls the main source of petroleum and sea transport lines, maintains good relations with the United States, is to ensure

the security of China’s petroleum supply is an important prerequisite. Russia’s petroleum supply can help reduce China’s dependence on Middle East petroleum, and the proximity of China and Russia can avoid the risks of long-distance sea transportation. The dispute between Japan and China over petroleum and gas resources in the Diaoyu Islands and the East China Sea affects the development and utilization of China’s marine petroleum resources and must be resolved through diplomatic negotiations [12].

4.2. Diversification of Petroleum Sources

Due to the volatile international political situation and the impact of uncontrollable factors such as epidemics, the business risks of petroleum companies are always everywhere. Especially at present and in the foreseeable future, there is a general excess capacity of international petroleum technical services, and the competition in the international petroleum technical services market will be very fierce. Moreover, most petroleum-exporting countries are generally facing problems such as weak petroleum exploration and development and utilization, rough development of the petroleum industry, etc. China has many experienced petroleum exploration and development technicians and petroleum management personnel after years of development, and there are obvious complementarities between the two sides in terms of professional and technical talents and capital. To this end, Chinese petroleum companies are actively exploring overseas petroleum markets, developing international cooperation with petroleum-exporting countries, and taking the road of international development. Strengthen cooperation with the Middle East, Central Asia, Africa, and Southeast Asian countries. Diversified petroleum sources can effectively resolve the security risks arising from high foreign petroleum dependence. China’s external dependence on petroleum reached 25 percent in 2000 and will be close to 50 percent in 2020. If the source of petroleum imports is diversified, even if the external dependence is high, the risk can be dispersed and the insecurity of petroleum supply can be reduced. China’s petroleum imports from a single source and reliance on the contradictory Middle East are major hidden dangers for China’s petroleum security. Central Asia has geopolitical advantages and high transportation security and is an important source of petroleum supply for China in the future. The African region is also an important part of China’s future petroleum source diversification [12].

4.3. Improve the comprehensive strength of domestic petroleum

The competition in the international petroleum market is more intense than that in the domestic market. In order to compete with international petroleum enterprises and grasp the pulse of the international market, Chinese petroleum enterprises need to improve their comprehensive strength according to their own actual situation. First, increase domestic exploration and development efforts, by maintaining the stability of domestic petroleum production to stabilize the development of China’s petroleum enterprises, and to achieve the strategy of petroleum reserve reserves. Secondly, petroleum enterprises should adjust the structure, optimize the allocation of resources, integrate the overall business, adjust the investment of funds, increase the investment in petroleum exploitation technology and innovation, eliminate the backward productivity, make the beneficial circulation development of enterprises, and

promote the optimization and upgrading of the overall structure. Finally, we can merge with foreign enterprises quickly, learn the advanced points of foreign petroleum enterprises, speed up the pace of integration of superior resources, and actively transform into a comprehensive integrated technical service company by means of capital management such as mergers and acquisitions. On the other hand, expand the breadth and depth of technical service, strive to improve the comprehensive technical serviceability of enterprises, improve the competitiveness of enterprises' comprehensive integration, and maximize the overall competitive advantage.

4.4. Cultivate petroleum industry talents with cross-cultural competence

Petroleum enterprises and petroleum colleges should strengthen the cultivation of high-quality petroleum industry talents with cross-cultural communication skills. Universities that are tasked with cultivating intercultural talents should strengthen the reform of the education and management system, consider the realistic needs of intercultural talents cultivation in the construction of the "B&R", continuously strengthen international awareness, open the international vision of talents cultivation from the perspective of the overall situation, and further establish the concept of international talents cultivation. First, optimize the curriculum. In addition to teaching petroleum-related courses and strengthening foreign language training, universities should add courses such as intercultural communication, so that students can understand the political system, legal system, and business environment of petroleum resource countries in "the Belt and Road" and other cultural knowledge to improve the intercultural communication ability of petroleum students [15]. Second, build an excellent faculty. Universities should adhere to the strategy of "bringing in" and "going global" of intercultural talents, expand the recruitment of talents for the countries along "the Belt and Road" construction, and explore and reuse the excellent [2]. In addition, students are encouraged to participate in cross-cultural activities and training. For example, let petroleum majors exchange foreign languages with foreign language majors and international students to improve their speaking skills; organize students to participate in cross-cultural knowledge competitions in different countries to improve their cross-cultural knowledge during school to lay a good foundation for overseas employment.

Enterprises have increased their cooperation mechanisms with petroleum colleges and universities to provide students with overseas internship opportunities so that they could apply their knowledge of cross-cultural communication, seamlessly link to the workplace after graduation, and adapt to the workplace more quickly. In addition, by developing a multimodal learning model through school-enterprise cooperation, a combination of classroom teaching, online learning, and field internships in three dimensions, country studies are conducted to introduce topics such as history, politics, economy, customs, social practices, communication skills and religious beliefs of countries along the route, providing construction talents with cross-cultural knowledge and communication skills of the countries where the projects are located.

5. Summary

With the increasing demand for petroleum resources in China's economic development, it is imperative for Chinese petroleum enterprises to develop internationally. However, Chinese petroleum enterprises face many challenges in the process of going global, such as political games between great powers, fluctuations in petroleum prices due to international political turmoil, competition with experienced foreign enterprises, and the lack of cross-cultural talent in the internationalization process. However, there are also opportunities, such as government policy support for petroleum enterprises, stable and large domestic markets as a supporter, and demand from petroleum-resourced countries. After analyzing the above factors, this paper proposes responsive solutions, such as being cautious in our approach to great power relations, developing diversified international strategies to alleviate the hindrance of world powers, improving the comprehensive strength of domestic petroleum enterprises in order to compete with international petroleum enterprises, and cultivating talents with cross-cultural communication skills to facilitate the international development path of petroleum enterprises.

References

- [1] Deardorff D K. Identification and assessment of intercultural competence as a student outcome of internationalization. *Journal of Studies in International Education*. (2006) No.03, p. 241-266.
- [2] Chen Meng. Cultivating Cross-cultural Talents to Boost the Construction of "the Belt and Road". *People's Tribune*. (2018) No.16, p. 244-245.
- [3] Dong Lingyun. Global Strategic Position of Petroleum Resources and China's Petroleum Security. *Practice in Foreign Economic Relations and Trade*. (2013) No.6, p. 18-21.
- [4] Fan Linyan. An Analysis of the Cultivation of Internationalized Technical and Technical Talents under the Background of "the Belt and Road" initiative. *Education and Vocation*. (2020) No.21, p. 108-112.
- [5] Fu Ying. Strengthen international communication to better shape the image of China. *People's Tribune*. (2021) No.31, p. 6-9.
- [6] Guo Min¹, Li Xiaofeng², Cheng Jian³. The Risk and Countermeasures of Chinese Enterprises "Going out" under the "the Belt and Road" Construction. *Journal of Northwest University (Philosophy and Social Sciences Edition)*. Vol. 49 (2019) No. 06, p. 88-93.
- [7] Guo Xiaopeng¹, Zhang Jinsuo², Li Deqiang³, et al. Comparison of oil and gas resources cooperation risk between China and central Asian countries. *Journal of Xi'an University of Science and Technology*. Vol. 38 (2018) No. 05, p. 837-844.
- [8] Hu Wenrui¹, Bao Jingwei². Development trends of oil industry and China's countermeasures. *Journal of China University of Petroleum (Edition of Natural Science)*. Vol. 42 (2018) No. 04, p. 1-10.
- [9] Li Caixia. Connotation and Cultivation of Cross-cultural Awareness of Talents under the Background of "the Belt and Road" initiative. *Social Sciences in Guangxi*. (2017) No. 05, p. 199-204.
- [10] Liu Yiting. An Analysis of the Development Strategy of Internationalized Talent Resources in Petroleum Enterprises. *Dongyue Tribune*. Vol. 35 (2014) No. 05, p. 181-184.
- [11] Pan Zhen¹, Yang Liu², Yin Huafang³. The effect of Chinese Enterprises Internationalization on Corporate Social

- Responsibility. *Business and Management Journal*. Vol. 42 (2020) No. 09, p. 27-48.
- [12] Shi Jieli. Petroleum Game Between Great Power and Considerations of China's Petroleum Security. *Journal of Socialist Theory Guide*. (2005) No. 12, p. 59-61.
- [13] Su Maoqiong. Adapt to the Development of Knowledge Economy and Cultivate High-Quality Staff in Petroleum Enterprises. *Theory Journal*. (2004) No. 01, p. 124-125.
- [14] Song Chen. Research on Overseas Investment of Chinese Oil Field Service Enterprises. *Journal of Hebei University of Economics and Trade*. Vol. 37 (2016) No. 01, p. 98-101.
- [15] Wang Lian. The Cultivation of Business English Talents and the Introduction of Intercultural Communication. *Chinese Talents*. (2012) No. 08, p. 176-177.
- [16] Wang Lin. A Tentative Discussion on the Cultivation of Internationalized Talents of Petroleum Major from the Perspective of "the Belt and Road" initiative. *China Adult Education*. (2016) No. 22, p. 153-156.
- [17] Wang Yue. Analysis and Evaluation of Oil and Gas Investment Environment in Major Countries of "the Belt and Road" initiative. *Journal of Industrial Technological Economics*. Vol. 35 (2016) No. 09, p. 118-127.
- [18] Wang Jianzhong¹, Li Fubing², Huang Shujun³, et al. The oil and gas cooperation progress and proposals of countries of the Belt and Road. *China Mining Magazine*. Vol. 28 (2019) No. 02, p. 18-24.
- [19] Wang Zhen¹, Dong Xuan². The Prospects and Suggestions of Oil and Gas Cooperation in Central Asia under the Background of "the Belt and Road" initiative. *Oil & Gas Storage and Transportation*. Vol. 39 (2020) No. 01, p. 9-15.
- [20] Xue Ming¹, Lu Mingxia², Zhang Xiaofei³, et al. Suggestions on Green and Low-carbon Development of Oil and Gas Industry under the Target of Carbon Peak and Carbon Neutralization. *Environmental Protection*. Vol. 49 (2021) No. Z2, p. 30-32.
- [21] Yao Changjia¹, Wang Qiang². The Investment Choice of Chinese Oil and Gas Enterprises in Central Asia and Russia. *China Opening Journal*. (2018) No. 02, p. 110-112.
- [22] Yu Peng. The Impact of Russia-Ukraine Conflict on China's Energy Trade and Countermeasures. *Prices Monthly*. (2022) No.09, p. 73-77.
- [23] Yuan Wenxin. Cultural Conflicts and Fusion Faced by Enterprises "going global" in China —— The Exploration Experience of Sinopec Zhongyuan Oilfield. *People's Tribune*. (2018) No. 27, p. 120-121.
- [24] Zhang Laibin. Serving the National Major Strategy and Actively Cultivating International Petroleum Talents. *China Higher Education*. (2009) No. Z3, p. 40-42.
- [25] Zhang Lu¹, Hui Ning². Opportunities and Challenges for China's Foreign Oil Investment Cooperation under the Background of "the Belt and Road" initiative. *Practice in Foreign Economic Relations and Trade*. (2018) No. 01, p. 78-81.
- [26] Zhang Weiqun. Multinational operation of energy enterprises and the implementation of "going global" strategy-taking oil enterprises as an example. *People's Tribune*. (2014) No. 02, p. 78-80.
- [27] Information on: https://www.bp.com/content/dam/bp/country-sites/zh_cn/china/home/reports/statistical-review-of-world-energy/2021/Statistical-Review-of-World-Energy-2021-China.pdf
- [28] Information on: <https://www.efchina.org/Attachments/Report/report-lceg-20210430-3/2020%E8%83%BD%E6%BA%90%E6%95%B0%E6%8D%AE.pdf>
- [29] Information on: <http://www.sic.gov.cn/News/456/8931.htm>
- [30] Information on: http://www.gov.cn/xinwen/2017-06/20/content_5203985.htm